INTERIM FINANCIAL

REPORT

13th April 2025 (31st Chaitra 2081)

NIC ASIA Bank Ltd.
Condensed Consolidated Statement of Financial Position
For the Quarter Ended 31st Chaitra 2081 (13th April 2025)

Amount in NPR

	Group		Bank	
Assets	**This Quarter Ending**	**Immediate Previous Year Ending**	**This Quarter Ending**	**Immediate Previous Year Ending**
Cash and cash equivalent	16,600,306,942	36,038,477,839	12,871,723,977	29,752,769,729
Due from Nepal Rastra Bank	15,837,311,514	16,749,169,067	15,837,311,514	16,749,169,067
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	5,115,717,413	3,753,025,095	5,115,717,413	3,753,025,095
Other trading assets	487,900,000	2,800,000	487,900,000	2,800,000
Loan and advances to B/FIs	7,405,159,500	5,049,855,800	10,285,159,500	10,949,855,800
Loans and advances to customers	250,804,210,483	286,669,776,735	233,434,321,797	271,253,725,413
Investment securities	59,240,495,519	60,582,164,484	59,204,570,819	60,089,191,867
Current tax assets	654,348,702	665,469,129	614,735,125	622,252,230
Investment in subsidiaries	-	-	1,194,500,000	1,194,500,000
Investment in associates	-	-	-	-
Investment property	4,591,279,657	4,365,413,519	4,587,533,191	4,361,667,053
Property and equipment	4,991,209,318	5,518,403,824	4,712,432,489	5,233,055,005
Goodwill and Intangible assets	169,768,853	188,743,743	166,514,941	180,728,337
Deferred tax assets	-	-	-	-
Other assets	6,746,250,069	6,466,035,652	5,802,297,959	6,325,102,705
Total Assets	**372,643,957,970**	**426,049,334,887**	**354,314,718,724**	**410,467,842,301**
Liabilities				
Due to Bank and Financial Institutions	6,804,518,007	5,388,344,213	8,802,790,162	8,340,598,144
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	4,966,631,121	3,746,713,025	4,966,631,121	3,746,713,025
Deposits from customers	295,625,896,703	355,070,780,252	294,060,129,588	354,096,864,840
Borrowing	16,116,520,102	15,132,620,727	-	-
Current Tax liabilities	-	-	-	-
Provisions	53,521,464	33,187,812	-	-
Deferred tax liabilities	111,641,412	92,302,338	257,846,825	238,462,751
Other liabilities	4,783,394,689	4,597,712,400	3,756,191,967	3,788,365,647
Debt securities issued	12,740,465,658	10,737,329,063	12,740,465,658	10,737,329,063
Subordinated liabilities	-	-	-	-
Total Liabilities	**341,202,589,156**	**394,798,989,829**	**324,584,055,321**	**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	(3,455,221,088)	(2,527,285,743)	(3,569,202,808)	(2,666,972,173)
Reserves	18,879,670,759	17,765,810,571	18,382,299,289	17,268,914,082
Total equity attributable to equity holders	**30,342,016,593**	**30,156,091,751**	**29,730,663,404**	**29,519,508,832**
Non-controlling interest	1,099,352,220	1,094,253,307	-	-
Total equity	**31,441,368,813**	**31,250,345,057**	**29,730,663,404**	**29,519,508,832**
Total Liabilities and equity	**372,643,957,970**	**426,049,334,887**	**354,314,718,724**	**410,467,842,301**

NIC ASIA Bank Ltd.
Condensed Consolidated Statement of Profit or Loss
For the Quarter Ended 31st Chaitra 2081 (13th April 2025)

Amount in NPR

	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
Particulars	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	16,123,601,407	23,726,160,432	9,254,413,496	30,818,336,770	6,816,414,772	22,469,316,147	8,875,225,720	29,420,745,126
Interest expense	10,463,791,859	15,267,188,269	6,369,245,433	21,963,382,983	4,040,859,638	14,506,797,010	6,228,472,493	21,232,574,584
Net interest income	**5,659,809,548**	**8,458,972,163**	**2,885,168,063**	**8,854,953,787**	**2,775,555,133**	**7,962,519,137**	**2,646,753,226**	**8,188,170,542**
Fee and commission income	1,032,617,948	1,509,167,901	402,896,266	1,913,070,488	412,204,589	1,207,678,786	513,028,380	1,879,497,128
Fee and commission expense	151,813,463	245,402,378	93,698,467	278,009,679	76,172,335	239,516,785	90,523,733	247,845,585
Net fee and commission income	**880,804,485**	**1,263,765,523**	**309,197,800**	**1,635,060,809**	**336,032,254**	**968,162,001**	**422,504,646**	**1,631,651,543**
Net interest, fee and commission income	**6,540,614,033**	**9,722,737,686**	**3,194,365,863**	**10,490,014,595**	**3,111,587,388**	**8,930,681,138**	**3,069,257,873**	**9,819,822,085**
Net trading income	84,431,432	117,814,655	18,275,466	85,423,255	58,573,948	117,814,655	18,275,466	85,423,255
Other operating income	130,460,643	159,786,880	281,777,372	603,047,423	(31,821,008)	143,752,346	89,760,511	396,701,750
Total operating income	**6,755,506,108**	**10,000,339,221**	**3,494,418,700**	**11,178,485,273**	**3,138,340,328**	**9,192,248,138**	**3,177,293,849**	**10,301,947,091**
Impairment charge/ (reversal) for loans and other losses	1,853,428,169	2,988,541,609	1,729,236,691	2,265,703,340	690,594,734	3,050,268,171	1,668,492,783	2,148,530,842
Net operating income	**4,902,077,939**	**7,011,797,612**	**1,765,182,009**	**8,912,781,933**	**2,447,745,594**	**6,141,979,968**	**1,508,801,067**	**8,153,416,249**
Operating expense								
Personnel expenses	2,234,239,020	3,375,219,052	923,717,226	3,167,177,333	965,586,479	2,919,144,000	819,422,391	2,819,434,948
Other operating expenses	984,556,648	1,509,686,661	499,596,350	1,357,039,073	365,599,887	1,315,499,416	396,906,513	1,124,755,577
Depreciation & Amortization	413,894,281	642,715,591	236,313,880	609,867,964	168,013,613	616,826,684	228,234,705	583,947,902
Operating Profit	**1,269,387,990**	**1,484,176,308**	**105,554,552**	**3,778,697,563**	**948,545,615**	**1,290,509,868**	**64,237,457**	**3,625,277,822**
Non operating income	14,194,707	16,138,386	925,697	8,027,338	4,779,940	12,100,090	410,889	6,818,074
Non operating expense	1,026,737,882	1,136,521,789	50,790,660	1,018,391,784	945,495,887	1,078,022,736	50,790,658	1,008,699,486
Profit before income tax	**256,844,815**	**363,792,905**	**55,689,589**	**2,768,333,117**	**7,829,669**	**224,587,222**	**13,857,688**	**2,623,396,410**
Income tax expense								
Current Tax	77,711,340	109,795,768	15,323,135	760,061,266	2,783,997	67,811,263	2,773,564	708,504,739
Deferred Tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period	**179,133,474**	**253,997,138**	**40,366,455**	**2,008,271,851**	**5,045,672**	**156,775,959**	**11,084,124**	**1,914,891,670**
Condensed Consolidated Statement of Comprehensive Income								
Profit/(loss) for the period	179,133,474	253,997,138	40,366,455	2,008,271,851	5,045,672	156,775,959	11,084,124	1,914,891,670
Other Comprehensive Income	(171,098,929)	54,378,613	62,522,041	(14,465,812)	50,859,967	54,378,613	7,556,782	(76,987,854)
Total Comprehensive Income	**8,034,545**	**308,375,751**	**102,888,496**	**1,993,806,039**	**55,905,639**	**211,154,572**	**18,640,906**	**1,837,903,817**
Basic earnings per share		2.28		18.13		1.41		17.29
Diluted earnings per share		2.28		18.13		1.41		17.29
Profit attributable to:								
Equity holders of the Bank	175,392,746	248,653,463	38,802,608	2,006,240,473	5,045,672	156,775,959	11,084,124	1,914,891,670
Non-controlling interest	3,740,728	5,343,674	1,563,846	2,031,378	-	-	-	-
Total	**179,133,474**	**253,997,138**	**40,366,455**	**2,008,271,851**	**5,045,672**	**156,775,959**	**11,084,124**	**1,914,891,670**

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		13.32%		13.86%		13.42%		11.29%
Tier I capital to RWA		9.13%		8.49%		9.05%		8.25%
CET I capital to RWA		9.13%		8.49%		9.05%		8.25%
Gross Non-performing loan (NPL) to total loan		6.60%		3.63%		5.75%		3.08%
Net Non-performing loan to total Loan		2.80%		2.12%		1.92%		1.76%
Total loan loss provision to Total NPL		78.50%		79.86%		89.22%		89.34%
Cost of Funds		5.22%		6.89%		5.12%		6.79%
Credit to Deposit Ratio		84.52%		86.47%		83.47%		85.81%
Base Rate for the month		7.30%		8.96%		7.20%		8.86%
Interest Rate Spread		4.23%		4.21%		4.00%		3.99%
Return on Equity		1.08%		8.30%		0.71%		8.59%
Return on Asset		0.09%		0.68%		0.06%		0.68%

Statement of Distributable Profit or Loss
For the Qtr end of Chaitra 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	156,775,959	1,914,891,670
Appropriations:		
a. General reserve	31,355,192	382,978,334
b. Foreign exchange fluctuation fund	1,500,697	197,962
c. Capital redemption reserve	1,028,058,021	1,328,165,450
d. Corporate social responsibility fund	(6,291,316)	10,220,204
e. Employees' training fund	-	-
f. Other	-	-
- Deferred Tax reserve	-	-
- Investment Adjustment Reserve	-	-
-Sale of investment	(7,319,285)	(100,028,788)
Profit or (loss) before regulatory adjustment	**(890,527,350)**	**293,358,509**
Regulatory adjustment :	**(11,703,285)**	**(1,578,618,765)**
a. Interest receivable (-)/previous accrued interest received (+)	(476,338,259)	(709,020,831)
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 (-)/resersal (+)	464,634,974	(869,597,934)
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
-Debt securities recognised at amortised cost	-	-
-Defined benefit obligation	-	-
-Fair value reserve		
Net Profit or (loss) for the Qtr end Chaitra 2081 available for distribution	**(902,230,635)**	**(1,285,260,256)**
Opening Retained Earning as on Shrawan 1	**(2,666,972,173)**	**3,534,225,906**
Adjustment (+/-)		
Tax paid out of Retained Earning	-	(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	**(3,569,202,808)**	**(1,725,642,819)**
Annualised Distributable Profit/Loss per share	**-**	**-**

Debenture of NPR 3 Bn had matured on 29th Poush 2081 and the amount of redemption reserve created of Rs. 3 Bn has been transferred to Capital Adjustment Reserve. Considering the same, distributatable loss of the bank would be Rs.569 Mn. Also, As per NRB directive 16/2081 only bonus share can be distributed out of Capital Adjustment Reserve.

NIC ASIA

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

Amount in NPR

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	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 revalution	-	-	-	-	69,518,391	-	-	-	(3,972,399)	65,545,992	45,062,860	110,608,852
Actuarial gains/(loses) 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:												
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			1,744,745					(11,954,406)	(7,787,142)	(17,996,803)	6,150,400	
Adjusted/Restated Balance at Shrawan 1, 2081	14,917,566,922	-	5,889,950,171	49,037,559	4,758,948,038	334,022,354	-	(2,539,240,148)	6,727,810,052	30,138,094,948	1,100,403,707	31,238,498,655
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-		-
Profit for the year	-	-	-	-	-	-	-	248,653,463	-	248,653,463	5,343,674	253,997,138
Other Comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-		-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	1,829,821	-	-	45,229,506	-	7,319,285	-	54,378,613		54,378,613
Gains/(losses) on revalution	-	-	-	-	-	-	-	-	-	-		-
Actuarial gains/(loses) 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	-	-	45,229,506	-	255,972,749	-	303,032,076	5,343,674	308,375,751
Transfer to reserve during the year	-	-	21,172,834	1,500,697	30,072,125	(60,636)	-	-	1,020,158,236	1,072,843,257	(1,142,161)	1,071,701,096
Transfer from the reserve during the year	-	-	-	-	-	-	-	(1,072,146,687)	-	(1,072,146,687)		(1,072,146,687)
Transactions with owners, directly recognized in equity	-	-	-	-	-	-	-	-	-	-		-
Share issued	-	-	-	-	-	-	-	-	-	-		-
Share based payments	-	-	-	-	-	-	-	-	-	-		-
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-		-
Bonus Shares issued	-	-	-	-	-	-	-	-	-	-		-
Cash Dividend Paid	-	-	-	-	-	-	-	(99,807,001)	-	(99,807,001)	(5,253,000)	(105,060,001)
Other	-	-	-	-	-	-	-	-		-		-
Total contributions by and distributions:												
Balance as at Chaitra End, 2081	14,917,566,922	-	5,912,952,827	50,538,257	4,789,020,163	379,191,224	-	(3,455,221,088)	7,747,968,288	30,342,016,593	1,099,352,220	31,441,368,813

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

Amount in NPR

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	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 revalution										-		-
Actuarial gains/(loses) 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								156,775,959		156,775,959		156,775,959
Other Comprehensive income, net of tax										-		-
Gains/(losses) from investments in equity instruments measured at fair value			1,829,821			45,229,506		7,319,285		54,378,613		54,378,613
Gains/(losses) on revalution										-		-
Actuarial gains/(loses) 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**	**-**	**-**	**45,229,506**	**-**	**164,095,245**	**-**	**211,154,572**		**211,154,572**
Transfer to reserve during the year			31,355,192	1,500,697	11,703,285				1,021,766,706	1,066,325,880		1,066,325,880
Transfer from the reserve during the year								(1,066,325,880)	-	(1,066,325,880)		(1,066,325,880)
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 Chaitra End, 2081	**14,917,566,922**	**-**	**5,691,508,476**	**50,538,257**	**4,527,113,790**	**378,387,596**	**-**	**(3,569,202,808)**	**7,734,751,170**	**29,730,663,403**	**-**	**29,730,663,404**

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

Amount in NPR

	Group		Bank	
	Upto This Quarter	Corresponding Previous Year Upto This Quarter	Upto This Quarter	Corresponding Previous Year Upto This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	13,877,557,507	26,867,049,088	12,535,654,048	25,209,480,133
Fees and other income received	1,470,064,560	1,913,070,488	1,168,575,445	1,879,497,128
Dividend received	-	-	-	-
Receipts from other operating activities	88,391,824	382,045,214	74,582,229	167,672,204
Interest paid	(11,739,987,278)	(21,182,620,769)	(10,979,596,018)	(20,451,812,370)
Commission and fees paid	(245,402,378)	(278,009,679)	(239,516,785)	(247,845,585)
Cash Payment to Employees	(2,981,265,298)	(2,676,263,072)	(2,540,657,544)	(2,344,624,765)
Other expense paid	(1,627,038,655)	(2,447,812,719)	(1,315,499,416)	(1,764,651,999)
Operating cash flows before changes in operating assets and liabilities	**(1,157,679,718)**	**2,577,458,552**	**(1,296,458,042)**	**2,447,714,747**
(Increase)/Decrease in Operating Assets	**35,398,698,991**	**(11,713,276,851)**	**41,145,489,798**	**(16,398,637,901)**
Due from Nepal Rastra Bank	911,857,554	3,788,539,105	911,857,554	3,788,539,105
Placement with bank and financial institutions	-	-	-	-
Other trading assets	(485,100,000)	3,144,208	(485,100,000)	(220,000)
Loan and advances to bank and financial institutions	(2,355,303,700)	2,959,866,316	664,696,300	(689,198,078)
Loans and advances to customers	35,957,345,231	(16,774,496,561)	37,914,929,565	(18,559,527,685)
Other assets	1,369,899,906	(1,690,329,920)	2,139,106,379	(938,231,243)
Increase/(Decrease) in operating liabilities	**(59,690,412,913)**	**31,645,858,414**	**(62,342,823,091)**	**33,552,170,678**
Due to bank and financial institutions	1,416,173,794	3,701,390,511	462,192,018	19,386,271,126
Due to Nepal Rastra Bank	-	-	-	-
Deposit from customers	(62,067,103,057)	14,719,405,850	(62,658,954,760)	15,799,721,233
Borrowings	983,899,375	14,595,816,825	-	-
Other liabilities	(23,383,025)	(1,370,754,772)	(146,060,349)	(1,633,821,681)
Net cash flow from operating activities before tax paid	**(25,449,393,640)**	**22,510,040,115**	**(22,493,791,335)**	**19,601,247,525**
Income taxes paid	(116,717,303)	(690,667,676)	(121,190,817)	(648,338,213)
Net cash flow from operating activities	**(25,566,110,943)**	**21,819,372,439**	**(22,614,982,152)**	**18,952,909,312**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	-	(18,652,951,248)	-	(19,084,350,164)
Receipts from sale of investment securities	1,382,346,481	264,911,406	925,298,564	274,911,406
Purchase of property and equipment	(152,326,640)	(567,911,093)	(78,257,640)	(537,122,305)
Receipt from the sale of property and equipment	959,230	1,253,740	959,230	1,253,740
Purchase of intangible assets	(15,714,223)	(71,717,163)	(20,475,717)	(75,648,432)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	(1,380,314,181)	-	(1,380,314,181)
Receipt from the sale of investment properties	851,103,256	-	851,103,256	-
Interest received	2,573,057,247	2,963,885,139	2,573,057,247	2,963,885,139
Dividend received	205,348,098	165,228,726	199,084,863	315,903,726
Net cash used in investing activities	**4,844,773,448**	**(17,277,614,675)**	**4,450,769,802**	**(17,521,481,072)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	5,000,000,000	-	5,000,000,000	-
Repayment of debt securities	(3,000,000,000)	-	(3,000,000,000)	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	-	(66,262,240)	-	(176,503,240)
Interest paid	(716,833,402)	(775,711,116)	(716,833,402)	(775,711,116)
Other receipt/payment	-	-	-	-
Net cash from financing activities	**1,283,166,598**	**(841,973,356)**	**1,283,166,598**	**(952,214,356)**
Net increase (decrease) in cash and cash equivalents	(19,438,170,897)	3,699,784,407	(16,881,045,752)	479,213,883
Cash and cash equivalents at Shrawan 1, 2081	36,038,477,839	24,355,126,124	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	**16,600,306,942**	**28,054,910,531**	**12,871,723,977**	**20,724,777,326**

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 with 95% holding of Bank 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.

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	1st Magh 2081 to	14th January 2025 to
	31st Chaitra 2081	13th April 2025
Previous Year Period	1st Magh 2080 to	15th January 2024 to
	30th Chaitra 2080	12th April 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 2081 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 though 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 though 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

The bank shall follow the ECL guideline issued by Nepal Rastra bank for the purpose of impairment of financial instruments. **The major provision of ECL related guideline issued by NRB regarding Impairment are:**

9. Expected Credit Losses

Expected Credit Losses are a probability weighted estimate of credit losses (i.e present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between cash flows that are due to an entity in accordance with the contract and cash flows that the entity expects to receive. (NFRS 9)

9.1. 12 month expected credit losses

Twelve month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after reporting date. An amount equal to 12 month ECL is not only losses expected in next 12 months rather, it is the expected cash shortfalls over the life of the lending exposure or group of lending exposures due to loss events that could occur in the next 12 months.

Twelve month expected credit losses are to be recognized for financial instruments with low credit risk or no significant change in credit risk since initial recognition, at the reporting date. A nil allowance is rare as ECL estimates are probability weighted amount (BCBS).

9.2. Lifetime Expected Credit Losses

Lifetime Expected Credit Losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit losses are to be recognized for financial instruments with significant increase in credit risk since initial recognition, whether assessed on individual or collective basis, considering all reasonable and supportable information, including that which is forward looking.

It is the change in risk of default rather than change in amount of expected credit losses that is of concern for assessment of changes in credit risk (before consideration of effects of credit risk mitigants such as collateral or guarantees).

In the case of modified/restructured/renegotiated exposures, the assessment of increase in credit risk by comparing risk of default occurring at the reporting date based on modified contractual terms with risk of default occurring upon initial recognition based on original, unmodified contractual terms. BFIs should not move back to 12 month ECL unless there is sufficient evidence.

For purchased or originated credit impaired financial assets, only cumulative changes in lifetime expected credit losses since initial recognition are recognized.

10. Indicators of significant increase in credit risk

The recognition of lifetime or 12 month expected credit losses requires assessment of significant increase in credit risk since initial recognition. Therefore, the following conditions (non-exhaustive list) can be deemed as indicators of significant increase in credit risk.

i) More than 30 days past due

ii) Absolute Lifetime PD is 5% or more

iii) Relative Lifetime PD is increased by 100% or more

iv) Risk rating (internal or external) downgraded by 2 notches since initial recognition

v) Risk rating downgraded to non-investment grade by external credit rating agency (BB+ or below) or by bank's internal credit rating system

vi) Deterioration of relevant determinants of credit risk (eg future cash flows) for an individual obligor (or pool of obligors)

vii) Expectation of forbearance or restructuring due to financial difficulties

viii) Deterioration of prospects for sector or industries within which a borrower operates

ix) Borrowers affected by macroeconomic conditions based on reasonable and supportable forecasts.

x) Modification of terms resulting in restructuring/rescheduling

xi) Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition

xii) Management decision to strengthen collateral and/or covenant requirements for credit exposures because of changes in the credit risk of those exposures since initial recognition

Both qualitative and quantitative factors are encouraged to be considered while assessing whether there has been significant increases in credit risk. Accurate identification of drivers of credit risk and reliable demonstration of linkage between those drivers and level of credit risk is also critical.

Internal risk rating systems of banks and financial institutions should include sufficient number of grades to appropriately distinguish credit risk whilst change in credit risk can occur prior to a movement in a credit grade.

For the purpose of determining significant increases in credit risk and recognizing loss allowance on a collective basis, banks and financial institutions can group financial instruments on the basis of shared risk characteristics

11. Interest income recognition

Interest income on financial assets measured at amortized cost shall be calculated on following basis:

a) For exposures classified under Stage 1 and Stage 2:

By applying effective interest rate to the gross carrying amount of financial asset (before deduction of loss allowances)

b) For exposures classified under Stage 3:

On actual receipt basis.

Interest income recognition guidelines, 2019 issued by Nepal Rastra Bank shall be repealed upon implementation of this guideline.

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 sub ordinated liabilities

Deposit

The bank accepts deposits form 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 '000')

Particulars	Corporate	Retail	SME	DSL	Treasury	TB	Others	Total
Revenue from External Customers	2,988,757	9,511,557	6,472,550	1,985,563	1,948,488	448,804	451,190	**23,806,910**
Inter Segment Expenses/ Revenue	(22)	12	8	2	-	-	-	**-**
Net Revenue	2,988,735	9,511,569	6,472,558	1,985,565	1,948,488	448,804	451,190	**23,806,910**
Interest Income	2,939,185	9,289,474	6,167,991	1,953,995	1,657,686	-	460,985	**22,469,316**
Interest Expenses	2,188,598	5,943,548	4,165,586	1,433,260	775,805	-	-	**14,506,797**
Net Interest Income	750,587	3,345,926	2,002,406	520,735	881,881	-	460,985	**7,962,519**
Depreciation and Amortization	52,943	211,166	203,202	54,265	70,538	3,540	21,174	**616,827**
Profit before Income Tax	5,429	79,557	57,803	13,943	42,049	1,964	23,843	**224,587**

Impairment charge/(reversal) for loans and other losses	658,079	1,436,751	741,766	213,672	-	-	-	**3,050,268**
Segment Assets	**27,998,903**	**113,540,788**	**109,258,965**	**29,177,440**	**74,163,529**	**161,086**	**14,007**	**354,314,719**
Segment Liabilities	**29,039,376**	**114,651,023**	**113,391,850**	**19,413,545**	**77,749,230**	**69,142**	**553**	**354,314,719**

B. Reconciliation of reportable segments profit or loss (NPR in '000')

Particulars	**Current Quarter**	**Corresponding Previous Year Quarter**
Total Profit before tax for reportable segments	7,830	2,623,000
Profit before tax for other segments	-	-
Elimination of inter segment profits	-	-
Elimination of discontinued operation	-	-
Unallocated amounts	-	-
-Other corporate expenses	-	-
Profit before tax	**7,830**	**2,623,000**

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)	11,190,524,099.69	13,641,105,433.28
b. As per individual customer	11,190,524,099.69	13,641,105,433.28
Percentage of exposures to twenty largest borrowers to Total Loans and Advances		
a. Groupwise (related party)	4.5%	4.71%
b. As per individual customer	4.5%	4.71%

C. Concentration of Deposits

Particulars	**Current Year**	**Previous Year**
Total deposits from twenty largest depositors		

a. Groupwise	58,363,532,578.09	99,435,331,181.07
b. As per individual customer	58,363,532,578.09	99,435,331,181.07
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Groupwise	19.60%	29.97%
b. As per individual customer	19.60%	29.97%

8. Related Party Disclosures

I. Subsidiary Companies

Name	Shareholding %
NIC ASIA Capital Limited	95
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	395.84	1998.27
3	Loans to Subsidiary	-	2880
4	Interest paid to subsidiaries	15.52	-
5	Interest received from subsidiaries	-	69.54
6	Reimbursement received	-	0.069
7	Service Fee paid by subsidiary	-	-
8	Dividend Income Received	94.82	-

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

9% NIC ASOA Debenture 2081/82 amounting Rs. 3 Bn. had matured on 29th Poush 2081.
Bank had issued 7% NIC ASIA Debenture 2091 amounting of Rs. 5 Billion 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.