



PRIME COMMERCIAL
BANK LTD.
प्राइम कमर्शियल बैंक लिमिटेड

Interim Financial Statements

As on Chaitra 30, 2075 (13th April 2019)

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I. Condensed Statement of Financial Position

Prime Commercial Bank Limited
Condensed Statement of Financial Position
As on Quarter Ended Chaitra 2075

Assets	This Quarter Ending	Immediate Previous Year Ending
Cash and Cash Equivalents	3,747,225,960	4,502,735,569
Due from Nepal Rastra Bank	2,810,307,625	8,815,836,010
Placement with Bank and Financial Institutions	1,191,252,224	1,960,450,695
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to B/FIs	3,004,700,791	2,829,040,379
Loans and Advances to Customers	69,863,986,029	67,137,816,058
Investment Securities	9,153,332,404	8,428,082,790
Current Tax Assets	240,013,246	153,617,101
Investment in Subsidiaries	-	-
Investment in Associates	28,000,000	28,000,000
Investment Property	32,711,813	15,528,305
Property and Equipment	628,266,351	606,763,277
Goodwill and Intangible Assets	8,456,857	5,278,217
Deferred Tax Assets	41,712,568	33,163,681
Other Assets	628,712,136	527,666,934
Total Assets	91,378,678,004	95,043,979,017
Liabilities		
Due to Bank and Financial Institutions	7,176,733,580	8,668,488,205
Due to Nepal Rastra Bank	1,667,958,748	1,269,890,141
Derivative Financial Instruments	-	-
Deposits from Customers	68,657,820,251	72,635,987,983
Borrowings	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	1,145,237,568	1,261,902,073
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	78,647,750,146	83,836,268,402
Equity		
Share Capital	8,033,298,870	8,033,298,870
Share Premium	-	-
Retained Earnings	2,363,822,605	1,335,887,667
Reserves	2,333,806,383	1,838,524,079
Total Equity Attributable to Equity Holders	12,730,927,858	11,207,710,615
Non Controlling Interest	-	-
Total Equity	12,730,927,858	11,207,710,615
Total Liabilities and Equity	91,378,678,004	95,043,979,017

II. Condensed Statement of Profit and Loss

Prime Commercial Bank Limited
Condensed Statement of Profit or Loss
For the Quarter Ended Chaitra End 2075

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up-to This Quarter (YTD)	This Quarter	Up-to This Quarter (YTD)
Interest Income	2,389,804,253	7,209,035,261	2,154,378,942	6,123,182,792
Interest Expense	1,560,477,127	4,607,504,900	1,488,315,672	4,293,059,332
Net Interest Income	829,327,127	2,601,530,360	666,063,270	1,830,123,460
Fee and Commission Income	141,694,418	615,825,780	113,275,778	523,532,855
Fee and Commission Expense	10,796,589	27,812,862	1,521,680	14,541,287
Net Fee and Commission Income	130,897,829	588,012,918	111,754,098	508,991,568
Net Interest, Fee and Commission Income	960,224,955	3,189,543,278	777,817,368	2,339,115,028
Net Trading Income	57,469,656	172,789,650.53	46,121,235	123,878,916
Other Operating Income	22,960,702	49,141,140.71	41,103,880	108,067,027
Total Operating Income	1,040,655,314	3,411,474,069	865,042,483	2,571,060,971
Impairment Charge/ (Reversal) for Loans and Other Losses	20,793,308	342,360,940	37,025,611	174,425,571
Net Operating Income	1,019,862,005	3,069,113,129	828,016,872	2,396,635,400
Operating Expense				
Personnel Expenses	222,951,714	578,196,837	159,454,421	451,709,596
Other Operating Expenses	90,978,830	233,714,146	73,025,165	185,678,599
Depreciation & Amortization	21,114,438	57,916,966	17,244,876	50,070,551
Operating Profit	684,817,024	2,199,285,181	578,292,409	1,709,176,654
Non Operating Income	-	-	-	-
Non Operating Expense	-	-	-	-
Profit Before Income Tax	684,817,024	2,199,285,181	578,292,409	1,709,176,654
Income Tax Expense	197,808,862	651,380,229	192,192,915	530,827,288
Current Tax	197,808,862	651,380,229	192,192,915	530,827,288
Deferred Tax	-	-	-	-
Profit for the Period	487,008,162	1,547,904,952	386,099,494	1,178,349,366

III. Statement of Other Comprehensive Income

Prime Commercial Bank Limited
Statement of Other Comprehensive Income
For the Quarter Ended Chaitra 2075

Particulars	Current Year		Previous Year	
	This Quarter	Up-to This Quarter (YTD)	This Quarter	Up-to This Quarter (YTD)
Profit/(Loss) for the year	487,008,162	1,547,904,952	386,099,494	1,178,349,366
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	(9,253,284)	(28,496,290)	(71,111,834)	(119,354,294)
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Income tax relating to above items	2,775,985	8,548,887	21,333,550	35,806,288
Net other comprehensive income that will not be reclassified to profit or loss	(6,477,299)	(19,947,403)	(49,778,284)	(83,548,006)
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	(6,477,299)	(19,947,403)	(49,778,284)	(83,548,006)
Total Comprehensive Income for the Year	480,530,863	1,527,957,549	336,321,210	1,094,801,360
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank	480,530,863	1,527,957,549	336,321,210	1,094,801,360
Non-Controlling Interest	-	-	-	-
Total Comprehensive Income for the Period	480,530,863	1,527,957,549	336,321,210	1,094,801,360
Profit Attributable to:				
Equity Holder of the Bank	480,530,863	1,527,957,549	336,321,210	1,094,801,360
Non- Controlling Interest	-	-	-	-
Total	480,530,863	1,527,957,549	336,321,210	1,094,801,360

Earnings Per Share		
Basic Earnings Per Share	19.27	14.67
Annualized Earnings Per Share	25.69	19.56
Diluted Earnings Per Share	25.69	19.56

Ratios as per NRB Directives

Particulars	Current Year		Previous Year	
			Corresponding	
	This Quarter	Up-to This Quarter (YTD)	This Quarter	Up-to This Quarter (YTD)
Capital Fund to RWA		12.13%		12.51%
Non-Performing Loan (NPL) to total Loan		1.58%		1.06%
Total Loan Loss Provision to Total NPL		132.43%		158.24%
Cost of Funds		8.29%		8.53%
Credit to Deposit Ratio		78.43%		77.64%
Base Rate		10.20%		11.10%
Interest Rate Spread		3.71%		4.28%

IV. Condensed Statement of Changes in Equity

Prime Commercial Bank Limited
Condensed Statement of Changes in Equity
For the year ended 30 Chaitra 2075

Particulars	Attributable to Equity-Holders of Prime Commercial Bank Limited									
	Share Capital	Share Premium	General Reserve	Exchange Equalization	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance at Shrawan 01, 2074	6,325,432,181	-	1,245,144,080	75,734	-	61,495,260	-	1,910,541,046	23,749,277	9,566,437,579
Profit for the Period	-	-	-	-	-	-	-	1,726,246,109	-	1,726,246,109
Other Comprehensive Income	-	-	-	-	-	-	-	(84,973,074)	-	(84,973,074)

Total Comprehensive Income	-	-	-	-	-	-	-	1,641,273,035	-	1,641,273,035
Transfer to Reserve During the Year	-	345,249,222	1,799,989	187,419,960	(89,470,588)	-	(508,059,727)	63,061,145	-	-
Transfer From Reserve During the Year	-	-	-	33,163,681	-	-	-	(33,163,681)	-	-
Contribution from distribution to owner	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	1,707,866,689	-	-	-	-	-	(1,707,866,689)	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Contributions by and distributions	1,707,866,689	-	345,249,222	1,799,989	220,583,641	(89,470,588)	-	(574,653,382)	29,897,464	1,641,273,035
Balance at Asad End 2075	8,033,298,870	-	1,590,393,302	1,875,723	220,583,641	(27,975,328)	-	1,335,887,664	53,646,742	11,207,710,613
Balance at Shrawan 01, 2075	8,033,298,870	-	1,590,393,302	1,875,723	220,583,641	(27,975,328)	-	1,335,887,664	53,646,742	11,207,710,613
Profit for the Period	-	-	-	-	-	-	-	1,547,904,952	-	1,547,904,952
Other Comprehensive Income	-	-	-	-	-	-	-	(19,947,403)	-	(19,947,403)
Total Comprehensive Income	-	-	-	-	-	-	-	1,527,957,549	-	1,527,957,549
Transfer to Reserve During the Year	-	-	309,580,990	1,037,023	192,961,613	(19,947,403)	-	(500,022,608)	16,390,385	-
Transfer From Reserve During the Year	-	-	-	-	-	-	-	-	-	-
Contribution from distribution to owner	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	(4,740,304)	(4,740,304)
Total Contributions by and distributions	-	-	309,580,990	1,037,023	192,961,613	(19,947,403)	-	1,027,934,941	11,650,081	1,523,217,245
Balance at Chaitra End 2075	8,033,298,870	-	1,899,974,293	2,912,746	413,545,254	(47,922,731)	-	2,363,822,605	65,296,822	12,730,927,858

V. Condensed Statement of Cash Flows

Prime Commercial Bank Limited
Condensed Statement of Cash Flows
For the year ended Chaitra 2075

Particulars	Up-to this Quarter	Corresponding Previous Year Up to this Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	7,033,257,155	5,987,446,051
Fee and Other Income Received	571,733,756	523,532,855
Dividend Received	-	-
Receipts from Other Operating Activities	211,108,812	165,225,963
Interest Paid	(4,637,960,261)	(4,293,059,332)
Commissions and Fees Paid	-	-
Cash Payment to Employees	(358,268,319)	(269,037,898)
Other Expenses Paid	(261,527,007)	(283,767,892)
Operating Cash Flows before Changes in Operating Assets and Liabilities	2,558,344,135	1,830,339,747
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	6,005,528,385	3,747,268,151
Placement with Banks and Financial Institutions	769,198,471	(1,005,287,399)
Other Trading Assets	-	-
Loans and Advances to BFIs	(177,446,337)	(896,697,608)
Loans and Advances to Customers	(2,890,966,881)	(7,836,329,698)
Other Assets	(101,045,202)	(190,811,632)
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financial Institutions	(1,491,754,625)	739,087,301
Due to Nepal Rastra Bank	398,068,607	(734,027,179)
Deposit from Customers	(3,978,167,733)	8,016,525,246
Borrowings	-	-
Other Liabilities	(253,545,937)	(575,616,782)
Net Cash Flow from Operating Activities before Tax Paid	838,212,884	3,094,450,147
Income Tax Paid	(737,776,375)	(587,113,256)
Net Cash Flow from Operating Activities	100,436,509	2,507,336,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(753,786,904)	(3,466,445,798)
Receipts from Sale of Investment Securities	33,855	60,414,460
Purchase of Property and Equipment	(68,296,135)	(16,257,844)
Receipts from Sale of Property and Equipment	34,468	49,000
Purchase of Intangible Assets	(14,342,131)	(14,180,597)
Purchase of Investment Properties	(17,183,507)	(35,433,146)
Receipts from Sale of Investment Properties	-	38,000,000
Interest Received	-	-
Dividend Received	10,834,243	19,977,518
Net Cash Used in Investing Activities	(842,706,111)	(3,413,876,407)
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	(8,499,703)	(54,168,692)
Interest Paid	-	-
Other Receipts/Payments)	(4,740,304)	(9,978,639)
Net Cash from Financing Activities	(13,240,007)	(64,147,331)
Net Increase (Decrease) in Cash and Cash Equivalents	(755,509,609)	(970,686,846)
Cash and Cash Equivalents at Shrawan 01, 2075	4,502,735,569	4,294,354,936
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Chaitra 30, 2075	3,747,225,960	3,323,668,090

VI. 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.

2. Statement of Compliance with NFRSs

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards 2013 and its carve-outs issued by the Institute of Chartered Accountants of Nepal (ICAN).

S.No	NFRS/NAS	Description
1	NAS 39: Para 58	Incurred Loss Model to measure the Impairment Loss on Loan and Advances
2	NAS 39: Para 9	Impracticability to determine transaction cost of all previous years which is the part of effective interest rate
3	NAS 39: Para AG93	Impracticability to determine interest income on amortized cost

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

ongoing 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 of 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.

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 -Held to Maturity
- Financial Assets - Loans and Receivables
- Financial assets 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 - NAS 39 (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.

5.4.5 Impairment of Financial Assets

The bank has prepared separate Policy for Impairment of Financial Assets under NFRS in which Financial Assets are assessed at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired.

The bank has opted to apply carve-out on impairment of loans and advances. However, in case of loans and advances, impairment loss amount calculated as per NFRS is compared with the impairment provision required under NRB directive no.2, higher of the amount derived from these measures is taken as impairment loss for loans and receivables.

For available for sale financial investments, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from equity and recognized in the Statement of profit or loss. However, any subsequent increase in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

Bank writes-off certain available for sale financial investments when they are determined to be uncollectible.

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 Equipments

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. Such properties are carried at a previously recognized GAAP Amount.

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 Equipments	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 booked before 15th of the month are depreciated for the whole month and after 15th are depreciated for half month. 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 the rate of 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 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.

Bank doesn't have any goodwill in its books of accounts.

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

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

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.

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

As per NAS 18 para 20 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 discontinued 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

Fee income arises on the execution of a significant act completed or from provision of services like asset management, portfolio management, management advisory and service fees. Loan documentation fee, consortium fee, commitment fee, service charge, card issuance fee, renewal fee, remittance fee, commission on guarantee issuance, commission on letter of credit etc are presented under this head. Fees and commission income that are integral to the effective interest rate are not recognized as income. However, immaterial amount can be recognized in profit and loss account as income.

5.15.3 Dividend Income

Dividend income on equity instruments are recognized in the statement of profit and loss within other 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 asset or 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.

The bank does not have finance lease transactions at the reporting date.

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 and annualized EPS separately. The EPS is calculated a priori to the adjustment of proposed bonus share of 16% for the FY 2074-75.

VII. Segmental Information

a. Information about reportable segments

Amount in "000"

PARTICULARS	Banking		Treasury		Card		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
Revenue from external customer	7,475,798	6,394,823	531,687	455,080	39,307	28,758	8,046,792	6,878,662
Intersegment Revenues	-	-	-	-	-	-	-	-
Segment profit/(loss) before tax	1,692,614	1,246,379	503,724	447,326	2,947	15,473	2,199,285	1,709,177
Segment assets	75,651,776	73,170,947	15,508,467	14,139,331	218,435	218,660	91,378,678	87,528,938
Segment liabilities	73,501,102	73,246,455	5,033,759	3,252,950	112,889	27,443	78,647,750	76,526,848

b. Reconciliation of reportable segment profit and loss

Amount in "000"

Particulars	Current Quarter	Corresponding previous year quarter
Total profit before tax for reportable segment	2,199,285	1,709,177
Profit before tax for other segments	-	-
Elimination of intersegment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts	-	-
Other corporate expenses	-	-
Profit before tax	2,199,285	1,709,177

VIII. 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	Mahila Sahayatra Microfinance Limited	12.73%
2	Mero Mircofinance Bittiya Sansthan Limited	7%

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 General Manger is Chairman of Mero Microfinance Bittiya Sansthan Limited and Deputy General Manager is Director of Mahila Sahayatra Microfinance Limited.

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 include members of the Board, Chief Executive Officer and top level executive managers. Followings are a list of key managerial personnel as at Chaitra end, 2075.

S.No.	Key Management Personnel	Relation
1	Mr. Udaya Mohan Shrestha	Chairman
2	Mr. Rajendra Das Shrestha	Director
3	Mr. Narendra Bajracharya	Director
4	Mr. Shyam Bahadur Shrestha	Director
5	Mr. Uttam Narayan Shrestha	Director
6	Mr. Gajendra Bista	Director
7	Prof. Dr. Mangala Shrestha	Director
8	Mr. Narayan Das Manandhar	Chief Executive Officer
9	Mr. Sanjeev Manandhar	General Manager
10	Mr. Motikaji Tuladhar	Deputy General Manager
11	Mr. Bhairaja Tuladhar	Deputy 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 upto Chaitra End,2075 are as under:

Particulars	Amount in NPR
Board Meeting Fee	1,267,000.00
Other Expenses	914,845.85
Total	2,181,845.85

Total financial benefit provided to Key Management Personnel of the bank during interim period of Chaitra 2075 is Rs. 34,810,007.75 All the key management personnel (Chief Executive Officer, General Manager and Deputy General Managers) are provided with vehicle facility and mobile facility as per the staff rule of the Bank.

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

The Board of Directors has proposed bonus share of 16% on paid up capital for the FY 2074-75 amounting Rs. 1,285,327,819.19 which has been endorsed by NRB, subject to the approval from upcoming Annual General Meeting.

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

There is no issue, repurchase and repayments of debt and equity securities during the interim period as on Chaitra end, 2075.

XI. Events after interim period

There are no material events that have occurred subsequent to Chaitra 30,2075 till the publication of this interim financial statement.

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

The Bank had signed a memorandum of understanding with Pokhara based Om Development Bank Limited under which the bank will acquire Om Development Bank Limited. Nonetheless, dispute has been arisen between two banks regarding the acquisition and the case has been reported to NRB. The decision in the matter is pending till the reported date.