

Himalayan Bank Limited  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As on Quarter ended 29th Poush 2081 (13 January 2025)

Particulars	Group		Bank	
	Poush 2081	Asar 2081	Poush 2081	Asar 2081
<b>Assets</b>				
Cash and Cash Equivalents	14,240,790,759	8,632,772,404	13,195,574,027	8,097,764,536
Due from Nepal Rastra Bank	29,064,403,287	35,709,946,565	29,041,403,287	35,686,946,565
Placements with Bank and Financial Institutions	17,263,701,617	10,513,504,126	17,246,053,617	10,501,751,116
Derivative financial instruments	114,479,383	26,241,227	114,479,383	26,241,227
Other trading assets	82,780,529	69,783,925	-	-
Loans & Advances to BFIs	8,772,341,347	9,549,675,721	9,904,547,609	10,098,880,969
Loans & Advances to Customers	235,111,488,371	233,511,517,311	230,709,465,094	230,239,742,835
Investment Securities	44,799,871,355	42,788,959,119	43,965,903,966	42,143,258,878
Current Tax Assets	241,673,418	321,141,028	237,366,858	297,962,785
Investments in subsidiaries	-	-	1,060,063,200	1,060,063,200
Investments in Associates	1,746,010,614	1,746,010,614	190,929,197	190,929,197
Investment Property	4,250,673,503	2,414,932,072	4,250,673,503	2,414,932,072
Property & Equipment	8,316,209,337	8,277,146,893	8,204,288,533	8,170,594,187
Goodwill and Intangible Assets	1,006,294,224	986,260,215	1,002,998,926	983,141,792
Deferred Tax Assets	1,927,651,859	1,711,029,557	1,885,902,538	1,670,219,007
Other Assets	6,001,220,062	4,500,535,052	5,414,984,283	4,153,385,695
<b>Total Assets</b>	<b>372,939,589,665</b>	<b>360,759,455,829</b>	<b>366,424,634,021</b>	<b>355,735,814,061</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	6,225,312,495	3,825,779,953	6,225,312,495	3,825,779,953
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	267,480,815	13,851,829	267,480,815	13,851,829
Deposits from Customers	298,273,198,148	293,486,417,738	298,319,934,638	293,899,590,309
Borrowing	3,381,237,036	2,310,265,550	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	16,082,388,661	13,991,728,280	15,091,136,162	12,989,367,810
Debt Securities Issued	8,381,015,311	8,384,143,498	8,381,015,311	8,384,143,498
Subordinated Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>332,610,632,466</b>	<b>322,012,186,848</b>	<b>328,284,879,421</b>	<b>319,112,733,399</b>
<b>Equity</b>				
Share Capital	21,656,615,632	21,656,615,632	21,656,615,632	21,656,615,632
Share Premium	-	-	-	-
Retained Earnings	(3,938,843,942)	(5,593,624,296)	(5,836,847,583)	(7,441,526,420)
Reserves	22,334,591,790	22,423,289,473	22,319,986,551	22,407,991,450
<b>Total Equity attributable to Equity Holders</b>	<b>40,052,363,480</b>	<b>38,486,280,809</b>	<b>38,139,754,600</b>	<b>36,623,080,662</b>
Non Controlling Interest	276,593,719	260,988,172	-	-
<b>Total Equity</b>	<b>40,328,957,199</b>	<b>38,747,268,981</b>	<b>38,139,754,600</b>	<b>36,623,080,662</b>
<b>Total Liabilities and Equity</b>	<b>372,939,589,665</b>	<b>360,759,455,829</b>	<b>366,424,634,021</b>	<b>355,735,814,061</b>

Himalayan Bank Limited  
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
For the quarter ended 29th Poush 2081 ( 13 January 2025)

Particulars	Note	Group				Bank			
		Current Year		Previous Year Corresponding Period		Current Year		Previous Year Corresponding Period	
		This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	4.29	7,222,845,683	14,943,986,557	9,076,454,502	18,693,330,712	7,061,392,948	14,642,764,456	8,911,820,413	18,344,088,478
Interest Expense	4.30	4,337,870,945	9,518,030,786	6,355,852,059	12,704,228,295	4,276,690,506	9,407,116,460	6,269,647,428	12,523,993,676
<b>Net interest income</b>		<b>2,884,974,738</b>	<b>5,425,955,771</b>	<b>2,720,602,443</b>	<b>5,989,102,417</b>	<b>2,784,702,442</b>	<b>5,235,647,996</b>	<b>2,642,172,985</b>	<b>5,820,094,802</b>
Fee and Commission Income	4.31	295,164,246	643,622,640	287,667,435	648,071,756	255,910,576	547,684,554	273,280,409	601,121,056
Fee and Commission Expenses	4.32	48,883,594	97,995,629	39,719,923	76,412,416	45,759,639	90,705,139	40,007,091	75,122,266
<b>Net Fee and Commission Income</b>		<b>246,280,652</b>	<b>545,627,011</b>	<b>247,947,512</b>	<b>571,659,340</b>	<b>210,150,937</b>	<b>456,979,415</b>	<b>233,273,318</b>	<b>525,998,790</b>
<b>Net interest, fee and commission income</b>		<b>3,131,255,390</b>	<b>5,971,582,782</b>	<b>2,968,549,955</b>	<b>6,560,761,757</b>	<b>2,994,853,379</b>	<b>5,692,627,411</b>	<b>2,875,446,303</b>	<b>6,346,093,592</b>
Net Trading Income	4.33	165,694,251	265,971,151	108,450,138	210,874,983	168,923,915	267,240,934	105,524,430	208,587,714
Other Operating Income	4.34	87,122,317	147,749,544	41,682,339	58,511,683	75,218,932	115,723,259	39,786,308	51,608,080
<b>Total Operating Income</b>		<b>3,384,071,958</b>	<b>6,385,303,477</b>	<b>3,118,682,432</b>	<b>6,830,148,423</b>	<b>3,238,996,226</b>	<b>6,075,591,604</b>	<b>3,020,757,041</b>	<b>6,606,289,386</b>
Impairment charges/(reversal) for Loans and Other losses	4.35	517,659,633	196,331,489	1,188,821,590	1,951,761,799	507,102,684	184,600,947	1,191,314,625	1,947,936,925
<b>Net operating income</b>		<b>2,866,412,325</b>	<b>6,188,971,988</b>	<b>1,929,860,842</b>	<b>4,878,386,624</b>	<b>2,731,893,542</b>	<b>5,890,990,657</b>	<b>1,829,442,416</b>	<b>4,658,352,461</b>
<b>Operating expense</b>									
Personnel Expenses	4.36	1,012,430,317	1,940,240,608	738,269,019	1,578,416,302	952,638,857	1,818,028,660	689,917,533	1,476,591,062
Other Operating Expenses	4.37	402,490,941	815,342,573	363,798,295	826,131,650	379,726,664	769,826,269	344,666,496	783,673,567
Depreciation & Amortisation	4.38	95,800,962	191,276,026	95,237,452	196,392,380	89,233,495	179,766,090	91,151,657	186,310,662
<b>Operating Profit</b>		<b>1,355,690,105</b>	<b>3,242,112,781</b>	<b>732,556,076</b>	<b>2,277,446,292</b>	<b>1,310,294,526</b>	<b>3,123,369,638</b>	<b>703,706,730</b>	<b>2,211,777,170</b>
Non operating income	4.39	444,905	822,169	4,650,693	5,413,986	444,905	822,169	4,650,693	5,413,986
Non operating expense	4.40	177,637,176	952,601,093	48,059,293	48,059,293	177,637,176	952,601,093	48,059,293	48,059,293
<b>Profit before income tax</b>		<b>1,178,497,834</b>	<b>2,290,333,857</b>	<b>689,147,476</b>	<b>2,234,800,985</b>	<b>1,133,102,255</b>	<b>2,171,590,714</b>	<b>660,298,130</b>	<b>2,169,131,863</b>
Income Tax Expense	4.41								
Current Tax		596,027,837	903,228,777	545,623,996	982,523,441	582,409,163	867,605,834	537,820,537	963,611,601
Deferred Tax		(241,644,246)	(215,723,961)	(325,672,775)	(298,454,255)	(241,644,246)	(214,785,190)	(325,313,311)	(298,454,255)
<b>Profit for the year</b>		<b>824,114,243</b>	<b>1,602,829,041</b>	<b>469,196,255</b>	<b>1,550,731,799</b>	<b>792,337,338</b>	<b>1,518,770,070</b>	<b>447,790,904</b>	<b>1,503,974,517</b>
<b>Profit attributable to:</b>									
Equity holders of the Bank		815,888,755	1,587,223,494	467,282,180	1,546,432,154	792,337,338	1,518,770,070	447,790,904	1,503,974,517
Non-controlling interest		8,225,488	15,605,547	1,914,075	4,299,645	-	-	-	-
<b>Profit for the year</b>		<b>824,114,243</b>	<b>1,602,829,041</b>	<b>469,196,255</b>	<b>1,550,731,799</b>	<b>792,337,338</b>	<b>1,518,770,070</b>	<b>447,790,904</b>	<b>1,503,974,517</b>
<b>Earnings per share</b>									
Basic earnings per share			14.80		14.32		14.03		13.89
Diluted earnings per share			14.80		14.32		14.03		13.89

Himalayan Bank Limited  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the quarter ended 29th Poush 2081 ( 13 January 2025)

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding Period		Current Year		Previous Year Corresponding Period	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
<b>Profit or loss for the year</b>	<b>824,114,243</b>	<b>1,602,829,041</b>	<b>469,196,255</b>	<b>1,550,731,799</b>	<b>792,337,338</b>	<b>1,518,770,070</b>	<b>447,790,904</b>	<b>1,503,974,517</b>
<b>Other comprehensive income</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	(11,002,049)	(3,687,255)	49,451,628	(19,402,922)	(10,879,496)	(2,994,472)	42,302,412	(18,203,719)
—Gains/(losses) on revaluation	-	-	-	-	-	-	-	-
—Actuarial gains/(losses) on defined benefit plans_OCI	-	-	-	-	-	-	-	-
—Income tax relating to above items	3,263,849	898,341	(14,285,005)	5,461,116	3,263,849	898,341	(12,690,724)	5,461,116
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>(7,738,200)</b>	<b>(2,788,914)</b>	<b>35,166,623</b>	<b>(13,941,806)</b>	<b>(7,615,647)</b>	<b>(2,096,131)</b>	<b>29,611,688</b>	<b>(12,742,603)</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 translating 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>	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-	-	-	-	-
<b>Other comprehensive income for the period, net off income tax</b>	<b>(7,738,200)</b>	<b>(2,788,914)</b>	<b>35,166,623</b>	<b>(13,941,806)</b>	<b>(7,615,647)</b>	<b>(2,096,131)</b>	<b>29,611,688</b>	<b>(12,742,603)</b>
<b>Total comprehensive income for the period</b>	<b>816,376,043</b>	<b>1,600,040,127</b>	<b>504,362,878</b>	<b>1,536,789,993</b>	<b>784,721,691</b>	<b>1,516,673,939</b>	<b>477,402,592</b>	<b>1,491,231,914</b>
<b>Total comprehensive income attributable to:</b>	-	-	-	-	-	-	-	-
Equity holders of the Bank	808,150,555	1,584,434,580	503,136,232	1,534,303,446	784,721,691	1,516,673,939	477,402,592	1,491,231,914
Non-controlling interest	8,225,488	15,605,547	1,226,646	2,486,547	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>816,376,043</b>	<b>1,600,040,127</b>	<b>504,362,878</b>	<b>1,536,789,993</b>	<b>784,721,691</b>	<b>1,516,673,939</b>	<b>477,402,592</b>	<b>1,491,231,914</b>

## Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA						11.60		11.70
Tier 1 Capital to RWA						8.63		8.70
CET 1 Capital to RWA						8.63		8.70
Return on Equity						8.13		8.75
Return on Assets						0.84		0.97
Non-performing loan (NPL) to total loan						4.98		4.95
Total loan loss provision to Total NPL						150.06		121.07
Cost of Funds						5.22		8.34
Credit to Deposit Ratio ( Average for the month)						78.37		80.86
Base Rate (Average)						7.30		10.59
Interest Rate Spread (As Per NRB Directives)						3.98		4.62

Himalayan Bank Limited  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the quarter ended 29th Poush 2081 ( 13 January 2025)

Particulars	Group		Bank	
	Poush 2081	Poush 2080	Poush 2081	Poush 2080
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	9,224,972,338	14,089,487,579	12,419,546,182	13,740,245,345
Fees and other income received	643,622,640	648,071,756	547,684,554	601,121,056
Dividend received	-	-	-	-
Receipts from other operating activities	334,446,316	263,591,201	316,433,003	255,482,787
Interest paid	(9,121,642,298)	(11,170,451,205)	(9,648,119,073)	(10,982,091,047)
Commission and fees paid	(90,705,139)	(75,122,266)	(90,705,139)	(75,122,266)
Cash payment to employees	(1,398,669,667)	(1,536,598,601)	(1,535,472,203)	(1,423,786,625)
Other expense paid	(815,342,573)	(826,131,650)	(769,826,269)	(783,673,567)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>(1,223,318,383)</b>	<b>1,392,846,814</b>	<b>1,239,541,055</b>	<b>1,332,175,683</b>
<b>(Increase)/Decrease in operating assets</b>				
Due from Nepal Rastra Bank	6,645,543,278	420,865,577	6,645,543,278	420,865,577
Placement with bank and financial institutions	(6,750,197,491)	(6,527,315,875)	(6,744,302,501)	(6,628,860,410)
Other trading assets	(12,996,604)	(176,302,940)	-	-
Loan and advances to bank and financial institutions	1,098,721,272	580,936,760	174,057,781	608,836,209
Loans and advances to customers	(1,312,770,928)	(8,038,496,527)	(3,771,618,641)	(8,045,199,518)
Other assets	(1,250,792,502)	1,159,955,243	(886,093,475)	(472,961,983)
<b>Net (Increase)/ Decrease in Operating Assets</b>	<b>(1,582,492,975)</b>	<b>(12,580,357,762)</b>	<b>(4,582,413,558)</b>	<b>(14,117,320,125)</b>
<b>Increase/(Decrease) in operating liabilities</b>				
Due to bank and financial institutions	2,399,532,542	(85,107,130)	2,399,532,542	(85,107,130)
Due to Nepal Rastra Bank	-	(146,947,000)	-	(146,947,000)
Deposit from customers	4,786,780,410	23,545,980,945	4,420,344,329	22,722,167,766
Borrowings	1,070,971,486	(136,001,106)	-	-
Other liabilities	1,588,073,839	(151,772,698)	2,756,197,149	2,140,642,358
<b>Net Increase/ (Decrease) in Operating Liabilities</b>	<b>9,845,358,277</b>	<b>23,026,153,011</b>	<b>9,576,074,020</b>	<b>24,630,755,994</b>
<b>Net cash flow from operating activities before tax paid</b>	<b>7,039,546,919</b>	<b>11,838,642,063</b>	<b>6,233,201,517</b>	<b>11,845,611,552</b>
Income taxes paid	(823,761,167)	(798,344,039)	(807,009,907)	(758,855,308)
<b>Net cash flow from operating activities</b>	<b>6,215,785,752</b>	<b>11,040,298,024</b>	<b>5,426,191,610</b>	<b>11,086,756,244</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(1,966,137,120)	(7,444,879,002)	(1,746,168,256)	(7,497,374,892)
Receipts from sale of investment securities	-	-	-	-
Purchase of property and equipment	(177,734,689)	(185,960,677)	(161,039,621)	(177,575,080)
Receipt from the sale of property and equipment	-	-	-	-
Purchase of intangible assets	(77,754,197)	(14,265,973)	(77,272,720)	(13,305,475)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	111,216,141	-	111,650,000	-
Interest received	1,946,157,695	1,404,576,818	1,903,875,376	1,404,576,818
Dividend received	57,370,980	35,615,411	55,345,682	34,931,154
<b>Net cash used in investing activities</b>	<b>(106,881,190)</b>	<b>(6,204,913,423)</b>	<b>86,390,461</b>	<b>(6,248,747,475)</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	-	-	-	-
Dividends paid	(4,164,698)	(1,767,388)	-	-
Interest paid	(499,482,074)	(487,655,677)	(417,533,145)	(464,641,833)
Other receipt/payment	-	-	-	-
<b>Net cash from financing activities</b>	<b>(503,646,772)</b>	<b>(489,423,065)</b>	<b>(417,533,145)</b>	<b>(464,641,833)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,605,257,790</b>	<b>4,345,961,536</b>	<b>5,095,048,926</b>	<b>4,373,366,936</b>
Cash and cash equivalents at Sawan 1	8,632,772,404	19,024,236,475	8,097,764,536	18,392,307,693
Effect of exchange rate fluctuations on cash and cash equivalents held	2,760,565	(18,059,179)	2,760,565	(18,059,179)
<b>Cash and cash equivalents at Poush end</b>	<b>14,240,790,759</b>	<b>23,352,138,832</b>	<b>13,195,574,027</b>	<b>22,747,615,450</b>

Himalayan Bank Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter ended 29th Poush 2081 ( 13 January 2025)

Group												
Attributable to the equity holders of the bank												
	Share Capital	Share Premium	General reserve	Exchange equalisation reserve	Regulatory Reserve	Fair value reserve	Revaluation reserve	Retained Earnings	Other Reserves	Total	Non- Controlling Interest	Total equity
Balance at Sawan 1, 2081	21,656,615,632	0	7,193,578,145	67,463,254	9,434,988,424	80,642,110	1,877,083,471	-5,593,624,296	3,769,534,069	38,486,280,809	260,988,172	38,747,268,981
Adjustment	-	-	-	-	-	-	-	(18,351,907)	-	(18,351,907)	-	(18,351,907.00)
Adjusted Balance at Sawan 1, 2081	21,656,615,632	-	7,193,578,145	67,463,254	9,434,988,424	80,642,110	1,877,083,471	-5,611,976,203	3,769,534,069	38,467,928,902	260,988,172	38,728,917,074
Profit for the period	-	-	-	-	-	-	-	1,587,223,494	-	1,587,223,494	15,605,547	1,602,829,041
Other comprehensive Income	-	-	-	-	-	(2,788,913)	-	-	-	(2,788,913)	-	(2,788,913)
Total Comprehensive Income	-	-	-	-	-	-	-	1,587,223,494	-	1,587,223,494	15,605,547	1,602,829,041
Share Issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	303,754,014	690,141	(839,431,972)	-	-	85,908,767	449,079,050	-	-	-
Total contributions by and distributions	-	-	303,754,014	690,141	(839,431,972)	(2,788,913)	-	1,673,132,261	449,079,050	1,584,434,581	15,605,547	1,600,040,128
Balance as at Poush End 2081	21,656,615,632	-	7,497,332,159	68,153,395	8,595,556,452	77,853,196	1,877,083,471	(3,938,843,941)	4,218,613,119	40,052,363,483	276,593,719	40,328,957,202

Bank												
Attributable to the equity holders of the bank												
	Share Capital	Share Premium	General reserve	Exchange equalisation reserve	Regulatory Reserve	Fair value reserve	Revaluation reserve	Retained Earnings	Other Reserves	Total	Non- Controlling Interest	Total equity
Balance at Sawan 1, 2081	21,656,615,632	-	7,189,450,973	67,463,254	9,434,988,424	75,169,754	1,877,083,471	(7,441,526,420)	3,763,835,575	36,623,080,662	-	36,623,080,662
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Balance at Sawan 1, 2081	21,656,615,632	-	7,189,450,973	67,463,254	9,434,988,424	75,169,754	-	(7,441,526,420)	3,763,835,575	36,623,080,662	-	36,623,080,662
Profit for the period	-	-	-	-	-	-	-	1,518,770,070	-	1,518,770,070	-	1,518,770,070
Other comprehensive Income	-	-	-	-	-	(2,096,130)	-	-	-	(2,096,130)	-	(2,096,130)
Total Comprehensive Income	-	-	-	-	-	-	-	1,518,770,070	-	1,518,770,070	-	1,518,770,070
Share Issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	303,754,014	690,141	(839,431,972)	-	-	85,908,767	449,079,050	-	-	-
Total contributions by and distributions	-	-	303,754,014	690,141	(839,431,972)	(2,096,130)	-	1,604,678,837	449,079,050	1,516,673,940	-	1,516,673,940
Balance as at Poush End 2081	21,656,615,632	-	7,493,204,987	68,153,395	8,595,556,451	73,073,624	-	(5,836,847,583)	4,212,914,624	38,139,754,602	-	38,139,754,602

## Statement of distributable profit or loss

For the Qtr ended 29th Poush 2081

(As per NRB Regulation)

	Bank	
	Poush 2081	Poush 2080
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>1,518,770,070</b>	<b>1,503,974,517</b>
<b><u>Appropriations:</u></b>		
<i>a. General reserve</i>	(303,754,014)	(300,794,903)
<i>b. Foreign exchange fluctuation fund</i>	(690,141)	-
<i>c. Capital redemption reserve</i>	(437,500,000)	(437,500,000)
<i>d. Corporate social responsibility fund</i>	(11,579,050)	(8,493,448)
<i>e. Employees' training fund</i>	-	-
<i>f. Other</i>	-	148,533,853
<b>Profit or (loss) before regulatory adjustment</b>	<b>765,246,865</b>	<b>905,720,019</b>
<b><u>Regulatory adjustment :</u></b>		
<i>a. Interest receivable (-)/previous accrued interest received (+)</i>	907,594,410	(1,737,646,671)
<i>b. Short loan loss provision in accounts (-)/reversal (+)</i>	-	-
<i>c. Short provision for possible losses on investment (-)/reversal (+)</i>	-	-
<i>d. Short loan loss provision on Non Banking Assets (-)/reversal (+)</i>	(594,152,998)	(150,392,767)
<i>e. Deferred tax assets recognised (-)/ reversal (+)</i>	525,990,559	(298,454,255)
<i>f. Goodwill recognised (-)/ impairment of Goodwill (+)</i>	-	-
<i>g. Bargain purchase gain recognised (-)/reversal (+)</i>	-	-
<i>h. Actuarial loss recognised (-)/reversal (+)</i>	-	-
<i>i. Other (+/-)</i>	-	-
<b>Net Profit for the year available for Distribution</b>	<b>1,604,678,837</b>	<b>(1,280,773,674)</b>
<b>Opening Retained Earning As on Shrawan 1</b>	<b>(7,441,526,420)</b>	<b>(3,242,625,039)</b>
Adjustment (+/-)	-	-
Distribution	-	-
<i>Bonus Shares Issued</i>	-	-
<i>Cash Dividend Paid</i>	-	-
<b>Total Distributable Profit or (Loss) as on Qtr end Date</b>	<b>(5,836,847,583)</b>	<b>(4,523,398,713)</b>
<b>Annualized Distributable Profit/Loss per share</b>	<b>-</b>	<b>-</b>

# HIMALAYAN BANK LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The consolidated financial statement of the bank and its subsidiary is prepared on going concern basis under historical cost convention except where the accounting standard adopted by the bank explicitly requires the use of fair market value. All judgments, estimates and assumptions used by the bank and its subsidiary while preparing the financial statement have been disclosed in the relevant sections of notes to accounts.

### 2. Statement of Compliance

The consolidated financial Statements of the Bank and its subsidiary which comprise of the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash flow and Significant Accounting Policies and Notes have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs) laid down by the Accounting Standards Board of Nepal, except for NFRS 9. The bank has adopted the format prescribed by the regulator (Nepal Rastra Bank) for the preparation of the financial statements.

The financial statement of the subsidiary has been regrouped/ restated accordingly to facilitate consolidation.

### 3. Use of estimates, assumptions and judgments

The preparation of the financial statements in conformity with NFRSs requires management to make judgments, estimates and assumptions for application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates so made. Estimates and underlying assumptions are reviewed on an ongoing basis and the effect of revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The most significant uses of judgment and estimates are as follows:

#### (a) *Going concern*

The management has made an assessment of the entity's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the entity's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### (b) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using judgments that may, among other things, include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

#### (c) *Classification of financial instruments*

The bank and its subsidiary have classified the financial assets and liabilities under different accounting classification as per NFRS 9. These are either measured at fair value or amortized cost. According to NFRS 9, debt instruments are recognized at amortized cost and investment in equity instrument can be elected to be recognized as fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The bank has elected to measure its investment in equity instrument at fair value through other comprehensive income unless recognized as associate or subsidiary.



## **Himalayan Bank Limited**

### **Notes to the financial statements**

#### **(d) *Impairment losses on loans and advances***

Bank has assessed and measured impairment on loan and advances under rules prescribed by Nepal Rastra Bank. Bank is in the process of implementation of ECL, however it is expected that impairment under NRB rules will be higher than impairment under ECL.

#### **(e) *Impairment of Equity Instruments***

The Bank and its subsidiary records impairment charges on quoted equity investments by comparing with the fair market value as on the reporting date. In case of un-quoted equity investments, impairment is recorded only where there is objective evidence of permanent decline in the value of investment.

#### **(f) *Taxation***

The Bank and its subsidiary is subject to income taxes. Significant judgment was required to determine the total provision for current and deferred taxes pending the issue of tax guideline on the treatment of the adoption of NFRSs in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Bank and its subsidiary has recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences shall impact the income of that year.

#### **(g) *Deferred tax***

Deferred tax asset and liabilities are recognized in respect of temporary difference in tax bases of assets and liabilities and their carrying amount in the financial statement. Deferred income tax is determined using tax rate applicable to the bank and its subsidiary as at the reporting date which is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

#### **(h) *Defined Benefit plan***

The bank has recognized gratuity and accumulated leave encashment as defined benefit plan. The cost of the defined benefit plan is determined using actuarial valuation by an actuary. The actuarial valuation involves making assumptions about discount rates, salary increment rate, age of retirement, and mortality rates, among other things. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used for valuation is disclosed in detail in Note 4.23

#### **(i) *Materiality***

In compliance with NAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank and its subsidiary.

## **Himalayan Bank Limited**

### **Notes to the financial statements**

#### **(j) Depreciation of Assets**

The depreciable amount of an asset has been allocated on a systematic basis over its useful life using diminishing balance method and depreciation rate determined by the management on the basis of nature and expected use of the asset class. The systematic basis has however been determined using the best management judgment. Details regarding the useful lives of property and equipment are disclosed in Note 3.7.

#### **(k) Fair Value of Investment Property**

Non-Banking Assets, which are assets mortgaged with the bank and subsequently taken over by the Bank in the course of recovery of the loan, are shown under Investment Properties. The value at which such assets are taken over in line with the guidelines issued by the Regulator have been considered as fair value of such assets.

#### **(l) Valuation of lease liabilities and right of use assets**

The application of NFRS 16 requires the bank to make judgements that affect valuation of lease liabilities and valuation of right of use assets. These include identifying contracts falling within the scope of NFRS 16, assessing the contract terms and determining the interest rate for discounting of future cash flows.

The lease term determined by the Bank generally comprises of non-cancellable period of lease contracts, periods covered by an option to extend the lease if the bank is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the bank is reasonably certain not to exercise that option. The same term is applied as economic useful life of right of use assets.

## **4. Changes in Accounting Policies**

There has been no significant change in the accounting policies adopted by the bank while preparation of the interim financial statements.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Cash and cash equivalents**

Cash and cash equivalents comprise 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 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 and its subsidiary in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

### **5.2 Financial Assets and Financial Liabilities**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. Financial liabilities are obligations that arise from contractual agreements and that require settlement by way of delivering cash or another financial asset. The bank and its subsidiary have applied NFRS 9 in defining, classifying and measuring its financial instrument.

#### **(a) Recognition**

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the entity becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

## Himalayan Bank Limited

### Notes to the financial statements

#### (b) Classification

Financial Assets and Financial Liabilities are classified under NFRS 9. The categorization of financial assets and financial liabilities is based on the business model of holding the instrument and contractual cash flow characteristics of the financial instrument. Business model reflects how groups of financial instrument are managed to achieve a particular business objective. Business Model can be either to hold the asset in order to collect contractual cash flows (hold to collect) or to trade the asset for market gains and Contractual Cash Flow are the contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Financial Instrument

- **Financial Instrument at amortized cost:** Financial Instrument are held at amortized cost when the business model is to hold the asset in order to collect the contractual cash flows of the asset. The entire debt instrument that the bank holds has been categorized as held at amortized cost.
- **Financial Instrument at fair value:** If financial assets aren't measured at amortized cost then they are measured at fair value.
  - **Financial Instrument at Fair Value Through Profit or Loss (FVTPL):** Management designates an instrument at fair value through profit or loss upon initial recognition when the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

The Bank and its subsidiary has not designated any financial instrument as at fair value through profit or loss.

- **Financial Instrument at Fair Value Through Other Comprehensive Income (FVTOCI):** If the instrument aren't categorized at amortized cost or fair value through profit or loss then it is classified as fair value through OCI.

#### (c) Measurement

The measurement of financial instrument is based on the classification of the instrument:

**Financial Instrument At Amortized Cost:** Initially, the asset or liability is measured at fair value plus/minus transaction cost and any immediate payment related to the instrument. Subsequently, the instrument is amortized using the effective interest rate. Effective interest rate is the rate that exactly discounts future cash flows to the present outstanding amount.

Effective interest rate of loans and advance; While recognizing loans and advances at amortized cost, the bank has opted coupon interest rate. The bank hasn't included the loan processing fees received by the bank while calculating the effective interest rate used to amortize the loans and advances justifying that such fees and commission are immaterial to the total income from such loans and advances. The fees and commission are recognized as income in the same period when loan is approved and subsequently implemented/ disbursed.

Staff Loans and advances: When the transaction price differs from the fair value of other observable current market transactions in the same instrument, the Bank immediately recognizes the difference between the transaction price and fair value as Prepaid Benefit. Bank accordingly estimates the Prepaid Benefit in relation to Staff Loans and advances given under subsidized rate of interest. While calculating the fair value in case of Staff Loans, the average base rate for past 13 months of the Bank has been considered to be the market rate for the loan. Further, the amortization income and expense of such prepaid benefit is shown both under Interest Income as well as Personnel expense as it is the notional income and expense for the Bank.

- Base Rate is the minimum lending rate recommended by Nepal Rastra Bank and is calculated separately for each individual bank every month as per the method prescribed by Nepal Rastra Bank.

## Himalayan Bank Limited

### Notes to the financial statements

**Financial Instrument At Fair Value Through Profit or Loss (FVTPL):** When the instrument is recognized at fair value through profit or loss, then the initial transaction cost is expensed to profit or loss and subsequently any change in its fair value is recognized in statement of financial performance.

**Financial Instrument At Fair Value Through Other Comprehensive Income (FVTOCI):** While measuring the instrument at fair value through other comprehensive income the instrument is initially recognized at fair value. Subsequently, any changes in the fair value are recognized in other comprehensive income.

#### (d) De-recognition of financial assets and financial liabilities

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized when:

- The rights to receive cash flows from the asset have expired.
- The entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The entity has transferred substantially all the risks and rewards of the asset, or
  - The entity has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. In that case, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

##### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 recognised in profit or loss.

#### (e) Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price. In case of all other financial instruments not traded in an active market, the Bank and its subsidiary recognizes such unquoted equity instruments at their cost price.

#### (f) Impairment

*Loans & Advances:* Bank has assessed and measured impairment on loan and advances under rules prescribed by Nepal Rastra Bank. Bank is in the process of implementation of ECL, however it is expected that impairment under NRB rules will be higher than impairment under ECL.

## **Himalayan Bank Limited**

### **Notes to the financial statements**

Under the norms prescribed by the Regulator, impairment is provisioned from 0.325% to 100% of the outstanding balance depending on the categorization of the individual loans & advances.

#### **5.3 Trading Assets**

Trading assets are those assets that the Bank and its subsidiary acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit. The other trading asset includes non derivative financial assets. It includes Government bonds, NRB Bonds, Domestic Corporate bonds, Treasury bills, Equities etc held primarily for the trading purpose.

#### **5.4 Derivative assets and derivative liabilities**

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, foreign exchange rates. Derivatives are categorized as trading unless they are designated as hedging instruments.

Derivative instruments-both assets as well as liabilities; like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes are presented under this head.

#### **5.5 Property and Equipment**

##### **(a) Recognition and measurement**

Property & Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with NAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost. The item of Property, plant and equipment under leasehold properties also includes Right of Use Assets [See 5.14] recognised under NFRS 16.

##### **(b) Cost Model**

Property and equipment (including equipment under operating leases where the Bank and its subsidiary is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

##### **(c) Revaluation Model**

Land is stated at fair value using revaluation model based on valuation made by certified valuers so as to provide a more accurate reflection of the value of the land on the financial statement. Revaluation surplus is recognized in other comprehensive income under equity as revaluation surplus. The changes in fair value of fair value of land in the future is recognised in other comprehensive income and accounted under equity on consistent manner.

##### **(d) Subsequent Cost**

These are costs that are recognised in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the entity and it can be reliably measured.

## Himalayan Bank Limited

### Notes to the financial statements

#### (e) Depreciation

Depreciation is calculated using diminishing balance method based on estimated useful lives of assets as determined by the management. The rates at which the assets are depreciated are as follows:

Particulars	Depreciation Rate
Building	5%
Computer Hardware	20%
Machinery and Equipment	15%
Motor Vehicle	15%
Furniture and Fittings - Wood	15%
Furniture and Fittings - Metal	10%

Land is not depreciated. Leasehold properties are depreciated over the period of lease or estimated useful life, whichever is lower, on a straight-line basis.

#### (f) De-recognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

#### (g) Assets under Grant:

Where grant is received to compensate the cost of acquiring a depreciable asset fully or partially, the grant can be either presented as deferred income or is deducted at arriving the carrying amount of the asset. The entity has opted to present the grant as deferred income and therefore the asset has been shown in full purchase value.

## 5.6 Goodwill /Intangible assets

The Bank and its subsidiary's intangible assets include the value of computer software and goodwill. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the entity. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Computer software is amortised equally over the estimated useful life of five years.

# Himalayan Bank Limited

## Notes to the financial statements

### 5.7 Investment Property

“Investment Property” is shown as a separate line item in the face of Statement of Financial Position as these assets are assets of the bank from the date of repossession and are intended to dispose off from the legal process in due course of time. They are recognized at fair value in the books. However, non-banking assets shown under investment property and which are taken over at the lower of fair value (*PanchakritMulya*) or total amount due from the borrower as per guidelines issued by the Regulator is continued to be shown at the recorded value till the same is disposed.

### 5.8 Income Tax

#### (a) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

#### (b) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognised directly in OCI are also recognised in OCI and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **Himalayan Bank Limited**

### **Notes to the financial statements**

#### **5.9 Deposits, debt securities issued and subordinated liabilities**

Financial instruments issued by the Bank and its subsidiary, that are not designated at fair value through profit or loss, are classified as liabilities under Deposits from Customers, Due to Bank and Financial Institutions, Borrowings, and other Liabilities where the substance of the contractual arrangement results in the Bank and its subsidiary having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

#### **5.10 Provisions**

Provisions are recognised when the Bank or its subsidiary has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the anticipated future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### **5.11 Revenue Recognition**

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

##### **(a) Interest income**

For all financial instruments measured at amortized cost and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Interest income on loans and advance; While recognizing loans and advances at amortized cost, using coupon interest rate. The bank hasn't included the loan processing fees received by the bank while calculating the effective interest rate to be used to amortize the loans and advances justifying that such fees and commission given their proportion are immaterial to the total income from such loans and advances. The fees and commission are recognized as income in the same period when loan is approved and the amount is received.

Interest Income on Staff Loans and advances: For measuring the staff loan and advances at fair value which is provided below market rate of interest, average base rate of past 13 months has been considered to be the market rate of the loan. The difference between the loan outstanding and fair value of loan is treated as prepaid employee expenditure. After initial measurement at fair value, the loan is amortized using the rate used to determine fair value. And the prepaid employee expense is amortized as staff expense under NFRS throughout the period of the loan.

##### **Interest Income of impaired assets**

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income shall be recognized using the interest rate used to discount the future cash flow



## **Himalayan Bank Limited**

### **Notes to the financial statements**

for the purpose of measuring the impairment loss. Accrued Interest for the quarter on non performing loans has been suspended using the best possible estimate.

#### **(b) Fee and commission income**

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned for services that are provided within the reporting period.
- Fees earned for provision of services over a period of time and accrue over that period.

In case of the first category of fees & commission earned, the Bank and its subsidiary recognises the income at the time of receipt itself whereas in case of the latter category, the commission is deferred over the period of service. However, if the transaction fees are not material, the Bank and its subsidiary recognises such fees in income immediately.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. However, such amount collectively tantamount to less than 1% of the total gross loan portfolio of the bank and the cost of extraction tend to exceed the benefit from its use; hence on materiality ground, such costs is not considered in the measurement of effective interest rate and accordingly, the coupon rate embedded in the instrument has been considered to be the Effective Interest Rate for the instrument.

#### **(c) Dividend income**

Dividend income is recognized at an amount net of applicable final withholding tax when the entity's right to receive the payment is established.

#### **(d) Net Trading Income**

Net trading income includes gains and (losses) from changes in fair value, related capital gains/ losses, foreign exchange trading gains/ (losses), interest income from trading assets and dividend from trading assets

#### **(e) Net Income from other financial instrument at fair value through Profit or Loss**

The bank and its subsidiary has not designated any investments as financial instrument at fair value through Profit or Loss, income also has not been recognized under this head.

#### **(f) Deferred Grant Income**

Grants related to assets are presented as deferred grant income. Such deferred grant income is recognized as income proportionately in the period in which such assets are consumed. For this determining the consumption of asset, depreciation charged on such asset has been taken as basis.

### **5.12 Interest Expense**

The Bank and its subsidiary recognizes the interest expenses on financial liabilities. The interest expenses are recognized on accrual basis using the applicable interest rate.

Interest expenses include interest on deposits from customers, deposits from banks, debt securities issued, and other interest bearing financial liabilities.

## **Himalayan Bank Limited**

### **Notes to the financial statements**

#### **5.13 Employee Benefits**

Employee benefits are compensation paid to employee for the services rendered. Such compensation are recognized as expense when obligation to make payment arises.

##### **(a) Defined Benefit Plan- Gratuity**

Based on the Nepal Accounting Standard NAS19- Employee Benefits, the Bank has adopted the actuarial valuation method for employee benefit liability. Actuarial valuation is carried out every year to ascertain the liability under gratuity.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. The defined benefit plan liability is discounted using rates equivalent to the market yields at the date of statement of financial position that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Interest cost, present service cost and past-service costs are recognized in statement of profit or loss.

The principal assumptions, which have the most significant effects on the valuation, are the rate of discount, rate of salary revision, rate of turnover at the selected age groups, rate of disability, death benefits and expenses.

The subsidiary is operating under a full scope management contract and hence long term liability with respect to employee is not there.

##### **(b) Long Term Paid Absences**

Liability towards long term paid absences, accumulated and payable on separation from services of the bank under Staff Service Bye-Laws, has been assessed using actuarial valuation method and Current service cost, Interest Cost as well as the actuarial gain/(loss) has been charged to Income Statement. For leave accumulated in excess of prescribed limit as per Staff Service Bye- Laws, actual amount is charged to income statement in the same year.

##### **(c) Defined Contribution Plan - Employees' Provident Fund**

Employees are eligible for Employees' Provident Fund Contributions in line with the respective Statutes and Regulations. The Bank contributes at 10% with equal contribution from the employees.

##### **(d) Staff Loans and Advances**

Staff loans and advances are provided at below market rate of interest. Staff loan is measured at amortized cost using the effective rate of interest. Effective rate of interest is determined at the average of base rate of past 13 months. Initially staff loans are measured at fair value using the effective interest rate and the difference in fair value and staff loan is recognized as prepaid expense. Subsequently, interest income on loans and advance is recognized using the effective interest rate and the prepaid expense is amortized throughout the life of loan as finance expense under NFRS.

## Himalayan Bank Limited

### Notes to the financial statements

#### 5.14 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from the use of the asset throughout period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designated the asset in a way that predetermines how and for what purpose it will be used.

#### **Bank as a Lessee**

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an option renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The Bank presents right-of-use asset in 'property, plant and equipment' and lease liabilities in 'Other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets: The Bank has elected not to recognize right-of-use assets and liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises lease payments associated with these leases as an operating lease expense in profit or loss.

## **Himalayan Bank Limited**

### **Notes to the financial statements**

Under NAS 17, in the comparative period, as a lessee the leases classified as operating leases were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

#### **Bank as a Lessor**

When the Bank acts as a lessor, it determines at lease inception whether lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Bank recognises lease payments received under operating leases as other operating income in profit or loss. The accounting policies applicable as a lessor in the comparative period were not different from NFRS 16. The bank does not have any asset or liability under Finance Lease.

#### **5.15 Foreign currency translation**

All foreign currency transactions are converted to Nepalese Rupees (NPR) which is Bank and its subsidiary's functional & reporting currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies at the close of the year are translated to Nepalese Rupees using the spot foreign exchange rate as on that date and differences are taken to 'Other operating income' in the Income Statement, being of non-trading nature. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value is determined.

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

#### **5.16 Financial Guarantee and Loan Commitment**

The Bank may give financial guarantees in the ordinary course of business. The guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortization recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the income statement as expense. The premium received is recognised in the income statement in 'on a straight-line basis over the life of the guarantee.'

#### **5.17 Share Capital and Reserves**

Increment in Share Capital results with the issue of Right Share, Further Public Offers and Bonus Share. However, proposed bonus shares are not shown as increment to share capital until approved by annual general meeting.

# **Himalayan Bank Limited**

## **Notes to the financial statements**

### **Dividends on ordinary shares**

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

### **Statutory Reserves:**

Statutory reserves represent the mandatory reserves maintained by the Bank/subsidiary as required by the Regulator or under other applicable laws & regulations and are not available for distribution as dividend to the shareholders. This includes general reserve, exchange fluctuation reserve, capital redemption reserve, interest capitalization reserves, corporate social responsibility reserve, employee training reserve and other reserves as may be notified from time to time.

### **Equity reserves:**

#### **1. Retained Earnings**

Retained earnings represents the cumulative net earnings or profit available for distribution after accounting for all mandatory reserves and appropriations.

#### **2. Regulatory Reserve**

The Regulatory Reserve is mandated under directives issued by the Regulator for adjustment of specified differences on account of adoption of NFRS in order to ensure a fair representation of financial statements. Regulatory reserve comprises of accrued interest income net off bonus and tax, non-banking assets recognised net off bonus and tax and Actuarial Loss recognised in the other comprehensive income. The Reserve is required to be created by adjustment to Retained Earnings. The amount in Regulatory Reserve is not allowed to be considered for Capital Adequacy purposes.

The regulation however doesn't require regulatory reserve to be created for interest accrued as at the year end if the same is realized within 15 days of the following month. The bank has maintained regulatory reserve after considering this relaxation given by the regulator.

#### **3. Other Reserves**

Other reserves recorded in equity on the Bank's statement of financial position include:

- 'Fair Value Reserve' comprises of changes in fair value of investments, net of deferred tax, recognized through Other Comprehensive Income.
- Actuarial Reserve comprises of actuarial gains/losses of defined benefit plans as required by NAS 19-Employee Benefits.
- Debenture Redemption Reserve comprises of equal amount apportioned out of profit each year throughout the term of the capital-based debenture excluding the issue and redemption year. Upon maturity of the debenture, the entire amount appropriated for Debenture redemption reserve shall be transferred to the Capital Adjustment Fund out of which only bonus shares may be issued.
- Employee Training Fund comprises of amount expensed less than that required by regulator. The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's employee salary and allowance. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through

## **Himalayan Bank Limited**

### **Notes to the financial statements**

appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year.

- Corporate Social Responsibility reserve comprises of amount allocated each year for fulfilling the banks corporate social duty. The Bank is required to appropriate an amount equivalent to 1% of net profit into this fund annually.

- Revaluation reserve is a requirement in application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a revaluation model. Revaluation reserve often serves as cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market values and tax consequences of revaluation.

- Capital reserve represents the amount of all capital nature reserves such as the amounts arising from share forfeiture, capital grants and capital reserve arising out of business combinations.

- Merger and Acquisition reserve represents the amount goodwill recognized during business combination.

#### **5.18 Earnings per share including diluted**

The bank presents basic and diluted Earnings per Share (EPS) for its ordinary shares.

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary equity-holders of Bank by the weighted average number of ordinary shares outstanding during the year.

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

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of EPS.

#### **5.19 Investment in Associates**

The Bank's investment in its associates, entities in which the Bank has significant influence, is accounted for using the equity method. Significant influence is considered to exist where the bank has representation in the Board and participates in policy making processes, including participation in decisions about dividends or other distribution. Under the equity method, the investment in the associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the associate since the acquisition date.

Investment in associates have been accounted at cost in preparing the standalone financial statements. However, equity method has been used for accounting of investment in associates in preparing the consolidated financials. Hence, share of income received from associates recognized in standalone financial statements of the bank has been derecognized since share of net worth prior to distribution is consolidated.

#### **5.20 Rounding Off and Comparative Figures**

The financial statements are presented in Nepalese figure, rounded off to the nearest rupee. Previous year figure have been reclassified/ rearranged/ regrouped to facilitate their comparison, where necessary.

## 6. Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing services (Business Segments) or in providing services within a particular economic environment (Geographical Segment) which is subject to risks and rewards that are different from those of other segments.

In accordance with the Nepal Financial Reporting Standards NFRS 8 on Operating Segments', segmental information is presented in respect of the Bank based on Bank management and internal reporting structure.

The Bank's segmental reporting is based on the geographical operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of respective segment.

Particulars/Province		Koshi	Madesh	Bagmati	Gandaki	Lumbini	Karnali	Sudur Paschim	HO and Other Profit Center	Total
(a)	Revenues from external customers	1,097,542,906	1,353,746,262	8,196,151,181	406,461,426	1,722,807,409	45,178,485	387,869,201	2,364,478,500	15,574,235,371
(b)	Intersegment revenues	113,615,649	21,003,928	3,597,345,102	151,292,679	71,904,472	20,395,116	39,837,291	-	4,015,394,237
(c)	Intersegment expenses	(307,793,228)	(878,826,930)	(393,396,173)	(56,981,775)	(910,654,147)	(6,450,076)	(271,021,168)	(1,190,270,741)	(4,015,394,237)
(d)	Net Intersegmental Revenues	(194,177,579)	(857,823,002)	3,203,948,929	94,310,904	(838,749,675)	13,945,040	(231,183,876)	(1,190,270,741)	-
(e)	Segment Profit/Loss Before Bonus and Tax	(502,257,313)	(335,869,551)	4,268,387,026	(129,411,940)	(556,196,969)	5,387,139	(95,875,497)	(241,284,325)	2,412,878,570
(f)	Segment Assets	20,468,794,193	26,483,241,575	155,660,519,860	8,244,366,442	32,707,761,851	846,932,071	7,343,137,054	114,669,880,976	366,424,634,021
(g)	Segment Liabilities	20,468,794,193	26,483,241,575	155,660,519,860	8,244,366,442	32,707,761,851	846,932,071	7,343,137,054	114,669,880,976	366,424,634,021

### Reconciliation of Reportable Segment Profit/ Loss

Particulars	Upto This Quarter
Total Profit Before Tax For Reportable Segment	2,654,162,895
Profit Before tax for other segment	(241,284,325)
Elimination of intersegment profit	-
Elimination of discontinued operation	-
Unallocated amounts	-
Other Corporate expenses	(241,287,857)
<b>Entity's Profit</b>	<b>2,171,590,714</b>

## 7. RELATED PARTY DISCLOSURE

The Bank carries out transactions in the ordinary course of business with parties that fall within the ambit of related parties as defined in Nepal Accounting Standard -NAS 24 (Related Party Disclosures). The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers. By virtue of its shareholding of over 10 per cent in the Bank and representation in the Board of Directors, Habib Bank Limited and Karmachari Sanchaya Kosh are related parties to the Bank. Transactions with related parties during the reporting period is given below:

<b>Transaction with Habib Bank Ltd.</b>		
	<b>This Quarter Ending</b>	<b>Immediate Previous Year Ending</b>
Deposits with Habib Bank	-	-
Due from Habib Bank	11,085,747	10,708,936
Placements in Habib bank	1,242,450,000	1,200,600,000
Due to Habib bank	-	-
<b>Total</b>	<b>1,253,535,747</b>	<b>1,211,308,936</b>
<b>For the Year Ended</b>		
Interest Received	33,218,281	33,266,625
<b>Total</b>	<b>33,218,281</b>	<b>33,266,625</b>
Cash Dividend Paid	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Transaction with Karmachari Sanchaya Kosh</b>		
	<b>This Quarter Ending</b>	<b>Immediate Previous Year Ending</b>
Rental Expense paid	146,667	61,308,132
Cash Dividend Paid	-	-
<b>Total</b>	<b>146,667</b>	<b>61,308,132</b>



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According to Nepal Accounting Standard NAS 24 (Related Party Disclosure) key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such KMPs include the Board of Directors and Executives of the Bank. Transactions with Key Managerial Personnel are summarized below:

<b>Transactions with Key Managerial Personnel (KMPs)</b>	<b>This Quarter Ending</b>	<b>Immediate Previous Year Ending</b>
<b>Board of Directors</b>		
Benefits	1,791,327	3,973,702
<b>Total</b>	<b>1,791,327</b>	<b>3,973,702</b>
<b>Chief Executive Officer</b>		
Short term employee benefits	10,850,000	20,150,000
Other Benefits	517,782	1,405,338
<b>Total</b>	<b>11,367,782</b>	<b>21,555,338</b>
<b>Key Management Executives</b>		
Short term employee benefits	41,343,451	73,450,043
Other Benefits	410,761	542,801
Retirement Benefits	-	-
<b>Total</b>	<b>41,754,212</b>	<b>73,992,844</b>

Key Management Executives are entitled to Gratuity and Leave Encashment Facilities as post-employment benefits as per the Employees' Service Bye-Laws of the Bank. They are further provided with subsidized loans and advances and vehicle facility. However, where such executives are employed under a contract the compensation is determined by terms of such contract.

**Transaction with Parents, Subsidiary**

The bank doesn't have an identifiable parent. It has one wholly owned subsidiary named Himalayan Securities Limited. The bank has 51% holding on Himalayan Laghubitta Bittiya Sanstha Limited and 92.7% holding on Himalayan Capital Limited.

<b>Transaction With Subsidiary</b>	<b>This Quarter Ending</b>	<b>Immediate Previous Year Ending</b>
Deposit of Subsidiary in the bank	1,056,996,932	1,317,452,086
Loan To Subsidiary	1,427,376,787	1,021,234,363

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**Deviation with published result**

A sum of Rs.1,885,902,538 has been transferred from retained earning to regulatory reserve with respect to net Deferred Tax Asset in line with revised NRB Directives. As a result, distributable profit has decreased by Rs. 1,885,902,538 compared to published result in Karobar Daily dated 2081/10/07 with corresponding impact on Reserve and Retained Earning.