



#GoDigital



Machhapuchchhre Bank Limited
माछापुच्छ्रे बैंक लिमिटेड

Annual Report
2019/20



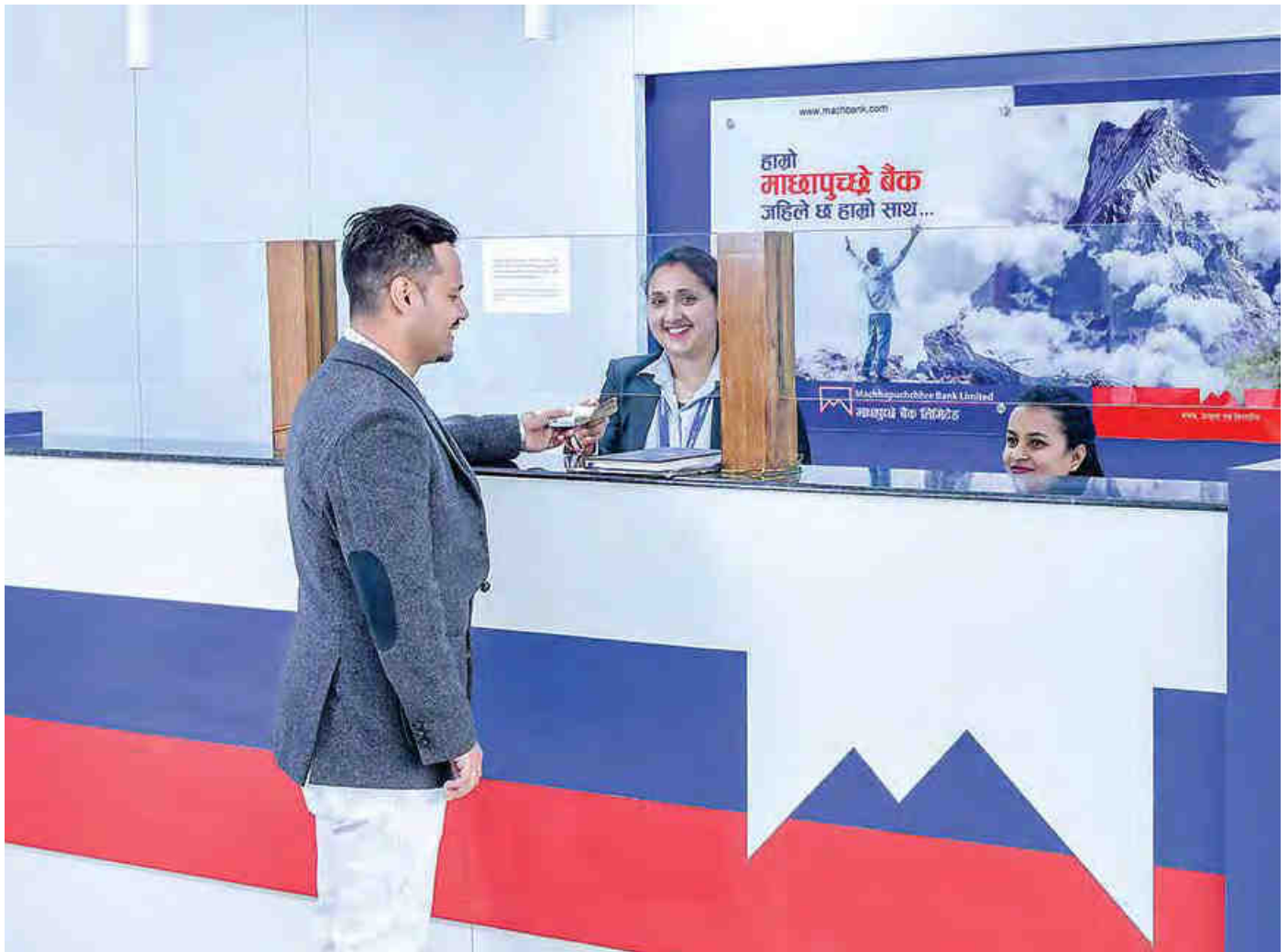


ENABLING SMART FUTURE

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.

Machhapuchchhre Bank Limited was registered in 1998 as the first regional commercial bank from the western region of Nepal and started its banking operations from Pokhara since year 2000.





CONTENTS

Bank's Overview	06
Board of Director	10
Profile of Director	12
Chairman's Statement	15
CEO's Message	19
Management Team	22
Financial Highlights	25
Country's Economic Conditions	27
Bank's Performance	28
Human Resources	34
Corporate Governance	38
Director's Report	47
Risk Management	62
Corporate Social Responsibility	78
Technologies	82
Products and Services	86
Remittance	91
Financial Statement	92
Branch Network	203

BANK'S OVERVIEW

The Bank facilitates its customers' need 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 technologies 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 businessman 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, 160 Branch Offices, 160 Branchless Banking Units, 5 Extension Counters and 199 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.

VALUE CREATION

For shareholders, customers, employees and the nation.

QUALITY SERVICE

Through unmatched professionalism and excellent customer care

STEWARDSHIP OF RESOURCES

With the feeling of ownership and accountability.

BANK STRATEGIES FOR THE FORTHCOMING YEAR

The fiscal year 2019-20 was quite a challenging year for the Bank as the spread of COVID-19 hampered the regular business operation. The bank had set down aspiring strategies of business growth and network expansions. In the first 8 months, the Bank was able to increase business volume more than average growth of the industry. However, the sudden emergence of COVID-19 acted as a pitfall for the planned growth. The contraction in industrial and service output across the country impacted the economy thereby limiting the growth of the Bank. However, for the forthcoming fiscal year 2020-21, the Bank has set strategies and actions that would bridge the gap created by the COVID-19. The planned strategies shall strengthen the

Bank's vision of becoming the "Bank of the first choice of the people".

The Bank plans to move ahead with a customer centric approach maximizing the lifecycle value of the relationship with the customers. A better way of achieving this is through binding the banking services with the latest technologies. Developing a technology-based product line lies under our five year strategic business plan. As a part of this, the Bank has in plan to establish itself as a "Smart Bank" and provide true digital experience to the customers. The Bank shall invest in technologies to provide an edge in its offerings to the customers and build digital environment in all segments of the business.

For the forthcoming fiscal year 2020-21, the Bank shall emphasize more on digital transaction and is committed to manage its environmental footprint. The Bank believes that encouraging customers to adopt digital transaction mediums not only helps in improving efficiency and reducing servicing time, but also creates a positive impact on the environment as considerable amount of paper waste can be reduced. The Bank is continuously striving towards digital excellence and has remained focused on redesigning and simplifying customer journeys to improve overall customer experience. The Bank's mobile banking application 'Machhapuchchhre Mobile Money (M3)' and internet banking is serving various banking needs of the customers in



a quick and hassle free manner just through convenience of a click. The Bank shall continue to add new and improved features in mobile and internet banking products, allowing simpler interactions with the users. Further, the Bank shall launch its own digital wallet 'RemitAp', which shall be the first Digital Wallet ever to be launched by any Bank and Financial institution in the history of Nepal. The RemitAp shall facilitate national and international remittance, utility payment, Video KYC, to name a few. As a

part of digitalization and to promote paperless working environment the Bank shall implement Document Management System (DMS) and Loan Origination System (LOS). The use of these applications shall increase the accuracy, efficiency and turn-around time of various operational processes enhancing the overall service quality of the Bank. This initiative shall also reduce the carbon footprint of the Bank.

Keeping the customer service in mind, the Bank shall also add automated

'Smart Teller' machines, these machines shall facilitate cash withdrawal facility without the use of cheque book or debit card. The customers shall enjoy the benefit of quick, hassle free and secured transaction. Further, the Bank shall also add privilege counters dedicated towards our valuable clients. Customers will be able to enjoy convenient banking experience with priority service and comprehensive products and services.

Furthermore, the Bank shall continue its network expansion policy in fiscal year 2020-21 as well. The Bank shall establish branches, ATMs, POS and BLBs at strategically viable locations enhancing the already established wide area of network all over the country.

Another key strategy for FY 2020-21 is to continue to develop and nurture the Bank's workforce making it skilled with a wide range of business operation knowledge. The Bank runs with the belief that employees are most valuable asset and plays vital role in growth and success. The Bank shall double the training initiatives particularly focusing on online training module through the Bank's E-Learning portal. The Bank shall also conduct frequent knowledge based tests in order to make the staffs well aware of various areas of business operation. Various staff engaging activities shall also be conducted creating a sense of loyalty and propriety among the staffs in order to achieve maximum outputs with minimal costs.

The Bank aims to provide more of healthy and sanitized service this year. Amid this turmoil of COVID 19 fear, the Bank shall focus on service delivery at a guided social distancing norms. Further, emphasizing the health and safety concerns of the staffs and customers, the Bank shall adequately place hand sanitizers at appropriate locations. Transparent shields and barriers shall also be placed at front desks preventing the possible transmission of the virus. The Bank shall take first initiative to immune all of its staffs with COVID vaccine in case effective vaccine are available in the market.

In addition to this, the Bank shall actively contribute to the social and economic development and upliftment of the underprivileged communities through its CSR initiatives. The Bank has maintained a long legacy of contributing to the welfare of the society and coming fiscal year the Bank plans to strengthen it further. Lastly, the Bank shall be The Bank shall also actively contribute in prevention of COVID-19 impacts and use it as boon rather than considering it as curse.

The Bank plans to move ahead with a customer centric approach maximizing the lifecycle value of the relationship with the customers. A better way of achieving this is through binding the banking services with the latest technologies.

BOARDS OF DIRECTORS



Dr. Birendra Prasad Mahato
Chairman

Dr. Birendra Prasad Mahato is an entrepreneur and social activist holding prestigious academic honor PhD in Economics from Belarus State Economics University. He is associated as Board member in Ram Janaki Investment and Petroleum Suppliers Pvt. Ltd., Rich Field Developers Pvt. Ltd. and Sintez Investment Company Pvt. Ltd. Dr. Mahato is the Director of Phulkumari Mahato Memorial Trust and Phulkumari Mahato Memorial Hospital. He is also the former Hon'ble member of the Constituent Assembly of Nepal and has a long-standing experience in the field of commerce and business.



Mr. Roshan KC
Director

A young energetic person, holds Master Degree in Business Administration. Mr. Roshan K.C served as the Chairman of MBL from April 27, 2017 till January 4, 2019. Besides MBL, he is also associated with hydro business and has immense experience in the field of Hydro sector. He is the former Director of Pokhara Savings and Credit Cooperative Ltd. and is associated to Bhagwati Hydropower Dev. Pvt. Ltd., Sikles Hydropower Pvt. Ltd., K.C. Construction Pvt. Ltd. and Gandaki Hydropower Dev. Pvt. Ltd.



Mr. Mukunda Mahat
Independent Director

Mr. Mukunda Mahat is a Chartered Accountant and is retired from Nepal Rastra Bank after working for 30 years. He was in the position of Director in NRB while being retired. He has gained experience in several departments (FIU, Regulation, Supervision, Research etc.) while working in Nepal Rastra Bank.



Mr. Jaya Mukunda Khanal
Public Director

Mr. Jaya Mukunda Khanal holds Master Degree in Business Administration (MBA) and has a fine knowledge of finance, marketing and economics. Mr. Khanal is also the former Secretary of Ministry of Defense of Government of Nepal. He has an extensive work experience in various governmental organizations like Ministry of Industry, Ministry of Agricultural Development, Ministry of Home Affairs and, Office of the Prime Minister and Council of Ministers. He also has served as an Executive Director at Centre for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED) a national level NGO of high repute.



Mr. Bishow Prakash Gautam
Public Director

Mr. Bishow Prakash Gautam is a graduate in Business Administration and has a long standing experience in the field of business. He is the former Director of Pokhara Savings and Credit Cooperative Ltd. and K.C. Builders and Developers; and has remained as board member in United Irdi Mardi and K.C. Construction Pvt. Ltd.



Ms. Shreejana Karki Bhattarai
Public Director

Ms. Shreejana Karki Bhattarai holds Master Degree in Business Administration (MBA). She has experience of leading organizations from diverse fields and has outstanding operational and administrative skills. At present, she is associated with Abrin Yeti Private Limited as Managing Director and Matrishishu Miteri Hospital as Manager. She is also the founder of Bal Shiksha Montessori.



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



The Pandemic increased the acceptability of digital services instead of visiting traditional brick-and-mortar branches.

CEO'S STATEMENT



Looking back to the year, it has been the momentous time for both the country & the Banking industry. The pandemic started hitting the country's financial stability & the Banking Sector is not an exception.

COVID 19 poses a challenge to the country that goes far beyond monetary and financial stability, but looking at the brighter side of it, it also accelerated the digital adoption in the banking sector. The current pandemic led to a digital shift in the way our customers do banking, with majority adopting digital and other channels and reducing their dependence on branch banking. It increased the acceptability of our digital services as customers were compelled to try online based transactions backed by technology instead of visiting our traditional brick-and-mortar branches. The Bank saw this as an opportunity to train our customers to use the technology which have been fully secured.

This has created the good image of the Bank revealing it as the Smart Bank. Due to pandemic and other reasons, we had our share of ups and downs in terms of our financial performance. Our net profits this year registered a negative growth of 25.45% than the previous fiscal year and the Bank shall be providing 10.40% dividend (3.37% Cash dividend & 7.03% Bonus Share).

By the end of FY 2019/20, the Bank has added NPR 17.39 billion of loan investment that summed up total loan investment of NPR 94.54 billion while addition of NPR 16.86 billion deposit summed up the total deposit collection of NPR 106.75 billion. The Bank had also issued the debenture worth of NPR 3 Billion that had been fully subscribed. Non-performing loan of the Bank stands out as 0.52% for FY 2019/20. As prescribed by Nepal Rastra Bank, under the priority sector, 4,159 customers are facilitated with the loan

investment of NPR 21 billion till mid of July 2020. Similarly, under the deprived sector, 4,660 customers are facilitated with the loan investment of NPR 4.54 billion.

As per NFRS, while preparing the financials of the fiscal year 2019/20, NPR 38 Million has been transferred to Regulatory Reserve which has resulted total regulatory reserve of NPR 428 Million till mid-July 2020. In the status quo, the amount collected in the regulatory reserve cannot be distributed, however, we are confident that in future such amount will qualify to be distributable by NRB by issuing directives, when there is more uniformity in the financial statements prepared as per NFRS.

The trust of the individuals and institution towards us has encouraged us to work harder and maintain the trust between us. Thus, we have more than 1 million deposit customers and more than 28,000 loan customers. Now, the Bank has one of the largest networks among the private commercial banks with 160 branches, 7 provincial offices, 200+ ATMs, 5 extension counters and 134 BLB units. Thus, we proudly boast our presence in all 7 provinces, 55 districts and 118 local bodies across Nepal.

For continuation of remittance service, the Bank has been undergoing an agreement with different national and international

institutions. This has made a lot easier for the Nepalese citizens working abroad to transfer the money to their family through more than 10,000 representatives of MBL Remit throughout the nation. We have also undergone an agreement and have operationalize the remittance transactions with the different institutions of Korea and Japan. In India, we have signed an agreement with Om Express Payment Services for the easy remittance service. Similarly, we have also started the remittance service from United Arab Emirates, Turkey, etc and are planning further to provide the service from the different nations in the coming days.

MBL is 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. Risk management and corporate governance are always in top priorities of the bank.

The Bank has always played an active role in contributing towards the economic growth of the country. 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, Corporate Social Responsibility (CSR) have always been the major focus of the Bank. Machhapuchchhre Bank allocated one percent of net profit to CSR fund in form of statutory reserve in the review year in compliance with NRB Circular and prioritizing on Corporate Social Responsibility (CSR) initiatives from past few years. Along with sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. MBL has been working in different sectors and regions continuously. MBL also partners with various social organizations to make a difference among local communities. MBL's focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations.

Therefore, I derive great pleasure in reporting that as the Bank steps in to its 21st year, the Bank has built a vibrant and successful brand, catering to the growing financial needs of the nation, through its team of 1500+ employees, highly diverse digital and physical channels, and a wide range of customer centric products and services.

At the end, I would like to thank all the employees providing the continuous support to our customers risking their health in this Covid 19 pandemic. Also I would like to thank our shareholders, regulatory body and well-wishers for being with us every time and hope for such support and trust in the future as well. With all these trust and support, I really believe that our Bank has all the potentials to overcome any pandemic and accomplish the goals.

With best regards,

SANTOSH KOIRALA

CHIEF EXECUTIVE OFFICER

ECONOMIC OUTLOOK OF FY 2019-20

GDP & Balance of Payment (BOP)

The growth of Nepal's Gross Domestic Product (GDP) at basic price was 2.28% in FY 2019-20, which was 6.8% in previous year. Government of Nepal (GON) has envisioned economic growth of 7% in FY 2020-21. Growth of GDP in the agriculture sector is estimated to be 2.59% in FY 2019-20 compared to 5.06% in FY 2018-19 and in the services sector to be 1.99% in FY 2019-20 compared to 7.27% in FY 2018-19. Industrial sector growth is expected to be 3.23% in FY 2019-20 compared to 7.72% in FY 2018-19.

As there has been a great deal of improvement in COVID-19 vaccines, there is now hope for a brighter future and the economy is expected to rise in a steady manner.

Balance of Payments (BOP) remained at a surplus of Rs. 282.41 against a deficit of Rs.67.4 billion.

Inflation and interest rates
Average consumer price inflation in FY 2019-20 was 6.15% compared to 4.64% a year ago.

Financial and capital markets

Stock market remained stable in the review year. The NEPSE index stood at 1362 in mid-July 2020 compared to 1259 a year ago. Similarly, market capitalization increased to Rs.1792.76 billion in mid-July 2020 from Rs. 1576 billion a year ago. Securities Board of Nepal approved the total issuance of securities worth Rs. 33.66 billion in the review period, which includes debentures worth Rs. 23.45 billion, right share worth Rs. 4.41 billion, ordinary share worth Rs. 3.99 billion and mutual fund worth Rs. 1.80 billion. In mid-July weighted average

interest rate of 91 days T Bill decreased to 1.27% from 4.97% a year ago and weighted average interbank rate of commercial bank stood at 0.35% which was 4.52% a year ago.

Nepalese currency vis-à-vis US dollar depreciated by 9.15 percent in mid-July 2020 from a year ago. The buying rate for one US dollar stood at Rs.120.37 in mid July 2020 compared to Rs.109.36 a year ago.

Inflation

The inflation remained 6.15% percent on year on year basis and 4.78% percent on average during FY 2019/20. Food price

inflation stood at 8.16 percent while nonfood price inflation stood at 4.61% in the review period.

Remittance

The remittance inflow in the review period has decreased 0.5 percent to Rs.875.03 billion against an increase of 16.5 percent in the same period of previous year. The number of Nepali workers taking approval for foreign employment decreased 34.7 percent in the review year. Apparently, the effect of COVID-19 has impacted the remittance inflow.



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.

Financial sector

The commercial banks now have wider reach of network covering 747 local levels out of 753 local levels as of mid-July 2020. The merger and acquisition of Banks and Financial institutions has decreased the NRB licensed BFIs to 155 in mid-July 2020 from 171 in mid-July 2019.

Deposit Mobilization

Deposits at Banks and Financial Institutions increased 9.2 percent in the review period compared to a growth of 6.2 percent in the corresponding period

of the previous year. On y-o-y basis, deposits at BFIs expanded 22.0 percent in mid-January 2021.

Credit Disbursement

Private sector credit from BFIs increased 11.4 percent in the review period compared to a growth of 8.6 percent in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 14.9 percent in mid-January 2021.

The growth of Nepal's Gross Domestic Product (GDP) at basic price was

2.28%

in FY 2019-20, which was 6.8% in previous year.

Balance of Payments (BOP) remained at a surplus of Rs. 282.41 against a deficit of

RS.67.4 billion

Industrial sector growth is expected to be

3.23%

in FY 2019-20 compared to 7.72% in FY 2018-19.

The inflation remained

6.15%

percent on year on year basis and 4.78% percent on average during FY 2019/20.

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 1,486 in the year as compared to 1,195 last year, with the increment of 291 employees in various positions. Total staffs at the end of FY 2019-20 constituted 58% male and 42%

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 2019/20

SHAREHOLDER	MALE	FEMALE	TOTAL
Managerial	60	11	71
Officer	315	144	459
Assistant	411	453	864
Support	66	19	85
Contract	4	3	7
Total	856	630	1486

Attrition Rate 2019/20 **5.91%**

Attrition Rate 2018/19 **8.78%**

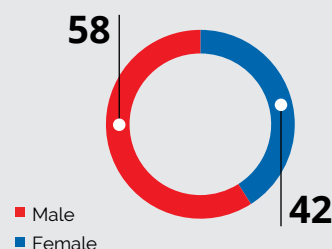
Age wise composition 2019/20

AGE	NO OF EMPLOYEES
18-25	267
26-34	812
35-44	319
45-54	82
55-64	6

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.

MALE FEMALE MIX 2018/19

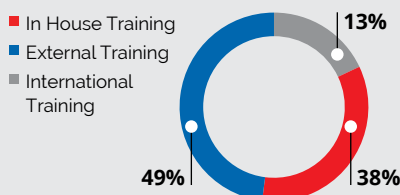


Summary of Employees Attending Training FY 2019/20

Total Trainings on FY 2019/20

PARTICULARS	STAFF NUMBER	NO. OF TRAINING
1. External Training	119	54
2. In House Training	1296	42
3. International Training	15	15
	1426	111

TRAINING DETAILS 2019/20



TRAINING BUDGET



During the review period, 1327 staffs were benefitted with internal and external trainings by the Machhapuchchhre Bank 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

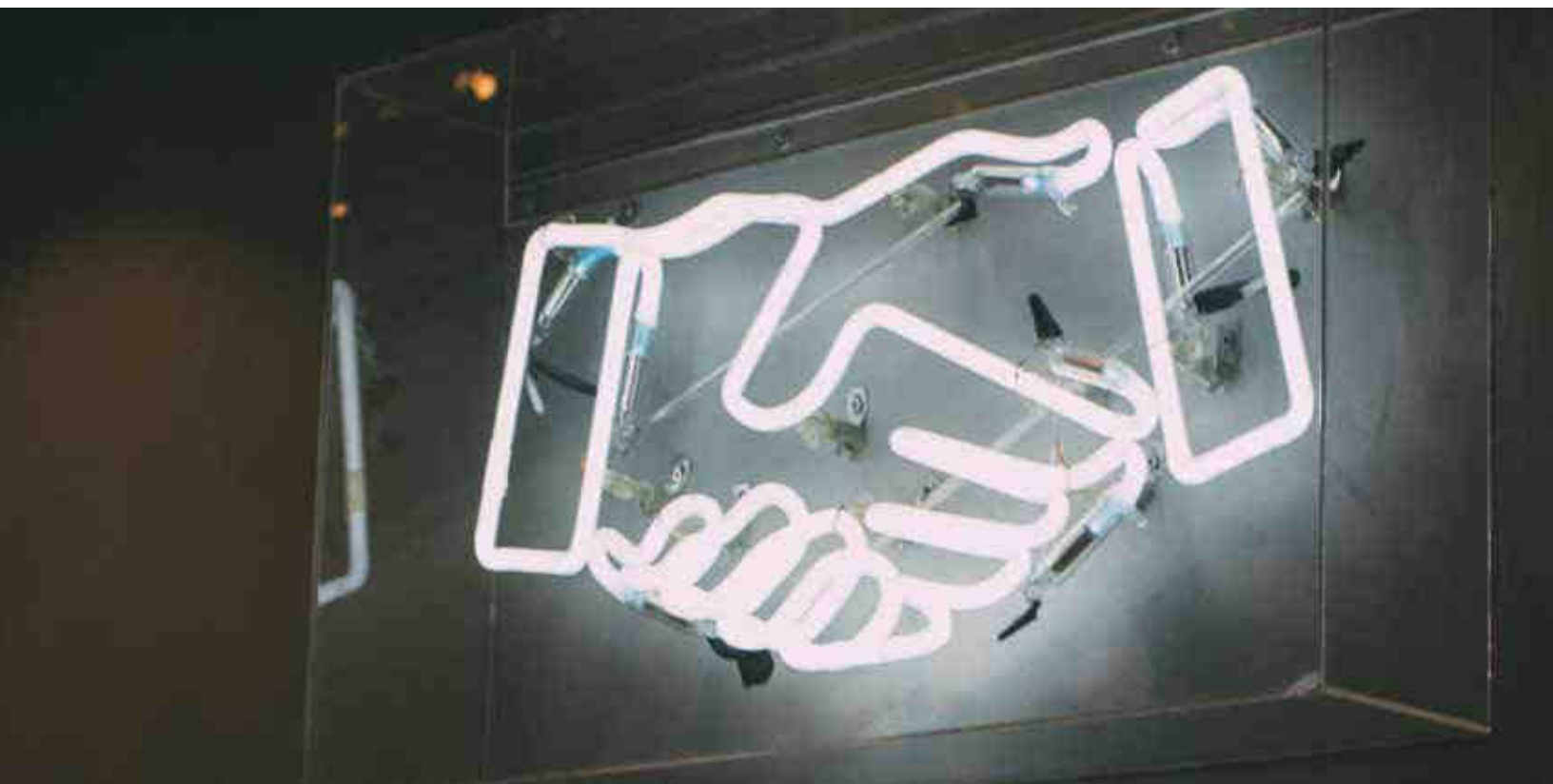
In this age of highly competitive business environments, the workforce has become increasingly fluid, and it has become a challenge for organizations to retain their valuable employees. In such a scenario, one of the most effective ways to reduce employee turnover is to ensure that the level of motivation 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

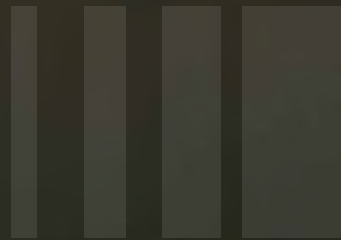
What really matters in the workplace is helping employees feel appreciated. It has been a continuous effort of the Bank to recognize the performers. The Bank is building a performance culture, where all employees are dedicated and determined to get results. The Bank is determined in setting up a culture 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 .



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.

CORPORATE GOVERNANCE



"Corporate governance is the system by which business corporations are operated, regulated, monitored and controlled for promoting corporate fairness, transparency and accountability."

-World Bank, 1999

Sound corporate governance is believed to be essential for maintaining investors' confidence and good performance to solve problems of corporate misconduct and behave. Thus, Machhapuchchhre Bank Limited is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance which forms part of the continuing obligations of the Nepal Rastra Bank's listing provisions. The bank has complied with all principles and guidelines set out in the Code of Corporate Governance. Corporate Governance may not be seen as a core business function but without it, the basic business concerns would begin to suffer. Governance is a holistic approach to the management and organization within a firm which, if directed in a comprehensive manner can make a substantial difference to the business's success and its long-term sustainability; it feeds into all areas of the business. MBL has developed and implemented more than 139 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.

MBL has always been committed to achieving a high level of governance. Ethical and responsible business practices have been embedded in the Bank's culture since its inception in 1998. The Bank focuses on transparency and disclosure to ensure it is in line with best international standards and practices. The bank continuously strives to enhance the level of trust amongst its stakeholders and to further focus on the principle of transparency. As such, it updates the shareholders on the recent corporate governance developments by publishing the Corporate Governance and Corporate Social Responsibility (CSR) report as part of its Annual Report. The Corporate Governance framework within the Bank is inspired by the model set by the Central Bank and the regulations of the Securities Board, the Federal and local legislations.

Over the years, the Bank has continued to grow and become

successful. MBL remained relatively unscathed during the various financial crises over the years and this is a testament to the Bank's proficient Board of Directors, Management and its underlying good governance.

The Bank has a set of Mission & Vision, likewise set of its 'Core Values' on which strong emphasis is placed, namely:

- Integrity
- Accessibility
- Value Creation
- Quality Service
- Stewardship of Resources

The bank has a very experienced, highly skilled and well-respected Board of Directors from a variety of business

backgrounds. The Board members are fully committed to the Bank's long-term sustainability and their confidence is evident through their shareholding in the Bank.

The Directors are engaged with the business practice, they know the Bank's business structure and its operational procedures; which enables them to keep abreast of significant changes and to act promptly to protect the Bank's long-term interests, when necessary. The Directors are committed to achieving the Bank's objectives while ensuring shareholders' interests are always considered. In line with the Corporate Governance Principles for Banks, the Board approves and

follows the implementation of the Bank's overall strategy, and periodically reviews the Bank's Corporate Governance framework to ensure its appropriateness with respect to changes in the Bank's business strategy, scope of activities and regulatory requirements. The Board is also responsible for establishing the Bank's risk appetite along with the Senior Management, taking into consideration the Bank's risk exposure and long-term objectives. The board constitutes of directors from both promoter & general shareholders categories along with a representative from independent category as prescribed by Nepal Rastra Bank.

The Bank has following Board Structure in the end of December 2020.

S.N.	DIRECTORS NAME	REPRESENTATIVE GROUP	DATE OF APPOINTMENT	PROCEDURE
1.	Dr. Birendra Prasad Mahato	Promoter	2075/09/20 BS	20th Annual General Meeting
2.	Mr. Roshan K.C	Promoter	2075/09/20 BS	20th Annual General Meeting
3.	Mr. Gopikrishna Neupane	Promoter	2075/09/20 BS	20th Annual General Meeting
4.	Mr. Bishwa Prakash Gautam	General Public	2077/09/06 BS	22nd Annual General Meeting
5.	Mr. Jaya Mukunda Khanal	General Public	2077/09/06 BS	22nd Annual General Meeting
6.	Ms. Shreejana Karki Bhattarai	General Public	2077/09/06 BS	22nd Annual General Meeting
7.	Mr. Mukunda Mahat	Independent	2077/02/16 BS	421st Board meeting held on 2077/02/16 BS

The Bank has following Board Committees structure in the end of December 2020.

1. Risk Management Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	STARTING DATE	DESIGNATION IN THE ENTITY
1.	Mr. Jaya Mukunda Khanal	Coordinator	9/12/2077	Director
2.	Mr. Gopi Krishna Neupane	Member	9/12/2077	Director
3.	Mr. Mukunda Mahat	Member	9/12/2077	Director
4.	Mr. Madhav Subedi	Member	9/12/2077	Chief Operating Officer
5.	Mr. Tika Bhattarai	Member-secretary	9/12/2077	Chief Risk Officer

2. AML / CFT Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	STARTING DATE	DESIGNATION IN THE ENTITY
1.	Mr. Gopi Krishna Neupane	Coordinator	9/12/2077	Director
2.	Mr. Jaya Mukunda Khanal	Member	9/12/2077	Director
3.	Ms. Sreejana Karki Bhattarai	Member	9/12/2077	Director
4.	Mr. Tika Bhattarai	Member	9/12/2077	Chief Risk Officer
5.	Mr. Bhuvan Singh Khatri	Member-secretary	9/12/2077	Head Compliance Officer

3. Audit Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	REFORMATION DATE	DESIGNATION IN THE ENTITY
1.	Mr. Mukunda Mahat	Coordinator	9/12/2077	Director
2.	Mr. Bishwo Prakash Gautam	Member	9/13/2077	Director
3.	Mr. Surendra Pathak	Member-secretary	9/14/2077	Chief Internal Audit

4. Employee Service Facility Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	STARTING DATE	DESIGNATION IN THE ENTITY
1.	Mr. Roshan KC	Coordinator	9/12/2077	Director
2.	Mr. Jaya Mukunda Khanal	Member	9/12/2077	Director
3.	Mr. Santosh Koirala	Member	9/12/2077	Chief Executive officer
4.	Mr. Khagendra Paudel	Member	9/12/2077	Deputy Chief Finance Officer
5.	Ms. Richa Pandey	Member-secretary	9/12/2077	Deputy Chief Human Resource officer

5. Merger and Acquisition Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	STARTING DATE	DESIGNATION IN THE ENTITY
1.	Mr. Bishwo Prakash Gautam	Coordinator	9/12/2077	Director
2.	Mr. Roshan KC	Member	9/12/2077	Director
3.	Mr. Gopi Krishna Neupane	Member	9/12/2077	Director
4.	Mr. Mukunda Mahat	Member	9/12/2077	Director
5.	Mr. Khagendra Paudel	Member-secretary	9/13/2077	Deputy Chief Finance Officer

Each of the Board Committees has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committees will not assume the functions of management, which remain the responsibility of the Executive Directors, Officers and other members of Senior Management. 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.

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, Directives

issued by Nepal Rastra Bank. An AML committee has been formed 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 under Chief Compliance Officer has been set up at the central office of the Bank to monitor the 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. Capacity building of employees and necessary training on asset laundering and prevention of financial investment in terrorist activities is being conducted periodically for BODs, senior management, officers and employees of the Bank. To test the effectiveness of understanding in employees, improve staff awareness and drive a culture of compliance in a sustainable manner, AML assessment is being conducted annually.

The Board of Director of MBL has formed a Merger Acquisition Committee with Mr. Bishwo Prakash Gautam, as the co-ordinator. In line with Nepal Rastra Bank's policy to promote Merger and Acquisition among banks and financial institutions to create stronger banking industry, the Bank has initiated the process for exploring possibility of merger and identifying probable merger partners.

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.6/2077 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.

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. 2076/077

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

B. Details regarding the organization's share Structure (Promoter, Public & other)

SHARE	NO. OF SHARE	PERCENTAGE
Promoter Share	4,31,38,236.27	51%
General Public Share	4,14,46,540.73	49%
Total Share	8,45,84,777	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	515,448	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: Roshan K.C. Address: Kaski District Pokahara, Metropolitan City-7, Mustangchwok. Citizenship No.: -80016, Issued District : Kaski	Promoter	1,254,862	2075/09/20 BS	2075/09/20 BS	20th Annual General Meeting
3.	Name: Gopikrishna Neupane Address: Bhaktapur District Madhyapur Thimi Municipality -15, Citizenship No.: -3219/763, Issued District : Bhaktapur	Promoter	640	2075/09/20 BS	2075/09/20 BS	20th Annual General Meeting
4.	Name: Bishwa Prakash Gautam Address: Kaski District, Pokhara Metropolitan City-7, Mustang Chwok Citizenship No.: -20945, Issued District : Rupandehi	General Public	1,547	2073/09/22 BS	2073/09/22 BS	18th Annual General Meeting

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	NO OF HOLDING SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
5.	Name: Haribhakta Sigdel Address: Kathmandu District, Budhanilkantha Municipality -11, Citizenship No.: -4087/2601/6280 Issued District : Kathmandu	General Public	1575	2076/07/08 BS	2076/07/08 BS	408th Board meeting held on 2076/07/08 BS
6.	Name: Mukunda Mahat Address: Kathmandu District, Tokha Municipality -4, Dhapasi Citizenship No.: -930 Issued District : Nuwakot	Independent	Zero	2077/02/16 BS	2077/02/16 BS	421st Board meeting held on 2077/02/16 BS

■ As per the policy provision of Nepal Rastra Bank, it has been informed in the 405th meeting of the Board of Directors held on 2076-06-12 that the Director Mr. Ram Man Shrestha had resigned from the post due to age limit. This information was given to Nepal Securities Board and other regulatory bodies on 2076-06-13.

■ Independent Director Mr. Jay Mukunda Khanal's resignation with effect from 2076-12-28 was approved by the 418th meeting of the Board of Directors of the Bank held on 2076-12-28. This information was given to Nepal Securities Board and other regulatory bodies on 2076-12-28.

■ Independent Director Mr. Omesh Lal Shreshtha's resignation from the letter dated 2077-03-17 was approved by the 423rd meeting of the Board of Directors of the Bank held on 2076.03.19. This information was given to Nepal Securities Board and other regulatory bodies on 2077-03-21.

Information regarding Director appointed after General meeting & informed date to Securities Board of Nepal:

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE	INFORMED DATE
1.	Name: Haribhakta Sigdel Address: Kathmandu District, Budhanilkantha Municipality -11, Citizenship No.: -4087/2601/6280 Issued District : Kathmandu	General Public	2076/07/08 BS	2076/07/08 BS	408th Board meeting held on 2076/07/08 BS	2076/07/08 BS
2.	Name: Mukunda Mahat Address: Kathmandu District, Tokha Municipality -4, Dhapasi Citizenship No.: -930 Issued District : Nuwakot	Independent	2077/02/16 BS	2077/02/16 BS	421st Board meeting held on 2077/02/16 BS	2077/02/29 BS

D. Board of Directors Meeting

Information of Board of Director Meeting:

S.N	DATE OF BOD MEETING ON THIS FY 2076/077		NUMBER OF DIRECTOR PRESENT	NUMBER OF DIRECTOR DISSENTING ON DECISION	DATE OF BOD MEETING ON LAST FY 2075/076	
	DATE OF MEETING	NO. OF MEETING			DATE OF MEETING	NO. OF MEETING
1.	2076/04/09 BS	400	5	None	2075/04/04 BS	375
2.	2076/04/20 BS	401	6	None	2075/04/13 BS	376
3.	2076/04/29 BS	402	6	None	2075/04/23 BS	377
4.	2076/05/11 BS	403	6	None	2075/05/13 BS	378
5.	2076/06/02 BS	404	6	None	2075/06/11 BS	379
6.	2076/06/12 BS	405	6	None	2075/06/22 BS	380
7.	2076/06/23 BS	406	4	None	2075/06/28 BS	381
8.	2076/06/24 BS	407	4	None	2075/07/14 BS	382
9.	2076/07/08 BS	408	6	None	2075/08/05 BS	383
10.	2076/08/03 BS	409	7	None	2075/08/13 BS	384
11.	2076/08/13 BS	410	6	None	2075/08/26 BS	385
12.	2076/09/08 BS	411	7	None	2075/09/13 BS	386
13.	2076/09/21 BS	412	6	None	2075/09/19 BS	387
14.	2076/10/10 BS	413	7	None	2075/09/20 BS	388
15.	2076/10/17 BS	414	7	None	2075/10/03 BS	389
16.	2076/11/19 BS	415	7	None	2075/11/10 BS	390
17.	2076/12/07 BS	416	7	None	2075/12/01 BS	391
18.	2076/12/10 BS	417	7	None	2075/12/13 BS	392
19.	2076/12/28 BS	418	6	None	2076/01/12 BS	393
20.	2077/01/15 BS	419	6	None	2076/01/27 BS	394
21.	2077/01/28 BS	420	6	None	2076/02/02 BS	395
22.	2077/02/16 BS	421	6	None	2076/03/04 BS	396
23.	2077/03/05 BS	422	7	None	2076/03/13 BS	397
24.	2077/03/19 BS	423	6	None	2076/03/16 BS	398
25.	2077/03/26 BS	424	7	None	2076/03/30 BS	399

- Board meeting postponed due to lack of quorum: Not any
- Other Details Related to Board Meeting: Not any
- Information of alternate Director in Board Meeting: Not any

Information on absence of Directors in Board Meeting

S.N.	DATE OF MEETING	ABSENT DIRECTOR NAMESENT	REASON FOR ABSENT
1.	2076/04/09 BS	Mr. Omesh Lal Shreatha & Mr. Ram Man Shrestha	Out of the Country
2.	2076/04/20 BS	Mr. Ram Man Shrestha	Out of the Country
3.	2076/04/29 BS	Mr. Ram Man Shrestha	Out of the Country
4.	2076/05/11 BS	Mr. Ram Man Shrestha	Out of the Country
5.	2076/06/02 BS	Mr. Ram Man Shrestha	Out of the Country
6.	2076/06/23 BS	Mr. Roshan K.C & Mr. Omesh Lal Shrestha	Mr. K.C. Due to health problem & Mr. Shrestha busy schedule
7.	2076/06/24 BS	Mr. Roshan K.C & Mr. Omesh Lal Shrestha	Mr. K.C. Due to health problem & Mr. Shrestha busy schedule
8.	2076/08/13 BS	Mr. Omesh Lal Shrestha	Out of the Country
9.	2076/09/21 BS	Mr. Roshan K.	Due to outside the Kathmandu valley
10.	2076/12/28 BS	Mr. Jaya Mukunda Khanal	For personal reasons
11.	2077/03/19 BS	Mr. Omesh Lal Shrestha	For personal reasons

Directors present in board meeting, agenda discussed & decision on (Minutes) kept separately or not.	Maintained properly
Maximum difference on two Board meeting (days)	25 days
Date of annual general meeting for determination of allowance of meeting (20th Annual General Meeting)	2075/09/20 BS
Board meeting allowance (Per meeting)	Chairman: 15,000 Member : 12,000
Total Board Meeting Expenses for this FY	30,39,000

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

Whether there is a code of conduct of the organization regarding the conduct of the Directors.	Yes
Details on more than one director of a single family (if applicable)	Not Applicable

Details of Directors' annual learning and refreshment program

S.N.	PARTICULAR	DATE	NUMBER OF PARTICIPATED DIRECTOR	TRAINING LOCATION
1.	Executive Leadership Development Program	From 2nd Dec, 2019 to 6th Dec, 2019 & From 11th Feb, 2020 to 15th Feb, 2020	5	Melbourne, Australia

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
<ul style="list-style-type: none"> ■ 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, 	Not applicable
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, mentions 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. Mukunda Mahat	Member	Director
4.	Mr. Madhav Subedi	Member	Chief Operating Officer (COO)
5.	Mr. Dilliram Giri	Member Secretary	Deputy chief Risk Management Officer

b. Number of Committee Meeting: 13 time (FY 2076/077)

c. Short Details of Committee Work: The committee plays important role to manage overall risk associated with the bank. It is the bridge between BoD and management of the bank for implementation of overall risk management objective of the bank. The committee is carrying out the task, duties and responsibilities as per the position of Unified Directives issued by NRB.

C. Whether or not there is an internal control mechanism: Yes,

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

E. Details of Internal Control System Committee:

i. Credit Risk Management Committee

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

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK
1.	Mr. Sarju Kumar Thapa	Coordinator	DGM -BUSINESS
2.	Mr. Dilliram Giri	Member	Deputy chief Risk Management Officer
3.	Mr. Manish Dahal	Member	Chief SAM
4.	Ms. Reshma Shrestha	Member	Head Treasury Front
5.	Mr. Abhishek Niroula	Member Secretary	Deputy Head Corporate Credit Risk

b. Number of Committee Meeting: 4 (The third quarter meeting could not be held due to the ban (Lock-Down) imposed by the government to prevent the outbreak of the Covid-19 epidemic)

c. Short Details of Committee Work: Credit Risk Management Committee involves in formation of policy, rules and regulations regarding credit 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 Management Committee

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

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK
1.	Mr. Dilliram Giri	Coordinator	Deputy chief Risk Management Officer
2.	Mr. Madhav Subedi	Member	Chief Operating Officer (COO)
3.	Ms. Puspa Shrestha Piya	Member	Incharge-Operation Risk Department

b. Committee Meeting held number : 3 time

c. Committee 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 operations and give necessary suggestions to the management of operations.

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

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	2076/06/03 BS , 2076/06/06 BS And 2076/06/15
Information of Special General Meeting		Not any
Annual Report	News Paper	
3rd Quarter Report	News Paper	2076/04/30 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: 2076/06/24 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

S.N	NAME	POSITION	EDUCATION	EXPERIENCE
1.	Mr. Santosh Koirala	Chief Executive Officer	MBA	20 years experience on Banking Industry
2.	Mr. Sarju Kumar Thapa	DGM- Business	MBA	20 years experience on Banking Industry
3.	Mr. Bishwambhar Neupane	DGM- Operation	MBA	23 years experience on Banking Industry
4.	Mr. Narayan Prakash Bhujju	AGM- CTO	MBS	20 years experience on Banking Industry

D. Other Details Regarding Staff

STRUCTURED STAFF POSITION	REMARKS
The Procedure adopted when recruited new staff M	Open Competition & talent Hunt- Employee Service by Law, 2074
Number of staff at Managerial Level	71
Total staff at service	1,486
Whether or not employee have a succession plan	Yes
Number of Participated staff & training on this FY 2076/077	No. of Training : 111 No. of participated staff: 1426
Training expenses on FY 2076/077	1,89,11,921
Percentage of Staff expenses on total expenses	13.19% (58.88% of total operating expenses)
Percentage of Training expenses on total staff expenses	1.26% (Total expenses of FY 2076/77)

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	2076/05/11 BS
Published date of third quarter financial statement	2077/04/30 BS
Accomplish date of final audit	2077/06/01 BS
Approved date of Financial Statement from Annual General Meeting	2076/06/24 BS

Internal Audit related details of Organization:

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

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. Mukunda Mahat	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.	2076/04/02 BS	3	11.	2076/09/08 BS	3
2.	2076/04/08 BS	2	12.	2076/09/13 BS	3
3.	2076/04/20 BS	3	13.	2076/09/14 BS	3
4.	2076/04/28 BS	3	14.	2076/10/17 BS	3
5.	2076/05/11 BS	3	15.	2076/10/23 BS	2
6.	2076/05/26 BS	3	16.	2077/01/28 BS	3
7.	2076/06/07 BS	3	17.	2077/02/05 BS	3
8.	2076/06/23 BS	2	18.	2077/03/01 BS	3
9.	2076/07/28 BS	2	19.	2077/03/30 BS	3
10.	2076/08/05 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 Board of Directors 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.

Note: Due to the nationwide ban imposed by Nepal government from 2076-12-11 BS to prevent the spread of the global epidemic Covid-19 in Nepal, it was done as directed by the Nepal Rastra Bank during that period.Name of Governing Officer: **Tika Bhattarai**Post: **Chief Legal Officer**

Imprint of Organization:

Date approved by the Reporting Board: **421st Board Meeting held on 2077/06/14**Date of audit test Certified: **2077/06/14**

DIRECTORS REPORT

Covid-19 pandemic has caused human risk as well as economic risk. More than 30 million people have been affected by this pandemic whereas more than 1 million people have lost their lives. Poverty, unemployment and income disparity might increase due to the health risk and economic risk faced by the World at once.

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 bank. Thank you all for joining us in the 22nd 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 to up to the expectation. I would like to present to you the Statement of Financial Position as on 16 July 2020, Statement of Profit or Loss for the Fiscal Year 2019/20, 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

Covid-19 pandemic has caused human risk as well as economic risk. More than 30 million people have been affected by this pandemic whereas more than 1 million people have lost their lives.

Poverty, unemployment and income disparity might increase due to the health risk and economic risk faced by the World at once.

Production and supplies have been blocked due to the remedies applied to control and prevent the globally affected Covid-19 which has caused the biggest contraction in the world economy after The Great Recession of 1930s. International Monetary Fund (IMF) has projected the world economy to decline by 4.9 percent in 2020 as per the updated World Economy Outlook. During 2019, the economic growth of the developed country and the emerging and developing country were 1.7 percent and 3.7 percent respectively, perhaps IMF has projected them to decline by 8 percent and 3 percent respectively in 2020. Asian Economy to decline by 1.6 percent as projected by IMF. Also, for the neighboring countries China and India, IMF has

projected the Chinese economies to grow by 1 percent and Indian economy to decline by 4.7 percent in 2020. IMF has projected economic growth of Nepal limited to 1 percent. Due to the decline in price of petroleum products along with the decline in aggregate demand, inflation has remained low. Inflation has been projected to remain at 0.3 percent in the developed country and 4.4 percent in the emerging and developing country in 2020. Inflation in these economies remained 1.4 percent and 5.1 percent respectively in 2019. Most of the countries are expanding their monetary and financial policy to meet the challenges faced by World Economy. Despite the uncertainties created due to Covid-19, most of the countries have relaxed the lockdown to make the economic activities easy.

ECONOMIC SITUATION OF THE NATION

A SCENARIO

Covid-19 has added an unexpected challenge as the country moves forward with the national aspiration of 'Prosperous Nepal, Happy Nepal' while achieving the sustainable and high economic growth with social justice. After the continuous high economic growth for three years, the economic growth for Fiscal Year 2019/20 is negligible. While inflation remained within the target range, trade deficit and current account deficit improved due to contraction in imports. Savings after research has increased significantly. Credit expansion is lower as compared to deposits. Use of electronic modes of payment in financial transactions is increasing. Infrastructure development work has moved forward for financial expansion along with modern electronic payments. Banking transaction has been made easy during the times of lockdown due to increase in the use of mobile banking. Labour market and remittance inflows is projected to be affected globally due to Covid-19. Return of labour force from foreign employment has affected the internal labour market. As major

labour destination countries goes into economic recession, a reduction in remittance inflows will have an impact on the banking sector's resource mobilization, external sector balance and poverty alleviation. In order to manage the impact made by Covid-19 pandemic on economy, monetary policy needs to focus on economic recovery while maintaining the price and external sector restability. To keep the movement of economic activities, facilitate the access and management of credit of the sectors affected by Covid-19 and encourage financial resources towards entrepreneurship development, productivity growth and job creation.

As per the preliminary estimate of Central Statistics Department, economic growth achieved for Fiscal year 2019/20 is 7 percent whereas for Fiscal year 2018/19 was limited to 2.28 percent. Growth in Agricultural sector is estimated to be 2.6 percent, Industrial Sector to be 3.2 percent and Service Sector to be 2 percent. In Fiscal Year 2019/20, Gross Domestic Savings and Gross National Savings has remained at 18.1 percent and 46 percent to the Gross Domestic Product (GDP). These ratios were 19 percent and 48.9 percent respectively in Fiscal Year 2018/19. In Fiscal Year 2019/20, Gross Fixed Capital Formation and Gross Capital Formation remained at 28.1 percent and 50.2 percent of GDP respectively. These ratios were 33.7 percent and 56.6 percent respectively in previous year.

INFLATION

The annual average Consumer Price Inflation in Fiscal Year 2019/20 was 6.15 percent. Such inflation was 4.64 percent in previous year. The annual Consumer Price Index (CPI) is 4.78 percent in July 2020. Such inflation was 6.02 percent in July 2019. The annual inflation rate of Food and Beverage Group in Fiscal year 2019/20 is 8.16 percent. This was 3.09 percent in previous Fiscal Year. Likewise, the annual inflation rate of Non-food and Service Group is 4.61

percent. This was 5.86 percent in previous Fiscal Year.

The consumer inflation in Fiscal Year 2019/20 in Kathmandu valley, Terai, Hilly and Himalayan is 6.96 percent, 6.29 percent, 5.10 percent and 4.91 percent respectively. Such inflation was 4.86 percent, 4.26 percent, 5 percent and 4.91 percent respectively in previous years. The annual Consumer Price Index (CPI) is 4.78 percent in Nepal and 6.93 percent in India in July 2020. The annual Wholesale Price Index (WPI) is 5.6 percent in July 2020 which was 5.41 percent in previous year.

FOREIGN TRADE

Total exports of goods increased by 0.6 percent during Fiscal year 2019/20 reaching NPR 97 Billion 710 Million. It had increased by 19.4 percent in previous year. Export direction shows an export growth of 11.8 percent to India. However, in context of export to China and other countries, it has shown a decline of 43.5 percent and 18.2 percent respectively. Export of goods such as Palm Oil, Ayurvedic medicine, Herbs, Plastic utensils, fruits, etc. have increased while exports of zinc sheets, wires, Polyester Yarn, Readymade clothes, woolen carpets, etc. have declined.

Similarly, during Fiscal year 2019/20, total import of goods has declined by 15.6 percent and reached NPR 1196 Billion 800 Million. It had increased by 13.9 percent in previous year. Imports direction shows import decline of 19.9 percent, 11.5 percent and 5.3 percent from India, China and other countries respectively. Import of goods such as Palm oil, Soya bean Oil, Chemical faeces, vegetable oil, Computers and other electronic parts, etc. have increased while petroleum products, transportation equipment and parts, M.S. Billets, Gold, Other machinery parts, etc. have declined.

Based on the entry points, exports from Customs Offices (except Birgunj

Customs Office and Tatopani Customs Office) have declined while imports from Customs Offices (except Dry port Customs Office and Tatopani Customs Office) have declined.

During Fiscal Year 2019/20, the total trade deficit has declined by 16.5 percent amounting NPR 1099 Billion 90 Million. Last year such deficit was increased by 13.5 percent. The ratio of the trade deficit with total GDP reached 29.2 percent. The Export-Import ratio is 8.2 percent during the review period which was 6.8 percent previous year.

REMITTANCE INFLOWS

Remittance inflows decreased by 0.5 percent to NPR 875 Billion 30 Million in the review period compared with an increase of 16.5 percent over the same period of the previous year. Remittance inflows decreased by 3.3 percent in US dollar. Last year such inflows increased by 7.8 percent. Number of Nepali workers taking final labour approval (institutional and personal-new and legalized) have decreased by 20.5 percent. Last year such number decreased by 32.6 percent. Number of Nepali workers migrating for foreign employment based on renewal work permit decreased by 34.7 percent during the review period. Last year such number increased by 5.4 percent. Net transfer income decreased by 1.3 percent to NPR 982 Billion 220 Million in the review period. Such income had increased by 15 percent in the same period previous year.

FOREIGN EXCHANGE RESERVE

Gross Foreign Exchange Reserves remains at NPR 1401 Billion 840 Million in Mid-July, 2020 that was NPR 1038 Billion 920 Million in Mid-July, 2019. In terms of US Dollar, the Gross Foreign Exchange remains at NPR 11 Billion 650 Million in Mid-July, 2020 which was NPR 9 Billion 500 Million in Mid-July, 2019.

Of the total foreign exchange reserves, reserves held by Nepal Rastra Bank (NRB) remains at NPR 1226 Billion 120

Million in Mid-July, 2020. This was NPR 902 Billion 440 Million in Mid-July, 2019. Reserves held by Banks and Financial Institutions (except NRB) remains at NPR 175 Billion 710 Million in Mid-July, 2020. This was NPR 136 Billion 470 Million in Mid-July, 2019. The share of Indian currency in total reserves stood at 22.8 percent in Mid-July, 2020.

EXCHANGE RATE

Nepalese currency vis-à-vis US Dollar depreciated 9.15 percent in Mid-July, 2020 compared to Mid-July, 2019. It had depreciated 0.02 percent in the same period of the previous year. The buying exchange rate per US Dollar stood at NPR 120.37 in Mid-July, 2020 compared to NPR 109.36 in Mid-July, 2019.

DEPOSIT COLLECTION AND LOAN DISBURSEMENT

The total deposits of Bank and Financial Institutions (BFIs) has increased by 18.7 percent during the review year. It had increased by 18 percent in the previous year. In Mid-July 2020, the portion of Current, Savings & Fixed deposit in total deposit of BFIs settled at 10 percent, 31.9 percent and 48.6 percent respectively. It was 9.7 percent, 32.8 percent and 46.3 percent during the same period in previous year. In July 2020, the portion of Institutional Deposit in total deposit settled at 44.3 percent. It was 45.3 percent in the same period previous year. Likewise, the total loan disbursed by BFIs has increased by 12 percent during the review year. It had increased by 19.4 percent in same period previous year. Out of loan disbursed from Private Sectors, Commercial Banks and Finance Companies has seen growth of 16 percent and 8 percent respectively whereas Development Banks has declined by 16.2 percent. Loan disbursed by Development banks have decreased during the review period because of merger of 6 Development banks with Commercial banks. Of the total outstanding credit of the BFIs in Mid-July, 2020, 65.7 percent is against

the collateral of land and building and 13 percent against the collateral of current assets (agricultural and non-agricultural products). Such ratios were 64.4 percent and 13.5 percent respectively in Mid-July, 2019. Loan of BFIs to agriculture sector increased 16.7 percent, industrial production sector increased 11.5 percent, construction sector increased 12.3 percent, transportation, communication and public sector increased 18.6 percent, wholesale and retail business increased 7.7 percent and service industry sector increased 22.1 percent in the review period. In the review period, term loan extended by BFIs increased 27.7 percent, overdraft increased by 7.2 percent, trust receipt (import) loan increased by 8.7 percent, demand and working capital loan increased by 14 percent, real estate loan (including residential personal home loan) increased by 8.1 percent, margin nature loan increased by 11 percent and hire purchase loan decreased by 3.8 percent.

LIQUIDITY MANAGEMENT

In the Fiscal Year 2019/20, NPR 219 Billion 160 Million liquidity was mopped up through open market operations. In the review period, liquidity of NPR 115 Billion 870 Million was mopped through Repo and NPR 103 Billion 280 Million through Standing Liquidity Facility (SLF). Liquidity of NPR 322 Billion 490 Million was mopped up in the corresponding period of the previous year. In the review period total liquidity of NPR 78 Billion was injected through various equipments of open market transactions. Accordingly liquidity of NPR 30 Billion and NPR 48 Billion was injected through deposit collection by bid and reverse repo respectively. In the Fiscal Year 2018/19, liquidity of NPR 100 Billion 350 million was injected. In the review period, NRB injected liquidity of NPR 492 Billion 240 Million through the net purchase of USD 4 Billion 210 Million from foreign exchange market (Commercial Banks). Liquidity of NPR 360 Billion 910 Million was injected

through the net purchase of USD 3 Billion 190 Million in the corresponding period of the previous year. NRB purchased Indian currency (INR) equivalent to NPR 442 Billion 130 Million through the sale of USD and other convertible foreign currencies 3 Billion 820 Million in the review period. Indian Currency equivalent to NPR 516 Billion 970 Million was purchased through the sale of USD and other convertible foreign currencies 4 Billion 240 Million in the same period previous year.

INTEREST RATE

The weighted average 91-day Treasury bills rate decreased to 1.27 percent in July, 2020 from 4.97 percent a year ago. The weighted average inter-bank transaction rate among commercial banks, which was 4.52 percent a year ago, decreased to 0.35 percent July, 2020.

The average base rate of commercial banks decreased to 8.50 percent in July, 2020 from 9.57 percent a year ago. Weighted average deposit and lending rates of commercial banks stood at 6.01 percent and 10.11 percent respectively in July 2020. Such rates were 6.60

percent and 12.13 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 196 till July, 2020. Out of which, the license of 150 BFIs was revoked thereby forming 46 BFIs.

FINANCIAL ACCESS

Of the total 753 local units, Commercial Banks extended their branches at 747 units as of July, 2020. The number of branches extended by Commercial Banks were 735 as of July 2019. The total number of BFIs licensed by NRB stood at 171 in July, 2019 whereas it is 155 in July 2020. This was 151 in the same period a year ago. Accordingly, 27 Commercial Banks, 20 Development Banks, 22 Finance Companies, 85 Microfinance Financial Institutions and 1 Infrastructure Development Bank are in operation. The number of BFIs branches reached 9,765 in July, 2020 from 8,686 in July, 2019.

DEPOSIT AND CREDIT GUARANTEE

Deposit and Credit Guarantee Fund (DCGF) has made Deposit Guarantee of NPR 689 Billion 490 Million to the Saving, Current, Call and Fixed Deposit of 73 banks and financial institution belonging to 20 Million 600 Thousand Natural Persons that was deposited within Mid July, 2020. In Mid-July, 2019, Deposit Guarantee was done amounting NPR 603 Billion 390 Million worth of deposits belonging to 20 Million 220 Thousand depositors. Likewise, DCGF has made Credit Guarantee amounting NPR 65 Billion 110 Million of Micro & Deprived Sector Loan, Small and Medium Enterprise Loan and Agriculture Loan. In Mid-July, 2019, Credit Guarantee worth 25 Billion 660 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 4 months of Current Fiscal Year is depicted as below:

(Amount in crore)

S.N.	HEADING	15 JULY 2020	15 NOV 2020
1.	Paid Up Capital	845.85	845.85
2.	Deposit	10,674.84	11,556.24
3.	Investment	1,213.24	1,467.27
4.	Loan and Advances	9,500.04	10,240.23

* Above details has been presented by accounting under NFRS.

Deposits have increased by NPR 8 Billion 810 Million (8.26%). Investments have increased by NPR 2 Billion 540 Million (20.94%) in the first four month of current fiscal year compared to Mid-July, 2020. Whereas, Loans and Advances has increased by NPR 7 Billion 400 Million (7.79%).

AN OVERVIEW OF BUSINESS OF PREVIOUS FISCAL YEAR 2018/19

The key indicators of financial achievements of the Bank in Fiscal Year 2018/19 and Fiscal Year 2019/20 are as follows:

(Amount in crore)

HEADING	2018/19	2019/20	INCREMENT (IN PERCENT)
Paid Up Capital	805.57	845.85	5 percent
Net Worth	1,123.69	1,158.47	3.10 percent
Deposit	9,156.02	10,674.84	16.59 percent
Investment	1,050.61	1,213.24	15.48 percent
Loans and Advances	7,753.59	9,500.04	22.52 percent
Interest Income	1,017.75	1,135.29	11.55 percent
Interest Expense	662.78	749.10	13.02 percent
Net Interest Income	354.98	386.19	8.79 percent
Other Income	112.20	129.98	15.85 percent
Employee Expense	123.04	150.29	22.15 percent
Operating Expense	72.36	88.84	22.79 percent
Operating Profit	240.03	192.05	-19.99 percent
Net Profit after tax	169.71	126.52	-25.45 percent
Loan Loss Provision	96.88	155.67	60.68 percent
Non-Performing Loan	0.37 percent	0.52 percent	0.15 percent
Total Assets	10,524.60	12,451.96	18.31 percent
Capital Adequacy	12.79 percent	13.02 percent	0.23 percent
Book Value per Share	139.49	136.96	-1.81 percent
Market Price per Share	264	220	-16.67 percent
Number of branches (including extension counter)	131	164	25.19 percent
Number of ATMs	144	198	37.50 percent
Total Employees	1195	1486	24.35 percent

Net interest income has increased by 8.79 percent since both interest income and interest expense have increased by 11.55 percent and 13.02 percent respectively. Employee Expenses and other Operating Expenses have increased by 22.15 percent and 22.79 percent respectively in the review period.

The ratio of total Non-Performing Loan stands at 0.52 percent which was 0.37 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 18.31 percent, whereas Book Value per Share and Net Profit has increased by 1.81 percent and 25.45 percent respectively.

PAID UP CAPITAL AND CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) remains at 13.02 percent during the Fiscal Year 2019/20. This CAR ratio is 2.02 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 16.59 percent from the previous fiscal year and reached NPR 106.75 Billion. In the same period, the average deposit increase rate of commercial banks is about 21.18 percent. The Bank has achieved a growth of 19.23 percent in

Fixed Deposit, 24.60 percent in Savings Deposit and 16.49 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 2019/20. Because of this, the Bank has been able to open 177,162 new accounts that has increased deposit amount by 24.60 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 806,140. Bank's current and savings deposit consists 36.12 percent of the total deposit which was 33.74 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	70.37
Institutional Deposit	29.63
Total Deposit	100.00

LOAN AND LOAN LOSS PROVISION

Bank's total loan amount has increased by 22.52 percent from the previous year and reached NPR 95 Billion in the review period. In the same duration, the average increase rate of commercial banks is 16.41 percent. Even though due to the impact of Covid-19 the banking sector lacked enough fund for loan expansion, Bank's 22.52 percent increase in loan is above average in overall banking sector.

With the view to increase investment, a total of 4.54 Billion deprived sector loans have been already circulated within Mid-July, which is 5.05 percent of the total loan circulated (before 6 months) by the Bank.

Within the review period, Bank's total loan circulation occupies 3.26 percent of the overall loan circulated by the banking sector, which is 4.26 percent of the total loan increment of the market. Last year, the Bank had occupied 3.11 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 14.13 percent and 22.23 percent in Agriculture sector and Energy and Tourism sector respectively. Along with that, the deprived sector lending of the Bank is 5.05 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 968.8 Million and reached NPR 1.56 Billion. NPR 587.9 Million has been provisioned for loan loss purpose for this year which has increased by 470 Million as compared to last year. The loans classified as Watch-list have increased by 5.60 Billion as compared to last year. Keeping in view the impact of Covid-19 and guidelines issued by NRB, the loans classified as pass loans as on Mid- January 2020 and loans disbursed after Mid-January 2020 to be classified as pass loans and at least 5% loan loss provision to be made for loans on the basis of days of repayment period exceeded on July 2020. The ratio of Non-performing loan to total loan loss provision is 0.52 percent. Last year, the ratio of total bad loan to total loan was 0.12 percent, which has increased this year and has remained at 0.27 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 15.48 percent from last year and has reached 12.13 Billion within the review period. Out of the total investment, the Bank has invested 5.36 percent, 86.99 percent and 7.65 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 377.5 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 4.48 Million from such investments in the review period.

INTEREST INCOME

The interest income of the Bank has increased by 11.55 percent amounting 11.35 Billion in the review period. In the same period, the Bank's interest income from loan has increased by 10.75 percent amounting 10.59 Billion whereas the interest income from other investments has increased by 23.96 percent amounting 758.6 Million.

Interest income of the bank is affected as the bank had to maintain the interest spread of 4.4% till Mid July 2020, provide 10% discount on interest served until Mid April 2021, also provide 2% discount to the industries affected due to Covid-19 on interest of fourth quarter as per the NRB Directive.

In the review period, Bank's yearly average return on loan decreased by 1.97 point and the interest remained 11.23 percent due to various reasons. 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 4.39 percent in final quarter which was 4.25 percent in the first quarter.

INTEREST EXPENSES

In the review period, Bank's interest expenses has increased by 13.02 percent and reached 7.49 Billion. In the same duration, the Bank's interest expenses on deposit has reached 7.11 Billion by increasing 9.12 percent. Due to the impact of Covid-19, though the total deposits has increased by 19 percent but bank's interest expenses on deposits has increased by only 9.12 percent in the review period. As a result, bank's yearly average interest on deposits decreased by 0.77 points and remained at 7.22 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 3.86 Billion which has increased by 8.79 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 84.68 million from commission and other operating income, which is an increment of 17.52 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 149.23 percent and reached NPR 70.1 Million in the review period which was NPR 28.1 Million in the previous year.

STAFF EXPENSES

Bank's net staff expenses has increased by 22.15 percent and reached NPR 1.50 Billion in the review period which was NPR 1.23 Billion in the previous year. Opening of 25 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 1,486 in the review period with the addition of 372 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 18.9 Million.

As per the circular no. 14/76/77 dated 28/04/2020 issued by Nepal Rastra Bank, it is not necessary to spend 3 percent and bank has transferred amount of 2,368,795 to retained earnings from Staff Fund. 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 23.68 percent and reached NPR 161.3 Million in the review period which was NPR 130.4 Million in the previous year.

OTHER OPERATING EXPENSES

In the review period, Bank's other operating expenses has increased by 22.79 percent and reached NPR 888.4 Million, which was NPR 723.6 Million in the previous year. Increase in the number of staffs, opening of 28 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 decreased by 0.60 percent and reached 1.02 percent in the review period which was 1.61 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 795.3 Million and paying tax of 674.6 Million, thereby contribution total 1.47 Billion.

PROFIT/ LOSS DISTRIBUTION DETAIL

Bank has earned a total profit of NPR 1.27 Billion in this fiscal year and the details of the profit distribution details is as follows:

(Amount in crore)

DETAILS	THIS YEAR NPR	LAST YEAR NPR
Accumulated profits up to last year	129.35	80.87
Adjustment	1.15	(1.27)
Total	130.50	79.51
Transfer from Share Premium		-
This year's profits	126.52	161.69
Employee Skills Enhancement Reserve	0.24	0.05
Investment Adjustment Reserve	1.5	
Total	258.75	249.16
Distributions		
General Reserve	25.30	33.94
Cash Dividends	88.61	80.56
Bonus Shares issued	40.28	0.00
Exchange Equalisation Reserve	1.40	0.57
Corporate Social Responsibility Reserve	1.27	0.11
Regulatory Reserve	3.76	4.74
Total	160.62	119.92
Accumulated Profit/ Loss	98.13	129.35

Bank has appropriated 20 percent of its net profit i.e. 253 million as General Reserve. Similarly, appropriation in Exchange Equalisation Reserve, Corporate Social Responsibility Reserve and Regulatory Reserve stands at 14 Million, 12.7 Million and 37.6 Million.

Bank has appropriated 1 percent of its net profit i.e. NPR 12.7 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 981.3 Million after the fund distributions and transfers.

LIQUIDITY MANAGEMENT

In the fiscal year 2019/20, upto third quarter the liquidity remained nil at financial market. Thereafter at the end fourth quarter due to Covid-19 and acceleration of budget expenditure by government, excess liquidity condition arose. 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 2019/20 has been managed as per the criteria of Nepal Rastra Bank. Bank has given first priority to liquidity management.

In the review year itself, the Bank had invested in the 5-year bonds of NPR 1.84 billion at 6.86 percent interest rate. Also, NPR 8.8 billion has been invested in treasury bills at an average weighted rate of 3.34 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 more than 900 thousand customers across the country through a total of 160 branches. During FY 2019/20, bank has operated 28 new branch offices in various places like Bara, Lamjung, Rupandehi, Rautahat, Morang, Palpa, Kaski, Lalitpur, Kathmandu, etc. Likewise, in last year FY bank had operated 5 new extension counters in Nepal Orthopaedic Hospital Jorpati Kathmandu, United Mission Hospital Palpa, Employees Provident Fund Office Birauta Pokhara, Malpot Office Syangja and Dharan Krishi Bazaar Dharan. Also 36 branchless banking has also been operated other than new branch offices. The number of branchless banking has reached 133 after opening of branchless banking services in Mahottari, Rautahat, Syangja, Rupandehi, Palpa, Nawalparasi, Jhapa, Chitwan, Bara, Sunsari, Kailali and various other places. In the same period number of ATM networks has reached 199 after adding

54 new ATM. Apart from this, as per the directive of NRB, province offices of banks in all the seven provinces of Nepal has been established for the coordination, facilitation and inspection of the branches.

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

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, Nepal Remit, Esara Remit to make remittances simple for its customers. Bank has been providing remittance facility in international sectors as well. As per the agreements entered with Qatar, UAE, Saudi Arabia, Bahrain, Hong Kong, Iraq, Turkey, Euro Zone, Canada, UK, USA and Denmark, money can be easily sent to Nepal through MBL Remit app. Recently bank has also made the provision of sending money to Nepal from India through Om Express Payment Services. Such payments can be received from various branches as well as more than 10,000 payment center situated all over Nepal.

Bank has also started working on making the remittance services more effective by sending its staffs or through outsourcing for business promotion.

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 199 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) and QR (Quick Response).
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. Video conferencing software and equipments have been installed to encourage virtual meetings and conferences. During the times of Covid bank was able to carry out its operation due to these technologies.
9. 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.
10. Loan originating system, Documents management system and Business Process Automation System has started to help bank go paperless.

HUMAN RESOURCE MANAGEMENT

As of 2020, the total number of staffs is 1,486 where, the number of management level staff is 71 and the number of staffs working in other level is 1,415. During the review year the Bank has appointed 372 new staffs whereas 80 staffs has discontinued serving the bank. Among the total staffs, Bank has 630 (i.e. 42.39 percent) of female employees. In order to motivate and enhance the work efficiency of the staff, the Bank has been implementing Performance Based Appraisal System. The objective/qualitative evaluation along with quantitative evaluation of work performance is done under this system. Human Resource is the most important requisite in order to make the Bank strong, competitive, effective and successful. The professional excellence and efficiency development programs and trainings provided to employees determine the success of the Bank. In recognition of the same, the Bank has been prioritizing the effort related to professional development, leadership development, work skills and efficiency enhancement programs for the 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 as basic guideline. During the review period different department specific internal, external as well as international trainings in adequate number were provided to the employees. This practice of skills and abilities enhancement of the human resources through national and international trainings and seminars will continue in foreseeable future as well.

In addition, during the pandemic period with a view to enhance employee's knowledge and skills an e-learning platform is set where different department wise self-learning study materials have been placed. Also, internal tests and evaluation process is conducted through the same. The tests and evaluations are safely stored

in the database system of the bank for future use. This practice of enhancing the knowledge and evaluating the employees will continue in the upcoming years as well.

In addition to the medical Insurance and group accident insurance, keeping in mind the pandemic situation bank provided every employee of bank with Covid-19 insurance.

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 hire qualified, efficient and honest employees as well as retain them. Professional development of human resources and management of skilled man power along with amendments and addition of other subjects and policies related to human resources will be done as per the requirement of time.

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.

NEW SERVICES

The Bank has continued its effort for refinement of its services this year as well. Bank has brought new products for deposit collection and

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 as minimum guidelines.

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.

S.N	NAME	TITLE/POSITION
1	Director-Mr. Haribhakta Sigdel	Coordinator
2	Director-Mr. Roshan KC	Member
3	Chief Executive Officer-Mr. Santosh Koirala	Member
4	Deputy Chief Finance Officer- Mr. Khagendra Paudel	Member
5	Deputy Chief Human Resource Department- Ms. Richa Pandey	Member Secretary

loan to facilitate the customers. Along with this, bank is working forefontly to provide the latest technological services. The latest example of which is establishment of Machhapuchchhre Customer Service center which helps to know about the services and facilities of bank on a single call. Bank has continued its effort to enhance the quality of its mobile banking service in order to provide additional qualitative services. Through its medium, customers can easily recharge, money transfer from one account to another, bill payment,

school/college fee payment, airlines ticket payment, insurance premium payment and various other payments. Internet banking facility provided by bank is also the result of same. Through which customers can easily do not only individual but also institutional transactions. 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.

Now the Bank customers are able to transact through QR (Quick Response) Code technology. To minimise the impact created by Covid-19, NRB had requested to focus on digital transaction rather than cash transaction which has been made easier by the various digital services provided by the Bank.

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 24 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.

Recently the bank has started WeChat Pay which is the first ever service in Nepal. Also latest services like smart teller, new website, document verification, online credit card application, green pin has made the digital experience of customers better. Various other new smart services are in the process of launching.

DEPRIVED SECTOR LENDING

Bank has been providing deprived sector lending directly as well as indirectly 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 under the project "Value Chain Financing" at concession rate in 14 districts through 16 branches and branchless banking to 1130 women entrepreneur associated with 49 different cooperatives. The program aims enabling deprived families to self-employment and is believed to improve the living standard of farmer and women significantly.

In order to provide current loan requirement of small farmers, Machhapuchre bank is providing Machhapuchre Kisan Card facility. Bank in collaboration with UK AID Sakchyam-Access to Finance and Heifer International Nepal through the Kisan Card facility is providing agricultural loan upto 4 lakhs to small farmers of 14 districts. In the first phase, Kishan Card has been provided to Sajha Phulbari Entrepreneur Women Cooperative of Khajura Gaupalika in Banke District in association with Heifer International Nepal. Application and approval of such type of loan will be done through simple Credit Scoring Model. Through this card facility, farmers can avail branchless banking and transact within the limit available.

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 141 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, procedures 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. Gopi Krishna Neupane, 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. The decision and works carried as per the decision shall be presented before the

Board of Directors. In addition, KYC / AML officer has been appointed in each branch office to give necessary instructions and implement money laundering prevention act and directives. As per the NRB Directives, AML and CDD policy, AML and CDD Procedures have been implemented following the prevalent national and international provisions. Also a management committee has been formed with senior managers at the managerial level on asset laundering and prevention of financial investment in terrorist activities.

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 NPR 51 Lakhs to Central Government whereas NPR 5 Lakhs each to seven Province Government for the control of Covid-19 pandemic.

The bank in collaboration with Metropolitan Police of Kathmandu has installed tap at various places.

As per the directions of NRB, for the financial literacy the Bank has entered into an 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 2019/20:

S.NO.	ACTIVITIES	AMOUNT (NPR)
1.	Handover to Central Government and Province Government for the control of Covid-19	7,600,000
2.	Amount provided to accounts opened under 1 person 1 bank account declared by Government	49,500
3.	Conducted Financial Literacy Program in Province 5,6 & 7	7,782,875
4.	Community Health Program in Assam District	1,100,000
5.	Installment of taps for handwashing in various places of Kathmandu to minimise the risk of Covid-19	880,003
6.	Help provided to Prabhat Secondary School, Palpa for constructing playground for students	500,000

APPOINTMENT OF AUDITOR

On behalf of the Board of Directors, we would like to thank the auditor appointed from the 21st 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. M/S G.P. Rajbahak & Company Chartered Accountants have audited the books of accounts of banks for last three years however as per the provisions of Section 111 and 112 of the Companies Act, 2063 (B.S.) and Section 62 and Section 63 of the Banking and Financial Institutions Act, 2073 (B.S.), they cannot be re-appointed hence for fiscal year 2020/21 new auditor shall be appointed, the proposal for which shall be presented before Board in this year's general meeting.

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. Mr. Ram Man Shrestha, former director who was appointed from among the public shareholders have crossed the age of 76 and as per the provisions of NRB could not be reappointed as director hence have resigned from the post of director on 405th general meeting held on 29/09/2019 and Mr. Omesh Lal Shrestha has resigned from the post of director citing his

personal reasons on 01/07/2020. Mr. Haribhakta Sigdel was appointed as Director on 408th general meeting held on 25/10/2019 (upto this Annual general meeting). Similarly, former Independent director Mr. Jaya Mukunda Khanal has resigned citing personal reasons on 01/04/2020 hence Mr. Mukunda Mahat was appointed as Independent Director for four years on 421st Annual General Meeting held on 29/05/2020. 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. Bishwo Prakash Gautam
(On Behalf of Public shareholders)

Director Mr. Haribhakta Sigdel
(On Behalf of Public shareholders)

Director Mr. Mukunda Mahat
(Independent Director)

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:

MEMBERS	NUMBER OF MEETINGS ATTENDED	MEETINGS ALLOWANCES (IN NPR)
Chairman Dr. Birendra Prasad Mahato	25	375,000
Director Mr. Roshan KC	22	264,000
Director Mr. Gopi Krishana Neupane	25	300,000
Director Mr. Jaya Mukunda Khanal	18	216,000
Director Mr Ram Man Shrestha	1	12,000
Director Mr Bishow Prakash Gautam	25	300,000
Director Mr. Omesh Lal Shrestha	19	228,000
Director Mr. Haribhakta Sigdel	16	192,000
Director Mr. Mukunda Mahat	3	36,000

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.

AUDIT COMMITTEE

Audit Committee has been carrying on its works as per the directions given by NRB. Audit Committee for the Bank is responsible 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 on

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 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. As per the NRB Directives, the committee formed under the coordination of Non-executive Director, additional one Non-executive director as Member and Internal Auditor as Member Secretary had Mr. Gopi Krishna Neupane as Coordinator, Mr. Omesh Lal Shrestha as Member and Mr. Khagendra Paudel as Member Secretary, which has been reconstituted on 14/09/2020 have the following members as Audit Committee:

S.N	NAME	TITLE/POSITION
1	Director Mr. Mukunda Mahat	Coordinator
2	Director Mr. Gopi Krishna Neupane	Member
3	Internal Auditor Mr. Surendra Pathak	Member secretary

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:

S.N	NAME	TITLE/POSITION
1	Director Mr. Bishow Prakash Gautam	Coordinator
2	Director Mr. Gopi Krishna Neupane	Member
3	Director Mr. Mukunda Mahat	Member
4	Chief Operation Officer Mr. Madhav subedi	Member
5	Chief Risk Management Officer Mr. Tika Bhattarai	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 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:

S.N	NAME	TITLE/POSITION
1	Director Mr. Gopi Krishna Neupane	Coordinator
2	Director Mr. Haribhakta Sigdel	Member
3	Chief Risk Management Officer- Mr. Tika Bhattarai	Member
4	Chief Compliance Officer- Mr. Bhuwan Singh Khatri	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 (MAYA Chat bot, Online Survey) on its website for hearing complaints and disseminating information to the

public. In the fiscal year 2019/20, out of 3,302 complaints all the complaints 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, 2020 is NPR 8,458,477,700. 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 7.03 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.

Thank you.

On behalf of Board of Directors,

Dr. Birendra Prasad Mahato
Chairman

December 17, 2020.



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

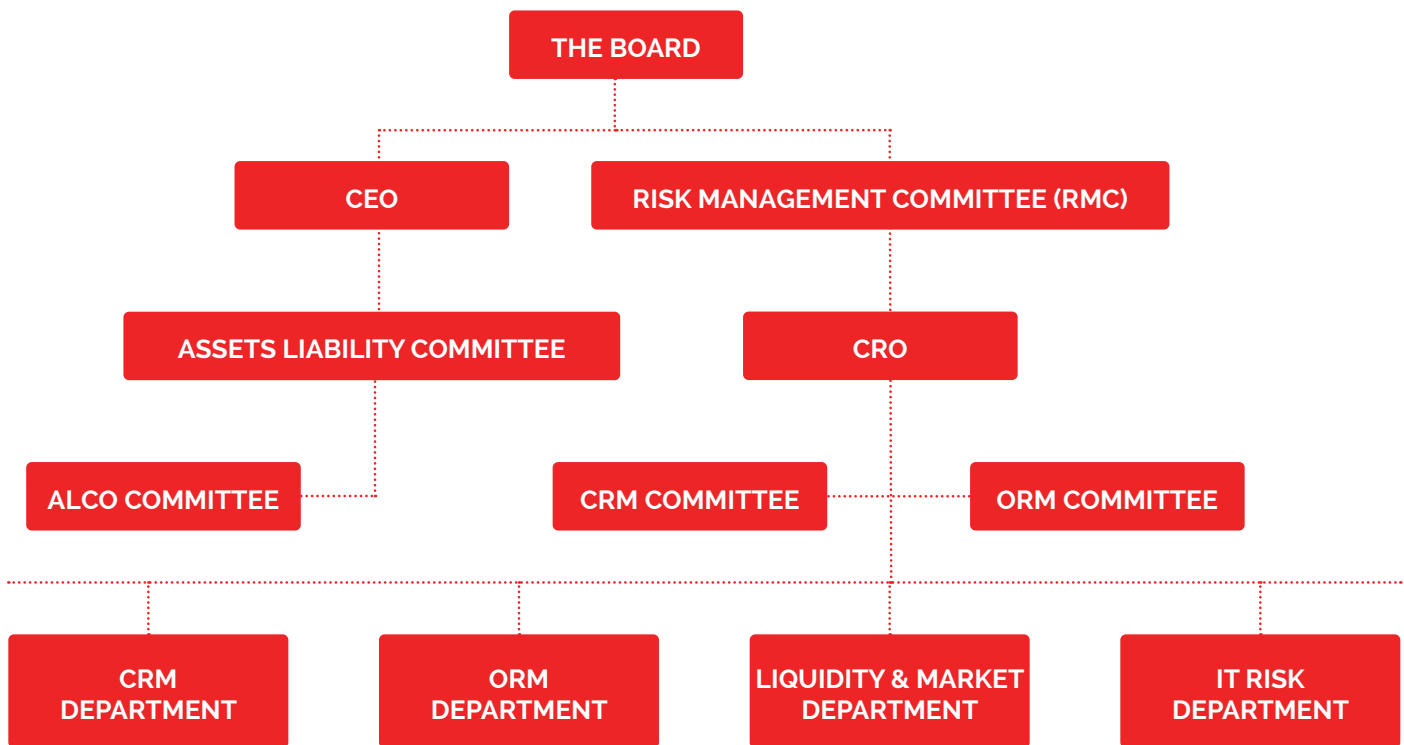
A risk management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. The framework should be comprehensive enough to capture all risks a bank is exposed to and have flexibility 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 should be such that ensures effective monitoring and control over risks being taken. The individuals/ departments responsible for review

function (Risk Departments, internal audit, compliance etc.) should be independent from risk taking units and report directly to board, committees or senior management who are not involved in risk taking.

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 shall work 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**
- AGM/DGM-Operation or COO**
- Chief Risk Officer-Member Secretary**

RMC is responsible for assessment and mitigation of overall risk associated with bank by examination the Credit Risk,

Operational risk, market risk, liquidity risk, information security risk and external risk

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

- 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.
- Committee shall review the stress testing carried out on a regular basis and discuss on its results. On the basis of result of stress testing, the Committee should offer suggestions to the Board for appropriate policies 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 provide advice to the management whenever necessary.
- Recommend the Board on any possible significant impact on the Bank's Financial Position arising from any problem/change in the economy. The Committee should also suggest 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, Four Separate Departments/units related to control functions namely Credit Risk Management Department, Operation Risk Management Department, Market/Liquidity Risk Management Department and Information Security officer/unit are directly reports to CRO.

The roles and responsibilities of Chief Risk Officer shall be 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 is guided by the Three Lines of Defense Principle. When it comes to risk taking, each line of defense has a clear responsibility.

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

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.

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 designed 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.

SEGMENT	AMT IN NPR M*	RISK WEIGHT EXPOSURE	% OF RWA*
Consumer Lending	26,228	Credit Risk	92.77%
Business Lending	30,590	Market Risk	0.06%
Corporate/Infra Lending	33,177	Operational Risk	4.47%
Microfinance	4,542	Others	2.70%
Total Risk Assets	94,536	Risk Weighted Asset	113,062

*Data as on Ashad end 2077



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:

1.1 CREDIT RISK MANAGEMENT AT MBL

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

Credit Risk Governance

Policies

Risk Methodologies

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 Asset Management, Head of Credit Risk Management Department and 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 (CRMG) of MBL. Risk function of MBL sets the guidelines and approved by Board of the bank through Head risk, CRO, CEO, RMC and Board. CRMG 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.

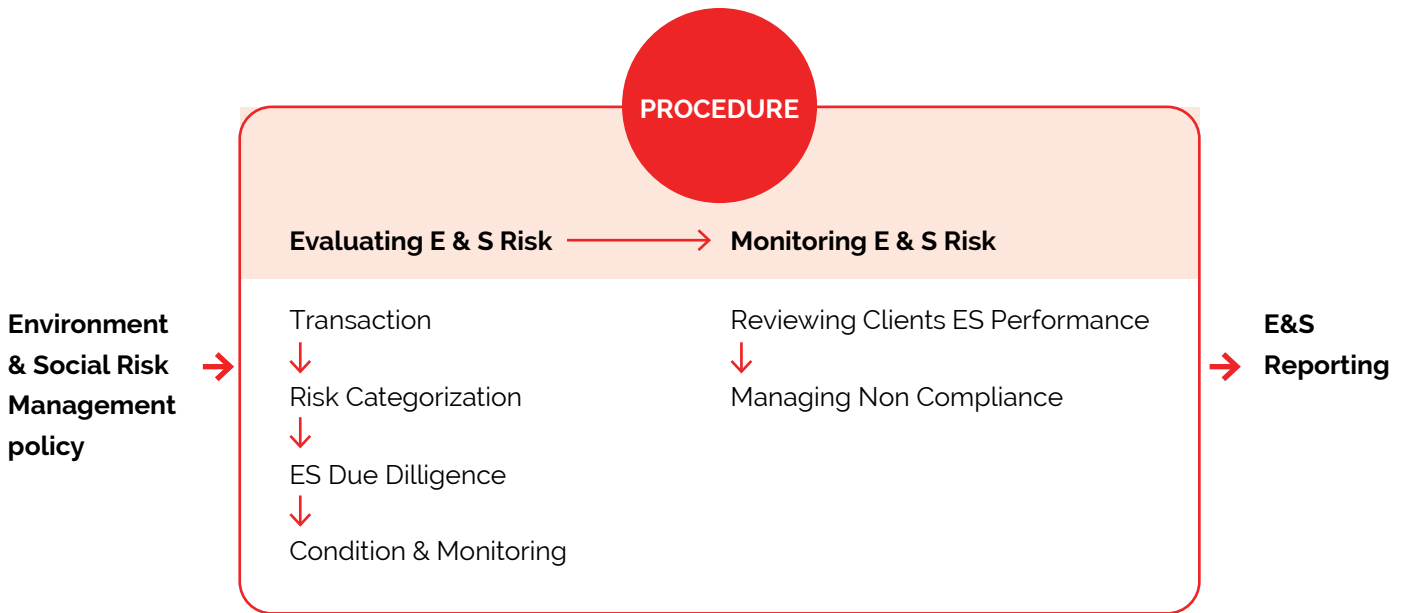
ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM)

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, 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>

1.2 MAJOR CREDIT RISK TRIGGERED IN FY 2076/77

IMPACT OF COVID – 19

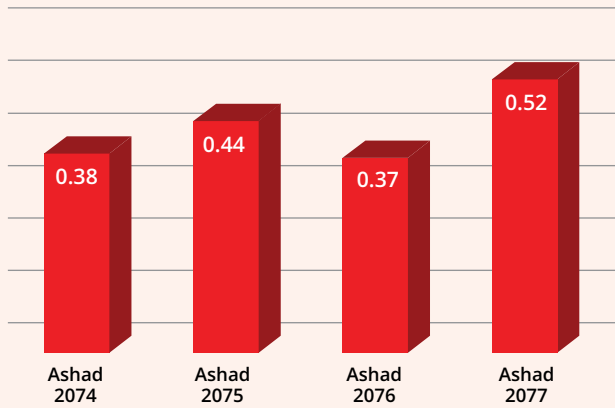
As a result of outbreak of corona virus, there is significant uncertainty about the economic outlook and the associated downside risks imposing significant credit risk. Such an abrupt rise in uncertainty can put both economic growth and financial stability at risk. The tourism sector (hotel, restaurant, travel, etc.) will hit hard due to the absence of tourists flow due to various travel restrictions imposed on travel globally. All other small and medium business related to tourism sector will also get affected.

A shortage of raw materials on manufacturing sector and building materials on construction sector is experienced as these sectors heavily depend on imports. Different hydro projects may be delayed due to lack of necessary equipment and semi-skilled and skilled foreign workers. Likewise, pharmaceutical industry which is heavily dependent on import for the chemicals used for making medicines is already in trouble. Further remittance from Middle East will be hugely impacted given the spread of the virus in the region. Thus, this uncertain crisis leading to economic slowdown might increase default rate and NPA level in upcoming quarters.

MOVEMENT IN KEY RISK PARAMETERS

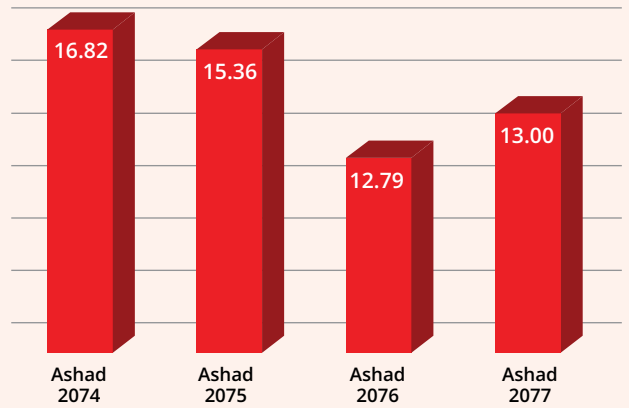
MOVEMENT IN NPA

(in Percentage)

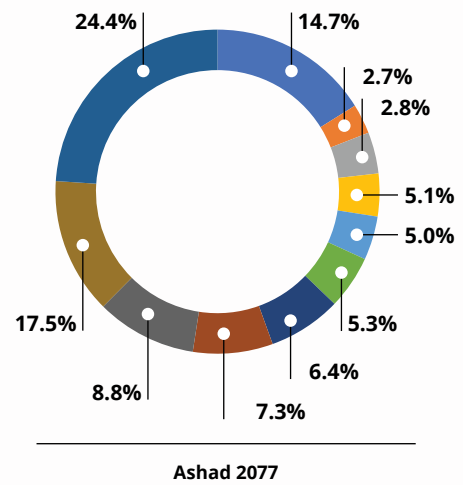
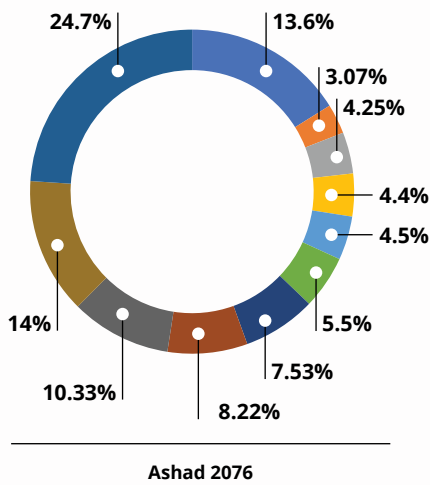


MOVEMENT IN TOTAL CAPITAL /RWA (CAR)

(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:

Board	
Risk Management Committee	
Assesses Liabilities Committee (ALCO)	
Chief Executive Officer (CEO)	Treasury Department

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 Re-pricing 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



Machhapuchchhre Bank allocated one percent of net profit to CSR fund in form of statutory reserve in the review year in compliance with NRB Circular and prioritizing on Corporate Social Responsibility (CSR) initiatives from past few years.

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies' efforts that go beyond what may be required by regulators or environmental protection groups. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. Machhapuchchhre Bank allocated one percent of net profit to CSR fund in form of statutory reserve in the review year in compliance with NRB Circular and prioritizing on Corporate Social Responsibility (CSR) initiatives from past few years. Along with sustained economic performance, environmental

and social stewardship is also a key factor for holistic business growth. MBL has been working in different sectors and regions continuously. MBL also partners with various social organizations to make a difference among local communities. MBL's focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations.

During the fiscal year 2076/77(2019-20), several programs were organized throughout the country from different branches and head office. The major details of the CSR activities incurred during the review period as follows

S.N	ACTIVITIES	AMOUNT (IN RS.)
1	Donation in CORONA VIRUS CONTROL AND TREATMENT Fund of central Government & province offices	8,600,000.00
2	Kholau Bank Khata Abhiyan	49,500.00
3	Financial Literacy program in province 5,6 & 7	7,782,875.00
4	Organized public health checkup program in Achham District	1,100,000.00
5	Hand wash station in different 16 location at Kathmandu & Bhaktapur District	880,003.00
6	Financial support to Prabhat Secondary School Palpa	500,000.00

Fiscal Year 2076/77 Glimpses of Programs under the Bank's Institutional Social Responsibility

Financial Literacy programs organized in different locations





Blood donation program on the occasion of Bank's 19th Anniversary



Hand wash station handover programs in different locations of Kathmandu & Bhaktapur District

Handover of Financial aids worth of 8,600,000.00 to Nepal Government and Provincial Government.



Province 1



Province 2



Bagmati Province



Gandaki Province



Lumbini Province



Karnali Province



Sudurpaschim Province

Glimpses of the Branch Inauguration Program



Attariya Branch



Bardaghat Branch



Chandrauta Branch



Hakimchowk Branch



Taplejung Branch



Urlabari Branch

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 (M3)

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 CARDS


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 350,000 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 54+ ATMs, leading to a wide spread coverage of a total of 199+ 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 8000 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 2,000 POS merchants in various outlets all over Nepal. To facilitate wide range of payment options, MBL POS machines accept cards under the network of VISA, MasterCard and Union Pay. 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.

INSTA PAY

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.

REMITAP NEPAL

RemiTap Nepal is a digital wallet which aims to process Domestic/Cross-border transactions made simple, secured and swift. It also features Direct Fund Transfer to Banks, Transactions with Cash Pickup Agents, a multipurpose Virtual Money Card that accepts Merchant Payments at Retail Stores as well as Online E-commerce, Utility Bill Payments, and Remittances.

WE CHAT

MBL is the first bank to launch we chat Pay in Nepal with more than 2000+ merchant enrolled till date. We Chat allows easy and secure mode of payments especially to the Chinese visitors. This allows our merchants with We Chat Pay QR code to receive international payments as an acquirer. Further, this service is built on single QR modality which allows the payments under the network of union pay, Khalti, Ime pay, Pravu Pay, Q Pay, Smart QR and RemiTap Nepal.



2000+
MBL POS MACHINES

197+
ATM OUTLETS

450K
CARDS

1000+
WE CHAT
MERCHANTS

24X7
CHAT BOT ONLINE
ASSISTANCE

FINANCIAL STATEMENT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MACHHAPUCHCHHRE BANK LIMITED

Opinion

We have audited the financial statements of Machhapuchchhre Bank Ltd., which comprise the Statement of Financial Position as at Ashadh 31, 2077 (July 15, 2020), 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, 2077 (July 15, 2020), 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.


Key Audit Matters

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

S.No.	Key Audit Matters	Auditor's Response
a)	The interest income of the bank has been recognized on accrual basis and following the Interest Income Guidelines 2019 issued by NRB. The Guidelines specify condition for collateral testing in case of the interest overdue for 3-12 months and reversal of accrued interest on overdue for more than 12 months. Furthermore, the guidelines specify conditions for collective impairment of the loan. In case of improper application of the guidelines and determination of the Fair Value of the collateral, it imposes risk on the part of interest income. Thus, we have considered it as key audit matters.	Our audit approach included clear understanding of the Core Banking Software of the bank i.e. how the interest income is daily accrued regarding the loans and advances. Furthermore, we have relied on the engineer's valuation of the collateral for determination of fair value regarding collateral testing. Also, we have test checked the interest income booking with manual computation and we did not find any deviation. Furthermore, we have test checked the haircut regarding collateral fair value as per the NRB Income recognition guidelines.



b)	<p>Investment valuation, identification and impairment:</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted securities. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and Directive number 8 of NRB Unified Directive 2076. The investment in the government and NRB bonds and T-bills has been done on Amortized cost and rest have been valued through Fair Value through Other Comprehensive Income. The valuation of the investment requires special attention and further in view of the significance of the amount of the investment in the financial statement the same has been considered as Key Audit Matters in our audit.</p>	<p>Our audit approach regarding investment of the bank is based on the NRB Directive and NFRS issued by the Accounting Standard Board of Nepal. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis.</p> <p>For the investment valued through OCI i.e. for quoted investment, we relied on the Last transaction price in NEPSE as on 15.07.2020. And for the unquoted investment the fair value has been taken as the NRs.100. Further the income and bonus have been cross verified from Demat statement of the bank wherever applicable.</p>
c)	<p>COVID-19 impact on the bank and NRB circular compliance thereon;</p> <p>On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. On 24 March 2020, Nepal Government announced a strict nationwide lock down which continued till 21 July 2020. Due to Lockdown the profitability of the bank was highly impacted and NRB issued various circulars for benefit of the stakeholder and bank. Since the matter imposes created impact on the performance of bank, we have considered this as our key audit matter.</p>	<p>Our audit approach regarding the COVID-19 outbreak and the mitigation approach by the bank is based on the various circular issued by NRB on various date till the date of our review. Provisions such as 10% discount on interest paid till 12 April 2020, 2% rebate on applicable interest as at 12 April 2020 for 4th Quarter, waiver on digital transaction until 15 July 2020 etc. has been verified on sampling basis.</p> <p>Furthermore, the relaxation of the penal charge to the customer during the pandemic period was verified on test basis.</p> <p>Furthermore, due to COVID 19, we have modified our audit approach and most of the credit review has been done remotely from Head Office instead of Branch visit.</p>
d)	<p>Information Technology</p> <p>Since most of the information of the bank is digitally stored and transaction are carried out digitally/electronically in today's scenario, we have considered information technology status of the bank as our key audit areas.</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB.</p> <p>We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS of the bank.</p> <p>We relied on the IT audit conducted by the bank.</p> <p>We verified the provisioning of the loan and advances based on ageing on the test check basis as on 15.07.2020.</p>



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. Gopal P. Rajbahak
Senior Partner
G. P. Rajbahak & Co.
Chartered Accountants

Place: Kathmandu

Date: September 17, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on 31st Ashad 2077

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets					
Cash and cash equivalent	4.1	9,778,033,447	9,442,900,351	9,778,033,447	9,442,900,351
Due from Nepal Rastra Bank	4.2	4,552,001,488	3,226,962,097	4,552,001,488	3,226,962,097
Placement with Bank and Financial Institutions	4.3	81,135,769	1,458,033,992	81,135,769	1,458,033,992
Derivative financial instruments	4.4	67,415,547	72,597,160	67,415,547	72,597,160
Other trading assets	4.5	212,019,133	358,694,537	212,019,133	358,694,537
Loan and advances to B/FIs	4.6	2,471,154,353	2,440,166,215	2,471,154,353	2,440,166,215
Loans and advances to customers	4.7	92,529,226,532	75,095,773,816	92,529,226,532	75,095,773,816
Investment securities	4.8	11,939,913,270	10,306,077,788	11,932,413,270	10,306,077,788
Current tax assets	4.9	275,878,938	208,733,311	275,808,469	209,977,311
Investment in subsidiaries	4.10	-	-	200,000,000	200,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	174,947,305	78,457,743	174,947,305	78,457,743
Property and equipment	4.13	1,344,551,049	1,122,933,578	1,335,804,292	1,122,933,578
Goodwill and Intangible assets	4.14	65,705,984	49,006,075	65,127,085	49,006,075
Deferred tax assets	4.15	35,129,485	21,424,000	35,234,822	21,424,000
Other assets	4.16	809,810,157	1,162,941,666	809,247,408	1,163,041,666
Total Assets		124,336,922,457	105,044,702,329	124,519,568,920	105,246,046,329
Liabilities					
Due to Bank and Financial Institutions	4.17	2,649,482,101	6,361,837,039	2,649,482,101	6,361,837,039
Due to Nepal Rastra Bank	4.18	13,723,693	1,020,524,291	13,723,693	1,020,524,291
Derivative financial instruments	4.19	-	-	-	-
Deposits from customers	4.20	103,900,036,875	84,990,980,346	104,098,899,866	85,198,402,144
Borrowing	4.21	1,202,500,000	-	1,202,500,000	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	-	-	-	-
Other liabilities	4.23	1,825,716,115	1,428,430,347	1,823,138,694	1,428,411,352
Debt securities issued	4.24	3,147,121,726	-	3,147,121,726	-
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		112,738,580,510	93,801,772,023	112,934,866,080	94,009,174,826
Equity					
Share capital	4.26	8,458,477,650	8,055,693,000	8,458,477,650	8,055,693,000
Share premium		30,881,765	30,881,765	30,881,765	30,881,765
Retained earnings		994,905,226	1,299,526,005	981,266,119	1,293,467,202
Reserves	4.27	2,114,077,306	1,856,829,536	2,114,077,306	1,856,829,536
Total equity attributable to equity holders		11,598,341,947	11,242,930,306	11,584,702,840	11,236,871,503
Non-controlling interest		-	-	-	-
Total equity		11,598,341,947	11,242,930,306	11,584,702,840	11,236,871,503
Total liabilities and equity		124,336,922,457	105,044,702,329	124,519,568,920	105,246,046,329
Contingent liabilities and commitment	4.28	29,022,739,359	17,592,078,734	29,022,739,359	17,592,078,734
Net assets value per share		137.12	139.57	136.96	139.49

Suvash Jamarkattel
Chief Finance Officer

Santosh Koirala
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan K.C.
Director

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Haribhakta Sigdel
Director

Mukunda Mahat
Director

Date: September 17, 2020
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st Ashad 2077

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	11,353,180,627	10,177,522,844	11,352,889,497	10,177,522,844
Interest expense	4.30	7,472,897,231	6,618,747,741	7,490,990,381	6,627,767,028
Net interest income		3,880,283,396	3,558,775,103	3,861,899,116	3,549,755,816
Fee and commission income	4.31	948,158,014	790,519,271	947,486,014	790,519,271
Fee and commission expense	4.32	100,670,244	69,975,241	100,670,244	69,975,241
Net fee and commission income		847,487,769	720,544,030	846,815,769	720,544,030
Net interest, fee and commission income		4,727,771,166	4,279,319,133	4,708,714,885	4,270,299,846
Net trading income	4.33	282,164,384	303,331,669	282,164,384	303,331,669
Other operating income	4.34	70,129,238	28,138,768	70,129,238	28,138,768
Total operating income		5,080,064,788	4,610,789,570	5,061,008,508	4,601,770,283
Impairment charge/(reversal) for loans and other losses	4.35	587,923,943	117,170,866	587,923,943	117,170,866
Net operating income		4,492,140,845	4,493,618,705	4,473,084,565	4,484,599,418
Operating expense					
Personnel expenses	4.36	1,505,799,584	1,230,381,075	1,502,909,804	1,230,381,075
Other operating expenses	4.37	893,093,254	723,913,807	888,437,218	723,550,216
Depreciation & Amortisation	4.38	161,778,559	130,386,029	161,263,091	130,386,029
Operating Profit		1,931,469,448	2,408,937,793	1,920,474,452	2,400,282,097
Non operating income	4.39	8,068,766	121,903,001	8,068,766	121,903,001
Non operating expense	4.40	67,520,083	94,891,802	67,520,083	94,891,802
Profit before income tax		1,872,018,132	2,435,948,993	1,861,023,135	2,427,293,296
Income tax expense	4.41	599,287,164	732,801,947	595,872,472	730,205,054
Current Tax		615,834,173	763,508,737	612,524,817	760,911,844
Deferred Tax		(16,547,008)	(30,706,790)	(16,652,345)	(30,706,790)
Profit for the year		1,272,730,967	1,703,147,046	1,265,150,663	1,697,088,243
Profit attributable to:					
Equity holders of the Bank		1,272,730,967	1,703,147,046	1,265,150,663	1,697,088,243
Non-controlling interest		-	-	-	-
Profit for the year		1,272,730,967	1,703,147,046	1,265,150,663	1,697,088,243
Earnings per share					
Basic earnings per share		15.05	20.14	14.96	20.06
Diluted earnings per share		15.05	20.14	14.96	20.06

Suvash Jamarkattel
Chief Finance Officer

Santosh Koirala
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan K.C.
Director

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Haribhakta Sigdel
Director

Mukunda Mahat
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st Ashad 2077

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,272,730,967	1,703,147,046	1,265,150,663	1,697,088,243
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		9,471,745	(4,996,603)	9,471,745	(4,996,603)
Gain /(losses) on revaluation		-	-	-	-
Actuarial gains/(loss) on defined benefit plans		(18,110,759)	(11,459,433)	(18,110,759)	(11,459,433)
Income tax relating to above items		(2,841,524)	4,936,811	(2,841,524)	4,936,811
Net other comprehensive income that will not be reclassified to profit or loss		(11,480,538)	(11,519,225)	(11,480,538)	(11,519,225)
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		(11,480,538)	(11,519,225)	(11,480,538)	(11,519,225)
Total comprehensive income for the year		1,261,250,430	1,691,627,821	1,253,670,126	1,685,569,018
Total comprehensive income attributable to:					
Equity holders of the Bank		1,261,250,430	1,691,627,821	1,253,670,126	1,685,569,018
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		1,261,250,430	1,691,627,821	1,253,670,126	1,685,569,018

Suvash Jamarkattel
Chief Finance Officer

Santosh Koirala
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan K.C.
Director

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Haribhakta Sigdel
Director

Mukunda Mahat
Director

Date: September 17, 2020
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashad 2077

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	10,102,221,796	9,850,604,524	10,102,221,796	9,850,604,524
Fees and other income received	947,486,014	790,519,271	947,486,014	790,519,271
Dividend received	-	-	-	-
Receipts from other operating activities	345,459,603	424,495,043	345,459,603	424,495,043
Interest paid	(7,211,178,796)	(6,770,253,963)	(7,220,198,084)	(6,779,273,251)
Commission and fees paid	(100,670,244)	(69,975,241)	(100,670,244)	(69,975,241)
Cash payment to employees	(1,502,909,804)	(1,201,198,406)	(1,502,909,804)	(1,201,198,406)
Other expense paid	(976,033,450)	(723,913,807)	(975,669,859)	(723,550,216)
Operating cash flows before changes in operating assets and liabilities	1,604,375,117	2,300,277,422	1,595,719,421	2,291,621,725
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(1,325,039,391)	3,869,645,721	(1,325,039,391)	3,869,645,721
Placement with bank and financial institutions	1,376,898,223	(62,730,027)	1,376,898,223	(62,730,027)
Other trading assets	151,857,017	(106,635,833)	151,857,017	(106,635,833)
Loan and advances to bank and financial institutions	(30,988,138)	(647,420,779)	(30,988,138)	(647,420,779)
Loans and advances to customers	(18,021,376,659)	(12,952,495,340)	(18,021,376,659)	(12,952,495,340)
Other assets	955,243,455	(656,558,405)	955,243,455	(656,558,405)
	(16,893,405,493)	10,556,194,664)	(16,893,405,493)	(10,556,194,664)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(3,712,354,937)	5,029,490,039	(3,712,354,937)	5,029,490,039
Due to Nepal Rastra Bank	(1,006,800,598)	382,721,807	(1,006,800,598)	382,721,807
Deposit from customers	18,693,075,923	13,848,607,704	18,900,497,722	14,056,029,503
Borrowings	1,202,500,000	-	1,202,500,000	-
Other liabilities	376,735,578	211,790,541	376,616,583	211,671,546
Net cash flow from operating activities before tax paid	15,553,155,966	19,472,610,090	15,760,458,769	19,679,912,894
Income taxes paid	(679,708,869)	(771,870,275)	(678,355,975)	(770,517,381)
Net cash flow from operating activities	(415,583,278)	10,444,822,574	(215,583,278)	10,644,822,574

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	(1,416,863,737)	(3,924,020,102)	(1,616,863,737)	(4,124,020,102)
Receipts from sale of investment securities	-	1,345,079,880		1,345,079,880
Purchase of property and equipment	(476,626,844)	(394,174,259)	(476,626,844)	(394,174,259)
Receipt from the sale of property and equipment	111,984,836	22,595,768	111,984,836	22,595,768
Purchase of intangible assets	(25,612,806)	(7,950,264)	(25,612,806)	(7,950,264)
Receipt from the sale of intangible assets	-	268,375	-	268,375
Purchase of investment properties	(108,369,319)	(53,586,919)	(108,369,319)	(53,586,919)
Receipt from the sale of investment properties	22,302,000	-	22,302,000	-
Interest received	649,218,504	400,771,482	649,218,504	400,771,482
Dividend received	4,480,543	3,207,495	4,480,543	3,207,495
Net cash used in investing activities	(1,239,486,824)	(2,607,808,543)	(1,439,486,824)	(2,807,808,543)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	3,147,121,726	-	3,147,121,726	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(886,126,230)	(781,143,647)	(886,126,230)	(781,143,647)
Interest paid	(270,792,297)	-	(270,792,297)	-
Other receipt/payment	-	-	-	-
Net cash from financing activities	1,990,203,199	(781,143,647)	1,990,203,199	(781,143,647)
Net increase (decrease) in cash and cash equivalents	335,133,097	7,055,870,384	335,133,097	7,055,870,384
Cash and cash equivalents at Shrawan 1, 2076	9,442,900,351	2,364,190,960	9,442,900,351	2,364,190,960
Effect of exchange rate fluctuations on cash and cash equivalents held	-	22,839,007		22,839,007
Cash and cash equivalents at Ashad end 2077	9,778,033,447	9,442,900,351	9,778,033,447	9,442,900,351

Suvash Jamarkattel
Chief Finance Officer

Roshan K.C.
Director

Haribhakta Sigdel
Director

Santosh Koirala
Chief Executive Officer

Gopi Krishna Neupane
Director

Mukunda Mahat
Director

Dr. Birendra Prasad Mahato
Chairman

Bishow Prakash Gautam
Director

As per our report of even date

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Date: September 17, 2020
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashad 2077

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Shrawan 1, 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Shrawan 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				
Gains/ (losses) from investments in equity instruments measured at fair value				
Gains /(losses) on revaluation				
Actuarial gains /(losses) on defined benefit plans				
Gains /(losses) on cash flow hedge				
Exchange gains/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
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				
Other				
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
Balance at Shrawan 1, 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
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	-	-	253,030,133	14,015,417
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	402,784,651			
Cash dividend paid				
Other				
Total contributions by and distributions	402,784,651	-	253,030,133	14,015,417
Balance at Ashad end 2077	8,458,477,651	30,881,765	1,706,571,460	30,441,716

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			
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
			1,703,147,046		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)	-	1,299,526,005	10,262,058	11,242,930,307	-	11,242,930,307
390,311,276	(13,711,424)	-	1,299,526,005	10,262,058	11,242,930,307	-	11,242,930,307
-	-	-	11,493,984	(11,493,984)	-	-	-
390,311,276	(13,711,424)	-	1,311,019,989	(1,231,925)	11,242,930,307	-	11,242,930,307
					-	-	-
			1,272,730,967		1,272,730,967	-	1,272,730,967
					-	-	-
	6,630,222				6,630,222	-	6,630,222
					-	-	-
				(18,110,759)	(18,110,759)	-	(18,110,759)
					-	-	-
					-	-	-
-	6,630,222	-	1,272,730,967	(18,110,759)	1,261,250,430	-	1,261,250,430
37,606,588	-	-	(314,934,849)	(9,429,846)	(19,712,558)	-	(19,712,558)
-	-	-	15,000,000	(15,000,000)	-	-	-
					-	-	-
					-	-	-
					-	-	-
			(402,784,651)			-	-
			(886,126,230)		(886,126,230)	-	(886,126,230)
37,606,588	6,630,222	-	(316,114,763)	(42,540,605)	355,411,642	-	355,411,642
427,917,864	(7,081,204)	-	994,905,226	(43,772,531)	11,598,341,947	-	11,598,341,947

Contd... CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Shrawan 1, 2075	8,055,693,000	30,881,765	1,114,123,679	10,716,548
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Shrawan 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				
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
Balance at 1 Shrawan 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at 1 Shrawan 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
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	-	-	253,030,133	14,015,417
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	402,784,650	-	-	-
Cash dividend paid				
Others	-	-	-	-
Total contributions by and distributions	402,784,650	-	253,030,133	14,015,417
Balance at Ashad end 2077	8,458,477,650	30,881,765	1,706,571,460	30,441,716

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			
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)	-	1,293,467,202	10,262,058	11,236,871,504	-	11,236,871,504
390,311,276	(13,711,424)	-	1,293,467,202	10,262,058	11,236,871,504	-	11,236,871,504
-	-	-	11,493,984	(11,493,984)	-	-	-
390,311,276	(13,711,424)	-	1,304,961,185	(1,231,925)	11,236,871,504	-	11,236,871,504
			1,265,150,663		1,265,150,663	-	1,265,150,663
	6,630,222		-		6,630,222	-	6,630,222
			-		-	-	-
			-	(18,110,759)	(18,110,759)	-	(18,110,759)
			-		-	-	-
			-		-	-	-
	6,630,222		1,265,150,663	(18,110,759)	1,253,670,126	-	1,253,670,126
37,606,588	-	-	(314,934,849)	(9,429,846)	(19,712,558)	-	(19,712,558)
-	-	-	15,000,000	(15,000,000)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(402,784,650)	-	-	-	-
-	-	-	(886,126,230)	-	(886,126,230)	-	(886,126,230)
-	-	-	-	-	-	-	-
37,606,588	6,630,222	-	(323,695,066)	(42,540,605)	347,831,338	-	347,831,338
427,917,864	(7,081,204)	-	981,266,119	(43,772,530)	11,584,702,841	-	11,584,702,841

CASH AND CASH EQUIVALENT

4.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in hand	3,194,147,060	2,480,745,457	3,194,147,060	2,480,745,457
Balances with B/FIs	2,394,470,474	1,368,573,089	2,394,470,474	1,368,573,089
Money at call and short notice	3,970,042,111	4,753,564,748	3,970,042,111	4,753,564,748
Other	219,373,802	840,017,057	219,373,802	840,017,057
Total	9,778,033,447	9,442,900,351	9,778,033,447	9,442,900,351

Balance with BFIs includes balance maintained at various banks and financial institutions. Cash held in foreign currency is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed. Other items on cash and cash equivalents includes treasury bills within maturity below 3 months.

DUE FROM NEPAL RASTRA BANK

4.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory balances with NRB	4,147,251,118	3,048,899,070	4,147,251,118	3,048,899,070
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	404,750,370	178,063,027	404,750,370	178,063,027
Total	4,552,001,488	3,226,962,097	4,552,001,488	3,226,962,097

Balance with the NRB is principally maintained as a part of the regulatory cash reserve ratio required by the NRB. Other deposit and receivable from NRB includes Foreign Currency balance in Nepal Rastra Bank Account.

PLACEMENTS WITH BANK AND FINANCIAL INSTITUTIONS

4.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Placement with domestic B/FIs	81,135,769	1,458,033,992	81,135,769	1,458,033,992
Placement with foreign B/FIs	-	-	-	-
Less: Allowances for impairment	-	-	-	-
Total	81,135,769	1,458,033,992	81,135,769	1,458,033,992

Placements with domestic as well as foreign Bank and financial institutions with original maturities of more than three months from the acquisition date are presented above.

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	67,415,547	72,597,160	67,415,547	72,597,160
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	67,415,547	72,597,160	67,415,547	72,597,160
Other	-	-	-	-
Total	67,415,547	72,597,160	67,415,547	72,597,160

OTHER TRADING ASSETS

4.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	212,019,133	358,694,537	212,019,133	358,694,537
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	212,019,133	358,694,537	212,019,133	358,694,537
Pledged	-	-	-	-
Non-pledged	212,019,133	358,694,537	212,019,133	358,694,537

Trading assets are those assets that the bank acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit shall be presented under this account head. The other trading asset includes non derivative financial assets. It includes Citizens Saving Bond (Nagarik Bachatpatra) and Foreign Employment Bond including any interest receivable from NRB thereon.

LOAN AND ADVANCES TO B/FIS

4.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loans to microfinance institutions	2,496,063,436	2,464,772,892	2,496,063,436	2,464,772,892
Other	-	-	-	-
Less: Allowances for impairment	24,909,083	24,606,677	24,909,083	24,606,677
Total	2,471,154,353	2,440,166,215	2,471,154,353	2,440,166,215

Loans to microfinance institutions also includes accrued interest receivable .

ALLOWANCES FOR IMPAIRMENT

4.6.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 1	24,606,677	18,132,469	24,606,677	18,132,469
Impairment loss for the year:	302,406	6,474,208	302,406	6,474,208
Charge for the year	302,406	6,474,208	302,406	6,474,208
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Balance at Ashad end	24,909,083	24,606,677	24,909,083	24,606,677

LOANS AND ADVANCES TO CUSTOMERS

4.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and advances measured at amortized cost	94,061,058,538	76,039,984,285	94,061,058,538	76,039,984,285
Less: Impairment allowances	1,531,832,006	944,210,469	1,531,832,006	944,210,469
Collective impairment	854,622,141	744,320,701	854,622,141	744,320,701
Individual impairment	677,209,865	199,889,768	677,209,865	199,889,768
Net amount	92,529,226,532	75,095,773,816	92,529,226,532	75,095,773,816
Loan and advances measured at FVTPL		-	-	-
Total	92,529,226,532	75,095,773,816	92,529,226,532	75,095,773,816

ANALYSIS OF LOAN AND ADVANCES - BY PRODUCT

4.7.1

Product	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Term loans	19,020,040,516	13,307,257,261	19,020,040,516	13,307,257,261
Overdraft	7,286,721,076	6,612,682,040	7,286,721,076	6,612,682,040
Trust receipt/Import loans	5,882,008,698	3,612,921,686	5,882,008,698	3,612,921,686
Demand and other working capital loans	11,367,114,331	9,161,725,337	11,367,114,331	9,161,725,337
Personal residential loans	5,825,704,749	5,683,061,407	5,825,704,749	5,683,061,407
Real estate loans	4,333,493,787	3,918,237,085	4,333,493,787	3,918,237,085
Margin lending loans	324,099,724	229,023,326	324,099,724	229,023,326
Hire purchase loans	6,648,220,556	6,492,715,785	6,648,220,556	6,492,715,785
Deprived sector loans	2,026,094,663	1,424,685,615	2,026,094,663	1,424,685,615
Bills purchased	-	-	-	-
Staff loans	917,310,952	598,846,165	917,310,952	598,846,165
Other	29,332,271,413	24,769,689,405	29,332,271,413	24,769,689,405
Sub total	92,963,080,466	75,810,845,113	92,963,080,466	75,810,845,113
Interest receivable	1,097,978,073	229,139,172	1,097,978,073	229,139,172
Grand total	94,061,058,538	76,039,984,285	94,061,058,538	76,039,984,285

ANALYSIS OF LOAN AND ADVANCES - BY CURRENCY

4.7.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	89,080,464,885	73,519,456,662	89,080,464,885	73,519,456,662
Indian rupee	-	-	-	-
United State dollar	4,980,593,653	2,520,527,623	4,980,593,653	2,520,527,623
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	94,061,058,538	76,039,984,285	94,061,058,538	76,039,984,285

ANALYSIS OF LOAN AND ADVANCES - BY COLLATERAL

4.7.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Secured				
Movable/immovable assets	91,046,585,768	73,813,290,076	91,046,585,768	73,813,290,076
Gold and silver	20,606,563	11,115,584	20,606,563	11,115,584
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	129,858,823	130,356,080	129,858,823	130,356,080
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	184,788,454	309,957,648	184,788,454	309,957,648
Collateral of Government securities	-	800,257	-	800,257
Counter guarantee	-	-	-	-
Personal guarantee	949,516,461	387,174,120	949,516,461	387,174,120
Other collateral	1,626,020,021	1,327,347,953	1,626,020,021	1,327,347,953
Subtotal	93,957,376,089	75,980,041,717	93,957,376,089	75,980,041,717
Unsecured	103,682,450	59,942,568	103,682,450	59,942,568
Grand Total	94,061,058,538	76,039,984,285	94,061,058,538	76,039,984,285

ALLOWANCES FOR IMPAIRMENT

4.7.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Specific allowances for impairment				
Balance at Shrawan 1	199,889,768	178,645,824	199,889,768	178,645,824
Impairment loss for the year:	477,320,097	21,243,944	477,320,097	21,243,944
Charge for the year	477,320,097	21,243,944	477,320,097	21,243,944
Recoveries/reversal during the year	-	-	-	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	677,209,865	199,889,768	677,209,865	199,889,768
Collective allowances for impairment				
Balance at Shrawan 1	744,320,701	654,867,987	744,320,701	654,867,987
Impairment loss for the year:	110,301,440	89,452,714	110,301,440	89,452,714
Charge/(reversal) for the year	110,301,440	89,452,714	110,301,440	89,452,714
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	854,622,141	744,320,701	854,622,141	744,320,701
Total allowances for impairment	1,531,832,006	944,210,469	1,531,832,006	944,210,469

INVESTMENT SECURITIES

4.8

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment securities measured at amortized cost	11,582,441,831	10,108,078,094	11,574,941,831	10,108,078,094
Investment in equity measured at FVTOCI	357,471,439	197,999,694	357,471,439	197,999,694
Total	11,939,913,270	10,306,077,788	11,932,413,270	10,306,077,788

INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

4.8.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities	7,500,000	-	-	-
Government bonds	10,553,409,295	8,750,489,200	10,553,409,295	8,750,489,200
Government treasury bills	650,715,360	1,357,588,894	650,715,360	1,357,588,894
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	370,817,176	-	370,817,176	-
Less: specific allowances for impairment	-	-	-	-
Total	11,582,441,831	10,108,078,094	11,574,941,831	10,108,078,094

Other includes investment in USD Srilankan Bond. Development bond and Treasury Bill are inclusive of Accrued Interest Receivable.

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	357,471,439	197,999,694	357,471,439	197,999,694
Quoted equity securities	323,441,439	93,969,694	323,441,439	93,969,694
Unquoted equity securities	34,030,000	104,030,000	34,030,000	104,030,000
Total	357,471,439	197,999,694	357,471,439	197,999,694

INFORMATION RELATING TO INVESTMENT IN EQUITIES

	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 Corporation (3,862 Ordinary Shares of Rs. 100 paid up)	2,480,925	4,866,120	2,480,925	3,480,563	2,480,925	4,866,120	2,480,925	3,480,563
Butwal Power Company Ltd (6,840 Ordinary Shares of Rs. 100 paid up)	4,839,157	2,455,560	4,839,157	2,543,162	4,839,157	2,455,560	4,839,157	2,543,162
Nepal Doorsanchar Company Ltd (7,510 Ordinary Shares of Rs. 100 paid up)	5,836,193	4,919,050	5,836,193	5,204,430	5,836,193	4,919,050	5,836,193	5,204,430
NMB Hybrid Fund L-1 (12,61,921 Unit of Rs. 10 each)	12,619,210	11,988,250	12,619,210	12,657,068	12,619,210	11,988,250	12,619,210	12,657,068
Nabil Equity Fund (9,01,202 Unit of Rs. 10 each)	9,012,020	8,408,215	9,012,020	8,408,215	9,012,020	8,408,215	9,012,020	8,408,215
NIBL Pragati Fund (10,27,407 Unit of Rs. 10 each)	10,274,070	8,373,367	10,274,070	7,643,908	10,274,070	8,373,367	10,274,070	7,643,908
Laxmi Equity Fund (58,49,587 Unit of Rs. 10 each)	58,495,870	51,300,878	58,495,870	44,632,349	58,495,870	51,300,878	58,495,870	44,632,349
Sanima Equity Fund (10,00,000 Unit of Rs. 10 each)	10,000,000	9,930,000	10,000,000	9,400,000	10,000,000	9,930,000	10,000,000	9,400,000
Nabil Balance Fund 2 (70,00,000 Unit of Rs. 10 each)	70,000,000	69,300,000	-	-	70,000,000	69,300,000	-	-
Siddhartha Investment Growth Scheme-2 (20,00,000 Unit of Rs. 10 each)	20,000,000	20,000,000	-	-	20,000,000	20,000,000	-	-
NMB Fifty (50,00,000 Unit of Rs. 10 each)	50,000,000	50,000,000	-	-	50,000,000	50,000,000	-	-
Nic Asia Balance Fund (50,00,000 Unit of Rs. 10 each)	50,000,000	51,900,000	-	-	50,000,000	51,900,000	-	-
Sunrise First Mutual Fund (30,00,000 Unit of Rs. 10 each)	30,000,000	30,000,000	-	-	30,000,000	30,000,000	-	-
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(NEPS) (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 Sashta Ltd (1,40,000 Ordinary Shares of Rs. 100 paid up)	14,000,000	14,000,000	14,000,000	14,000,000	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	367,587,445	357,471,439	217,587,445	197,999,694	367,587,445	357,471,439	217,587,445	197,999,694

NEPS has not declared any dividend for the past three years.

CURRENT TAX ASSETS

4.9

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax assets	3,883,619,311	3,203,433,889	3,880,354,305	3,202,080,996
Current year income tax assets	680,185,422	770,164,619	678,273,309	768,811,726
Tax assets of prior periods	3,203,433,889	2,433,269,270	3,202,080,996	2,433,269,270
Current tax liabilities	3,607,740,373	2,994,700,578	3,604,545,836	2,992,103,685
Current year income tax liabilities	613,039,795	761,803,081	612,442,151	759,206,188
Tax liabilities of prior periods	2,994,700,578	2,232,897,497	2,992,103,685	2,232,897,497
Total	275,878,938	208,733,311	275,808,469	209,977,311

INVESTMENT IN SUBSIDIARIES

4.10

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

INVESTMENT IN QUOTED SUBSIDIARIES

4.10.1

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

INVESTMENT IN UNQUOTED SUBSIDIARIES

4.10.2

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
Machhapuchchhre Capital Ltd (2,000,000 Ordinary Shares of Rs. 100 each)	200,000,000	200,000,000	200,000,000	200,000,000
Total	200,000,000	200,000,000	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, 2076	-	-	-	-
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, 2076	78,457,743	24,870,824	78,457,743	24,870,824
Addition/disposal during the year	96,489,562	53,586,919	96,489,562	53,586,919
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	174,947,305	78,457,743	174,947,305	78,457,743
Total	174,947,305	78,457,743	174,947,305	78,457,743

The bank has during the year assumed additional Non Banking Assets of 108,369,319 and sold NBA of NPR 11,879,757.

PROPERTY AND EQUIPMENT

PARTICULARS	GROUP											TOTAL ASHAD END 2016	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2017				
Cost													
As on Shrawan 1, 2015	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	1,338,908,760			
Addition during the Year	-	-	85,216,525	107,301,227	90,407,519	36,988,601	-	74,260,388	394,174,259	281,471,169			
Acquisition	-	-	-	107,301,227	90,407,519	36,988,601	-	74,260,388	308,957,734	256,579,497			
Capitalization	-	-	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	27,316,405			
Adjustment/Revaluation	-	713,220	(9,255,150)	28,967,647	400,873	14,185,223	-	18,155,284	53,167,097	-			
Balance as on Ashad end 2016	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	1,593,063,523			
Addition during the Year	32,448,000	571,874	181,957,010	105,500,140	15,336,382	30,192,435	-	120,716,873	486,722,714	394,174,259			
Acquisition	32,448,000	571,874	181,957,010	105,500,140	15,336,382	30,192,435	-	120,716,873	486,722,714	308,957,734			
Capitalization	-	-	-	-	-	-	-	-	-	85,216,525			
Disposal during the year	-	-	23,930,798	30,581,085	155,568,478	3,756,173	-	24,361,591	238,198,124	63,606,163			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	53,167,097			
Balance as on Ashad end 2017	230,958,472	214,156,907	467,849,783	425,991,860	176,493,072	197,123,335	-	406,415,683	2,118,989,112	1,870,464,522			
Depreciation and Impairment													
As on Shrawan 1, 2015	-	37,988,015	152,932,583	202,984,578	85,698,233	98,906,548	-	136,569,755	715,079,712	641,519,082			
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	94,088,843			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	13,771,436	1,699,099	20,144,963	1,424,330	-	6,062,833	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	-			
As on Ashad end 2016	-	42,159,865	162,387,792	197,271,255	103,619,386	97,012,356	-	145,080,289	747,530,943	715,079,712			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Depreciation charge for the Year	4,280,279	-	29,563,864	45,954,863	22,083,717	15,729,944	-	34,636,016	152,248,682	125,149,046			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	21,722,976	30,528,743	46,411,284	3,506,844	-	23,171,715	125,341,562	43,102,660			
Adjustment	-	-	-	-	-	-	-	-	-	49,595,154			
As on Ashad end 2017	-	46,440,144	170,228,680	212,697,374	79,291,819	109,235,456	-	156,544,590	774,438,063	747,530,943			
Capital Work in Progress													
	-	-	-	-	-	-	-	-	-	-			
Net Book Value													
As on Ashad end 2015	198,510,472	176,310,238	77,240,900	71,473,137	179,973,589	50,583,807	-	123,891,668	877,983,812	697,389,677			
As on Ashad end 2016	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	877,983,812			
As on Ashad end 2017	230,958,472	167,716,763	297,621,102	213,294,486	97,201,253	87,887,879	-	249,871,093	1,344,551,049	1,122,933,578			

PROPERTY AND EQUIPMENT

4.13

PARTICULARS	BANK											TOTAL ASHAD END 2017	TOTAL ASHAD END 2016	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2017	TOTAL ASHAD END 2016				
Cost														
As on Shrawan 1, 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	1,338,908,760				
Addition during the Year	-	-	85,216,525	107,301,227	90,407,519	36,988,601	-	74,260,388	394,174,259	281,471,169				
Acquisition	-	-	-	107,301,227	90,407,519	36,988,601	-	74,260,388	308,957,734	256,579,497				
Capitalization	-	-	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	27,316,405				
Adjustment/Revaluation	-	713,220	(9,255,150)	28,967,647	400,873	14,185,223	-	18,155,284	53,167,097	-				
Balance as on Ashad end 2016	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	1,593,063,523				
Addition during the Year	32,448,000	571,874	178,852,458	104,358,910	15,134,982	28,544,391	-	117,587,955	477,498,569	394,174,259				
Acquisition	32,448,000	571,874	178,852,458	104,358,910	15,134,982	28,544,391	-	117,587,955	477,498,569	308,957,734				
Capitalization	-	-	-	-	-	-	-	-	-	85,216,525				
Disposal during the year	-	-	23,930,798	30,581,085	155,568,478	3,756,173	-	24,361,591	238,198,124	63,606,163				
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	53,167,097				
Balance as on Ashad end 2017	230,958,472	214,156,907	464,745,230	424,850,630	176,291,672	195,475,291	-	403,286,764	2,109,764,967	1,870,464,522				
Depreciation and Impairment														
As on Shrawan 1, 2075	-	37,988,015	152,932,583	202,984,578	85,698,233	98,906,548	-	136,569,755	715,079,712	641,519,082				
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	94,088,843				
Impairment for the year	-	-	-	-	-	-	-	-	-	-				
Disposals	-	-	13,771,436	1,699,099	20,144,963	1,424,330	-	6,062,833	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	-				
As on Ashad end 2016	-	42,159,865	162,387,792	197,271,255	103,619,386	97,012,356	-	145,080,289	747,530,943	715,079,712				
Impairment for the year	-	-	-	-	-	-	-	-	-	-				
Depreciation charge for the Year	-	4,280,279	29,486,152	45,799,752	22,071,725	15,672,110	-	34,461,276	151,771,294	125,149,046				
Disposals	-	-	21,722,976	30,528,743	46,411,284	3,506,844	-	23,171,715	125,341,562	43,102,660				
Adjustment	-	-	-	-	-	-	-	-	-	49,595,154				
As on Ashad end 2017	-	46,440,144	170,150,969	212,542,263	79,279,827	109,177,622	-	156,369,850	773,960,676	747,530,943				
Capital Work in Progress														
	-	-	-	-	-	-	-	-	-	-				
Net Book Value														
As on Ashad end 2015	198,510,472	176,310,238	77,240,900	71,473,137	179,973,589	50,583,807	-	123,891,668	877,983,812	697,389,677				
As on Ashad end 2016	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	877,983,812				
As on Ashad end 2017	230,958,472	167,716,763	294,594,261	212,308,367	97,011,845	86,297,669	-	246,916,914	1,335,804,292	1,122,933,578				

GOODWILL AND INTANGIBLE ASSETS

4.14

PARTICULARS	GROUP					TOTAL ASHAD END 2077	TOTAL ASHAD END 2076
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Shrawan 1, 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	
Addition during the Year	-	26,229,786	-	-	26,229,786	7,950,264	
Acquisition	-	26,229,786	-	-	26,229,786	7,950,264	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	423,750	
Adjustment/Revaluation	-	-	-	-	-	(1,592,936)	
Balance as on Ashad end 2077	-	134,563,934	-	-	134,563,934	108,334,148	
Amortization and Impairment							
As on Shrawan 1, 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 Ashad end 2076	-	59,328,073	-	-	59,328,073	53,775,468	
Amortization charge for the Year	-	9,529,877	-	-	9,529,877	5,236,983	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	155,375	
Adjustment	-	-	-	-	-	(470,997)	
As on Ashad end 2077	-	68,857,950	-	-	68,857,950	59,328,073	
Capital Work in Progress	-	-	-	-	-	-	
Net Book Value							
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	
As on Ashad end 2077	-	65,705,984	-	-	65,705,984	49,006,075	

Contd... GOODWILL AND INTANGIBLE ASSETS

PARTICULARS	BANK					
	GOODWILL	SOFTWARE		OTHER	TOTAL ASHAD END 2077	TOTAL ASHAD END 2076
		PURCHASED	DEVELOPED			
Cost						
As on Shrawan 1, 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
Addition during the Year		25,612,806			25,612,806	7,950,264
Acquisition		25,612,806			25,612,806	7,950,264
Capitalization					-	-
Disposal during the year						423,750
Adjustment/Revaluation						(1,592,936)
Balance as on Ashad end 2077	-	133,946,954	-	-	133,946,954	108,334,148
Amortization and Impairment						
As on Shrawan 1, 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 Ashad end 2076	-	59,328,073	-	-	59,328,073	53,775,468
Amortization charge for the Year		9,491,796			9,491,796	5,236,983
Impairment for the year		-	-			
Disposals					-	155,375
Adjustment					-	(470,997)
As on Ashad end 2077	-	68,819,869	-	-	68,819,869	59,328,073
Capital Work in Progress	-	-	-	-	-	-
Net Book Value						
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
As on Ashad end 2077	-	65,127,085	-	-	65,127,085	49,006,075

DEFERRED TAX

4.15

CURRENT YEAR (FY 2076-77) DEFERRED TAX ON TEMPORARY DIFFERENCES ON FOLLOWING ITEMS	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and Advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	3,034,802	-	3,034,802	3,034,802	-	3,034,802
Property & equipment	-	31,563,065	(31,563,065)	-	31,323,635	(31,323,635)
Employees' defined benefit plan	51,271,023	-	51,271,023	51,136,931	-	51,136,931
Lease liabilities	12,278,487	-	12,278,487	12,278,487	-	12,278,487
Provisions	-	-	-	-	-	-
Other temporary differences	-	(108,237)	108,237	-	(108,237)	108,237
Deferred tax on temporary differences	66,584,312	31,454,828	35,129,485	66,450,219	31,215,398	35,234,822
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 2077	66,584,312	31,454,828	35,129,485	66,450,219	31,215,398	35,234,822
Deferred tax (asset)/ liabilities as on Shrawan 1, 2076			(21,424,000)			(21,424,000)
Origination/(Reversal) during the year			(13,705,485)			(13,810,822)
Deferred tax expense/ (income) recognised in profit or loss			(16,547,008)			(16,652,345)
Deferred tax expense/(income) recognised in other comprehensive income			2,841,524			2,841,524
Deferred tax expense/(income) recognised in directly in equity			-			-

Contd... DEFERRED TAX

PREVIOUS YEAR (FY 2075-76) DEFERRED TAX ON TEMPORARY DIFFERENCES ON FOLLOWING ITEMS	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED
			TAX ASSETS/ (LIABILITIES)			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 2076	53,252,165	31,828,165	21,424,000	53,252,165	31,828,165	21,424,000
Deferred tax (asset)/liabilities as on Shrawan 1, 2075			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			-			-

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	231,360,623	546,738,602	231,360,623	546,738,602
Accrued income	-	-	-	-
Prepayments and deposit	147,624,849	143,375,567	147,624,849	143,375,567
Income tax deposit	-	-	-	-
Deferred employee expenditure	405,846,549	321,551,345	405,846,549	321,551,345
Other	24,978,137	151,276,152	24,415,388	151,376,152
a. Stationery at stock	21,098,513	18,521,019	21,098,513	18,521,019
b. Branch adjustment account	24,540	3,890	24,540	3,890
c. Others	3,855,083	132,751,242	3,292,334	132,851,242
Total	809,810,157	1,162,941,666	809,247,408	1,163,041,666

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	2,649,482,101	4,161,469,367	2,649,482,101	4,161,469,367
Settlement and clearing accounts	-	-	-	-
Total	2,649,482,101	6,361,837,039	2,649,482,101	6,361,837,039

There were no interbank borrowing of the bank as at Ashad end 2077.

DUE TO NEPAL RASTRA BANK

4.18

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	13,723,693	1,020,524,291	13,723,693	1,020,524,291
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	13,723,693	1,020,524,291	13,723,693	1,020,524,291

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	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

DEPOSITS FROM CUSTOMERS**4.20**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Institutions customers:	42,612,007,410	37,670,730,022	42,810,870,401	37,878,151,820
Term deposits	27,559,035,188	26,043,052,367	27,739,035,188	26,223,052,367
Call deposits	9,098,937,579	7,803,488,215	9,117,799,569	7,827,285,219
Current deposits	5,099,620,657	3,103,351,068	5,099,621,657	3,106,975,862
Other	854,413,987	720,838,371	854,413,987	720,838,371
Individual customers:	61,288,029,465	47,320,250,324	61,288,029,465	47,320,250,324
Term deposits	27,776,756,291	20,338,082,689	27,776,756,291	20,338,082,689
Saving deposits	33,132,074,269	26,591,763,889	33,132,074,269	26,591,763,889
Current deposits	327,874,742	346,623,373	327,874,742	346,623,373
Other	51,324,163	43,780,373	51,324,163	43,780,373
Total	103,900,036,875	84,990,980,346	104,098,899,866	85,198,402,144

CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS**4.20.1**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	100,272,368,295	81,750,920,627	100,471,231,286	81,958,342,425
Indian rupee	114,329,391	101,301,187	114,329,391	101,301,187
United State dollar	3,296,263,153	3,118,669,232	3,296,263,153	3,118,669,232
Great Britain pound	2,910,549	2,034,030	2,910,549	2,034,030
Euro	176,899,425	3,207,428	176,899,425	3,207,428
Japanese yen	37,156,687	14,748,454	37,156,687	14,748,454
Chinese yuan	-	-	-	-
Other (AUD)	109,375	99,386	109,375	99,386
Total	103,900,036,875	84,990,980,346	104,098,899,866	85,198,402,144

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	1,202,500,000	-	1,202,500,000	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	1,202,500,000	-	1,202,500,000	-
Total	1,202,500,000	-	1,202,500,000	-

Foreign borrowing includes USD 10 million loan from Mashreq Bank PSC, Dubai on 4 Feb 2020. Loan is for the period of 3 years and interest is payable on quarterly basis. It also includes accrued interest payable thereon.

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	-	-	-	-
Total	-	-	-	-

MOVEMENT IN PROVISION

4.22.1

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

OTHER LIABILITIES

4.23

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	53,223,036	47,081,871	53,156,575	47,081,871
Liability for long-service leave	170,508,736	143,263,102	170,456,436	143,263,102
Short-term employee benefits	-	-	-	-
Bills payable	-	-	-	-
Creditors and accruals	193,030,564	147,889,320	193,030,564	147,889,320
Interest payable on deposit	366,820,565	307,552,405	366,820,565	307,552,405
Interest payable on borrowing	11,716,233	12,688,200	11,716,233	12,688,200
Liabilities on deferred grant income	11,691,993	1,919,824	11,691,993	1,919,824
Unpaid Dividend	98,580,995	74,982,200	98,580,995	74,982,200
Liabilities under Finance Lease	-	-	-	-
Employee bonus payable	208,002,014	269,699,255	206,780,348	269,699,255
Other	712,141,979	423,354,172	710,904,986	423,335,177
Total	1,825,716,115	1,428,430,348	1,823,138,694	1,428,411,353

Other includes liability under operating lease (lease equalisation) amount to NPR 40,928,289 (Previous year NPR 14,656,364)

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	53,156,575	47,081,871	53,156,575	47,081,871
Present value of funded obligations	343,914,303	277,641,857	343,914,303	277,641,857
Total present value of obligations	397,070,878	324,723,728	397,070,878	324,723,728
Fair value of plan assets	343,914,303	277,641,857	343,914,303	277,641,857
Present value of net obligations	-	-	-	-
Recognised liability for defined benefit obligations	53,156,575	47,081,871	53,156,575	47,081,871

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)	343,914,303	277,641,857	343,914,303	277,641,857
Total	343,914,303	277,641,857	343,914,303	277,641,857
Actual return on plan assets	24,987,767	14,425,069	24,987,767	14,425,069

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 Shrawan 1	324,723,729	295,921,181	324,723,729	295,921,181
Actuarial losses	22,341,298	6,124,775	22,341,298	6,124,775
Benefits paid by the plan	(10,027,731)	(32,704,393)	(10,027,731)	(32,704,393)
Current service costs and interest	60,033,583	55,382,166	60,033,583	55,382,166
Defined benefit obligations at Ashad end	397,070,878	324,723,729	397,070,878	324,723,729

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 Shrawan 1	277,641,857	219,552,518	277,641,857	219,552,518
Contributions paid into the plan	47,081,871	76,368,663	47,081,871	76,368,663
Benefits paid during the year	(10,027,731)	(32,704,393)	(10,027,731)	(32,704,393)
Actuarial (losses) gains	4,230,539	(5,334,658)	4,230,539	(5,334,658)
Expected return on plan assets	24,987,767	19,759,727	24,987,767	19,759,727
Fair value of plan assets at Ashad end	343,914,303	277,641,857	343,914,303	277,641,857

AMOUNT RECOGNISED IN PROFIT OR LOSS

4.23.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current service costs	32,417,597	30,638,221	32,417,597	30,638,221
Interest on obligation	27,615,986	24,743,945	27,615,986	24,743,945
Expected return on plan assets	(24,987,767)	(19,759,727)	(24,987,767)	(19,759,727)
Total	35,045,816	35,622,439	35,045,816	35,622,439

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME

4.23.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	18,110,759	11,459,433	18,110,759	11,459,433
Total	18,110,759	11,459,433	18,110,759	11,459,433

ACTUARIAL ASSUMPTIONS

4.23.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Discount rate	9%	9%	9%	9%
Expected return on plan asset	9%	9%	9%	9%
Future salary increase	8%	8%	8%	8%
Withdrawal rate	8%	12%	8%	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	3,147,121,726	-	3,147,121,726	-
Total	3,147,121,726	-	3,147,121,726	-

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	8,458,477,650	8,055,693,000	8,458,477,650	8,055,693,000
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	8,458,477,650	8,055,693,000	8,458,477,650	8,055,693,000

ORDINARY SHARES

4.26.1

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital 100,000,000 Ordinary shares of Rs. 100 each share	10,000,000,000	10,000,000,000
Issued capital 84,584,777 Ordinary shares of Rs.100 each share (Previous Year 80,556,930 Ordinary shares of Rs.100 each share)	8,458,477,650	8,055,693,000
Subscribed and paid up capital 84,584,777 Ordinary shares of Rs.100 each share (Previous Year 80,556,930 Ordinary shares of Rs.100 each share)	8,458,477,650	8,055,693,000
Total	8,458,477,650	8,055,693,000

ORDINARY SHARE OWNERSHIP

4.26.2

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Domestic ownership				
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
Other Institutions	16	1,387,552,100	13	1,048,970,300
Public	84	7,070,925,550	87	7,006,722,700
Other	-	-	-	-
Foreign ownership	-	-	-	-
Total	100	8,458,477,650	100	8,055,693,000

SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Surendra Mahato	11.11	939,353,800	12.47	1,004,823,100
Upendra Mahato Sudi	9.14	772,843,100	9.14	736,040,900
Prem Kumari K.C	8.76	740,654,800	8.76	705,385,500
PKR Investment Company Pvt.Ltd	6.57	555,791,000	6.57	529,324,800
Ram Ashish Sahu Sudi	4.24	358,226,100	4.24	341,167,600
Krishna Gopal Shrestha	2.12	179,456,300	2.12	170,910,800
Dr.Dharma Raj Shrestha	2.03	171,741,600	2.03	163,563,400
Prakash K.C	1.69	142,746,200	1.69	135,948,700
Karan Motor Company Pvt.Ltd	1.57	132,910,100	1.57	126,390,600
Kiran K.C	1.48	125,487,900	1.48	119,512,200
Roshan K.C	1.48	125,486,200	1.48	119,510,700

Contd...SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Ram Janaki Investment	0.99	84,000,000	0.99	80,000,000
Ganesh Bahadur Shrestha	0.98	83,295,500	1.19	95,610,400
Associated Automobiles Pvt.ltd	0.93	78,745,500	0.93	74,995,800
Shree Himalayan Enterprises Pvt.Ltd	0.80	67,542,400	0.80	64,326,100
Praneshwor Pokharel	0.65	55,076,300	0.74	59,903,700
Ajad Shrestha	0.64	53,883,400	0.64	51,317,500
Birendra Prasad Mahato	0.61	51,544,800	0.61	49,090,300
Rajan Lal Shrestha	0.58	49,473,000	0.59	47,704,200
Niraj Govinda Shrestha	0.57	48,328,800	0.57	46,027,400
Dinesh Lal Shrestha	0.51	43,021,700	0.51	40,973,100
	57.45	4,859,608,500	59.12	4,762,526,800

RESERVES**4.27**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory general reserve	1,706,571,460	1,453,541,328	1,706,571,460	1,453,541,328
Exchange equalization reserve	30,441,716	16,426,299	30,441,716	16,426,299
Corporate social responsibility reserve	12,651,507	19,712,558	12,651,507	19,712,558
Capital redemption reserve	-	-	-	-
Regulatory reserve	427,917,864	390,311,276	427,917,864	390,311,276
Investment adjustment reserve	-	15,000,000	-	15,000,000
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	(7,081,204)	(13,711,425)	(7,081,204)	(13,711,425)
Dividend equalization reserve	-	-	-	-
Actuarial gain	(56,424,037)	(26,819,295)	(56,424,037)	(26,819,295)
Special reserve	-	-	-	-
Other reserve	-	2,368,795	-	2,368,795
a) Employee Skill Enhancement Reserve (Training Reserve)	-	2,368,795	-	2,368,795
b) Deferred Tax Reserve	-	-	-	-
c) Other Reserve	-	-	-	-
Total	2,114,077,306	1,856,829,536	2,114,077,306	1,856,829,536

CONTINGENT LIABILITIES AND COMMITMENTS

4.28

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	21,234,003,052	11,903,122,031	21,234,003,052	11,903,122,031
Undrawn and undisbursed facilities	5,897,407,277	4,238,152,455	5,897,407,277	4,238,152,455
Capital commitment	116,963,030	257,426,142	116,963,030	257,426,142
Lease commitment	1,693,689,331	1,128,919,022	1,693,689,331	1,128,919,022
Litigation	80,676,669	64,459,084	80,676,669	64,459,084
Total	29,022,739,359	17,592,078,734	29,022,739,359	17,592,078,734

CONTINGENT LIABILITIES

4.28.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	1,037,742,802	1,010,632,792	1,037,742,802	1,010,632,792
Bills for collection	19,691,999	15,512,648	19,691,999	15,512,648
Forward exchange contracts	3,118,213,573	3,662,107,880	3,118,213,573	3,662,107,880
Guarantees	17,058,354,679	7,214,868,711	17,058,354,679	7,214,868,711
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Total	21,234,003,052	11,903,122,031	21,234,003,052	11,903,122,031

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	5,714,881,803	4,105,967,513	5,714,881,803	4,105,967,513
Undrawn limits of credit cards	182,525,474	132,184,942	182,525,474	132,184,942
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	5,897,407,277	4,238,152,455	5,897,407,277	4,238,152,455

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	116,963,030	257,426,142	116,963,030	257,426,142
Approved but not contracted for	-	-	-	-
Sub total	116,963,030	257,426,142	116,963,030	257,426,142
Capital commitments in relation to Intangible assets				
Approved and contracted for			-	-
Approved but not contracted for			-	-
Sub total	-	-	-	-
Total	116,963,030	257,426,142	116,963,030	257,426,142

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	201,785,523	128,582,571	201,785,523	128,582,571
Later than 1 year but not later than 5 years	808,359,826	521,813,791	808,359,826	521,813,791
Later than 5 years	683,543,982	478,522,660	683,543,982	478,522,660
Sub total	1,693,689,331	1,128,919,022	1,693,689,331	1,128,919,022
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	1,693,689,331	1,128,919,022	1,693,689,331	1,128,919,022

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 assessment till FY 2072-73, LTPO has raised an assessment order for disputed tax liability of NPR 80,676,669. Bank has contended such tax liability and has filed appeal to higher authorities. These cases are under administrative review and pending before Revenue Tribunal/Supreme Court.

INTEREST INCOME**4.29**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	11,750,016	24,880,833	11,750,016	24,880,833
Due from Nepal Rastra Bank	-	12,170,612	-	12,170,612
Placement with bank and financial institutions	79,232,394	97,920,227	79,232,394	97,920,227
Loan and advances to bank and financial institutions	203,019,901	260,770,525	203,019,901	260,770,525
Loans and advances to customers	10,391,264,779	9,304,819,763	10,391,264,779	9,304,819,763
Investment securities	570,277,240	400,771,482	569,986,109	400,771,482
Loan and advances to staff	97,636,298	76,189,403	97,636,298	76,189,403
Other	-	-	-	-
Total interest income	11,353,180,627	10,177,522,844	11,352,889,497	10,177,522,844

INTEREST EXPENSE**4.30**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	591,866,697	291,891,293	591,866,697	291,891,293
Due to Nepal Rastra Bank	26,565,014	36,965,600	26,565,014	36,965,600
Deposits from customers	6,501,424,177	6,216,291,802	6,519,517,327	6,225,311,089
Borrowing	82,249,046	73,599,046	82,249,046	73,599,046
Debt securities issued	270,792,297	-	270,792,297	-
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	7,472,897,231	6,618,747,741	7,490,990,381	6,627,767,028

FEES AND COMMISSION INCOME**4.31**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	230,036,634	196,763,968	230,036,634	196,763,968
Service fees	100,660,311	91,112,118	100,660,311	91,112,118
Consortium fees	45,438,689	50,116,659	45,438,689	50,116,659
Commitment fees	4,764,083	22,986,547	4,764,083	22,986,547
DD/TT/Swift fees	17,461,023	17,505,921	17,461,023	17,505,921
Credit card/ATM issuance and renewal fees	74,748,903	78,573,723	74,748,903	78,573,723
Prepayment and swap fees	122,327,020	91,422,445	122,327,020	91,422,445
Investment banking fees	2,430,249	1,924,926	2,430,249	1,924,926
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	47,850,954	39,581,182	47,850,954	39,581,182
Commission on letter of credit	81,432,567	41,529,195	81,432,567	41,529,195
Commission on guarantee contracts issued	134,592,052	96,515,368	134,592,052	96,515,368
Commission on share underwriting/issue	-	-	-	-
Locker rental	12,171,500	7,654,600	12,171,500	7,654,600
Other fees and commission income	74,244,028	54,832,618	73,572,028	54,832,618
Total fees and Commission Income	948,158,014	790,519,271	947,486,014	790,519,271

FEES AND COMMISSION EXPENSE**4.32**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	46,541,192	32,161,276	46,541,192	32,161,276
VISA/Master card fees	27,442,879	17,390,618	27,442,879	17,390,618
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	6,397,535	4,941,775	6,397,535	4,941,775
Remittance fees and commission	3,438,984	848,251	3,438,984	848,251
Other fees and commission expense	16,849,655	14,633,321	16,849,655	14,633,321
Total fees and Commission Expense	100,670,244	69,975,241	100,670,244	69,975,241

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	282,164,384	303,331,669	282,164,384	303,331,669
Other	-	-	-	-
Net trading income	282,164,384	303,331,669	282,164,384	303,331,669

OTHER OPERATING INCOME

4.34

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	56,061,667	22,839,007	56,061,667	22,839,007
Gain/loss on sale of investment securities	-	-	-	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	4,480,543	3,207,495	4,480,543	3,207,495
Gain/loss on sale of property and equipment	(835,214)	2,092,266	(835,214)	2,092,266
Gain/loss on sale of investment property	10,422,243	-	10,422,243	-
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Other	-	-	-	-
Total	70,129,238	28,138,768	70,129,238	28,138,768

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	302,406	6,474,208	302,406	6,474,208
Impairment charge/(reversal) on loan and advances to customer	587,621,537	110,696,658	587,621,537	110,696,658
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	587,923,943	117,170,866	587,923,943	117,170,866

PERSONNEL EXPENSE**4.36**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	393,318,549	315,853,717	392,483,096	315,853,717
Allowances	378,315,834	285,824,804	377,732,637	285,824,804
Gratuity expense	35,112,277	35,622,438	35,045,816	35,622,438
Provident fund	38,604,346	31,585,788	38,567,708	31,585,788
Uniform	10,253,018	16,396,573	10,253,018	16,396,573
Training & development expense	18,966,161	26,745,205	18,911,921	26,745,205
Leave encashment	112,320,331	80,826,626	112,249,631	80,826,626
Medical	-	-	-	-
Insurance	5,829,072	2,343,458	5,829,072	2,343,458
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRSs	66,808,996	21,053,562	66,808,996	21,053,562
Other expenses related to staff	238,268,987	144,429,651	238,247,562	144,429,651
a. Dashain allowance	61,542,611	47,466,566	61,542,611	47,466,566
b. Others	176,704,951	96,963,085	176,704,951	96,963,085
Subtotal	1,297,797,569	960,681,820	1,296,129,456	960,681,820
Employees bonus	208,002,014	269,699,255	206,780,348	269,699,255
Grand total	1,505,799,584	1,230,381,075	1,502,909,804	1,230,381,075

OTHER OPERATING EXPENSE**4.37**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	3,345,800	3,074,600	3,211,800	3,074,600
Directors' expense	1,627,022	1,428,297	1,621,342	1,428,297
Auditors' remuneration	1,904,050	1,711,950	1,864,500	1,695,000
Other audit related expense	-	-	-	-
Professional and legal expense	8,077,516	13,964,537	8,085,881	13,964,537
Office administration expense	678,584,398	571,938,218	675,918,972	571,591,577
Operating lease expense	198,287,371	115,906,247	196,474,156	115,906,247
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	1,267,097	15,889,958	1,260,567	15,889,958
Onerous lease provisions	-	-	-	-
Other	-	-	-	-
Total	893,093,254	723,913,807	888,437,218	723,550,216

OFFICE ADMINISTRATION EXPENSE

4.37.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and Electricity	32,113,280	24,678,885	32,042,679	24,678,885
Repair and Maintenance	16,306,518	17,850,404	16,296,659	17,850,404
a) Building	201,329	1,703,408	201,329	1,703,408
b) Vehicle	6,199,769	3,594,908	6,199,769	3,594,908
c) Computer and accessories	1,014,052	2,615,154	1,014,052	2,615,154
d) Office equipment and furniture	4,109,821	4,865,955	4,109,821	4,865,955
e) Other	4,781,549	5,070,979	4,771,690	5,070,979
Insurance	6,550,079	8,927,539	6,535,296	8,927,539
Postage, Telex, Telephone, Fax	83,415,655	64,036,102	83,197,600	64,036,102
Printing and Stationery	30,909,433	26,662,859	30,890,123	26,662,859
News Paper, books and journals	960,560	859,224	953,310	858,609
Advertisements	41,577,960	78,555,423	41,570,711	78,503,047
Donation		-		
Security Expenses	140,766,913	98,090,416	140,154,743	98,090,416
Deposit and loan guarantee premium	54,543,991	33,878,398	54,543,991	33,878,398
Traveling Allowances and Expenses	18,236,258	26,913,995	18,236,258	26,913,995
Entertainment	3,315,804	2,074,681	3,315,804	2,074,681
Annual/special General Meeting	2,358,769	2,259,500	2,358,769	2,259,500
Other	247,529,177	187,150,792	245,823,029	186,857,142
a) Annual Maintenance Expenses	17,442,078	13,241,445	17,442,078	13,241,445
b) Fuel	10,189,622	16,582,456	10,165,218	16,582,456
c) Business Promotion/Annual Function Expenses	61,486,132	52,515,347	61,373,132	52,515,347
d) Rates And Taxes	13,184,959	9,148,729	13,162,129	9,148,729
e) Outsource Staff Expenses	47,522,080	28,240,041	47,294,708	28,240,041
f) Other	97,704,306	67,422,774	96,385,764	67,129,124
Total	678,584,398	571,938,218	675,918,972	571,591,577

DEPRECIATION & AMORTISATION

4.38

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	152,248,682	125,149,046	151,771,294	125,149,046
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	9,529,877	5,236,983	9,491,796	5,236,983
Total	161,778,559	130,386,029	161,263,091	130,386,029

NON OPERATING INCOME

4.39

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	8,068,766	121,163,374	8,068,766	121,052,374
Other income	-	739,627	-	850,627
Total	8,068,766	121,903,001	8,068,766	121,903,001

NON OPERATING EXPENSE

4.40

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	67,486,870	88,557,214	67,486,870	88,557,214
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	33,213	6,334,588	33,213	6,334,588
Total	67,520,083	94,891,802	67,520,083	94,891,802

INCOME TAX EXPENSE

4.41

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	615,834,173	763,508,737	612,524,817	760,911,844
Current year	569,298,636	724,830,537	566,104,098	722,233,644
Adjustments for prior years	46,535,537	38,678,200	46,420,719	38,678,200
Deferred tax expense	(16,547,008)	(30,706,790)	(16,652,345)	(30,706,790)
Origination and reversal of temporary differences	(16,547,008)	(30,706,790)	(16,652,345)	(30,706,790)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	599,287,164	732,801,947	595,872,472	730,205,054

RECONCILIATION OF TAX EXPENSE AND ACCOUNTING PROFIT

4.41.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	1,872,018,132	2,435,948,993	1,861,023,135	2,427,293,296
Tax amount at tax rate of 30%	561,605,440	730,784,698	558,306,941	728,187,989
Add: Tax effect of expenses that are not deductible for tax purpose	(2,201,830)	12,682,462	(2,201,830)	12,682,462
Less: Tax effect on exempt income	1,209,746	3,804,739	1,209,746	3,804,739
Add/less: Tax effect on other items			(5,443,611)	-
Total income tax expense	558,193,863	739,662,421	549,451,753	737,065,713
Effective tax rate	29.82%	30.36%	29.52%	30.37%

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 31, Ashad 2077
(As per NRB Regulation)

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	1,265,150,663	1,697,088,243
Appropriations:		
a. General reserve	253,030,133	339,417,649
b. Foreign exchange fluctuation fund	14,015,417	5,709,751
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	12,651,507	1,080,925
e. Employees' training fund	(2,368,795)	(506,011)
f. Other	-	-
Profit or (loss) before regulatory adjustment	987,822,402	1,351,385,929
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	17,318,179	42,527,809
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 (+)	(31,759,059)	(53,586,919)
e. Deferred tax assets recognised (-)/ reversal (+)	(13,810,822)	(21,424,000)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(18,110,759)	(11,459,433)
i. Other (+/-)	8,755,873	(4,996,603)
- Fair Value Reserve	8,755,873	(4,996,603)
Distributable profit or (loss)	950,215,814	1,302,446,784

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2076/77

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	9,778,359,842	9,778,033,447	(326,395)	0.00%	Cash in hand adjusted
Due from Nepal Rastra Bank	4,552,001,488	4,552,001,488	-	0.00%	
Placement with Bank and Financial Institutions	81,135,769	81,135,769	-	0.00%	
Derivative financial instruments	67,415,547	67,415,547	-	0.00%	
Other trading assets	212,019,133	212,019,133	-	0.00%	
Loan and advances to B/FIs	2,471,154,353	2,471,154,353	-	0.00%	
Loans and advances to customers	92,336,302,537	92,529,226,532	192,923,995	0.21%	Loan Loss Provision rectified on credit card. Also interest receivable on staff home loan reclassified from other asset to loan and advances to customers
Investment securities	11,932,413,270	11,932,413,270	-	0.00%	
Current tax assets	277,848,680	275,808,469	(2,040,211)	-0.73%	Tax effect of adjustments in Profit or loss
Investment in subsidiaries	200,000,000	200,000,000	-	0.00%	
Investment in associates	-	-	-	0.00%	
Investment property	174,947,305	174,947,305	-	0.00%	
Property and equipment	1,335,804,292	1,335,804,292	-	0.00%	
Goodwill and Intangible assets	65,127,085	65,127,085	-	0.00%	
Deferred tax assets	35,126,584	35,234,822	108,237	0.31%	Deferred Tax on debenture issue cost
Other assets	1,020,756,025	809,247,408	(211,508,617)	-20.72%	Interest receivable on Staff Home Loan reclassified from other asset to loans and advances to customers
Total Assets	124,540,411,911	124,519,568,921	(20,842,990)	-0.02%	
Liabilities					
Due to Bank and Financial Institutions	2,649,482,101	2,649,482,101	-	0.00%	
Due to Nepal Rastra Bank	13,723,693	13,723,693	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Deposits from customers	104,098,899,866	104,098,899,866	-	0.00%	
Borrowing	1,214,216,233	1,202,500,000	(11,716,233)	-0.96%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	-	-	0.00%	

Contd... COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2076/77

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	1,999,565,957	1,823,138,694	(176,427,262)	-8.82%	Provision restated downward and bonus payable increased. Also interest payable on debenture reclassified from other liabilities to debt issued
Debt securities issued	2,992,929,159	3,147,121,726	154,192,567	5.15%	Interest payable on debenture reclassified from other liabilities to debt securities issued
Subordinated Liabilities	-	-	-	0.00%	
Total liabilities	112,968,817,009	112,934,866,081	(33,950,928)	-0.03%	
Equity				0.00%	
Share capital	8,458,477,650	8,458,477,650	-	0.00%	
Share premium	30,881,765	30,881,765	-	0.00%	
Retained earnings	924,328,830	981,266,119	56,937,289	6.16%	Due to transfer of regulatory adjustment
Reserves	2,157,906,657	2,114,077,306	(43,829,351)	-2.03%	Due to General Reserve and CSR movement because change in profit
Total equity attributable to equity holders	11,571,594,902	11,584,702,840	13,107,938	0.11%	
Non-controlling interest					
Total equity	11,571,594,902	11,584,702,840	13,107,938	0.11%	
Total liabilities and equity	124,540,411,911	124,519,568,921	(20,842,990)	-0.02%	
Statement of Profit or Loss					
Interest income	11,352,889,497	11,352,889,497	-	0.00%	
Interest expense	7,490,990,381	7,490,990,381	-	0.00%	
Net interest income	3,861,899,116	3,861,899,116	-	0.00%	
Fee and commission income	947,590,260	947,486,014	(104,247)	-0.01%	Reversal of fee income pertaining to FY 2076-77
Fee and commission expense	101,239,162	100,670,244	(568,918)	-0.56%	Provision on mastercard expense restated
Net fee and commission income	846,351,098	846,815,769	464,671	0.05%	
Net interest, fee and commission income :	4,708,250,214	4,708,714,885	0	0	
Net trading income	282,164,384	282,164,384	-	0.00%	
Other operating income	70,129,238	70,129,238		0.00%	
Total operating income	5,060,543,836	5,061,008,508	464,671	0.01%	
Impairment charge/(reversal) for loans and other losses	604,002,389	587,923,943	(16,078,445)	-2.66%	Loan Loss Provision rectified on credit card
Net operating income	4,456,541,448	4,473,084,565	16,543,117	0.37%	

Contd... COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2016/17

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	1,501,238,703	1,502,909,804	1,671,101	0.11%	Bonus effect of adjustment in PL
Other operating expenses	888,605,114	888,437,218	(167,896)	-0.02%	Adjustment on house rent etc
Depreciation & Amortization	161,263,091	161,263,091	-	0.00%	
Operating profit	1,905,434,540	1,920,474,452	15,039,912	0.79%	
Non operating income	8,068,766	8,068,766	-	0.00%	
Non operating expense	67,520,083	67,520,083	-	0.00%	
Profit before income tax	1,845,983,223	1,861,023,135	15,039,912	0.81%	
Income tax expense	593,940,498	595,872,472	1,931,974	0.33%	Tax impact of above adjustment and Covid contribution taken as deduction
Current Tax	610,484,607	612,524,817	2,040,211	0.33%	
Deferred Tax	(16,544,108)	(16,652,345)	(108,237)	0.65%	Deferred Tax on debenture issue cost
Profit/(loss) for the period	1,252,042,725	1,265,150,663	13,107,938	1.05%	
				0.00%	
Profit/(loss) for the period	1,252,042,725	1,265,150,663	13,107,938	1.05%	
Other Comprehensive Income	(11,480,538)	(11,480,538)	-	0.00%	
Total comprehensive income	1,240,562,187	1,253,670,126	13,107,938	1.06%	

PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	F. Y. 2072/2073	F. Y. 2073/2074	F. Y. 2074/2075	F. Y. 2075/2076	F. Y. 2076/2077
1. Net Profit/Gross Income	%	21.96%	21.96%	14.81%	14.86%	9.99%
2. Earnings Per Share	Rs.	25.04	24.00	15.81	21.07	14.96
3. Market Value per Share	Rs.	680.00	360.00	209.00	264.00	220.00
4. Price Earning Ratio	Ratio	27.15	15.00	13.22	12.53	14.71
5. Dividend (including bonus) on share capital	%	21.84%	15.00%	10.00%	16.00%	10.40%
6. Cash Dividend on share capital	%	1.09%	6.00%	10.00%	11.00%	3.37%
7. Interest Income/Loans & Advances	%	7.90%	9.87%	12.09%	12.96%	11.76%
8. Employee Expenses/Total Operating Exps	%	18.54%	13.18%	10.74%	11.29%	13.33%
9. Interest Exps on Total Deposit and Borrowings	%	3.13%	4.76%	6.93%	7.16%	7.02%
10. Exchange Fluctuation Gain/Total Income	%	2.99%	2.30%	2.05%	2.86%	2.67%
11. Staff Bonus/ Total Employee Expenses	%	27.51%	37.56%	29.86%	28.07%	15.95%
12. Net Profit/Loans & Advances	%	2.03%	2.51%	1.92%	2.16%	1.31%
13. Net Profit/ Total Assets	%	1.51%	1.89%	1.47%	1.61%	1.02%
14. Total Credit/Deposit	%	84.59%	88.47%	89.78%	87.00%	88.56%
15. Total Operating Expenses/Total Assets	%	4.27%	5.45%	7.40%	8.09%	7.81%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	11.32%	15.78%	14.38%	11.88%	9.57%
b. Supplementary Capital	%	1.04%	1.04%	0.98%	0.91%	3.45%
c. Total Capital Fund	%	12.36%	16.82%	15.36%	12.79%	13.02%
17. Liquidity	%	24.52%	26.29%	25.26%	23.70%	23.83%
18. Non Performing Loans/Total Loans	%	0.55%	0.38%	0.44%	0.37%	0.52%
19. Base Rate	%	6.18%	10.29%	11.06%	10.37%	9.21%
20. Weighted Average Interest Rate Spread *	%	4.59%	4.27%	4.75%	4.27%	4.36%
21. Book Net worth	Rs.	5,340,202,752	8,211,005,911	10,356,871,786	11,236,871,503	11,584,702,840
22. Total Shares	Number	38,645,400	65,987,000	80,556,930	80,556,930	84,584,777
23. Total Employees	Number	663	742	953	1,195	1,486
24. Productivity per Staff	Rs.'000	1,354.79	1,755.37	1,642.48	1,420.16	851.38
25. Book Value Per Share	Rs.	138.18	124.43	128.57	139.49	136.96
26. Number of branches	Number	57	57	88	131	159
27. Number of ATM	Number	72	74	93	144	198

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)

SIGNIFICANT ACCOUNTING POLICIES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Year 17th July 2019 to 15th July 2020 (1st Shrawan 2076 to 31st Ashad 2077)

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

Machhapuchchhre Capital Limited is wholly owned subsidiary of the Bank and was incorporated on Ashwin 8, 2075 as a public limited company as per the Companies Act 2063 and licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008 to provide merchant banking and investment banking services.

SUBSIDIARY	COST AS ON ASHAD END 2077
Machhapuchchhre Capital Limited	200,000,000

The financial year of subsidiary is same as that of the Bank.

1.3. Group

The Group represents the Bank and its 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, 2076. The Group has opted for certain Carve Out which are briefly described in Notes to Accounts.

The Financial Statements comprise of:

- Consolidated Statement of Financial Position (SOFP)
- Consolidated Statement of Profit and Loss (SOPL)
- Consolidated Statement of Other Comprehensive Income (SOC)
- Consolidated Statement of Changes in Equity (SOCE)
- Consolidated Statement of Cash Flows (SOCF)
- Notes to the Consolidated Financial Statements comprising summary of Significant Accounting Policies and explanatory notes.

2.2. Statement of Compliance

The financial statements of the group 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 2076 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	31 Ashad 2077	15 July 2020
Consolidated Statement of Profit/Loss	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020
Consolidated Statement of Other Comprehensive Income	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020
Consolidated Statement of Cash flow	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020
Consolidated Statement of Changes in Equity	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020

The Board of Directors of the Bank authorized the financial statement vide its resolution dated 17 September 2020 and recommended for its approval by the Annual General Meeting of the shareholders.

2.4. Foreign Exchange Transaction

The Nepalese Rupees (NPR), 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.

2.5 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 8 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 is:

- 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)

2.6 Accounting Policies and Changes in Accounting Polices

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 have 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.

2.7 New Standards in issue but not yet effective

The Institute of Chartered Accountants of Nepal (ICAN) has pronounced Nepal Financial Reporting Standards 2018 (NFRS 2018) on 11 Ashad 2077. Accordingly, some new standards have been introduced with amendment to existing standards.

NFRS 2018 shall introduce following standards which shall be applicable to the bank with the dates as mentioned.

STANDARD	EFFECTIVE FROM	FINANCIAL YEAR
NFRS 9 Financial Instruments	16 July 2021	FY 2021-22
NFRS 15 Revenue from Contract with Customers	16 July 2021	FY 2021-22
NFRS 16 Leases	16 July 2021	FY 2021-22

2.7.1 NFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is being used in FY 2076-77. However, with introduction of NFRS 2018, NFRS 9 shall cover Expected Credit Loss Model which is in line with the IFRS 9 Financial Instruments. The requirement of NFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

The Expected Credit Loss (ECL) model is a forward-looking model. The ECL estimates are unbiased, probability-weighted, and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Under the general approach, NFRS 9 recognizes three stage approach to measure expected credit losses and recognized interest income.

Stage 1: 12-month ECL – No significantly increased credit risk Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2: Lifetime ECL – Significantly increased credit risk in the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL). Interest income will continue to be recognized on a gross basis.

Stage 3: Lifetime ECL – Defaulted Financial instruments that move into Stage 3 once credit impaired and purchases of credit impaired assets will require a lifetime provision. Interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The management is still assessing the potential impact on its financial statements, if Expected Credit Loss (ECL) model is introduced.

	STAGE 1	STAGE 2	STAGE 3
Nature	12 month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss
Risk	No significant risk since initial recognition	Significant credit risk since initial recognition	Credit impaired (With objective evidence of impairment)
Nature	Performing/Underperforming	Non-performing	
Interest Revenue	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on Carrying amount less ECL

2.7.2 NFRS 15 Revenue from contract with customers

NFRS 15 is a new standard for revenue recognition which overhauls the existing revenue recognition standards. The standard requires the following five step model framework to be followed for revenue recognition:

- Identification of the contracts with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract (as identified in step ii)
- Recognition of revenue when the entity satisfies a performance obligation.

The management is assessing the potential impact on its financial statements resulting from application of IFRS 15.

NFRS 15 Revenue from Contracts with Customers. The standard shall supersede existing NAS 18 Revenue and NAS 11 Construction Contract

2.7.3 NFRS 16 Leases

NFRS 16 'Leases' is effective for annual periods beginning on or after 16 July 2021. NFRS 16 is the new accounting standard for leases and will replace NAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The new standard removes the distinction between operating or finance leases for lessee accounting, resulting in all leases being treated as finance leases. A lessee is required to recognize a right-of-use asset (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

NFRS 16 Leases: It shall supersede NAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains lease, SIC-15 Operating Lease – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

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 NFRS 3 (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.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss except for measurement period adjustment

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 (full goodwill method); or
- At their proportionate share of the acquirer's identifiable net assets (partial goodwill method)

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.

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 cash in hand, balance with BFIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.4 Due from Nepal Rastra Bank

Due from Nepal Rastra Bank includes statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra 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.

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, and reverse repos are recognized on settlement date.

3.6.2 Classification

Financial instruments are classified as

- Financial Assets
- Financial Liabilities

I. Financial Assets

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

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

a) 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 (SPPI) on the principal amount outstanding.

b) 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

i) 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.

ii) 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 through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

II. Financial Liabilities

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

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

a) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred.

b) Financial Liabilities measured at amortized cost

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest method.

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 uncollectability

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 consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

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

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. 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, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

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 financial assets measured at FVTOCI except investment in equity instrument, 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.

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 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 purchase price including any non-refundable taxes after deducting volume rebates and trade discounts and such other costs that are incurred to bring asset to location and condition to be operating in a manner intended by management.

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 loss. 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

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.

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

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 (SLM) on cost or carrying value of property, plant & equipment other than freehold land. Land is not depreciated as it has indefinite useful life. 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.

- a) Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.
- b) Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.
- c) Leasehold improvements are depreciation over the lease period or 10 years whichever is lower.
- d) 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 Government Grant

Government grant is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Income approach is followed in recording grant income.

Government grants related to the assets including non-monetary grants at fair value is presented in the statement of financial position by setting up Deferred Grant Income.

Grants related to income are presented as part of profit or loss under other income.

3.12 Investment Property / Non-Current Asset held for sale

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.

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.

3.13 Due to Banks and Financial Institution

Due to banks and financial institution 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. Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

3.14 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 9 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.

3.15 Debt Securities issued

It includes debentures, bonds or other debt securities issued by the Bank. Debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. However, debentures issued by the bank are subordinate to the deposits from customer.

3.16 Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

3.17 Provisions

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation as a result of past event that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements if it is not probable that the amount will be received. If it is probable then disclosure is given for the contingent asset. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.21.1 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.

3.21.2 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.

3.22 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.

3.22.1 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

Carve out on EIR which was initially applicable till FY 2018-19 has again been extended for FY 2019-20 as well. 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.

3.22.2 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 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.

3.22.3 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.

3.22.4 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.

3.22.5 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.

3.23 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.

3.24 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.

3.25 Employment Benefits

I. 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

II. 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 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 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 Plan 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 8% 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.

III. Other long term employee benefit

Other long-term employee benefits include items such as unutilized leave balance, if not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

(a) 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. Actuarial gain/losses on unutilized leave balance is charged to profit or loss.

3.26 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.

3.27 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 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 Leases.

3.28 Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the bank's mid-rate 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 which is the bank's mid-rate and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss.

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 FVTOCI equity instruments are recognized in other comprehensive income.

3.29 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.

3.30 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:

a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

Pursuant to the NRB Circular no. 6 dated 2076/07/26, regulatory reserve on Accrued Interest Receivable and Non-Banking Asset have been considered after taking effect of bonus and income tax.

i) 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. However, such provision shall not be applicable in the year of issue.

j) 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 salary and allowance. 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.

However, pursuant to the circular no. 14/076/77 dated 2077/01/16, it is not mandatory for the bank to spend such 3% amount. Accordingly, the bank has spent all the balance in the training fund outstanding as at 16 July 2019 and has not created any fund as at 15 July 2020.

3.31 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.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization due to right share, bonus issue, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively.

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.

3.32 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.

3.33 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.

3.34 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 15th July 2020

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 8,458,477,650 represented by 84,584,776 ordinary shares of NPR 100 each.
- Paid-up capital as of balance sheet date is NPR 8,458,477,650 represented by 84,584,776 ordinary shares of NPR 100 each.

The paid-up capital of the Bank as on the balance sheet date is NPR 8,458,477,650 represented by 84,584,776 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. >Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital
2073/74 (Comparative Year)	7,716,605,100	(665,149,000)	7,051,456,100	Calls in advance of NPR 452,756,100 of 12% right shares and NPR 665,149,000 > 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	
2075/76	8,055,693,000	-	8,055,693,000	
2076/77	8,458,477,650	-	8,458,477,650	Bank has issued 5% bonus shares, 4,027,846 no of shares of NPR 100 each pertaining to FY 2075-76.

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 253,030,133 of the net profits to General Reserve in the current year.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening General Reserve	1,453,541,328	1,114,123,679
20% of Profit to be transferred	253,030,133	339,417,649
Closing General Reserve	1,706,571,460	1,453,541,328

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 14,015,417 have been transferred to exchange fluctuation fund maintained by the Bank.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening Exchange Equalization Reserve	16,426,299	10,716,548
25% of Revaluation gain	14,015,417	5,709,751
Closing Exchange Equalization Reserve	30,441,716	16,426,299

c) Fair Value Reserve

Net change in fair value of financial assets that are measured at fair value is recognized in other comprehensive income until assets are derecognized. Fair Value Reserve has reduced during the year by NPR 6,630,222.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening Fair Value Reserve	(13,711,424)	(10,213,802)
Transfer/ Adjustment in Reserve	6,630,222	(3,497,622)
Closing Fair Value Reserve	(7,081,204)	(13,711,424)

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. Unspent amount of training fund carried forward from previous financial year is NPR 2,368,795. Actual training expense of this year amounted to NPR 18,966,161.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening Skill Enhancement Fund	2,368,795	2,874,806
Add : 3% of Last Year Staff Expense (Refer Note 1)		26,239,194
Actual Staff Training Expense this year	18,966,161	26,745,205
Closing Skill Enhancement Fund (Refer Note 2)	-	2,368,795

Note 1: NRB has revised previous year's staff expense to previous year's salary and allowance in the Unified Directive 2076.

Note 2: Pursuant to the circular no. 14/076/77 dated 2077/01/16, it is not mandatory for the bank to spend such 3% amount. Accordingly, the bank has spent all the balance in the training fund outstanding as at 16 July 2019 and has not created any fund as at 31 Ashad 2077.

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 19,712,558 out of which NPR 20,973,125 has been spent this year for CSR activities. This year, bank has also appropriated 1% of net profit i.e. NPR 12,651,507 and therefore total amount in this fund is NPR 12,651,507 and shown in other reserve in Statement of Changes in Equity.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening CSR Fund	19,712,558	18,631,633
Add : 1% of profit this year	12,651,507	16,970,882
Less: CSR expense this year	19,712,558	15,889,958
Closing CSR Fund	12,651,507	19,712,558

The bank has during the fiscal year 2076-77 contributed NPR 86 lacs to various Nepal Government level Covid Fund.

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. Details are as presented under:

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening Regulatory reserve	390,311,276	342,871,112
Interest Suspense (Refer Note Below)	(17,318,179)	(42,527,809)
Investment Property Provision/(Non-Banking Assets) (Refer Note Below)	31,759,059	53,586,919
Actuarial loss	18,110,759	11,459,433
Fair Value Reserve	(8,755,875)	3,497,622
Deferred tax assets	13,810,822	21,424,000
Closing Regulatory Reserve	427,917,864	390,311,276

Note: Pursuant to the NRB Circular no. 6 dated 2076/07/26, regulatory reserve on Accrued Interest Receivable and Non-Banking Asset has been considered after taking effect of bonus and income tax for FY 2076-77.

h) Investment Adjustment Reserve

Bank has investment in NEPS and 100% reserve had been created in earlier years. However, pursuant to Directive No. 8 of the Unified Directive 2076, Investment Adjustment Reserve is not required for investment in company working in the field of payment switch which is promoted 15 or more BFIs. Accordingly, investment adjustment reserve has been reversed in case of investment in shares of NEPS and transferred to retained earnings during the year.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening IAR	15,000,000	15,000,000
Add: Additional Reserve during this year	-	-
Less: Adjustment in Reserve	(15,000,000)	-
Closing IAR	-	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. Effect of Covid-19

NRB vide its various circulars introduced reliefs to the customers due to Covid-19. Provisions such as 10% discount on interest paid till 12 April 2020, 2% rebate on applicable interest as at 12 April 2020 for 4th Quarter, waiver on digital transaction until 15 July 2020 etc has been highly affected the Profit of the bank for the year ended 15 July 2020.

COVID-19 continues to spread across the globe and in Nepal as well. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. On 24 March 2020, Nepal Government announced a strict nationwide lockdown which continued till 21 July 2020. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain, including any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated, NRB mandated or as opted by the Bank.

NRB vide its circular dated 27 July 2020 provided moratorium period to the moderately affected, medium affected and highly affected borrowers by 6 months, 9 months and 12 months respectively to pay installment of principal and / or interest falling due on or before 15 July 2020. Similarly, loans which were considered under Pass Category as at 14 January 2020 and loans disbursed thereafter shall continue to be classified under Pass Category as at 15 July 2020 as well.

4. 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.

5. 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 immateriality of such relevant costs. Also, Institute of Chartered Accountants of Nepal (ICAN) have provided carve out on EIR for the FY 2019-20 as well.

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 are as mentioned below:

Amount in NPR

PARTICULARS	YEAR ENDED 15 JULY 2020	YEAR ENDED 16 JULY 2019	P/L IMPACT
Impairment (A)	994,787,586	252,496,934	164,649,904
Provision as per NRB (B)	1,556,741,089	968,817,146	587,923,943
Impairment to be considered as Alternative Treatment by ICAN (Higher of A or B)	1,556,741,089	968,817,146	587,923,943

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.

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

Amount in NPR *'000*

PARTICULARS	BANKING	TREASURY	TRANSACTION BANKING	OTHERS	TOTAL
A Revenues from external customers	11,323,847	1,009,141	315,733	12,017	12,660,738
B Intersegment revenues	360,926	(440,432)	(5,793)	85,299	-
C Gross revenue	11,684,774	568,708	309,940	97,317	12,660,738
D Interest revenue	10,691,921	660,969	-	-	11,352,889
E Interest expenses	7,111,384	379,606	-	-	7,490,990
F Net interest revenue	3,580,537	281,362	-	-	3,861,899
G Depreciation & amortization	121,045	24,693	487	15,038	161,263
H Segment profit (loss) before tax	2,946,613	459,894	120,875	(1,666,359)	1,861,023
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	585,483	(9,472)	2,441	-	578,452
L Segment assets	93,464,968	19,066,803	376,416	11,611,382	124,519,569
M Segment liabilities	108,018,450	1,307,432	142,813	15,050,874	124,519,569

- 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 include 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 have 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		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total revenue for reportable segments	12,563,421	
Other revenues	97,317	
Elimination of intersegment revenue	-	
Entity's revenues	12,660,738	

Profit or Loss		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total profit or loss for reportable segments	3,527,382	
Other profit or loss	-	
Elimination of intersegment profits	-	
Unallocated amounts:	(1,666,359)	
Profit or loss before income tax	1,861,023	

Assets		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total assets for reportable segments	112,908,187	
Other assets	-	
Unallocated amounts:	11,611,382	
Entity's assets	124,519,569	

Liabilities		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total liabilities for reportable segments	109,468,695	
Other liabilities	-	
Unallocated amounts:	15,050,874	
Entity's liabilities	124,519,569	

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:

Amount in NPR *'000*

PARTICULARS	AMOUNT
Business	834,918
Consumer	1,223,203
Corporate	2,416,442
Infrastructure	495,161
Micro-finance	3,616,204
Treasury/Other	2,766,961
Total	11,352,889

7.4. Information about geographical areas

Revenue from following geographical areas

Amount in NPR *'000*

PARTICULARS	AMOUNT
Domestic	
Province 1	1,750,127
Province 2	1,130,374
Bagmati Province	6,764,715
Gandaki Province	1,386,929
Province 5	1,130,867
Karnali Province	85,856
Sudurpaschim Province	411,870
Foreign	-
Total	12,660,738

7.5. Information about major customers

Revenue from a single customer does not exceed 10% or more of the bank's revenue.

8. Classification of Financial Asset and Liability:

Amount in NPR *'000*

PARTICULARS	AS AT		AS AT	
	15-JUL-2020		16-JUL-2019	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Assets carried at Amortized Cost				
Cash and cash equivalent	9,778,033	9,778,033	9,442,900	9,442,900
Due from Nepal Rastra Bank	4,552,001	4,552,001	3,226,962	3,226,962
Placement with Bank and Financial Institutions	81,136	81,136	1,458,034	1,458,034
Loans and advances to BFIs	2,471,154	2,471,154	2,440,166	2,440,166
Loan and advances to customers	92,529,227	92,529,227	75,095,774	75,095,774
Investment securities at amortized cost	11,574,942	11,574,942	10,108,078	10,108,078
Assets carried at Cost				
Investment in subsidiaries	200,000	200,000	200,000	200,000
Fair Value through Profit and Loss (FVTPL)				
Derivative financial instruments.	67,416	67,416	72,597	72,597
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment securities at OCI	357,471	357,471	198,000	198,000
Liabilities				
Liabilities carried at Amortized Cost				
Due to Bank and Financial Institutions	2,649,482	2,649,482	6,361,837	6,361,837
Due to Nepal Rastra Bank	13,724	13,724	1,020,524	1,020,524
Deposits from customers	104,098,900	104,098,900	85,198,402	85,198,402
Debt securities issued	3,147,122	3,147,122	-	-
Borrowings	1,202,500	1,202,500	-	-

9. Interest Income

Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank. NPR 218,451,625 is capitalized during FY 2076-77.

As per provision mentioned in income recognition guideline 2019, issued by NRB, interest income of NPR 141,563,235 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 397,070,878 Out of which NPR 343,914,303 has been funded as at 15 July 2020 and net amount is shown as liability of bank. However, the bank has funded remaining amount of NPR 53,156,575 in Citizen Investment Trust (CIT) subsequently on 30 July 2020 (15 Shrawan 2077).

Bank has expensed NPR 35,045,816 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 plan assets from Net Benefit Obligations has been shown as Net liability of bank.

Details of actuarial valuation of gratuity are as follows:

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Defined Benefit Obligations	397,070,878	324,723,728
Fair Value of Planned Assets	343,914,303	277,641,857
Net Liability	53,156,575	47,081,871
Expense booked as in PL	35,045,816	35,622,438
Actuarial Gain/ (Loss) booked in OCI	(18,110,759)	(11,459,433)

Current/Non-Current Bifurcation

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Current Liability	-	-
Non-Current Liability	53,156,575	47,081,871
Total	53,156,575	47,081,871

Leave

The Bank has recognized an additional provision of NPR 27,193,334 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.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Defined Benefit Obligations	170,456,436	143,263,102
Fair Value of plan assets	-	-
Net Liability	170,456,436	143,263,102

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Amount recognised in statement of profit or loss		
Current service cost	27,692,814	26,716,871
Interest cost	11,497,527	11,207,724
Actuarial (Gain)/ Loss on Leave	19,028,599	(1,791,885)
	58,218,940	36,132,710
Change in Present Value Obligations:		
PV of Obligation at beginning of the year	143,263,102	141,930,147
Current Service Cost	27,692,814	26,716,871
Interest cost	11,497,527	11,207,724
Actuarial (Gain)/ Loss	19,028,599	(1,791,885)
Benefit paid	(31,025,606)	(34,799,755)
Liability at the end of the year	170,456,436	143,263,102

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.

Amount in NPR *'000'

PARTICULARS	BOOK BASE	TAX BASE	DIFFERENCE
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	2,471,154	2,471,154	-
Loans and advances to customers	92,529,227	92,529,227	-
Property & equipment	1,169,973	1,065,561	(104,412)
Employees' defined benefit plan	170,456	-	170,456
Provisions for investment	10,116	-	10,116
Lease expenses as per NFRS	40,928	-	40,928
Bond and Debentures issue expense		361	361
Total temporary differences			117,449
Deferred tax asset/(liabilities) as on Ashad 31 2077			35,235
Deferred tax asset/(liabilities) as on Ashad 31 2076			21,424
Origination/(Reversal) during the year			13,811
Deferred tax expense/(income) recognized in profit or loss			(16,652)
Deferred tax expense/(income) recognized in other comprehensive income			2,842

Detail of deferred tax through Profit or Loss and Other Comprehensive Income

Amount in NPR *'000'

FY 2019-20	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
Gratuity	-	-	-	-
Leave encashment	42,979	8,158	-	51,137
Operating lease liability under NFRS	4,397	7,882	-	12,278
Actuarial loss	-	-	-	-
Financial assets held at FVTOCI	5,876	-	(2,842)	3,035
Debenture Issue Expenses	-	108	-	108
Total of deferred tax assets	53,252	16,148	(2,842)	66,558
Property, plant and equipment	(31,828)	505	-	(31,324)
Total of deferred tax liability	(31,828)	505	-	(31,324)
Net deferred tax liability	21,424	16,652	(2,842)	35,235

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 21 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 amortized prepaid employee expense of NPR 66,808,996. Bank has considered average cost of deposit for FY 2076-77 i.e 7.28% as market rate for calculating fair value of staff loans. 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	11.23
Average Interest Rate of Deposit	7.22
Average Interest Rate Spread	4.36

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

The related parties of the Bank which meets the definition of related parties as defined in NAS 24 Related Party Disclosures are as follows:

Key Management Personnel (KMP) are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. 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 RELATED PARTY	NATURE	REMARKS
Machhapuchchhre Capital Limited	Wholly Owned Subsidiary	
Dr. Birendra Prasad Mahato	BOD Chairman	
Mr. Roshan K.C	Director	
Mr. Gopi Krishna Neupane	Director	
Mr. Jaya Mukunda Khanal	Director	Resigned w.e.f 20 Chaitra, 2076
Mr. Bishwo Prakash Gautam	Director	
Mr. Omesh Lal Shrestha	Director	Resigned w.e.f 19 Ashadh, 2077
Mr. Haribhakta Sigdel	Director	
Mr. Mukunda Mahat	Director	Appointed w.e.f 16 Jestha 2077.
Mr. Suman Sharma	Chief Executive Officer	Resigned w.e.f 1 Chaitra, 2076
Mr. Santosh Koirala	Chief Executive Officer	Appointed w.e.f 1 Baisakh, 2077
Mr. Sarju Kumar Thapa	DGM-Business	
Mr. Bishwambhar Neupane	DGM-Operations	
Mr. Narayan Prakash Bhujy	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 Employee Service Byelaw 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	AMOUNT IN NPR
Meeting Fees	30,39,000
Other Board Expenses	1,621,342
Total	4,833,142

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

PARTICULARS	AMOUNT IN NPR
Short term employee benefits	35,572,817
Post- employment benefits	1,616,202
Other long term benefits	436,180
Termination benefits(Retirement Compensation)	14,796,330
Total	52,421,529

- 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 Service Byelaws of the Bank.
- Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of

either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Key management personnel are also eligible for the following benefits:

- Benefits as per Employee Service Bylaws 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 2077 (including CEO): 4

17.4 Machhapuchchhre Capital Limited-Subsidiary of Machhapuchchhre Bank Limited.

The Bank has invested NPR 200 million in Machhapuchchhre Capital Ltd, a wholly owned subsidiary company of the Bank.

Transaction details with Machhapuchchhre Capital Limited is as follows:

PARTICULARS	AMOUNT IN NPR
Balance as at 31 Ashad 2077	
Fixed Deposit from Subsidiary	180,000,000
Call Deposit from subsidiary	18,861,991
Current Deposit from subsidiary	1000
Transactions during the year	
Interest paid to Subsidiary	18,093,150
DP Service received from subsidiary	8,365

17.5 Key Management Personnel of Machhapuchchhre Capital Limited.

Key Management Personnel (KMP) are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the entity includes members of its Board of Directors, Chief Executive Officer, and other higher level employee of the entity. 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	DESIGNATION
Mr. Bishwambhar Neupane	Chairman
Mr. Suvash Jamarkattel	Director
Mr. Tika Bhattarai	Director
Mr. Kumar Gnawali	Director

18. Operational Lease Expense

Bank has been making lease payments for operating different branches and therefore as provisioned under "NAS 17- Leases" it has been recognized on systematic basis that represents time pattern of user's benefits.

Bank has reclassified the lease expenses booked as per NAS 17 which was previously (PY 2075-76) shown as liabilities under finance lease to other liabilities.

19. Sakchyam Project

Sakchyam Project is the project funded by DFID for operating Access to Rural Banking Sakchyam Access to Finance Program. The bank has been running three projects under Sakchyam Access to Finance Program where the programs are operated focusing on the women empowerment, banking access to the rural areas and simplified microcredit services. The bank has received NPR 57,478,095.16 till 2076/77 from the project which has been parked to Sakchyam Fund Account. The total amount expended & income and grant liability recognized during the FY 2076-77 from the fund is as follows:

Amount in NPR

TOTAL EXPENSES	INCOME RECOGNIZED	GRANT LIABILITY RECOGNIZED
97,111,025	40,700,664	9,772,169

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 15 July 2020 till the signing of this financial statement on 17 September 2020.

22. Proposed Dividend

The Board of Directors of the Bank, vide board meeting dated 17 September 2020, has recommended the distribution of 7.03% of paid up share capital as bonus shares amounting to NPR 594,616,931 and 3.37% of paid up share capital as Cash dividend (including tax on dividend) amounting to NPR 285,064,744 from the retained earnings as at 15 July 2020 which equals to aggregate distribution of 10.40% dividend amounting to NPR 879,681,675.

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.

BORROWER OR PARTY'S NAME	DATE OF ASSUME THE NON-BANKING ASSETS	AMOUNT IN NPR
Keshav Prasad Rijal	10-Feb-11	375,000
Cosmic Automobile	3-Sep-12	24,210,000
Hasim Electronics & Watch Station	19-Jun-19	21,992,787
Aatif Cosmetic Collection,	19-Jun-19	2,504,175
Aatika Cosmetic Shop,	19-Jun-19	13,996,486
Sehanaj Provision Stores,	19-Jun-19	2,506,553
Kantipur Surgical Pvt.Ltd,	1-Jul-19	12,586,918
Padam Singh Rana	6-Sep-19	1,005,784
Saroj Pariyar	23-Dec-19	953,989
Doma Lama Tamang	6-Jan-20	1,227,548
Arjundhara Tea Processing Private Limited	13-Jan-20	75,870,000
DS Nepal	16-Mar-20	17,718,065
Total		174,947,305

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 15-JUL-20	YEAR ENDED 16-JUL-19
Profit attributable to equity shareholders	NPR	1,265,150,663	1,697,088,243
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	84,584,777	84,584,777
Earnings Per Share (EPS)	NPR	14.96	20.06
Diluted Earnings Per Share(DPS)	NPR	14.96	20.06

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.

During the year, the company has issued bonus shares from which no additional resource is obtained. Such bonus issued is merely capitalisation of retained earning. Pursuant to the requirement of NAS 33, the company has retrospectively adjusted and restated the BEPS and DEPS for previous year.

26. Unpaid Dividend

As on balance sheet date, total dividend payable amounts to NPR 98,580,994.78 (PY NPR 74,982,200). Details have been presented as under:

DIVIDEND PAYABLE OF FY	AS AT 15 JULY 2020	AS AT 16 JULY 2019
2075/76	44,442,578	-
2074/75	36,420,250	51,690,384
2073/74	17,718,167	23,291,816
Total	98,580,995	74,982,200

27. Non-performing assets

The Banks' non-performing assets ratio stood at 0.52% (Previous year 0.37%) as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 494,078,967 (Previous year NPR 290,890,939) and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 372,736,045 (Previous year 175,437,873)

Amount in NPR *000*

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan	94,042,599	77,381,776	16,660,823	22%
Pass	87,953,122	76,892,738	11,060,384	14%
Watch list	6,089,476	489,038	5,600,438	1145%
Non-Performing Loans (NPL)	494,079	290,891	203,188	70%
Restructured/rescheduled	2,181	-	2,181	100%
Substandard	-	72,256	(72,256)	-100%
Doubtful	238,869	122,522	116,347	95%
Loss	253,029	96,113	156,916	163%
Gross Loans & Advances	94,536,678	77,672,667	16,864,011	22%

NPL ratios:

Gross NPL to Gross Loans & Advances	: 0.52%
Net NPL to Net Loans & advances	: 0.13%

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 Risk, Operational Risk and Market Risk. Accordingly, the following disclosure is made:

28.1 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.

28.2 Quantitative Disclosures**Capital Structure and Capital Adequacy****a) Tier 1 capital and a breakdown of its components**

Amount in NPR '000

CAPITAL (A) CORE CAPITAL (TIER 1)	AS AT 15 JULY 2020
Paid up Equity Share Capital	8,458,478
Equity Share Premium	30,882
Proposed Bonus Equity Share	
Statutory General Reserve	1,706,571
Retained Earnings	981,266
Un-audited current year cumulative profit/ loss	
Capital Redemption Reserve	
Capital Adjustment Reserve	
Dividend Equalization Reserve	
Other Free Reserve	
Less : Goodwill	
Less: Intangible Assets	65,127
Less: Fictitious Assets	
Less: Deferred Tax Assets	
Less : Investment in equity in licensed Financial Institutions	
Less : Investment in equity of institutions with Financial interests	215,000
Less : Investment in equity of institutions in excess of limits	
Less : Investments arising out of underwriting commitments	
Less : Reciprocal crossholdings	
Less: Purchase of Land & Building in excess of limit and unutilized	4,877
Less: Cash Flow Hedge	
Less: Defined Benefit Pension Assets	
Less: Unrecognized Defined Benefit Pension Liabilities	
Less : Other Deductions	
Adjustments under Pillar II	

Continue: a) Tier 1 capital and a breakdown of its components

Amount in NPR *'000

CAPITAL (A) CORE CAPITAL (TIER 1)	AS AT 15 JULY 2020
Less: Shortfall in Provision	
Less: Loans & Facilities extended to related parties and restricted lending	
Additional Tier 1 (AT 1)	
Perpetual Non Cumulative Preference Share Capital	
Perpetual Debt Instruments	
Stock Premium	
Total Core Capital	10,892,193

b) Tier 2 capital and a breakdown of its components

Amount in NPR *'000

SUPPLEMENTARY CAPITAL (TIER 2)	AS AT 15 JULY 2020
Cumulative and/or Redeemable Preference Shares	
Subordinated Term Debt	3,000,000
Hybrid Capital Instruments	
Stock Premium	
General Loan Loss Provision	879,531
Exchange Equalization Reserve	30,442
Investment Adjustment Reserve	15,000
Assets Revaluation Reserve	
Other Reserves	
Total Supplementary Capital	3,924,973

c) Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount rose during the year and amount eligible to be reckoned as capital funds.

Amount in NPR *'000

PARTICULARS	O/S AMOUNT	ISSUE DATE	MATURITY DATE	INTEREST RATE*	AMOUNT ELIGIBLE FOR CAPITAL FUND
10.25% Machhapuchchhre Debenture, 2085	3,00,000	13-05-2076	12-05-2086	10.25%	3,000,000

*Interest is payable half yearly basis

d) Deduction from capital

Amount in NPR *'000

PARTICULARS	AMOUNT
Intangible Assets	65,127
Investment in equity of institutions with Financial interests	215,000
Purchase of Land& Building in excess of limit and unutilized	4,877
Total	285,004

Investment in equity of institutions with Financial Interests includes investment in wholly owned subsidiary of the bank Machhapuchchhre Capital Limited amounting NPR 20 Cr and investment in Nepal Electronic Payment System (NEPS) amounting NPR 1.5 Cr.

e) Total qualifying capital

Risk weighted Exposure for Credit Risk, Market Risk & Operational Risk is as mentioned below:

Amount in NPR '000

PARTICULARS	AS AT 15 JULY 2020
Core Capital	10,892,193
Supplementary Capital	3,924,973
Total Qualifying Capital (Total Capital Fund)	14,817,166

f) Capital Adequacy Ratio of the bank is 13.02%

g) Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities

The Bank assesses capital at different stages and variants. The Long term assessment is done through a 5 year's Strategic Plan. The Bank devises 5 year strategic plan in every five years. The strategic plan clearly states the Bank's requirement of its capital for five years to achieve the envisioned Business Targets and the sources of capital to fulfill the requirement is also clearly forecasted. The annual assessment of the Bank's capital is done through the Annual Business Plan which is formulated each year prior to the beginning of new Fiscal Year. The annual requirement of capital is clearly projected and the sources to fulfill the said requirement is also clarified along with the action plan of responsible department and personnel.

The major capital assessment is carried out at each quarter. The Bank shall prepare Stress test report and Internal Capital Adequacy Assessment Report (ICAAP) as per the Stress Testing Policy and ICAAP Policy which is revised each year. The Bank identifies the major components responsible to drive the published Capital Adequacy Ratio (CAR) and also ensures whether the said components are subject to greater change. The Bank also highlights the measures to nullify the components impacting the CAR and the measures that can contribute to boost the CAR. Further, The Bank carries out stress analysis at different scenarios and present the impact on Capital. The major scenarios are highlighted and likelihood of their occurrence is presented. In the case any scenarios are likely to occur, the Bank shall manage to equip with preventive measures as well. These capital monitoring reports are tabled and discussed in Assets Liability Committee (ALCO) meeting. Further, these reports are presented to the Risk Management Committee and the Board for review and discussions.

Further, the short term capital assessment is carried out on daily basis through daily MIS reporting. The daily change in CAR and the Business space available/lost due to change in CAR is reported to Top management for review and for decision making.

The Bank at overall level has robust and prompt countering mechanism for assessment of its capital. The Bank has developed mechanism of providing early warning signals in case there is likeliness of capital deterioration.

h) Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.

Ordinary share capital: The Bank has only one class of equity shares having a par value of NPR 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Bank, holder of equity shares will be entitled to receive remaining assets of the Bank after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

Debentures: The bank has issued 10.25% Machhapuchchhre Debenture 2085 amounting NPR 3,000 million. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the bank.

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	Listed with Nepal Stock Exchange

i) Risk Weighted Exposure

Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk is as mentioned below:

Amount in NPR *'000

PARTICULARS	AS AT 15 JULY 2020
Risk Weighted Exposures	
Risk Weighted Exposure for Credit Risk	105,642,566
Risk Weighted Exposure for Operational Risk	5,061,515
Risk Weighted Exposure for Market Risk	72,928
Total Risk Weighted Exposures (Before adjustments of Pillar II)	110,777,010
Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	852,339
Add: 2% of RWE added by supervisory Review	2,215,540
Total Risk Weighted Exposures	113,844,889

j) Risk weighted Exposures under each 11 categories of Credit Risk

Amount in NPR *'000

CATEGORIES	AS AT 15 JULY 2020
Claims on government and central Bank	375,015
Claims on other official entities	-
Claims on Banks	2,490,562
Claims on corporate and securities firm	45,952,828
Claims on regulatory retail portfolio	31,205,577
Claim secured by residential properties	3,600,501
Claims secured by commercial real state	1,840,189
Past due Claims	174,213
High risk claims	1,845,417
Other Assets	3,732,393
Off Balance sheet Items	14,425,871
Total	105,642,566

k) Total Risk weighted Exposure Calculation Table
(i) Calculation of Credit Risk Exposure

Amount in NPR '000

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
A. Balance Sheet Exposure							
1	Cash Balance	3,194,147	-	-	3,194,147	0%	-
2	Balance With Nepal Rastra Bank	4,552,001	-	-	4,552,001	0%	-
3	Gold	-	-	-	-	0%	-
4	Investment in Nepalese Government Securities	10,553,409	-	-	10,553,409	0%	-
5	All other Claims on Government of Nepal	129,845	-	-	129,845	0%	-
6	Investment in Nepal Rastra Bank Securities	870,089	-	-	870,089	0%	-
7	All other Claims on Nepal Rastra Bank	-	-	-	-	0%	-
8	Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
9	Claims on Foreign Government and Central Bank (ECA 2)	-	-	-	-	20%	-
10	Claims on Foreign Government and Central Bank (ECA 3)	-	-	-	-	50%	-
11	Claims on Foreign Government and Central Bank (ECA 4-6)	375,015,457	-	-	375,015,457	100%	375,015,457
12	Claims on Foreign Government and Central Bank (ECA 7)	-	-	-	-	150%	-
13	Claims On BIS, IMF, ECB, EC and On Multilateral Development Banks(MDB's) recognised by the framework	-	-	-	-	0%	-
14	Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
15	Claims on Domestic Public Sector Entities	-	-	-	-	100%	-
16	Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
17	Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
18	Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
19	Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
20	Claims on domestic banks that meet capital adequacy requirements	3,744,613	-	-	3,744,613	20%	748,923
21	Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
22	Claims on Foreign bank (ECA Rating 0-1)	2,007,472	-	-	2,007,472	20%	401,494
23	Claims on Foreign bank(ECA Rating 2)	2,561,244	-	-	2,561,244	50%	1,280,622
24	Claims on Foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
25	Claims on Foreign bank (ECA Rating7)	-	-	-	-	150%	-
26	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	297,616	-	-	297,616	20%	59,523

Continue: (i) Calculation of Credit Risk Exposure

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
27	Claims on Domestic Corporates	45,952,876	47,912		45,952,828	100%	45,952,828
28	Claims on Foreign Corporates (ECA 0-1)	-			-	20%	-
29	Claims on Foreign Corporates (ECA 2)	-			-	50%	-
30	Claims on Foreign Corporates (ECA 3-6)	-			-	100%	-
31	Claims on Foreign Corporates (ECA 7)	-			-	150%	-
32	Regulatory Retail Portfolio (Not Overdue)	22,010,591	148,534	205,575	21,804,868	75%	16,353,651
33	Claim fulfilling all criterion of Regulatory Retail except granularity	14,851,983	56,913		14,851,926	100%	14,851,926
34	Claims secured by residential properties	5,992,204	36,783		5,992,167	60%	3,595,300
35	Claims not fully secured by residential properties				-	150%	-
36	Claims secured by residential properties (Overdue)	8,766	3,565		5,201	100%	5,201
37	Claims secured by Commercial real estate	1,840,199	9,886		1,840,189	100%	1,840,189
38	Past due claims (except for claim secured by residential properties)	485,313	369,171		116,142	150%	174,213
39	High Risk claims	799,694	3,786		799,690	150%	1,199,535
40	Lending against securities (Bonds and shares)	293,896	660		293,895	100%	293,895
41	Investment in equity and other capital instrument of institutions listed in the stock exchange	323,441			323,441	100%	323,441
42	Investment in equity and other capital instrument of institutions not listed in the stock	19,030			19,030	150%	28,545
43	Staff Loan Secured by Residential Property	809,160			809,160	50%	404,580
44	Interest Receivable/Claim on Government Securities	-			-	0%	-
45	Cash in transit and other cash items in the process of collection	-			-	20%	-
46	Other Assets	3,327,813			3,327,813	100%	3,327,813
	TOTAL	125,000,418	373,041	205,575	124,421,803		91,216,695
B. Off Balance Sheet Exposures							
1	Revocable Commitments				-	0%	-
2	Bills Under Collection	19,692			19,692	0%	-
3	Forward Exchange Contract Liabilities	3,133,459			3,133,459	10%	313,346
4	LC Commitments with original maturity up to 6 months	2,508,496		500,749	2,007,747	20%	401,549
5	Foreign Counterparty (ECA 0 -1)				-	20%	-

Continue: (i) Calculation of Credit Risk Exposure

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
6	Foreign Counterparty (ECA 2)				-	50%	-
7	Foreign Counterparty (ECA 3-6)				-	100%	-
8	Foreign Counterparty (ECA 7)				-	150%	-
9	LC Commitments with original maturity over 6 months (domestic Counterparty)	1,101,231		033	1,101,198	50%	550,599
10	Foreign Counterparty (ECA 0-1)				-	20%	-
11	Foreign Counterparty (ECA 2)				-	50%	-
12	Foreign Counterparty (ECA 3-6)				-	100%	-
13	Foreign Counterparty (ECA 7)				-	150%	-
14	Bid Bond, Performance Bond and Counter Guarantee	10,537,080		245,337	10,291,742	50%	5,145,871
15	Foreign Counterparty (ECA 0-1)				-	20%	-
16	Foreign Counterparty (ECA 2)				-	50%	-
17	Foreign Counterparty (ECA 3-6)				-	100%	-
18	Foreign Counterparty (ECA 7)				-	150%	-
19	Underwriting Commitments				-	50%	-
20	Lending of Bank's Securities or Posting of Securities as collateral				-	100%	-
21	Repurchase Agreements, Assets sale with recourse				-	100%	-
22	Advance Payment Guarantee	3,672,378		50,864	3,621,514	100%	3,621,514
23	Financial Guarantee	2,343,036		4,280	2,338,756	100%	2,338,756
24	Acceptances and Endorsements				-	100%	-
25	Unpaid portion of Partly paid shares and securities				-	100%	-
26	Irrevocable Credit commitments(Short term)	9,948,881			9,948,881	20%	1,989,776
27	Irrevocable Credit commitments(Long term)				-	50%	-
28	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-
29	Other Contingent Liabilities	64,459			64,459	100%	64,459
30	Unpaid Guarantee claims				-	200%	-
	TOTAL	33,328,711	-	801,263	32,527,448		14,425,871

Continue: (i) Calculation of Credit Risk Exposure

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
	Total RWE for Credit Risk Before adjustment (A) +(B)	158,329,129	373,041	1,006,837	156,949,251		105,642,566
	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)	158,329,129	373,041	1,006,837	156,949,251		105,642,566

(ii) Calculation of Market Risk Exposure

Amount in NPR '000

S.NO.	CURRENCY	OPEN POSITION (FCY)	EXCHANGE RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION
1	INR	76,376,295	1.60	122,259,354	122,259,354
2	USD	146,015	120.25	17,558,304	17,558,304
3	GBP	35,242	151.66	5,344,626	5,344,626
4	EUR	30,795	137.46	4,232,927	4,232,927
5	THB	61,510	3.52	216,208	216,208
6	CHF	3,950	127.48	503,546	503,546
7	AUD	2,129	84.95	180,859	180,859
8	CAD	8,905	88.30	786,267	786,267
9	SGD	2,402	86.40	207,521	207,521
10	JPY	2,015,890	1.13	2,269,892	2,269,892
11	HKD	39,110	15.47	604,836	604,836
12	DKK	1,500	17.41	26,115	26,115
13	SEK	50	13.18	659	659
14	SAR	53,999	31.88	1,721,218	1,721,218
15	QAR	17,650	32.82	579,185	579,185
16	AED	67,537	31.69	2,139,910	2,139,910
17	MYR	21,471	27.82	597,216	597,216
18	KRW	4,122,000	0.10	412,818	412,818
19	CNY	37,418	17.20	643,590	643,590
20	KWD	150	389.30	58,394	58,394
21	BHD	362	318.10	115,152	115,152
(a) Total Open Position				160,458,595	160,458,595
(b) Fixed Percentage					5%
(c) Capital Charge for Market Risk (=a×b)					8,022,930
(d) Risk Weight (reciprocal of capital requirement of 11%) in times					9.09
(e) Equivalent Risk Weight Exposure (=c×d)					72,928,432

(iii) Calculation of Operational Risk Exposure

Amount in NPR

S.N.	PARTICULARS	FISCAL YEAR		
		2073/074	2074/075	2075/076
1	Net Interest Income	2,361,989	2,739,799	3,549,756
2	Commission and Discount Income	450,845	491,069	790,519
3	Other Operating Income	97,271	9,034	28,139
4	Exchange Fluctuation Income	131,305	166,803	303,332
5	Addition/Deduction in Interest Suspense during the period	000	000	16,587
6	Gross income (a)	3,041,409	3,406,705	4,688,333
7	Alfa (b)	15%	15%	15%
8	Fixed Percentage of Gross Income [c=(a×b)]	456,211	511,006	703,250
9	Capital Requirement for operational risk (d) (average of c)	556,822		
10	Risk Weight (reciprocal of capital requirement of 11%) in times (e)	9.09		
11	Equivalent Risk Weight Exposure [f=(d×e)]	5,061,515		

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 related month	-
2. Capital Requirement for Operational Risk (5% of net credit and investment)	-
3. Risk Weight (reciprocal of capital requirement of 11%) in times	9.09
4. Equivalent Risk Weight Exposure (g)	-
5. Equivalent Risk Weight Exposure [h=f+g]	5,061,515

l) Non-Performing Loan

Amount in NPR *000

PARTICULARS	GROSS	PROVISION	NET OF PROVISION
Restructured/Rescheduled	2,181	273	1,908
Substandard	-	-	-
Doubtful	238,869	119,435	119,435
Loss	253,029	253,029	-
Total	494,079	372,736	121,343

28.3 Compliance with external requirement

Bank has complied with externally imposed capital requirements to which it is subject and there are no such instances where the institution has not complied with those requirements.

29 Risk Management

Overall Risk Management Process of Bank has been disclosed in Significant Accounting Policies.

30. Maturity Profile

Amount in NPR

PARTICULARS	1-90 DAYS	91- 180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL
Cash and cash equivalent	9,778,033,447	-	-	-	-	9,778,033,447
Due from Nepal Rastra Bank	4,552,001,488	-	-	-	-	4,552,001,488
Placement with Bank and Financial Institutions	-	81,135,769	-	-	-	81,135,769
Derivative financial instruments	67,415,547	-	-	-	-	67,415,547
Other trading assets	-	-	-	157,100,000	54,919,133	212,019,133
Loan and advances to B/FIs	314,879,633	443,311,774	476,228,363	604,642,878	632,091,705	2,471,154,353
Loans and advances to customers	32,338,468,716	14,388,179,130	4,175,928,228	3,222,921,296	38,403,729,161	92,529,226,532
Investment securities	1,008,186,799	-	-	-	10,924,226,471	11,932,413,270
Current tax assets	-	-	-	-	275,808,469	275,808,469
Investment in subsidiaries	-	-	-	-	200,000,000	200,000,000
Investment property	-	-	-	-	174,947,305	174,947,305
Property and equipment	-	-	-	-	1,335,804,292	1,335,804,292
Goodwill and Intangible assets	-	-	-	-	65,127,085	65,127,085
Deferred tax assets	-	-	-	-	35,234,822	35,234,822
Other assets	21,098,513	-	-	-	788,148,895	809,247,408
Total Assets	48,080,084,144	14,912,626,672	4,652,156,592	3,984,664,174	52,890,037,337	124,519,568,921
Due to Bank and Financial Institutions	2,649,482,101	-	-	-	-	2,649,482,101
Due to Nepal Rastra Bank	-	5,343,810	8,379,883	-	-	13,723,693
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	48,583,108,387	-	-	-	55,515,791,479	104,098,899,866
Borrowing	-	-	-	-	1,202,500,000	1,202,500,000
Other liabilities	573,600,914	-	-	-	1,249,537,781	1,823,138,694
Debt securities issued	-	-	-	-	3,147,121,726	3,147,121,726
Subordinated Liabilities	-	-	-	-	-	-
Total liabilities	51,806,191,402	5,343,810	8,379,883	-	61,114,950,986	112,934,866,081

**MACHHAPUCHHRE
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 Ashad 31, 2077, 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 Ashad 31, 2077 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 (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 Financial Reporting 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is 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
UDIN: 200809CA00112PSnlt

Date: 9th August 2020
Place: Kathmandu

STATEMENT OF FINANCIAL POSITION

As at Ashadh 31, 2077

Amount in Rs.

PARTICULARS	SCHEDULE	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Non-Current Assets			
Property plant and equipment	3.1	8,746,757	-
Intangible assets	3.2	578,899	-
Financial assets held at amortized cost	3.3	7,500,000	-
Trade and other receivables	3.5	-	-
Deferred Tax Assets		-	-
Total Non-current Assets		16,825,656	-
Current Assets			
Financial Assets Held at Amortized Cost	3.3	180,000,000	180,000,000
Income Tax Receivable		3,265,006	1,352,893
Trade and other receivables	3.5	562,749	3,623,795
Cash and cash equivalents	3.6	18,862,991	23,798,004
Total Current Assets		202,690,746	208,774,692
TOTAL ASSETS		219,516,402	208,774,692
Equity			
Share Capital	3.7	200,000,000	200,000,000
Reserves and Surplus	3.8	13,639,107	6,058,803.13
Total Equity		213,639,107	206,058,803
Liabilities			
Non Current Liabilities			
Loans and Borrowings		-	-
Employee Benefits	3.9	118,761	-
Deferred Tax Liabilities	3.4	105,337	-
Other Non-current liabilities		328,215	-
Total Non-Current Liabilities		552,313	-
Current Liabilities			
Loans and Borrowings		-	-
Trade and other payables	3.10	908,779	118,995
Income Tax Liability	3.16	3,194,537	2,596,893
Employee Benefits	3.9	1,221,666	-
Total Current Liabilities		5,324,982	2,715,889
Total Liabilities		5,877,295	2,715,889
Total Equity and Liabilities		219,516,402	208,774,692

Suresh Regmi
Head-FinanceGovind Prasad Sharma
CoordinatorBishwambhar Neupane
Chairman

As per our report of even date

Tika Bhattarai
DirectorSuvash Jamarkattel
DirectorKumar Gnawali
DirectorCA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered AccountantsDate: August 9, 2020
Place: Kathmandu, Nepal

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

As at Ashadh 31, 2077

Amount in Rs.

PARTICULARS	SCHEDULE	YEAR ENDED 15 JULY 2020	YEAR ENDED 16 JULY 2019
Revenue			
Revenue from Operation	3.11	638,365	-
Income from Investment	3.12	18,384,280	9,019,287
Other Income	3.13	42,000	-
Total Revenue		19,064,645	9,019,287
Expenses			
General and Administrative Expenses	3.14	4,664,401	246,641
Depreciation and Amortization	3.1, 3.2	515,469	-
Employee Expenses	3.15	2,889,780	-
Total Expenses		8,069,649	246,641
Profit Before Tax		10,994,996	8,772,647
Income Tax Expense	3.16	3,414,692	2,596,893
Net Profit for the year		7,580,304	6,175,753
Other Comprehensive Income			
Available for sale investments		-	-
Actuarial Gain/Loss on defined benefit plan		-	-
Tax relating to other comprehensive income		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Income		7,580,304	6,175,753
Earning per share		3.79	3.09
Diluted earning per share		3.79	3.09

Suresh Regmi
Head-Finance

Govind Prasad Sharma
Coordinator

Bishwambhar Neupane
Chairman

As per our report of even date

Tika Bhattarai
Director

Suvash Jamarkattel
Director

Kumar Gnawali
Director

CA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: August 9, 2020
Place: Kathmandu, Nepal

CASH FLOW STATEMENT

For the year ended on 31st Ashadh, 2077

Amount in Rs.

PARTICULARS	YEAR ENDED 15 JULY 2020	YEAR ENDED 16 JULY 2019
Cash Flow From Operating Activities		
Net profit before taxation and extra ordinary items	10,994,996	8,772,647
Adjustments for:		
Depreciation	477,388	-
Amortization	38,081	-
Cash Flow Before Changes in Working Capital	11,510,465	8,772,647
(Increase)/Decrease in Current Assets		
(Increase)/Decrease in Trade and other receivables	3,061,046	(3,623,795)
Increase/(Decrease) in Liabilities		
Increase/(Decrease) in Trade and other payables	789,784	2,045
Increase/(Decrease) in Employee Benefit	1,340,427	-
Increase/(Decrease) in other non-current liabilities	328,215	-
Income taxes Paid	(4,623,825)	(1,352,893)
Net Cash Flows From Operating Activities	12,406,111	3,798,004
Cash Flow From Investing Activities		
Acquisition of Property, Plant and Equipment	(9,224,145)	-
Acquisition of Intangible Assets	(616,980)	-
Acquisition of Investment/Financial Assets	(7,500,000)	(180,000,000)
Net Cash Flows From Investing Activities	(17,341,125)	(180,000,000)
Cash Flow From Financing Activities		
Increase/(Decrease) in Share Capital	-	200,000,000
Increase/(Decrease) in Long Term Loan	-	-
Dividend Paid	-	-
Net Cash Flows From Financing Activities	-	200,000,000
Current Year's Cash Flow From All Activities	(4,935,014)	23,798,004
Opening Balance of Cash and Bank Balance	23,798,004	-
Closing Balance of Cash and Bank Balance	18,862,991	23,798,004

Suresh Regmi
Head-Finance

Govind Prasad Sharma
Coordinator

Bishwambhar Neupane
Chairman

As per our report of even date

Tika Bhattarai
Director

Suvash Jamarkattel
Director

Kumar Gnawali
Director

CA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: August 9, 2020
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

As at Ashadh 31, 2077

Amount in Rs.

PARTICULARS	SHARE CAPITAL	GENERAL RESERVE	OTHER RESERVE	RETAINED EARNING	TOTAL
Balance at 1 Shrawan 2075	-	-	-	(116,950)	(116,950)
Profit for the year				6,175,753	6,175,753
Other Comprehensive Income	-	-	-	-	-
Issue of Share Capital	200,000,000				200,000,000
Dividends to Shareholders	-	-	-	-	-
Balance at 31 Ashad 2076	200,000,000	-	-	6,058,803	206,058,803
Restatement	-	-	-	-	-
Restated Balance at 1st Shrawan 2076	200,000,000	-	-	6,058,803	206,058,803
Profit for the year				7,580,304	7,580,304
Other Comprehensive Income	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Dividends to Shareholders	-	-	-	-	-
General Reserve		758,030		(758,030)	-
CSR Reserve	-	-	75,803	(75,803)	-
Balance at 31st Ashadh 2077	200,000,000	758,030	75,803	12,805,274	213,639,107

Suresh Regmi
Head-Finance

Govind Prasad Sharma
Coordinator

Bishwambhar Neupane
Chairman

As per our report of even date

Tika Bhattarai
Director

Suvash Jamarkattel
Director

Kumar Gnawali
Director

CA Raju Kumar Sibakoti
Partner
JBRH & Co.
Chartered Accountants

Date: August 9, 2020
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST ASHAD 2077 (15TH JULY 2020)

1. CORPORATE INFORMATION

Machhapuchchhre Capital Limited is a Limited Liability Company incorporated in Nepal at Office of Company Registrar (OCR) under Companies Act of Nepal with its registered office at Lazimpat, Kathmandu. The Company is a 100% Owned Subsidiary of Machhapuchchhre Bank Limited.

The Company has been established with objectives of providing merchant banking services in Nepal. The Company has obtained merchant banking license from Securities Board of Nepal (SEBON) on 7th Magh 2076 and official inauguration of company on 23rd Magh 2076.

The Company is engaged in Business of Underwriting of Securities, Portfolio Management and Corporate Advisory Services Only.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation

The Financial Statements are prepared on accrual and going concern basis. The accounting Policies are applied consistently to all the period presented in the financial statements including the preparation of the opening NFRS Statement of Financial Position as on 1st Shrawan 2075 being the date of transition to NFRS.

2.1.1. Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS). The Financial Statements were authorized for issue by the Board of Directors on 23rd Shrawan 2077. These financial statements are also prepared in accordance with the relevant presentation requirements of the Companies Act 2063 of Nepal.

2.1.2. Basis of Measurement

The Financial Statements have been prepared under historical cost convention basis except for the items that are measured and presented at fair value as required by relevant NFRS as explained in respective notes. These financial statements cover the reporting period from 1st Shrawan 2076 to 31st Ashadh 2077.

These financial statements for the year ended 31st Ashadh 2077 are the first financial statement prepared under NFRS. Financial Statements for all period up to and including the year ended 31st Ashadh 2076 were prepared in accordance with Nepal Accounting Standards (previous GAAP) which was used for its statutory purposes before adopting NFRS. The comparative information presented in these financial statements have been restated in accordance with NFRS for the effect of transition from previous GAAP to NFRS. Reconciliation to statement of financial position, statement of comprehensive income has been presented under Note 3.22

2.1.3. Critical Accounting Estimates

The Preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the company's accounting policies. The company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed.

2.1.4. Functional and Presentation Currency

These financial statements are prepared in Nepalese Rupees which is the functional currency of the company. All amounts have been rounded to the nearest rupee, unless otherwise indicated. Functional currency is the currency of the primary economic environment in which the company operated. Company's all transactions including income.

2.2. Accounting Policies

Preparation of financial statements in accordance with Nepal Financial Reporting Standards (NFRS) requires the management to make use of significant accounting policies, judgments and estimates that affect the reported amount of assets and liabilities, income and expenses, and disclosures of contingent items during the reporting period. These accounting policies adopted are used on consistent basis. Estimates are reviewed on continuous basis. Revision to accounting estimates are recognized in the period in which the estimates are revised. The significant accounting policies adopted, judgments and estimates while preparing these financial statements in accordance with NFRS are set out in corresponding notes.

2.2.1. Impairment of Non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest parts of assets to which it belongs for which there are separately identifiable cash flows and its cash generating units.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

2.2.2. Property, Plant and Equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss.

2.2.3. Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives.

Depreciation has been computed on SLM Method. The estimate useful lives for the assets are as follows:

ASSETS	LIFE
Leasehold assets	10 years
Building	50 years
Office equipment	10 years
Wooden furniture	8 years
Metal Furniture	10 years
Vehicles	7 years
Computer and printer	5 years
Generator	10 years
Battery	3 years
Other assets	10 years

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

2.2.4. Leased Assets

When all the risks and rewards incidental to ownership of a leased asset are transferred to the Company (a Finance Lease), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between principal and interest. The interest element is charged to the statement of comprehensive income over the period of the lease so that it represents a constant proportion of the lease liability. The principal element reduces the balance owed to the lesser.

When all the risks and rewards incidental to ownership are not transferred to the company (an Operating Lease), the total rentals payable under the lease are charged to the statement of comprehensive income over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expenses over the lease term.

2.2.5. Intangible Assets

Computer Software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated lives of 5 years.

2.2.6. Investments

Investments in debt and equity securities

Investments held for trading are classified as current assets and are stated at fair value, with intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses.

Investment property

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement.

2.2.7. Trade and other receivables

Trade and other receivables are stated at their cost less provision for impairment. The amount of the provision is recognized in the income statement.

2.2.8. Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the variable selling expenses.

The cost is determined on first-in first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

2.2.9. Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call and current deposits at Bank.

2.2.10. Impairment

The carrying amounts of the company's assets, other than biological assets, investment property, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's

recoverable amount is estimated. Intangible assets that are not yet available for use, the recoverable amount are estimated at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.2.11. Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's equity shares are classified as equity instruments.

2.2.12. Taxation (including deferred taxes)

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity. Current tax is the expected tax payable on the taxable income for the year using tax rate 30% at the balance sheet date and any adjustment to tax payable in respect of previous years as specified by the Income Tax Act 2058.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected on realization or settlement of the carrying amount of assets and liabilities using tax rate 30% at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.2.13. Trade and other payables

Trade and other payables are stated at their cost.

2.2.14. Revenue

Revenue is recognized on accrual basis and is measured at the fair value of the consideration received or receivable. The management of the company determines the amount of revenue based on the applicable service agreement. Fees and commission arising from transactions are recognized on the basis of completion of underlying transaction. Accounting policies, estimates and judgments used by management for each item of revenue is detailed below:

a. Underwriting Fee:

Underwriting Fee is recognized based on the recoverability of fee and non-refundability of fixed amount of fee. Management estimates that recoverability of fee can be reliably measured at the date of issue.

b. Portfolio Management Fee

Annual Management fee and Performance fee is recognized as revenue when it is due.

c. Corporate Advisory Fee

Corporate Advisory service fee is the consultancy fee charged to the clients as per the performance and completion of assigned job responsibilities. Income is booked when job responsibilities is completed and tax invoice/payment letter is issued to client in respect of such completion of consultancy and other advisory functions.

d. Service Income

Service income is the DP service income received from Machhapuchchhre Bank Ltd. as per the agreement executed between Machhapuchchhre Capital Ltd. (MCL) and Machhapuchchhre Bank Ltd. (MBL). As per this agreement, MCL will execute MBL's DP ID and open Demat accounts of clients. The collected fees on account opening and DP service will be deposited in an account opened with

MBL and MBL will make monthly settlement of such account and net fees after deducting SEBON and CDSC fees will be received from MBL. This net received amount has been recorded as service income in the books of account.

e. Interest Income

Interest income is recognized using effective interest rate method.

f. Other Income

Other income are recognized when it is probable that consideration associated with the relevant event is confirmed or realized.

2.2.15. Expenses

All Expenses except specially mentioned are accounted on accrual basis.

All expenses incurred in running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year and presented in statement of profit or loss.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the income statement in the year in which the expenditure is incurred. The profit earned by the company is before income tax expense and after making provision for all known liabilities and for the depreciation of Property, Plant and Equipment.

Proposed bonus for staff have been provided for 10% of net profit before such bonus.

3. OTHER EXPLANATORY NOTES

3.1. Property Plant and Equipment

Leased Property

The Company leases the office work space and any leasehold construction are the value of purchases or construction in this fiscal year. At 31st Ashadh 2077, the net carrying amount of leased assets was Rs 3,026,841.

The date of capitalization of leased assets and PPE is 9th Chaitra 2076, which is the date of finalization of figures of assets by the leasehold constructor (the vendor company).

Property plant & equipment table needed

PARTICULARS	COMPUTER & ACCESSORIES	FURNITURE & FIXTURES (METAL)	FURNITURE & FIXTURE (WOODEN)	GENERATOR	LEASEHOLD ASSETS	OFFICE EQUIPMENT	UPS AND BATTERIES	VEHICLE	TOTAL
Balance at 1 Shrawan 2075	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	-
Acquired through Business combination	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31 Ashad 2076	-	-	-	-	-	-	-	-	-
Additions during the year	1,141,330	645,140	1,002,905	785,000	3,104,452	1,959,972	383,947	201,400	9,224,145
Acquired through Business combination	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31 Ashad 2077	1,141,330	645,140	1,002,905	785,000	3,104,452	1,959,972	383,947	201,400	9,224,145
Depreciation and Impairment losses									
Balance at 1 Shrawan 2075	-	-	-	-	-	-	-	-	-
Additions during the year -	-	-	-	-	-	-	-	-	-
Acquired through Business combination	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31 Ashad 2076	-	-	-	-	-	-	-	-	-
Depreciation charged for the year	155,211	26,493	31,341	60,417	77,611	71,663	42,661	11,992	477,388
Adjustment due to revaluations	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31 Ashadh 2077	155,211	26,493	31,341	60,417	77,611	71,663	42,661	11,992	477,388
Net Carrying amount at 31 Ashadh 2077	986,119	618,646	971,564	724,583	3,026,841	1,888,309	341,286	189,408	8,746,757

3.2. Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on straight line basis over their estimated useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for as per Note 2.2.5. Following estimate of useful life on each item of intangible assets is used by management.

ITEM OF INTANGIBLE ASSETS	ESTIMATED USEFUL LIFE
Software	5 years

Intangible assets with indefinite useful lives that are acquired separately are carried at costs less any accumulated impairment losses.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gain or losses arising from derecognition of an intangible asset is measured as the difference between net proceeds from disposal and carrying amount of the asset and are recognized in statement of comprehensive income.

Following is the details of intangible assets as at the period end.

PARTICULARS	SOFTWARE	TOTAL INTANGIBLES
(A) Cost		
Opening balance as at 1 Shrawan 2075	-	-
Additions during the year	-	-
Acquired through business Combination	-	-
Disposal	-	-
Closing balance as at 31 Ashad 2076	-	-
Additions during the year	616,980	616,980
Acquired through business Combination	-	-
Disposal	-	-
Closing balance as at 31 Ashad 2077	616,980	616,980
(B) Accumulated Amortization and Impairment		
Opening balance as at 1 Shrawan 2075	-	-
Additions during the year	-	-
Acquired through business Combination	-	-
Disposal	-	-
Closing balance as at 31 Ashad 2076	-	-
Additions during the year	38,081	38,081
Acquired through business Combination	-	-
Disposal	-	-
Closing balance as at 31 Ashad 2077	38,081	38,081
Carrying Amount as at 15 July 2020	578,899	578,899

3.3. Financial Instruments and Fair Value Measurement

Financial Assets Measured at Amortised Cost

Financial assets held to maturity are classified and measured at amortized cost. These financial asset are initially recognized at fair value including direct and incremental costs and subsequently measured at amortized costs, using the effective interest method, less any impairment allowances.

Recognition

The company recognizes financial assets when it becomes the party to contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms requires delivery of the investment within the timeframe established by the market concerned.

Derecognition

Financial assets are derecognized when the contractual right to receive cash has expired or the company has transferred substantially all risks and rewards of ownership.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

Following table details the financial instruments included in the statements of financial position are measured at amortised cost.

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Non-current		
10.25% KBL Debenture 2086	5,000,000	-
10% Nabil Debenture 2082	2,500,000	-
Sub-total	7,500,000	-
Current		
Fixed Deposit with Machhapuchchhre Bank Ltd	180,000,000	180,000,000
Sub-total	180,000,000	180,000,000
Total	187,500,000	180,000,000

Fixed Deposit is held with Machhapuchchhre Bank Ltd. (parent company), the same has been shown in related party transaction in Note 3.19. Fixed Deposit is held with Bank at 9.6% per annum. The Maturity date of this Fixed Deposit is January 17, 2021.

3.4. Deferred Tax Assets and Liabilities

Deferred Tax is calculated on temporary differences using a tax rate of 30% (as per the Income Tax 2058 B.S.). Deferred tax is recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

The movement of Deferred Tax account is as below:

PARTICULARS	Amount in NPR	
	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Deferred tax assets	134,093	-
Deferred tax liabilities	239,430	-
Net deferred tax liability	105,337	-

FY 2019-20	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
Gratuity	-	19,938	-	19,938
Leave encashment	-	15,690	-	15,690
Lease Equilization Reserve	-	98,464	-	98,464
Total of deferred tax assets	-	134,093	-	134,093
Property, plant and equipment	-	239,430	-	239,430
Financial assets held at FVTOCI	-	-	-	-
Total of deferred tax liability	-	239,430	-	239,430
Net deferred tax liability	-	105,337	-	105,337
Deferred tax expense/(income) recognised in directly in equity	-	-	-	-
Net Deferred Tax Liability	-	105,337	-	105,337

3.5. Trade and Other Receivable

Trade Receivables include Lease equalization reserve for operating lease as non-current liabilities and for current liabilities are amount for interest and other trade receivables. Interest is accrued at the end of each reporting period from the time of last payment. Prepaid Expenses include amounts for prepaid for the insurance and software expenses. Advance tax represents TDS receivable and tax deposited by the company.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Non-Current		
Sub-total	-	-
Interest receivable	287,568	3,623,795
Prepaid Expenses	28,695	-
Stationery Stock	7,304	-
Advances for rent	121,500	-
Receivable from Parties	117,681	-
Sub-total	562,749	3,623,795
Total	562,749	3,623,795

3.6. Cash and Cash Equivalents

For the purpose of presentation in the statement of Cash Flows, Cash and Cash Equivalents includes cash on hand and at Bank. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Cash In Hand	-	-
Cash at Bank	18,862,991	23,798,004
Total	18,862,991	23,798,004

3.7. Share Capital

PARTICULARS	AS AT 15 JULY 2020		AS AT 16 JULY 2019	
	NUMBER	AMOUNTS (RS)	NUMBER	AMOUNTS (RS)
Authorized				
Ordinary Share of Rs 100 each	3,000,000	300,000,000	3,000,000	300,000,000
Issued				
Ordinary Share of Rs 100 each	2,000,000	200,000,000	2,000,000	200,000,000
Paid up	-	-	-	-
Ordinary Share of Rs 100 each	2,000,000	200,000,000	2,000,000	200,000,000
At the End of the year	2,000,000	200,000,000	2,000,000	200,000,000

3.8. Reserve and Surplus

All accumulated profit less distribution is represented under reserve and surplus. Following is the table of reserve and surplus.

PARTICULARS	GENERAL RESERVE	CORPORATE SOCIAL RESPONSIBILITY	RETAINED EARNING	TOTAL RESERVE AND SURPLUS
Opening balance as on 16th July 2019	-	-	6,058,803	6,058,803
+Acquired through Business Combination	-	-	-	-
+Net Profit During the Year	758,030	75,803	6,746,471	7,580,304
-Distribution during the period	-	-	-	-
Closing Reserve and Surplus	758,030	75,803	12,805,274	13,639,107

Appropriation from profit for the year has been made to General Reserve 10% of Profit and Corporate Social Responsibility 1% of Profit as per Rules 25ka and 30ka respectively of Merchant Banker Regulation 2064 (2nd amendment 2076).

3.9. Employee Benefits

Defined Contribution Plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund Contributions in accordance with the respective statutes and regulations.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

Employees' provident fund

The company contribute 10% of the salary of each permanent employee to the Employees' Provident Fund managed by government of Nepal.

Citizens' Investment Trust (CIT)

Those employees who do not have accounts in Provident Fund are facilitated with CIT accounts. The company contribute 10% of salary of each permanent employee and the employees may also choose to deposit additional amounts to the Citizens' Investment Trust according to their preference.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits i.e. gratuity and leave under the Labor Act, 2074. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated as at the reporting date based on an internally generated model as its impact is immaterial. Third Party Actuarial Valuation is not made as the cost for defined benefits obligation is considered immaterial. No actuarial valuation is used as the amount is immaterial.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred

3.9.1. Gratuity Fund

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening Liability	-	-
Less: Gratuity Paid during the year	-	-
Add: Current Service Cost	66,461	-
Closing Liability	66,461	-

3.9.2. Accumulated Leave provision

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Opening Liability	-	-
Less: Paid during the year	-	-
Add: Current Service Cost	52,300	-
Closing Liability	52,300	-

3.9.3. Employee Benefit Liability

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Non-Current Liability		
Provision for Gratuity	66,461	-
Provision for Leave	52,300	-
Sub-Total	118,761	-
Current Liability		
Provision for Employee Bonus	1,221,666	-
Salary Payable	-	-
Sub-Total	1,221,666	-
Total	1,340,427	-

3.10. Trade and Other Payable

Trade and other payable include amounts payable related to expenditure including creditors payable, TDS payable. These payables are recognized and carried at fair value of liability. Discounting is made only for material non-current payables. Current trade and other payables include payable to be paid within 12 months period.

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Provision for audit fee	39,550	16,725
TDS payable on service	36,818	2,270
Social Security Tax Payable	1,599	-
Creditors payable (3.10.1)	171,705	100,000
Provision for current year expenses	119,492	-
SEBON Fee Payable	18,900	-
Retention Money	520,716	-
Total	908,779	118,995

3.10.1. Creditors Payable

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
MAX International	58,493	-
International Electronics Concern	3,690	-
CMS Nepal Pvt. Ltd.	24,928	-
Garud Securities Pvt. Ltd.	63,361	-
Nepal Chamber of Commerce	21,234	-
Machhapuchchhre Bank Ltd	-	100,000
Total	171,705	100,000

3.11. Revenue From Operation

Following table summarizes the operating revenue recognized during the period.

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Underwriting Fee	630,000	-
Portfolio Management Fee	-	-
Service Income	8,365	-
Advisory Income	-	-
Total	638,365	-

3.12. Income From Investment

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Interest income from Bank Deposit	18,093,150	9,019,287
Interest Income from Debenture	291,130	-
Total	18,384,280	9,019,287

3.13. Other Income

Other Income is recognized in the statement of profit or loss after delivery of the service to the extent that it is probable that the economic benefit will flow to the company and the associated costs incurred or to be incurred can be reliably measured.

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Miscellaneous Income	42,000	-
Total	42,000	-

3.14. General and Administration Expenses

All the general administrative expenses are recognized when the benefit is received by the company.

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Advertisement Expense	7,249	52,376
Bank charges	500	-
Board Meeting Allowances	102,000	-
Board meeting Expenses	5,680	-
Branding Expenses	113,000	-
Committee Meeting Allowances	32,000	-
Communication Expenses	211,516	-
Consultancy Fee	95,000	101,700
Corporate Social Responsibility	6,530	-
Electricity Expenses	61,351	-
Fuel Expenses-Generator	4,050	-
Fuel Expenses-Vehicle	20,354	-
Insurance Expenses	14,783	-
Miscellaneous Expenses	2,784	615
Newspaper and Magazine	7,250	-
Office equipment Expenses	33,386	-
office expenses	27,689	-
Office Supplies and Stationery (Printing & Stationery)	19,311	-
Opening Expenses	98,672	-
Outsource staff Expenses	227,372	-
Rate & Tax	3,930	-
Registration & Renewal Expenses	800,000	75,000
Rent Expense	1,813,215	-
Repair and Maintenance	9,859	-
Sanitation and Cleaning Expenses	220,939	-
SEBON-taxes and fees	18,900	-
Security Guard Expenses	612,170	-
Software Expenses	39,572	-
Statutory Audit Fee and Tax Audit Expenses	39,550	16,950
Telephone Expenses	6,540	-
Water Expenses	9,250	-
Total	4,664,401	246,641

3.15. Employee Expenses

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Allowance	508,753	-
Contribution To PF	36,638	-
Fuel	13,957	-
Gratuity Expenses	66,461	-
Lunch	60,486	-
Annual Force Leave Expenses	18,400	-
Provision for leave encashment	52,300	-
Salary	835,453	-
Staff Amenities	21,425	-
Staff Bonus	1,221,666	-
Training and Development Expense	54,240	-
Total	2,889,780	-

3.16. Income Tax Expense

Income tax payable on profit is based on the applicable provisions of the Income Tax Act 2058 and is recognized as an expense in the period in which profits arise. Income Tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the statement of profit and loss except to the extent that it related to items recognized directly in equity or other comprehensive income.

Current Tax

Current Tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment made to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred Tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred Tax has been calculated in Note 3.4.

PARTICULARS	AS AT 15 JULY 2020	AS AT 16 JULY 2019
Current Tax		
Current tax provision	3,194,537	2,596,893
Prior year Tax		
Prior period tax	114,818	-
Deferred Tax expense (Income)		
Current year Deferred tax (note 3.4)	105,337	-
Total Income tax expenses recognised in current year	3,414,692	2,596,893

3.17. Lease and Lease equalization reserve

Determination of whether an arrangement contains a lease is based on the substance of the arrangement at the inception of the lease. A lease is classified as finance or an operating lease.

The Company has an operating lease arrangement only. Operating lease payments are recognized as an expense in the statement of comprehensive income in the year which it becomes payable. Lease amount payable in respect of operating lease is as follows:

PERIOD	FY 2076/77	FY 2075/76
Up to 1 year	1,620,000	-
1- 5 years	7,456,050	-
Above 5 years	9,219,474	-

Lease equalization reserve for this year in operating lease is increased by Rs 328,214.70 while First time implementation of NFRS to the existing GAAP. This has been presented in Statement in Financial Position as Other Non-current Liabilities.

3.18. Provision and Contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the company recognizes it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

The Company has executed Underwriting Agreement with United Idi Mardi and RB Hydropower Ltd. for underwriting of shares of 6,30,000 units of public shares. If these shares are not fully subscribed by public, the further subscription responsibility lies with the company (Machhapuchchhre Capital Ltd.). If no any of the shares are subscribed by public then, there is the contingencies of 6,30,000 units shares with each Rs 100 amounting total Rupees 6,30,00,000. Including this, if the local public of Hydropower area do not subscribe their share, such will be also the liability of the company to subscribe such shares. The probability of subscription as per the management judgment is 100% subscription by the public.

3.19. Related Party Transactions

A person or entity is considered a related party if it:

- controls or has significant influence to the company.
- is subsidiary, joint venture, associates or in which the company can have significant influence.
- is member of key management personnel of the company or its parent.

(A) Nature of Relationship and Name of Related Parties

* Parent Company: Machhapuchchhre Bank Ltd.

*** Board of Directors:**

Mr. Bishwambhar Neupane Chairman

Mr. Tika Bhattarai Director

Mr. Suvash Jamarkattel	Director
Mr. Kumar Gnawali	Director

All the directors are appointed by parent company Machhapuchchhre Bank Ltd. No any independent directors are appointed till date of reporting.

* Transaction with Board of Directors

The Board of Directors are entitled to meeting allowances as per the Articles of Association of the Company. The meeting allowances per meeting per member of Board of Directors is Rs. 10,000 for Chairman and Rs. 8,000 for other directors. No other benefits or allowances are provided to the board of directors. During the year, Rs 1,02,000 has been paid as meeting allowances of Board of Directors.

* Key Management Personnel

Govind Prasad Sharma	Coordinator
----------------------	-------------

Coordinator has been deputed by the Parent company and entitled to remuneration from the parent company.

(B) Related Party Transactions

Related party transaction with Parent company:

S.N.	PARTICULARS	TRANSACTION AMOUNT	NATURE OF TRANSACTION	REMARKS
1	Fixed Deposit at MBL	180,000,000	Fixed Deposit	
2	Call Deposit at MBL	18,861,991	Bank Deposit	
3	Current Deposit at MBL	1,000	Bank Deposit	
4	Service income	8,365	DP service	Agreement has been executed to execute DP service with MBL

3.20. Events after the Reporting Period

The Company follows NAS 10 - Events after the Reporting Period for accounting and reporting of events that occur after the reporting period, which requires to classify those events into adjusting and non-adjusting events.

There is no material events either adjusting or non-adjusting events for the reporting period end.

3.21. Proposed Dividend

The board of directors through its meeting has proposed dividend of 6.4% (i.e. cash dividend of Rs 1,28,00,000 inclusive of applicable tax) of paid up capital, subject to approval from Annual General Meeting.

3.22. First Time Adoption of NFRS

These financial statements are first time financial statements of the Company prepared in accordance with NFRS 1 First time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements to be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with NFRS for the year ended 31 Ashadh 2077 (15 July 2020), together with the comparative information as at and for the year ended on 31 Ashadh 2076 (16 July 2019) and the opening NFRS Statement of Financial Position as at 1 Shrawan 2075, which is the date of transition to NFRS.

While preparing these NFRS financial statements, the Company has availed certain exemptions and exception in accordance with NFRS 1 as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at

the transition date under NFRS and previous GAAP have been recognized directly in equity or retained earnings. This note explains the adjustments made in previous GAAP Carrying values due to adoption of NFRS.

A. Exemptions from retrospective application

NFRS 1 allows certain exemptions from retrospective application of certain requirements under NFRS to first time adopter. The Company has elected 'Deemed Cost' exemption for property, plant and equipment and intangible assets. The Company elected to measure all its property, plant and equipment and intangible assets at the previous GAAP carrying value as its deemed costs on the date of transition.

B. Exceptions to retrospective application

The Company has applied following exceptions to retrospective application of NFRS as mandatorily required under NFRS 1.

(a) Estimates

On assessment of estimates made under previous GAAP financial statements, management has concluded that there is no need of revision to estimates as estimates were not errors. Estimates required under NFRS not previously required under GAAP are made by management of the Company for corresponding reporting dates indicating the condition existing at such date.

(b) Classification and measurement of financial assets

Classification of financial assets to be measured at amortized cost is made on the basis of available information, facts and circumstances that existed on the date of transition to NFRS.

(c) Transition to NFRS – Reconciliations

The following reconciliations provide quantification of the differences arising from transition from Previous GAAP to NFRS in accordance with NFRS 1.

1. Reconciliation of Equity as at 1 Shrawan 2075 (17 July 2018)
2. Reconciliation of Equity as at 31 Ashadh 2076 (16 July 2019)
3. Reconciliation of Statement of Comprehensive Income for the year ended 31 Ashadh 2076 (16 July 2019)

Previous GAAP information has been reclassified/ regrouped in accordance with NFRS, wherever necessary based on the audited financial statements of the Company for the year ended 31 Ashadh 2075 and 31 Ashadh 2076.

The Commercial operation started within current fiscal year after obtaining of Merchant Banking License from SEBON as on 7th Magh 2076. The operational transaction executed before this date and recorded under previous GAAP has insignificant or no effect with implementation of NFRS first time.

1. Reconciliation of Equity as at 1 Shrawan 2075 (17 July 2018)

PARTICULARS	AS AT 1 SHRAWAN 2075	RE-MEASUREMENT	AS PER NFRS(1 SHRAWAN 2075)
Non-Current Assets			
Property Plan and Equipment	-	-	-
Intangible Assets	-	-	-
Financial Assets Held at Amortized Cost	-	-	-
Deferred Tax Assets	-	-	-
Trade and other receivables	-	-	-
Total Non-current Assets	-	-	-
Current Assets			
Financial Assets Held at Amortized Cost	-	-	-
Income Tax Receivable	-	-	-

Contd... RECONCILIATION OF EQUITY AS AT 1 SHRAWAN 2075 (17 JULY 2018)

PARTICULARS	AS AT 1 SHRAWAN 2075	RE-MEASUREMENT	AS PER NFRS(1 SHRAWAN 2075)
Trade and other receivables	-	-	-
Cash and cash equivalents	-	-	-
Total Current Assets	-	-	-
Total Assets	-	-	-
Equity			
Share Capital	-	-	-
Reserves and Surplus	(116950)	-	(116950)
Total Equity	(116950)	-	(116950)
Liabilities			
Non Current Liabilities			
Loans and Borrowings	-	-	-
Employee Benefits	-	-	-
Deferred Tax Liabilities	-	-	-
Other Non-current liabilities	-	-	-
Total Non-Current Liabilities	-	-	-
Current Liabilities			
Loans and Borrowings	-	-	-
Trade and other payables	116950	-	116950
Income Tax Liability	-	-	-
Employee Benefits	-	-	-
Total Current Liabilities	116950	-	116950
Total Liabilities	116950	-	116950
Total Equity and Liabilities	-	-	-

2. Reconciliation of Equity as at 31 Ashadh 2076 (16 July 2019)

PARTICULARS	AS AT 31 ASHADH 2076	RE-MEASUREMENT	AS PER NFRS(31 ASHADH 2076)
Non-Current Assets			
Property Plan and Equipment	-	-	-
Intangible Assets	-	-	-
Financial Assets Held at Amortized Cost	-	-	-
Deferred Tax Assets	-	-	-
Trade and other receivables	-	-	-
Total Non-current Assets	-	-	-
Current Assets			
Financial Assets Held at Amortized Cost	180,000,000	-	180,000,000
Income Tax Receivable	1,352,893	-	1,352,893
Trade and other receivables	3,623,795	-	3,623,795
Cash and cash equivalents	23,798,004	-	23,798,004
Total Current Assets	208,774,692	-	208,774,692
Total Assets	208,774,692	-	208,774,692

Contd... Reconciliation of Equity as at 31 Ashadh 2076 (16 July 2019)

PARTICULARS	AS AT 31 ASHADH 2076	RE-MEASUREMENT	AS PER NFRS(31 ASHADH 2076)
Equity			
Share Capital	200,000,000	-	200,000,000
Reserves and Surplus	6,058,803	-	6,058,803
Total Equity	206,058,803	-	206,058,803
Liabilities			
Non-Current Liabilities			
Loans and Borrowings	-	-	-
Employee Benefits	-	-	-
Deferred Tax Liabilities	-	-	-
Other Non-current liabilities	-	-	-
Total Non-Current Liabilities	-	-	-
Current Liabilities			
Loans and Borrowings	-	-	-
Trade and other payables	118,995	-	118,995
Income Tax Liability	2,596,893	-	2,596,893
Employee Benefits	-	-	-
Total Current Liabilities	2,715,889	-	2,715,889
Total Liabilities	2,715,889	-	2,715,889
Total Equity and Liabilities	208,774,692	-	208,774,692

3. Reconciliation of Statement of Comprehensive Income for the year ended 31 Ashadh 2076 (16 July 2019)

PARTICULARS	FY 2075/76	RE-MEASUREMENT	AS PER NFRS(FY 2075/76)
Revenue			
Revenue from Operation	-	-	-
Income from Investment	9,019,287	-	9,019,287
Other Income	-	-	-
Total Revenue	9,019,287	-	9,019,287
Expenses			
General and Administrative Expenses	246,641	-	246,641
Depreciation and Amortization	-	-	-
Employee Expenses	-	-	-
Employee Bonus Expenses	-	-	-
Total Expenses	246,641	-	246,641
Profit Before Tax	8,772,647	-	8,772,647
Income Tax Expense	2,596,893	-	2,596,893
Net Profit for the year	6,175,753	-	6,175,753
Other Comprehensive Income			
Available for sale investments	-	-	-
Actuarial Gain/Loss on defined benefit plan	-	-	-
Tax relating to other comprehensive income	-	-	-
Total Other Comprehensive Income	-	-	-
Total Comprehensive Income	6,175,753	-	6,175,753

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-Bagmati Province Cluster A
4	Mr. Upendra Malakar	Province Manager-Bagmati Province Cluster B
5	Mr. Bhuvan Singh Khatri	Province Manager-Gandaki Province
6	Mr. Ishwar Bahadur Rawal	Province Manager-Lumbini Province
7	Mr. Manoj Raj Ghimire	Province Manager-Karnali Province
8	Mr. Hari Lal Ayer	Province Manager-Sudurpaschim Province

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

BATTISPOTALI 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 BRANCH977 -01-4223115, 4239473,
4220258, 4239490**PATAN BRANCH**

977-1-5526302

PEPSICOLA BRANCH

977-01-5156182, 5156083

PULCHWOK BRANCH

977-1-5535681

POTALISADAK 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

BANEPA 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 BRANCH977 -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

AANBU KHAIRENI BRANCH

977-65-540345

API HIMAL BRANCH**ATTARIYA BRANCH**

977-91-550431

BAGAR BRANCH

977-61-541226

BAGLUNG BRANCH

977-68-522673

BANEPA 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

DADELDHURA BRANCH

977-96-420960

DAMAK BRANCH977 -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

SIKLES 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

Scrip Code	MBL
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