



NIC ASIA Bank Ltd.
Condensed Consolidated Statement of Financial Position
For the Quarter Ended 29th Poush 2081 (13th Jan 2025)

Amount in NPR

	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Assets				
Cash and cash equivalent	16,337,245,780	36,038,477,839	12,968,518,473	29,752,769,729
Due from Nepal Rastra Bank	16,894,783,155	16,749,169,067	16,894,783,155	16,749,169,067
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	3,616,674,162	3,753,025,095	3,616,674,162	3,753,025,095
Other trading assets	-	2,800,000	-	2,800,000
Loan and advances to B/FIs	7,980,022,162	5,049,855,800	11,080,022,162	10,949,855,800
Loans and advances to customers	261,446,889,132	286,669,776,735	245,139,706,795	271,253,725,413
Investment securities	59,529,593,102	60,582,164,484	59,141,159,028	60,089,191,867
Current tax assets	638,281,428	665,469,129	597,052,534	622,252,230
Investment in subsidiaries	-	-	1,194,500,000	1,194,500,000
Investment in associates	-	-	-	-
Investment property	4,077,842,640	4,365,413,519	4,074,096,174	4,361,667,053
Property and equipment	5,089,726,863	5,518,403,824	4,810,960,804	5,233,055,005
Goodwill and Intangible assets	177,253,868	188,743,743	173,193,191	180,728,337
Deferred tax assets	-	-	-	-
Other assets	5,133,085,183	6,466,035,652	4,468,865,203	6,325,102,705
Total Assets	380,921,397,476	426,049,334,887	364,159,531,680	410,467,842,301
Liabilities				
Due to Bank and Financial Institutions	4,808,098,521	5,388,344,213	7,909,769,774	8,340,598,144
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	3,636,589,099	3,746,713,025	3,636,589,099	3,746,713,025
Deposits from customers	309,776,319,653	355,070,780,252	308,347,347,373	354,096,864,840
Borrowing	15,736,001,786	15,132,620,727	-	-
Current Tax liabilities	-	-	-	-
Provisions	37,894,128	33,187,812	-	-
Deferred tax liabilities	90,647,370	92,302,338	236,049,696	238,462,751
Other liabilities	4,691,326,628	4,597,712,400	3,614,552,316	3,788,365,647
Debt securities issued	10,740,465,658	10,737,329,063	10,740,465,658	10,737,329,063
Subordinated liabilities	-	-	-	-
Total Liabilities	349,517,342,842	394,798,989,829	334,484,773,915	380,948,333,470
Equity				
Share capital	14,917,566,922	14,917,566,922	14,917,566,922	14,917,566,922
Share premium	-	-	-	-
Retained earnings	(2,582,340,967)	(2,527,285,743)	(2,655,772,865)	(2,666,972,173)
Reserves	17,967,688,306	17,765,810,571	17,412,963,707	17,268,914,082
Total equity attributable to equity holders	30,302,914,260	30,156,091,751	29,674,757,764	29,519,508,832
Non-controlling interest	1,101,140,373	1,094,253,307	-	-
Total equity	31,404,054,633	31,250,345,057	29,674,757,764	29,519,508,832
Total Liabilities and equity	380,921,397,476	426,049,334,887	364,159,531,680	410,467,842,301



NIC ASIA Bank Ltd.
Condensed Consolidated Statement of Profit or Loss
For the Quarter Ended 29th Poush 2081 (13th Jan 2025)

Amount in NPR

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)
Interest income	7,602,559,025	16,222,542,065	10,821,540,968	21,484,164,581	7,161,382,133	15,652,901,375	10,376,866,856	20,545,519,406
Interest expense	4,803,396,411	10,687,719,011	7,864,527,302	15,514,378,858	4,527,005,980	10,465,937,372	7,582,083,675	15,004,102,091
Net interest income	2,799,162,614	5,534,823,054	2,957,013,666	5,969,785,723	2,634,376,153	5,186,964,003	2,794,783,181	5,541,417,315
Fee and commission income	476,549,953	908,979,253	631,684,639	1,510,174,222	381,694,014	795,474,197	561,789,776	1,366,468,749
Fee and commission expense	93,588,915	166,658,835	92,494,892	184,311,212	93,313,796	163,344,450	82,687,084	157,321,852
Net fee and commission income	382,961,038	742,320,418	539,189,747	1,325,863,009	288,380,218	632,129,747	479,102,691	1,209,146,897
Net interest, fee and commission income	3,182,123,652	6,277,143,472	3,496,203,413	7,295,648,733	2,922,756,371	5,819,093,750	3,273,885,873	6,750,564,212
Net trading income	33,383,224	59,240,707	23,970,858	67,147,789	33,383,224	59,240,707	23,970,858	67,147,789
Other operating income	29,326,237	252,504,004	197,284,704	321,270,051	27,152,639	175,573,353	189,442,672	306,941,239
Total operating income	3,244,833,113	6,588,888,183	3,717,458,975	7,684,066,573	2,983,292,234	6,053,907,811	3,487,299,403	7,124,653,241
Impairment charge/ (reversal) for loans and other losses	1,135,113,440	2,300,744,853	(115,374,451)	536,466,649	1,195,336,495	2,359,673,437	(164,269,353)	480,038,059
Net operating income	2,109,719,673	4,288,143,330	3,832,833,426	7,147,599,924	1,787,955,739	3,694,234,374	3,651,568,756	6,644,615,182
Operating expense								
Personnel expenses	1,140,980,032	2,289,320,476	1,161,737,624	2,243,460,107	964,076,188	1,953,557,521	1,051,207,799	2,000,012,557
Other operating expenses	525,130,013	1,098,586,672	434,787,543	857,442,722	431,723,673	949,899,529	371,633,159	727,849,064
Depreciation & Amortization	228,821,310	465,221,090	219,461,821	373,554,083	224,057,548	448,813,071	210,620,935	355,713,196
Operating Profit	214,788,318	435,015,092	2,016,846,438	3,673,143,011	168,098,330	341,964,252	2,018,106,863	3,561,040,365
Non operating income	1,943,679	10,780,373	1,349,177	7,101,640	-	7,320,150	1,200,497	6,407,184
Non operating expense	109,783,907	135,885,823	831,809,483	967,601,124	109,236,048	132,526,849	825,362,632	957,908,827
Profit before income tax	106,948,091	309,909,642	1,186,386,132	2,712,643,527	58,862,282	216,757,553	1,193,944,727	2,609,538,722
Income tax expense								
Current Tax	32,084,427	92,972,893	305,593,323	744,738,131	17,658,684	65,027,266	300,521,043	705,731,176
Deferred Tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period	74,863,663	216,936,749	880,792,809	1,967,905,396	41,203,597	151,730,287	893,423,684	1,903,807,546
Condensed Consolidated Statement of Comprehensive Income								
Profit/(loss) for the period	74,863,663	216,936,749	880,792,809	1,967,905,396	41,203,597	151,730,287	893,423,684	1,903,807,546
Other Comprehensive Income	(221,958,896)	3,518,646	7,556,782	(76,987,854)	(221,958,896)	3,518,646	7,556,782	(76,987,854)
Total Comprehensive Income	(147,095,233)	220,455,395	888,349,591	1,890,917,543	(180,755,299)	155,248,933	900,980,466	1,826,819,693
Basic earnings per share		5.71		28.60		2.04		25.59
Diluted earnings per share		5.71		28.60		2.04		25.59
Profit attributable to:								
Equity holders of the Bank	72,104,155	212,574,294	899,271,984	1,967,437,865	41,203,597	151,730,287	893,423,684	1,903,807,546
Non-controlling interest	2,759,509	4,362,455	(18,479,174)	467,531	-	-	-	-
Total	74,863,663	216,936,749	880,792,809	1,967,905,396	41,203,597	151,730,287	893,423,684	1,903,807,546

Ratios as per NRB Directive	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	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		11.66%		11.22%		11.65%		11.02%
Tier I capital to RWA		9.04%		8.35%		8.86%		8.04%
CET I capital to RWA		9.04%		8.35%		8.86%		8.04%
Gross Non-performing loan (NPL) to total loan		5.15%		1.85%		4.61%		1.19%
Net Non-performing loan to total Loan		1.98%		0.87%		1.47%		0.58%
Total loan loss provision to Total NPL		91.48%		120.92%		100.17%		174.58%
Cost of Funds		5.54%		7.60%		5.45%		7.53%
Credit to Deposit Ratio		84.02%		78.19%		83.19%		77.18%
Base Rate		7.62%		9.75%		7.52%		9.68%
Interest Rate Spread		4.15%		4.18%		4.00%		3.99%
Return on Equity		1.39%		13.31%		1.03%		12.73%
Return on Asset		0.11%		1.12%		0.08%		0.96%

**Statement of Distributable Profit or Loss
For the Qtr end of Poush 2081
(As per NRB Regulation)**

	Amount in NPR	
	Bank	
	Current Year Upto this Qtr YTD	Previous Year Corresponding Qtr YTD
Net profit or (loss) as per statement of profit or loss	151,730,287	1,903,807,546
Appropriations:		
a. General reserve	30,346,057	380,761,509
b. Foreign exchange fluctuation fund	801,988	187,322
c. Capital redemption reserve	685,372,014	885,443,633
d. Corporate social responsibility fund	(5,240,583)	12,464,674
e. Employees' training fund	-	-
f. Other	-	-
- Deferred Tax reserve	-	-
- Investment Adjustment Reserve	-	-
-Sale of investment	(7,319,285)	(5,070,048)
Profit or (loss) before regulatory adjustment	(552,229,904)	630,020,456
Regulatory adjustment:	563,429,212	(781,905,684)
a. Interest receivable (-)/previous accrued interest received (+)	(156,743,366)	(347,445,524)
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 (+)	720,172,578	(434,460,160)
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
-Debt securities recognised at amortised cost	-	-
-Defined benefit obligation	-	-
-Fair value reserve	-	-
Net Profit or (loss) for the Qtr end Poush 2081 available for distribution	11,199,308	(151,885,228)
Opening Retained Earning as on Shrawan 1	(2,666,972,173)	3,534,225,906
Adjustment (+/-)		
Tax paid on Bargain Purchase Gain and Right Share	-	(444,543,673)
Distribution		
Bonus Share Issued	-	3,353,561,556
Cash Dividend Paid	-	176,503,240
Total Distributable profit or (loss) as on Qtr end date	(2,655,772,865)	(592,267,791)
Annualised Distributable Profit/Loss per share	-	-

Debenture of NPR 3 Bn has matured on 29th Poush 2081, of which debenture redemption reserve of NPR 3 Bn is considered then distributable profit would be NPR 344 Mn



Group
Statement of Changes in Equity
For The Period ended Poush 2081

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Amount in NPR Total Equity
Balance as at Ashadh End, 2080	11,564,005,366	-	5,696,342,666	48,528,936	3,644,363,799	497,576,661	-	4,310,762,692	4,788,367,022	30,549,947,142	1,296,712,543	31,846,659,685
Balance as at Shrawan 1, 2080	11,564,005,366	-	5,696,342,666	48,528,936	3,644,363,799	497,576,661	-	4,310,762,692	4,788,367,022	30,549,947,142	1,296,712,543	31,846,659,685
Adjustment/Restatement	-	-	-	-	14,430,673	-	-	(705,217,888)	(10,398,122)	(701,185,336)	-	(701,185,336)
Adjusted/Restated Balance at Shrawan 1, 2080	11,564,005,366	-	5,696,342,666	48,528,936	3,658,794,473	497,576,661	-	3,605,544,804	4,777,968,900	29,848,761,806	1,296,712,543	31,145,474,349
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	690,656,076	-	690,656,076	(93,382,885)	597,273,191
Other Comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	40,007,140	-	-	(163,554,308)	-	156,073,504	-	32,526,336	351,364	32,877,700
Gains/(losses) on revaluation	-	-	-	-	69,518,391	-	-	-	(3,972,399)	65,545,992	45,062,860	110,608,852
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	3,947,623	-	-	-	12,101,104	16,048,726	2,888,268	18,936,995
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	40,007,140	-	73,466,014	(163,554,308)	-	846,729,580	8,128,705	804,777,130	(45,080,393)	759,696,737
Transfer to reserve during the year	-	-	151,855,620	508,623	1,026,687,552	-	-	172,016	1,955,213,596	3,134,437,408	(55,178,713)	3,079,258,695
Transfer from the reserve during the year	-	-	-	-	-	-	-	(3,206,941,648)	(5,590,520)	(3,212,532,169)	(1,959,131)	(3,214,491,299)
Transactions with owners, directly recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares issued	3,353,561,556	-	-	-	-	-	-	(3,353,561,556)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(419,178,240)	-	(419,178,240)	(110,241,000)	(529,419,240)
Other	-	-	-	-	-	-	-	(50,699)	(123,486)	(174,185)	10,000,000	9,825,815
Total contributions by and distributions:	-	-	-	-	-	-	-	(50,699)	(123,486)	(174,185)	10,000,000	9,825,815
Balance as at Asadh End, 2081	14,917,566,922	-	5,888,205,426	49,037,559	4,758,948,038	334,022,354	-	(2,527,285,743)	6,735,597,194	30,156,091,751	1,094,253,307	31,250,345,058
Adjustment/Restatement	-	-	324,842,636	-	(243,537,534)	-864,663,443	-	(127,098,540)	(22,612,729)	(69,270,430)	2,524,611	-
Adjusted/Restated Balance at Shrawan 1, 2081	14,917,566,922	-	6,213,048,062	49,037,559	4,515,410,504	333,158,090	-	(2,654,384,283)	6,712,984,465	30,086,821,320	1,096,777,918	31,183,599,239
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	212,574,294	-	212,574,294	4,362,455	216,936,749
Other Comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	1,829,821	-	-	(5,630,461)	-	7,319,285	-	3,518,646	-	3,518,646
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	1,829,821	-	-	(5,630,461)	-	219,893,580	-	216,092,940	4,362,455	220,455,395
Transfer to reserve during the year	-	-	30,346,057	801,988	(563,429,212)	-	-	-	680,131,431	147,850,264	-	147,850,264
Transfer from the reserve during the year	-	-	-	-	-	-	-	(147,850,264)	-	(147,850,264)	-	(147,850,264)
Transactions with owners, directly recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions:	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at Poush End, 2081	14,917,566,922	-	6,245,223,940	49,839,547	3,951,981,293	327,527,629	-	(2,582,340,967)	7,393,115,896	30,302,914,260	1,101,140,373	31,404,054,633



NIC ASIA Bank Limited
Statement of Changes in Equity
For The Period ended Poush 2081

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Amount in NPR Total Equity
Balance as at Shrawan 1, 2080	11,564,005,366	-	5,478,016,797	48,528,936	3,522,160,842	497,192,634	-	3,534,225,906	4,746,825,375	29,390,955,856	-	29,390,955,856
Adjustment/Restatement								(444,543,673)		(444,543,673)		(444,543,673)
Adjusted/Restated Balance at Shrawan 1, 2080	11,564,005,366	-	5,478,016,797	48,528,936	3,522,160,842	497,192,634	-	3,089,682,233	4,746,825,375	28,946,412,183	-	28,946,412,183
Comprehensive Income for the year												
Profit for the year								701,497,630		701,497,630		701,497,630
Other Comprehensive income, net of tax												
Gains/(losses) from investments in equity instruments measured at fair value			40,007,140			(164,034,544)		160,028,559		36,001,155		36,001,155
Gains/(losses) on revaluation												
Actuarial gains/(losses) on defined benefit plans									12,101,103	12,101,103		12,101,103
Gains/(losses) on cash flow hedge												
Exchange gains/(losses) (arising from translating financial assets of foreign operation)												
Total comprehensive income for the year			40,007,140			(164,034,544)		861,526,189	12,101,103	749,599,888		749,599,888
Transfer to reserve during the year			140,299,526	508,623	993,249,663				1,954,057,987	3,088,115,799		3,088,115,799
Transfer from the reserve during the year								(3,088,115,799)		(3,088,115,799)		(3,088,115,799)
Transactions with owners, directly recognized in equity												
Share issued												
Share based payments												
Dividends to equity holders:												
Bonus Shares issued	3,353,561,556							(3,353,561,556)				
Cash Dividend Paid								(176,503,240)		(176,503,240)		(176,503,240)
Other												
Total contributions by and distributions:	3,353,561,556							(3,530,064,796)		(176,503,240)		(176,503,240)
Balance as at Ashadh End, 2081	14,917,566,922	-	5,658,323,463	49,037,559	4,515,410,505	333,158,090	-	(2,666,972,173)	6,712,984,465	29,519,508,832	-	29,519,508,832
Balance as at Shrawan 1, 2081	14,917,566,922	-	5,658,323,463	49,037,559	4,515,410,505	333,158,090	-	(2,666,972,173)	6,712,984,465	29,519,508,832	-	29,519,508,832
Adjustment/Restatement												
Adjusted/Restated Balance at Shrawan 1, 2081	14,917,566,922	-	5,658,323,463	49,037,559	4,515,410,505	333,158,090	-	(2,666,972,173)	6,712,984,465	29,519,508,831	-	29,519,508,831
Comprehensive Income for the year												
Profit for the year								151,730,287		151,730,287		151,730,287
Other Comprehensive income, net of tax												
Gains/(losses) from investments in equity instruments measured at fair value			1,829,821			(5,630,461)		7,319,285		3,518,646		3,518,646
Gains/(losses) on revaluation												
Actuarial gains/(losses) on defined benefit plans												
Gains/(losses) on cash flow hedge												
Exchange gains/(losses) (arising from translating financial assets of foreign operation)												
Total comprehensive income for the year			1,829,821			(5,630,461)		159,049,572		155,248,933		155,248,933
Transfer to reserve during the year			30,346,057	801,988	(563,429,212)				680,131,431	147,850,264		147,850,264
Transfer from the reserve during the year								(147,850,264)		(147,850,264)		(147,850,264)
Transactions with owners, directly recognized in equity												
Share issued												
Share based payments												
Dividends to equity holders:												
Bonus Shares issued												
Cash Dividend Paid												
Other												
Total contributions by and distributions:												
Balance as at Poush End, 2081	14,917,566,922	-	5,690,499,341	49,839,547	3,951,981,293	327,527,629	-	(2,655,772,865)	7,393,115,896	29,674,757,764	-	29,674,757,764



NIC ASIA Bank Limited
Consolidated Statement of Cash Flow Statement
For The Period ended Poush 2081

	Group		Bank	
	Upto This Quarter	Corresponding Previous Year Upto This Quarter	Upto This Quarter	Corresponding Previous Year Upto This Quarter
	Amount in NPR			
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	9,100,843,461	8,807,517,570	8,194,653,054	17,628,804,935
Fees and other income received	880,222,412	726,238,897	766,717,355	1,366,468,749
Dividend received	-	-	-	-
Receipts from other operating activities	51,692,923	33,808,783	41,302,049	63,895,735
Interest paid	(7,332,614,724)	(6,960,791,677)	(7,110,833,084)	(14,483,144,810)
Commission and fees paid	(166,658,835)	(52,518,295)	(163,344,450)	(157,321,852)
Cash Payment to Employees	(2,058,087,878)	(1,382,981,266)	(1,732,675,155)	(1,387,048,232)
Other expense paid	(1,165,332,491)	(622,199,075)	(949,899,529)	(909,208,085)
Operating cash flows before changes in operating assets and liabilities	(689,935,133)	549,074,938	(954,079,760)	2,122,446,441
(Increase)/Decrease in Operating Assets	26,243,760,703	(6,610,067,175)	30,767,104,485	(28,026,148,533)
Due from Nepal Rastra Bank	(145,614,088)	(90,483,836)	(145,614,088)	5,060,460,801
Placement with bank and financial institutions	-	-	-	-
Other trading assets	2,800,000	160,902,000	2,800,000	(220,000)
Loan and advances to bank and financial institutions	(2,930,166,362)	366,958,339	(130,166,362)	1,100,300,047
Loans and advances to customers	27,410,959,192	(9,093,610,627)	28,305,449,181	(33,457,847,062)
Other assets	1,905,781,961	2,046,166,949	2,734,635,754	(728,842,319)
Increase/(Decrease) in operating liabilities	(48,038,475,868)	(2,495,802,291)	(49,210,038,203)	67,600,194,595
Due to bank and financial institutions	(580,245,693)	(1,481,861,353)	(430,828,370)	(1,791,295,795)
Due to Nepal Rastra Bank	-	(14,737,456,498)	-	-
Deposit from customers	(47,659,533,307)	14,953,284,882	(48,114,590,175)	69,895,373,128
Borrowings	603,381,059	-	-	-
Other liabilities	(402,077,927)	(1,229,769,323)	(664,619,658)	(503,882,738)
Net cash flow from operating activities before tax paid	(22,484,650,298)	(8,556,794,528)	(19,397,013,478)	41,696,492,502
Income taxes paid	(9,082,724)	246,391,525	(11,070,728)	(1,109,205,677)
Net cash flow from operating activities	(22,493,733,022)	(8,803,186,053)	(19,408,084,206)	40,587,286,824
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	-	8,265,374,700	-	(26,854,206,011)
Receipts from sale of investment securities	1,020,591,801	-	916,053,258	-
Purchase of property and equipment	(11,974,922)	(191,919,240)	(2,149,662)	(753,431,271)
Receipt from the sale of property and equipment	959,230	-	959,230	-
Purchase of intangible assets	(18,516,051)	5,567,710	(22,470,780)	(41,209,707)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	(419,793,549)	-	(689,619,302)
Receipt from the sale of investment properties	320,710,820	-	320,710,820	-
Interest received	1,740,521,762	964,719,999	1,740,521,762	1,963,875,905
Dividend received	264,302,198	154,052,957	194,302,198	311,291,250
Net cash used in investing activities	3,316,594,839	8,778,002,577	3,147,926,827	(26,063,299,136)
CASH FLOWS FROM FINANCING ACTIVITIES				
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	-	-	-	(176,503,240)
Interest paid	(524,093,876)	-	(524,093,876)	(520,957,281)
Other receipt/payment	-	-	-	-
Net cash from financing activities	(524,093,876)	-	(524,093,876)	(697,460,521)
Net increase (decrease) in cash and cash equivalents	(19,701,232,059)	467,599,573	(16,784,251,256)	13,826,527,167
Cash and cash equivalents at Shrawan 1, 2081	36,038,477,839	32,029,869,045	29,752,769,729	20,245,563,442
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Poush end 2081	16,337,245,780	32,497,468,618	12,968,518,473	34,072,090,609

1. Reporting Entity

NIC ASIA Bank Limited (“NICA” or “the Bank”) is a limited liability company domiciled in Nepal which has been in operation in Nepal since 1998. The Bank is registered with the Office of Company Registrar as a public limited company and carries out commercial banking activities in Nepal under the license from Nepal Rastra Bank (Central Bank of Nepal) as Class “Ka” licensed institution. The Bank registered, and corporate office are at Kathmandu, Nepal.

The Bank offers full commercial banking services of banking products and services including loans and advances, deposits, trade finance, e-commerce services, bullion, etc. to wide range of clients encompassing individuals, corporates, multinationals, large public sector companies, government corporations, etc. as authorized by the Nepal Rastra Bank. The Bank is listed on Nepal Stock Exchange and its stock symbol is “NICA”.

1.1 Subsidiaries

The Bank has three subsidiaries namely **NIC ASIA Capital Limited and NIC ASIA Laghubitta Bittiya Sanstha Limited**

- a. NIC ASIA Capital Limited is subsidiary of the Bank with 95% holding and was incorporated on 15th May 2016 as a public limited company as per the Companies Act 2063 and licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008 to provide merchant banking and investment banking services.
- b. NIC ASIA Laghubitta Bittiya Sanstha Limited is subsidiary with 57.75% holding of Bank and was incorporated on 25th July 2017 as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as “D” class financial institution having registered office at Itahari, Nepal. The principle activities involved extending banking products and services to the deprived sectors/communities.

“The Group” represents the Bank and its subsidiaries.

2. Basis of Preparation

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

The disclosures made in the condensed consolidated interim financial information have been limited on the format prescribed by Nepal Rastra Bank Directive no. 4.

The interim financial statements comprise of:-

- Condensed Consolidated Statement of Financial Position
- Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Other Comprehensive Income shown in a single statement

- Condensed Consolidated Statement of Changes in Equity
- Condensed Consolidated Statement of Cash Flows
- Notes to the Interim Financial Statements and
- Ratios as per NRB Directive.

The interim financial statements do not 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 Bank's financial position and performance since the last annual financial statements.

Carve-Out - NFRS 9: Financial Instruments

(A) Carve- Out Pertaining to Impairment of Loans and Advances

Existing Provision

Recognition of expected credit losses General Approach

- 5.5.1 An entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured in accordance with paragraphs 4.1.2 or 4.1.2A, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply in accordance with paragraphs 2.1(g), 4.2.1(c) or 4.2.1(d).
- 5.5.2 An entity shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A. However, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.
- 5.5.3 Subject to paragraphs 5.5.13–5.5.16, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.
- 5.5.4 The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward looking.
- 5.5.5 Subject to paragraphs 5.5.13–5.5.16, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

- 5.5.6 For loan commitments and financial guarantee contracts, the date that the entity becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.
- 5.5.7 If an entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that paragraph 5.5.3 is no longer met, the entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.
- 5.5.8 An entity shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard.

Determining significant increases in credit risk

- 5.5.9 At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.
- 5.5.10 An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (see paragraphs B5.5.22–B5.5.24).
- 5.5.11 If reasonable entity and supportable forward-looking information is available without undue cost or effort, an entity cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, an entity may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

Modified financial assets

5.5.11 If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument in accordance with paragraph 5.5.3 by comparing:

- a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Purchased or originated credit-impaired financial assets

5.5.14 At each reporting date, an entity shall recognize in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. An entity shall recognize favorable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Simplified approach to trade receivables, contract assets and lease receivables

5.5.15 Despite paragraphs 5.5.3 and 5.5.5, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

- a) trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that:
 - i. do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15); or
 - ii. contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.
- b) lease receivables that result from transactions that are within the scope of IFRS 16, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.

5.5.16 An entity may select its accounting policy for trade receivables, lease receivables and contract assets independently of each other.

Measurement of expected credit losses

5.5.17 An entity may shall measure expected credit losses of a financial instrument in a way that reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) the time value of money;
- c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

5.5.18 When measuring expected credit losses, an entity need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

5.5.19 The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

5.5.20 However, some financial instruments include both a loan and an undrawn commitment component and the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For such financial instruments, and only those financial instruments, the entity shall measure expected credit losses over the period that the entity is exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

Alternative Treatment

a) Impairment and uncollectibility of financial assets measured at amortized cost

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

- (2) A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that a financial asset or group of asset is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:
- a. significant financial difficulty of the issuer or obligor;
 - b. a breach of contract, such as a default or delinquency in interest or principal payments;
 - c. the lender, for economic or legal reasons relating to borrower's financial difficulty, granting to the borrower a concession that the lender would otherwise consider;
 - d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
 - e. the disappearance of an active market for that financial asset because of financial difficulties; or
 - f. observable data indicating that there is measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - i. adverse changes in the payment status of borrowers in the group (eg an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or
 - ii. national or local economic conditions that correlate with defaults on the assets in the group (eg an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).
- (3) The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in a debt instrument that results from an increase in the risk-free interest rate).
- (4) In some cases, the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. For example, this may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, an entity uses its

experienced judgement to estimate the amount of any impairment loss. Similarly, an entity uses its experienced judgement to adjust observable data for a group of financial assets to reflect current circumstances (see paragraph AG6 below). The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

- (5) If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.
- (6) An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph 2 above). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.
- (7) If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Application Guidance

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

AG1. Impairment of financial asset measure at amortized cost is measured using the financial instrument's original effective interest rate because discounting at the current market rate of interest would, in effect, impose fair value measurement on financial assets that are otherwise measured at amortized cost. If the terms of a financial asset measured at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss under paragraph 63 is the current effective interest rate(s) determined under the contract. As a practical expedient, a creditor may measure impairment of a financial asset measured at amortized cost on the basis of an instrument's fair value using an observable

market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

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

AG6. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity-specific loss experience or insufficient experience, use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity).

AG7. As an example of applying paragraph AG6, an entity may determine, on the basis of historical experience, that one of the main causes of default on credit card loans is the

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

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

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

(B) Carve- Out Pertaining to Effective Interest Rate

Existing Provision

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

Alternative Treatment

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

The carve out is optional and has been provided for the FY 2021-22 to 2023-24. Accordingly, the bank has opted the carve out.

2.1 Reporting period and approval of financial statements

Reporting Period is a period from the first day of Shrawan (mid of July) of any year to the last day of quarter end, i.e. Ashoj (mid of October), Poush (mid of January), Chaitra (mid of April) and Asadh (mid of July) as per Nepali calendar.

Period	Nepali Calendar	English Calendar
Current Year Period	1 st Karthik 2081 to	17 th Oct 2024 to
	29 th Poush 2081	13 th Jan 2025
Previous Year Period	1 st Karthik 2080 to	18 th Oct 2023 to
	29 th Poush 2080	14 th Jan 2024

2.2 Functional and Presentation Currency

The interim financial statements are presented in Nepalese Rupees (NPR) which is the Bank's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise. Mid-rate has been used in calculation of balance in foreign currency.

3. Statement of Compliance with NFRSs

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting, as published by the

Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with BAFIA 2073, Unified Directives 2078 issued by Nepal Rastra Bank and all other applicable laws and regulations. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements

4. Use of estimates, assumptions and judgements

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

5. Changes in Accounting Policies

The Bank prepared the interim financial statements as per Nepal Financial Reporting Standard (NFRS) by recognizing all assets and liabilities whose recognition was required by NFRS, not recognizing the items of assets or liabilities which were not permitted by NFRS, and applying NFRS in measurement of recognized assets and liabilities.

The accounting policies adopted while preparing these interim financial statements are consistent with those applied in the Bank's annual financial statements.

6. Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the interim financial statements are consistent with those adopted and disclosed in the Bank's annual financial statements.

6.1 Basis of Measurement

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

- Financial assets and liabilities are measured at fair value at its initial recognition. Subsequent recognition of FVTOCI and FVTPL financial instruments are measured at fair value. Investment property is measured at fair value

- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

6.2 Basis of Consolidation

a) Non-Controlling Interest (NCI)

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

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

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

b) Subsidiaries

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

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

c) Loss of Control

Upon the loss of control, the Bank derecognizes the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of

components previously recognized in Other Comprehensive Income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

d) Transaction Elimination on Consolidation

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

6.3 Cash and Cash equivalent

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

6.4 Financial Assets and Financial Liabilities

a) Recognition

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

b) Classification

I. Financial Assets

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

The two classes of financial assets are as follows;

i. Financial assets measured at amortized cost

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

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

ii. Financial asset measured at fair value

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

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

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

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

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

II. Financial Liabilities

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

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

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

- **Financial Liabilities measured at amortized cost**

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

c) Measurement

i. Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii. Subsequent Measurement

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

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

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

iii. Derecognition

Derecognition of Financial Assets

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

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

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

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. On de-recognition of gain and loss on such instruments fair value movement till preceding year is recognized in other comprehensive income and realized gain in the reporting year to income statement based on the decision of Nepal Accounting Standards Board, Nepal dated 20th October 2020

iv. Determination of Fair Value

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

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

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

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

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

the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

v. Impairment

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

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

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

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

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

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

Impairment losses on assets measured at amortized cost

As per NAS 39

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

Loans and advances to customers with significant value (Top 50 borrowers and borrowers classified as bad as per Nepal Rastra Bank Directive) are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists

are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to six broad products as follows:

1. Term Loan
2. Auto Loan
3. Home Loan
4. Personal Loan
5. Working Capital Loan
6. Others

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

As per Loan Loss Provision of Nepal Rastra Bank

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

The Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

Impairment of investment in equity instrument classified as fair value through other comprehensive income

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

6.5 Trading Assets

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

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

6.6 Derivatives Assets and Derivative Liabilities

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

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

6.7 Property and Equipment

i. Recognition and Measurement

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

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

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

The cost of self-constructed assets includes the following:

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

The Bank adopts cost model for entire class of property and equipment. Neither class of the property and equipment are measured at revaluation model nor is their fair

value measured at the reporting date. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

Assets with a value of less than NPR 10,000 are charged off to revenue irrespective of their useful life in the year of purchase.

ii. Capital Work in Progress

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

iii. Depreciation

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

Group	Useful Life (In years)
Computer	5
Metal Furniture	10
Office Equipment	10
Vehicle	10
Wooden Furniture	5
Building	50
Leasehold	Lower of 15 years or Lease period

For depreciation purposes broken dates were considered as 1st of the month for assets procured till 14th and 1st of next month for assets procured from 15th to the end of the month.

iv. De-recognition

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment shall be

included in profit or loss when the item is derecognized except for sales and lease back transaction. The gain shall not be classified as revenue.

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

6.8 Intangible Assets/Goodwill

Goodwill

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

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

Acquire Intangible Assets

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

Computer Software

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

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

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than Rs. 10,000 are charged off on purchases as revenue expenditure.

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

6.9 Investment Property/ Non-Current Assets Held for Sale

Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date.

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

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

- (i) their carrying amounts will be recovered principally through sale;
- (ii) they are available-for-sale in their present condition; and
- (iii) their sale is highly probable.

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

6.10 Income Tax

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

Current tax

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

Deferred Tax

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

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

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

6.11 Deposits, Debt securities issued and subordinated liabilities

Deposit

The bank accepts deposits from its customers under account current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account

holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

Debt securities issued

It includes debentures, bonds or other debt securities issued by the Bank. Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest rate method, except where the Group designates liabilities at fair value through profit or loss.

However, debentures issued by the bank are subordinate to the deposits from customer.

Subordinated Liabilities

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

6.12 Provisions

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

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

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

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

continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

6.13 Revenue Recognition

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

Interest Income

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

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

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

Loan

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in

which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

Fees & Commission

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

Dividend Income

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

Net Trading Income

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

Net Income from other financial instrument at fair value through profit and loss statement

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

6.14 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 Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

6.15 Employees Benefits

a) Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the

amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

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

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

b) Post-Employment Benefits

Post-employment benefit plan includes the followings;

Defined Contribution Plan

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

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

All employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Bank contribute monthly at a pre-determined rate of 10% of the basic salary. The Bank does not assume any future liability for provident fund benefits other than its annual contribution.

Defined Benefit Plan

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

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

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

Termination Benefits

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

6.16 Foreign Currency Translation

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

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

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

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

6.17 Financial guarantee and loan commitment

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

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

6.18 Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity.

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

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

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

6.19 Earnings per share including diluted

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

As there are no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

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

6.20 Operating Segment Information

The Bank is organized for management and reporting purposes into segments such as Retail Banking, Corporate Banking, SME Banking, Deprived Sector Banking, Treasury, Transaction Banking and Other Banking. The segment results that are reported include

items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly common assets, head office expenses, and tax assets and liabilities.

Segmental Information

A. Information about reportable segments (NPR in million)

Particulars	Corporate	Retail	SME	DSL	Treasury	TB	Others	Total
Revenue from External Customers	2,073	6,598	4,490	1,377	1,352	311	313	16,515
Inter Segment Expenses/ Revenue	(0)	0	0	0	0	0	0	0
Net Revenue	2,073	6,598	4,490	1,377	1,352	311	313	16,515
Interest Income	2,048	6,471	4,297	1,361	1,155	0	321	15,653
Interest Expenses	1,579	4,288	3,005	1,034	560	0	0	10,466
Net Interest Income	469	2,183	1,292	327	595	0	321	5,187
Depreciation and Amortization	39	154	148	39	51	3	15	449
Profit before Income Tax	5	77	56	13	41	2	23	217
Impairment charge/(reversal) for loans and other losses	509	1,111	574	165	0	0	0	2,360
Segment Assets	28,777	116,696	112,295	29,988	76,224	166	14	364,160
Segment Liabilities	29,846	117,837	116,543	19,953	79,910	71	1	364,160

B. Reconciliation of reportable segments profit or loss (NPR in million)

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total Profit before tax for reportable segments	216	2,610
Profit before tax for other segments	-	-
Elimination of inter segment profits	-	-
Elimination of discontinued operation	-	-
Unallocated amounts	-	-
-Other corporate expenses	-	-
Profit before tax	216	2,610

7. Concentration of Borrowings, Credits and Deposits

A. Concentration of Borrowings

Particulars	Current Year	Previous Year
Borrowings from 10 largest lenders		-
Percentage of borrowings from ten largest lenders to total depositors		-

B. Concentration of Credit Exposures

Particulars	Current Year	Previous Year
Total credits from twenty largest borrowers		

a. Groupwise (related party)	12,108,033,293	12,157,983,522
b. As per individual customer	12,108,033,293	12,157,983,522
Percentage of exposures to twenty largest borrowers to Total Loans and Advances		
a. Groupwise (related party)	4.64%	4.02%
b. As per individual customer	4.64%	4.02%

C. Concentration of Deposits

Particulars	Current Year	Previous Year
Total deposits from twenty largest depositors		
a. Groupwise	71,279,374,810	94,537,406,292
b. As per individual customer	71,279,374,810	94,537,406,292
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Groupwise	22.71%	24.79%
b. As per individual customer	22.71%	24.79%

8. Related Party Disclosures

I. Subsidiary Companies

Name	Shareholding %
NIC ASIA Capital Limited	95.00
NIC ASIA Laghubitta Bittiya Sanstha Limited	57.75

II. Transactions with Subsidiaries

Amount (NPR in Million)

S No	Particulars	NIC Asia Capital	NIC Asia Laghubitta
1	Share Registrar fee paid	-	-
2	Deposit received from subsidiaries	377.61	3,101.67
3	Loans to Subsidiary	-	3,100.00
4	Interest paid to subsidiaries	12.45	-
5	Interest received from subsidiaries	-	340.35
6	Reimbursement received	-	0.058
7	Service Fee paid by subsidiary		0.025

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

The bank has not paid dividend during the reporting period.

10. Issues, repurchases and repayments of debt and equity securities

The bank has not issued any debt or equity securities during the reporting period.

11. Events after interim period

The Bank monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable. There were no material events that have occurred subsequent to date of Interim Financial Statements.

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

There are no merger or acquisitions transaction during the reporting period.