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**DEPROSC LAGHUBITTA BITTIYA SANSTHA  
LIMITED**

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**Interim Financial Statement (Unaudited)**  
**For the Quarter ended 30<sup>th</sup> Poush 2082**

Published Date: 22<sup>nd</sup> Magh 2082

**Deprosc Laghubitta Bittiya Sanstha Limited**  
**Unaudited Condensed Statement of Financial Position**  
**As on Quarter ended 30 Poush, 2082**

Figures in NPR

<b>Assets</b>	<b>This Quarter Ending</b>	<b>Immediate Previous Year Ending</b>
Cash and Cash Equivalent	1,167,024,219	1,382,190,544
Statutory Balances and Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	160,000,000	160,000,000
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loan and Advances to MFIs & Cooperatives	-	-
Loans and Advances to Customers	25,452,992,787	25,174,234,214
Investment Securities	1,219,972	1,219,972
Current Tax Assets	-	-
Investment Property	-	-
Property and Equipment	70,543,412	68,919,251
Goodwill and Intangible Assets	26,743,159	26,986,707
Deferred Tax Assets	43,603,681	43,603,681
Other Assets	141,648,651	118,088,500
<b>Total Assets</b>	<b>27,063,775,880</b>	<b>26,975,242,869</b>
<b>Liabilities</b>		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	11,930,701,915	11,016,415,194
Borrowings	10,498,600,001	11,683,369,685
Current Tax Liabilities	25,133,907	40,569,236
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	478,003,847	440,809,071
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
<b>Total Liabilities</b>	<b>22,932,439,670</b>	<b>23,181,163,186</b>
<b>Equity</b>		
Share Capital	1,868,285,696	1,868,285,696
Share Premium	-	-
Retained Earning	853,855,816	599,824,292
Reserves	1,409,194,698	1,325,969,695
<b>Total Equity</b>	<b>4,131,336,210</b>	<b>3,794,079,683</b>
<b>Total Liabilities and Equity</b>	<b>27,063,775,880</b>	<b>26,975,242,869</b>

**Deprosc Laghubitta Bittiya Sanstha Limited**  
**Unaudited Condensed Statement of Profit or Loss**  
**For the Quarter ended 30 Poush, 2082**

Figures in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	889,697,191	1,816,714,709	983,734,609	1,838,678,629
Interest Expense	(362,215,611)	(755,689,140)	(405,220,261)	(844,031,592)
<b>Net interest income</b>	<b>527,481,581</b>	<b>1,061,025,569</b>	<b>578,514,348</b>	<b>994,647,037</b>
Fee and Commission Income	46,714,483	90,727,501	47,111,402	93,059,441
Fee and Commission Expense				
<b>Net fee and Commission income</b>	<b>46,714,483</b>	<b>90,727,501</b>	<b>47,111,402</b>	<b>93,059,441</b>
<b>Net interest fee and commission income</b>	<b>574,196,064</b>	<b>1,151,753,070</b>	<b>625,625,750</b>	<b>1,087,706,478</b>
Net Trading Income				-
Other Operating Income	525,578	727,883	81,857	203,621
<b>Total operating income</b>	<b>574,721,642</b>	<b>1,152,480,953</b>	<b>625,707,607</b>	<b>1,087,910,099</b>
Impairment (charge)/reversal for loans and other losses	15,708,479	10,157,454	(101,306,696)	(233,779,902)
<b>Net Operating income</b>	<b>590,430,120</b>	<b>1,162,638,407</b>	<b>524,400,911</b>	<b>854,130,197</b>
<b>Operating expense</b>				
Personnel Expenses	(182,688,736)	(399,891,249)	(199,346,872)	(377,796,066)
Other Operating Expenses	(61,739,368)	(124,226,568)	(50,929,826)	(101,094,208)
Depreciation and Amortisation	(4,225,692)	(8,606,685)	(3,948,462)	(7,958,352)
<b>Operating Profit</b>	<b>341,776,324</b>	<b>629,913,904</b>	<b>270,175,751</b>	<b>367,281,571</b>
Non operating income	2,073,883	2,815,704	178,169	209,335
Non operating expense	(120)	(120)	(16,542,963)	(16,559,272)
<b>Profit before income tax</b>	<b>343,850,088</b>	<b>632,729,489</b>	<b>253,810,957</b>	<b>350,931,634</b>
Income tax expense	(103,155,026)	(189,818,847)	(76,143,288)	(105,279,491)
Current tax	(103,155,026)	(189,818,847)	(76,143,288)	(105,279,491)
Deferred tax income/(expense)	-	-	-	-
<b>Profit/(Loss) for the Period</b>	<b>240,695,061</b>	<b>442,910,642</b>	<b>177,667,669</b>	<b>245,652,143</b>

**Statement of Comprehensive Income**

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
<b>Profit or Loss for the period</b>	<b>240,695,061</b>	<b>442,910,642</b>	<b>177,667,669</b>	<b>245,652,143</b>
<b>Other comprehensive income, net of income tax</b>				
<b>a) Items that will not be reclassified to profit or loss</b>				
• Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-
• Gains/(losses) on revaluation	-	-	-	-
• Actuarial gain/(losses) on defined benefit plans	-	-	-	-
• Income tax relating to above items	-	-	-	-
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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	-	-	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period, net of Income Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>240,695,061</b>	<b>442,910,642</b>	<b>177,667,669</b>	<b>245,652,143</b>
<b>Earnings per share:</b>				
Basic earnings per share		47.41		28.80
Diluted earnings per Share		47.41		28.80

**Ratios as per NRB Directives**

Particulars	Current Year		Previous Year	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital Fund to RWA		14.12%		12.40%
Non Performing Loan (NPL) to Total Loan		8.43%		6.09%
Total Loan Loss Provision to Total NPL		43.63%		66.71%
Cost of Funds		7.00%		8.11%
Credit to Deposit and Borrowing Ratio		115.62%		113.56%
Base Rate		11.62%		12.54%
Interest Rate Spread		7.83%		6.77%

**Deprosc Laghubitta Bittiya Sanstha Limited**  
**Unaudited Condensed Statement of Changes in Equity**  
**For the quarter ended 30 Poush, 2082**  
**Attributable to Equity-Holders**

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Client Protection Fund	Retained Earning	Other Reserve	Total Equity
Balance at Shrawan 01, 2081	1,706,196,983	-	695,689,377	-	236,834,206	(451,007)	162,459,156	321,269,144	120,870,440	3,242,868,299
<b>Comprehensive Income for the year</b>										
Profit for the year								576,861,804		576,861,804
Other Comprehensive Income, Net of Tax									(2,938,154)	(2,938,154)
<b>Total Comprehensive Income for the year</b>								<b>576,861,804</b>		
Transfer to reserves during the year			115,372,361		83,826,018		8,652,927	108,919,672	23,067,336	339,838,314
Transfer from reserves during the year					(451,007)	(102,012)	(6,141,844)	(236,606,630)	(110,718,102)	(354,019,595)
<b>Transactions with Owners, directly recognized in Equity</b>										
Share Issued										
Share Based Payments										
Dividend to Equity-Holders										
Bonus Shares Issued	162,088,713							(162,088,713)		-
Cash Dividend Paid								(8,530,985)		(8,530,985)
Other										
<b>Total Contributions by and Distributions</b>	<b>162,088,713</b>	<b>-</b>	<b>115,372,361</b>	<b>-</b>	<b>83,375,011</b>	<b>(102,012)</b>	<b>2,511,083</b>	<b>278,555,148</b>	<b>(90,588,920)</b>	<b>551,211,384</b>
<b>Balance at Ashad 32, 2082</b>	<b>1,868,285,696</b>	<b>-</b>	<b>811,061,738</b>	<b>-</b>	<b>320,209,217</b>	<b>(553,019)</b>	<b>164,970,239</b>	<b>599,824,292</b>	<b>30,281,520</b>	<b>3,794,079,683</b>
Balance at Shrawan 01, 2082	1,868,285,696	-	811,061,738	-	320,209,217	(553,019)	164,970,239	599,824,292	30,281,520	3,794,079,683
<b>Comprehensive Income for the period</b>										
Profit for the year								442,910,642		442,910,642
Other Comprehensive Income, Net of Tax										
<b>Total Comprehensive Income for the period</b>								442,910,642		-
Transfer to reserves during the period			88,582,128		(6,404,614)		8,858,213	(95,464,833)	4,429,106	-
Transfer from reserves during the period							(1,105,410)	(95,464,833)	(11,134,420)	(12,239,830)
<b>Transactions with Owners, directly recognized in Equity</b>										
Share Issued										
Share Based Payments										
Dividend to Equity-Holders										
Bonus Shares Issued										
Cash Dividend Paid								(93,414,285)		(93,414,285)
Other										
<b>Total Contributions by and Distributions</b>	<b>-</b>	<b>-</b>	<b>88,582,128</b>	<b>-</b>	<b>(6,404,614)</b>	<b>-</b>	<b>7,752,803</b>	<b>254,031,524</b>	<b>(6,705,314)</b>	<b>337,256,527</b>
<b>Balance at Poush 30, 2082</b>	<b>1,868,285,696</b>	<b>-</b>	<b>899,643,866</b>	<b>-</b>	<b>313,804,603</b>	<b>(553,019)</b>	<b>172,723,042</b>	<b>853,855,816</b>	<b>23,576,206</b>	<b>4,131,336,210</b>

Figures in NPR

**Deprosc Laghubitta Bittiya Sanstha Limited**  
**Unaudited Statement of Cash Flows**  
**For the Quarter ended 30 Poush, 2082**

Particulars	Figures in NPR	
	Upto this Quarter	Corresponding Previous year Upto this quarter
<b>Cash flows from operating activities</b>		
Interest Received	1,829,830,855	1,698,033,271
Fee and other income received	93,543,205	93,268,776
Dividend Received	-	-
Receipts from other operating activities	727,883	203,621
Interest paid	(755,689,140)	(844,031,592)
Commission and fee paid	-	-
Cash payments to employees	(399,891,249)	(338,803,662)
Other expense paid	(136,466,399)	(105,147,573)
<b>Operating cash flows before change in operating assets and liabilities</b>	<b>632,055,155</b>	<b>503,522,841</b>
<b>(Increase)/Decrease in operating assets</b>	<b>(305,277,535)</b>	<b>(1,184,140,019)</b>
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Other Trading assets	-	-
Loan and advances to bank and financial institutions	-	-
Loan and advances to customers	(281,717,384)	(1,178,811,804)
Other Assets	(23,560,151)	(5,328,215)
<b>Increase/(Decrease) in operating liabilities</b>	<b>(233,288,187)</b>	<b>556,483,640</b>
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	914,286,721	640,112,784
Borrowings	(1,184,769,684)	(215,029)
Other Liabilities	37,194,776	(83,414,115)
<b>Net Cash flow from operating activities before tax paid</b>	<b>93,489,433</b>	<b>(124,133,539)</b>
Income taxes paid	(205,254,176)	(50,912,175)
<b>Net Cash flow from operating activities</b>	<b>(111,764,743)</b>	<b>(175,045,714)</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of plant and equipment	(9,987,298)	(11,731,128)
Receipt from sale of property and equipment	-	-
Purchase of intangible assets	-	-
Receipt from sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	-	-
Dividend received	-	-
<b>Net cash used in investing activities</b>	<b>(9,987,298)</b>	<b>(11,731,128)</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	-	-
Dividend paid	(93,414,285)	-
Interest paid	-	-
Other receipt/payment	-	-
<b>Net cash from financing activities</b>	<b>(93,414,285)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(215,166,325)</b>	<b>(186,776,841)</b>
Cash and Cash Equivalents at Shrawan 01	1,382,190,544	997,248,811
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
<b>Closing Cash and Cash Equivalents</b>	<b>1,167,024,219</b>	<b>810,471,970</b>

**Deprosc Laghubitta Bittiya Sanstha Limited**  
**Unaudited Statement of Distributable Profit or Loss**  
**For the Quarter end of 30 Poush, 2082**  
**(As per NRB Regulation)**

Figures in NPR

Particulars	Current Year Upto this Qtr YTD	Previous Year Corresponding Qtr YTD
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>442,910,642</b>	<b>245,652,143</b>
<b>Appropriations:</b>		
a. General reserve	(88,582,128)	(49,130,429)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(4,429,106)	(2,456,521)
e. Employees' training fund	-	-
f. Client Protection Fund	(8,858,213)	(3,684,782)
g. Other	-	-
<b>Profit or (loss) before regulatory adjustment</b>	<b>341,041,195</b>	<b>190,380,411</b>
<b>Regulatory adjustment :</b>		
a. Interest receivable (-)/previous accrued interest received (+)	6,404,614	(88,606,575)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
<b>Net Profit for the Qtr end Poush 2082 available for distribution</b>	<b>347,445,809</b>	<b>101,773,836</b>
Opening Retained Earning	599,824,292	321,269,144
<b>Distribution:</b>		
Bonus shares issued		
Cash Dividend Paid	(93,414,285)	
<b>Total Distributable profit or (loss) as on Qtr end date</b>	<b>853,855,816</b>	<b>423,042,980</b>
Annualised Distributable Profit/Loss per share	45.70	24.79

Notes:

- Above financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Institute of Chartered Accountants of Nepal (ICAN).
- Loans and Advances are presented net of impairment charges which also include staff loans under employee benefits.
- Actuarial Valuation has not been carried out for Employee Benefits which shall be made and adjusted on audited financial statements.
- Personnel Expenses also include provision for employee bonus.
- Previous period figures have been regrouped/rearranged/restated wherever necessary for consistent presentation and comparison.
- Bonus shares of 10% declared by 24th AGM have not been reflected in the financial statements.

**The above figures are subject to change upon otherwise as per the direction of the Regulators and/or Statutory Auditor.**

# Deprosc Laghubitta Bittiya Sanstha Limited

## Notes to Interim Financial Statements

For the quarter ended 30<sup>th</sup> Poush, 2082

### 1. Reporting Entity

Deprosc Laghubitta Bittiya Sanstha Limited ('the Microfinance') is domiciled and incorporated in Nepal under then Development Bank Act, 2052 from Nepal Rastra Bank. The Microfinance is operating as a D Class licensed financial institution as per Bank and Financial Institution Act, 2063. The Microfinance is a limited liability company having its shares listed on Nepal Stock Exchange with trading code "DDBL" after issuing its shares to the general public. The Microfinance has been promoted in lead of Development Project Service Centre (Deprosc Nepal (NGO)), Nabil Bank Limited, Nepal Bank Limited, Agriculture Development Bank Limited, Lumbini Development Bank Limited, (former Lumbini finance and leasing company limited), Centre for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED) and several reputed persons. The registered address of the Microfinance is located at Narayangarh, Chitwan, Nepal and corporate office is at Nagarjun Municipality-4, Sitapaila, Kathmandu.

### 2. Basis of Preparation

The interim financial statements of the Microfinance have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) in the format issued by Nepal Rastra Bank in Directive 4 of NRB Directives, 2079.

NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### 2.1. Statement of Compliance

The Interim Financial Statements of the entity which comprises financial components presented herein have been prepared in compliance with NFRS, laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act, 2063.

The disclosure made in the financial information have been based on the formats prescribed by Nepal Rastra Bank. The Interim Financial Statements don't include all of the information required for a complete set of NFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Microfinance's financial position and performance since the last published annual financial statements.

#### 2.2. Reporting Period

The Microfinance follows the Nepalese financial year based on the Nepalese calendar:

1. For Condensed Statement of Financial Position: - Poush 30, 2082
2. For Condensed Statement of Profit & Loss: - Shrawan 1, 2082 to Poush 30, 2082
3. For Condensed Statement of Cash Flows: - Shrawan 1, 2082 to Poush 30, 2082

#### 2.3. Functional and Presentation Currency

The Financial Statements of the Microfinance are presented in Nepalese Rupees, which is the currency of the primary economic environment in which the microfinance operates. There was no change in Microfinance's presentation and functional currency during the under review.

#### 2.4. New Standards issued but not yet effective

Management has issued its assumptions and understandings for the preparation of interim financial statements under compliance with NFRS, however, certain interpretations might vary regarding the recognition, measurement and other related provisions where the standards are not specific and not clear or where the cost to benefits analysis is not in favour of the Microfinance.

### 3. Use of Estimates, Assumptions and Judgments

The preparation of the interim financial statements in accordance with NFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses which are explained herein. The management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those

estimates. Estimates, judgements and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively.

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

The accounting policies are applied consistently by the Microfinance in all the periods presented in the financial statements.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Microfinance in preparing and presenting interim financial statements. The Microfinance is permitted to change an accounting policy only if the change is required by a standard or interpretation or if it results in providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial performance, or cash flows. There are no changes in the accounting policies in the current period.

#### **5. Significant Accounting Policies**

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

##### **5.1. Basis of Measurement**

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

- ✓ Financial assets other than measured at amortized cost are measured at fair value
- ✓ Non-derivative financial instruments at fair value through profit or loss are measured at fair value
- ✓ Derivative financial instruments are measured at fair value, if any
- ✓ Inventories are measured at cost or net realizable value whichever is lower
- ✓ Net defined benefit liabilities are measured at Present Value of Defined Benefits Obligation less the Total Plan Assets.

The financial statements have been prepared on a going concern basis where the accounting policies and judgements as required by the standards are consistently used and in case of deviations disclosed specifically.

##### **5.2. Cash and 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 Microfinance in the management of its short-term commitments.

Cash and Cash equivalents are measured at amortized cost in the statement of financial position.

##### **5.3. Financial assets and financial liabilities**

The Microfinance classifies its financial assets into the following measurement categories:

- a. financial assets held at fair value through profit or loss.
- b. financial assets held at fair value through Other Comprehensive Income, and
- c. financial assets held at amortized cost.

Financial liabilities are classified as either

- a. held at fair value through profit or loss, or
- b. held at amortized cost.

##### **5.3.1. Recognition**

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

to purchase/ acquire the financial assets. Regular purchase and sale of financial assets are recognized on trade date.

### **5.3.2. Measurement**

#### **Initial Measurement**

At initial recognition, the Microfinance measures a financial assets or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction cost that are incremental and directly attributable to the acquisition or issue of the financial assets or financial liability, such as commission and fees. The transaction cost of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

#### **5.3.2.1. Financial Assets**

Financial Assets are classified mainly under amortized cost, fair value through profit or loss and fair value through OCI. Financial Liabilities are classified at amortized cost or fair value through profit or loss.

##### **a. Measured at Amortized 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 amortized cost using the effective interest rate ('EIR') method less impairment, if any. The amortization of EIR and loss arising from impairment, if any is recognized in the Statement of Profit and Loss.

##### **b. Measured at Fair Value through OCI**

Assets are categorized under this category if the business model is to obtain the contractual cash flow from the assets, but the contractual cash flow isn't solely repayment of principal and interest. Equity Instrument which are not held for trading and initially recognized as held for trading for which the Microfinance 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.

##### **c. Measured at Fair Value through Profit & Loss**

The Microfinance 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 amortized cost or FVOCI, is classified as FVTPL.

#### **5.3.2.2. Financial Liability**

##### **a. Measured at Fair Value through Profit & 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 i.e. directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized at profit or loss.

##### **b. Measured at Amortized 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.

### **5.3.3. Derecognition**

#### **5.3.3.1. Derecognition of Financial Assets**

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

#### **5.3.3.2. Derecognition of Financial Liabilities**

A financial liability is derecognized when, and only when it is extinguished (i.e. when the obligation specified in contract is discharged, cancelled or expired). If the liability is renegotiated with the original lender on substantially different contractual terms, the original liability is derecognized and new liability is recognized.

#### **5.3.4. 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 in the

principal or, in its absence, the most advantageous market to which the Group has access at that date.

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

#### **5.4. Impairment**

The Microfinance 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 realizable value of any underlying collateral. 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.

Following NFRS 9, the Microfinance's Expected Credit Loss (ECL) calculations are outputs of complex models with a few underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the Microfinance's ECL models that are considered accounting judgements and estimates include:

- ✓ Criteria for qualitatively assessing whether there has been a significant increase in credit risk (SICR) and if so, allowances for financial assets measured on a Lifetime Expected Credit Loss (LT - ECL) basis.
- ✓ Segmentation of financial assets when their ECL is assessed on a collective basis.
- ✓ Various statistical formulas and the choice of inputs used in the development of ECL models.
- ✓ Associations between macroeconomic inputs, such as GDP growth, Agriculture GDP, Inflation, Interest Rates, Remittance Inflow, Per Capita Income and Unemployment Rate and the effect of these inputs on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).
- ✓ Forward-looking macroeconomic scenarios and their probability weightings.
- ✓ Coupon rate of loan has been considered by the Microfinance as effective interest rate since transaction cost associated with extending credit facility is nominal.
- ✓ Early payment behaviour of the exposures for the reporting period has not been assumed.

As such, the accuracy of the impairment provision depends on the model assumptions and parameters used in determining the ECL calculations.

Further, the Microfinance has assigned weightages for base case, best case and worst-case scenarios when assessing the probability weighted forward looking macro-economic indicators.

#### **5.5. Trading Assets**

The Microfinance classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

The Microfinance does not own any trading assets during the reported period.

#### **5.6. Property, Plant and Equipment**

**Recognition and measurement:** All Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition

of the assets. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Microfinance and the cost of the item can be measured reliably.

**Depreciation & Amortization:** The Microfinance depreciates property, plant and equipment following Written Down Value method applying the Depreciation rates prescribed by Income Tax Act, 2058. The rates used for depreciation of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

Types of Assets	Depreciation Rate
Building	5%
Computer & Accessories	25%
Vehicles & Motorcycles	20%
Furniture & Fixtures	25%
Office Equipment	25%
Other Assets	20%

### 5.7. Goodwill and Intangible assets

Intangible assets include externally generated capitalized software enhancements. Intangible assets, which have been determined to have a finite useful life, are amortized on a straight-line basis over their estimated useful life. Intangible assets with finite useful lives are reviewed at each reporting date to assess whether there is any indication that they are impaired. If any such indication exists the recoverable amount of the asset is determined and, in the event, that the asset's carrying amount is greater than its recoverable amount, it is written down immediately.

Goodwill on business combination is recognized on the acquisition date at the excess of (a) over (b) below:

(a) The aggregate of:

- (i) The consideration transferred measured in accordance with the NFRS 3, which generally requires acquisition-date fair value
- (ii) The amount of any non-controlling interest in the acquiree measured in accordance with the NFRS 3; and
- (iii) In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with NFRS 3

**Depreciation & Amortization:** The rates used for depreciation of assets for the current and comparative period of significant items of Intangible assets are as follows

Types of Assets	Depreciation Rate
Intangible Assets	Rate are set by dividing the cost of the property over the period of useful life from the date of purchase of date of use which is assumed to be 5 years

### 5.8. Investment Property and Non-Current Assets held for sale

#### Investment Property

Investment property is the land or building or both held either for rental income or for capital appreciation or for both but not sold in ordinary course of business and owner-occupied property.

#### Non-Current Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and carried at lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortized while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in the statement of Profit or Loss.

### 5.9. Income Tax

#### 5.9.1. Current Tax

Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or OCI 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.

#### **5.9.2. Deferred Tax**

Deferred tax is recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized 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 from Members**

Deposits from members are initially recognized 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. The Microfinance does not collect any deposit from the public other than its member.

#### **5.11. Provisions, Liabilities and Contingent Liabilities**

A provision is recognized, if as a result of a past event, the Microfinance 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 recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into 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 estimate and are reversed if there is no probability of outflow of resources. The expense relating to any provision is presented in Statement of Profit or Loss net of any reimbursement in other operating expenses

During the quarter review, the Microfinance has filled its lawsuit against its staff in High Court, Tulsipur Dang, through Government Attorney Office under Banking Offence and Punishment Act. For the related case of embezzlement, a provision of NPR. 3,116,543.27 has been made.

#### **5.12. Revenue Recognition**

Revenue is recognized only when it is probable that the economic benefits will flow to Microfinance and the consideration can be reliably measured. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed. The following specific recognition criteria shall also be met for revenue recognition:

##### **5.12.1. Interest income**

Pursuant to adoption of ECL model, recognition of interest income has been based upon NRB, Guidance Note on Interest Income Recognition, 2025.

**For Stage 1 and Stage 2 Loans and Advances:** Interest on gross recognition following the accrual basis

**For Stage 3 Loans and Advances:** Interest on actual cash receipt basis.

##### ***NFRS Requirement***

NFRS requires interest income to be recognized using the effective interest method, except for those classified at fair value through profit or loss. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the expected life of the financial instrument.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated

on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Microfinance including expected early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Once financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **5.12.2. Fees and Commission**

Fees and commission income including management fee, service charges, and syndication fee and forex transaction commission are recognized on accruals basis as the related services are performed.

#### **5.12.3. Dividend Income**

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend incomes are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity instruments.

#### **5.12.4. Net trading income**

Gain and losses arising in changes in fair value of financial instrument held at fair value through profit or loss are included in Statement of Profit or Loss in the period in which they arise.

### **5.13. Interest Expenses**

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Microfinance's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income. The Microfinance uses ASB carve-outs and treat coupon rate as effective interest rate.

### **5.14. Employees Benefits**

Employee benefits include all forms of consideration given by an entity in exchange for service rendered by employees for the termination of employment.

#### **5.14.1. Defined Contribution Plan**

A defined contribution plan is a post-employment plan under which the Microfinance pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in the profit or loss as and when they are due. The Microfinance operates a defined contribution plans as provident fund contribution of its employees and defined benefit plans for the Gratuity and leave payment requirement under its staff rules.

#### **5.14.2. Defined Benefits Plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Gratuity and Leave Benefits are Defined Benefit Plans. The Microfinance annually measures the value of the promised retirement benefits for gratuity and leave, which is a Defined Benefit Plan. Actuarial Valuation of Defined Benefit Plan has been carried out as per the requirement of NAS 19 – Employee Benefits. Gain or loss arising as a result of changes in assumptions is recognized in other comprehensive income (OCI) in the period in which it arises.

### **5.15. Foreign Currency Translation**

The interim financial statements are presented in Nepalese Rupees, which is the Microfinance's functional and presentation currency.

### **5.16. Leases**

Lease accounting has been prepared according to NFRS 16. Upon lease commencement the Microfinance recognized a right-of-use asset and a lease liability. The right-of-use asset is initially measured amount of the lease liability plus any initial direct costs incurred by the Microfinance. After lease commence Microfinance has measured the right-of-use asset using a cost model.

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

## **5.17. Share Capital and Reserve**

### **5.17.1. Share Capital**

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared. The shares issue expenses which can be avoided for the issue was charged in the year of issue directly through equity and disclosed in the statement of changes in equity. Tax impact is also disclosed.

Bonus share approved by 23<sup>rd</sup> AGM has not been included in the interim financial statements as they were yet to be authorized by the respective authority up to reporting period.

### **5.17.2. Statutory General Reserves**

The Microfinance allocates 20% of the net profit as stated in Bank and financial Institution Act, 2073 as provisioned in NRB Directive, 2079 is set aside to the general reserve.

### **5.17.3. Corporate Social Responsibility Fund**

1% of net profit is set aside in the fund as per the NRB Directives for the purpose of corporate social responsibility.

### **5.17.4. Employee Training Fund**

The fund is created for the purpose of employee training. As per the directives to microfinances by NRB, the Microfinance needs to spend at least 3% of last fiscal year's total personnel expenses for the development and trainings of the employees. Further, if the Microfinance couldn't spend up to the limit of 3%, the shortfall amount shall be transferred to the Employee Training Fund and shall be used for employee trainings in subsequent years. However, the fund as above stated has not been allocated for the quarter which shall be allocated in the annual report.

### **5.17.5. Investment Adjustment Fund**

It is a reserve created on investment in equity instrument if the equity doesn't get listed in Security Market within 2 years as per the directives issued by NRB.

### **5.17.6. Regulatory Reserve**

The amount that is allocated from profit or retained earnings of the Microfinance to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend shall be presented under this reserve. The regulatory reserve of the Microfinance includes the reserve net of tax and employee bonus created relating to accrued interest receivable as on Poush end 2082 not recovered. Reserve on deferred tax assets, non-banking assets, reduction in fair value of investment in equity below cost price, actuarial loss etc.

### **5.17.7. Actuarial Gain/Loss Reserve**

The amount that is allocated from profit or retained earnings of the Microfinance both positive or negative to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free reserve for distribution of dividend are recorded in this reserve. The reserve includes actuarial gain/(loss) net of tax on defined benefit plan.

### **5.17.8. Client Protection Fund**

Client protection fund is created at 2% of net profit is also allocated to this fund as per NRB Directives.

### **5.17.9. Earnings per Share (EPS) including diluted EPS**

Microfinance presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of the Microfinance by the weighted average number of ordinary shares outstanding during the

period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

#### **5.17.10. Segment Reporting**

The Microfinance's operating segments are organized and managed separately through the respective department/business managers according to the nature of products and services provided with each segment representing a strategic business unit. These business units are reviewed by Chief Executive Officer of the Microfinance. The Microfinance has identified seven segments namely: Koshi Province, Madhesh Province, Bagmati Province, Gandaki Province, Lumbini Province, Karnali Province and Sudur-Paschim Province as the seven operating segment and the segment report is set out in Notes 6.

Segment report include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The income, expenses, assets & liabilities that cannot be allocated to aforesaid segment or those related to head office are unallocated and are included in Bagmati Province. The unallocated items generally comprise of head office assets, head office expenses, and tax assets and liabilities. The geographical segment has been identified on the basis of the location of the branches in 7 different provinces of the country.

#### **5.17.11. Investment in Associates**

For the purpose of consolidation, NAS 28 - Investments in Associates is applied. Associates are entities in which the Microfinance has significant influence, but not control, over the operating and financial policies. The Microfinance has investment in nature of Associates i.e., it holds more than 20%, but less than 50%, of their voting shares.

The Microfinance's investments in associates are initially recorded at cost and increased (or decreased) each year by the entity's share of the post-acquisition profit/(loss). The entity ceases to recognize its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses.

As per the directives (4)8/077 issued to microfinances by NRB, the Microfinance has to dispose all the investment within 2 years of investment. As the Microfinance has planned to subsequently dispose the investment in the said entities which are normally to be considered as the associate the Microfinance has not followed the above-mentioned method and such investment are presented as Share Investment in the Statement of Financial position and dividend income if any is shown in Statement of Profit or Loss.

## 6. Segment Information:

### A. Information about reportable segments:

Segment Reporting is the reporting of the operating segment of the Microfinance. A segment is reportable if it has at least

- 10% of the revenues, or
- 10% of the profit or loss, or
- 10% of the combined assets of the Microfinance.

Segment can be categorized either on the basis of geographical segment or business segment. The Microfinance has categorized its segment on the basis of provinces i.e., geographical segment. Segment assets, segment liabilities, total revenue, total expenses and operating profit are disclosed. Branches of the Microfinance are classified under the regional operating structure for monitoring and supervision. The disclosure has been prepared in accordance with the requirements of NFRS.

Particular		Amount ('000)				
		Revenue from External Customers	Intersegment Revenues	Segment Profit/Loss Before Tax	Segment Assets	Segment Liabilities
Koshi Province	Current Quarter	160,877		93,843	2,253,359	965,895
	Corresponding Previous Year Quarter	146,823		93,784	2,107,511	774,133
Madhesh Province	Current Quarter	658,391		445,856	9,385,211	3,739,184
	Corresponding Previous Year Quarter	622,351		404,078	9,058,048	3,020,122
Bagmati Province	Current Quarter	427,566		225,109	5,936,265	3,637,115
	Corresponding Previous Year Quarter	395,301		217,060	5,548,019	3,101,835
Gandaki Province	Current Quarter	210,760		122,202	2,906,306	1,566,292
	Corresponding Previous Year Quarter	195,057		119,120	2,713,573	1,330,569
Lumbini Province	Current Quarter	180,399		75,885	2,583,546	1,852,970
	Corresponding Previous Year Quarter	162,345		83,130	2,390,370	1,533,446
Karnali Province	Current Quarter	131,077		74,638	1,747,362	925,187
	Corresponding Previous Year Quarter	121,211		86,650	1,633,900	775,356
Sudur-Paschim Province	Current Quarter	157,494		76,657	2,193,182	1,368,713
	Corresponding Previous Year Quarter	140,382		85,031	2,008,535	1,099,648
Total	Current Quarter	<b>1,926,564</b>	-	<b>1,114,190</b>	<b>27,005,231</b>	<b>14,055,356</b>
	Corresponding Previous Year Quarter	<b>1,783,470</b>	-	<b>1,088,853</b>	<b>25,459,956</b>	<b>11,635,109</b>

#### Note:

- a. Revenue from external customer includes the total interest revenue and non-interest revenue.
- b. Intersegment revenue includes revenue from transactions with other operating segments of the Microfinance.
- c. Segment Assets and Liabilities includes the assets and liabilities identifiable to a particular segment.
- d. The result reported include the items directly attributable to a segment.

### B. Reconciliation of Reportable Segment Profit or Loss

Particulars	Amount ('000)	
	Current Quarter	Corresponding Previous Year Quarter
Total Profit before tax for reportable segment	1,114,190	1,088,853
Profit before tax for other segment		
Elimination of inter-segment profit		
Elimination of discontinued operation		
Unallocated amounts:		
Other corporate expenses	(481,461)	(737,921)
<b>Profit before tax</b>	<b>632,729</b>	<b>350,932</b>

## 7. Related party disclosure

The Microfinance has carried out transactions in ordinary course of business on an arm's length basis at commercial rates with the parties as per Nepal Accounting Standard (NAS 24- Related Party Disclosure), except for the transactions that are key managerial personnel have availed under schemes uniformly applicable to all the staffs at concessionary rates.

### 7.1. Entity with significant influence over the Microfinance

Followings have been identified as related parties for Microfinance under NAS 24 Related parties:

- a. Lumbini Bikas Bank Limited
- b. Agriculture Development Bank Limited
- c. Nepal Bank Limited
- d. Nabil Bank Limited
- e. Development Project Service Centre (DEPROSC Nepal)
- f. Centre for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED)

### 7.2. Parents and ultimate controlling parties

The Microfinance doesn't have an identifiable parent of its own.

### 7.3. Transaction with Key Managerial Personnel.

As per NAS-24 Related Party Disclosure, key managerial personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

Board of Directors and Chief Executive Officer of the Microfinance are considered as key managerial personnel of the Microfinance.

#### Compensation of Key Managerial Personnel

##### Compensation to the Board of Directors:

Particulars	Amount (NPR)
Directors' Sitting Fees	680,000.00
Director's Travel Expenses	113,187.47
Director's Communication Expenses	51,417.00
<b>Total</b>	<b>844,604.47</b>

##### Compensation to the Chief Executive Officer:

Particulars	Amount (NPR)
Short Term Benefits	2,103,000.00
Festival Allowance	328,000.00
Bonus	1,063,348.35
Other Benefits	15,000
<b>Total</b>	<b>3,509,348.35</b>

In addition to above, the Microfinance also provide other facilities like Vehicles Facilities, Telephone, Newspaper Allowance, Dress Allowance Accidental Insurance, Travelling Allowance and Leave encashment facilities as per the approved employee facilities of the Microfinance to the Chief Executive Officer.

## 8. Issue, Purchase, and Repayment of debt and equity Securities

No any such activities were reported during the quarter review.

## 9. Events after Interim Period

There were no material events after the reporting date affecting financial status of the Microfinance.

## 10. Effect of changes in the composition of the entity during the interim period including Merger & Acquisition

No such events occurred.

## 11. Impairment Charge of the Microfinance for the Quarter End

The Microfinance for the current quarter has assessed the impairment under para 5.5 of the NFRS 9 impairment model and the NRB Directive.

The Microfinance, following regulatory backstop as mentioned Clause 16 of “NFRS 9- Expected Credit Loss Related Guidelines, 2024” has recognize impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02. Further, Microfinance has applied carve out issued by ICAN and has computed impairment loss. As per the carve-out issued by ICAN as a mandatory treatment of impairment loss for banks and financial institution till FY 2082-83, impairment loss to be measured at higher of amount derived as per norms prescribed by NRB for loan loss provision and measured as per paragraph 5.5 of NFRS 9.

**Details of such impairment are as mentioned below:**

<b>Particulars</b>	<b>As at Poush End 2082</b>	<b>As at Ashad End 2082</b>
Impairment (A)	671,364,908	589,036,047
Provision as per NRB (B)	953,602,999	963,761,553
<b>Impairment to be considered (Higher of A or B)</b>	<b>953,602,999</b>	<b>963,761,553</b>

**Details of Impairment as per NFRS**

<b>Particulars</b>	<b>Expected Credit Loss (ECL)</b>
Stage 1	105,622,565
Stage 2	68,612,689
Stage 3	497,129,654
<b>Total Expected Credit Loss</b>	<b>671,364,908</b>