



PRIME COMMERCIAL **BANK LTD.**
प्राइम कमर्सियल बैंक लिमिटेड

Interim Financial Statements

As on Ashwin 31, 2082 (17th October 2025)

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I. Condensed Statement of Financial Position

Condensed Statement of Financial Position

As on Quarter Ended Ashwin 2082

Amount in NPR

Assets	This Quarter Ending	Immediate Previous Year Ending-Unaudited
Cash and Cash Equivalents	13,411,900,634	13,558,945,679
Due from Nepal Rastra Bank	13,697,779,887	19,567,391,102
Placement with Bank and Financial Institutions	3,840,303,391	3,759,755,176
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to B/FIs	8,477,630,793	8,888,477,033
Loans and Advances to Customers	214,956,435,768	210,461,724,383
Investment Securities	53,426,608,644	52,369,045,172
Current Tax Assets	-	-
Investment in Subsidiaries	-	-
Investment in Associates	46,023,000	46,023,000
Investment Property	4,257,550,394	3,943,962,799
Property and Equipment	1,924,852,761	1,935,827,028
Goodwill and Intangible Assets	387,962,773	385,861,036
Deferred Tax Assets	654,069,423	414,690,706
Other Assets	1,548,443,024	1,815,313,815
Total Assets	316,629,560,491	317,147,016,930
Liabilities	This Quarter Ending	Immediate Previous Year Ending-Unaudited
Due to Bank and Financial Institutions	3,309,280,748	4,659,806,860
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	261,753,134,512	263,360,694,622
Borrowings	2,811,000,000	2,750,000,000
Current Tax Liabilities	644,677,163	54,975,361
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	4,151,110,203	3,447,243,684
Debt Securities Issued	9,167,406,736	9,167,406,736
Subordinated Liabilities	-	-
Total Liabilities	281,836,609,362	283,440,127,263
Equity		
Share Capital	19,402,575,716	19,402,575,716
Share Premium	-	-
Retained Earnings	3,044,609,508	2,780,819,221
Reserves	12,345,765,905	11,523,494,730
Total Equity Attributable to Equity Holders	34,792,951,129	33,706,889,667
Non-Controlling Interest	-	-
Total Equity	34,792,951,129	33,706,889,667
Total Liabilities and Equity	316,629,560,491	317,147,016,930

II. Condensed Statement of Profit and Loss

Condensed Statement of Profit or Loss

For the Quarter Ended Ashwin 2082

Amount in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	5,896,339,615	5,896,339,615	6,262,839,392	6,262,839,392
Interest Expense	3,488,892,018	3,488,892,018	3,930,976,851	3,930,976,851
Net Interest Income	2,407,447,597	2,407,447,597	2,331,862,541	2,331,862,541
Fee and Commission Income	709,384,904	709,384,904	599,779,872	599,779,872
Fee and Commission Expense	38,920,070	38,920,070	37,652,441	37,652,441
Net Fee and Commission Income	670,464,834	670,464,834	562,127,431	562,127,431
Net Interest, Fee and Commission Income	3,077,912,431	3,077,912,431	2,893,989,972	2,893,989,972
Net Trading Income	86,254,841	86,254,841	46,358,218	46,358,218
Other Operating Income	286,326,822	286,326,822	173,259,436	173,259,436
Total Operating Income	3,450,494,095	3,450,494,095	3,113,607,627	3,113,607,627
Impairment Charge/ (Reversal) for Loans and Other Losses	480,981,718	480,981,718	410,455,979	410,455,979
Net Operating Income	2,969,512,376	2,969,512,376	2,703,151,648	2,703,151,648
Operating Expense				
Personnel Expenses	675,955,199	675,955,199	659,909,369	659,909,369
Other Operating Expenses	180,598,000	180,598,000	179,938,825	179,938,825
Depreciation & Amortization	37,132,153	37,132,153	34,985,155	34,985,155
Operating Profit	2,075,827,024	2,075,827,024	1,828,318,299	1,828,318,299
Non-Operating Income	876,612.35	876,612.35	-	-
Non-Operating Expense	277,699,583	277,699,583	-	-
Profit Before Income Tax	1,799,004,053	1,799,004,053	1,828,318,299	1,828,318,299
Income Tax Expense	-	-		
Current Tax	703,476,811	703,476,811	529,146,708	529,146,708
Deferred Tax	(162,902,831)	(162,902,831)	12,384,392	12,384,392
Profit/(Loss) for the Period	1,258,430,073	1,258,430,073	1,286,787,199	1,286,787,199

III. Statement of Other Comprehensive Income

For the Quarter Ended Ashwin 2082

Amount in NPR

Particulars	Current Year		Previous Year	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit for the year	1,258,430,073	1,258,430,073	1,286,787,199	1,286,787,199
Other Comprehensive Income, Net of Income Tax				
a) Items that will not be reclassified to profit or loss				
Gains/(losses) from investment in equity instruments measured at fair value	(254,919,617)	(254,919,617)	14,764,367	14,764,367
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Income tax relating to above items	76,475,885	76,475,885	(4,429,310)	(4,429,310)
Net other comprehensive income that will not be reclassified to profit or loss	(178,443,732)	(178,443,732)	10,335,057	10,335,057
b) Items that are or may be reclassified to profit or loss				
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above items	-	-	-	-
Reclassify to profit or loss	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-	-	-
Other Comprehensive Income for the year, Net of Income Tax	(178,443,732)	(178,443,732)	10,335,057	10,335,057
Total Comprehensive Income for the Year	1,079,986,341	1,079,986,341	1,297,122,256	1,297,122,256
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank	1,079,986,341	1,079,986,341	1,297,122,256	1,297,122,256
Non-Controlling Interest	-	-	-	-
Total Comprehensive Income for the Period	1,079,986,341	1,079,986,341	1,297,122,256	1,297,122,256
Earnings Per Share				
Basic Earnings Per Share		6.49		6.63
Annualized Earning Per Share		25.94		26.53
Diluted earnings Per Share		25.94		26.53

Ratio as per NRB Directives

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Tier 1 Capital to RWA		10.18%		11.17%
CET 1 Capital to RWA		10.18%		11.17%
Capital Fund to RWA		12.17%		12.47%
Non-Performing Loan (NPL) to total Loan		5.86%		4.86%
Total Loan Loss Provision to Total NPL		90.42%		104.35%
Cost of Funds		4.79%		6.36%
Credit to Deposit Ratio		82.65%		85.38%
Base Rate		6.08%		7.92%
Interest Rate Spread (as per NRB directive)		3.90%		3.98%
Return on Equity		14.70%		15.97%
Return on Assets		1.59%		1.86%

IV. Condensed Statement of Changes in Equity

For the Period Ended Ashwin 2082

Amount in NPR

Particulars	Attributable to Equity-Holders of Prime Commercial Bank Limited										
	Share Capital	Share Premium	General Reserve	Capital Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserves	Total
Balance at Shrawan 1, 2081	19,402,575,716	-	5,475,643,286	-	5,313,918	4,386,588,696	263,790,896	-	995,339,447	123,094,634	30,652,346,593
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-
Adjustment/Restated Balance as at Shrawan 1, 2081	19,402,575,716	-	5,475,643,286	-	5,313,918	4,386,588,696	263,790,896	-	995,339,447	123,094,634	30,652,346,593
Comprehensive Income for the year											
Profit for the year	-	-	-	-	-	-	-	-	4,024,431,566	-	4,024,431,566
Other Comprehensive Income, Net of Tax											
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	-	-	-	240,296	-	240,296
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	-	-	-	-	-	-	-	-	4,024,671,862	-	4,024,671,862
Transfer to Reserves during the year	-	-	804,886,313	-	-	435,532,674	15,063,459	-	(1,269,063,302)	13,580,856	-
Transfer from Reserves during the year	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	(970,128,786)	-	-
Total Contributions by and Distributions	-	-	804,886,313	-	-	435,532,674	15,063,459	-	1,785,479,775	13,580,856	3,054,543,076
Balance at Ashadh 32, 2082	19,402,575,716	-	6,280,529,599	-	5,313,918	4,822,121,370	278,854,355	-	2,780,819,221	136,675,488	33,706,889,667

Particulars	Attributable to Equity-Holders of Prime Commercial Bank Limited										
	Share Capital	Share Premium	General Reserve	Capital Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserves	Total
Balance at Shrawan 1, 2082	19,402,575,716	-	6,280,529,599	-	5,313,918	4,822,121,370	278,854,355	-	2,780,819,221	136,675,488	33,706,889,667
Adjustment/Restatement	-	-	-	-	-	-	-	-	6,075,121	-	6,075,121
Adjustment/Restated Balance as at Shrawan 1, 2082	19,402,575,716	-	6,280,529,599	-	5,313,918	4,822,121,370	278,854,355	-	2,786,894,343	136,675,488	33,712,964,788
Comprehensive Income for the year											
Profit for the year	-	-	-	-	-	-	-	-	1,258,430,073	-	1,258,430,073
Other Comprehensive Income, Net of Tax											
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	-	-	-	(178,443,732)	-	(178,443,732)
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	-	-	-	-	-	-	-	-	1,079,986,341	-	1,079,986,341
Transfer to Reserves during the year	-	-	251,686,015	-	-	729,852,247	(178,443,732)	-	(822,271,175)	19,176,645	-
Transfer from Reserves during the year	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-	-
Total Contributions by and Distributions	-	-	251,686,015	-	-	729,852,247	(178,443,732)	-	257,715,166	19,176,645	1,079,986,341
Balance at Ashwin 31, 2082	19,402,575,716	-	6,532,215,614	-	5,313,918	5,551,973,618	100,410,623	-	3,044,609,508	155,852,135	34,792,951,129

V. Condensed Statement of Cash Flows

Condensed Statement of Cash Flows

For the Quarter Ended Ashwin 2082

Amount in NPR

Particulars	Current Year Up to This Quarter (YTD)	Previous Year Corresponding Up to This Quarter (YTD)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	4,348,675,448	5,038,220,096
Fee and Other Income Received	480,089,989	412,524,882
Dividend Received	-	-
Receipts from Other Operating Activities	126,299,445	87,688,028
Interest Paid	(3,256,816,734)	(3,705,138,801)
Commissions and Fees Paid	(38,920,070)	(37,652,441)
Cash Payment to Employees	(479,027,195)	(448,972,444)
Other Expenses Paid	(200,669,855)	(211,920,448)
Operating Cash Flows before Changes in Operating Assets and Liabilities	979,631,027	1,134,748,873
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	5,869,611,214	866,848,159
Placement with Banks and Financial Institutions	(82,350,000)	(3,503,800,000)
Other Trading Assets	-	-
Loans and Advances to BFIs	415,397,627	(950,541,340)
Loans and Advances to Customers	(4,460,223,636)	(6,995,617,772)
Other Assets	266,870,791	424,816,793
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financial Institutions	(1,350,526,112)	(3,778,488,218)
Due to Nepal Rastra Bank	-	-
Deposit from Customers	(1,607,560,110)	10,569,079,221
Borrowings	61,000,000	16,000,000
Other Liabilities	530,305,122	166,734,614
Net Cash Flow from Operating Activities before Tax Paid	622,155,923	(2,050,219,670)
Income Tax Paid	(113,775,009)	(17,485,925)
Net Cash Flow from Operating Activities	508,380,914	(2,067,705,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(1,357,572,473)	(2,145,050,023)
Receipts from Sale of Investment Securities	29,499,586	665,683,218
Purchase of Property and Equipment	(23,990,490)	(18,495,718)
Receipts from Sale of Property and Equipment	3,289,907	129,322
Purchase of Intangible Assets	(4,269,140)	402,022
Receipts from Sale of Intangible Assets	-	-
Purchase of Investment Properties	(455,515,200)	(163,722,156)
Receipts from Sale of Investment Properties	141,160,000	391,595,186
Interest Received	773,298,909	709,651,549
Dividend Received	243,982,561	69,973,722
Net Cash Used in Investing Activities	(650,116,341)	(489,832,880)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	-	-
Dividends Paid	-	(8,233,205)
Interest Paid	-	-
Net Cash from Financing Activities	-	(8,233,205)
Net Increase (Decrease) in Cash and Cash Equivalents	(141,735,426)	(2,565,771,680)
Cash and Cash Equivalents at Shrawan 01, 2082	13,558,945,679	11,435,837,812
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	(5,309,620)	83,811
Cash and Cash Equivalents at Ashwin 31, 2082	13,411,900,634	8,870,149,943

VI. Statement of Distributable Profit or Loss

For the Period Ended Ashwin 2082

Amount in NPR

Particulars	Up-to This Quarter (YTD)	Previous Year Corresponding Up to This Quarter (YTD)
Net profit for the period End Ashwin 2082	1,258,430,073	1,286,787,199
<u>1 Appropriations:</u>		
<u>1.1 Profit required to be appropriated to:</u>		
a. General reserve	(251,686,015)	(257,357,440)
b. Capital redemption reserve	-	-
c. Exchange Fluctuation Fund	-	(20,953)
d. Corporate social responsibility fund	(12,584,301)	(12,867,872)
e. Employees' training fund	(6,754,196)	(5,583,201)
f. Other	161,851	3,987,015
Profit or (loss) before regulatory adjustment	987,567,413	1,014,944,748
<u>1.2 Regulatory adjustment:</u>		
a. Interest receivable (-)/previous accrued interest received (+)	(410,876,870)	141,320,015
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	(156,072,546)	359,592,524
e. Deferred tax assets recognized (-)/ reversal (+)	(162,902,831)	12,384,392
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net profit for the period ended Ashwin 2082 available for Distribution	257,715,166	1,528,241,678
Opening Retained Earning as on Shrawan 01 2082	2,780,819,221	1,199,673,959
Adjustment(+/-)	6,075,121	3,003,532
Distribution		
Bonus Share Issued	-	-
Cash Dividend Paid	-	-
Total Distributable profit or Loss as on Ashwin end 2082	3,044,609,508	2,730,919,170
Annualized Distributable Profit/Loss per Share	19.68	25.55

VII. Notes to Interim Financial Statements

1. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) adopted by the Accounting Standard Board of Nepal.

The Bank has computed the Expected Credit Loss (ECL), which resulted in a lower figure compared to the provision calculated under the prudential norms of Nepal Rastra Bank (NRB). Accordingly, the Bank has recognized the loan loss provision as per NRB's prudential requirements and recorded the same as impairment charges.

Interest income from loans and advances classified as Non-Performing Loans has been recognized on a cash basis (incremental) approach in accordance with the guidance note on interest income recognition, 2025 issued by Nepal Rastra Bank.

The disclosures in the interim financial information are limited to the format mandated by Directive No. 4 of the Nepal Rastra Bank.

2. Statement of Compliance with NFRSs

The interim financial statements have complied with the requirement of Nepal Financial Reporting Standards and carve outs issued by the Institute of Chartered Accountants of Nepal (ICAN). The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Nepal Rastra Bank for the preparation, presentation and publication of Interim Financial Statements.

3. Use of Estimates, assumptions and judgments

The preparation of the interim financial statements in accordance with NFRS which includes management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4. Changes in accounting policies

The Bank has applied its accounting policies consistently from year to year except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any changes in accounting policy have been separately disclosed with detail explanation.

5. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this Interim Financial Statements, unless otherwise indicated.

5.1 Basis measurement

The Interim Financial Statements of the Bank have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position

- Available for sale investments (quoted) are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Financial assets and financial liabilities held at amortized cost are measured using a rate that is a close approximation of effective interest rate.
- Investment Property (land and building acquired as non-banking assets) are measured at fair value under NAS 40 'Investment Property'

5.2 Basis of Consolidation

The bank does not have control over any other entity for consolidation of interim financial statements. Investments in associates are accounted for in financial statements as per cost method because associate's financial statements are not prepared using uniform accounting policies for like transactions and events in similar circumstances.

5.3 Cash and cash Equivalent

Cash and cash equivalents include cash in hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the bank in the management of its short term commitments. Fair value of cash and cash equivalent amount is the carrying amount.

5.4 Financial Assets and Liabilities

5.4.1 Classification of Financial Assets and Liabilities

5.4.1.1 Financial Assets

At the inception, a financial asset is classified into one of the following:

- Financial assets at fair value through profit or loss
 - Financial Assets held for trading
 - Financial Assets designated at fair value through profit or loss
- Financial Assets at amortized cost (Loan and Advances)
- Financial Assets at fair value through OCI (Available for Sale)

5.4.1.2 Financial Liabilities

The bank has classified the financial liabilities as follows:

- Financial liabilities at fair value through profit or loss
 - Financial liabilities held for trading
 - Financial liabilities designated at fair value through profit or loss
- Financial liabilities at amortized cost

5.4.2 Initial Recognition

Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

Recognition and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard (Financial Instruments: Recognition and Measurement). Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

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.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment are recognized in 'Impairment charge / reversal for loans and other losses' in the Statement of Profit or Loss.

Financial assets and liabilities classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets and liabilities 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.

5.4.3 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

5.4.4 De-recognition of Financial Assets and Liabilities

De-recognition of Financial Assets

Bank derecognizes a financial asset (or where applicable a part of financial asset or part of a group of similar financial assets) when:

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to income statement as gains and losses from investment securities.

De-recognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled 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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

5.5 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the condensed Statement of Financial Position when and only when Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

5.6 Amortized Cost Measurement

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

5.7 Trading Assets

One of the categories of financial assets at fair value through profit or loss is “held for trading” financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

5.8 Derivative Assets and Liabilities

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value on the statement of financial position regardless of whether they are held for trading or non-trading purposes. Changes in fair value on derivatives held for trading are included in net gains/ (losses) from financial instruments in fair value through profit or loss on financial assets/ liabilities at fair value through profit or loss.

5.9 Properties and Equipment's

5.9.1 Recognition and Measurement

The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

5.9.2 Cost Model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

5.9.3 Revaluation Model

The Bank has not applied the revaluation model to the any class of freehold land and buildings or other assets.

5.9.4 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

5.9.5 Depreciation

Fixed assets are depreciated on Straight Line Method, at the rates determined on the basis of useful life of assets. Depreciation rates applicable to assets of the bank are as follows.

S.N.	Particulars	Rate of depreciation
1.	Buildings	2.5%
2.	Furniture & fixtures	20%
3.	Office Equipment	20%
4.	Vehicles	20%
5.	Computers	20%

Depreciation on newly acquired fixed assets is charged from the month of booking or when the fixed asset is ready to use, whichever is earlier. Fixed Assets valuing 5,000 or less are directly charged to the profit and loss account as expenses for capital items.

Amortization of Leasehold Assets

Costs incurred in respect of Leasehold Property are capitalized as leasehold assets and amortized at 10% on straight line basis.

5.9.6 Changes in Estimates

The asset's methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

5.9.7 Capital WIP

Capital work-in-progress is stated at cost less any accumulated impairment losses. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

5.9.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Bank incurs in connection with the borrowing of funds.

5.9.9 De-recognition

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is

derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

5.10 Goodwill and Intangible assets

5.10.1 Recognition

An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

5.10.2 Computer Software & Licenses

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

5.10.3 Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

5.10.4 Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

License fees for the software paid by the Bank are amortized over the period of the license. Profit or loss on disposal of fixed assets is recognized in the profit and loss of the year.

5.10.5 De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

5.11 Investment Properties

Land or land and building other than those classified as property and equipment; and non-current assets held for sale under relevant accounting standard has been presented under this account head. This shall include land, land and building acquired as non-banking assets by the Bank but not sold.

As per NRB Directive, the bank has included land, land and building acquired as Non-Banking Assets but not sold in its condensed Financial Position. Hence, Investment Properties represent Non-Financial Assets acquired by the Bank in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Bank's policy is to determine whether the asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Bank as part settlement of debt, has not been occupied for business use. Hence, investment property is measured at fair value.

5.12 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

5.13 Deposits, debt securities and subordinated liabilities

Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Subordinated liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

5.14 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or/constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provisions are not recognized for future operating losses.

Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

5.15 Revenue Recognition

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

5.15.1 Interest income

For all financial assets measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial assets designated at fair value through profit or loss, EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable. Similarly, once the recorded value of a financial asset or a group of similar financial assets has been reduced due to payment delinquency for more than 365 days, interest income shall be discontinuing to be recognized. The bank has opted to apply carve-out and recognize interest income on accrual basis applying the coupon rate, which is variable rate of interest.

5.15.2 Fees and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These

fees include Service fees and commission income. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis.

5.15.3 Dividend Income

Dividend income on equity instruments are recognized in the statement of profit and loss within other operating income when the Bank's right to receive payment is established.

5.15.4 Net trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities.

5.15.5 Net income from other financial instruments at fair value through PL

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instruments are designated at fair value through profit or loss. Currently, the bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

5.16 Interest Expenses

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

5.17 Employee Benefit

Employee Benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. Employee benefits include short term employee benefits, post employee benefits, other long term employee benefits and termination benefits that are recognized over the period in which the employee provide the related services.

5.18 Lease

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired. Rentals payable and receivable under operating leases are accounted as per Nepal Financial Reporting

5.19 Foreign Currency translation, transaction and balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected. Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss.

5.20 Share capital reserve

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus, contributions from holders of equity claims, minus distributions to holders of equity claims.

5.21 Earnings per share

Bank presents basic, annualized and diluted Earnings per Share (EPS) data for its ordinary shares and presented in the statement of Profit and Loss. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. The bank has shown Basic EPS for 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.

6. Segmental Information

A. Information about reportable segments

Amount in “000”

PARTICULARS	Banking		Treasury		Card		Others		Total	
	Current Quarter	Corresponding previous year quarter	Current Quarter	Corresponding previous year quarter	Current Quarter	Corresponding previous year quarter	Current Quarter	Corresponding previous year quarter	Current Quarter	Corresponding previous year quarter
Revenue from external customer	5,237,535	5,697,163	1,204,107	980,621	83,846	80,696	453,694	323,757	6,979,183	7,082,237
Intersegment Revenues	-	-	-	-	-	-	-	-	-	-
Segment profit/(loss) before tax	87,871	512,754	1,196,958	934,161	65,059	61,613	449,116	319,789	1,799,004	1,828,318
Segment assets	252,692,041	218,889,322	63,761,672	57,260,397	84,240	104,109	91,607	48,093	316,629,560	276,301,921
Segment liabilities	275,101,665	234,988,579	3,136,518	6,017,256	165,447	182,266	3,432,980	2,884,388	281,836,609	244,072,489

Notes: Revenue from external customer includes Interest Income, Fees and Commission Income, Net Trading Income, Other Operating Income and Non-Operating Income

B. Reconciliation of reportable segment profit or loss

Particulars	Current Quarter	Corresponding previous year quarter
Total profit before tax for reportable segment	1,349,888	1,508,529
Profit before tax for other segments	449,116	319,789b
Elimination of intersegment profit		
Elimination of discontinued operation		
Unallocated amounts:		
Other corporate expenses		
Profit before tax	1,799,004	1,828,318

7. Concentration of Borrowings, Credit and Deposits

A. Concentration of Borrowings

Amount in NPR

Particulars	Current Year	Previous Year
Borrowings from 10 largest lenders.	2,811,000,000	2,750,000,000
Percentage of borrowings from ten largest lenders to total depositors.	1.06%	1.03%

B. Concentration of Credit Exposures

Amount in NPR

Particulars	Current Year	Previous Year
Total exposures to twenty largest borrowers		
a. As per group (related party)	46,301,776,203	43,139,624,489
b. As per individual customer	41,145,889,785	40,664,922,500
Percentage of exposures to twenty largest borrowers to Total Loans and Advances		
a. As per group (related party)	20.25%	19.18%
b. As per individual customer	17.99%	18.08%

C. Concentration of Deposits

Amount in NPR

Particulars	Current Year	Previous Year
Total deposits from twenty largest depositors		
a. Group-wise	66,606,862,139	71,338,571,413
b. As per individual customer	66,606,862,139	71,338,571,413
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Group-wise	25.13%	26.62%
b. As per individual customer	25.13%	26.62%

8. Related parties' disclosures

The related parties of the bank as per the definition of NAS 24 "Related Party Disclosures" are as follows:

Associate Company

S. No.	Particulars	Bank's holding
1	Mero Microfinance Bittiya Sanstha Limited	7%
2	Swabhimaan Laghubitta Bittiya Sanstha Limited	14.55%

Investments in Associates have been reported in the statement of financial position as investment in Associate and the Bank's incomes received from the associates have been reported in the income statement. The existence of significant influence is evidenced as there is representation of the bank's KMP on the board. The Bank's has representation of Mr. Nepal Bhusan Shrestha and Mr Kush Sudan Singh as Board of Director in Mero Microfinance Bittiya Sanstha Limited and Swabhimaan Laghubitta Sanstha Limited respectively.

Key Managerial Personnel

The key management personnel (KMP) are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. Key Management Personnel of the Bank includes members of the Board, Chief Executive Officer and top level executive managers. Followings are a list of key managerial personnel as at Ashwin End 2082.

S.No.	Key Management Personnel	Relation
1	Mr. Rajendra Das Shrestha	Chairman
2	Mr. Udaya Mohan Shrestha	Director
3	Mr. Narendra Bajracharya	Director
4	Dr. Gajendra Bista	Director
5	Mr. Prachanda Man Shrestha	Director
6	Mr. Manoj Paudel	Director
7	Prof. Dr. Tara Devi Chitrakar	Director
7	Mr. Sanjeev Manandhar	Chief Executive Officer
8	Mr. Amrit Charan Shrestha	General Manager
9	Mr. Sumit Babu Khatri	Deputy General Manager
10	Mr. Nepal Bhusan Shrestha	Acting Deputy General Manager
11	Mr. Suresh Man Singh	Acting Deputy General Manager
12	Mr. Prashant Raj Dangol	Assistant General Manager
13	Mr. Narayan Prasad Shrestha	Assistant General Manager

Compensation to Board of Directors and Key Management Personnel

All members of the Board are paid meeting fees and monthly allowances. Specific non-executive allowances paid to directors up to Ashwin End, 2082 are as under:

Particulars	Amount in NPR
Meeting Fee	1,240,000
Other Expenses	466,417
Total	1,706,417

Total financial benefit provided to Key Management Personnel i.e. Chief Executive Officer, General Managers, Deputy General Managers and Assistant General Manager of the bank during the period are presented below:

S. No.	Particulars	Amount
1	Short term employee benefit	12,715,152
2	Post-employment benefit*	573,760
3	Other long term employee benefit	-
4	Termination benefits	-

**Post-Employment benefit comprises defined contribution plan and defined benefit plan. Under defined contribution plan, Provident fund is provided at 10% of basic salary. Defined benefit plan includes gratuity and accumulated leave encashment which is provisioned as per actuarial valuation. Gratuity fund is deposited in independent planned assets. Employee bonus is provided as per Bonus Act.*

Further, all the key management personnel are provided with vehicle facility and mobile facility as per the staff rule of the Bank.

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

The bank has not proposed and has not paid any dividends for ordinary shares and other shares during this quarter.

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

There are no issues, repurchases and repayments of debt and equity securities during the quarter.

11. Events after interim period

There are no material events that have occurred subsequent to Ashwin, 2082 till the publication of this interim financial statement

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

There have been no such changes during current period.