

**Interim Financial Statements  
as at end of 3rd Quarter (30/12/2075)**

**MEGA BANK NEPAL LIMITED**  
**Condensed Consolidated Statement of Financial Position**  
**As on Quarter ended 30th Chaitra 2075 (13/4/2019)**

*Amount in NPR*

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
<b>Assets</b>				
Cash and cash equivalent	9,868,878,187	6,624,001,710	9,868,876,665	6,604,219,381
Due from Nepal Rastra Bank	2,753,188,553	5,349,395,118	2,753,188,553	5,349,395,118
Placement with Bank and Financial Institutions	245,001,611	863,842,168	245,001,611	883,607,497
Derivative financial instruments	4,349,643,158	3,284,579,055	4,349,643,158	3,284,579,055
Other trading assets	-	-	-	-
Loan and advances to B/FIs	2,410,589,773	1,591,787,019	2,410,589,773	1,591,787,019
Loans and advances to customers	67,586,506,741	55,528,642,459	67,586,506,741	55,528,642,459
Investment securities	6,901,384,621	7,068,825,546	6,901,384,621	7,068,825,546
Current tax assets	162,535,901	22,063,517	162,535,901	22,063,517
Investment in subsidiaries	-	-	200,000,000	200,000,000
Investment in associates	-	-	-	-
Investment property	230,844,768	243,938,051	230,844,768	243,938,051
Property and equipment	703,054,077	673,135,058	690,571,605	673,135,058
Goodwill and Intangible assets	24,519,849	25,951,832	24,519,849	25,951,832
Deferred tax assets	-	-	-	-
Other assets	826,991,751	588,701,252	826,620,718	588,802,911
<b>Total Assets</b>	<b>96,063,138,990</b>	<b>81,864,862,784</b>	<b>96,250,283,963</b>	<b>82,064,947,443</b>
Particulars	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
<b>Liabilities</b>				
Due to Bank and Financial Institutions	1,801,062,740	986,650,312	1,801,062,740	986,650,312
Due to Nepal Rastra Bank	848,573,402	603,570,074	848,573,402	603,570,074
Derivative financial instruments	4,348,273,586	3,258,183,519	4,348,273,586	3,258,183,519
Deposits from customers	75,010,780,465	63,299,234,054	75,211,742,094	63,498,999,382
Borrowing	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	11,490,000	11,490,000	11,490,000	11,490,000
Deferred tax liabilities	59,425,653	73,532,232	59,425,653	73,532,232
Other liabilities	866,726,138	997,524,338	858,798,138	998,294,968
Debt securities issued	-	-	-	-
Subordinated Liabilities	-	-	-	-
<b>Total liabilities</b>	<b>82,946,331,983</b>	<b>69,230,184,529</b>	<b>83,139,365,613</b>	<b>69,430,720,489</b>
<b>Equity</b>				
Share capital	10,388,621,454	10,285,526,578	10,388,621,454	10,285,526,578
Share premium	-	2,563,881	-	2,563,880.80
Retained earnings	778,401,208	709,076,511	772,512,551	708,625,211
Reserves	1,949,784,346	1,637,511,285	1,949,784,346	1,637,511,285
<b>Total equity attributable to equity holders</b>	<b>13,116,807,007</b>	<b>12,634,678,255</b>	<b>13,110,918,350</b>	<b>12,634,226,955</b>
<b>Non-controlling interest</b>	-	-	-	-
<b>Total equity</b>	<b>13,116,807,007</b>	<b>12,634,678,255</b>	<b>13,110,918,350</b>	<b>12,634,226,955</b>
<b>Total liabilities and equity</b>	<b>96,063,138,990</b>	<b>81,864,862,784</b>	<b>96,250,283,963</b>	<b>82,064,947,443</b>

**MEGA BANK NEPAL LIMITED**  
**Condensed Consolidated Statement of Profit or Loss**  
**For the Quarter ended 30th Chaitra 2075 (13/4/2019)**

*Amount in NPR*

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter(YTD)	This Quarter	Up to This Quarter(YTD)	This Quarter	Up to This Quarter(YTD)	This Quarter	Up to This Quarter (YTD)
Interest income	2,384,569,410	6,796,519,558	-	-	2,384,569,410	6,796,519,558	1,308,924,004	3,807,082,301
Interest expense	1,407,062,719	4,028,814,575	-	-	1,411,925,606	4,043,722,686	854,319,628	2,506,131,068
<b>Net interest income</b>	<b>977,506,690</b>	<b>2,767,704,984</b>	<b>-</b>	<b>-</b>	<b>972,643,803</b>	<b>2,752,796,873</b>	<b>454,604,377</b>	<b>1,300,951,233</b>
Fee and commission income	129,870,978	383,781,047	-	-	129,870,978	383,781,047	64,390,761	204,031,665
Fee and commission expense	18,218,549	45,183,063	-	-	18,218,549	45,183,063	4,367,404	14,227,724
<b>Net fee and commission income</b>	<b>111,652,429</b>	<b>338,597,984</b>	<b>-</b>	<b>-</b>	<b>111,652,429</b>	<b>338,597,984</b>	<b>60,023,358</b>	<b>189,803,941</b>
<b>Net interest, fee and commission income</b>	<b>1,089,159,119</b>	<b>3,106,302,968</b>	<b>-</b>	<b>-</b>	<b>1,084,296,232</b>	<b>3,091,394,857</b>	<b>514,627,734</b>	<b>1,490,755,175</b>
Net trading income	77,165,651	206,297,480	-	-	77,165,651	206,297,480	16,496,304	93,319,520
Other operating income	32,014,129	80,198,801	-	-	32,004,129	80,092,301	30,745,896	56,660,982
<b>Total operating income</b>	<b>1,198,338,899</b>	<b>3,392,799,249</b>	<b>-</b>	<b>-</b>	<b>1,193,466,013</b>	<b>3,377,784,638</b>	<b>561,869,934</b>	<b>1,640,735,677</b>
Impairment charge/(reversal) for loans and other losses	86,205,480	384,402,062	-	-	86,205,480	384,402,062	155,738,759	252,970,438
<b>Net operating income</b>	<b>1,112,133,419</b>	<b>3,008,397,187</b>	<b>-</b>	<b>-</b>	<b>1,107,260,532</b>	<b>2,993,382,576</b>	<b>406,131,175</b>	<b>1,387,765,239</b>
<b>Operating expense</b>								
Personnel expenses	265,442,633	785,288,234	-	-	263,687,376	782,074,749	128,711,939	377,950,072
Other operating expenses	139,905,855	407,423,899	-	-	137,237,342	403,491,038	74,056,575	219,336,437
Depreciation & Amortisation	36,453,629	102,131,777	-	-	36,435,746	102,031,164	18,008,160	51,189,273
<b>Operating Profit</b>	<b>670,331,302</b>	<b>1,713,553,277</b>	<b>-</b>	<b>-</b>	<b>669,900,068</b>	<b>1,705,785,625</b>	<b>185,354,502</b>	<b>739,289,457</b>
Non operating income	1,656,659	3,489,162	-	-	1,656,659	3,489,162	2,680,709	2,680,709
Non operating expense	-	-	-	-	-	-	512,953	512,953
<b>Profit before income tax</b>	<b>671,987,961</b>	<b>1,717,042,440</b>	<b>-</b>	<b>-</b>	<b>671,556,727</b>	<b>1,709,274,787</b>	<b>187,522,258</b>	<b>741,457,213</b>
Income tax expense	189,448,771	497,322,466	-	-	189,319,401	494,992,170	56,266,893	216,553,104
Current Tax	154,413,887	379,725,095	-	-	154,284,517	377,394,800	56,266,893	216,553,104
Deferred Tax	35,034,883	117,597,371	-	-	35,034,883	117,597,371	-	-
<b>Profit/(loss) for the period</b>	<b>482,539,190</b>	<b>1,219,719,974</b>	<b>-</b>	<b>-</b>	<b>482,237,326</b>	<b>1,214,282,617</b>	<b>131,255,365</b>	<b>524,904,109</b>

**MEGA BANK NEPAL LIMITED**  
**Consolidated Statement of Other Comprehensive Income**  
**For the Quarter ended 30th Chaitra 2075 (13/4/2019)**

*Amount in NPR*

Particulars	Group				Bank			
	Current		Previous Year Corresponding		Current		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
<b>Profit or loss for the year</b>	<b>482,539,190</b>	<b>1,219,719,974</b>	-	-	<b>482,237,326</b>	<b>1,214,282,617</b>	-	-
<b>Other comprehensive income, net of income tax</b>								
<b>a) Items that will not be reclassified to Profit or loss</b>								
• Gains/(losses) from Investments in equity instruments measured at fair value	(20,929,905)	(48,549,814)	-	-	(20,929,905)	(48,549,814)	-	-
• Gains/(losses) on revaluation	-	-	-	-	-	-	-	-
• Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-
• Income tax relating to above items	6,278,972	14,564,944	-	-	6,278,972	14,564,944	-	-
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>(14,650,934)</b>	<b>(33,984,870)</b>	-	-	<b>(14,650,934)</b>	<b>(33,984,870)</b>	-	-
<b>b) Items that are or may be reclassified to profit or loss</b>								
• Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-
• Exchange gains/(losses) (arising from trasalating financial assets of foreign operation)	-	-	-	-	-	-	-	-
• Income tax relating to above items	-	-	-	-	-	-	-	-
• Reclassify to profit or loss	-	-	-	-	-	-	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	-	-	-	-	-	-	-	-
<b>c) Share of other comprehensive income of associate accounted as per equited method</b>								
Other comprehensive income for the period, net of income tax	(14,650,934)	(33,984,870)	-	-	(14,650,934)	(33,984,870)	-	-
<b>Total comprehensive income for the period</b>	<b>467,888,256</b>	<b>1,185,735,104</b>	-	-	<b>467,586,392</b>	<b>1,180,297,747</b>	-	-
<b>Profit attributable to :</b>								
Equity holders of the Bank	467,888,256	1,185,735,104	-	-	467,586,392	1,180,297,747	-	-
Non-controlling interest	-	-	-	-	-	-	-	-
<b>Total</b>	<b>467,888,256</b>	<b>1,185,735,104</b>	-	-	<b>467,586,392</b>	<b>1,180,297,747</b>	-	-

**MEGA BANK NEPAL LIMITED**  
**Condensed Consolidated Statement of cash flows**  
**For the Quarter ended 30th Chaitra 2075 (13/4/2019)**

*Amount in NPR*

Particulars	Group		Bank	
	Up to This Quarter	Corresponding Previous Year Up to this Quarter	Up to This Quarter	Corresponding Previous Year Up to this Quarter
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	6,632,674,735	-	6,632,674,735	3,650,332,080
Fees and other income received	318,163,907	-	318,163,907	64,358,256
Dividend received	-	-	-	-
Receipts from other operating activities	243,541,732	-	243,435,232	269,934,201
Interest paid	(3,584,109,929)	-	(3,599,018,040)	(2,586,497,258)
Commission and fees paid	(45,183,063)	-	(45,183,063)	(45,183,063)
Cash payment to employees	(480,797,897)	-	(477,548,889)	(308,879,049)
Other expense paid	(463,356,929)	-	(459,056,058)	(300,552,379)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>2,620,932,555</b>	<b>-</b>	<b>2,613,467,823</b>	<b>743,512,787</b>
<b>(Increase)/Decrease in operating assets</b>				
Due from Nepal Rastra Bank	2,595,126,619	-	2,595,126,619	(613,992,766)
Placement with bank and financial institutions	(236,343,613)	-	(236,343,613)	(310,666,956)
Other trading assets	-	-	-	(601,980,433)
Loan and advances to bank and financial institutions	(843,152,146)	-	(843,152,146)	(119,660,375)
Loans and advances to customers	(11,886,950,837)	-	(11,886,950,837)	(6,739,280,345)
Other assets	(583,681,495)	-	(583,310,462)	(323,313,264)
<b>Increase/(Decrease) in operating liabilities</b>				
Due to bank and financial institutions	813,484,448	-	813,484,448	3,081,555,522
Due to Nepal Rastra Bank	248,327,490	-	248,327,490	844,074,937
Deposit from customers	11,441,870,614	-	11,642,832,243	4,069,742,467
Borrowings	-	-	-	-
Other liabilities	(261,462,941)	-	(269,335,588)	123,011,250
<b>Net cash flow from operating activities before tax paid</b>	<b>3,908,150,693</b>	<b>-</b>	<b>4,094,145,976</b>	<b>153,002,823</b>
Income taxes paid	(419,037,885)	-	(417,249,765)	(326,116,941)
<b>Net cash flow from operating activities</b>	<b>3,489,112,808</b>	<b>-</b>	<b>3,676,896,211</b>	<b>(173,114,118)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	196,908,612	-	(3,091,388)	(1,887,686,904)
Receipts from sale of investment securities	-	-	-	-
Purchase of property and equipment	(128,601,752)	-	(116,386,678)	(115,287,296)
Receipt from the sale of property and equipment	2,742,890	-	2,742,890	7,358,279
Purchase of intangible assets	(4,396,489)	-	(4,396,489)	-
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	15,575,596	-	15,575,596	-
Interest received	247,839,440	-	247,839,440	219,304,512
Dividend received	20,148,199	-	20,148,199	20,093,487
<b>Net cash used in investing activities</b>	<b>350,216,495</b>	<b>-</b>	<b>162,431,569</b>	<b>(1,756,217,922)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipt from issue of debt securities	-	-	-	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	2,794,429,500
Dividends paid	(531,087,978)	-	(531,087,978)	(1,277,983)
Interest paid	(37,515,601)	-	(37,515,601)	(61,584,897)
Other receipt/payment	-	-	-	-
<b>Net cash from financing activities</b>	<b>(568,603,579)</b>	<b>-</b>	<b>(568,603,579)</b>	<b>2,731,566,620</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,270,725,723</b>	<b>-</b>	<b>3,270,724,201</b>	<b>802,234,580</b>
Cash & Bank Balance taken over on Business Combination	-	-	-	-
Cash and cash equivalents at Shrawan 1, 2075	6,604,219,380	-	6,604,219,380	3,694,124,649
Effect of exchange rate fluctuations on cash and cash equivalents held	(6,066,917)	-	(6,066,917)	2,644,071
<b>Cash and cash equivalents at Asar end 2075</b>	<b>9,868,878,187</b>	<b>-</b>	<b>9,868,876,665</b>	<b>4,499,003,301</b>

MEGA BANK NEPAL LIMITED  
Consolidated Statement of changes in equity  
For the Period ended 30th Chaitra 2075 (13/4/2019)

Amount in NPR

Particulars	Group											
	Attributable to equity holders of the Bank										Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total		
<b>Balance at Shrawan 1, 2074</b>	4,582,313,020	-	526,075,428	1,234,871	194,107,635	(3,549,512)	-	646,343,558	3,372,385	5,949,897,384	-	5,949,897,384
Adjustment/Restatement										-	-	-
Business Combination: Issue of Shares and Reserve taken Over	1,910,088,905	2,563,881	223,817,470	2,445,035	-	-	-	445,480,755	3,029,349	2,587,425,394	-	2,587,425,394
<b>Adjusted/Restated balance at Shrawan 1, 2074</b>	<b>6,492,401,925</b>	<b>2,563,881</b>	<b>749,892,897</b>	<b>3,679,906</b>	<b>194,107,635</b>	<b>(3,549,512)</b>	<b>-</b>	<b>1,091,824,312</b>	<b>6,401,735</b>	<b>8,537,322,778</b>	<b>-</b>	<b>8,537,322,778</b>
<b>Comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit for the year</b>	-	-	-	-	-	-	-	1,317,803,073	-	1,317,803,073	-	1,317,803,073
<b>Other comprehensive income, net of tax</b>	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(67,239,096)	-	-	-	(67,239,096)	-	(67,239,096)
Gains/(losses) on revaluation	-	-	-	-	-	-	37,491,475	-	-	37,491,475	-	37,491,475
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	23,686,093	23,686,093	-	23,686,093
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchanges gains/(losses) (arising from transacting financial asset of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	263,470,355	-	414,154,352	-	-	(701,855,720)	24,231,013	(0)	-	(0)
Transfer from reserve during the year	-	-	-	-	-	-	-	-	(8,815,566)	(8,815,566)	-	(8,815,566)
<b>Transactions with owners, directly recognised in equity</b>	-	-	-	-	-	-	-	-	-	-	-	-
Right Share issued	2,794,429,500	-	-	-	-	-	-	-	-	2,794,429,500	-	2,794,429,500
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	998,695,153	-	-	-	-	-	-	(998,695,153)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions</b>	<b>3,793,124,653</b>	<b>-</b>	<b>263,470,355</b>	<b>-</b>	<b>414,154,352</b>	<b>(67,239,096)</b>	<b>37,491,475</b>	<b>(382,747,800)</b>	<b>39,101,539</b>	<b>4,097,355,479</b>	<b>-</b>	<b>4,097,355,479</b>
<b>Balance at Asar end 2075</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,013,363,252</b>	<b>3,679,906</b>	<b>608,261,987</b>	<b>(70,788,608)</b>	<b>37,491,475</b>	<b>709,076,512</b>	<b>45,503,274</b>	<b>12,634,678,255</b>	<b>-</b>	<b>12,634,678,255</b>

Particulars	Group											
	Attributable to equity holders of the Bank										Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total		
<b>Balance at Shrawan 1, 2075</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,013,363,252</b>	<b>3,679,906</b>	<b>608,261,987</b>	<b>(70,788,608)</b>	<b>37,491,475</b>	<b>709,076,512</b>	<b>45,503,274</b>	<b>12,634,678,257</b>	-	<b>12,634,678,257</b>
Adjustment/Restatement											-	
Prior Period Tax Reversal								952,219		952,218.59	-	952,218.59
<b>Adjusted/Restated balance at Shrawan 1, 2075</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,013,363,252</b>	<b>3,679,906</b>	<b>608,261,987</b>	<b>(70,788,608)</b>	<b>37,491,475</b>	<b>710,028,731</b>	<b>45,503,274</b>	<b>12,635,630,475</b>	-	<b>12,635,630,475</b>
<b>Comprehensive income for the year</b>											-	
<b>Profit for the year</b>								<b>1,219,719,974</b>		<b>1,219,719,974</b>	-	<b>1,219,719,974</b>
<b>Other comprehensive income, net of tax</b>											-	
Gains/(losses) from investments in equity instruments measured at fair value						(33,984,870)	-	-	-	<b>(33,984,870)</b>	-	<b>(33,984,870)</b>
Gains/(losses) on revaluation										-	-	-
Actuarial gains/(losses) on defined benefit plans										-	-	-
Gains/(losses) on cash flow hedge										-	-	-
Exchanges gains/(losses) (arising from transacting financial assest of foreign operation)										-	-	-
<b>Cash flow hedges:</b>										-	-	-
Effective portion of changes in fair value										-	-	-
Net Amount reclassified to profit or loss										-	-	-
<b>Total comprehensive income for the year</b>											-	
Transfer to reserve during the year			242,856,523	-	204,882,859	-	-	(459,882,208)		<b>(12,142,826.17)</b>	-	<b>(12,142,826)</b>
Transfer from reserve during the year					(13,093,283)	-	-	13,093,283	12,142,826	<b>12,142,826</b>	-	<b>12,142,826</b>
<b>Transactions with owners, directly recognised in equity</b>											-	
Right share issued										-	-	-
Share based payments										-	-	-
Dividends to equity holders										-	-	-
Bonus shares issued										-	-	-
Cash dividend paid								(704,558,571)		<b>(704,558,571)</b>	-	<b>(704,558,571)</b>
Revaluation Surplus										-	-	-
<b>Total contributions by and distributions</b>			242,856,523		191,789,576	(33,984,870)		68,372,478	12,142,826	481,176,533	-	481,176,533
<b>Balance at Chaitra end 2075</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,256,219,775</b>	<b>3,679,906</b>	<b>800,051,563</b>	<b>(104,773,478)</b>	<b>37,491,475</b>	<b>778,401,209</b>	<b>57,646,100</b>	<b>13,116,807,007</b>	-	<b>13,116,807,007</b>

Particulars	Bank											
	Attributable to equity holders of the Bank										Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total		
<b>Balance at Shrawan 1, 2074</b>	4,582,313,020	-	526,075,428	1,234,871	194,107,635	(3,549,512)	-	646,343,558	3,372,385	5,949,897,384	-	5,949,897,384
Adjustment/Restatement										-	-	-
Business Combination: Issue of Shares and Reserve taken Over	1,910,088,905	2,563,881	223,817,470	2,445,035	-	-	-	445,480,755	3,029,349	2,587,425,394	-	2,587,425,394
<b>Adjusted/Restated balance at Shrawan 1, 2074</b>	<b>6,492,401,925</b>	<b>2,563,881</b>	<b>749,892,897</b>	<b>3,679,906</b>	<b>194,107,635</b>	<b>(3,549,512)</b>	<b>-</b>	<b>1,091,824,312</b>	<b>6,401,735</b>	<b>8,537,322,778</b>	<b>-</b>	<b>8,537,322,778</b>
<b>Comprehensive income for the year</b>										-	-	-
<b>Profit for the year</b>								1,317,351,773		1,317,351,773	-	1,317,351,773
<b>Other comprehensive income, net of tax</b>										-	-	-
Gains/(losses) from investments in equity instruments measured at fair value						(67,239,096)				(67,239,096)	-	(67,239,096)
Gains/(losses) on revaluation							37,491,475			37,491,475	-	37,491,475
Actuarial gains/(losses) on defined benefit plans									23,686,093	23,686,093	-	23,686,093
Gains/(losses) on cash flow hedge										-	-	-
Exchanges gains/(losses) (arising from transacting financial asset of foreign operation)										-	-	-
<b>Total comprehensive income for the year</b>			263,470,355		414,154,352			(701,855,720)	24,231,013	-	-	-
Transfer to reserve during the year									(8,815,566)	(8,815,566.13)	-	(8,815,566.13)
Transfer from reserve during the year										-	-	-
<b>Transactions with owners, directly recognised in equity</b>										-	-	-
Share issued	2,794,429,500									2,794,429,500	-	2,794,429,500
Premium received on issuance of unsubscribed number of right shares										-	-	-
Share based payments										-	-	-
Dividends to equity holders										-	-	-
Bonus shares issued	998,695,153							(998,695,153)		-	-	-
Cash dividend paid										-	-	-
<b>Total contributions by and distributions</b>	<b>3,793,124,653</b>	<b>-</b>	<b>263,470,355</b>	<b>-</b>	<b>414,154,352</b>	<b>(67,239,096)</b>	<b>37,491,475</b>	<b>(383,199,100)</b>	<b>39,101,539</b>	<b>4,096,904,178</b>	<b>-</b>	<b>4,096,904,178</b>
<b>Balance at Asar end 2075</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,013,363,252</b>	<b>3,679,906</b>	<b>608,261,987</b>	<b>(70,788,608)</b>	<b>37,491,475</b>	<b>708,625,212</b>	<b>45,503,274</b>	<b>12,634,226,955</b>	<b>-</b>	<b>12,634,226,955</b>

Particulars	Bank											Non-controlling interest	Total equity
	Attributable to equity holders of the Bank												
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total			
<b>Balance at Shrawan 1, 2074</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,013,363,252</b>	<b>3,679,906</b>	<b>608,261,987</b>	<b>(70,788,608)</b>	<b>37,491,475</b>	<b>708,625,212</b>	<b>45,503,274</b>	<b>12,634,226,957</b>	-	<b>12,634,226,957</b>	
Adjustment/Restatement											-		
Prior Period Tax Reversal								952,219		952,218.59	-	952,218.59	
<b>Adjusted/Restated balance at Shrawan 1, 2074</b>	<b>10,285,526,578</b>	<b>2,563,881</b>	<b>1,013,363,252</b>	<b>3,679,906</b>	<b>608,261,987</b>	<b>(70,788,608)</b>	<b>37,491,475</b>	<b>709,577,431</b>	<b>45,503,274</b>	<b>12,635,179,175</b>	-	<b>12,635,179,175</b>	
<b>Comprehensive income for the year</b>											-		
<b>Profit for the year</b>								1,214,282,617		1,214,282,617	-	1,214,282,617	
<b>Other comprehensive income, net of tax</b>										-	-	-	
Gains/(losses) from investments in equity instruments measured at fair value						(33,984,870)				(33,984,870)	-	(33,984,870)	
Gains/(losses) on revaluation										-	-	-	
Actuarial gains/(losses) on defined benefit plans										-	-	-	
Gains/(losses) on cash flow hedge										-	-	-	
Exchanges gains/(losses) (arising from transacting financial asset of foreign operation)										-	-	-	
<b>Total comprehensive income for the year</b>										-	-	-	
Transfer to reserve during the year			242,856,523		204,882,859			(459,882,208)	12,142,826		-	-	
Transfer from reserve during the year					(13,093,283)			13,093,283			-	-	
<b>Transactions with owners, directly recognised in equity</b>										-	-	-	
Shares issued										-	-	-	
Share based payments										-	-	-	
Dividends to equity holders										-	-	-	
Bonus shares issued	103,094,876	(2,563,881)			(100,530,995)					-	-	-	
Cash dividend paid								(704,558,571)		(704,558,571)	-	(704,558,571)	
Revaluation Surplus								-		-	-	-	
<b>Total contributions by and distributions</b>	<b>103,094,876</b>	<b>(2,563,881)</b>	<b>242,856,523</b>	<b>-</b>	<b>91,258,581</b>	<b>(33,984,870)</b>	<b>-</b>	<b>62,935,121</b>	<b>12,142,826</b>	<b>475,739,176</b>	<b>-</b>	<b>475,739,176</b>	
<b>Balance at Chaitra end 2075</b>	<b>10,388,621,454</b>	<b>-</b>	<b>1,256,219,775</b>	<b>3,679,906</b>	<b>699,520,568</b>	<b>(104,773,478)</b>	<b>37,491,475</b>	<b>772,512,552</b>	<b>57,646,100</b>	<b>13,110,918,350</b>	<b>-</b>	<b>13,110,918,350</b>	

Other reserves as at 13 April 2019 includes Corporate Social Responsibility Reserve, Investment Adjustment Reserve, Interest Capitalisation Reserve and Actuarial Gain on Gratuity.

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current		Previous Year Corresponding		Current		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		15.24		-		15.00		18.49
Non-performing loan (NPL) to total loan		1.42		-		1.42		0.98
Total loan loss provision to Total NPL		125.40		-		125.40		183.61
Cost of Funds		7.73		-		7.73		7.64
Credit to Core Capital & Deposit Ratio (Calculated as per NRB Directives)		78.91		-		78.91		79.93
Base Rate		10.20		-		10.20		11.00
Interest Rate Spread ( Calculated as per NRB Directives)		4.73		-		4.73		4.48

## **Corporate Information and Nature of operations**

MEGA BANK NEPAL LIMITED (“MEGA” or “the Bank”) is a limited liability company domiciled in Nepal which has been in operation in Nepal since 2010. The Bank is registered with the Office of the Company Registrar as a public limited company and carries out commercial banking activities in Nepal under the license from Nepal Rastra Bank as Class “Ka” licensed institution. It’s registered, and corporate office is at Rising Mall, Kamaladi, Kathmandu, Nepal.

The Bank offers full commercial banking services of banking products and services including loans and advances, deposits, trade finance, e-commerce services, bullion, etc. to wide range of clients encompassing individuals, corporates, multinationals, large public sector companies, government corporations, etc. as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

The Bank is listed in Nepal Stock Exchange Limited (the sole stock exchange in Nepal) for public trading and its stock symbol is “MEGA”

### **1. Basis of preparation**

The Interim condensed consolidated financial statements of the bank have been prepared in accordance with NAS 34 'Interim Financial Reporting (NAS 34)' as issued by the Accounting Standards Board (ASB), Nepal to the extent applicable and as pronounced by the Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Circular No. 19/075/76.

Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the bank since the previous year end.

These interim condensed consolidation financial statements should be read in conjunction with the Annual Report of Fiscal Year 2017/18.

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

### **2. Statement of Compliances**

The Interim condensed consolidated financial statements of the bank have been prepared on accrual basis of accounting in accordance with Nepal NAS 34 'Interim Financial Reporting. The Interim condensed consolidated financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Interim financial statements.

Historical cost convention has been used for financial statement recognition and measurement except otherwise required by NFRS. Where, other method(s), other than historical costs, such as fair value has been applied these have been disclosed in accordance with the applicable reporting framework.

### **3. Use of Estimates, assumptions and Judgments**

Management believes that the Bank's critical accounting estimates and judgements are those which is related to impairment of amortised cost and the FVOCI financial assets, the valuation of financial instruments, deferred tax assets and provisions. The IAS 39 “Incurred loss model” resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial assets.

In determining Impairment, Management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and Judgement has been applied in determining cash flow of a security assets.

The exercise of judgement in making estimates requires the use of assumptions which are highly subjective and very sensitive to the risk factor. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. There were no changes in the current period and cumulative current period to the critical accounting estimates and judgements applied in 16 July 2018, which are stated in the Annual Report of Fiscal Year 2017/18.

#### **4. Changes in accounting policies**

While the following New accounting standards are not mandatory till date and have not been voluntarily adopted by the Bank and therefore, the bank has applied same accounting policies and methods of computation in its Interim condensed consolidated financial statement as in its Fiscal Year 2017/18 annual financial statements except the computation of provision for leave and gratuity liability which has been done as per Financial Administration Bylaws of the bank. Hence, the figures might be changed after actuarial valuation of Fiscal Year 2018/19.

##### **3.1 Main New Accounting standards published but not yet applicable**

###### **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.

IFRS 9 replaces NAS 39 Financial Instruments: Recognition and Measurement relating to the classification and measurement of financial instruments. ASB endorsed IFRS 9 financial instruments with some exceptions, mainly in the impairment.

Currently, Incurred Loss Model as specified in NAS 39 is used. The requirement of IFRS 9 is Expected Credit Loss Model.

###### **IFRS 16 Leases**

IFRS 16 leases, issued in January 2016, will supersede NAS 17 Leases and the interpretations relating to the recognition of such contracts. The new definitions of leases relies on both the identification of an assets and the control of the right to use the assets by the lessee.

From the perspective of lessor, the expected impact should be limited, as the main requirements remain essentially unchanged versus the current standards, NAS 17.

For the lessee, IFRS 16 will require all leases to be recognised on the balance sheet, in the form of a right-of-use on the leased asset, along with the recognition of a financial liability for the lease payments and other payments to be made over the leasing period. The right-of-use will be amortised on a straight -line basis and the financial liabilities will be amortised on an actuarial basis over the lease period. This Standards therefore results mainly in a change for contracts defined under NAS 17 as operating leases and as such do not require the leased assets to be recorded in the balance sheet.

Application of the standard will lead to an increase in the assets and liabilities in connection with leasing agreements currently recognised as operating leases. This effect will derived mainly from real estate leases.

###### **IFRS 15 Revenue from contracts with Customers**

The IASB issued a new standard for revenue recognition which overhauls the existing revenue recognition standards. The core principle of the guidance is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 defines a single five-step model for revenue recognition. In particular, these five steps allow for the identification of the distinct performance obligations included in the contracts and for the allocation of a transaction price to each one. Revenue relating to each performance obligation is recognised when the performance obligation is fulfilled, i.e., when control of an asset has been transferred or a service has been rendered.

The Impact of adoption of these standards may have material effects in its financial statement and the bank is still assessing the impact of adoption to its financial statements.

## **5. Significant Accounting Policies**

The accounting policies applied by the bank for these Interim condensed consolidated financial statements are consistent with those described in the Annual Report of FY 2017/18, as are the method of computation.

### **4.1 Basis of Measurement**

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investment property is measured at fair value
- liabilities for cash-settled share-based payment arrangements 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.

### **4.2 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 recognised in profit or loss.

**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 acquire 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 recognised 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 subsidiary and the parent's portion of equity of 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, 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 on 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 objectives. 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 its 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 benefit 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.

### **4.3 Cash and Cash equivalent**

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & 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 carried at amortized cost in the statement of financial position.

### **4.4 Financial Assets and Financial Liabilities**

#### **A. Recognition**

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

#### **B. Classification**

##### **I. Financial Assets**

The Bank classifies the financial assets as 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 assets 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 are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

- **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 through 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. Subsequent changes in fair value is recognized at profit or loss

- **Financial Liabilities measured at amortised cost**

All financial liabilities other than measured at fair value through 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 or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. 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.

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

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.

#### 4.4.1 Derecognition

##### Derecognition 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.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

##### Derecognition of Financial Liabilities

A 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 derecognition 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.

#### 4.4.2 Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk

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.

#### **4.4.3 Impairment**

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

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

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

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities 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 held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

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

##### **a) *Impairment losses on assets measured at amortised cost***

###### **As per NAS 39**

Financial assets carried at amortised cost (such as amounts due from Banks, loans and advances to customers as well as held-to-maturity investments) is 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 (Top 100 borrowers and borrowers classified as bad as per Nepal Rastra Bank Directive) 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 to 10 broad products as follows:

1. Term Loan
2. Overdraft Loan
3. Import Loan
4. Demand and Working capitals Loan
5. Personal residential Loan
6. Real estate Loan
7. Margin lending Loan
8. Hire Purchase Loan
9. Deprived Sector Loan
10. Others

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

#### **As per Loan Loss Provision of Nepal Rastra Bank**

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

#### **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 norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

#### **b) *Impairment of investment in equity instrument classified as fair value through other comprehensive income***

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss) is reclassified from equity and recognised in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

#### **4.5 Trading Assets**

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

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

#### **4.6 Derivative 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.

Considering the requirement of NAS 39 for qualification of hedge accounting and cost benefits along with materiality, Bank has not adopted hedge accounting for certain derivatives held for risk management.

#### **4.7 Property and Equipment**

##### **a. Recognition and Measurement**

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

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

The Bank adopts cost model for entire class of property and equipment except for land. Apart from land 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.

##### **b. Capital Work in Progress**

Fixed assets under construction and cost of assets not ready for use are shown as capital work in progress.

##### **c. Depreciation**

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

<b>Group</b>	<b>Useful Life (In Years)</b>
Computer	5-10
Metal Furniture	10
Office Equipment & Others	10
Vehicle	8
Wooden Furniture	10
Building	50

Lease Hold Assets are amortized on a straight line basis in profit or loss over the period of the lease agreement, from the date that it is available for use.

Non-consumable items having life less than one year or costing less than NPR 10,000 are expensed off during the year of purchase. Capital nature expenditures on immovable Non-consumable items of more than NPR 3,000 are recognized as fixed assets on the basis of their useful life and required level of control.

**d. Derecognition**

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment shall be included in profit or loss when the item is derecognized (unless on a sale & lease back).The gain shall not be classified as revenue.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

**4.8 Intangible Assets / Goodwill**

**Goodwill**

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognised as goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

**Acquired Intangible Assets**

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank, and are amortized on the basis of their expected useful lives.

**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 amortised 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.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### **4.9 Grant Received for Sakchyam Access to Finance for Poor Challenge Fund Programme:**

Sakchyam Access to Finance for Poor Challenge Fund (AFPCF or the Project) Programme is an initiative funded by UK Aid from the British Government as part of a bilateral agreement between the Governments of Nepal and the United Kingdom. It is managed by the Louis Berger Group Inc. for the Department of International Development (DFID Nepal) in partnership with local and international institutions.

The objective of the project is to provide Complete Banking Solution to the rural populace through branches, branchless banking outlets and Alternate Channels.

The project aims at encouraging the development and implementation of innovative and new financial products and services aimed at poor people and communities, which deliver socio-economic benefits to large number of poor people, which are also commercially sustainable. In order to extend various modern and convenient financial services to some Districts of Mid and Far Western region of Nepal, the Bank has entered into an agreement with Sakchyam Access to Finance Program implemented by Louis Berger for the Department of International Development (DFID Nepal). Through this agreement, the Bank has received financial grants as matching fund towards its equal share of the expenditure of the project. The reimbursement of expenses received has been accounted in accordance with Nepal Accounting Standard-10 on Government Grants.

Grant received towards purchase of fixed assets has been recognised to asset account. Any depreciation on the assets, in the income statement will be reduced pro rata in accordance with grant relative to the asset value.

Grant received as reimbursements of operating expenses incurred or to be incurred are recognized in profit or loss in the period when the costs are incurred.

#### **4.10 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 not sold as on the reporting date.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances.

##### **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.

#### **4.11 Income Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

##### **b. Deferred Tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

#### **4.12 Deposits, debts securities issued and subordinated liabilities**

##### **a. Deposits**

The Bank accepts deposits from its customers under savings 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**

It includes debentures, bonds or other debt securities. Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. However, the bank does not have any issue of such debt securities.

##### **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.

#### **4.13 Provisions**

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

A disclosure for contingent liability is made when there is a possible obligation or a present obligation 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. 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.

#### **4.14 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 amortised cost shall be recognized using the bank's normal interest rate which is very close to effective interest rate using effective interest rate method.

For income from loans and advances to customers, initial charges are not amortised 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 amortised 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.

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

##### **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.

##### **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 realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

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

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

**4.15 Interest expense**

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

**4.16 Employees Benefits**

**a. Short Term Employee Benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions,
- paid annual leave and paid sick leave,
- profit-sharing and bonuses and
- non-monetary benefits

**b. Post-Employment Benefits**

Post-employment benefit plan includes the followings;

**i. Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

All employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Bank contribute monthly at a pre-determined rate of 10% of the basic salary. The Bank does not assume any future liability for provident fund benefits other than its annual contribution. The bank has not considered the gratuity of 8.33% as required by new Labor Act 2074 however, provision of gratuity has been done on the basis of actuarial valuation done as per HR bylaw of the Bank.

## **ii. Defined Benefit plan**

The Bank continues to operate gratuity, accumulated annual leave payments and sick leave payments as post-retirement benefits as defined benefit schemes.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The Bank recognises all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Bank recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognised.

## **iii. Termination Benefits**

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

## **4.17 Leases**

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- (a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- (b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Majority of lease agreements entered by the Banks are with the clause of normal increment of 5%-10% p.a. which the management assumes are in line with the lessor's expected inflationary cost increases.

## **4.18 Foreign Currency Translation**

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

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

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised 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 shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

#### 4.19 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 statement as commitments.

#### 4.20 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.

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

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.

The reserves include retained earnings and other statutory reserves such as general reserve, foreign exchange equalization reserve, regulatory reserve, investment adjustment reserve, CSR reserve and Actuarial Gain/Loss reserve.

#### 4.21 Earnings per share including diluted

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.

## 6. Segment Reporting

The basis used to identify the Bank's reporting segments are discussed in Annual report of Fiscal Year 2018.

#### a. Information about reportable segments

Amount in NPR

Particulars	Cards		General Banking		Micro		Remittance		Treasury		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenues from external customers	103,376,764	52,076,757	6,358,241,450	3,524,141,892	398,394,756	202,935,363	17,235,457	12,799,478	592,931,123	371,821,688	7,470,179,550	4,163,775,178
Intersegment revenues	-	-	340,554,617	186,121,439	(340,554,617)	(186,121,439)	-	-	-	-	-	-
Segment profit (loss) before tax	44,346,591	27,232,751	1,063,297,209.93	416,837,767	28,149,313.26	(26,489,987)	12,400,710	9,100,203	561,080,963	314,776,479	1,709,274,787	741,457,213
Segment Assets	116,965,991	1,199,623,655	74,778,556,341	33,784,169,269	7,024,802,683	12,311,829,711	8,572,163	4,237,543	14,321,386,785	10,399,200,982	96,250,283,963	57,699,061,159
Segment Liabilities	23,686,006	9,356,838	89,227,442,962	52,961,166,335	-	-	36,335	629,750	6,999,118,660	4,727,908,237	96,250,283,963	57,699,061,159

b. Reconciliation of reportable segments profit or loss Amount in NPR

Particulars	Current Quarter	Corresponding Previous Quarter
Total Profit before Tax for reportable segments	1,709,274,787	741,457,213
Profit before Tax for other segments	-	-
Elimination of inter segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:	-	-
-Other Corporate expenses	-	-
Profit before Tax	1,709,274,787	741,457,213

## 7. Related party disclosures

There were no changes in the related party transactions described in the Annual Report of Fiscal Year 2017/18 that have a material effect on the financial position or performance of the bank in the third quarter to 30<sup>th</sup> Chaitra 2075 (13<sup>th</sup> April 2019). All related party transactions that took place in the third quarter to 30<sup>th</sup> Chaitra 2075 (13<sup>th</sup> April 2019) were similar in nature to those disclosed in the Annual Report of Fiscal Year 2017/18.

## 8. Dividend paid (aggregate or per share) separately for ordinary shares and other shares

Final dividend, 6.85% equivalent to amount 704,558,570.59 as cash dividend and 1.0023% equivalent amount Rs. 103,094,875.80 as stock dividend, per ordinary share proposed and paid during the period relating to the previous financial years results.

## 9. Issues, repurchases and repayments of debt and equity securities

There were no such transaction takes place in the third quarter to 30<sup>th</sup> Chaitra 2075 (13<sup>th</sup> April 2019).

## 10. Events after Interim period

There have been no material events after the reporting which would require disclosure or adjustment to these interim condensed consolidated financial statements.

## 11. Effect of changes in the composition of the entity during the Interim period including merger and acquisition.

There is no changes in the composition of the Group in the third quarter to 30<sup>th</sup> Chaitra 2075 (13<sup>th</sup> April 2019).

# धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूची १४

(नियम २६ को उपनियम (१) सँग सम्बन्धित)

## आर्थिक वर्ष २०७५/७६ को तेस्रो त्रैमासिक प्रतिवेदन

### १. वित्तीय विवरण

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

- आर्थिक वर्ष २०७५/७६ को तेस्रो त्रैमासिक अवधिको वित्तीय विवरणहरु यसै साथ प्रकाशित गरिएको छ ।
- यस बैंकको सहायक कम्पनी मेगा क्यापिटल मार्केट्स लिमिटेडसंगको यसै साथ प्रकाशित वित्तीय प्रतिवेदनमा उल्लेखित कारोबारहरुका कारणबाट सिर्जित बाहेक अन्य सम्बन्धित पक्ष बीच कुनै कारोबार नभएको ।

(ख) प्रमुख वित्तीय अनुपातहरु ।

प्रति सेयर आम्दानी	: रु. १५.७९	प्रति सेयर कूल सम्पत्तिको मूल्य	: रु. ९२६.५०
मूल्य आम्दानी अनुपात	: १४.४६	तरलता अनुपात	: २२.९५
प्रति सेयर नेटवर्थ	: रु. १२६.२०		

### २. व्यवस्थापकीय विश्लेषण

(क) त्रैमासिक अवधिमा संस्थाको मौज्दात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सोको प्रमुख कारण सम्बन्धी विवरण ।

- यस आर्थिक वर्षको तेस्रो त्रैमासिक अवधिसम्म बैंकको कूल निक्षेप रु. ११ अर्ब ७१ करोडले वृद्धि भएको छ भने खूद कर्जा रु. १२ अर्ब ८८ करोडले वृद्धि भएको छ । अघिल्लो वर्षको तुलनामा समीक्षा अवधिसम्म भएको व्यवसायको आकारमा उल्लेख्य वृद्धिसंगै बैंकको आम्दानीमा पनि वृद्धि भएको छ ।

(ख) आगामी अवधिको व्यावसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण ।

- सेवा तथा सुविधाको गुणस्तरलाई अभिवृद्धि गर्दै ग्राहकवर्गहरुको आवश्यकता एवं चाहनालाई ध्यानमा राखि विभिन्न आकर्षक योजनाहरुको माध्यमबाट व्यवसायिक विविधिकरण गर्दै लैजाने, सम्भाव्यताको आधारमा शाखा संख्या, एटिएम संख्या एवं रेमिट्यान्स केन्द्रहरु विस्तार गर्दै लैजाने, बैंकिङ क्षेत्रको पहुँचलाई ग्रामिण क्षेत्र/विपन्न वर्गमा पुऱ्याउन शाखा/शाखारहित बैंकिङ सेवालाई निरन्तरता दिई थप प्रविधिमूलक एवं नविनतम सेवाहरु विस्तार गर्दै लघुवित्त कर्जा तर्फको प्राथमिकता कायमै राख्ने, साना तथा मझौला उद्योग/व्यवसाय तर्फको लगानी अभिवृद्धि गर्ने, कृषि, उत्पादनशील एवं उर्जा क्षेत्रमा लगानी अभिवृद्धि गर्दै लैजाने, जोखिम व्यवस्थापन प्रणालीलाई थप मजबुद बनाउदै लैजाने जस्ता योजनाहरु बैंकको रहेको छ ।

(ग) विगतको अनुभवबाट बैंकको मौज्जात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण ।

- नीतिगत परिवर्तनहरु, बजारमा माग भए बमोजिम लगानीयोग्य रकमको अपर्याप्तता, ब्याजदरमा अप्रत्याशित उतारचढाव, घट्टो प्रतिफल, जोखिमको दायरामा निरन्तर रुपमा वृद्धि जस्ता कारणहरुले बैंकको नाफा वा नगद प्रवाहमा असर पारेको अनुभव गरिएको छ ।

### ३. कानूनी कारवाही सम्बन्धी विवरण

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

- बैंकले वा बैंक विरुद्ध सामान्य बैकिङ्ग व्यावसायसंग सम्बन्धित नियमित प्रकृतिका बाहेक अन्य मुद्दा दायर नभएको ।

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

- बैंकको संस्थापक वा सञ्चालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर भएको जानकारी हालसम्म यस बैंकमा नआएको ।

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

- कुनै संस्थापक वा सञ्चालक विरुद्ध आर्थिक अपराध सम्बन्धी कुनै मुद्दा दायर भएको जानकारी हालसम्म यस बैंकमा नआएको ।

### ४. बैंकको सेयर कारोबार सम्बन्धी विश्लेषण

(क) धितोपत्र बजारमा भएको संगठित संस्थाको सेयरको कारोबार सम्बन्धमा व्यवस्थापनको धारणा ।

- सेयर कारोबार सम्बन्धमा बैंकको विशेष धारणा नभएको ।

(ख) त्रैमासिक अवधिको सेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोबार भएको कूल दिन तथा कारोबार संख्या ।

अधिकतम मूल्य (रु.)	न्यूनतम मूल्य (रु.)	अन्तिम मूल्य (रु.)	कुल कारोबार भएको दिन	कुल कारोबार संख्या	कुल कारोबार सेयर संख्या
१७५	१५५	१६९	६०	५,२७१	१,३६७,४६१

### ५. समस्या तथा चुनौति

(क) आन्तरिक

- बढ्दो सञ्चालन खर्च
- जोखिमको दायरामा वृद्धि
- व्यवसायमा भएको प्रतिस्पर्धाका कारण दक्ष जनशक्तिको अभाव
- ब्याजदरमा उतारचढाव

(ख) बाह्य

- तीव्र प्रतिस्पर्धा
- लगानीका न्यून अवसरहरु
- माग बमोजिम लगानीयोग्य रकमको अपर्याप्तता
- नीतिगत परिवर्तनहरु
- अन्य क्षेत्रहरुमा विद्यमान समस्याहरुले निम्त्याएको जोखिम

उल्लेखित समस्या तथा चुनौतिहरुको सामना गर्नको निमित्त बैकमा विभिन्न उपसमितिहरु कृयाशील रहेका छन् जसले आवश्यक अध्ययन, अनुसन्धान एवं छलफल गरी उपयुक्त सुझावहरु प्रदान गर्दै समाधानको उपायहरु कार्यान्वयन गर्न बैक व्यवस्थापनलाई मद्दत गर्दै आएका छन् ।

#### ६. संस्थागत सुशासन

बैंकको सञ्चालक समिति तथा व्यवस्थापनले संस्थागत सुशासन सम्बन्धी नेपाल राष्ट्र बैंक लगायत अन्य नियामक निकायहरुद्वारा जारी नीति एवम् निर्देशनको पालना गर्दै आएको छ । विस्तृत मापदण्ड सहितका नीति, नियमावली तथा कार्यविधिहरुका साथै प्रभावकारी ढंगले स्थापित संरचनात्मक ढाँचा तथा सो बमोजिमको कार्यक्षेत्र तथा अधिकार विभाजनले बैंकको आन्तरिक नियन्त्रण प्रणाली प्रभावकारी बनाउनुका साथै बैंकमा अनुगमन तथा नियन्त्रण गर्न गठित विभिन्न समिति/उपसमितिहरुको सक्रिय भुमिकाले संस्थागत सुशासनलाई थप मजबुत बनाएको छ ।

#### ७. सत्य, तथ्यता सम्बन्धमा कार्यकारी प्रमुखको उद्घोषण

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्बन्धमा म व्यक्तिगत रूपमा उत्तरदायित्व लिन्छु । साथै म यो उद्घोष गर्दछु की मैले जानेबुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य, तथ्य र पूर्ण छन् र लगानीकर्ताहरुलाई सूचित निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरु लुकाइएको छैन ।