ज्योति विकास बैंक लि.
JYOTI BIKASH BANK LTD.
More than a Bank

KamalPokhari, Kathmandu. Tel: 977-01-5970306/307, Website: www.jbbl.com.np

Unaudited Financial Results (Quarterly)

Statement of Financial Position
As at Poush End 2080 (2080/09/29) of the Fiscal Year 2080/81

Amount in NPR

Particulars	Group		Bank	
	This Quarter Ending (Poush End 2080)	Previous Year Ending (Ashad End 2080) (Audited)	This Quarter Ending (Poush End 2080)	Previous Year Ending (Ashad End 2080) (Audited)
Assets				
Cash and Cash Equivalents	2,455,766,098	6,009,503,130	2,455,766,098	6,009,503,130
Due from Nepal Rastra Bank	2,366,363,656	1,955,411,528	2,366,363,656	1,955,411,528
Placement with Bank and Financial Institutions	600,000,000	500,000,000	600,000,000	500,000,000
Derivative Financial Instruments.	-	-	-	-
Other Trading Assets	99,364,748	34,774,790	-	-
Loans and Advances to BFIs	3,073,499,660	3,027,008,783	3,073,499,660	3,027,008,783
Loans and Advances to Customers	50,732,902,545	50,941,806,462	50,809,709,170	50,964,242,656
Investment Securities	11,462,247,712	8,087,547,034	11,462,247,712	8,087,547,034
Current Tax Assets	133,339,135	141,427,521	131,392,832	139,926,940
Investment in Subsidiaries	-	-	153,000,000	153,000,000
Investment in Associates	-	-	-	-
Investment Property	160,779,118	182,398,157	160,779,118	182,398,157
Property and Equipment	741,680,093	744,559,809	715,133,962	718,608,932
Goodwill and Intangible Assets	14,980,298	14,917,480	14,771,359	14,917,480
Deferred Tax Assets	90,864,599	74,623,256	90,864,599	75,341,820
Other Assets	928,372,874	960,971,631	874,304,324	958,058,450
Total Assets	**72,860,160,535**	**72,674,949,581**	**72,907,832,489**	**72,785,964,910**
Liabilities				
Due to Bank and Financial Institutions	4,484,655,293	3,411,248,945	4,484,655,293	3,411,248,945
Due to Nepal Rastra Bank	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Deposits from Customers	60,084,075,563	61,062,656,869	60,225,023,015	61,284,476,383
Borrowings	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	888,757,099	845,508,965	859,594,926	816,495,257
Debt Securities Issued	1,491,674,943	1,491,674,943	1,491,674,943	1,491,674,943
Subordinated Liabilities	-	-	-	-
Total Liabilities	**66,949,162,897**	**66,811,089,722**	**67,060,948,176**	**67,003,895,528**
Equity	-	-	-	-
Share Capital	4,395,785,886	4,395,785,886	4,395,785,886	4,395,785,886
Share Premium	-	-	-	-
Retained Earnings	(243,312,351)	21,009,565	(248,495,120)	2,947,918
Reserves	1,699,593,547	1,383,335,578	1,699,593,547	1,383,335,578
Total Equity Attributable to Equity Holders	**5,852,067,081**	**5,800,131,029**	**5,846,884,312**	**5,782,069,382**
Non Controlling Interest	58,930,557	63,728,830	-	-
Total Equity	**5,910,997,638**	**5,863,859,859**	**5,846,884,312**	**5,782,069,382**
Total Liabilities and Equity	**72,860,160,535**	**72,674,949,581**	**72,907,832,489**	**72,785,964,910**

Details about the distributable Profit (As per NRB Regulation)		
	As of 29th Poush 2080	**As of 30th Poush 2079**
Net profit or (loss) as per statement of profit or loss	**101,034,748**	**34,759,540**
Appropriations:	**(21,814,150)**	**(8,251,465)**
a. General reserve	(20,206,950)	(6,951,908)
b. Foreign exchange fluctuation fund	(596,853)	(951,961)
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(1,010,347)	(347,595)
e. Employees' training fund	-	-
f. Other	-	-
Profit or (loss) before regulatory adjustment	**79,220,598**	**26,508,075**
Regulatory adjustment :	**(330,663,636)**	**(356,832,113)**
a. Interest receivable (-)/previous accrued interest received (+)	(308,063,813)	(277,818,702)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	13,619,995	(68,605,961)
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)		
Fair value reserve	(36,219,818)	(10,407,449)
Distributable profit or (loss)	**(251,443,038)**	**(330,324,037)**
Opening Retained Earnings	2,947,918	-
Adjustment(+/-)	-	-
Distribution	-	-
Bonus Share Issued	-	-
Cash Dividend Paid	-	-
Total Distributable Profit or(Loss) on year End Date	**(248,495,120)**	**(330,324,037)**
Annualized Distributable Profit/Loss Per Share	**(11.31)**	**(15.48)**

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Unaudited Financial Results (Quarterly)

Statement of Profit or Loss

For the Quarter ended 29th Poush 2080

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Up to This Quarter Ending(YTD) (Poush End 2080)	This Quarter	Up to This Quarter Ending(YTD) (Poush End 2079)	This Quarter	Up to This Quarter Ending(YTD) (Poush End 2080)	This Quarter	Up to This Quarter Ending(YTD) (Poush End 2079)
Interest Income	1,938,866,276	4,042,607,975	2,082,722,658	4,093,617,182	1,940,216,898	4,044,932,485	2,070,774,177	4,081,668,701
Interest Expense	1,385,120,445	2,909,456,658	1,515,741,490	2,930,270,193	1,389,977,042	2,920,700,974	1,515,741,490	2,930,270,193
Net Interest Income	**553,745,831**	**1,133,151,317**	**566,981,168**	**1,163,346,989**	**550,239,856**	**1,124,231,510**	**555,032,687**	**1,151,398,508**
Fee and Commission Income	55,468,857	114,853,689	44,381,124	97,797,623	55,468,857	114,853,689	44,381,124	97,797,623
Fee and Commission Expense	6,803,171	15,492,447	8,307,861	13,194,183	5,850,254	14,446,636	8,307,861	13,194,183
Net Fee and Commission Income	**48,665,686**	**99,361,242**	**36,073,263**	**84,603,440**	**49,618,603**	**100,407,054**	**36,073,263**	**84,603,440**
Net Interest, Fee and Commisson Income	**602,411,517**	**1,232,512,559**	**603,054,432**	**1,247,950,429**	**599,858,459**	**1,224,638,564**	**591,105,951**	**1,236,001,948**
Net Trading Income	9,344,569	19,155,202	11,324,440	20,635,939	9,344,569	19,155,202	11,324,440	20,635,939
Other Operating Income	15,223,925	43,035,710	10,554,849	23,985,822	5,813,362	39,763,724	10,554,849	23,985,822
Total Operating Income	**626,980,011**	**1,294,703,472**	**624,933,721**	**1,292,572,189**	**615,016,389**	**1,283,557,491**	**612,985,240**	**1,280,623,709**
Impairment Charge/ (Reversal) for Loans and Other Lossess	211,102,407	547,516,720	433,072,492	649,132,671	211,102,407	547,516,720	433,072,492	649,132,671
Net Operating Income	**415,877,604**	**747,186,751**	**191,861,229**	**643,439,519**	**403,913,982**	**736,040,770**	**179,912,748**	**631,491,038**
Operating Expense	**332,158,312**	**593,518,012**	**273,418,838**	**581,999,500**	**329,146,515**	**588,697,857**	**273,253,890**	**581,834,552**
Personnel Expenses	178,019,888	332,907,005	141,279,240	324,788,693	176,925,844	330,971,249	141,279,240	324,788,693
Other Operating Expenses	126,944,170	219,344,664	111,424,082	215,632,948	125,202,809	216,636,657	111,259,134	215,468,000
Depreciation & Amortisation	27,194,254	41,266,343	20,715,515	41,577,859	27,017,862	41,089,951	20,715,515	41,577,859
Operating Profit	**83,719,292**	**153,668,739**	**(81,557,609)**	**61,440,019**	**74,767,467**	**147,342,913**	**(93,341,142)**	**49,656,486**
Non Operating Income	-	-	-	-	-	-	-	-
Non Operating Expense	-	-	-	-	-	-	-	-
Profit Before Income Tax	**83,719,292**	**153,668,739**	**(81,557,609)**	**61,440,019**	**74,767,467**	**147,342,913**	**(93,341,142)**	**49,656,486**
Income Tax Expense	26,433,279	48,205,913	(24,467,283)	18,432,006	24,535,531	46,308,165	(28,002,343)	14,896,946
Current Tax	26,433,279	48,205,913	(24,467,283)	18,432,006	24,535,531	46,308,165	(28,002,343)	14,896,946
Deferred Tax	-	-	-	-	-	-	-	-
Profit/(Loss) for the Period	**57,286,013**	**105,462,826**	**(57,090,326)**	**43,008,013**	**50,231,936**	**101,034,748**	**(65,338,799)**	**34,759,540**
Profit Attributable to:								
Equity-holders of the Bank	**55,371,537**	**104,261,046**	**(41,596,012)**	**40,769,378**	**50,231,936**	**101,034,748**	**(65,338,799)**	**34,759,540**
Non-Controlling Interest	**1,914,477**	**1,201,780**	**(15,494,315)**	**2,238,636**				
Profit for the Period	**57,286,013**	**105,462,826**	**(57,090,326)**	**43,008,013**	**50,231,936**	**101,034,748**	**(65,338,799)**	**34,759,540**
Earnings per Share								
Basic Earnings per Share (Rs.) (Annualized)		4.80		2.02		4.60		1.63
Diluted Earnings per Share (Rs.) (Annualized)		4.80		2.02		4.60		1.63
	-				-			
Profit/(Loss) for the Period	**57,286,013**	**105,462,826**	**(57,090,326)**	**43,008,013**	**50,231,936**	**101,034,748**	**(65,338,799)**	**34,759,540**
Other Comprehensive Income, Net of Income Tax	41,646,113	(36,219,818)	43,833,093	(10,407,449)	41,646,113	(36,219,818)	43,833,093	(10,407,449)
Total Comprehensive Income for the Period	**98,932,126**	**69,243,009**	**(13,257,233)**	**32,600,564**	**91,878,049**	**64,814,930**	**(21,505,706)**	**24,352,091**
Total Comprehensive Income attributable to:	-	-	-	-	-	-	-	-
Equity-Holders of the Bank	**97,017,650**	**68,041,228**	**(9,659,220)**	**30,361,928**	**91,878,049**	**64,814,930**	**(21,505,706)**	**24,352,091**
Non-Controlling Interest	1,914,477	1,201,780	(3,598,013)	2,238,636	-		-	
Total Comprehensive Income for the Period	**98,932,126**	**69,243,009**	**(13,257,233)**	**32,600,564**	**91,878,049**	**64,814,930**	**(21,505,706)**	**24,352,091**
Ratios as per NRB Directive								
Capital Fund to RWA		12.76%		12.77%		12.76%		12.77%
Non Performing Loan (NPL) to Total Loan		4.88%		3.52%		4.88%		3.52%
Total Loan Loss Provision to Total NPL		97.62%		95.12%		97.62%		95.12%
Cost of Funds		8.55%		10.34%		8.55%		10.34%
CD Ratio (Calculated as per NRB Circular)		85.14%		87.66%		85.14%		87.66%
Base Rate		11.13%		12.76%		11.13%		12.76%
Spread Rate		4.59%		4.97%		4.59%		4.97%
Average Yield (Local Currency)		13.13%		15.35%		13.13%		15.35%
Return on Equity (RoE) (Annualized)		3.60%		1.51%		3.46%		1.22%
Return on Assets (RoA) (Annualized)		0.29%		0.12%		0.28%		0.10%
Earning Per Share (Rs) (Annualized)		4.80		2.02		4.60		1.63

Notes:

1. Above financials have been prepared in accordance with NFRSs, including the Carve-outs as issued by the Institute of Chartered Accountants of Nepal(ICAN).
2. Previous period figure have been regrouped / rearranged wherever necessary as per NFRSs.
3. Loan and Advances includes Loan advances, interest receivables, staff loan presented net of impairment charges.
4. Personnel Expenses includes employment bonus provision calculated at 10 percent of profit after bonus .
5. Loan Administration fees that are integral part of Effective Interest rate(EIR) is considered as immaterial and
6. Above figures are subject to change upon otherwise instructions of Statutory Auditor and/or Regulatory
7. The detailed Financial Report has been published in the Bank's website: www.jbbl.com.np.

Jyoti Bikash Bank Limited
Notes to the Interim Financial Statements
For the Quarter Ended 29 Poush,2080

1. Reporting Entity

Jyoti Bikash Bank Limited ("JBBL" or "the Bank") is a limited liability company based in Nepal which has been in operation in Nepal since 24th July 2008. The Bank is registered with the Office of Company Registrar as a public limited company and carries out banking activities in Nepal under the license from Nepal Rastra Bank as Class "B" licensed institution (National Level). It's registered, and corporate office is at Kamalpokhari, Kathmandu, Nepal.

The Bank merged with Jhimruk Bikas Bank Limited (FY 2073/74) and has acquired 2 more regional level development banks, Raptibheri Bikas Bank Limited (FY 2074/75) and Hamro Bikas Bank Limited (FY 2075/76).

The Bank offers maximum banking services of banking products and services including loans and advances, deposits, remittance, e-commerce services etc. to wide range of clients encompassing individuals, corporates, government corporations, etc. as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

The Bank is listed on Nepal Stock Exchange and its stock symbol is "JBBL".

The Bank has one majority owned subsidiary namely "Jyoti Capital Limited".

Jyoti Capital Limited is a majority owned subsidiary of the Bank and was incorporated on 19th October 2021 as a Public Limited Company as per the Companies Act 2063.

"The Group" represents the Bank and its subsidiary.

2. Basis of Preparation

The Consolidated Financial Statements of the Bank has been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank through Directive No. 4 of NRB Directives, 2078.

The financial statements comprise of Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements (including Significant Accounting Policies).

Group financial statements have been prepared by consolidating the standalone financial statements of the Bank along with audited financial statements of Jyoti Capital Limited.

2.1. Statement of Compliance

The financial statements has been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB), Nepal and pronounced for presentation by The Institute of Chartered Accountants of Nepal (ICAN) subject to the notices dated 10 November 2020 and 18 July 2022 regarding the Carve-outs in NFRS with Alternative Treatment and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2078.

These policies have been consistently applied to all the years presented except otherwise stated.

2.2. Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (Rs.) which is also the Bank's functional currency. All financial information presented in Rs. has been rounded off to the nearest rupee except where indicated otherwise.

2.3. Use of Estimates, Assumptions and Judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the profit or loss, financial position and other details provided in annual report. Actual results may be different than estimated and sometimes the effect may be material.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

Estimates and underlying assumptions are reviewed continually by the bank. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively, including expectations of future events that are believed to be reasonable. The accounting estimates and effect of such estimates are disclosed in the relevant notes.

2.4. Going Concern

The financial statements are prepared on a going concern basis, as the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions/projections of profitability, cash flows and capital resources.

2.5. Materiality

For the preparation of financial statements, the Bank determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all of the qualitative characteristics.

2.6. Changes in Accounting Policies

The Bank had adopted NFRS for the first time in FY 2017/18. The Bank prepared the statement of financial position as per NFRS by recognizing all assets and liabilities whose recognition was required by NFRS, not recognizing the items of assets or liabilities which were not permitted by NFRS, and applying NFRS in measurement of recognized assets and liabilities.

During the current quarter, there is no change in accounting policies, except otherwise stated.

2.7. Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 20 November 2020 and 18 July 2022 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB). Details of carve out provided are as follows.

2.7.1. NFRS 9: Financial Instruments

a) **Effective Interest Rate** *(Para 5.4 read together with appendix (a defined terms) relating to Effective interest rate)* is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instruments (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received unless it is immaterial or impracticable to determine reliably between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1-B5.4.3) transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a groups of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instruments (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

   Optional: The carve-out is optional. If an entity opts to use this carve-out that should be disclosed in the financial statements with its monetary impact in the financial statements as far as practicable.

b) Impairment and collectability of financial assets measured at amortized cost (Para 5.5 Impairment)

1. An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 5 (given below) to determine the amount of any impairment loss unless the entity is a bank or Financial institution registered as per Bank and Financial Institutions Act 2073. Such entities shall measure impairment loss on loans and advances as the higher of amount derived as per the norms prescribed by Nepal Rastra Bank for loan loss provision and the amount determined as per paragraph 5 (given below) and shall apply paragraph 5 (given below) to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve-out and amount of impairment loss determined as per paragraph 5 (given below).
2. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairments. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

(a) Significant financial difficulty of the issuer or obligor.
(b) A breach of contracts, such as a default or delinquency in interest or principal payments.
(c) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) It becoming probable that the borrow will enter bankruptcy or other financial reorganization;
(e) The disappearance of an active market for that financial asset because of financial difficulties; or
(f) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    (i) Adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or
    (ii) National or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil procedures, or adverse changes in industry conditions that affect the borrowers in the group).

3. The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in a debt instrument that results from an increase in the risk-free interest rate).
4. In some cases, the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. For example, this may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, an entity uses its experienced judgment to estimate the amount of any impairment loss. Similarly, an entity uses its experienced judgment to adjust observable data for a group of financial assets to reflect current circumstances (see paragraph AG6 below). The use of reasonable estimated is an essential part of the preparation of financial statements and does not undermine their reliability.
5. 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 as the difference between the asset's carrying amount and the present value of estimated future cash flows

(excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the profit or loss.

6. An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph 2 above). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets with similar credit risk characteristics and collectively assesses them for impairment. 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.
7. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial assets that exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversal shall be recognized in profit or loss.

Application Guidance

(This guidance is an integral part of the above provision)

AG1 Impairment of a financial asset measured at amortized cost is measured using the financial instrument's original effective interest rate because discounting at the current market rate of interest would, in effect, impose fair value measurement on financial assets that are otherwise measured at amortized cost. If the terms of a financial asset measured at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss under paragraph 5 is the current effective interest rate(s) determined under the contract. As a practical expedient, a creditor may measure the impairment of a financial asset measured at amortized cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

AG2 The process for estimating impairment considers all credit exposures, not only those of low credit quality. For example, if an entity uses an internal credit grading system it considers all credit grades, not only those reflecting a severe credit deterioration.

AG3 The process for estimating the amount of an impairment loss may result either in a single amount or in a range of possible amounts. In the latter case, the entity recognizes an impairment loss equal to the best estimate within the range taking into account all relevant information available before the financial statements are issued about conditions existing at the end of the reporting period.

AG4 For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status, and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. However, loss probabilities and other loss probabilities and other loss statistics differ at a group level between (a) assets that have been individually evaluated for impairment and found not to be impaired and (b) assets that have not been individually evaluated for impairment, with the result that a different amount of impairment may be required. If an entity does not have a group of assets with similar risk characteristics, it does not make the additional assessment.

AG5 Impairment losses recognized on a group basis represent an interim step pending the identification of impairment losses on individual assets in the group of financial assets that are collectively assessed for impairment. As soon as information is available that specifically identifies losses on individually impaired assets in a group, those assets are removed from the group.

AG6 Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity- specific loss experience or insufficient experience, use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

AG7 As an example of applying paragraph AG6, an entity may determine on the basis of historical experience, that one of the main causes of default on credit card loans is the death of the borrower. The entity may observe that the death rate is unchanged from one year to the next. Nevertheless, some of the borrowers in the entity's group of credit card loans may have died in that year, indicating that an impairment loss has occurred on those loans, even if, at the year-end, the entity is not yet aware which specific borrowers have died. It would be appropriate for an impairment loss to be recognized for these 'incurred but not reported losses. However, it would not be appropriate to recognize an impairment loss for deaths that are expected to occur in a future period, because the necessary loss event (the death of the borrower) has not yet occurred.

AG8 When using historical loss rates in estimating future cash flows, it is important that information about historical loss rates is applied to groups that are defined in a manner consistent with the groups for which the historical loss rates are observed. Therefore, the method used should enable each group to be associated with information about past loss experience in groups of assets with similar credit risk characteristics and relevant observable data that reflect current conditions.

AG9 Formula-based approached or statistical methods may be used to determine impairment losses in a group of financial assets (e.g. for smaller balance loans) as long as they are consistent with the requirements in paragraphs 5-7 and AG4-AG8. Any model used would incorporate the effect of the time value of money, consider the cash flows for all of the remaining life of an asset (not only the next year), consider the age of the loans within the portfolio and not give rise to an impairment loss on initial recognition of a financial asset.

Non-Optional: **The Carve-out is not optional and valid up to FY 2080-81.**

2.8.2 NFRS 3: Business Combination

a) Para 18, NFRS 3: Exclusion for the acquirer to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

The acquirer shall account for and integrate into its books of account on announced books integration date (being acquisition date) the total assets and liabilities (except equity and all reserves) of acquiree at the value determined by applying the same basis considered for determining a restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as the fair value of the acquiree.

b) Para 37, NFRS 3: Exception to consideration transferred in a business combination measured at fair value.

Where purchase consideration is settled through the issue of share (ordinary equity or other shares) of the acquirer, the fair value of such ordinary equity shares to be issued by the acquirer shall be the value determined by applying the various parameters as per NRB merger and acquisition Bylaws for the purpose of swap Ratio. Accordingly, the acquirer will issue the required number of its ordinary equity shares (or other shares) to the shareholders of the acquiree as per swap ratio so determined/approved by a regulatory authority. Ordinary equity shares so issued are valued at the fair value (as determined for the purpose of swap ratio) where the face value shall be accounted for as cent percent paid-up ordinary equity shares in the books of accounts of acquirer and balance being the difference between the fair value of the share (considered for swap ratio) and the face value of such ordinary equity shares shall be accounted for as other components of equity (share premium/discount)

2.8. New Standards in issue but not yet effective

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

2.9. New Standards and Interpretations Not adapted

The following pronouncements in NFRS are not mandatory for 2078/79 and have not been early adopted by the group. The Bank is still currently assessing the detailed impact of these amendments: -

2.10.1 IFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Impairment is calculated as per carve out provided by ASB. The requirement of IFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

The Expected Credit Loss (ECL) model is a forward-looking model. The ECL estimates are unbiased, probability-weighted, and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Under the general approach, IFRS 9 recognizes three stage approach to measure expected credit losses and recognized interest income.

Stage 1: 12-month ECL – No significantly increased credit risk Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2: Lifetime ECL – Significantly increased credit risk in the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

Interest income will continue to be recognized on a gross basis.

Stage 3: Lifetime ECL – Defaulted Financial instruments that move into Stage 3 once credit impaired and purchases of credit impaired assets will require a lifetime provision. Interest income will be calculated based on the gross carrying amount of the financial asset less ECL

The management is still assessing the potential impact on its financial statements, if Expected Credit Loss (ECL) model is introduced.

2.10. Discounting

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material.

2.11. Limitation of NFRS implementation

If the information is not available and the cost to develop would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective section.

3. Significant Accounting Policies

The principal accounting policies applied by the Bank in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

3.1. Basis of Measurement

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

- Investment in equity measured at fair value through other comprehensive income.
- Derivative financial instruments are measured at fair value.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

3.2. Basis of consolidation

a) Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date i.e., when control is transferred to the Bank. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Bank measures goodwill at the acquisition date as;

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquire, plus
- if the business combination is achieved in stages, the fair value of the preexisting equity interest in the acquire, less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Transaction 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.
- Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

The following carve outs (not optional) as per the notice of ICAN issued.

Para 18, NFRS 3: Exclusion for the acquirer to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

The acquirer shall account for and integrate into its books of account on announced books integration date (being acquisition date) the total assets and liabilities (except equity and all reserves) of acquiree at the value determined by applying the same basis considered for determining a restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as the fair value of the acquiree.

Para 37, NFRS 3: Exception to consideration transferred in a business combination measured at fair value.

Where purchase consideration is settled through the issue of share (ordinary equity or other shares) of the acquirer, the fair value of such ordinary equity shares to be issued by the acquirer shall be the value determined by applying the various parameters as per NRB merger and acquisition Bylaws for the purpose of swap Ratio. Accordingly, the acquirer will issue the required number of its ordinary equity shares (or other shares) to the shareholders of the acquiree as per swap ratio so determined/approved by a regulatory authority. Ordinary equity shares so issued are valued at the fair value (as determined for the purpose of swap ratio) where the face value shall be accounted for as cent percent paid-up ordinary equity shares in the books of accounts of acquirer and balance being the difference between the fair value of the share (considered for swap ratio) and the face value of such ordinary equity shares shall be accounted for as other components of equity (share premium/discount).

b) Non-Controlling Interest (NCI)

For each business combination, the Bank elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquired identifiable net assets, which are generally at fair value.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

c) Subsidiaries

Subsidiaries are the entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

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

d) Loss of Control

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

e) Special Purpose Entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank and the SPE's risks and rewards, the Bank concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Bank controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Bank according to it specific business needs so that the Bank obtains benefits from the SPE's operation.
- The Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Bank has delegated these decision-making powers.
- The Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.

The Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

f) Transaction Elimination on Consolidation

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

3.3. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call and short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.
Cash and cash equivalents are presented in the carrying value in the statement of financial position.

3.4. Financial assets and Financial Liabilities

A. Recognition

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

B. Classification

The Bank classifies its financial assets and financial liabilities into the following measurement categories:

I. Financial Assets

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

The two classes of financial assets are as follows:

i. Financial assets measured at amortized cost

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

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial asset measured at fair value

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

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

  Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

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

  Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

II. Financial Liabilities

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

- **Financial Liabilities at Fair Value through Profit or Loss**

  Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Except for particular liabilities designated as at FVTPL, the amount of the change in the fair value that is attributable to changes in the liability's credit risk is recognized in Other Comprehensive Income.

- **Financial Liabilities measured at amortized cost**

  All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

C. Measurement

i. Initial Measurement

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

ii. Subsequent Measurement

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

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

D. De-recognition

De-recognition of Financial Assets

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

De-recognition of Financial Liabilities

Financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

E. Determination of Fair Value:

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

The fair values are determined according to the following hierarchy:

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

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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

F. Impairment:

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

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

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

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

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

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost

NFRS 9 (As per Carve Out issued by ICAN on 18 July 2022)

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

Loans and advances to customers with significant value i.e. Top 30% of the Total Loan Portfolio for individual assessment of impairment individually are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment Bank has categorized assets in five broad products as follows:

1. Auto Loan
2. Home Loan
3. Personal Loan
4. Short term Loan
5. Term Loan

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the other reserves and funds (impairment reserve) in statement of other comprehensive income and statement of changes in equity. If a write–off is later recovered, the recovery is credited to the 'Statement of Profit or Loss.'

Policies Adopted

As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per requirement of Nepal Rastra Bank on loan loss provision and amount determined as per Carve out and Application Guidelines (AG) issued by the Accounting Standard Board (ASB) dated 18 July 2022.

3.5. Trading Assets

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit and loss account.

3.6. Derivatives Assets and Derivative Liabilities

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

3.7. Property, Plant and Equipment

a. Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

i. it is probable that future economic benefits associated with the item will flow to the entity; and

ii. the cost of the item can be measured reliably.

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

The cost of self-constructed assets includes the following:

i. the cost of materials and direct labor;

ii. any other costs directly attributable to bringing the assets to a working condition for their intended use;

iii. when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

iv. Capitalized borrowing costs for qualifying assets

v. The Bank adopts cost model for entire class of property and equipment. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

Assets with a value of less than RS. 2,000 are charged off to revenue irrespective of their useful life in the year of purchase.

b. Depreciation

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment, freehold building and leasehold properties. Depreciation on leasehold properties is calculated by using the straight-line method over the lease period on cost or valuation of the property. The rates of depreciations are given below:

Rate of Depreciation per annum (%)

Asset Category	For the Quarter ended 29 Poush 2080
Freehold Buildings	5%
Motor Vehicles	20%
Computer Equipment	25%
Furniture, Office Equipment	25%
Leasehold Properties	10%
ROU Assets	Amortized over non-cancellable lease period

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

At each reporting date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

c. 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.

3.8. Intangible Assets/ Goodwill

Computer software

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

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Amortization 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 Quarter ended 29 Poush 2080
Computer Software	5 years
Licenses	5 years

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.

3.9. Investment Property/Non-Current Assets Held for Sale

Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but remains unsold at the reporting date.

Non-Current Assets Held for Sale

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

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

3.10. Income Tax

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

a. Current Tax

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

b. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3.11. Deposits, debts securities issued and subordinated liabilities

a. Deposits

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

b. Debt Securities Issued

The Bank has issued ten-year debenture named "Jyoti Bikash Bank Bond 2087" with coupon rate of 9% to be expired on 6 Shrawan, 2088.

c. Subordinated Liabilities

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

3.12. Provisions

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

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

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

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

3.13. Revenue Recognition

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

a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the Bank's normal interest rate which is very close to effective interest rate.

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

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

The Bank recognizes the interest income on loans and advances as per Guidelines on Recognition of Interest Income, 2019. The bank has recognized the interest receivable of loan and advances which falls up to doubtful category. Interest on loans falling under bad loan category have not been recognized incorporating the bad loans which are categorized as bad based on their financial condition and business position.

b. Fees & Commission

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

c. Dividend Income

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

d. Net Trading Income

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

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

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

3.14. Interest expense

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

3.15. Employees Benefits

Employee benefits include:

i. 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:
   - Wages, salaries and social security contributions;
   - Paid annual leave and paid sick leave;
   - Bonus and,
   - Non-Monetary Benefits such as Staff Life Insurance, Medical, Accidental Insurance, Subsidized Loan Facilities

     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.

ii. Post-employment benefits, such as the following:
   - Retirement benefits (e.g.: lump sum payments on retirement); and
   - Other post-employment benefits such as post-employment life insurance and post-employment medical care;

iii. Other long-term employee benefits and

iv. Termination benefits

Post employments benefits are as follows:

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which Bank pays fixed contribution into a separate Bank (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 contribution is recorded as a liability under 'Other Liabilities'.

The 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).

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).

Gratuity

As per Staff Byelaws of the Bank, provision is made in the fiscal 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.

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 increase in gratuity liabilities attributable to the services provided by employees during the year (current service cost) has been recognized in the Statement of Profit or Loss under 'Personnel Expenses' together with the net interest expense. Bank recognizes the total actuarial gain and loss that arises in calculating Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (58 years), early withdrawal from service and retirement on medical grounds.

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. 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.

3.16. Leases

Bank assesses whether a contract is, or contains, a lease, at inception of the contract. The bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases with cancellable option for both lessor and lessee, leases for those properties where shifting is planned in the near future and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The Bank has considered average cost of fund for the year as incremental borrowing rate for discounting of remaining lease payments.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;

- The exercise price of purchase options if the lessee is reasonably certain to exercise the options;

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item under other liabilities in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under NAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease

The right-of-use assets are presented as a separate line item under Plant, Property & Equipment in the Statement of Financial Position.

The bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss.

As a practical expedient, NFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3.17. Foreign Currency Translation

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

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

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

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

3.18. Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

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

3.19. Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

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

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

3.20. Earnings per share

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

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization due to right share, bonus issue, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively.

3.21. Segment Reporting

The Bank is organized for management and reporting purposes into segments such as Core Banking, Microfinance, Treasury, Card and Remittance. The segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly common assets, head office expenses, and tax assets and liabilities.

4.1 Operating Segment Information

General Information

Reportable Segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system. The Bank operates in the following segments:

a. Core Banking

This segment covers various generalized products and services of the Banks. All deposit accounts (Saving, Current, Call & Fixed) and Loans provided to Institutional and Individual customers except Micro Banking are categorized into Core Banking. Major sources of revenue of the segment are interest income from loans & non-interest income (fee-based income from fund based and non-fund-based lending, foreign exchange income, other operating and non-operating incomes). Likewise, major components of expenditure of the segment are interest expense in deposits, staff expenses, other office expenses, depreciation and provision for possible losses/Impairment.

b. Micro Finance

This segment covers various specialized lending products of the Banks provided to deprived sectors of the society directly (Saral Karja) or Group Based Lending for the upliftment of deprived or marginalized community. Micro Finance services are provided through dedicated centralized Micro Finance department & micro assistants of various branches. Major sources of revenue of the segment are interest income from loans & fee based non-interest income from micro finance. Likewise, major components of expenditure of this segment are staff expenses, other office expenses, depreciation of the assets dedicatedly used by the Micro Finance department and provision for possible losses/impairment of the micro finance portfolio.

c. Treasury

The balance lying with the banks invested in governmental bonds, treasury bills, placements, forex trading and shares of other organizations come under this segment. The interest income of bonds and bills, forex gains, dividend income are revenue items of this segment. Expenses of this segment comprises interest expenses on deposits used for making investments, forex losses, personnel expenses and operating expenses as well as provision for loss created for such investments.

d. Digital Banking & Others:

Remittance: This segment covers both domestic remittance and foreign inwards remittance facility served with a purpose to provide complete remittance solution to the valued customers of the Bank through a dedicated own remittance product named Jyoti Remit. Major sources of revenue of the segment are remit fee/commission income and income from remittances. Likewise, major components of expenditure of the segment are staff expenses, fee/commission paid to various agencies and depreciation of assets dedicatedly used by the remittance department.

Cards and Alternate Banking Channels: This segment covers all technology based alternate service delivery channels of the Bank like Cards, Mobile Banking and Internet Banking. Major sources of revenue of the segment are fee-based income like subscription charge, renewal charge and transaction fee. Likewise, major components of expenditure of the segment are fee/commission paid to various vendors of Cards, Mobile Banking and Internet Banking, staff expenses, other office expenses and depreciation of assets dedicatedly used by the Card department.

4.2 Related Party Disclosures

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

Name	Relationship
Jyoti Capital Limited	Subsidiary Company (72.86% owned subsidiary)
Mr. Hari Chandra Khadka	Chairman
Mr. Santosh Adhikari	Board Member
Mr. Ram Kumar Shrestha	Board Member
Mr. Dhruba Koirala	Board Member
Ms. Mana Maharjan	Board Member
Mr. Naresh Raj Acharya	Board Member
Mr. Surendra Bahadur Nepali	Board Member
Mr. Kapil Dhakal	Chief Executive Officer
Mr. Paras Raj Kandel	Deputy Chief Executive Officer
Mr. Prakash Baral	Deputy Chief Executive Officer
Mr. Sushil Kumar Sharma	Chief Credit Officer (CCO)
Mr. Roshan Thapa	Chief Risk Officer (CRO)
Mr. Bikash Ranabhat	Chief - Corporate Credit and Credit Sales Management
Mr. Baldev Thapa	Chief Marketing Officer (CMO), Company Secretary, Chief Operating Officer (COO) and Chief Human Resources
Mr. Dilip Raj Baral	Head – Recovery
Ms. Uma Shrestha	Chief Finance Officer (CFO)
Mr. Krishna Prasad Osti	Head – Legal
Mr. Suresh Khatiwada	Head - Internal Audit

Jyoti Bikash Bank Ltd. (JBBL)Transactions with Subsidiary (Jyoti Capital Limited-JCL):

Particulars	Amount (Rs.)
JCL Deposit with JBBL	140,947,452
Loan to JCL by JBBL	76,806,626
Interest income of JCL on Deposit	11,244,316
Interest income of JBBL on Loan to JCL	2,324,510
Investment of JBBL on JCL	153,000,000

4.3 Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the period.

4.4 Contingent liabilities and commitment (As per NAS 37)

The Standard defines a contingent liability as:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

- a present obligation that arises from past events but is not recognized because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

- the amount of the obligation cannot be measured with sufficient reliability. An entity should not recognize a contingent liability. An entity should disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

4.5 Merger and Acquisition

There are no merger or acquisitions transaction during the Period.

4.6 Additional Disclosures of non-consolidated entities

The Bank has subsidiary named "Jyoti Capital Limited" with 72.86% stake so, consolidated financial Statements has been prepared, consolidating books of the subsidiary hence there are no non-consolidated entities.

4.7 Events after reporting date

Bank monitors and assess events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are discloses in the notes with possible financial impact, to the extent ascertainable.

4.8 Effect on Non-Banking Assets

Non-Banking Assets (NBA) has been disclosed under investment property. It has been recognized at lower of fair value or amount due at the time of assumption of NBA.

4.9 Change of estimate

There is no change in estimate during the Period.

4.10 Earnings per share

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.