

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter Ended 30th Poush 2078 (14 January 2022)

Figures in NPR

	Bank	
	This Quarter Ending	Immediate Previous Year Ending (Audited)
Assets		
Cash and cash equivalent	5,142,372,484	4,264,391,045
Due from Nepal Rastra Bank	1,134,499,875	1,318,007,209
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	2,318,681,438	2,516,006,709
Loans and advances to customers	35,679,883,339	29,673,539,872
Investment securities	4,881,613,748	4,977,422,560
Current tax assets	204,694,444	257,032,301
Investment in subsidiaries	-	-
Investment in associates	615,638,275	583,734,750
Investment property	65,730,600	65,730,600
Property and equipment	297,527,555	305,936,977
Goodwill and Intangible assets	2,393,704	2,781,720
Deferred tax assets	-	-
Other assets	319,543,661	160,589,428
Total Assets	50,662,579,123	44,125,173,171
Liabilities		
Due to Bank and Financial Institutions	2,636,315,903	408,344,280
Due to Nepal Rastra Bank	2,602,611,791	1,426,927,505
Derivative financial instruments	-	-
Deposits from customers	39,284,786,350	36,371,466,800
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	143,751,108	194,461,121
Other liabilities	455,103,387	429,401,671
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total liabilities	45,122,568,539	38,830,601,376
Equity		
Share capital	3,284,292,511	2,906,453,550
Share premium	-	-
Retained earnings	249,433,417	435,012,253
Reserves	2,006,284,656	1,953,105,992
Total equity attributable to equity holders	5,540,010,583	5,294,571,795
Non-controlling interest	-	-
Total equity	5,540,010,583	5,294,571,795
Total liabilities and equity	50,662,579,123	44,125,173,171

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter Ended 30th Poush 2078 (14 January 2022)

Figures in NPR

	Bank			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	1,111,956,188	2,071,610,320	831,641,345	1,702,602,811
Interest expense	718,203,122	1,344,194,532	543,646,863	1,165,072,685
Net interest income	393,753,066	727,415,788	287,994,482	537,530,126
Fee and commission income	37,642,482	94,606,716	47,857,711	85,495,845
Fee and commission expense	2,894,783	4,898,347	1,061,962	1,887,382
Net fee and commission income	34,747,700	89,708,369	46,795,749	83,608,463
Net interest, fee and commission income	428,500,765	817,124,157	334,790,232	621,138,589
Net trading income	(18,073)	(28,103)	(3,653)	(7,448)
Other operating income	2,231,943	35,212,408	82,346,875	129,686,196
Total operating income	430,714,635	852,308,462	417,133,454	750,817,336
Impairment charge/(reversal) for loans and other losses	39,934,822	(20,838,713)	67,334,155	91,535,098
Net operating income	390,779,814	873,147,175	349,799,300	659,282,239
Operating expense				
Personnel expenses	99,143,569	226,035,792	88,680,906	182,337,619
Other operating expenses	57,705,657	107,442,299	46,067,103	89,470,992
Depreciation & Amortisation	12,690,041	25,633,832	11,619,971	24,391,919
Operating Profit	221,240,546	514,035,252	203,431,319	363,081,709
Non operating income	-	-	-	-
Non operating expense	581,290	581,290	-	-
Profit before income tax	220,659,256	513,453,962	203,431,319	363,081,709
Income tax expense	82,079,308	161,709,380	53,265,395	101,196,312
Current Tax	82,079,308	161,709,380	53,265,395	101,196,312
Deferred Tax	-	-	-	-
Profit for the period	138,579,949	351,744,582	150,165,924	261,885,397

Earnings per share

Basic earnings per share	21.42	18.02
Diluted earnings per share	21.42	18.02

Lumbini Bikas Bank Limited
Consolidated Statement of Other Comprehensive Income
For the Quarter Ended 30th Poush 2078 (14 January 2022)

Figures in NPR

	Bank			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit for the year	138,579,949	351,744,582	150,165,924	261,885,397
Other comprehensive income, net of income tax				
a) Items that will not be reclassified to Profit or loss				
• Gains/(losses) from Investments in equity instruments measured at fair value	(31,148,427)	(169,033,376)	159,124,082	165,442,657
• Gains/(losses) on revaluation				
• Actuarial gains/(losses) on defined benefit plans				
• Income tax relating to above items	9,344,528	50,710,013	(47,737,225)	(49,632,797)
Net other comprehensive income that will not be reclassified to profit or loss	(21,803,899)	(118,323,363)	111,386,858	115,809,860
b) Items that are or may be reclassified to profit or loss				
• Gains/(losses) on cash flow hedge	-	-		-
• Exchange gains/(losses) (arising from trasalating financial assets of foreign operation)	-	-		-
• Income tax relating to above items	-	-		-
• Reclassify to profit or loss	-	-		-
Net other comprehensive income that are or may be reclassified to profit or loss		-		-
c) Share of other comprehensive income of associate accounted as per equity method	6,612,131	31,903,525	(4,401,084)	26,789,235
Other comprehensive income for the period, net of income tax	(15,191,769)	(86,419,839)	106,985,773	142,599,095
Total comprehensive income for the year	123,388,180	265,324,744	257,151,697	404,484,491

Lumbini Bikas Bank Limited
Consolidated Statement of Changes in Equity
For the Year Ended 30th Poush 2078 (14 January 2022)

Attributable to equity holders of the Bank										
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserves	Total
Balance at Shrawan 1, 2077	2,716,311,729	76,312	720,291,742	848,105	201,153,656	172,162,154	-	293,536,397	339,595,497	4,443,975,592
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	433,967,179	-	433,967,179
Other comprehensive income, net of tax										
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	388,498,302	-	-	-	388,498,302
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-
Share of Associates accounted as per Equity Method	-	-	-	-	-	-	-	-	100,438,844	100,438,844
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	9,181,230	9,181,230
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	388,498,302	-	433,967,179	109,620,074	932,085,555
Transfer to reserve during the year	-	-	86,793,436	-	-	(44,065,472)	-	(47,067,636)	4,339,672	-
Transfer from reserve during the year	-	-	-	-	(22,911,438)	-	-	26,131,174	(3,219,736)	-
Transactions with owners, directly recognised in equity										
Share issued	-	-	-	-	-	-	-	-	-	-
Premium received on issuance of unsubscribed number of right shares	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	190,141,821	(76,312)	-	-	-	-	-	(190,065,509)	-	-
Cash dividend paid	-	-	-	-	-	-	-	(81,489,352)	-	(81,489,352)
Total contributions by and distributions	190,141,821	(76,312)	86,793,436	-	(22,911,438)	344,432,830	-	141,475,855	110,740,010	850,596,203
Balance at Ashad end 2078	2,906,453,550	-	807,085,177	848,105	178,242,218	516,594,984	-	435,012,253	450,335,508	5,294,571,795

Other reserves as at 31 Ashad 2078 includes Corporate Social Responsibility Reserve, Staff Training Fund, Investment Adjustment Reserve, and Actuarial Gain on Gratuity.

Bank										
Attributable to equity holders of the Bank										
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserves	Total
Balance at Shrawan 1, 2078	2,906,453,550	-	807,085,177	848,105	178,242,218	516,594,984	-	435,012,253	450,335,508	5,294,571,795
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	351,744,582	-	351,744,582
Other comprehensive income, net of tax										
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(118,323,363)	-	-	-	(118,323,363)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-
Share of Associates accounted as per Equity Method	-	-	-	-	-	-	-	-	31,903,525	31,903,525
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(118,323,363)	-	351,744,582	31,903,525	265,324,744
Transfer to reserve during the year	-	-	70,348,916	-	-	-	-	(73,050,402)	2,701,486	(0.00)
Transfer from reserve during the year	-	-	-	-	66,548,100	-	-	(66,548,100)	-	-
Transactions with owners, directly recognised in equity										
Share issued	-	-	-	-	-	-	-	-	-	-
Premium received on issuance of unsubscribed number of right shares	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	377,838,961	-	-	-	-	-	-	(377,838,961)	-	-
Cash dividend paid	-	-	-	-	-	-	-	(19,885,955)	-	(19,885,955)
Total contributions by and distributions	377,838,961	-	70,348,916	-	66,548,100	(118,323,363)	-	(185,578,836)	34,605,010	245,438,788
Balance at Poush end 2078	3,284,292,511	-	877,434,094	848,105	244,790,318	398,271,621	-	249,433,417	484,940,518	5,540,010,583

Other reserves as at 30th Poush 2078 includes Corporate Social Responsibility Reserve, Staff Training Fund, Investment Adjustment Reserve, Actuarial Gain on Gratuity & Reserve in Investment in Associates using equity Method.

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of cash flows
For the year ended Sharwan 1st 2078 to Poush 30th 2078

Figures in NPR

	Bank	
	Up to this quarter	Corresponding Previous Year Upto This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,815,959,619	1,816,111,582
Fees and other income received	94,606,716	85,495,845
Divided received	-	4,784,707
Receipts from other operating activities	56,023,018	6,606,790
Interest paid	(1,344,194,532)	(1,165,072,685)
Commission and fees paid	(4,898,347)	(1,887,382)
Cash payment to employees	(168,985,352)	(198,555,247)
Other expense paid	(107,442,299)	(89,470,992)
Operating cash flows before changes in operating assets and liabilities (Increase)/Decrease in operating assets	341,068,823	458,012,617
Due from Nepal Rastra Bank	183,507,335	(100,886,644)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	197,325,271	(1,963,132,054)
Loans and advances to customers	(5,751,274,056)	(1,958,089,816)
Other assets	(158,954,234)	(95,287,676)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	2,227,971,623	(200,295,702)
Due to Nepal Rastra Bank	1,175,684,286	265,856,269
Deposit from customers	2,913,319,550	4,393,405,521
Borrowings	-	-
Other liabilities	(31,348,724)	49,093,702
Net cash flow from operating activities before tax paid	1,097,299,874	848,676,215
Income taxes paid	(109,371,522)	(121,871,393)
Net cash flow from operating activities	987,928,352	726,804,822
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(73,224,565)	(1,209,718,201)
Receipts from sale of investment securities	-	174,383,259
Purchase of property and equipment	(17,224,409)	(7,066,131)
Receipt from the sale of property and equipment	-	91,814
Purchase of intangible assets	-	(209,050)
Receipt from the sale of intangible assets	388,016	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	0	-
Interest received	-	-
Dividend received	-	-
Net cash used in investing activities	(90,060,959)	(1,042,518,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	(19,885,955)	(54,663,645)
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	(19,885,955)	(54,663,645)
Net increase (decrease) in cash and cash equivalents	877,981,438	(370,377,131)
Opening Cash and cash equivalents	4,264,391,045	4,811,555,306
Derecognition of Cash and cash equivalent of Subsidiary		
Effect of exchange rate fluctuations on cash and cash equivalents held		
Cash and cash equivalents at the end of the period	5,142,372,483	4,441,178,175

Statement of Distributable Profit Loss
(As per NRB Regulation)

Particulars	Upto This Quarter
Opening Retained Earning	435,012,253
Distribution of FY 2077-78	(397,724,917)
Net profit or (loss) as per statement of profit or loss	351,744,582
<u>1.1 Profit required to be appropriated to:</u>	
<i>a. General reserve</i>	70,348,916
<i>b. Foreign exchange fluctuation fund</i>	-
<i>c. Capital redemption reserve</i>	
<i>d. Corporate social responsibility fund</i>	2,701,486
<i>e. Employees' training fund</i>	-
<i>f. Other</i>	
<u>1.2 Profit required to be transfered to Regulatory Reserve:</u>	
<i>a. Transfer to Regulatory Reserve</i>	(66,548,100)
<i>b. Transfer from Regulatory Reserve</i>	-
Distributable profit or (loss) for the Poush End 2078	249,433,417

Particulars	Current Year		Previous year corresponding	
	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter
Capital Fund to RWA		12.77%		12.93%
Non Performing Loan (NPL) to total Loan		1.67%		2.51%
Total Loan Loss Provision to Total NPL		159.68%		114.54%
Cost of Fund		7.33%		6.61%
Credit to Deposit Ratio		88.88%		76.86%
Base Rate		9.60%		8.92%
Interest rate Spread		3.97%		4.68%

Lumbini Bikas Bank Limited

For the period ended 30th Poush, 2078

Notes to the Interim Financial Statements

1. Reporting Entity

Lumbini Bikas Bank is a Public company incorporated and operating in Nepal. The address of its registered office is Dillibazar, Kathmandu Nepal. The bank carries out banking business in Nepal as national level development bank under Bank and Financial Institution Act 2073.

2. Basis of preparation

The Interim financial statements of the bank have been prepared as per Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting and Carve-outs as issued by Institute of Chartered Accountant of Nepal (ICAN).

The consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements.

The consolidated financial statements are presented in functional and presentation currency of the Bank i.e. Nepalese Rupee (“NPR”) which is the currency of the primary economic environment in which the Group operates.

3. Statement of Compliance with NFRS

The consolidated financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as published by Nepal Accounting Standard Board and as pronounced by the Institute of Chartered Accountants of Nepal (ICAN) and in compliance with applicable laws and regulation.

Application of NFRS Carve outs

a) NAS 39 – Financial Instruments: Recognition and Measurement

Incurred Loss Model to measure impairment loss on loans and advances

This is a mandatory carve out for Banks and Financial Institutions registered under Banking and Financial Institution Act 2073, which requires an entity to measure impairment allowance on loans and advances at higher of amount determined as per regulatory norms prescribed by Nepal Rastra Bank and amount determined under Para 63-Incurred Loss Model.

The bank has applied this carve out and recognized all its impairment allowance for Loans and Advances based on norms prescribed under NRB Directive no. 02/2078 being amount higher than the amount calculated under Incurred Loss Model.

Lumbini Bikas Bank Limited

For the period ended 30th Poush, 2078

4. Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Bank's accounting policies. The Bank makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

5. Changes in accounting policies

The Bank applies its accounting policies consistently for all periods presented.

6. Significant accounting policies

i. Basis of measurement

These consolidated financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS as mentioned below:

- Liabilities for defined employee benefit under NAS 19 'Employee Benefit'
- Investment Property under NAS 40 'Investment Property'
- Investment Securities under NFRS 9 'Financial Instruments'

ii. Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, balances with bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date with insignificant risk of changes in their value which are held by the bank to meet short term cash commitments.

iii. Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and

Lumbini Bikas Bank Limited

For the period ended 30th Poush, 2078

financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss.

iv. Trading Assets

Trading Assets are those which the bank principally acquires for selling or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are designated as Fair Value through Profit or Loss.

v. Property, Plant and Equipment

Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The assets are depreciated over their useful life using Straight line method. The estimated useful lives are;

Item	Useful Life
Office Equipment	5 years
Furniture Fixture and Fitting	5 years
Vehicle	5 years
Computer, Printer and Accessories	5 years
ATM Machine	7 Years
Freehold Premises	50 Years
Leasehold Assets	Earlier of 10 years or Lease Tenure

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

vi. Goodwill and Other Intangibles

Goodwill is the residual of the cost of acquisition over the fair value of the identifiable net assets acquired. It is assessed for impairment at the end of each reporting period

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

vii. Investment Property

An investment property is property held by the bank to earn rentals or for capital appreciation or both, rather than own-occupied. The investment property of the bank solely consists of land or building acquired under the Non-Banking Assets. Subsequently all investment properties are reported at cost less accumulated depreciation.

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For the period ended 30th Poush, 2078

viii. Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to Bank: 30%

Deferred tax

- The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.
- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
- Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

ix. Deposits, debt securities issued and subordinated liabilities

The Bank presents the deposits held from customers and bank and financial institutions at amortized cost.

The Bank does not have any debt or subordinated liabilities at the reporting date.

x. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

xi. Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. It is measured at the fair value of the consideration received or receivable. Revenue is recognized to the extent that it is

Lumbini Bikas Bank Limited

For the period ended 30th Poush, 2078

probable that economic benefit will flow to the Bank and that the revenue can be reliably measured.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Fee and commission income

Fee and commission earned for the provision of services over a period of time are accrued over that period.

Dividend Income

Dividend income (net of withholding taxes) from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably). In case of stock dividend only the number of shares is increased.

Net trading income

It comprises gain or loss on trading assets, interest or dividend income on trading assets and gains or losses arising under settlement of foreign currency transactions.

xii. Interest Expenses

Interest expense is recognized in the profit or loss using effective interest rate for all the financial liabilities measured at amortized cost

xiii. Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. Such benefits include short term, long term, termination and other long term benefits.

The Bank provides for defined benefits in the form of gratuity. The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by actuaries through actuarial valuation using the projected unit credit method.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the reporting date determined based on an actuarial valuation.

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For the period ended 30th Poush, 2078

For the Interim financial statement provision for leave and gratuity has been provided on estimated actuarial valuation and hence actuarial gain loss has not been separately disclosed and it will change as per Actuarial Valuation Report.

xiv. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease

A lease that transfers substantially all the risks and rewards incidental to ownership to the Bank is classified as a finance lease. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on the borrowing costs.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

xv. Share Capital and Reserves

Equity is the residual interest in the total assets of an entity after deducting all the liabilities. The share capital of the Bank includes the equity share capital with promoter and public shareholding. The Bank has also maintained several statutory reserves and free reserves which are presented in the statement of changes in equity.

xvi. Earnings Per Share

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

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Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

7. Segment Reporting

Operating segment are those components of an entity that engages in business activities which earns revenue and incurs expenses and whose results are regularly reviewed by the entity's chief operating decision maker for those segment having discrete financial information.

The senior management of the Bank is the Chief Operating Decision Maker.

Particulars	Banking		Treasury and remittance		Other (not separately reportable)		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenue From External Customer	1,943,446,102	1,632,633,164	128,073,807	69,969,647	36,537,887	5,183,061	2,108,057,796	1,704,222,882
Intersegment Revenue	-	-	-	-	-	-	-	-
Segment Profit (Loss) before Tax	416,394,762	211,565,441	71,380,041	42,907,498	25,679,159	3,194,131	513,453,962	360,394,871
Segment Assets	42,950,260,291	33,662,608,742	7,183,102,766	5,328,712,616	529,216,065	302,214,819	50,662,579,123	32,974,452,876
Segment Liability	44,667,465,152	34,254,708,143	393,675	195,500	454,709,712	651,511,962	45,122,568,539	28,880,768,874

Reconciliation of reportable segment (profit loss)

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total Profit before tax for reportable segment	487,774,803	254,472,939
Profit before tax for other segment	25,679,159	108,608,770
Elimination of intersegment profit	-	-
Unallocated amount	-	-
Profit before tax	513,453,962	363,081,709

8. Events after interim period

There have been no material events after the reporting period affecting the financial status of the Bank as on Poush end, 2078.

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9. Related Party Disclosure

The key management personnel of the bank including member of the Board of Directors, Chief Executive Officer and other executive level staff of the Bank are as follow.

Mr. Dasarath Risal	- Chairman
Mr. Chinta Mani Bhattarai	-Director
Mr. Keshav Khatiwada	-Director
Mr. Prabin Krishna Shrestha	-Director
Mr. Pratap Kumar Acharya	-Director
Mr. Ram Chandra Sigdel	-Director
Mrs. Anju Kumari Gupta	-Director
Mr. Naresh Singh Bohra	-Chief Executive Officer
Mr. Paban Dhakal	-Senior Deputy Chief Executive Officer
Mr. Umesh Regmi	- Deputy Chief Executive Officer

The Development Bank has the following associates:

- i.** Muktinath Capital Limited (Former: Vibor Capital Limited)
- ii.** Deprosc Laghubitta Bittiya Sanstha Limited
- iii.** NADEP Laghubitta Bittiya Sanstha Limited
- iv.** Lumbini General Insurance Limited

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Additional disclosure as per Securities Registration and Issuance Regulation -2073 (Sub-Rule 1 of Rule 26) for Second Quarter of FY 2078/79

A. Financial Statement Highlights

1. Related Party Transactions:
 - a. The bank has investment of NPR 40 Million in its associate company Muktinath Capital Limited (Former: Vibor Capital Ltd.). The bank holds 19.75% of shares of Muktinath Capital Ltd.
 - b. The bank pays Muktinath Capital Ltd. NPR 275,000.00 per annum for the services rendered as its Registrar to Shares.
 - c. Muktinath Capital Ltd. maintains call /current deposit accounts with the bank.
2. Ratios as on Second Quarter End 2078/79.

Particulars	This Quarter Ending
Liquidity	21.41%
Return on total Assets (Annualized)	1.39%
Number of Equity Shares	32,842,925
Earnings per Share (Annualized)	21.42
Net worth per Share	168.68
Price earnings ratio	25.44

B. Management Analysis

1. Quarterly changes in Capital, Reserve, Income and the reason thereof if any:
 - a. The capital of the Bank has increased by NPR 377.84 Million after capitalization of stock dividend from FY 2077-78.
 - b. The development bank has registered Rs 351.74 Million net profit during the period ending second quarter of Fiscal Year 2078/79. The development bank is in a comfortable liquidity position.
 - c. While comparing with past performance, development bank has made notable progress in its credit and deposit portfolio despite of Corona pandemic effect in the business. The profitability of the bank has been increased significantly as compare to corresponding previous period due to increase in interest and other fees & commission income along with reversal of impairment charges on loan & advances. The changes in credit portfolio, deposit, profitability and other financial indicators are stated in the financial statement.
 - d. With the control of outbreak of COVID-19, economic activities have been increased and our Bank has able to operate its banking transaction in normal scenario. The relaxation on recovery of loan and advances has been provided through extension of time period for the renewal and deferral of repayment of Loan to the effected borrower of the Bank as per the NRB directives.
2. Management overview on the business for next period:

The development bank is focusing on strengthening the customer service and minimizing the operation cost through introduction of modern technology. The bank

focuses on maximizing the return not only through interest income but through wider range of income generating services such as fee based income and cross selling of bank's products, investment and remittance.

C. Details Pertaining to Legal Proceedings

1. There are some legal cases filed at the courts by our credit customers and in relation to few operational matters and all cases are continued from previous quarter.
2. No such information has been received of law suit filed by or against the promoters or directors of the bank involving violation of statutory regulation or criminal offences.

D. Analysis of Bank's Share Transactions

Maximum, minimum and last share price of the development bank including total transaction and transacted days during the First Quarter. (Source:www.nepalstock.com)

Highest Price	697
Lowest Price	413
Total transacted no. of days	59
Closing Price	545
Total traded no. of shares	7,261,101
No. of transactions	36,765

E. Problems and Challenges

1. Internal:

- a. Recovery of chronic Non-Performing Loan and Overdue Interest.
- b. Retention of High value clients.
- c. Recruiting and retention of quality human resource.

2. External:

- a. Adverse financial impact due to COVID-19 pandemic
- b. Competitive business environment.
- c. Cost of deposit and Yield on Loans due to volatile liquidity situations.
- d. Limited credit opportunity in productive sectors.
- e. Increased level of Operational risk in the industry.

3. Strategy:

- a. COVID-19 Pandemic
 - Focus on productive and subsidized sector loan
 - Digitalization of Banking Transaction
 - Implementation of effective cost management practices
 - Proper Management of Assets and liabilities of the Bank
- b. Aggressive Recovery of NPL.
- c. Diversify credit portfolio through quality and small sized lending, e.g. on small, micro, deprived sector and agriculture instead of big loans.
- d. Identify new avenue of Investment.
- e. Disposal of Non-Banking Assets.

F. Corporate Governance

The Board of Directors, Risk Management Committee, Audit Committee, and Management Team are committed for strengthening good corporate governance within the bank. The development bank has written policies, rules and guidelines to perform the banking operation to ensure good corporate governance.

G. Disclosure of the Chief Executive Officer

To the best of my knowledge and belief, I, the Chief Executive Officer, declare that the information on the development bank's position and performance disclosed in this report are true and fair. I have not intentionally concealed any relevant data or information that in my assessment would adversely affect the investment decision of any depositor or investor.