

ANNUAL REPORT
2018/19



**FOCUS ON
SUSTAINABLE GROWTH**

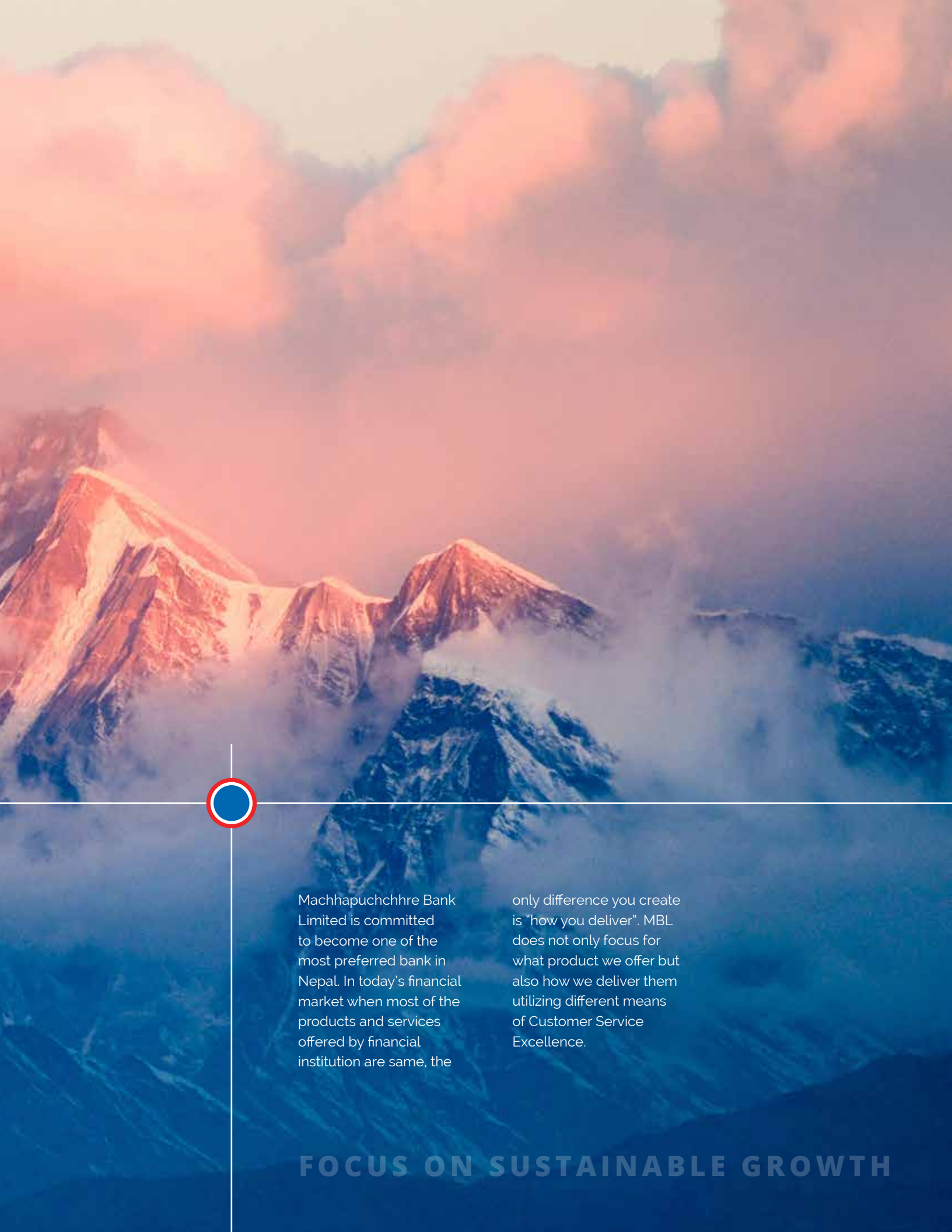


Machhapuchchhre Bank Limited

माछापुच्छ्रे बैंक लिमिटेड

www.machbank.com





Machhapuchchhre Bank Limited is committed to become one of the most preferred bank in Nepal. In today's financial market when most of the products and services offered by financial institution are same, the

only difference you create is "how you deliver". MBL does not only focus for what product we offer but also how we deliver them utilizing different means of Customer Service Excellence.

FOCUS ON SUSTAINABLE GROWTH

COUNTER 1

COUNTER 2

COUNTER 3

हाम्रो
माछापुच्छ्रे बैंक
जहिले छ हाम्रो साथ...

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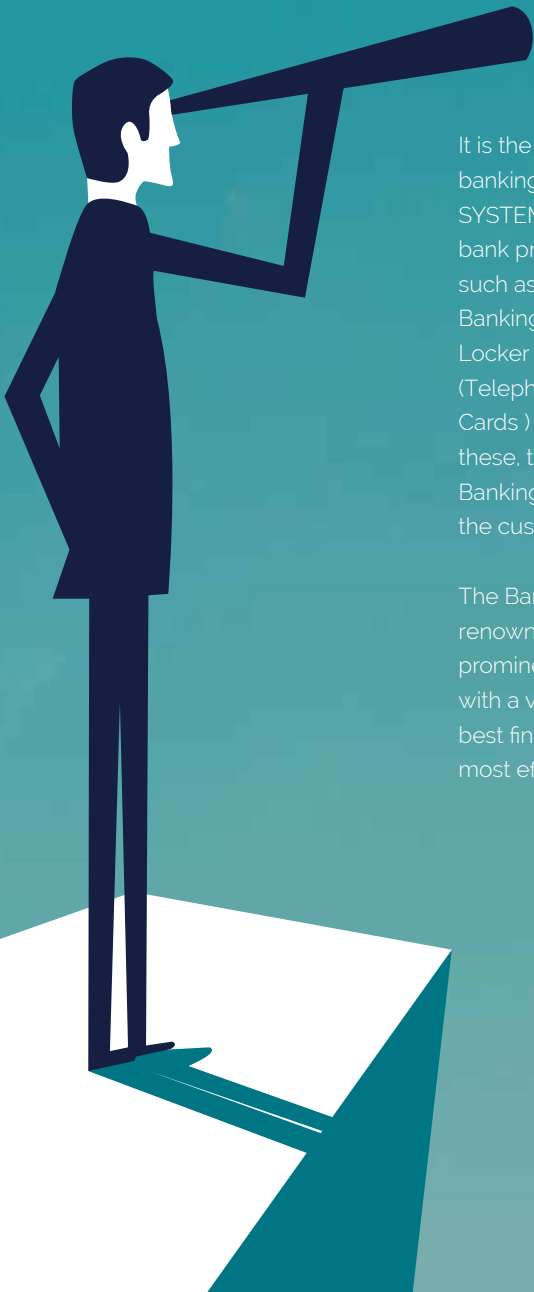
BANK'S OVERVIEW

The Bank facilitates its customer needs by delivering the best of services in combination with the latest state of the art technologies and prudent international practices. The Bank is the pioneer in introducing the latest technology in the banking industry in the country.

It is the first bank to introduce centralized banking software, GLOBUS BANKING SYSTEM of Temenos NV, Switzerland. The bank provides modern banking facilities such as Any Branch Banking, Internet Banking, Mobile Banking, Safe Deposit Locker facilities, Utility Bill payment (Telephone & Mobile), ATM (VISA Debit Cards) to its valued customers. Besides these, the Bank is providing 365 Days Banking and Evening Counter services to the customers through many of its offices.

The Bank has been promoted by highly renowned Non-Residential Nepalese, prominent business man and industrialists with a vision and dedication to provide the best financial products and services in the most efficient and professional manner.

Now with a paid up capital of over 8.46 billion rupees, 159 Branch Offices, 148 Branchless Banking Units, 5 Extension Counters and 196 ATMs spread all across the country, it is one of the full fledged national level commercial banks operating in Nepal. It takes pride in having its own buildings for its Head and Corporate Office in Lazimpat, and Branch offices in Naya Bazar, Pokhara, Jomsom, Baglung and Damauli.



36%

PROFIT GROWTH

1400+

NO. OF EMPLOYEES

5

EXTENSION COUNTERS

159

BRANCHES ACROSS
THE COUNTRY

196

ATM NETWORK

148

BRANCHLESS
BANKING UNITS

Vision

To become the bank of the first choice of the people



Mission

To be one of the most preferred banks in Nepal, easily recognized as the bank which satisfies and cares for its customers through quality service, innovative products, professionalism and wide branch network, offering full array of financial services using modern technology and with good corporate governance practices.

Values

With the objective of supporting the transition from rule based to attitude based behavior, the Bank is functioning with the following five core values:

INTEGRITY

Highest level of integrity/ absolute honesty in all the business conduct and dealings with customers, staff, regulators, and other stakeholders.

ACCESSIBILITY

Easy accessibility through traditional as well as modern means of communication.

QUALITY SERVICE

Through unmatched professionalism and excellent customer care.

VALUE CREATION

For shareholders, customers, employees and the nation.

STEWARDSHIP OF RESOURCES

With the feeling of ownership and accountability.



10k
45%

25k
45%

25k
45%

45k
45%

55k
50%



BANK STRATEGIES

for the Forthcoming Year

The fiscal year 2018-19 summed up to be a satisfactory year for the Bank with a year-on-year profit growth by 36%. However, in our continued march towards the achievement of our vision of becoming the "Bank of the first choice of the people", We don't plan to settle without achievement so far. Hence, we have planned strategies and actions for the forthcoming fiscal year 2019-20, to enable us to offer ultimate and unmatched quality services to our valued and esteemed customers.

MBL has been currently providing services through its large and extensive network of 159 branches, 196 ATMs, 5 extensive counters and 148 Branchless Banking Units. However, for a more accessible service network, we plan to open more than a dozen new branches and ATMs at several strategically viable locations in the country in the upcoming year. In line with our network expansion strategy, we opened more than 80 branches in the last three years, which were targetted mainly at the expansion of our reach outside Kathmandu valley. Hence, this year we shall be opening new branches primarily to cater to untapped regions inside the Kathmandu Valley.

One of our key strategies for the upcoming year as per our five year strategic business plan is to develop our technology-based product line and develop it as a key thrust area. To enable this, the Bank has already enabled Master Card and UPI-Unified Payment Interface based card

transactions in our ATMs and soon plans to launch Master Card as well as UPI Card based products in the upcoming months. This will allow our customers to use our cards in and outside Nepal in the Master Card network, which is one of the top three largest card networks in the world. Likewise, UPI is also another large network with card acceptance in 177 countries and issuance in 58 countries and regions.

In addition to this, the Bank also plans to introduce a few pioneering technology-based products through key tweaks in our existing line of digital banking products; And we shall continue to add new and improved features in our mobile and internet banking products, allowing simpler interactions with our users.

Furthermore, the Bank also plans to massively expand its digital footprint all over Nepal by expanding our Point of Sale (POS) network and Quick Response (QR) merchant network, thereby playing our part towards the creation of a cashless economy.

Another key strategy for FY 2019-20 is to continue to make significant headway in the area of Customer Service Excellence. The Bank has been continuously strengthening its "Customer Service Excellency Unit" and also plans to launch a full-fledged customer centric "Call Centre", which will provide a one-step solution for all customer queries and grievances. Moreover, the Bank has also recently established its "Priority Banking Unit"

with an aim to offer more personalized and customized services and benefits uniquely tailored for our priority clients.

Further, the Bank plans to implement an organization-wide restructuring and reengineering of business processes in the upcoming year by automating processes and optimizing resources. The aim is to garner operational efficiency, reduce redundancy and loopholes and provide a seamless customer experience across all our channels.

Finally, continuing the legacy in the previous years, the Bank shall continue to play an active role as a responsible corporate citizen by developing CSR programs in the upcoming fiscal year too. For this, we shall be actively conducting and launching numerous CSR initiatives and activities throughout the country to help the weaker and less privileged sections of the community.

BOARDS OF DIRECTORS



SITTING FROM RIGHT TO LEFT

Dr. Birendra Prasad Mahato, Chairman
Mr. Roshan KC, Director

STANDING FROM RIGHT TO LEFT

Mr. Hari Bhakta Sigdel, Director
Mr. Gopi Krishna Neupane, Director
Mr. Jaya Mukunda Khanal, Director
Mr. Omesh Lal Shrestha, Director
Mr. Bishow Prakash Gautam, Director



PROFILE OF DIRECTORS



Dr. Birendra Prasad Mahato
Chairman

Dr. Birendra Prasad Mahato, Chairman, Machhapuchchhre Bank Limited, holds the prestigious academic honor PhD in Economics from Belarus State Economics University. Other than Machhapuchchhre Bank, he is associated with Ram Janaki Investment and petroleum Suppliers Pvt. Ltd. and Sintez Investment Company Pvt. Ltd. as a Board member. Dr. Mahato has abundant experience in the field of economics and finance, he has served as Economic and Financial Consular to Amkodor heavy equipment Factory in Belarus and Delto trade Multinational Company in Cyprus. Dr. Mahato is the director of Fulkumari Mahato Memorial trust and Fulkumari Memorial Hospital. He is also the former Hon'ble member of the Constituent Assembly of Nepal.



Mr. Roshan KC
Director

Mr. Roshan KC served as the Chairman of Machhapuchchhre Bank Limited from April 27, 2017 till January 4, 2019. Mr. KC holds long term experience in the field of manufacturing and construction. He is also associated Sikles Hydropower Pvt. Ltd., Task Hydropower Pct. Ltd., Bhagwati Hydropower Development Company Pvt. Ltd., Gandaki Hydropower Development Company Pvt. Ltd. and KC Construction Pvt. Ltd. Mr. KC holds a Master Degree in Business Administration and also B.E in Civil Engineering.



Mr. Gopi Krishna Neupane
Director

Mr. Gopi Krishna Neupane is associated with Machhapuchchhre Bank as a director since January 2011. He was also involved in Audit Committee and Risk Management Committee of the Bank. Mr. Neupane holds Master Degree in Management from Tribhuvan University and also a LLB Degree from Nepal Law Campus. He has a long term professional exposure in the field of Business, Banking, Law, Audit, Taxation etc. He is associated with Audit firm-G.K. Neupane and Associate, Metro law firm, Hillside College of Engineering and National Business Initiatives. He was formerly associated with Nada Automobiles and Association of Private Health Institute.



Mr. Jaya Mukunda Khanal
Independent Director

Mr. Jaya Mukunda Khanal holds Master Degree in Business Administration from Mohanlal Sukhadia University, India and also Post Graduate Diploma in Strategic Defense and Studies Course from National Defense University, China. He has served the Government of Nepal for almost 30 years in different departments such as Ministry of Defense, Ministry of Industry, Ministry of Agricultural Development, Office of the Prime Minister and Council of Ministers, Office of the Nepal Trust, Law and Order Division. Currently, he is serving as the Executive Director for Center for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED).



Mr. Omesh Lal Shrestha
Public Director

Mr. Omesh Lal Shrestha holds a Master degree in information system from New York University and a Bachelor's Degree in Computer Science and Engineering from Visveswaraya Technological University, India. He is the CEO and Managing Director of CAS Group of Companies. He has been associated with Machhapuchhre Bank since 2017. He was also formerly associated with DBRS Inc., and Linonia Capital LLC, New York as Financial Analyst and Quantitative Analyst.



Mr. Bishwo Prakash Gautam
Director

Mr. Bishwo Prakash Gautam holds a bachelor degree in Management from CSJM university, India, and is a successful businessman. He is the Director of KC Constructions Pvt. Ltd. and United Idi Mardi and Rb Hydro Power Pvt. Ltd. He was the former Director of Pokhara Bachat Tatha Rin Sahakari Sanstha Limited and KC Builders and Developers Pvt. Ltd.



Mr. Hari Bhakta Sigdel
Public Director

Mr. Haribhakta Sigdel holds a Master Degree in Public Administration from Tribhuvan University. He is the former Deputy Superintendent of Police (DSP) and has served the police force for over 29 years. During his time in police he was awarded with the prestigious 'Prabal Gorkha Dakshin Bahu Chautha' and various other awards. Besides the police, he holds managerial experience from Vastok International Pvt. Ltd., Rubin Housing and Investment Pvt. Ltd., and Slntez Investment Company Pvt. Ltd.



CHAIRMAN'S STATEMENT

SUSTAINABLE GROWTH

“

As we are progressing into a smarter world that embraces smart product offerings and services, we are incorporating cutting-edge technologies to standardize our service to meet our customer's demand.

CHAIRMAN'S STATEMENT

We have always acknowledged our legacy customers whilst catering to the millennials. Our prudent banking practice with sound corporate governance have leveraged our efforts to make us a sustainable business in the market.

Our Strategies for the forthcoming year

As envisioned by the Bank's five-year strategic plan, we have expanded our network extensively in last two years making the Bank 6th largest private commercial Bank of Nepal in terms of branch network. Provincial Offices have been setup in each province of the country under leadership of Province Manager to have better supervision over people & process, improve customer service and enhance customer perception keeping business objective into consideration. We also have taken step

to diversify our business as result of which we established MBL Capital Limited (MCL), which is a full subsidiary of Machhapuchchhre Bank Limited.

Business Reengineering and Digital Transformation

Business process reengineering embracing digital transformation helps us improve performance, increase reach and agility, improve customer service, robust internal control and identify new revenue opportunity. Our endeavor to foray into rich world of AI & ML begun by developing risk model to facilitate Credit Card approval process is a stepping-stone. Branch expansion across domestic market based on reorganization by adopting digital transformation to achieve operational efficiency and improve customer service through service differentiation has paid off us substantially.

Serving the Nation

To Support Government initiative of taking banking service to each local unit after the new Constitution defined 7 Provinces and 753 local units, branch expansion strategy of Bank has followed the suit. Where opening up full-fledged branches were not feasible, small physical business correspondent touch points (commonly referred as Branchless Banking, the BLB) were launched massively in remote areas of country. In addition to this, ATM facility is playing significant role in promoting brand visibility as well at various strategic business locations of urban and semi urban.

In order to support financial inclusion endeavor launched by the Government and Regulator to reach the still-unbanked population, we have adopted State of Art technology to enable modern banking services to local

people. Real Time account opening and uninterrupted secured (2FA: Biometric & Card) banking service using Tab device from physical business correspondent touch points located in remote part of our complex geographical terrain is something we take pride on.

Governance

Strengthening and streamlining Governance, Risk & Compliance structure by according highest importance has helped us in trust and confidence of Regulator and General Public to greater extent. We can proudly say that we are among the top commercial Banks of Nepal with good governance and prudent banking practices.

Sustainability

The Bank is always committed towards sustainability. The Bank has embedded Sustainable Development Goals in its Corporate Social

Responsibility policy to contribute to the community's well-being. Since we are gearing up for digital transformation, a paper-less working environment is now something we can envision in near future.

Appreciations

I would like to extend my appreciation towards my fellow Board members for contributing together towards the strategic initiatives of the Bank. I would like to appreciate management team for steering this bank to a higher grounds whilst maintaining professionalism and integrity. The Management team has also shown unstinted commitment in performing their duties, for which I am grateful.

Our customers are the backbone of our foundation, without which we would not have endured for such a long span of time. I would also like

to appreciate cooperation from Staff Union for helping Bank to operate seamlessly. Finally, it is the collective efforts from all staffs of the Bank whose untiring effort and dedication that have helped us grow and prosper. Last but not the least, as we embark on the 20th year of operation, I would like to extend my sincere gratitude towards all the shareholders, stakeholders, well-wishers, regulatory authorities and governmental bodies, for your continued support and cooperation.

DR. BIRENDRA PD. MAHATO

CHAIRMAN



CEO'S MESSAGE

ARTICLE HEADING



One of our key priorities in the review year was to develop our digital capabilities and to strive hard to be ahead of the curve in the industry.

CEO'S MESSAGE

FY 2018-19 has been one of the most rewarding yet eventful years for the entire banking industry as well as MBL. Despite major regulatory changes that directly impacted the operating profitability of all commercial banks, the Bank registered a 24% growth in its balance sheet size and a 36% growth in its net profitability on a year-on-year basis. The industry witnessed some key regulatory reforms by the Central Bank in the form of upright downscaling of base rate by 0.75% and reduction of interest spread rate by 0.5%, that were introduced in the middle of the FY with an aim to stabilize prices in the industry; However, these changes directly reduced the profitability of commercial banks and led to interim strategy implementation by commercial banks.

On top of that, the Nepalese industry has undergone a challenging period in the last couple of years, especially with an elongated liquidity pressure that continued in FY 2018-19 as well (especially tightening in the first two quarters). Nevertheless, the strong balance sheet growth management coupled with our pro-active strategies helped to tide over the liquidity pressures and we managed to achieve promising growths across all financial parameters. We achieved a robust growth in both our deposit and loan books; our portfolio grew by Rs. 27.4 billion from Rs. 135.3 billion to Rs. 162.7

billion (a 20% growth on a year-on-year basis). With a strong Current Account Savings Account (CASA) franchise of 34%, we expanded our deposit portfolio by 20% over the previous year, surpassing the 85 billion mark and reaching Rs. 85.19 billion. Our loan book also observed a 21% growth (Rs. 13.3 billion) standing at Rs. 77.5 billion by the year end. Thus, we are proudly serving our 850 thousand + customers from our 159 branches throughout the nation.

In the review year, our earnings per share observed a 33% growth while our market value per share ascended by 26% on a year-on-year basis. Likewise, our book net worth as well as book value per share surged by 8% over the previous fiscal year.

On our risk management framework and corporate governance front, the Bank has been widely recognized and acclaimed as one of the strongest in the industry, especially, as one of the top private commercial banks having the lowest Capital Charge/ Supervisory Adjustments by NRB. Similarly, the Bank continues to cement its place as a consistent player in its asset quality management and recovery system as well by implementing more efficient and accelerated asset quality management cycle than the previous periods. Thus, the Bank yet again managed to push one of the lowest

non performing loan (NPL) ratios in the industry (0.38%, a 16% decline on a year-on-year basis).

The FY 2018-19 marked as a watershed year for the Bank where we implemented our network expansion strategy in line with our five years' Strategic Business Plan. We opened 45 new branches throughout the country extending our reach to the most remote parts of the country such as Apihimal, Vyas, (Darchula), Sunkoshi (Okhaldhunga), etc. The Bank further opened 13 new branches this year. The Bank now has one of the largest networks among the private commercial banks with 159 branches, 7 provincial offices, 196 ATMs, 5 extension counters and 148 BLB units. Thus, we proudly boast our presence in all 7 provinces, 55 districts and 118 local bodies across Nepal.

One of our key priorities in the review year was to develop our digital capabilities and to strive hard to be ahead of the curve in the industry. With the country rapidly bolstering towards "Digital Nepal" and towards transitioning into a cashless economy, the Bank undertook a number of technology initiatives including the launch of "Maya", an AI-based Chatbot to provide 24x7 online digital assistant service to our customers, "Remitap" mobile application for sending money

digitally to Nepal from India, "Insta Pay" service to purchase various products and services via MBL credit cards on installment basis and two major upgrades of our mobile banking application (MBL Mobile Money (M3) Plus) adding new and nifty features such as credit card details in the app for the first time among Neps member banks, QR code scanning feature and many more. As a result, the digital channels of the Bank such as: internet banking, mobile banking and card banking increased by around 40% in the review year over the previous fiscal year. Thus, MBL aims to be the fore-front runner in the digital space.

In addition to this, the Bank also became one of the first few banks to complete an all-exhaustive and full-fledged Information System (IS) Audit in FY 2018-19, which helped us to further strengthen the IT Framework and structure of the Bank. The Bank also undertook major steps to improve our security system and processes including 3d secure cards enabling more secure online transactions for our card users during online shopping sessions, SIEM and WAF implementation strengthening our information security, implementation of ITOPs in compliance with Information Technology Management Standards, Centralized system monitoring system, etc.

The Bank became a fully credit rated bank earning a prestigious A- (A minus) rating from ICRA Nepal for both its overall bank rating as well as the 10-year debenture of the Bank. The Bank also became a ISO 9001:2015 certified bank in recognition of its Quality Management System, which is the true testimony of our mission statement. The prestigious international certification has been provided by United Registrar of Systems (UKAS-UK).

The Bank has always played an active role in contributing to nation building. The Bank's Infrastructure and Corporate Business focuses on lending to key infrastructure development projects, hydroelectricity power projects and construction projects. The Bank also continues to contribute a significant portion of its assets to the priority sector lending thereby supporting the economy. Moreover, the Bank continues to develop MSB, SME and retail loan assets as the chief growth engine for the Bank diversifying our portfolio, deepening relationships and building a better and higher rated portfolio.

On the other hand, we continued to share our success with the community at large by playing an active and responsive role as a responsible corporate citizen through our structured Corporate Social Responsibility (CSR) Initiatives.

Therefore, I derive great pleasure in reporting that as the Bank steps in to its 20th year, the Bank has built a vibrant and successful brand, catering to the growing financial needs of the society, through its team of 1380+ employees, highly diverse digital and physical channels, and a wide gamut of customer centric products and services.

I would like to take this opportunity to thank all our internal and external shareholders as well as our regulatory authorities for your constant support and guidance. I would also like to thank our Chairman and the members of the board for your continued guidance, expertise, patronage and support.

With your continued support, I am confident that we can accomplish all our goals and build a trusted, financially strong and compliant bank in the upcoming years as well.

With best wishes!

SUMAN SHARMA

CHIEF EXECUTIVE OFFICER

MANAGEMENT TEAM



SITTING FROM RIGHT TO LEFT

Mr. Suman Sharma, CEO
Mr. Santosh Koirala, DCEO

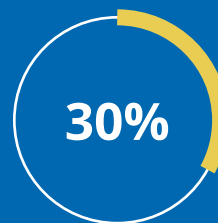
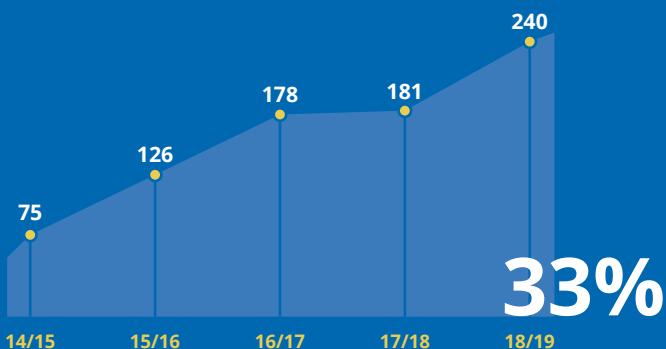


STANDING FROM RIGHT TO LEFT

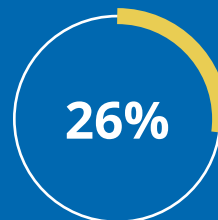
- Mr. Narayan Prakash Bhujju**, AGM (Technology)
- Mr. Sarju Kumar Thapa**, AGM (Business)
- Mr. Bishwambhar Neupane**, AGM (Operations)

PERFORMANCE REVIEW

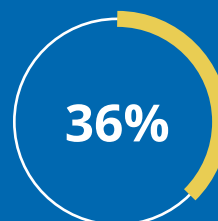
OPERATING PROFIT (in NPR Crore)



Net Interest Income of the bank has grown by 30% in the FY 2018-19. NPR 355 Crore



Deposit of the bank has grown by 26% in the FY 2018-19.

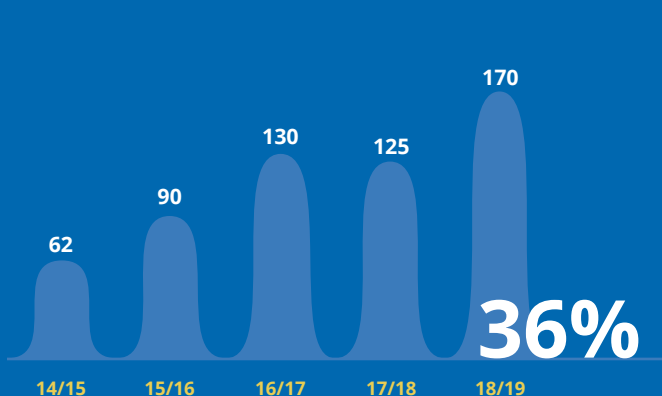


Net Profit of the bank has grown by 36% in the FY 2018-19. NPR 170 Crore

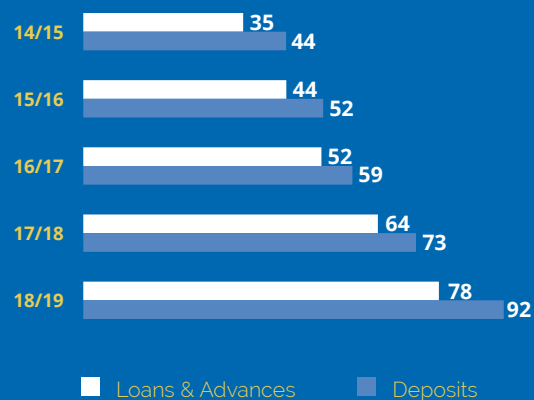
TOTAL LOANS & ADVANCES

NPR 78 Billion

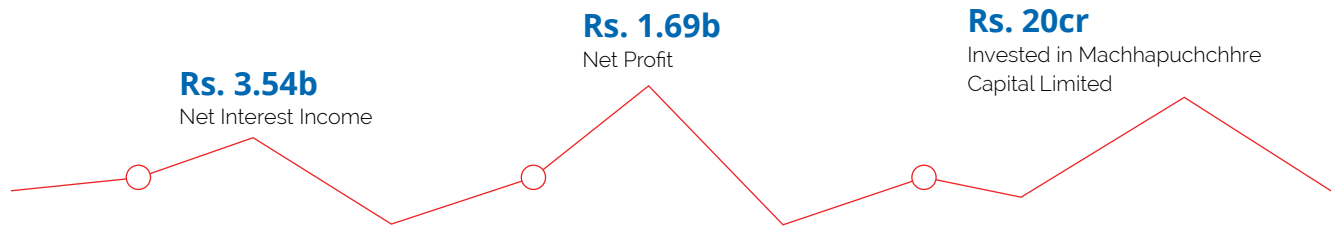
NET PROFIT/LOSS (in NPR Crore)



DEPOSIT AND LOANS & ADVANCES (in NPR Billion)



FINANCIAL HIGHLIGHTS



For the financial year 2018-19, bank's Net Interest Income (NII) has increased by 29.56% as compared to previous year. NII stood at 3.54 Billion. Similarly, there is growth of around 63% in Net Fees and Commission Income. Net Fees and Commission Income was 72.05 Cr as compared to 43.95 Cr of previous year.

Another, impeccable achievement of bank is in Net Trading Income witnessing 81.85% growth as compared to previous year. Overall Net Operating income of the bank has grown by 40% in this FY 2018-19.

On the other hand, personnel cost has also increased by 41% in current year owing to increased number of employees because of 45 number of new branches. Personnel cost was 1.23 Billion compared to 87.46 Billion of previous year. In FY 2018-19, 242 number of staffs were recruited. Staff training cost was 2.67 crore. Other operating cost of the bank has also increased by around 73% because of increased no. of network.

Net Profit of the bank was 1.69 Billion compared to 1.24 Billion of previous year, thereby achieving a growth of 36%.

Total Balance sheet size of the bank has also grown by 20.45 Billion. The bank has added 24.85 crore in Property, Plant and Equipment of the bank including Intangibles. As at 16 July 2019, fixed asset of the bank stood at 1.17 Billion. Return on total asset of the bank stood at 1.61%.

Bank has also invested 20 Cr in FY 2018-19 in Machhapuchchhre Capital Limited which is a wholly owned subsidiary of the bank.

INTERNATIONAL SCENARIO



Global growth has continued to soften this year due to a further escalation of trade tensions between US and China; renewed financial turmoil in emerging markets and sharper-than-expected slowdowns in major economies. Amid low global inflation and a deterioration of the growth outlook, the prospect that the U.S. Federal Reserve and other major central banks will tighten monetary policy in the near term has faded, leading to an easing in global financing conditions.

A further escalation of trade tensions involving major economies could lead to a sharp increase in trade barriers and weigh on confidence and investment. An increase in uncertainty could also be related to a heightened possibility of a disorderly exit of the United Kingdom from the European Union (EU).

However, South Asia growth remains robust despite headwinds from weakening global trade and manufacturing. Regional growth is expected to expand 6.9% in 2019, underpinned by strong domestic demand. Private consumption and investment remained robust in much of the region. World Bank has estimated annual growth of Nepal at 7.1% in 2019.

Looking at Nepalese market, we had experienced liquidity crunch in the FY 2018/19 most of the time of the year.

The balance of Payment was highly deficit throughout the year and budget surplus was higher than previous years. The continued higher level of credit relative to deposit growth limited the availability of loanable funds. Despite of having tight liquidity market, Bank's ALCO have been successful in regular monitoring of the market and taking strategic decisions on time. All Required key indicators are intact with the regulatory requirement throughout the year.

COUNTRY'S ECONOMIC CONDITION

ECONOMIC OUTLOOK OF FY 2018-19

GDP & Balance of Payment (BOP)

The growth of Nepal's Gross Domestic Product (GDP) at basic price was 6.8% in FY 2018-19, which was 6.3% in previous year. Government of Nepal (GON) has envisioned economic growth of 8.5% in FY 2019-20. Growth of GDP in the agriculture sector is estimated to be 5% in FY 2018-19 compared to 2.8% in FY 2017-18 and in the services sector to be 7.3% in FY 2018-19 compared to 7.2% in FY 2017-18. Industrial sector growth is expected to be 8.1% in FY 2018-19 compared to 9.6% in FY 2017-18.

The promotion of tourism is taking a good pace with the upcoming 'Visit Nepal 2020' program. The expected surge in tourist arrivals shall result in growth of transportation, hotel and restaurant services.

Balance of Payments (BOP) remained at deficit of Rs.90.83 billion.

Inflation and interest rates

Average consumer price inflation in the eleven month of FY 2018-19 was 4.5% compared to 4.2% a year ago.

Financial and capital markets

Stock market remained stable in the review year. The NEPSE index stood at 1259 in mid-July 2019 compared to 1212 a year ago. Similarly, market capitalization increased to Rs.1567.50

billion in mid-July 2019 from Rs. 1435.14 billion a year ago. Central Bank's policy to encourage the debenture has resulted in 14 commercial banks obtaining approval to issue debenture worth NPR.43.98 billion which strengthens the capital market. In mid July weighted average interest rate of 91 days T Bill stood at 4.97% (PY 3.74%) and weighted average interbank rate of commercial bank was 4.52%.

Nepalese currency vis-à-vis US dollar depreciated by 0.02 percent in FY 2018-19. The buying rate for one US dollar stood at Rs.109.36 in mid July 2019 compared to Rs.109.34 a year ago.

Economic Outlook for 6 month ended 14 January 2020

Inflation

The inflation remained 6.82 percent on year on year basis and 6.41 percent on average during the first six months of the review year. Food price inflation stood at 10.21 percent while nonfood price inflation stood at 4.25 percent in the review month. Within the food and beverage group, prices of vegetables, spices, pulses and legumes and fruits sub-groups rose significantly in the review month. Likewise, within the non-food and service group, the prices of education, clothes and footwear, and furnishing and household equipment subgroups rose moderately in the review month.

Remittance

The remittance inflow in the review period has increase to 0.9 percent against an increase of 30.2 percent in the same period of previous year. The lower remittances could affect the liquidity of financial system.

Financial sector

The commercial banks now have wider reach of network covering 745 local levels out of 753 local levels aiding in the government's vision to have one account per citizen.

BOP Position

Balance of Payments (BOP) remained at a surplus of Rs.26.65 billion in the six month against a deficit of Rs.63.68 billion in the same period of the previous year.

Deposit Mobilization

Deposits at Banks and Financial Institutions (BFIs) increased 6.2 percent in the six month compared to an increase of 7.7 percent in the corresponding period of the previous year.

Credit Disbursement

Credit to the private sector from BFIs increased 8.6 percent in the six month compared to a growth of 12.7 percent in the corresponding period of the previous year.

BANK'S PERFORMANCE

HORIZONTAL ANALYSIS OF BALANCE SHEET

	FY 2018-19	FY 2017-18	FY 2016-17
Assets			
Cash and cash equivalent	172%	43%	100%
Due from Nepal Rastra Bank	59%	130%	100%
Placement with Bank and Financial Institutions	2010%	1924%	100%
Derivative financial instruments	313%	0%	100%
Other trading assets	447%	314%	100%
Loan and advances to B/FIs	144%	106%	100%
Loans and advances to customers	150%	125%	100%
Investment securities	214%	160%	100%
Current tax assets	81%	77%	100%
Investment in subsidiaries	0%	0%	100%
Investment in associates	0%	0%	100%
Investment property	315%	100%	100%
Property and equipment	161%	126%	100%
Goodwill and Intangible assets	112%	104%	100%
Deferred tax assets	0%	0%	100%
Other assets	240%	120%	100%
Total Assets	152%	123%	100%

	FY 2018-19	FY 2017-18	FY 2016-17
Liabilities			
Due to Bank and Financial Institutions	489%	102%	100%
Due to Nepal Rastra Bank	635%	397%	100%
Derivative financial instruments	0%	0%	100%
Deposits from customers	149%	124%	100%
Borrowing	0%	0%	100%
Current Tax Liabilities	0%	0%	100%
Provisions	0%	89%	100%
Deferred tax liabilities	0%	56%	100%
Other liabilities	130%	118%	100%
Debt securities issued	0%	0%	100%
Subordinated Liabilities	0%	0%	100%
Total liabilities	157%	124%	100%
Equity			
Share capital	114%	114%	100%
Share premium	0%	0%	100%
Retained earnings	105%	65%	100%
Reserves	200%	158%	100%
Total equity attributable to equity holders	122%	112%	100%
Non-controlling interest			
Total equity	122%	112%	100%
Total liabilities and equity	152%	123%	100%

HORIZONTAL ANALYSIS OF PROFIT OR LOSS (PAST 3 YEARS)

PARTICULARS	FY 2018-19	FY 2017-18	FY 2016-17
Interest income	198%	151%	100%
Interest expense	237%	180%	100%
Net interest income	150%	116%	100%
Fee and commission income	175%	109%	100%
Fee and commission expense	151%	111%	100%
Net fee and commission income	178%	109%	100%
Net interest, fee and commission income	154%	115%	100%
Net trading income	231%	127%	100%
Other operating income	29%	9%	100%
Total operating income	154%	112%	100%
Impairment charge/(reversal) for loans and other losses	115%	150%	100%
Net operating income	155%	111%	100%
Operating expense			
Personnel expenses	177%	126%	100%
Other operating expenses	215%	125%	100%
Depreciation & Amortisation	151%	116%	100%
Operating Profit	135%	102%	100%
Non operating income	680%	17%	100%
Non operating expense	0%	0%	100%
Profit before income tax	135%	101%	100%
Income tax expense	136%	104%	100%
Current Tax	143%	105%	100%
Deferred Tax	-561%	25%	100%
Profit for the year	135%	99%	100%

Earnings per share

Basic earnings per share	91%	68%	100%
Diluted earnings per share	91%	68%	100%

VERTICAL ANALYSIS OF BALANCE SHEET

	FY 2018-19	FY 2017-18	FY 2016-17
Assets			
Cash and cash equivalent	9%	3%	8%
Due from Nepal Rastra Bank	3%	8%	8%
Placement with Bank and Financial Institutions	1%	2%	0.10%
Derivative financial instruments	0.07%	-	0.03%
Other trading assets	0.34%	0.30%	0.12%
Loan and advances to B/FIs	2%	2%	2%
Loans and advances to customers	71%	74%	72%
Investment securities	10%	9%	7%
Current tax assets	0.20%	0.24%	0.38%
Investment in subsidiaries	0.19%	-	-
Investment in associates	0.00%	-	-
Investment property	0.07%	0.03%	0.04%
Property and equipment	1%	1%	1%
Goodwill and Intangible assets	0.05%	0.05%	0.06%
Deferred tax assets	0.02%	-	-
Other assets	1%	1%	1%
Total Assets	100%	100%	100%

	FY 2018-19	FY 2017-18	FY 2016-17
Liabilities			
Due to Bank and Financial Institutions	6%	2%	2%
Due to Nepal Rastra Bank	1%	1%	0.23%
Derivative financial instruments	-	0.0001%	-
Deposits from customers	81%	84%	83%
Borrowing	-	-	-
Current Tax Liabilities	-	-	-
Provisions	-	0%	0%
Deferred tax liabilities	-	0.02%	0.04%
Other liabilities	1%	2%	2%
Debt securities issued	-	-	-
Subordinated Liabilities	-	-	-
Total liabilities	89%	88%	87%
Equity			
Share capital	8%	10%	10%
Share premium	0.03%	0.04%	-
Retained earnings	1%	1%	2%
Reserves	2%	2%	1%
Total equity attributable to equity holders	11%	12%	13%
Non-controlling interest			
Total equity	11%	12%	13%
Total liabilities and equity	100%	100%	100%

VERTICAL ANALYSIS OF PROFIT AND LOSS

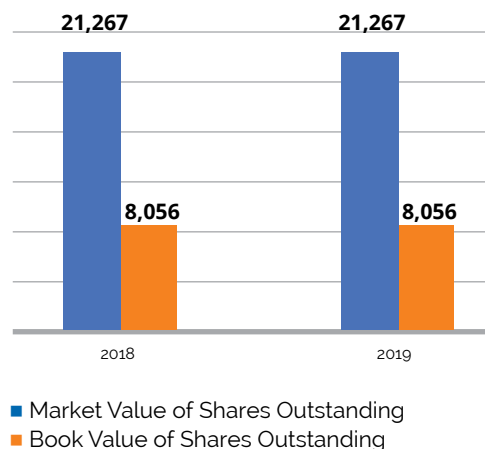
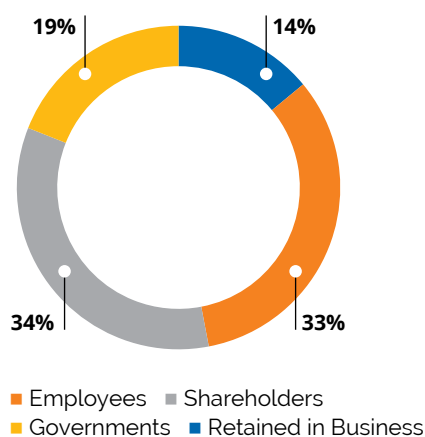
PARTICULARS	FY 2018-19	FY 2017-18	FY 2016-17
Interest income	90%	92%	88%
Interest expense	59%	60%	48%
Net interest income	31%	32%	40%
Fee and commission income	7%	6%	8%
Fee and commission expense	1%	1%	1%
Net fee and commission income	6%	5%	7%
Net interest, fee and commission income	38%	38%	47%
Net trading income	3%	2%	2%
Other operating income	0.25%	0.11%	2%
Total operating income	41%	40%	51%
Impairment charge/(reversal) for loans and other losses	1%	2%	2%
Net operating income	40%	38%	50%
Operating expense			
Personnel expenses	11%	10%	12%
Other operating expenses	6%	5%	6%
Depreciation & Amortisation	1%	1%	1%
Operating Profit	21%	21%	30%
Non operating income	1%	0.04%	0%
Non operating expense	1%	0.02%	0%
Profit before income tax	21%	21%	31%
Income tax expense	6%	7%	9%
Current Tax	7%	7%	9%
Deferred Tax	-0.27%	0.02%	0%
Profit for the year	15%	15%	22%

VALUE ADDED STATEMENT

Value added statement is the wealth created by the MBL. Such statement shows detailed account of value creation towards employee, government as tax and towards the shareholder of the bank.

Fig In Million

	2018/19	
	AMOUNT	%
Total Operating Income	11,271	
Total Operating Expenses	7,421	
Value Added from Core Banking Services	3,850	
Other Incomes	28	
Non-Operating Income	122	
Non-Operating Expenses	95	
Impairment Charge	117	
Total Value Added by the Bank	3,788	100%
Number of Employees	1,193	
Value Added per Employee	3	
Distribution of Value applied		
To Employees(As salary and allowances)	1,230	32%
Towards Government(Corporate tax)	730	19%
To Shareholders(Cash and Stock)	1,289	34%
Cash Dividend	886	
Bonus Share	403	
For Expansion and Replacement of Assets	130	3%
As retained Income	408	11%
Total Value Applied	3,788	100%



MARKET VALUE ADDED (MVA) STATEMENT

Market value added statement is a reflection of the Company's performance evaluated by the market through the equity of the company. It is a measurement of external performance. It is a measure that shows how the market has judged the company's performance in terms of market value of shares compared to book value of shares. It is the difference between the market value of equity and the book value of equity invested in the company.

MARKET VALUE ADDED STATEMENT FOR THE YEAR END	2019	2018
Market Value of Shares Outstanding	21,267	21,267
Book Value of Shares Outstanding	8,056	8,056
Market Value Added	13,211	13,211

ECONOMIC VALUE ADDED

Economic Value-Added is the surplus generated by an entity after meeting an equitable charge towards providers of capital. It is the post-tax return on capital employed (adjusted for the tax shield on debt) less the cost of capital employed. Companies which earn higher returns than cost of capital create value, and companies which earn lower returns than cost of capital are deemed harmful for shareholder value.

The aim of EVA is to provide management with a measure of their success in increasing shareholder's wealth: a better measure than profit of how much the company had made for shareholders.

EVA has been calculated by the following formula:

Economic Value Added (EVA) Statement [EVA=(NPAT-Cost of Average Equity)]

FOR THE YEAR ENDED ON	2019
Shareholders Fund at the Year End	11,237
Accumulated Loan Loss Provision	969
Average Shareholders Equity	10,797
Dividend	16%
Market Value Per Share	264
Net Operating Profit After Taxes before LLP	1,814
Cost of Equity	1,289
Economic Value Added	525

HUMAN RESOURCES



Human resources Department is the vital spark of our bank, because our job is to ensure that the business gets the most out of its employees. We are constantly working to improve the quality of work life by creating and implementing various programs and policies. We believe that efficiently run human resources department can provide any organization with structure and the ability to meet business needs through managing company's most valuable resources that is our own people. Thus, the bank has continued to lay great emphasis on human resources development, to make its employees attain global standards in productivity, thereby maximizing value creation for its stakeholders. We are proud of our employees who are the foundation of the Bank who operates and performs consistently for the growth of the Bank.

Human resources department plays an essential role in developing a company's strategy as well as handling the employee-centered activities of an organization. Human Resources Department of the Bank monitors and ensures that Bank's HR policies are interpreted consistently across the Bank. The HRM function is guided by its long-term vision of working in partnership to create an environment where employees can thrive and are enabled to deliver sustainable organizational performance. MBL's integrated Vision and Values framework advocates principles of ethical work culture, open communication, objective career development and transparency in remuneration and pay performance correlation support HR practices employees within the Bank.

HR DETAILS

The Total number of employees of the bank has reached to 1,195 in the year as compared to 953 last years, with the increment of 242 employees in various positions. Total staffs at the end of FY 2018-19 constituted 59% male and 41% female staff. Diversity is a key enabler for long-term success which enables

teams to bring diverse perspectives, make better decisions and manage risk. People with different backgrounds, education, skills and experiences can create sustainable values across the Bank. We are committed to gender diversity and have been providing equal employment opportunity to aspiring candidates who are fairly recruited through vacancies and internal job watch.

GENDER DIVERSITY

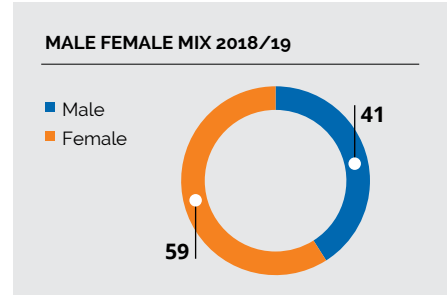
We believe in diversity. It drives our growth by helping us engage with our consumers while making sure we can attract and retain talented people and unlock their potential. We believe that the inclusive workforce can boost financial performance, reputation, innovation and staff motivation – and bring us closer to our customers. We believe in on equal opportunity and we recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.



Composition of male and female employees

FY 2018/19

SHAREHOLDER	MALE	FEMALE	TOTAL
Managerial	62	11	73
Officer	246	122	368
Assistant	331	337	668
Support	67	19	86
Total	706	489	1195



Attrition Rate 2018/19	8.78%
Attrition Rate 2017/18	11%

Age wise composition 2018/19

AGE	NO OF EMPLOYEES
18-25	199
26-34	622
35-44	306
45-54	62
55-64	6

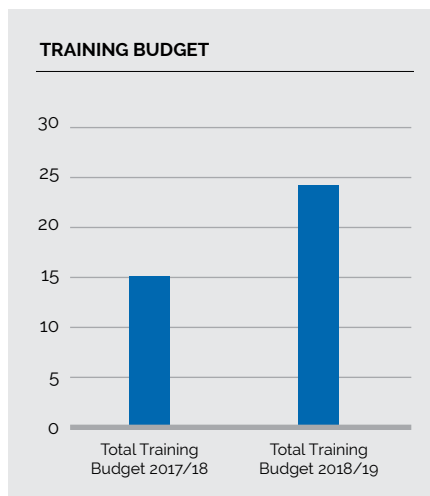
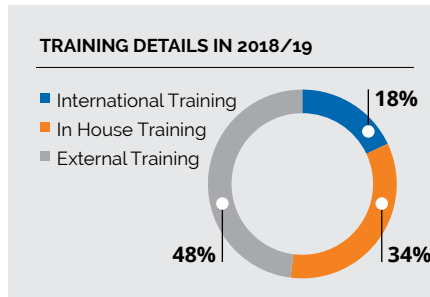
Summary of Employees Attending Training F.Y 2018/19

Total Trainings on FY 2018/19

PARTICULARS	STAFF NUMBER	NO. OF TRAINING
1. External Training	201	109
2. In House Training	1994	75
3. International Training	33	24
Total	2228	208

LEARNING AND DEVELOPMENT (L&D)

The Bank has always considered its staff as an essential asset of the organization. Participation of employees in various internal and external trainings is ensured to enhance their capability, to motivate them, and to develop their skills and knowledge in line with meeting the demands of a dynamic environment. The Bank is committed towards enrichment of knowledge and skills of human assets. Developing a learning culture is not merely an option but an absolute necessity in today's competitive world. Investment in skills and accelerating employees' professional and personal development are essential components of the Bank's people agenda. We recognize the importance of learning and development to each staff and as it is equally important to strengthen the capability of staff and holding them accountable to enable employees to thrive and meet their full potential.



During the review period, staffs were benefitted with internal and external trainings by the Machhapuchchhre Bank which helps staff for skills and capacity development. The Bank has established itself as a platform for development of skills, knowledge, and capacity of employees, and various activities have been performed to ensure that the culture of gaining knowledge is developed among employees. Besides training and development activities, placement, transfer, job rotation, job enrichment, job enlargement, succession planning and cross functional teams are some of the tools we have been employing for the employee development.

Employees expect a fair return for what they contribute for their jobs. Employee motivation, satisfaction and commitment are the crucial factor towards high productivity which is affected by multiple factors among which financial benefits is a very important one. Market forces constantly pose a challenge to our HR

strategy and retaining the best brains is not easy. Remuneration is one of the major factors affecting one's decision about joining, continuing or leaving an organization. Our Bank comprises of competitive Salary Packages along with various staff benefits and facilities. Our employee receives the benefit of housing loan, vehicle loan and other staff loan facilities as per their individual eligibility as guided by Staff Service Bye Laws.

STAFF BENEFITS AND FACILITIES AND RECOGNITION

In this age of highly competitive business environments, the workforce has become increasingly fluid, and it has become a challenge for organizations to retain their valuable employees. In such a scenario, one of the most effective ways to reduce employee turnover is to ensure that the level of motivation of employees is maintained continuously at a high level. This results in high job satisfaction and high organizational commitment, which keeps the employees from switching to other organizations. Hence, The Bank has always put Employees First, as rightly said if we make our employees happy they make our customers happy, so taking care of the employees has been one of the major agenda of the Bank.

The Bank has been able to provide fair compensation to its employees, which is at par at the industry level. The Bank

has been in the fore front in providing the best facilities be it in terms of the compensation packages or taking into consideration the health and wellbeing of the employees through attractive Insurance benefits, promoting the work life balance of the employees.

The bank provides the following benefits and facilities to the staffs:

- wages, salaries and social security contributions, bonuses
- paid annual leave and paid sick leave,
- staff loan facility at concessionary interest rate,
- non-monetary benefits,
- Attractive Retirement packages.

PERFORMANCE CULTURE

What really matters in the workplace is helping employees feel appreciated. It has been a continuous effort of the Bank to recognize the performers. The Bank is building a performance culture, where all employees are dedicated and determined to get results. The Bank is determined in setting up a culture which drives high-achievement and positive results. For this a robust mechanism for evaluating the performance of each individual has been designed which rules out the subjective and biased evaluations and promotes a fair and objective evaluation of all employees. Creating a culture of performance in the Bank also comes up with empowering the people, focus on continuous learning and employee development and also openness to change.





EMPLOYEE RELATION

We believe that the employee relation is vital to every company in every industry you could possibly think of. A strong employee relationship results in the employee feeling respected, empowered, and supported. These feelings create passion and engagement in the workplace, nurturing strong employee morale and a vibrant company culture. The Bank believes that happier/satisfied employees are more likely to work their hardest and stick with their jobs for the long haul, which affects everything from revenue to employee retention.

We have a recognized Staff's Union Association in the Bank. The management and the Union execute a collective bargaining exercise once every two years. Collective Bargaining exercises have been harmonious throughout and has never resulted disruption in normal banking operations and customer.

The Employee Engagements programs like Annual Day Celebrations, celebrations of achievements and milestones, organizing and participation on socio-impact programs, conducting CSR programs at community level across the countries etc. have enabled to develop a strong bond and shared feeling between the team members leading to the engaged team .

CORPORATE GOVERNANCE



An internal system encompassing policies, process and people which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business and savvy, objectivity accountability and integrity. Sound Corporate Governance is reliant on external market place commitment and legislation, plus a healthy board culture which safeguards policy and processes.

- GABRIELLA O' DONOVAN

Management concerns the day to day operation of the program within the context of the strategies, policies, processes and procedures that have been established by the governing body. Whereas governance is concerned with: "doing the right thing", management is concerned with "doing things right".

Concepts of Corporate Governance

- Openness
- Honesty
- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Reputation
- Sustainability
- Ethics
- Stakeholder interfacing
- Good Board practices
- Control environment
- Board Commitment



MBL is committed to maintaining a high standard of corporate governance and adopts a zero tolerance approach to banking frauds. The Bank has developed and implemented more than 140 Policies, Plans, Guidelines, and Product papers, Byelaws etc. which have periodically reviewed if appropriate, recommend amendments to the Board for approval for prudent risk management and to maintain the corporate governance in the bank. All the staffs adhere with the internal documents as well as NRB directives, SEBON directives and other related prevailing rules, regulations and laws of country.

Corporate governance is therefore about what the board of Bank does and how it sets the values of the Bank, and it is to be distinguished from the day to day operational management of the Bank by full-time executives. BFI's plays vital role in the overall economy of the nation. It has the main responsibility to secure the deposits of the individuals and interest of stakeholders as well.

The bank being an organization engaged in mobilization of public funds. So, Directors and executive management have supervised and monitor the activities with a higher degree of prudence and competence. Therefore, governance of the BFI's are directly concerned with the business and security.

MBL has developed the mechanism for the internal control system of overall operational & risk through the formation of different Board committees which have been created and mandated by the full Board. They are assigned for development of policies, procedures, guideline and manuals. The risk management committee (RMC) is constituted in line with the spirit of Risk Management Guidelines (RMG)

of Nepal Rastra Bank and the NRB Unified Directives has received regular reporting and communication from the CRO and other relevant functions about the bank's current risk profile, current state of the risk culture, utilization against the established risk appetite, and limits, limit breaches and mitigation during the year. RMC advises the Board on the overall risk tolerance levels of the Bank. The strategic implementation process helps the Board, together with RMC, to ensure that a strong risk management framework is maintained.

The Audit Committee (AC) is formed and functions in compliance to the regulatory provisions of NRB Unified Directives and the provisions of Sections 164 and 165 of Company Act 2063. The Coordinator and other members of AC are non-executive directors. The role of AC committee secretary is performed by the Head of Internal Audit department. Internal Auditors and Statutory Auditors have direct access to the Audit Committee. The Committee's role is extensive and strongly supports the board in dealing with aspects of good corporate governance, internal control, risks management, financial reporting, legal and regulatory compliance and ethical conduct of business.

The Bank has formed AML Committee in line with NRB directives to assist board for fighting against money laundering and terrorist financing with oversight of AML/CFT framework of bank. Coordinator being the non-executive director, members of the committee are non-executive directors, CRO and Enforcement officer appointed in line with the section 7 of Asset Laundering Prevention Act 2074.

Apart from these, the Bank has formed organizational structure & sub committees to define the authorities

and channels for the day to day operation and enhance the good governance practice in the Bank as well. The bank has appointed an external auditor who looks after the overall internal control system and implementation of policies, procedures and manuals in the Bank. On the basis of facts and findings; the external auditors provides suggestion to the Bank by which the Bank can take necessary inhibition / actions for the better improvement.

In compliance with the code of Corporate Governance under Section 9, Sub-section 2 of NRB Unified Directive No.6/2076 the Bank has formed a separate Corporate Governance Unit monitoring the overall corporate governance status of the Bank.

Whistle blowing

The Bank has initiated whistle blower arrangements through which staff and external parties may, in confidence, raise concerns about possible improprieties in matters of financial and any other corporate governance matters. Any wrong doings by any one irrespective of their corporate position may bring into notice of concern official in line with Speak Up policy of the Bank as soon as we know/suspect about it. All cases reported are objectively investigated and appropriate remedial measures are taken where warranted.

Positive Confirmation

The Bank has started positive confirmation in the corporate governance which can be seen in the monthly, quarterly and annual report that they have adhered to the Laws of country, Rule & Regulation, NRB Directive, Circular, Principles, Bank's internal Policies, Manuals, Procedures, Guidelines and Product papers even the area of non-compliance has been addressed.

REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

As per Directive on Corporate Governance 2074 issued for listed entity

MBL Tower, Lazimpat, Kathamandu.

Phone no: 014428556.

Toll Free No: 1660-01-23234.

Email: machbank@mbl.com.np.

Website: www.machbank.com

F.Y. 2075/076

1. STATEMENT ON BOARD OF DIRECTOR

A. Name & Date of appointment of Chairman of the Board of Directors

Name: Dr. Birendra Prasad Mahato

Appoint date: 2075/09/20 BS

(Mr. Roshan K.C was chairman during the period of 2074/01/14 BS to 2075/09/20 BS)

B. Details regarding the organization's share Structure

(Promoter, Public & other)

SHARE	NO. OF SHARE	PERCENTAGE
Promoter Share	4,10,84,034	51%
General Public Share	3,94,72,896	49%
Total Share	8,05,56,930	100%

C. Information of Board of Director

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	NO OF HOLDING SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
1.	Name: Dr. Birendra Prasad Mahato Address: Kathmandu District Kathmandu Metropolitan city Ward no-9, Gaushala, Pinglastha, Citizenship No.:15-1172/1224/3165, Issued District : Siraha	Promoter	4,90,903	2075/09/20 BS	Oath of secrecy taken on 2075/09/20 BS for Director. & Oath of secrecy taken in front of NRB on 2075/09/24 BS for chairman	20th Annual General Meeting
2.	Name: Mr. Roshan K.C Address: Kaski District Pokahara, Metropolitan City-7, Mustangchwok. Citizenship No.: -80016, Issued District : Kaski	Promoter	11,95,108	2075/09/20 BS	2075/09/20 BS	20th Annual General Meeting
3.	Name: Mr. Roshan K.C Address: Kaski District Pokahara, Metropolitan City-7, Mustangchwok. Citizenship No.: -80016, Issued District : Kaski	Promoter	610	2075/09/20 BS	2075/09/20 BS	20th Annual General Meeting
4.	Name: Mr. Jaya Mukunda Khanal Address: Kathmandu District, Metropolitan city-4, Baluwatar Citizenship No.: -9516/6255, Issued District : Kathmandu	Independent	Zero	2073/05/15 BS	2073/05/21 BS	324th Board meeting held on 2073/05/15 BS

Contd... INFORMATION OF BOARD OF DIRECTOR

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	NO OF HOLDING SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
5.	Name: Ram Man Shrestha Address: Kathmandu District, Metropolitan-29, Dillibazar Citizenship No.: -4471/024, Issued District : Kathmandu	General Public	5,598	2073/09/22 BS	2073/09/22 BS	18th Annual General Meeting
6.	Name: Bishwa Prakash Gautam Address: Kaski District, Pokhara Metropolian City-7, Mustang Chwok Citizenship No.: -20945, Issued District : Rupandehi	General Public	1,474	2073/09/22 BS	2073/09/22 BS	18th Annual General Meeting
	Name: Omesh Lal Shrestha Address: Kathmandu District, Metropolitan City-14, Kalanki Citizenship No.: -92, Issued District : Kathmandu	General Public	1,865	2073/09/22 BS	2073/09/22 BS	18th Annual General Meeting

Note: Information regarding Director appointed after General meeting & informed date of those information to Securities Board of Nepal: Not any

D. Board of Directors Meeting

Information of Board of Director Meeting:

S.N	DATE OF BOD MEETING ON THIS FY 2075/076		NUMBER OF DIRECTOR PRESENT	NUMBER OF DIRECTOR DISSENTING ON DECISION	DATE OF BOD MEETING ON LAST FY 2074/075	
	DATE OF MEETING	NO. OF MEETING			DATE OF MEETING	NO. OF MEETING
1.	2075/04/04 BS	375	6	None	2074/04/12 BS	352
2.	2075/04/13 BS	376	5	None	2074/04/21 BS	353
3.	2075/04/23 BS	377	6	None	2074/04/22 BS	354
4.	2075/05/13 BS	378	6	None	2074/05/05 BS	355
5.	2075/06/11 BS	379	6	None	2074/05/29 BS	356
6.	2075/06/22 BS	380	6	None	2074/06/04 BS	357
7.	2075/06/28 BS	381	6	None	2074/06/25 BS	358
8.	2075/07/14 BS	382	6	None	2074/07/02 BS	359
9.	2075/08/05 BS	383	6	None	2074/07/22 BS	360
10.	2075/08/13 BS	384	6	None	2074/07/29 BS	361
11.	2075/08/26 BS	385	6	None	2074/08/14 BS	362
12.	2075/09/13 BS	386	6	None	2074/08/15 BS	363
13.	2075/09/19 BS	387	6	None	2074/09/03 BS	364
14.	2075/09/20 BS	388	7	None	2074/09/28 BS	365
15.	2075/10/03 BS	389	7	None	2074/11/03 BS	366
16.	2075/11/10 BS	390	6	None	2074/11/16 BS	367
17.	2075/12/01 BS	391	7	None	2074/11/28 BS	368
18.	2075/12/13 BS	392	7	None	2074/12/20 BS	369
19.	2076/01/12 BS	393	7	None	2074/12/28 BS	370
20.	2076/01/27 BS	394	7	None	2075/01/26 BS	371

Contd... D. BOARD OF DIRECTORS MEETING

S.N	DATE OF BOD MEETING ON THIS FY 2075/076		NUMBER OF DIRECTOR PRESENT	NUMBER OF DIRECTOR DISSENTING ON DECISION	DATE OF BOD MEETING ON LAST FY 2074/075	
	DATE OF MEETING	NO. OF MEETING			DATE OF MEETING	NO. OF MEETING
21.	2076/02/02 BS	395	7	None	2075/02/28 BS	372
22.	2076/03/04 BS	396	6	None	2075/03/01 BS	373
23.	2076/03/13 BS	397	7	None	2075/03/15 BS	374
24.	2076/03/16 BS	398	7	None	—	—
25.	2076/03/30 BS	399	7	None	—	—

- Board meeting postponed due to lack of quorum: Not any

Other Details Related to Board Meeting:

Information on absence of Directors or alternate Director in Board Meeting.

S.N.	DATE OF MEETING	ABSENT DIRECTOR NAME/SENT	REASON FOR ABSENT
1.	2075/04/13 BS	Mr. Roshan K.C	Out of the Country
2.	2075/11/10 BS	Mr. Omesh Lal Shreatha	Out of the Country
3.	2076/03/04 BS	Mr. Omesh Lal Shreatha	Out of the Country
4.	2076/03/30 BS	Mr. Ram Man Shrestha	Out of the Country

Directors present in board meeting, agenda discussed & decision on (Minutes) kept separately or not.	Maintained
Maximum difference on two Board meeting (days)	38 days
Date of annual general meeting for determination of allowance of meeting	2075/09/20 BS
Board meeting allowance (Per meeting)	Chairman: 15,000 Member : 12,000
Total Board Meeting Expenses for this FY	31,75,359

2. ARRANGEMENTS & OTHER DETAILS REGARDING THE CONDUCT OF BOARD OF DIRECTOR

Is there a code of conduct for directors	Yes
Details on more than one director of a single family (if applicable)	Not Applicable

Detail of Directors' annual learning and refreshment program

S.N.	PARTICULAR	DATE	NUMBER OF PARTICIPATED DIRECTOR	TRAINING LOCATION
1.	The structure of the bank, the nature of the business, the corporate governance, corporate strategy, business plan, duties & responsibilities of the directors, strategy adopted in relation to risk management, overall economic & financial situation, current legal provisions, prevailing banking services & practices and the instructions issued by Nepal Rastra Bank.	2075/10/02 BS	3	Machhapuchchhre bank ltd, Head office MBL tower, Lazimpat, Kathmandu
2.	Interaction program on "Observation seen in Corporate Governance, Money laundering & Risk Management."	2075/09/12 BS	2	Yak & Yeti Hotel

Has each director submitted written information on following matter within 15 days from the date of appointment, details if not.	Self-declaration obtained from directors pursuant to the section 92(1) of the Companies Act 2063 and Section 24 of the Banks & Financial Institutions Act 2073
Details of any contract entered into/to be entered by the director or any close member of his family with the organization.	
Details of shares or debentures held by the director or close member of his family of entity or of its holding or subsidiary company.	
Details of share hold or directorship in any other company	
Details of any close family member working as officer or employee of the entity	
Details of director who is also a director, officer, CEO or employee of other listed entity which has similar objective as the entity.	Not applicable
A description of any action taken by the regulatory body and other agencies against member of the Board	There is no information that such action was taken

3. DETAILS REGARDING THE ORGANIZATION'S RISK MANAGEMENT & INTERNAL CONTROL SYSTEM

A. Risk management committee formed or not, if not, mention reason for not formation : Formed (Risk Management Committee)

B. Information regarding Risk Management Committee

a. Committee Structure (Coordinator & Member: Names and Posts)

S.N	NAME	POST	COMMITTEE
1.	Mr. Bishwo Prakash Gautam	Coordinator	Director
2.	Mr. Gopi Krishna Neupane	Member	Director
3.	Mr. Madhav Subedi	Member	Deputy chief Operating Officer (DCOO)
4.	Mr. Bishwambhar Neupane	Member Secretary	Chief Risk Management Officer

b. Number of Committee Meeting : 12 time

c. Short Details of Committee Work: The report will be submitted to the Board of Directors by monitoring and managing the various risks (loans, operations, markets, etc.) inherent in the bank and carrying out the tasks, duties and responsibilities specified by the Integrated Directive, issued mainly by the Nepal Rastra Bank. Effect of action on giving necessary suggestions to the bank management in relation as has been the rival.

C. Whether or not there is an internal control mechanism: yes, we have.

D. Internal control system formed or not, if not, mention reason for not formed : Formed

E. Details of Internal Control System Committee:

a. Structure of Committee (Coordinator & Member name & post)

i. Loan Risk Committee

S.N	NAME	POST	COMMITTEE
1.	Mr. Bishwambhar Neupane	Coordinator	Chief Risk Management Officer
2.	Mr. Sarju Kumar Thapa	Member	Chief Loan Officer
3.	Mr. Manish Dahal	Member	Chief Special Assets Management
4.	Mr. Dilli Ram Giri	Secretary Member	Chief Loan Risk

■ Number of Committee Meeting : 13

■ Short Details of Committee Work: Debt Risk Management Committee Risk to revise the required rules and regulations regarding debt risk reduction from time to time. Submitting proposals to the Management Committee and periodically reviewing the area loan risk and making necessary recommendations to the management.

ii. Operation Risk Committee

S.N	NAME	POST	COMMITTEE
1.	Mr. Bishwambhar Neupane	Coordinator	Chief Risk Management Officer
2.	Mrs. Pushpa Shrestha	Member	In-charge Operation Risk Department
3.	Mrs. Anita Subedi	Member	Operation Risk Department
4.	Mrs. Sunita Dangol	Secretary Member	Operation Risk Department

■ Committee Meeting held number : 5 time

■ Short Details of Committee Work: The Operations Risk Management Committee will submit proposals to the Risk Management Committee to revise the required rules and regulations in a timely manner, and periodically review the risk of field operations and give necessary suggestions to the management of operations.

F. Whether or not Financial & Administrator Bylaw are in place: Yes, have

4. INFORMATION AND DETAILS REGARDING INFORMATION FLOW

A. Details of information and information flows made by the organization

PARTICULAR	MEDIUM	PUBLISHED DATE
Information of Annual General Meeting	News Paper	2075/08/28 BS and 2075/09/10 BS
Information of Special General Meeting		Not any
Annual Report	News Paper	
3rd Quarter Report	News Paper	2076/04/03 BS
Notice of affidavit affecting the value of the security	News Paper	Financial statements are published on regular basis.
Other		

B. Information related to action taken by the Securities Board of Nepal and other agencies to whether the information wasn't made public or for other reasons: have not

C. Last Annual & Special General Meeting Held Date : 2075/09/20 BS

5. DETAILS OF STAFF & INSTITUTIONAL STRUCTURE

A. Whether or Not having the terms and conditions of the Employees Service Terms, Regulations / Arrangements, including the structure of employees, Recruitments, Job Development, training, salary, allowances, and other facilities, attendance and leave : Yes, Have

B. To attached the Organizational Structure: Has Been attached

C. Details regarding the names, educational qualifications and experience of employees at the higher management level

S.N	NAME	POSITION	EDUCATION	EXPERIENCE
1.	Suman Sharma	Chief Executive Officer	MBA/ MA Economics/ MSC Physics	21 years & 11 month experience on Banking Industry
2.	Santosh Koirala	Deputy Chief Executive Officer	MBA	19 years experience on Banking Industry
3.	Bishwambhar Neupane	Assistant General Manager, Chief Risk Management Officer	MBA	22 years experience on Banking Industry
4.	Sarju Kumar Thapa	Assistant General Manager, Chief Loan Management officer	MBA	19 years experience on Banking Industry
5.	Narayan Prakash Bhujju	Assistant General Manager, Chief Technology Officer	MBS	19 years experience on Banking Industry

D. Other Details Regarding Staff

STRUCTURED STAFF POSITION	REMARKS
The Procedure adopted when recruited new staff	Open Competition & talent Hunt- Employee Service by Law, 2074
Number of staff at Managerial Level	73
Total staff at service	1,195
Whether or not employee have a succession plan	
Number of Participated staff & training on this FY 2075/076	No. of Training : 208
No. of participated staff: 2228	
Training expenses on FY 2075/076	2,67,45,204.79
Percentage of Staff expenses on total expenses	12.65% (59.03% of total Operational expenses)
Percentage of Training expenses on total staff expenses	2.17% (Total expenses of FY 2075/06)

6. STATEMENT OF ACCOUNTING & AUDIT OF THE ORGANIZATION**A. Accounting Details:**

Reason for organization's last income year financial statement prepared or not in accordance with NFRS	Yes, Prepared
Date of financial statement approved by board of director	2075/08/26 BS
Published date of third quarter financial statement	2076/04/03 BS
Accomplish date of final audit	2076/05/11 BS
Approved date of Financial Statement from Annual General Meeting	2075/09/20

Internal Audit related details of Organization:

- Internally audited or appointed external expert
- Details if appointed external expert
- How much longer the internal audit done? (Quarterly or Annually) No any external expert appointed for Internal Audit

B. Details of Audit Committee

Name, Post & Education of Coordinator & member:

S.N.	NAME	COMMITTEE	POST	EDUCATION
1.	Mr. Gopi Krishna Neupane	Coordinator	Director	MBA
2.	Mr. Omesh Lal Shrestha	Member	Director	Master of Science in Information System
3.	Mr. Khagendra Paudel	Member Secretary	Deputy Chief Internal audit	CA /MBS

Date of Meeting & Number of Member Present:

S.N.	DATE OF MEETING	NUMBER OF MEMBER PRESENT	S.N.	DATE OF MEETING	NUMBER OF MEMBER PRESENT
1.	2075/04/13 BS	3	12.	2075/09/09 BS	3
2.	2075/04/22 BS	3	13.	2075/10/03 BS	3
3.	2075/05/04 BS	3	14.	2075/10/24 BS	3
4.	2075/06/18 BS	3	15.	2075/12/14 BS	3
5.	2075/06/19 BS	3	16.	2075/12/19 BS	3
6.	2075/07/13 BS	3	17.	2075/12/20 BS	3
7.	2075/07/14 BS	3	18.	2076/01/06 BS	3
8.	2075/07/28 BS	3	19.	2076/01/25 BS	3
9.	2075/08/05 BS	3	20.	2076/02/02 BS	3
10.	2075/08/26 BS	3	21.	2076/02/08 BS	3
11.	2075/09/03 BS	3	22.	2076/03/19 BS	3

Allowance per meeting	NPR 12,000 including tax to Board of director
The date the Audit Committee submitted its report to Board of Directors	The Audit Committee has submitted its report of its proceedings and the the meeting decisions of each committee to the Board of Directors

A. Other Details

The institution has taken money from the bank and financial institutions, loans or advances or any other form of financial interest to the director and his family	Not Taken
No person, firm, company, employee, consultant or consultant has any ownership of the assets of the organization in any way, except as per the laws of the company, as a director, shareholder, employee, consultant, consultant or beneficiary	Self-Declaration Submitted
Whether or not the regulatory body has complied with the terms and conditions of issuing the license	Complied
Whether or not the regulatory body has complied with the direction given to the organization while inspecting or supervising the organization	Complied
A statement of the case against the institution or operator if there is a case going on in the court	Since banking is a business entity, there are no significant issues other than those filed in connection with the regular operation of the organization and the loan transaction.

Name of Governing Officer: **Tika Bhattarai**

Post: **Chief Legal Officer**

Imprint of Organization:

Date approved by the Reporting Board: **402nd Board Meeting held on 2076/04/29**

Date of audit test Certified: **2076/04/29**

DIRECTOR'S REPORT



This report has been prepared adhering to provisions of Companies Act, 2063, Bank and Financial Institutions Act, 2073 and all directives/circulars issued by Nepal Rastra Bank from time to time.

Dear shareholders,

On behalf of the board and the Bank, I would like to extend a warm welcome to all the respected shareholders, the external auditors, the legal advisors, the Chief Executive Officer and the employees of the Bank. Thank you all for joining us in the 21st Annual General Meeting program of Machhapuchchhre Bank Limited. As you have entrusted us with the responsibility of Board of Directors of the Bank for making it stronger, remarkable and ever growing; your trust and confidence towards us have undoubtedly fueled up our efforts towards continued commitment for the prosperity of the Bank. We assure you that we will always be working relentlessly to live up to the expectation. I would like to present to you the Statement of Financial Position as on 16 July 2019, Statement of Profit or Loss for the Fiscal Year 2018/19, Cash Flow Statement along with the Bank's achievements during the period, challenges faced during operation, overall assessment of the Banking Industry, Director's Report and all other Financial Information. This report has been prepared adhering to

provisions of the Companies Act 2063, Bank and Financial Institutions Act 2073 and all directives/circulars issued by Nepal Rastra Bank.

I, on behalf of the BOD of the Bank, would like to present to you -all the indicators of the Banking Industry along with the assessment of the work of previous Fiscal year, Business Strategies and future initiatives.

International Economic Scenario

International Monetary Fund (IMF) has projected the world economy to grow by 3.2 percent in 2019 compared to 3.6 percent in 2018. During 2018, the economic growth of the developed country and the emerging and developing country were 2.2 percent and 4.5 percent respectively, perhaps IMF has projected them to grow by 1.9 percent and 4.1 percent respectively in 2019. Also, for the neighboring countries China and India, IMF has projected the Chinese and Indian economies to grow by 6.2 percent and 7.0 percent respectively in 2019. These economies grew by 6.6 percent

and 6.8 percent respectively in 2018. Inflation has been projected to remain at 1.6 percent in the developed country and 4.8 percent in the emerging and developing country in 2019. Inflation in these economies remained 2.0 percent and 4.8 percent respectively in 2018.

Brent Crude Oil was priced at 71.03 USD per barrel in Mid-July, 2018 which however has fallen by 7.3 percent and the price is decreased to 65.87 USD per barrel on Mid-July, 2019. This seems to lower the trade deficit of Nepal to some extent. However, price of Gold which was 1241.10 USD per ounce in Mid-July, 2018 has soared over by 13.6 percent and the price is increased to 1409.85 USD per ounce.

Economic Situation of the Nation

A SCENARIO

In the Fiscal Year 2018/19, economic growth is estimated to be 7.1 percent. Growth in Agricultural sector is estimated to be 5.0 percent, Industrial Sector to be 8.2 percent and Service Sector to be 7.3 percent. In Fiscal

Year 2018/19, Agricultural, Industrial and Service Sectors seem to have contributed 27.0 percent, 15.2 percent and 57.8 percent to the Gross Domestic Product (GDP) respectively. Likewise, the Gross Domestic Savings has remained 20.5 percent of total GDP in Fiscal Year 2018/19. Gross Capital Formation, Gross Fixed Capital Formation and Gross National Savings are 62.3 percent, 36.9 percent and 52.4 percent of GDP respectively. In tourism sector, the arrivals of tourists have increased by 23.9 percent with the total number of 1,238,589 tourists visiting the Nepal in the Fiscal Year 2018/19. Increase in agricultural production, ease in energy supply, acceleration in construction activities, expansion in industrial production, and an exponential rise in tourist arrival have contributed to the higher economic growth of the country.

INFLATION

The average Consumer Price Inflation in Fiscal Year 2018/19 was 4.6 percent. Such inflation was 4.2 percent in previous year. The annual inflation rate of Food and Beverage Group is 3.1 percent. This was 2.7 percent in previous Fiscal Year. Likewise, the annual inflation rate of Non-food and Service Group is 5.9 percent. This was 5.3 percent in previous Fiscal Year. The annual Consumer Price Index (CPI) was 6.0 percent in July 2019. Similarly, the annual Wholesale Price Index (WPI) was 5.4 percent in July, 2019 which was 2.1 percent in previous year.

FOREIGN TRADE

Total exports of goods increased by 19.4 percent during the review period reaching NPR 97 Billion 110 Million. It had increased by 11.4 percent in previous year. Export direction shows an export growth of 34.3 percent to India and 0.2 percent to other countries. However, in context of

export to China, it has shown a decline of 13.5 percent. Export of goods such as Palm Oil, Polyester Yarn, Jute Products, Pulses, Noodles, etc. have increased while exports of Cardamom, Readymade clothes, Pashmina, Shoes and Slippers, Leather products, etc. have declined.

Similarly, during Fiscal year 2018/19, total import of goods has increased by 13.9 percent and reached NPR 1418 Billion 540 Million. It had increased by 25.8 percent in previous year. Imports direction shows import growth of 12.8 percent from India, 25.8 percent from China and 8.9 percent from other countries. Import of goods such as Gasoline, Readymade clothes, Electronics, Other machinery parts, M.S. Billets, etc. have increased while imports of Cement, Vehicle and parts, Telecommunication equipment and parts, Medical Equipment and tools, Plastic granules, etc. have declined.

Based on the entry points, exports from Customs Offices (except Dry Port Customs Office and Krishnanagar Customs Office) have increased while imports from Customs Offices (except Krishnanagar Customs Office) have increased.

During Fiscal Year 2018/19, the total trade deficit has widened by 13.5 percent amounting NPR 1321 Billion 430 Million. The ratio of the trade deficit with total GDP reached 38.1 percent. The Export-Import ratio is 6.8 percent during the review period which was 6.5 percent previous year.

REMITTANCE INFLOWS

Remittance inflows increased by 8.6 percent to NPR 755 Billion 60 Million in the review period compared with an increase of 4.6 percent over the same period of the previous year. During the review period, the Remittance inflow

ratio with total GDP remained at 25.1 percent which was 26.3 percent over the same period of previous year. Net transfer income increased by 1.5 percent to NPR 864 Billion 670 Million in the review period. Such income had increased by 9.5 percent in the same period previous year.

Number of Nepali workers migrating for foreign employment based on work permit (except renew entry) decreased by 10.1 percent compared to previous year. It had decreased by 4.7 percent in the same period previous year. Number of workers migrating to countries such as Malaysia, United Arab Emirates and Kuwait has increased during the review period, whereas it has decreased in countries such as Saudi Arabia and Qatar.

FOREIGN EXCHANGE RESERVE

Gross Foreign Exchange Reserves remains at NPR 1038 Billion 920 Million in Mid-July, 2019 that was NPR 1102 Billion 590 Million in Mid-July, 2018. In terms of US Dollar, the Gross Foreign Exchange remains at NPR 9 Billion 500 Million in Mid-July, 2018 which was NPR 10 Billion 80 Million in Mid-July, 2019.

Of the total foreign exchange reserves, reserves held by Nepal Rastra Bank (NRB) remains at NPR 902 Billion 440 Million in Mid-July, 2019. This was NPR 989 Billion 400 Million in Mid-July, 2019. Reserves held by Banks and Financial Institutions (except NRB) remains at NPR 136 Billion 470 Million in Mid-July, 2019. This was NPR 113 Billion 190 Million in Mid-July, 2018. The share of Indian currency in total reserves stood at 23.6 percent in Mid-July, 2019.

EXCHANGE RATE

Nepalese currency vis-à-vis US Dollar

depreciated 0.02 percent in Mid-July, 2019 compared to Mid-July, 2018. It had depreciated 5.9 percent in the same period of the previous year. The buying exchange rate per US Dollar stood at NPR 109.36 in Mid-July, 2019 compared to NPR 109.34 in Mid-July, 2018. The buying exchange rate per US Dollar stood maximum at NPR 118.73 in October 10, 2018.

DEPOSIT COLLECTION AND LOAN DISBURSEMENT

The total deposits of Bank and Financial Institutions (BFIs) has increased by 18 percent during the review year. It had increased by 19.2 percent in the previous year. In Mid-July 2019, the portion of Current, Savings & Fixed deposit in total deposit of BFIs settled at 9.7 percent, 32.8 percent and 46.3 percent respectively. It was 9.3 percent, 34.5 percent and 44.8 percent during the same period in previous year. In July 2019, the portion of Institutional Deposit in total deposit settled at 45.3 percent. It was 45 percent in the same period previous year. Likewise, the total loan disbursed by BFIs has increased by 19.4 percent during the review year. It had increased by 22.5 percent in same period previous year. Out of loan disbursed from Private Sectors, Commercial Banks, Development Banks and Finance Companies has seen growth of 17.5 percent, 35.7 percent and 17.9 percent respectively. Of the total outstanding credit of the BFIs in Mid-July, 2019, 64.4 percent is against the collateral of land and building and 13.5 percent against the collateral of current assets (agricultural and non-agricultural products). Such ratios were 61.7 percent and 14.4 percent respectively a year ago. Loan of BFIs to agriculture sector increased 42.5 percent, industrial production

sector increased 20.3 percent, construction sector increased 22.2 percent, transportation, communication and public sector increased 32.8 percent, wholesale and retail business increased 15.7 percent and service industry sector increased 24.3 percent in the review period. In the review period, term loan extended by BFIs increased 32.8 percent, overdraft increased by 10.9 percent, trust receipt (import) loan increased by 11.7 percent, demand and working capital loan increased by 26.6 percent, real estate loan (including residential personal home loan) increased by 12 percent, margin nature loan increased by 10.5 percent and hire purchase loan increased by 5.8 percent.

LIQUIDITY MANAGEMENT

In the Fiscal Year 2018/19, NPR 100 Billion 350 Million liquidity was mopped up through open market operations. In the review period, liquidity of NPR 79 Billion 650 Million was mopped through auction and NPR 20 Billion 700 Million through Reverse Repo. Liquidity of Rs.115 Billion was mopped up in the corresponding period of the previous year. In Fiscal Year 2018/19, NPR 322 Billion 490 Million liquidity was injected including NPR 168 Billion 160 Million through Repo and NPR 154 Billion 330 Million through Standing Liquidity Facility (SLF). In the review period, NRB injected liquidity of NPR 360 Billion 910 Million through the net purchase of USD 3 Billion 190 Million from foreign exchange market (Commercial Banks). Liquidity of NPR 422 Billion 340 Million was injected through the net purchase of USD 4 Billion 50 Million in the corresponding period of the previous year. NRB purchased Indian currency (INR) equivalent to NPR 516 Billion 970 Million through the sale of USD and other convertible foreign currencies 4

Billion 240 Million in the review period. Indian Currency equivalent to NPR 522 Billion 30 Million was purchased in the same period previous year.

INTEREST RATE

The weighted average 91-day Treasury bills rate increased to 4.97 percent in July, 2019 from 3.74 percent a year ago. The weighted average inter-bank transaction rate among commercial banks, which was 2.96 percent a year ago, increased to 4.52 percent July, 2019.

The average base rate of commercial banks decreased to 9.57 percent in July, 2019 from 10.47 percent a year ago. Weighted average deposit and lending rates of commercial banks stood at 6.60 percent and 12.93 percent respectively in July 2019. Such rates were 6.49 percent and 12.47 percent respectively in the corresponding month of the previous year.

MERGER AND ACQUISITION

With an aim to bolster Financial Stability, after the initiation of merger and acquisition process by NRB, the number of BFIs involved in this process have reached 171 till July, 2019. Out of which, the license of 128 BFIs was revoked thereby forming 43 BFIs.

FINANCIAL ACCESS

Of the total 753 local units, Commercial Banks extended their branches at 735 units as of July, 2019. The total number of BFIs licensed by NRB stand at 171 in July, 2019. This was 151 in the same period a year ago. Accordingly, 28 Commercial Banks, 29 Development Banks, 23 Finance Companies, 90 Microfinance Financial Institutions and 1 Infrastructure Development Bank are in operation. The number of BFIs branches reached 8,686 in July, 2019 from 6,659 in July, 2018.

DEPOSIT AND CREDIT GUARANTEE

Deposit and Credit Guarantee Fund (DCGF) has made Deposit Guarantee of NPR 603 Billion 380 Million to the Saving, Current, Call and Fixed Deposit of 85 banks and financial institution belonging to 20 Million 210 Thousand Natural Persons that was deposited within Mid July, 2019. In Mid-July, 2018, Deposit Guarantee was done amounting NPR 430 Billion 740 Million worth of deposits belonging to 10 Million 930 Thousand depositors.

Likewise, DCGF has made Credit Guarantee amounting NPR 25 Billion 660 Million of Micro & Deprived Sector Loan, Small and Medium Enterprise Loan and Agriculture Loan. In Mid-July,

2018, Credit Guarantee worth 14 Billion 350 Million had been done.

(Source: Nepal Rastra Bank)

Respected Shareholders, now I would like to present to you the summary of financial and other progress details of review period of Machhapuchchhre Bank Limited.

GLIMPSE OF BANK OPERATIONS SUMMARY OF CURRENT FISCAL YEAR

The business position of the Bank till first 2 months of Current Fiscal Year is depicted as below:

(Amount in crore)

S.N.	HEADING	16 JULY 2019	17 SEPT 2019
1.	Paid Up Capital	805.57	805.57
2.	Deposit	9,156.02	9,110.65
3.	Investment	1,050.61	1,125.89
4.	Loan and Advances	7,553.59	8,219.85

Investments have increased by NPR 750 Million (7.17 percent) in the first month of current fiscal year compared to Mid-July, 2019. Whereas, Loans and Advances has increased by NPR 6 Billion 660 Million (8.82 percent).

AN OVERVIEW OF BUSINESS OF PREVIOUS FISCAL YEAR 2018/19

The key indicators of financial achievements of the Bank in Fiscal Year 2017/18 and Fiscal Year 2018/19 are as follows:

(Amount in crore)

HEADING	2017/18	2018/19	INCREMENT (IN PERCENT)
Paid Up Capital	805.57	805.57	0.00%
Net Worth	1,035.69	1,123.69	8.50%
Deposit	7,247	9,156.02	26.33%
Investment	773.21	1,050.61	35.88%
Loans and Advances	6,421.56	7,753.59	20.47%
Interest Income	776.64	1,017.75	31.05%
Interest Expense	502.66	662.78	31.86%
Net Interest Income	273.98	354.98	29.56%
Other Income	67.00	112.19	67.44%
Employee Expense	87.46	123.04	40.67%
Operating Expense	41.95	72.36	72.49%
Operating Profit	180.83	240.03	32.74%
Net Profit after tax	124.97	169.71	35.80%
Loan Loss Provision	85.16	96.88	13.76%
Non-Performing Loan	0.44%	0.37%	-0.07%
Total Assets	8,478.76	10,524.60	24.13%
Capital Adequacy	15.36%	12.79%	-2.57%
Book Value per Share	128.57	139.49	8.49%
Market Price per Share	209	264	26.32%
Number of branches (including extension counter)	88	131	48.86%
Number of ATMs	93	144	54.84%
Total Employees	953	1195	25.39%

Compared to previous Fiscal Year, Bank's Deposit has grown by 26.33 percent, whereas Loans and Advances have increased by 20.74 percent in the review period.

Net interest income has increased by 29.56 percent since both interest income and interest expense have increased by 31.05 percent and 31.86 percent respectively. Employee Expenses and other Operating Expenses have increased by 40.67 percent and 72.49 percent respectively in the review period.

The ratio of total Non-Performing Loan stands at 0.37 percent which was 0.44 percent in the previous fiscal year. The ratio of Non-Performing Loan falls within the range as prescribed by International standards. In the review period, the Total Asset of the Bank has increased by 24.13 percent, whereas Book Value per Share and Net Profit has increased by 8.49 percent and 35.80 percent respectively.

PAID UP CAPITAL AND CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) remains at 12.79 percent during the Fiscal Year 2018/19. This CAR ratio is 1.79 percent higher than the minimum CAR (11 percent) prescribed by the Regulatory Authority Nepal Rastra Bank. It is therefore evident that the Bank is in a strong financial position.

DEPOSIT

Within the review period, Bank's total deposit increased by 26.33 percent from the previous fiscal year and reached NPR 91.56 Billion. In the same period, the average deposit increase rate of commercial banks is about 16.53 percent. The Bank has achieved a growth of 12.25 percent in Fixed Deposit, 22.3 percent in Savings Deposit and 38.04 percent in

Call deposit within the review period. The Bank had modified some of the existing features and services and introduced new schemes on its saving products as per its strategies to be executed on FY 2018/19. Because of this, the Bank has been able to open 239,601 new accounts that has increased deposit amount by 22.03 percent than previous FY. The Bank has decided to continue its strategy to open new accounts and increase deposit in the coming years as well. Bank's total number of savings accounts till the end of review period is 719,295. Bank's current and savings deposit consists 33.74 percent of the total deposit which was 33.73 percent in the previous year.

As per the instruction of Nepal Rastra Bank, the Bank has to maintain 50 percent of institutional deposit out of total deposit. Therefore, the Bank is successful to maintain the both personal and institutional deposit with the prescribed instructions presented as:

DEPOSIT TYPE	%
Individual Deposit	66.07
Institutional Deposit	33.93
Total Deposit	100.00

LOAN AND LOAN LOSS PROVISION

Bank's total loan amount has increased by 20.74 percent from the previous year and reached NPR 77.53 Billion in the review period. In the same duration, the average increase rate of commercial banks is 18.36 percent. Even though the banking sector lacked enough fund for loan expansion, Bank's 20.74 percent increase in loan is above average in overall banking sector.

With the view to increase investment, a total of 3.92 Billion deprived sector loans have been already circulated

within Mid-July, which is 5.24 percent of the total loan circulated (before 6 months) by the Bank.

Within the review period, Bank's total loan circulation occupies 3.44 percent of the overall loan circulated by the banking sector, which is 3.11 percent of the total loan increment of the market. Last year, the Bank had occupied only 3.05 percent of the total loan increment of the market. Nepal Rastra Bank had allocated a limit of 10 percent in Agriculture and 15 percent in Tourism and Energy. Out of the limit allocated by NRB, the Bank has circulated 13.31 percent and 17.04 percent in Agriculture sector and Energy and Tourism sector respectively. Along with that, the deprived sector lending of the Bank is 5.24 percent which, as per NRB, shouldn't exceed 5 percent of the total loan investment (before 6 months). The total loan loss provision has increased from last year's NPR 851.6 Million and reached NPR 968.8 Million. NPR 117.2 Million has been provisioned for loan loss purpose for this year. The ratio of Non-performing loan to total loan loss provision is 333.05 percent. Last year, the ratio of total bad loan to total loan was 0.24 percent, which has improved drastically this year and has remained at 0.12 percent.

The Bank has emphasized on circulation of low risk loans as per its strategies to meet the objectives. Keeping in mind the possible risks that may arise from loans expansion in the future, the Bank has put forward strategies to strengthen its loan recovery process and risk management system.

INVESTMENT

The investment has increased by 35.88 percent from last year and has reached 10.50 Billion within the review period. Out of the total investment,

the Bank has invested 12.92 percent, 83.2 percent and 29.63 percent in Treasury Bills, Government Bills and other investments respectively.

The Bank has been expanding its investment horizon in order to make the maximum utilization of available investment funds, to diversify its investment portfolio and to get high yields from low investments. In the review period, Bank has invested NPR 197.9 million in Mutual Funds and Shares. Major investments, made in the capital market, are in those companies which provide dividends as sustainable earnings on a long-run. The Bank has earned NPR 3.20 Million from such investments in the review period.

INTEREST INCOME

The interest income of the Bank has increased by 31.05 percent amounting 10.17 Billion in the review period. In the same period, the Bank's interest income from loan has increased by 29.98 percent amounting 9.56 Billion whereas the interest income from other investments has increased by 50.31 percent amounting 611.9 Million.

In the review period, Bank's yearly average return on loan increased by 0.98 point and the interest remained 13.20 percent due to the liquidity crisis. The Bank substituted the investments yielding low returns with the investments having high returns. This resulted in the increase of average return on investment to 5.03 percent in final quarter which was 4.55 percent in the first quarter.

INTEREST EXPENSES

In the review period, Bank's interest expenses has increased by 31.86 percent and reached 6.62 Billion. In the same duration, the Bank's interest expenses on deposit has reached 6.51 Billion by increasing 30.66

percent. Due to the massive increase in deposit, increase in the interest rates of fixed deposit, conversion of small and minimum interest providing deposits into high interest yielding fixed deposits and the massive loan expansion caused liquidity crisis which resulted in the high demand of deposits. Due to which Bank's interest expenses on deposits increased by 30.66 percent in the review period. As a result, Bank's yearly average interest increased by 0.79 points and remained 7.99 percent.

According to the strategy to increase CASA ratio in overall deposit, the Bank has introduced various saving deposit schemes. The Bank is confident that the cost of the Bank's deposits will gradually improve in the coming days and the cost of the overall Bank's funds will be reduced..

NET INTEREST INCOME

The net interest income has reached 3.54 Billion which has increased by 29.56 percent from last year as a result of effective management.

The Bank has put forward the strategy to make optimum utilization of the available funds by focusing on effective management of deposit and loan ratio and net interest difference.

NET COST AND COMMISSION INCOME

Net cost and commission income based on non-fund are also the major sources of income of the Bank. This year, the Bank has earned NPR 72.05 million from commission and other operating income, which is an increment of 63.95 percent in compared to the previous year. In the review period, the Bank has achieved exciting increment in the incomes generated from loans, debit card, credit card, Bancassurance and

remittance. With the aim of increasing the contribution of commission and other operating profit in net profit, Bank has introduced new features and services and has also made relevant amendments in the review period. Bank has started its own remittance service, credit card and Point of Sale (POS) in the review period, which shall help in increasing commission incomes in the coming years.

OTHER OPERATING INCOMES

Bank's other operating income has increased by 211.5 percent and reached NPR 28.1 Million in the review period which was only NPR 9.03 Million in the previous year.

STAFF EXPENSES

Bank's net staff expenses has increased by 40.67 percent and reached NPR 1.23 Billion in the review period which was NPR 874.6 Million in the previous year. Opening of 45 new branches, fulfillment of staff requirements in existing branches and departments with the aim of gradually increasing business, hiring of additional new staffs in compared to the previous year, and the regular promotions carried out after annual performance appraisal has resulted in the increase of staff expenses in the review period.

Total number of staffs has reached 1,195 in the review period with the addition of 242 new staff from last year. Bank has always paid attention on the training and skills development of the staffs. The staff training expenses in the review period is NPR 267 Million.

As per Nepal Rastra Bank, a Bank must spend 3 percent of last fiscal year's total staff expenses in staffs' training and skill development. The expenses made for the staffs' training and skill development this year is 3.06 percent

of the total staff expenses made last year. Bank believes that human resources are the most valuable assets an organization can own. The Bank also believes that the expenses made to hire required number of staffs and to strengthen their skills are not expenses but investments which shall make the Bank more capable and increase business along with the profit in the coming years.

UNDERWRITING AND DEPRECIATION

Bank's underwriting and depreciation has increased by 30.37 percent and reached NPR 130.3 Million in the review period which was NPR 100 Million in the previous year.

OTHER OPERATING EXPENSES

In the review period, Bank's other operating expenses has increased by 61.79 percent and reached NPR 923.9 Million, which was NPR 571.1 Million in the previous year. Increase in the number of staffs, opening of 45 new branches, various activities carried out to promote business in order to achieve objectives are the reasons for the increase in the total operating expenses.

Even though the expenses seem high right now, the Bank believes that these investments will help in gradually increasing business in the coming days. Also, it shall increase work effectiveness and efficiency reducing the total expenses which shall have a positive impact on the Bank's financial figures.

RETURN ON ASSETS

Bank's return on assets has increased by 0.14 percent and reached 1.61 percent in the review period which was 1.47 percent in the previous year.

PAYMENT MADE BY THE BANK AFTER TAX DEDUCTED AT SOURCE AND INCOME

The Bank has contributed to the revenue of exchequer by depositing withholding tax payment of 1.01 Billion and paying tax of 73.24 Crore, thereby contribution total 1.74 Billion.

PROFIT/ LOSS DISTRIBUTION DETAIL

Bank has earned a total profit of NPR 169.71 Billion in this fiscal year and the details of the profit distribution details is as follows:

DETAILS	THIS YEAR NPR	LAST YEAR NPR
Accumulated profits up to last year	80.87	122.90
Adjustment	(1.27)	
Total	79.509	122.9
Transfer from Share Premium		-
This year's profits	161.69	127.97
Employee Skills Enhancement Reserve	(0.05)	0.44
Fair Value Reserve		
Investment Adjustment Reserve		0.20
Actuarial Loss Reserve		2.69
Deferred Tax Reserve		1.86
Total	249.16	253.04
Distributions		
General Reserve	33.94	24.99
Cash Dividends	80.56	44.34
Bonus Shares issued	0.00	66.51
Exchange Equalisation Reserve	0.57	0.14
Corporate Social Responsibility Reserve	0.11	0.56
Actuarial Loss	0.00	1.88
Regulatory Reserve	4.74	33.83
Total	119.92	172.26
Accumulated Profit/ Loss	129.35	80.78

Bank has appropriated 20 percent of its net profit i.e. 339.4 million as General Reserve. Similarly, appropriation in Exchange Equalisation Reserve, Corporate Social Responsibility Reserve and Regulatory Reserve stands at 5.7 Million, 1.1 Million and 47.4 Million.

Bank has appropriated 1 percent of its net profit i.e. NPR 16.9 Million for CSR Reserve as per the Directive of Nepal Rastra Bank. This fiscal year, Bank has planned to spend the fund in various socially responsible activities as designated by Nepal Rastra Bank. Bank's retained earning remains at NPR 1.29 Billion after the fund distributions and transfers.

LIQUIDITY MANAGEMENT

Due to low liquidity in the fiscal year FY 2018/19, the liquidity management of the Bank remained challenging. Due to the slowdown in internal debt growth and budget expenditure, there is low liquidity in the financial sector this year. However, the asset liability management committee of the Bank has been regularly analyzing the market and taking necessary deposit and investment strategies and also reviewing them regularly. Also, the liquidity index for the Fiscal Year FY 2018/19 has been managed as per the criteria of Nepal Rastra Bank.

In the review year itself, the Bank had initiated the process of issuing 10-year bonds of NPR 3 billion at 10.25 percent interest rate, which has now been completed. Also, NPR 1.35 billion has been invested in treasury bills at an average weighted rate of 5.09 percent till mid-fiscal year.

BRANCH EXPANSION

The Bank has duly followed the directive issued by Nepal Rastra Bank (NRB) regarding the policy of

the Government of Nepal to open branches at designated local levels where banking services are not available. In addition to this, the Bank has also given priority to the expansion of branches, branchless banking services and ATM counters in other suitable locations. During the period under review, the Bank has added 45 branches (including the upgradation of Bhimad and IBRD extension counters into branches) and 88 branchless banking.

The Bank is currently serving customers across the country through a total of 136 branches, 121 branchless banking and 158 ATM networks. In addition, Lekhnath, Birtamod, Biratnagar, Sakhuwa-Mahendranagar and Janakpur branches are relocated in the commercially suitable places of the same area.

In order to expand the Bank's branches to local level in various remote areas of the country, the Bank has expanded its 16 branches in Bhojpur, Rautahat, Jumla, Dadeldhura, Dhanusha, Mugu, Darchula, Achham, Jhapa, Morang, Saptari, Chitwan, Kaski, Khotang and in remote rural municipalities and municipalities of Dolpa districts. Similarly, 3 new branches have also already come into operation in Mulkharka of Okhaldhunga, Api of Darchula and Vyas of Darchula. Apart from the three branches opened in remote areas, branches have been opened in Kuleshwar, Koteshwar and Maharajgunj of Kathmandu. Apart from this, the work of opening branches in 15 other places including Durbar Marg and Thamel in Kathmandu has also begun. The work of upgrading 2 extension counters as full branches has also been completed. Apart from this, the process of establishing branches at 7 places outside Kathmandu Valley has already started.

We would like to assure everyone that the services provided by this Bank shall continue by expanding its branch network via identification of potentially commercial areas in the days to come.

REMITTANCE SERVICE

Machhapuchche Bank has been continuing the remittance related work by signing agreements with various domestic and foreign remittance organizations. The Bank has entered into agreements with various national and international remittance organizations like Western Union, Money Gram, IME, Prabhu Money Transfer, City Express Money Transfer, CG Remit, Xpress Money Services, Sewa Remit, Himal Remit, Samsara Remit, GME, I-Pay Reliable, EZ link, Remit 2 Nepal for continuing the work of remittances. In the meantime, the Bank has been providing remittance facility through its own remittance service, MBL Remit, to make the remittance transaction more systematic and provide all-accessible service. Arrangement have been made to make direct payment of remittance sent from Qatar, UAE, Saudi Arabia, Bahrain, Hong Kong, Iraq, Turkey, Euro Zone, Canada, UK, USA and Denmark through MBL branches and 7,000 subsidiaries of MBL remit via the agreements done by the Bank with various institutions at different times. The services provided by the Bank to its customers include the acceptance and purchase of traveler's checks directly from customers issued by American Express Travel Related Services Company, Inc. ("AXP"), a multinational financial services provider based in New York, USA, as well as collection of traveler's cheques which are accepted by other local banks by signing an agreement with the mentioned company. Similarly, the Bank has signed an agreement with the Korea-based Industrial Bank of

Korea to send money directly to Nepal from Korea. In addition, the Bank has provided facilities including Online Payment Services / Nepal Clearing House (NCHL) Inter Bank Payment System (IPS).

INFORMATION TECHNOLOGY

In the current context, it is important for the Bank to increase its level of accuracy in order to keep abreast of the changes that have taken place with the rapid development of the technology. In this process, necessary training arrangements have been made to make the technical manpower of the Bank more capable and efficient. In order to reach out to the customers outside the reach of its branch office and to facilitate the banking process, the Bank has set up a branchless banking service based on the real time account opening procedure. In the midst of the security challenges posed by the development of information technology, the Bank has set up a dedicated information security unit to implement a sound and systematic security system.

In addition, the Bank has made the following arrangements for the expansion of information technology:

1. Mobile banking services have been upgraded twice within this Fiscal Year and biometric based banking has been streamlined.
2. Expanding its ATM network, the Bank has been serving the customers from 105 ATM counters so far and has taken a policy to expand this network in the coming days.
3. In the process of expanding technology-based services to the customers, the Bank has also launched Artificial Intelligence-enabled Chat-bot (Maya) for the first time in Nepal.

In addition, the Bank has been providing its account information to the customers on a monthly basis through electronic statements.

4. The Bank has also launched an online account opening service with the objective of providing convenient banking services to customers at home and abroad.
5. For the convenience of its customers, the Bank has launched the service by implementing the technology of PoS (Point of Sales).
6. In order for the Bank to make its strategic decisions agile and effective via MIS/ Data Analysis, the Bank has introduced Business Intelligence Department.
7. In order to operate on its conceptual framework of digital banking the bank has been expanding its digital payment services by partnering with different technical service providers like F1Soft, NPay, Khalti.
8. Currently the bank is using GLOBUS-T24 as its banking software where the Bank has been upgrading the software and making it efficient. Further Bank has also been analyzing and discussing regarding changing the software when and where felt necessary.

HUMAN RESOURCE MANAGEMENT

As of 2019, the total number of staffs is 1,195 where, the number of management level staff is 73 and the number of staffs working in other level is 1122. During the review year the Bank has appointed 352 new staffs whereas 109 staffs has discontinued serving the bank. Among the total staffs, Bank has 489 (i.e. 40.90 percent) of female employees. In order to motivate and to evaluate the work efficiency of the

staff the Bank has been implementing Performance Based Appraisal System.

Human Resource is the most important requisite in order to make the Bank strong, competitive, effective and successful. It is the professional development, work efficiency and training provided to employees that determine the success of the Bank. In recognition of the same the Bank has always prioritized the effort related with enhancement of leadership, work skills and efficiency for its employees. In line with the same the Bank is determined to invest minimum of 3 percent of the operating cost as specified by regulatory body for the effective development of human resource. During the review period 75 internal training of different units we conducted in which 1,994 trainees were facilitated, similarly 133 external trainings were conducted in which 234 trainees have enhanced their skills. The process of enhancing the skills and abilities of the employees through national and international training and seminars will continue in future as well.

Similarly, Bank is well aware about the important role that human resource play for the progress of the bank in this competitive age. Further Bank is determined to appoint qualified, efficient and honest employees as well as retain these kinds of employees working within the Bank. Timely development and management of skills of human resource will be done.

The Bank puts social security of its employees at utmost priority and guarantees implementation of all the plans introduced by Nepal government, Labor Act, Rules and laws related with social security.

NEW SERVICES

The Bank has continued its effort for

refinement of its services this year as well. In order to facilitate the customer the bank has introduced the online account opening service where the customer can open account from their home. With this service the people around the world will be able to open account with the help of internet.

Bank has continued its effort to enhance the quality of its mobile banking service in order to provide additional qualitative services. Now the Bank customers are able to transact through QR (Quick Response) Code technology. This is also the indication that the Bank is moving towards cashless banking.

With the use of M3 application, customers can conveniently purchase mobile recharge card/top up, make bill payment, pay credit card bills of various banks, pay utility bills and also open Fixed Deposit. Bank has also introduced Insta Pay facility in this fiscal year where customer can purchase different home appliances, furniture etc. by using credit card and pay in easy installment. Similarly Bank has also introduced Student Credit Card with an intention to bring students in banking channel and teach them financial disciplines.

Bank has taken membership of Connect IPS of Nepal Clearing House with which now the customers can process payment, perform interbank fund transfer, pay bills in simple and secure method.

In process of developing cutting-edge technology Bank has introduced an artificial intelligence service with name "MAYA". This service is available in the Bank's website and Facebook messenger where we can get the answer of queries related to services and facilities of the Bank. Customer

can get information regarding account balance, account details, nearest branches, ATM's along with details of savings account, credit facilities, interest rates, financial literacy from the Facebook messenger 27 X 7.

In addition to this, the Bank has also been enhancing its quality in the services that the bank have been providing like Any Where Banking, Internet Banking, Evening Counter, 365 days Banking, VISA Debit/Credit Card. Also, Bank has fully implemented C-ASBA for share transactions and have been providing Mero Share facility. Similarly, MBL, Times Remit and AMV Tel Company have entered into tripartite agreement and started the service of providing "Remitapp" mobile wallet service in order to facilitate especially to Nepalese sending remittance from abroad along with other general public.

DEPRIVED SECTOR LENDING

Directly or indirectly the Bank has been providing deprived sector lending as per the direction of Nepal Rastra Bank. So far, the Bank has identified rural area branches and has especially provided deprived sector lending. The Bank has directly provided deprived sector loan through its branches and indirectly by collaborating with different institutions. The Bank has continued its collaboration with UK AID, Sakchyam-Access to Finance and facilitated deprived sector with different modified facilities like Agriculture, Mahila Udhami, Yuba tatha sana udhami, Sajilo Sana Udhami Loans. The Bank in collaboration with these institutions has also been providing branchless banking service, financial literacy program and micro lending in a simplified way to the remote areas of 14 districts. Similarly Bank with the policy of investing in the sectors like small farmers, youth self-employment,

women entrepreneurship have collaborated for a project with Heifer International Nepal under a project run by Sakchyam Access to Finance of UK Aid, where the Bank have facilitated loan without collateral to the farmer and women entrepreneurs of Dang. Similarly, in collaboration with Heifer International Nepal, the Bank have provided deprived sector lending project "Value Chain Financing" at concession rate targeting agriculture, animal husbandry, women entrepreneurs, small entrepreneurs through four different cooperative situated in the Lamahi Municipality of Dang District. The program is conducted with the aim of making deprived families self-employed and is believed to improve the living standard of farmer and women significantly.

In order to make the limits of self-employment loan program effective and wide as specified by Nepal Rastra Bank, the Bank provides loan to people with low income to purchased and operate three wheelers for which the Bank has done agreement with Vivek Automobile Pvt. Ltd. for "Piaggio" brand three wheelers. As the three wheeler is useful for public transportation and freight in different places of Nepal, the Bank believes that it would support for self-employment as well.

CORPORATE GOVERNANCE

The Bank is fully compliant with prevailing laws regarding banks and financial institutions, instructions and circulars issued by Nepal Rastra Bank. Corporate governance has always been in the high priority and the guidelines and circulars on corporate governance have always been fully followed. In order to make banking transaction fast, agile and scientific and to decide on other necessary strategies The Risk Management Committee (RMC) under

the coordination of a non-executive director and Management level management committee (CENMAC), Assets/Liability Management Committee (ALCO) and other various committee are active.

The Risk Management Committee (RMC) under the coordination of a non-executive operator to make the business of the Bank fast, agile and scientific and to decide on other necessary strategies.

As effective corporate governance is essential for the long-term success of the Bank, the Board of Directors and the management have formed a separate Corporate Governance Monitoring Unit and monitoring on a monthly basis following the policies and directives issued by Nepal Rastra Bank and other regulatory bodies. The Board of Directors has complied with the directives on institutional good governance issued by Nepal Rastra Bank and other provisions related to institutional good governance prescribed by the prevailing law and the Board of Directors has been fully accountable to the shareholders of the Bank. The Board of Directors has complied with the directives on corporate governance issued by Nepal Rastra Bank and other provisions related to corporate governance prescribed by the prevailing law and also the Board of Directors has been fully accountable and responsive towards the shareholders of the Bank.

INTERNAL CONTROL SYSTEM

The Bank has always been committed to have a strong internal control system to provide quality services to the customers and maximum returns to the investors by minimizing the risks inherent in the banking business including credit, market and

operations. The Board of Directors is responsible for reviewing the bank's internal control system and its effectiveness. The Board of Directors, the Audit Committee and the management have been effectively reviewing the internal control system to maintain adequate internal control in the Bank. More than 120 policies, rules and procedures have been formulated and implemented in line with the goal of making the internal control system of the bank effective and also the effectively established structural framework and the corresponding jurisdiction and delegated jurisdiction have minimized the risks in the operation of the bank. The Board of Directors has been reviewing the internal control system of the Bank and its effectiveness keeping in view the market, credit, operations and other risks and the short-term, long-term and future effects of such risks to the bank. Considering the risk that the Bank needs to bear in order to achieve the financial objective, The Board of Directors has always been committed to minimizing the short-term and long-term effects of risk. For this, we have been preparing and implementing the necessary procedures for the establishment of effective internal control system. Such procedures have consistently made significant contributions to risk identification, communication, evaluation and management.

PREVENTION OF MONEY LAUNDERING

In order to effectively control and control the activities related to money laundering and for prevention of financing in terrorist activities, the Bank has set out the necessary policies and procedures as prescribed by the Asset (Money) Laundering Prevention Act, 2064, Asset (Money) Laundering Prevention Rules, 2073, Nepal Rastra

Bank and Financial Information Unit and has been formulating and implementing the practice. A committee has been formed under the coordination of Director, Mr. Jaya Mukund Khanal, with the main objective of formulating and implementing necessary policies and regulations in the field of prevention of money laundering and financial investment in terrorist activities. In addition, a separate AML /CFT unit has been set up at the central office of the Bank to monitor the same policies and activities and KYC / AML officer has been appointed in each branch office to give necessary instructions and implement money laundering prevention act and directives. In addition, the Bank has been operating separate software since last year to control asset laundering and to monitor customer transactions. In this regard, capacity building of employees and necessary training on asset laundering and prevention of financial investment in terrorist activities is being conducted periodically for the officers and employees of the Bank.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has not only been focused on profit and has been participating in various social activities considering its responsibility towards the society. In line with the Bank's objective of spending a portion of its profits on socially responsible activities, the Bank has been assisting victims of natural disasters, especially in the areas of education, health, sports, environment, etc.

During the review period, in continuation of its social responsibility work, the Bank has handed over the relief materials required for disaster management to the Nepal Police.

It has also provided financial assistance

to Dhangadhi Sub-Metropolitant-Disaster Management Fund to assist in the relief, rescue and reconstruction work of the affected areas of Dhangadhi due to the storm of 6th June, 2019.

The Bank in collaboration with Cancer Council Nepal has also organized public awareness programs in different parts of the country. Similarly, the Bank has constructed a locker house with 510 lockers for the convenience of the visitors/devotees of Pashupatinat Temple and handed it over to Pashupati Area Development Trust (PKBK).

Similarly, the Bank has provided drinking water tank to Mahendra Ratna Multipurpose Campus in Ilam and constructed necessary infrastructure to install the water tank. The Bank has completed tree planting in Lazimpat, Kathmandu and Manohara, Bhaktapur with the aim to contribute to environmental protection.

Machhapuchhre Bank has been conducting programs in coordination with the support of UK Aid Sakchyam-Access to Finance in 11 districts of Nepal where financial literacy is low and as per the agreement with Reanda Bizserve (in joint collaboration with FINLIT Nepal) for conducting financial

literacy program in Dang, Rupandehi, Surkhet, Banke, Kanchanpur and Dadeldhura.

Some of the major activities performed under corporate social responsibility in the FY 2018/19:

APPOINTMENT OF AUDITOR

On behalf of the Board of Directors, we would like to thank the auditor appointed from the 20th annual general meeting of the Bank, M/S G.P. Rajbahak & Company Chartered Accountants for conducting a detailed audit of the Bank's accounts and providing timely reports. A proposal will be made and presented in the meeting as per the recommendation of the Audit Committee for the appointment of Auditor for current Fiscal Year. As per the provisions of Section 111 (3) of the Companies Act, 2063 (B.S.) and Section 63 (2) of the Banking and Financial Institutions Act, 2073 (B.S.), the auditor can be re-appointed.

BOARD OF DIRECTORS AND ITS AMENDMENTS CHANGES

The Board of Directors (BODs) of the Bank has a total of 7 Directors including 3 representing Promoter Shareholders, 3 representing Public Shareholders and 1 Independent Director. The 20th Annual General Meeting (AGM) of the Bank held on 4th

Jan, 2019 has appointed Dr. Birendra Prasad Mahato and reappointed Mr. Gopi Krishna Neupane and Mr. Roshan KC who have completed four years tenure in BOD as directors of the Bank. The Bank currently has following directors in the board:

Chairman Dr. Birendra Prasad Mahato
(On Behalf of Promoter shareholders)

Director Mr. Roshan KC
(On Behalf of Promoter shareholders)

Director Mr. Gopi Krishna Neupane
(On Behalf of Promoter shareholders)

Director Mr. Jaya Mukunda Khanal
(Independent Director)

Director Mr. Ram Man Shrestha
(On Behalf of Public shareholders)

Director Mr. Bishow Prakash Gautam
(On Behalf of Public shareholders)

Director Mr. Omesh Lal Shrestha
(On Behalf of Public shareholders)

The 388th meeting the Board of Directors of the Bank held on Jan 4th, 2019 nominated Dr. Birendra Prasad Mahato as the Chairman of BOD.

DETAILS	THIS YEAR NPR	LAST YEAR NPR
1.	Handover of Disaster management rescue equipments to Nepal Police	5,576,026.81
2.	Construction of locker house in Pashupatinath Temple premise and handed over to Pashupati Area Development Trust (PKBK).	3,021,775.75
3.	Handover of drinking water tank constructed inside campus premise to Mahendra Ratna MultiPurpose Campus, Ilam	968,659.27
4.	Conducted Financial Literacy Program in collaboration with Cancer Council Nepal	250,000.00
5.	Handover of Cheque to the Dhangadhi Sub-Metropolitan -Disaster Management Fund to assist in the relief, rescue and reconstruction of areas of Dhangadi affected by storm of 6th June, 2019	151,111.00
6.	Placement of pots and plantation done in the electricity poll situated around the Head Office of Machhapuchchhre Bank Limited, KMC ward No. - 2	140,000.00

BOARD OF DIRECTORS MEETINGS

Meeting of the Board of Directors of the bank in accordance with the provisions of the existing Act, is conducted regularly. A total of 25 meetings of the Board of Director have been held during the review period. The Chief Executive Officer of the bank has been invited in the meeting of BODs. The attendance of the directors in the meeting of the BODs and the details of allowances received are as follows:

The board of directors has been making appropriate decisions to make the bank more successful and strong by seriously discussing all the areas that the Bank needs to pay attention to, including the condition of the Banks Capital Fund, Policy arrangement, Corporate Governance, Loan, Operation and Market Risk. BODs has been reviewing the decisions taken in the previous meeting and the status of implementation of that decision in each meeting. In addition, the implementation status of the decisions taken by the Board in the previous quarter is also reviewed on quarterly basis. The decisions made by the Internal Committees of the bank also have been presented in the meeting of the Board and necessary decisions have been taken. The Board of Directors keeping in mind the interest of the Bank, is always committed to fulfill its role in the coming days as well.

MEMBERS	NUMBER OF MEETINGS ATTENDED	MEETINGS ALLOWANCES (IN NPR)
Chairman Dr. Birendra Prasad Mahato *	12	163,000
Director Mr. Roshan KC	24	252,000
Director Mr. Gopi Krishana Neupane	25	236,000
Director Mr. Jaya Mukunda Khanal	25	236,000
Director Mr Ram Man Shrestha	24	228,000
Director Mr Bishow Prakash Gautam	25	236,000
Director Mr. Omesh Lal Shrestha	22	204,000

*Chairman Dr. Birendra Prasad Mahato has been on BOD only since the 20th annual general meeting held on Jan 4th, 2019.

AUDIT COMMITTEE

Under the coordination of Non-Executive Director, there is a three member Audit Committee for the Bank to review the financial condition of the bank, accounting, budget and internal audit procedures, monitor and supervise- whether the internal control system is appropriate or not, and if appropriate, is implemented or not, to regularly examine managerial and performance outcome of Management and Operation of the Bank for ensuring that the prevailing laws applicable to the Bank are fully complied with; to review the outcomes of the audit and audit plan, and the remarks in the Audit Report submitted by Internal and External auditors, and direct the Management of the Bank to apply corrective measures; to review if the direction/remarks pointed out upon inspection and supervision by NRB have been implemented or not, and to maintain the record of such subjects

NAME	TITLE/POSITION
1. Director Mr. Gopi Krishna Neupane	Coordinator
2. Director Mr. Omesh Lal Shrestha	Member
3. Internal Auditor Mr. Khagendra Paudel	Member secretary

NAME	TITLE/POSITION
1. Director-Mr. Jaya Mukunda Khanal	Coordinator
2. Director-Mr. Roshan KC	Member
3. Chief Executive Officer-Mr. Suman Sharma	Member
4. Chief Financial Officer-Mr. Suvash Jamarkattel	Member
5. Deputy Chief Human Resource Department- Ms. Richa Pandey	Member Secretary

and inform the Board accordingly; to assist the Management team in making the Annual Financial Information of the Bank accurate and realistic and to provide necessary recommendations/ feedbacks to the Board regarding Bank's actions. Likewise, the internal and external auditors of the bank can have direct access to the committee.

STAFF SERVICE AND FACILITIES COMMITTEE

Banking business is service oriented as well as systematic risk taking business. Therefore, for providing excellent service and proper risk management, competent and professional manpower is required. As competent manpower is a strong foundation of the bank, in order to attract qualified workforce, it is necessary to continuously review and adjust the management principles for the effective operation of the banking business and effective workforce management.

The bank has the following five member Staff Services and Facilities committee under the coordination of the Non-Executive Director.

The main objective of the Staff Services and Facilities Committee is to prepare the policy and criteria related to the Workforce Management of the Bank and submit it to the Board of Directors; to present all the decisions

of the committee and works based on its decisions on periodic intervals to the Board.

RISK MANAGEMENT COMMITTEE

The main objective of this committee is to identify, monitor and manage various inherent risks of the Bank and risks that may arise in the future (credit, market operation, etc.) and submit report to the Board of Directors abiding by the functions, duties and responsibilities assigned to this Committee by the Unified Directives of Nepal Rastra Bank. Vis-à-vis give necessary suggestions to the Management of the Bank. In regards to the above, there is a four-member risk management committee in coordination of Non- Executive board as below:

NAME	TITLE/POSITION
1. Director Mr. Bishow Prakash Gautam	Coordinator
2. Director Mr. Gopi Krishna Neupane	Member
3. Deputy Chief Operation Officer Mr. Madhav subedi	Member
4. Chief Risk Management Officer Mr. Bishwambhar Neupane	Member secretary

COMMITTEE ON ANTI MONEY LAUNDERING AND PREVENTION OF FINANCIAL INVESTMENT IN TERRORIST ACTIVITIES

The Bank has been fully abiding the Asset (Money) Laundering Prevention Act, 2064 BS, related Rules and Guidelines and directives issued by the Nepal Rastra Bank related to prevention/control of Money Laundering. The Bank has formulated and implemented effective Policies, Rules and Directives to prevent Money Laundering. The following five member committee under the coordination of Non- Executive Director is

formed with the primary objective to prepare and implement necessary policy/guidelines on Asset (Money) Laundering Prevention and areas of terrorist financing:

NAME	TITLE/POSITION
1. Director Mr. Omesh Lal Shrestha	Coordinator
2. Director Mr. Gopi Krishna Neupane	Member
3. Director Mr. Jaya Mukunda Khanal	Member
4. Chief Risk Management Officer- Mr. Bishwambhar Neupane	Member
5. AML/CFT unit Implementation Officer Mr. Dilli Ram Giri	Member Secretary

Bank has been complying with the Acts and Directives on Money Laundering Prevention, which is why a separate AML/CFT unit has been set up at the Head office of the Bank to monitor the necessary policies and actions in the areas of prevention of Money laundering and Financial investment in terrorist activities, and a

KYC/AML officer has been nominated in each of the branch offices and necessary instructions for the same have been given.

OTHER COMMITTEES

In addition to the above mentioned committee formed under the Directives of NRB and Bank and Financial Institutions Act, if required, Board of Directors for specific purpose, time & work, under the coordination of Non- Executive Director has been forming other committees/sub-committees such as Merger and Acquisition Committee, Information Technology Committee.

INFORMATION MANAGEMENT

Bank has given utmost priority to information exchange among all shareholders and stake holders. In this

regard, Bank has been disseminating information such as Annual Reports, Quarterly Reports, Progress Reports of other banks, and different services provided by the Bank, through various media and the Bank's website www.machbank.com.

As the Annual General Meeting is a suitable and important place to draw appropriate conclusions from inquiries raised by investors and individuals from time to time, we have encouraged all shareholders to attend the meeting and discuss the progress of the Bank

GRIEVANCE AND HEARING

The Bank has set up a separate desk and appointed a grievance handling officer to hear the grievances of public and customers for any inconvenience caused. The Bank has set up a toll free number for hearing customer grievances and integrated an online portal on its website for hearing complaints and disseminating information to the public. In the fiscal year 2018/19, out of 116 complaints all 116 have been heard and addressed.

MERGER AND ACQUISITION

As per the decision made in the previous Annual General Meeting on Merger and Acquisition, a Merger

and Acquisition committee formed by the Board of Directors of the bank under the coordination of Mr. Roshan KC have given continuity to carry out tasks such as discussing in details the policies, rules and directives related to Merger and Acquisitions, having an unofficial discussion with different Banks that are seen appropriate for Merger and Acquisition with the Bank and discussing further with them the business prospects, branch expansion, quality of assets and on other relevant topics.

CAPITAL INCREMENT PLAN

The total paid up capital of the bank till Mid July, 2019 is NPR 8,055,693,000. The bank plans to increase its capital as per its five-year strategic plan. As per the capital increment plan of the bank, Debenture worth NPR 3 billion has been issued and a proposal has been tabled at the Annual General Meeting to increase the paid up capital by issuing 5 percent of paid up capital as Bonus Share. In addition to that, Bank has continued to carry out discussion on the possibility of merger and acquisition with other suitable banks and financial institutions for increasing its capital and business.

NOTE OF THANKS

We would like to express our sincere gratitude to all our esteemed customers who have been doing

business in a cordial atmosphere by constantly believing in this Bank. Acknowledging the active support that the bank has been receiving from its valued customers, we are determined to provide more quality service to our customers in the days to come. Due to the direct & indirect support, advice, suggestions, decisions and guidance extended by the shareholders of the bank, the bank has become strong, superior and expanded as of day. The Board extends its gratitude for the goodwill and trust shown towards the Bank by its shareholders. We also are committed to carry out the deepest responsibility entrusted to us by our esteemed shareholders with full dignity and decency. We would also like to express our gratitude for the continued support and inspiration from our shareholder and expect the same trust and goodwill to continue in future. We assure you that we are fully committed to the overall development of the Bank.

We would like to express our sincere gratitude to respected shareholder and regulatory bodies who have always been a guardian figure to us and provided guidance and support for the continuous progress and prosperity of the Bank, Government of Nepal, Nepal Rastra Bank, Securities Board of Nepal, Office of the Company Registrar, Nepal Stock Exchange Ltd., CDS and Clearing

Ltd and all our other supportive bodies and personnel who have been providing direct or indirect support to the Bank. We are confident that we will continue to receive your support in the future as well.

Last but not the least, I would like to express my special thanks to all the employees who are continuously working for the interest of the bank and are actively engaged to provide service, for their hard work and dedication to the customers. We would also like to take this opportunity to thank the External Auditor and the all our well-wishers.

Finally, you have set aside your time for this meeting even during this festive season and accepted our invitation, for which I am extremely grateful. I would like to extend my best wishes for Bada Dashain and Dipawali and Chhath to you all.

Thank you.

On behalf of Board of Directors,

Dr. Birendra Prasad Mahato
Chairman

October 11, 2019.

RISK MANAGEMENT

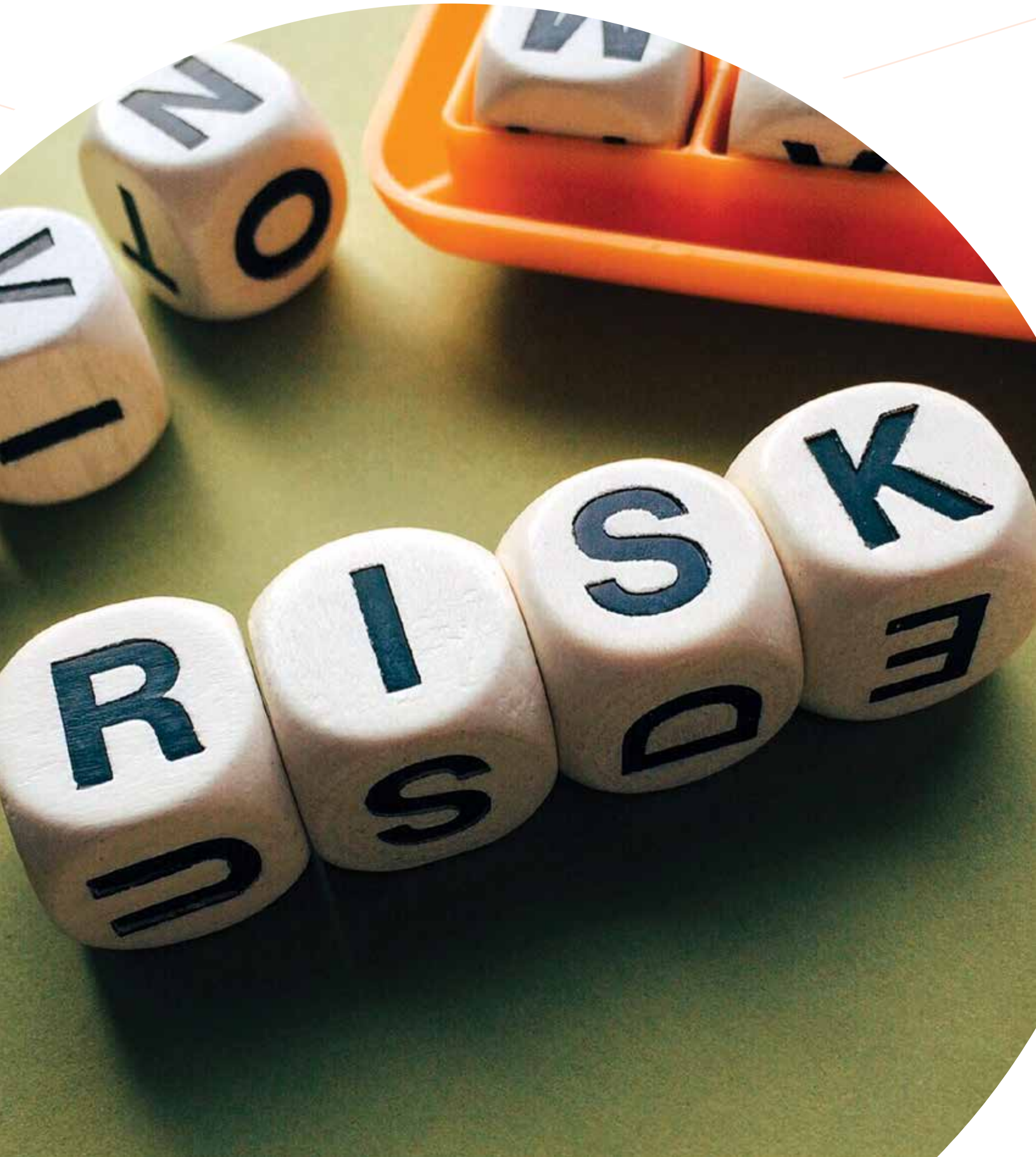
The long-term financial security and success of the Bank is built on its robust risk management system. As a financial intermediary, the Bank is exposed to various risks, primarily Credit, Operational, Market, Liquidity and other risks inherent in bank. An independent risk management function ensures that the risk is managed through a risk management architecture as well as through policies and processes approved by the Board of Directors.

The risk management function in the Bank strives to proactively anticipate vulnerabilities at the transaction as well as at the portfolio level, through quantitative or qualitative examination of the embedded risks.

The Board of the Bank is primarily responsible for setting out the risk policies, risk strategy, risk appetite, risk tolerance, risk mitigation etc. Such risk measures are communicated by the Board down the line for effective and timely implementation and adherence. The Board of the Bank also monitors and evaluates the risks on a regular interval and instructs RMC and other related departments, who are responsible for risk management, of the Bank through CEO/CRO for its effective implementation.

In a broad sense, the Bank's functional structure for risk related matters are presented in the following diagrammatic exhibits:





RISK MANAGEMENT FRAMEWORK

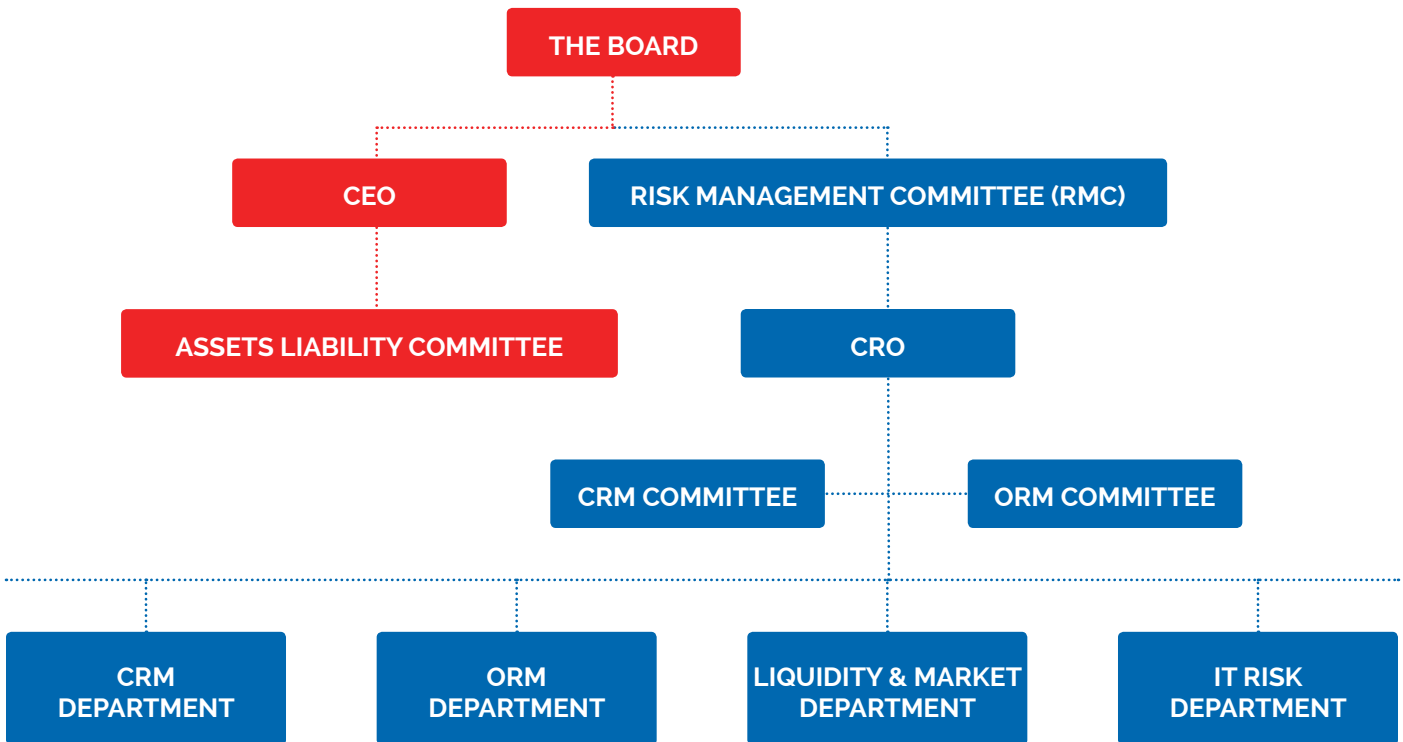
A risk management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. The framework is comprehensive enough to capture all risks a bank is exposed to and have flexibility to accommodate

any change in business activities. An effective risk management framework includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.
- b) A well constituted organizational structure defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The structure is such that it ensures effective

monitoring and control over risks being taken. The individuals/departments responsible for control function (Risk Departments, internal audit, compliance etc) are independent from business units and report directly to board and committees.

c) The framework should have a mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedure to adopt changes.



RISK MANAGEMENT COMMITTEE

RMC is one of the important sub-committee of the Board, which plays a pivotal role in managing overall risk management of the Bank. RMC works as a bridge between the Board and CRO/Management for implementation of risk strategies and escalate important risk matters to Board that are originated from Management. RMC at present comprises of 4 members: 2 from the Board of Directors or as may be decided by the Board of the Bank from time to time, and 2 from the management team.

Board Member-Coordinator

Board Member-Member

Chief Risk Officer-Member Secretary

DGM-Operation-Member

RMC examines Credit Risk, Market Risk, Liquidity Risk, Operation Risk and IT Risk at periodic interval.

Some of the major responsibilities of the RMC, but not limited to, with regard to risk management includes:

- Apprise the Board on Adequacy and Appropriateness of current Credit Risk identification & Credit Risk Management System of the Bank and make suggestions and recommendations, as deemed appropriate, to the Board, for improving and strengthening existing Credit Risk Management System of the Bank.
- Apprise and update the Board on existing Risk Management Process and Procedural Guidelines, on the level of Risk prevalent in its Business, Operation and about Risk Appetite

of the Bank. Strategies developed for Credit Risk Management etc. and recommend the Board for necessary update and improvement.

- Update/ recommend the Board after discussing and analysing the Capital Adequacy based on Risk Assets, Internal Capital Adequacy Assessment Process (ICAAP), Stress testing, adequacy of the existing Policies with regard to the Business Strategy and the Bank's Credit Risk Tolerance.
- Reviews the stress testing carried out on a regular basis and discuss on its results. On the basis of result of stress testing, the Committee offers suggestions to the Board for appropriate polices and decision making.
- RMC oversee the escalated Credit, Market, Liquidity and Operation Risk. Similarly, the committee also oversee the position of NPA/NBA/LLP, sectorial portfolio/portfolio diversification, ALCO report/minute, liquidity profile and many other indicators of the bank and provides advice to the management whenever necessary.
- Recommends the Board on any possible significant impact on the Bank's Financial Position arising from any problem/change in the economy. The Committee also suggests mitigating factors, to minimize the impact of such problems/changes.

CHIEF RISK OFFICER (CRO)

CRO has important role to play in order to mitigate potential risk inherent in the Bank's business. CRO directly reports to RMC and does not have any business

targets. Role of CRO in managing risk is an independent function. CRO should also be vigilant about ever changing risk profile of the bank in the dynamic environment and accordingly propose for approval of adequate mitigation tools without hampering acceptable business activities of the bank in terms of risk tolerance and implement the same after approval. Ideally, three separate departments/units related to Credit Risk, Operation Risk and Market/Liquidity Risk functions are directly reporting to CRO.

The roles and responsibilities of Chief Risk Officer is as follows:

- The Chief Risk Officer shall primarily be responsible for overseeing the development and implementation of the Bank's risk management function.
- The Chief Risk Officer shall be responsible for supporting the Board in its development of the Bank's risk appetite and Risk Appetite Statement and for translating the risk appetite into a risk limits structure.
- The Chief Risk Officer, together with management, shall be actively engaged in the process of setting risk measures and limits for the various business lines and monitoring their performance relative to risk-taking and limit adherence.
- The Chief Risk Officer's responsibilities shall also include managing and participating in key decision-making processes (e.g. strategic planning, capital and liquidity planning, new products and services, compensation design and operation)
- The Chief Risk Officer shall effectively implement/cause to implement all the directions/suggestions

(pertaining to his area of work) of the Board and Risk Management Committee.

- The Chief Risk Officer shall ensure the establishment, robust implementation and strengthening the system of Internal Control, Credit/Operation/ Market Risk Management System and Corporate Governance across all levels, functions and activities of the Bank.

THREE LINES OF DEFENSE

MBL's risk management philosophy of the bank is guided by the Three Lines of Defense Principle. When it comes to risk taking, each line of defense has a clear responsibility.

FIRST LINES OF DEFENSE

Each business segments are MBL's first line of defense. Their responsibilities include the identification and management of risks arising from and

relating to their respective areas of responsibilities, and ensuring that our operations remain within approved boundaries of our risk appetite and policies.

MBL has an established incident notification protocol that sets out processes for the escalation of incidents according to the level of severity. In this way, appropriate levels of management are made aware of such incidents and can take action accordingly.

SECOND LINES OF DEFENSE

MBL's independent oversight functions such as Risk Management Department, Legal and Compliance form the second line of defense. They are responsible for the development and maintenance of risk management policies and processes and they provide objective review and challenge on the activities undertaken by business segments. These units also suggest appropriate mitigation on risk taker.

THIRD LINES OF DEFENSE

The Bank's Internal Audit function independently reviews activities of the first two lines of defense based on a risk-based audit plan and methodology approved by the Audit Committee of the Board. Internal Audit provides independent assurance to the Board, the Audit Committee, senior management and regulators regarding the effectiveness of the Bank's governance and controls design for risk mitigation framework.

RISK EXPOSURE AND BUSINESS SEGMENTS

The chart below provides an overview of the risks arising from our business segments. The asset size of each business segment reflects its contribution to the balance sheet, and the risk-weighted assets (RWA) offer a risk-adjusted perspective.

BOARD, CEO & SR. MGT	PROVIDES OVERSIGHT OF THE THREE LINES OF DEFENSE		
	FIRST LINE OF DEFENSE	SECOND LINE OF DEFENSE	THIRD LINE OF DEFENSE
Role	Own and manage risks in respective areas of responsibility	Provide independent risk oversight, monitoring and reporting	Provide independent assurance
Unit	Business Segments	Risk Management, Legal & Compliance	Internal Audit

1. CREDIT RISK

Credit Risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. The Bank has a robust Credit Risk Management (CRM) Department at the central level; CRM identifies and manages Bank's credit exposures following the principle of diversification across products, geographies, and client and customer segments.

Nepal Rastra Bank, as the Central Bank of the country, has laid significant emphasis on the adequacy of a Bank's management of risk. Overall risk management is of utmost importance to Banks, and as such, policies and procedures should be endorsed and strictly enforced by the senior management and the Board of the Bank. In the dynamic environment the risk also changes. An enterprise, segment or an industry are influenced by so many internal and external factors that the risk keep on changing which is why credit risks have to be evaluated on an ongoing basis. Credit risk is tied up with the potential return on an investment, so as the quantum of risk rises so has to be the pricing, having said that pricing alone might not be the exhaustive measure / mitigation of credit risk. Portfolio as a whole, its performance, individual capacity, net-worth, market trend etc. also plays influential role on pricing determination. The goal of credit risk management is to maximize Bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

Credit Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure that;

- a. The individuals who take or manage risks clearly understand it.
- b. The Bank's risk exposure is within the limits established by Board of Directors.
- c. Risk taking decisions are in line with the business strategy and objectives set by BOD.
- d. The expected payoffs compensate for the risks taken.
- e. Risk taking decisions are explicit and clear.
- f. Sufficient capital as a buffer is available to take risk, etc.

Risk management, as commonly perceived, does not only mean minimizing risk; rather the goal of risk management is to optimize risk-reward trade-off. Notwithstanding the fact that banks are in the business of taking risk, it should be recognized that an institution need not engage in business in a manner that unnecessarily imposes risk upon it; nor it should absorb risk that can be transferred to other participants. Rather it should accept those risks that are uniquely part of the array of bank's services.

Credit Risk Management Department is assigned the responsibility to undertake actions related to credit risk management of the Bank. The Bank has formulated and implemented a Credit Risk Management Policy to provide guidelines and direction for credit risk management.



1.1 Credit Risk Management at MBL

MBL's approach to credit risk management comprises the following building blocks:

- A. Credit Risk Governance**
- B. Policies**
- C. Risk Methodologies**
- D. Processes, systems and reports**

A. CREDIT RISK GOVERNANCE

Risk Governance structure of MBL comprises of the following:

Board	
Risk Management Committee	
Credit Risk Management Committee (CRMC)	
Chief Risk Officer (CRO)	Credit Risk Management Department

CREDIT RISK MANAGEMENT COMMITTEE (CRMC)

CRMC is a management level risk management committee formulated in order to ensure that risk portfolios are understood, analyzed and addressed in a timely manner. CRMC comprises of the CRO as coordinator, DGM Business, Head treasury (back end), Head of Special assets management department, Head of Credit risk management department & Head of credit sales. There could be other invitees in the Committee as per the requirement. The committee meet at least every quarter to discuss various aspects of risk management.

CREDIT RISK MANAGEMENT (CRM) DEPARTMENT

MBL has separate department called CRM department which is an

independent function of the Bank, which does not have any business targets; rather its objective is to reduce level of NPL, and delinquent borrowers and to improve risk assets quality of the Bank besides improving service standard. CRM of the MBL is a centralized function, which controls overall risk inherent in the lending portfolio. It may support or decline the credit proposal based on the risk inherent in the business and the industry. It reports to Chief Risk Officer (CRO). The responsibility of CRM Department shall be credit risk management for the lending activities of the Bank. The Department identifies and point out the underlying risks in the credit proposal on ongoing basis and suggest appropriate mitigation, as and where applicable.

B. CREDIT RISK POLICIES

The dimensions of credit risk and the scope of its application are defined in the Credit Risk Management Guidelines (RMG) of MBL. Risk function of MBL sets the guidelines and approved by Board of the bank through Head risk, CRO, CEO, RMC and Board. RMG is supplemented by a number of operational standards and guidelines, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across MBL, and provide guidance in the formulation of business-specific and/ or location-specific credit risk policies and standards.

C. CREDIT RISK METHODOLOGIES

Credit risk is managed by thoroughly understanding our customers – the businesses they are in, their repayment capacity as well as the economies in which they operate in individual borrower level, it is also managed

through statistical models and data analysis in portfolio level.

INTERNAL RISK GRADING

The assignment of credit risk ratings and setting of lending limits are integral parts of MBL credit risk management process, and we use a rating model for all customers.

Bank is in processing of linking those ratings with pricing i.e. risk based pricing and capital allotment also. Individual credit proposals are classified from Low risk range to High risk range as below according to the scores attained by individual borrower. Review frequency, acceptability of proposal and pricing are also substantiated with those scores.

- A: Low Risk**
- B: Minimal Risk**
- C: Moderate Risk**
- D: Better than Average Risk**
- E: Average Risk**
- F: Acceptable Risk**
- G: High Risk**

Considering dynamics in risk environment i.e. internal as well as external, bank in regular interval, reviews those rating parameters and incorporate required changes wherever required.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM)

Responsible financing, covering environmental & social risk (ESR) issues, is a topic of increasing importance to societal constituents, and one that affects investing and lending decisions across the bank. MBL recognizes that, our financing practices have a substantial impact on society as well as environment and failure of our customers to appropriately manage ES risk issues can directly impact their

operations and long-term economic viability, and the communities and environment in which they operate.

Further regulator has already directed to formulate and implement policy to manage those risk. In line with the above, MBL has already devised Environmental & Social Risk Management Policy to integrate Environmental & Social Risk Management into overall credit risk management process. The requirements of this policy represent the minimum standards for MBL and we have also sought alignment with Regulatory standards and, where possible, with best practices across the industry. Where significant ES risk issues are identified, escalation is required to higher authority. Further such findings are also communicated to credit approving authority before approval. Overall ES Risk process is depicted as below:

CREDIT RISK TOLERANCE/ CONCENTRATION RISK

Our risk management processes, which are aligned with our Risk Appetite, ensure that an acceptable level of risk diversification is maintained across MBL. Thresholds are set on major industry groups, nature of facility, product, single counterparty exposures as well as off balance sheet items are established. Governance processes are in place to ensure that our exposures are regularly monitored with these thresholds in mind, and appropriate actions are taken when the thresholds are breached. MBL continually examines how we can enhance the scope of our thresholds to improve the management of concentration risk.

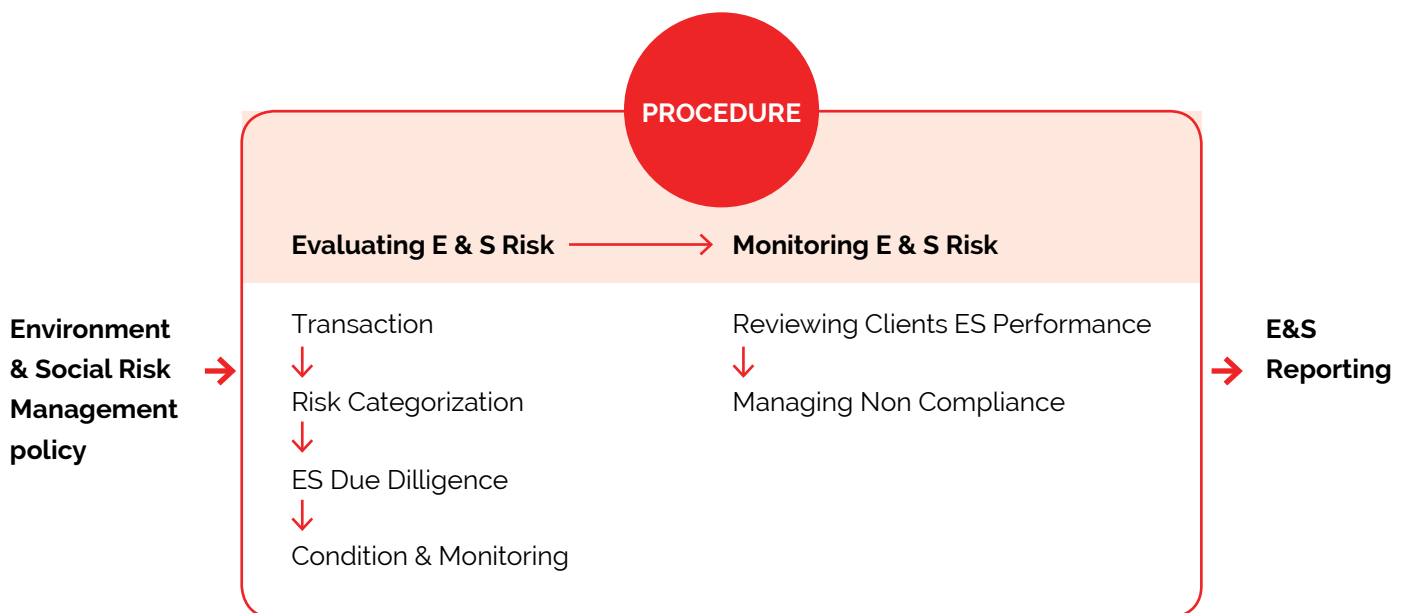
INDUSTRY PROFILING

The CRM Department of MBL periodically examine the risk profile based on industry wide risk as defined by the Bank and priority is given to the

large exposure in a particular industry. The risk profile is forwarded to the Chief Executive Officer for review originated from CRM Department through the line manager; the available documents shall be referred by Business Unit prior to processing of any credit facilities related to such sector.

TRAINING & CAPACITY DEVELOPMENT

MBL perceives the importance of a strong risk culture, which refers to our shared attitudes, values and standards that shape behaviors related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. In order to develop the organization wide risk culture and develop common understanding between risk function and business function, risk department periodically conducts interaction, training & capacity development programs to bank's staffs.



D. PROCESSES, SYSTEMS & REPORTS

MBL constantly invests in systems to support risk monitoring and reporting for our business processes. The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving business, operations, risk management and other key stakeholders. Day-to-day monitoring of credit exposures, portfolio performance and external environmental factors potentially affecting credit risk profiles is key to our philosophy of effective credit risk management. Credit trends, which may include industry analysis, early warning alerts and significant weak credits, are submitted to the risk committees as well as senior management, allowing key strategies and action plans to be formulated and evaluated.

CREDIT STRESS TESTING

MBL engages in various types of credit stress testing, and these are

driven either by regulators or internal requirements and management. Our credit stress tests are performed at the total portfolio or sub-portfolio level, and are generally performed to assess the impact of changing economic conditions on asset quality, earnings performance, capital adequacy and liquidity. MBL's stress testing programme is comprehensive and covers all major functions and areas of business.

RISK REGISTER

A Risk Register is a tool for documenting identified credit risks, analyze & quantify the severance of impact, formulate appropriate risk mitigation measures, assign risk owners and calculate residual risk in case risk are not completely mitigated/avoided.

- Identification & Root Cause Analysis
- Determining Risk Ownership
- Risk Mitigation measures
- Calculating residual risk

MBL Maintains Comprehensive portfolio wise Credit Risk Register

covering overall risks inherent in those portfolios. Maintenance of risk register and related reporting is done according to the guidelines formulated regarding the same. Each risk events are assessed as Low, Medium or High considering Likelihood of the event & Severity of consequences.

1.1 Credit Risk Mitigation

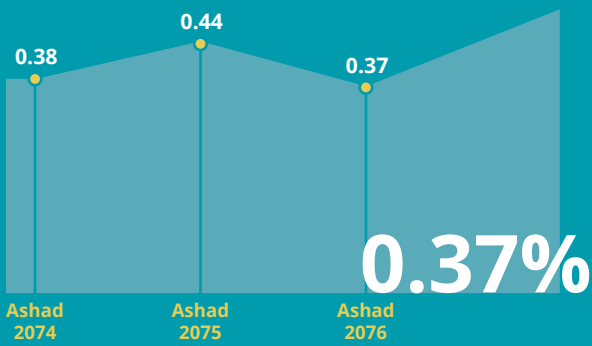
Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, portfolio diversification, risk transfer through credit insurance and other guarantees. MBL carefully assesses reliance that can be placed on these mitigants in light of issues such as legal certainty and enforceability, market standing and counterparty risk of the guarantor etc. Although the credit risk cannot be brought down to zero, the same can be managed through appropriate mitigating tools. Major risk that MBL faces in current scenario and mitigation measures being opted has been detailed as below:

SPECIFIC RISK	SHORT DESCRIPTION AND SOURCE	RISK IMPACTS	MITIGATION TECHNIQUES OPTED BY MBL
Default Risk	Borrower's failure to repay debt. The risk arises from fund diversion, cash crunch, wrong product and over financing, borrower's willful nonpayment etc.	Severe	<p>MBL Mitigates risk of Default opting following Measures (list is not exhaustive):</p> <ul style="list-style-type: none"> ■ Existing and projected cash flow & financial analysis, ■ Analysis & Purpose Assessment, ■ Market/industry review, ■ Obtaining Appropriate level/Additional real estate collateral to mitigate credit risk exposures, though it must not be considered as an alternate for the source of repayment, ■ The inspection and site visit of the business / collateral must be conducted in a frequent interval as prescribed, to ensure that the unit is a going concern and the fund is being used for purpose stipulated, ■ Identification and analysis of early warning signals, borrower wise as well as industry wise to take timely remedial action as required, ■ Assessment & implementing Credit Structuring strategy or other remedial action wherever required etc.

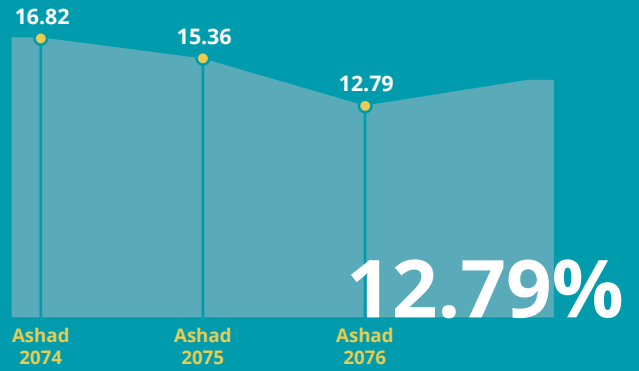
SPECIFIC RISK	SHORT DESCRIPTION AND SOURCE	RISK IMPACTS	MITIGATION TECHNIQUES OPTED BY MBL
Recovery Risk	The risk arises from Client's business failure, Death or departure of key management people, Double financing against same asset, Decline in Collateral Value, Repossession of Collateral and Owner's Financial Capability.	Severe	<p>MBL Mitigates risk of recovery opting following measure (list is not exhaustive):</p> <ul style="list-style-type: none"> ■ Valuation of property accepted as collateral from authorized valuator only. Further revaluation is required to be done by alternate valuator other than last valuator, ■ Legal opinions and verified documentation are obtained where there are doubts on the enforceability and marketability of the collateral, ■ Strong internal mechanism for verification of security including requirement of regular site visit, ■ Obtaining Personal guarantee with substantiation of net worth details, where the Personal Guarantee is taken; net worth statement of the guarantor has to be taken on best effort basis. ■ Ensuring the insurable assets financed by the bank remain insured at all times.
Concentration Risk	Loss triggered by loss in a heavily concentrated individual concern / group / product / region / business segment. The risk arises from macro impact on particular industry, macro impact on particular product, macro impact on particular region and name / group concentration	Medium	<p>MBL Mitigates risk of recovery opting following measure (list is not exhaustive):</p> <ul style="list-style-type: none"> ■ Maintaining portfolio ceiling on RA concentration in particular Product/sector/industry/nature/single borrower/within specific rating of loan, ■ Fully complying with NRB directives regarding concentration risk ■ Stress testing and analysis of correlation within various segments/industries.
External Risk	External risk may arise due to pandemic situation like outbreak of corona virus, climate change, political instability etc.	Severe	<p>External risk generally arises from the events/incident which could not be controlled by bank. Bank shall opt appropriate measures to cope with impact of such events/situations. Risk department of MBL regularly assess credit risk that may arise from such external sources and suggest for appropriate measures to lower the impact of such incidents/events.</p>

MOVEMENT IN KEY RISK PARAMETERS

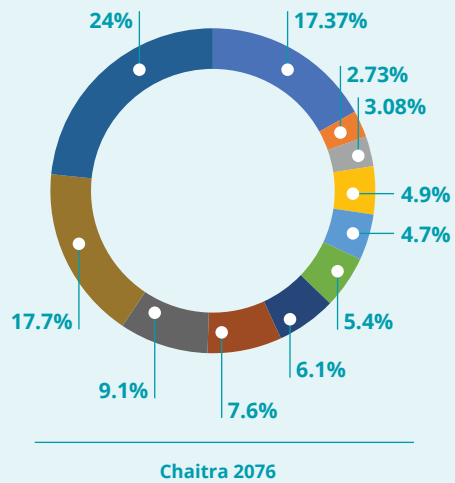
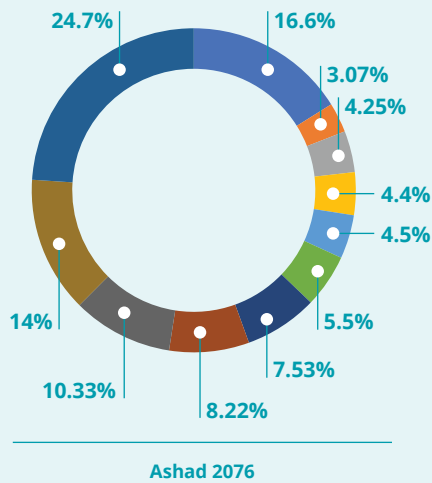
MOVEMENT IN NPA (in Percentage)



MOVEMENT IN TOTAL CAPITAL / RWA (CAR) (in Percentage)



INDUSTRYWISE CONCENTRATION OF RA



- Others
- Transport, Communication & Public Utilities
- Consumptions Loans
- Agricultural & Forest Related
- Electricity, Gas & Water
- Agriculture, Forestry & Beverage Production Related
- Others Related
- construction
- Finance, Insurance & Real Estate
- Non Food Production Related
- Wholesaler and Retailer

2. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. It is inherent in the Bank’s day-to-day business activities. MBL’s objective is to manage and control operational risk in a cost-effective manner within targeted levels as defined in the risk appetite.

MBL’s approach to operation risk management comprises the following building blocks:

- A. Operation Risk Governance**
- B. Policies**
- C. Risk Methodologies**
- D. Processes, systems and reports**

A. OPERATION RISK GOVERNANCE

Risk Governance structure of MBL comprises of the following:

Board	
Risk Management Committee	
Operation Risk Management Committee (ORMC)	
Chief Risk Officer (CRO)	Operation Risk Management Department

OPERATION RISK MANAGEMENT COMMITTEE (ORMC)

ORMC is a management level risk management committee consisting of Senior Management of the Bank for implementation and monitoring of the Operational Risk Framework throughout the Bank. The Committee is also responsible for reviewing Operational Risk profiles of the business units, understand

future changes and threats, and concur on areas of highest priority and related mitigation strategy.

The RMC at the apex level is the policy making body and is supported by the Operational Risk Management Committee (ORMC), responsible for the implementation of the Operational Risk framework of the Bank and the management of operational risks across the Bank.

OPERATIONAL RISK MANAGEMENT DEPARTMENT

MBL has separate independent function called Operational Risk Management Department established for effective management of operational risks in the bank. The Department performs the jobs related to identify, measure, monitor and report operational risks as a whole and ensure that the management of operational risk in the bank is carried out as per strategy and policy. It evaluates the adequacy of tools and techniques to reduce the operational risk to acceptable level. It helps to establish policies and standards and coordinate various risk management activities. Besides, it should also provide guidance relating to various risk management tools, monitors and handle incidents and prepare reports for management and BOD.

B. OPERATION RISK POLICIES

The Bank has implemented a robust and comprehensive Operational Risk Framework defined as part of the Board-approved Operational Risk Policy to identify, assess and monitor risks, strengthen controls and minimize Operational Risk losses. The Policy sets our overall

approach for managing operational risk in a structured, systematic and consistent manner. The policy establishes a process to ensure that any new or changed activity will be evaluated for operational risk prior to come into effect. The management ensures that it is communicated and understood throughout the bank. The policy is regularly reviewed and updated, to ensure it continue to reflect the environment within which the bank operates. The key policies address risk areas relating to compliance, fraud (internal or external), money laundering, damage to physical assets, clients, products & business practices, business disruptions & system failures, employment practices and workplace safety.

C. OPERATION RISK METHODOLOGIES

The Bank has a strong internal control system so that material fraud and errors can be easily traced. Further, the Bank follows a scientific process for segregation of duty so that internal check be maintained. The Bank follows the operational manual approved by Board of Directors. The Bank has an effective Internal Audit Department which functions to carry out review of internal control system of the bank and ensure that the approved policies, procedures and manuals are strictly followed. The report of the Internal Audit Department is directly submitted to Audit committee headed by a non-executive director.

Additional methodologies are in place to address subject-specific risks, including, but not limited to, the following:

REPUTATIONAL RISK

Reputational risk is the risk of possible damage to the Bank's brand and reputation resulting in loss of earnings or adverse impact on market capitalization or could be perceived as by the stakeholders to be inappropriate, unethical, or inconsistent with bank values and beliefs. The Bank's Corporate Governance Policy establishes the framework for the governance and management of reputational risk. The framework aims to protect the Bank's reputation and restrict the ability to undertake any activities that may cause material damage to the Bank's branding. The bank has clearly set the code of conduct / code of ethics which defines acceptable and unacceptable behaviors and explicitly disallow behavior that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti-competitive practices, bribery and corruption, or the violation of consumer rights and make clear that employees are expected to conduct themselves ethically in addition to complying with laws, regulations and company policies

Reputation risk can emerge at all business levels and has the following key components:

- i. Corporate reputation risk which relates to a bank's performance, strategy, execution and delivery of its services. This is closely knotted with management's reputation risk in their ability to create shareholder value and managing capital pricing.
- ii. Operational or business reputation risk where an activity, action, or stance taken by a bank, any of its affiliates or its officials will impair its image

with one or more of its stakeholders resulting in loss of business, and/or disproportionate decrease in the value of a banking bank.

CONTINGENCY PLANNING

MBL have disaster recovery and business continuity plans to ensure its ability to operate as a going concern and minimize losses in the event of severe business disruption. The business disruption and contingency plans should take into account different types of scenarios to which the bank may be vulnerable and should be commensurate with the size and complexity of its operations. Management should identify critical business processes, including those where there is dependence on external vendors or other third parties, for which rapid resumption of service would be most essential.

D. PROCESS, SYSTEMS AND REPORTS

Robust internal control processes and systems are integral to identifying, assessing, monitoring, managing and reporting operational risk.

All units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The Operational Risk Management Department oversight and control functions:

- Oversee and monitor the effectiveness of operational risk management
- Assess key operational risk issues with the units

- Report and/ or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies

3. MARKET AND LIQUIDITY RISK

Market Risk is the risk that earnings or capital will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, volatilities, credit spreads, commodity and equity prices. The risk may pertain to interest rate related instruments (interest rate risk), equities (equity price risk) and foreign exchange rate risk (currency risk).

Liquidity is a bank's capacity to fund increase in assets and meet both expected and unexpected cash and collateral obligations at a reasonable cost and without incurring unacceptable losses. Liquidity risk is the inability of a bank to meet such obligations as they become due, without adversely affecting the bank's financial condition.

The obligations could be both 'On' and 'Off' balance sheet. By the inherent nature of its business model, banks are always vulnerable to liquidity and solvency problems that can arise from mismatches in the tenor of its assets and liabilities.

MBL's approach to market & liquidity risk management comprises the following building blocks:

- A. Market/Liquidity Risk Governance**
- B. Policies**
- C. Risk Methodologies**
- D. Processes, systems and reports**

A. MARKET/LIQUIDITY RISK GOVERNANCE:

Risk Governance structure of MBL comprises of the following:



ASSETS LIABILITIES COMMITTEE (ALCO)

ALCO is a management level risk management committee consisting of Senior Management of the Bank for implementation and monitoring of the market/liquidity Risk Framework throughout the Bank. ALCO currently comprises of the Chief Executive Officer, CRO, COO, Head-Credit Business Management, Head -BDD, Head-Finance and Planning, Head Credit Risk Management and Head-Treasury. The ALCO defines its liquidity risk management strategy and risk tolerances. It also reviews the liquidity risk management policies and procedures. Major responsibilities of the committee include:

- Keeping an eye on the structure/ composition of bank's assets and liabilities and deciding about product pricing for deposits and advances.
- Deciding on required maturity profile and mix of incremental assets and liabilities.
- Articulating interest rate view of the bank and deciding on the future business strategy.

- Reviewing and articulating funding policy
- Deciding on the transfer pricing policy of the bank
- Evaluating market risk involved in introducing new products

B. MARKET & LIQUIDITY RISK POLICY

For the management of Market/ Liquidity risk, the Bank has a very effective Market Risk Management Policy and Liquidity Risk Management Policy which defines procedures and authority including setting up various risk limits. Under these policies, the Bank has effective Assets Liabilities Committee (ALCO) which meets periodically and reviews interest rates, liquidity position, liquidity gap, FCY open position, investment portfolio, maturity limit for investment and takes necessary decision as well as circulates various guidelines to concerned departments for effective management of market risk.

The Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligation.

C. RISK METHODOLOGIES

INTEREST RATE RISK

When interest rates fluctuate, the bank's earnings and expenses changes as do the economic value of assets, liabilities, and off-balance -sheet positions. The net effect of these changes is reflected in the banks' overall income and capital. Interest Rate

risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The bank's lending, funding and investment activities give rise to interest rate risk. The risks are re-pricing risk, yield curve risk, basis risk and options risk. However, in the context of the Nepalese financial market, risk is very confined to Re-Pricing Interest Rate risk.

Re-Pricing Risk: it arises from timing differences in the maturity of fixed rates and the re-pricing of the floating rates of the bank's assets, liabilities and off-balance-sheet positions. If the interest rate for deposits increases by 1%, the Bank may not be able to increase the interest rate on all interest-bearing assets by the same margin. Further the maturing fixed deposit of the bank may also not be renewed at the existing interest rate. Such changes in interest rates can severely affect the Bank's profitability and net worth.

MBL uses Repricing Risk Management Model to measure the impact of the interest rate change in the market and RMC can take necessary steps to make sure it doesn't affect the banks' profitability and net worth. The model allows the bank to plan and take necessary action in advance to help grow its profit and net worth according to the changes expected in the market.

The Net Interest Income Analysis is prepared by the Treasury Department in coordination with Business Development Department (liabilities) and Lending Department (credit sales) on a monthly basis and present report to ALCO/Risk Management Committee for policy reviewing.

FOREIGN EXCHANGE & COMMODITY RISK

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency position. The key exchange risks are spot risk, swap risk, etc.

Commodity risk is the risk that a bank may suffer losses as a result of adverse commodity price movements during a period in which it has an open position in spot or forward open commodity position.

Net open position approach has been devised to measure the capital requirement for market risk. Treasury is responsible to monitor net open position on daily basis. If any open position exceeds the given limit, the Head of Treasury Department reports it to the CEO immediately. The CEO then informs ALCO/Risk Management Committee about the breach in limit as early as possible. In order to minimize the risk arising from changes in exchange

rates, bank has maintained Exchange Fluctuation Fund as directed by Nepal Rastra Bank.

Stress testing is conducted to assess the vulnerability of their strategies and positions.

EQUITY PRICE RISK

It is the risk due to adverse changes in the value of investment due to price volatility. The risk arises from macroeconomic instability, market volatility, political unrest and under performance of investee company, among other factors.

LIQUIDITY RISK

The primary measure used by MBL to manage liquidity within the tolerance defined by the Board is cash flow maturity mismatch analysis/liquidity gap analysis. This form of analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of our counterbalancing capacity to fund or mitigate any cash flow shortfalls that may occur as forecasted in the cash flow movements across successive

time bands. Any occurrences of forecasted shortfalls that cannot be covered by our counterbalancing capacity will be escalated to the relevant committees for evaluation and action.

Liquidity risk stress testing is performed regularly using cash flow maturity mismatch analysis, and covers adverse scenarios including general market and idiosyncratic stress scenarios. Stress tests assess our vulnerability when liability run-offs increase, asset rollovers increase and/ or liquid asset buffers decrease. In addition, ad hoc stress tests are performed as part of our recovery planning and ICAAP exercises.

Liquidity risk control measures such as liquidity related ratios and balance sheet analysis are complementary tools for cash flow maturity mismatch analysis, and they are performed regularly to obtain deeper insights and finer control over our liquidity profile across different locations.

Further, regulatory ratios like CRR & SLR are well maintained by MBL as required by NRB.

D. PROCESSES, SYSTEMS AND REPORTS

Robust internal control processes and systems support our overall approach in identifying, measuring, aggregating, controlling and monitoring market and liquidity risk across MBL. The Market and Liquidity Risk unit manages the day-to-day market/liquidity risk monitoring, control reporting and analysis

Treasury/Mid Office staff prepares report for the information of senior management and forecasts (simulations)

showing the effects of various possible changes in market conditions related to risk exposures.

RMC/ALCO shall review following on quarterly basis:

- Detail cash flows, liabilities using Balance sheet and "off-Balance sheet values.
- Asset product(s) profile covering sanctions, disbursements, and interest rate/fee income/spread, repayments, assets quality and collection parameters.

- Liabilities/resource mobilization products in terms of target, maturities, payment schedules, interest costs, fees, etc.

- Hedging, transactions booked, outflows expected to arise from contingencies (letter of credit, guarantees, etc.)

- Review of liquidity/Interest rate GAP Reports

- Stress test/simulation analysis.

CORPORATE SOCIAL RESPONSIBILITY





Sustained economic performance, environmental and social stewardship is embedded in Bank's Corporate Social Responsibility Strategy. The Bank is always committed to contributing in the fields of Education, Health, Infrastructure Management, Preservation of Cultural Heritages, Livelihood development, Social development and Environmental Conservation.

Not only through CSR activities, the Bank have also contributed to uplifting the livelihood of many via micro lending and thus promoting entrepreneurship. Value-Chain-Financing project run in Partnership with UKAid Sakchyam Access to Finance programme and Heifer International Nepal. Have benefitted over 553 women smallholder farmers and their micro enterprise.

Education

We always believe in giving back to the community. Hence, we have used sizeable amount of budget to contribute to the education. We have provided financial support to various community school and colleges, especially to the students in need. Study materials such as exercise books, bags, and other stationeries were provided to the needy students.

Machhapuchchhre always believe in contributing to greener environment. Thus, we have conducted plantation across various locations of Nepal.

Preservation of National Cultural Heritage, Ethics and Values

The bank has contributed sizeable budget to Pashupatinath Temple for construction of locker house with lockers, shoe-locker house, sitting arrangement for visitors, landscaping works, etc. We believe our contribution shall benefit the thousands of visitors coming to the temple.

Financial Literacy

Financial Literacy has also been priority of the Bank. As a result of which, Bank, in partnership with UKAid Sakchyam Access to Finance Programme appointed an expert in

the field to conduct financial literacy program targeting to the local rural communities within the periphery of our Branchless Banking Units. The programs were conducted in Dhading, Dang, Rupandehi, Surkhet, Banke, Kanchanpur and Dadeldhura Districts in 21 locations. The fundamental objective of the program was to enable positive behavior change towards ineffective spending, tips to risk aversion of getting into debt trap, optimization of loans, understanding financial products, consulting financial institutions for advice on enterprise development and providing a new and effective lens for money management. Interactive sessions were conducted by providing financial literacy study materials to the locals. We believe we have definitely chipped in for the financial inclusion goal of the government.

CSR EVENTS



IMAGE CAPTIONS

1. Financial aid to Happy Home Orphanage
2. Financial Aid to Shree Siddrtha Gyan Mandir Adharbhut School, Magydi
3. Financial Aid to Shree Shanker Adharhut School, Jumla
4. Disaster Rescue Management Equipment handover to Nepal Police
5. Sanitation program at Swayambhunath premises.
6. Tree Plantation at Sapan Tirtha, Kathmandu

3



5



4



6



TECHNOLOGIES

Over the years, the way people perceive banking, and the banking industry itself has changed drastically. Nowadays, customers do not want to visit bank branches and get banking services in a conventional way and likewise, banking services are no longer restricted under the boundaries of four walls or a closed space. People can access their bank accounts right at their fingertips. So as to cater the needs of tech savvy customers and to sustain and gain competitive advantage in the industry, Machhapuchchhre Bank Limited has been providing different digital banking services to the customers.

Machhapuchchhre Mobile Money

Machhapuchchhre Mobile Money follows the concept of "Bank on-the-go" by providing a host of banking services from a single mobile application. This is the most convenient way to access the account and till date, there are more than 350,000 MBL customers availing this service. Just with the installation of one App in the phone, customers can cherish variants of services:

- Fund Transfer
- Balance enquiry
- Statement viewing
- Convenient way to pay bills (Telephone, electricity & other utilities)
- Top up facilities
- Opening of Fixed Deposits
- Credit Card Payments
- Fonepay QR Payments
- Load Digital Payment Wallets (Khalti, E-sewa)
- Banking services without internet (SMS Banking)

MBL Internet Banking

Machhapuchchhre Bank provides the customers with a simple, quick, secure and convenient online banking experience. With MBL Internet Banking, customers can easily keep track of their finances, irrespective of the time and place. MBL customers can easily view their available balances in their deposit and loan accounts. Further, they can also view their statements, open fixed deposits, pay utility bills and transfer funds to various accounts at the ease of a few clicks.

Additionally, Corporate Module of Internet Banking allows corporate houses to manage their salary distribution themselves without asking the Bank to do so. Corporate Module has the easy and secured features that gives the Human Resource Department of the Institution power to control the functions related to the payroll management from their Internet Banking facility itself.

MBL Plastic Money

It is neither secure nor possible to carry huge amount of cash with oneself. So, Machhapuchchhre Bank facilitates its customers to digitize their money and carry them in secure plastic cards. MBL provides a wide range of card facilities to its customers, ranging from plain Debit Cards to embossed Credit Cards, quick Instant Cards and easy Dollar Prepaid cards. Till date, there are more than 310,000 MBL card holders across the country. These cards are widely accepted in every VISA enabled ATM and PoS outlets, and for e-commerce transactions within Nepal and India. Also, MBL cards are chip-based and 3D secure, which vouch for its wide acceptance and secure transactions.

ATM

ATM machines not only provide swift and convenient cash withdrawal facility to the customers, but also hassle free balance enquiry and mini statement view, without having the need to visit busy bank branches. Within this year only, Machhapuchchhre Bank has installed 55+ ATMs, leading to a wide spread coverage of a total of 170+ ATM outlets across the country.

QR Payments

Quick response code is a two-dimensional barcode that contains information. Machhapuchchhre bank has eased its corporate customers in receiving payments by generating a QR code for the enrolled merchants. This QR code is readable with any application that is enlisted under Fonepay and Union Pay. Payments are a lot more convenient, secure and faster with QR codes. QR code payments have fostered the movement towards a cashless economy. MBL has registered more than 1,800 corporate customers for QR payments.

POS Terminals

Another channel that is helping the nation move towards a cashless economy is POS terminals.

Machhapuchchhre Bank has deployed more than 1,200 POS merchants in various major outlets such as Bhatbhateni Super Market and Nepal Medicity College, where the footfall of customers is higher. To facilitate wide range of payment options, MBL POS machines accept not only VISA but Mastercard and Union Pay as well.

Branchless Banking

Branchless banking helps to include those people into the financial system, who are staying in remote areas and do not have access to bank branches. Machhapuchchhre Bank has 133 such Branchless Banking Agents, serving for the sole purpose of providing banking

facilities in the rural and remote areas, and providing easy financial solutions to the public.

Plastic Cards

Dollar Prepaid Cards can be used while travelling to any parts of the world.

InstaPay

Insta Pay is a value added product of MBL under credit card for the financing of the consumer durables. With Insta Pay, you get to purchase varieties of home appliances, electronic gadgets, furniture, jewelries, and many more and pay back in easy installments.

Online Account Opening

Customers may not visit the Bank to open an account. With online account opening facility through the Bank's website and mobile banking, opening

a bank account has become very easy and it can be opened any hours of the day or from any part of the world.

Maya (Chat-Bot)

Maya is an AI based chat bot which is there to provide 24x7 online digital assistant service to our customers. Besides providing you many banking knowledge, Maya is capable to answer all your questions relating to Bank's products and services. Maya also listens to the complaints, grievances and suggestions on the services of the Bank and resolve them accordingly.

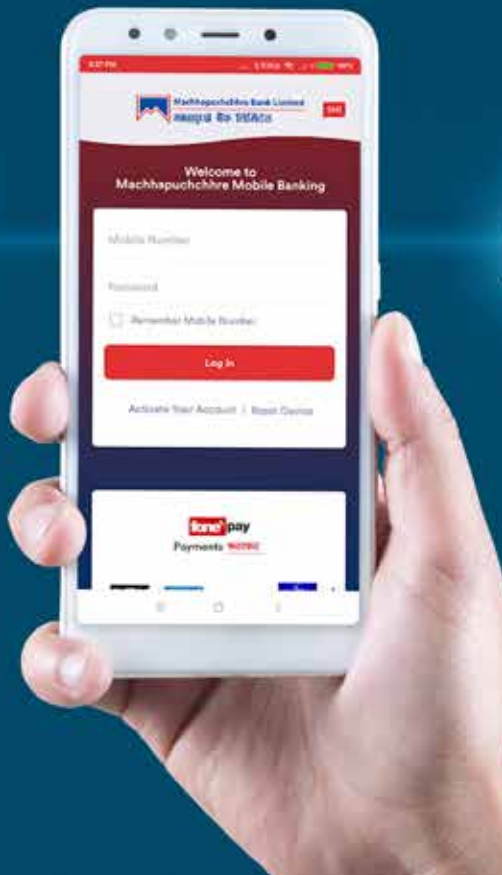


1,200

MBL POS MACHINES

170+

ATM OUTLETS
ACROSS THE COUNTRY



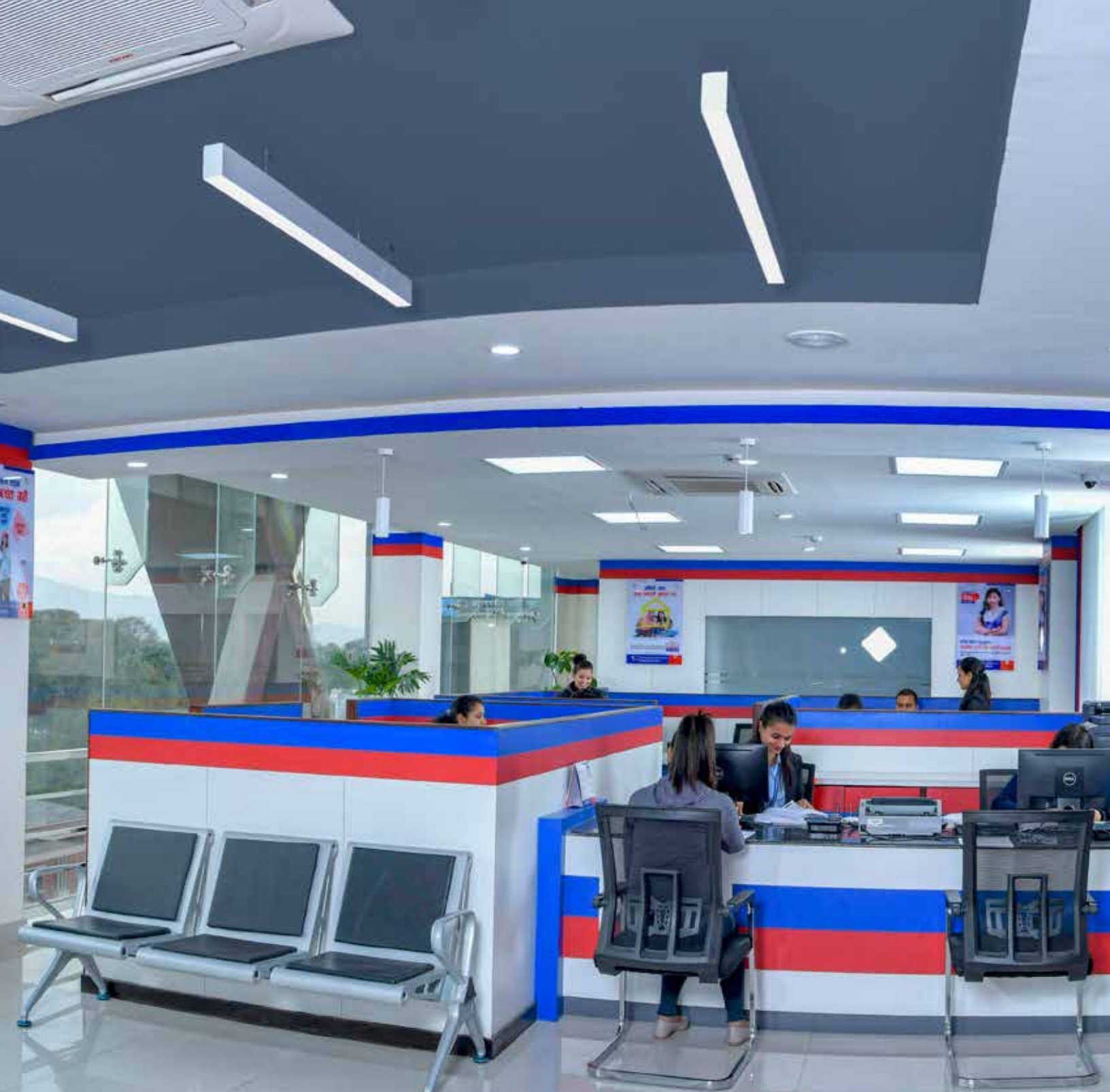
310K

MBL CARD HOLDERS

24x7

CHAT BOT
ONLINE ASSISTANCE





SERVICE EXCELLENCE

Customer Service is not only a department but an attitude; this mindset is carried by all staffs involved in our bank. Service Excellence Department has been focusing on the service delivery pattern of the organization, process re-engineering, and continuous behavioral training to its staffs. Bank

management and its staffs has always priorities its customer first; through its innovative products, professionalism, branch network with full range of financial service.

MBL takes a pride to announce that we have establish a Customer Care Center where our dedicated

representatives are involved to deal with the customer complaints and resolve it. To make the process easier, we can contact via email to customercare@mb.com.np for any issue related to our bank.

PRODUCTS & SERVICES

DEPOSITS PRODUCTS

A. SAVING DEPOSIT PRODUCT

- I. Machhapuchchhre Bachat Khata
- II. MBL Smart Bachat Khata
- III. MBL Pewa Bachat Khata
- IV. MBL Balbalika Bachat Khata
- V. MBL Student Saving Account
- VI. MBL Yuba Bachat Khata
- VII. MBL Samman Bachat Khata
- VIII. MBL Shareholders Saving Account
- IX. MBL Remittance Bachat Khata
- X. MBL Normal Saving account
- XI. MBL Online Account
- XII. MBL Ek Byakti Ek Khata Yojana
- XIII. MBL Premium Saving Account

XIV. Payroll Accounts:

- I. MBL Smart Salary account
- II. MBL Surakshit Talab Khata
- III. MBL Salary Management account

XV. FCY Saving Accounts:

- I. MBL FCY Saving Account

B. TERMS DEPOSITS

- I. MBL Fixed Deposit
- II. MBL Recurring Deposit



Our Premium Saving Deposit Offerings:

1. MACHHAPUCHCHHRE BACHAT KHATA

Machhapuchchhre Bachat Khata (MBK) is one of our premium saving deposit product catering both Individual and Institutional customers (Non Profit Making Organizations). MBK customers get to enjoy highest interest rate in savings along with various benefits:

Product Features/Benefits:

Features for Individual Customer:

- Minimum Balance: NPR 500.00
- Free withdrawal facility from any ATM within Nepal
- Free Subscription of Debit/Credit Card
- 50% Discount on Locker Charge
- Free Subscription of Internet Banking, MBL Mobile Money (M3)
- Free ABBS Facility
- Free DMAT Account Opening/C-ASBA/Mero Share

Features for Institutional Customer (NGOs/INGOs/Trusts/other Non Profit Making Organizations):

- Minimum Balance: Zero
- Free Cheque Book and Account Statement on Demand
- Free Subscription of Internet Banking Facility
- Free ABBS Facility

2. SMART BACHAT KHATA

Smart Bachat Khata (SBK) is one of our popular saving products in the market. Besides having higher interest rate and many attractive features, SBK also includes insurance coverage of upto NPR 1.41 Million.

Product Features/Benefits:

Smart features:

- Minimum Balance: NPR 5,000.00
- 50% Discount on Locker Charge
- Free Subscription of Internet Banking, MBL Mobile Money (M3)
- Free Subscription of Debit/Credit Card
- Free ABBS Facility
- Free DMAT Account Opening/C-ASBA/Mero Share

Smart Health and Accidental Insurance benefits:

- Accidental Death Insurance upto NPR 1,000,000 (including partial impairment)
- Hospitalization cost upto NPR 100,000
- Domiciliary cost upto NPR 10,000
- Critical Illness cost upto NPR 300,000

Premium Payroll Accounts:

We have been offering best salary/ payroll management schemes catering to the cash management needs of various organizations.

1. MBL SMART SALARY ACCOUNT

Our Smart Salary Account is a payroll management solution for organization whilst offering the employees with insurance coverage benefits.

Product Features/Benefits:

Features:

- Minimum Balance: Zero
- 50% Discount on Locker Charge
- Free Subscription of Internet Banking, MBL Mobile Money (M3)
- Free Subscription of Debit/Credit Card



- Free ABBS Facility
- Free DMAT Account Opening/C-ASBA/Mero Share
- Free Cheque Book and Account Statement on Demand

Health and Accidental Insurance benefits:

- Accidental Death Insurance upto NPR 1,000,000 (including partial impairment)
- Hospitalization cost upto NPR 100,000
- Domiciliary cost upto NPR 10,000
- Critical Illness cost upto NPR 300,000

2. MBL SALARY MANAGEMENT ACCOUNT

MBL Salary Management Account is also a payroll management scheme which focuses on cash management requirements of organizations.

Product Features/Benefits:

- Minimum Account Balance: Zero
- Statement of each staff provided every quarter upon request
- 50% discount on annual locker fee
- Free Internet Banking Facility, MBL Mobile Money (M3)
- Free ABBS facility in withdrawal and deposit
- Free Debit Card facility
- Account to be automatically downgraded to Normal Saving Account if salary is not received in the customer's account for six consecutive months

- Insurance coverage: Accidental Death Insurance of NPR 500,000.00 or 5 times of average balance, whichever is lower

3. MBL SURAKSHIT TALAB KHATA:

MBL Surakshit Talab Khata is a payroll management scheme that focuses on cash management of organizations having wider network across country. Employees get to enjoy the insurance benefits from the payroll scheme.

Product Features/Benefits:

- Minimum Account Balance: Zero
- Free Cheque Book and Account Statement on Demand
- 50% discount on Joining Fee of locker
- Free Internet Banking Facility, MBL Mobile Money (M3)
- Free ABBS facility
- Full waiver of first installment of Debit Card
- Free DMAT Account Opening/C-ASBA/Mero Share
- Insurance Coverage: Accidental Insurance of NPR 700,000.00 (including partial impairment)

Personal Saving Account for All Age Groups

Machhapuchchhre Bank is for all, which is why we have saving deposit products for all age groups.

- Balbalika Bachat Khata: Account for Minors (children upto age of 15 years and below)
- MBL Student Saving Account: Account for both for Minors & Majors (from age of 6 years upto 25 years)
- MBL Yuba Bachat Khata: Account for Youths/Adults/Majors (age group between 18-40)
- MBL Samman Bachat Khata:

Account for Elders (for age group above 50 years)

Personal Saving Account for Women

PEWA BACHAT KHATA

Pewa Bachat Khata is a personal saving account scheme for all women.

Product Features:

- Account Minimum Balance: NPR 100
- Only female can open this account (however, account operator can be male if accountholder authorizes so)
- 50% discount on Locker Charge
- Free subscription of Internet Banking
- This account can be opened in the joint name of minor as well (minor can be son or daughter)

MBL Online Account

We have offered online account opening platform to all our customers. Customers from any nook and corner of the world can open their personal account in MBL by filling up an online account opening form.

MBL SHAREHOLDER SAVING ACCOUNT

This saving deposit scheme aims to serve the banking need of shareholders by providing complete financial solutions.

- Minimum Balance: Zero
- Full waiver of First Installment of Debit Card
- Free ABBS facility
- Free subscription of Internet Banking
- 50% discount on Joining Fee of Safe Deposit Locker
- Free DMAT Account Opening/C-ASBA/Mero Share

MBL REMITTANCE BACHAT KHATA

This deposit scheme to serve the remittance payment holders, existing

customers and foreign employment seekers.

- Account Minimum Balance: Zero
- Accidental Death Insurance Coverage of NPR 100,000.00 for accounts maintaining deposits over NPR 1,000.00
- Free Internet Banking

MBL EK BYAKTI EK KHATA YOJANA

As a part of Government's "Kholau Bank Khata Abhiyan,2076" campaign, MBL has come up with an attractive deposit product. Now, customers can easily open account with minimum documentation requirement.

Product Features:

- Bank will deposit NPR 100/- in the account
- Simplified account opening form

Term Deposits

1. MBL FIXED DEPOSIT ACCOUNT:

We are offering competitive Interest rates in Fixed Time deposits and also provide liquidity at your needs.

Features:

- Fixed Deposits are accepted for minimum 3 months and maximum for any period agreed upon
- Interest will be paid quarterly, or as agreed at the time of deposit. The interest of the deposit can be credited to Current account or Saving account, as the case may be
- Fixed Deposits can be opened with minimum amount of NPR 50,000/-
- Fixed Deposits can be opened directly from MBL Mobile Money (M3) App.

Non-Resident Nepalese as well as Foreign Institutions can open Fixed Deposit in Foreign Currency (USD, Euro, GBP) for a tenure of 2 years and above.

2. MBL RECURRING DEPOSIT**ACCOUNT:**

MBL Recurring Deposit is a tool to mobilize small deposits in the form of regular savings for future investments. Be it for your children's education, marriage ceremony,

retirement days or investment, our customers will be able to save sizeable amount of money with this scheme.

Features:

- Flexible saving option: from 6 months to 20 years

- Standing Instruction for debit authority
- Higher interest rate than saving deposit schemes

CONSUMER LENDING.

Consumer lending is the category of financing centered on individual and household consumers. It includes home loan, mortgage loan, hire purchase loan and auto loans, as well as personal loans extended to people who use the funds for individual or family purposes.

We have various consumer banking products under consumer lending business segment, here are the basic introduction and features of MBL consumer banking products.

MBL AUTO LOAN

The purpose of this product is to extend financing to individual customers and business units for the purchase of brand new or second hand vehicles to be used for personal / non-income generating use. Minimum loan limit under MBL Auto Loan is NPR 500K and Maximum limit under MBL Auto Loan is NPR 15,000K. Maximum tenure under MBL Auto Loan shall be 8 years from the date of first registration.

MBL HOME LOAN

extend secured loans to individuals in all strata of life based on their income stream to meet their financial need for acquiring land or land and building or for construction of new building or renovation / extension of existing building for the use as their own or family residence. Loans provided under this Product shall be of Term Loan type, that is, the loan shall be fully repaid within a pre-determined period in multiple installments.

Minimum loan limit under MBL Home Loan is NPR 500K and Maximum limit under MBL Home Loan is NPR 50,000K. Maximum tenure under MBL Home Loan shall be 25 years including moratorium period (grace period), maximum moratorium period of 12 months is provided under MBL Home Loan.

MBL MORTGAGE LOAN

The purpose of this product is to extend secured loans to individuals in all strata of life based on their income stream to meet their financial need to fulfill their personal, family and social need. The purpose of loan is to

- meet the fund requirement of individuals for various personal needs. Personal needs can be explained as social functions like marriage, traditional rituals, medical treatment, travel, personal investment, settlement of personal borrowings, Leisure and vacation,

health and wellness, and other various needs of the borrower.

- purchase/construct commercial/business lands and/or building.
- equity refinance against land and/or building owned by the borrower

Minimum loan limit under MBL Mortgage Loan is NPR 500K and Maximum limit under MBL Mortgage Loan is below NPR 5,000K. Maximum tenure under MBL Mortgage Loan shall be 15 years including moratorium period (grace period), maximum moratorium period of 12 months is provided under MBL Mortgage Loan. In case of overdraft facility the tenure will be one year from date of disbursement, which may be subject to renewal on satisfactory performance.

MBL PRIVILEGE LOAN

The purpose of this product is to extend secured loans to employee/ex-employee of institutions whose salary

accounts managed by MBL in order to help them to meet their financial need to fulfill their personal, family and social need. However, employees/ex-employee of other institution of high reputation may also consider under this product whose salary accounts has been managed by MBL.

Minimum loan limit under MBL Privilege Loan is NPR 100K and Maximum limit under MBL Privilege Loan is below NPR 5,000K. Maximum tenure under MBL Privilege Loan shall be 15 years including moratorium period (grace period), maximum moratorium period of 12 months is provided under MBL Privilege Loan. In case of overdraft facility the tenure will be one year from date of disbursement, which may be subject to renewal on satisfactory performance.

MBL COMMERCIAL VEHICLE LOAN

The purpose of this product is to extend the part financing requirement of individual customers and business units for purchase of heavy and light commercial vehicles for commercial use to meet people's/ businesses' requirement for transportation of goods, travelling of general public and for use in heavy construction.

Minimum loan limit under MBL Commercial Vehicle Loan is NPR 500K and Maximum limit under MBL Commercial Vehicle Loan is NPR 10,000K. Maximum tenure under MBL Vehicle Loan shall be 5 years from the date of first registration under.

MBL MORTGAGE PLUS LOAN

The purpose of the product is to extend secured loans to high net worth individuals based on their income stream to meet their various financial needs.

- To meet the fund requirement of individual for specific needs. Specific needs can be explained like land acquisition and Construction of office buildings, rental space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, purchase of residential/commercial land and land & building, construction of residential/commercial building, investment in securities, capital investment in business etc.
- Equity refinance against land and/or building owned by the Borrower for specific purpose acceptable to the Bank.

- For repayment of existing loans availed from other Financial Institution. Purpose of loan should be clear and acceptable to the Bank.

Minimum loan limit under MBL Mortgage plus Loan is NPR 5,000K and Maximum limit under MBL Mortgage Plus Loan is NPR 100,000K. Maximum tenure under MBL Mortgage Loan shall be 15 years including moratorium period (grace period), maximum moratorium period of 12 months is provided under MBL Mortgage Loan. In case of overdraft facility the tenure will be one year from date of disbursement, which may be subject to renewal on satisfactory performance.

MBL EDUCATION LOAN

The purpose of the product is to extend secured loans to individuals in all strata of life based on their income stream to meet their financial need for their pursuit of higher education in the country and/ or abroad under the guidelines of MBL's Credit Policy Guidelines. MBL education loan is provided to finance educational expenses of the students (such as admission fee, tuition fee, health insurance expenses, travel expenses, library and reading materials expenses, security deposit, accommodation / living expenses and other related expenses).

Minimum loan limit under MBL Education Loan is NPR 200K and Maximum limit under MBL Education Loan is NPR 6,000K. Maximum tenure under MBL Mortgage Loan shall be 12 years including moratorium period (grace period), maximum moratorium period of 5 years or completion of course of study which occurs earlier shall be provided under MBL Education Loan.

MBL MARGIN LENDING LOAN

The purpose of the product is to provide refinancing to the individual customers against marketable securities of listed companies in Nepal Stock Exchange. Margin lending facilities is being provided to the individual customers against the securities held by them to meet various personal obligations.

Minimum loan limit under MBL Margin Lending Loan is NPR 500K and Maximum limit under MBL Margin Lending Loan is NPR 5,000K. Maximum tenure under MBL Margin Lending Loan shall be 1 year. The limit can be renewed based on the satisfactory performance of the borrower subject to compliance of NRB guidelines. In case of promoter's securities, the tenure shall be 1 year on terminating basis.

REMITTANCE

MBL Remit, customer focused and technology driven remittance product is brought to you by Machhapuchchhre Bank Ltd with an objective to provide hassle free remittance platform to our valued customers.

Consistent vision from the Board, versatile management, dedicated human resources and strongly built technology has continuously provided support to the Bank's remittance product to establish it as one of the key element of the Bank.

Bank has a dedicated Remittance Business Department (RBD) working to support our valued customers. All the queries regarding

remittance, customer complaints and other remittance related queries are handled by RBD. RBD is equipped with well trained, highly energetic and senior management continuously monitors turnaround time for each query.

Bank has maintained extensive correspondent relationship both at national and international levels. It has full access to all the major business centers of the country through its own branches and the business tie-up with other banks where it does not have its presence. To channelize the remittance through banking channel, the bank has established successful business relationship with the foreign bank/s or Money Transfer Companies citing the number of Nepalese people staying / working legally and we also are exploring the new market to expand our horizon.



FINANCIAL STATEMENT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MACHHAPUCHCHHRE BANK LIMITED

Opinion

We have audited the financial statements of Machhapuchchhre Bank Limited, which comprise the Statement of Financial Position as at Ashadh 31, 2076 (*July 16, 2019*), and the Statement of Profit or Loss, and 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 present fairly, in all material respects, the Financial Position of the Bank as at Ashadh 31, 2076 (*July 16, 2019*), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards [NFRS].

Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing [NSA]. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities 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 NAS, 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 Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement whether caused due to fraud or error, and to issue auditor's report that includes our opinion. Reasonable assurance is a 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.

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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

We have determined to communicate following matters in accordance with the requirements of NRB Directives, Companies Act, 2063, BAFIA, 2073 and other regulatory requirements: -

- We have obtained all the information and the explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- Based on our audit, proper books of accounts as required by law have been kept by the Bank.
- The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Cash Flow Statement, and the Statement of Changes in Equity dealt with by this report are in agreement with the books of accounts maintained by the Bank.
- Returns received from the branch offices of the Bank were adequate for the purpose of our audit though the statements are independently not audited.
- The capital fund, risk bearing fund and the provisions for possible impairment of assets of the bank are adequate considering the Directives issued by Nepal Rastra Bank.
- In our opinion and to the best of our information and according to the explanations and from our examination of the books of accounts of the Bank, we have not come across any case where the Board or Directors or any office bearer of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Bank and violated Directives issued by Nepal Rastra Bank or acted in a manner, as would jeopardize the interest and security of the Bank, its shareholders and its depositors.
- The business of the Bank has been conducted satisfactorily and operated within its jurisdiction and has been functioning as per NRB Directives.


CA. Shiva Chandra Shrestha
 Senior Partner
G. P. Rajbahak & Co.
 Chartered Accountants



Place: Kathmandu
 Date: August 28, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on 31st Ashad 2076

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets					
Cash and cash equivalent	4.1	9,442,900,351	2,364,190,960	9,442,900,351	2,364,190,960
Due from Nepal Rastra Bank	4.2	3,226,962,097	7,096,607,818	3,226,962,097	7,096,607,818
Placement with Bank and Financial Institutions	4.3	1,458,033,992	1,395,303,965	1,458,033,992	1,395,303,965
Derivative financial instruments	4.4	72,597,160	-	72,597,160	-
Other trading assets	4.5	358,694,537	252,058,704	358,694,537	252,058,704
Loan and advances to B/FIs	4.6	2,440,166,215	1,798,387,585	2,440,166,215	1,798,387,585
Loans and advances to customers	4.7	75,095,773,816	62,417,217,568	75,095,773,816	62,417,217,568
Investment securities	4.8	10,306,077,788	7,732,134,169	10,306,077,788	7,732,134,169
Current tax assets	4.9	208,733,311	200,371,773	209,977,311	200,371,773
Investment in subsidiaries	4.10	-	-	200,000,000	-
Investment in associates	4.11	-	-	-	-
Investment property	4.12	78,457,743	24,870,824	78,457,743	24,870,824
Property and equipment	4.13	1,122,933,578	877,983,812	1,122,933,578	877,983,812
Goodwill and Intangible assets	4.14	49,006,075	45,439,230	49,006,075	45,439,230
Deferred tax assets	4.15	21,424,000	-	21,424,000	-
Other assets	4.16	1,162,941,666	583,081,406	1,163,041,666	583,081,406
Total Assets		105,044,702,329	84,787,647,814	105,246,046,329	84,787,647,814
Liabilities					
Due to Bank and Financial Institutions	4.17	6,361,837,039	1,332,347,000	6,361,837,039	1,332,347,000
Due to Nepal Rastra Bank	4.18	1,020,524,291	637,802,484	1,020,524,291	637,802,484
Derivative financial instruments	4.19	-	116,400	-	116,400
Deposits from customers	4.20	84,990,980,346	71,142,372,641	85,198,402,144	71,142,372,641
Borrowing	4.21	-	-	-	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	739,627	-	739,627
Deferred tax liabilities	4.15	-	14,219,601	-	14,219,601
Other liabilities	4.23	1,428,430,348	1,303,178,275	1,428,411,353	1,303,178,275
Debt securities issued	4.24	-	-	-	-
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		93,801,772,023	74,430,776,028	94,009,174,826	74,430,776,028
Equity					
Share capital	4.26	8,055,693,000	8,055,693,000	8,055,693,000	8,055,693,000
Share premium		30,881,765	30,881,765	30,881,765	30,881,765
Retained earnings		1,299,526,005	799,703,015	1,293,467,202	799,703,015
Reserves	4.27	1,856,829,536	1,470,594,007	1,856,829,536	1,470,594,007
Total equity attributable to equity holders		11,242,930,306	10,356,871,786	11,236,871,503	10,356,871,786
Non-controlling interest		-	-	-	-
Total equity		11,242,930,306	10,356,871,786	11,236,871,503	10,356,871,786
Total liabilities and equity		105,044,702,329	84,787,647,814	105,246,046,329	84,787,647,814
Contingent liabilities and commitment	4.28	17,592,078,734	11,695,674,529	17,592,078,734	11,695,674,529
Net assets value per share		139.57	128.57	139.49	128.57

Suvash Jamarkattel
Chief Finance Officer

Suman Sharma
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan K.C.
Director

Gopi Krishna Neupane
Director

Jaya Mukunda Khanal
Director

CA. Shiva Chandra Shrestha

Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Date: August 28, 2019
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st Ashad 2076

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	10,177,522,844	7,766,355,770	10,177,522,844	7,766,355,770
Interest expense	4.30	6,618,747,741	5,026,556,648	6,627,767,028	5,026,556,648
Net interest income		3,558,775,103	2,739,799,122	3,549,755,816	2,739,799,122
Fee and commission income	4.31	790,519,271	491,068,818	790,519,271	491,068,818
Fee and commission expense	4.32	69,975,241	51,568,932	69,975,241	51,568,932
Net fee and commission income		720,544,030	439,499,886	720,544,030	439,499,886
Net interest, fee and commission income		4,279,319,133	3,179,299,008	4,270,299,846	3,179,299,008
Net trading income	4.33	303,331,669	166,803,239	303,331,669	166,803,239
Other operating income	4.34	28,138,768	9,034,108	28,138,768	9,034,108
Total operating income		4,610,789,570	3,355,136,355	4,601,770,283	3,355,136,355
Impairment charge/(reversal) for loans and other losses	4.35	117,170,866	152,735,872	117,170,866	152,735,872
Net operating income		4,493,618,705	3,202,400,483	4,484,599,418	3,202,400,483
Operating expense					
Personnel expenses	4.36	1,230,381,075	874,639,789	1,230,381,075	874,639,789
Other operating expenses	4.37	723,913,807	419,489,928	723,550,216	419,489,928
Depreciation & Amortisation	4.38	130,386,029	100,013,185	130,386,029	100,013,185
Operating Profit		2,408,937,793	1,808,257,581	2,400,282,097	1,808,257,581
Non operating income	4.39	121,903,001	3,120,460	121,903,001	3,120,460
Non operating expense	4.40	94,891,802	1,448,209	94,891,802	1,448,209
Profit before income tax		2,435,948,993	1,809,929,832	2,427,293,296	1,809,929,832
Income tax expense	4.41	732,801,947	560,241,516	730,205,054	560,241,516
Current Tax		763,508,737	558,867,013	760,911,844	558,867,013
Deferred Tax		(30,706,790)	1,374,503	(30,706,790)	1,374,503
Profit for the year		1,703,147,046	1,249,688,316	1,697,088,243	1,249,688,316
Profit attributable to:					
Equity holders of the Bank		1,703,147,046	1,249,688,316	1,697,088,243	1,249,688,316
Non-controlling interest		-	-	-	-
Profit for the year		1,703,147,046	1,249,688,316	1,697,088,243	1,249,688,316
Earnings per share					
Basic earnings per share		21.14	15.81	21.07	15.81
Diluted earnings per share		21.14	15.81	21.07	15.81

Suvash Jamarkattel
Chief Finance Officer

Suman Sharma
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan K.C.
Director

Gopi Krishna Neupane
Director

Jaya Mukunda Khanal
Director

CA. Shiva Chandra Shrestha
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

Date: August 28, 2019
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st Ashad 2076

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,703,147,046	1,249,688,316	1,697,088,243	1,249,688,316
Other comprehensive income, net of income tax					
a) Items that will not be reclassified to profit or loss					
Gain /(losses) from investments in equity instruments measured at fair value		(4,996,603)	(15,374,257)	(4,996,603)	(15,374,257)
Gain /(losses) on revaluation		-	-	-	-
Actuarial gains/(loss) on defined benefit plans		(11,459,433)	(26,853,845)	(11,459,433)	(26,853,845)
Income tax relating to above items		4,936,811	12,668,431	4,936,811	12,668,431
Net other comprehensive income that will not be reclassified to profit or loss		(11,519,225)	(29,559,671)	(11,519,225)	(29,559,671)
b) Items that are or may be classified to profit or loss					
Gain /(losses) on cash flow hedge		-	-	-	-
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)		-	-	-	-
Income tax relating to above items		-	-	-	-
Reclassify to profit or loss		-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method		-	-	-	-
Other comprehensive income for the period, net of income tax		(11,519,225)	(29,559,671)	(11,519,225)	(29,559,671)
Total comprehensive income for the year		1,691,627,821	1,220,128,644	1,685,569,018	1,220,128,644
Total comprehensive income attributable to:					
Equity holders of the Bank		1,691,627,821	1,220,128,644	1,685,569,018	1,220,128,644
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		1,691,627,821	1,220,128,644	1,685,569,018	1,220,128,644

Suvash Jamarkattel
Chief Finance Officer

Suman Sharma
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

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G.P. Rajbahak & Co
Chartered Accountants

Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

Date: August 28, 2019
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashad 2076

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	9,850,604,524	7,453,215,409	9,850,604,524	7,453,215,409
Fees and other income received	790,519,271	491,068,818	790,519,271	491,068,818
Divided received	-	-	-	-
Receipts from other operating activities	424,495,043	169,923,699	424,495,043	169,923,699
Interest paid	(6,770,253,963)	(5,026,556,648)	(6,779,273,251)	(5,026,556,648)
Commission and fees paid	(69,975,241)	(51,568,932)	(69,975,241)	(51,568,932)
Cash payment to employees	(1,201,198,406)	(851,508,956)	(1,201,198,406)	(851,508,956)
Other expense paid	(723,913,807)	(419,489,928)	(723,550,216)	(419,489,928)
Operating cash flows before changes in operating assets and liabilities	2,300,277,422	1,765,083,462	2,291,621,725	1,765,083,462
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	3,869,645,721	(1,635,168,484)	3,869,645,721	(1,635,168,484)
Placement with bank and financial institutions	(62,730,027)	(1,322,766,549)	(62,730,027)	(1,322,766,549)
Other trading assets	(106,635,833)	(171,811,041)	(106,635,833)	(171,811,041)
Loan and advances to bank and financial institutions	(647,420,779)	(105,175,767)	(647,420,779)	(105,175,767)
Loans and advances to customers	(12,952,495,340)	(12,610,192,215)	(12,952,495,340)	(12,610,192,215)
Other assets	(656,558,405)	(75,820,218)	(656,558,405)	(75,820,218)
	(10,556,194,664)	15,920,934,274)	(10,556,194,664)	(15,920,934,274)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	5,029,490,039	30,126,526	5,029,490,039	30,126,526
Due to Nepal Rastra Bank	382,721,807	477,099,221	382,721,807	477,099,221
Deposit from customers	13,848,607,704	13,815,516,434	14,056,029,503	13,815,516,434
Borrowings	-	-	-	-
Other liabilities	211,790,541	101,817,298	211,671,546	101,817,298
Net cash flow from operating activities before tax paid	19,472,610,090	14,424,559,479	19,679,912,894	14,424,559,479
Income taxes paid	(771,870,275)	(498,577,603)	(770,517,381)	(498,577,603)
Net cash flow from operating activities	10,444,822,574	(229,868,937)	10,644,822,574	(229,868,937)

Contd... CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(3,924,020,102)	(3,904,253,403)	(4,124,020,102)	(3,904,253,403)
Receipts from sale of investment securities	1,345,079,880	980,840,000	1,345,079,880	980,840,000
Purchase of property and equipment	(394,174,259)	(281,471,169)	(394,174,259)	(281,471,169)
Receipt from the sale of property and equipment	22,595,768	8,218,283	22,595,768	8,218,283
Purchase of intangible assets	(7,950,264)	(7,771,792)	(7,950,264)	(7,771,792)
Receipt from the sale of intangible assets	268,375	-	268,375	-
Purchase of investment properties	(53,586,919)	-	(53,586,919)	-
Receipt from the sale of investment properties	-	645	-	645
Interest received	400,771,482	313,140,361	400,771,482	313,140,361
Dividend received	3,207,495	1,762,843	3,207,495	1,762,843
Net cash used in investing activities	(2,607,808,543)	(2,889,534,232)	(2,807,808,543)	(2,889,534,232)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	-	-	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	369,969,665	-	369,969,665
Dividends paid	(781,143,647)	(393,271,730)	(781,143,647)	(393,271,730)
Interest paid	-	-	-	-
Other receipt/payment	-	-	-	-
Net cash from financing activities	(781,143,647)	(23,302,065)	(781,143,647)	(23,302,065)
Net increase (decrease) in cash and cash equivalents	7,055,870,384	(3,142,705,233)	7,055,870,384	(3,142,705,233)
Cash and cash equivalents at Shrawan 1, 2075	2,364,190,960	5,501,151,243	2,364,190,960	5,501,151,243
Effect of exchange rate fluctuations on cash and cash equivalents held	22,839,007	5,744,950	22,839,007	5,744,950
Cash and cash equivalents at Ashad end 2076	9,442,900,351	2,364,190,960	9,442,900,351	2,364,190,960

Suvash Jamarkattel
Chief Finance Officer

Suman Sharma
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan K.C.
Director

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Chartered Accountants

Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

Date: August 28, 2019
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashad 2076

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Sawan 1, 2074	6,598,700,000	-	864,186,016	9,280,311
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 2074	6,598,700,000	-	864,186,016	9,280,311
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
Transfer to reserve during the year	-	-	249,937,663	1,436,237
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Right share issued	791,844,000	30,881,765		
Share based payments				
Dividends to equity holders				
Bonus shares issued	665,149,000	-	-	-
Cash dividend paid				
Total contributions by and distributions	1,456,993,000	30,881,765	249,937,663	1,436,237
Balance at Asar end 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Balance at Sawan 1, 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year	-	-	-	-
Transfer to reserve during the year	-	-	339,417,649	5,709,751
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Right share issued				
Share based payments				
Dividends to equity holders				
Bonus shares issued				
Cash dividend paid				
Total contributions by and distributions	-	-	339,417,649	5,709,751
Balance at Asar end 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299

GROUP							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE			
-	407,466	-	1,229,015,006	55,861,218	8,757,450,016	-	8,757,450,016
-	140,711	-	(140,711)	-	-	-	-
-	548,177	-	1,228,874,295	55,861,218	8,757,450,016	-	8,757,450,016
			1,249,688,316		1,249,688,316	-	1,249,688,316
				(18,797,692)	(18,797,692)	-	(18,797,692)
	(10,761,979)				(10,761,979)	-	(10,761,979)
			-		-	-	-
			-		-	-	-
	(10,761,979)		1,249,688,316	(18,797,692)	1,220,128,645	-	1,220,128,645
338,258,835	-	-	(562,221,803)	(27,410,932)	-	-	-
-	-	-	-	-	-	-	-
					822,725,765	-	822,725,765
					-	-	-
					-	-	-
-	-	-	(665,149,000)		-	-	-
			(443,432,640)		(443,432,640)	-	(443,432,640)
338,258,835	(10,761,979)	-	(421,115,127)	(46,208,624)	1,599,421,769	-	1,599,421,769
338,258,835	(10,213,802)	-	807,759,168	9,652,594	10,356,871,786	-	10,356,871,786
338,258,835	(10,213,802)	-	807,759,168	9,652,594	10,356,871,786	-	10,356,871,786
4,612,277	-	-	(12,668,431)	8,056,154	-	-	-
342,871,112	(10,213,802)	-	795,090,737	17,708,747	10,356,871,786	-	10,356,871,786
					-	-	-
			1,703,147,046		1,703,147,046	-	1,703,147,046
					-	-	-
	(3,497,622)				(3,497,622)	-	(3,497,622)
					-	-	-
				(8,021,603)	(8,021,603)	-	(8,021,603)
					-	-	-
					-	-	-
-	(3,497,622)	-	1,703,147,046	(8,021,603)	1,691,627,821	-	1,691,627,821
47,440,164	-	-	(393,142,477)	574,914	-	-	-
-	-	-	-	-	-	-	-
					-	-	-
					-	-	-
					-	-	-
					-	-	-
			(805,569,300)		(805,569,300)	-	(805,569,300)
47,440,164	(3,497,622)	-	504,435,268	(7,446,689)	886,058,521	-	886,058,521
390,311,276	(13,711,424)	-	1,299,526,006	10,262,058	11,242,930,307	-	11,242,930,307

Contd... CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Shrawn 1, 2074	6,598,700,000	-	864,186,016	9,280,311
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Shrawn 1, 2074	6,598,700,000	-	864,186,016	9,280,311
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
Transfer to reserve during the year	-	-	249,937,663	1,436,237
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Share issued	791,844,000	30,881,765	-	-
Share based payments	-	-	-	-
Dividends to equity holders				
Bonus shares issued	665,149,000	-	-	-
Cash dividend paid				
Others	-	-	-	-
Total contributions by and distributions	1,456,993,000	30,881,765	249,937,663	1,436,237
Balance at Ashad end 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Balance at 1 Sawan 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at 1 Shrawn 2075	8,055,693,000	30,881,764.68	1,114,123,679	10,716,548
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
Transfer to reserve during the year	-	-	339,417,649	5,709,751
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Share issued	-	-	-	-
Share based payments	-	-	-	-
Dividends to equity holders				
Bonus shares issued	-	-	-	-
Cash dividend paid				
Others	-	-	-	-
Total contributions by and distributions	-	-	339,417,649	5,709,751
Balance at Ashad end 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299

BANK							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE			
-	407,466	-	1,229,015,006	55,861,218	8,757,450,016	-	8,757,450,016
-	140,711	-	(140,711)	-	-	-	-
-	548,177	-	1,228,874,295	55,861,218	8,757,450,016	-	8,757,450,016
			1,249,688,316		1,249,688,316	-	1,249,688,316
					-	-	-
	(10,761,979)				(10,761,979)	-	(10,761,979)
					-	-	-
				(18,797,692)	(18,797,692)	-	(18,797,692)
					-	-	-
					-	-	-
	(10,761,979)		1,249,688,316	(18,797,692)	1,220,128,645	-	1,220,128,645
338,258,835	-	-	(562,221,803)	(27,410,932)	-	-	-
-	-	-	-	-	-	-	-
					822,725,765	-	822,725,765
					-	-	-
			(665,149,000)	-	-	-	-
			(443,432,640)	-	(443,432,640)	-	(443,432,640)
			-	-	-	-	-
338,258,835	(10,761,979)	-	(421,115,127)	(46,208,624)	1,599,421,769	-	1,599,421,769
338,258,835	(10,213,802)	-	807,759,168	9,652,594	10,356,871,786	-	10,356,871,786
338,258,835	(10,213,802)	-	807,759,168	9,652,594	10,356,871,786	-	10,356,871,786
4,612,277	-	-	(12,668,431)	8,056,154	-	-	-
342,871,112	(10,213,802)	-	795,090,738	17,708,747	10,356,871,786	-	10,356,871,786
			1,697,088,243		1,697,088,243	-	1,697,088,243
	(3,497,622)				(3,497,622)	-	(3,497,622)
					-	-	-
				(8,021,603)	(8,021,603)	-	(8,021,603)
					-	-	-
					-	-	-
	(3,497,622)		1,697,088,243	(8,021,603)	1,685,569,018	-	1,685,569,018
47,440,164	-	-	(393,142,477)	574,914	-	-	-
-	-	-	-	-	-	-	-
					-	-	-
					-	-	-
					-	-	-
			(805,569,300)	-	(805,569,300)	-	(805,569,300)
			-	-	-	-	-
47,440,164	(3,497,622)	-	498,376,465	(7,446,689)	879,999,718	-	879,999,718
390,311,276	(13,711,424)	-	1,293,467,203	10,262,058	11,236,871,504	-	11,236,871,504

CASH AND CASH EQUIVALENT

4.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in hand	2,480,745,457	1,553,734,108	2,480,745,457	1,553,734,108
Balances with B/FIs	1,368,573,089	655,537,209	1,368,573,089	655,537,209
Money at call and short notice	4,753,564,748	-	4,753,564,748	-
Other	840,017,057	154,919,643	840,017,057	154,919,643
Total	9,442,900,351	2,364,190,960	9,442,900,351	2,364,190,960

DUE FROM NEPAL RASTRA BANK

4.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory balances with NRB	3,048,899,070	5,572,517,581	3,048,899,070	5,572,517,581
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	178,063,027	1,524,090,237	178,063,027	1,524,090,237
Total	3,226,962,097	7,096,607,818	3,226,962,097	7,096,607,818

PLACEMENTS WITH BANK AND FINANCIAL INSTITUTIONS

4.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Placement with domestic B/FIs	1,458,033,992	74,209,554	1,458,033,992	74,209,554
Placement with foreign B/FIs	-	1,321,094,411	-	1,321,094,411
Less: Allowances for impairment	-	-	-	-
Total	1,458,033,992	1,395,303,965	1,458,033,992	1,395,303,965

DERIVATIVE FINANCIAL INSTRUMENTS

4.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	72,597,160	-	72,597,160	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	72,597,160	-	72,597,160	-
Other	-	-	-	-
Total	72,597,160	-	72,597,160	-

OTHER TRADING ASSETS

4.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	358,694,537	252,058,704	358,694,537	252,058,704
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	358,694,537	252,058,704	358,694,537	252,058,704
Pledged	-	-	-	-
Non-pledged	358,694,537	252,058,704	358,694,537	252,058,704

LOAN AND ADVANCES TO B/FIS

4.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loans to microfinance institutions	2,464,772,892	1,816,520,054	2,464,772,892	1,816,520,054
Other	-	-	-	-
Less: Allowances for impairment	24,606,677	18,132,469	24,606,677	18,132,469
Total	2,440,166,215	1,798,387,585	2,440,166,215	1,798,387,585

ALLOWANCES FOR IMPAIRMENT

4.6.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 1	18,132,469	17,096,289	18,132,469	17,096,289
Impairment loss for the year:	6,474,208	1,036,180	6,474,208	1,036,180
Charge for the year	6,474,208	1,036,180	6,474,208	1,036,180
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Balance at Ashad end	24,606,677	18,132,469	24,606,677	18,132,469

LOANS AND ADVANCES TO CUSTOMERS

4.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and advances measured at amortized cost	76,039,984,285	63,250,731,379	76,039,984,285	63,250,731,379
Less: Impairment allowances	944,210,469	833,513,811	944,210,469	833,513,811
Collective impairment	744,320,701	654,867,987	744,320,701	654,867,987
Individual impairment	199,889,768	178,645,824	199,889,768	178,645,824
Net amount	75,095,773,816	62,417,217,568	75,095,773,816	62,417,217,568
Loan and advances measured at FVTPL	-	-	-	-
Total	75,095,773,816	62,417,217,568	75,095,773,816	62,417,217,568

ANALYSIS OF LOAN AND ADVANCES - BY PRODUCT

4.7.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Product				
Term loans	13,307,257,261	9,125,192,022	13,307,257,261	9,125,192,022
Overdraft	6,612,682,040	5,123,767,656	6,612,682,040	5,123,767,656
Trust receipt/Import loans	3,612,921,686	2,899,232,294	3,612,921,686	2,899,232,294
Demand and other working capital loans	9,161,725,337	6,600,111,055	9,161,725,337	6,600,111,055
Personal residential loans	5,683,061,407	5,961,585,585	5,683,061,407	5,961,585,585
Real estate loans	3,918,237,085	4,635,361,602	3,918,237,085	4,635,361,602
Margin lending loans	229,023,326	228,727,861	229,023,326	228,727,861
Hire purchase loans	6,492,715,785	6,577,962,331	6,492,715,785	6,577,962,331
Deprived sector loans	1,424,685,615	1,310,733,623	1,424,685,615	1,310,733,623
Bills purchased	-	-	-	-
Staff loans	598,846,165	394,488,599	598,846,165	394,488,599
Other	24,769,689,405	20,089,744,357	24,769,689,405	20,089,744,357
Sub total	75,810,845,113	62,946,906,986	75,810,845,113	62,946,906,986
Interest receivable	229,139,172	303,824,393	229,139,172	303,824,393
Grand total	76,039,984,285	63,250,731,379	76,039,984,285	63,250,731,379

ANALYSIS OF LOAN AND ADVANCES - BY CURRENCY

4.7.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	73,519,456,662	61,607,378,600	73,519,456,662	61,607,378,600
Indian rupee	-	-	-	-
United State dollar	2,520,527,623	1,643,352,779	2,520,527,623	1,643,352,779
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	76,039,984,285	63,250,731,379	76,039,984,285	63,250,731,379

ANALYSIS OF LOAN AND ADVANCES - BY COLLATERAL

4.7.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Secured				
Movable/immovable assets	73,813,290,076	61,257,079,022	73,813,290,076	61,257,079,022
Gold and silver	11,115,584	15,461,316	11,115,584	15,461,316
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	130,356,080	129,858,823	130,356,080	129,858,823
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	309,957,648	283,218,466	309,957,648	283,218,466
Collateral of Government securities	800,257	2,032,268	800,257	2,032,268
Counter guarantee	-	-	-	-
Personal guarantee	387,174,120	104,679,246	387,174,120	104,679,246
Other collateral	1,327,347,953	1,431,221,162	1,327,347,953	1,431,221,162
Subtotal	75,980,041,717	63,223,550,303	75,980,041,717	63,223,550,303
Unsecured	59,942,568	27,181,076	59,942,568	27,181,076
Grant Total	76,039,984,285	63,250,731,379	76,039,984,285	63,250,731,379

ALLOWANCES FOR IMPAIRMENT

4.7.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Specific allowances for impairment				
Balance at Shrawan 1	178,645,824	132,630,088	178,645,824	132,630,088
Impairment loss for the year:	21,243,944	46,015,736	21,243,944	46,015,736
Charge for the year	21,243,944	46,015,736	21,243,944	46,015,736
Recoveries/reversal during the year	-	-	-	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	199,889,768	178,645,824	199,889,768	178,645,824
Collective allowances for impairment				
Balance at Shrawan 1	654,867,987	549,184,031	654,867,987	549,184,031
Impairment loss for the year:	89,452,714	105,683,956	89,452,714	105,683,956
Charge/(reversal) for the year	89,452,714	105,683,956	89,452,714	105,683,956
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	744,320,701	654,867,987	744,320,701	654,867,987
Total allowances for impairment	944,210,469	833,513,811	944,210,469	833,513,811

INVESTMENT SECURITIES

4.8

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment securities measured at amortized cost	10,108,078,094	7,618,974,064	10,108,078,094	7,618,974,064
Investment in equity measured at FVTOCI	197,999,694	113,160,105	197,999,694	113,160,105
Total	10,306,077,788	7,732,134,169	10,306,077,788	7,732,134,169

INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

4.8.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities	-	-	-	-
Government bonds	8,750,489,200	6,746,732,047	8,750,489,200	6,746,732,047
Government treasury bills	1,357,588,894	872,242,017	1,357,588,894	872,242,017
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	-	-	-	-
Less: specific allowances for impairment	-	-	-	-
Total	10,108,078,094	7,618,974,064	10,108,078,094	7,618,974,064

INVESTMENT IN EQUITY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

4.8.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity instruments	197,999,694	113,160,105	197,999,694	113,160,105
Quoted equity securities	93,969,694	93,130,105	93,969,694	93,130,105
Unquoted equity securities	104,030,000	20,030,000	104,030,000	20,030,000
Total	197,999,694	113,160,105	197,999,694	113,160,105

INFORMATION RELATING TO INVESTMENT IN EQUITIES

4.8.3

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
INVESTMENT IN QUOTED EQUITY								
Nepal Life Insurance Company Ltd (3,863 Ordinary Shares of Rs. 100 paid up)	2,480,925	3,480,563	2,480,925	3,244,500	2,480,925	3,480,563	2,480,925	3,244,500
Butwal Power Company Ltd (6,218 Ordinary Shares of Rs. 100 paid up)	4,839,157	2,543,162	4,839,157	2,583,421	4,839,157	2,543,162	4,839,157	2,583,421
Nepal Doorsanchar Company Ltd (7,510 Ordinary Shares of Rs. 100 paid up)	5,836,193	5,204,430	-	-	5,836,193	5,204,430	-	-
NMB Hybrid Fund (12,61,921 Unit of Rs. 10 each)	12,619,210	12,657,068	12,619,210	12,228,014	12,619,210	12,657,068	12,619,210	12,228,014
Nabil Equity Fund (9,01,202 Unit of Rs. 10 each)	9,012,020	8,408,215	9,012,020	8,885,852	9,012,020	8,408,215	9,012,020	8,885,852
NIBL Pragati Fund (10,27,407 Unit of Rs. 10 each)	10,274,070	7,643,908	10,274,070	9,246,663	10,274,070	7,643,908	10,274,070	9,246,663
Laxmi Equity Fund (58,49,587 Unit of Rs. 10 each)	58,495,870	44,632,349	58,495,870	47,381,655	58,495,870	44,632,349	58,495,870	47,381,655
Sanima Equity Fund (10,00,000 Unit of Rs. 10 each)	10,000,000	9,400,000	10,000,000	9,560,000	10,000,000	9,400,000	10,000,000	9,560,000
INVESTMENT IN UNQUOTED EQUITY								
Credit Information Bureau Ltd (1,32,971 Ordinary Shares of Rs. 100 paid up)	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
National Banking Institute Ltd (12,000 Ordinary Shares of Rs. 100 paid up)	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Nepal Clearing House Ltd (36,000 Ordinary Shares of Rs. 100 paid up)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Nepal Electronic Payment Systems Ltd (150,000 Promoter Share of Rs. 100 paid up)	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Mahila Laghubitta Bittiya Sastha Ltd (1,40,000 Ordinary Shares of Rs. 100 paid up)	14,000,000	14,000,000	-	-	14,000,000	14,000,000	-	-
Nabil Balance Fund 2 (70,00,000 Unit of Rs. 10 each)	70,000,000	70,000,000	-	-	70,000,000	70,000,000	-	-
Total	217,587,445	197,999,694	127,751,252	113,160,105	217,587,445	197,999,694	127,751,252	113,160,105

CURRENT TAX ASSETS

4.9

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax assets	3,203,433,889	2,433,269,270	3,202,080,996	2,433,269,270
Current year income tax assets	770,164,619	482,551,824	768,811,726	482,551,824
Tax assets of prior periods	2,433,269,270	1,950,717,446	2,433,269,270	1,950,717,446
Current tax liabilities	2,994,700,578	2,232,897,497	2,992,103,685	2,232,897,497
Current year income tax liabilities	761,803,081	542,841,234	759,206,188	542,841,234
Tax liabilities of prior periods	2,232,897,497	1,690,056,263	2,232,897,497	1,690,056,263
Total	208,733,311	200,371,773	209,977,311	200,371,773

INVESTMENT IN SUBSIDIARIES

4.10

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment in quoted subsidiaries	-	-	-	-
Investment in unquoted subsidiaries	-	-	200,000,000	-
Total investment	-	-	200,000,000	-
Less: Impairment allowances	-	-	-	-
Net carrying amount	-	-	200,000,000	-

INVESTMENT IN QUOTED SUBSIDIARIES

4.10.1

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd								
.....Ltd								
Total								

INVESTMENT IN UNQUOTED SUBSIDIARIES

4.10.2

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Machhapuchchhre Capital Ltd (2,000,000 Ordinary Shares of Rs. 100 each)					200,000,000	200,000,000	-	-
Total					200,000,000	200,000,000		

INFORMATION RELATING TO ASSOCIATES OF THE BANK

4.11.3

	GROUP		BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK		PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Total				

EQUITY VALUE OF ASSOCIATES

4.11.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Total			-	-

INVESTMENT PROPERTIES

4.12

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment properties measured at fair value				
Balance as on Shrawan 1, 2075	-	-	-	-
Addition/disposal during the year	-	-	-	-
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	-	-	-	-
Investment properties measured at cost				
Balance as on Shrawan 1, 2075	24,870,824	24,870,824	24,870,824	24,870,824
Addition/disposal during the year	53,586,919	-	53,586,919	-
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	78,457,743	24,870,824	78,457,743	24,870,824
Total	78,457,743	24,870,824	78,457,743	24,870,824

PROPERTY AND EQUIPMENT

4.13

PARTICULARS	GROUP											TOTAL ASAR END 2075	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASAR END 2076				
Cost													
As on Shrawan 1, 2074	198,510,472	214,298,253	205,281,811	231,753,631	150,980,574	135,783,515	-	202,300,504	1,338,908,760	1,338,908,760	-	1,282,407,036	
Addition during the Year	-	-	24,891,671	43,935,064	134,833,746	14,005,750	-	63,804,937	281,471,169	281,471,169	-	70,845,525	
Acquisition	-	-	-	43,935,064	134,833,746	14,005,750	-	63,804,937	256,579,497	256,579,497	-	52,740,065	
Capitalization	-	-	24,891,671	-	-	-	-	-	24,891,671	24,891,671	-	18,105,461	
Disposal during the year	-	-	-	1,230,980	20,142,498	298,910	-	5,644,018	27,316,405	27,316,405	-	14,343,801	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as on Ashad end 2075	198,510,472	214,298,253	230,173,483	274,457,715	265,671,822	149,490,355	-	260,461,423	1,593,063,523	1,593,063,523	-	1,338,908,760	
Addition during the Year	-	-	85,216,525	107,301,227	90,407,519	36,988,601	-	74,260,388	394,174,259	394,174,259	-	281,471,169	
Acquisition	-	-	-	107,301,227	90,407,519	36,988,601	-	74,260,388	308,957,734	308,957,734	-	256,579,497	
Capitalization	-	-	85,216,525	-	-	-	-	-	85,216,525	85,216,525	-	24,891,671	
Disposal during the year	-	-	14,821,588	1,718,489	38,953,300	1,606,660	-	6,506,126	63,606,163	63,606,163	-	27,316,405	
Adjustment/Revaluation	-	713,220	(9,255,150)	28,967,647	400,873	14,185,223	-	18,155,284	53,167,097	53,167,097	-	-	
Balance as on Ashad end 2076	198,510,472	213,585,033	309,823,570	351,072,805	316,725,168	170,687,073	-	310,060,401	1,870,464,522	1,870,464,522	-	1,593,063,523	
Depreciation and Impairment													
As on Shrawan 1, 2074	-	33,702,050	136,034,164	187,135,595	74,042,605	87,208,518	-	123,396,150	641,519,082	641,519,082	-	567,822,500	
Depreciation charge for the Year	-	4,285,965	16,898,419	17,062,721	25,391,328	11,969,820	-	18,480,589	94,088,843	94,088,843	-	80,735,376	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	1,213,738	13,735,701	271,790	-	5,306,984	20,528,213	20,528,213	-	7,038,794	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	
As on Ashad end 2075	-	37,988,015	152,932,583	202,984,578	85,698,233	98,906,548	-	136,569,755	715,079,712	715,079,712	-	641,519,082	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation charge for the Year	-	4,271,701	19,443,746	27,104,939	38,336,614	12,405,003	-	23,587,044	125,149,046	125,149,046	-	94,088,843	
Disposals	-	-	13,771,436	1,699,099	20,144,963	1,424,330	-	6,062,833	43,102,660	43,102,660	-	20,528,213	
Adjustment	-	99,851	(3,782,899)	31,119,163	270,497	12,874,865	-	9,013,677	49,595,154	49,595,154	-	-	
As on Ashad end 2076	-	42,159,865	162,387,792	197,271,255	103,619,386	97,012,356	-	145,080,289	747,530,943	747,530,943	-	715,079,712	
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	
Net Book Value													
As on Ashad end 2074	198,510,472	180,596,203	69,247,648	44,618,036	76,937,968	48,574,997	-	78,904,354	697,389,677	697,389,677	-	714,584,536	
As on Ashad end 2075	198,510,472	176,310,238	77,240,900	71,473,137	179,973,589	50,583,807	-	123,891,668	877,983,812	877,983,812	-	697,389,677	
As on Ashad end 2076	198,510,472	171,425,168	147,435,778	153,801,550	213,105,781	73,674,717	-	164,980,112	1,122,933,578	1,122,933,578	-	877,983,811	

GOODWILL AND INTANGIBLE ASSETS

4.14

PARTICULARS	GROUP					TOTAL ASAR END 2076	TOTAL ASAR END 2075
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Shrawan 1, 2074	-	91,442,906	-	-	91,442,906	86,866,406	
Addition during the Year	-	7,771,792	-	-	7,771,792	4,576,500	
Acquisition	-	7,771,792	-	-	7,771,792	4,576,500	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashad end 2075	-	99,214,698	-	-	99,214,698	91,442,906	
Addition during the Year	-	7,950,264	-	-	7,950,264	7,771,792	
Acquisition	-	7,950,264	-	-	7,950,264	7,771,792	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	423,750	-	-	423,750	-	
Adjustment/Revaluation	-	(1,592,936)	-	-	(1,592,936)	-	
Balance as on Ashad end 2076	-	108,334,148	-	-	108,334,148	99,214,698	
Amortization and Impairment							
As on Shrawan 1, 2074	-	47,851,126	-	-	47,851,126	42,498,305	
Amortization charge for the Year	-	5,924,342	-	-	5,924,342	5,352,822	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	
As on Ashad end 2075	-	53,775,468	-	-	53,775,468	47,851,126	
Amortization charge for the Year	-	5,236,983	-	-	5,236,983	5,924,342	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	155,375	-	-	155,375	-	
Adjustment	-	(470,997)	-	-	(470,997)	-	
As on Asar end 2076	-	59,328,073	-	-	59,328,073	53,775,468	
Capital Work in Progress	-	-	-	-	-	-	
Net Book Value							
As on Ashad end 2074	-	43,591,779	-	-	43,591,779	44,368,101	
As on Ashad end 2075	-	45,439,230	-	-	45,439,230	43,591,779	
As on Ashad end 2076	-	49,006,075	-	-	49,006,075	45,439,230	

Contd... GOODWILL AND INTANGIBLE ASSETS

PARTICULARS	BANK					TOTAL ASAR END 2076	TOTAL ASAR END 2075
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Shrawan 1, 2074	-	91,442,906	-	-	-	91,442,906	86,866,406
Addition during the Year	-	7,771,792	-	-	-	7,771,792	4,576,500
Acquisition	-	7,771,792	-	-	-	7,771,792	4,576,500
Capitalization	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-
Balance as on Ashad end 2075	-	99,214,698	-	-	-	99,214,698	91,442,906
Addition during the Year	-	7,950,264	-	-	-	7,950,264	7,771,792
Acquisition	-	7,950,264	-	-	-	7,950,264	7,771,792
Capitalization	-	-	-	-	-	-	-
Disposal during the year	-	423,750	-	-	-	423,750	-
Adjustment/Revaluation	-	(1,592,936)	-	-	-	(1,592,936)	-
Balance as on Ashad end 2076	-	108,334,148	-	-	-	108,334,148	99,214,698
Amortization and Impairment							
As on Shrawan 1, 2074	-	47,851,126	-	-	-	47,851,126	42,498,305
Amortization charge for the Year	-	5,924,342	-	-	-	5,924,342	5,352,822
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-
As on Ashad end 2075	-	53,775,468	-	-	-	53,775,468	47,851,126
Amortization charge for the Year	-	5,236,983	-	-	-	5,236,983	5,924,342
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	155,375	-	-	-	155,375	-
Adjustment	-	(470,997)	-	-	-	(470,997)	-
As on Asar end 2076	-	59,328,073	-	-	-	59,328,073	53,775,468
Capital Work in Progress	-	-	-	-	-	-	-
Net Book Value							
As on Ashad end 2074	-	43,591,779	-	-	-	43,591,779	44,368,101
As on Ashad end 2075	-	45,439,230	-	-	-	45,439,230	43,591,779
As on Ashad end 2076	-	49,006,075	-	-	-	49,006,075	45,439,230

DEFERRED TAX

4.15

DEFERRED TAX ON TEMPORARY DIFFERENCES ON FOLLOWING ITEMS	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CURRENT YEAR	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CURRENT YEAR
			NET DEFERRED TAX ASSETS/(LIABILITIES)			NET DEFERRED TAX ASSETS/(LIABILITIES)
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	5,876,325	-	5,876,325	5,876,325	-	5,876,325
Property & equipment	-	31,828,165	(31,828,165)	-	31,828,165	(31,828,165)
Employees' defined benefit plan	42,978,931	-	42,978,931	42,978,931	-	42,978,931
Lease liabilities	4,396,909	-	4,396,909	4,396,909	-	4,396,909
Provisions	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	53,252,165	31,828,165	21,424,000	53,252,165	31,828,165	21,424,000
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 2016	53,252,165	31,828,165	21,424,000	53,252,165	31,828,165	21,424,000
Deferred tax (asset)/ liabilities as on 31st March, 2015			14,219,601			14,219,601
Origination/(Reversal) during the year			(35,643,601)			(35,643,601)
Deferred tax expense/ (income) recognised in profit or loss			(30,706,790)			(30,706,790)
Deferred tax expense/ (income) recognised in other comprehensive income			(4,936,811)			(4,936,811)
Deferred tax expense/ (income) recognised in directly in equity			-			-

Contd... DEFERRED TAX

DEFERRED TAX ON TEMPORARY DIFFERENCES ON FOLLOWING ITEMS	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CURRENT YEAR	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CURRENT YEAR
			NET DEFERRED TAX ASSETS/(LIABILITIES)			NET DEFERRED TAX ASSETS/(LIABILITIES)
Loan and Advance to B/FIs	-	514,619	(514,619)	-	514,619	(514,619)
Loans and advances to customers	-	57,328,459	(57,328,459)	-	57,328,459	(57,328,459)
Investment properties	-	-	-	-	-	-
Investment securities	4,377,344	-	4,377,344	4,377,344	-	4,377,344
Property & equipment	-	28,212,592	(28,212,592)	-	28,212,592	(28,212,592)
Employees' defined benefit plan	65,489,643	-	65,489,643	65,489,643	-	65,489,643
Lease liabilities	-	-	-	-	-	-
Provisions	221,888	-	221,888	221,888	-	221,888
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	70,088,875	86,055,669	(15,966,794)	70,088,875	86,055,669	(15,966,794)
Deferred tax on carry forward of unused tax losses	1,747,193	-	1,747,193	1,747,193	-	1,747,193
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 2075	71,836,068	86,055,669	(14,219,601)	71,836,068	86,055,669	(14,219,601)
Deferred tax (asset)/ liabilities as on Shrawan 1, 2074	-	-	25,513,528	-	-	25,513,528
Origination/(Reversal) during the year	-	-	(11,293,927)	-	-	(11,293,927)
Deferred tax expense/(income) recognised in profit or loss	-	-	1,374,504	-	-	1,374,504
Deferred tax expense/(income) recognised in other comprehensive income	-	-	(12,668,431)	-	-	(12,668,431)
Deferred tax expense/(income) recognised in directly in equity	-	-	-	-	-	-

OTHER ASSETS

4.16

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	546,738,602	249,151,802	546,738,602	249,151,802
Accrued income	-	-	-	-
Prepayments and deposit	143,375,567	78,222,677	143,375,567	78,222,677
Income tax deposit	-	-	-	-
Deferred employee expenditure	321,551,345	240,031,821	321,551,345	240,031,821
Other	151,276,152	15,675,106	151,376,152	15,675,106
a. Stationery at stock	18,521,019	12,765,880	18,521,019	12,765,880
b. Branch adjustment account	3,890	2,330,897	3,890	2,330,897
c. Others	132,751,242	578,328	132,851,242	578,328
Total	1,162,941,666	583,081,406	1,163,041,666	583,081,406

DUE TO BANK AND FINANCIAL INSTITUTIONS

4.17

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money market deposits	-	-	-	-
Interbank borrowing	2,200,367,671	-	2,200,367,671	-
Other deposits from BFIs	4,161,469,367	1,332,347,000	4,161,469,367	1,332,347,000
Settlement and clearing accounts	-	-	-	-
Total	6,361,837,039	1,332,347,000	6,361,837,039	1,332,347,000

DUE TO NEPAL RASTRA BANK

4.18

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	1,020,524,291	637,802,484	1,020,524,291	637,802,484
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	1,020,524,291	637,802,484	1,020,524,291	637,802,484

DERIVATIVE FINANCIAL INSTRUMENTS

4.19

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	-	116,400	-	116,400
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	116,400	-	116,400
Other	-	-	-	-
Total	-	116,400	-	116,400

DEPOSITS FROM CUSTOMERS

4.20

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Institutions customers:	37,670,730,022	31,479,902,623	37,878,151,820	31,479,902,623
Term deposits	26,043,052,367	24,094,628,422	26,223,052,367	24,094,628,422
Call deposits	7,803,488,215	4,816,952,547	7,827,285,219	4,816,952,547
Current deposits	3,103,351,068	2,108,277,999	3,106,975,862	2,108,277,999
Other	720,838,371	460,043,656	720,838,371	460,043,656
Individual customers:	47,320,250,324	39,662,470,018	47,320,250,324	39,662,470,018
Term deposits	20,338,082,689	17,386,264,826	20,338,082,689	17,386,264,826
Saving deposits	26,591,763,889	21,790,405,301	26,591,763,889	21,790,405,301
Current deposits	346,623,373	406,060,142	346,623,373	406,060,142
Other	43,780,373	79,739,749	43,780,373	79,739,749
Total	84,990,980,346	71,142,372,641	85,198,402,144	71,142,372,641

CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	81,750,920,627	70,769,523,510	81,958,342,425	70,769,523,510
Indian rupee	101,301,187	35,343,313	101,301,187	35,343,313
United State dollar	3,118,669,232	336,973,788	3,118,669,232	336,973,788
Great Britain pound	2,034,030	216,394	2,034,030	216,394
Euro	3,207,428	206,404	3,207,428	206,404
Japenese yen	14,748,454	4,527	14,748,454	4,527
Chinese yuan	-	-	-	-
Other (AUD)	99,386	104,705	99,386	104,705
Total	84,990,980,346	71,142,372,641	85,198,402,144	71,142,372,641

BORROWING

4.21

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Sub total	-	-	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	-	-	-	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	-	-	-	-
Total	-	-	-	-

PROVISIONS

4.22

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	-	739,627	-	739,627
	-	739,627	-	739,627

MOVEMENT IN PROVISION

4.22.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 1	739,627	835,205	739,627	835,205
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	739,627	95,578	739,627	95,578
Unwind of discount	-	-	-	-
Balance at Ashad end	-	739,627	-	739,627

OTHER LIABILITIES

4.23

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	47,081,871	76,368,663	47,081,871	76,368,663
Liability for long-service leave	143,263,102	141,930,147	143,263,102	141,930,147
Short-term employee benefits	-	-	-	-
Bills payable	-	-	-	-
Creditors and accruals	147,889,320	132,642,733	147,889,320	132,642,733
Interest payable on deposit	307,552,405	467,799,562	307,552,405	467,799,562
Interest payable on borrowing	12,688,200	3,947,266	12,688,200	3,947,266
Liabilities on differed grant income	1,919,824	-	1,919,824	-
Unpaid Dividend	74,982,200	50,556,546	74,982,200	50,556,546
Liabilities under Finance Lease	14,656,364	-	14,656,364	-
Employee bonus payable	269,699,255	201,103,315	269,699,255	201,103,315
Other	408,697,808	228,830,043	408,678,813	228,830,043
Total	1,428,430,348	1,303,178,275	1,428,411,353	1,303,178,275

DEFINED BENEFIT OBLIGATIONS

4.23.1

The amounts recognised in the statement of financial position are as follows:

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Present value of unfunded obligations	47,081,871	76,368,663	47,081,871	76,368,663
Present value of funded obligations	277,641,857	219,552,518	277,641,857	219,552,518
Total present value of obligations	324,723,728	295,921,181	324,723,728	295,921,181
Fair value of plan assets	277,641,857	219,552,518	277,641,857	219,552,518
Present value of net obligations	-	-	-	-
Recognised liability for defined benefit obligations	47,081,871	76,368,663	47,081,871	76,368,663

PLAN ASSETS

4.23.2

PLAN ASSETS COMPRISE	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	-	-	-	-
Other (Deposit with CIT)	277,641,857	219,552,518	277,641,857	219,552,518
Total	277,641,857	219,552,518	277,641,857	219,552,518
Actual return on plan assets	14,425,069	9,417,677	14,425,069	9,417,677

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

4.23.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Defined benefit obligations at Sawan 1	295,921,181	236,370,854	295,921,181	236,370,854
Actuarial losses	6,124,775	23,318,971	6,124,775	23,318,971
Benefits paid by the plan	(32,704,393)	(7,075,637)	(32,704,393)	(7,075,637)
Current service costs and interest	55,382,166	43,306,993	55,382,166	43,306,993
Defined benefit obligations at Asar end	324,723,729	295,921,181	324,723,729	295,921,181

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

4.23.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Fair value of plan assets at Sawan 1	219,552,518	161,906,882	219,552,518	161,906,882
Contributions paid into the plan	76,368,663	55,303,597	76,368,663	55,303,597
Benefits paid during the year	(32,704,393)	(7,075,638)	(32,704,393)	(7,075,638)
Actuarial (losses) gains	(5,334,658)	(3,534,874)	(5,334,658)	(3,534,874)
Expected return on plan assets	19,759,727	12,952,551	19,759,727	12,952,551
Fair value of plan assets at Asar end	277,641,857	219,552,518	277,641,857	219,552,518

AMOUNT RECOGNISED IN PROFIT OR LOSS

4.23.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current service costs	30,638,221	25,261,880	30,638,221	25,261,880
Interest on obligation	24,743,945	18,045,113	24,743,945	18,045,113
Expected return on plan assets	(19,759,727)	(12,952,551)	(19,759,727)	(12,952,551)
Total	35,622,439	30,354,442	35,622,439	30,354,442

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME

4.23.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	11,459,433	26,853,845	11,459,433	26,853,845
Total	11,459,433	26,853,845	11,459,433	26,853,845

ACTUARIAL ASSUMPTIONS

4.23.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Discount rate	9%	8%	9%	8%
Expected return on plan asset	9%	8%	9%	8%
Future salary increase	8%	8%	8%	8%
Withdrawal rate	12%	12%	12%	12%

DEBT SECURITIES ISSUED

4.24

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	-	-	-	-
Total	-	-	-	-

SUBORDINATED LIABILITIES

4.25

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

SHARE CAPITAL

4.26

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	8,055,693,000	8,055,693,000	8,055,693,000	8,055,693,000
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	8,055,693,000	8,055,693,000	8,055,693,000	8,055,693,000

ORDINARY SHARES

4.26.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital 100,000,000 Ordinary shares of Rs. 100 each share	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Issued capital 80,556,930 Ordinary shares of Rs.100 each share (Previous Year 73,905,440 Ordinary shares of Rs.100 each share)	8,055,693,000	8,055,693,000	8,055,693,000	8,055,693,000
Subscribed and paid up capital 80,556,930 Ordinary shares of Rs.100 each share (Previous Year 65,987,000 Ordinary shares of Rs.100 each share)	8,055,693,000	8,055,693,000	8,055,693,000	8,055,693,000
Total	8,055,693,000	8,055,693,000	8,055,693,000	8,055,693,000

ORDINARY SHARE OWNERSHIP

4.26.2

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT
Domestic ownership								
Nepal Government	-	-	-	-	-	-	-	-
"A" class licensed institutions	-	-	-	-	-	-	-	-
Other licensed intitutions	-	-	-	-	-	-	-	-
Other Institutions	13	1,048,970,300	10	836,714,100	13.02	1,048,970,300	10.39	836,714,100
Public	87	7,006,722,700	90	7,218,978,900	86.98	7,006,722,700	89.61	7,218,978,900
Other	-	-	-	-	-	-	-	-
Foreign ownership	-	-	-	-	-	-	-	-
Total	100	8,055,693,000	100	8,055,693,000	100	8,055,693,000	100	8,055,693,000

RESERVES

4.27

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory general reserve	1,453,541,328	1,114,123,679	1,453,541,328	1,114,123,679
Exchange equalisation reserve	16,426,299	10,716,548	16,426,299	10,716,548
Corporate social responsibility reserve	19,712,558	18,631,633	19,712,558	18,631,633
Capital redemption reserve	-	-	-	-
Regulatory reserve	390,311,276	338,258,835	390,311,276	338,258,835
Investment adjustment reserve	15,000,000	15,000,000	15,000,000	15,000,000
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	(13,711,425)	(10,213,802)	(13,711,425)	(10,213,802)
Dividend equalisation reserve	-	-	-	-
Actuarial gain / (loss)	(26,819,295)	(18,797,692)	(26,819,295)	(18,797,692)
Special reserve	-	-	-	-
Other reserve	2,368,795	2,874,806	2,368,795	2,874,806
a) Employee Skill Enhancement Reserve (Training Reserve)	2,368,795	2,874,806	2,368,795	2,874,806
b) Deferred Tax Reserve	-	-	-	-
c) Other Reserve	-	-	-	-
Total	1,856,829,536	1,470,594,007	1,856,829,536	1,470,594,007

CONTINGENT LIABILITIES AND COMMITMENTS

4.28

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	11,903,122,031	6,453,524,828	11,903,122,031	6,453,524,828
Undrawn and undisbursed facilities	4,238,152,455	4,519,339,402	4,238,152,455	4,519,339,402
Capital commitment	257,426,142	108,195,070	257,426,142	108,195,070
Lease Commitment	1,128,919,022	554,800,462	1,128,919,022	554,800,462
Litigation	64,459,084	59,814,768	64,459,084	59,814,768
Total	17,592,078,734	11,695,674,529	17,592,078,734	11,695,674,529

CONTINGENT LIABILITIES

4.28.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	1,010,632,792	2,302,890,959	1,010,632,792	2,302,890,959
Bills for collection	15,512,648	6,435,408	15,512,648	6,435,408
Forward exchange contracts	3,662,107,880	207,077,250	3,662,107,880	207,077,250
Guarantees	7,214,868,711	3,937,121,210	7,214,868,711	3,937,121,210
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Total	11,903,122,031	6,453,524,828	11,903,122,031	6,453,524,828

UNDRAWN AND UNDISBURSED FACILITIES

4.28.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	-	-	-	-
Undrawn limits of overdrafts	4,105,967,513	4,440,056,957	4,105,967,513	4,440,056,957
Undrawn limits of credit cards	132,184,942	79,282,445	132,184,942	79,282,445
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	4,238,152,455	4,519,339,402	4,238,152,455	4,519,339,402

CAPITAL COMMITMENTS

4.28.3

Capital expenditure approved by relevant authority of the bank but provision has not been made in financial statements.

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Capital commitments in relation to Property and Equipment				
Approved and contracted for	257,426,142	108,195,070	257,426,142	108,195,070
Approved but not contracted for	-	-	-	-
Sub total	257,426,142	108,195,070	257,426,142	108,195,070
Capital commitments in relation to Intangible assets				
Approved and contracted for	-	-	-	-
Approved but not contracted for	-	-	-	-
Sub total	-	-	-	-
Total	257,426,142	108,195,070	257,426,142	108,195,070

LEASE COMMITMENTS

4.28.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Operating lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	128,582,571	79,789,391	128,582,571	79,789,391
Later than 1 year but not later than 5 years	521,813,791	268,427,290	521,813,791	268,427,290
Later than 5 years	478,522,660	206,583,782	478,522,660	206,583,782
Sub total	1,128,919,022	554,800,462	1,128,919,022	554,800,462
Finance lease commitments				
Future minimum lease payments 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	-	-	-	-
Sub total	-	-	-	-
Grand total	1,128,919,022	554,800,462	1,128,919,022	554,800,462

LITIGATION

4.28.5

Under the self-assessment process, bank files its income tax returns which is then reviewed by Large Tax Payers Office usually within four years from the end of financial year. On completion of assesment till FY 2071-72, LTPO has raised an assessment order for disputed tax liability of NPR 64,459,084. Bank has contended such tax liability and has filed appeal to higher authorities. These cases are under administrative review and pending before Revenue Tribunal.

INTEREST INCOME

4.29

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	24,880,833	32,885,293	24,880,833	32,885,293
Due from Nepal Rastra Bank	12,170,612	698,630	12,170,612	698,630
Placement with bank and financial institutions	97,920,227	5,363,296	97,920,227	5,363,296
Loan and advances to bank and financial institutions	260,770,525	210,004,811	260,770,525	210,004,811
Loans and advances to customers	9,304,819,763	7,149,227,877	9,304,819,763	7,149,227,877
Investment securities	400,771,482	313,140,361	400,771,482	313,140,361
Loan and advances to staff	76,189,403	55,035,502	76,189,403	55,035,502
Other	-	-	-	-
Total interest income	10,177,522,844	7,766,355,770	10,177,522,844	7,766,355,770

INTEREST EXPENSE

4.30

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	291,891,293	-	291,891,293	-
Due to Nepal Rastra Bank	36,965,600	19,749,712	36,965,600	19,749,712
Deposits from customers	6,216,291,802	4,987,811,426	6,225,311,089	4,987,811,426
Borrowing	73,599,046	18,995,510	73,599,046	18,995,510
Debt securities issued	-	-	-	-
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	6,618,747,741	5,026,556,648	6,627,767,028	5,026,556,648

FEES AND COMMISSION INCOME

4.31

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	196,763,968	180,721,642	196,763,968	180,721,642
Service fees	91,112,118	63,618,526	91,112,118	63,618,526
Consortium fees	50,116,659	4,194,353	50,116,659	4,194,353
Commitment fees	22,986,547	26,072,611	22,986,547	26,072,611
DD/TT/Swift fees	17,505,921	12,377,965	17,505,921	12,377,965
Credit card/ATM issuance and renewal fees	78,573,723	54,467,811	78,573,723	54,467,811
Prepayment and swap fees	91,422,445	1,608,992	91,422,445	1,608,992
Investment banking fees	1,924,926	1,287,023	1,924,926	1,287,023
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	39,581,182	32,009,905	39,581,182	32,009,905
Commission on letter of credit	41,529,195	39,738,656	41,529,195	39,738,656
Commission on guarantee contracts issued	96,515,368	43,695,331	96,515,368	43,695,331
Commission on share underwriting/issue	-	-	-	-
Locker rental	7,654,600	5,263,820	7,654,600	5,263,820
Other fees and commission income	54,832,618	26,012,183	54,832,618	26,012,183
Total fees and Commission Income	790,519,271	491,068,818	790,519,271	491,068,818

FEES AND COMMISSION EXPENSE

4.32

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	32,161,276	21,944,294	32,161,276	21,944,294
VISA/Master card fees	17,390,618	13,299,992	17,390,618	13,299,992
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	4,941,775	5,940,809	4,941,775	5,940,809
Remittance fees and commission	848,251	-	848,251	-
Other fees and commission expense	14,633,321	10,383,837	14,633,321	10,383,837
Total fees and Commission Expense	69,975,241	51,568,932	69,975,241	51,568,932

NET TRADING INCOME

4.33

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Changes in fair value of trading assets	-	-	-	-
Gain/loss on disposal of trading assets	-	-	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss foreign exchange transaction	303,331,669	166,803,239	303,331,669	166,803,239
Other	-	-	-	-
Net trading income	303,331,669	166,803,239	303,331,669	166,803,239

OTHER OPERATING INCOME

4.34

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	22,839,007	5,744,951	22,839,007	5,744,951
Gain/loss on sale of investment securities	-	-	-	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	3,207,495	1,762,843	3,207,495	1,762,843
Gain/loss on sale of property and equipment	2,092,266	1,430,091	2,092,266	1,430,091
Gain/loss on sale of investment property	-	645	-	645
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Locker rent	-	-	-	-
Other	-	95,578	-	95,578
Total	28,138,768	9,034,108	28,138,768	9,034,108

IMPAIRMENT CHARGE/(REVERSAL) FOR LOAN AND OTHER LOSSES

4.35

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Impairment charge/(reversal) on loan and advances to B/FIs	6,474,208	1,036,180	6,474,208	1,036,180
Impairment charge/(reversal) on loan and advances to customer	110,696,658	151,699,692	110,696,658	151,699,692
Impairment charge/(reversal) on financial Investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	117,170,866	152,735,872	117,170,866	152,735,872

PERSONNEL EXPENSE

4.36

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	315,853,717	260,760,600	315,853,717	260,760,600
Allowances	285,824,804	127,585,689	285,824,804	127,585,689
Gratuity expense	35,622,438	30,360,458	35,622,438	30,360,458
Provident fund	31,585,788	26,067,626	31,585,788	26,067,626
Uniform	16,396,573	12,878,874	16,396,573	12,878,874
Training & development expense	26,745,205	19,605,972	26,745,205	19,605,972
Leave encashment	80,826,626	83,770,891	80,826,626	83,770,891
Medical	-	-	-	-
Insurance	2,343,458	2,121,535	2,343,458	2,121,535
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	21,053,562	12,326,162	21,053,562	12,326,162
Other expenses related to staff	144,429,651	98,058,667	144,429,651	98,058,667
a. Dashain allowance	47,466,566	29,362,980	47,466,566	29,362,980
b. Others	96,963,085	68,695,687	96,963,085	68,695,687
Subtotal	960,681,820	673,536,474	960,681,820	673,536,474
Employees bonus	269,699,255	201,103,315	269,699,255	201,103,315
Grand total	1,230,381,075	874,639,789	1,230,381,075	874,639,789

OTHER OPERATING EXPENSE

4.37

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	3,074,600	1,970,400	3,074,600	1,970,400
Directors' expense	1,428,297	1,266,027	1,428,297	1,266,027
Auditors' remuneration	1,711,950	1,582,000	1,695,000	1,582,000
Other audit related expense	-	-	-	-
Professional and legal expense	13,964,537	11,942,442	13,964,537	11,942,442
Office administration expense	149,345,892	68,257,374	148,999,252	68,257,374
Operating lease expense	115,906,247	69,670,573	115,906,247	69,670,573
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	15,889,958	6,890,084	15,889,958	6,890,084
Onerous lease provisions	-	-	-	-
Other	422,592,326	257,911,029	422,592,326	257,911,029
Fuel, Electricity & Water	41,261,341	31,484,284	41,261,341	31,484,284
Insurance	42,805,937	29,975,836	42,805,937	29,975,836
Postage, Telex, Telephone, Fax	64,036,102	40,526,662	64,036,102	40,526,662
Office Equipment, Furniture & Repairs	41,200,519	35,126,216	41,200,519	35,126,216
Traveling Allowances and Expenses	26,913,995	14,892,058	26,913,995	14,892,058
Stationery and Printing	26,662,859	22,697,068	26,662,859	22,697,068
Advertisements	79,361,656	28,360,717	79,361,656	28,360,717
Annual General Meeting Expenses	2,259,500	2,728,048	2,259,500	2,728,048
Security Expenses	98,090,416	52,120,139	98,090,416	52,120,139
Total	723,913,807	419,489,928	723,550,216	419,489,928

DEPRECIATION & AMORTISATION

4.38

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	125,149,046	94,088,843	125,149,046	94,088,843
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	5,236,983	5,924,342	5,236,983	5,924,342
Total	130,386,029	100,013,185	130,386,029	100,013,185

NON OPERATING INCOME

4.39

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	121,163,374	3,120,460	121,052,374	3,120,460
Other income	739,627	-	850,627	-
Total	121,903,001	3,120,460	121,903,001	3,120,460

NON OPERATING EXPENSE

4.40

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	88,557,214	1,448,209	88,557,214	1,448,209
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	6,334,588	-	6,334,588	-
Total	94,891,802	1,448,209	94,891,802	1,448,209

INCOME TAX EXPENSE

4.41

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	763,508,737	558,867,013	760,911,844	558,867,013
Current year	724,830,537	542,841,233	722,233,644	542,841,233
Adjustments for prior years	38,678,200	16,025,780	38,678,200	16,025,780
Deferred tax expense	(30,706,790)	1,374,503	(30,706,790)	1,374,503
Origination and reversal of temporary differences	(30,706,790)	1,374,503	(30,706,790)	1,374,503
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	732,801,947	560,241,516	730,205,054	560,241,516

RECONCILIATION OF TAX EXPENSE AND ACCOUNTING PROFIT

4.41.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	2,435,948,993	1,809,929,832	2,427,293,296	1,809,929,832
Tax amount at tax rate of 30%	730,784,698	542,978,950	728,187,989	542,978,950
Add: Tax effect of expenses that are not deductible for tax purpose	12,682,462	2,119,910	12,682,462	2,119,910
Less: Tax effect on exempt income	3,804,739	1,464,991	3,804,739	1,464,991
Add/less: Tax effect on other items	-	-	-	-
Total income tax expense	739,662,421	543,633,869	737,065,713	543,633,869
Effective tax rate	30.36%	30.0%	30.37%	30.0%

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 31, Ashad 2076
(As per NRB Regulation)

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	1,697,088,243	1,249,688,316
Appropriations:		
a. General reserve	339,417,649	249,937,663
b. Foreign exchange fluctuation fund	5,709,751	1,436,237
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	1,080,925	5,606,799
e. Employees' training fund	(506,011)	(4,372,910)
f. Other	-	(20,588,667)
- Deferred Tax Reserve	-	(18,634,242)
- Investment Adjustment Reserve	-	(1,954,425)
Profit or (loss) befor regulatory adjustment	1,351,385,929	1,017,669,193
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	42,527,809	(275,772,186)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	(53,586,919)	(24,870,824)
e. Deferred tax assets recognised (-)/ reversal (+)	(21,424,000)	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(11,459,433)	(26,853,845)
i. Other (+/-)	(4,996,603)	(10,761,980)
- Fair Value Reserve	(4,996,603)	(10,761,980)
Distributable profit or (loss)	1,302,446,784	679,410,359

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2075/76

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Assets					
Cash and cash equivalent	5,006,484,939	9,442,900,351	4,436,415,412	88.61%	Placement & t-bills with original maturity three months or less reclassified
Due from Nepal Rastra Bank	3,226,962,097	3,226,962,097	-	0.00%	
Placement with Bank and Financial Institutions	5,054,432,347	1,458,033,992	(3,596,398,355)	71.15%	Placement less than three months maturity regrouped to cash and cash equivalent
Derivative financial instruments	-	72,597,160	72,597,160	0.00%	Regrouping of forward contract from other assets
Other trading assets	353,142,300	358,694,537	5,552,237	1.57%	Regrouping of advance for gold purchase from other assets
Loan and advances to B/FIs	2,243,710,819	2,440,166,215	196,455,396.00	8.76%	
Loans and advances to customers	75,297,273,964	75,095,773,816	(201,500,148)	-0.27%	Due to prepaid expenses transferre
Investment securities	11,151,647,083	10,306,077,788	(845,569,295)	-7.58%	Due to regrouping of t-bills with original maturity less than 3 months to cash and cash equivalent
Current tax assets	199,028,659	209,977,311	10,948,652	5.50%	
Investment in subsidiaries	200,000,000	200,000,000	-	0.00%	
Investment in associates	-	-	-	0.00%	
Investment property	78,457,743	78,457,743	-	0.00%	
Property and equipment	1,128,170,562	1,122,933,578	(5,236,984)	-0.46%	Regrouping of other leasehold assets from intangible assets
Goodwill and Intangible assets	43,769,092	49,006,075	5,236,983	11.97%	Regrouping of other leasehold assets from intangible assets
Deferred tax assets	17,529,469	21,424,000	3,894,531	22.22%	
Other assets	8,657,650,414	1,163,041,666	(7,494,608,748)	86.57%	Due to netting off of NDF payable
Total Assets	112,658,259,487	105,246,046,329	(7,412,213,159)	-6.58%	
Liabilities					
Due to Bank and Financial Institutions	5,561,345,014	6,361,837,039	800,492,025	14.39%	Interbank borrowing transferred from NRB
Due to Nepal Rastra Bank	1,820,524,291	1,020,524,291	(800,000,000)	43.94%	Due to interbank borrowing transfer to BFI's deposits
Derivative financial instruments	72,597,160	-	(72,597,160)	-100.00%	
Deposits from customers	85,198,526,498	85,198,402,144	(124,354)	0.00%	
Borrowing	-	-	-	0.00%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	-	-	0.00%	

Contd... COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2017/16

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Deferred tax liabilities	-	-	-	0.00%	
Other liabilities	8,761,390,221	1,428,411,353	(7,332,978,868)	-83.70%	Due to netting off of NDF payable
Debt securities issued	-	-	-	0.00%	
Subordinated Liabilities	-	-	-	0.00%	
Total liabilities	101,414,383,183	94,009,174,826	(7,405,208,357)	-7.30%	
Equity				0.00%	
Share capital	8,055,693,000	8,055,693,000	-	0.00%	
Share premium	30,881,765	30,881,765	-	0.00%	
Retained earnings	1,705,765,173	1,293,467,202	(412,297,971)	-24.17%	Due to transfer of regulatory adjustment
Reserves	1,451,536,365	1,856,829,536	405,293,170	27.92%	Due to transfer of regulatory adjustment
Total equity attributable to equity holders	11,243,876,303	11,236,871,503	(7,004,801)	-0.06%	
Non-controlling interest					
Total equity	11,243,876,303	11,236,871,503	(7,004,801)	-0.06%	
Total liabilities and equity	112,658,259,486	105,246,046,329	(7,412,213,158)	-6.58%	
Statement of Profit or Loss					
Interest income	10,167,714,261	10,177,522,844	9,808,583	0.10%	Notional financial interest of subsidized loan to staff
Interest expense	6,627,767,028	6,627,767,028	-	0.00%	
Net interest income	3,539,947,233	3,549,755,816	9,808,583	0.28%	
Fee and commission income	802,431,615	790,519,271	(11,912,344)	-1.48%	Due to CIC charge netted off against expenses
Fee and commission expense	69,126,989	69,975,241	848,251	1.23%	
Net fee and commission income	733,304,626	720,544,030	(12,760,595)	-1.74%	
Net interest, fee and commission income	4,273,251,859	4,270,299,846		-	
Net trading income	303,331,669	303,331,669	-	0.00%	
Other operating income	28,379,546	28,138,768	(240,778)	0.00%	
Total operating income	4,604,963,074	4,601,770,283	(3,192,791)	-0.07%	
Impairment charge/(reversal) for loans and other losses	116,708,351	117,170,866	462,515	0.40%	
Net operating income	4,488,254,723	4,484,599,418	(3,655,306)	-0.08%	

Contd... COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2017/16

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Operating expense				0.00%	
Personnel expenses & staff	1,216,095,129	1,230,381,075	14,285,946	1.17%	Amortization of prepayment of subsidized staff loan bonus provision
Other operating expenses	719,666,257	723,550,216	3,883,959	0.54%	Due to CIC charge netted off against income
Depreciation & Amortization	130,358,432	130,386,029	27,597	0.02%	
Operating profit	2,422,134,904	2,400,282,097	(21,852,807)	-0.90%	
Non operating income	121,163,374	121,903,001	739,627	0.61%	
Non operating expense	95,187,044	94,891,802	(295,242)	-0.31%	
Profit before income tax	2,448,111,234	2,427,293,296	(20,817,938)	-0.85%	
Income tax expense	744,535,930	730,205,054	(14,330,876)	-1.92%	Tax impact of above adjustment
Current Tax	741,352,521	760,911,844	19,559,323	2.64%	Due to deferred tax adjustment on interest suspense and actuarial valuation of previous periods.
Deferred Tax	3,183,409	(30,706,790)	(33,890,199)	-1064.59%	Due to deferred tax adjustment on interest suspense and actuarial valuation of previous periods.
Profit/(loss) for the period	1,703,575,305	1,697,088,243	(6,487,062)	-0.38%	
Profit/(loss) for the period	1,703,575,305	1,697,088,243	(6,487,062)	-0.38%	
Other Comprehensive Income	(11,001,487)	(11,519,225)	(517,739)	4.71%	
Total comprehensive income	1,692,573,818	1,685,569,018	(7,004,801)	-0.41%	

PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	F. Y. 2071/2072	F. Y. 2072/2073	F. Y. 2073/2074	F. Y. 2074/2075	F. Y. 2075/2076
1. Net Profit/Gross Income	%	16.65%	21.96%	21.96%	14.81%	14.86%
2. Earnings Per Share	Rs.	22.20	25.04	24.00	15.81	21.07
3. Market Value per Share	Rs.	564.00	680.00	360.00	209.00	264.00
4. Price Earning Ratio	Ratio	25.40	27.15	15.00	13.22	12.53
5. Dividend (including bonus) on share capital	%	16.84%	21.84%	15.00%	10.00%	16.00%
6. Cash Dividend on share Capital	%	0.84%	1.09%	6.00%	10.00%	11.00%
7. Interest Income/Loans & Advances	%	8.93%	7.90%	9.87%	12.09%	12.96%
8. Employee Expenses/Total Operating Exps	%	13.90%	18.54%	13.18%	10.74%	11.29%
9. Interest Exps on Total Deposit and Borrowings	%	3.97%	3.13%	4.76%	6.93%	7.16%
10. Exchange Fluctuation Gain/Total Income	%	2.23%	2.99%	2.30%	2.05%	2.86%
11. Staff Bonus/ Total Employee Expenses	%	25.91%	27.51%	37.56%	29.86%	28.07%
12. Net Profit/Loans & Advances	%	1.77%	2.03%	2.51%	1.92%	2.16%
13. Net Profit/ Total Assets	%	1.26%	1.51%	1.89%	1.47%	1.61%
14. Total Credit/Deposit	%	78.77%	84.59%	88.47%	89.78%	87.00%
15. Total Operating Expenses/Total Assets	%	1.56%	4.27%	5.45%	7.40%	8.09%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	11.14%	11.32%	15.78%	14.38%	11.88%
b. Supplementary Capital	%	1.10%	1.04%	1.04%	0.98%	0.91%
c. Total Capital Fund	%	12.24%	12.36%	16.82%	15.36%	12.79%
17. Liquidity	%	27.63%	24.52%	26.29%	25.26%	23.70%
18. Non Performing Loans/Total Loans	%	0.64%	0.55%	0.38%	0.44%	0.37%
19. Base Rate	%	8%	6.18%	10.29%	11.06%	10.37%
20. Weighted Average Interest Rate Spread *	%	4.65%	4.59%	4.27%	4.75%	4.27%
21. Book Net worth	Rs.	3,816,142,380	5,340,202,752	8,211,005,911	10,356,871,786	1,236,871,503
22. Total Shares	Number	27,762,499	38,645,400	65,987,000	80,556,930	80,556,930
23. Total Employees	Number	597	663	742	953	1,195
24. Productivity per Staff	Rs.'000	1,032.45	1354.79	1,755.37	1642.48	1420.16
25. Book Value Per Share	Rs.	137.46	138.18	124.43	128.57	139.49
26. Number of branches(including extension counter)	Number	56	57	57	88	131
27. Number of ATM	Number	70	72	74	93	144

Note:

- Gross income includes interest income, fee & commission income, operating income, forex income and non operating income.
- Loan & advances of point no. 7 includes gross amount of loan to customers & BFIs presented in 4.7 and 4.6 respectively.
- Total staff expenses does not include staff bonus.
- Weighted Average Interest Rate spread is presented as per the calculation of NRB Directive (Thus Rate represent Ashad month spread)

SHARE CAPITAL AND OWNERSHIP

Details of Shareholders holding 0.5% or more of total shares

31st Ashad 2976

S.NO	NAME OF SHARE HOLDERS	TOTAL KITTA	PERCENTAGE
1.	Surendra Mahato	10,048,231	12.47%
2.	Upendra Mahato Sudi	7,360,409	9.14%
3.	Prem Kumari K.C	7,053,855	8.76%
4.	PKR Investment Company Pvt.Ltd	5,293,248	6.57%
5.	Ram Ashish Sahu Sudi	3,411,676	4.24%
6.	Krishna Gopal Shrestha	1,709,108	2.12%
7.	Dr.Dharma Raj Shrestha	1,635,634	2.03%
8.	Prakash K.C	1,359,487	1.69%
9.	Karan Motor Company Pvt.Ltd	1,263,906	1.57%
10.	Kiran K.C	1,195,122	1.48%
11.	Roshan K.C	1,195,107	1.48%
12.	Ganesh Bahadur Shrestha	956,104	1.19%
13.	Ram Janaki Investment	800,000	0.99%
14.	Associated Automobiles Pvt.ltd	749,958	0.93%
15.	Shree Himalayan Enterprises Pvt.Ltd	643,261	0.80%
16.	Praneshwor Pokharel	599,037	0.74%
17.	Ajad Shrestha	513,175	0.64%
18.	Birendra Prasad Mahato	490,903	0.61%
19.	Rajan Lal Shrestha	477,042	0.59%
20.	Niraj Govinda Shrestha	460,274	0.57%
21.	Dinesh Lal Shrestha	409,731	0.51%

ANNEXURE : REPORTING FORMS

FORM NO.1 CAPITAL ADEQUACY TABLE

As on 31st Ashad 2076

Rs. (000)

	ASHAD END 2076	ASHAD END 2075
1.1 RISK WEIGHTED EXPOSURES		
a. Risk Weighted Exposure for Credit Risk	81,546,553	63,079,707
b. Risk Weighted Exposure for Operational Risk	4,382,493	3,475,176
c. Risk Weighted Exposure for Market Risk	93,302	30,760
Total Risk Weighted Exposures (Before adjustments of Pillar II)	86,022,348	66,585,643
Adjustments under Pillar II		
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	681,341	583,036
SRP 6.4a (9) Overall risk management policies and precedures are not satisfactory. Add 2% of RWE	1,720,447	1,997,569
Total Risk Weighted Exposures (a+b+c)	88,424,136	69,166,248
1.2 CAPITAL		
(A) Core Capital (Tier 1)	10,507,623	9,943,141
a. Paid up Equity Share Capital	8,055,693	8,055,693
b. Equity Share Premium	30,882	30,882
c. Proposed Bonus Equity Share		
d. Statutory General Reserve	1,453,541	1,114,124
e. Retained Earnings	1,293,467	807,759

Contd... FORM NO.1 CAPITAL ADEQUACY TABLE

1.2 CAPITAL	ASHAD END 2076	ASHAD END 2075
f. Un-audited current year cumulative profit/ loss		
g. Capital Redemption Reserve		
h. Capital Adjustment Reserve		
i. Dividend Equalization Reserve		
j. Other Free Reserve		
k. Less : Goodwill		
l. Less: Intangible Assets	49,006	45,439
m. Less: Fictitious Assets		
n. Less: Deferred Tax Assets	21,424	
o. Less : Investment in equity in licensed Financial Institutions		
p. Less : Investment in equity of institutions with Financial interests	215,000	15,000
q. Less : Investment in equity of institutions in excess of limits		
r. Less : Investments arising out of underwriting commitments		
s. Less : Reciprocal crossholdings		
t. Less: Purchase of Land& Building in excess of limit and unutilized		4,877
u. Less: Cash Flow Hedge		
v. Less: Defined Benefit Pension Assets		
w. Less: Unrecognized Defined Benefit Pension Liabilities		
x. Less : Other Deductions	40,531	-
Adjustment Under Pillar II		
SRP 6.4.a(1) Less : Shortfall in provision (6.4 a1)		
SRP 6.4.a(2) Less : Loans and facilities extended to related parties and restricted lending (6.4 a 2)		
Additional Tier 1 (AT1)		
a. Perpetual Non Cumulative Preference Share Capital		
b. Prepetual Debt Instruments		
c. Stock Premium		
(B) Supplementary Capital (Tier 2)	800,835	680,585
a. Cumulative and/or Redeemable Preference Shares		-
b. Subordinated Term Debt		-
c. Hybrid Capital Instruments		-
d. Stock Premium		-
e. General Loan Loss Provision	769,409	654,868
f. Exchange Equalization Reserve	16,426	10,717
g. Investment Adjustment Reserve	15,000	15,000
h. Assets Revaluation Reserve		-
i. Other Reserves		-
Total Capital Fund (Tier 1 and Tier 2)	11,308,458	10,623,726
1.3 CAPITAL ADEQUACY RATIOS	ASHAD END 2076	ASHAD END 2075
a. Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.88	14.38
b. Tier 1 Capital to Total Risk Weighted Exposures	11.88	14.38
c. Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	12.79	15.36

FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

Rs. (000)

PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	CURRENT YEAR			PREVIOUS YEAR		
				NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES	NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES
A. Balance Sheet Exposure									
1. Cash Balance	2,480,745			2,480,745	0%	-	2,309,221	0%	-
2. Balance With Nepal Rastra Bank	3,226,962			3,226,962	0%	-	7,096,608	0%	-
3. Gold	-			-	0%	-	-	0%	-
4. Investment in Nepalese Government Securities	8,750,489			8,750,489	0%	-	6,746,732	0%	-
5. All other Claims on Government of Nepal	129,859	-	-	129,859	0%	-	129,845	0%	-
6. Investment in Nepal Rastra Bank Securities	2,197,606			2,197,606	0%	-	872,242	0%	-
7. All other Claims on Nepal Rastra Bank	-			-	0%	-	000	0%	-
8. Claims on Foreign Government and Central Bank (ECA 0-1)	-			-	0%	-	-	0%	-
9. Claims on Foreign Government and Central Bank (ECA 2)	-			-	20%	-	-	20%	-
10. Claims on Foreign Government and Central Bank (ECA 3)	-			-	50%	-	-	50%	-
11. Claims on Foreign Government and Central Bank (ECA 4-6)	-			-	100%	-	-	100%	-
12. Claims on Foreign Government and Central Bank (ECA 7)	-			-	150%	-	-	150%	-
13. Claims On BIS, IMF, ECB, EC and On Multilateral Development Banks(MDBs) Recognised by the framework	-			-	0%	-	-	0%	-
14. Claims on Other Multilateral Development Banks	-			-	100%	-	-	100%	-
15. Claims on Public Sector Entity (ECA 0-1)	-			-	20%	-	-	20%	-
16. Claims on Public Sector Entity (ECA 2)	-			-	50%	-	-	50%	-
17. Claims on Public Sector Entity (ECA 3-6)	-			-	100%	-	-	100%	-
18. Claims on Public Sector Entity (ECA 7)	-			-	150%	-	-	150%	-
19. Claims on domestic banks that meet capital adequacy requirements	6,750,276			6,750,276	20%	1,350,055	2,274,998	20%	455,000

Rs. (000)

Contd... RISK WEIGHTED EXPOSURE FOR CREDIT RISK

PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	CURRENT YEAR		PREVIOUS YEAR			
				NET VALUE (D=A-B-C)	RISK WEIGHT	NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES	RISK WEIGHTED EXPOSURES
20. Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	100%	-	-
21. Claims on Foreign bank (ECA Rating 0-1)	785,250	-	-	785,250	20%	1,256,815	20%	251,363	251,363
22. Claims on Foreign bank (ECA Rating 2)	2,165,948	-	-	2,165,948	50%	3,24,013	50%	1,62,007	1,62,007
23. Claims on Foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	100%	-	-
24. Claims on Foreign bank (ECA Rating 7)	-	-	-	-	150%	-	150%	-	-
25. Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	231,203	-	-	231,203	20%	78,201	20%	15,640	15,640
26. Claims on Domestic Corporates	33,411,584	-	-	33,411,584	100%	24,835,048	100%	24,835,048	24,835,048
27. Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	20%	-	-
28. Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	50%	-	-
29. Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	100%	-	-
30. Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	150%	-	-
31. Regulatory Retail Portfolio (Not Overdue)	19,387,670	-	321,873	19,065,796	75%	16,494,515	75%	12,370,887	12,370,887
32. Claim fulfilling all criterion of Regulatory Retail except granularity	13,358,118	-	-	13,358,118	100%	11,087,942,319	100%	11,087,942,319	11,087,942,319
33. Claims secured by residential properties	5,769,519	-	-	5,769,519	60%	6,740,138	60%	4,044,083	4,044,083
34. Claims not fully secured by residential properties	-	-	-	-	150%	-	150%	-	-
35. Claims secured by residential properties (Overdue)	64,887	-	3,937	60,950	100%	17,231	100%	17,231	17,231
36. Claims secured by Commercial real estate	1,513,174	-	-	1,513,174	100%	973,656	100%	973,656	973,656
37. Past due claims (except for claim secured by residential properties)	799,049	195,471	-	603,577	150%	151,321	150%	226,981	226,981
38. High Risk claims	911,503	-	-	911,503	150%	1,542,044	150%	2,313,066	2,313,066
39. Lending against securities (Bonds and shares)	224,585	-	-	224,585	100%	224,585	150%	-	-
40. Investment in equity and other capital instrument of institutions listed in the stock exchange	93,970	-	-	93,970	100%	107,721	100%	107,721	107,721
41. Investment in equity and other capital instrument of institutions not listed in the stock	103,030	-	-	103,030	150%	20,030	150%	30,045	30,045

Contd... RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As: (000)

PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	CURRENT YEAR			PREVIOUS YEAR		
				NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES	NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES
42. Staff Loan Secured by Residential Property	920,398	-		920,398	60%	552,239	453,985	60%	272,391
43. Interest Receivable/Claim on Government Securities	-	-		-	0%	-	-	0%	000
44. Cash in transit and other cash items in the process of collection	-	-		-	20%	-	000	20%	000
45. Other Assets	2,754,581			2,754,581	100%	2,754,581	1,686,308	100%	1,686,308
TOTAL	106,030,405	199,408	321,873	105,509,124		74,793,745	85,198,615		58,849,368
B. Off Balance Sheet Exposures									
1. Revocable Commitments				-	0%	-	-	0%	-
2. Bills Under Collection	15,513			15,513	0%	-	6,435	0%	-
3. Forward Exchange Contract Liabilities	3,662,108			3,662,108	10%	366,211	207,077	10%	20,708
4. LC Commitments with original maturity upto 6 months	2,915,615	292,116		2,623,499	20%	524,700	1,397,416	20%	279,483
5. Foreign Counterparty (ECA 0 -1)				-	20%	-	-	20%	-
6. Foreign Counterparty (ECA 2)				-	50%	-	-	50%	-
7. Foreign Counterparty (ECA 3 -6)				-	100%	-	-	100%	-
8. Foreign Counterparty (ECA 7)				-	150%	-	-	150%	-
9. LC Commitments with original maturity over 6 months (domestic Counterparty)	673,108	35,398		637,710	50%	318,855	623,768	50%	311,884
10. Foreign Counterparty (ECA 0 -1)				-	20%	-	-	20%	-
11. Foreign Counterparty (ECA 2)				-	50%	-	-	50%	-
12. Foreign Counterparty (ECA 3 -6)				-	100%	-	-	100%	-
13. Foreign Counterparty (ECA 7)				-	150%	-	-	150%	-
14. Bid Bond, Performance Bond and Counter Guarantee	6,308,673	177,103		6,131,570	50%	3,065,785	3,700,041	50%	1,850,020
15. Foreign Counterparty (ECA 0 -1)				-	20%	-	-	20%	-
16. Foreign Counterparty (ECA 2)				-	50%	-	-	50%	-
17. Foreign Counterparty (ECA 3 -6)				-	100%	-	-	100%	-
18. Foreign Counterparty (ECA 7)				-	150%	-	-	150%	-
19. Underwriting Commitments				-	50%	-	-	50%	-
20. Lending of Bank's Securities or Posting of Securities as collateral				-	100%	-	-	100%	-

Rs. (000)

Contd... RISK WEIGHTED EXPOSURE FOR CREDIT RISK

PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	CURRENT YEAR			PREVIOUS YEAR		
				NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES	NET VALUE (D=A-B-C)	RISK WEIGHT	RISK WEIGHTED EXPOSURES
21. Repurchase Agreements, Assets sale with recourse				-	100%	-	-	100%	-
22. Advance Payment Guarantee	906,045		4,285	901,760	100%	901,760	820,373	100%	820,373
23. Financial Guarantee	150		105	045	100%	045	045	100%	045
24. Acceptances and Endorsements				-	100%	-	-	100%	-
25. Unpaid portion of Partly paid shares and securities				-	100%	-	-	100%	-
26. Irrevocable Credit commitments (Short term)	7,554,966			7,554,966	20%	1,510,993	4,440,057	20%	888,011
27. Irrevocable Credit commitments (Long term)				-	50%	-	-	50%	-
28. Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-	-	20%	-
29. Other Contingent Liabilities	64,459			64,459	100%	64,459	59,815	100%	59,815
30. Unpaid Guranatee claims				-	200%	-	-	200%	-
TOTAL	22,100,637	-	509,008	21,591,629		6,752,808	11,255,028		4,230,339
Total RWE for Credit Risk Before adjustment (A) +(B)	128,131,042	199,408	830,881	127,100,753		81,546,553	96,453,642		63,079,707
Adjustment under pillar II					-			-	
Add: 10% of the loan and facilities in excess of Single obligor Limits (6.4 a 3)					-			-	-
Add: 1% of contract (sale) value in case of the sale of credit with recourse (6.4 a 4)					-			-	-
Total RWE for Credit Risk (After bank's adjustments of Pillar II)	128,131,042	199,408	830,881	127,100,753		81,546,553	96,453,642		63,079,707

RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

As on 31st Ashad 2076

Rs. (000)

PARTICULARS	FISCAL YEAR			PREVIOUS YEAR
	2072/073	2073/074	2074/075	
1. Net Interest Income	1,857,320	2,361,989	2,739,799	
2. Commission and Discount Income	91,420	450,845	491,069	
3. Other Operating Income	226,158	95,323	3,289	
4. Exchange Fluctuation Income	118,526	133,253	172,548	
5. Addition/Deduction in Interest Suspense during the period	23,448	-	-	
6. Gross income (a)	2,316,872	3,041,409	3,406,705	
7. Alfa (b)	15%	15%	15%	
8. Fixed Percentage of Gross Income [c=(a×b)]	347,531	456,211	511,006	
9. Capital Requirement for operational risk (d) (average of c)	438,249			347,518
10. Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10			10
11. Equivalent Risk Weight Exposure [f=(d×e)]	4,382,493			3,475,176
SRP 6.4a (8) Adjustments under Pillar II				
(If Gross Income for the last three years is negative)				
1. Total Credit and Investment (net of Specific Provision) of releted month	-			-
2. Capital Requirement for Operational Risk (5% of net credit and investment)	-			-
3. Risk Weight (reciprocal of capital requirement of 10%) in times	10			10
4. Equivalent Risk Weight Exposure (g)	-			-
5. Equivalent Risk Weight Exposure [h=f+g]	4,382,493			3,475,176

RISK WEIGHTED EXPOSURE FOR MARKET RISK

As on 31st Ashad 2076

Rs. (In full figure)

S.NO.	CURRENCY	OPEN POSITION (FTCY)	OPEN POSITION (NPR)	RELEVANT OPEN POSITION	PREVIOUS YEAR RELEVANT OPEN POSITION
1.	INR	92,770,281	148,502,027	148,502,027	41,271,238
2.	USD	(226,209)	(24,871,680)	24,871,680	6,279,667
3.	GBP	(8,949)	(1,224,492)	1,224,492	2,063,350
4.	EUR	15,474	1,913,128	1,913,128	1,786,794
5.	THB	27,690	98,715	98,715	135,886
6.	CHF	6,770	754,076	754,076	85,196
7.	AUD	10,855	843,216	843,216	604,528
8.	CAD	1,200	101,058	101,058	761,458
9.	SGD	3,006	243,832	243,832	139,422
10.	JPY	1,963,850	2,006,073	2,006,073	1,552,466
11.	HKD	5,710	80,054	80,054	168,916
12.	DKK	1,550	24,451	24,451	51,435
13.	SEK	50	581	581	617
14.	SAR	38,760	1,135,280	1,135,280	1,959,447
15.	QAR	12,311	372,408	372,408	1,068,910
16.	AED	100,958	3,019,149	3,019,149	2,466,467
17.	MYR	15,960	426,371	426,371	379,010
18.	KRW	2,463,000	231,029	231,029	8,144
19.	CNY	41,327	666,605	666,605	633,501
20.	KWD	135	48,508	48,508	102,560
21.	BHD	143	41,570	41,570	576
(a) Total Open Position			134,411,961	186,604,304	61,519,587
(b) Fixed Percentage				5%	5%
(c) Capital Charge for Market Risk (=a×b)				9,330,215	3,075,979
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10	10
(e) Equivalent Risk Weight Exposure (=c×d)				93,302,152	30,759,793

SIGNIFICANT ACCOUNTING POLICIES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Year 17th July 2018 to 16th July 2019 (1st Shrawan 2075 to 31st Ashad 2076)

1. GENERAL INFORMATION

1.1. Reporting Entity

Machhapuchchhre Bank Limited (hereinafter referred to as "The Bank") is a public limited company, incorporated on 16 February 1998 as per the then Companies Act 1964 of Nepal, and domiciled in Nepal. The Bank obtained license from Nepal Rastra Bank on 27th September 2000. The registered office of the Bank is located at Lazimpat, Kathmandu, Nepal. The Bank is listed in Nepal Stock Exchange Limited (the sole stock exchange in Nepal) for public trading.

The principal activities of the Bank are to provide full-fledged commercial banking services including, agency services, trade finance services, card services, e-commerce products and services and commodity trading services to its customers through its strategic business units, branches, extension counters, ATMs and network of agents.

1.2. Subsidiary

The group has recognized Machhapuchchhre Capital Limited as a subsidiary company in which Bank held 100% controlling interest at the report date.

Subsidiaries are investees that are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The financial year of subsidiary is same as that of the Bank ending on July 16, 2019

1.3. Group

The Group" represents The Bank and its subsidiary. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above mentioned circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where Subsidiaries have been sold or acquired during the year, assets, liabilities, income and expenses of the said subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. BASIS OF PREPARATION

2.1 Basis of Preparation

The Financial Statements of the Bank have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075. The Group has opted for certain carve outs which are briefly described in Notes to Accounts. The Financial Statement comprise of:

- Consolidated Statement of Financial Position (SOFP) stating the financial position of the Bank and the Group as at the end of reporting period;
- Consolidated Statement of Profit and Loss (SOPL) and Consolidated Statement of Other Comprehensive Income (SOCl) stating the financial performance of the Bank and the Group for the reported period ended.
- Consolidated Statement of Cash Flow (SOcF) stating the ability of Bank and the Group to generate Cash and Cash Equivalent.
- Consolidated Statement of Changes in Equity (SOCE) stating all the changes in Equity of the Bank and the Group during the reporting period.
- Notes to the Consolidated Financial Statements comprising summary of Principal Accounting Policies and explanatory notes that are of significant importance to the users of Financial Statements.

2.2. Statement of Compliance

The financial statement of group which comprises of Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directives 2075 issued by Nepal Rastra Bank and all other applicable laws and regulations. These policies have been consistently applied to all the years presented except otherwise stated.

2.3. Reporting Period and approval of financial statements

The Bank follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

RELEVANT FINANCIAL STATEMENT	NEPALESE CALENDAR DATE/PERIOD	ENGLISH CALENDAR DATE/PERIOD
Consolidated Statement of Financial Position	31st Ashadh,2076	16th July,2019
Consolidated Statement of Profit/Loss	1st Shrawan 2075 to 31st Ashadh,2076	17th July,2018 to 16th July,2019
Consolidated Statement of Cash flow	1st Shrawan 2075 to 31st Ashadh,2076	17th July,2018 to 16th July,2019
Consolidated Statement of Changes in Equity	1st Shrawan 2075 to 31st Ashadh,2076	17th July,2018 to 16th July,2019

The Board of Directors of the Group authorized the financial statement vide its resolution dated August 28, 2019 and recommended for its approval by the Annual General Meeting of the shareholders.

2.4. Foreign Exchange Transaction

Foreign Exchange Transactions Assets and liabilities denominated in foreign currencies as on the balance sheet date have been converted into local currency at mid-point exchange rates published by Nepal Rastra Bank after adjustment for effective trading rate.

2.5. Functional and Presentation Currency

The Nepalese Rupees (NRs), being the currency of primary economic environment under which bank operates, has been used as the functional currency. The Financial information has been presented in Nepalese Rupees and has been shown in actual figure, unless indicated otherwise.

2.6. Significant Accounting Judgments, Estimates and Assumptions

The Management of the Bank has made judgments, estimations and assumptions which affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses that is required for the preparation of financial statements in conformity with Nepal Financial Reporting Standards (NFRS). The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis. Necessary revisions to accounting estimates are recognized in the period in which such estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Any revision in accounting estimate is recognized prospectively in present and future periods as required under NAS 08 Accounting Policies, Changes in Accounting Estimates and Error.

Significant estimates, assumptions and judgments used in applying accounting policies which have material effect in financial statements are:

- Impairment on loans and advances (Higher of provision for loan loss calculated as per NRB Guideline and Impairment loss calculated as per NFRS as per carve out issued by ICAN to be mandatorily implemented till carve out period)
- Impairment of other financial and non-financial assets
- Determination of fair value of financial instruments
- Assessment of Bank's ability to continue as going concern.

2.7. Accounting Policies and Changes in Accounting Policies

There are different accounting principles adopted by management and these policies are consistently applied to all years presented except or changes in accounting policies that has been disclosed separately.

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

2.8. New Standards in issue but not yet effective

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

2.9. New Standards and interpretation not adopted

In preparing financial statement, Standards and pronouncement issued by Accounting Standard Board Nepal has been adopted. Management has used its assumptions and understandings for preparation of financial statements under compliance with NFRS, however, certain interpretations might vary regarding the recognition, measurement, and other related provisions where the standards are not specific and not clear.

2.10. Discounting

Discounting has been done, using the relevant discount rate, for computing the present value of a payment or stream of payments that is to be received in future in case required under NFRS for any valuations, adjustments. Market interest rates, EIR rates are used for discounting the future payments as required under the provision. It has been applied in the cases where discounting is material.

2.11. Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years' financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

2.12. Materiality and Aggregation

In compliance with NFRS 1 Presentation of Financial Statements, Each material class of similar items is presented separately in financial statements. Items of dissimilar nature are presented separately unless they are material.

2.13. Offsetting

Assets and liabilities, income and expense are reported separately and no assets and liabilities, or income and expense are offset unless required or permitted by NFRS.

2.14. Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's financial statement and reclassified whenever necessary to conform to current year presentation.

2.15. Rounding

The statements have been rounded off to nearest Rupees in relevant assertions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects have been disclosed.

3.1. Basis of Measurement

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

- Financial instruments at fair value through profit or loss or through OCI are measured at fair value.
- Financial instruments subsequently measured at amortized cost.
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- Derivative financial instruments are measured at fair value.
- Investment property is measured at fair value

3.2. BASIS OF CONSOLIDATION**3.2.1. Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method as per the requirements of Nepal Financial Reporting Standard-NFRS 03(Business Combinations).The Bank measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is immediately recognized in the profit or loss.

The Bank elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

3.2.2. Non-Controlling Interest (NCI)

Bank elects to measure any non-controlling interests for each business combination in the acquire either:

- At fair value; or
- At their proportionate share of the acquirer's identifiable net assets

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

3.2.3. Subsidiaries

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

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances as stated on Para 19 of the NFRS 10. The Consolidated Financial Statements are prepared for the common financial year end. The Bank currently has only one subsidiary- "Machhapuchchhre Capital Limited" which has been incorporated in Nepal. The details of same is as follows

SUBSIDIARY	COST AS ON ASHAD END 2076
Machhapuchchhre Capital Limited	200,000,000

3.2.4. Loss of Control

When the Bank loses control over a Subsidiary, it derecognizes the assets and liabilities of the former subsidiary at its carrying value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant NFRS. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with relevant NFRS or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Bank recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

3.2.5. Special Purpose Entity (SPE)

Special purpose entity is a legal entity (usually limited company of some type or, sometimes, a limited partnership) created to fulfil narrow, specific or temporary objectives. SPEs are typically used by companies to isolate the firm from financial risk. The Bank does not have any special purpose entity as of now.

3.2.6. Transaction Elimination on Consolidation

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

3.3. Cash and Cash equivalent

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

3.4. Balance with Central Bank

Balances with central banks are carried at amortized cost in the Statement of Financial Position.

3.5. Placement with Bank and Financial Institution:

Placements with banks and financial Institutions includes placement with other banks with original maturities of more than three months from the acquisition date. Placements with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Interest income from placements with banks is included in "Interest income" in the Statement of Profit or Loss. The losses arising from impairment are recognized in "Impairment charge/ (reversal) in the Statement of Profit or Loss.

3.6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

3.6.1. Recognition

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

3.6.2. Classification

Financial instruments are classified as

- Financial Assets
- Financial Liabilities

1. Financial Assets

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

- Financial assets measured at amortized cost
- Financial asset measured at fair value

i. Financial assets measured at amortized cost

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

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

ii. Financial asset measured at fair value

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

- Financial assets at fair value through profit or loss.
- Financial assets at fair value through other comprehensive income

Financial assets at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost 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.

Financial assets at fair value through other comprehensive income

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

2. Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan Commitments, as follows:

- Financial Liabilities at Fair Value through Profit or Loss
- Financial Liabilities measured at amortized cost

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are 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 though profit or loss are classified as subsequently measured at amortized cost using effective interest method.

3.6.3. Measurement

Initial Measurement

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

Subsequent Measurement

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

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

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

3.6.4. Derecognition

Derecognition of Financial Assets

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

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of

- the consideration received (including any new asset obtained less any new liability assumed) and
- any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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.

3.6.5. Determination of Fair Value

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

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

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

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. All unquoted equity investments are recorded at cost.

3.6.6. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either settle them on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.6.7. Impairment

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

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

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

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

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

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

Impairment losses on assets measured at amortized cost

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

Bank considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant and assessed on collective basis for those that are not individually significant. Loans and advances to customers with significant value are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank.

If there is objective evidence that impairment loss has been incurred, the amount of loss is measured at the difference between asset's carrying amount and present value of estimated future cash flows. Carrying amount of the asset is reduced through the use of an allowance account and amount of loss is recognized in profit or loss. All individually significant loans and advances and investment securities are assessed for specific impairment. Those not found to be specifically impaired are collectively assessed for impairment by grouping together loan and advances and held to maturity with similar risk characteristics.

Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to four broad products as follows:

1. Term Loan
2. Auto Loan
3. Home Loan
4. Overdraft

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

Loan Loss Provision as per direction of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies Adopted

The bank adopts carve out issued by ICAN for measurement of impairment loss on loans and advances. As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

3.7 Trading Asset and liabilities

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

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

3.8. Derivative financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, indices etc. Derivatives are categorized as trading unless they are designated as hedging instruments. All derivatives are initially recognized and subsequently measured at fair value, with all revaluation gains or losses recognized in the Statement of Profit or Loss under Operating Income. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value is determined using the closing rates ruling on the reporting date.

3.9. Property, Plant and Equipment

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met. Bank has adopted cost model for entire class of property and equipment. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss.

Revaluation Model

The Bank has not applied the revaluation model to the class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive Income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent Cost

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

Derecognition

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

Depreciation

Depreciation is calculated by using the straight line method on cost or carrying value of property, plant & equipment other than freehold land. Fixed Assets are depreciated on the basis of expected useful life on Straight Line Method (SLM) basis. Land is not depreciated. Management has determined the expected life of the fixed assets for depreciation purpose as follows:

S.N.	ASSETS TYPES	EXPECTED USEFUL LIFE (YEARS)
1	Building	50
2	Vehicle	7
3	Furniture Wooden	8
4	Furniture Metal	10
5	Office Equipment	10
6	Computers	5
7	Generators and Others	10
8	ATM	7
9	Battery	3

The depreciation on the assets purchased and capitalized during the current year has been accounted from the next month of purchase. In case of assets being sold and written off, the depreciation is charged up to the previous month of disposal and gain or loss on the sales transaction is accounted for.

- Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.
- Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.
- Leasehold assets and cost of software licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

Changes in Estimates

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

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

3.10 Intangible Assets and Goodwill

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

Computer Software

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

Goodwill

Goodwill, if any that arises upon the acquisition of Subsidiaries is included in intangible assets.

Subsequent Expenditure

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

Amortization of Intangible Assets

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

Derecognition of Intangible Assets

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

3.11 Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. They are either held for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner occupied property. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date. They have been valued at cost or fair value whichever is lower.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances. Accordingly, Investment properties include the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower in accordance with NRB Directives.

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell if their carrying amount is recovered principally through sale rather than continuing use. They are recognized and measured when:

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

Any impairment loss on initial classification and subsequent measurement is recognized as expense. Also, any increase in fair value less cost to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss. Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

3.12 Due to Banks and Financial Institution

Due to banks represents credit balances in Nostro Accounts, short-term borrowings from banks, deposit accepted from "D" class financial Institutions. These are initially recognized at fair value. Subsequent to initial recognition, these are measured at their amortized cost. As per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

3.13 Deposit from Customers:

The Bank accepts deposits from its customers under savings account, current account, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer. They have been valued at amortized cost.

As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking such interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts

As per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

3.14 Contingent Liabilities and Commitments:

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined under NAS 37 – "Provisions, Contingent Liabilities and Contingent Assets". In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. 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. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

3.15 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank is involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations. Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per NAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".

3.16 Borrowing Cost:

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

3.17 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income.

3.17.1 Current Tax

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

3.17.2 Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized 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 difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

3.18. Provisions

Provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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

3.19. Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

3.19.1. Interest Income

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, loans, and investment in government securities, investment in NRB bond, corporate bonds, and interest on investment securities measured at fair value.

Carve out issued by ICAN

As per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Guideline on Recognition of Interest Income, 2019 by NRB.**Criteria for determining loans on which interest no longer be recognized to the profit or loss account but shall be suspended**

Guideline issued by NRB on income recognition defines certain criteria for determining loans on which interest no longer be recognized to the profit or loss account but shall be suspended. These criteria are as follows

- (a) Loans where there is reasonable doubt about the ultimate collectability of principal or interest;
- (b) Loans against which individual impairment as per NAS 39 or life time impairment as per NFRS 9 has been made;
- (c) Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest;
- (d) Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral;
- (e) Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry, and where the net realizable value of security is insufficient to cover payment of principal and accrued interest;
- (f) Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 12 months of the expiry, irrespective of the net realizable value of collateral;

Criteria to cease the accrual of interest

Bank and financial institutions shall accrue the interest on loan although it has been decided to suspend the recognition of income. However, BFIs shall cease to accrue interest on loan, in case where contractual payments of principal and/or interest of the loan are due for more than 12 months and the "net realizable value" of security is insufficient to cover payment of principal and accrued interest. Cessation of accrual of interest for accounting purpose shall not preclude an entity to continue to accrue interest on a memorandum basis for legal enforcement purposes unless the loan is written off.

3.19.2. Fee and Commission Income

Fees and Commission Income being the transaction costs integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees and points to be considered for EIR computation unless it is impracticable to determine reliably. Since such transaction costs are not identifiable for separate customer and therefore being impracticable, they have not been considered when computing EIR. They have been booked on accrual basis except commission on guarantees issued by the bank which is recognized as income over the period of the guarantee, except for guarantee commission not exceeding NPR one lakhs is recognized at the time of issue. Other fee and commission income are recognized on accrual basis.

3.19.3. Dividend Income

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

3.19.4. Net Trading Income

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

3.19.5. Net Income from other financial instrument at fair value through Profit or Loss

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

3.20. 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.

3.21. Impairment of non-financial Assets:

Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, Bank estimates the recoverable amount which is higher of Fair Value less cost to sell or value in use. Where the carrying amount exceeds its recoverable amount, asset is considered impaired and is written down to recoverable amount.

3.22. Employment Benefits**Short term employee Benefits:**

Short term employee benefits are the benefits that are expected to be settled wholly before 12 months and therefore booked as expense in the period in which employees render the related service. It includes the following:

- Wages, salaries and social security contributions
- Paid annual and paid sick leave
- Profit sharing and bonuses
- Non-monetary benefits

Post-employment benefit

Post-employment benefit includes the following

a) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Bank makes fixed contribution into a separate Bank account (a fund) and will have no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under 'Personnel Expense' as and when they become due.

Bank contributed 10% of the salary of each employee to the Employees' Provident Fund and also gratuity amount is deposited in CIT. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

b) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment and gratuity has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits). Net Obligation in DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. Bank recognizes all actuarial gains and losses arising from DBP in the Other Comprehensive Income and expenses related to DBP under personnel expense in the Statement of Profit or Loss.

Under NFRS, the actuarial gains and losses form part of re measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Also, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS. Some assumptions used by actuarial valuator for valuation are as under:

1. **Discount Rate:** It is based on Yield to Maturity Available on Government Bonds having similar term to decrement-adjusted estimated term of liabilities.
2. **Expected Return on Planned Asset:** Average long term rate of return expected on investments of Trust Fund.
3. **Salary Escalation Rate:** Management estimation of 8% after considering the expected earnings inflation as well as performance and seniority related increase.
4. **Withdrawal Rate:** Management estimation on the basis of 12% on the basis of expected long term future employee turnover within the organization.
5. **Mortality Rate:** Nepali Assured Lives Mortality issued by Beema Samiti.

(a) Gratuity

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the under 'Personnel Expenses' together with the net interest expense. Also, actuarial gain loss have been shown under Other Comprehensive Income (OCI) Bank recognizes the total actuarial gain/ (loss) that arises in computing Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (58 years), early withdrawal from service and retirement on medical grounds.

(b) Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government binds that have maturity dates approximating to the terms of Bank's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

3.23. Other expense

Other Expense have been recognized in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at profit for the year. Provisions in respect of other expenses are recognized when there is present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.24. Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When Bank is the lessor under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in, 'Loans to & receivables from other customers', as appropriate. Interest income receivable is recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When Bank is a lessee under finance leases, the leased assets are capitalized and included in 'Property, Plant and Equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When Bank is the lessee, leased assets are not recognized on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted as per provision mentioned in NAS 17 on Leases.

3.25. Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for-sale equity instruments are recognized in other comprehensive income.

3.26. Financial guarantee and loan commitment

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

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

3.27. Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities.

Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity. Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The holders of ordinary shares are entitled to one vote per share at general meetings of the bank and are entitled to receive the annual dividend payments. The various reserve headings are explained hereinafter:

General reserve

The Bank is required to appropriate a minimum 20% of current year's net profit into this heading each year until it becomes double of paid up capital and then after a minimum 10% of profit each year. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading.

Exchange equalization reserve

The Bank is required to appropriate 25% of current year's total revaluation gain (except gain from revaluation of Indian Currency) into this heading.

Fair value reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for financial assets. NFRS 9 requires that cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading until the fair valued asset is de-recognized. Any realized fair value changes upon disposal of the re-valued asset is reclassified from this reserve heading to retained earnings.

Asset revaluation reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a re-valuation model.

Corporate social responsibility fund

The Bank is required to appropriate an amount equivalent to 1% of net profit into this fund annually. The fund is created towards funding the Bank's corporate social responsibility expenditure during the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of payments made under corporate social responsibility activities.

Investment adjustment reserve

The Bank is required to maintain balance in this reserve heading which is calculated at fixed percentages of the cost of equity investments that are not held for trading. Changes in this reserve requirement are reclassified to retained earnings.

Actuarial gain / loss reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for employee benefits. NAS 19 requires that actuarial gain or loss resultant of the change in actuarial assumptions used to value defined benefit obligations be presented under this reserve heading. Any change in this reserve heading is recognized through other comprehensive income and is not an appropriation of net profit.

Regulatory reserve

This is a non-free statutory reserve and is a requirement as prescribed in NRB directive. In the transition to NFRS from previous GAAP the Bank is required to reclassify all amounts that are resultant of re-measurement adjustments and that are recognized in retained earnings into this reserve heading. The amount reclassified to this reserve includes:

- Re-measurement adjustments such as interest income recognized against interest receivables,
- Difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS,
- Amount equals to deferred tax assets,
- Actual loss recognized in other comprehensive income,
- Amount of goodwill recognized under NFRS.

Debenture Redemption Reserve

The Bank is required to maintain a redemption reserve in respect of borrowing raised through debenture issuance. As per the terms of NRB approval relating to the Bank's debenture issuance, the Bank is annually required to transfer 20% of the debenture's face value to redemption reserve.

Employees training fund

The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's total personnel expenses. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of expenses made for employees training related activities.

3.28. Earnings per Share including diluted earning

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend are deducted from equity when they are declared and no longer at the discretion of the Bank. Proposed dividend for the year after reporting period and before the authorization of financial statements has been disclosed in notes to accounts as non-adjusting event.

3.29. Segment Reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management. For management purposes, the Bank has organized into operating segments based on business. Also, interest income are identifiable product wise separately. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in the reporting period. Segment results that are reported to the Bank's include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise head office expense, corporate assets, tax assets and liabilities.

3.30. Capital Management

The primary objective of Capital Management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the Risk Appetite of the Bank.

Capital Adequacy

Capital Adequacy Ratio (CAR) is a measure of the Bank's capital expressed as a percentage of risk-weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios. Bank has maintained capital adequacy in excess of the minimum threshold prescribed by Nepal Rastra Bank.

Bank calculates CAR based on New Capital Adequacy Framework under Basel III requirement in July 2015 issued by NRB. Also, bank monitors the CAR, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as reputation risk, strategic risk, compliance risk, concentration risk, and interest rate risk on banking book.

3.31. Risk Management

Bank needs to manage Credit, Operational, Market, Liquidity and other risks inherent in bank. There are risk management in process to identify, measure, monitor, and control such risks. In order to manage such risks, Board of the bank is primarily responsible for setting out the risks policies, risk strategies, risk appetite, risk tolerance, risk mitigation etc. Such risks are communicated by the Board down the line for effective and timely implementation adherence. Board of the bank monitors and evaluates the risk on a regular interval and instructs RMC and other related departments, who is responsible for risk management of the bank through CEO/CRO for effective implementation.

In broad sense, Bank's functional structure for risk related matters are presented below

Board of Directors

Board has critical role to play in overseeing overall risks emanating in the bank business. Board approves, modifies, and review overall policies related to risk areas, advises the management to prepare suitable process. Overall accountability for risk management rests on Board and the level of risks organization accepts. Major responsibilities of Board, but not limited to include:

- a) Define bank's overall risk tolerance in relation to credit risk, market and liquidity risk.
- b) Ensure bank's Credit and investment exposure maintained at prudent levels.
- c) Ensure related top management responsible for risk management process.
- d) Ensure there is effective, integrated operational risk management framework
- e) Ensure implementation of sound fundamental policies that facilitate identification, measurement, monitoring and control of potential risk.

Risk Management Committee

Risk Management Committee is the sub-committee of the Board, which plays pivotal role in managing overall risk management of bank. RMC shall work as a bridge between Board and CRO/ Management and escalate the important risks matters to Board

AML/ CFT committee

A separate committee is formed to ensure compliance of Anti Money Laundering Act, rules and directive No. 19 issued by Nepal Rastra Bank. Also, in order to enable the strong AML culture in the bank and in addition ensure to apply a uniform policy framework throughout the branches in compliance with internal as well as regulatory standards, committee is formed. It devises appropriate risk management framework to identify, assess and minimize the risk pertaining to AML and CFT; and recommend its implementation to management of bank.

Assets and Liability Management Committee

Senior Management Committee is responsible for supervision/management of market risk (mainly interest rate and liquidity risk). It includes the role of monitoring on the structure/ composition of bank's assets and liabilities and decide about product pricing for deposits and advances, deciding on maturity profile, evaluation of market risk and so on.

Credit Risk Management Department:

Credit Risk Management is an independent function of the bank which has the objective to reduce the level of NPL, and delinquent borrowers and to improve the risk assets quality of the bank. It is a centralized function which controls overall risk inherent in lending portfolio and also make an assessment of risk profile in credit files. It includes the assessment/review of purpose of credit, credit assessment of borrower, structuring of credit facilities, disbursement of loan, assessment of waiver policies, and others.

- a) To monitor bank's credit portfolio for risk identification, quantification
- b) Review risk of asset portfolio sector
- c) Periodically review irregular accounts which are NPA
- d) Define bank's overall tolerance to risk.
- e) Identify risk and analyze risk management tools.

Credit Risk Management

In order to manage credit risk, the Bank has established a sound credit appraisal system. The Bank has credit Policies Guidelines and other product papers approved by The Board of Directors which are strictly followed during credit approval/disbursement. The bank performs market/customer analysis to minimize the credit risk.

Operation Risk Management

A separate independent function has been established for effective management of operational risks of bank. The unit performs the job related to identity, measurement, monitoring and reporting of operational risks as a whole and ensure management of operational risk. It evaluates the adequacy of tools and techniques to reduce the operational risk to acceptable level.

The Bank has a strong internal control system so that material fraud and errors can be easily traced. Further, the Bank follows a scientific process for segregation of duty so that internal check be maintained. The Bank follows the operational manual approved by Board of Directors. The Bank has an effective Internal Audit Department which functions to carry out review of internal control system of the bank and ensure that the approved policies, procedures and manuals are strictly followed. The report of the Internal Audit Department is directly submitted to Audit committee.

Market Risk Management

For the management of Market/Liquidity risk, the Bank has a very effective ALM Policy which defines procedures and authority including setting up various risk limits. Under the ALM policy, the Bank has effective Assets Liabilities Committee (ALCO) which meets periodically and reviews interest rates, liquidity position, liquidity gap, FCY open position, investment portfolio, maturity limit for investment and takes necessary decision as well as circulates various guidelines to concerned departments for effective management of market risk.

Liquidity Risk Management

Bank recognize Market Risk as the possibility for loss of earnings or economic value to the bank caused due to adverse changes in the market level of interest rates or prices of securities (equity), foreign exchange rates and commodity price fluctuation, as well as the volatilities, of those prices. While Liquidity risk is chances of failure of a bank to meet obligations as they become due. Effective liquidity risk management helps ensure the Bank's ability to meet its obligations as they fall due without adversely affecting the Bank's financial condition and reduces the probability of developing of an adverse situation.

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding as required.

Reputational Risk Management

Reputational risk is the risk of possible damage to the Bank's brand and reputation resulting in loss of earnings or adverse impact on market capitalization or could be perceived as by the stakeholders to be inappropriate, unethical, or inconsistent with bank values and beliefs.

The Bank's Corporate Governance Policy establishes the framework for the governance and management of reputational risk. The framework aims to protect the Bank's reputation and restrict the ability to undertake any activities that may cause material damage to the Bank's branding.

The bank has clearly set the code of conduct / code of ethics which defines acceptable and unacceptable behaviors and explicitly disallow behavior that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti-competitive practices, bribery and corruption, or the violation of consumer rights and make clear that employees are expected to conduct themselves ethically in addition to complying with laws, regulations and company policies.

Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank. The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review, AML/CFT/KYC audit, ISO audit as well as Risk based Internal Audit (RBIA) approach. The audits observations are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department, regional offices or branches.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 16th July 2019

1. Paid-up capital

Paid-up share capital of the Bank has increased from year to year as follows:

a) Paid-Up Capital

The structure of the share capital of the Bank is as follows:

- Authorized capital of NPR 10,000,000,000 represented by 100,000,000 Ordinary Shares of NPR 100 each; and
- Issued capital as of balance sheet date is NPR 8,055,693,000 represented by 80,556,930 Ordinary Shares of NPR 100 each.
- Paid-up capital as of balance sheet date is NPR 8,055,693,000 represented by 80,556,930 Ordinary Shares of NPR 100 each.

The Paid-up capital of the Bank as on the balance sheet date is NPR 8,055,693,000 represented by 80,556,930 Ordinary Shares of NPR 100. Paid up share capital of the Bank has increased from year to year as follows:

FINANCIAL YEAR	PAID UP SHARE CAPITAL (NPR)	REMARKS
2061/62	550,000,000	Opening Share Capital
2062/63	715,000,000	Issue of 30% right shares
2063/64	821,651,300	14.92% Bonus shares
2064/65	901,339,300	NPR 79,688,000 calls in advance included
2065/66	1,479,269,600	Issue of right shares 10:6 and 12.5% of bonus shares included
2066/67	1,627,196,560	10% Bonus shares included
2067/68	1,627,196,560	
2068/69	2,478,794,560	NPR 851,598,000 paid capital of Standard Finance Limited Merged
2069/70	2,478,794,560	
2070/71	2,776,249,907	12% Bonus shares included
2071/72	3,484,123,196	NPR 174,833,289 calls in advance and NPR 533,040,000 proposed bonus share included

NFRS related adjustment for Paid-up capital

FINANCIAL YEAR	AS PER GAAP	ADJUSTMENT	AS PER NFRS	REMARKS
2072/73 (Transition phase-Opening adjustment)	4,666,430,000	(801,890,000)	3,864,540,000	Issue of right shares NPR 555,250,093 and NPR 801,890,000 proposed bonus share.
2073/74 (Comparative Year)	7,716,605,100	(665,149,000)	7,051,456,100	>Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital
2074/75 (First Time Adoption)	8,055,693,000	-	8,055,693,000	Calls in advance of NPR 452,756,100 of 12% right shares and NPR 665,149,000
2075/76	8,055,693,000	-	8,055,693,000	> Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital.

2. Reserve

a) General Reserve

Section 44 of Bank and Financial Institutions Act 2073 requires the Bank to allocate at least 20% of the net profits of every year to General Reserve until it is twice the paid-up capital. The Bank has appropriated NPR 339,417,649 of the net profits to General Reserve in the current year.

PARTICULARS	THIS YEAR	PREVIOUS YEAR
Opening General Reserve	1,114,123,679	864,186,016
20% of Profit to be transferred	339,417,649	249,937,663
Closing General Reserve	1,453,541,328	1,114,123,679

b) Exchange Equalization Reserve

Section 45 Bank and Financial Institutions Act 2073 requires, 25% of revaluation gain from foreign currency exchange rate differences to be transferred to Exchange Equalization Reserve and revaluation loss is charged to profit and loss account. 25% of Revaluation profit of foreign currency accounts during the current period amounting NPR 5,709,751 been transferred to exchange fluctuation fund maintained by the Bank.

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Opening Exchange Equalization Reserve	10,716,548	9,280,311
25% of Revaluation gain	5,709,751	1,436,237
Closing Exchange Equalization Reserve	16,426,299	10,716,548

c) Fair Value Reserve

The net change in fair value of financial assets that are measured at fair value and change in fair value is recognized in other comprehensive income until assets are derecognized. Cumulative amount of change in fair value of financial reserve during this year is negative reserve of NPR 3,497,622.

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Opening Fair Value Reserve	(10,213,802)	548,177
Transfer/ Adjustment in Reserve	(3,497,622)	(10,761,979)
Closing Fair Value Reserve	(13,711,424)	(10,213,802)

d) Assets Revaluation Reserve:

Assets are recognized under cost model and they are presented under historical cost. So, no assets have been revalued as on balance sheet date.

e) Skill Enhancement Fund

NRB Directive 6 requires BFIs to incur expenses towards employee training and development equivalent to at least 3% of the preceding year's total staff expenses which amounts NPR 26,239,194 (including staff bonus). Unspent amount of training fund carried forward from previous financial year is NPR 2,874,806. Actual training expense of this year amounted to NPR 26,745,205. Hence skill enhancement fund at the end of fiscal year is NPR 2,368,795.

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Opening Skill Enhancement Fund	2,874,806	7,247,716
Add : 3% of Last Year Staff Expense	26,239,194	15,233,062
Actual Staff Training Expense this year	26,745,205	19,605,972
Closing Skill Enhancement Fund	2,368,795	2,874,806

f) Corporate Social Responsibility Fund

NRB Directive 6 requires BFIs to create Corporate Social Responsibility Fund and appropriate an amount equivalent to 1% of net profit annually into this fund for covering expenditure related to CSR activities in the subsequent year. Accordingly, the Bank had opening reserve of NPR 18,631,633 out of which NPR 15,889,958 has been spent this year for CSR activities. This year, bank has also appropriated 1% of net profit i.e. NPR 16,970,882 and therefore total amount in this fund is NPR 19,712,558 and shown in other reserve in Statement of Changes in Equity.

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Opening CSR Fund	18,631,633	13,024,834
Add : 1% of profit this year	16,970,882	12,496,883
Less: CSR expense this year	15,889,958	6,890,084
Closing CSR Fund	19,712,558	18,631,633

g) Regulatory Reserve

The amount to this reserve has been allocated from profit/retained earnings as per the Directive of NRB for the purpose of implementation of NFRS and is not regarded as free for distribution of dividend. Opening fair value reserve has been restated and shown in net figure by NPR 342,871,112. Details are as presented under:

DETAILS	THIS YEAR	PREVIOUS YEAR
Opening Regulatory reserve	338,258,835	-
Adjustment/Restatement	4,612,277	
Adjusted/Restated balance at 1 Shrawan 2075	342,871,112	
Adjustment	47,440,164	338,258,835
Interest Suspense	(42,527,809)	275,772,186
Investment Property Provision/ (Non-Banking Assets)	53,586,919	24,870,824
Actuarial loss	11,459,433	26,853,845
Fair Value Reserve	3,497,622	10,761,980
Deferred tax assets	21,424,000	
Closing Regulatory Reserve	390,311,276	338,258,835

h) Investment Adjustment Reserve

The Bank has maintained adequate reserve in compliance with NRB Directives 08/2075 for unlisted investments according to which 100% reserve to be created for investments not being listed. Bank has investment in NEPS which is not listed and therefore 100% reserve has already been created in in earlier years. Also, 2% reserve that had been created in earlier years for other listed shares has been adjusted this year, since the reserve is not required as per NRB directive 4/2075.

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Opening IAR	15,000,000	16,954,425
Add: Additional Reserve during this year	-	-
Less: Adjustment in Reserve	-	(1,954,425)
Closing IAR	15,000,000	15,000,000

Investment Adjustment Reserve for the year is presented below:

PARTICULARS	NET INVESTMENT	REQUIRED RESERVE
Unlisted Securities @100%-NEPS	15,000,000	15,000,000
Closing balance	15,000,000	15,000,000

i) Share Premium

Share premium includes the excess amount received against the Face value of the issued shares in fiscal year 2074/75. Excess of NPR 30,881,765 were received against the 12 % right shares auction. The unsubscribed right shares were auctioned and the amount in excess of fair value is shown under share premium.

3. Investment Securities:

Investment Securities have been valued under fair value or amortized cost as allowed under NFRS 9. Closing Market Price of Securities has been used as the Fair value of the Asset/Securities for investment securities valued at Fair Value through Other Comprehensive Income. Different Fair Value Hierarchy has been considered (Level 1, Level 2 and Level 3) depending upon the availability of information and regarding the valuation of other investments through amortized cost. EIR rate has been used for booking the amortized cost of investment and interest income accordingly.

4. Loans & Advances to B/FIs and customers:

Loans & Advances to B/FIs and Customers have been valued under amortized cost as allowed under NFRS 9. Separate Effective Interest Rate (EIR) has not been computed since all the relevant transactions costs for computing EIR are ignored due to impracticability to determine the relevant costs as allowed by Carve Out issued by ICAN.

As per para 63 of NAS 39, an entity shall assess at the end of each reporting period if there is any objective evidence that financial asset or group of financial assets measured at amortized cost is impaired. Bank has applied Para 63 and has computed impairment loss. However, as per the Carve-out issued by ICAN as a mandatory treatment of impairment loss for the transition period for banks and financial institution, impairment loss to be measured at higher of amount derived as per norms prescribed by NRB for loan loss provision and as per para 63. Details of such impairment is as mentioned below:

PARTICULARS	THIS YEAR	PREVIOUS YEAR	P/L IMPACT
Impairment (A)	252,496,934	279,209,527	(26,712,593)
Provision as per NRB (B)	968,817,146	851,646,280	117,170,866
Impairment to be considered as Alternative Treatment by ICAN (Higher of A or B)	968,817,146	851,646,280	117,170,866

Higher of impairment as per para 63 of NAS 39 and as per the provision norms prescribed by NRB for loans and advances has been considered in preparing financial statements.

5. Interbank Borrowing

Interest on Interbank Borrowing of NPR 367,671 has been capitalized along with interbank borrowing balance as on balance sheet date for financial presentation.

6. Segmental reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management.

For management purposes, the Bank has organized into operating segments based on business.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in the reporting period. Segment results that are reported to the Bank's include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, tax assets and liabilities.

7. Segmental Information

Segmental Reporting has been presented for three key business segments of the Bank, identified on the basis of key functional business activities that generate revenue for the Bank and incur expenses. These segments serve as the key functional units for resource allocation, decision making and review of operating results/performance by the Management. These are summarized as follows:

7.1. Information about reportable segments

Fig in '000'

PARTICULARS	BANKING	TREASURY	TRANSACTION BANKING	TOTAL
a. Revenues from external customers	10,311,899	875,060	281,240	11,468,200
b. Intersegment revenues	357,957	(490,429)	(6,237)	(138,709)
C. Gross revenue	10,669,857	384,631	275,003	11,329,491
d. Interest revenue	9,616,090	535,743	-	10,151,833
e. Interest expenses	6,517,202	110,565	-	6,627,767
f. Net interest revenue	3,098,887	425,179	-	3,524,066
g. Depreciation & amortization	975	129	7,422	8,525
h. Segment profit (loss) before tax	3,395,151	274,067	144,805	3,814,022
i. Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-
j. Other material non-cash items:	-	-	-	-
k. Impairment of assets	111,897	4,997	5,273	122,167
l. Segment assets	77,978,127	19,695,562	273,083	97,946,772
m. Segment liabilities	89,910,036	3,347,924	65,172	93,323,132

- Revenue from external customers includes the total interest and non-interest revenue.
- Intersegment Revenue includes revenues from transaction with other operating segments of Bank. Transactions between segments are reported on pre-determined transfer price.
- Segment Assets and liabilities includes the assets and liabilities identifiable to particular segment.
- The result reported include the items directly attributable to a segment as well as those that can be allocated on reasonable basis.
- Segment assets and liabilities has been netted off from total assets and liabilities regarding the items that can be offset. (contra items)

7.2. Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:**Revenue**

PARTICULARS	AMOUNT
Total revenue for reportable segments	11,329,491,027
Other revenues	(46,784,663)
Elimination of intersegment profits	138,709,189
Entity's revenues	11,421,415,552

Assets

PARTICULARS	AMOUNT
Total assets for reportable segments	97,946,772,101
Other assets	-
Unallocated amounts:	7,299,274,228
Entity's assets	105,246,046,329

Profit or Loss

PARTICULARS	AMOUNT
Total profit or loss for reportable segments	3,814,022,072
Other profit or loss	-
Elimination of intersegment profits	91,924,526
Unallocated amounts:	(1,478,653,301)
Profit or loss before income tax	2,427,293,296

Liabilities

PARTICULARS	AMOUNT
Total liabilities for reportable segments	93,323,132,477
Other liabilities	-
Unallocated amounts:	11,922,913,852
Entity's liabilities	105,246,046,329

7.3. Information about products and services

Products separately identifiable are Business, Consumer, Corporate, Infrastructure, Micro-finance, Treasury and others. Revenue i.e. interest income from each category is as mentioned below:

PARTICULARS	AMOUNT
Business	3,648,370,760
Consumer	2,612,704,084
Corporate	1,437,735,931
Infrastructure	1,178,229,091
Micro-finance	482,567,895
Treasury/Other	817,915,083
Total	10,177,522,844

7.4. Information about geographical areas

Revenue from following geographical areas

PARTICULARS	AMOUNT
Domestic	11,329,491,027
Province 1	914,842,139
Province 2	759,599,442
Province 3	6,799,715,638
Gandaki Province	1,906,931,338
Province 5	682,111,363
Karnali Province	69,272,994
Sudurpaschim Province	197,018,113
Foreign	
Total	11,329,491,027

7.5. Information about major customers

Major customer do not contribute more than 10% of entity's revenue. Entity's dependence on single customer is substantially lower not contributing more than entity's revenue by single customer.

8. Classification of Financial Asset and Liability:

Amount in '000

PARTICULARS	AS AT		AS AT	
	16-JUL-19		16-JUL-18	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Assets carried at Amortized Cost				
Cash and cash equivalent	9,442,900	9,442,900	2,364,190	2,364,190
Due from Nepal Rastra Bank	3,226,962	3,226,962	7,096,607	7,096,607
Placement with Bank and Financial Institutions	1,458,034	1,458,034	1,395,303	1,395,303
Loans and advances to BFIs	2,440,166	2,440,166	1,798,387	1,798,387
Loan and advances to customers	75,095,774	75,095,774	62,417,217	62,417,217
Investment securities at amortized cost	10,108,078	10,108,078	7,618,974	7,618,974
Assets carried at Cost				
Investment in subsidiaries	200,000	200,000		
Fair Value through Profit and Loss (FVTPL)				
Derivative financial instruments.	72,597	72,597	-	-
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment securities at OCI	198,000	198,000	113,160	113,160
Liabilities				
Liabilities carried at Amortized Cost				
Due to Bank and Financial Institutions	6,361,837	6,361,837	1,332,347	1,332,347
Due to Nepal Rastra Bank	1,020,524	1,020,524	637,802	637,802
Deposits from customers	85,198,402	85,198,402	71,142,372	71,142,372
Debt securities issued	-	-	-	-
Fair Value through Profit and Loss (FVTPL)				
Derivative financial instruments.	-	-	116	116

9. Interest Income

Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank. NPR 111,528,695 is capitalized during FY 2075-76.

As per provision mentioned in income recognition guideline 2019, issued by NRB, interest income of NRS 16,587,361 has been suspended for recognition in current fiscal year.

10. Staff Bonus

Proposed bonus for staff have been provided for 10% of net profit before such bonus.

11. Interim Financial Statements:

Interim Financial Statements are prepared and published on quarterly basis in accordance with NRB Directives in compliance with statutory and legal requirement within the time frame as prescribed.

12. Gratuity and Accumulated Leave Provision:

Gratuity

As per the actuarial valuation, gratuity liability of the bank is NPR 324,723,728 Out of which NPR 277,641,857 has been funded and net amount is shown as liability of bank. Bank has expensed NPR 35,622,438 for gratuity expense in statement of profit & loss. However, funding arrangement to CIT has been made on the basis of gratuity liability computed as per relevant provisions of Act.

Deficit obtained after deducting the fair value of planned assets from Net Benefit Obligations has been shown as Net liability of bank. Details of actuarial valuation of gratuity are as follows:

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Defined Benefit Obligations	324,723,728	295,921,180
Fair Value of Planned Assets	277,641,857	219,552,518
Net Liability	47,081,871	76,368,662
Expense booked as in PL	35,622,438	30,354,442
Actuarial Gain/ (Loss) booked in OCI	(11,459,433)	(26,853,845)

Leave

The Bank has recognized an additional provision of NPR 1,332,955 for accumulated leave liability in the current year. Being non-funded arrangement, total amount is booked as liability for bank. Moreover, leave encashment paid in excess of accumulated leave exceeding 90 days each of sick and annual leave is also charged in profit and loss account.

PARTICULARS	AS AT 16 JULY 2019	AS AT 16 JULY 2018
Defined Benefit Obligations	143,263,102	141,930,147
Fair Value of Planned Assets	-	-
Net Liability	143,263,102	141,930,147

13. Deferred Tax Asset/Liability:

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses. All the adjustments relating to current year are taxed in current period and all the prior year NFRS adjustments have been deferred.

PARTICULARS	BOOK BASE	TAX BASE	DIFFERENCE
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs			
Loans and advances to customers			
Investment securities			
Property & equipment	973,429,181	867,335,296	(106,093,885)
Employees' defined benefit plan	143,263,102		143,263,102
Provisions for investment	19,587,751	-	19,587,751
Lease expenses as per NFRS	14,656,364	-	14,656,364
Deferred tax on carry forward of unused tax losses			-
Total temporary differences			71,413,332
Deferred tax asset/(liabilities) as on Ashad 31, 2076			21,424,000
Deferred tax asset/(liabilities) as on Ashad 32, 2075			(14,219,601)
Origination/(Reversal) during the year			(35,643,601)
Deferred tax expense/(income) recognized in profit or loss			(30,706,790)
Deferred tax expense/(income) recognized in other comprehensive income			(4,936,811)

14. Subsidized interest income and amortization expense of prepaid staff loan:

An endowment life insurance policy is purchased by Bank for insured sum equivalent to the principal of housing loan. The policy is purchased for a period of 20 years or remaining service period of the employee, whichever is earlier. The employees pay insurance premium in respect of policy on monthly basis. Upon maturity of the endowment policy, the proceeds/bonus are accounted towards

settlement of interest and principal loan amount in a single installment. The Bank has recognized an interest receivable of NPR 16,935,799 in the current year and amortizations of prepaid employee expense of NPR 21,053,562. Bank has considered 8% average interest rate as market rate for calculating fair value of staff loans provided at 6%. Difference of fair value of staff loan and book value has been shown in other assets as deferred employee expenditure.

15. Weighted Average Interest Rate Spread

The weighted average interest rate spread between Loan and Investment and Deposit & Borrowing Liabilities are shown as below.

PARTICULARS	ANNUAL AVERAGE %
Average Interest Rate of Loan and Investment	12.45%
Average Interest Rate of Deposit and Borrowing	8.05%
Average Interest Rate Spread	4.40%

16. Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

17. Related Party

17.1. Nepal Electronic Payment System (NEPS)

The Bank has entered into financial transactions with NPES having financial interest.

RELATED PARTY	NATURE OF RELATIONSHIP	NATURE OF TRANSACTION	CURRENT YEAR
Nepal Electronic Payment System (NEPS)	Common Directors	Investment in Shares	15,000,000

Bank has transactions relating to ATM and POS management along with monitoring, settlement and reconciliation.

17.2. Key Management Personnel

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 were as follows:

NAME OF THE KEY MANAGEMENT PERSONNEL	POST
Dr. Birendra Prasad Mahatto	BOD Chairman
Mr. Roshan K.C	Director
Mr. Gopi Krishna Neupane	Director
Mr. Jaya Mukunda Khanal	Director
Mr. Ram Man Shrestha	Director
Mr. Bishow Prakash Gautam	Director
Mr. Omesh Lal Shrestha	Director
Mr. Suman Sharma	Chief Executive Officer
Mr. Santosh Koirala	Deputy Chief Executive Officer
Mr. Sarju Kumar Thapa	Chief Credit Business Officer
Mr. Bishwambhar Neupane	Chief Risk Officer
Mr. Narayan Prakash Bhujju	Chief Technology Officer

17.3. 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 from time to time in this regard. In addition to salaries and allowances, non-cash benefits like vehicle facility, subsidized rate employees loan, termination benefits are also provided to KMP. The details relating to compensation paid and expenses incurred to key management personnel (directors only) were as follows:

PARTICULARS	CURRENT YEAR "NPR"
Meeting Fees	3,074,600
Other Board Expenses	1,428,297
Total	4,502,897

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

PARTICULARS	CURRENT YEAR "NPR"
Short term employee benefits	40,762,034.79
Post- employment benefits	1,687,319.70
Other long term benefits	223,899.00
Total	42,673,253.49

- Post- employment benefits includes Provident Fund and Gratuity. Provident Fund is deposited in an independent institution and Gratuity is provided for as per actuarial valuation against which investment is made in an independent planned asset.
- Other long term employment benefit includes Home Leave and Sick Leave encashment over and above the accumulation limit set as per Employee Byelaws of the Bank.
- KMP also get accidental and medical insurance, vehicle, fuel, lunch and mobile facilities as per Employee Byelaws of the Bank.

Key management personnel are also eligible for the following benefits:

- Benefits as per Employee Service Regulation of the Bank.
- Bonus out of profit as per Bonus Act.
- Housing loans and advances as per Housing Loan Scheme of the Bank.
- Vehicle facility.

Post-employment benefits includes the retirement payments (gratuity and leave payment) to be made at the time of retirement from service. However, since actuarial basis of accounting has been used and the amount to be benefitted for each employee is not separately identifiable, they have not been disclosed in the amount mentioned above. Actual retirement payment that has been made in this year has been disclosed above.

Total no of Key Management Personnel as on Ashad End 2076 (including CEO): 5

17.4. Machhapuchchhre Capital Limited-Subsidiary of MBL bank

The Bank has invested Rs. 200 million in Machhapuchchhre Capital Ltd, a wholly owned subsidiary company of the Bank. Transaction details with Machhapuchchhre Capital Limited is as follows

TRANSACTIONS	AMOUNT
Deposit from Subsidiary	207,421,798
Interest paid to Subsidiary	9,019,287
Registration charge Machhapuchchhre Capital Limited paid	100,000

17.5. Key Management Personnel of Machhapuchchhre Capital Limited.

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 were as follows:

NAME OF THE KEY MANAGEMENT PERSONNEL	POST
Mr. Santosh Koirala	BOD Chairman
Mr. Bishwambhar Neupane	Director
Mr. Suvash Jamarkattel	Director

18. Operational Lease Expense

Bank has been making lease payments for operating different branches and therefore as provisioned under NAS 17- it has been recognized on systematic basis that represents time pattern of user's benefits.

19. Sakchyam Project

Sakchyam Project is the project funded by DFID for operating Access to Rural Banking Sakchyam Access to Finance Program provides grant of 50% of total expense reported which is recognized as income of the Bank. The bank has received NPR 58,743,416.50 till 2075/76 from the project which has been parked to Sakchyam Fund Account. The total amount expended & income recognized during the FY 2075-76 from the fund is:

TOTAL EXPENSES (NPR)	INCOMERECOGNIZED (NPR)
55,400,096.86	24,083,294.15

20. Merger and Acquisition

There are no merger or acquisitions transaction during the year.

21. Events after reporting date

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue. Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorized for issue.

Where necessary all material events after reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per NAS 10. There are no material events that have occurred subsequent to 16 July 2019 till the signing of this financial statement on August 28, 2019.

22. Proposed Dividend:

The board of directors in its meeting dated August 28, 2019 has proposed dividend of 16 % (i. e 11 % cash dividend and 5 % bonus share) of paid up capital, subject to approval from Nepal Rastra Bank and Annual General Meeting.

23. Non-Banking Assets

Non-Banking Assets are the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower.

NAME & ADDRESS OF BORROWER/PARTY	DATE OF ASSUMING OF NON-BANKING ASSETS	TOTAL NON-BANKING ASSETS
Manakamana Enterprises-Kalanki-13, Kathmandu	5-May-03	285,824
Keshav Prasad Rijal-Ward No 16, Balaju	10-Feb-11	375,000
Cosmic Automobile-Chundevi 4 Maharajgunj	3-Sep-12	24,210,000
Hasim Electronics & Watch Station, Pokhara Sub Metropolitan City Ward No 1, Bhimkalipatan	19-Jun-19	21,992,787
Aatif Cosmetic Collection, Pokhara Sub Metropolitan City Ward No 9, Mahendrapul	19-Jun-19	2,504,175
Aatika Cosmetic Shop, Pokhara Sub Metropolitan City Ward No 13, Bagar	19-Jun-19	13,996,486
Sehanaj Provision Stores, Pokhara Sub Metropolitan City Ward No 1, Bhimkalipatan	19-Jun-19	2,506,553
Kantipur Surgical Pvt.Ltd, Thapathali, Kathmandu	1-July-19	12,586,918
Total		78,457,743

24. Contingent Liabilities

Contingent liabilities related details has been presented under Schedule 4.28.

25. Earnings per Share

Earnings per Share is calculated using the earnings attributable to equity shareholders for the period divided by the number of weighted average number of shares as required under NAS 33 Earnings per share.

PARTICULARS	UNITS	YEAR ENDED 16-JUL-19	YEAR ENDED 16-JUL-18
Profit attributable to equity shareholders	NPR	1,697,088,243	1,249,688,316
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	80,556,930	79,061,456
Earnings Per Share (EPS)	NPR	21.07	15.81
Diluted Earnings Per Share(DPS)	NPR	21.07	15.81

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

26. Unpaid Dividend

As on balance sheet date, total dividend payable amounts to NPR 74,982,200 (PY NPR 50,556,546). Details have been presented as under:

DIVIDEND PAYABLE OF FY	AS AT 16 JULY 2019	AS AT 16 JULY 2018
2074/75	51,690,384	-
2073/74	23,291,816	50,160,912
2066/67		312,222
2062/63		70,221
2061/62		13,191
Total	74,982,200	50,556,546

27. Non-performing assets

The Banks' non-performing assets ratio stood at 0.37% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 290,890,939 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 175,437,873

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan	77,381,775,697	64,079,280,906	13,302,494,791	20.76%
Pass	76,892,737,811	63,727,401,462	13,165,336,349	20.66%
Watch list	489,037,886	351,879,444	137,158,442	38.98%
Non-Performing Loans (NPL)	290,890,939	286,384,389	4,506,550	1.57%
Restructured/rescheduled	-	2,374,644		-100.00%
Substandard	72,256,340	91,173,380	(18,917,040)	-20.75%
Doubtful	122,521,620	38,296,495	84,225,125	219.93%
Loss	96,112,978	154,539,870	(58,426,892)	-37.81%
Gross Loans & Advances	77,672,666,636	64,365,665,295	13,307,001,341	20.67%

NPL ratios:

Gross NPL to Gross Loans & Advances	: 0.37%
Net NPL to Net Loans & advances	: 0.15%

28. Capital Structure and Capital Adequacy

Nepal Rastra Bank has issued guidelines for implementation of New Capital Adequacy Framework under Basel III requirement in July 2015. NRB directed all Banks to adopt this framework and according to which Banks are to maintain Capital for Credit, Operational and Market Risk. Accordingly, the following disclosure is made:

- **Qualitative Disclosures**

The Bank has developed its own internal policy, procedures and structures to manage credit, market and liquidity risk in adverse situation and to make contingency plan accordingly. For the purpose, the Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) which acts as a guiding document for reporting the ongoing assessment of the Bank's risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

QUALITATIVE DISCLOSURES

Capital Structure and Capital Adequacy

a) Tier 1 capital and a breakdown of its components

Amount in *000

CAPITAL (A) CORE CAPITAL (TIER 1)	ASHAD END 2076
a. Paid up Equity Share Capital	8,055,693
b. Equity Share Premium	30,882
c. Proposed Bonus Equity Share	
d. Statutory General Reserve	1,453,548
e. Retained Earnings	1,293,467
f. Un-audited current year cumulative profit/ loss	
g. Capital Redemption Reserve	
h. Capital Adjustment Reserve	
i. Dividend Equalization Reserve	
j. Other Free Reserve	
k. Less : Goodwill	
l. Less: Intangible Assets	49,006
m. Less: Fictitious Assets	
n. Less: Deferred Tax Assets	21,424
o. Less : Investment in equity in licensed Financial Institutions	
p. Less : Investment in equity of institutions with Financial interests	215,000
q. Less : Investment in equity of institutions in excess of limits	
r. Less : Investments arising out of underwriting commitments	
s. Less : Reciprocal crossholdings	
t. Less: Purchase of Land& Building in excess of limit and unutilized	
u. Less: Cash Flow Hedge	
v. Less: Defined Benefit Pension Assets	
w. Less: Unrecognized Defined Benefit Pension Liabilities	
x. Less : Other Deductions	40,531
Total	10,507,623

b) Tier 2 capital and a breakdown of its components

Amount in *000

PARTICULARS	AMOUNT
a. Cumulative and/or Redeemable Preference Shares	
b. Subordinated Term Debt	
c. Hybrid Capital Instruments	
d. Stock Premium	
e. General Loan Loss Provision	769,409
f. Exchange Equalization Reserve	16,426
g. Investment Adjustment Reserve	15,000
h. Assets Revaluation Reserve	
i. Other Reserves	
Total Tier 2 Capital	800,835

c) Deduction from capital

Amount in '000

PARTICULARS	AMOUNT
Intangible Assets	49,006
Deferred Tax Assets	21,424
Investment in equity of institutions with Financial interests	215,000
Other Deductions	40,531

d) Total qualifying capital

Amount in '000

PARTICULARS	AMOUNT
Core Capital	10,507,623
Supplementary Capital	800,835
Total Qualifying Capital (Total Capital Fund)	11,308,458

Capital Adequacy Ratio: 12.79%

e) Risk Weighted Exposure

Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk is as mentioned below:

Amount in '000

PARTICULARS	AMOUNT IN NPR
Risk Weighted Exposure for Credit Risk	81,546,553
Risk Weighted Exposure for Operational Risk	4,382,493
Risk Weighted Exposure for Market Risk	93,302
Add: RWE equivalent to reciprocal of capital charge of 2 % of gross income	681,341
Add: 2% of the total RWE add by Supervisory Review	1,720,447
Total Risk Weighted Exposures	88,424,136

f) Risk weighted Exposures under each 11 categories of Credit Risk

Amount in '000

PARTICULARS	RISK WEIGHTED EXPOSURE AMOUNT IN NPR
1. Claims on government and central Bank	-
2. Claims on other official entities	-
3. Claims on Banks	2,636,320
4. Claims on corporate and securities firm	33,411,584
5. Claims on regulatory retail portfolio	27,657,465
6. Claim secured by residential properties	3,522,662
7. Claims secured by commercial real state	1,513,174
8. Past due Claims	905,366
9. High risk claims	1,591,840
10. Other Assets	3,555,334
11. Off Balance sheet Items	6,752,808
Total	81,546,553

g) Total Risk weighted Exposure Calculation Table

Amount in *000

PARTICULARS	AMOUNT IN NPR
1 Total Risk Weighted Exposure	88,424,136
2 Total Core Capital Fund (Tier 1)	10,507,623
3 Total Capital Fund (Tier 1 & Tier 2)	11,308,458
4 Total Core Capital to Total Risk Weighted Exposures	11.88%
5 Total Capital to Total Risk Weighted Exposures	12.79%

h) Non-Performing Loan

PARTICULARS	GROSS	PROVISION	NET OF PROVISION
Substandard	72,256,340	18,064,085	54,192,255
Doubtful	122,521,620	61,260,810	61,260,810
Loss	96,112,978	96,112,978	0
Gross Loans & Advances	290,890,938	175,437,873	115,453,065

- **Compliance with external requirement**

Bank has complied with externally imposed capital requirements to which it is subject and there are no such consequence where the institution has not complied with those requirement.

- **Risk Management**

Overall Risk Management Process of Bank has been disclosed in Significant Accounting Policies.

- **Summary of the terms, conditions and main features of all capital instruments specially in case of subordinated term debts including hybrid capital instruments**

Bank is in process of issuing debenture amounting NPR 3,000,000,000 details of which is as follows.

PARTICULARS	DETAILS
Name	10.25% Machhapuchchhre Debenture, 2085
Amount of issue	NPR 3,000,000,000
Interest Rate	10.25% per annum payable semi annually
Numbers of Debentures	3,000,000
Face Value	NPR 1,000
Maturity Period	10 Years
Listing	Will be Listed with Nepal Stock Exchange

ADDITIONAL DISCLOSURE RELATING TO CARVE-OUT DECISION BY ICAN:**1. Financial Instruments: Recognition and Measurement****a) Effective Interest Rate (EIR Rate)**

As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking interest income and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts. As per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN.

**MACHHAPUCHCHHRE
CAPITAL LIMITED**

INDEPENDENT AUDITORS' REPORT To the Shareholders of Machhapuchchhre Capital Limited

Opinion

We have audited the financial statements of Machhapuchchhre Capital Limited, which comprise the statement of financial position as at Ashadh 31, 2076, and the statement of 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 present fairly, in all material respects, the financial position of Machhapuchchhre Capital Limited as at Ashadh 31, 2076 and its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards (NASs).

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the *Ethical requirements* that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

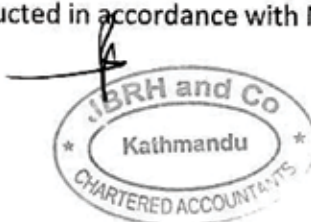
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatements,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

In preparing the financial statement, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective 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 a 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the Requirements of Companies Act, 2063

We have examined the attached Financial Statements and report that:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of such books;
3. In our opinion, on the Balance Sheet, Income Statement and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
4. To the best of our information and according to explanation given to us and from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where the Directors or any Employees thereof have acted contrary to the provisions of laws relating to accounts or committed any misappropriation or caused loss or damage to the Company.


.....
CA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants



Date: 14th Shrawan 2076
Place: Kathmandu

STATEMENT OF FINANCIAL POSITION

As at Ashadh 31, 2076

Amount in NRs.

PARTICULARS	SCHEDULE	AS AT 31ST ASHADH 2076	AS AT 32ND ASHADH 2075
Equities & Liabilities:			
Equity			
Share Capital	1	200,000,000.00	-
Retained Earning		6,058,803.13	(116,950.00)
Total Equity		206,058,803.13	(116,950.00)
Current Liabilities			
Sundry Payables and Provisions	2	118,995.26	116,950.00
Provision for Corporate Tax (Net of Advance)	4	1,244,000.37	-
Total Current Liability		1,362,995.63	116,950.00
Total Equity and Liability		207,421,798.76	-
Assets			
Non Current Assets		-	-
Current Assets:			
Cash and Bank Balances	3	23,798,004.24	-
Investment In Fixed Deposit		180,000,000.00	-
Interest Receivable		3,623,794.52	-
Total Current Assets		207,421,798.76	-
Total Assets		207,421,798.76	-

Significant Accounting Policies and Notes to the Accounts 6

Schedule 1 to 6 annexed to form an integral part of the Financial Statements

Govind Sharma
Co-ordinator

Santosh Koirala
Chairman

As per our report of even date

Suvash Jamarkattel
Director

Bishwambhar Neupane
Director

Tika Bhattarai
Director

CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: 14th Shrawan, 2076
Place: Kathmandu, Nepal

INCOME STATEMENT

For the year ended on 31st Ashadh, 2076

Amount in NRs.

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
Income:			
Income from Merchant Banking Activities		-	-
Other Income-Interest Income		9,019,287.39	-
Gross Income (A)		9,019,287.39	-
Expenditures:			
Administrative Expenses	5	246,640.78	116,950.00
Depreciation		-	-
Total Expenditure (B)		246,640.78	116,950.00
Net Profit Before Tax		8,772,646.61	(116,950.00)
Provision for Corporate Tax		2,596,893.48	-
Net Profit After Tax		6,175,753.13	(116,950.00)

Significant Accounting Policies and Notes to the Accounts 6

Schedule 1 to 6 annexed to form an integral part of the Financial Statements

Govind Sharma
Co-ordinator

Santosh Koirala
Chairman

As per our report of even date

Suvash Jamarkattel
Director

Bishwambhar Neupane
Director

Tika Bhattarai
Director

CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: 14th Shrawan, 2076
Place: Kathmandu, Nepal

CASH FLOW STATEMENT

For the year ended on 31st Ashadh, 2076

Amount in NRs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Cash Flow from Operating Activities		
Net Profit/ (Loss) Before Tax	8,772,646.61	(116,950.00)
Adjustment for Changes in Working Capital:		
(Increase)/Decrease in current assets	(3,623,794.52)	-
Increase/ (Decrease) in Current Liabilities	2,045.26	116,950.00
Tax Paid	(1,352,893.11)	-
Net cash generated from operating activities (A)	3,798,004.24	-
Cash Flows from Investing Activities		
Investment in Fixed Deposit	(180,000,000.00)	-
Net cash used in investing activities (B)	(180,000,000.00)	-
Cash Flows from Financing Activities		
Proceeds from Share Capital	200,000,000.00	-
Net cash generated from financing activities (C)	200,000,000.00	-
Net increase in cash and cash equivalents (A+B+C)	23,798,004.24	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalent at the end of period	23,798,004.24	-

Significant Accounting Policies and Notes to the Accounts 6

Schedule 1 to 6 annexed to form an integral part of the Financial Statements

Govind Sharma
Co-ordinator

Santosh Koirala
Chairman

As per our report of even date

Suvash Jamarkattel
Director

Bishwambhar Neupane
Director

Tika Bhattarai
Director

CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: 14th Shrawan, 2076
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

As at Ashadh 31, 2076

Amount in NRs.

PARTICULARS	SHARE CAPITAL	RETAINED EARNING	TOTAL
Balance as on 1st Asadh 2075	-	(116,950.00)	(116,950.00)
Share issued during the year	200,000,000.00	-	200,000,000.00
Profit During the Year	-	6,175,753.13	6,175,753.13
Closing Balance as at 31st Ashadh 2076	200,000,000.00	6,058,803.13	206,058,803.13

Significant Accounting Policies and Notes to the Accounts 6

Schedule 1 to 6 annexed to form an integral part of the Financial Statements

Govind Sharma
Co-ordinator

Santosh Koirala
Chairman

As per our report of even date

Suvash Jamarkattel
Director

Bishwambhar Neupane
Director

Tika Bhattarai
Director

CA. Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: 14th Shrawan, 2076
Place: Kathmandu, Nepal

SCHEDULES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR FY 2075/76

Schedule 1: Share Capital

Amount in NRs.

PARTICULARS	AS AT 31ST ASHADH 2076	AS AT 32ND ASHADH 2075
Authorized Capital		
3,000,000 ordinary share of Rs. 100 each.	300,000,000.00	300,000,000.00
Issued Capital		
2,000,000 ordinary share of Rs. 100 each.	200,000,000.00	200,000,000.00
Paid up Capital		
2,000,000 ordinary share of Rs. 100 each.	200,000,000.00	0.00
Total	200,000,000.00	0.00

Schedule 2: Sundry Payables and Provisions

Amount in NRs.

PARTICULARS	AS AT 31ST ASHADH 2076	AS AT 32ND ASHADH 2075
Provision for Audit Fee	16,725.00	16,725.00
TDS Payable on Others	2,270.26	225.00
Machhapuchchhre Bank Ltd.	100,000.00	100,000.00
Total	118,995.26	116,950.00

Schedule 3: Cash & Bank Balances

Amount in NRs.

PARTICULARS	AS AT 31ST ASHADH 2076	AS AT 32ND ASHADH 2075
Cash in Hand	-	-
Bank Balance- Machhapuchchhre Bank Ltd.	23,798,004.24	-
Total	23,798,004.24	-

Schedule 4: Provision for Corporate Tax (Net of Advance)

Amount in NRs.

PARTICULARS	AS AT 31ST ASHADH 2076	AS AT 32ND ASHADH 2075
Provision for Corporate Tax	2,596,893.48	-
Less: TDS Deducted by Party	(1,352,893.11)	-
Total	1,244,000.37	-

Schedule 5: Administrative Expenses

Amount in NRs.

PARTICULARS	AS AT 31ST ASHADH 2076	AS AT 32ND ASHADH 2075
Advertisement Expense	52,375.78	-
Audit Fee	16,950.00	16,950.00
Consultancy Fee	101,700.00	-
Tax Expenses	615.00	-
Registration & Renewal Expenses	75,000.00	100,000.00
Total	246,640.78	116,950.00

SCHEDULES TO AND FORMING PARTS OF FINANCIAL STATEMENTS FOR F/Y 2075/076 (2018/019)

Schedule: 6 Significant Accounting Policies and Notes to the Accounts

1. INTRODUCTION OF THE COMPANY

Machhapuchchhre Capital Ltd. (hereafter called as "MCL" or "Company") is a public limited company limited by share, incorporated under Companies Act, 2063 of Nepal on 8th Aswin 2075 B.S. with registration no. 175859/074/075. Its main business objective is to carry out merchant banking activities. It is in the process to obtain license from Securities Board of Nepal (SEBON) to act as merchant banker as per Securities Act, 2063 and Securities Businessperson (Merchant Banker) Regulation, 2064.

MCL is the hundred percent subsidiary company of the Machhapuchchhre Bank Ltd. Company's registered office is located at Lazimpat, Kathmandu Nepal.

2. DATE OF AUTHORIZATION OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors of the company in its meeting held on 2076/04/10. The Board of Directors acknowledges the responsibility of preparation and fair presentation of financial statements.

3. REPORTING PERIOD

Financial statements of the MCL covers the period from 1st Shrawan 2075 to 31st Ashadh 2076.

4. BASIS OF PRESENTATION

Company's financial statements are prepared in accordance with Nepal Accounting Standards (NSAs), other generally accepted accounting practices considering requirement of prevailing Company Act, 2063, Securities Act, 2063 and rules made under these Laws except stated otherwise. These policies have been consistently applied to all the years presented unless stated otherwise. The financial statements have been prepared on a going concern basis.

Presentation in the balance sheet differentiates between current and non-current assets and liabilities. The statement of cash flows has been prepared using indirect method.

5. ACCOUNTING POLICIES

Nepal Accounting Standards (NASs) requires to adopt accounting policies that are most appropriate to the company's circumstances. Directors and management are required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the company's reported balance sheet, results or cash flows; it may later be determined that a different choice may have been more appropriate.

Specific accounting policies have been included in the specific section of the notes for each items of financial statements which requires disclosures of accounting policies or changes in accounting policies.

6. USE OF ESTIMATES

Management has applied estimation in preparing and presenting the financial statements. The estimates and judgments are reviewed on ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates is revised, if the revision affects only that period; they are recognized in the period of revision and the future periods if the revision affects both current and future periods.

Specific accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

7. PRESENTATION CURRENCY

The Company's financial statement is presented in Nepalese Rupees (NRs.) which is also the company's functional currency.

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

8.1. Property, Plant and Equipment

Property, plant and equipment are stated in the balance at their cost and are inclusive of all expenses less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable. Property, plant and equipment are recognized as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company; and the cost of the item can be measured reliably.

Depreciation

Depreciation is charged so as to expense off the cost of assets, other than land, over their respective useful life on written down value method. The residual values, useful life and depreciation methods are reviewed at least at each financial year end. If expectations differ from the previous estimates the changes are accounted for as changes in estimates in accordance with NAS 02.

If an item of property plant and equipment consist of several components with different useful lives, those components that are significant are depreciated over their individual useful life. Depreciation has been provided in following rate and method:

NAME OF ASSETS	DEPRECIATION RATE	DEPRECIATION METHOD	REMARKS
1. Building & Permanent Structure	5%	WDV	
2. Furniture & Fixture	25%	WDV	
3. Office Equipment	25%	WDV	
4. Leasehold Development	10%	WDV	

De-Recognition

An item of property plant and equipment is derecognized on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposals proceed, if any and the carrying amount.

8.2 Cash and Cash Equivalents

Cash and cash equivalents have an original maturity of less than three months. These enable the company to meet its short term liquidity requirements. As at the balance sheet date, there is no restriction on use of reported balance of cash and cash equivalent.

8.3. Trade and Other Receivables

Trade and other receivable are stated at transaction value.

8.4. Loans and advances and other assets

These comprise of interest accrued, advances and claim against employees, advances and claim against supplier and others.

8.5. Trade and Other Payables

Trade and other payables are stated at transaction value.

8.6. Contingent Liabilities

All types of guarantees, claims whose future outcome cannot be ascertained with reasonable certainties are recognized as contingent liabilities in accordance with NAS – 12 "Provisions, Contingent Liabilities and Contingent Assets".

8.7. Other Liabilities and provisions

Current liabilities and other payables are recorded at cost.

Provision is a liability stated in the balance sheet, a liability of uncertain timing and amount.

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Changes in provision

Management reviews provisions at each balance sheet date and is adjusted to reflect the best current estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

8.8. Revenue Recognition

a. Fee Income

- Issue Management Income will be recognized as per the fee receipt clause of the agreement, normally when the issue management services are fully rendered.
- Underwriting Commission will be recognized when the Investment Banks complies with all the terms of underwriting commitments.

b. Income from Investments

Interest earnings on fixed deposits and call deposits are recognized on accrual basis.

Revenues of the company will includes interest income, service charge for portfolio management/ share registrar services, and profit on trading of securities.

8.9. Expenses Recognition

All the expenses of the Company are recognized on accrual basis in compliance with Nepal Accounting Standards (NASs).

8.10. Taxation

Income tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit/(loss) differs from the profit/(loss) reported in the income statement, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. Company's income tax liabilities are calculated using the Income Tax Act 2058 enacted and as applicable in Nepal.

8.11. Provision for Staff Bonus

Provision for staff bonus is provided for as per the Bonus Act, 2030 & Bonus Rules.

8.12. Related Parties

Identification and disclosures of the related parties along with transaction has been made in accordance with NSA 16 on Related Parties.

8.13. Events After the Balance Sheet Date

Events after the Balance Sheet Date are those favorable and unfavorable events which occur after the balance sheet date but before the date of authorization of financial statements. Events after balance sheet date are disclosed and accounted in accordance with NAS 05 on "Events after Balance Sheet Date".

9. Notes to the Accounts

9.1. Share Capital

Company has authorized shares of rupees thirty crore having face value of rupees hundred each. Similarly, company has issued shares of rupees twenty crore having face value of rupees hundred each. Till Ashadh end 2076, company has issued 2,000,000 kitta shares of NRs. 100 each fully paid-up to Machhapuchchhre Bank Ltd. Share Lagat of the same yet to be certified from Company Register's Office.

9.2. Investment in Fixed Deposit

Company has made investment in fixed deposit on Machhapuchchhre Bank Ltd. of amount NRs. 180,000,000 at the interest rate of 9.5% per annum.

9.3. Related Party Disclosures

The company is a subsidiary company of the Machhapuchchhre Bank Ltd. and bank becomes the related party of MCL on the capacity of Parent company having right to exercise control over the MCL. Following are the details of related party transactions:

RELATED PARTY	TRANSACTION TYPE	NATURE OF TRANSACTION	AMOUNT (NRS.)
Machhapuchchhre Bank Ltd.	Interest on bank deposit	Normal bank Account operation	9,019,287.39
	Bank Balances		23,798,004.24
	Interest Receivable		3,623,794.52
	Fixed Deposit	Fixed Deposit at Arm Length Pricing	180,000,000.00
	Accounts Payable	Payment made by bank on behalf of company	100,000.00

9.4. Office Rent

Company is in the process of obtaining license from Security Board of Nepal (SEBON) to conduct the merchant banking activities. Currently, activities of the company are executed from the office of Machhapuchchhre Bank Ltd. (parent company) and hence no rental expenses were occurred on the books of the company.

9.5. Contingent Liability

There is no contingent liability till end of the finalization of these financial statements.

9.6. Provision for Staff Bonus

As the company has no any staff, provision for staff bonus has not been made.

9.7. Calculation of Income Tax

Provision for income tax has been made at NRs. 2,596,893.48 by applying corporate tax rate of 30%.

9.8. Re-grouping and Re-arrangement

Previous year figures are re-grouped and re-arrange as required and properly disclosed.

LIST OF PROVINCE MANAGER

S.N.	NAME	DESIGNATION
1	Mr. Deependra Prasad Wagle	Province Manager-Province 1
2	Mr. Leela Raj Thapa	Province Manager-Province 2
3	Mr. Bharat Kumar Lamsal	Province Manager-Province 3 Cluster A
4	Mr. Upendra Malakar	Province Manager-Province 3 Cluster B
5	Mr. Bhuvan Singh Khatri	Province Manager-Province 4
6	Mr. Ishwar Bahadur Rawal	Province Manager-Province 5
7	Mr. Manoj Raj Ghimire	Province Manager-Province 6
8	Mr. Hari Lal Ayer	Province Manager-Province 7

LIST OF HEAD OF DEPARTMENTS

S.N.	NAME	DEPARTMENT/FUNCTIONAL TITLE
1	Mr. Samir Jung Rayamajhi	Head-Administration and Procurement Department
2	Mr. Suvash Jamarkattel	Chief Finance Officer
3	Mr. Tika Bhattarai	Chief Legal Officer & Company Secretary
4	Mr. Binod Kumar Singh	Head-Shares Department
5	Mr. Dilli Ram Giri	Head -Risk (SME & Consumer Lending and DSL)
6	Ms. Indra Thapa	Head-Credit Administration Department
7	Mr. Krishna Prasad Subedi	Chief Liability Management Officer
8	Mr. Kumar Gnawali	Portfolio Manager - Business Lending, Credit Business
9	Mr. Neeraj Man Sainju	Manager-Business Analyst and Global Market
10	Mr. Sunil Khatiwada	Chief Digital Banking Officer
11	Mr. Bineet Chandra Jha	Head-Infrastructure Lending
12	Mr. Bishal Bhakta Joshi	Head-Central Trade Operations
13	Mr. Ganesh Thapa	Head-Credit and Legal Administration Unit
14	Mr. Madhav Subedi	Deputy Chief Operating Officer
15	Mr. Manish Dahal	Head-Special Asset Management
16	Mr. Naresh Pradhan	Portfolio Manager - Consumer Lending
17	Ms. Richa Pandey	Deputy Chief Human Resources Officer
18	Mr. Hem Kumar Shrestha	Head-Information Technology
19	Mr. Surendra Pathak	Head-Finance department
20	Mr. Khagendra Paudel	Deputy Chief-Internal Audit Officer
21	Ms. Laxmi Lamichhane Dhakal	Head-Corporate Deposit Relationship
22	Mr. Manish Lal Shrestha	Head-Reconciliation
23	Ms. Mohini Pradhan	Head-Service Excellence and Transaction Banking
24	Ms. Pratima Pandey	Head-Retail Deposit
25	Ms. Reshma Shakya	Head-Treasury Front
26	Mr. Sachin Tamang	Head- E-Banking Operation
27	Mr. Abhishek Niroula	Dy. Head Risk - Corporate Credit
28	Mr. Sudan Prasad Bhandari	Head-Remittance Business
29	Ms. Binita Tamrakar	Head-Central Clearing Department
30	Mr. Sita Ram Shrestha	Deputy Head-Law Department
31	Mr. Amod Shrestha	Head-Deprived Sector Lending
32	Mr. Amar Bahadur Singh	Head-Business Intelligence Department

BRANCH NETWORK

Inside Valley

BALAJU BRANCH

977-1-4381729

BALUWATAR BRANCH

977-01-4431815, 4434745

BATTISPUTALI BRANCH

977-01-4496909, 4496900

BHAKTAPUR BRANCH

977-1-6620120 / 6620220

BOUDDHA BRANCH

977-1-4911505

BUDHANILKANTHA BRANCH

977-4370077, 4370096

CHABAHIL BRANCH

975.0004366

CHAPAGAUN BRANCH

977-1-5265593

DALLU BRANCH

977-01-4281952, 4280813

GONGABU BRANCH

977 -1-4389171/4389172

KALANKI BRANCH

977-01-5225052, 5225211

KAPAN BRANCH

977-1-4813116 /117

KHUSIBU BRANCH

977-1-4383922

KIRTIPUR BRANCH

977-1-5907028 /27

KOTESHWOR BRANCH

977-01-5199693, 5199716

KULESHWOR BRANCH

977-01-4286316, 4286422

LALITPUR (GWARKO) BRANCH

977-1-5203333

LAZIMPAT BRANCH

977-1-4428556

MAHARAJGUNJ BRANCH

977-4376763,4378021

NAGARKOT BRANCH

977-1-6680226/ 6680227

NAXAL BRANCH

977 -1-4444620

NEW BANESHWOR BRANCH

977-1-4782183

NEWROAD BRANCH

977 -01-4223115, 4239473,
4220258, 4239490

PATAN BRANCH

977-1-5526302

PEPSICOLA BRANCH

977-01-5156182, 5156083

PULCHWOK BRANCH

977-1-5535681

PUTALISADAK BRANCH

977 -01-4422424, 4421933

SANO THIMI BRANCH

977-1-5639612/5639639

SATUNGAL BRANCH

977-01-4315171,4315172

SWOYAMBHU BRANCH

977-1-4033528/29/31

THAMEL BRANCH

977-01-5906030, 5906031

THAPATHALI BRANCH

977-1-4233182

SURYABINAYAK BRANCH

977-01-5708040, 5708041

DURBARMARG BRANCH

Outside Valley

AANBU KHAIRENI BRANCH

977-65-540345

API HIMAL BRANCH

ATTARIYA BRANCH

977-91-550431

BAGAR BRANCH

977-61-541226

BAGLUNG BRANCH

977-68-522673

BANEPAL BRANCH

977-11-663553

BARADASHI BRANCH

BARDAGHAT BRANCH

977-078-590965, 590966

BARDIBAS BRANCH

977 -044-550731,044-550732

BENI BRANCH

977-69-520964

BENIGHAT BRANCH

977-10-416141/416140

BESISAHAR BRANCH

977-66-521452/521451

BHAIRAHAWA BRANCH

977-071-524642,525900

BHIMAD BRANCH

977 -65-572441

BHOJPUR BRANCH

977-29-420280/420357

BINAYAK BRANCH

977-97-500037

BIRATCHOWK BRANCH

977-21-546230

BIRATNAGAR BRANCH

977-21-450412

BIRAUTA BRANCH

977-61-468054

BIRGUNJ BRANCH

977-51 -524828

BIRTAMOD BRANCH

977-23-541600

BRINDABAN BRANCH

977-61-620039

BUTWAL BRANCH

977-71-545765 / 545766

CHAKRAGHATTI BRANCH

977-25-551102/551103

CHANDRAGADHI BRANCH

977-23-456570

CHANDRAPUR BRANCH

977-55-540439

CHANDRAUTA BRANCH

977-076-540555, 540640

DADELHURA BRANCH

977-96-420960

DAMAK BRANCH

977 -023-584963,
023-584964

DAMAULI BRANCH

977-65-560500

DANG BRANCH

977-82-562372

DHALKEBAR BRANCH

977-041-560250, 560251

DHANGADHI BRANCH

977-91-520556/520596

DHANKUTA BRANCH

977-26-521437

DHARAN BRANCH

977-25-533796

DOLPA BRANCH

977-1-6201557

DULEGAUDA BRANCH

977-65-414270

GAIGHAT BRANCH

977-035-421090, 421091

GAJURI BRANCH

977 -010-402077, 529218

GANESHMAN CHARNATH BRANCH

977-1-6201556

GAUR BRANCH

977-55-520670/520675

GOLBAZAR BRANCH977-033-
540530/540531/540532**GULARIYA BRANCH**

977-084-420501, 084-420512

HAKIM CHOWK BRANCH

977-56-533276 / 533278

HALESI BRANCH

977-36-410094

HARIWON BRANCH

977-46-530048

HEMJA BRANCH

977-061-400565, 400572

HETAUDA BRANCH

977-57-527067/ 527030

HILE BRANCH

977- 26- 540554

IBRD BRANCH

977-099-560287, 099-560288

ICHHAKAMANA BRANCH

977-56-410116

ILAM BRANCH

977-027-521710

INARUWA BRANCH

977-25-560543

ITAHARI BRANCH

977-25-586881

JAHADA BRANCH**JANAKPUR BRANCH**

977-041-525467, 041-525468

JOMSOM BRANCH

977-69-440098

JUMLA BRANCH

977-87-520500/87-520600

KAKADVITTA BRANCH

977-23-568411/562953

KALAIYA BRANCH

977-53-550559/550560

KALIKA BRANCH

977-56-413146/56-413147

KALYANPUR BRANCH

977 -33-403065

KANCHANBARI BRANCH

977-21-461823

KANCHANRUP BRANCH

977-31-560338/560339

KARJANHA BRANCH

977-33-411019

KATARI BRANCH

977-35-450568

KAWASOTI BRANCH

977-78-540941

KHALANGA BRANCH

977-93-420348

KHATYAD BRANCH**KOHALPUR BRANCH**

977 -081-541066,081-541067

KUSHMA BRANCH

977-67-420836/420869

LAHAN BRANCH

977 -033-562258,033-562259

LAKE SIDE BRANCH

977-061-463200 | 463700

LALBANDI BRANCH

977-046-501551, 501561

LAMACHAUR BRANCH

977-61-441799/442313

LAMAHI BRANCH

977-82-540870/540875

LAMKI BRANCH

977-91-540565/540566

LEKHNATH BRANCH

977-61-561717

LUMBINI BRANCH

977-71-404085

MADI BRANCH

977-61-506408

MAHENDRANAGAR BRANCH

977 -099-521373,099-522314

MAHENDRAPUL BRANCH

977-61-538479

MAHULI BRANCH

977-031-411235, 411236

MALANGWA BRANCH

977-46-521278/521279

MALIKARJUN BRANCH**MANIGRAM BRANCH**

977-71-561340

MATIHANI BRANCH

977-44-540078

MIRCHAIYA BRANCH

977 -33-550626

NAGARAIN BRANCH

977-1-6201558

NARAYANGADH BRANCH

977-56-571271/571272

NEPALGUNJ BRANCH

977-81-528004/528005

NIJGADH BRANCH

977-53-540247

PALPA BRANCH

977- 75-522739

PARASI BRANCH

977 -78-520437

PARSA BRANCH

977-56-582612/582610

PARSYANG BRANCH

977-061-419574, 419575

PHIDIM BRANCH

977-24-520526

POKHARA BRANCH

977-61-530900

RAJBIRAJ BRANCH

977 -31-522466

RAM BAZAR BRANCH

977-61-431193

SAKHUWA MAHENDRANAGAR BRANCH

977-41-540094

SALLERI BRANCH

977-38-520465

SALYAN BRANCH

977 -88-400045

SALYANTAR BRANCH

977-61-413094

SIMARA BRANCH

977-53-521249/521349

SUNKOSHI BRANCH

977-9741461090

SURKHET BRANCH

977 -083-523061,083-523063

SURUNGA BRANCH

977-23-550664/550665

SYANGJA BRANCH

977-063-421222, 063-421223

TANDI BRANCH

977-56-562157

TANKISINWARI BRANCH

977-21-420442

TAPLEJUNG BRANCH

977-24-460517

TAULIHAWA BRANCH

977-76-560462

THAKURDWARA BRANCH

977-84-402098

TIMURE BRANCH

977-9851140601

TRISHULI BRANCH

977-10-560505

TULSIPUR BRANCH

977-82-520501

TATOPANI BRANCH

977-011-480007, 480003

TYAMKE MAIYUM BRANCH

977-9852086005

URLABARI BRANCH

977-21-541243/541343

VYAS BRANCH**WALING BRANCH**977-063-440311 /
061-695590(CDMA)

PROFILE OF THE COMPANY

MBL AT A GLANCE

MACHHAPUCHCHHRE BANK LIMITED
PUBLIC LIMITED COMPANY, LISTED WITH NEPAL STOCK EXCHANGE LIMITED

Script Code	
Type of Business	Commercial Bank
Key business segments	Small Medium Enterprise (SME) financing, Corporate financing, Consumer financing including home loans, car loans & personal loans
Company registration number	678/054/55
Company PAN number	300225961
Date of incorporation	03 October 2000
Number of branches	159
Address of Corporate Head Office	MBL Tower, Lazimpat, Kathmandu
Telephone	+977-01-4428556
Facsimile	+977-01-4425356
Email address	machbank@mbl.com.np
SWIFT Code	MBLNNPKA

MACHHAPUCHCHHRE CAPITAL LIMITED
WHOLLY OWNED SUBSIDIARY OF MACHHAPUCHCHHRE BANK LIMITED

Type of Business	Merchant Banking
Date of incorporation	24 September 2018
Company registration number	175859/074/75
Number of Branches	1
Head Office	Jamal, Kathmandu
Telephone	+977-01-4266285
Email address	mcl@machcapital.com.np

www.machbank.com



Machhapuchchhre Bank Limited

माछापुच्छ्रे बैंक लिमिटेड