

# ANNUAL REPORT 2020/21



**नेपाल बैंक लिमिटेड**  
**NEPAL BANK LIMITED**

सिवाय राष्ट्र बैंकबाट 'अ' श्रेणीको प्रत्येकमात्रा प्राप्त गर्ने



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# OVERVIEW



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## Notice of 62nd General Meeting

(Published in Gorkhapatra on November 26, 2021 and in Arthik Abhiyan on November 28, 2021)

Whereas, the eighteenth meeting of the Board of Directors held on Thursday 2079/08/09 (November 25, 2021 A.D.) has decided to hold the 62nd Annual General Meeting (AGM) of this Bank on the date, time and venue specified below, to discuss and decide on various agenda. This notice has been published to notify and invite all the shareholders, pursuant to Section 67 of the Company Act, 2063 B.S. (2006 A.D.).

1. Date, Venue and Time of General Meeting:

**Date:** Friday, 2078/09/02 (December 17, 2021)

**Venue:** Head Office of the Bank, Dharmapath, Kathmandu

**Time:** 11:00 AM.

Necessary arrangement has been made to conduct the meeting and present opinion virtually through ZOOM. Due to ongoing COVID-19 pandemic, all shareholders are requested to attend the meeting through ZOOM.

2. Agenda of Discussion:

a. General Proposals:

I. To discuss and approve the annual report of the Board of Directors for the Fiscal Year 2077/078 B.S. (2020/2021 A.D.).

II. To discuss and approve Balance Sheet of 15th July 2021, along with Audit Report, Profit/Loss Account of fiscal year 2077/078 B.S. (2020/2021 A.D.), cash flow statement, and related schedules to financial statement of the same year.

III. As proposed by the Board of Directors, to approve distribution of 3 percent of current paid-up capital of Rs. 12,636,758,624 amounting to Rs. 379,102,758.72 (in words Three Hundred Seventy-Nine Million, One Hundred Two Thousand, Seven Hundred and Fifty-Eight Rupees and 72/100 Only) as cash dividend (including dividend tax).

IV. To appoint Auditor for the fiscal year 2078/079 B.S. (2021/2022 A.D.), and fix their remuneration pursuant to Section 111 of Company Act, 2063 B.S. (2006 A.D.).

b. Special Proposals:

I. To approve the distribution of 14 percent of current paid up capital Rs. 12,636,758,624.00 amounting to Rs.1,769,146,207.36 (in words One Billion, Seven Hundred Sixty Nine Million, One Hundred Forty Six Thousand, Two Hundred and Seven Rupees and 36/100 Only) as bonus share and to increase the existing authorized capital and paid up capital of the Bank to Rs.14,405,904,831.30 (in words Fourteen Billion, Four Hundred Five Thousand Million, Nine Hundred Four Thousand, Eight Hundred and Thirty One and 30/100 Only) and make subsequent amendments in the Memorandum and Article of Association.

II. To authorize Board of Directors to make necessary amendments if any suggestion is received from the regulatory body regarding the proposed amendment to Memorandum and Article of Association.

With permission from the Board of Directors  
Keshab Prasad Bhandari  
Company Secretary

# Overview

## About Nepal Bank Ltd

Established on November of 1937 A.D., Nepal Bank Ltd holds a unique and uncontested place in the history of modern banking in Nepal. At a time when monetary transactions were limited to private dealers, traders and merchants, its incorporation as the first commercial bank under the Nepal Bank Act, marked the beginning of an era of formal banking in Nepal. Navigating through difficult times and adopting to ever changing banking scenario, Nepal bank has withstood the test of time for over 8 decades, and vows to stand tall in delivering to its vision of becoming “the most preferred bank of the Nation with complete banking solutions”. This year marks the completion of Nepal bank’s 84 years of operation, setting a new milestone of its glorious history. Over the years, the bank has redefined its customer service standards and created diverse service delivery channels through strategic deployment of its people, information and communication technology. Today, Nepal bank serves individual, government, small and medium enterprises, and large corporations with a full range of banking, investing and other financial and risk management products and services through its 213 branches, 46 extension counters, 147 ATMs, and virtually through mobile and internet banking.

The bank has demonstrated its resilience irrespective of the business/economic cycle and witnessed growth in virtually all areas. Its growth is driven principally by strategic business focus, investment

in latest technology, and a conservative business model. The combined intellectual capital and dedication of the staff, Management and Board have shaped the bank into a true National institution that it is today. With an experienced management team that is well positioned to further strengthen the bank and steer it to greater sustainable growth, the bank strives to create value and generate significant market share opportunities for its customers in the process.

The bank has efficiently deployed its competitive edge of excellent customer services, size, brand name, branch network, stable management, strong capital and liquidity base in order to effectively compete in the Nepalese banking landscape. The bank strives to earn and maintain the public’s trust by constantly adhering to the highest regulatory and ethical standards.

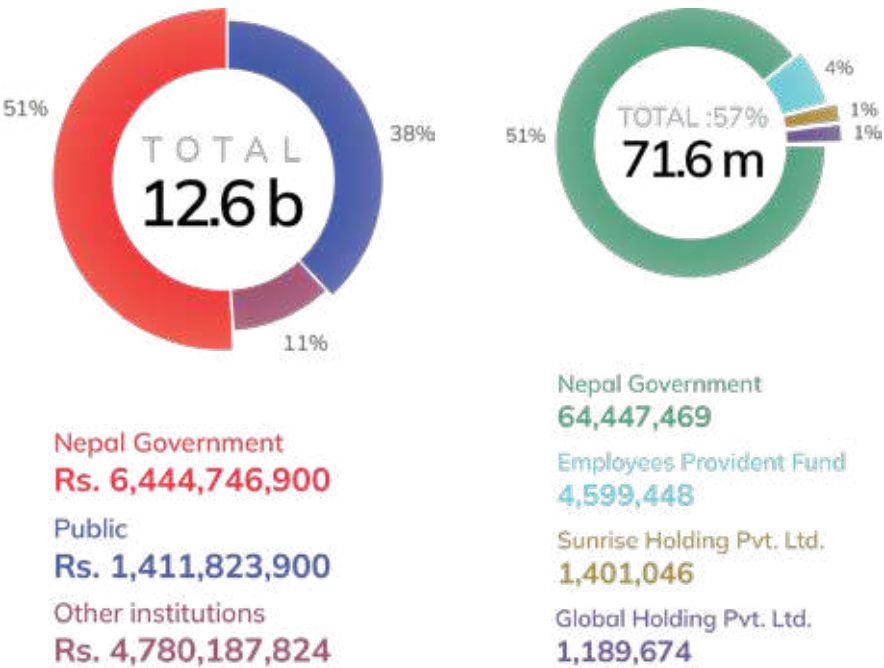
In coming days, the bank vows to become the bank of the future, investing in technology and becoming more customer centric in delivering its services, all the while, upholding the values of sustainability in carrying out its objective of “Achieving secured and sustainable growth by delivering Robust, Ethical and Responsible (RER) banking service”.

Since its establishment, the bank has played a crucial role in the nation’s economic development by monetizing the economy before the birth of the Central Bank, arranging resources for the industries, and introducing the Public-Private Partnership model in the country.



In its earlier days, the shares held by the government and private sector was 40% and 60%, respectively. Today, Nepal government holds 51% of the total outstanding share capital,

making it the majority shareholder of the bank. The general public hold 38% stake in the bank and the remaining 11% stake is held by other institutions.



## Nepal Bank in History

Nepal Bank can be credited for introducing the public-private partnership concept for the first time in Nepal; the bank started with a paid-up capital of Rs 842,000 with 60 percent share of the general public and 40 percent of the government. The bank fulfilled some important roles of the central bank until Nepal Rastra Bank (NRB) came into existence in 1957. It pioneered some major areas of monetary arrangements such as starting the

use of Nepali currency, exchange of foreign currency besides the usual banking functions of deposit collection and lending. It was a Rana regime official named Gunja Man Singh who can be credited with establishing Nepal Bank. During the late 1930s when Singh, who served as the First Secretary in Nepal's Liaison Office in London and was later involved in the formulation of company law and establishment of the Biratnagar Jute Mill, advised

then Rana Prime Minister Juddha Sumsher about the importance of having a bank to carry out monetary transactions and for the country's economic development. Juddha Sumsher issued the Nepal Bank Law, 1937 and King Tribhuvan Shah inaugurated the

office of the Nepal Bank Limited on the day of the Laxmi Puja festival in 1937. As the country's first bank, the bank has played a vital role in developing the banking habits of Nepalis, industrialization and capital formation.

## Nepal Bank Today

After more than 6 decades of inconsistent performance of the bank due to bad corporate governance and interference, The Nepal government with the support of the World Bank, brought in a foreign management, under the Financial Sector Reform Program. Gradually, the management team were able to reduce losses and strengthen the system of the bank. When the term of the program ended, Nepal bank's profit was positive and losses and NPA were drastically reduced. The reform however continued with an

interim management team appointed by the NRB. After reviving the bank from the verge of bankruptcy, NRB handed over the management of the bank to a professional Board of Directors. Today, the bank competes with other private and public sector banks and has a distinct place in the market. The bank has transformed itself from a traditional bank to a modern one, investing in people, process and technology.

## Nepal Bank's Progress under different management

Management	Credit	Deposit	NPA	Profit	Reserve and Surplus	Share Capital
Current (2078 Asadh end)	135 billion	169 billion	2.05%	2.96 billion	16.41 billion	12.6 billion
Current (2077 Asadh end)	110.65 billion	142 billion	2.47%	2.33 billion	16.95 billion	11.28 billion
Current (2074 Asadh end)	74 billion	94 billion	3.17%	3.22 billion	3.51 billion	8.04 billion
During NRB (2071 Ashad end)	41 billion	69 billion	5.12%	0.72 billion	3.11 billion negative	6.47 billion
During Foreign (2064 Ashad end)	13 billion	39 billion	12%	0.23 billion	6.6 billion negative	0.38 billion
Before Foreign (2060 Ashad end)	18 billion	35 billion	60%	0.25 billion negative	10.21 billion negative	0.38 billion



# Nepal Bank in Timeline

## 1937/1938 - 2001/2002 (1994/1995 - 2057/2058 B.S.)

- Share Capital : Rs. 380 Million
- Loans and Advances : Rs. 11.9 Billion
- Deposit : Rs. 35.6 Billion
- Profit : (Rs. 2.2 Billion)
- Reserve and Surplus : (Rs. 6.7 Billion)
- NPL : 50.80%
- No. of Employees : 6030
- Poor supervision and adhoc style of loan sanctioning
- Unnecessarily large Bank network (241 branches including HO).

## 2001/2002 - 2006/2007 (2058/2059 - 2063/2064 B.S.)

- Share Capital : Rs. 380 Million
- Loans and Advances : Rs. 11.1 Billion
- Deposit : Rs. 39 Billion
- Profit : Rs. 250 Million
- Reserve and Surplus : (Rs. 6.6 Billion)
- NPL : 13.49% (decreased significantly from 60.47% in 2002/2003)
- No. of Employees : 2937 (masive reduction through 3 phases of VRS)
- NRB took over Bank's management.
- Foreign management team (ICCMT), appointed in 21<sup>st</sup> July 2002 overlooked the Banks's management for 5 years.
- Computerization Process initiated.
- Profit became positive.
- Branch rationalization process was initiated.

## 2007/2008 - 2013/2014 (2064/2065 - 2070/2071 B.S.)

- Share Capital : Rs. 6.4 Billion
- Loans and Advances : Rs. 39 Billion
- Deposit : Rs. 69.3 Billion
- Profit : Rs. 1.1 Billion
- Reserve and Surplus : (Rs. 3.1 Billion)
- NPL : 5.12%
- No. of Employees : 2618
- NRB looked after the management of the Bank.
- ATM facility started from 8<sup>th</sup> May 2009.
- Branch network incresed from 97 to 120.

## 2014/2015 - 2020/2021 (2071/2072 - 2077/2078 B.S.)

- Share Capital : Rs. 12.6 Billion
- Loans and Advances : Rs. 141.9 Billion
- Deposit : Rs. 163.6 Billion
- Profit : Rs. 2.96 Billion
- Reserve and Surplus : Rs. 16.41 Billion
- NPL : 2.05%
- No. of Employees : 2504
- Board appointed management.
- Network established all over the country (213 Branches, 46 Extension Counter & 147 ATM Terminals).
- Advanced Purnori Version IT System in place integrating earlier two systems.
- Profit increased from Rs. 0.72 Billion to Rs. 2.96 Billion.
- Negative reserves improved to become Rs. 16.95 Billion





## Vision

"To be the most preferred bank of the Nation with complete banking solutions."



## Mission

Nepal Bank collaborates with its customers while designing, developing, and delivering banking solutions to satisfy the interest of all stakeholders by efficiently leveraging cutting-edge technology. The bank endeavors to be ethical in product offering, responsive in operation, and trustworthy in ensuring security to protect its own and customers' interests.



## Values

The value statement of the bank creates a powerful bonding experience for all its employees, creating a sense of community for the success of the bank's strategies and programs. It commands respect and generates principles to guide us in our thinking, action, and standards against which we judge ourselves and others.



## Conduct

The following are the core values (BREED) of the bank that every employee will follow.



### BEHAVE WITH DIGNITY AND RESPECT

Every employee will underpin self-respect and underpin his /her respect for employees, customers, shareholders, suppliers, and community.



### RESPONSIBLE

The bank operates responsibly towards its stakeholders, society, environment, and economy as a whole.



### ETHICAL

The bank and its employee will be honest in dealing with all the stakeholders applying prudent financial and business practices.



### EMPOWER EMPLOYEES

The bank will value, inspire, and support employees.

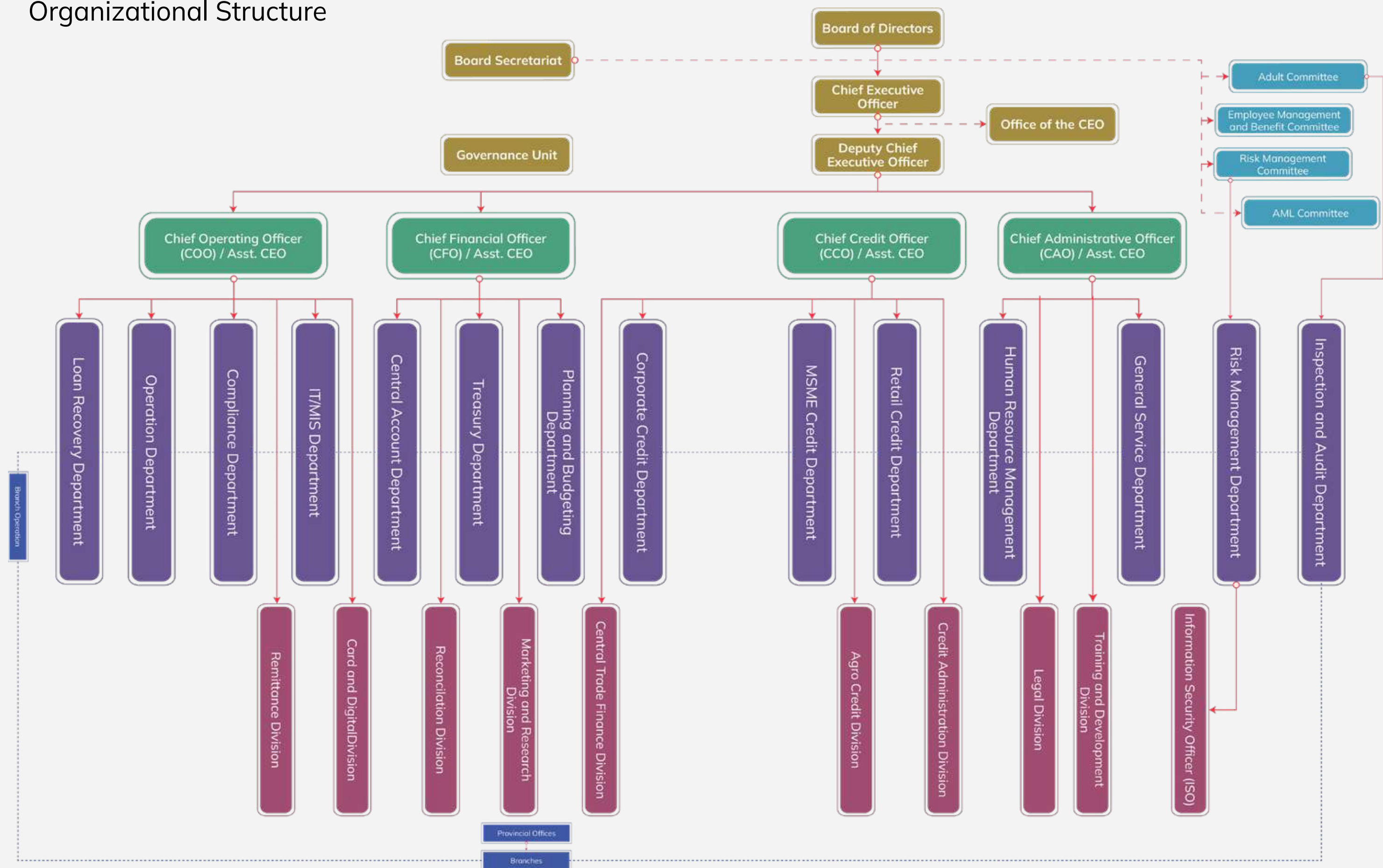


### DEVOTE FOR INNOVATIONS

The bank will continuously encourage employees to innovate through collaborative efforts to create valuable banking solutions for customers.



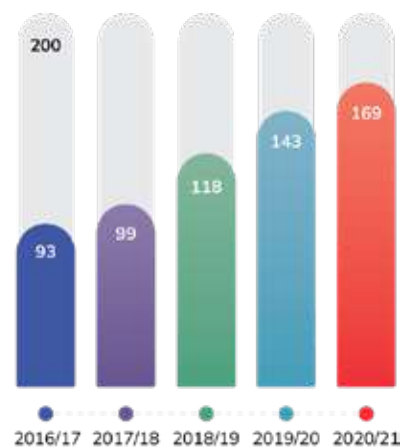
# Organizational Structure



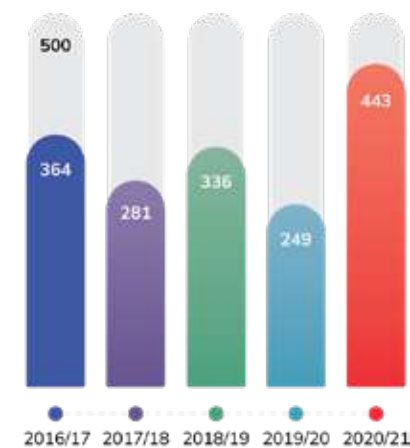
## Financial Highlights

Financial  
Review

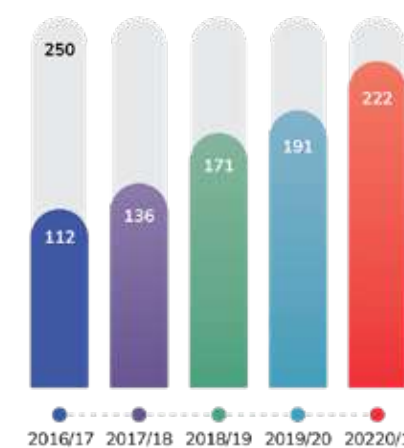
Total Deposit (Rs in billion)



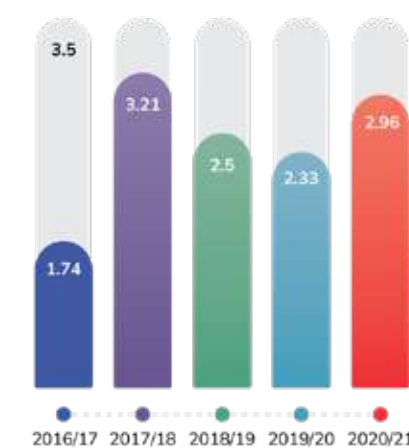
Closing Price in NEPSE (In Rs)



Total Assets (Rs in billion)



Profit after tax (Rs in billion)



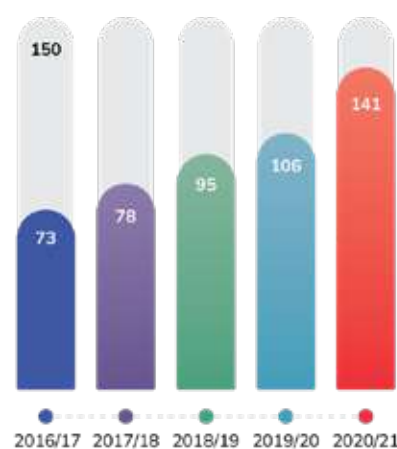
Governance

Social  
Responsibility

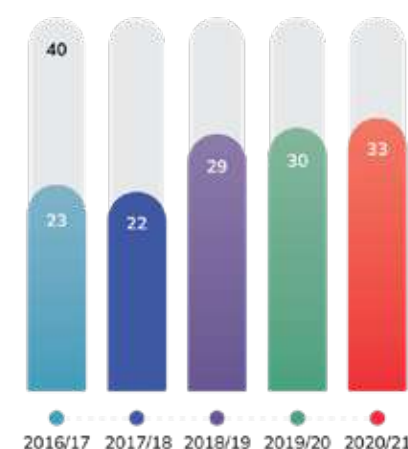
Sustainability

Human  
Resources

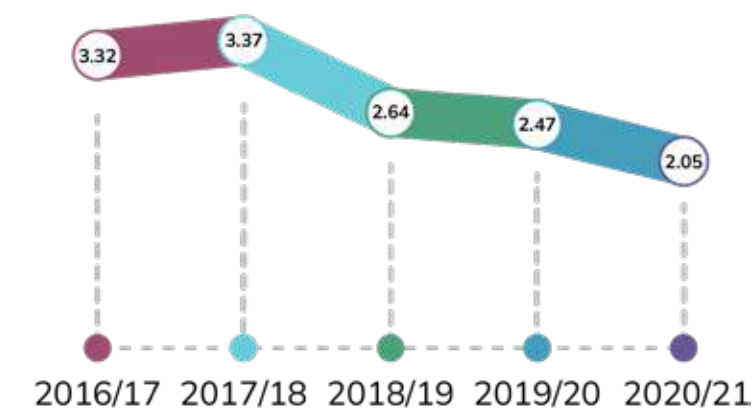
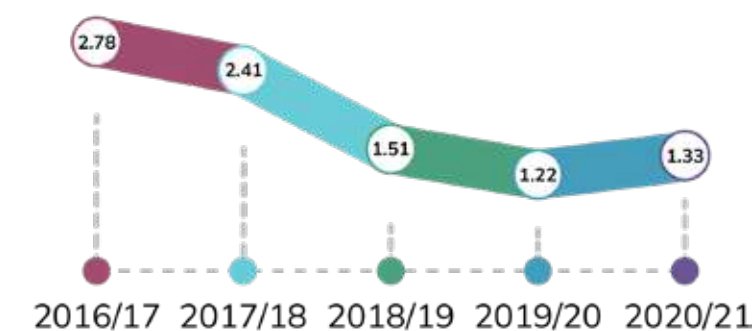
Total Loan and Advances (In billion)



Shareholder's Fund (Rs in billion)

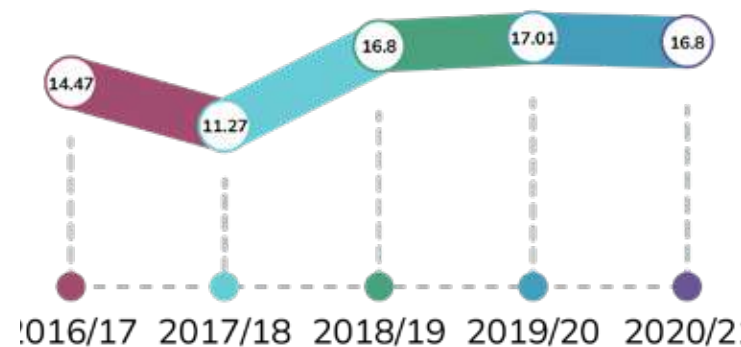
Value  
CreationBranch  
NetworkFinancial  
Statement

NPA Ratio (In percentage)

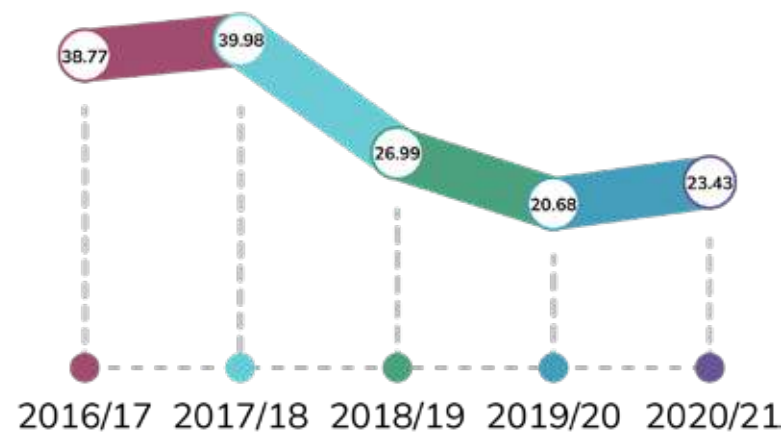
Average Returns on Assets  
(In percentage)



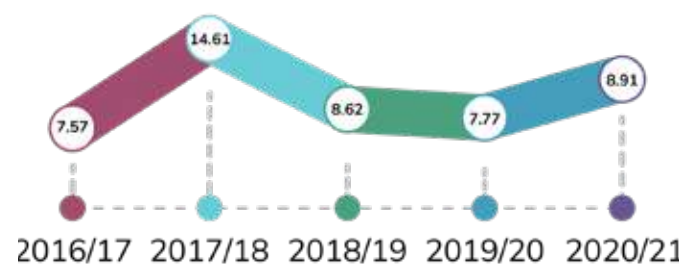
Capital Adequacy Ratio  
(In percentage)



Earning per Share



Return on Equity  
(In percentage)



## Non-Financial Highlights



## Director's Profile



**Suman Raj Aryal, Chairman (Representative, Nepal Government)**

Mr. Suman Raj Aryal, Secretary of Government of Nepal, currently holds the responsibility of Financial Comptroller General. He served at different government ministries and departments being in various responsibilities. He brings with him an extensive knowledge in the field of Public Administration and Government Expenditure. Mr. Aryal holds M.Sc. degree in Statistics.



**Deependra Bickram Thapa (Independent Director)**

Mr. Deependra Bickram Thapa, Former Secretary of the Government of Nepal, has served in Ministries such as Labour, Employment and Transport Management; Office of the Prime Minister and Council of Ministers; General Administration; and Education. He is a professional trainer with a profound training background of serving in Nepal Administrative Staff College in the capacity of deputy Director of Studies before joining civil service of Nepal. He brings with him an extensive knowledge and expertise in the field of Public Administration, Public Policy, Project Management and Governance. He holds an M. Sc degree in National Development and Project Planning from the UK along with a Master's degree in Public Administration from Tribhuvan University, Nepal.



**Ritesh Kumar Shakya, Director (Representative, Nepal Government)**

Mr. Ritesh Kumar Shakya, joint secretary of the Government of Nepal, has served at different ministries and departments. Currently, he is serving at the Planning, Monitoring and Evaluation Division at the Ministry of Finance. Besides, he is also the spokesperson of the Ministry of Finance. He brings with him an extensive knowledge in the field of public administration, public procurement and Governance. He holds MBS and LLB degrees.



**Dr. Savitri Ranjit Shrestha, Director (Representative, Nepal Government)**

Dr. Savitri Ranjit Shrestha is an Associate Professor at Tribhuvan University. She has experience of teaching in various universities of Nepal and Indira Gandhi open university of India. She also has experience of monitoring and evaluating various colleges and examination procedures of Nepal as a member of central monitoring committee of Tribhuvan university. She also has contributed as the subject committee member of Conflict Management. Besides, these professional involvements, she is also active in social work and activism. She has published various publications and articles under her name. She holds PhD degree in Economics from Nepal Sanskrit University.





**Vivek SJB Rana, Director (Representative, Public Shareholders)**

Mr. Vivek SJB Rana is Electrical Engineer from University of Arizona, MBA in corporate finance and MIS from Kathmandu University and Masters in Public policy and eGovernance from EPFL, Switzerland. He holds an extensive experience in working in public, private and development areas of public Policy reform, public finance, financial sector restructuring, IS/IT security, cyber security assurance and use of Information technology (IT) as an enabling delivery vehicle for policy transformation. Besides, he has worked extensively in S, SE Asia, Africa, Europe and the US with the World Bank, Multi-Donor Trust Fund group, USAID, NORAD, GIZ, DfID, DANIDA, EU, UNDP, ADB in various capacities to drive policy reform through the use of Information and digital technologies. He has been working as a practicing Certified Information Systems Auditor (CISA) since 2007. And is certified as Digital enterprise architect (EA), Data Privacy Security Engineer (CDPSE), Governance of Enterprise IT (CGEIT), COBIT5 Assessor, COBIT 5 Implementer, and Project Management Professional (PMP) and certified PRINCE2 practitioner.



**Vishnu Kumar Agrawal, Director (Representative, Public Shareholders)**

Mr. Vishnu Kumar Agrawal is actively engaged in industry and business sector for more than 25 years. He is the director of RMC Group. He has served as advisor to the Board of Directors of Lumbini Bikas Bank Limited (Formerly known as Birgunj Finance Limited). He holds EMBA degree from Matrix Institute of Business Management, India.

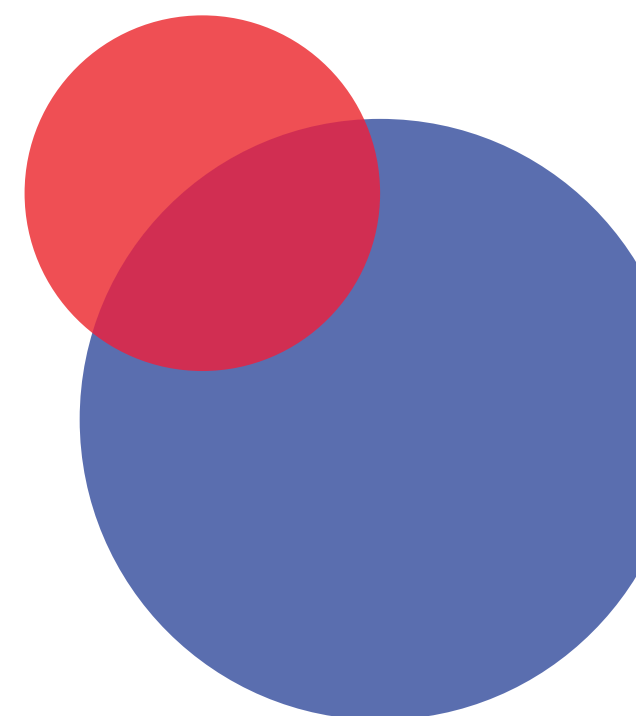


**Om Krishna Shrestha, Director (Representative, Public Shareholders)**

Mr. Om Krishna Shrestha is a standing Acting Joint Administrator at Employment Provident Fund and currently deputed as Chief Executive Officer of Sanchayakosh Gharjagga Byabasthapan Company. He brings with him extensive knowledge and has 38 years of experience in Government Accounting and business Account, Finance, Auditing and Administrative Management in Nepal government and Employees Provident Fund. He has participated in employee social security related training and seminars at various institutions of Korea, Thailand, Malaysia, India, UAE etc. He has contributed to Rastria Bima Company, Prabhu Insurance Company, Madhya Bhotekoshi Jalabithuit Company and Upper Tamakoshi Hydropower Company as board of directors on behalf of Employment Provident Fund. Besides, he is also a management trainer and motivational speaker in various professional training institutes on general management context. He holds an MBA degree.



**Keshab Prasad Bhandari, Company secretary**



# Chairman's Message



## Dear Shareholders

The year 2020/21 has once again been a challenging one. The lockdown in late April, imposed to curb the second wave of the COVID 19 pandemic, threatened to undo all achievements and hamper a quick economic recovery. In hindsight, the lockdown and increased vaccination drive has protected the Nepalese economy from a possible disaster. The economy is gradually recovering, but the threat of disruption from emergence of new virus variant remains. Despite these challenges, I am proud to announce that Nepal Bank has not only managed to

ride the tide but has emerged stronger from the pandemic. In addition to standing with our customers in these testing times, we lead and supported the government's drive to combat the pandemic, reminding the nation of our commitment of being a true national bank.

## A Historical Milestone

This year marks a historical milestone for the bank. We have completed a glorious 84 years of operation. In these 8 decades, Nepal bank has witnessed numerous ups and downs. Lack of corporate governance and constant interference in management had deteriorated the financial health of the bank, bringing it to the verge of bankruptcy. As a consequence, the bank had a negative capital fund for more than two decades, during which, the shareholders were unable to receive any return on their investment. After years of tireless effort, put in by our management and employees, the bank has finally been able to pay out to its shareholders consistently over the last few years. Continuing this trend, the board has proposed a 14 % bonus and 3 % cash dividend payout, to be endorsed by the Annual General Meeting and upon obtaining regulatory approval.

## Resiliency During Crisis

All our business units have shown utmost resiliency this year. That is why, we were able to post a net profit of 2.9 billion during the fiscal year. We were also able to bring down our NPA to 2.05, highlighting the path to economic recovery that we and our clients are in.

We took the pandemic as an opportunity to invest in upgrading our digital infrastructure to make our service delivery at par with our competitors. We also invested in our people, conducting more than 157 trainings during the year. We hope that these investments will help us deliver even better service to our customers in days to come and our system is resilient to cope with challenges of the future.

## Preparing for the Future

Planning for the future, the Bank has made a conscious decision to concentrate on six key strategic priorities - Efficient Human Resource Management, Technology-driven Innovation and Digital Customer Engagement, Operational Effectiveness and Efficiencies, Enhanced Customer Service, Effective Control, Compliance Risk Functions, and Effective Assets Management. These priorities stemmed from the observation that while the Bank has made progress in automation, physical appearance of branches, and financial health, a lot more work needs to be done to strengthen a similarly strong foundation for its long-term sustainability.

Accordingly, for efficient human resource management, the Bank will focus on strengthening the capability of human resources through rigorous ongoing training and development efforts, increasing employees' engagement, making compensation policy of the employees competitive to the industry, improving work culture, and linking rewards with performance. In the area of technology-driven innovation and digital customer engagement, the Bank will focus on accelerating and scaling its infrastructure program to drive digital functionality, redefining digital offering through standardization of the Bank's systems and processes, and personalization in a partnership or joint ventures with agile, innovative fintech players.

The Bank will re-engineer all the banking service processes, systems, and talent management. In the area of effective control, compliance risk functions, the Bank will strengthen the risk management system, particularly focusing on the system security caused by people, processes, and the system. Likewise, in areas of effective assets management, the bank will prioritize further lowering its Non-Banking Assets (NBA) and Non-performing Assets (NPA).

Suman Raj Aryal  
Chairman



# CEO's Message



It gives me immense pleasure to tell you all that Nepal Bank has ended this year on a high note, despite all the challenges posed by the pandemic and slow economic recovery, that looked set to threaten the entire financial system. Prompt response by the regulator, and enthusiastic support from the banking community and private sector, helped the government to avert a potential crisis. Nepal bank has stood strong with the government in its efforts to curb the spread of the pandemic and will continue to provide support to people and communities where we operate.

Let me also take this opportunity to congratulate everyone who has been with us in this journey of completing 84 years of operation. Over the glorious history of 84

years, Nepal Bank Limited has gained public's trust through its dedicated service to the nation. The bank continues to be perceived as a trustworthy and responsible organization by our customers.

The credit operation of the bank that started in 1994 B.S. with a Rs. 1500 loan to Bhajuratna for commencing ghee business, and a Rs. 3000 loan to Miya Jaharudin to start shoe trading business, has today, reached Rs. 154.86 billion. Similarly, deposit has reached Rs. 173.60 billion in the review year.

With the commencement of financial federalism, we expect local economies to come out of hibernation. This will create space for financial intermediation. Keeping this in view, the bank plans to expand its network in all the 77 districts in the next fiscal year.

After two decades of being unable to pay out dividends, the bank has been finally able to pay dividend to our shareholders. Our strategic focus on consolidating our weakness and capitalizing on our strength will produce positive outcomes for our customers, staff, shareholders and the government. The investment we have made in our people and process will only make us stronger in the future.

The bank stays a leader in the banking industry and has evolved along with the industry. As leaders who drive changes, we are committed to contributing to Nepal Government's Digital Nepal mission. To this end, we have been providing digital banking services to our customers for a long time, and we continue offering a more valued digital banking service through our regular research findings. I am confident that the bank will have an international standard core banking system at the earliest to offer a full-fledged digital banking service.

I expect the continuous support from the management team, our hard-working staff, customers, regulator and the Nepal Government in the days ahead.

Krishna Bahadur Adhikari  
Chief Executive Officer

# Management Team

## Executive Management



Krishna Bahadur Adhikari  
Chief Executive Officer



Samata Pant (Bhatta)  
Deputy Chief Executive Officer



Laxman Paudel  
Chief Credit Officer



Bishwo Raj Baral  
Chief Operating Officer



Prakash Kumar Adhikari  
Chief Administrative Officer



Hom Bahadur Khadka  
Chief Finance Officer

## Chief Managers



Prativa Dongol  
Planning & Budgeting  
Department



Dipendra Raj Kafle  
Inspection and Internal Audit  
Department



Pradip Kumar Pathak  
Corporate Credit Department



Sundar Panthee  
Head-Kathmandu Banking  
Office



Lekhnath Bhusal  
Province Head-Lumbini  
Province



Pasang Dorji Sherpa  
Central Account Department



Shiva Ram Mishra  
Province Head-Madhesh  
Province



Shant Bahadur Shah  
Risk Management Department



Prabin Kumar Ghimire  
MSME Credit Department



Surya Prakash Bhatta  
Province Head-Province 1



Dhiraj Rai  
General Service Department



Sachita Parajuli  
Loan Recovery Department



Sushil Kumar Nepal  
Operations Department



Kiran Jung Karki  
IT/MIS Department



Nirmal Krishna Pandey  
Retail Credit Department



Pratima Shrestha  
Province Head-Gandaki  
Province



Vinay Keshari Poudyal  
Province Head-Bagmati  
Province



Hari Prasad Gyawali  
Human Resource Management  
Department



Khadga Singh Moktan  
(Tamang)  
Treasury Department



Niluja Shrestha  
Compliance Department

## Macroeconomic Outlook

### Domestic Outlook



According to the Central Bureau of Statistics, the country's economy grew by 4.01 percent in the fiscal year 2020/21. The growth rate of agriculture, industry and service sector is estimated to be 2.64 percent, 5.05 percent and 4.43 percent respectively in FY 2020/21. The share of agriculture, industry and service sector in the GDP is 25.83 percent, 13.11 percent and 61.06 percent respectively. Nepal's economy is estimated to grow by a modest 2.3% (at market prices) in 2021, after contracting by 1.9% in 2020. The growth is then expected to slightly recover to around 4.1% in 2022, according to Asian Development Bank's World Economic Output report. This will largely be supported by the ongoing vaccination drive which has reached

around 25% of the population receiving full dose of vaccine. However, downside risk of increase in number of infections leading to strict control measures and subsequent lockdowns could pull down the recovery trajectory.

The reduction in infection rate is expected to have positive effect on boosting domestic demand. Moreover, agricultural output is also expected to perform better due to abundant rainfall. The industry output is also likely to increase as strict lockdown measures are relaxed and trade routes are gradually opening up to pre-pandemic level. Based on three-month data ending mid-October, 2021/22, imports have increased by 63.7 percent and export has increased by 109.5 percent, as per Nepal Rastra Bank.



## Overview

### Financial Review

### Governance

### Social Responsibility

### Sustainability

### Human Resources

### Value Creation

### Branch Network

### Financial Statement

While the government's fiscal policy will emphasize on strengthening the health care system, the monetary policy is expected to remain accommodative, making credit available to sectors of the economy that are severely affected by the pandemic.

Tourism sector, which is the hardest hit, will likely recover, although gradually, in the coming year. Tourist arrival is expected to improve as trekking routes are opened and other major travel destinations in the region are also gradually opening up. The expected operation of international airports in Pokhara and Bhairahawa will also possibly aid in improving the sector. Construction sector is also expected to gradually pick up as the lockdown measures are relaxed and the import of machinery and construction materials gradually normalizes.

However, there are still downside risks of resurgence of the pandemic, weighing down on the achievements. The political fluidity is another risk that might have negative consequences to the growth projection. Additionally, a weaker recovery in the countries where migrant Nepalese workers reside, could cause remittances to decline, contracting domestic demand and consumption.

#### Inflation:

The y-o-y average consumer price inflation stood at 3.60 percent in 2020/21 compared to 6.15 percent a year ago. In the review year, food and beverage group's annual average inflation was 5.00 percent and non-food and services group's annual average inflation was 2.51 percent. The inflation is likely to remain higher in the coming year as international oil prices put pressure on domestic prices.

#### Interest Rate:

The weighted average 91-day treasury bills rate remained at 4.55 percent

compared to 1.27 percent a year ago in the review period. The weighted average inter-bank transaction rate among commercial banks increased to 4.12 percent (0.35 percent a year ago).

In the mid-July 2021, the average base rate of commercial banks decreased to 6.86 percent (from 8.50 percent a year ago). Weighted average deposit rate and lending rate of commercial banks in the review period remained at 4.65 percent and 8.43 percent respectively (from 6.01 percent and 10.11 percent a year ago).

The recurring phenomenon of liquidity crunch is expected to put pressure on interest rate. However, an upsurge of government expenditure in the later quarters of the fiscal year will ease some pressure on the interest rate market.

**Foreign Trade:**Total merchandise exports increased by 44.4 percent to Rs. 141.12 billion in FY 2020/21. Exports had increased by 0.6 percent compared to the corresponding period of the previous year. On a destination basis, exports to India and other countries increased by 51.7 per cent and 27.7 per cent, respectively, while exports to China declined by 14.7 per cent. On a commodity basis, exports of soybean oil, cardamom, yarn (polyester and other), jute goods, woolen carpets and other commodities increased, while exports of palm oil, pulses, zinc sheets, wire, bran and other commodities declined.

The total merchandise imports, which had declined by 15.6 percent in the corresponding period of the previous year, increased by 28.7 percent to Rs. 1539.84 billion in FY 2020/21. Imports from India, China and other countries increased by 32.1 percent, 28.6 percent and 19.6 percent, respectively. On a commodity basis, imports of transport equipment and spare parts, crude soybean oil, MS billet, rice, gold and other commodities have declined, while imports of aircraft parts,

crude palm oil, video, television and spare parts, cold rolled sheet and betel nut have declined.

The total merchandise trade deficit increased by 27.3 percent to Rs. 1398.71 billion in FY 2020/21. Such deficit had decreased by 16.8 percent in the previous year. Export-import ratio, which was 8.2 percent in the previous year, has reached 9.2 percent in the review year.

#### Remittance Inflow:

Remittance inflows increased by 9.8 percent to Rs. 961.05 billion in FY 2020/21 compared to 0.5 percent declined in the previous year. However, during the review period, the number of Nepalis seeking final labor approval (institutional and individual-new and legalized) for foreign employment decreased by 62.8 percent.

#### Current Account and Balance Of Payments Status:

The current account deficit, which was Rs. 33.76 billion in the corresponding period of the previous year, has been in deficit of Rs. 333.67 billion in FY 2020/21. In FY 2020/21, the balance of payments stood at a surplus of Rs. 1.23 billion. Last year, the balance of payment was in surplus of Rs. 282.41 billion.

#### Foreign Exchange Reserves:

At the end of FY 2020/21, the total foreign exchange reserves decreased by 0.2 percent to Rs. 1399.03 billion compared to the same period of the previous fiscal year. Based on the import of FY 2020/21, the banking sector has sufficient foreign exchange reserves to support 11.2 months import of goods and 10.2 months import of goods and services.

#### Deposit Operations:

Deposits of banks and financial institutions increased by 21.4 percent in FY 2020/21. Such deposits had increased by 18.7 percent in the previous fiscal year. Current, savings and term deposits accounted for 10.4 percent, 34.2 percent and 47.0 percent of the total deposits of banks and financial

institutions, respectively. Institutional deposits accounted for 42.7 percent of the total deposits of banks and financial institutions in mid-July 2021.

#### Credit Flow:

Loans from banks and financial institutions to the private sector increased by 27.3 percent during the review period. Such loans had increased by 12 percent in the previous year.

Out of the total investment of banks and financial institutions in the review period, 66.1 percent loan was secured by real estate (house and land) and 12.7 percent loan was secured by current assets (agricultural and non-agricultural goods).

During the review year, credit of banks and financial institutions to agriculture sector increased by 43.6 percent, credit to industrial production sector increased by 20.6 percent, credit to construction sector increased by 18.4 percent, credit to transport, communication and public services sector increased by 20.4 percent, and credit to wholesale and retail trade sector increased by 20.4 percent. Credit to the service industry increased by 20.9 percent.



## Global Economy

The World economy is gradually recovering from the onslaught of COVID19 pandemic. However, constant risk of disruption in trade and supply chains, worsened by gross inequality in access to vaccine, threatens to derail the slow recovery process. Amidst these uncertainties, the IMF projects the world output to expand by 4.9 percentage in 2022, which is lower than the growth rate of 5.9 percent in 2021, a rebound from a negative growth rate of 3.1 percent in the previous year.

The ongoing trade tussle between the United States and China is expected to force a change and re distribution of supply chains around the world. The rivalry between the two biggest economies could further worsen an already fragile supply chain, the medium- and long-term effect of which will only be visible in the near future.

Additionally, the global effort to reduce emission of greenhouse gases and limit the rise of global temperature to 1.5 degrees, is expected to force structural changes to industries and tradable commodities in the days ahead. Some countries have already taken steps to promote local production of essentials over imports, creating new opportunities for business and the private sector.

While the worst part of pandemic is over for many, there are visible gaps in the recovery pattern among countries in different income groups. This highlights the need for a coordinated response in dealing with the situation, in absence of which, the road to recovery may be painfully long and indefinite.

### ADVANCED ECONOMIES

In 2021 the output of advanced economies

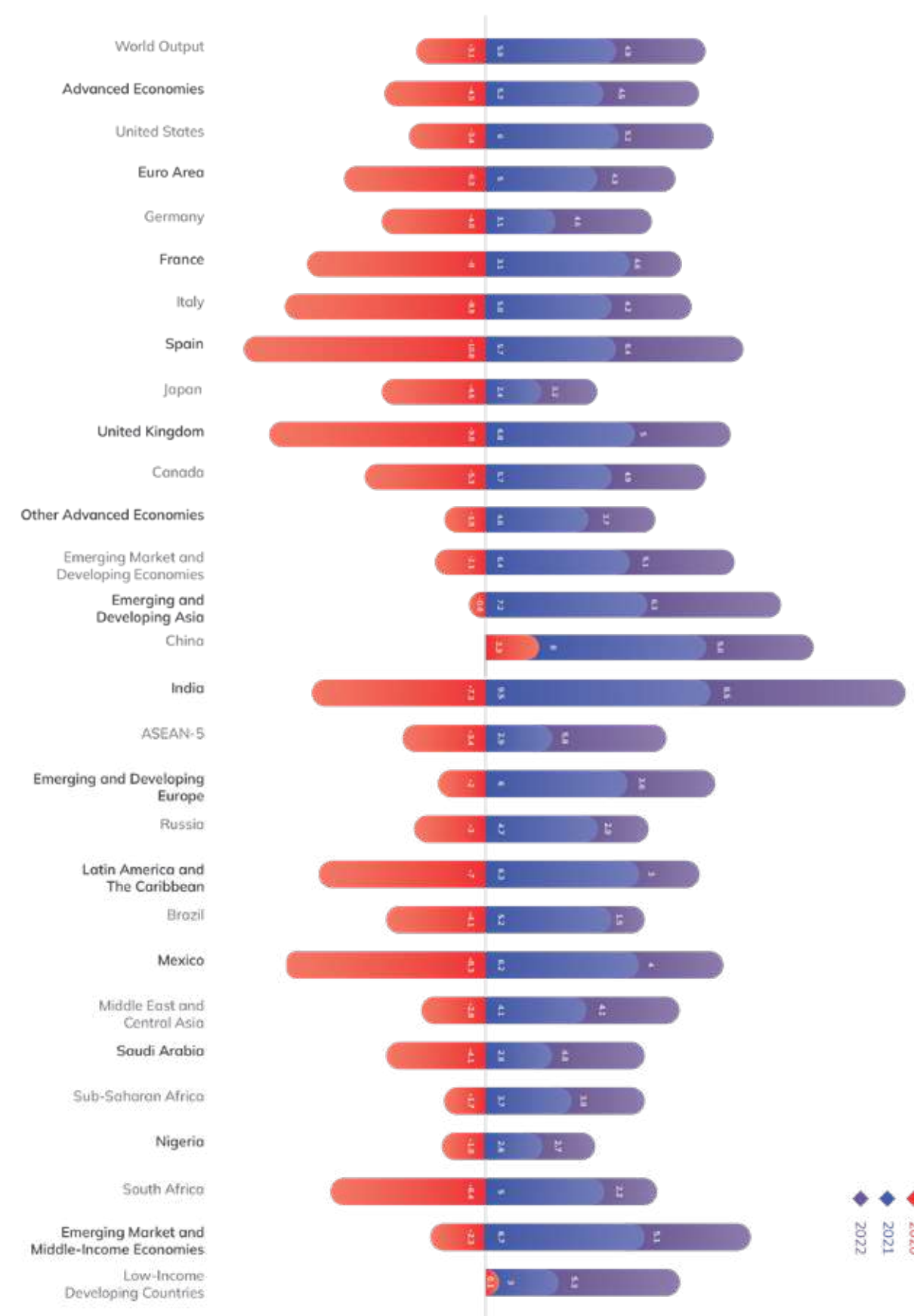
is expected to expand by 5.2%, which had contracted by 4.5% in the previous year. In 2022, the growth is projected at 4.5% in the region. While advanced economies including United States, France and United Kingdom are expected to grow by over 6% in 2021, other advanced economies like Germany and Japan are expected to record growth rate of 3% and lower, improving slightly in 2022. Growth prospects for 2021 were revised down compared to the July forecast, largely reflecting downgrades to the United States due to large inventory drawdowns, in part reflecting supply disruptions, and softening consumption; Germany, because of shortages of key inputs weighing on manufacturing output; and Japan, reflecting the effect of the fourth State of Emergency as infections hit record level. The growth in these regions can largely be attributed to the generous fiscal support of around \$4.6 trillion, that was announced to undertake pandemic related measures and are available beyond 2021.

### EMERGING MARKETS AND DEVELOPING ECONOMIES

Emerging Markets including India and China are expected to record a strong growth rate of over 8% in 2021, supported largely by the vaccination drive in India and containment measures adopted to stop the spread in China.

In the Middle East and Central Asia, the output is expected to grow by 4.1% in 2021, with a similar growth rate expected in 2022. Major oil producing country in the region, Saudi Arabia is expected to record a growth rate of 2.8% in 2021, growing by 4.8% in 2022, supported by rising oil prices.

## World Economic Outlook Growth Projections





According to IMF, low-income developing countries will require close to \$200 billion in spending to combat the pandemic and \$250 billion to regain the convergence paths they were on prior to the pandemic. The growth rate of low-income and Developing Countries in 2021 is expected to remain low at 3%, which is then anticipated to improve in 2022 and the region is likely to record a growth rate of 5.3 percent. However, these improvements will greatly depend on the ability of the countries in the region to speed up vaccination drive and create a sense of normalcy.

**Any Impact to the Business Due to National and International Conditions:**

The global economy has been hit hard by the economic downturn caused by Covid-19, which started as a global epidemic since early 2020. The Covid-19 epidemic has had the biggest negative impact on the world economy since 1870, compared to similar world events that caused financial crisis of various natures at various times. Due to various measures taken to control the epidemic, production, distribution and labor market have been affected and unemployment, poverty and inequality have increased.

In 2021, the economies of India and China are projected to grow by 9.5 percent and 8 percent, respectively. India's economy contracted by 7.3 percent last year, while China's

economy expanded by 2.3 percent. The world economy is expected to return to normalcy in the coming days as vaccination campaigns against CoVID-19 have started in most countries since August 2020. Similarly, the global economy is expected to expand in 2021 in the coming days due to smooth supply chain, increase in demand for goods, change in working style and policy measures adopted by countries for economic recovery.

The country's economy has also been affected by the Covid 19 epidemic. According to Central Bureau of Statistics, the economic growth rate was negative at 2.09 percent for the first time in two decades due to prolonged lockdown. The economy is projected to expand by 4.01 percent in FY 2020/21 with the expectation of V-shaped recovery. However, the second wave, which started at the beginning of 2078, has made it challenging to maintain this growth rate. However, major economic indicators are expected to remain positive even in the fiscal year 2020/21 at the time of the Covid-19 epidemic.

# BANKING SECTOR OUTLOOK

The near-term prospect of Nepalese banking sector looks stable despite some pressure on the liquidity position, which is expected to ease with increased government's capital expenditure. According to NRB's monthly banking and financial statistics for mid-July 2021, the overall liquidity ratio of the banking sector stands at 26.18%, giving them enough room to withstand liquidity pressure. Similarly, Overall capital adequacy ratio (CAR) of the banking sector stands at 14.19%, which could provide comfortable cushion to guard against probable losses. The total deposit of the banking sector has reached 4,740 billion and total loan stands at 4,109 billion. With 27 commercial banks, 18 development banks and 17 finance companies, and their 5,998 branches, the number of customers they serve has reached more than 38 million, which is more than the population of the country. With rapid penetration of mobile phones in Nepalese society, the number of customers with mobile banking has also rapidly grown to more than 14 million. Similarly, internet banking customers have reached more than 1 million. Banks and financial institutions are rapidly innovating and upgrading their digital

infrastructure to meet the demands of the future. The recent pandemic has also accelerated the adoption of digital finance and is expected to further develop in the coming days. While the issues of sustainability and climate change have gradually started to make its way into the banking sector, its success and failure will depend mostly on the credit flow to these sectors in the coming days. Similarly, the government's effort to finance startups, will likely create new avenues of economic activity and the banking sector which is heavily skewed towards its dependence on trade finance and real estate financing, may finally be able to explore new opportunities. On the downside, the banking sector faces risks from over leverage of the economy as shown by a high credit to GDP ratio of 97.86%. This indicates aggressive participation of the banking sector in the real economy. Excessive leverage might cause over heating of some parts of economy and may have systemic implications.

# OPERATING AND FINANCIAL REVIEW



SECTION 2

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2077/78

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Future Prospect  
/Outlook of the bank



# Review of Company's Past Performances

Despite some ups and downs over the years, the bank has achieved new heights in the five-year review period preceding FY 2020/21.

(Rs. In Million)

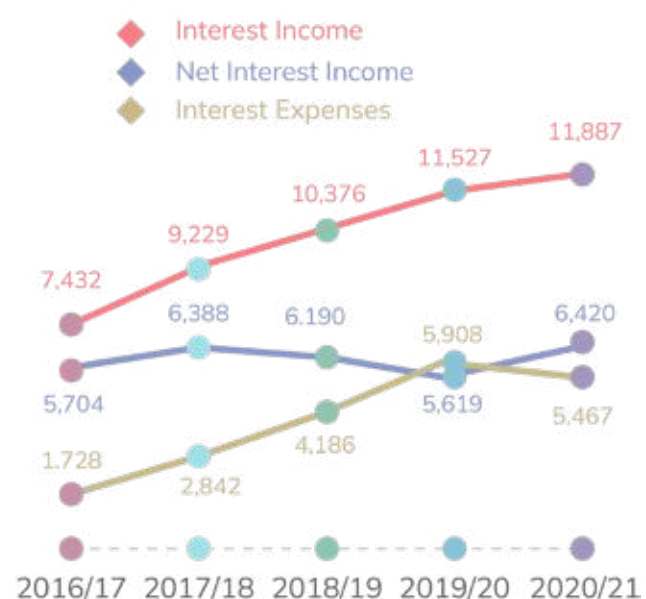
Particulars	2016/17	2017/18	2018/19	2019/20	2020/21
Interest Income	7432	9229	10376	11527	11887
Interest Expense	1728	2842	4186	5908	5467
Net Interest Income	5704	6388	6190	5619	6420
Net Fee and Commission Income	654	906	994	746	886
Net Trading Income	145	207	342	413	457
Other Operating Income	(340)	19	211	394	425
Total Operating Income	6162	7520	7737	7172	8189
Impairment Charge/ (Reversal) for Loans and Other Losses	359	(86)	477	880	498
Net Operating Income	5803	7607	7260	6292	7691

	2016/17	2017/18	2018/19	2019/20	2020/21
Operating Expenses					
Personnel Expenses	2168	2149	2077	2225	2353
Other Operating Expenses	615	511	550	669	813
Depreciation and Amortization	92	98	122	151	177
Operating Profit	2928	4849	4510	3248	4348
Non Operating Income	341	82	102	327	225
Profit Before Income Tax	3268	4930	4612	3575	4572
Income Tax Expenses					
Current Tax	1336	1479	1080	820	1276
Deferred Tax	185	235	934	422	335
Profit/(Loss) for the Period	1747	3216	2597	2333	2961

## Net Interest Income

The share of interest income in profit has constantly risen in the five-year review period. However, interest expenses showed volatility in the growth rate before declining by 7.47 percent in 2020/21. Due to uncertainty in the deposit interest rate movement and its subsequent effect, net interest income has fluctuated in the review period.

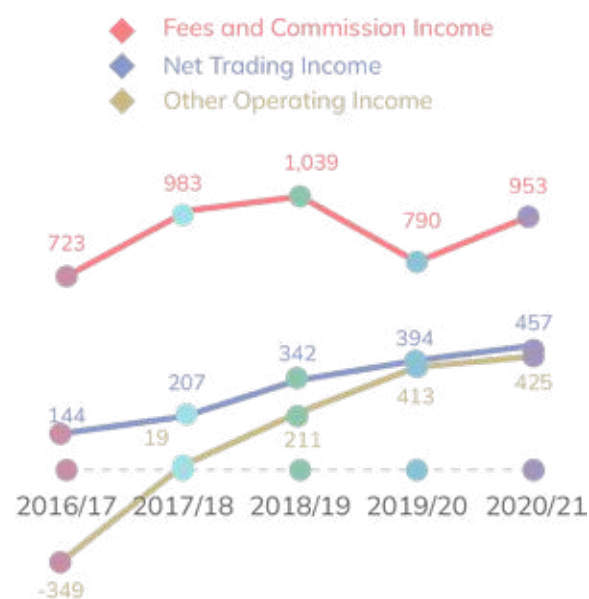
## Net Interest Income (Rs. Million)



## Fees and Commission, Net Trading and Other Operating Income

The bank has been successful in increasing Income from other activities in the review period. Total income from such activities amounted to Rs. 527 million in 2016/17, which has since risen to Rs. 1,835 million in 2020/21, recording an impressive average annual growth of 49.64 percent in the five year review period.

### Fees & Commission, Net Trading and Other Operating Income (Rs. Million)



## Operating Profit

The bank has been able to generate a healthier operating profit of Rs. 4348 Million in 2020/21 higher by 33.86% despite having a negative growth rate in the earlier two fiscal years. Increase in the volume of business has contributed in growth of operating profit.

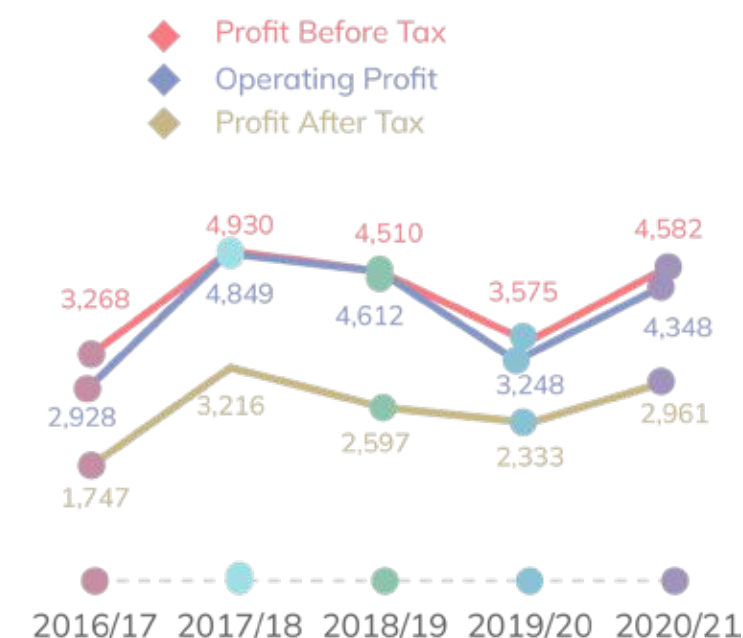
## Profit Before Tax

The profit before tax declined in 2018/19 and 2019/20. The major factors leading to negative growth of net profit in these years is rising interest expenses and the spread rate policy of the regulator. However, the business environment was largely affected by Covid-19 pandemic as well. In 2020/21, the bank has been able to record an impressive growth in before tax profit by 27.89 percent.

## Profit After Tax

The bank has registered profit after tax of Rs. 2961 million in 2020/21 despite economic activities largely hit by global pandemic. As such, the bank is able to provide satisfactory returns to the shareholders since the last 3 years.

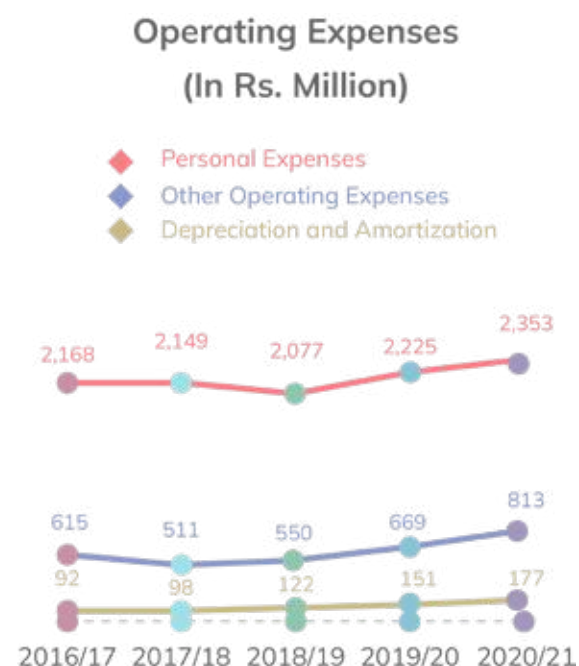
### Operating Profit, Profit Before Tax & Profit After Tax (In Rs. Million)





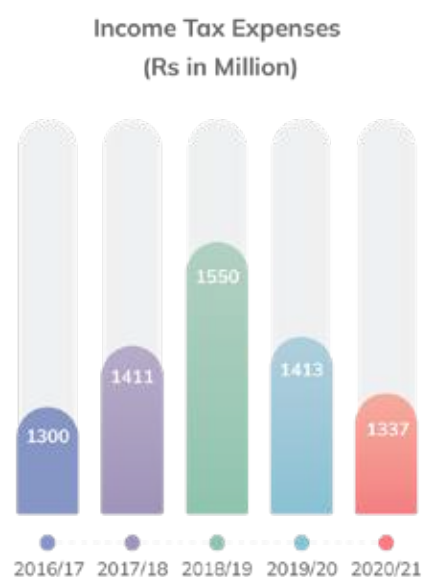
## Operating Expenses

The growth rate of operating expense in the review period has been moderate. While in 2017/18 and 2018/19, personnel expenses recorded a negative growth rate, other operating expenses were negative only for 2017/18.



## Taxes Paid to the Government

The bank has contributed a total of Rs. 7012 million to the national coffers in the form of taxes in the last five years.



## Review of Asset and Liabilities

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Assets</b>					
Cash and Cash Equivalent	5489	5781	10419	4972	6528
Due from Nepal Rastra Bank	13389	6284	10178	6125	6804
Placement with Bank and Financial Institutions	3074	2965	5428	6117	4319
Derivative Financial Instrument	41	19	5595	6590	8517
Loan and Advances to B/FIs	2168	2739	3303	3521	6539
Loan and Advances to Customers	71018	75557	92422	103304	135420
Investment Securities	16119	16248	16426	32596	30009
Current Tax Assets	590	522	991	1581	1642
Investment Property	120	87	113	103	111
Property and Equipment	11547	11638	11828	12008	12240
Goodwill and Intangible Assets	17	14	26	39	45
Other Assets	6654	11613	14786	14205	10368
<b>Total Assets</b>	<b>130226</b>	<b>133467</b>	<b>171516</b>	<b>191163</b>	<b>222645</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	235	291	1074	1459	809
Due to Nepal Rastra Bank	12	35	42	24	6063
Derivative Financial Instruments	-	-	5504	6473	8475
Deposits from Customers	93709	99541	117201	141530	162813
Borrowings	-	110	950	1000	-
Provisions	17	63	131	57	80
Deferred Tax Liabilities	4703	3226	3651	3826	4435
Other Liabilities	8476	7230	13680	6763	3261
Debt Securities Issued	-	-	-	-	3494
<b>Total Liabilities</b>	<b>107152</b>	<b>110495</b>	<b>142234</b>	<b>161132</b>	<b>189430</b>
<b>Equity</b>					
Share Capital	8043	8043	9811	11283	12637
Share Premium	133	133	3263	1790	431
Retained Earnings	-2235	-437	2896	3103	3732
Reserves	17133	15234	13312	13856	16414
<b>Total Equity Attributable to Equity Holders</b>	<b>23074</b>	<b>22972</b>	<b>29281</b>	<b>30031</b>	<b>33215</b>

	2016/17	2017/18	2018/19	2019/20	2020/21
Total Equity	23074	22972	29281	30031	33215
Total Liabilities and Equity	130226	133467	171516	191163	222645
Net Worth per Share	287	286	298	266	262.85
Total Business	167130	178127	214000	249814	305581

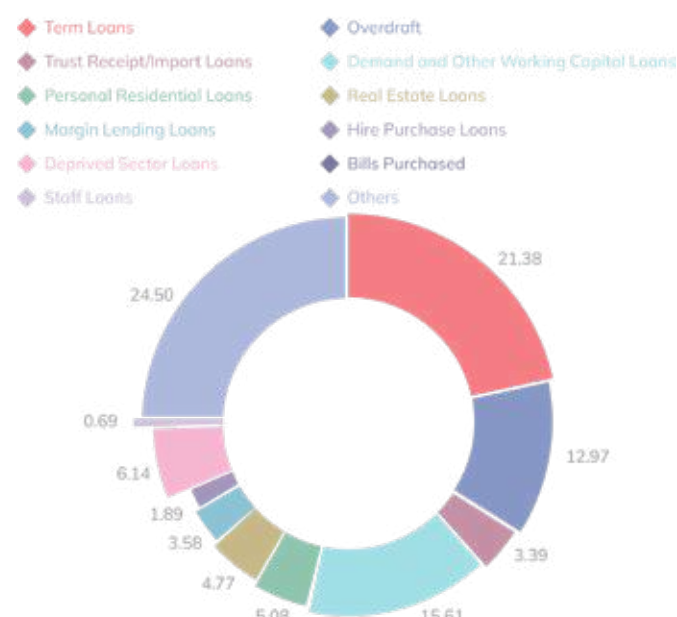
## Loan And Advances To Customers

The bank has been successful in increasing loans and advances to the customers in the review period from Rs. 71,018 million in 2016/17 to Rs. 135,420 million in 2020/21. The growth rate was 31.09 percent in 2020/21.

**Loans and Advances to Customers**  
(In Rs. Million)



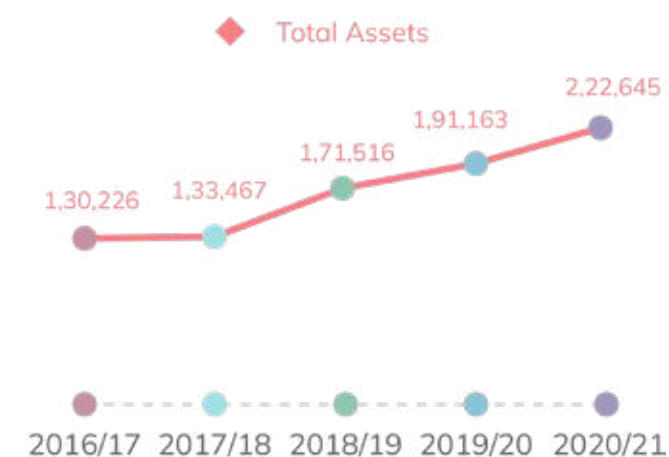
**Loans and Advances By Product**  
In 2020/21 (In Percentage)



## Total Assets

In the review period, the asset base of the bank increased significantly from Rs. 130,226 million in 2016/17 to Rs. 222,645 million in 2020/21.

**Total Assets**  
(In Rs. Million)



While the major increment in total assets can be attributed to an increase in lending activity of the bank, an increase in other asset class of the bank has also attributed to the rise. For instance, the increase in investment securities, property and equipment and other assets has also aided in the growth of asset.

**Investment Securities, Property and Equipment and Other Assets**  
(In Rs. Million)





## Share Capital, Reserves, Retained Earnings

In the review period, share capital of the bank increased from Rs. 8,043 million to Rs. 12,637 million in five years period. Retained earnings, which was negative till 2018/19, recorded a positive growth, reaching Rs. 3,732 million. Similarly, reserve of the bank has consistently remained positive and is above Rs. 16,000 million.

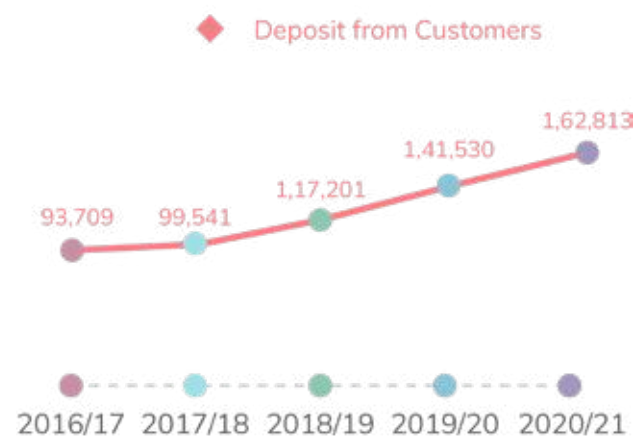
**Share Capital, Reserves and Retained Earnings**  
(In Rs. Million)



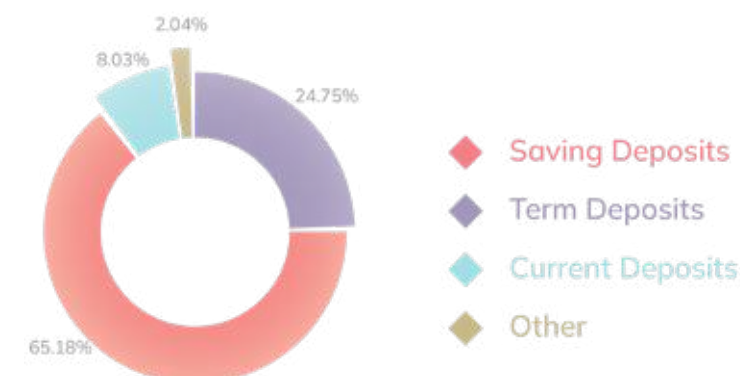
## Deposits From Customers

In the review period, deposits from customers increased from Rs. 93,709 million in 2016/17 to Rs. 162,813 million in 2020/21.

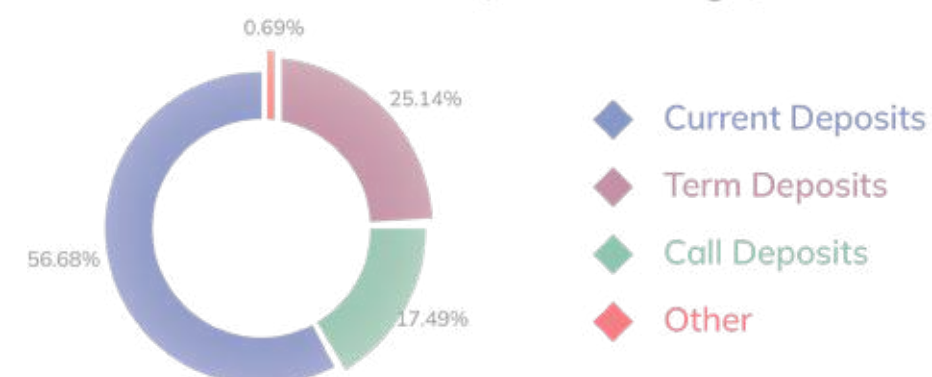
**Deposit From Customers**  
(In Rs. Million)



**Individual Customer Deposit Segregation**  
In 2020/21 (In Percentage)



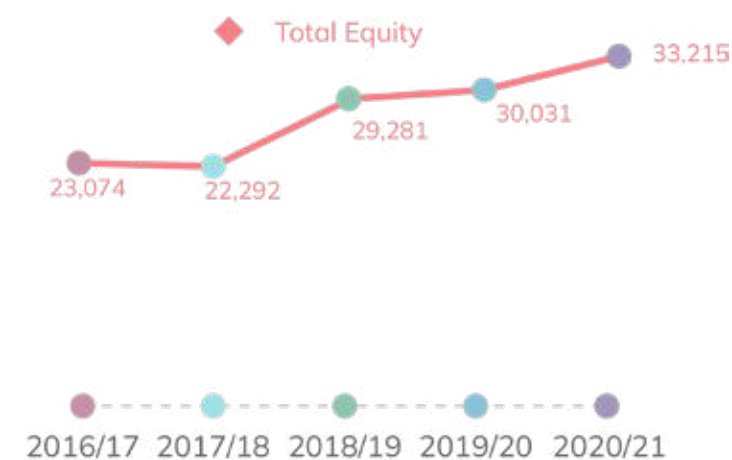
**Institutional Deposit Segregation**  
In 2020/21 (In Percentage)



## Total Equity

Total equity of the bank has consistently risen over the years. In the review period, equity attributed to equity holders increased from Rs. 23,074 million in 2016/17 to Rs. 33,215 million in 2020/21.

**Total Equity**  
(In Rs. Million)



## NPA

The NPA of the bank has consistently decreased over the review period and reached 2.05 in 2020/21. Prudent lending practice and efficient recovery process has helped Nepal bank in achieving this feat.

Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21
NPA	3.32	3.37	2.64	2.47	2.05

The sector wise breakdown of NPA:

Sector Name	Principal NPA	Total Loan	NPA %
Agricultural and Forest Related	164,848,279	6,525,599,711	2.53%
Fishery Related	30,226,361	389,608,783	7.76%
Mining Related	5,049,262	1,507,125,292	0.34%
Agriculture, Forestry & Beverage Production Related	94,775,363	7,742,354,302	1.22%
Non-food Production Related	640,249,493	5,090,482,300	2.55%
Construction	13,035,321	1,496,801,239	0.87%
Power, Gas and Water	183,641,331	8,749,006,373	2.10%
Metal Products, Machinery & Electronic Equipment & Assemblage	9,687,988	5,654,917,004	0.17%
Transport, Communication and Public Utilities	75,673,001	2,659,463,085	2.85%
Wholesaler & Retailer	388,224,095	19,777,526,916	1.96%
Finance, Insurance and Real Estate	146,006,752	6,371,021,551	2.29%
Hotel or Restaurant	71,668,782	5,391,559,901	1.33%
Other Service	65,348,196	4,936,909,956	1.32%
Consumption Loans	1,001,088,968	45,889,262,827	2.18%
Local Government	-	-	-
Others	85,923,794	2,836,755,005	3.03%
Grand Total	2,975,446,985	145,018,394,245	2.05%

## Achievements in the First Quarter of the Current FY2021/22:

As of Mid-October 2021, the bank's total deposits stood at Rs.173,610 million, total loans at Rs.154,875 million and investments at Rs.28,544 million. The reserve and fund of the bank is Rs.17,226 million. Similarly, the bank has earned a net profit of Rs.755 million during the period.

The non-performing loan ratio has come down from 2.05 percent to 2.00 percent. Similarly, the capital adequacy ratio stood at 16.42 percent in the first quarter of 2021/22.

The major financial outlook of the Bank up to Mid-October 2021 is presented in the table below:

Particulars	Amount (In Million)
Share Capital	12,637
Reserves	17,226
Deposit Liability	173,610
Investment	28,544
Loan and Advances	154,875
Net Interest Income	1,659
Operating Profit	950
Profit after Bonus and Tax	755
Particulars	Percentage
NPA	2.00%
Capital Fund to RWA	16.42%

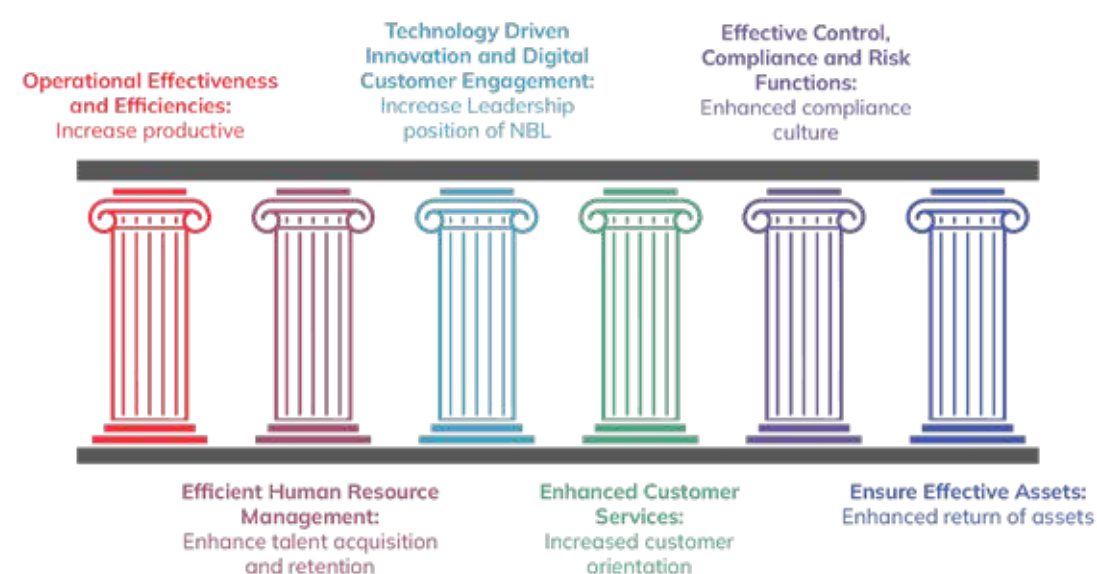
### NBL सेवाग्राही कर्जा



# Future Prospect/ Outlook of The Bank

We believe in planning in advance so that we are better prepared to face the challenges of the future. What the past has taught us is that the future is uncertain, and some degree of direction is essential to move forward. We have set out 6 strategic pillars, that will guide our operation going forward. After carefully analyzing our weaknesses and studying our competitors, we have highlighted these pillars as our benchmarks against which our performance will be measured.

We are here in this ecosystem, not just to survive but to lead. We believe these standards will help us reattain our rightful place in the banking landscape. In the days ahead, the bank vows to deliver on its set objectives.



To stay ahead in this cutthroat competition, the bank will focus on the following in the future:

- Develop healthy relationship with business associations
- Strengthen relationship with the government
- Develop new products for the changing market
- Simplify loan procedures
- Strengthen credit administration division
- Increase remittance business
- Increase non-funded business
- Increase efficiency of treasury operation
- Increase young customers and professional
- Manage brand effectively

More precisely, the bank will carry out following activities:

- Taking into account the impact of COVID-19 on the overall financial sector, necessary initiatives will be taken to mitigate the aggregate risk of sector-wise credit flows.
- New areas of business will be identified by expanding business relations with business associations.
- For expanding the bank's Digitalization drive, arrangements will be made for the procurement of necessary international standard CBS and other necessary IT infrastructure.
- Emphasis will be given to associate with various apps and online platforms to increase Digital Coverage.
- New credit products of personal and business nature will be developed on the basis of financial opportunities and risk analysis.
- Priority will be given to SME, MSME and credit to the agriculture sector.
- In conjunction with the local government, concessional loans and other credit expansion measures will be adopted.
- Emphasis will be given to increase the size of Off-Balance Sheet exposure by making the bank more competitive in the field of non-funded credit sector.
- In the field of credit, formulation and implementation of Risk Based Pricing Policy will be done.
- To increase the remittance business, feasibility study will be done for the establishment of strategic partnership as well as subsidiary company.
- Emphasis on development of new deposit scheme as per market demand and requirement.
- The work of expanding the branch network will be continued with the vision to create a presence of the bank in all the districts of the country.
- Various measures will be taken to bring more effectiveness in marketing and business promotion.
- In order to enhance the knowledge, skill, ability and professional competence of the employees working in the bank, the employees will be provided with various certified training courses.
- Further strengthening of internal audit system
- Emphasis will be given on the necessary training and capacity building to the concerned staff to bring effectiveness in the implementation of the system related to KYC,AML/Compliance.
- Physical testing of fixed assets will be implemented in all branches with the use of Assets Inventory Management Software (AIMS) and barcode.



## Industrial and Business Relations of the Company:

The Bank has been maintaining business and cordial relations with all the stakeholders. We are working with the belief that it will continue and strengthen business relations.

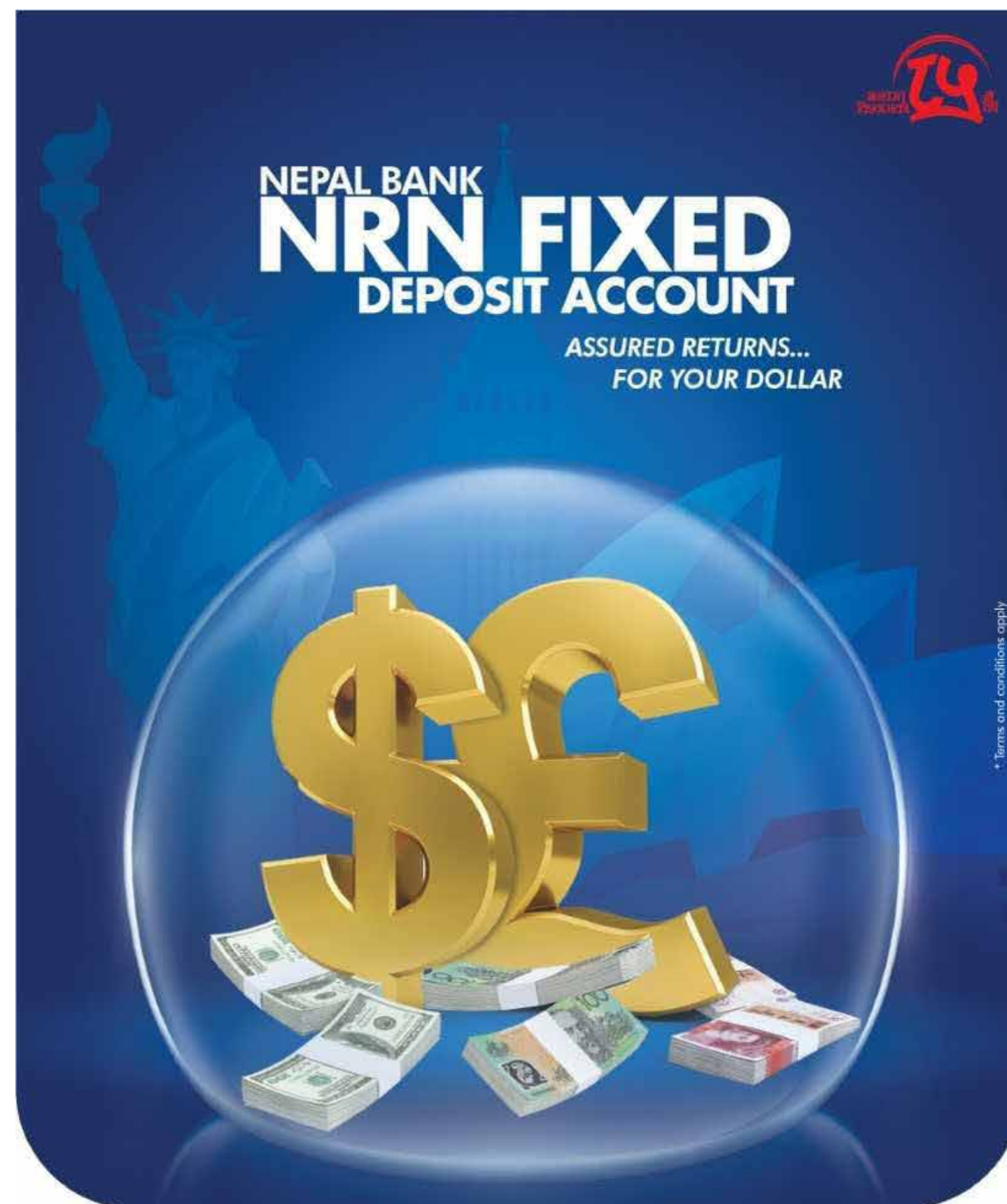
## Major Factors Affecting the Normal Operation of the Bank:

The main factors affecting the business of the bank are as under:

- Repeated outbreaks of the Covid-19 have an impact on the country's overall economic activity.
- Impact of the policy arrangements made by the Government of Nepal and Nepal Rastra Bank for economic recovery.
- Changes in remittance inflows will put pressure on the banking sector to mobilize resources.
- Wide trade deficit puts pressure on the balance of payments.
- State policy to increase investment in productive, employment oriented and export-oriented sectors.
- Impact on liquidity and interest income due to inequality between deposit growth and credit expansion.
- Impact on profits due to increasing competition in the banking sector.
- Arrangement to invest up to a certain percentage in agriculture, energy tourism and small, medium and medium enterprises.
- The necessity of increasing the productivity of the overall employees working in the bank.
- Impact on operation cost due to expansion of branch network.
- Management of various risks with the increased use of information technology and digitization.
- Compliance with national and international rules, laws and practices related to anti-money laundering.

## Branch Network Expansion:

The bank is currently providing banking services through its head office, 213 branch offices in 71 districts, 46 extension counters and 147 ATMs, including provincial offices in all the provinces. In the review period, the bank has expanded 25 branches. In the current fiscal year, the bank plans to further open 18 new and old branches and reach all the districts based on business feasibility study.



- Minimum balance USD 5000 or equivalent in convertible foreign currencies.

- Attractive interest rate.
- Tenure: Minimum 1 year.

- Online account opening facility.
- Other attractive facilities.

## Information Technology and Digitization:

The Bank is committed to make customer service easy and simple by providing banking services based on information technology and digitization. In this process, services available through the use of technology in the banking sector like Mobile Banking, ATM Card, Credit Card, Travel Card, Internet Banking, POS, QR Code Payment, Online Account Opening, are being provided by the bank. In addition, the bank has the facility for customers to open Online Account through Nagarik App. Similarly, the bank has started the process of purchasing new Web Based Core Banking Solution by replacing the existing Pumori IV CBS Software.

Demand for Digital service has grown significantly as a result of fear created by the Covid-19 pandemic. The digital services currently being provided by the bank will be modified in a timely manner to make it more customer friendly and competitive. The bank is working with special vigilance to minimize the potential risks associated with the increasing use of information technology related services.

## Improving Customer Relations:

Considering the fact that good customer relationship is the main basis of sustainable banking, the bank has always been committed to provide information about the services being offered to the customers and to make these services competitive and of good quality. The bank has been constructing customer friendly layout structure in the newly established branches and is gradually moving ahead with the construction of customer friendly layout structure in the old branches as well.

Customers can send complaints related to the service flow of the bank through the Feedback form on the bank's website. There is an arrangement to register all the related issues related to mobile banking disputes through the mobile banking app. Similarly, customers can send their grievances via e-mail to [gunaso@nepalbank.com.np](mailto:gunaso@nepalbank.com.np). Emphasis has been placed on resolving the grievances received in this way.

## Following Government Policies:

The bank's branch offices spread across the country have been carrying out government business, revenue collection, distribution of pensions and social security allowances, distribution of grants to the earthquake victims. The bank has also been assisting in the implementation of the issues directed by the government's financial policy.

The bank has been disbursing loans in the areas specified in the Rules of Procedure as per the Unified Procedure on Interest Subsidy for Concessional

Loans (2075), issued by the Government of Nepal for Employment Generation and Entrepreneurship Development. Under which, Rs. 5.82 billion has been disbursed to 4,664 customers.

Similarly, under the Business Continuity Credit Flow Procedure, 2077, loans have been provided to the customers for the continuation of business operation and payment of wages of the workers and employees of domestic small and medium and tourism business, affected by Covid-19.

In addition, the bank has been actively participating in the Federal Government's campaign to open bank accounts for all Nepalis. By launching the Samriddha Nepal Abhiyan Savings Account; Nepalese who have not had an account with any bank in the past will receive a deposit of Rs. 100 / - for opening an account with the bank. As per this arrangement, accounts of 6,612 customers have been opened till mid-July 2021.

## Loan Investment and Management:

The bank has consistently invested in productive sectors like hydropower, agricultural, concessional, and consumer loan within the limits of internal policy and guidelines of Nepal Rastra Bank while maintaining credit quality, realizing that expansion and diversification are the main source of income of the bank.

Based on the total lending of mid-January 2021, the bank has invested 12.39 percent in agriculture sector, 6.87 percent in hydropower and energy sector, 4.39 percent in tourism sector, 15.21 percent in SME sector (Up to 10 million), and 7.93 percent in other backward sector till mid-July 2021.

As of mid-July 2021, the Bank has invested in 27 hydropower projects with a capacity of 608 MW by participating in co-financing of various banks and financial institutions. Out of the total loan limit of Rs. 18.15 billion approved for these projects, Rs. 8.48 billion has been disbursed.

Similarly, the bank has invested in 8 different cement industries with a capacity of 8,000 metric tons in the review year by participating in co-financing with various banks and financial institutions. In the review period, Rs. 3.29 billion has been disbursed to these cement industries.

Credit is disbursed only after proper implementation of Credit Policy Guidelines, Operation Manual Part II (Credit Manual), Valuation Guidelines, Concessional credit manual, and various directives of NRB.



NBL

# RECURRING DEPOSIT

पढेन सबै रकम जम्मा एकै खेपमा,  
पाइन्छ मुहूर्तीकै ब्याज नियमित बचत निक्षेपमा



\*शर्तहरू लागू हुनेछन्।

वार्षिक  
ब्याजदर **१.०५%\***

## विशेषताहरू:

- समान मासिक किस्ता।
- बचत अवधि ६ महिना देखि १० वर्षसम्म।
- आवश्यक परेको वखत कर्जा सुविधा।
- अग्रिम मुक्तानी (Pre-Mature) सुविधा।



NEPAL BANK

# NRN SAVING ACCOUNT

Give Your DOLLAR a Raise.



\* Terms and conditions apply

- Minimum balance USD 5000 or equivalent in convertible foreign currencies.
- Attractive interest rate.
- Online account opening facility.
- Other attractive facilities.

# GOVERNANCE



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# Governance

The bank has been following the unified directive issued by Nepal Rastra Bank and the guidelines of other regulatory bodies regarding good corporate governance. To manage the meetings and other functions of the Board of Directors and Sub-Committee, the bank has been following the Code of Conduct of the Board of Directors issued by the bank, Banks and Financial Institutions Act, Companies Act.

The Board of Directors is also fulfilling the responsibility of formulating the policies, rules and regulations required for the day-to-day operations and management of the bank. They also overlook its monitoring and implementation and amend the rules as required. In addition, the Board of Directors and the bank management are committed to protect the interests of all the stakeholders by maintaining good corporate governance in the bank. The bank has been approving the budget and programs for each fiscal year. Similarly, periodic review of the approved budget and the targets set by the budget is being done periodically. The day-to-day operations and management of the bank are being carried out by the bank management within the limits of the prevailing laws, rules, directives of the regulatory body, management letter, rules and regulations of the bank, duties, rights and internal policy, rules and regulations of the bank.



The functions related to internal control and management of the bank such as risk management, internal audit, compliance and money laundering are organized on the basis of different departmental responsibilities. The interest rates on loans and deposits and other service charges have been determined through discussion on various issues and the information has been communicated to the stakeholders through the bank's website, newsletter and SMS. Similarly, quarterly financial statements have been published for the information of all stakeholders of the

bank.

The Governance Division has been continuously monitoring the activities of the bank in the field of institutional good governance and hearing the complaints received from the service recipients during the service delivery of the bank.

In case of serious incidents of misconduct and breach of discipline by the employees, the Board of Directors will be informed and if any breach of discipline is found, action will be taken in line with the Employees Service Regulations. The Bank's branch network and business expansion, as well as the increase in economic activities, have made the management, compliance and other aspects of the internal control

system more agile and robust over time.

The Board of Directors has made its working systematic and effective to maintain good corporate governance and to make the decision-making process more professional, participatory, transparent and result oriented.

## Board of Directors

The board of directors of Nepal bank consists of seven members. Three of the members are appointed by Nepal government, one independent director and three directors from public shareholders. The governing body meets at regular interval to set long term goals for the bank and to make decisions regarding policy formulation/amendment, dividend payout and executive compensation.

Nepal bank's board consists of right mixture of experienced, knowledgeable and visionary members who are capable of guiding the bank towards its set mission and achieve goals that have been set by the management.

In the review year, the BOD met 54 times to discuss on 275 agendas pertaining to various day to day decisions and setting medium- and long-term strategies for the bank.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
No of meetings	16	14	13	11	54
No of Agendas	65	94	61	55	275

## DIRECTOR'S EXPENSES

The bank provides its Board of Directors with some basic facilities like meeting allowances and other expenses. In the review year, these expenses were as in the table below.

Particulars	As on mid July 2021
Directors' fee	1,913,600.00
Directors' expense	1,338,406.80

# Business and Other Risks and Steps Taken to Mitigate Such Risks

The Bank’s primary business activity is commercial banking where substantial risk comprises of credit risk and operational risk. The other material risks such as market risk, liquidity risk, anti-money laundering /combating the financing terrorism (AMF/CFT) risk, Environment and Social risk and Cyber, Digital & Information Technology risk are other aspects of risk management that require constant monitoring. The Bank has formalized the risk management activities as a function to identify, assess, measure, monitor and manage the various risks associated with its huge asset base.

## Risk Management Committee

The Board of Directors, Risk Management Committee, and the top management are always vigilant to identify, measure, monitor, control and report the various types of potential risks inherent in the banking business that the bank has to face. The bank has a separate risk management department under the responsibility of the head of risk management department for risk identification and mitigation. Under the bank's operating risk, market risk, credit risk and liquidity risk, work is being done to determine the risk bearing capacity and risk tolerance limit. Various policies, procedures and directives related to risk management are being formulated and timely review is being done. Similarly, various directives related to risk have been complied as per the unified directives of Nepal Rastra Bank. For effective risk management, a risk management committee has been formed with a member of the BOD as coordinator and the departmental chief of the risk management department as member secretary. The committee carries out its responsibilities as per the instructions of Nepal Rastra Bank. The Bank’s risk management framework consists of Board of Directors, Risk Management Committee, Senior Management and Chief Risk Officer (Head of Risk Management Department). The four-member risk management committee is given in the table below:

Risk Management Committee		
Members	Designation	Role
Mr. Vibek S.J.B. Rana	Director	Coordinator
Mr. Ritesh Kumar Shakya	Director	Ex officio Member
Head of Operations Department	Department Head	Member
Head of Risk Management Department	Department Head	Member Secretary

The risk management committee has been conducting study and analysis of the bank's operations and business activities. Similarly, the committee monitors, studies and evaluates the risk situation of the bank based on the existing market situation and submits report to the board of directors with necessary suggestions.

## Description of the Risk Management and Control Environment Framework:

The Risk Management Committee, a subcommittee of Board of the bank is authorized to issue necessary instructions to address the pertinent issues of the risk. Board of Directors is the final authority for taking decision on it.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
No of meetings	4	3	2	8	17
No of Agendas	6	3	2	7	18

In the review year, 17 meetings were conducted by the risk management committee and 18 agendas were discussed. Because of the vast diversity in risk, there is no single prescribed risk management system that works for all. In NBL, the risk management framework consists of the following:







## Risk Control Mitigation Methodology

The area of risks covered are credit risk, environment & social risk, operational risk, market risk, liquidity risk. The Bank has already established the Risk Management Department that identifies and monitors the said risk of the bank. The AML/CFT risk, cyber digital & information technology risk, reputational risk and legal risk are managed by Compliance Department, Information Security Officer, Corporate Governance Division and Legal Division respectively.

The risks are managed with adequate policies and guidelines/manual. Mainly risk management activities are directed to address various risks to identify, assess, monitor and mitigate all material risks to evaluate overall capital adequacy in relation to its risk profile. The material risks that are managed by the Bank have been classified as follows:

- Credit Risk, Environment and Social Risk
- Operational Risk
- Market Risk
- Liquidity Risk
- Cyber, Digital and Information Technology Risk
- AML/CFT Risk
- Other material Risks

## Credit, Environment and Social Risk

Credit, environment and social risk is managed through credit risk management policy and guidelines. Credit, environment and social risk is managed by reviewing credit files, analyzing credit portfolio, single obligor limit and sectoral portfolio of the bank. External credit rating is taken to assess the client file having credit limit of Rs.500 million and more. The bank has developed risk grading matrix to manage the credit risk of the bank. The bank has also developed and implemented credit risk appetite and tolerance limit to manage the said risk

### Operational Risk

Operation risk is inherent in banking activities. Operation risk is managed through operational risk management policy and operational risk management guidelines, operational manual - I and circulars issued by management from time to time.

The bank has given responsibility to provincial offices for monitoring and verifying transactions of branches every day. The branches have to get approval from Operation Department for reversing posted transactions. The Operation Department has been also doing concurrent off-site inspection of the branches. The bank has also developed operational risk appetite and tolerance limit to manage the said risk.

### Market Risk:

Market risk is managed through market risk management policy and guidelines. GAP analysis is used to measure and manage the interest rate risk of the bank. The bank also calculates Earning at Risk (EAR) to ascertain the likely impact on Net Interest Income (NII) due to adverse

change in the interest rate in the short-term.

Net open position report is prepared to monitor and manage all the foreign currency position of branches, Head Office, Nostro and Vostro account. Managing & monitoring of traders and counterparty limits is also carried out to ensure the transactions are within the specified limit. The bank has also developed market risk appetite and tolerance limit to manage the said risk

The bank matches all its foreign currency assets and liabilities using foreign exchange related risk monitoring table (weekly) for foreign currency risk management. The close monitoring of foreign currencies is done during pandemic situation.

### Liquidity Risk:

Liquidity risk is managed through liquidity risk management policy and guidelines. It is also managed through structural liquidity report and stress testing that enable the bank to analyze strategic liquidity mismatches. The report showing assets and liabilities under different time buckets is measured by calculating Gaps over different time intervals. The negative gap analysis is calculated for each time buckets and compared with the tolerance limit set in asset liability management policy. The bank is also doing stress testing to manage liquidity risk. The bank has also developed liquidity risk appetite and tolerance limit to manage the said risk

### Cyber, Digital & Information Technology Risk:

The bank has appointed Information Security Officer (ISO) with terms of reference who is monitoring and managing

cyber, digital and IT related risk through approved policies related to Information Security. The bank has also developed risk appetite and tolerance limit to manage the said risk

Cybersecurity-focused culture throughout the bank has been

done through different IT- related training programs and awareness raising notices about secure usage of email & Internet system. All levels of employee are continuously trained to spread and encourage a security-aware culture. IS-audit (External) is conducted on annual basis.

## AML/CFT Committee

The bank has been complying with the prevailing Acts, Rules and Directives of Nepal Rastra Bank regarding money laundering and prevention of financing of terrorism. In this regard, based on the prevailing national and international practices, the bank has been preparing and implementing detailed guidelines to monitor the work process and to identify and report suspicious transactions on the basis of nature of work and customer service. The compliance department has been conducting regular monitoring of KYC, CDD, ECDD and suspicious transactions of the customer, providing information requested from various agencies for the study and research, and enforcing the provisions in the regulatory body and other prevailing laws.

As per the Money Laundering Prevention Act, 2064, Money

Laundering Prevention Rules, 2073 and as directed by Nepal Rastra Bank, an AML/CFT committee has been formed. The committee directs the management to rectify the deficiencies observed during the compliance of the rule. The Compliance department, under the guidance of the committee has been submitting quarterly progress reports to the committee on the work related to the prevention of money laundering and compliance.

The AML/CFT committee of the bank meets regularly to discuss agendas relating to prevention of money laundering and combatting the financing to terrorism. In the review year the committee conducted 10 such meetings to discuss on 13 agendas.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
No of meetings	4	2	2	2	10
No of Agendas	5	3	2	3	13

The bank also has a separate Compliance Department and has appointed compliance officer to monitor and manage AML/CFT risk with the help of approved policy, procedure of the bank and prevailing related Act and By-Laws of country. Training is also given to staffs regarding anti money laundering. A four-member committee constitutes the AML/CFT committee of the bank.

AML/CFT Committee		
Members	Designation	Role
Dr. Sabitri Ranjit Shrestha	Director	Coordinator
Mr. Vishnu Kumar Agrawal	Director	Member
Head of Risk Management Department	Department Head	Member
Head of Compliance Department	Department Head	Member Secretary

## Audit Committee

The Audit committee, standing committee of the Board of Directors is functioning according to the provisions mentioned in unified directives of Nepal Rastra Bank and Company Act, 2063. The committee is fulfilling the board's oversight responsibilities relating to

- (1) the accounting and financial reporting practices of Nepal Bank along with the integrity of bank's financial statements
- (2) the effectiveness of internal control & procedures
- (3) the process of monitoring compliance with legal and regulatory requirements
- (4) the performance and qualification of independent auditors.

Audit committee may invite Chief Executive Officer, Deputy Chief Executive Officer or other officers involved in daily operation of the Bank to be present in the meeting. Committee provides direction to the management for improvements in internal control and risk management function.

The bank has formed three-member Audit Committee- under the coordination of non-

executive director, another non-executive director as member and Head of Inspection and Internal Audit Department as member secretary. The member secretary assists in the administrative work of the committee. The Audit committee shall meet at least once in a month, or more frequently as circumstances dictate



Audit Committee		
Members	Designation	Role
Mr. Ritesh Kumar Shakya	Director	Coordinator
Mr. Vishnu Kumar Agrawal	Director	Member
Head of Inspection and Internal Audit Department	Department Head	Member Secretary

In the review year, a total of 23 meetings were conducted by the Audit committee and 46 agendas were discussed in these meetings

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
No of meetings	5	8	6	4	23
No of Agendas	14	14	13	5	46

Responsibilities and Duties of Audit Committee:

- Recommends through the Board to the shareholders for the appointment of the external auditors, all audit engagement fees and terms and all non-audit engagements.
- Quarterly discussion with Management on the completeness and accuracy of the bank's quarterly financial statements prior to the publication, filing of the bank's financial with Nepal Rastra Bank, Stock Exchange, any governmental body or the public. Review and discuss with Management and external auditors about the bank's annual report.
- Recommend to the Board, significant changes to the bank's accounting principles and financial disclosure with its implementation practices as suggested by regulators, external auditors, Management or the Internal Audit Department.
- Review and discuss with Management about the bank's major financial risk exposures and the steps management has taken to monitor and control such exposures. The committee discuss the bank's policies on risk assessment and risk management, including the risk of fraud.
- Review and approve the Internal Audit Department's annual audit plan, audit program and all major changes to the plan based upon the recommendation of the external auditors and Head of the internal Audit Department.
- Review Internal Auditors' findings and recommend to the Board for the actions to be taken.
- Review and recommend the appointment and replacement of the head of the Internal Audit Department, and review on an annual basis the scope and effectiveness of the Internal Audit Department.
- Review and reassess the adequacy of audit charter annually and recommend to the Board any changes the Committee deems appropriate.

Risk Management function of IIAD

Under the risk management function Inspection & Internal Audit Department:

- Identifies and evaluates the risk in the bank.
- Informs for reduction and elimination of harmful threats.
- Supports for efficient use of resources.
- Suggest for better communication of risks within the organization.
- Helps to uplift the faith of stakeholders of the bank.
- Supports for Continuity of business of the bank.

Risk based internal auditing of the department aims effectiveness, efficiency and specialization at auditing. The major objectives of the RBIA are as follows:

- Risk recognition and assessment.
- Reasonable assurance of meeting goals/objectives.
- Reasonable assurance of compliance with policies, procedures, regulations and laws (as applicable).
- Evaluating efficiency and effectiveness of operations to prevent or detect any error, omission, or irregularities.
- Review of processes for adequacy for prevention and detection of fraudulent practices.
- Review of accounting processes and controls.
- Evaluation of system controls for data security, integrity, reliability and privacy.
- Clear and accurate information and communication.
- Safeguarding of assets.
- Identifying automation opportunities.
- Identifying whether adopting better practices or not.

Assessment of Internal Control Systems by IIAD

- Assess the management oversight and the control culture.
- Control activities (activity control, physical control) and segregation of duties (exposure limit, approval & authorization, verification & reconciliation) in the bank. Assessing appropriate control structure is set up with control activities defined at every business level.
- Assessing adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making.
- Monitoring activities and correcting deficiencies in the bank.
- Compliance with applicable laws and regulations.
- Reliability, completeness and timeliness of financial and management information.
- Efficiency and effectiveness of every activity in the bank.

## Employee Service and Benefit Committee

Overview

The bank has a separate employee service and benefit committee that meets regularly to decide on the HR issues, benefits and salary increment of the staff.

Financial Review

Employee service and benefit Committee		
Members	Designation	Role
Mr. Om Krishna Shrestha	Director	Coordinator
Mr. Deependra Bickram Thapa	Director	Member
Chief Executive Officer	CEO	Member
Head of Central Accounts Department	Department Head	Member
Head of Human Resource Department	Department Head	Member Secretary

Governance

Social Responsibility

Sustainability

### Responsibilities and Duties of Employee Service and Benefit Committee

- To discuss the employee standard of the bank and recommend the same to the Board of Directors for approval.
- To discuss on the amendment of employee service by-laws and recommend the same to the board.
- To recommend employee benefits and perks to the board for approval.

Human Resources

## DATA AND SYSTEM SECURITY

Value Creation

The IT/MIS Department ensures that the efficiency and effectiveness of the Bank's functions and smooth operation is enhanced through the use of information technology.

Branch Network

The IT/MIS Department performs these core functions:

- Introduces and maintains overall technology driven banking systems for the Bank's smooth functions and operations
- Provides the appropriate hardware, software, networking and communications infrastructure for automation
- Provides the highest level of data security, confidentiality and integrity
- Provides a high degree of availability and recovery of its systems
- Provides IT policy and technology related framework for the bank
- Helps in digitization process of the bank.

Financial Statement

## Services/ Products

IT/MIS Department has been providing support for several services and products which are required for daily bank's functions.

The several services and products which are running under IT Department as follows:

1. Pumori Plus IV CBS
2. ECMS – Document Management System
3. Data Center
4. Integrated Pension Management System
5. Centralized Pension Management

6. NBL MIS Portal (mis.nbl.com.np)
7. NBL Intranet
8. PDX-Software (pdxsoft.com.np)
9. Fixed Asset & Inventory Management System
10. Online Recruitment System
11. Swift Service/ Software
12. Connectivity with Branches / ATM
13. Off Site Backup Solution
14. Disaster Recovery Site (Bhairahawa)
15. Email Service
16. HRMIS & Central Payroll System

## Backup

### 1. System (Veeam Backup) Backup

All critical machine backup has been performed using Industry Standard Backup solutions, which run on the VM server and Tape backup servers. All backups have been written to disk on LTO tape and external Hard Drive.

For isolated backup automated technique using VEEAM backup system have been maintained at KBO Isolated Backup site.

#### Daily Backup

Incremental backups of approved data and servers are performed each weekday, between 1 am and 6 am to KBO Site NAS. It is combined with weekly full backup to enable complete recovery.

#### Weekly Backup

Full backups of approved data and servers are performed weekly, between 1:00 am to 6:00 am on Saturdays to KBO site NAS.

### 2. Database Backup

#### Daily Backup

Database level backups of approved services are performed each weekday, between 1 am and 6 am to Tape media and External Hard Disk as well.

Every morning, prior to 9:00 am, Night

Duty Officer reviews the status for the previous day's backup jobs (on Sundays, review the entire weekend's activity) to verify that all jobs has been completed successfully and report to EOD In-charge. Any errors or unsuccessful jobs is investigated to determine the cause and action taken immediately to complete unsuccessful jobs. The concerned Unit Head is notified immediately upon any unsuccessful backup jobs.

#### Offsite Tape Rotation

The tape cassette from the backup tape drive is removed and stored in the offsite storage location in Bhedasingh branch. The database backup is stored in external hard disk and kept under custodian of Backup Administrator. Tapes stored in off-site location can be brought for data extraction and testing job to Data Center. After the completion of restoration and testing job the tape is stored in offsite location.

Because the tapes may contain sensitive or restricted data, during transit to and from the offsite location, NBL Staff doesn't make any stops or leaves the tape unattended at any time. The Tape



Inventory Log is updated to reflect the location of tapes.

The tapes for the Database backup of each day are preserved for 7 days; Month end and Quarter End Data backup are preserved for at least 12 months and 84 months respectively. Year-end Data backup are preserved for 84 months.

Disaster Recovery

The DR site has been maintained at Bhairahawa for Pumori Plus IV Core Banking System Only. The database has been real time synchronized with DR site server. In an extreme situation, if the CBS server at Data Center collapses, and other backup systems are corrupted, the CBS data is safe and available at DR site.

Recovery

Every month, the Primary and Secondary Backup Administrators along with concerned Unit members conduct recovery tests to verify the recovery procedures and validate

the proper functioning of the backup system. Performance of Recovery Tests are logged in the Recovery Test Log. Recovery testing failures should be reported to the concerned Unit Heads.

IT/MIS Department ensure total data safety and security by maintaining different level of backup systems such as automatic system/ server backup has been maintained at KBO and daily database backup store in local server disk, tape drive as well as external hard disk. PumoriPlus IV CBS database has been in real time synchronize with the server maintained at Disaster Recovery Site. IT/MIS Department has introduced various security products such as Palo Alto Edge Firewall, Spam Titan Email Service Gateway, Check Point Firewall, Web Application Firewall, SIEM Solutions, Advanced Antivirus etc. to secure the system, network and data maintained at Data Center.

Changes in the Board of Directors and its Reasons:

Mr. Vivek SJB Rana, Mr. Vishnu Kumar Agrawal and Mr. Om Krishna Shrestha have been elected from the election of the Board of Directors at the 61st Annual General Meeting of the Bank, representing the general shareholders. Ex-chairman Mr. Bashudev Adhikari who represented the Government of Nepal, was replaced by Mr. Madhu Kumar Marasini, who himself has been replaced by Mr. Suman Raj Aryal as the new Chairman of the Board of Directors. Similarly, Mr. Suman Dahal, Joint Secretary of the Ministry of

Finance who was nominated in place of Mr. Kedar Prasad Paneru, representing the Ministry of Finance, Government of Nepal, has also been replaced by Mr. Ritesh Kumar Shakya, joint secretary, Ministry of Finance. The bank would like to thank the Ex-Chairman of the Board of Directors, Mr. Bashudev Adhikari and Mr. Madhu Kumar Marasini and the Board of Directors, Mr. Kedar Prasad Paneru and Mr. Suman Dahal for their contribution in the Board of Directors.

Implementation of Last Year's AGM Recommendations:

At the 61st Annual General Meeting held last year, the shareholder called for holding the Annual General Meeting as soon as possible, maintaining dividends with a mixture of cash and non-cash dividends, emphasizing on technology-friendly services to attract the younger generation to the bank. It was also suggested to strengthen the customer relationship by providing proper training and career development opportunities to the employees, to increase banking / financial literacy, to make the bank's mobile banking app competitive and to continue the practice of virtually participating in the annual general meeting. In the course of implementation of these suggestions, the Bank has gone to hold the Annual General Meeting of the Fiscal

Year 2020/21 on the date specified by the Company Act. Emphasis has been placed on technology to provide convenient and simple services to the customers; various services have been provided to the younger generation and the mobile banking app of the bank has been modified in a timely manner. Similarly, the practice of virtually attending the annual general meeting has been continued. We would like to inform that the work of increasing the productivity of the employees by increasing the work capacity and skill development of the employees working in the bank is continuing. We express our commitment to gradually implement the various suggestions and suggestions given by the shareholder dignitaries at various times to make the bank more competitive.

Changes in Management:

Mr. Krishna Bahadur Adhikari has been in the post of Chief Executive Officer since October 30, 2010. The top management of the bank consists of Ms. Samata Pant as the Deputy Chief Executive Officer, Mr. Laxman Poudel as the Chief Credit Officer, Mr. Bishwo Raj Baral as the Chief Operating Officer, Mr. Prakash Kumar Adhikari as the Chief Administrative Officer and Mr. Hom Bahadur Khadka as the Chief Finance Officer.

Debenture Issue:

Following the instructions of Nepal Rastra Bank, the bank has issued 35,00,000 “8.50% Nepal Bank Debentures-2087” bonds at face value of Rs 1000. The registration and listing have been completed in the concerned regulatory bodies after the completion of the distribution.

## Notes to the Audit Report and Board of Directors Response:

The bank's audit report mentions miscalculations of the bank's inter-branch accounts and remittance transactions, government transactions for a long time and accounts of Tribhuvan University as well as the distribution of dividends and the amount directed to be kept in reserves and funds without distributing bonuses to employees. Efforts are being made to form a separate reconciliation division to improve the condition of inter-branch accounting by focusing on the work of clearing the inter-branch accounts of the bank. We would like to inform that the necessary process has been taken towards reconciling the accounts of the transactions which have not been reconciled for a long time and have not been identified. The bank is regularly receiving government business fees from Nepal Rastra Bank. We would like to inform that the verification of the balance in the account of this bank in Nepal

Rastra Bank is being done regularly through the treasury department of this bank. Necessary process has been taken forward for some old transactions which have not been reconciled. In the case of Tribhuvan University's pension, in the past it was distributed by the branches, but now the transaction is being done centrally by the Kirtipur branch of this bank.

We would like to inform that necessary coordination is being made with the Nepal Rastra Bank regarding the accumulated profit and loss of Rs. 1.19 billion

Apart from the above, attention of the Board of Directors is drawn regarding other issues related to the regular business of the bank mentioned in the audit report. The BOD has already given necessary instructions to the management to improve the situation as per the suggestions and feedback received from the auditor.



## Disclosure as per sub-section (4) of section 109 of the Companies Act, 2063

### A. Overview of last year's business:

Disclosed in 'Review of Current Year Financials' under 'Operating and Financial Review' Section of the report.

### B. If the national and international situation has any effect on the business of the company

Disclosed in 'Macro Economic Outlook' under 'Overview' Section of the report.

### C. The opinion of the Board of Directors regarding the achievements of the current year and what needs to be done in the future till the date of preparation of the report

The achievements of the first quarter of the current Fiscal Year 2021/22 and the future plans of the bank are disclosed in 'Operating and Financial Review' Section of the report.

### D. Industrial or business relations of the company:

Disclosed in 'Operating and Financial Review' Section of the report.

### E. Changes in the Board of Directors and the reasons for it:

Disclosed in 'Governance' Section of the report.

### F. Main factors that affect the business:

Disclosed in 'Operating and Financial Review' Section of the report.

### G. Response of the Board of Directors to any objection mentioned in the audit report:

Disclosed in 'Governance' Section of the report.

### H. Amount recommended for dividend distribution:

Based on the financial statements of the Fiscal Year 2020/21, bonus shares equivalent to 14 percent of the paid-up capital or Rs. 1,76,91,46,207.36 is proposed and cash dividend at the rate of 3 percent of paid-up capital or Rs. 12,63,67,58,624 is proposed (Including dividend tax).

### I. Details of the number of shares seized in case of forfeiture, face value of such shares, deposit received by the company before such shares and the amount received by the company after the sale of such shares and refund of the seized shares:

The bank has not forfeited any shares.

### J. Review of the business progress of the company and its subsidiaries in the last financial year and the situation at the end of that financial year

There is no subsidiary of the bank.

### K. Major transactions of the company and its subsidiaries during the financial year and any significant changes in the company's operations during that period:

The major transactions conducted by the bank in the fiscal year and the changes in the transactions involved have been clarified by the balance sheet, profit and loss account, other detailed income, cash flow statement and accounting details.

### L. Information provided to the company by the principal shareholders of the company in the last financial year:

No such information provided.

### M. The details of ownership of the shares taken by the managers and officers of the company in the last financial year and the information received by the company regarding their involvement in the share trading of the company:

No information received.

### N. The conduct of information provided in the agreements relating to the company during the last financial year regarding the personal interests of an operator or a close relative:

No such agreement.

### O. If the Company has purchased its own shares, the reason for purchasing such shares, the number and face value of such shares and the amount paid by the Company for the purchase of such shares:



No shares bought by the company.

**P. Details of whether or not there is an internal control system:**

The bank has been strengthening its internal control system to control various types of risks inherent in the banking business. The operational manual part I and part II are being implemented for the day-to-day operation and management of the bank which has been amended/modified in a timely manner. Financial Administration and Procurement Regulations have just been updated and implemented.

Similarly, other policies, rules and directives required for conducting banking business have been formulated and implemented within the scope of prevailing laws and policies and directives of Nepal Rastra Bank. At the same time, the internal control system of the bank is being further strengthened by formulating new policies and regulations as per the requirements of the time and business and by strengthening the existing policies, rules, regulations and directives.

**Q. Details of total management expenditure of the last financial year:**

The details of total management expenditure of the last financial year are as under:

Particulars	Amount
Employee Expenses	2,353,459,424.00
Operating Expenses	713,078,311.00
Total	3,166,537,735.00

**R. List of members of the audit committee, their remuneration, allowances and facilities, details of the work done by the committee and**

**details of any suggestions made by the committee:**

List of members of the Audit Committee of the Bank at the end of the Fiscal Year 2020/21:

Director Mr. Suman Dahal- Coordinator  
Director Mr. Vishnu Kumar Agrawal- Member  
Head of Inspection and Internal Audit Department, Mr. Dipendra Raj Kafle- Member  
Secretary

Apart from meeting allowance, no other remuneration and facilities have been provided to the coordinator and members of the audit committee. Rs. 4,000 / - has been provided to the members of the board per meeting and Rs. 1,100 / - has been provided to member secretary per meeting.

The Audit Committee gives necessary instructions after discussing the internal audit reports of the branches and departments of the bank that is submitted to the committee by the Department of Inspection and Internal Audit. In addition, the committee has been reviewing the financial position of the bank quarterly and discussing the external audit report and supervision report of Nepal Rastra Bank and informing the board of directors with necessary recommendations.

**S. The director, the managing director, CEO, the principal shareholder or his close relatives or the firm, company or organization affiliated with him are required to pay any amount to the company:**

No such payment.

**T. Amount of Remuneration, Allowance and Facilities paid to the Directors, Managing Directors, and Chairman:**

The amount of remuneration, allowances and facilities paid to the directors, managing directors, CEO and office bearers is as under:

**1. Chairman and BOD:**

The Chairman of the Board of Directors

and the members of the Board of Directors have been provided Rs. 4,000/- per meeting as meeting allowance. In FY 2020/21, Rs. 1,913,600 has been spent on board meeting expenses and Rs.5,97,380 has been spent to bank management and expert.

Apart from meeting allowance, the chairperson and members of the board of directors are provided up to Rs. 2,000 per month for newspaper expenses and up to Rs. 5000 for mobile expenses (along with a mobile set). In case of non-use of office vehicles, Rs. 200/- per meeting is being provided.

**2. Chief Executive Officer, Company Secretary and other office bearers:**

In the Fiscal Year 2020/21, Rs. 54,42,916/- has been paid to the Chief Executive Officer of the Bank, Mr. Krishna Bahadur Adhikari including salary of Rs. 21,60,000.19 and allowance Rs. 32,82,916.19. The responsibility of company secretary has been given to the senior manager level employees of the bank. Rs. 5,10,95,061-90 has been paid to the Company Secretary and other management officials of the Bank (up to the level of Chief Manager) as

their salaries and allowances.

**U. Amount of dividends remaining to be withdrawn by shareholders:**

The amount of dividend remaining to be understood by the shareholders is Rs. 20,00,831.

**V. Details of purchase or sale of assests as per Article 141:**

The details of purchase and sale of assets required by the bank (vehicle, office equipment, leasehold property) are given in Schedule 4.13.

When buying and selling property, the procedure prescribed by the Financial Administration Regulations of the bank is followed on the basis of prevailing market price.

**W. Details of transactions between the companies as per Article 175:**

No such transactions.

**X. Any other matter to be disclosed in the report of the Board of Directors in accordance with this Act and the prevailing law:**

No such disclosure.

**Y. Other essential disclosures:**

No such disclosures.

## Disclosure related to sub-rule (2) of rule 26 of Securities Registration and Issuance Rules, 2073 Annual statement as per relevant schedule 15

- 1. Report of the Board of Directors:**  
Disclosed in earlier part of the report
- 2. Auditor's report:**  
Disclosed before financials within the report
- 3. Audited financial statements:**  
Disclosed in financial statement part of the report
- 4. Details of legal action:**  
**A. If any case has been filed against the organization or the organization during**

this period:

In the fiscal year 2020/21, 27 cases were registered in various courts for and against the bank.

**B. If a lawsuit has been filed or has been filed against the chairman and directors of the organization or against the chairman or directors for committing a criminal offense in violation of the prevailing rules:**

No case has been registered in this regard.

**C. If a lawsuit has been filed against any**

chairman or directors for committing an economic crime:

No case has been registered in this regard.

5. Analysis of the share trading and progress of the organization:

A. Management's opinion regarding the trading of shares of an organization in the stock market:

The management has no idea as the share trading and pricing of the bank is within the open market policy in the Nepal Securities Exchange Market.

B. The maximum, minimum and final value of the shares of the organization in each quarter of 2020/21, as well as the total number of shares traded and the number of transactions:

Quarter	Maximum Price	Minimum Price	Last trading Price	No of traded shares	Trading Days
First	351	244	324	12,226,032	64
Second	427	320	366	17,696,710	58
Third	419	350	459	23,996,000	49
Fourth	460	410	443	15,576,812	65

6. Problems, challenges and strategies:

A. Problems and Challenges: Internal:

- Increase productivity by further improving employee skills, capacity, morale and work environment.
- Finding alternative ways to reduce long-term staff costs.
- Minimization of potential risks created by expanding branches and service expansion.
- Maximum use of technology in service delivery, technology friendly work environment and security.
- Finding ways to increase interest income as well as non-interest income.

External:

- Intense competition in the banking sector.
- Effects of recurrent epidemics of corona virus on economic activities.
- Imbalance between credit expansion and deposit growth.
- Changes in the regulatory environment and periodic adjustments.

- Changes in foreign exchange and reduction in remittance inflows.

B. Problem and challenge with solution strategy:

- Time and market relative short-term and long-term business strategies to make employees more competitive in a timely manner by enhancing their productivity and service delivery skills and abilities.
- Regular monitoring, analysis of staff and operating expenses and search for alternative solutions for long term pension expenses.
- Utilization of wide range of technologies, digitization of banking services and adoption of potential risk mitigation measures related to the technology.
- Effective management of assets and liabilities of the bank.
- Diversification of income by increasing the contribution of all branches in deposits, loans and profits as well as non-interest income by making the expanded branch network of the bank business oriented.

- Adoption of measures to reduce the negative impact on the quality of credit due to Covid-19.

Corporate governance:

The bank has always given high priority to good corporate governance. Instructions and circulars issued by Nepal Rastra Bank, Securities Board of Nepal regarding corporate governance have been followed. To ensure compliance with the directives issued by the regulatory body, the compliance officer has been assigned the responsibility of monitoring and compliance. An audit committee has been formed under the Board of Directors to manage the internal control system. The Audit

Committee has been implementing the suggestions and instructions given by the external and internal auditors and giving necessary instructions and suggestions to the management to strengthen the internal control system.

The bank has a separate risk management department for risk management. Under the Risk Management Committee under the Board of Directors, the department has been identifying the risks and challenges in the credit, market, liquidity and operation of the bank.

The Board of Directors and the bank management are committed to protect the interests of the bank related stakeholders and maintain good corporate governance.





# MISCELLANEOUS



SECTION 4

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## Corporate Social Responsibility



As per the directive of Nepal Rastra Bank, the amount equal to 1 percent of the profit earned by the bank should be spent on the work related to corporate social responsibility. The bank has been spending the allocated amount in various economic, cultural, social, educational, financial literacy, health, environment protection and other community interests within its jurisdiction as per the directive of Nepal Rastra Bank and its policy on corporate social responsibility.

We are in the process of engraving social and environmental concern at the core of our business model. We believe our small effort to bring change will proliferate into greater good for the whole nation and its communities. Bearing the responsibility of being a pioneer bank, we make small contribution on different headings that we believe will have lasting impact on the lives many.



**डिजिटल सुविधाहरु:**



ई-बैंकिङ्ग



मोबाइल बैंकिङ्ग



QR Payment



Visa Debit  
Card



Connect IPS



मेरो सेयर



DMAT



C-ASBA



## Amount disbursed during the year as part of CSR

### A trusted partner during national crisis

To support the government in its effort to combat the spread of Covid-19, the bank handed over an amount of Rs. 10 million to the central government and Rs. 0.5 million to each of the seven provinces (total of Rs. 3.5 million to provincial governments). The bank further deposited Rs. 34.6 million in the Corona virus Prevention, Control and Treatment Fund (CPCTF) established by the federal government to fight against the virus through then Rt honorable Finance Minister, Dr. Yuvraj Khatiwada. Overall, Nepal Bank contributed a total of Rs. 48.1 million to the funds created by both central and provincial governments.

### Promoting Child Health

The bank has agreed to provide Rs. 10 million to Kathmandu Institute of Child Health for the construction of a part of a hospital building at Budanikantha. The institute envisions to become a pioneer health institute in the field of child health and has a plan to establish a highly specialized 100 bed central child health facility in Kathmandu, in its first phase. In the later phases, the institute plans to establish well equipped children's hospitals in all the seven provinces. As a first installment, the bank has disbursed Rs. 2.5 million to the institute.

### Education for the Future

The bank has agreed to provide Rs.

5 million to Nepal Rastriya Prathamik Bidhyalaya, located at Parwanipur Gaunpalika, Bara District for the construction of two-storey building and the purchase of furniture and computer equipment. The school's property was damaged by torrential rain and storm in April 2019. This initiative has benefited 400 school students and the community at large.

### Healthy Communities

The bank has approved Rs. 1.7 million to provide Lamjung District Community Hospital for the purchase of hospital equipments. This initiative will help the hospital to provide effective surgery services in addition to other services to the locals of Lamjung, Manang, Gorkha and Tanahu districts.

### Bank Account for All

The bank, has supported the government initiative of making banking services available to every citizen by its Samridha Nepal Abhiyan Bachat Khata. Under this scheme, the unbanked population will be brought into the banking system. As an incentive, the bank will deposit Rs. 100 into each new account opened under this scheme. So far, we have opened more than fifty thousand such accounts.

### Promoting Self-Employment

We have signed memorandum of understanding with 18 local governments to facilitate subsidized credit disbursement that promotes

self-employment. As per this arrangement, Nepal bank will provide credit to potential entrepreneurs recommended by these local government. These credits will be collateral free. So, lack of finance for small entrepreneurs will not be an impediment to start a business. The bank will manage its credit risk on such portfolios on the basis of guarantee provided by the local government, which will be in the form of cash margin. In the beginning, we will disburse a small proportion of such margin as credit, and slowly increase such loans

based on the repayment patterns of such loans.

Under the same initiative, the bank has provided Rs. 1.5 million to National Youth Council (NYC) to promote entrepreneurship. NYC has conducted a 7 days training for youths of *Chagunarayan Municipality* related to subsidized credit facility and promotion of entrepreneurship. This program benefited around 300 youths in the Municipality.

## List of Local Governments that have signed MOU for subsidized credit

SN	Branch	Local Body
1	Ghartigau	Madi Rural Municipality
2	Chautara	Chautara Sagachok Gadi Municipality
3	Bhigri	Sworgadwari Municipality
4	Bhaktapur	Chagunarayan Municipality
5	Ratnanagar	Ratnanagar Municipality
6	Panchkhal	Lisankhu Municipality
7	Manigaram	Tilottama Municipality
8	Mahendranagar	Bhim Datta Municipality
9	Jagadulla	Jagadulla Rural Municipality
10	Wamitaxar	Musikot Municipality
11	Trisuli	Bidur Municipality
12	Sandhikarka	Sandhikharka Municipality
13	Saleri	Solu Dudhakunda Municipality
14	Rolpa	Rolpa Municipality
15	Dhadingbesi	Nilkantha Municipality
16	Karnali Province	Bhumi Byebastha Krishi Sahakari Mantralaya Karnali Pradesh
17	Gandaki Province	Gandaki Province Gov.
18	Lumbini Province	Lumbini Province Gov.



Driving Government's Digital Nepal Initiative

The 21st century is a digital century. Technology advancement has been the hallmark of development around the world. The world of finance has also witnessed disrupting changes in the past few years. From QR technology for fund transfer to virtual banks, the way financial transitions are done, is witnessing a paramount change. Hassel free banking at your fingertips is the way forward.

To support government's drive of transformation of the country into Digital Nepal, we have been conducting various digital finance awareness programs throughout the country. So far, we have conducted such programs in Dhangadi, Ramecchap, Surkhet, Palpa, and many places inside Kathmandu, Patan and Bhaktapur. The bank plans to spread awareness about digital financial solution in the future and continue such programs to reach a wider audience.







Investment in Renewables

With the vision of reducing the use of fossil fuel, the government has directed BFIs to invest in renewable energy. Under this initiative, the bank has invested in hydropower projects with a combined capacity of around 608 megawatts. Total approved investment in these projects have reached 18.15 billion, out of which, 8.418 billion has already been disbursed. With this, we already moving ahead with the plan to increase our investment in the renewable sector to 10% of our total loan portfolio, as envisioned by the monetary policy.

S.No	Industry/Sector	Amount (Million)	Percentage of core capital	Percentage of total loan and advances
1	Hydropower	8418.44	36.25%	5.81%
2	Renewal Energy	10.21	0.04%	0.01%

Sustainability



The bank promotes the idea of economic and social development, keeping the values of sustainability at its very core. It is this very standard which is engraved in our DNA that has guided us through in our journey of over 8 decades. For a large part of our history, we had been using paper to keep records of everything, just like any other businesses. Our digitalization drive has resulted in the saving of millions of rupee worth of paper, contributing to a reduction in natural resource utilization. We not only try to live by example but also encourage our employees and customers to adhere to sustainable thinking and living.





# Human Resources

According to the constitutional provision, the employees have been selected from the open competitive examination system of the Public Service Commission. Through this system, competitive human resource has entered the bank's service. Most of the employees in the bank are energetic young manpower with the highest educational qualifications. The maximum service period of most of the currently employed manpower is 17 years. The bank has a total of 2504 employees working in various positions. Out of the total human resource, 39.66 percent are female and 60.34 percent male. Similarly, 689 employees are serving in the bank under personal and institutional service contract for security and sanitation services. In addition, a recruitment plan has been prepared and implemented every year to recruit the required manpower for the expansion of the bank's business. Keeping in view the fact that human

resource has an important role to play in enhancing the quality-of-service delivery by making the bank competitive, the bank strives to promote honesty, efficiency and creativity in the employees by creating a conducive environment for their capacity development. The Training and Development Division has been conducting various internal training programs from time to time to enhance the working skills and managerial skills of the employees.

Employees	Male	Female	Grand Total
	1511	993	2504

## Employee Health and Safety

The bank keeps the health and safety of its staff as a priority. During the pandemic, we have been following all essential safety measures to stop the spread of the virus and keep our working space safe for both our employees and customers. The bank has facilitated the purchase of necessary health equipment in its head office, provincial offices and all its branches.

## Employee Engagements



## Capacity Development

The Bank constantly seeks to upgrade employee's skills based on the needs of the market and of the bank by providing various inhouse and outside trainings. In the review year, the bank spent more than NRP 10 million on conducting various training programs and capacity development programs for its employees. We have conducted around 157 various training programs in the review year. These training programs were both virtual and on-site. Due to the pandemic, most of the training conducted were virtual. 145 of the total training conducted were virtual while the remaining 12 trainings were on-site trainings.



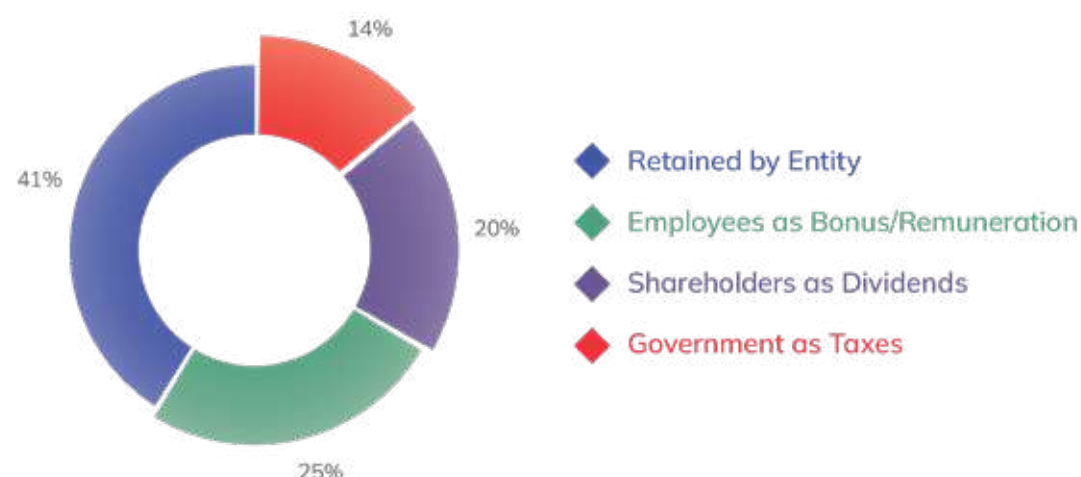
## Value Creation

The value that we have created for our stakeholders in the review period is an indication that our strategy to reposition the bank as a true national bank, has borne fruit. In the future, the bank vows to incorporate the ideals of sustainability in its value creation process and focus on its value creation to the society as well. Further, we intend to deliver value to our customers through leveraging technology and data driven processes.

Statement of value added and its distribution	2020	2021
Government as taxes	820,472,225.48	1,275,935,929.29
Shareholders as dividends	2,452,787,000.00	1,805,251,208.00
Employees as bonus/ Remuneration	2,224,846,357.96	2,353,459,424.48
Retained by entity	3,102,720,519.19	3,732,371,499.86
Market share information of product/services	28,094,222,298.00	55,980,840,598.00

In the review year, the bank distributed the total value generated from various activities to its stakeholders. To the government, the bank paid Rs. 1.2 billion, as taxes on operating profit. To the shareholders, Rs. 1.8 billion was distributed as dividends. For the employees, total value created amounted to Rs. 2.3 billion and Rs. 3.7 billion was retained by the bank.

### Value Utilization



## Contribution to Government Treasury by NBL

In addition to taxes on profit, the bank contributed a total of Rs. 2.09 billion into the government treasury during the fiscal year. The details of various contribution made to the government is given below in the table:

Particular	2076.77	2077.78
Income Tax paid	1,413,157,984	1,337,247,853
TDS Deposited	218,696,444	509,758,776
Other Taxes	-	14,433,372
Cash Dividend on share Holding	500,368,548	230,169,532
Total	2,132,222,976	2,091,609,533

In addition to these contributions, the bank has further contributed Rs. 48.1 million to various Covid 19 relief funds of the government.

## Bank's contribution to its employees

In the review year, value generation towards its employees remained at 2.3 billion, which is a growth of 6% from the previous year.

Particulars	For the year ended 31st Ashad 2077	For the year ended 31st Ashad 2078
Salary	888,387,462.05	943,758,475.66
Allowances	273,556,526.01	295,600,154.20
Provident fund	160,632,265.91	178,006,094.60
Uniform	19,562,000.00	18,656,000.00
Training & Development Expense	34,563,387.29	10,204,448.12
Leave encashment	77,989,948.14	38,742,674.09
Medical	73,342,241.93	83,032,501.37
Insurance	2,878,298.85	94,565,642.19
Employees Incentive	229,811,634.56	249,260,141.69
Pension Expense	213,388,256.00	229,673,169.73
Finance expenses under NFRS	66,024,394.56	38,964,876.98
Other Expenses Related to Staff	5,951,303.44	22,341,578.60
Sub-Total	2,046,087,718.74	2,112,805,757.22
Employees Bonus	178,758,639.22	240,653,667.26
Total personnel expenses	2,224,846,357.96	2,353,459,424.48

# नेपाल बैंक शुभ ज्ञान बचत खाता

विद्यार्थीहरू खुशी, शुभ ज्ञान बचत रोजी



## विशेषताहरू:

- नेपाल टेलिकमको प्रिपेड मोवाइल सिम निःशुल्क उपलब्ध हुने ।
- शुन्य ब्यालेन्समा खाता खोल्न सकिने ।
- १ महिना सम्म हरेक दिन 100MB Data, 40 Minutes On Net Talk Time र 10 On Net SMS उपलब्ध ।
- थप १ महिनाको लागि १GB डाटा निःशुल्क उपलब्ध गराउने ।
- नेपाल बैंकको मोवाइल बैकिङ् एप चलाउँदा १ बर्षसम्म इन्टरनेट शुल्क नलाग्ने ।
- निःशुल्क Debit Card, Mobile Banking, Internet Banking, Demat, C-ASBA, Meroshare लगायतका सुबिधाहरू उपलब्ध ।

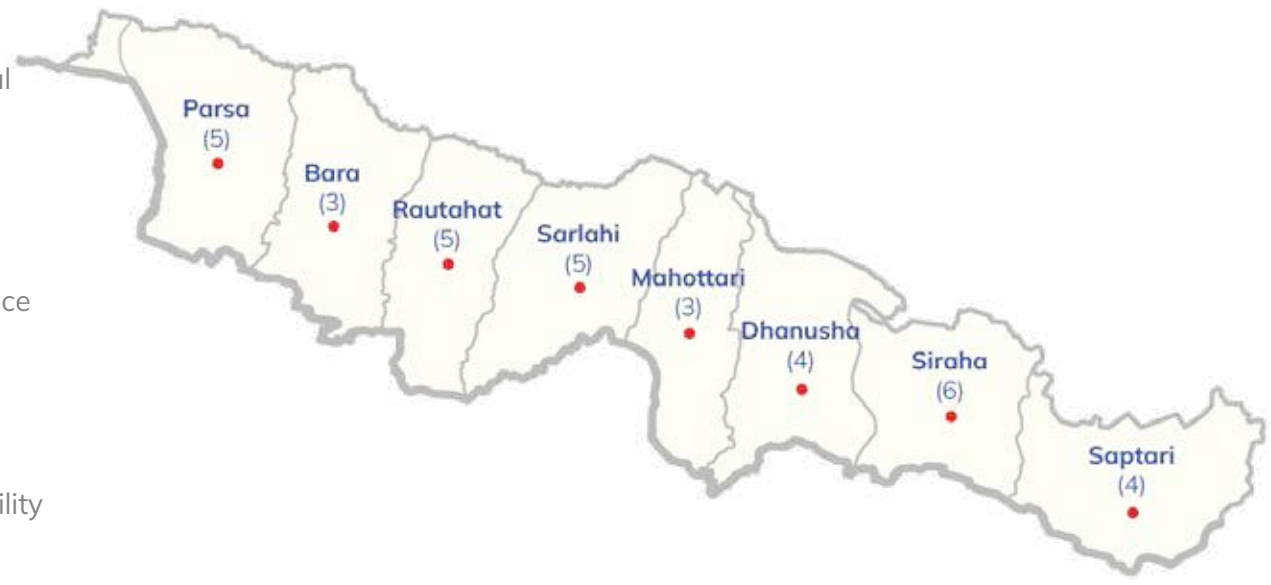
## Branch Network

Province: ONE





Province: TWO



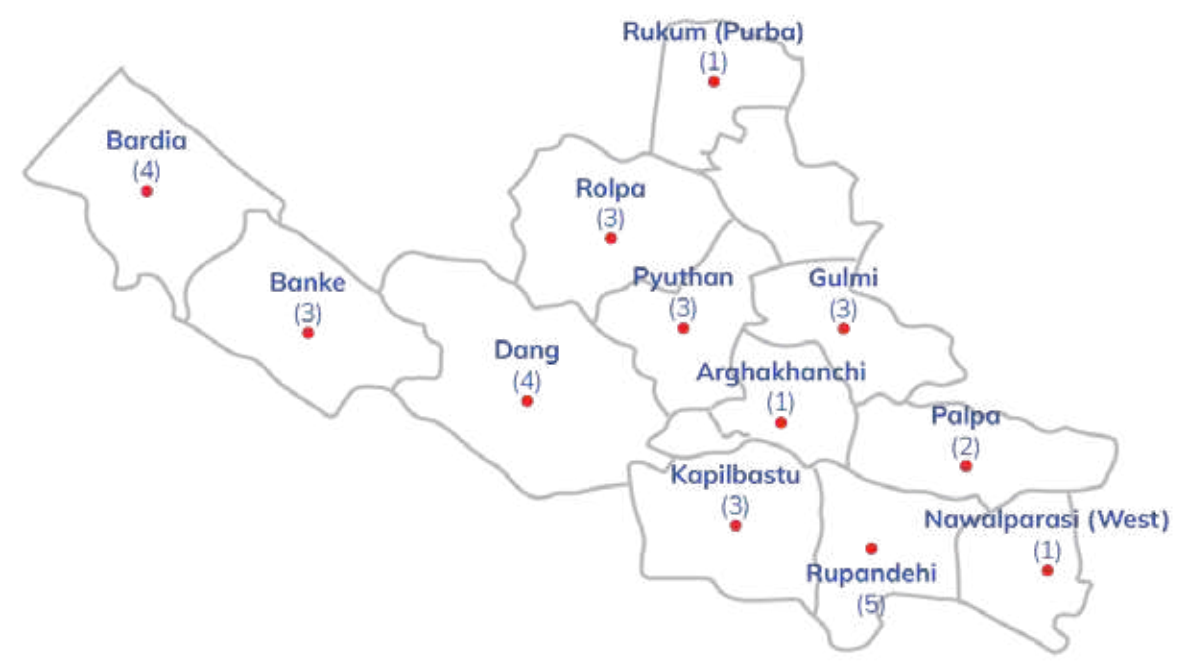
Province: Bagmati



Province: GANDAKI



Province: LUMBINI



Province: KARNALI



Province: SUDURPASCHIM



List of Chairmen

S.No	Name	Designation	Tenure (B.S.)	
			From	To
43	Mr. Suman Raj Aryal	Chairman	5/10/2078	Present
42	Mr. Madhu Kumar Marasini	Chairman	11/10/2077	4/18/2078
41	Mr. Basudev Adhikari	Chairman	9/26/2075	10/26/2077
40	Mr. Janardan Sharma Acharya	Chairman	4/25/2072	9/1/2075
39	Mr. Madhusudan Pokharel	Chairman	9/7/2071	4/14/2072
38	Prof. Dr. Deb Raj Adhikari	Chairman	9/17/2068	8/26/2071
37	Dr. Keshab Bahadur Khadka	Chairman	2/1/2068	9/7/2068
36	Dr. Puspa Raj Rajkarnikar	Chairman	5/2/2066	1/12/2068
35	Mr. Narhari Dhakal	Chairman	10/26/2065	4/22/2066
34	Mr. Barat Bahadur Karki	Chairman	4/16/2059	9/29/2065
33	Mr. Basudev Ram Joshi	Chairman	12/2/2058	4/14/2059
32	Mr. Sambhusharan Prasad Kayastha	Chairman	02/30/2057	11/20/2058
31	Dr. Bimal Prasad Koirala	Chairman	11/19/2056	2/11/2057
30	Mr. Lok Bhakta Rana	Chairman	1/13/2056	11/18/2056
29	Mr. Bishwanath Sapkota	Chairman	6/13/2052	1/10/2056
28	Mr. Shree Ram Poudel	Chairman	2/12/2052	6/2/2052
27	Mr. Bishwanath Sapkota	Chairman	10/20/2051	2/3/2052
26	Mr. Shambhusharan Prasad Kayastha	Chairman	5/17/2050	10/10/2051
25	Mr. Durga Prakash Pandey	Chairman	6/18/2048	02/31/2050
24	Mr. Rabi Dev Sharma	Chairman	4/26/2047	5/27/2048
23	Mr. Bhuwaneshor Khatri	Chairman	12/2/2046	4/11/2047
22	Mr. Ishwori Lal Shrestha	Chairman	5/18/2043	11/18/2046
21	Mr. Mangal Krishna Shrestha	Chairman	11/17/2039	4/10/2043
20	Mr. Nar Kanta Adhikari	Chairman	7/16/2038	11/15/2039
19	Mr. Mangal Krishna Shrestha	Chairman	5/21/2038	6/18/2038
18	Mr. Karna Dhoj Adhikari	Chairman	5/9/2037	5/16/2038
17	Mr. Gorakshya Bahadur Nuchhe Pradhan	Chairman	9/20/2035	4/21/2037
16	Mr. Harihar Jung Thapa	Chairman	3/27/2031	8/18/2035
15	Mr. Kalyan Bikram Adhikari	Chairman	11/2/2026	2/13/2031



Overview

Financial Review

Governance

Social Responsibility

Sustainability

Human Resources

Value Creation

Branch Network

Financial Statement

S.No	Name	Designation	Tenure (B.S.)	
			From	To
14	Mr. Krishna Bam Malla	Chairman	11/18/2025	10/9/2026
13	Mr. Shyam Krishna Bhattarai	Chairman	04/32/2023	10/17/2025
12	Mr. Bhesh Bahadur Thapa	Director General	1/20/2020	4/16/2022
11	Mr. Prem Narsing Prasdhan	Director General	11/9/2017	1/9/2020
10	Mr. Bhim Bahadur Pandey	Director General	4/15/2011	8/16/2017
9	Mr. Himalaya Shamsher J.B.R. Rana	Director General	1/14/2008	2/17/2011
8	Mr. Bijay Shamsher J.B.R. Rana	Director General	9/16/1999	11/17/2007
7	Mr. Krishna Shamsher J.B.R. Rana	Director General	11/21/1996	8/3/1999
6	Mr. Mrigendra Shamsher J.B.R. Rana	Director General	9/3/1996	10/23/1996
5	Mr. Bahadur Shamsher J.B.R. Rana	Director General	11/12/1995	4/4/1996
4	Mr. Singa Shamsher J.B.R. Rana	Director General	8/7/1995	10/21/1995
3	Mr. Mrigendra Shamsher J.B.R. Rana	Director General	4/3/1995	7/29/1995
2	Mr. Bahadur Shamsher J.B.R. Rana	Director General	11/14/1994	2/21/1995
1	Mr. Keshar Shamsher J.B.R. Rana	Director General	9/1/1994	11/7/1994

Since its inception, a total of 43 distinguished personalities have served as the chairman of the bank, starting with Mr. Keshar Shamsher J.B.R. Rana as the first Director General, to Mr. Suman Raj Aryal in the present day.

#### List of CEOs

S.No	Designation	Name	From	To
28	CEO	Mr. Krishna Bahadur Adhikari	12/12/2075	Incumbent
27	CEO	Mr. Devendra Pratap Shah	12/12/2071	12/11/2075
26	CEO	Mr. Maheshwor Lal Shrestha	01/17/2067	12/11/2071
25	CEO	Dr. Binod Atreya	4/11/2064	1/16/2067
24	CEO	Mr. J. Craig McAllister	11/17/2063	4/5/2064
23	CEO	Mr. John E. Fitzgerald	3/8/2063	11/16/2063
22	CEO	Mr. J. Craig McAllister	4/6/2059	3/7/2063
21	CEO	Mr. Basudev Ram Joshi	12/1/2058	4/5/2059
20	GM	Mrs. Bhawani Devi Sharma	11/17/2058	2/23/2059
19	GM	Mr. Bhaba Nath Upadhaya	5/8/2058	11/17/2058
18	Act. GM	Mrs. Bhawani Devi Sharma	02/30/2057	5/7/2058
17	GM	Mr. Gauri Lal Shrestha	10/7/2053	1/17/2056

S.No	Designation	Name	From	To
16	GM	Mr. Mohan Raj Joshi	10/16/2051	10/6/2053
15	GM	Mr. Purusottam Bahadur Pandey	8/18/2049	10/15/2051
14	Act. GM	Mr. Ambeshwor Lal Rajbhandari	7/27/2049	8/17/2049
13	GM	Mr. Bishwambhar Man Singh Pradhan	10/9/2045	07/26/2049
12	GM	Mr. Ananda Bhakta Rajbhandari	06/14/2039	10/8/2045
11	Act. GM	Mr. Gopi Krishna Shrestha	1/23/2039	6/13/2039
10	GM	Mr. Bharat Lal Rajbhandari	9/1/2037	6/1/2039
9	GM	Mr. Ananda Bhakta Rajbhandari	01/10/2020	8/30/2037
8	GM	Mr. Ralf Wyeth	2/3/2018	2/3/2020
7	GM	Mr Richard Alexander Bergal	7/29/2016	3/21/2017
6	GM	Mr. Raymond Angus Jardin	07/22/2015	12/1/2015
5	Act. Mgr	Mr. Ananda Bhakta Rajbhandari	4/7/2014	7/21/2015
4	GM	Mr. Kunwar Shivacharan Singhasen	06/25/1998	3/31/2014
3	GM	Dr. Buddhi Dhan Shammarna	11/1/1997	6/24/1998
2	CM	Mr. Pandit Mahananda Joshi	1/22/1997	10/27/1997
1	CM	Mr. Thakur Sing Kathait	6/1/1994	1/19/1997

Altogether 28 successful leaders have guided the bank in their respective tenures. The list above shows the names of CEOs who led the bank during different time periods.



## Independent Auditor's Report

### The Shareholders of Nepal Bank Limited

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Nepal Bank Limited (the "Bank"), which comprise the statement of financial position as at Ashadh 31, 2078 (July 15, 2021), and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Bank as at Ashadh 31, 2078 (15 July 2021), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

##### Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our Report. We are independent of the Bank in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Emphasis of matter

We draw attention to following matters as reflected in Notes to the financial statements. Our opinion is not modified in respect of these matters.

- As included in Note 4.16 Other Assets of financial statements total net unreconciled inter-branch balance is NPR 1,556.85 million as on Ashadh 31, 2078.
- The bank has not obtained confirmation in respect of long pending receivables of government transactions of NPR 1,008.78 million and TU Pension reimbursable of NPR 323.66 million outstanding as on Ashadh 31, 2078. Same is included in Note 4.16 of financial statements.
- Remittance payable is net of NPR 5.09 million which has been included in Other Assets under Note 4.16 and Other Liabilities under note 4.23. Adequate details in respect of such amount are not available.
- As disclosed in Statement of Changes in Equity of financial statements, retained earnings includes special reserve of NPR 1,197.87 million restricted by Nepal Rastra Bank for distribution as dividend to shareholders as well as bonus to employees.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Koteshwor, Kathmandu, Nepal  
Post Box: 20770  
Email: jupadhyay111@gmail.com

'64' Bishalbasti Ka  
Bishal Nagar, Kathmandu  
Post Box: 4585  
Email: info@sar.com.np

S. N	Key Audit Matters	Auditor's Response
1.	<b>Interest Recognition</b> The interest income of the bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines require suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have effect on recognition of interest income the bank. Thus, we have considered it as key audit matter.	Our audit approach regarding verification of process of interest recognition included: a. Obtaining clear understanding of the process of accrual of interest income on loans and advances in the Core Banking Software of the bank. b. For fair valuation of collateral, we relied on the latest available engineer's valuation of the collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019. Test check of the interest income booking with manual computation.
2.	<b>Investment Valuation, Identification, and Impairment</b> Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income. Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter in our audit.	Our audit approach regarding verification of process of investment valuation, identification and impairment included: a. Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8. b. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidence/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment. c. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis. d. For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 15.07.2021 and for the unquoted investment, fair valuation has been done based on the book value derived from the latest available financial statements of the investee entity.
3.	<b>Impairment of Loans and Advances</b> As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of: <ul style="list-style-type: none"> <li>Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and</li> <li>Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model</li> </ul> As per the norms prescribed by NRB, provision at	Our audit approach regarding verification of impairment of loans and advances included: a. Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report. b. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account



S. N	Key Audit Matters	Auditor's Response
	<p>prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NAS 39 read with NFRS 9, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p>	<p>turnover etc.</p> <p>c. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate.</p> <p>d. Grouping of homogeneous group of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.</p>
4.	<p><b>Information Technology General Controls</b></p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <p>a. Understanding the coding system adopted by the bank for various categories of customers</p> <p>b. Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank</p> <p>c. Checking of the user requirements for any changes in the regulations/ policy of the bank</p> <p>d. Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank.</p> <p>e. We relied on the IT audit conducted by the bank.</p> <p>f. We verified the provisioning of the loan and advances based on ageing on the test check on 15.07.2021</p>



#### Other Matter

Considering the Supreme Court verdict, NPR 102,457,179.39 is the amount of potential impact of incremental pension that may need to be paid to retired employees, out of which provision of NPR 9,896,596.78 only has been made by the bank considering opportunity cost of the bank on pension paid in advance.

As per Section 56 (3) of Income Tax Act 2058, if any entity distributes dividends except from profits, the amount of such dividends shall be included in computing the income of the entity. Inland Revenue Department has also issued circular to this effect dated 2078/01/21. Further the Annual Report of the Office of Auditor General 2078 specifically mentions that corporate tax should be paid by the bank in case Bonus share is issued out of the share premium. However, the bank has utilized Share Premium amounting to NPR 1,353,938,400 to issue bonus share during the FY 2077-78 without considering corporate tax as mentioned above.

#### Information Other than Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management Report, Report of the Director's Report and Chairman's Statement but does not include the financial statements and our auditor's report thereon. Such information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Bank's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.





## Statement of Financial Position

As at 31st Ashad 2078 (15 July 2021)

Figures in NPR.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the financial statements including the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows, notes to the financial statements including a summary of significant accounting policies have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of Bank

  
CA. Narendra Bhattarai  
Principal Partner  
Kuber N. Bhattarai & Co.

  
CA. Jagannath Upadhyay  
Proprietor  
J.N. Upadhyay & Co.

  
CA. Sunir Kumar Dhungel  
Managing Partner  
S.A.R. Associates

Place: Kathmandu, Nepal  
Date: Kartik 07, 2078 (October 24, 2021)

UDIN: 211025CA00037U87qX

UDIN: 211025CA001140n1V2

UDIN: 211025CA001097ffev

ASSETS	Note	As at 31st Ashad 2078	As at 31st Ashad 2077
Cash and cash equivalents	4.1	6,528,388,522	4,971,642,414
Due from Nepal Rastra Bank	4.2	6,803,871,032	6,125,276,757
Placement with Bank and Financial Institutions	4.3	4,319,424,975	6,117,450,000
Derivative Financial Instruments	4.4	8,516,607,098	6,590,488,467
Other Trading Assets	4.5	101,204,596	-
Loans and advances to B/FIs	4.6	6,538,592,437	3,521,188,673
Loans and advances to customers	4.7	135,420,466,422	103,303,752,458
Investment securities	4.8	30,009,312,731	32,596,093,012
Current tax assets	4.9	1,642,235,420	1,580,923,496
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	111,028,379	103,105,851
Property and Equipment	4.13	12,240,078,095	12,008,022,975
Goodwill and Intangible assets	4.14	45,836,534	39,450,687
Deferred Tax Assets	4.15	-	-
Other assets	4.16	10,368,431,136	14,205,422,036
<b>Total Assets</b>		<b>222,645,477,378</b>	<b>191,162,816,826</b>
LIABILITIES	Note	As at 31st Ashad 2078	As at 31st Ashad 2077
Due to Bank and Financial Institutions	4.17	809,125,108	1,458,866,152
Due to Nepal Ratsra Bank	4.18	6,062,640,951	23,920,613
Derivative Financial Instrument	4.19	8,474,686,154	6,473,080,003
Deposits from customers	4.20	162,813,383,867	141,530,380,569
Borrowings	4.21	-	1,000,000,000
Current Tax Liabilities	4.9	-	-
Provisions	4.22	80,221,924	56,838,989
Deferred Tax Liabilities	4.15	4,435,213,927	3,825,757,799
Other liabilities	4.23	3,261,141,415	6,762,981,164
Debt securities issued	4.24	3,493,918,012	-
Subordinated Liabilities	4.25	-	-
<b>Total Liabilities</b>		<b>189,430,331,358</b>	<b>161,131,825,289</b>
EQUITY	Note	As at 31st Ashad 2078	As at 31st Ashad 2077
Share Capital	4.26	12,636,758,600	11,282,820,200
Share Premium		431,883,262	1,789,915,042
Retained Earnings		3,732,371,500	3,102,720,519
Reserves	4.27	16,414,132,658	13,855,535,776
Total equity attributable to equity holders		33,215,146,020	30,030,991,537
Non-controlling interest		-	-
<b>Total Equity</b>		<b>33,215,146,020</b>	<b>30,030,991,537</b>
Total Liabilities and Equity		222,645,477,378	191,162,816,826
Contingent Liabilities and commitment	4.28	47,493,553,964	31,256,719,710
Net Assets Value Per share		262.85	266.17

The accompanying notes are integral part of these financial statements.

As per our report of even date

Hom Bahadur Khadka  
Chief Finance Officer

Krishna Bahadur Adhikari  
Chief Executive Officer

**Board of Directors:**  
Suman Raj Aryal  
Chairman

CA Narendra Bhattarai  
Principal Partner, Kuber N. Bhattarai & Co.  
Chartered Accountants

Pasang Dorji Sherpa  
Chief Manager

Samata Panta (Bhatta)  
Deputy Chief Executive Officer

Members:  
Deependra Bickram Thapa  
Ritesh Kumar Shakya  
Dr. Savitri Ranjit Shrestha  
Vivek SJB Rana  
Vishnu Kumar Agrawal  
Om Krishna Shrestha

CA Jagannath Upadhyay  
Proprietor  
JN Upadhyay & Co.  
Chartered Accountants

CA Sunir Kumar Dhungel  
Managing Partner  
S.A.R. Associates  
Chartered Accountants

Date: 2078-07-07  
Place: Kathmandu



## Statement of Profit or Loss

for the year ended at 31st Ashad 2078 (15 July 2021)

Figures in NPR.

	Note	As at 31st Ashad 2078	As at 31st Ashad 2077
Interest income	4.29	11,887,166,103	11,526,842,041
Interest expense	4.30	5,466,724,497	5,908,023,000
<b>Net interest income</b>		<b>6,420,441,606</b>	<b>5,618,819,041</b>
Fees and commission income	4.31	953,775,889	790,344,870
Fees and commission expense	4.32	67,347,585	43,956,719
<b>Net fee and commission income</b>		<b>886,428,304</b>	<b>746,388,151</b>
<b>Net interest, fee and commission income</b>		<b>7,306,869,910</b>	<b>6,365,207,192</b>
Net trading income	4.33	456,853,535	412,559,037
Other operating income	4.34	425,275,510	394,114,547
<b>Total operating income</b>		<b>8,188,998,955</b>	<b>7,171,880,776</b>
Impairment charge/(reversal) for loans and other losses	4.35	497,621,720	879,633,846
<b>Net operating income</b>		<b>7,691,377,235</b>	<b>6,292,246,929</b>
<b>Operating expense</b>			
Personnel expenses	4.36	2,353,459,424	2,224,846,358
Other Operating expenses	4.37	813,078,311	668,677,567
Depreciation and Amortisation	4.38	177,178,920	150,802,269
<b>Operating Profit</b>		<b>4,347,660,580</b>	<b>3,247,920,735</b>
Non operating Income	4.39	224,759,097	327,252,050
Non operating expense	4.40	-	-
<b>Profit before income tax</b>		<b>4,572,419,677</b>	<b>3,575,172,784</b>
Income tax expense	4.41		
Current Tax		1,275,935,929	820,472,225
Deferred Tax		335,253,419	421,812,018
<b>Profit for the period</b>		<b>2,961,230,329</b>	<b>2,332,888,541</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		2,961,230,329	2,332,888,541
Non-controlling interests		-	-
<b>Profit for the period</b>		<b>2,961,230,329</b>	<b>2,332,888,541</b>
<b>Earnings Per Share (EPS)</b>			
Basic EPS		23.43	20.68
Diluted EPS		23.43	20.68

The accompanying notes are integral part of these financial statements.

Hom Bahadur Khadka  
Chief Finance Officer

Krishna Bahadur Adhikari  
Chief Executive Officer

**Board of Directors:**  
Suman Raj Aryal  
Chairman

As per our report of even date

CA Narendra Bhattarai  
Principal Partner, Kuber N. Bhattarai & Co.  
Chartered Accountants

Pasang Dorji Sherpa  
Chief Manager

Samata Panta (Bhatta)  
Deputy Chief Executive Officer

**Members:**  
Deependra Bickram Thapa  
Ritesh Kumar Shakya  
Dr. Savitri Ranjit Shrestha  
Vivek SJB Rana  
Vishnu Kumar Agrawal  
Om Krishna Shrestha

CA Jagannath Upadhyay  
Proprietor  
JN Upadhyay & Co.  
Chartered Accountants

CA Sunir Kumar Dhungel  
Managing Partner  
S.A.R. Associates  
Chartered Accountants

Date: 2078-07-07  
Place: Kathmandu

## Statement of Other Comprehensive Income

for the year ended at 31st Ashad 2078 (15 July 2021)

Figures in NPR.

	Note	As at 31st Ashad 2078	As at 31st Ashad 2077
<b>Profit for the year</b>		<b>2,961,230,329</b>	<b>2,332,888,541</b>
<b>Other Comprehensive Income, net of income tax</b>			
<b>a Items that will not be reclassified to Profit or Loss</b>			
Gains / (Losses) from investment in equity instruments measured at fair value		(62,308,064)	305,618,333
Gains / (Losses) on revaluation			
Actuarial Gains / (Losses) on defined benefit plans		1,088,636,594	(1,129,034,043)
Income tax relating to above items		(307,898,559)	247,024,713
<b>Net other Comprehensive Income that will not be reclassified to Profit or Loss</b>		<b>718,429,972</b>	<b>(576,390,997)</b>
<b>b Items that are or may be reclassified to Profit or Loss</b>			
Gains (Losses) on cash flow hedge		-	-
Exchange gains (Losses) arising from translating financial assets of foreign operation		-	-
Income tax relating to above items		-	-
Reclassify to Profit or Loss		-	-
<b>Net other Comprehensive Income that are or may be reclassified to Profit or Loss</b>		<b>-</b>	<b>-</b>
<b>c Share of other comprehensive income of associate accounted as per equited method</b>		<b>-</b>	<b>-</b>
<b>Other Comprehensive income for the year, net of income tax</b>		<b>718,429,972</b>	<b>(576,390,997)</b>
<b>Total Comprehensive income for the year</b>		<b>3,679,660,301</b>	<b>1,756,497,544</b>
<b>Total Comprehensive income attributable to:</b>			
Equity shareholder of the bank		3,679,660,301	1,756,497,544
Non controlling interest		-	-
<b>Total Comprehensive income for the period</b>		<b>3,679,660,301</b>	<b>1,756,497,544</b>

The accompanying notes are integral part of these financial statements.

**Board of Directors:**  
Suman Raj Aryal  
Chairman

As per our report of even date

Hom Bahadur Khadka  
Chief Finance Officer

Krishna Bahadur Adhikari  
Chief Executive Officer

CA Narendra Bhattarai  
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Chartered Accountants

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Vivek SJB Rana  
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Om Krishna Shrestha

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Proprietor  
JN Upadhyay & Co.  
Chartered Accountants

CA Sunir Kumar Dhungel  
Managing Partner  
S.A.R. Associates  
Chartered Accountants

Date: 2078-07-07  
Place: Kathmandu







# नेपाल बैंक समृद्ध नारी रिकरिङ्ग डिपोजिट खाता

\*चर्चित लाया हुनेछैन ।



## विशेषताहरू:

- न्यूनतम ब्यालेन्स रु २५,००० ।
- मासिक किस्ता रु २५,००० को गुणनमा जम्मा गर्न सकिने ।
- त्रैमासिक भुक्तानीमा उच्च र आकर्षक ब्याज दर (११.०३%) ।
- अनलाइन खाता खोल्ने सुविधा ।
- १ वर्षको लागि Home Loan प्रशोधन शुल्क र लकर शुल्कमा १००% छुट ।
- निःशुल्क क्रेडिट कार्ड ।
- रु. १०,००,००० सम्मको दुर्घटना बीमा ।

# नेपाल बैंक सहयात्री बचत खाता

दम्पति ढङ्ग, सहयात्री बचत खातासंग

\*चर्चित लाया हुनेछैन ।



## विशेषताहरू:

- दम्पतिलाई नै नेपाल टेलिकमको प्रिपेड मोबाइल सिम निःशुल्क उपलब्ध हुने ।
- न्यूनतम ब्यालेन्स रु. ५०० मा खाता खोल्न सकिने ।
- १ महिना सम्म हरेक दिन 100MB Data, 40 Minutes On Net Talk Time र 10 On Net SMS उपलब्ध ।
- थप १ महिनाको लागि १GB डाटा निःशुल्क उपलब्ध गराउने ।
- नेपाल बैंकको मोबाइल बैंकिङ्ग एप चलाउँदा १ बर्षसम्म इन्टरनेट शुल्क नलाग्ने ।
- निःशुल्क Debit Card, Mobile Banking, Internet Banking लगायतका सुबिधाहरू उपलब्ध ।
- लकर सेवामा २५ प्रतिशत छुट प्रदान गरिने ।

# Notes to the Financial Statements

For the Year ended 31<sup>st</sup> Ashad 2078 (15 July 2021)

Overview

Financial  
Review

Governance

Social  
Responsibility

Sustainability

Human  
Resources

Value  
Creation

Branch  
Network

Financial  
Statement

## 1. Reporting Entity

Nepal Bank Limited ('the Bank') is a public company incorporated under the Companies Act, 2063 and licensed by Nepal Rastra Bank to conduct banking transaction as a "A" Class Financial Institution under the Bank and Financial Institution Act, 2073. The Bank has its Corporate Office at Dharma path, Kathmandu. Nepal Bank Limited, the first bank of Nepal was established in November 15, 1937 A.D (Kartik, 30, 1994). It was formed under the principle of Joint venture (Joint venture between govt. & general public. The bank has been providing banking through its branch offices in the different geographical locations of the country. Nepal Bank Limited has the following objectives:

- Deliver robust and ethical banking services and contributing to the economic development of Nepal.
- Focus on increasing the customer base and market share.
- Maximize the potential/efficiency of bank's staff.
- Focus on minimizing the risk associated with the business.
- Focus on providing the world class business solutions.
- Focus on increasing the sustainable profit.

Authorized capital of the Bank is NPR. 15,000,000,000 (150,000,000 shares of NPR 100 each) out of which Issued and Paid-up capital is NPR.12,636,758,600 (126,367,586 shares of NPR.100 each). The shareholder composition of the Bank (as of 2078-03-31) is as follows.

S.N.	Ownership	Percent
1	Government of Nepal	51%
2	General Public	49%
	Total	100%

## 2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting except the Cash flow information which is prepared, on a cash basis, using the direct method. The interest income is recognized on effective interest rate method.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in two separate statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements. The significant accounting policies applied in the preparation of financial statements are set out below in point number 3. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

### 2.1 Statement of Compliance

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

The financial statements have been prepared on the going-concern basis.

The Bank presents its statement of financial position broadly in order of liquidity as per the format specified in directive 4 of unified directive 2078 issued by NRB.

### 2.2 Reporting Period and Approval of Financial Statements

Reporting Period is a period from the first day of Shrawan (mid-July) of any year to the last day of Ashad (mid-July) of the next year as per Nepalese calendar.

The current year period refers to 1<sup>st</sup> Shrawan 2077 to 31<sup>st</sup> Ashad 2078 as per Nepalese Calendar corresponding to 16<sup>th</sup> July 2020 to 15<sup>th</sup> July 2021 as per English Calendar and corresponding previous year period is 1<sup>st</sup> Shrawan 2076 to 31<sup>st</sup> Ashad 2077 as per Nepalese Calendar corresponding to 17<sup>th</sup> July 2019 to 15<sup>th</sup> July 2020 as per English calendar.

Particulars	Nepalese Calendar	English Calendar
Current Year	2077/78	2020/21
Previous Year	2076/77	2019/20
Current Year Period	1 <sup>st</sup> Shrawan 2077 to 31 <sup>st</sup> Ashad 2078	16 <sup>th</sup> July 2020 to 15 <sup>th</sup> July 2021
Previous Year Period	1 <sup>st</sup> Shrawan 2076 to 31 <sup>st</sup> Ashad 2077	17 <sup>th</sup> July 2019 to 15 <sup>th</sup> July 2020

The Financial Statements were authorized for issue by the Board of Directors on 2078-07-07. The Company prepared its financial statements in accordance with the requirements of Nepal Financial Reporting Standards.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Nepalese Currency (NPR) (rounded to the nearest Rupee unless otherwise stated), which is the company's functional currency. The Bank determines the functional currency and items included in the financial statements are measured using that functional currency.

### 2.4 Use of Estimates, Assumptions and Judgments

The preparation of the Bank's financial statements requires management to make judgements, 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. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable estimates and underlying assumptions are reviewed on an ongoing basis.

Information about assumptions, estimates and judgement used in preparation of financial statements for 2077/78 that have a significant risk of resulting in a



Overview	<p>material adjustment within the next financial year are:</p> <ul style="list-style-type: none"> <li>• Key assumptions used in discounted cash flow projections.</li> <li>• Measurement of defined benefit obligations.</li> <li>• Provisions, commitments and contingencies.</li> <li>• Determination of net realizable value.</li> <li>• Determination of useful life of the property, plants and equipment.</li> <li>• Assessment of the Bank's ability to continue as going concern.</li> <li>• Determination of fair value of financial instruments; and property and equipment.</li> <li>• Impairment of financial and non-financial assets.</li> <li>• Assessment of current as well as deferred tax.</li> </ul>
Financial Review	
Governance	<p><b>2.5 Changes in Accounting Policies</b></p> <p>The Company has consistently applied the accounting policies to all periods presented in these financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in note that follows.</p>
Social Responsibility	<p><b>2.6 New Standards in Issue but not yet Effective</b></p> <p>A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.</p>
Sustainability	<p><b>2.7 New Standards and Interpretation not Adapted</b></p> <p>All Nepal Accounting Standards and Nepal Financial Reporting Standards and other interpretation issued by ASB of Nepal have been adapted while preparing financial statements.</p>
Human Resources	<p><b>2.8 Discounting</b></p> <p>Non-current assets and liabilities are discounted where discounting is material. Interest income and expenses have been recognised on unwinding of financial assets and liabilities respectively.</p>
Value Creation	<p><b>2.9 Offsetting</b></p> <p>Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Profit or Loss, unless required or permitted by Nepalese Financial Reporting Standards or Interpretation (issued by the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC)) and as specifically disclosed in the Significant Accounting Policies of the Bank.</p>
Branch Network	
Financial Statement	<p><b>2.10 Materiality and Aggregation</b></p> <p>Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Nepal Accounting Standard –</p>

NFRS 1 on 'Presentation of Financial Statements'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the bank. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 3. Significant Accounting Policies

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

#### 3.1 Basis of Measurement

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

- Investment property is measured initially at cost and subsequently at Fair value.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of financial asset is measured at fair value and related disposal cost. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Bank. Any revisions to accounting estimates are recognised prospectively in the period in which the estimates are revised and in the future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes that follow.

#### 3.2 Basis of Consolidation

The Bank does not have any subsidiaries or special purpose entities over which it exercises control. Hence, only standalone financial statement is prepared.

#### 3.3 Cash and Cash Equivalent

Cash and cash equivalents include cash at vault and money at call and short notice, unrestricted balances with NRB, which are subject to an insignificant risk of changes in value including interest receivable on investment with maturity up to 3 month or less. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with NAS 07- Statement of Cash Flows.

#### 3.4 Financial Assets and Financial Liabilities Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of

Overview	financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognize loans and advances, deposits; and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date. All financial assets and liabilities are initially recognised at their cost value and are subsequently presented as per NFRS based on the respective classification.
Financial Review	<b>Classification</b>
Governance	<b>i. Financial Assets</b> The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows:
Social Responsibility	<b>1. Financial Assets Measured at Amortized Cost</b> The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met: <ol style="list-style-type: none"> <li>The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and</li> <li>The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ol>
Sustainability	<b>2. Financial Asset Measured at Fair Value</b> Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below: <ol style="list-style-type: none"> <li><b>Financial Assets at Fair Value through Profit or Loss</b>                Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.</li> <li><b>Financial Assets at Fair Value through Other Comprehensive Income</b>                Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.</li> </ol>
Human Resources	
Value Creation	
Branch Network	
Financial Statement	<b>ii. Financial Liabilities</b>

The Bank classifies the financial liabilities as follows:

- Financial Liabilities at Fair Value through Profit or Loss**  
 Financial liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss
- Financial Liabilities Measured at Amortized Cost**  
 All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest method.

Measurement  
Financial Assets at FVTOCI

On initial recognition, the Bank can make an irrevocable election (on an instrument-by instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 'Fair Value Reserve'. The cumulative gain or loss is not reclassified to Statement of Profit and Loss on disposal of the investments.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognised in Statement of Profit and Loss when the Bank's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably. Dividends recognised in Statement of Profit and Loss are included in the 'Other income' line item.

Financial Assets at Fair Value through Profit or Loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Bank irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.



Overview	<p>A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.</p>
Financial Review	<p>Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in Statement of Profit and Loss. The net gain or loss recognised in Statement of Profit and Loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Bank's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.</p>
Governance	<p><b>Financial Liabilities at FVTPL</b></p> <p>Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.</p>
Social Responsibility	<p><b>A financial liability is classified as held for trading if:</b></p> <ul style="list-style-type: none"> <li>• it has been incurred principally for the purpose of repurchasing it in the near term; or</li> <li>• on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking;</li> <li>• it is a derivative that is not designated and effective as a hedging instrument</li> <li>• A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if: <ul style="list-style-type: none"> <li>• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;</li> <li>• the financial liability forms part of a company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or</li> <li>• it forms part of a contract containing one or more embedded derivatives, and NFRS 9 permits the entire combined contract to be designated as at FVTPL in accordance with NFRS 9</li> </ul> </li> </ul>
Sustainability	
Human Resources	
Value Creation	
Branch Network	<p>Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in Statement of Profit and Loss. The net gain or loss recognized in Statement of Profit and Loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.</p>
Financial Statement	<p>However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in Statement of Profit and Loss. The remaining amount of change in the fair value</p>

of liability is always recognised in Statement of Profit and Loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to Statement of Profit and Loss.

### Financial Liabilities Subsequently Measured at Amortised Cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Interest Expenses' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### De-recognition

#### i. De-recognition of Financial Assets

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

Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset, and the sum of

- The consideration received and
- Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in retained earning

The Bank enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

#### ii. 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 a 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 Statement of Profit or Loss.

#### Determination of Fair Value

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

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

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

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

**Level 3** portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

#### Impairment

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial

difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Bank considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the EIR method and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

#### Impairment of Financial Assets Measured at Amortized Cost

The Bank considers evidence of impairment for loans and advances measured at amortized cost at both specific asset and collective level. The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed on collectively.

If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later



recovered, the recovery is recognized in the 'Non-operating income'.

### 3.5 Trading Assets

Interest income on all trading assets are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

Interest expense on all trading liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### 3.6 Derivatives Assets and Derivative Liabilities

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the Statement of Profit or loss in Net trading income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the Statement of Profit or loss in Net trading income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the Statement of Profit or loss.

### 3.7 Property and Equipment

#### a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of self-constructed assets includes followings:

- Cost of materials and direct labour;
- Any other cost directly attributable to bringing the assets to the working condition for their intended use; and
- Capitalized borrowing cost

Property and Equipment are measured at cost (for land using deemed cost at on the transition date) less accumulated depreciation and accumulated impairment loss if any. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the entity. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred.

Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

#### b) Capital Work in Progress

Assets in the course of construction are capitalised in the assets under capital work in progress account (CWIP). At the point when an asset is capable of operating at

management's intended use, the cost of construction is transferred to the appropriate category of property and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

#### c) Depreciation

Property and equipment's are depreciated from the date they are available for use on property on written down value method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

The estimated useful lives of significant items of property and equipment for current year and comparative periods are as follows:

Class of Assets	Useful Life
Building	20 years
Leasehold Properties	As per lease agreement (maximum to 10 years)
Computer and Accessories	4 years
Vehicles	5 years
Furniture, Fixture & Equipment	4 years
Other Assets	6.66 years

- Assets costing less than NPR. 2,000 are fully expensed in the year of purchase. For assets purchased/sold during the year.

### 3.8 Goodwill / Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The intangible asset with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting

estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Certain computer software costs are capitalized and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow therefrom for a period longer than one year.

The estimated useful lives of significant items of intangible assets for current year and comparative periods are as follows:

Class of Assets	Useful Life
Computer software	5 years

3.9. Investment Property

Investment property is the land or building or both held either for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner-occupied property. The Bank holds investment property as non-banking assets that has been acquired through the enforcement of security over the loan and advances.

Non-banking assets (only land and building) are initially recognised at cost. Subsequent to initial recognition the bank has chosen to apply the cost model allowed by NAS 40-“Investment Property” and since it is not intended for owner -occupied use, a depreciation charge is not raised.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred. If the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or loss in the year of retirement or disposal.

3.10 Income Tax

The Company is subject to tax laws of Nepal. Income Taxes have been calculated as per the provisions of the Income Tax Act, 2058. Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax law carry-forwards become deductible. The Bank considers the expected reversal of deferred tax liabilities and projected future taxable income making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Income tax comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent it relates to items directly recognised in

equity or in other comprehensive income.

Current Tax

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Bank operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred Tax

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realised. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised in OCI is recognised in OCI. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.11 Deposits, Debt Securities Issued and Subordinated Liabilities



Bank deposits consist of money placed into the Bank by its customers. These deposits are made to deposit accounts such as fixed deposit accounts, savings accounts, margin deposit accounts, call deposit accounts and current accounts. Details and further disclosures about deposits have been explained in Note that follows.

### 3.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for contingent liabilities is made where there is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligation that arises from past events but is not recognized because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract.

### 3.13 Revenue Recognition

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, Assets disposal income etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The bank applies NAS 18- "Revenue" in the accounting of revenue, unless otherwise stated. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of incomes recognition are as below:

#### Interest Income

- i. Interest income are recognised under accrual basis (using the effective interest rate method) in the profit or loss for all interest-bearing financial assets measured at amortized cost. Effective Interest Rate is the rate that exactly discounts estimated

future cash receipts or cash payments through the expected life of financial asset to the net carrying amount of the financial asset. Effective Interest Rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.

- ii. The Bank has adopted the alternative treatment as provided by the Carve Out in NFRS implementation. Resultant of this the Bank has excluded the full amount of upfront loan management fees or commission received on loans and advances in the calculation of effective interest rate.
- iii. Nepal Rastra Bank has issued "Guideline on Recognition of Interest Income 2020" vide circular no. Bai. Bi. Ni.Bi./Niti/Paripatra/KaKhaGa/01/076/77 for implementation in the financial statements of current reporting period. This document has provided guidance on application of judgments in assessing the collectability of interest on loans and advances and determining whether there is a need to recognize interest suspense or to cease interest accrual. The bank has implemented this guideline and recognized interest suspense and stopped interest accrual in qualifying accounts while determining the interest income for the current reporting period.

#### Interest income presented in statement of profit and loss includes:

- Interest income on financial assets measured at amortized cost calculated on an effective interest rate method. These financial assets include loans and advances including staff loans, investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, reverse repos, inter banking lending etc.
- Interest on investment securities measured at amortized cost, calculated on effective interest rate.
- Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.
- Interest income on all trading assets are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

#### NFRS Requirement

NFRS requires interest income to be recognised using the effective interest method, except for those classified at fair value through profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Bank including expected early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of financial instruments is also taken into account in the calculation. Once financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income

is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### Carve-out for Effective Interest Rate (EIR) Method

The bank has availed the carve-out for interest income recognition by applying the rate implicit on individual products. Considering the amount of renewal and initial service fees that the bank charges on the loans and advances (which is in negligible figure), applying EIR method would not be practical and cost effective. Hence, initial service fees and renewal charges have been recognised during the period when such income accrue rather than being included within the component of interest income under EIR method.

#### Fee and Commission Income

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, syndication fee, forex transaction commission, commission of issue of letter of credit and guarantee are recognized as the related services are performed.

#### Dividend Income

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

#### Net Trading Income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions. Net trading income also includes gain on foreign exchange transaction.

#### Net Income from Other Financial Instrument at Fair Value Through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss is recognised in statement of Profit or Loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established.

### 3.14 Interest Expense

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### 3.15 Employees Benefits

#### a) Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the prevailing Bonus Act pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

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

- wages, salaries and social security contributions;
- paid annual leave and paid sick leave;
- non-monetary benefits

#### b) Post-Employment Benefit Plan

Post-employment benefit plan includes followings:

##### i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the Bank to its employees:

##### a) Employees Provident Fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate (currently, 10% of the basic salary plus grades). Bank does not assume any future liability for provident fund benefits other than its annual contribution.

##### ii. Defined Benefit Plan

The Bank provides Pension & Gratuity Plan, Retirement Plan and Leave Encashment Plan (in terms of Annual Leave and Sick Leave) as defined benefits to its employees. These benefits are post-employment benefit plans and are paid based on length of service. These benefit plans are funded whereas the Bank makes earmark investment of these funds. The gratuity plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an



amount equivalent defined days' eligible salary payable for each completed year of service.

The pension plan provides for lump sum payments to vested employees at retirement or equated payment till death of the employee (and half thereafter to the spouse of the employee). Further, employees of the Bank are entitled to avail Annual Leave and Sick Leave. The employees can carry forward the un-availed leave and are entitled to encash the cumulative leave at the time of the retirement. The obligation under these plans are calculated by a qualified actuary every year using projected unit credit method.

The following are the defined benefit plans provided by the Bank to its employees:

a) **Gratuity**

Bank provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Byelaws of the Bank. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years of service. The Bank accounts for the liability for gratuity as per the actuarial valuation.

b) **Leave Salary**

The employees of the Bank are entitled to carry forward a part of their unavailed / unutilized leave subject to a maximum limit. The employees can encash unavailed/ unutilized leave partially in terms of Employee Service Byelaws of the Bank. The Bank accounts for the liability for accumulated leave as per the actuarial valuation.

c) **Termination Benefits**

Termination benefits are recognized as expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Banks made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

### 3.16 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

#### The Bank as a Lessee:

Finance leases that transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in Finance cost in the Statement of Profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no

reasonable certainty that the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals are recognised as an expense in the period in which they are incurred.

#### The Bank as a Lessor

Leases in which the Bank does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

In para 33, lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- (a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- (b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Bank operates its branches and ATMs in number of leased facilities under operating lease agreements. Operating lease rentals payable are charged to the profit and loss on a straight-line basis over the period of the lease.

For the reporting period the bank did not have a finance lease in the capacity of the lessor or in the capacity of a lessee and it also did not have an operating lease in the capacity of the lessor.

### 3.17 Foreign Currency Translation

The items included in the financial statements of the entity are measured using the functional currency of the Bank which Nepalese Rupees is using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the both buying and selling rate of exchange at the financial statement date. Any resulting exchange differences are included in the "Other Operating Income" in statement of profit or loss.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of initial transaction. Non-monetary item assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Foreign exchange differences arising on settlement of monetary items is included

in “Net Trading Income” in statement of profit or loss.

### 3.18 Financial Guarantee and Loan Commitment

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

### 3.19 Share Capital and Reserves

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

The Bank is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for current year and the Bank has maintained the ratio equal to 16.80%.

Incremental costs directly attributable to issue of an equity instruments are deducted from the equity.

The reserves include retained earnings and other statutory reserves such as general reserve, exchange equalization reserve, regulatory reserve, fair value reserve, revaluation reserve and other reserves.

Regulatory reserve includes any amount derived as result of NFRS convergence with effect in retained earning computed as per NRB Directive No. 4.

### 3.20 Earnings per Share Including Diluted

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

### 3.21 Segment Reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Bank’s other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance. The Bank has classified four operating

segments as Banking, Treasury, Remittance and Government Transaction.

## 4. Explanatory Notes

The explanatory notes and significant disclosure relating to the financial statements are as follows:

### 4.1 Cash and Cash Equivalents

Cash and cash equivalents consist of the total amount of cash in hand, balances with other banks and financial institutions, money at call and short notice.

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Cash in hand	5,408,905,088	4,287,361,579
Balance with B/FIs	919,483,434	656,938,798
Money at call and short notice	200,000,000	-
Other	-	27,342,037
<b>Total</b>	<b>6,528,388,522</b>	<b>4,971,642,414</b>

### 4.2 Due from Nepal Rastra Bank

Statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement, other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Statutory Balances with NRB	6,804,576,762	6,117,211,590
Securities Purchased under re-sale agreement	-	-
Other deposit and receivable from NRB	(705,730)	8,065,167
<b>Total</b>	<b>6,803,871,032</b>	<b>6,125,276,757</b>

### 4.3 Placement with Bank and Financial Institutions

Placement with domestic as well as foreign bank and financial institutions are presented under this account head.

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Placements with domestic B/FIs	-	-
Placement with foreign B/FIs	4,319,424,975	6,117,450,000
Less: Allowances for Impairment	-	-
<b>Total</b>	<b>4,319,424,975</b>	<b>6,117,450,000</b>

### 4.4 Derivative Financial Instruments

The derivative financial instruments held by the Bank during the year are as follows.



Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Held for trading		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	8,516,607,098	6,590,488,467
Others	-	-
Held for risk management	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Total</b>	<b>8,516,607,098</b>	<b>6,590,488,467</b>

#### 4.5 Other Trading Assets

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other	101,204,596	-
<b>Total</b>	<b>101,204,596</b>	<b>-</b>

#### 4.6 Loan and Advances to Banks and Financial Institutions

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Loans to microfinance institutions	6,624,713,716	3,555,392,524
Other	-	1,350,075
Less: Impairment allowances	(86,121,278)	(35,553,925)
<b>Total</b>	<b>6,538,592,437</b>	<b>3,521,188,673</b>

#### 4.6.1 Impairment Allowances for the Loans and Advances Forwarded to BFIs during the year are as follows:

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Balance at 1 Shrawan	35,553,925	33,366,467
Impairment loss for the year:	50,567,353	2,187,458
Charge for the year	-	-
Recoveries/reversals	-	-
Amount written off	-	-
<b>Balance at Asadh end</b>	<b>86,121,278</b>	<b>35,553,925</b>

#### 4.7. Loans and Advances to Customers

Outstanding amount of all loans and advances extended to the customers other than BFIs as well as Bills Purchased and discounted less the amount of impairment allowances has been presented. Loan to employees provided according to employee

bye-laws of the bank has also been presented under this head.

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Loans and advances measured at amortised cost	139,654,905,450	107,094,775,216
Less: Impairment allowances	(4,234,439,028)	(3,791,022,758)
Collective Allowances	(3,157,418,274)	(2,541,007,888)
Individual Allowances	(1,077,020,754)	(1,250,014,870)
Net amount	135,420,466,422	103,303,752,458
Loans and advances measured at FVTPL	-	-
<b>Total</b>	<b>135,420,466,422</b>	<b>103,303,752,458</b>

#### 4.7.1 Analysis of Loans and Advances- By Product

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
<b>Product</b>		
Term Loans	29,798,459,234	19,747,672,099
Overdraft	18,070,770,547	13,603,641,526
Trust receipt/Import loans	4,729,966,719	1,921,310,546
Demand and other working capital Loans	21,752,205,394	14,936,888,489
Personal residential loans	7,074,747,677	5,768,890,875
Real estate loans	6,645,831,832	5,055,233,224
Margin lending loans	4,984,796,035	4,794,707,587
Hire purchase loans	2,636,443,846	2,975,225,047
Deprived sector loans	8,551,910,000	5,064,097,476
Bills purchased	2,800,000	2,800,465
Staff loans	963,866,623	746,152,596
Others	34,145,749,244	31,789,722,854
Sub Total	139,357,547,152	106,406,342,784
Interest receivable	297,358,298	688,432,432
<b>Grand Total</b>	<b>139,654,905,450</b>	<b>107,094,775,216</b>

#### 4.7.2 Analysis of Loans and Advances- By Currency

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Nepalese rupee	136,740,873,306	106,617,782,033
Indian rupee	-	-
United State dollar	2,914,032,144	476,993,183
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yen	-	-
Other	-	-

<b>Total</b>	<b>139,654,905,450</b>	<b>107,094,775,216</b>
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#### 4.7.3 Analysis of Loans and Advances- By Collateral

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
<b>Secured</b>		
Movable/immovable assets	121,283,203,359	93,180,308,879
Gold and silver	11,765,975,439	10,375,187,842
Guarantee of domestic B/Fis	3,072,531,475	1,433,131,740
Government Guarantee	28,356,204	26,068,893
Guarantee of International Rated bank	-	-
Collateral of export document	-	-
Collateral of fixed deposit receipt	396,595,905	261,165,992
Collateral of Government securities	1,686,150	896,878
Counter Guarantee	-	-
Personal Guarantee	-	-
Other collateral	3,106,556,917	1,818,014,992
Subtotal	139,654,905,450	107,094,775,216
Unsecured	-	-
<b>Grand Total</b>	<b>139,654,905,450</b>	<b>107,094,775,216</b>

#### 4.7.4 Allowances for Impairment

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Specific allowance for Impairment		
Balance at Shrawan 1	1,250,014,870	870,869,727
Impairment loss for the year	-	-
Charge for the year		379,145,143
Recoveries/reversal during the year	(8,047,814)	-
Write-offs	(3,638,096)	-
Exchange rate variance on foreign currency impairment	-	-
Other Movement	-	-
Balance at Asadh end	1,238,328,959	1,250,014,870
Collective allowance for Impairment		
Balance at Shrawan 1	2,541,007,888	2,040,923,467
Impairment loss for the year	-	-
Charge/(reversal) for the year	455,102,181	500,084,421
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Asadh end	2,996,110,069	2,541,007,888
<b>Total Allowance for Impairment</b>	<b>4,234,439,028</b>	<b>3,791,022,758</b>

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Investment securities measured at amortised cost	26,513,420,224	28,813,721,017
Investment Securities measured at FVTOCI	3,495,892,507	3,782,371,996
Investment Securities measured at FVTPL	-	-
<b>Total</b>	<b>30,009,312,731</b>	<b>32,596,093,012</b>

#### 4.8.1 Investment Securities Measured at Amortized Cost

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Debt securities	-	-
Government bonds	17,442,343,727	13,572,343,727
Government treasury bills	9,071,076,497	15,241,377,290
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
<b>Total</b>	<b>26,513,420,224</b>	<b>28,813,721,017</b>

#### 4.8.2 Investment in Equity

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Equity instrument		
Quoted equity instrument	2,839,494,670	2,988,828,867
Unquoted equity instrument	656,397,836	793,543,128
<b>Total</b>	<b>3,495,892,507</b>	<b>3,782,371,996</b>

#### 4.8.3 Information Relating to Investment in Equities

##### Investment in Quoted Equity

Particulars	As at 31st Ashad 2078		As at 31st Ashad 2077	
Name	Cost	Fair Value	Cost	Fair Value
Rastriya Beema Company Ltd. (292,288 Promoter Share (Including 155,878 Bonus Shares also) of Rs. 100 each fully paid )	375,825	601,262,590	375,825	2,378,055,168
Grameen Bikas Laghubitta Bittiya Sanstha Limited 677,551 Promoter Shares of Rs. 100 each fully paid	91,433,402	126,702,037	91,433,402	67,755,100
Rural Microfinance Development Centre (RMDC) 743,648 Promoter Shares (Including 229,408 Bonus Shares also) of Rs. 100 fully Paid	68,985,047	,172,896	68,985,047	211,454,550
Deprosc Bikas Bank Ltd	-	-	4,467,034	116,736,800
Deprosc Bikas Bank Ltd 1,089,308 Promoter Shares (Including 714,386 Bonus Shares also) Rs. 100 each fully paid	1,392,980	,672,860	31,392,980	94,722,500



Sana Kisan Bikas Bank Promoter Share151,825 Promoter Shares (Including 106,294 Bonus Shares also) Rs. 100 each fully paid	3,824,284	35,734,233	3,824,284	12,146,000
Sanima Large Cap Fund (IPO) 1,000,000 Ordinary Shares of Rs. 10 fully paid	10,000,000	10,500,000	-	-
Kumari Equity Fund 1,000,000 Ordinary Shares of Rs. 10 fully paid	10,000,000	10,490,000	-	-
Nabil Equity 1,126,504 Ordinary Shares of Rs. 10 fully paid	-	-	11,265,040	10,510,282
NIBL Pragati Fund 1,027,407 Ordinary Shares of Rs. 10 fully paid			10,274,070	8,373,367
Nepal Insurance Company Limited Promoter Share 1,863,507 Promoter Shares (Including 497,720 Bonus Shares also) Rs. 100 each fully paid	137,151,946	1,172,145,903	137,151,946	172,547,000
Nepal Life Insurance Company 321 Ordinary Shares (Including 321 Bonus Shares also) of Rs. 100 fully paid	-	615,999	2,480,925	4,866,120
Siddhartha Equity Fund 967,748 Ordinary Shares of Rs. 10 fully paid			9,677,480	9,677,480
Citizen Mutual Fund 2,000,000 Ordinary Shares of Rs. 10 fully paid			20,000,000	20,320,000
NMB 50 Mutual Fund 5,000,000 Ordinary Shares of Rs. 10 fully paid			50,000,000	50,000,000
Siddhartha Investment Growth Scheme 2 279200 Ordinary Shares of Rs. 10 fully paid	2,792,000	3,936,720	100,000,000	100,000,000
Sunrise First Mutual Fund 500,000 Ordinary Shares of Rs. 10 fully paid			5,000,000	5,000,000
Sunrise BlueChip Fund 1,000,000 Ordinary Shares of Rs. 10 fully paid	10,000,000	10,160,000	-	-
NIBL Samriddhi Fund - II 1,500,000 Ordinary Shares of Rs. 10 fully paid	15,000,000	16,215,000	-	-
Prabhu Select Fund 1,468,090 Ordinary Shares of Rs. 10 fully paid	14,680,900	14,886,433	-	-
<b>Total</b>	<b>395,636,384</b>	<b>2,839,494,670</b>	<b>546,328,033</b>	<b>3,262,164,367</b>

#### Investment in Unquoted Equity

Particulars	As at 31st Ashad 2078		As at 31st Ashad 2077	
Name	Cost	Fair Value	Cost	Fair Value
Rastriya Beema Sansthan 301,700 Promoter Shares (Including 298,700 Bonus Shares also) Rs. 100 each fully paid	331,361	366,037,525	331,361	366,037,525

Gorakhkali Rubber Udhyog Ltd 1,60,000 Ordinary Shares of Rs. 75 fully paid	12,000,000	-	12,000,000	6,080,000
Nepal Oil Corporation 84,646 Ordinary Shares (Including 83,146 Bonus Shares also) of Rs. 100 each fully paid	150,000	24,833,459	150,000	17,645,305
Rastriya Utpadakatyos Tatha Arthik Bikash Kendra 5,000 Ordinary Shares of Rs. 100 each fully paid	500,000	500,000	500,000	500,000
Citizen Investment Trust promoter Share 857,225 Promoter Shares (Including 301,713 Bonus Shares also) Rs. 100 each fully paid	39,502,139	218,532,096	662,415	102,204,504
Sajha Sewa Sahakari Sansthan Limited 11 Ordinary Shares (Including 6 Bonus Share also) of Rs. 100 each fully paid	500	60,055	500	60,055
Karja Suchana Kendra 57,899 Ordinary Shares (Including 54,369 Bonus Shares also) Rs. 100 each fully paid	353,000	17,256,880	353,000	4,015,642
Nepal Clearing House 36,000 Ordinary Shares (Including 11,000 Bonus Shares also) Rs. 100 each fully paid	2,500,000	11,232,000	2,500,000	11,232,000
National Banking Training Centre 18,349 Ordinary Shares of Rs. 100 each fully paid	1,834,860	8,757,420	1,834,860	8,757,236
ICRA Nepal Limited 19,000 Ordinary Shares (Including 11,400 Bonus Shares also) Rs. 100 each fully paid	760,000	9,188,400	760,000	3,675,360
<b>Total</b>	<b>57,931,860</b>	<b>656,397,836</b>	<b>19,092,136</b>	<b>520,207,627</b>

#### 4.9 Current Tax Assets and Liabilities

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Current Tax Assets		
Current year income tax assets	1,337,247,853	1,413,157,984
Tax assets of prior periods	8,400,459,945	6,987,301,961
<b>Total</b>	<b>9,737,707,798</b>	<b>8,400,459,945</b>
Current Tax Liabilities		
Current year income tax liabilities	1,275,935,929	820,472,225
Tax Liabilities of prior periods	6,819,536,449	5,999,064,223
	8,095,472,378	-
<b>Total</b>	<b>8,095,472,378</b>	<b>6,819,536,449</b>
<b>Total</b>	<b>1,642,235,420</b>	<b>1,580,923,496</b>

#### 4.10 Investment in Subsidiaries

There was no Investment by Bank in Subsidiaries.

#### 4.11 Investment in Associates

There was no Investment by Bank in Associates.

#### 4.12 Investment Properties

This also includes land, land and building acquired as non-banking assets by the Bank but not sold. After The Bank has measured Investment properties are measured at cost, however no depreciation has been charged as no such properties has been used by the Bank. The detail of Investment properties measured at cost is as follows:

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Investment Properties measured at fair value	-	-
Balance as on Shrawan 1	-	-
Addition/Disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/Transfer	-	-
Net Amount	-	-
Investment Properties measured at cost	103,105,851	113,306,614
Balance as on Shrawan 1	-	-
Addition/Disposal during the year	7,922,529	(10,200,763)
Adjustment/Transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net Amount	111,028,379	103,105,851
<b>Total</b>	<b>111,028,379</b>	<b>103,105,851</b>

#### 4.13 Property and Equipment

All assets of long-term nature (fixed) like land, building, IT equipment, fixtures and fittings, office equipment and appliances, vehicles, machinery, leasehold developments and capital work in progress owned by the Bank has been presented under this head.



Particulars	Land	Building	Leasehold Properties	Computer and Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Other Assets	Total As at 31 Ashad 2078	Total As at 31 Ashad 2077	Total As at 32nd Ashad 2076
<b>Cost</b>											
Balance as on 31st Ashad 2076	11,076,730,362	330,994,876	128,726,060	453,001,339	277,713,593	395,662,345	276,497	124,499,817	-	-	12,787,604,888
2076-77											
Addition during the Year	-	-	-	-	-	-	-	-	-	326,166,299	-
Acquisition	3,053,128	54,093,657	81,796,663	26,944,140	17,937,924	25,830,971	-	116,509,814	-	(2,212,546)	-
Capitalization	-	-	-	(244,660)	(1,851,083)	(92,080)	-	(24,723)	-	(8,939,915)	-
Disposal during the year	(0)	0	(582,258)	(12,382,760)	1,081,587	(1,504,649)	-	4,448,165	-	13,102,618,726	-
Adjustment/Revaluation	11,079,783,490	385,088,533	209,940,465	467,318,059	294,882,021	419,896,588	276,497	245,433,073	-	-	-
Balance as on 31st Ashad 2077	-	-	-	-	-	-	-	-	-	-	-
2077-78											
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-
Acquisition	-	64,390,009	143,782,338	58,306,088	17,124,280	26,262,626	-	57,491,846	367,357,168	(3,003,364)	-
Capitalization	-	-	(33,833)	(513,347)	(1,487,295)	(551,424)	-	(417,465)	(3,003,364)	(9,622,004)	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-
Balance as on 31st Ashad 2078	11,079,783,490	449,478,542	353,688,970	525,110,780	310,519,006	435,985,786	276,497	302,507,453	13,457,350,526	-	-
Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-	-
Balance as on 1st Shrawan 2076	-	112,900,919	26,015,766	330,107,711	160,809,030	306,062,935	276,497	33,959,913	-	-	970,132,771
2076-77											
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	11,950,504	19,515,083	31,330,367	26,752,503	24,691,034	-	23,754,285	137,993,775	1,108,126,546	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	124,851,422	45,530,849	361,438,077	187,561,533	330,753,969	276,497	57,714,198	-	-	-
As on Ashad end 2077	-	-	-	-	-	-	-	-	-	-	-
2077-78											
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	14,976,324	32,636,216	34,252,647	24,255,965	24,613,686	-	31,576,566	162,311,405	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-
As on Ashad end 2078	-	139,827,746	78,167,066	395,690,725	211,817,498	355,367,655	276,497	89,290,764	1,270,437,951	854,308,350	20,371,681
Capital Work in Progress 2076.03.31	-	10,749,677	-	-	-	9,622,004	-	-	-	23,152,799	-
Capital Work in Progress 2077.03.31	-	20,766,110	-	-	-	2,386,689	-	-	-	-	-
Capital Work in Progress 2078.03.31	-	50,954,438	-	-	-	2,211,081	-	-	53,165,520	-	-
Net Book Value as on 32nd Ashad 2076	11,076,730,362	228,843,634	102,710,294	122,893,628	116,904,563	89,598,410	-	90,539,903	-	-	11,828,221,794
Net Book Value as on 31st Ashad 2077	11,079,783,490	281,003,221	164,409,616	105,879,982	107,320,488	81,907,304	-	187,718,875	-	12,008,022,975	-
Net Book Value as on 31st Ashad 2078	11,079,783,490	360,605,234	275,521,905	129,420,056	98,701,508	82,829,213	-	213,216,689	12,240,078,095	-	-



#### 4.14 Goodwill and Intangible Assets

Goodwill and intangible assets like computer software both purchased and internally generated, trade mark etc. has been presented under this account head.

Particulars	Goodwill	Software		Other	Total	
		Purchased	Developed		As at 31st Ashad 2078	As at 31st Ashad 2077
Cost	-	-	-	-	-	-
Balance as on 31st Asadh 2076	-	46,544,470	-	-	-	-
2076/77	-	-	-	-	-	-
Addition during the Year	-	-	-	-	-	-
Acquisition	-	14,795,970	-	-	-	17,577,135
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	11,469,553	-	-	-	92,755
Balance as on 31st Asadh 2077	-	72,809,993	-	-	-	64,214,360
2077/78	-	-	-	-	-	-
Addition during the Year	-	-	-	-	-	-
Acquisition	-	21,253,362	-	-	21,253,362	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on 31st Asadh 2078	-	94,063,355	-	-	85,467,722	-
Ammortization and Impairment	-	-	-	-	-	-
Balance as on 31st Asadh 2076	-	20,550,812	-	-	-	-
2076/77	-	-	-	-	-	-
Ammortization charge for the Year	-	-	-	-	-	-
Imapirment for the year	-	12,808,494	-	-	-	12,808,494
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
Balance as on 31st Asadh 2077	-	33,359,306	-	-	-	27,438,820
2077/78	-	-	-	-	-	-
Ammortization charge for the Year	-	-	-	-	-	-

Imapirment for the year	-	14,867,515	-	-	14,867,515	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
Balance as on 31st Asadh 2078	-	48,226,821	-	-	42,306,335	-
Capital Work in Progress	-	-	-	-	-	-
Net Book Value as on 31st Asadh 2076	-	25,993,659	-	-	-	-
Net Book Value as on 31st Asadh 2077	-	39,450,687	-	-	-	39,450,687
Net Book Value as on 31st Asadh 2078	-	45,836,534	-	-	45,836,534	-

#### 4.15 Deferred Tax Assets / Liabilities

Current Year 2077-78

Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax (Assets) / Liabilities	Leasehold Properties
Deferred Tax on Temporary differences on following items			
Loans and Advances to B/FIs	-	-	-
Loans and Advances to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	913,490,397	913,490,397
Property and equipment	-	3,328,680,389	3,328,680,389
Employees' defined benefit plan	(195,315,020)	-	195,315,020
Lease liabilities	5,712,744	-	(5,712,744)
Provisions	-	-	-
Other temporary differences	(3,440,866)	-	3,440,866
Deferred Tax on Temporary differences	(193,043,141)	4,242,170,787	4,435,213,928
Deferred Tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Defered tax (asset)/liabilities as on year end of 2077/78			4,435,213,928
Deferred tax(asset)/liabilities as on shrawan1, 2077			3,825,757,799
Origination/(Reversal) during the year			609,456,128
Deferred tax expense/(income) recognised in profit or loss			335,253,419
Deferred tax expense/(income) recognised in other comprehensive income			274,202,709
Deferred tax expense/(income) recognised directly in equity			

Previous Year 2076-77

Deferred Tax Assets	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax (Assets) / Liabilities
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Deferred Tax on Temporary differences on following items

Loans and Advances to B/FIs	-	-	-
Loans and Advances to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	965,878,666	965,878,666
Property and equipment	-	3,318,357,095	3,318,357,095
Employees' defined benefit plan	461,398,775	-	(461,398,775)
Lease liabilities	520,053	-	(520,053)
Provisions	-	-	-
Other temporary differences	(3,440,866)	-	3,440,866
Deferred Tax on Temporary differences	458,477,962	4,284,235,761	3,825,757,799
Deferred Tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax (asset)/liabilities as on year end of 2076/77			3,825,757,799
Deferred tax(asset)/liabilities as on shrawan1, 2076			3,650,970,495.02
Origination/(Reversal) during the year			174,787,304
Deferred tax expense/(income) recognised in profit or loss			408,711,311.32
Deferred tax expense/(income) recognised in other comprehensive income			(247,024,713)
Deferred tax expense/(income) recognised directly in equity			

#### 4.16 Other Assets

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Assets held for sale	-	-
Other Non-Banking Assets	-	-
Bills Receivable	-	-
Accounts receivable	676,049,586	180,677,808
Accrued income	246,990,476	213,647,755
Prepayments and deposits	3,136,221	5,569,548
Income tax deposit	380,276,977	368,011,977
Deferred Employee Expenditure	1,910,673,436	1,731,308,852
Other		
Inter Branch Account	1,556,850,623	1,789,139,276
Stationery Stock	35,193,373	38,165,435
Gold Bullion in Vault	-	-
Government Transaction Receivable	3,406,579,158	7,298,732,347
DD Paid without Schedule	129,137,612	159,827,841
Other	2,023,543,674	2,420,341,197
<b>Total</b>	<b>10,368,431,136</b>	<b>14,205,422,036</b>

#### 4.17 Due to Bank and Financial Institution

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	809,125,108	1,458,866,152
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
<b>Total</b>	<b>809,125,108</b>	<b>1,458,866,152</b>

#### 4.18 Due to Nepal Rastra Bank

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Refinance from NRB	6,062,640,951	23,920,613
Standing liquidity facility	-	-
Lender of last report facility from NRB	-	-
Securities sold under repurchase agreement	-	-
Other payable to NRB	-	-
<b>Total</b>	<b>6,062,640,951</b>	<b>23,920,613</b>

#### 4.19 Derivative Financial Instruments

Financial liability arising from derivative financial instrument has been shown below:

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Held for trading		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	8,474,686,154	6,473,080,003
Others	-	-
Held for risk management	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Total</b>	<b>8,474,686,154</b>	<b>6,473,080,003</b>

#### 4.20 Deposits from Customers

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
<b>Institutions Customers:</b>		
Term deposits	13,602,724,859	14,003,530,000
Call Deposits	9,461,606,236	9,601,132,345



Current Deposits	30,672,788,272	32,790,233,737
Other	374,945,588	280,510,000
Sub total:	54,112,064,955	56,675,406,081
<b>Individual Customers:</b>		
Term deposits	26,901,223,241	26,407,823,851
Saving Deposits	70,854,728,541	56,433,396,427
Current Deposits	8,727,257,715	1,875,404,150
Other	2,218,109,414	138,350,060
Sub total:	108,701,318,911	84,854,974,488
<b>Total</b>	<b>162,813,383,867</b>	<b>141,530,380,569</b>

#### 4.20.1 Currency Wise Analysis of Deposits from Customers

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Nepalese rupee	162,417,781,677	141,192,996,882
Indian rupee	160,969,513	14,191,220
United state dollar	233,287,309	322,088,497
Great Britain pound	245,173	225,778
Euro	1,100,195	878,193
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
<b>Total</b>	<b>162,813,383,867</b>	<b>141,530,380,569</b>

#### 4.21 Borrowing

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Domestic Borrowing:		
Nepal Government	-	-
Other institution	-	1,000,000,000.00
Other	-	-
Sub total	-	1,000,000,000.00
Foreign Borrowing:		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Bank	-	-
Other institutions	-	-
Sub total	-	-
<b>Total</b>	<b>-</b>	<b>1,000,000,000.00</b>

#### 4.22. Provisions

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
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Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contract	-	-
Other	80,221,924	56,838,989
<b>Total</b>	<b>80,221,924</b>	<b>56,838,989</b>

#### 4.22.1 Movement in Provision

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Balance at shrawan 1st	56,838,988	131,438,580
Provisions made during the year	23,382,936	2,464,648
Provisions used during the year	-	-
Provisions reversed during the year	-	(77,064,240)
Unwind of discount	-	-
<b>Balance at Ashad End</b>	<b>80,221,924</b>	<b>56,838,988</b>

#### 4.23 Other Liabilities

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Liability for employees defined benefit obligations	(859,143,425)	1,342,279,299
Liability for long-service leave	208,093,359	195,716,616
Short-term employee benefits	149,451,201	112,637,422
Bills payable	19,709,455	24,323,687
Creditors and Accruals	779,773,734	682,095,429
Interest payable on deposit	4,498,873	4,055,375
Interest payable on borrowing	40,708,652	13,699
Liabilities on deferred grant income	-	-
Unpaid Dividend	2,000,831	7,850,026
Liabilities under finance lease	-	-
Employee bonus payable	278,041,680	221,267,583
Other	2,638,007,054	4,172,742,030
<b>Total</b>	<b>3,261,141,415</b>	<b>6,762,981,165</b>

#### 4.23.1 Defined Benefit Obligation

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Present value of unfunded obligations	-	-
Present value of funded obligations	10,589,095,616	11,315,539,387
Total present value of obligations	10,589,095,616	11,315,539,387
Fair value of plan assets	11,448,239,041	9,973,260,088
Present value of net obligations	(859,143,425)	1,342,279,299

Recognised liability for defined benefit obligation	(859,143,425)	1,342,279,299
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#### 4.23.2 Plan Assets

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Equity Securities	-	-
Government Bonds	-	-
Bank Deposits	11,448,239,041	9,973,260,088
Other	-	-
<b>Total</b>	<b>11,448,239,041</b>	<b>9,973,260,088</b>

#### 4.23.3 Movement in the Present Value of Defined Benefit Obligations

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Defined benefit obligation at Shrawan 1st	11,315,539,387	10,159,857,770
Actuarial losses/(Gain)	(1,310,318,423)	1,134,854,794
Benefit paid by the plan	(577,621,525)	(996,760,758)
Current service cost and interest	1,161,496,178	1,017,587,581
Defined benefit obligation at Ashad end	10,589,095,616	11,315,539,387

#### 4.23.4 Movement in the Fair Value of Plan Assets

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Fair value of plan assets at shrawan 1st	9,973,260,088	8,536,623,007
Contributions paid into the plan	1,342,279,299	1,623,234,763
Benefit paid during the year	(577,621,525)	(996,760,758)
Actuarial losses (gains)	(221,681,829)	5,820,751
Expected return on plan assets	932,003,008	804,342,325
Fair value of plan assets at Ashad end	11,448,239,041	9,973,260,088

#### 4.23.5 Amount Recognised in Profit or Loss

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Current service cost	169,090,601	148,054,616
Interest on obligation	992,405,577	869,532,965
Expected return on plan assets	(932,003,008)	(804,342,325)
<b>Total</b>	<b>229,493,170</b>	<b>213,245,256</b>

#### 4.23.6 Amount Recognised in Other Comprehensive Income

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Acturial (gain)/loss	(1,088,636,594)	1,129,034,043

<b>Total</b>	<b>(1,088,636,594)</b>	<b>1,129,034,043</b>
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#### 4.23.7 Actuarial Assumptions

Particulars	As at 31st Ashad 2078	
	Pension and Gratuity	Retirement
Discount rate	9%	9%
Expected return on plan assets	9%	9%
Future salary increase	4%	4%
Expected Average remaining working lives(years)	12.84	22.88
Withdrawal rate	5%	5%

#### 4.24. Debt Securities Issued

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Debt securities issued designated at fair value through profit or loss	-	-
Debt securities issued at amortised cost	3,493,918,012	-
<b>Total</b>	<b>3,493,918,012</b>	<b>-</b>

#### 4.25 Subordinated Liabilities

No Subordinated Liabilities has been issued by the Bank.

#### 4.26 Share Capital

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Ordinary shares	12,636,758,600	11,282,820,200
Convettible preference share (Equity component)	-	-
Irredemable preference share (Equity component)	-	-
Perpetual debt(Equity component only)	-	-
<b>Total</b>	<b>12,636,758,600</b>	<b>11,282,820,200</b>

##### 4.26.1 Ordinary Shares

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
<b>Authorized Capital:</b>		
150,000,000 ordinary share of Rs.100 each	15,000,000,000.00	15,000,000,000.00
<b>Issued Capital:</b>		
126,367,586 ordinary share of Rs.100 each	12,636,758,600.00	11,282,820,200.00



**Subscribed and Paid of Capital:**

126,367,586 ordinary share of Rs.100 each	12,636,758,600.00	11,282,820,200.00
<b>Total</b>	<b>12,636,758,600.00</b>	<b>11,282,820,200.00</b>

**4.26.2 Ordinary Share Ownership**

Particulars	As at 31st Ashad 2078		As at 31st Ashad 2077	
	Percent	Amount	Percent	Amount
<b>Domestic Ownership:</b>	<b>100%</b>	<b>12,636,758,600</b>	<b>100%</b>	<b>11,282,820,200</b>
Nepal Government	51%	6,444,746,900	51%	5,754,238,300
"A" Class Licensed Institutions	0%	-	0%	-
Other Licensed Institutions	0%	-	0%	-
Other Institutions	11%	1,411,823,900	10%	1,101,643,500
Public	38%	4,780,187,800	39%	4,426,938,400
Other	0%	-	0%	-
<b>Foreign Ownership:</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>
<b>Total</b>	<b>100%</b>	<b>12,636,758,600</b>	<b>100%</b>	<b>11,282,820,200</b>

**4.26.3 Details of Shareholders holding 0.5% or more shares**

Name of Shareholder	Number of Share	Holding %	Amount
Nepal Government	64,447,469	51.00%	57,542,383
Employees Provident Fund	4,599,448	3.64%	4,106,650
Sunrise Holding Pvt. Ltd.	1,401,046	1.11%	994,225
Global Holding Pvt. Ltd	1,189,674	0.94%	794,552
<b>Total</b>	<b>71,637,637</b>	<b>56.69%</b>	<b>63,437,810</b>

**4.26.4 Proposed Distributions (Dividend and Bonus Share)**

The Board has recommended 14.00 % bonus share and 3.00% cash dividend (including tax on bonus share and cash dividend) of the existing paid up capital for the reported Fiscal Year 2077/78. This proposal of the board of directors is subject to the approval from NRB and ratification by the Annual General meeting of the shareholders. The proposed distribution shall be recognized in the equity in the period in which they are paid.

**4.27 Reserves**

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Statutory General Reserve	5,482,348,025	4,890,101,959
Exchange equilisation reserve	86,786,914	86,786,914

Corporate social responsibility reserve	34,395,395	78,578,572
Capital redemption reserve	-	-
Regulatory reserve	3,364,868,990	1,983,274,456
Investment adjustment reserve	1,741,861	2,404,276
Capital reserve	259,735,644	259,735,644
Assets revaluation reserve	7,743,591,321	7,743,591,321
Fair value reserve	2,129,626,985	2,251,866,279
Dividend equalisation reserve	7,485,526	7,485,526
Actuarial gain	(3,170,676,118)	(3,932,721,734)
Special reserve*		
Other reserve		
Capital Adjustment Fund	380,382,600	380,382,600
Contingent Reserve	2,763,349	2,763,349
Corporate development fund	3,300,000	3,300,000
Employee training fund	87,782,166	97,986,614
<b>Total</b>	<b>16,414,132,658</b>	<b>13,855,535,776</b>

**4.27.1 General Reserve**

General Reserve is created as per Section 44 of the Banks and Financial Institutions Act 2073 equivalent to 20% of the net profit earned during the year until the reserve is twice the paid-up share capital of the Bank after which 10% of the net profit earned during the year shall be set aside as General Reserve.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank.

**4.27.2 Exchange Fluctuation Reserve Fund**

Exchange Fluctuation Reserve is the reserve created as per Section 44 of the Banks and Financial Institutions Act 2073 equivalent to 25% of the foreign exchange gain realized on the translation of foreign currency to the reporting currency during the year other than Indian Rupees.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank other than to set off revaluation loss incurred, if any during the year.

**4.27.3 Fair Value Reserve**

The fair value reserve comprises the cumulative net change in the fair value of financial assets that are measured at fair value and the changes in fair value is recognized in other comprehensive income, until the assets are derecognized. The cumulative amount of changes in fair value of those financial assets has been presented under this account head.

**4.27.4 Assets Revaluation Reserve**

Any reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets, and Investment Property) has been presented under this heading. Revaluation reserves often serve as a cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market values and tax consequences of revaluation.

#### 4.27.5 Regulatory Reserve

The amount that is allocated from profit or retained earnings of the Bank to this reserve as per the Directive of NRB for the purpose of implementation of NFRSs and which has not been regarded as free for distribution of dividend (cash as well as bonus shares) has been presented under this account head. The amount allocated to this reserve includes interest income recognized but not received in cash, difference of loan loss provision as per NRB directive and impairment on loan and advance as per NFRSs (in case lower impairment is recognized under NFRSs), amount equals to deferred tax assets, amount of goodwill recognized under NFRSs etc.

##### Detail of Regulatory Reserve

Financial Year	Interest Receivable	Short Loan Loss Provision	Short provision for possible losses on Investment	Short Provision on NBA	Deferred Tax Assets	Goodwill	Gain on Bargain Purchase	Actuarial Loss Recognized	Fair Value Loss Recognized in OCI	Other	Total
2074/75	288,595,124	-	-	87,007,182	-	-	-	2,213,418,977	-	-	2,589,021,283
2075/76	(37,009,246)	-	-	26,299,432	-	-	-	(1,284,440,051)	-	-	(1,295,149,865)
2076/77	(56,351,413)	-	-	(44,569,380)	-	-	-	790,323,830	-	-	689,403,037
2077/78	(82,345,803)	-	-	5,096,638	-	-	-	1,451,373,361	7,470,338	-	1,381,594,535
<b>Total</b>	<b>112,888,662</b>	<b>-</b>	<b>-</b>	<b>73,833,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,170,676,118</b>	<b>-</b>	<b>-</b>	<b>3,364,868,990</b>

#### 4.27.6 Corporate Social Responsibility Fund

The fund created for the purpose of corporate social responsibility by allocating profit of 1% has been presented under this account head.

#### 4.27.7 Other Reserve Fund

Any reserve created with specific or non-specific purpose (except stated in above) has been presented under this by disclosing accounting heads.

### 4.28 Contingent Liabilities and Commitment

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Contingent Liabilities	19,914,138,584	16,331,690,318
Undrawn and undisbursed facilities	26,576,876,801	14,313,607,202
Capital commitment	-	-
Lease commitment	1,002,538,579	611,422,190
Litigation	-	-
<b>Total</b>	<b>47,493,553,964</b>	<b>31,256,719,710</b>

#### 4.28.1 Contingent Liabilities

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Acceptance and Documentary credit	7,057,182,858	6,042,073,169
Bills for collection	143,854,168	139,313,525

Forward exchange contracts	-	-
Guarantees	10,727,427,387	8,501,414,407
Underwriting commitments	-	-
Other commitments	1,985,674,171	1,648,889,217
<b>Total</b>	<b>19,914,138,584</b>	<b>16,331,690,318</b>

#### 4.28.2 Undrawn and Undisbursed Facilities

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Undisbursed amount of loans	-	-
Undrawn limits of overdraft	10,413,387,068	5,472,716,917
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	6,405,348,167	4,449,539,317
Undrawn limits of guarantee	9,758,141,566	4,391,350,968
<b>Total</b>	<b>26,576,876,801</b>	<b>14,313,607,202</b>

#### 4.28.3 Capital Commitments

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Capital commitments in relation to Property and Equipment	-	-
Approved and contracted for	-	-
Approved but not contracted for	-	-
<b>Sub Total</b>	<b>-</b>	<b>-</b>
Capital commitments in relation to Intangible assets	-	-
Approved and contracted for	-	-
Approved but not contracted for	-	-
<b>Sub Total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>

#### 4.28.4 Lease Commitments

Particulars	As at 31st Ashad 2078	As at 31st Ashad 2077
Operating Lease Commitments		
Future minimum lease payment under non cancellable operating lease, where the bank is lessee		
Not later than 1 year	4,864,827	1,041,162
Later than 1 year but not later than 5 years	129,498,797	86,514,568



Later than 5 years	868,174,955	523,866,460
<b>Sub Total</b>	<b>1,002,538,579</b>	<b>611,422,190</b>
Finance lease commitments		
Future minimum lease payment under non cancellable operating lease, where the bank is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Later than 5 years		
<b>Sub Total</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1,002,538,579</b>	<b>611,422,190</b>

#### 4.29 Interest Income

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Cash and cash equivalents	-	27,342,037
Due from Nepal Rastra Bank	-	-
Placement with Banks and Financial Institutions	23,881,676	123,726,204
Loans and Advances to Bank and Financial Institutions	37,524,096	65,006,690
Loans and advances to customers	10,765,434,626	10,527,385,846
Investment securities	1,031,744,069	677,135,487
Loans and advances to staff	28,581,636	106,245,777
Other	-	-
<b>Total interest income</b>	<b>11,887,166,103</b>	<b>11,526,842,041</b>

#### 4.30 Interest Expenses

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Due to Bank and Financial Institutions	(2,265,685)	(429,068)
Due to Nepal Rastra Bank	-	-
Deposits from customers	(5,363,662,053)	(5,904,071,242)
Borrowing	(57,538,088)	(3,522,690)
Debt securities issued	(43,258,672)	-
Subordinated liabilities	-	-
Other	-	-
<b>Total interest expense</b>	<b>(5,466,724,497)</b>	<b>(5,908,023,000)</b>

#### 4.31. Fees and Commission Income

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Loan Administration fees	70,576,249	60,201,329
Service fees	374,984,112	195,971,908
Consortium fees	-	-
Commitment fees	2,563,128	7,241,033
DD/TT/Swift fees	21,563,641	10,646,829
Credit card/ATM issuance and renewal fees	23	300
Prepayment and swap fees	-	-
Investment banking fees	-	-
Assets management fees	9,550,702	8,741,318
Brokerage fees	-	-
Remittance fees	15,303,032	23,992,860
Commission on letter of credit	41,121,635	29,379,348
Commission on Guarantee Contracts issued	112,780,681	91,145,665
Commission on share underwriting/issued	-	-
Locker rental	26,734,715	28,025,819
Other Fees and Commission Income	278,597,970	334,998,460
<b>Total Fees and Commission Income</b>	<b>953,775,889</b>	<b>790,344,870</b>

#### 4.32 Fees and Commission Expense

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	(37,704,565)	(21,590,116)
Brokerage	(3,261,356)	(2,368,835)
DD/TT/Swift fees	(7,214,133)	(7,086,332)
Remittance fees and commission	-	-
Other Fees and Commission Expense	(19,167,530)	(12,911,436)
<b>Total Fees and Commission Expense</b>	<b>(67,347,585)</b>	<b>(43,956,719)</b>

#### 4.33 Net Trading Income

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Changes in fair value of trading assets	11,233,591	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-

Dividend income on trading assets	-	-
Gain/Loss Foreign Exchange Transaction	409,087,724	408,215,089
Other	36,532,219	4,343,947
<b>Total Net trading income</b>	<b>456,853,535</b>	<b>412,559,037</b>

#### 4.34 Other Operating Income

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Foreign Exchange Revaluation Gain	(54,653,948)	(58,854,304)
Gain/loss on sale of investment Securities	172,041,097	-
Fair value gain/loss on investment property	-	-
Dividend on equity instruments	22,707,451	33,091,598
Gain/loss on sale of property and equipment	(51,962)	37,728
Gain/loss on sale of investment property	57,248,575	75,377,806
Operating lease income	24,557,305	25,657,231
Gain/loss on sale of gold and silver	7,844,507	3,042,497
Other	195,582,485	315,761,992
<b>Total other operating income</b>	<b>425,275,510</b>	<b>394,114,547</b>

#### 4.35 Impairment charge/(reversal) for Loan and Other Losses

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Impairment charge/(reversal) on loan and advances to B/FIs	50,567,353	-
Impairment charge/(reversal) on loan and advances to customer	447,054,367	879,633,846
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with bank and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment property	-	-
<b>Total impairment charge/(reversal) for loan and other losses</b>	<b>497,621,720</b>	<b>879,633,846</b>

#### 4.36 Personnel Expense

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Salary	(943,758,476)	(888,387,462)
Allowances	(295,600,154)	(273,556,526)

Gratuity expenses	-	-
Provident fund	(178,006,095)	(160,632,266)
Uniform	(18,656,000)	(19,562,000)
Training & Development Expense	(10,204,448)	(34,563,387)
Leave encashment	(38,742,674)	(77,989,948)
Medical	(83,032,501)	(73,342,242)
Insurance	(4,565,642)	(2,878,299)
Employees Incentive	(249,260,142)	(229,811,635)
Cash-settled share-based payments	-	-
Pension Expense	(229,673,170)	(213,388,256)
Finance expenses under NFRS	(38,964,877)	(66,024,395)
Other Expenses Related to Staff	(22,341,579)	(5,951,303)
Sub-Total	(2,112,805,757)	(2,046,087,719)
Employees Bonus	(240,653,667)	(178,758,639)
<b>Total personnel expenses</b>	<b>(2,353,459,424)</b>	<b>(2,224,846,358)</b>

\*Includes both pension and gratuity expenses

#### 4.37 Other Operating Expense

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Directors' fee	(1,913,600)	(2,472,300)
Directors' expense	(1,338,407)	(750,727)
Auditors' remuneration	(2,381,475)	(2,118,750)
Other audit related expense	(6,621,522)	(6,696,182)
Professional and legal expense	(3,535,573)	(5,985,268)
Office administration expense	(517,968,316)	(431,001,485)
Operating lease expense	(157,717,937)	(120,624,820)
Operating expense of investment properties	-	-
Corporate Social Responsibility Expense	-	-
Onerous lease provision	-	-
Other	(121,601,482)	(99,028,036)
<b>Total other operating expense</b>	<b>(813,078,311)</b>	<b>(668,677,567)</b>

##### 4.37.1 Office Administration Expense

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Water and electricity	(42,876,258)	(36,842,860)



Repair and maintenance	-	-
(a) Building	(1,357,662)	(507,152)
(b) Vehicle	(5,834,238)	(5,874,398)
(c) Computer and accessories	(5,512,944)	(4,408,628)
(d) Office equipment and furniture	(2,401,136)	(2,808,858)
(e) Other	(19,972,265)	(10,633,593)
Insurance	(34,738,011)	(34,506,546)
Postage, telex, telephone, fax	(52,300,328)	(47,086,203)
Printing and Stationery	(38,824,564)	(28,593,836)
Newspaper, books and journals	(4,640,351)	(5,205,287)
Advertisement	(29,478,454)	(24,991,418)
Donation	-	-
Security Expense	(819,163)	(597,403)
Deposit and loan guarantee premium	(55,322,037)	(50,800,669)
Travel allowance and expense	(29,158,802)	(30,469,925)
Entertainment	(16,073,954)	(14,231,758)
Annual/Special general meeting expnese	(979,828)	(477,746)
Other	(177,678,321)	(132,965,205)
<b>Total office administration expense</b>	<b>(517,968,316)</b>	<b>(431,001,485)</b>

#### 4.38. Depreciation & Amortisation

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Depreciation on Property and Equipment	(162,311,405)	(137,993,775)
Depreciation on investment property	-	-
Amortisation of intangible assets	(14,867,515)	(12,808,494)
<b>Total depreciation and amortisation</b>	<b>(177,178,920)</b>	<b>(150,802,269)</b>

#### 4.39. Non-Operating Income

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Recovery of loan written off	222,281,634	277,861,588
other income	2,477,464	49,390,462
<b>Total non operating income</b>	<b>224,759,097</b>	<b>327,252,050</b>

#### 4.40 Non-Operating Expenses

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Loan Written Off	-	-
Redundancy provision	-	-
Expenses of restructuring	-	-

Other expense	-	-
<b>Total non operating Expenses</b>	<b>-</b>	<b>-</b>

#### 4.41. Income Tax Expense

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Current tax expense		
Current year	(1,275,935,929)	(820,472,225)
Adjustment for prior years	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(335,253,419)	(421,812,018)
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
<b>Total income tax expense</b>	<b>(1,611,189,348)</b>	<b>(1,242,284,243)</b>

##### 4.41.1 Reconciliation of Tax Expense and Accounting Profit

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Profit before tax	4,572,419,678	3,575,172,784
Tax amount at tax rate of 30%	1,371,725,903	1,072,551,835
Add: Tax effect of expenses that are not deductible for tax purpose	178,776,754	208,280,053
Less: Tax effect on exempt income	6,812,235	(9,927,479)
Add/less: Tax effect on other items	(281,378,964)	(450,432,183)
<b>Total income tax expense</b>	<b>1,275,935,929</b>	<b>820,472,225</b>
Effective tax rate	27.91%	22.95%

#### Statement of Distributable Profit or Loss

For the year ended 31st Ashad of 2078

As per NRB Regulation

Particulars	Current Year	Previous Year
<b>Net Profit/(loss) as per Statement of Profit or Loss</b>	<b>2,961,230,330</b>	<b>2,332,888,541</b>
<b>Appropriation</b>		
a. General Reserve	(592,246,066)	(466,577,708)
b. Foreign Exchange Fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(29,612,303)	(23,328,885)

e. Employees training fund	10,204,448	34,563,387
f. Other		
<b>Profit/(loss) before regulatory adjustment</b>	<b>2,349,576,408</b>	<b>1,877,545,335</b>
<b>Regulatory Adjustments:</b>		
a. Interest Receivable (-)/previous accrued interest received(+)	82,345,803	56,351,413
b. Short loan loss provision in accounts(-)/reversal(+)	-	-
c. Short provision for possible losses on investment(-)/reversal(+)	662,415	-
d. Short provision for possible losses on Non-Banking Assets (-)/reversal(+)	(5,096,638)	44,569,380
e. Deferred Tax Assets recognized(-)/reversal(+)	-	-
f. Goodwill recognized (-)/Impairment of Goodwill(+)	-	-
g. Bargain purchase gain recognized (-)/reversal(+)	-	-
h. Actuarial Loss recognized (-)/reversal(+)	762,045,616	(790,323,830)
i. Other (+/-)		
<b>Profit or (Loss) after Regulatory Adjustments</b>	<b>3,189,533,604</b>	<b>1,188,142,298</b>
Opening Retain Earning	3,102,720,519	2,895,693,022
Cash dividend	(451,312,808)	(981,114,800)
Previous year Accumulated Actural Loss	(2,213,418,977)	-
FVR (share sale)	104,849,162	-
<b>Retained Earning</b>	<b>3,732,371,500</b>	<b>3,102,720,519</b>

## 5 Disclosures & Additional Information

### 5.1 Risk Assessment and Management

#### Credit Risk

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. In the first resort, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. Factors for the credit risk include Counterparty Risk, Concentration Risk and Securitization Risk.

The Bank has applied following mitigates for management of Credit Risk factors:

- Independent and ongoing credit quality review
- Limiting credit exposures
- Problem credit management system
- Diversification of risk asset portfolio among several sectors and sub sectors of the economy over a large number of customers
- Deposit of borrower in bank, cash margin and additional collateral at individual level
- Proper valuation, storage, maintenance and insurance of collaterals.

Such mitigates are monitored by Board of Directors, Risk Management Committee which is Board Level Committee, Credit Risk Management Department, NRB Inspection team and Internal Audit Department of the Bank

#### Market Risk

Market risk is the possibility of a customer experiencing losses due to factors that affect the overall performance of the Banking which the customer is involved. Market risk is systematic risk of the financial market.

Factors of Market Risk include Interest Rate Risk, Equity Risk in Banking Book.

The Bank has applied following mitigates for management of the Market Risk factors:

- Stress testing/simulation of market conditions
- Gap Analysis
- Limiting trading activity of instruments in the different markets
- Regular review of risk management processes
- Regular review of Risk Tolerance and appetite limit.
- Measurement of Equity price shocks.
- Measurement of Interest Rate Shocks
- Interest rate related Risk Monitoring.

Such mitigates are monitored by Board of Directors, Risk Management Committee, Internal Audit Department

#### Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Factors of Liquidity Risk includes Deterioration in quality of credit portfolio Concentrations in either assets or liabilities, Rapid asset growth funded by highly volatile large deposits, A large size of off-balance sheet exposure.

The Bank has applied following mitigates for the management of Liquidity Risk:

- Appropriate composition of assets and liabilities
- Diversified and stable sources of funds
- Access to inter-bank market
- Contingency funding plan for crisis situations
- Regular stress testing
- Cushion of liquid assets held
- Consistent analysis using liquidity ratios
- Review of Deposit Mix Concentration.

Such mitigates are monitored by BOD, Finance and Credit Department, Internal Audit Department.

#### Fair value of Financial Assets and Liabilities

Fair Value of financial assets and liabilities risk management includes effective portfolio management by Finance department which is monitored by BOD, and other high-level officials.

### 5.2. Capital Management



The capital management approach of the Bank is driven by its desire to maintain a strong capital base to support the development of its business and to meet the regulatory capital requirements at all times.

As Capital is the centrepiece of the Bank's performance matrix, a sound capital management forms the very core of the overall performance landscape to ensure that the Bank delivers on its objective of maximizing the shareholder's value. The senior management of the Bank is engaged and responsible for prudent capital management at all times. In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Bank is comfortable in meeting the minimum capital requirements and is strongly positioned to meet the performance benchmarks.

### 5.2.1 Qualitative Disclosure

Nepal Rastra Bank has directed the Banks to develop own internal policy, procedures and structures to manage all material risk inherent in business for assessing capital adequacy in relation to the risk profiles as well as strategies for maintaining capital levels. This includes basic requirements of having good governance, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate capital. The Bank has various BODs approved risk management policies for proper governance. The Bank has developed a comprehensive ICAAP document which is subject to review every year. The ICAAP has two major components; first is an internal process to identify measure, manage and report risks to which the bank is exposed or could be exposed in the future; and second is an internal process to plan and manage a bank's capital so as to ensure adequate capital. The Bank prepares the ICAAP report annually complying with the NRB requirement. The report is reviewed and analysed by Risk Management Committee and Board. The report is prepared as per BASEL III norms considering various adverse scenarios. The Bank also conducts the stress testing on quarterly basis and is reviewed by senior management, Risk Management Committee and Board. The Bank in line with BASEL provisions and ICAAP document assesses risk exposures and allocated sufficient capital/cushion for perceived risks.

### 5.2.2 Quantitative Disclosure

#### 1. Capital Structure and a Breakdown of its Components:

* Tier 1 Capital and a breakdown of its components		Amount In NPR
	Core Capital (Tier 1)	22,466,114,023
a.	Paid Up Equity Share Capital	12,636,758,600
b.	Irredeemable Non-Cumulative Preference Shares	-
c.	Share Premium	431,883,262
d.	Proposed Bonus Shares	-
e.	General Reserves	5,482,348,025
f.	Retained Earnings	771,141,171
g.	Unaudited Current Year Cumulative Profit	2,961,230,330
h.	Capital Redemption Reserve	-
i.	Capital Adjustment Reserve	-
j.	Dividend Equalization Reserve	7,485,526
k.	Debenture Redemption Reserve	-

l.	Capital Reserve (Created for loan waived as per Nepal Govt Direction)	259,735,644
m.	Other Free Reserves (Special Reserve, Other reserves)	-
n.	Less : Goodwill	-
o.	Less: Intangible Assets	(45,836,534)
p.	Less : Deferred Tax Assets	-
q.	Less : Miscellaneous Assets not written off	-
r.	Less : Investments in Equity in Licensed Financial Institutions	-
s.	Less : Investments in equity of Institutions with excess of Limits	(38,632,000)
t.	Less : Investments in equity of Institutions with Vested Interest	-
u.	Less :Investments arising out of Underwriting Commitments	-
v.	Less : Reciprocal Cross Holdings	-
w.	Less: Other Deduction	-
<b>* Tier 2 Capital and a breakdown of its components</b>		
	Supplementary Capital (Tier 2)	5,416,279,014
a.	Cumulative and/or Redeemable Preference Shares	-
b.	Subordinated Term Debt	3,493,918,012
c.	Hybrid Capital Instruments	-
d.	General Loan Loss Provision	1,835,574,088
e.	Exchange Equalization Reserve	86,786,914
f.	Investment Adjustment Reserve	-
g.	Assets Revaluation Reserve	-
h.	Additional Loan Loss Provision	-
i.	Other Reserves	-
<b>Total Capital Fund (Tier 1 and Tier 2)</b>		<b>27,882,393,038</b>
<b>Risk Weighted Exposure(Assets) (After Supervisor's Adjustment)</b>		<b>165,948,397,003</b>
<b>Capital Adequacy Ratio</b>		<b>16.80%</b>
<b>Regulator Requirement</b>		<b>11.00%</b>
<b>Common Equity Tier 1 Capital Ratio</b>		<b>13.54%</b>

* Deductions from Capital:	45,836,534
* Total Qualifying Capital:	27,882,393,038
* Capital Adequacy ratio:	16.80%

#### • Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:

NBL in its efforts to improve the capital adequacy ratio as prescribed by the regulator had implemented a revised capital plan. Besides, the bank had formulated ICAAP Policy aimed at improving the Capital Adequacy position in compliance with BASEL-III Framework from FY 2073-74. The task of systematic preparation and presentation of BASEL-III report has been entrusted with the Risk Management Department of the

bank. Currently the bank's ratio stands at 16.80%.

## 2. Risk Exposures

### • Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

The risk weighted exposures as of 15<sup>th</sup> July 2021 is given below:

S.No.	Particulars	Amount (NPR)
1	Credit Risk	146,845,927,321
2	Operational Risk	11,039,047,603
3	Market Risk	359,009,389
4	Adjustment under Pillar II	-
<b>Total</b>		<b>158,243,984,313</b>

### • Risk weighted exposures under each of 13 categories of Credit Risk

S.No.	Particulars	Amount NPR
1	Claims on other official entities	-
2	Claims on banks	2,913,539,465
3	Claims on domestic corporate & Securities firm	64,048,284,357
4	Claims on regulatory retail portfolio	31,959,107,278
5	Claims not satisfying granularity Criteria	-
6	Claims Secured by Residential properties	5,919,361,616
7	Claims secured by commercial real estate	449,047,544
8	Past Due Claims	4,869,496,534
9	High Risk Claims	1,054,949,329
10	Loan against Shares	5,295,037,490
11	Investment in Equity of Institutions	1,264,932,871
12	Other Assets	15,402,163,597
13	Off Balance Sheet Items	13,670,007,239
<b>Total</b>		<b>146,845,927,321</b>

### Amount of NPAs (Both Gross and Net)

S.N.	Particulars	Gross NPA (Rs.)	Loan-Loss Provision (Rs.)	Net NPA (Rs.)
a.	Restructured/Reschedule Loan	1,256,000	157,000	1,099,000
b.	Substandard	586,272,576	146,568,144	439,704,431
c.	Doubtful	694,587,022	347,293,512	347,293,510
d.	Loss	1,693,331,388	1,693,331,388	-
<b>Total</b>		<b>2,975,446,985</b>	<b>2,187,350,043</b>	<b>788,096,942</b>

### NPA Ratios:

- Gross NPA to Gross Advances : 2.05%
- Net NPA to Net Advances : 0.56%
- Movement of Non-Performing Assets : NPR

Particulars	This Year	Previous Year	Changes %
Non-Performing Assets	2,975,446,985	3,116,124,993	-4.51%
Non-Performing Assets (%)	2.05%	2.29%	-10.31%

### Write off of Loans and Interest Suspense: Amount in NPR

Loan of NPR 36,38,096.43 have been written off during the year 2077/78.

### Movements in Loan Loss provision and Interest Suspense: Amount in NPR

Particulars	Loan Loss Provision	Interest Suspense
Opening balance	,826,576,683	6,141,112,501
Write Back/off in the years	3,638,096)	(524,322,818)
Addition in the year	497,621,720	
<b>Balance as at 15 July 2021</b>	<b>4,320,560,306</b>	<b>5,616,789,684</b>

### Details of Subordinated Term Debt:

Bank has issued 8.5% NBL debenture 2087 of NPR 3,50,00,00,000.

### Details of Additional Loan Loss Provision:

None

### Segregation of Investment Portfolio

S.No.	Investment Category	Amount NPR
1	Held for Trading	-
2	Held to Maturity (Govt. Securities)	26,513,420,224
3	Available for Sale (Equity)	3,495,892,507

## 3. Risk Management Function

The bank is exposed to various types of risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to.

The Board of Directors has oversight on all the risks assumed by the bank. The board level sub-committee (Risk Management Committee) has been established to facilitate



focused oversight of various risks. The committee reviews the risk management policies, the bank's compliance with risk management guidelines issued by NRB and the status of implementation of BASEL - III requirement by the bank.

The Bank has set up a strong control and monitoring environment for comprehensive risk management at all levels of operation by establishing an independent Risk Management Department which caters to the current banking requirement of properly identifying and monitoring the risks apparent and inherent in the business.

#### Measurement of Risks for Capital Adequacy Purpose:

Under Pillar 1 of the specific NRB guidelines, the bank currently follows Simplified Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Net Open Position approach for Market risk.

#### A. Credit Risk

##### Strategies and Process:

All credit related aspects are governed by Operation Manual-2 (Credit) and Credit Policy of NBL. These documents outline the type of products that can be offered, customer categories, credit approval process and limits. These documents are approved by the Board of directors.

The Bank's main emphasis is on SME credit. Different limits of lending power have been assigned at branch level, department head level and the credit committee level. Every aspect relating to credit such as procedure, documentation etc. is clearly defined in the Operation Manual -2 and the Credit Policy of the bank.

##### Pre Sanction:

The branch managers have the authority to approve the credit within their permissible limits after due scrutiny of background of the promoter, nature of business, turnover in the account, other financial indicators, income, collateral and security. Loans above the authority of branch are recommended to head office for further decision.

##### Credit Risk Assessment Process:

Risk Management Department carries out a comprehensive credit risk assessment process that encompasses analysis of relevant quantitative and qualitative information to ascertain credit rating of the borrower. The credit rating process involves assessment of risk emanating from various sources such as market risk, management risk, environmental risk, financial risk and security risk taking into consideration as much as 30 sub-parameters under each of these categories. Credit thresholds have been set for forwarding the credit files for risk rating before they are submitted for approval in the credit committee by the concerned credit units.

##### Post Sanction Monitoring/ Follow Up:

Concerned branch are required to obtain regular information of the business. In case of revolving loans, the drawing power is checked commensurate with the existing level of stocks and working capital checked and verified at regular interval. The credit units at the Head Office are also required to prepare quarterly credit report to submit at higher level as a part of formal monitoring process.

#### B. Operation Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in the bank's business activities.

The board level committee that undertakes supervision and review of operational risk aspects are the Risk Management Committee and Audit Committee. The board and the risk committee review the operational risk level and the material operational risk exposure. The Audit committee supervises audit and compliance related aspects. Inspection and Internal Audit department on the other hand carries out audit according to the audit plan and report findings to the audit committee.

##### Risk Arising from Breakdown of Information and Operating System:

The bank has introduced new centralized software Pumori-IV and has improved in its MIS infrastructure in order to ensure the associated operational risks being brought down to an acceptably low level.

To safeguard the probable losses resulting from system failure or natural disaster, the bank has taken following policies to minimize the risk:

- Back up – All types of back up of all balances and head office are taken at the end of the day. The bank has developed back up guidelines to manage the various types back up system.
- Disaster Recovery Site – The bank has established a disaster recovery site at Bhairahawa, which is outside the Kathmandu valley considering the lower frequency of seismic activities.
- Validation of Entry and Password control – There is a system of maker and checker for entry validation before posting. Access authority for data entry, update, modification and validation has been given on the basis of levels of staffs.
- Exception Reporting – The system creates exception report as and when required.

##### Risk Arising from Procedural Lapses and Internal Control:

The bank has defined every banking procedure in the Operation Manual-1 related to banking transactions. Internal circulars are issued whenever required reporting by branches irregular. Internal Audit of maximum branches is carried out each year.

#### Corporate Governance:

NRB Guidelines with respect to Corporate Governance are duly complied with.

#### C. Market Risk

##### a. Investments

Currently bank has not made any investment for trading purpose. The investment in government securities have been made to hold till maturity. The investment in equity of listed institutions has been held as available for sale.

##### b. Foreign Exchange

The bank's policy is to maintain the net open position of convertible foreign currency where exchange rate risk persists in matching position.

#### D. Types of Eligible Credit Risk Mitigates used and benefits availed under CRM

The eligible collateral taken as benefits under CRM are margin money deposited with the bank against off balance sheet exposures, Loan against Fixed deposits, Loan against Gold and Silver and Government Securities. Under this provision a total of NPR 13,342,483,760.91 has been deducted from total credit risk as CRM.Compliance with External Requirement.

The bank, at all times, has complied the externally imposed capital requirements. In the capital adequacy calculation of 15th July 2021 (presented above), the bank has added 3% of total risk weighted exposures to its risk weighted exposures as per the direction from Nepal Rastra Bank as part of supervisory review.

#### Detail regarding Forbearance/relaxation provided in order to minimize the impact of COVID-19

Particulars	As of Ashad end 2078	
	No. of Customers	Amount (NPR.)
Accrued Interest Received after Ashad end 2078 till 15 Bhadra 2078	25383	127,600,911
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	106850	403,560,251
Extension of moratorium period of loan provided to Industry or Project under construction	4	1,204,662,085
Restructured/Rescheduled Loan with 5% Loan Loss Provision	47	1,308,000,000
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	82	1,038,608,434
Enhancement of Term Loan by 10% to COVID affected borrowers	-	-
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for upto 1 year with 5% provisioning	4	3,309,804
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for upto 1 year with 5% provisioning	-	-
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Dir2	1	303,924,829

#### Detail of Refinance and Business Continuity Loan

Particulars	During FY 2077/78	
	No. of Customers	Amount (NPR.)
Refinance loan	3247	5,931,848,945
Business Continuity Loan	1	5,000,000

#### Detail of Subsidized Loan

Particulars	During FY 2077/78	
	No. of Customers	Amount (NPR.)
Subsidized Loan	5609	6,442,028,814

## 5. Classification of financial assets and financial liabilities:

Particulars	Fair Value through PL	Amortized Cost	Fair Value through OCI	Total
<b>Financial Assets:</b>				
Cash and cash equivalents	-	6,528,388,522	-	6,528,388,522
Due from Nepal Rastra Bank	-	6,803,871,032	-	6,803,871,032
Placement with Bank and Financial Institutions	-	4,319,424,975	-	4,319,424,975
Derivative Financial Instruments	8,516,607,098	-	-	8,516,607,098
Other Trading Assets	101,204,596	-	-	-
Loans and advances to B/FIs	-	6,538,592,437	-	6,538,592,437
Loans and advances to customers	-	135,420,466,422	-	135,420,466,422
Investment securities	-	26,513,420,224	3,495,892,507	30,009,312,731
Other Financial assets	-	923,040,062	-	923,040,062
<b>Total financial Assets</b>	<b>8,617,811,694</b>	<b>187,047,203,674</b>	<b>3,495,892,507</b>	<b>199,059,703,279</b>
<b>Financial Liabilities:</b>				
Due from customers	-	162,813,383,867	-	162,813,383,867
Derivative Financial Instruments	8,474,686,154	-	-	8,474,686,154
Other Financial Liabilities	-	8,145,950,486	-	8,145,950,486
<b>Total Financial Liabilities</b>	<b>8,474,686,154</b>	<b>170,959,334,353</b>	<b>-</b>	<b>179,434,020,506</b>

## 5.4 Segment Analysis

### 5.4.1 General Information

The bank's operation is managed centrally through Head Office. All strategic, financial and operational policies and operations are controlled and directed from the head office. The Bank operates in seven proveniences though has a single jurisdiction. The management of the bank is on the basis of various types of operations supported by ancillary support services.

Bank has identified following segments as reportable:

- Banking Segment involves functions like collecting deposits and lending activities among other similar activities.
- Treasury Segment involves short term and long-term investment activities like investing in T-Bills, Bonds, Shares of companies etc.
- Remittance Segment involves activities of transferring / receiving funds locally and/or globally.
- Government Segment involves activities that are supportive to Government services like pension to Government employees, and facilitating other such Government services.

There is no inter-unit cost transfer mechanism within the bank.



Particulars	Banking		Treasury		Remittance		Government Transaction		All Other		Total	
	Year ended 31st Ashad 2078	Year ended 32nd Ashad 2077	Year ended 31st Ashad 2078	Year ended 32nd Ashad 2077	Year ended 31st Ashad 2078	Year ended 32nd Ashad 2077	Year ended 31st Ashad 2078	Year ended 32nd Ashad 2077	Year ended 31st Ashad 2078	Year ended 32nd Ashad 2077	Year ended 31st Ashad 2078	Year ended 32nd Ashad 2077
Revenues from external customers	10,831,423,210	10,653,924,613	1,650,980,206	926,639,391	190,768,990	155,165,002	104,184,664	225,399,419	1,123,378,494	1,489,984,119	13,900,735,564	13,451,112,544
Intersegment revenues	-	-	-	-	-	-	-	-	-	-	-	-
Segment Profit/(Loss) before tax	4,914,171,564	3,866,267,767	1,650,980,206	926,639,391	180,293,500	145,709,835	104,184,664	225,399,419	(2,277,210,256)	(1,588,843,627)	4,572,419,678	3,575,172,784
Segment Assets	141,959,099,551	106,824,968,930	34,876,932,778	38,927,190,767	-	-	3,716,116,675	7,006,580,731	33,560,173,786	31,773,089,865	214,112,322,790	184,531,830,294
Segment liabilities	167,180,728,389	143,017,010,910	-	-	-	-	-	-	13,773,442,536	11,601,236,311	180,954,170,925	154,618,247,221

5.4.2 Reconciliation of Reportable Segment Profit or Loss

Particulars	Year ended 31st Ashad 2078	Year ended 31st Ashad 2077
Total profit before tax for reportable segments	6,849,629,934	5,164,016,412
Profit before tax for other Segments	(2,277,210,256)	(1,588,843,627)
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:	-	-
- Other Corporate expenses	3,078,827,746	3,078,827,746

5.5 Share Options and Share Based Payment

There is no share-based payment made by the Bank.

5.6 Contingent Liabilities and Commitment

Litigation is a common occurrence in the banking industry due to the nature of business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustment to account for adverse effect which the claims may have on its

financial standing. Contingent liabilities on other matters have already been disclosed in notes 4.28.

5.7 Related Party Disclosures

The related parties of the Bank which meets the definition of related parties as defined in “NAS 24 Related Parties Disclosure” are as follows:

Key Management Personnel (KMP)

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors, Chief Executive Officer, and other higher-level employee of the Bank. The name of the key management personnel who were holding various positions in the office during the year (As at Ashad end 2078) were as follows:

Name of the Key Management Personnel	Post
Krishna Bahadur Adhikari	Chief Executive Officer
Samata Panta (Bhatta)	Deputy Chief Executive officer
Laxman Paudel	Assistant Chief Executive officer
Bishwo Raj Baral	Assistant Chief Executive officer
Prakash Kumar Adhikari	Assistant Chief Executive Officer
Hom Bahadur Khadka	Assistant Chief Executive Officer

5.7.1 Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him whereas compensation paid to other member of KMP are governed by Employees Byelaws and decisions made by management time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, subsidized rate employees’ loan, and termination benefits are also provided to KMP.

The details relating to compensation paid to key management personnel (Director’s only) were as follows:

Particulars	Current Year
Director’s Fee (including all BoD level committee)	1,913,600
Other Expenses	741,027
Total	2,654,627

The details relating to compensation paid to key management personnel other than directors were as follows:

S.N.	Name	Position	Remuneration
1	Krishna Bahadur Adhikari	Chief Executive Officer	5,442,916
2	Samata Panta (Bhatta)	Deputy Chief Executive officer	1,826,962
3	Laxman Paudel	Assistant Chief Executive officer	1,834,692
4	Bishwo Raj Baral	Assistant Chief Executive officer	1,760,567
5	Prakash Kumar Adhikari	Assistant Chief Executive Officer	1,755,523
6	Hom Bahadur Khadka	Assistant Chief Executive Officer	1,725,577

Besides above remuneration, vehicle facilities were provided to key management

personnel.

## 5.8 Merger and Acquisition

No any Merger and acquisition has taken in the years presented.

## 5.9 Additional Disclosures of Non-Consolidated Entities

There are no further disclosures to be made as per NFRS requirements.

## 5.10 Events After Reporting Date

## 5.11 Major Indicators

S.N.	Particulars	Indicator	As per prev. GAAP As per NFRS				
			FY 2073-74	FY 2074-75	FY 2075-76	FY 2076-77	FY 2077-78
1	Net Profit / Total Income	%	30.81	30.57	21.51	17.34	21.23
2	Earning Per Share						
2.1	Basic Earning Per Share	NPR	38.77	39.98	26.99	20.68	23.43
2.2	Diluted Earning Per Share	NPR	38.77	39.98	26.99	20.68	23.43
3	Market Price Per Share	NPR	364.00	281.00	336.00	249.00	443.00
4	Price / Earning Ratio	Times	9.39	7.03	12.45	12.04	18.90
5	Dividend (Bonus Share) on share capital	%	-	-	15.00	12.00	14.00
6	Cash Dividend on share capital	%	-	-	10.00	4.00	3.00
7	Interest Income / Loans and Advances	%	9.73	12.22	11.23	11.16	8.78
8	Employee Expenses / Total Operating Expenses	%	49.77	37.86	27.85	22.53	25.10
9	Employee Expenses / Total deposit and borrowing	%	2.52	2.15	1.74	1.54	1.39
10	Exchange Income / Total Income	%	1.20	1.71	2.31	2.60	2.54
11	Staff Bonus / Total Employee Expenses	%	14.83	18.36	11.10	8.03	10.23
12	Net Profit / Loans and Advances	%	4.19	4.26	2.81	2.26	2.19
13	Net Profit / Total Assets	%	2.78	2.41	1.51	1.22	1.33
14	Total Loans and Advances / Total Deposit	%	79.17	75.68	78.14	72.25	82.76
15	Total Operating Expenses / Total Assets	%	4.24	4.25	4.35	5.17	4.21
16	<u>Capital Adequacy Ratio</u>						
	a) Common Equity Tier I Capital	%	13.37	10.29	16.80	16.00	13.54
	b) Core Capital	%	13.37	10.29	15.87	16.00	13.54
	c) Supplementary Capital	%	1.10	0.98	0.93	1.01	3.26
	d) Total Capital Fund	%	14.47	11.27	16.80	17.01	16.80
17	Cash Reserve ratio (CRR)	%	18.81	9.05	4.06	4.53	4.19
18	NPAs / Total Loans and Advances	%	3.32	3.37	2.64	2.47	2.05
19	Base Rate	%	6.29	7.03	7.98	6.99	5.73
20	Weighted Average Interest rate Spread	%	4.80	4.99	4.45	3.70	4.34

21	Book Net Worth (NPR. In Lakh)	NPR	114,517.54	229,719.94	292,813	300,310	332,151
22	Total Shares	No.	80,426,622	80,426,622	98,111,480	112,828,202	126,367,586
23	Total Employee	No.	2,112	2,142.00	2,317	2,172	2,504
24	Others						
	Per Employee Business (NPR In Lakh)	NPR	48.57	49.12	52.09	61.93	55.70
	Employee Expenses / Total income	%	23.07	20.43	17.21	16.54	16.87

### 5.11.1 Valuation Hierarchy

Following tables demonstrates the valuation hierarchy of Bank's Assets and Liabilities. This fair value may differ from the actual amount that may be received or paid on settlement, realization or maturity of those Financial Assets and Liabilities.

### Fair Value of Financial Assets and Liabilities Measured at Fair Value

The fair value measurement hierarchy is as follows:

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

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

**Level 3** portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

Fair Value Disclosure	Level 1		Level 2		Level 3	
	As on 31.03.2078	As on 31.03.2077	As on 31.03.2078	As on 31.03.2077	As on 31.03.2078	As on 31.03.2077
Quoted Equity Shares	2,839,494,670	2,988,828,867		-		-
Unquoted equity		-	656,397,836	793,543,128		-
FV of Land		-		-		-
Investment Properties		-		-	111,028,379	103,105,851

## 5.1 Impairment of Financial Assets

At each reporting date, the Bank has assessed whether there exists objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security,



a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Bank considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

5.1.1. Use of Carve Outs for Financial Assets

A. For Impairment Calculation

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 of NAS 39: Financial Instruments: Recognition and Measurement, to determine the amount of any impairment loss unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Bank and Financial Institutions shall measure impairment loss on loan and advances as higher of amount derived as per prudential norms prescribed by Nepal Rastra Bank and amount determined as per paragraph 63. However, bank and financial institutions shall apply paragraph 63 of NAS 39: Financial Instruments: Recognition and Measurement to determine the amount of impairment loss on financial assets other than loan and advances.

The bank for the financial years 2077/78 has assessed the impairment under NFRS impairment model and under NRB Directives. Since the impairments under NRB directives are more than under NFRS, the bank has recognised impairment calculated under NRB directives. Following table below depicts the calculation of impairment allowance as per NFRS and as per NRB Directives:

IMPAIRMENT AS PER NAS 39

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Loans and advances to Customers & BFIs (excluding staff loan, AIR and impairment) (A)	146,273,943,433	109,215,582,711
Less:		
Impairment allowances (a + b)	2,436,769,359	2,350,643,689
Collective Allowances (a)	1,359,748,605	1,299,835,541
Individual Allowances (b)	1,077,020,754	1,050,808,148
Impairment as percentage of Total Loans and advances	1.67%	2.15%

Particulars	For the year ended 31st Ashad 2078	For the year ended 31st Ashad 2077
Loan Loss Provision as per NRB Directive- Alternative 1	4,320,560,306	3,826,576,683
Impairment Loss as per NFRS-alternative 2	2,366,636,889	2,350,643,690
Loss provision recognized in financial statements (higher of the two alternative)	4,320,560,306	3,826,576,683

5.2 Comparison of Unaudited and Audited Financial Statements as of FY 2077/78 End (Amount in NPR)

Statement of Financial Position					
Assets	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance In Amount	In %	Reason for Variance
Cash and cash equivalent	6,776,169,251	6,528,388,522	(247,780,729)	-3.66%	Reclassification of items
Due from Nepal Rastra Bank	6,803,871,032	6,803,871,032	-	0.00%	
Placement with Bank and Financial Institutions	4,319,424,975	4,319,424,975	-	0.00%	
Derivative Financial Instruments	8,516,607,098	8,516,607,098	-	0.00%	
Other Trading Assets	-	-	-	0.00%	
Loan and advances to B/FIs	6,558,466,579	6,538,592,437	(19,874,142)	-0.30%	Reclassification of items and additional adjustments
Loan and Advances to Customers	134,536,142,763	135,420,466,422	884,323,659	0.66%	Reclassification of items and additional adjustments
Investment Securities	30,109,328,082	30,009,312,731	(100,015,351)	-0.33%	
Current Tax Assets	1,615,663,492	1,642,235,420	26,571,927	1.64%	Additional Adjustment
Investment in Subsidiaries	-	-	-	0.00%	
Investment in Associates	-	-	-	0.00%	
Investment Property	111,028,379	111,028,379	-	0.00%	
Property and Equipment	12,239,945,223	12,240,078,095	132,873	0.00%	
Goodwill and Intangible assets	45,836,534	45,836,534	-	0.00%	
Deferred Tax Assets	-	-	-	0.00%	
Other Assets	11,482,191,613	10,368,431,136	(1,113,760,477)	-9.70%	Reclassification of items
Total Assets	223,114,675,021	222,544,272,782	(570,402,239)	-0.26%	Impact of all adjustments
Liabilities					
Due to Bank and Financial Institutions	809,125,108	809,125,108	(0)	0.00%	
Due to Nepal Rastra Bank	6,062,640,951	6,062,640,951	-	0.00%	
Derivative Financial Instruments	8,474,686,154	8,474,686,154	-	0.00%	
Deposits from Customers	162,743,229,012	162,813,383,867	70,154,855	0.04%	Reclassification of items
Borrowings	-	-	-	0.00%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	554,209,908	80,221,924	(473,987,984)	-85.52%	Additional Adjustment
Deferred Tax Liabilities	4,431,395,739	4,435,213,927	3,818,188	0.09%	Additional Adjustment
Other Liabilities	3,286,751,102	3,261,141,414	(25,609,688)	-0.78%	Reclassification of items
Debt securities issued	3,493,918,012	3,493,918,012	-	0.00%	

Subordinated Liabilities	-	-	-	0.00%	
Total Liabilities	189,855,955,986	189,430,331,358	(425,624,628)	-0.22%	
Equity					
Share Capital	12,636,758,600	12,636,758,600	-	0.00%	
Share Premium	431,883,262	431,883,262	-	0.00%	
Retained Earnings	5,041,718,609	3,732,371,500	(1,309,347,109)	-25.97%	Additional Adjustment
Reserves	15,148,358,564	16,414,132,658	1,265,774,094	8.36%	Additional Adjustment
Total equity attributable to equity holders	33,258,719,035	33,215,146,020	(43,573,015)	-0.13%	Reclassification of items
Non-controlling interest	33,258,719,035	-	(33,258,719,035)	0.00%	
Total Equity	223,114,675,021	33,215,146,020	(189,899,529,000)	-85.11%	Impact of all adjustments
<b>Total Liabilities and Equity</b>	<b>412,970,631,006</b>	<b>222,645,477,378</b>	<b>(190,325,153,628)</b>	<b>-46.09%</b>	<b>Impact of all adjustments</b>

#### Statement of Profit or Loss

Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance In Amount	In %	Reason for Variance
Interest income	11,927,360,607	11,887,166,103	(40,194,504)	-0.34%	Additional Adjustments
Interest expense	5,466,724,497	5,466,724,497	-	0.00%	
Net interest income	6,460,636,110	6,420,441,606	(40,194,504)	-0.62%	
Fees and commission income	950,260,402	953,775,889	3,515,488	0.37%	Reclassification of items
Fees and commission expense	62,004,934	67,347,585	5,342,651	8.62%	
Net fee and commission income	888,255,468	886,428,305	(1,827,164)	-0.21%	
Net interest and commission income	7,348,891,578	7,306,869,910	(42,021,668)	-0.57%	
Net trading income	453,472,136	456,853,535	3,381,399	0.75%	
Other operating income	425,208,198	425,275,510	67,313	0.02%	Reclassification of items
Total operating income	8,227,571,912	8,188,998,956	(38,572,956)	-0.47%	
Impairment charge/(reversal) for loans and other losses	418,647,991	497,621,720	78,973,728	18.86%	Additional Adjustments
Net operating income	7,808,923,920	7,691,377,236	(117,546,685)	-1.51%	
Operating expense	-	-	-		
Personnel expenses	2,325,720,463	2,353,459,424	27,738,961	1.19%	Additional Adjustments
Other Operating expenses	812,467,521	813,078,311	610,790	0.08%	Reclassification of items
Depreciation and Amortisation	177,311,792	177,178,920	(132,873)	-0.07%	Additional Adjustments
Operating Profit	4,493,424,144	4,347,660,581	(145,763,563)	-3.24%	
Non operating Income	225,009,188	224,759,097	(250,091)	-0.11%	Reclassification of items
Non operating expense	-	-	-		
Profit before income tax	4,718,433,332	4,572,419,678	(146,013,654)	-3.09%	Impact of all Adjustments
Income tax expense	-	-	-		
Current Tax	1,295,545,833	1,275,935,929	(19,609,904)	-1.51%	Impact of all Adjustments
Deferred Tax	357,429,798	335,253,419	(22,176,379)	-6.20%	Impact of all Adjustments
Profit/(loss) for the period	3,065,457,701	2,961,230,330	(104,227,371)	-3.40%	
Other Comprehensive income	657,775,725	718,429,972	60,654,247	9.22%	Valuation of Unquoted shares at Book value
<b>Total Comprehensive income</b>	<b>3,723,233,426</b>	<b>3,679,660,301</b>	<b>(43,573,125)</b>	<b>-1.17%</b>	<b>Impact of all Adjustments</b>

\* Reduction in net Profit by 1.17% as compared to unaudited results is due to additional adjustment during audit specially related to impairment of loan and advances.



दरबारमार्ग, काठमाडौं ।  
फोन नं.: ४४९९८०५,७  
फ्याक्स नं.: ४४९०९५९  
Site: www.nrb.org.np  
Email: bsd@nrb.org.np  
पोष्ट बक्स:७३

Dispatch No. 34  
Letter No. B.F.D./OFFSITE/AGM/11/2078-79

Date: 2078/07/29 B.S.  
(November 15,2021)

Nepal Bank Limited,  
Dharmapath, Kathmandu.

Re: Declaration/Distribution of Dividend and Publication of Financial Statement.

Dear Sir/Madame,

With reference to the financial statement and other documents presented by your Bank, which was found to be in accordance with the provision of Section 47, Sub-section (2) of the Bank and Financial Institution Act, 2073 B.S. (2016 A.D.), consequently, pursuant to Sub-Section (1) of the same Act, as proposed by the bank, permission has been granted for the distribution of Rs.1,769,146,207.36 (14% of the paid up capital) as Bonus Share and Rs.379,102,758.72 (3% of the paid up capital) as Cash Dividend (including tax on Bonus Share and Cash Dividend) with a combined total of Rs.2,148,248,966.08 (in words Two Billion One Hundred Forty Eight Million Two Hundred Forty Eight Thousand Nine Hundred Sixty Six Rupees and 8/100 Only) to the shareholders of the bank, and to present the annual financials for approval in the Annual General Meeting, incorporating the following comments.

1. To reconcile Rs. 1.55 Billion, the inter branch transaction amount not reconciled as presented in Schedule 4.16 of the financial statement.
2. To take confirmation of Rs.1.008 Billion, to be received from the Government of Nepal since a long time and Rs.323.6 Million remaining in the TU pension reimbursable account of Tribhuvan University, from the concerned body.
3. To obtain brief details of net amount Rs.5.09 million in Remittance Payable annex, under the schedule of other assets and liabilities.
4. Whereas, the cumulative total in the Special Reserve Fund until the end of Ashad 2074 B.S. (July 15,2017 A.D.) of Rs.1,197,874,084.00 that has been kept under profit/loss reserves with the condition of not distributing to shareholders and to the staff as bonus, the amount shall be transferred again to Special Reserve Fund, and should be notified. Such matter shall be discussed quarterly in the Audit Committee for improvement and quarterly progress report should be presented to this department.
5. For appropriate management of operating risk, efforts should be made in making the Risk Management Committee more effective.
6. To make necessary arrangements for coding of Fixed Assets.
7. To make improvements in all the remarks mentioned in the Audited Financial Report, and making sure such remarks are not repeated in the future.
8. Whereas, pursuant to sub section 7 of Directive No. 10 of Unified Directive, issued by this Bank, while investing in promoter share of one of the licensed banks and financial institution, an investment of a maximum of 15% of the paid of capital, and an investment of 1% of paid-up capital in other banks and financial institution, can be made. If there are promoter shareholders who have investments in excess of the authorized limit, it is advised to make provision to suspend the distribution of bonus share and cash dividend, until such investments are brought under the limit specified.
9. Whereas, Section 11, Sub-section 3 of the Bank and Financial Institution Act, 2073 B.S. (2016 A.D.) has provisioned to obtain permission of Nepal Rastra Bank for selling or mortgaging the share thereof, provision shall be made to suspend the distribution of cash dividend and bonus share of such founder shareholders, until they obtain the approval or clear the loan amount obtained, after mortgaging such share.
10. 10. These directives shall be published in a separate page of the annual report of the Bank.

Yours Sincerely,  
(Puspa Chandra Khanal)  
Assistant Director  
C.C.

1. Nepal Rastra Bank, Bank and Financial Institution Regulation Department.
2. Bank Supervision Department, Report Implementation Unit, Nepal Bank Limited.





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