

INTERIM FINANCIAL STATEMENTS

As on Asar End, 2077
(4th Quarter F.Y. 2019-20)



मुक्तिनाथ विकास बैंक लि.

MUKTINATH BIKAS BANK LTD.

Kathmandu Plaza, Kamaladi, Kathmandu

Muktinath Bikas Bank Limited

Condensed Consolidated Statement of Financial Position

As on Quarter ended Asar 2077



| Particulars | Group | | Bank | |
|---|-----------------------|--|-----------------------|--|
| | This Quarter Ending | Immediate Previous Year Ending (Audited) | This Quarter Ending | Immediate Previous Year Ending (Audited) |
| Assets | | | | |
| Cash and Cash Equivalent | 8,216,400,642 | 8,529,233,371 | 8,197,578,924 | 8,526,257,061 |
| Due from Nepal Rastra Bank | 2,019,027,022 | 1,718,104,528 | 2,019,027,022 | 1,718,104,528 |
| Placement with Bank and Financial Institutions | - | - | - | - |
| Derivative Financials Instrument | - | - | - | - |
| Other Trading Assets | 25,126,115 | 4,390,111 | - | - |
| Loans and Advances to Bank and Financial Institutions | 603,900,000 | - | 603,900,000 | - |
| Loans and Advances to Customers | 47,690,750,594 | 38,144,321,489 | 47,690,750,594 | 38,144,321,489 |
| Investment Securities | 6,608,785,405 | 2,532,353,930 | 6,591,285,405 | 2,516,853,930 |
| Current Tax Assets | 115,087,404 | - | 108,376,248 | - |
| Investment in Subsidiaries | - | - | 117,500,000 | 117,500,000 |
| Investment in Associates | 54,637,603 | 53,220,757 | 54,637,603 | 53,220,757 |
| Investment Property | 33,115,680 | - | - | - |
| Property and Equipment | 770,587,993 | 754,937,858 | 764,783,154 | 720,323,253 |
| Goodwill and Intangible Assets | 12,485,731 | 10,687,859 | 9,771,744 | 7,717,794 |
| Deferred Tax Assets | 23,454,179 | 40,454,987 | 23,014,230 | 39,066,937 |
| Other Assets | 86,114,810 | 151,722,321 | 81,829,497 | 148,030,538 |
| Total Assets | 66,259,473,177 | 51,939,427,211 | 66,262,454,421 | 51,991,396,287 |
| Liabilities | | | | |
| Due to Bank and Financial Institutions | 2,322,270,747 | 5,305,848,132 | 2,322,270,747 | 5,305,848,132 |
| Due to Nepal Rastra Bank | - | - | - | - |
| Derivative Financials Instrument | - | - | - | - |
| Deposits from Customers | 57,189,260,833 | 41,338,200,003 | 57,295,224,118 | 41,470,704,753 |
| Borrowings | - | - | - | - |
| Current Tax Liabilities | - | 23,349,314 | - | 30,319,060 |
| Provisions | 3,732,070 | 7,306,213 | 3,732,070 | 6,917,913 |
| Deferred Tax Liabilities | - | - | - | - |
| Other Liabilities | 864,949,344 | 732,201,399 | 850,317,014 | 728,103,009 |
| Debt Securities Issued | - | - | - | - |
| Subordinated Liabilities | - | - | - | - |
| Total Liabilities | 60,380,212,994 | 47,406,905,060 | 60,471,543,950 | 47,541,892,867 |
| Equity | | | | |
| Share Capital | 4,324,989,486 | 3,064,760,123 | 4,324,989,486 | 3,064,760,123 |
| Share Premium | 64,012,143 | - | 64,012,143 | - |
| Retained Earnings | 500,666,617 | 705,631,064 | 497,649,876 | 705,631,064 |
| Reserves | 904,258,966 | 679,112,233 | 904,258,966 | 679,112,233 |
| Total Equity Attributable to Equity Shareholders | 5,793,927,211 | 4,449,503,420 | 5,790,910,471 | 4,449,503,420 |
| Non Controlling Interest | 85,332,972 | 83,018,731 | - | - |
| Total Equity | 5,879,260,183 | 4,532,522,151 | 5,790,910,471 | 4,449,503,420 |
| Total Equity and Liabilities | 66,259,473,177 | 51,939,427,211 | 66,262,454,421 | 51,991,396,287 |

Muktinath Bikas Bank Ltd.

Condensed Consolidated Statement of Profit or Loss

For the Quarter ended Asar 2077



| Particular | Group | | | | Bank | | | |
|---|---------------------|--------------------------|--------------------|--------------------------|---------------------|--------------------------|--------------------|--------------------------|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | | | Corresponding | | | | 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 | 1,614,073,263 | 6,558,530,937 | 1,499,766,869 | 5,118,603,989 | 1,614,474,890 | 6,554,214,196 | 1,499,766,869 | 5,118,603,989 |
| Interest Expenses | 1,084,461,364 | 4,318,206,137 | 966,773,691 | 3,223,828,556 | 1,087,858,719 | 4,333,109,109 | 966,773,691 | 3,223,828,556 |
| Net Interest Income | 529,611,899 | 2,240,324,800 | 532,993,178 | 1,894,775,433 | 526,616,171 | 2,221,105,086 | 532,993,178 | 1,894,775,433 |
| Fee and Commission Income | 82,914,012 | 512,988,610 | 142,370,554 | 615,635,927 | 78,432,392 | 508,506,990 | 142,370,554 | 615,635,927 |
| Fee and Commission Expenses | 7,931,381 | 23,314,649 | (1,563,972) | 13,739,797 | 7,360,239 | 22,743,507 | 5,080,427 | 13,739,797 |
| Net Fee and Commission Income | 74,982,631 | 489,673,960 | 143,934,525 | 601,896,130 | 71,072,154 | 485,763,483 | 137,290,127 | 601,896,130 |
| Net Interest, Fee and Commission Income | 604,594,530 | 2,729,998,760 | 676,927,703 | 2,496,671,563 | 597,688,325 | 2,706,868,569 | 670,283,305 | 2,496,671,563 |
| Net Trading Income | 825,289 | 14,217,980 | (1,751,472) | 8,060,584 | 825,289 | 14,217,980 | (1,751,472) | 8,060,584 |
| Other Operating Income | 5,075,039 | 28,471,838 | 13,738,996 | 13,298,944 | 6,345,076 | 27,172,360 | 13,738,996 | 13,298,944 |
| Total Operating Income | 610,494,858 | 2,772,688,578 | 688,915,227 | 2,518,031,091 | 604,858,691 | 2,748,258,909 | 682,270,829 | 2,518,031,091 |
| Impairment Charge/(reversal) for loans and other losses | 315,177,761 | 416,807,599 | 7,238,004 | 146,046,231 | 316,274,586 | 416,807,599 | 7,238,004 | 146,046,231 |
| Net Operating Income | 295,317,097 | 2,355,880,980 | 681,677,224 | 2,371,984,860 | 288,584,105 | 2,331,451,311 | 675,032,825 | 2,371,984,860 |
| Operating Expenses | | | | | | | | |
| Personnel Expenses | 193,284,308 | 854,973,488 | 195,338,637 | 684,491,697 | 190,197,185 | 846,543,290 | 195,338,637 | 684,491,697 |
| Other Operating Expenses | 107,443,475 | 436,503,317 | 125,232,514 | 363,156,413 | 106,100,844 | 431,364,616 | 118,588,115 | 363,156,413 |
| Depreciation & Amortization | 37,058,541 | 133,215,722 | 47,547,853 | 106,280,794 | 36,279,540 | 131,834,410 | 47,547,853 | 106,280,794 |
| Operating Profit | (42,469,226) | 931,188,453 | 313,558,220 | 1,218,055,957 | (43,993,465) | 921,708,994 | 313,558,220 | 1,218,055,957 |
| Non Operating Income | 98,385 | 173,125 | 257,405 | 527,975 | 98,385 | 173,125 | 257,405 | 527,975 |
| Non Operating Expenses | - | - | - | - | - | - | - | - |
| Profit before Income Tax | (42,370,841) | 931,361,578 | 313,815,625 | 1,218,583,932 | (43,895,080) | 921,882,119 | 313,815,625 | 1,218,583,932 |
| Income Tax Expenses | | | | | | | | |
| Current Tax | (19,656,660) | 279,408,473 | 159,588,648 | 417,620,767 | (21,716,689) | 276,564,636 | 159,588,648 | 417,620,767 |
| Deferred Tax | 3,892,192 | (3,441,263) | (76,363,916) | (55,203,314) | 3,817,558 | (4,720,893) | (76,363,916) | (55,203,314) |
| Profit for the Period | (26,606,373) | 655,394,367 | 230,590,893 | 856,166,479 | (25,995,949) | 650,038,376 | 230,590,893 | 856,166,479 |

Muktinath Bikas Bank Ltd.
Statement of Comprehensive Income
For the Quarter ended Asar 2077



| Particular | Group | | | | Bank | | | |
|---|-------------------|--------------------------|--------------------|--------------------------|-------------------|--------------------------|--------------------|--------------------------|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | | | Corresponding | | | | Corresponding | |
| | This Quarter | Up to This Quarter (YTD) | This Quarter | Up to This Quarter (YTD) | This Quarter | Up to This Quarter (YTD) | This Quarter | Up to This Quarter (YTD) |
| Profit or loss for the year | (26,606,373) | 655,394,367 | 230,590,893 | 856,166,479 | (25,995,949) | 650,038,376 | 230,590,893 | 856,166,479 |
| Other Comprehensive Income, Net of Income Tax | | | | | | | | |
| a) Items that will not be reclassified to profit or loss | | | | | | | | |
| Gains/(losses) from investment in equity instruments measured at fair value | 22,169,332 | 17,578,466 | (1,986,744) | (7,946,975) | 22,393,513 | 17,802,648 | (1,986,744) | (7,946,975) |
| Gains/(losses) on revaluation | - | - | - | - | - | - | - | - |
| Actuarial gains/(losses) on defined benefit plans | 51,442,688 | 51,442,688 | (637,593) | (2,550,373) | 51,442,688 | 51,442,688 | (637,593) | (2,550,373) |
| Income tax relating to above items | (22,083,606) | (20,706,346) | 787,301 | 3,149,204 | (22,150,860) | (20,773,601) | 787,301 | 3,149,204 |
| Net other comprehensive income that will not be reclassified to profit or loss | 51,528,414 | 48,314,808 | (1,837,036) | (7,348,144) | 51,685,341 | 48,471,735 | (1,837,036) | (7,348,144) |
| b) Items that are or may be reclassified to profit or loss | | | | | | | | |
| Gains/(losses) on cash flow hedge | - | - | - | - | - | - | - | - |
| Exchange gains/(losses)(arising from translating financial assets of foreign operation) | - | - | - | - | - | - | - | - |
| Income tax relating to above items | - | - | - | - | - | - | - | - |
| Reclassify to profit or loss | - | - | - | - | - | - | - | - |
| Net other comprehensive income that are or may be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| c) Share of other comprehensive income of associate accounted as per equity method | | | | | | | | |
| Other Comprehensive Income for the year, Net of Income Tax | 51,528,414 | 48,314,808 | (1,837,036) | (7,348,144) | 51,685,341 | 48,471,735 | (1,837,036) | (7,348,144) |
| Total Comprehensive Income for the Year | 24,922,041 | 703,709,175 | 228,753,857 | 848,818,335 | 25,689,391 | 698,510,111 | 228,753,857 | 848,818,335 |
| Total Comprehensive Income attributable to: | | | | | | | | |
| Equity-Holders of the Bank | 25,200,864 | 701,526,852 | 228,753,857 | 848,818,335 | 25,689,391 | 698,510,111 | 228,753,857 | 848,818,335 |
| Non-Controlling Interest | (278,823) | 2,182,323 | - | - | - | - | - | - |
| Total Comprehensive Income for the Year | 24,922,041 | 703,709,175 | 228,753,857 | 848,818,335 | 25,689,391 | 698,510,111 | 228,753,857 | 848,818,335 |
| Earning per share | | | | | | | | |
| Basic earnings per share | - | 15.35 | - | 20.84 (Restated) | - | 15.22 | - | 20.84 (Restated) |
| Diluted earnings per share | - | 15.35 | - | 20.84 (Restated) | - | 15.22 | - | 20.84 (Restated) |

Ratios as per NRB Directives

| Particular | Group | | | | Bank | | | |
|---|--------------|--------------------------|---------------|--------------------------|--------------|--------------------------|---------------|--------------------------|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | | | Corresponding | | | | Corresponding | |
| | This Quarter | Up to This Quarter (YTD) | This Quarter | Up to This Quarter (YTD) | This Quarter | Up to This Quarter (YTD) | This Quarter | Up to This Quarter (YTD) |
| Capital fund to RWA | - | 12.83% | - | 13.44% | - | 12.83% | - | 13.44% |
| Non-performing loan (NPL) to total loan | - | 0.53% | - | 0.07% | - | 0.53% | - | 0.07% |
| Total loan loss provision to Total NPL | - | 446.90% | - | 1598.15% | - | 446.90% | - | 1598.15% |
| Cost of Funds | - | 7.52% | - | 8.69% | - | 7.52% | - | 8.69% |
| Credit to Deposit Ratio | - | 74.89% | - | 76.42% | - | 74.89% | - | 76.42% |
| Base Rate | - | 9.98% | - | 11.36% | - | 9.98% | - | 11.36% |
| Interest Rate Spread | - | 4.99% | - | 5.62% | - | 4.99% | - | 5.62% |

Muktinath Bikas Bank Limited

Consolidated Statement of Cash Flows

For the Quarter ended Asar 2077



| Particulars | Group | | Bank | |
|--|------------------------|--------------------------------|------------------------|--------------------------------|
| | Upto This Quarter | Immediate Previous Year Ending | Upto This Quarter | Immediate Previous Year Ending |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Interest Received | 5,914,737,027 | 4,986,709,694 | 5,914,737,027 | 4,986,709,694 |
| Fee and Other Income Received | 512,988,610 | 615,635,927 | 508,506,990 | 615,635,927 |
| Dividend Received | - | - | - | - |
| Receipts from Other Operating Activities | 27,191,782 | 14,508,114 | 25,892,305 | 14,508,114 |
| Interest Paid | (4,318,206,137) | (3,223,828,556) | (4,333,109,109) | (3,223,828,556) |
| Commissions and Fees Paid | (23,314,649) | (13,739,797) | (22,743,507) | (13,739,797) |
| Cash Payment to Employees | (722,386,711) | (646,171,476) | (713,956,513) | (646,171,476) |
| Other Expenses Paid | (437,155,893) | (363,156,413) | (431,364,616) | (363,156,413) |
| Operating Cash Flows before Changes in Operating Assets and Liabilities | 953,854,029 | 1,369,957,493 | 947,962,576 | 1,369,957,493 |
| (Increase)/Decrease in Operating Assets | | | | |
| Due from Nepal Rastra Bank | (300,922,494) | (278,303,250) | (300,922,494) | (278,303,250) |
| Placement with Banks and Financial Institutions | - | - | - | - |
| Other Trading Assets | (20,736,003) | (4,390,111) | - | - |
| Loans and Advances to Bank and Financials Institutions | (610,000,000) | - | (610,000,000) | - |
| Loans and Advances to Customers | (9,841,883,172) | (13,125,315,051) | (9,841,883,172) | (13,125,315,051) |
| Other Assets | 65,607,512 | 9,772,241 | 66,201,041 | 14,852,074 |
| Increase/(Decrease) in Operating Liabilities | | | | |
| Due to Banks and Financials Institutions | (2,983,577,384) | 1,729,687,023 | (2,983,577,384) | 1,729,687,023 |
| Due to Nepal Rastra Bank | - | - | - | - |
| Deposit from Customers | 15,851,060,829 | 14,245,447,340 | 15,824,519,365 | 14,377,952,090 |
| Borrowings | - | - | - | - |
| Other Liabilities | 51,603,856 | 394,834,776 | 41,069,916 | 314,299,103 |
| Net Cash Flow from Operating Activities before Tax Paid | 3,165,007,173 | 4,341,690,461 | 3,143,369,848 | 4,403,129,481 |
| Income Tax Paid | (417,845,191) | (417,620,767) | (415,259,944) | (417,620,767) |
| Net Cash Flow from Operating Activities | 2,747,161,981 | 3,924,069,694 | 2,728,109,904 | 3,985,508,714 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Investment Securities | (4,058,853,009) | (1,917,588,119) | (4,056,628,828) | (2,019,588,119) |
| Receipts from Sale of Investment Securities | 2,833,588 | - | 2,833,588 | - |
| Purchase of Property and Equipment | (147,004,758) | (383,991,729) | (174,433,211) | (349,377,125) |
| Receipts from Sale of Property and Equipment | 57,963 | - | 57,963 | - |
| Purchase of Intangible Assets | (4,711,854) | (6,115,979) | (4,967,931) | (3,145,914) |
| Purchase of Investment Properties | (33,115,680) | - | - | - |
| Receipts from Sale of Investment Properties | - | - | - | - |
| Interest Received | 528,540,378 | 53,077,952 | 524,223,637 | 53,077,952 |
| Dividend Received | 9,229,803 | 6,250,016 | 9,229,803 | 6,250,016 |
| Net Cash Used in Investing Activities | (3,703,023,569) | (2,248,367,858) | (3,699,684,980) | (2,312,783,189) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts from Issue of Debt Securities | - | - | - | - |
| Repayments of Debt Securities | - | - | - | - |
| Receipts from Issue of Subordinated Liabilities | - | - | - | - |
| Repayments of Subordinated Liabilities | - | - | - | - |
| Receipt from Issue of Shares | 1,324,241,506 | 407,960,603 | 1,324,241,506 | 407,960,603 |
| Dividends Paid | (34,067,228) | - | (34,067,228) | - |
| Interest Paid | - | - | - | - |
| Other Receipts/Payments | (647,145,420) | (440,203,316) | (647,277,338) | (440,203,316) |
| Net Cash from Financing Activities | 643,028,857 | (32,242,712) | 642,896,939 | (32,242,713) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (312,832,730) | 1,643,459,123 | (328,678,136) | 1,640,482,812 |
| Cash and cash equivalents at Shrawan 1, 2076 | 8,529,233,372 | 6,885,774,249 | 8,526,257,061 | 6,885,774,249 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | - | - | - | - |
| Cash and cash equivalents at Asar end 2077 | 8,216,400,641 | 8,529,233,372 | 8,197,578,924 | 8,526,257,061 |

Muktinath Bikas Bank Limited
Condensed Consolidated Statement of Changes in Equity
For the period from Shrawan 1st 2076 to Asar 31st 2077



| Particulars | Group | | | | | | | | | | | |
|--|--|---------------------|--------------------|-----------------------|--------------------|---------------------|---------------------|----------------------|--------------------|----------------------|--------------------------|----------------------|
| | Attributable to Equity-Holders of the Bank | | | | | | | | | | Non-Controlling Interest | Total Equity |
| | Share Capital | Share Premium | General Reserve | Exchange Equalisation | Regulatory Reserve | Fair Value Reserve | Revaluation Reserve | Retained Earning | Other Reserve | Total | | |
| Balance at Shrawan 01, 2075 | 2,591,763,317 | 65,036,203 | 411,250,993 | 38,602 | - | (28,297,271) | - | 569,234,704 | 16,553,106 | 3,625,579,654 | - | 3,625,579,654 |
| Profit for the year | - | - | - | - | - | - | - | 856,166,479 | - | 856,166,479 | - | 856,166,479 |
| Other Comprehensive Income, Net of Tax | - | - | - | - | - | (5,562,882) | - | - | - | (5,562,882) | - | (5,562,882) |
| Total Comprehensive Income for the year | - | - | - | - | - | (5,562,882) | - | 856,166,479 | (1,785,261) | 848,818,335 | - | 848,818,335 |
| Transfer to Reserves during the year | - | - | 171,233,296 | - | 114,810,622 | - | - | (294,605,583) | 8,561,665 | - | - | - |
| Transfer from Reserves during the year | - | - | - | - | - | 3,220,757 | - | 7,690,636 | (10,911,393) | - | - | - |
| Contributions from and distribution to owners | 472,996,806 | (65,036,203) | - | - | - | - | - | (432,855,172) | - | (24,894,569) | - | (24,894,569) |
| Share Issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Share Based Payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend to Equity-Holders | - | - | - | - | - | - | - | - | - | - | - | - |
| • Bonus Shares Issued | 472,996,806 | (65,036,203) | - | - | - | - | - | (407,960,603) | - | - | - | - |
| • Cash Dividend Paid | - | - | - | - | - | - | - | (24,894,569) | - | (24,894,569) | - | (24,894,569) |
| Other | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Contributions by and Distributions | 472,996,806 | (65,036,203) | 171,233,296 | - | 114,810,622 | (2,342,126) | - | 136,396,360 | (4,134,989) | 823,923,766 | - | 823,923,766 |
| Balance at Asar 31, 2076 | 3,064,760,123 | - | 582,484,289 | 38,602 | 114,810,622 | (30,639,397) | - | 705,631,064 | 12,418,117 | 4,449,503,420 | 83,018,731 | 4,449,503,420 |
| Balance at Shrawan 01, 2076 | 3,064,760,123 | - | 582,484,289 | 38,602 | 114,810,622 | (30,639,397) | - | 705,631,064 | 12,418,117 | 4,449,503,420 | 83,137,260 | 4,532,640,680 |
| Profit for the year | - | - | - | - | - | - | - | 653,212,044 | - | 653,212,044 | 2,182,323 | 655,394,367 |
| Other Comprehensive Income, Net of Tax | - | - | - | - | - | 12,461,854 | - | - | 36,009,882 | 48,471,735 | - | 48,471,735 |
| Total Comprehensive Income for the year | - | - | - | - | - | 12,461,854 | - | 653,212,044 | 36,009,882 | 701,683,779 | 2,182,323 | 703,866,102 |
| Transfer to Reserves during the year | - | - | 130,007,675 | 1,878,330 | 70,455,773 | 1,416,846 | - | - | 6,500,384 | 210,259,008 | - | 210,259,008 |
| Transfer from Reserves during the year | - | - | - | - | (33,584,010) | - | - | (176,831,925) | - | (210,415,935) | - | (210,415,935) |
| Contributions from and distribution to owners | 1,260,229,363 | 64,012,143 | - | - | - | - | - | (681,344,566) | - | 642,896,939 | 13,389 | 642,910,328 |
| Share Issued | 612,952,025 | 64,012,143 | - | - | - | - | - | - | - | 676,964,168 | - | 676,964,168 |
| Share Based Payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend to Equity-Holders | - | - | - | - | - | - | - | - | - | - | - | - |
| • Bonus Shares Issued | 647,277,338 | - | - | - | - | - | - | (647,277,338) | - | - | - | - |
| • Cash Dividend Paid | - | - | - | - | - | - | - | (34,067,228) | - | (34,067,228) | - | (34,067,228) |
| Other | - | - | - | - | - | - | - | - | - | - | 13,389 | 13,389 |
| Total Contributions by and Distributions | 1,260,229,363 | 64,012,143 | 130,007,675 | 1,878,330 | 36,871,763 | 13,878,700 | - | (204,964,448) | 42,510,265 | 1,344,423,791 | 2,195,712 | 1,346,619,503 |
| Balance at Asar 31, 2077 | 4,324,989,486 | 64,012,143 | 712,491,964 | 1,916,932 | 151,682,385 | (16,760,697) | - | 500,666,617 | 54,928,382 | 5,793,927,211 | 85,332,972 | 5,879,260,183 |

Muktinath Bikas Bank Limited
Condensed Consolidated Statement of Changes in Equity
For the period from Shrawan 1st 2076 to Asar 31st 2077



| Particulars | Bank | | | | | | | | | | | Non-Controlling Interest | Total Equity |
|--|--|---------------|-----------------|-----------------------|--------------------|--------------------|---------------------|------------------|---------------|---------------|-------|--------------------------|--------------|
| | Attributable to Equity-Holders of the Bank | | | | | | | | | | Total | | |
| | Share Capital | Share Premium | General Reserve | Exchange Equalisation | Regulatory Reserve | Fair Value Reserve | Revaluation Reserve | Retained Earning | Other Reserve | | | | |
| Balance at Shrawan 01, 2075 | 2,591,763,317 | 65,036,203 | 411,250,993 | 38,602 | - | (28,297,271) | - | 569,234,704 | 16,553,106 | 3,625,579,654 | - | 3,625,579,654 | |
| Profit for the year | - | - | - | - | - | - | - | 856,166,479 | - | 856,166,479 | - | 856,166,479 | |
| Other Comprehensive Income, Net of Tax | - | - | - | - | - | (5,562,882) | - | - | (1,785,261) | (7,348,144) | - | (7,348,144) | |
| Total Comprehensive Income for the year | - | - | - | - | - | (5,562,882) | - | 856,166,479 | (1,785,261) | 848,818,335 | - | 848,818,335 | |
| Transfer to Reserves during the year | - | - | 171,233,296 | - | 114,810,622 | - | - | (294,605,583) | 8,561,665 | - | - | - | |
| Transfer from Reserves during the year | - | - | - | - | - | 3,220,757 | - | 7,690,636 | (10,911,393) | - | - | - | |
| Contributions from and distribution to owners | 472,996,806 | (65,036,203) | - | - | - | - | - | (432,855,172) | - | (24,894,569) | - | (24,894,569) | |
| Share Issued | - | - | - | - | - | - | - | - | - | - | - | - | |
| Share Based Payments | - | - | - | - | - | - | - | - | - | - | - | - | |
| Dividend to Equity-Holders | - | - | - | - | - | - | - | - | - | - | - | - | |
| • Bonus Shares Issued | 472,996,806 | (65,036,203) | - | - | - | - | - | (407,960,603) | - | - | - | - | |
| • Cash Dividend Paid | - | - | - | - | - | - | - | (24,894,569) | - | (24,894,569) | - | (24,894,569) | |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total Contributions by and Distributions | 472,996,806 | (65,036,203) | 171,233,296 | - | 114,810,622 | (2,342,126) | - | 136,396,360 | (4,134,989) | 823,923,766 | - | 823,923,766 | |
| Balance at Asar 31, 2076 | 3,064,760,123 | - | 582,484,289 | 38,602 | 114,810,622 | (30,639,397) | - | 705,631,064 | 12,418,117 | 4,449,503,420 | - | 4,449,503,420 | |
| Balance at Shrawan 01, 2076 | 3,064,760,123 | - | 582,484,289 | 38,602 | 114,810,622 | (30,639,397) | - | 705,631,064 | 12,418,117 | 4,449,503,420 | - | 4,449,503,420 | |
| Profit for the year | - | - | - | - | - | - | - | 650,038,376 | - | 650,038,376 | - | 650,038,376 | |
| Other Comprehensive Income, Net of Tax | - | - | - | - | - | 12,461,853 | - | - | 36,009,882 | 48,471,735 | - | 48,471,735 | |
| Total Comprehensive Income for the year | - | - | - | - | - | 12,461,853 | - | 650,038,376 | 36,009,882 | 698,510,111 | - | 698,510,111 | |
| Transfer to Reserves during the year | - | - | 130,007,675 | 1,878,330 | 70,455,773 | 1,416,846 | - | - | 6,500,384 | 210,259,008 | - | 210,259,008 | |
| Transfer from Reserves during the year | - | - | - | - | (33,584,010) | - | - | (176,674,998) | - | (210,259,008) | - | (210,259,008) | |
| Contributions from and distribution to owners | 1,260,229,363 | 64,012,143 | - | - | - | - | - | (681,344,566) | - | 642,896,939 | - | 642,896,939 | |
| Share Issued | 612,952,025 | 64,012,143 | - | - | - | - | - | - | - | 676,964,168 | - | 676,964,168 | |
| Share Based Payments | - | - | - | - | - | - | - | - | - | - | - | - | |
| Dividend to Equity-Holders | - | - | - | - | - | - | - | - | - | - | - | - | |
| • Bonus Shares Issued | 647,277,338 | - | - | - | - | - | - | (647,277,338) | - | - | - | - | |
| • Cash Dividend Paid | - | - | - | - | - | - | - | (34,067,228) | - | (34,067,228) | - | (34,067,228) | |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total Contributions by and Distributions | 1,260,229,363 | 64,012,143 | 130,007,675 | 1,878,330 | 36,871,763 | 13,878,699 | - | (207,981,188) | 42,510,265 | 1,341,407,050 | - | 1,341,407,050 | |
| Balance at Asar 31, 2077 | 4,324,989,486 | 64,012,143 | 712,491,964 | 1,916,932 | 151,682,385 | (16,760,697) | - | 497,649,876 | 54,928,382 | 5,790,910,471 | - | 5,790,910,471 | |

Muktinath Bikas Bank Ltd.

Statement of Distributable Profit

For the Quarter ended Asar 2077



| Particulars | Amount |
|--|--------------------|
| Net profit or (loss) as per statement of profit or loss | 650,038,376 |
| <u>Appropriations:</u> | |
| Profit required to be appropriated to: | 138,386,389 |
| a. General Reserve | 130,007,675 |
| b. Foreign Exchange Fluctuation Fund | 1,878,330 |
| c. Capital Redemption Reserve | - |
| d. Corporate Social Responsibility Fund | 6,500,384 |
| e. Employee Training Fund | - |
| f. Other | - |
| Profit or (loss) before regulatory adjustment | 511,651,987 |
| <i>Profit required to be transferred to Regulatory Reserve</i> | <i>38,288,609</i> |
| a. Transferred to Regulatory Reserves | 70,455,773 |
| a. Transferred from Regulatory Reserves | (32,167,164) |
| Net Profit for the Period end Asar available for Distribution | 473,363,378 |

The Bank's total distributable amount is NPR 561,662,018 which comprise of current period distributable profit of 473,363,378 and other amount of 88,298,640.

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



General Information

Muktinath Bikas Bank Limited ('the bank') is domiciled and incorporated in Nepal under the Companies Act, 2063 on 22nd Chaitra 2062. The Bank received the license to commence banking operations as a 'B Class' financial institution from Nepal Rastra Bank on 18th Poush, 2063. The bank is a limited liability company having its shares listed on Nepal Stock Exchange. The registered office of the Bank is situated at Kathmandu Plaza, Kamaladi-28, Kathmandu, Nepal.

The group financial statement includes the Muktinath Capital Limited (formerly known as Vibor Capital Limited) which is the subsidiary of the bank and the bank's associate company, Muktinath Krishi Company Limited.

1. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) : NAS 34 Interim Financial Reporting pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

The interim financial statements have been prepared on the formats mandated by the Directive No. 4 of The Unified Directives, 2076 as made applicable by the Nepal Rastra Bank.

The Condensed Consolidated Interim Financial Statements comprise of:

Condensed Consolidated Statement of Financial Position
Condensed Consolidated Statement of Profit or Loss,
Condensed Consolidated Statement of Other Comprehensive Income,
Condensed Consolidated Statement of Changes in Equity,
Condensed Consolidated Statement of Cash Flows
Notes to Interim Financial Statements and
Ratios as per NRB Directive

Functional and Presentation Currency

The Financial Statements of Entity are presented in Nepalese Rupees (Rs.), which is the currency of the primary economic environment in which the Entity operates.

2. Statement of Compliance with NFRS

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) : NAS 34 Interim Financial Reporting, as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with BAFIA 2073, Unified Directives 2075 issued by Nepal Rastra Bank and all other applicable laws and regulations.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements.

3. Use of Estimates, Assumptions and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

4. Changes in Accounting Policies

The Bank applies its accounting policies consistently from year to year except where deviations have been explicitly mandated by the applicable accounting standards.

5. Significant Accounting Policies

a. Basis of Measurement

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

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



| Item | Basis of Measurement |
|---|--|
| • Quoted Investment Classified under Available for Sale | Fair Value |
| • Retired Benefit Obligation | Present value of defined benefit obligation less the fair value of the plan assets |

5.1 Basis of Consolidation

a. Business Combination

Business combinations are accounted for using the acquisition method in line with the NFRS 03 "Business Combination". The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amount related to the settlement of pre-existing relationships. Such amount are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument 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

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. Basis of Consolidation

The Consolidate Financial Statement includes the financials of the subsidiary from the date the control commences until the date that control ceases. In preparing the consolidated financial statements, the financial statements are combined by adding the like items of assets, liabilities, equity, income, expenses and cash flows of the parent line by line with those of its subsidiary and eliminating the transaction with the companies within the group.

The consolidation of the group has been carried using NFRS 10 : Consolidated Financial Statements by applying the carve out issued by the Institute of Chartered Accountants of Nepal which states: "A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impracticable to do so."

Investments in associates are accounted for in financial statements as per equity method although associate's financial statements are not prepared using uniform accounting policies for like transactions and events in similar circumstances as it is impracticable to do.

d. Loss of Control

When the Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any-related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former Subsidiary is measured at fair value when control is lost and is accounted depending on the level of control retained.

e. Transaction elimination on consolidation

Intra-group balances, transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



5.2 Cash & Cash Equivalent

Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities period of three months or less from the acquisition date 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.

The cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks, money at call and money market funds.

5.3 Financial Assets and Financial Liabilities

Recognition

The Bank recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to the statement of profit and loss.

Classification

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

Financial assets are classified under three categories as required by NFRS 9, namely:

Measured at amortised cost:

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the effective interest rate ('EIR') method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

Measured at fair value through other comprehensive income:

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI).

Equity Instrument which are not held for trading and initially recognized as held for trading for which the bank makes an irrevocable election to carry the changes in fair value of the instrument through OCI are measured at Fair Value through other Comprehensive Income.

Measured at fair value through profit or loss:

The bank classifies the financials assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss.

Any other financial asset not classified as either amortised cost or FVTOCI, is classified as FVTPL.

Financial liabilities are classified under three categories as required by NFRS 9, namely:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Upon initial recognition, transaction cost 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.

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



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 method.

De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Determination of Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The banks follows three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets ;

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable or valuations of quoted for similar instrument in active markets or quoted prices for identical or similar instrument in inactive markets ; and

Level 3: Significant inputs to the fair value measurement are unobservable.

Investment in Unquoted Equity Instrument are carried cost as the market price of such shares could not be ascertained with certainty at the reporting date.

Impairment

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. The Management's judgement is extensively used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about the number of factors including a borrower's financial situation and the net realisable value of any underlying collateral. Top borrowers forming part of 25% of the portfolio are tested for individual impairment. Each impaired asset is assessed on its merits to estimate the recoverable amount of cash flows.

A collective impairment provision is established for:

- groups of homogeneous loans and advances and investment securities which are held-to-maturity, that are not considered individually significant; and

- groups of assets that are individually significant but that were not found to be individually impaired.

The collective impairment is carried using the statistical modelling such as historical trends of probability of defaults, timings of recoveries, and current economic and market conditions which may warrant for the loss being greater than the suggested by the historical trends.

For the purpose of collective assessment of impairment bank has categorized assets into following broad products as follows:

- Home Loan
- Hire Purchase Loan
- Personal Loan
- Business Loans
- Small & Micro Credit
- Others

Carve out adopted for assessment of impairment charge

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

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



5.4 Trading Assets

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. They are recognised on trade date, when the bank enters into contractual arrangements with counterparties, and are normally derecognised when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognised in profit or loss in 'Net trading income'.

5.5 Derivative Assets and Derivative Liabilities

Derivative instruments includes transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date.

The bank do not have any derivative instrument during the reporting period.

5.6 Property and Equipment

Recognition and measurement: Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

Depreciation: The Bank depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are ready for intended use. Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term. The estimated useful lives of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

| Type of Asset | Useful Life |
|--------------------------------|-------------|
| Buildings | 50 Years |
| Leasehold Properties | 5 Years |
| Computer & Accessories | 5 Years |
| Vehicles - Two Wheeler | 5 Years |
| - Four Wheeler | 7 Years |
| Furniture & Fixtures | 5 Years |
| Equipment & Others - Equipment | 5 Years |
| - Others | 2 Years |
| Intangibles Assets | 5 Years |

The Bank adopts cost model for entire class of property and equipment. The bank has not measured the any property and plant at revaluation model and at fair value. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Assets having acquisition cost less than or equal NPR 10,000 have been written off as an expense in the Statement of Profit or Loss.

5.7 Goodwill/Intangible Assets

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognised as goodwill. 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.

Intangible assets are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. These intangible assets are recognised at historical cost less impairment less amortisation over their estimated useful life.

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



5.8 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.

5.9 Income Tax

Tax expenses comprises of current tax and deferred tax.

a. Current Tax

Current tax is the income tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

b. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset.

5.10 Deposit, debt securities issued and subordinated liabilities

a. Deposits:

Deposits by banks & customers are financial liabilities of the bank as there is an obligation to deliver cash or financial assets back to the depositing bank or customer and are initially recognised at fair value, plus for those financial liabilities not at fair value through profit and loss. The transaction price is considered as the fair value for measuring the deposits.

b. Debt Securities Issued

Debt Securities are initially measured at the fair value less incremental direct cost and subsequently at their amortised cost using effective interests method except where the bank designates liabilities at fair value through profit or loss.

c. Subordinate Liabilities

These are the liabilities subordinated, at the event of winding up, to claims of depositors, debt securities issued and other creditors. It shall include redeemable preference shares, subordinated notes issued, borrowings etc. During the reporting period the bank did not have any such liabilities.

5.11 Provisions

A provision is recognized if as a result of a past event, the bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates and are reversed if there is not the probability of outflow of resources.

The contingent liability are the liabilities for which it is uncertain as to whether it will become an obligation as it depends on the occurrence of an uncertain future event. These amounts are off-balance sheet items and are disclosed when there is a possible obligation that may but probably will not require an outflow of resources.

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

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



5.12 Revenue Recognition

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

a. Interest Income

Interest income are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the expected estimated future cash payments and receipts through the expected life of the financial asset or liability. Where financial assets have been impaired, interest income continues to be recognised on the Gross value, based on the original effective interest rate.

b. Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

c. Dividend Income

Dividend income received from equity shares is recognized in the books when the bank's right to receive the dividend is established.

d. Net Trading Income

Net Trading Income includes all gains and losses from changes in fair value, related capital gain/loss and dividend from financial assets 'Held for Trading'. Trading expenses are deducted from the trading income and the amount net of trading expenses are disclosed in statement of profit and loss.

e. Net Income from Other Financial Instrument at Fair Value Through

Net income from other financial instrument measured at fair value through Profit or Loss includes all gains/(losses) arises from the revaluation of financial instrument at fair value.

f. Interest Expenses

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. The Bank uses ASB carve- outs as mentioned in 2.6 above and treat coupon rate as effective interest rate.

5.13 Employee Benefits

a. Short term employee benefits

The Bank's short term employee benefits mainly include wages, salaries, allowances, social security expenses, bonuses as provided in the law and other employee related expenses. Short term employee benefits are measured on an undiscounted basis and are charged to statement of profit and loss as and when the related service is provided.

b. Long term employee benefits

i. Defined Contribution Plans

The contributions to defined contribution plans are recognised in profit or loss as and when the services are rendered by employees which the bank contributes fixed percentage of the salary to the Employee's Provident Fund. The Bank has no further obligations under these plans beyond its periodic contributions.

Any unpaid contribution are recorded as a liability under 'Other Liabilities' in Notes 4.23.

ii. Defined Benefit Plans

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 current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the bank's obligation and that are denominated in the currency in which the benefits are expected to be paid.

The defined benefit obligation is recognised on the basis of the report of qualified actuary using the projected unit credit method. The bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit and loss account. When the calculation results in a potential assets for the group, the recognized assets is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



Measurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest income) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in Other Comprehensive Income. The bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefits liability (assets), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized as personnel expenses in Statement of profit and Loss.

The Bank provides gratuity and leave encashment as the defined benefits plans to its employees.

5.14 Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

a. Financial Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. As a lessor under finance leases, the group presents the amounts due under the leases, after deduction of unearned charges, in 'Loans and advances to banks' or 'Loans and advances to customers'. As a lessee under finance leases, the group presents the leased assets in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments.

The bank does not have any financial leases transaction during the reporting period.

b. Operating Lease

When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

5.15 Foreign Currency Translation

The financial statements are presented in Nepalese Rupees which is the functional and presentation currency of the Bank.

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

5.16 Share Capital and Reserves

Shares are classified as Equity when the Bank has an unconditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Bank and there is no contractual obligation whatsoever to that effect. 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 and preference shares classified as equity are recognized in equity in the period in which they are declared.

Reserves are the allocation out of profit or retained earnings. These are created as statutory requirement, accounting standard requirement and bank's own requirement.

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



6 Segmental Information

a. Information about reportable segments

| Particulars | Modern Banking | | Small & Micro Banking | | Total | |
|----------------------------------|--------------------|--------------------------------|-----------------------|--------------------------------|--------------------|--------------------------------|
| | This Quarter | Corresponding Previous Quarter | This Quarter | Corresponding Previous Quarter | This Quarter | Corresponding Previous Quarter |
| Revenues from external customers | 791,038,325 | 897,907,450 | 1,979,964,091 | 1,633,863,439 | 2,771,002,416 | 2,531,770,888 |
| Inter Segment Expenses/revenues | 1,012,684,113 | 853,365,512 | (1,012,684,113) | (853,365,512) | - | - |
| Segment profit /(loss) | 473,117,617 | 969,652,570 | 448,764,502 | 248,931,362 | 921,882,119 | 1,218,583,932 |
| Segment assets | 52,217,639,719 | 38,514,380,674 | 14,044,814,702 | 12,331,495,874 | 66,262,454,421 | 50,845,876,548 |
| Segment liabilities | 56,587,313,606 | 40,110,516,428 | 3,884,230,344 | 4,561,531,246 | 60,471,543,950 | 44,672,047,674 |

b. Reconciliation of reportable segment profit or loss

| | This Quarter | Corresponding Previous Quarter |
|---|--------------------|--------------------------------|
| Total profit before tax for reportable segments | 1,934,566,233 | 2,071,949,444 |
| Profit before tax for other segments | - | - |
| Elimination of inter-segment profit | (1,012,684,113) | (853,365,512) |
| Elimination of discontinued operation | - | - |
| Unallocated amounts: | - | - |
| - Other corporate expenses | - | - |
| Profit before tax | 921,882,119 | 1,218,583,932 |

7. Related Party Disclosure

| Name of the Related Party | Relationship |
|--|--------------------------|
| Muktinath Capital Limited | Subsidiary Company |
| Muktinath Krishi Company Limited | Associate Company |
| Bharat Raj Dhakal | Chairman |
| Gajendra Man Shrestha | Director |
| Rabindra Man Shrestha | Director |
| Shalikgram Mishra | Director |
| Nirmala Kumari K.C. Karki | Director |
| Pradyuman Pokharel, Chief Executive Officer | Key Managerial Personnel |
| Samir Sekhar Bajracharya, Deputy Chief Executive Officer | Key Managerial Personnel |
| Til Bahadur Gurung, Assistant Deputy Chief Executive Officer | Key Managerial Personnel |
| Govinda Bahadur Raut, Assistant Chief Executive Officer | Key Managerial Personnel |

ii. Related Party Transactions

The related parties of the Bank which meets the definition of related parties as defined in NAS 24 Related Party Disclosures are as follows:

Key Management Personnel (KMP) are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors, Chief Executive Officer, and other higher level employee of the Bank. The name of the key management personnel who were holding various positions in the office during the year were as follows:

Muktinath Bikas Bank Limited

Notes to Interim Financial Statements



Board of Directors Allowances and Facilities

| Particulars | No of Meetings | Sitting Fees |
|--|----------------|----------------|
| Board Meeting | 17 | 682,000 |
| Audit Committee Meeting | 6 | 57,000 |
| Risk Management Committee | 4 | 38,000 |
| Assets Money Laundering Prevention Committee | 5 | 25,000 |
| Employees Facilities Committee | - | - |
| Total | | 802,000 |

In additions to above, the Chairman and Directors are entitled to receive the telephone expenses of Rs. 3,000 and Rs. 2,500 monthly respectively. Further, the directors are paid Rs 2,000 each monthly as the reimbursment of the Newspaper and Internet facilities.

Executives's Emoluments and Facilities

| Particulars | Salary, Allowances & PF | Statutory Bonus | Others | Total |
|--|-------------------------|-----------------|--------|---------------|
| Salary and Benefits paid to Executives | 19,289,445 | 3,766,502 | - | 19,704,155.23 |

Executives are also provided with the accidental and medical insurance and mobile facilities as per Bank's Norms.

Subsidiary and Associate Company

The transaction with the subsidiary and associate company during the year are as follows:

| Particulars | Nature of Relationship | Nature of Transaction | Amount (in Mn) |
|----------------------------------|------------------------|---------------------------------|----------------|
| Muktinath Capital Limited | Subsidiary | Deposits Outstanding | 105,963,286 |
| Muktinath Capital Limited | Subsidiary | Interest Paid | 14,902,973 |
| Muktinath Capital Limited | Subsidiary | Share Registrar and Right Issue | 414,674 |
| Muktinath Krishi Company Limited | Associate | Deposits Outstanding | 141,401,462 |
| Muktinath Krishi Company Limited | Associate | Interest Paid | 17,131,681 |

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

The Bank has paid dividend 17.60% bonus and 0.93% cash dividend on ordinary shares for FY 2075-76 which was approved by the 14th AGM.

9. Events after interim period

There were no material events subsequent to the date of the condensed statement of financial position that require disclosure or adjustments to the unaudited interim financial statements.

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

There were no changes in the composition of the Bank for the reporting period ended 31st Asar 2077.



धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूची १४
(नियम २६ को उपनियम (१) संग सम्बन्धित)

आ.व. २०७६/०७७ को चौथो त्रैमासिक प्रतिवेदन

१) वित्तीय विवरण :

क) यस विकास बैंकको वासलात, नाफा नोक्सान हिसाब सम्बन्धी विवरण :

अ) यस विकास बैंकले (NFRS) बमोजिम तयार पारेको चौथो त्रैमासको वासलात तथा नाफा नोक्सान विवरण यसै साथ प्रकाशित गरिएको छ ।

आ) सम्बन्धित पक्ष (Related Party) बीच भएको कारोबार सम्बन्धी विवरण:

१. मुक्तिनाथ क्यापिटल लिमिटेडको यस बैंकमा रहेको विभिन्न खाताहरूमा २०७७ असार मसान्त सम्म रु. १० करोड ५९ लाख निक्षेप रहेको छ । सो अवधिमा बैंकले ब्याज बापत रकम रु. १ करोड ४९ लाख भुक्तानी गरेको छ । बैंकले उक्त कम्पनीलाई आफ्नो सेयर रजिष्ट्रार नियुक्त गरेको र सो बापत बैंकले वार्षिक रु. १.१० लाख सेवा शुल्क भुक्तानी गरेको छ । साथै बैंकले हकप्रद सेयर निष्काशन गरे बापत उक्त कम्पनीलाई रु ३.०५ लाख भुक्तानी गरेको छ ।

२. मुक्तिनाथ कृषि कम्पनी लिमिटेडको यस बैंकमा रहेको विभिन्न खाताहरूमा २०७७ असार मसान्त सम्म १४ करोड १४ लाख निक्षेप रहेको छ । सो अवधिमा बैंकले ब्याज बापत रु. १ करोड ७१ लाख भुक्तानी गरेको छ ।

ख) प्रमुख वित्तीय अनुपातहरू :

| | | | |
|---------------------|-----------------|---------------------------------|---------------|
| प्रति सेयर आमदानी | रु. १५.२२ | प्रति सेयर कुल सम्पत्तिको मूल्य | रु. १,५३२.०८ |
| मूल्य आमदानी अनुपात | २०.०५ (वार्षिक) | तरलता अनुपात | २७.८३ प्रतिशत |
| प्रति सेयर नेटवर्थ | रु. १३३.८९ | पूँजीकोष अनुपात | १२.८३ प्रतिशत |

२) व्यवस्थापकीय विश्लेषण :

क) त्रैमासिक अवधिमा संस्थाको मौज्दात, आमदानी र तरलतामा कुनै परिवर्तन भएको भए सोको प्रमुख कारण सम्बन्धी विवरण :

विश्वव्यापी रूपमा फैलिरहेको कोरोना भाईरस (कोभिड -१९) को महामारीलाई रोकन नेपाल सरकारबाट गरिएको बन्दाबन्दीको कारणले सबै शाखाहरूको किस्ता असुलीमा प्रत्यक्ष प्रभाव परेको तथा समिक्षा अवधिको अन्त तिर नेपाल सरकारबाट बन्दाबन्दी खुकुलो गरिएता पनि प्रदेश सरकार र स्थानिय निकायबाट बन्दाबन्दी कायमै रहेकोले विकास बैंकको वित्तीय कारोबार अपेक्षा अनुसार हुन नसकेको, साथै मौद्रिक निति मार्फत नियमन निकायबाट संस्थाको सुरक्षालाई ध्यानमा राखि निर्देशन बमोजिम थप कर्जा नोक्सानी व्यवस्था कायम गर्नु परेकोले संस्थाको वार्षिक आमदानी लगायतका सुचकहरूमा प्रत्यक्ष असर परेको छ ।

ख) आगामी अवधिको व्यावसायिक योजना सम्बन्धमा व्यवस्थापकको विश्लेषणात्मक विवरण :

१. ने.रा.बैंकको निर्देशन अनुसार कृषि क्षेत्रलाई विशेष प्राथमिकता दिदै उत्पादनशील क्षेत्रहरूमा व्यवसाय बृद्धि गर्दै जाने योजना रहेको छ ।



धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूची १४ (नियम २६ को उपनियम (१) सँग सम्बन्धित)

२. विश्वव्यापी फैलिरहेको कोरोना भाइरसको कारणले नेपाल सरकारले आह्वान गरेको लकडाउन र कोरोनाको प्रभाव सहज अवस्थामा नपुगे सम्म विगतको अनुपातमा व्यवसाय वृद्धि गर्न कठिन देखिएकोले नेपाल सरकार र नेपाल राष्ट्र बैंकको निर्देशन बमोजिम ग्राहक तथा बैंकको हितमा हुने गरी कार्य गर्ने गरिनेछ ।
 ३. देशको समग्र दिगो आर्थिक विकासको लागि विकास बैंकले विश्वसनीय तवरबाट बैकिङ्ग सेवा सुविधा प्रदान गर्दै सदा भैं सम्पूर्ण सरोकारवालाहरुको हितको पनि संरक्षण गरिरहनेछ ।
- ग) विगतको अनुभवबाट संगठित संस्थाको मौज्दात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएको छैन । तथापि, विश्वव्यापी रूपमा फैलिरहेको कोरोना भाइरसको महामारीको कारणले समग्र अर्थव्यवस्थामा पर्ने असरले वित्तीय संस्था पनि प्रभावित हुने भएकाले सोही अनुरूप वित्तीय कारोबार प्रभावित भईरहेको छ ।

३. कानुनी कारवाही सम्बन्धी :

- क) त्रैमासिक अवधिमा संगठित संस्थाले वा संस्थाको विरुद्ध कुनै मुद्दा दायर भएको भए : कुनै जानकारी प्राप्त नभएको ।
- ख) संगठित संस्थाको संस्थापक वा संचालकले वा संस्थापक वा संचालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको भए : यस सम्बन्धमा कुनै जानकारी प्राप्त नभएको ।
- ग) कुनै संचालक वा संस्थापक विरुद्ध आर्थिक अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर भएको भए : यस सम्बन्धमा कुनै जानकारी प्राप्त नभएको ।

४. संगठित संस्थाको सेयर कारोबार सम्बन्धी विश्लेषण :

- क) धितोपत्र बजारमा भएको संगठित संस्थाको सेयर कारोबार सम्बन्धमा व्यवस्थापनको धारणा :
यस विकास बैंकको सम्पूर्ण सेयरहरु नेपाल स्टक एक्सचेन्जमा सूचिकृत भै धितोपत्र विनिमय बजारमा खुल्ला बजारले निर्धारण गरे बमोजिम सेयरको कारोबार भईरहेको छ ।
- ख) त्रैमासिक अवधिको सेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोबार भएको कुल दिन तथा कारोबार संख्या :
यस अवधिको सेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोबार भएको कुल दिन तथा कारोबार संख्याको विवरण देहाय बमोजिम रहेको छ ।

| | | | |
|---------------------------------|---------|-------------------------|------------------|
| अधिकतम मूल्य | रु. ३२६ | कुल कारोबार भएको दिन | १४ दिन |
| न्यूनतम मूल्य | रु. २६८ | कुल कारोबार सेयर संख्या | २०८,०५५ (कित्ता) |
| २०७७ आषाढ मसान्तको अन्तिम मूल्य | रु. ३१२ | कुल कारोबार संख्या | ११४२ |

(स्रोत : नेपाल स्टक एक्सचेन्जको वेबसाईट www.nepalstock.com.np अनुसार)

- ५) समस्या तथा चुनौती : यस विकास बैंकले वहन गरेको आन्तरिक तथा वाह्य समस्या तथा चुनौतीहरु निम्न बमोजिम रहेका छन् ।

क) आन्तरिक समस्या तथा चुनौती :

बैंकले सेवा विस्तारको लागि नयाँ कर्मचारीहरु नियुक्त गरेकोले ती कर्मचारीहरुको दक्षता अभिवृद्धि गर्न निरन्तर प्रयास गरी रहेको छ । साथै, नियमक निकायको परिवर्तित निर्देशनहरु, सूचना प्रविधिमा भई रहेका सुरक्षा चुनौती र सोको प्रयोग सम्बन्धमा कर्मचारीहरुलाई प्रशिक्षित गराई दक्ष र अद्यावधिक बनाउन निरन्तरतता दिन पर्ने देखिएको छ । ग्रामीण



धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूची १४ (नियम २६ को उपनियम (१) संग सम्बन्धित)

र दुर्गम स्थानमा रहेका शाखाहरुमा कोष व्यवस्थापन तथा ईन्टरनेटको लिंक कनेक्टिभिटीमा निरन्तरता दिन लागत बृद्धि भई रहेको छ ।

ख) वाह्य समस्या तथा चुनौती :

१. कोरोना भाईरस महामारीको कारणले विश्व अर्थतन्त्र आउने मन्दी र देशमा भई रहेको बन्दाबन्दीको कारणले कुल गार्हस्थ उत्पादनमा नै गिरावट आउने भएकोले मुलुकको समग्र अर्थतन्त्रमा पर्ने नकारात्मक असरले यस विकास बैंकको व्यवसाय विस्तारमा पनि समस्या आउन सक्ने देखिन्छ ।
२. कोरोना संक्रमणको अवस्था र बन्दाबन्दीको अवधि अनिश्चित भएकोले यसको समग्र असर कति हुन्छ, भन्ने यकिन गर्न कठिनाई भएको छ ।

ग) रणनीति :

विश्वव्यापी रुपमा फैलिरहेको कोरोना भाईरस संक्रमणको महामारीको कारणले देशमा भई रहेको बन्दाबन्दीले अधिकांश व्यवसायहरु बन्द रहेकोले यसको दीर्घकालिन असर पर्ने देखिन्छ । बैंकले लगानी गरेका उद्योग व्यवसायहरुमा परेको असरलाई विश्लेषण गरी नेपाल सरकार र नेपाल राष्ट्र बैंकले अख्तियार गर्ने नीति बमोजिम ग्राहकहरुलाई संरक्षण गर्ने नीति अबलम्बन गरिनेछ । देशको अर्थतन्त्रलाई गतिशील बनाउन यस विकास बैंकले खेल्न सक्ने भूमिका बमोजिम यथेष्ट योगदान दिईनेछ । साथै, यस विकास बैंकको सेवाहरुलाई गुणस्तरीय रुपमा सूचारु गर्न जनशक्ति र प्रविधिको विकासलाई प्राथमिकता दिईने छ ।

६) संस्थागत सुशासन :

संस्थागत सुशासन अभिवृद्धिका लागि व्यवस्थापनद्वारा चालिएका कदम सम्बन्धी विवरण :

- क) संस्थागत सुशासन कायम राख्न नेपाल राष्ट्रबैंकको निर्देशनहरु तथा प्रचलित कानून बमोजिम कार्य गर्ने गराउने गरिएकोछ ।
- ख) विकास बैंक सञ्चालनको लागि आवश्यक पर्ने नीति, नियम र निर्देशिकाहरु तयार गरी लागु गरिएको छ ।
- ग) विभिन्न तहगत अधिकार र जिम्मेवारीको बाँडफाँड गरिएको छ ।
- घ) जोखिमको नियमित अनुगमन र व्यवस्थापनको संरचना तयार गरी सञ्चालनमा ल्याइएको छ ।
- ङ) बैंकमा भए गरेका काम कारवाहीहरुको नियमित अनुगमन र निरीक्षण गर्ने प्रणालीको विकास गरिएको छ ।

७) सत्य तथ्यता सम्बन्धमा कार्यकारी प्रमुखको उद्घोषण :

आजका मिति सम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्बन्धमा म व्यक्तिगत रुपमा उत्तरदायित्व लिन्छु । साथै, म यो उद्घोषण गर्दछु की मैले जाने बुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य, तथ्य र पूर्ण छन् र लगानीकर्ताहरुलाई सुसूचित निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरु लुकाइएको छैन ।