Sunrise Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter Ended 17th October 2022

	Group		Bank	
Assets	**This Quarter Ending**	**Immediate Previous Year Ending**	**This Quarter Ending**	**Immediate Previous Year Ending**
Cash and cash equivalent	6,022,244,423	9,470,995,312	5,997,494,765	9,454,671,142
Due from Nepal Rastra Bank	6,014,719,115	4,897,685,330	6,014,719,115	4,897,685,330
Placements with Bank and Financial Institutions	2,422,067,001	290,084,603	2,132,067,001	-
Derivative financial instruments	59,084,109	1,138,836	59,084,109	1,138,836
Other trading assets	63,555,002	64,780,191	-	-
Loan and advances to B/FIs	2,831,106,739	2,979,430,579	2,831,106,739	2,979,430,579
Loan and advances to customers	119,371,655,177	119,859,505,714	119,371,655,177	119,859,505,714
Investment Securities	25,080,370,375	28,328,940,594	25,080,370,375	28,328,940,594
Current tax assets	393,278,801	472,374,223	394,211,311	459,824,450
Investment in subsidiaries	-	-	261,308,369	261,308,369
Investment in associates	-	-	-	-
Investment property	852,130,369	844,096,900	852,130,369	844,096,900
Property and equipment	814,582,326	821,775,932	807,966,917	815,616,656
Goodwill And intangible assets	8,226,040	8,645,506	7,807,375	8,175,426
Deferred tax assets	13,324,174	4,130,167	-	-
Other assets	1,704,269,846	1,075,030,965	1,684,055,856	1,062,036,539
Total Assets	**165,650,613,497**	**169,118,614,852**	**165,493,977,478**	**168,972,430,535**
Liabilities				
Due to Bank and Financial Institutions	7,313,146,275	3,327,182,248	7,313,146,275	3,327,182,248
Due to Nepal Rastra Bank	5,176,892,627	7,292,463,412	5,176,892,627	7,292,463,412
Derivative financial instruments	-	-	-	-
Deposits from customers	125,195,265,123	131,247,879,310	125,393,192,091	131,606,256,883
Borrowing	3,770,910,000	3,655,080,000	3,770,910,000	3,655,080,000
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	8,816,279	29,977,990	8,816,279	29,977,990
Other Liabilities	3,511,504,756	3,018,248,007	3,179,998,672	2,527,761,945
Debt securities issued	3,991,791,533	3,990,928,522	3,991,791,533	3,990,928,522
Subordinated Liabilities	-	-	-	-
Total Liabilities	**148,968,326,594**	**152,561,759,488**	**148,834,747,478**	**152,429,651,000**
Equity				
Share capital	10,118,892,809	10,118,892,809	10,118,892,809	10,118,892,809
Share premium	-	-	-	-
Retained earnings	(83,213,262)	195,744,691	(150,708,277)	131,593,412
Reserves	6,646,607,356	6,242,217,865	6,691,045,469	6,292,293,315
Total equity attributable to equity holders	**16,682,286,903**	**16,556,855,364**	**16,659,230,000**	**16,542,779,536**
Non-controlling interest	-	-	-	-
Total equity	**16,682,286,903**	**16,556,855,364**	**16,659,230,000**	**16,542,779,536**
Total liabilities and equity	**165,650,613,497**	**169,118,614,852**	**165,493,977,478**	**168,972,430,535**

Sunrise Bank Limited

Condensed Consolidated Statement of Profit or Loss

For the Quarter Ended 17th October 2022

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest income	4,476,356,470	4,476,356,470	2,660,664,503	2,660,664,503	4,467,371,563	4,467,371,563	2,654,212,923	2,654,212,923
Interest expense	3,030,021,015	3,030,021,015	1,728,454,289	1,728,454,289	3,032,172,964	3,032,172,964	1,730,951,724	1,730,951,724
Net interest income	**1,446,335,455**	**1,446,335,455**	**932,210,214**	**932,210,214**	**1,435,198,599**	**1,435,198,599**	**923,261,199**	**923,261,199**
Fee and commission income	289,317,396	289,317,396	334,292,398	334,292,398	278,576,429	278,576,429	321,355,863	321,355,863
Fee and commission expense	62,602,527	62,602,527	58,295,509	58,295,509	60,975,380	60,975,380	55,632,158	55,632,158
Net fee and commission income	**226,714,869**	**226,714,869**	**275,996,889**	**275,996,889**	**217,601,049**	**217,601,049**	**265,723,705**	**265,723,705**
Net interest, fee and commission income	**1,673,050,324**	**1,673,050,324**	**1,208,207,103**	**1,208,207,103**	**1,652,799,649**	**1,652,799,649**	**1,188,984,904**	**1,188,984,904**
Net trading income	27,334,955	27,334,955	88,817,221	88,817,221	27,334,955	27,334,955	88,817,221	88,817,221
Other operating income	25,236,728	25,236,728	121,759,841	121,759,841	20,012,576	20,012,576	181,031,176	181,031,176
Total operating income	**1,725,622,006**	**1,725,622,006**	**1,418,784,165**	**1,418,784,165**	**1,700,147,179**	**1,700,147,179**	**1,458,833,302**	**1,458,833,302**
Impairment charge/ (reversal) for loans and other losses	697,644,524	697,644,524	227,023,149	227,023,149	697,644,524	697,644,524	227,023,149	227,023,149
Net operating income	**1,027,977,482**	**1,027,977,482**	**1,191,761,016**	**1,191,761,016**	**1,002,502,655**	**1,002,502,655**	**1,231,810,153**	**1,231,810,153**
Operating expense								
Personnel expenses	520,795,322	520,795,322	451,895,128	451,895,128	512,431,143	512,431,143	443,641,681	443,641,681
Other operating expenses	181,604,688	181,604,688	168,311,671	168,311,671	180,495,607	180,495,607	166,731,580	166,731,580
Depreciation & Amortization	79,824,916	79,824,916	39,613,791	39,613,791	79,389,310	79,389,310	39,336,109	39,336,109
Operating Profit	**245,752,556**	**245,752,556**	**531,940,427**	**531,940,427**	**230,186,595**	**230,186,595**	**582,100,783**	**582,100,783**
Non operating income	6,710,246	6,710,246	6,009,300	6,009,300	6,710,246	6,710,246	6,009,300	6,009,300
Non operating expense	-	-	5,372,858	5,372,858	-	-	5,372,858	5,372,858
Profit before income tax	**252,462,803**	**252,462,803**	**532,576,869**	**532,576,869**	**236,896,841**	**236,896,841**	**582,737,225**	**582,737,225**
Income tax expense	75,738,841	75,738,841	159,773,061	159,773,061	71,069,052	71,069,052	152,021,168	152,021,168
Current Tax	75,738,841	75,738,841	159,773,061	159,773,061	71,069,052	71,069,052	152,021,168	152,021,168
Deferred Tax	-	-	-	-	-	-	-	-
Profit /(loss) for the period	**176,723,962**	**176,723,962**	**372,803,808**	**372,803,808**	**165,827,789**	**165,827,789**	**430,716,058**	**430,716,058**

Statement of Comprehensive Income

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit or loss for the period	**176,723,962**	**176,723,962**	**372,803,808**	**372,803,808**	**165,827,789**	**165,827,789**	**430,716,058**	**430,716,058**
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	(70,539,035)	(70,539,035)	(70,296,687)	(70,296,687)	(70,539,035)	(70,539,035)	(70,296,687)	(70,296,687)
- Gains/(losses) on revalution								
- Atuarial Gains/(loss) on defined benefit plans	-	-	-	-	-	-	-	-
- Income tax relating to above items	21,161,710	21,161,710	21,089,006	21,089,006	21,161,710	21,161,710	21,089,006	21,089,006
Net other comprehsive income that will not be reclassified to profit or loss	**(49,377,324)**	**(49,377,324)**	**(49,207,681)**	**(49,207,681)**	**(49,377,324)**	**(49,377,324)**	**(49,207,681)**	**(49,207,681)**
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 comprehsive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-	-	-	-	-
Other Comprehensive Income for the Period, Net of Income Tax	**(49,377,324)**	**(49,377,324)**	**(49,207,681)**	**(49,207,681)**	**(49,377,324)**	**(49,377,324)**	**(49,207,681)**	**(49,207,681)**
Total Comprehensive Income for the Period	**127,346,638**	**127,346,638**	**323,596,127**	**323,596,127**	**116,450,464**	**116,450,464**	**381,508,377**	**381,508,377**
Profit attributable to:								
Equity holders of the Bank	127,346,638	127,346,638	323,596,127	323,596,127	116,450,464	116,450,464	381,508,377	381,508,377
Non-controlling interest	-	-	-	-	-	-	-	-
Total	**127,346,638**	**127,346,638**	**323,596,127**	**323,596,127**	**116,450,464**	**116,450,464**	**381,508,377**	**381,508,377**
Earnings per share								
Basic earnings per share		1.75		3.93		1.64		4.54
Annualized Basic earnings per share		6.99		15.72		6.56		18.16
Diluted earnings per share		6.99		15.72		6.56		18.16

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		12.77%		12.79%		12.60%		12.65%
Non-performing loan (NPL) to total loan		2.94%		1.13%		2.94%		1.13%
Total loss loan provision to Total NPL		104.66%		189.21%		104.66%		189.21%
Costs of Funds		8.54%		6.30%		8.54%		6.30%
Credit to Deposit Ratio		89.80%		84.65%		89.80%		84.65%
Base Rate (FTM)		10.94%		8.40%		10.94%		8.40%
Interest Rate Spread		4.13%		2.46%		4.13%		2.46%

Sunrise Bank Limited
Statement of Changes in Equity
For the period 17th July 2022 to 17th October 2022

Particulars	Group: Attributable to Equity-Holders of the Bank										Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalisation reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total		
Balance at Sawan 1, 2078	9,487,944,499	-	2,365,713,770	37,774,598	609,199,885	622,425,863	-	759,849,902	927,786,600	14,810,695,117	-	14,810,695,117
Profit for the period	-	-	-	-	-	-	-	1,945,544,920	-	1,950,803,698	-	1,950,803,698
Other comprehensive income	-	-	-	-	-	(130,517,542)	-	-	(31,587,466)	(162,105,008)	-	(162,105,008)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(130,517,542)**	**-**	**1,950,803,698**	**(31,587,466)**	**1,788,698,689**	**-**	**1,788,698,689**
Contributions from and distribution to owners												-
Share issued										-	-	-
Share Based Payments										-	-	-
Dividend to equity holders										-		
Bonus shares issued	630,948,309	-	-	-	-	-	-	(630,948,309)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(37,207,806)	-	(37,207,806)	-	(37,207,806)
Other	-	-	391,850,626	-	680,437,697	(530,649)		(1,846,752,795)	769,664,482	(5,330,638)	-	(5,330,638)
Total Contributions by and Distributions	**630,948,309**	**-**	**391,850,626**	**-**	**680,437,697**	**(530,649)**	**-**	**(2,514,908,910)**	**769,664,482**	**(42,538,444)**	**-**	**(42,538,444)**
Balance at Asar End 2079	**10,118,892,808**	**-**	**2,757,564,396**	**37,774,598**	**1,289,637,583**	**491,377,672**	**-**	**195,744,691**	**1,665,863,616**	**16,556,855,364**	**-**	**16,556,855,364**
	-	-	-	-	-	-	-	-	-		-	
Balance at Shrawan 01, 2079	10,118,892,808	-	2,757,564,396	37,774,598	1,289,637,583	491,377,672	-	195,744,691	1,665,863,616	16,556,855,364	-	16,556,855,364
Profit for the period								176,723,962		176,723,962	-	176,723,962
Other comprehensive income						(49,377,324)			-	(49,377,324)	-	(49,377,324)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(49,377,324)**	**-**	**176,723,962**	**-**	**127,346,638**	**-**	**127,346,638**
Contributions from and distribution to owners												-
Share issued										-	-	-
Share Based Payments										-	-	-
Dividend to equity holders										-	-	-
Bonus shares issued	-	-						-		-	-	-
Cash dividend paid					-			-		-	-	-
Other	-	-	38,290,410	-	225,805,643	-		(455,681,914)	189,670,763	(1,915,098)	-	(1,915,098)
Total Contributions by and Distributions	**-**	**-**	**38,290,410**	**-**	**225,805,643**	**-**	**-**	**(455,681,915)**	**189,670,763**	**(1,915,098)**	**-**	**(1,915,098)**
Balance at Ashwin End 2079	**10,118,892,808**	**-**	**2,795,854,805**	**37,774,598**	**1,515,443,226**	**442,000,348**	**-**	**(83,213,262)**	**1,855,534,379**	**16,682,286,903**	**-**	**16,682,286,903**

Bank

Particulars	Attributable to Equity-Holders of the Bank											
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-Controlling Interest	Total Equity
Balance at Sawan 1, 2078	9,487,944,499	-	2,355,345,789	37,774,598	609,199,886	622,425,862	-	668,862,240	988,158,171	14,769,711,046	-	14,769,711,046
Profit for the period								2,006,719,640		2,006,719,640	-	2,006,719,640
Other comprehensive income						(130,517,542)		-	(31,587,466)	(162,105,008)	-	(162,105,008)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(130,517,542)**	**-**	**2,006,719,640**	**(31,587,466)**	**1,844,614,632**	-	**1,844,614,632**
Contributions from and distribution to owners												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to equity holders										-	-	-
Bonus shares issued	630,948,309	-	-	-	-	-	-	(630,948,309)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(33,207,806)	-	(33,207,806)	-	(33,207,806)
Other	-	-	391,850,626	-	680,437,697	(530,649)	-	(1,879,832,353)	769,736,342	(38,338,336)	-	(38,338,336)
Total Contributions by and Distributions	**630,948,309**	**-**	**391,850,626**	**-**	**680,437,697**	**(530,649)**	**-**	**(2,543,988,468)**	**769,736,342**	**-**		**-**
Balance at Asar End 2079	**10,118,892,808**	**-**	**2,747,196,415**	**37,774,598**	**1,289,637,583**	**491,377,672**	**-**	**131,593,413**	**1,726,307,047**	**16,542,779,536**		**16,542,779,536**
Balance at Shrawan 01, 2079	10,118,892,808	-	2,747,196,415	37,774,598	1,289,637,583	491,377,672	-	131,593,413	1,726,307,047	16,542,779,536		16,542,779,536
Profit for the period								165,827,789		165,827,789		165,827,789
Other comprehensive income						(49,377,324)		-	-	(49,377,324)		(49,377,324)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(49,377,324)**	**-**	**165,827,789**	**-**	**116,450,464**		**116,450,464**
Contributions from and distribution to owners										-		-
Share issued	-	-	-	-	-	-	-	-	-	-		-
Share Based Payments	-	-	-	-	-	-	-	-	-	-		-
Dividend to equity holders										-		-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-		-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-		-
Other	-	-	33,165,558	-	225,805,643	-	-	(448,129,479)	189,158,278	-		-
Total Contributions by and Distributions	**-**	**-**	**33,165,558**	**-**	**225,805,643**	**-**	**-**	**(448,129,479)**	**189,158,278**	**-**	**-**	**-**
Balance at Ashwin End 2079	**10,118,892,808**	**-**	**2,780,361,972**	**37,774,598**	**1,515,443,226**	**442,000,348**	**-**	**(150,708,277)**	**1,915,465,325**	**16,659,230,000**	**-**	**16,659,230,000**

Sunrise Bank Limited
Condensed Consolidated Statement of cash flows
For the period 17th July 2022 to 17th October 2022

Particulars	Group: Up to This Quarter	Group: Immediate Previous Year	Bank: Up to This Quarter	Bank: Immediate Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest Received	4,032,789,823	12,890,702,476	4,023,804,916	12,864,275,376
Fee and Other Income Received	323,362,597	1,560,168,935	312,621,631	1,474,894,229
Dividend Received	-	-	-	-
Receipts from Other Operating Activities	2,238,433	(66,412,618)	(2,985,719)	6,432,199
Interest Paid	(3,030,021,015)	(9,401,253,535)	(3,032,172,964)	(9,410,871,394)
Commissions and Fees Paid	(62,602,527)	(268,248,864)	(60,975,380)	(262,136,977)
Cash Payment to Employees	(520,795,322)	(1,901,788,794)	(512,431,143)	(1,867,222,992)
Other Expenses Paid	(181,604,688)	(760,553,328)	(180,495,607)	(754,134,489)
Operating Cash Flows before Changes in Operating Assets and Liabilities	**563,367,301**	**2,052,614,271**	**547,365,733**	**2,051,235,953**
(Increase) Decrease in Operating Assets	**(3,999,207,136)**	**(18,873,155,162)**	**(3,982,188,258)**	**(18,799,677,462)**
Due from Nepal Rastra Bank	(1,117,033,785)	(1,916,874,903)	(1,117,033,785)	(1,916,874,903)
Placement with Banks and Financial Institutions	(2,131,982,399)	4,596,355,757	(2,132,067,001)	4,646,440,360
Other Trading Assets	1,225,189	(33,660,849)	-	-
Loans and Advances to BFIs	148,323,839	(1,072,853,932)	148,323,839	(1,072,853,932)
Loans and Advances to Customers	(201,446,722)	(20,145,687,547)	(201,446,722)	(20,145,687,547)
Other Assets	(698,293,259)	(300,433,688)	(679,964,589)	(310,701,439)
Increase (Decrease) in Operating Liabilities	**(3,578,364,687)**	**29,612,507,629**	**(3,579,835,315)**	**29,610,198,295**
Due to Banks and Financials Institutions	3,985,964,027	(2,959,294,939)	3,985,964,027	(2,959,294,939)
Due to Nepal Rastra Bank	(2,115,570,785)	4,296,485,625	(2,115,570,785)	4,296,485,625
Deposit from Customers	(6,052,614,187)	25,691,696,481	(6,213,064,791)	25,173,886,263
Borrowings	115,830,000	2,462,580,000	115,830,000	2,462,580,000
Other Liabilities	488,026,256	121,040,461	647,006,234	636,541,345
Net Cash Flow from Operating Activities before Tax Paid	**(7,014,204,522)**	**12,791,966,738**	**(7,014,657,839)**	**12,861,756,787**
Income Tax Paid	1,102,820	(876,911,658)	(7,709,675)	(848,257,307)
Net Cash Flow from Operating Activities	**(7,013,101,702)**	**11,915,055,080**	**(7,022,367,515)**	**12,013,499,480**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investment Securities	3,178,031,185	(7,655,301,761)	3,178,031,185	(7,655,301,761)
Receipts from Sale of Investment Securities	-	-	-	-
Purchase of Property and Equipment	(72,631,310)	53,205,927	(71,739,571)	58,465,438
Receipts from Sale of Property and Equipment	-	-	-	-
Purchase of Intangible Assets	419,466	17,901,601	368,051	17,752,441
Purchase of Investment Properties	-	-	-	-
Receipts from Sale of Investment Properties	(8,033,469)	(439,957,257)	(8,033,469)	(439,957,257)
Interest Received	443,566,647	1,126,797,903	443,566,647	1,126,797,903
Dividend Received	26,696,110	246,345,641	26,696,110	246,345,641
Net Cash Used in Investing Activities	**3,568,048,628**	**(6,651,007,945)**	**3,568,888,952**	**(6,645,897,595)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from Issue of Debt Securities	-	-	-	-
Repayments of Debt Securities	-	-	-	-
Receipts from Issue of Subordinated Liabilities	-	-	-	-
Repayments of Subordinated Liabilities	-	-	-	-
Receipt from Issue of Shares	-	-	-	-
Dividends Paid	-	(37,207,806)	-	(33,207,806)
Interest Paid	-	-	-	-
Other Receipts/Payments	-	(71,860)	-	-
Net Cash from Financing Activities	**-**	**(37,279,666)**	**-**	**(33,207,806)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(3,445,053,076)**	**5,226,767,469**	**(3,453,478,562)**	**5,334,394,080**
Opening Cash and Cash Equivalents	9,470,995,312	4,269,679,618	9,454,671,142	4,145,728,838
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	(3,697,815)	(25,451,775)	(3,697,815)	(25,451,775)
Closing Cash and Cash Equivalents	**6,022,244,423**	**9,470,995,312**	**5,997,494,765**	**9,454,671,142**

Details about the distributable Profit

Particulars	Ashwin End 2079
Net profit or (loss) as per statement of profit or loss	**165,827,789**
1. Appropriations	
1.1 Profit required to be appropriated to statutory reserve	
a. General Reserve	(33,165,558)
b. Capital Redemption Reserve	(187,500,000)
c. Exchange Fluctuation Fund	-
d. Corporate Social Responsibility Fund	(1,658,278)
e. Employees Training Fund	-
f. Other	-
1.2 Profit required to be transfer to Regulatory Reserve	
a. Transfer to Regulatory Reserve	(225,805,643)
b. Transfer from Regulatory Reserve	-
Net Profit or (loss) available for distribution	**(282,301,690)**

Notes to the Interim Financial Statements

1. Basis of Preparation

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

2. Statement of Compliance with NFRs

The Financial Statements of the Bank including group have been prepared in accordance with Nepal Financial Reporting Standards and carve-outs issued by the Institute of Chartered Accountants of Nepal on NFRS requirement, which allowed alternative treatments and the bank adopted following carve outs:

a) NFRS-9: Financial Instruments,
- Impairment accounting,
- Calculation of Effective Interest Rate for interest income recognition

Financial information 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 2079.

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

a) Investment designated at fair value through other comprehensive income (quoted) is measured at fair value.

b) Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

c) Financial assets and financial liabilities held at amortized cost at measured using a rate that is a close approximation of effective interest rate.

5.2 Basis of consolidation

5.2.1 Business Combinations and Goodwill

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

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

5.2.2 Non-Controlling Interest (NCI)

The group presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the parent. The group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The proportion allocated to the Sunrise Bank and non-controlling interests are determined on the basis of present ownership interests.

The group also attributes total comprehensive income to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

5.2.3 Subsidiaries

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

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

The acquired identifiable assets, liabilities are measured at their cost at the date of acquisition. After the initial measurement, the Bank continues to recognize the investments in subsidiaries at cost.

The subsidiary of the Bank is incorporated in Nepal.

5.2.4 Loss of Control

When the Bank loses control over a Subsidiary, it derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Bank recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant NFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with relevant NFRS or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Bank recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

5.2.5 Special Purpose Entity (SPE)

An entity may be created to accomplish a narrow and well-defined objective (eg. to effect a lease, research and development activities or a securitization of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity.

The Bank does not have any special purpose entity.

5.2.6 Transaction elimination on consolidation

In consolidating a subsidiary, the group eliminates full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the subsidiary and the bank (profits or losses resulting from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full).

5.3 Cash and cash equivalents

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short term commitments.

5.4 Financial assets and Financial Liabilities

5.4.1 Initial Recognition

A) Date of Recognition

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

B) Recognition and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

5.4.2 Classification and Subsequent Measurement of Financial Instruments

Classification and Subsequent Measurement of Financial Assets

The Bank classifies its financial assets as per NFRS 9 into the following categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVTPL). Management determines the classification of its financial assets at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cashflows that are solely payments of principal and interest (SPPI) characteristics. Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the Credit Risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. In assessing whether the contractual cashflows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that it would not meet this condition.

Whether financial assets are held at amortised cost or at FVOCI depends on the objectives of the business models under which the assets are held. A business model refers to how the Bank manages financial assets to generate cashflows. The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and, where applicable, within business lines depending on the way the business is managed, and information is provided to management.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cashflows (hold to collect) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets (Hold to collect and sell) are classified as held at FVOCI.

Both hold to collect and hold to collect and sell business models involve holding financial assets to collect the contractual cashflows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, are recognised directly in equity and are never reclassified to profit or loss, even on derecognition.

Financial assets held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at fair value through profit or loss. Financial assets held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:
Trading, including:
• Financial assets held for trading, which are those acquired principally for the purpose of selling in the short-term
• Derivatives

Designated at fair value through profit or loss

Financial assets may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

Subsequent Measurement of Financial Assets

Financial assets held at FVOCI
Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a separate component of equity.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets held at fair value through profit or loss
Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cashflow hedging relationship.

Classification and Subsequent Measurement of Financial Liabilities

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

a) Financial liabilities at fair value through profit or loss
b) Financial liabilities at amortized cost

Management determines the classification of its financial liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

(a) Financial Liabilities at Fair Value through Profit or Loss

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

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

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

(b) Financial Liabilities at Amortized Cost

Financial instruments issued by Bank that are not classified as fair value through profit or loss are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in Bank having an obligation either to deliver cash or another financial asset to another Bank, or to exchange financial assets or financial liabilities with another Bank under conditions that are potentially unfavorable to the Bank or settling the obligation by delivering variable number of Bank's own equity instruments.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Within this category, deposits and debt instruments with fixed maturity period have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Expenses' in the Statement of Profit or Loss. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized.

5.4.3 Reclassification of Financial Instruments

a) Reclassification of Financial Instruments 'At fair value through profit or loss',

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

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

Bank may, in rare circumstances reclassify financial instruments out of fair value through profit or loss category if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired principally for the purpose of selling or repurchasing in the near term.

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

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

b) Reclassification of Financial Instruments designated at fair value through other comprehensive income

Bank may reclassify financial assets out of financial assets designated at fair value through other comprehensive income category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

A financial asset designated at fair value through other comprehensive income that would have met the definition of loans and receivables at the initial recognition may be reclassified out of financial assets designated at fair value through other comprehensive income to the loans and receivables category if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

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

i) Financial assets with fixed maturity :

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

ii) Financial assets without fixed maturity :

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

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

5.4.4 De-recognition of Financial Assets and Liabilities

a) De-recognition of Financial Assets

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

- The rights to receive cash flows from the asset have expired; or
- Bank has transferred its rights to receive cash flows from the asset or
- Bank has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either Bank has transferred substantially all the

risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

When securities classified as financial instruments designated at fair value through other comprehensive income are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to income statement as gains and losses from investment securities.

b) De-recognition of Financial Liabilities

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

c) Repurchase and Reverse Repurchase Agreements

Securities sold under agreement to repurchase at a specified future date are not de-recognized from the Statement of Financial Position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the Statement of Financial Position as a liability with a corresponding obligation to return it, including accrued interest under 'Securities sold under repurchase agreements', reflecting the transaction's economic substance to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the bank has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its Statement of Financial Position as 'Financial assets held for trading pledged as collateral or 'Financial assets designated at fair value through other comprehensive income pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, under "Reverse repurchase agreements' reflecting the transaction's economic substance to the Bank. The difference between the purchase and resale prices is recorded as 'Interest income' and is accrued over the life of the agreement using the effective interest rate. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within ‘Financial liabilities held for trading’ and measured at fair value with any gains or losses included in ‘Net trading income’.

5.4.5 Fair Value Measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis on an arm’s length basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation)nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

5.4.6 Impairment of Financial Assets

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

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

a) Impairment of Financial Assets carried at Amortized Cost

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

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

i) Individually Assessed Financial Assets

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

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

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

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. 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 allowance account. If a future write off is later recovered, the recovery is credited to the impairment charges for loans and other losses.

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

- Bank's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors 'commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the company;
- The realizable value of security and likelihood of successful repossession;

ii) Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

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

The bank has opted to apply carve-out on impairment of loans and receivables. Accordingly, individual and collective impairment loss amount calculated as per NFRS-09 with allowed carevout is compared with the impairment provision required under NRB directive no.2, higher of the amount derived from these measures is taken as impairment loss for loans and receivables.

Incurred but not yet identified impairment

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

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

The collective impairment allowance is determined after taking into account:

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

Homogeneous groups of Financials Assets

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

Bank uses the following method to calculate historical loss experience on collective basis:

After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology the movements in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

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

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

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

iii) Reversal of Impairment

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

iv) Write-off of Financial Assets Carried At Amortized Cost

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

v) Impairment of Rescheduled Loans and Advances

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

vi) Collateral Valuation

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

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

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Bank in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Bank as part settlement of debt, has not been occupied for business use.

These assets are shown as Legally Repossessed Collateral under "Investment Property."

viii) Impairment of Financial Assets designated at fair value through other *comprehensive* income

For financial investments designated at fair value through other comprehensive income, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

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

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

Bank writes-off certain financial investments designated at fair value through other comprehensive income when they are determined to be uncollectible.

5.4.7 Offsetting of Financial Instruments

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

5.4.8 Amortized Cost Measurement

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

5.5 Trading Assets

One of the categories of financial assets at fair value through profit or loss is “held for trading” financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

5.6 Derivatives assets and derivative liabilities

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

Forward contracts are the contracts to purchase or sell a specific quantity of a financial instrument, a commodity, or a foreign currency at a specified price determined at the outset, with delivery or settlement at a specified future date. Settlement is at maturity by actual delivery of the item specified in the contract, or by a net cash settlement.

All freestanding contacts that are considered derivatives for accounting purposes are carried at fair value on the statement of financial position regardless of whether they are held for trading or non-trading purposes. Changes in fair value on derivatives held for trading are included in net gains/ (losses) from financial instruments in fair value through profit or loss on financial assets/ liabilities at fair value through profit or loss.

5.7 Property, Plant and Equipment

5.7.1 Recognition

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

5.7.2 Measurement

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

5.7.3 Cost Model

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

5.7.4 Revaluation Model

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

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

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

5.7.5 Subsequent Cost

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

5.7.6 Depreciation

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

Rate of Depreciation per annum (%)

Particulars	For the quarter ended	Remarks
Building	5	
Office Equipment's/ Furniture	15	
Vehicle	15	
Computer Hardware	20	
Computer Software	20	Depreciated in 5 years using Straight Line Method
Leasehold	-	Lease period
Deferred Furnishing	33.33	Depreciated in 3 years using Straight Line Method

5.7.7 Changes in Estimates

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

5.7.8 Capital Work in Progress

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

5.7.9 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Bank incurs in connection with the borrowing of funds.

5.7.10 De-recognition

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

5.8 Goodwill and Intangible Assets

5.8.1 Recognition

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

5.8.2 Computer Software & Licenses

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

5.8.3 Subsequent Expenditure

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

Goodwill is measured at cost less accumulated impairment losses. Bank doesn’t have any goodwill in its books of accounts.

5.8.4 Amortization of Intangible Assets

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

Asset Category	For the year period
Computer Software	5 years
Licenses	5 years or the period of license, whichever is less

5.8.5 De-recognition of Intangible Assets

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

5.9 Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

5.10 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is 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. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

5.10.1 Current Tax

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

5.10.2 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.

Deferred tax is calculated by Srbl only on annual basis.

5.11 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding. Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Subordinated liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

5.12 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision are not recognized for future operating losses.

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

5.13 Revenue Recognition

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

5.13.1 Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets designated at fair value through other comprehensive income and financial assets designated at fair value through profit or loss, EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. 4. Loan administration fees that are integral part of effective interest rate (EIR) is treated immaterial and not considered while calculating effective interest rate.

5.13.2 Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis.

5.13.3 Dividend Income

Dividend income is on equity instruments are recognized in the statement of profit and loss within other income when the Bank's right to receive payment is established.

5.13.4 Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as wells as unrealized changes in fair value of trading assets and liabilities.

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

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instruments are designated at fair value through profit or loss.

The bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

5.14 Interest Expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

5.15 Employee Benefits

Employee benefits include:

a) Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

i. Wages, salaries and social security contributions;
ii. Paid annual leave and paid sick leave;
iii. Profit sharing and bonuses, and
iv. Non-monetary benefits (such as medical care) for current employees;

Short term employee benefits are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) Post-employment benefits, such as the following:

i. Retirement benefits (eg: gratuity, lump sum payments on retirement); and
ii. Other post-employment benefits such as post-employment life insurance

c) Other long term employee benefits and

d) Termination benefits

Post employments benefits are as follows:

5.15.1 Defined Contribution Plans

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

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

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

5.15.2 Defined Benefit Plans

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

a) Gratuity

In compliance with Labor Act, 2017, provision is made in the account year of service, for gratuity payable to employees who joined bank on a permanent basis. An actuarial valuation is carried out every year to ascertain the full liability under gratuity. However, the Bank has not done actuarial valuation of gratuity during preparation of interim financial statements. Gratuity expenses for interim financial statements is calculated as per Human Resource Bylaw of the Bank.

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

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawal from service and retirement on medical grounds.

b) Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government binds that have maturity dates approximating to the terms of Bank's obligation. The calculation is performed using the Projected Unit Credit method. However, the Bank has not done actuarial valuation of accumulated leave during preparation of interim financial statements. Accumulated leave expenses for interim financial statements is calculated as per Human Resource Bylaw of the Bank. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

5.16 Leases

NFRS 16 "Leases "introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Group has applied NFRS 16 effective from FY 2078-79.

5.17 Foreign Currency Translation, Transactions and Balances

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

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

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss.

Forward exchange contracts are valued at the forward market rates ruling on the reporting date. Both unrealized losses and gains are reflected in the Statement of Profit or Loss.

5.18 Financial guarantee and loan commitment

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc. 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, etc. whether cancellable or not and the bank had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

5.19 Share capital and reserves

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus contributions from holders of equity claims, minus distributions to holders of equity claims.

Regulatory Reserve against the uncollected interest income from loan customers has been created after netting off income tax provision for the purpose. NPR 259,168,560.59 (gross) interest receivable due on Ashwin 2079 and collected till 5th Karthik 2079 is shown in retained earnings.

5.20 Earnings per share

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Earnings per share is calculated and presented in consolidated statement of profit or loss.

5.21 Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this NFRS, an entity's post-employment benefit plans are not operating segments.

The bank has identified the key segments of business on the basis of nature of operations that assists the Executive Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. All operations between the segments are conducted on pre-determined transfer price. Treasury department acts as the fund manager of the Bank.

5.22 Impairment of Non-Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the fair value of the Cash Generating Units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, appropriate valuation model is used.

5.23 Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date. Interim Dividend is deducted from equity when they are declared and is no longer at the discretion of the Bank.

5.24 Cash Flow Statement

The cash flow statement has been prepared using 'The Direct Method', whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

5.25 Comparative Figures

The comparative figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

6. Segmental information

A. Information about reportable segments

Rs. In Million

Particulars	Province 1		Madhesh		Bagmati		Gandaki		Lumbini		Karnali		Sudurpaschim		Total	
	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter	Current Quarter	Corresponding Previous Years Quarter
Revenues from external customers	596	393	443	272	3,065	2,161	187	109	261	162	38	24	210	131	4,800	3,251
Intersegment Revenues	(205)	(116)	(206)	(96)	642	341	(64)	(31)	(86)	(54)	(11)	(6)	(71)	(37)	-	-
Segment Profit (Loss) before tax	170	203	154	141	(281)	98	27	28	86	54	12	8	69	51	237	583
Segment Liabilities	14,151	10,452	12,587	16,356	106,625	99,611	4,735	12,305	5,173	7,073	1,191	(110)	4,372	(3,039)	148,835	142,649
Segment Assets	14,224	10,663	12,638	16,429	123,064	114,372	4,735	12,321	5,236	7,115	1,198	(105)	4,399	(2,995)	165,494	157,800

B. Reconciliation of reportable segment profit or loss

Rs. In Million

Particulars	Current Quarter	Corresponding Previous Years Quarter
Total profit before tax for reportable segments	237	583
Profit before tax for other segments	-	-
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:	-	-
- Other corporate expenses	-	-
Profit before tax	237	583

7. Concentration of Borrowings and Deposits

A. Concentration of Borrowing

Particular	Current Year	Previous year
Total deposit from ten largest depositors	16,882,586,543	18,394,488,759
Percentage of deposit from ten largest lender to total depositors	13.14%	13.93%

B. Concentration of Credit Exposures

Particular	Current Year	Previous year
Total exposure to twenty largest borrowers		
a. As per group (related party)	17,863,325,811	14,315,849,888
b. As per individual customer	11,049,937,519	11,586,577,202
Percentage of Exposure to twenty largest borrowers to total loan and advances		
a. As per group (related party)	14.49%	12.07%
b. As per individual customer	8.97%	9.77%

C. Concentration of Deposit

Particular	Current Year	Previous year
Total deposit from twenty largest depositors		
a. Group-Wise	22,054,289,041	24,442,272,550
b. As per Individual Customer	1,623,548,404	1,771,105,573
Percentage of Deposit From twenty largest depositors to total deposit		
a. Group-Wise	17.16%	18.50%
b. As per Individual Customer	1.26%	1.34%

8. **Related parties disclosures**

Transaction with related party

Particulars	Ashwin End 2079
Deposit Maintained by Sunrise Capital	197,926,968
Interest Paid to Sunrise Capital	2,151,949
RTS Fee payable to Sunrise Capital	112,500
Water Expenses paid by Sunrise Capital	28,400
House Rent paid by Sunrise Capital	536,250
Demat Account Opening Payable by Sunrise Capital	8,965

Key Managerial Personnel

Key Management Personnel of the Bank include members of the Board, Chief Executive Officer and all managerial level executives. Followings are a list of Board of Directors and CEO bearing office at 17 October 2022.

Key Management Personnel	Relation
Mr. Motilal Dugar	Chairman
Er. Bachh Raj Tater	Director
Mr. Malchand Dugar	Director
Er. Shailendra Guragain	Public Director
Ms. Sharada Sharma Pudasaini	Public Director
Mr. Deepak Nepal	Public Director
Mr. Suman Sharma	Chief Executive Officer

Compensation to Board of Directors

All members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to directors are as under:

Board Meeting fees Rs. 766,000
Other benefits Rs. 330,029

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

The Bank has not proposed or paid any interim dividend on ordinary shares for FY 2079-80.

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

The Bank has issued 5-year debenture amounting Rs. 1 billion with the face value of Rs. 1000/- each and 10% coupon rate, payable semi-annually. The amount has been fully subscribed and allotted on 14 May 2019.

The Bank has issued 7-year debenture amounting Rs. 3 billion with the face value of Rs. 1000/- each and 10.25% coupon rate, payable semi-annually. The amount has been fully subscribed and allotted on 13 December 2019.

11. **Events after interim period**

There are no material events after interim period affecting financial status of the Group as on Ashwin end, 2079.

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

There is not any merger or acquisition affecting the changes in the composition of the entity during the interim period as on Ashwin end 2079.

(अनुसुची १४)

(धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को नियम २६ को उपनियम (१) सँग सम्बन्धित)

आ.व.२०७९/८० को प्रथम त्रैमासिक प्रतिवेदन

१. वित्तीय विवरण:

(क) प्रथम त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्बन्धी विवरण ।

यस बैंकको आ.व. २०७९/८० को प्रथम त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्बन्धी विवरण यसै साथ प्रकाशित गरिएको छ ।

(ख) प्रमुख वित्तीय अनुपातहरु:

प्रति शेयर आम्दानी :	६।५६	प्रति शेयर कूल सम्पत्ती :	१,६३५।४९
मूल्य आम्दानी अनुपात :	१२४।४८	तरलता अनुपात :	२१।९०
प्रतिशेयर नेटवर्थ :	१६४।६३		

२. व्यवस्थापकीय विश्लेषण :

(क) बैंकको वित्तीय स्थिति सुदृढ रहेको छ । बैंकको तरलता अनुपात तथा कर्जा निक्षेप अनुपात नेपाल राष्ट्र बैंकले तोकेको सीमा भित्र रहेको छ ।

(ख) विगतमाझैं आगामी अवधिमा पनि मानव संशाधनको उचित विकास, शेयरधनी महानुभावहरुलाई उचित लाभांश, गुणस्तरीय सेवा बृद्धि गर्दै सरोकारवालाहरुको हितको संरक्षण गर्दै जाने र साथै समय सापेक्ष व्यवसायिक योजनाको तर्जुमा तथा कार्यान्वयन गर्ने, लगानीका नयाँ क्षेत्रहरुको खोजी गर्ने, अर्न्तराष्ट्रिय बजारका कार्यविधिहरुलाई अवलोकन गर्ने, व्यवसायिक विविधीकरण तथा ग्राहकको चाहना बमोजिम आधुनिक बैकिङ्ग तथा बित्तीय सेवा तथा सुविधाहरु उपलव्ध गराउने जस्ता कार्यहरुमा बैंक प्रतिवद्ध रहेको छ ।

३. कानुनी कारवाही सम्बन्धी विवरण :

(क) त्रैमासिक अवधिमा बैंकले वा बैंकको विरुद्ध कुनै मुद्दा दायर भएको भए ।

- बैंकिङ्ग व्यवसायसँग सम्बन्धित कर्जा र कर्जा असुली प्रक्रियासँग सम्बन्धित प्रकृतीका मुद्दाहरु दायर भएको ।

(ख) बैंकको संस्थापक वा सञ्चालकले वा संस्थापक वा सञ्चालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको भए ।

- जानकारीमा नआएको ।

(ग) कुनै संस्थापक वा सञ्चालक विरुद्ध आर्थिक अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर भएको भए ।

- जानकारीमा नआएको ।

४. संगठित संस्थाको शेयर कारोवार सम्बन्धी बिश्लेषण:

(क) धितोपत्र बजारमा भएको संगठित संस्थाको शेयरको कारोबारको सम्बन्धमा व्यवस्थापनको धारणा:

- नेपाल धितोपत्र वोर्डको रेखदेखमा धितोपत्र बजारमा खुल्ला बजारले निर्धारण गरे अनुरुप कारोबार हुनेहुंदा बैंक व्यवस्थापन तटस्थ छ ।

(ख) यस अवधिको शेयरको अधिकतम, न्यूनतम र अन्तिम मूल्य, कारोबार भएको कूल दिन तथा कारोबार संख्या:

- यस अवधिमा शेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोवार भएको कूल दिन तथा कारोबार संख्याको विवरण (धितोपत्र विनिमय बजार लिमिटेडको वेभसाइट अनुसार) देहाय बमोजिम रहेको छः

अधिकतम मुल्य	२२६.५०	कारोवार भएको कुल दिन	६५
न्युनतम मुल्य	१८९.४०	कारोवार संख्या	८,६७६
अन्तिम मुल्य	२०४.००	कारोवार शेयर संख्या	२२,८५,४२१

५. समस्या तथा चुनौतीहरु :

(१) आन्तरिक समस्या र चुनौती :

(क) बढदो प्रतिस्पर्धाका कारण दक्ष जनशक्तिको अभाव ।
(ख) संचालन खर्चमा बृद्धि ।
(ग) खुद ब्याजदर अन्तर सन्तुलन गर्ने चुनौती ।

(२) वाह्य चुनौतीहरु :

(क) विश्वभर महामारीको रुपमा फैलिएको कोरोना भाइरसको लहरका कारणले अर्थतन्त्रमा परेको प्रभाव ।
(ख) घरजग्गाको मुल्यमा भएको अस्वभाविक बृद्धिका कारण स्वीकारयोग्य धितोको मूल्याङ्कनमा हुने उतार चढाव ।
(ग) संकुचित बजार ।
(घ) जोखिमयुक्त वातावरण ।
(ङ) वित्तीय संस्थाहरु बीच देखिएको तिव्र प्रतिस्प्रर्धा ।
(च) देशमा विद्यमान तरलता अभाव ।

रणनीतिहरुः

आन्तरिक तथा बाह्य समस्या र चुनौतिहरुको सामना तथा व्यस्थापन गर्न बैंक सक्षम रहेको छ । आफ्नो कार्यक्षमता बृद्धि गरी स्तरीय सेवा प्रदान गर्नको लागि कर्मचारीलाई आवश्यक तालीम दिने तथा निजहरुलाई बैंक प्रति आवद्ध राख्नको लागि यथोचित नीति अवलम्बन गरेको छ । बैंकलाई प्रविधिमैत्री बनाउदै लैजाने रणनीति रहेको छ । संचालन खर्चलाई न्यूनीकरण गर्ने तर्फ पनि बैंक सजग छ । आयआर्जन गर्ने नयाँ क्षेत्रहरुको पहिचान तथा शाखा संजालको विस्तार गर्दै निक्षेप तथा कर्जालाई विविधिकरण गर्दै लैजाने तर्फ बैंक प्रतिबद्ध छ । प्रतिस्पर्धात्मक वातावरणमा यस बैंकको पहिचान उच्च राख्नको लागि पुँजीकोषको बृद्धि गर्दै अझ बढी ग्राहकमुखी सेवा र सुविधा प्रदान गर्नुको साथै आधुनिक बैंकिङ्ग तथा वित्तीय सेवा तथा सुविधाहरु प्रदान गर्ने नीति यस बैंकले लिएको छ ।

६. संस्थागत सुशासन :

संस्थागत सुशासन कायम राख्ने सम्बन्धमा बैंकले बलियो नीति अपनाएको छ । नेपाल राष्ट्र बैंकले जारी गरेको संस्थागत सुशासन सम्बन्धी एकिकृत निर्देशन २०७९ बैंकले पूर्ण पालना गर्दै आएको छ र निरन्तर रुपमा पालना गर्दैजाने कुरामा बैंक प्रतिबद्ध छ । संचालन जोखिम लगायत अन्य सम्पूर्ण प्रकारका जोखिमहरु न्यूनीकरण गर्नका लागि छुट्टै सम्बन्धित विभागहरु बैंकले स्थापना गरेको छ जसले विभिन्न आन्तरिक नीति, नियम तथा निर्देशिकाहरु जारी गरी त्यसको कडाइका साथ पालनाको लागि अनुपालन विभाग क्रियाशिल रहेको छ, साथै बैंकले एक गैर कार्यकारी संचालकको संयोजकत्वमा लेखापरिक्षण समिति गठन गरेको छ, सो समितिले लेखापरीक्षक तथा नेपाल राष्ट्र बैंकले स्थलगत निरिक्षणको क्रममा दिएका निर्देशनहरुको अनुपालना गर्न तथा विभिन्न आन्तरिक नीति, नियम तथा निर्देशिकाहरुको पालनामा आवश्यक निर्देशन दिनेगरेको छ ।

७. सत्य, तथ्यता सम्बन्धमा कार्यकारी प्रमुखको उद्घोषणः

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्बन्धमा म व्यक्तिगत रुपमा उत्तरदायित्व लिन्छु । साथै, म यो उद्‌घोष गर्दछु की मैले जाने बुझे सम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य र तथ्यपूर्ण छन् र लगानीकर्ताहरुलाई सुसूचित गर्न र निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरु जानाजान लुकाइएको छैन ।

....
सुमन शर्मा
प्रमूख कार्यकारी अधिकृत