

# ANNUAL REPORT FY 2022/2023



**Empowering You Digitally,  
Securing Your Tomorrow.**



**Machhapuchchhre Bank**

सभस, उरकुट एब बिस्तारिस





**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.**



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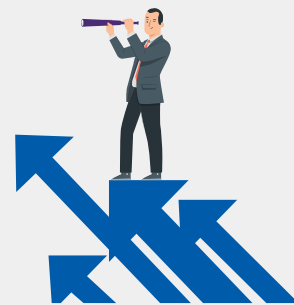
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## BANK'S OVERVIEW

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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 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 11.62 billion rupees, 165 Branch Offices, 121 Branchless Banking Units, 12 Extension Counters and 200 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 Pokhara (Naya Bazar), Jomsom, Baglung, Damauli and Bhairahawa.



## 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 four 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.

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.

# 165

BRANCHES ACROSS THE COUNTRY

# 1499

NO. OF EMPLOYEES

# 200

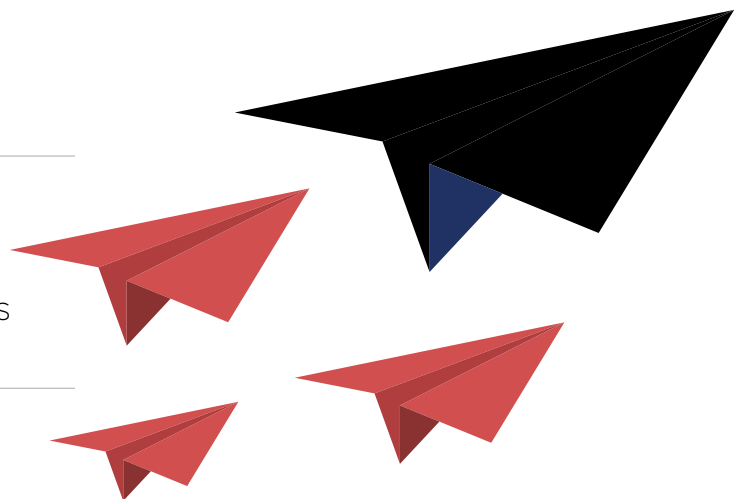
ATMS

# 12

EXTENSION COUNTERS

# 121

BRANCHLESS BANKING UNITS





COMMERCIAL  
INSIGHTS



COMMER  
ARCHITE



COMMERCIAL  
STRUCTURE



COMMERCIAL  
ASSET MANAGEMENT



COMMERCIAL  
ENABLEMENT



COMMERCIAL  
OPERATIONS



## I. BANK STRATEGIES FOR THE FORTHCOMING YEAR

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Fiscal year 2022-23 was full of challenges to the whole Nepalese economy and banks were no exception to it. The bank had started the year with aspiring strategies of increasing lending, soliciting low cost deposit and expand the digital spectrum as a whole.

However, the bank couldn't expand the credit business as planned, as the economy witnessed slow down. Whole of the banking industry experienced surge in NPL and banks put effort in managing stress in risky assets. Despite all the challenges, the Bank's sheer determination and dedication helped it remain afloat even in these trying times.

The Bank earned a net profit of NPR 1.62 b in FY 2022/23. The portfolio growth of the Bank in FY 2022/23 was NPR 7.6 b (NPR 8.2 b deposit growth, NPR -0.6 b loan growth) & the Net assets of the bank grew by NPR 7.9 b growth.

Among the strategies set for FY 2023/24, expanding the footprint in the digital banking segment holds considerable amount of importance. The Bank requires to double the initiative and cement our position as key digital enabler in the industry living true to our name (as the Smart Bank). Another priority is to achieve Cost Efficiency by conducting orientation on cost reduction initiatives. Further, automation in various operation internally is expected to downsize the turnaround work time. This shall enable staff to be more productive and creative in customer service.

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.

## II. COUNTRY'S ECONOMIC CONDITION (ECONOMIC OUTLOOK OF FY 2022-23)

### ■ Economic Growth and Price Situation

National Statistics Office has estimated the economic growth of Nepal to be 8 percent in 2022/23. Economic growth is mainly supported by electricity generation, expansion in construction activities, and revival of the tourism sector. In 2022/23, the economic growth rate was 1.86 percent.

In 2022/23, the ratio of gross domestic savings to GDP stands at 6.41 percent and the ratio of gross national savings to GDP stands at 31.66 percent.

The y-o-y consumer inflation stood at 7.44 percent in mid-July 2023 compared to 8.08 a year ago.

### ■ International Trade, Remittances, and Balance of Payment Position

During the twelve months of 2022/23, merchandise exports decreased by 21.4 percent to NPR 157.14 billion, while merchandise imports decreased by 16.1 percent to NPR 1611.73 billion. As a result, the merchandise trade deficit decreased 15.5 percent to NPR 1454.59 billion.

Remittance inflow is improving in this year was well. The remittances inflows increased 21.2 percent to 1220.56 billion during 2022/23 compared to an increase of 4.8 percent in the previous year. In the 2022/23 remittances in US dollar terms increased by 12.1 percent to 9.3 billion compared to 2.2 percent in previous year.

In the FY 2021/22, the BoP deficit stood at NPR 72.16 billion compared to NPR 623.38 billion during the same period of the previous year. As such, foreign currency reserves held by NRB increased by 27.4 percent to NPR 1345.78 from NPR 1056.39 billion in previous year. The current level of reserve is adequate to cover the prospective imports of goods of 11.7 months and goods and services for 10 months.

### ■ Interest Rate

In mid-July 2022, the weighted average interest rate of 91-day treasury bills was 10.66 percent, which reached 6.35 percent in mid-July 2023.

The average base rate of commercial banks was 9.54 percent in last months of 2021/22 which reached 10.03 percent in last month of 2022/23. In mid-July 2022, the weighted average interest rate of deposits was 7.41 percent, which reached 7.86 percent in mid-July 2023. Similarly, in mid-July 2022, the weighted average lending rate was 11.62 percent, which reached 12.30 percent in mid-July 2023.

### ■ Capital Markets

The NEPSE index, which was 2009.5 in mid-July 2022, stood at 2097.1 in mid-July 2023. At mid-July 2023, the stock market capitalization stood NPR 3082.52 billion. At mid-July 2022, market capitalization was NPR 2869.34 billion.

In the 2022/23, the Securities Board of Nepal has approved the issue of securities worth NPR 66.11 billion which includes mutual funds worth

NPR 16.15 billion, ordinary shares worth NPR 22.38 billion, debenture worth NPR 11.60 billion and right shares worth NPR 15.98 billion.

### ■ Financial Access

The total number of BFIs licensed by NRB remained 112 in mid-July 2023. As of mid-July 2023, 20 commercial banks, 17 development banks, 17 finance companies, 57 microfinance financial institutions and 1 infrastructure development

bank are in operation. The number of BFIs branches reached 11,589 in mid-July 2023 from 11,528 in mid-July 2022 (Table 6). Population per branch remained 2517 in mid-July 2023 compared to 2532 a year ago.



# BOARD OF DIRECTORS



**Dr. Upendra Mahato**  
Chairman

Dr. Upendra Mahato is a well-known philanthropist and international entrepreneur with business ventures in many European, African and Asian countries. He is the founding resident of Non-Resident Nepali Association and is currently engaged as the President of Phul Kumari Mahato Memorial Trust, Kathmandu, as the President of International Coordination Council, Non-Resident Nepali Association, and as an advisor in different National and International Social and Business Associations. He holds Ph.D. and D.Sc. degrees in Soil Mechanics (Landslides) from the International Academy of Information Technology, Minsk, Belarus and M.E. in Hydropower with from Belarusian State Polytechnic Academy, Minsk, Belarus. He is a life-time member of Association of Nepalese in America, and International Literary Society, Washington DC. He has also received a Commendation Letter from the Government of Nepal on the First Non-Resident Nepali Conference held on 11th October 2003. He has been awarded with Suprarwal Janasewa Award for recognition of his contribution in the overall development of the country in 2009 and Sukirtimava Rastradeep Bibhushan Award in 2021.

A young energetic person, holds Master Degree in Business Administration, Mr. Roshan KC 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. Roshan KC**  
Director



**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 holds Master's 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. Jaya Mukunda Khanal**  
Public Director



**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 has remained as board member in United Irdi Mardi.

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



**Mr. Haribhakta Sigdel**  
Promoter Director



**Ms. Bandana Karki**  
Public Director

Ms. Bandana Karki holds Master's Degree in Business Administration (MBA) from Sikkim Manipal University. She has working experience in different organizations from diverse fields and has outstanding administrative skills. Currently, she has been working as director of Gandaki Hydropower Development Company Pvt. Ltd and also worked as a Procurement Manager of Himshree Foods Pvt. Ltd.

# Chairman's Speech

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I am delighted to welcome respected shareholders, representatives from regulatory bodies, auditor, legal advisors, distinguished invitees, journalists, Chief executive officer, staffs of the Machhapuchchhre Bank Ltd. and entire stakeholders on behalf of the Board of Directors for your remarkable presence in this 25th Annual General Meeting of the Bank.





## CHAIRMAN'S SPEECH

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It is a proud moment for everyone associated with Machhapuchchhre Bank that the bank has completed its 23rd years of remarkable operation. Machhapuchchhre Bank family is always grateful to the entire stakeholders for their deep trust and sincere support in this incredible journey.

We are here today because of the continued goodwill and support of our shareholder and dignitaries trust and love of our customers towards us, the guidance of the regulatory bodies and the unwavering efforts of all the staffs. While embracing the new dimensions of technology and moving towards refined services, we have been able to adhere to the policies, directives, risk management and good governance of the existing laws and regulatory bodies.

By harnessing the power of digitalization and promoting sustainable business practices, we aim to drive enterprises' growth and contribute to our economy's sustainable development. We remain committed to furthering our organic growth supported by fundamentals which we have worked on through the years. We have included several offerings in our digital platform across deposits, payments, financing and wealth management. We shall remain adequately liquid, well capitalized and prepared to deliver growth targets for the year to come.

Moving forward with the main objective of increasing access to banking, Machhapuchchhre Bank is currently providing banking facilities to more than 1.5 million customers through 165 branches in seven provinces of the country, 130 branchless Banking services, 202 ATMs and 13 extension counters.

The FY 2022/2023 was quite a challenging year for the entire country. The occurrence of unanticipated

events and activities in the International Economy had a direct and indirect impact on each and every sector of the Nepalese economy as well. Nepalese banking industry was also affected by the challenging scenario that had developed in the country and being a member of the industry, Machhapuchchhre Bank also faced its own share of challenges from the unpredictable scenario.

Amid challenges, bank has always given priority in increasing the quality of loans and has expanded its credit investment in agriculture, renewable energy, small and medium enterprises in order to contribute employment generation in the country along with a commitment in providing reasonable returns to shareholders. During the review year, the deposits and Loans of Machhapuchchhre Bank reached Rs. 158.28 Billion & Rs. 130.60 Billion respectively.

Machhapuchchhre Bank has always aspired to collaborate with the Government of Nepal in achieving national aims and goals. In its quest for contributing to the nation, our bank is always aimed at making noteworthy contributions in raising the living standard of deprived sector, creating employment, increasing revenue collection, promoting cashless economy and enhancing the financial access. Embracing the slogan of "Smart Bank", the Bank has adopted the strategy aimed at providing complete banking facility at home. As a part of this effort, we have made remarkable achievement in making the banking channel easily accessible to individuals residing in remote locations of the country.

We believe in the invaluable role of customer feedbacks and compliments in shaping our product and services offerings to better align with customer needs and enhance overall experiences. We have

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consistently improved our 24 x 7 customer Care Centre services, providing uninterrupted assistance throughout the year. The customer Care Centre serves as a vital channel for customers to submit requests, which are expected promptly post authentication, ensuring customers are left satisfied with their experience.

My fellow shareholders, it is with immense joy and a profound sense of accomplishment that we are working on a strategy to develop and expand new technologies in a timely manner and to add additional features to existing technologies. We believe our digital services will create a milestone towards a true cashless economy and those handy tools that

enabled our customers to avail banking services from their own devices, providing them a greater freedom and control in managing their finances and payments.

Finally, I would like to offer my cordial appreciation to all our respected shareholders, other stakeholders, Board members, regulators, dedicated and hardworking staffs and our valued customers and well-wishers for their significant contribution. To conclude, I am sure that the bank shall continue to get the same constructive advice, suggestions, cooperation and supports from all of you in the future which will be a source of inspiration in our endeavor to take our bank to newer heights of success in the years to come.

**Thank You**

**DR. UPENDRA MAHATO**

Chairman



# CEO Message

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Welcome! The Chairman, Board of Directors, the Shareholders, representative of regulatory bodies, auditors, legal advisors, lawyers, supervisors, journalists, bank staffs. I would like to extend my heartfelt greetings on 25<sup>th</sup> Annual General Meeting of the Bank.

## Ceo Message

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Welcome! The Chairman, Board of Directors, the Shareholders, representative of regulatory bodies, auditors, legal advisors, lawyers, supervisors, journalists & bank staffs. I would like to extend my heartfelt greetings on 25<sup>th</sup> Annual General Meeting of the Bank.

With the slogan of Smart Bank, the Bank's vision is to provide excellent services to the customers responding to the challenges of the day through 165 branches, 121 branchless banking, 12 extension counters, and 200 ATMs nationwide serving more than 16 lakhs of satisfied customers. The bank has made significant achievements while organizing this 25<sup>th</sup> Annual General Meeting.

Bank is determined to provide banking services to every region and level of the country, the bank has extended its services to the difficult areas of Mugu, Jumla, Dolpa, Darchula and other under-developed districts expecting to literate people in that area financially to extent possible and serve them.

During the review period, the bank has managed to earn NPR 1.62 billion net profit. Whilst total deposit reached NPR 158.28 billion and total loan reached NPR 130.60 billion. The size of the balance sheet has

increased by 4 percent. In addition, the Bank's investment increased by 14.35 percent to NPR 27.82 billion. All this has been possible due to strong and unwavering trust and deep affection of the customers towards our bank. Moreover the Bank is accredited with the BPA Award (Best Presented Annual Report) for FY 2022/23 presented by ICAN for its financials and clear disclosures on every figure. This made even a layman to understand every facts and figures with an ease.

Machhapuchchhre Bank has been able to establish itself as a Smart Bank with effective participations in the digital economy. Plus the customers' needs and wants are addressed in the smartest form with latest technology that is reliable and qualitative keeping it more simple, and convenient. The bank is working tirelessly and researching to provide international level quality services to its customers. Bank has been honored with the award "Infosys Finacle Innovation Awards, 2023 – Maximizing Customer Engagement-Gold" by the multinational Information Technology company - Infosys Finacle, India, Bangalore for continuously improving its digital services and taking the latest steps to secure the said services since past two years.

In status quo, the industry is competitive and it is imperative to be different from others to sustain this industry. Based on this, we have introduced most of the operational work paperless with the maximum utilization of the technology. In addition, the bank has prioritized 24-hour customer service center and digital banking to increase the quality service. Past fiscal year, the bank introduced SMS verification technology for the first time in Nepal making bank's mobile banking application for transaction making it more reliable and safe. Our mobile banking application "M-Smart" is incorporated with **Foneloan** facility through which customers can directly apply for loan based on the **Digital Lending Framework** issued by Nepal Rastra Bank, **Loan against Fixed Deposit** through which customers can pledge their MBL FD and apply for loan, **VISA Direct Service** to bring the remittance amount from abroad conveniently, etc. The bank shall also continuously update the application complying full security and convenience to its customers in future.

We believe that the digital banking services of the bank has significantly supported to achieve our campaign to reach out the rural areas nationwide. Likewise,

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our team is focused in improvising BLB (branchless banking) services intending banking services accessible to every region and class of the country in a simpler and convenient way.

Moreover the bank has participated in various social activities as its responsibility towards the society in sectors like health, education, sports, and to the victims affected by natural disaster. Corporate governance, being the best aspect of Machhapuchchhre Bank Ltd., the Bank adopted the policy to never compromise on good corporate governance to fulfill the paramount objective of continuously strengthening the bank by providing the highest security to the investor's investment and deposits of general public paving the path to the strongest position in the industry. The Bank is also determined to follow each and every policy, rules and regulations and pay special attention to the risk management. Another strength of the Machhapuchchhre Bank which does not compromise on corporate governance is its efficient management of staff. Keeping in

mind the career development of employees at all level, the bank is providing internal/ external/ international training and professional development programs for employees. The bank invested NPR 43.88 million in training and professional development during the year to increase organizational productivity and make employees proficient in their work duties.

The Bank has also emphasized on sustainable banking. More than 1400 employees from 165 branches are committed to fulfill the mission of making the bank strong and remarkable. We also appreciate Customer Trust that has brought us to where we are today. Therefore we always strive for the satisfaction of our customers and are working for the convenience of the customers to extent possible.

At the end, I would like to express my sincere gratitude to all the respected board of directors, shareholders and dignitaries who always show deep interest in all our activities and suggest us opinions, regulatory bodies, media world, customers, bank and financial institutions and

other associations that have directly or indirectly supported for the development, progress and growth of this bank.

With best regards,  
**Santosh Koirala**  
Chief Executive Officer





# INTERNATIONAL SCENARIO

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**With the gradual improvement in the health crisis induced by COVID-19, world economy is headed towards to return to pre- pandemic levels. However, the pace of returning has been slower than expected due to Russia's invasion of Ukraine. The war had hardly hit the global market with the surge in price of raw materials which fueled in global inflation.**

With the surging inflations worldwide, central banks moved towards tightening the markets aggressively by increasing the interest rates. Since 2022, global policy rates have risen by almost 500 basis points (bps), which is impacting interest-sensitive spending and holding back factory output. A new round of developed market tightening is most likely anticipated before the end of 2023 in a bid to bring inflation under control. However, further tightening will likely undermine the health of the private sector.

Due to central Banks's actions, energy and food prices have come down sharply from their war-induced peaks, allowing global inflation pressures to ease faster than expected. Yet many challenges still cloud the horizon, and it is too early to celebrate. Even, the data shows cooling of inflation in the markets, core inflation, which excludes energy and food prices, remains well above central bank's target.

Along with the inflation, many emerging nations need to work out in their fiscal policies by making structural reforms. The slowdown of economy is much sharper in emerging nations than developed nations. Due to higher interest rates, these nations have been facing the debt distress recently.

Hopefully, with the continuous monitor and support from global central banks and less effects from war, the global outlook gives glimpse of silver lining over the cloud in upcoming years. With the fiscal support, global markets can safeguard financial stability and reinforce the overall credibility of the disinflation strategy.

On the other hand, due to the timely response from regulators towards dent of foreign exchange depletion, the macro indicators has much improved in Nepal. Nepal's economic growth is estimated to moderate to 4.1% in fiscal year (FY) 2023, down from an estimated growth of 5.8% in FY2022, says the Asian Development Outlook (ADO) April 2023, the latest edition of the Asian Development Bank's (ADB) flagship economic publication. With the proper policy intervention from the regulatory bodies, the balance of payment situation as well as foreign reserve has improved a lot till the end of Fiscal year 2022-2023.

Average inflation remained at 7.74 percent by the Mid July 2023. Imports decreased by 16.1 percent and remittance increased by 21.2 percent from the previous year. As a result balance of payment remained at a surplus of NPR 290.52 billion this Fiscal year.

Throughout the year, market liquidity has improved from tight situation to the manageable liquidity conditions mainly due to improved BOP surplus, contained trade deficit and increase in remittance.

Throughout the year, the Bank's ALCO has been able to effectively monitor the market and make timely strategic decisions. All necessary key indicators have been maintained in compliance with regulatory requirements throughout the year.

# BANK'S PERFORMANCE

## HORIZONTAL ANALYSIS OF BALANCE SHEET

PARTICULARS	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
<b>Assets</b>					
Cash and cash equivalent	113%	122%	92%	104%	100%
Due from Nepal Rastra Bank	288%	187%	276%	141%	100%
Placement with Bank and Financial Institutions	100%		33%	6%	100%
Derivative financial instruments			30%	93%	100%
Other trading assets	136%	142%	5%	59%	100%
Loan and advances to B/FIs	183%	107%	152%	101%	100%
Loans and advances to customers	168%	171%	151%	123%	100%
Investment securities	266%	234%	190%	116%	100%
Current tax assets	369%	308%	200%	131%	100%
Investment in subsidiaries	200%	100%	100%	100%	100%
Investment in associates					100%
Investment property	777%	311%	349%	223%	100%
Property and equipment	141%	141%	131%	119%	100%
Goodwill and Intangible assets	272%	259%	257%	133%	100%
Deferred tax assets	400%	230%	164%	164%	100%
Other assets	265%	217%	59%	70%	100%
<b>Total Assets</b>	<b>177%</b>	<b>170%</b>	<b>150%</b>	<b>118%</b>	<b>100%</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	65%	80%	45%	42%	100%
Due to Nepal Rastra Bank	1%	354%	408%	1%	100%
Derivative financial instruments					100%
Deposits from customers	181%	170%	154%	122%	100%
Borrowing					100%
Current Tax Liabilities					100%
Provisions					100%
Deferred tax liabilities					100%
Other liabilities	227%	262%	165%	128%	100%
Debt securities issued					100%
Subordinated Liabilities					100%
<b>Total liabilities</b>	<b>181%</b>	<b>175%</b>	<b>155%</b>	<b>120%</b>	<b>100%</b>
<b>Equity</b>					
Share capital	127%	127%	112%	105%	100%
Share premium	100%	100%	100%	100%	100%
Retained earnings	112%	46%	98%	76%	100%
Reserves	238%	194%	135%	114%	100%
<b>Total equity attributable to equity holders</b>	<b>144%</b>	<b>129%</b>	<b>114%</b>	<b>103%</b>	<b>100%</b>
Non-controlling interest					
<b>Total equity</b>	<b>144%</b>	<b>129%</b>	<b>114%</b>	<b>103%</b>	<b>100%</b>
<b>Total liabilities and equity</b>	<b>177%</b>	<b>170%</b>	<b>150%</b>	<b>118%</b>	<b>100%</b>

Growth of each component of the Statement of Financial Position of every year calculated on the amount of FY 2018-19 which represents the value of 100%. A value above 100% is positive growth and below 100% means negative growth compared to the base year.

## HORIZONTAL ANALYSIS OF PROFIT OR LOSS (PAST 5 YEARS)

PARTICULARS	NOTE	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
Interest income	4.29	189%	196%	144%	146%	100%
Interest expense	4.30	210%	206%	135%	149%	100%
<b>Net interest income</b>		<b>151%</b>	<b>178%</b>	<b>159%</b>	<b>141%</b>	<b>100%</b>
Fee and commission income	4.31	177%	276%	233%	193%	100%
Fee and commission expense	4.32	361%	370%	254%	195%	100%
<b>Net fee and commission income</b>		<b>159%</b>	<b>265%</b>	<b>230%</b>	<b>193%</b>	<b>100%</b>
<b>Net interest, fee and commission income</b>		<b>153%</b>	<b>190%</b>	<b>169%</b>	<b>148%</b>	<b>100%</b>
Net trading income	4.33	92%	130%	155%	169%	100%
Other operating income	4.34	249%	1052%	2174%	776%	100%
<b>Total operating income</b>		<b>149%</b>	<b>189%</b>	<b>173%</b>	<b>151%</b>	<b>100%</b>
Impairment charge/(reversal) for loans and other losses	4.35	980%	328%	326%	385%	100%
<b>Net operating income</b>		<b>128%</b>	<b>183%</b>	<b>166%</b>	<b>140%</b>	<b>100%</b>
<b>Operating expense</b>						
Personnel expenses	4.36	172%	220%	202%	172%	100%
Other operating expenses	4.37	111%	261%	212%	212%	100%
Depreciation & Amortisation	4.38	319%	376%	190%	161%	100%
<b>Operating Profit</b>		<b>99%</b>	<b>136%</b>	<b>137%</b>	<b>106%</b>	<b>100%</b>
Non operating income	4.39	7%	1105%	313%	259%	100%
Non operating expense	4.40	57%				100%
Profit before income tax		96%	134%	126%	103%	100%
Income tax expense	4.41	97%	132%	120%	106%	100%
Current Tax		98%	134%	121%	110%	100%
Deferred Tax		116%	-506%	-236%	-1212%	100%
<b>Profit for the year</b>		<b>96%</b>	<b>135%</b>	<b>129%</b>	<b>101%</b>	<b>100%</b>
<b>Profit attributable to:</b>						
Equity holders of the Bank		96%	135%	129%	101%	100%
Non-controlling interest						
<b>Profit for the year</b>		<b>96%</b>	<b>135%</b>	<b>129%</b>	<b>101%</b>	<b>100%</b>
<b>Earnings per share</b>						
Basic earnings per share		75%	78%	112%	95%	100%
Diluted earnings per share		75%	78%	112%	95%	100%

## VERTICAL ANALYSIS OF BALANCE SHEET

PARTICULARS	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
<b>Assets</b>					
Cash and cash equivalent	6%	6.43%	5.49%	7.85%	8.97%
Due from Nepal Rastra Bank	5%	3.38%	5.63%	3.66%	3.07%
Placement with Bank and Financial Institutions	1%		0.30%	0.07%	1.39%
Derivative financial instruments			0.01%	0.05%	-
Other trading assets	0.26%	0.28%	0.01%	0.17%	0.34%
Loan and advances to B/FIs	2%	1.46%	2.35%	1.98%	2.32%
Loans and advances to customers	68%	71.94%	71.78%	74.31%	71.35%
Investment securities	15%	13.50%	12.39%	9.58%	9.79%
Current tax assets	0%	0.36%	0.26%	0.22%	0.20%
Investment in subsidiaries	0%	0.11%	0.13%	0.16%	-
Investment in associates			-	-	-
Investment property	0.33%	0.14%	0.17%	0.14%	0.07%
Property and equipment	1%	0.89%	0.93%	1.07%	1.07%
Goodwill and Intangible assets	0.07%	0.07%	0.08%	0.05%	0.05%
Deferred tax assets	0.05%	0.03%	0.02%	0.03%	-
Other assets	2%	1.41%	0.44%	0.65%	1.11%
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	2%	2.84%	1.81%	2%	6%
Due to Nepal Rastra Bank	0.01%	2.02%	2.63%	0.01%	1%
Derivative financial instruments			-		
Deposits from customers	83%	81.14%	83%	84%	81%
Borrowing	2%	0.72%	0.76%	1%	-
Current Tax Liabilities			-		-
Provisions			-		
Deferred tax liabilities			-		
Other liabilities	2%	2.10%	1.49%	1%	1%
Debt securities issued	3%	3.07%	1.99%	3%	-
Subordinated Liabilities			-	-	-
<b>Total liabilities</b>	<b>91%</b>	<b>92%</b>	<b>92%</b>	<b>91%</b>	<b>89%</b>
<b>Equity</b>					
Share capital	5%	5.74%	6%	7%	8%
Share premium	0.02%	0.02%	0.02%	0.02%	0.03%
Retained earnings	1%	0.33%	0.80%	1%	1%
Reserves	2%	2.01%	1.59%	2%	2%
Total equity attributable to equity holders	9%	8%	8%	9%	11%
Non-controlling interest					
<b>Total equity</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>	<b>9%</b>	<b>11%</b>
<b>Total liabilities and equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The percentage of each component of the statement of financial position items refers to the weightage based on total assets over the periods.

## VERTICAL ANALYSIS OF PROFIT OR LOSS (PAST 5 YEARS)

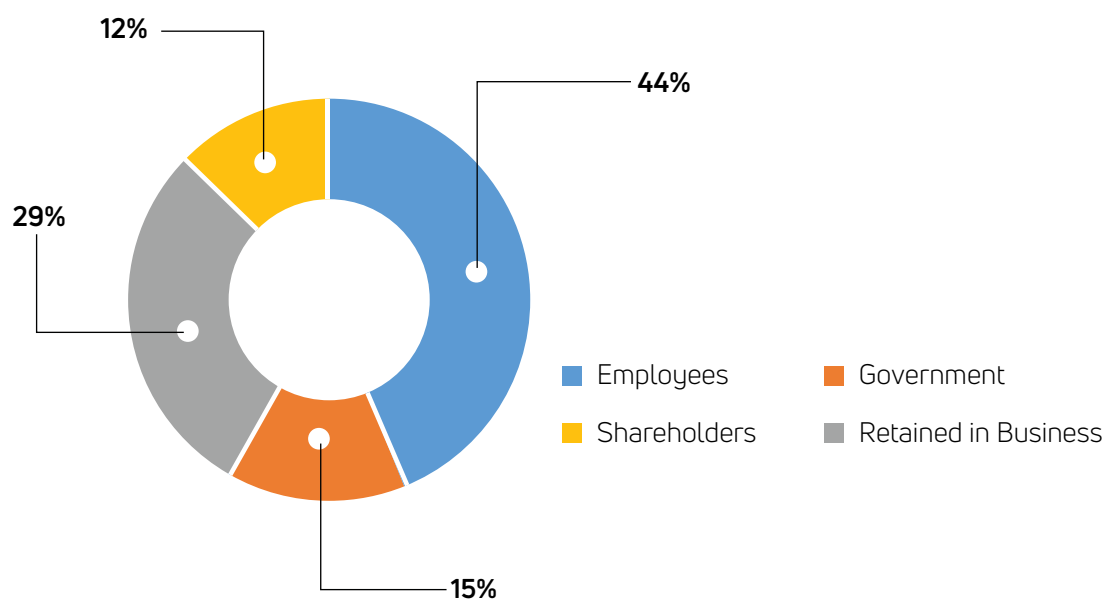
PARTICULARS	NOTE	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
Interest income	4.29	92%	90%	87%	90%	89%
Interest expense	4.30	66%	61%	53%	59%	58%
<b>Net interest income</b>		<b>26%</b>	<b>29%</b>	<b>34%</b>	<b>31%</b>	<b>31%</b>
Fee and commission income	4.31	7%	8%	9%	7%	7%
Fee and commission expense	4.32	1.20%	1.13%	1.03%	0.80%	0.61%
<b>Net fee and commission income</b>		<b>5%</b>	<b>7%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>
<b>Net interest, fee and commission income</b>		<b>31%</b>	<b>36%</b>	<b>42%</b>	<b>37%</b>	<b>37%</b>
Net trading income	4.33	1%	1%	2%	2%	3%
Other operating income	4.34	0.33%	1%	2%	0.55%	0.25%
<b>Total operating income</b>		<b>33%</b>	<b>38%</b>	<b>46%</b>	<b>40%</b>	<b>40%</b>
Impairment charge/(reversal) for loans and other losses	4.35	5%	3%	4%	5%	1%
<b>Net operating income</b>		<b>27%</b>	<b>35%</b>	<b>42%</b>	<b>35%</b>	<b>39%</b>
Operating expense						
Personnel expenses	4.36	10%	11%	14%	12%	11%
Other operating expenses	4.37	4%	6%	7%	7%	6%
Depreciation & Amortisation	4.38	2%	2%	1%	1%	1%
<b>Operating Profit</b>		<b>11%</b>	<b>14%</b>	<b>19%</b>	<b>15%</b>	<b>21%</b>
Non operating income	4.39	0.04%	0.20%	0.08%	0.06%	1%
Non operating expense	4.40	0.26%	0%	2%	1%	1%
<b>Profit before income tax</b>		<b>11%</b>	<b>14%</b>	<b>18%</b>	<b>15%</b>	<b>21%</b>
Income tax expense	4.41	3%	4%	5%	5%	6%
Current Tax		4%	4%	5%	5%	7%
Deferred Tax		-0.17%	-0.04%	-0.03%	-0.13%	-0.27%
<b>Profit for the year</b>		<b>8%</b>	<b>10%</b>	<b>13%</b>	<b>10%</b>	<b>15%</b>
<b>Profit attributable to:</b>						
Equity holders of the Bank		8%	10%	13%	10%	15%
Non-controlling interest						
<b>Profit for the year</b>		<b>8%</b>	<b>10%</b>	<b>13%</b>	<b>10%</b>	<b>15%</b>

## VALUE ADDED STATEMENT

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

Fig In Million

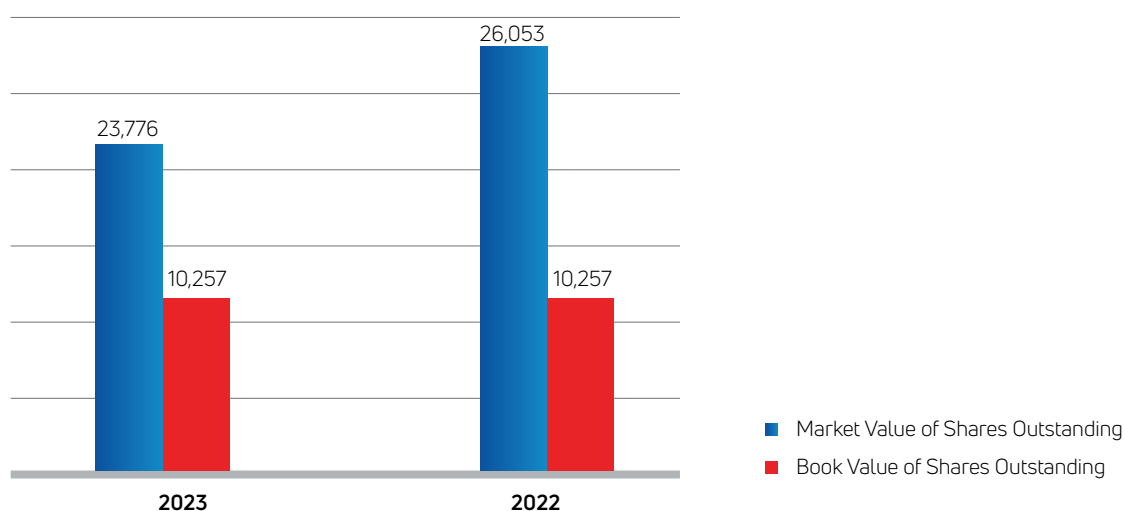
	2022/23	
	AMOUNT	%
Total Operating Income	20,962	
Total Operating Expenses	14,967	
<b>Value Added from Core Banking Services</b>	<b>5,995</b>	
Other Incomes	70	
Non-Operating Income	9	
Non-Operating Expenses	54	
Impairment Charge	1,148	
<b>Total Value Added by the Bank</b>	<b>4,871</b>	<b>100%</b>
Number of Employees	1,558	
Value Added per Employee	3	
<b>Distribution of Value applied</b>		
To Employees (As salary and allowances)	2,121	44%
Towards Government (Corporate tax)	710	15%
To Shareholders (Cash and Stock)	1,436	29%
Cash Dividend	72	
Bonus Share	1,364	
For Expansion and Replacement of Assets	416	9%
As retained Income	190	4%
<b>Total Value Applied</b>	<b>4,871</b>	<b>100%</b>



## MARKET VALUE ADDED (MVA) STATEMENT

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

MARKET VALUE ADDED STATEMENT FOR THE YEAR END	2023	2022
Market Value of Shares Outstanding	23,776	26,053
Book Value of Shares Outstanding	10,257	10,257
<b>Market Value added</b>	<b>13,519</b>	<b>15,796</b>



## ECONOMIC VALUE ADDED

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

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

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

FOR THE YEAR ENDED ON	2022/23
SHAREHOLDERS FUND AT THE YEAR END	16,152
ACCUMULATED LOAN LOSS PROVISION	3,704
<b>AVERAGE SHAREHOLDERS EQUITY</b>	<b>15,319</b>
<b>DIVIDEND</b>	<b>14%</b>
MARKET VALUE PER SHARE	231.8
NET OPERATING PROFIT AFTER TAXES BEFORE LLP	2,774
COST OF EQUITY	1,436
<b>ECONOMIC VALUE ADDED</b>	<b>1,338</b>

# HUMAN RESOURCES

The strength of our organization lies in the dedication and expertise of our talented workforce. We believe that our staffs are our most precious assets and they can largely manage the financial risks involved. Throughout the fiscal year, we remained steadfast in our commitment to fostering a vibrant, diverse, and inclusive workplace culture conducive to growth and innovation. 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. 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 of the Bank monitors and ensures that Bank's HR policies are interpreted consistently across the Bank. It plays an essential role in

developing a company's strategy as well as handling the employee-centered activities of an organization. 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 declined to 1,558 in the year as compared to 1,584 last year, with the reduction of 26 employees in various positions. Total staffs at the end of FY 2022/23 constituted 59% male and 41% female staff. We are committed to recruiting top talent, nurturing employee development, ensuring compliance and maintaining a culture of inclusivity and equity. 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 are committed to cultivating a diverse and inclusive workplace that celebrates individual differences. Our efforts continued in promoting diversity and fostering an environment where every individual feels valued, respected, and empowered to contribute their unique perspectives. 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 2022/23

SHAREHOLDER	FEMALE	MALE	TOTAL
Managerial	13	81	94
Officer	143	302	445
Assistant	447	443	890
Support	16	62	78
Contract	18	33	51
<b>Total</b>	<b>637</b>	<b>921</b>	<b>1558</b>

AGE	NO. OF EMPLOYEES
18-25	61
26-34	992
35-44	373
45-54	126
55-64	5

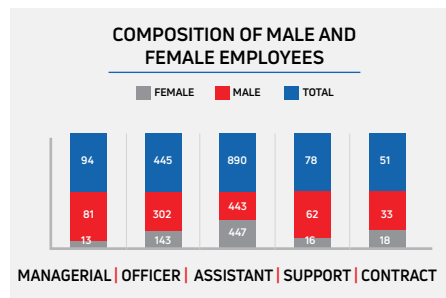
## LEARNING AND DEVELOPMENT (L&D)

Bank recognizes the importance of continuous learning and growth within its workforce. The growth and development of employees has always been the bank's top priority. The Bank is committed towards fostering a culture of development and skill enhancements. 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

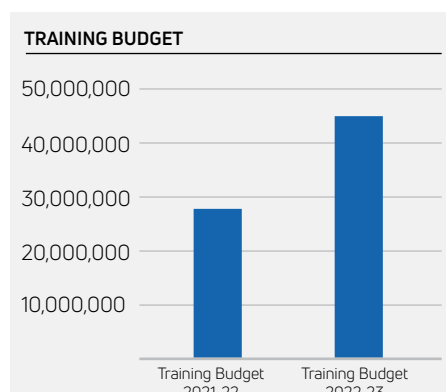
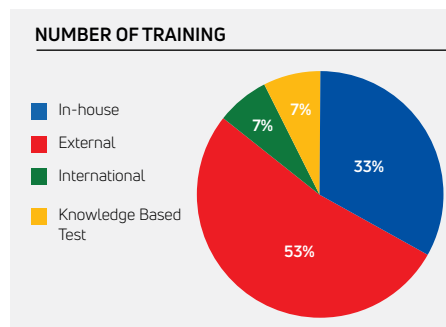
their full potential. In the FY 2022/23 we emphasized on physical trainings and also provided international exposure to enhance the employees know how. Similarly, the knowledge based tests were conducted through various domains.

During the review period, 3277 staffs were benefitted with internal and external trainings by the Machhapuchhre 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 MBL Staff Service Byelaws.



Attrition Rate 2021/22	6.78%
Attrition Rate 2022/23	5.85%



## STAFF BENEFITS, FACILITIES AND RECOGNITION

We value our employees and strive to provide a comprehensive array of benefits and facilities designed to support their well-being and enhance their work experience. 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 priority 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, social security contributions and bonuses,
- Paid annual leave and paid sick leave,
- Staff loan facility at concessionary interest rate,
- Non-monetary benefits,
- Attractive Retirement package.

## PERFORMANCE CULTURE:

We believe that a high performance culture not only drives individual excellence but also fuels the bank's overall growth and success. 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, Town Hall, 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.



## REMITTANCE SERVICE

The Bank has established a wide network of remittance tie-ups across the globe to provide swift and secure remittance services to its customers and the general public. Machhapuchchhre Bank Limited has well established business agreements with major industry players that includes Western Union, Money Gram, IME, Prabhu Money Transfer, City Express Money Transfer, CG Remit, Xpress Money, Sewa Remit, Himal Remit, Samsara Remit, GME, I Pay Reliable, Ez Link, Nepal Remit, Esara Remit, Nishi Forex and Leisure Limited, and Swift Remittances Inc., and Lulu Exchange Bahrain, and is committed towards providing excellent remittance services.

**“ Also, with its recent tie-up with Cashkush Inc., Canada, and Al Fardan Exchange, Qatar, MBL has set its footprints in North American region and spread out its outreach in the Gulf region as well, thereby enabling a huge community of Nepalese residing in those regions to remit their hard-earned money back to their home country, to their loved ones.**

Along with the service tie-ups, the bank is equally focused on the application of innovative technologies to digitize the remittance services. In the last fiscal year only, the bank had launched its own digital wallet “Remitap”, which is featured with a wide range of services such as account link, utility bill payments, QR payments (SMART QR network), Remicards (virtual cards) and many more. Being a digital wallet, Remitap can be used by both customers and non-customers of MBL.

The bank also employs API integration with all of its remittance partners to ensure minimal human intervention in order to minimize operational errors as much as possible. By continually striving to expand its remittance corridors across the globe and application of new and innovative technologies in the remittance sector, MBL is committed in providing top-notch digital remittance services to not only its customers, but general public as a whole.





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**The service sector is profoundly characterized by the level of service to win client's trust and gain their loyalty. Indeed, level of service is the overarching tool, banks have been using for inducing the clients to make a choice for establishing firm footing in the market.**

## PRIORITY BANKING

MBL takes pride to announce that we have established Priority Banking service for our customer.

Priority banking is comparably innovative banking dimension which endeavors to differentiate the bank from the traditional banking. The segment is established and harnessed to build a stable client's pedestal which the bank can rely on both during the spells of sufficiency and resource crisis in the market.

The unique value proposition offered with priority banking is expected to provide impetus for liabilities growth of the bank. The priority banking concept in banking primarily assist the bank to onboard affluent and prominent stature clients within its portfolio. Banks have been vying for winning those clients contemplating their capacity to avail multiple banking products which can contribute for higher revenue generation per client.



# CORPORATE GOVERNANCE

“ The system of rules, practices and processes by which a firm is directed and controlled.

Sound corporate governance is believed to be essential for maintaining investors' confidence and good performance to solve problems of corporate misconduct and behave. Machhapuchchhre Bank Limited is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance which forms a part of the continuing obligations of Nepal Rastra Bank's listing provisions. The bank has complied with all the 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 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 essentially feeds into all areas of the business.

MBL has developed and implemented 147 Policies, Plans, Guidelines, and Product papers, Byelaws, etc. which are periodically reviewed and recommend amendments to the Board for approval which ensures prudent risk management and helps to maintain the corporate governance across 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 national and 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 agreed to and keeps strong emphasis the following principles.

- Rule of Law and Fairness
- Inclusiveness
- Participation, Openness and Transparency
- Performance-Oriented
- Leadership and Stewardship
- Ethics and Probity
- Service-Oriented and Accountability

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. The Directors are committed to achieving the Bank's objectives which eventually protects shareholders' interests. In line with the Corporate Governance Principles, 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 current Board Structure.

S.N.	DIRECTORS NAME	REPRESENTATIVE GROUP	DESIGNATION	DATE OF APPOINTMENT	PROCEDURE
1.	Mr. Roshan K.C	Promoter	Chairman	2080/08/07 BS	491st BoD meeting
2.	Mr. Mukunda Mahat	Independent	Director	2077/02/16 BS	421st BoD meeting
3.	Mr. Jaya Mukunda Khanal	Public	Director	2077/09/02 BS	22nd AGM
4.	Mr. Bishwo Prakash Gautam	Public	Director	2077/09/02 BS	22nd AGM
5.	Mr. Haribhakta Sigdel	Promoter	Director	2079/09/29 BS	24th AGM
6.	Ms. Bandana Karki	Public	Director	2078/04/24 BS	449th BoD meeting

The Bank has Four Board level committees. Each of the Board Committee 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; that aspect of bank management lies completely with the CEO, EXCOM, and other members of Senior Management.

## The Bank has following Board Committees structure.

### 1. RISK MANAGEMENT COMMITTEE

S.N	NAME OF MEMBERS	POSITION	DESIGNATION IN THE ENTITY
1.	Mr. Jaya Mukunda Khanal	Coordinator	Director
2.	Mr. Mukunda Mahat	Member	Director
3.	Mr. Sunil Khatiwada	Member	Chief Operating Officer
4.	Mr. Dilli Ram Giri	Member-Secretary	Chief Risk Officer

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, limit breaches and mitigation adopted by the bank 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.

### 2. AML / CFT COMMITTEE

S.N	NAME OF MEMBERS	POSITION	DESIGNATION IN THE ENTITY
1.	Ms. Bandana Karki	Coordinator	Director
2.	Mr. Jaya Mukunda Khanal	Member	Director
3.	Mr. Dilli Ram Giri	Member	Chief Risk Officer
4.	Mr. Bhuvan Singh Khatri	Member	Chief Compliance Officer
5.	Mr. Roshan Thapaliya	Member-Secretary	Head - AML/ CFT

In order to effectively 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.

### 3. AUDIT COMMITTEE

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Mr. Mukunda Mahat	Coordinator	Director
2.	Mr. Bishwo Prakash Gautam	Member	Director
3.	Mr. Surendra Pathak	Member-secretary	Head - IAD

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 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.

### 4. EMPLOYEE SERVICE FACILITY COMMITTEE

S.N.	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Mr. Bishwo Prakash Gautam	Coordinator	Director
2.	Mr. Haribhakta Sigdel	Member	Director
3.	Mr. Santosh Koirala	Member	Chief Executive Officer
4.	Mr. Khagendra Paudel	Member	Deputy Chief Finance & Planning
5.	Ms. Anil Babu Adhikari	Member-Secretary	Deputy Chief Human Resource

Under the coordination of one Director, HR Service Facility Committee has been constituted consisting of another Director as member. The committee also consists of the Chief Executive Officer, and the Deputy Chief Finance & Planning as members, and Deputy Chief Human Resource as the Member Secretary. Bylaws on the service provision of the employees, policies related to the employees and succession planning, employees' salary allowance and organizational structure are discussed in this committee.

Roles and Responsibilities of HR Services Committee are as follows

- To assist Board of Directors as required in formalizing "Staff Service Bylaws 2074" of the Bank.
- Ensure periodic review of compensation/salary structure of employee; to submit the report to the Board of Director with its recommendation for necessary change in compensation/salary structure in line with the market on a regular basis as well as prevailing rules and guidelines, if such revision is deemed essential.
- As per the "Staff Service Bylaws 2074" of the Bank according to and in compliance with the prevailing provision in the laws and regulations, recommend to the BOD for increment/adjustment in staff remunerations including CEO if deemed necessary with proper justification.
- To ensure that PMO, Job Description and business target be developed and provided to all staff of the Bank and implement/ review performance management system in accordance with the same
- To formulate HRM Policy incorporating staff recruitment, sourcing, placement, transfer, promotion and development, reward and punishment, labor relation and ensure periodic review of the same.
- To evaluate HR plan, organization structure and to recommend staff Succession Plan for key positions to the Board.

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. In compliance with the code of Corporate Governance under Section 9, Sub-section 2 of NRB Unified Directive No.6/2079 the Bank has formed a separate Corporate Governance Unit monitoring the overall corporate governance status of the Bank.

**OTHER IMPORTANT ASPECTS UNDERTAKEN BY THE BANK TO ENSURE COMPLETE COMPLIANCE AND ADHERENCE TO PROVISIONS OF CORPORATE GOVERNANCE:**

**COMPLIANCE DEPARTMENT:**

The Bank has always prioritized work culture where each staff works under complete compliance. Bank has set up an independent Compliance Department to support all staff, departments, and branches function by adhering to regulations & provisions issued by MBL itself, NRB, and other regulators. The Department advises top management and board about various lapses happening in the Bank and measures taken to control them with the help of quarterly reports & meetings. During the course of banking there may be some serious violations by any staff. All such cases of serious violations, especially those listed in NRB Directive 2080, Clause 6.5, are being reported to Banking Supervision Department and Banking Regulations Department of NRB through bank's Human Resource Department.

**WHISTLEBLOWING GUIDELINES**

The Bank has recently launched Whistleblowing Guidelines. This guidelines demands that it is the responsibility of each staff of the Bank to timely report his/her knowledge of any wrongdoing happening around him. Any wrong

doings by any one irrespective of their corporate position may bring into notice of concern official in line with Whistleblowing Guidelines of the Bank as soon as s/he knows/ suspects about it. All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. The objective of this guidelines is to safeguard bank from any kind of loss be it reputational loss or financial loss or loss to Bank's assets. The Bank has made provisions to reward staff who timely reports about the wrongdoing and help bank from any kind of lossess.

**COMMITMENT TO THE PROFESSIONAL DEVELOPMENT**

Bank has made a major investment in the training and development of its entire staff with the e-Learning Portal. Available online, these self-study courses make it easy to learn, test and improve competency levels across a wide variety of banking-related Policies, Plans, Guidelines, and Product papers, Bylaws other topics and skills. As an interactive training tool, each module is structured with an overview of the topic, a detailed topic review and a brief test to assess the user's comprehension of the material. Recently, the Bank has provided opportunity to a number of its staffs to enhance their professional and academic knowledge by joining CANBI, JANBI, and Moody's Courses.

**POSITIVE CONFIRMATION**

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

# REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

As per Directive on Corporate Governance 2074 issued for listed entity

LISTED COMPANY	ADDRESS	FISCAL YEAR
Machhapuchchhre Bank Limited	MBL Tower, Lazimpat, Kathmandu. <b>PHONE NO:</b> 014528556, <b>TOLL FREE NO:</b> 1660-01-23234, <b>EMAIL:</b> machbank@mbL.com.np, <b>WEBSITE:</b> www.machbank.com	2022/23

## 1. STATEMENT ON BOARD OF DIRECTOR:

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

**NAME:** Dr. Upendra Mahato

**APPOINT DATE:** 2079/08/12 BS by 472<sup>nd</sup> Board meeting.

**ELECTED ON DATED:** 2079/09/29 by 24<sup>th</sup> Annual General Meeting

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

SHARE	NO. OF SHARE	PERCENTAGE
Promoter Share	5,23,11,493.56	51%
General Public Share	5,02,60,062.44	49%
Total Share	10,25,71,556	100%

### C. Information of Board of Director

S.N.	DIRECTORS NAME & ADDRESS	REPRESENT GROUP	NO OF SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
1.	Name: Dr. Upendra Mahato Address: Kathmandu District Kathmandu Metropolitan city Ward no-4, Bishalnagar Citizenship No.:44773167-3340 Issued District : Siraha	Promoter	93,71,880	2079/09/29 BS	2079/09/29 BS	24th Annual General Meeting
2.	Name: Mr. Roshan K.C Address: Kaski District Pokahara, Metropolitan City-7, Mustangchwok. Citizenship No.:80016, Issued District : Kaski	Promoter	15,21,707	2079/09/29 BS	2079/09/29 BS	24th Annual General Meeting
3.	Name: Haribhakta Sigdel Address: Kathmandu District, Budhanilkantha Municipality -11, Citizenship No.: 4087/2601/6280 Issued District : Kathmandu	Promoter	10,20,536 (Ram Janaki Investment & Petroleum Suppliers-10,18,626 and Haribhakta Sigdel 1,910	2079/09/29 BS	2079/09/29 BS	24th Annual General Meeting
4.	Name: Bishwa Prakash Gautam Address: Kaski District, Pokhara Metropolian City-7, Mustang Chwok Citizenship No.:20945, Issued District : Rupandehi	General Public	1,877	2077/09/02 BS	2079/09/29 BS	22nd Annual General Meeting

Cont...

S.N.	DIRECTORS NAME & ADDRESS	REPRESENT GROUP	NO OF SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
5.	Name: Jaya Mukunda Khanal Address: Kathmandu District, Kathmandu -4, Baluwatar Citizenship No.:- 9516/6255 Issued District : Kathmandu	General Public	181	2077/09/02 BS	2077/09/02 BS	22nd Annual General Meeting
6.	Name: Bandana Karki Address: Kaski District, Pokhara -7, Mustang Chowk Citizenship No.:- 169188 Issued District : Kaski	General Public	86,839	2078/04/24 BS	2078/04/24 BS	449th Board meeting held on 2078/04/24 BS
7.	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

- Promoter Director Dr. Birendra Prasad Mahato's resignation was approved by the 471st meeting of the Board of Directors of the Bank held on 2079-08-12. This information was given to Nepal Securities Board and other regulatory bodies on 2079-08-12.

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

S.N.	DIRECTORS NAME & ADDRESS	REPRESENT GROUP	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE	INFORMED DATE
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#### D. Board of Directors Meeting

Information of Board of Director Meeting:

S.N.	DATE OF BOD MEETING ON THIS FY 2079/80		NUMBER OF DIRECTOR PRESENT	NUMBER OF DIRECTOR DISSENTING ON DECISION	DATE OF BOD MEETING ON LAST FY 2078/79	
	DATE OF MEETING	NO. OF MEETING			DATE OF MEETING	NO. OF MEETING
1	2079/04/10 BS	467	7	None	2078/04/24 BS	449
2	2079/05/09 BS	468	7	None	2078/05/03 BS	450
3	2079/06/11 BS	469	7	None	2078/06/06 BS	451
4	2079/06/30 BS	470	7	None	2078/06/20 BS	452
5	2079/08/12 BS	471	6	None	2078/07/10 BS	453
6	2079/08/12 BS	472	7	None	2078/07/26 BS	454
7	2079/09/01 BS	473	7	None	2078/07/26 BS	455
8	2079/09/07 BS	474	7	None	2078/08/09 BS	456
9	2079/09/25 BS	475	7	None	2078/09/08 BS	457
10	2079/09/29 BS	476	7	None	2078/09/25 BS	458
11	2079/10/27 BS	477	6	None	2078/10/18 BS	459
12	2079/11/14 BS	478	7	None	2078/11/16 BS	460
13	2079/12/02 BS	479	7	None	2078/12/14 BS	461
14	2079/12/26 BS	480	6	None	2078/12/25 BS	462
15	2080/02/02 BS	481	6	None	2079/01/16 BS	463
16	2080/02/32 BS	482	7	None	2079/02/03 BS	464
17	2080/03/08 BS	483	7	None	2079/02/29 BS	465
18	2080/03/27 BS	484	7	None	2079/03/28 BS	466

- 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 NAME/SENT	REASON FOR ABSENT
1	2079/08/12 BS	Dr. Birendra Prasad Mahato	Dr. Birendra Prasad Mahato's resignation from Director
2	2079/10/27 BS	Mr. Jaya Mukunda Khanal	For personal reasons
3	2079/12/26 BS	Mr. Bishwa Prakash Gautam	For personal reasons
4	2080/02/06 BS	Mr. Bishwa Prakash Gautam	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)			43 days
Date of annual general meeting for determination of allowance of meeting			2078/07/26 BS (23rd Annual General Meeting)
Board meeting allowance (Per meeting)			Chairman: NPR 18,000 Member : NPR 15,500
Total Board Meeting Expenses for this FY			NPR 19,44,000/-

## 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.	Corporate Governance and AML/CFT	2080/03/08 BS	7	Machhapuchchhre Bank Ltd, MBL Tower, Lazimpat, Kathmandu

Has each director submitted written information on following matter within 15 days from the date of appointment, details if not.

- 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,

Self-declaration obtained from directors pursuant to the section 92(1) of the Companies Act 2063 and Section 24 of the Banks & Financial Institutions Act 2073

Details of 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 IN COMMITTEE	DESIGNATION IN BANK
1	Mr. Bishwa Prakash Gautam	Coordinator	Director
2	Mr. Jaya Mukunda Khanal	Member	Director
3	Mr. Mukunda Mahat	Member	Director
4	Mr. Bharat Kumar Lamsal	Member Secretary	Chief Risk Management Officer
5	Mr. Sunil Khatiwada	Member	Chief Operating Officer (COO)

##### b. Number of Committee Meeting: 8 time (FY 2022/23)

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. Bharat Kumar Lamsal	Coordinator	Chief Risk Management Officer
2	Mr. Sarju Kumar Thapa	Member	DCEO
3	Mr. Prasadha Raj Aryal	Member	DGM -Business
4	Mr. Suvash Jamarkattel	Member	AGM- Business
5	Mr. Dilli Ram Giri	Member	CBO- Province 1 & 2
6.	Mr. Tika Bhattarai	Member	CBO- Province 3 Kha , 3 Ga & 3 Gha
7.	Mr. Ajay Acharya	Member	CBO- Province 3 Ka & 4
8.	Mr. Bishal Bhakta Joshi	Member	CBO- Province 5, 6 & 7
9.	Mr. Kumar Gnawali	Member	Chief Corporate & Infrastructure Loan
10.	Mr. Manish Dahal	Member	Chief SAM
11.	Ms. Reshma Shakya	Member	Head Treasury Front
12.	Ms. Richa Pandey	Member	Deputy Chief Integrated Risk
13.	Mr. Abhishek Niroula	Member Secretary	Head Corporate Credit Risk (Corporate & Infrastructure)

##### b. Number of Committee Meeting: 4 time (FY 2022/23)

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. Bishwambhar Neupane	Member	DCEO
2	Mr. Mr. Bharat Kumar Lamsal	Coordinator	Chief Risk Management Officer
3	Mr. Sunil Khatiwada	Member	Chief Operating Officer (COO)
4	Ms. Richa Pandey	Member Secretary	Deputy Chief Integrated Risk

b. Committee Meeting held number : 4 time (FY 2022/23)

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	2079/09/08 BS , 2079/09/14 BS ,2079/09/21 BS
Information of Special General Meeting		Not any
Annual Report	News Paper, Website	2079/09/21 BS Place on Website
3rd Quarter Report	News Paper	2079/07/07 BS , 2079/10/07 BS & 2080/10/07
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: 2079/09/29 BS**

## 5. DETAILS OF STAFF & INSTITUTIONAL STRUCTURE

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

**B. To attached the Organizational Structure: Has Been attached**

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

S.N	NAME	POSITION	EDUCATION	EXPERIENCE
1	Mr. Santosh Koirala	Chief Executive Officer	MBA	Pragya Academy- 1996 to 2000 Bank of Kathmandu 2000 to 2004 Sanima Bank 2004 to 2013 Machhapuchchhre Bank 2013 to till now
2	Mr. Sarju Kumar Thapa	DCEO	MBA	Bank of Kathmandu 2000 to 2004 Machhapuchchhre 2004 to 2005 Sanima Bank 2005 to 2013 Machhapuchchhre Bank 2013 to till now
3	Mr. Bishwambhar Neupane	DCEO	MBA	Everest Bank 1997 to 1999 NIC Bank 1999 to 2004 Machhapuchchhre Bank 2004 to till now
4	Mr. Prasadha Raj Aryal	DGM	MBA	Nepal Investment Bank 2004 to 2007 Sunrise Bank 2007 to 2009 Civil Bank 2010 to 2020 Machhapuchchhre Bank 2020 to till now
5.	Mr. Suvash Jamarkattel	AGM	CA	CSC & Co. July 2008 to May 2010 Vibor Bank May 2010 to February 2011 Machhapuchchhre Bank January 2011 to till now

#### D. Other Details Regarding Staff

STRUCTURED STAFF POSITION	REMARKS
The Procedure adopted when recruited new staff	Written & Interview
Number of staff at Managerial Level	114
Total staff at service	1,558
Whether or not employee have a succession plan	Yes
Number of Participated staff & training on this FY 2079/80	No. of Training : 206 No. of participated staff: 2657
Training expenses on FY 2079/80	NPR 43,988,371
Percentage of Staff expenses on total expenses	10.63% (54.78 % of total Operational expenses)
Percentage of Training expenses on total staff expenses	2.37% ( Total expenses of FY 2079/80)

## 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	2080/05/13 BS
Published date of third quarter financial statement	2080/04/17 BS
Accomplish date of final audit	2080/05/13 BS
Approved date of Financial Statement from Annual General Meeting	2079/09/29 BS
<b>Internal Audit related details of Organization:</b>	
a. Internally audited or appointed external expert	No any external expert appointed for Internal Audit
b. Details if appointed external expert	
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	POST IN COMMITTEE	DESIGNATION IN BANK	EDUCATION
1.	Mr. Mukunda Mahat	Coordinator	Director	CA
2.	Mr. Bishwa Prakash Gautam	Member	Director	BBA
3.	Mr. Surendra Pathak	Member Secretary	Head Internal audit	CA

### 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	2079/04/06 BS	3	8	2079/09/25 BS	3
2	2079/05/15 BS	3	9	2079/10/06 BS	3
3	2079/06/25 BS	3	10	2079/12/03 BS	3
4	2079/07/06 BS	3	11	2080/01/06 BS	3
5	2079/08/12 BS	3	12	2080/01/19 BS	3
6	2079/09/01 BS	3	13	2080/02/32 BS	3
7	2079/09/07 BS	3	14	2079/07/06 BS	3
Allowance per meeting			NPR 15,500 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: It was done as directed by the Nepal Rastra Bank during that period.

Name of Governing Officer	:	Bhuvan Singh Khatri
Post	:	Chief Compliance Officer
Imprint of Organization	:	
Date approved by the Reporting Board	:	487th Board Meeting held on 2080/05/26
Date of audit test Certified	:	2080/05/26





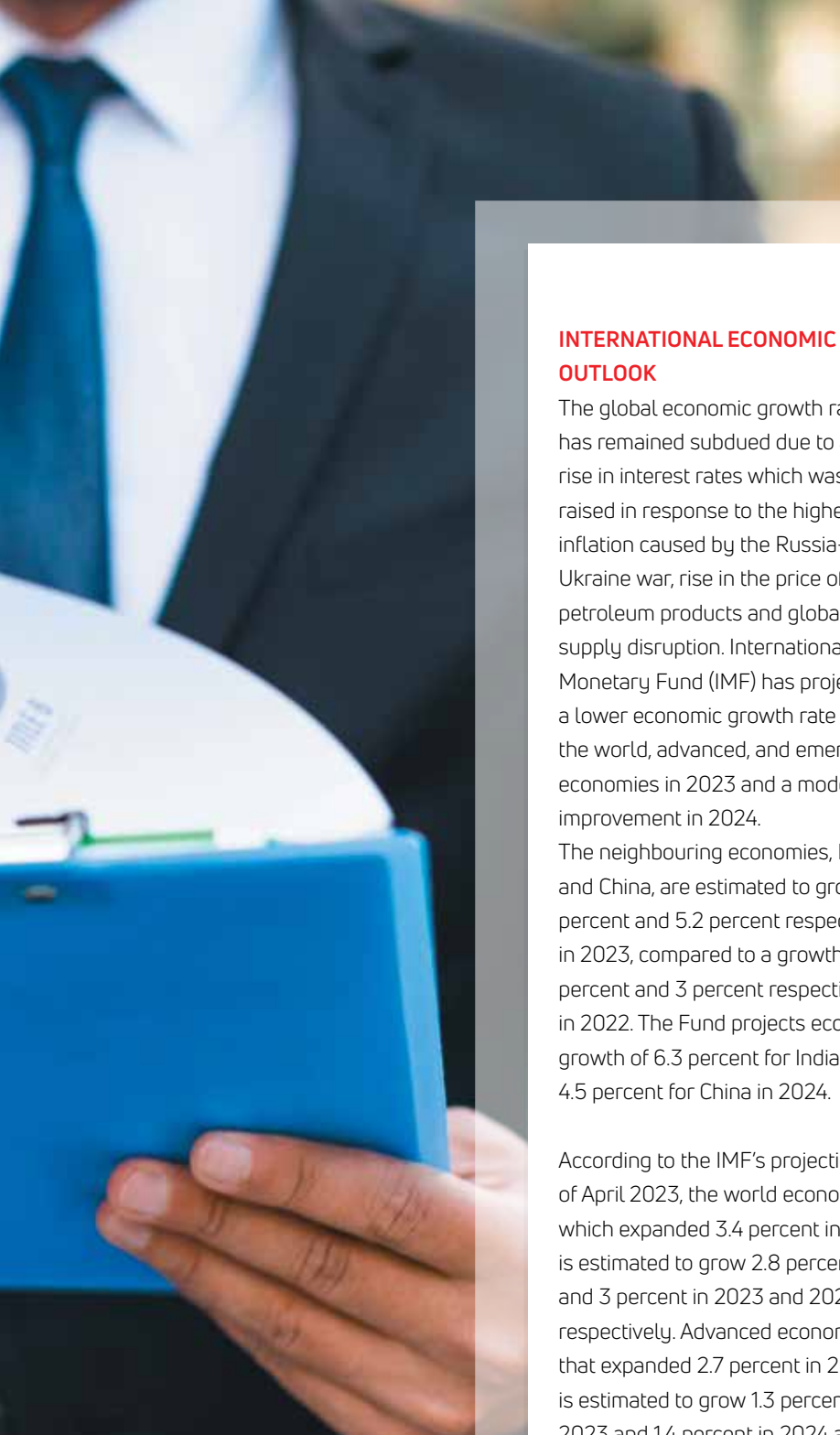
## DIRECTOR'S REPORT

### Dear Shareholders,

On behalf of the board and the Bank, I would like to extend my warm welcome to all the respected Shareholders, the External Auditors, the Legal Advisors, the Chief Executive Officer, and the employees of the Bank. Thank you all for incessant support for completion of the 25th 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 confidence and faith towards us have undoubtedly fueled up our efforts towards continued commitment for the prosperity and sustainability of the Bank. We assure you that we will always be working relentlessly and committed to staying afloat with even more conviction to live up to

the expectation and embody faith. I would like to present to you the Statement of Financial Position as on 16 July 2023, Statement of Profit or Loss for the Fiscal Year 2023/24, 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 Nepal Financial Reporting Standards, 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 OUTLOOK

The global economic growth rate has remained subdued due to a rise in interest rates which was raised in response to the higher inflation caused by the Russia-Ukraine war, rise in the price of petroleum products and global supply disruption. International Monetary Fund (IMF) has projected a lower economic growth rate for the world, advanced, and emerging economies in 2023 and a moderate improvement in 2024.

The neighbouring economies, India and China, are estimated to grow 5.9 percent and 5.2 percent respectively in 2023, compared to a growth of 6.8 percent and 3 percent respectively in 2022. The Fund projects economic growth of 6.3 percent for India and 4.5 percent for China in 2024.

According to the IMF's projection of April 2023, the world economy which expanded 3.4 percent in 2022 is estimated to grow 2.8 percent and 3 percent in 2023 and 2024 respectively. Advanced economies that expanded 2.7 percent in 2022 is estimated to grow 1.3 percent in 2023 and 1.4 percent in 2024 as per the IMF projection. Emerging and developing economies which grew 4 percent in 2022 is projected to expand 3.9 percent and 4.2 percent in 2023 and 2024 respectively.

The elevated inflationary situation faced by the global economy has been gradually easing. However, the inflationary risk is continued on account of uncertainties in energy prices, the ongoing Russia-Ukraine war and the likelihood of

adopting easy policy to overcome the economic recession. As per the projection of the IMF, global inflation, which remained at 8.7 percent in 2022, is estimated to decrease to 7 percent in 2023 and further to 4.9 percent in 2024. Inflation of the developed and developing economies is projected to be 4.7 percent and 8.6 percent respectively in 2023 and to decline to 2.6 percent and 6.5 percent respectively in 2024, compared to 7.3 percent for developed and 9.8 percent for developing economies in 2022.

The Reserve Bank of India, by continuously increasing the policy rates, has set the repo rate at 6.5 percent and the standing liquidity facility rate at 6.75 percent in February 2023. RBI has, however, kept rates unchanged in the review of monetary policy in June 2023. The Central Bank of Bangladesh has increased the policy rates thereby setting repo rate at 6.5 percent, standing liquidity facility rate at 8.5 percent and the standing deposit facility rate at 4.5 percent.

The rise in the price of petroleum products, foods and metallic commodities induced by the Russia-Ukraine war has currently remained stable or even showed a declining trend. As a result, inflation is in a decreasing trend in most of the world economies. However, most economies seem to continue their tighter monetary policy stance in 2023 given the current inflation being above their targeted level and the ongoing geopolitical tensions that pose risks to fuel and the overall price stability.

## **ECONOMIC SITUATION AND OUTLOOK OF THE COUNTRY SCENARIO**

National Statistics Office (NSO) has estimated economic growth of 2.16 percent at the basic price and 1.86 percent at the producer's price for 2022/23. Internal liquidity absorption due to the higher balance of payments (BOP) deficit in the previous year and capital expenditure being less than the budget allocation contributed to lower domestic demand which severely affected the construction, mining and quarrying, manufacturing and wholesale and retail trade sectors. These sectors are estimated to register a negative growth in 2022/23.

The budget for 2023/24 has targeted economic growth of 6 percent. The Government of Nepal has allocated NPR 302.07 billion for capital expenditure and the budget has also outlined broader action plans for economic reforms. Similarly, provincial governments have allocated NPR 159.49 billion for capital expenditure. Execution of the proposed action plans for the economic reforms and execution of capital budget as planned is expected to further stimulate the private sector investment thereby helping to achieve the targeted economic growth.

About 900 MW of electricity is expected to add to the national grid system in 2023/24. With the permission received to sell an additional 300MW electricity to the Indian market on June 26, 2023, Nepal is now able to sell a total of 952 megawatts of electricity in the Indian market. The increased export of electricity will help to reduce the trade deficit with India and to

improve the external sector, thereby supporting the domestic economy to gain further momentum.

The tourist arrival improved since the beginning of 2022/23. Following the reduced impact of COVID-19, international travel standards have been eased and the business environment is becoming convenient. The Government of Nepal has announced the 2023-2033 to be a Visit Nepal decade. The tourism-related infrastructures like hotels and airports have been expanded. As a result, a continuous growth in the number of foreign tourist arrival and the further expansion of the tourism sector in the coming years is expected.

The construction and its interlinked sectors have contracted in 2022/23. To help the construction sector gaining momentum which has a strong backward forward linkage to wholesale and retail trade, mining and quarrying, manufacturing, among others, it is necessary to make arrangement for timely capital spending on the development activities like infrastructures. This will further increase the private demand in other sectors and support achieving the targeted economic growth.

The declining trend of the interest rate following the external sector improvements will support to increase private demand, and thereby expand economic activities further. Remittance inflow is expected to remain satisfactory due to the higher number of Nepali people who have gone for foreign employment abroad. However, the emigration of Nepali youths for employment and study abroad has contributed to some extent to lower domestic demand.

## **INFLATION**

The annual average consumer price inflation is expected to remain slightly above the targeted level. The average consumer price inflation for eleven months of 2022/23 is 7.77 percent, while such inflation was 6.18 percent in the same period of 2021/22. However, the y-o-y consumer price inflation registered 6.83 percent in mid-June 2023, being slightly below the average annual expected inflation. The increase in the prices of cereals, dairy products, spices, household consumables, imported goods, and fuel along with the depreciation of Nepalese Rupees against the US Dollar has generated pressure on inflation. However, the inflationary pressure seems to gradually ease in response to subdued domestic demand and the declining trend of wholesale price in India.

In the inflation expectation survey conducted in mid-July 2023, public expectation for inflation has remained stable for both next three months and one-year ahead period. Nepal's consumer price inflation is primarily determined by domestic production and demand, the price of imported goods, the exchange rate of Nepalese Rupees and the margin to be marked up by wholesalers and retailers. Expanding domestic production, setting the policy stance to balance the demand and supply, and strengthening market regulation for checking artificial price hikes are necessary to contain inflation within the targeted level.

## **FOREIGN TRADE**

During 2022/23, merchandise exports decreased 21.4 percent to NPR 157.14 billion against an increase of 41.7 percent in the previous year. Destination-wise, exports

to India decreased 31.3 percent whereas exports to China and other countries increased 118.3 percent and 10.7 percent respectively. In the review year, merchandise imports decreased 16.1 percent to NPR 1611.73 billion against an increase of 24.7 percent a year ago. Destination-wise, imports from India, China and other countries decreased 14.4 percent, 15.9 percent, and 20.7 percent respectively. Total trade deficit decreased 15.5 percent to NPR 1454.59 billion in the review year. Such a deficit had increased 23.0 percent in the previous year. The export-import ratio decreased to 9.7 percent in the review year from 10.4 percent in the previous year. In the review year, merchandise imports from India against payment in convertible currency amounted to NPR 154.42 billion. Such imports was NPR 213.53 billion in the previous year.

#### REMITTANCE FLOW

Remittance inflows increased 21.2 percent to NPR 1220.56 billion during 2022/23 compared to an increase of 4.8 percent in the previous year. In the US Dollar terms, remittance inflows increased 12.1 percent to 9.33 billion in the review year compared to an increase of 2.2 percent in the previous year. Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 40.3 percent to 497,704 in the review year. It had increased 392.0 percent in the previous year. The number of Nepali workers (Renew entry) taking approval for foreign employment decreased 1.8 percent to 277,272 in the review year. It had increased 198.5 percent in the previous year. Net transfer increased 20.6 percent to NPR 1348.48 billion in the review year. Such a transfer had increased

4.3 percent in the previous year.

#### FOREIGN EXCHANGE RESERVE

Gross foreign exchange reserves increased 26.6 percent to NPR 1539.36 billion in mid-July 2023 from Rs.1215.80 billion in mid-July 2022. In the US dollar terms, the gross foreign exchange reserves increased by 23.1 percent to 11.74 billion in mid-July 2023 from 9.54 billion in mid-July 2022.

Of the total foreign exchange reserves, reserves held by NRB increased 27.4 percent to NPR 1345.78 billion in mid-July 2023 from NPR 1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) increased 21.4 percent to NPR 193.59 billion in mid-July 2023 from NPR 159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 22.5 percent in mid-July 2023.

#### EXCHANGE RATE

Nepalese currency vis-à-vis the US dollar depreciated by 2.79 percent in mid-July 2023 from mid-July 2022. It had depreciated 6.64 percent in the previous year. The buying exchange rate per US dollar stood at NPR 131.17 in mid-July 2023 compared to NPR 127.51 in mid-July 2022.

#### DEPOSIT COLLECTION AND LOAN DISBURSEMENT

Deposits at Banks and Financial Institutions (BFIs) increased 12.3 percent in the review year compared to a growth of 9.0 percent in the previous year. The share of current, saving, and fixed deposits in total deposits stands at 7.7 percent, 26.6 percent and 58.9 percent respectively in mid-July 2023. Such shares were 8.9 percent, 27.6 percent and 55.8 percent

respectively a year ago. The share of institutional deposits in total deposit of BFIs stands at 36.6 percent in mid-July 2023. Such a share was 38.3 percent in mid-July 2022. Private sector credit from BFIs increased 3.8 percent in the review year compared to a growth of 13.1 percent in the previous year. The shares of private sector credit from BFIs to non-financial corporation and household stand at 62.7 percent and 37.3 percent respectively in mid-July 2023. Such shares were 63.3 percent and 36.7 percent a year ago. In the review year, private sector credit from commercial banks, development banks and finance companies increased by 3.5 percent, 7.6 percent and 0.6 percent respectively. In the review year, out of the total outstanding credit of the BFIs, 68.0 percent is against the collateral of land and buildings and 11.6 percent against the collateral of current assets (such as agricultural and non-agricultural products). Such ratios were 66.4 percent and 12.3 percent respectively a year ago. Outstanding loan of BFIs to the agriculture sector increased 6.8 percent, industrial production sector 8.3 percent, transportation, communication and public sector 21.0 percent, wholesale and retail sector 3.9 percent and service industry sector 3.7 percent in the review year. In the review year, term loan extended by BFIs increased 32.0 percent, real estate loan (including residential personal home loan) 5.6 percent and hire purchase loan 1.3 percent while that of trust receipt (import) loan decreased by 6.2 percent, overdraft 67.7 percent, demand and working capital loan 13.2 percent, and margin nature loan 5.2 percent

## LIQUIDITY MANAGEMENT

In the review year, NRB injected NPR 5518.19 billion based on liquidity turnover, of which, NPR 414.47 billion was through repo, NPR 89.70 billion through outright purchase auction, NPR 2727.11 billion through standing liquidity facility (SLF) and NPR 2286.90 billion through Overnight Liquidity Facility (OLF). Meanwhile, the NRB absorbed NPR 108.20 billion liquidity including NPR 88.20 billion through reverse repo auction and NPR 20 billion through deposit collection auction. In the corresponding period of the previous year, NPR 9642.41 billion net amount of liquidity was injected through various instruments. In the review year, NRB injected liquidity of NPR 712.50 billion through the net purchase of USD 5.45 billion from foreign exchange market. Liquidity of NPR 355.57 billion was injected through the net purchase of USD 2.91 billion in the previous year. The NRB purchased Indian currency (INR) equivalent to NPR 596.37 billion through the sale of USD 4.56 billion in the review year. INR equivalent to Rs. 595.23 billion was purchased through the sale of USD 4.92 billion in the previous year.

## INTEREST RATE

The weighted average 91-day treasury bills rate has remained 6.35 percent in the last month of 2022/23, which was 10.66 percent a year ago. The weighted average inter-bank transaction rate among commercial banks, which was 6.99 percent a year ago, decreased to 2.98 percent in the last months of 2022/23. The average inter-bank rate of BFIs which is considered as an operating target of monetary policy, stood 3.14 percent in the last month of 2022/23. The average base rate of commercial banks increased to 10.03 percent in the last month of 2022/23 from 9.54 percent a year ago. Weighted average deposit rate and lending rate of commercial

banks stood at 7.86 percent and 12.30 percent respectively in the last month of 2022/23. Such rates were 7.41 percent and 11.62 percent respectively a year ago.

## MERGER AND ACQUISITION

During the fiscal year 2022/23, 12 commercial banks involved in merger/acquisition process to form 6 commercial banks. Likewise, 16 microfinance financial institutions involved in merger/acquisition process to form 8 institutions during the year.

## FINANCIAL ACCESS

The total number of BFIs licensed by NRB remained 112 in mid-July 2023. As of mid-July 2023, 20 commercial banks, 17 development banks, 17 finance companies, 57 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches reached 11,589 in mid-July 2023 from 11,528 in mid-July 2022. Population per branch remained 2517 in mid-July 2023 compared to 2532 a year ago.

## DEPOSIT AND CREDIT GUARANTEE

Deposit and Credit Guarantee Fund (DCGF) has guaranteed saving, current, call and fixed deposits amounting NPR 1232.95 billion of 41.38 million accounts of individuals maintained at 56 banks and financial institutions (BFIs) as of mid-July 2023. In the previous year, NPR 879.22 billion of 36.14 million account holders was guaranteed. DCFG has guaranteed micro and deprived sector loan, small and medium enterprises loan and agriculture loan of BFIs amounting to NPR 216.44 billion as of mid-July 2023 compared to NPR 197.64 billion a year ago.

## CAPITAL MARKET

NEPSE index stood 20971 in mid-July 2023 compared to 2009.5 in mid-July 2022. Stock market capitalization in mid-July 2023 stood

NPR 3082.52 billion compared to NPR 2869.34 billion in mid-July 2022. Number of companies listed at NEPSE reached 254 in mid-July 2023. Out of the total listing, 136 are Bank and Financial Institutions (BFIs) and insurance companies, 79 hydropower companies, 19 manufacturing and processing industries, 7 hotels, 6 investment companies, 4 trading companies and 3 others. The number of companies listed at NEPSE were 234 in mid-July 2022. Share of BFIs and insurance companies in stock market capitalization is 63 percent in mid-July 2023. Such a share for hydropower companies is 13.2 percent, investment companies 7.1 percent, manufacturing and processing industries 4.4 percent, hotels 3.4 percent, trading companies 0.5 percent and the share of other companies is 8.4 percent. The paid-up value of 7.39 billion shares listed at NEPSE stood NPR 728.95 billion in mid-July 2023. Securities worth Rs.372.38 billion were listed at NEPSE during FY 2022/23. Such securities comprise ordinary share worth NPR 179.88 billion, government development bond worth NPR 105 billion, bonus shares worth NPR 40.59 billion, debenture worth NPR 35.59 billion, mutual fund worth NPR 7.14 billion, right share worth NPR 4.13 billion and FPO NPR 37.9 million. Securities Board of Nepal approved the total public issuance of securities worth NPR 66.11 billion in the review period which includes ordinary share worth NPR 22.38 billion, mutual fund worth NPR 16.15 billion, right share worth NPR 15.98 billion and debenture worth NPR 11.60 billion.

*(Source: Nepal Rastra Bank)*

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

## GLIMPSE OF BANK OPERATIONS SUMMARY OF CURRENT FISCAL YEAR

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

(NPR. in Crore)

S. NO.	HEADING	16 JULY, 2023	17 AUGUST, 2023
1.	Paid Up Capital	1,025.72	1,025.72
2.	Deposit	15,828.47	15,081.82
3.	Investment	2,781.85	2,748.9
4.	Loan and Advances	12,876.82	12,984.24

\* Above details has been presented by accounting under NFRS.

Deposits have decreased by NPR 7.46 Billion (-4.72%), Investments has been decreased by NPR 32.95 Million (-1.18%) in the first month of current fiscal year compared to Mid-July, 2023 Whereas Loans and Advances have increased by NPR 107.42 Million (0.83%).

## AN OVERVIEW OF BUSINESS OF FISCAL YEAR 2022/23

The key indicators of financial achievements of the Bank in Fiscal Year 2021/22 and 2022/23 are as follows:

Net interest income has increased by 10.14% while interest income and interest expense have increased by 26.60% and 34.36% respectively. Employee Expenses has been increased by 12.51% whereas operating expenses has been decreased by 26.86% in the review period.

The ratio of total Non-Performing Loan stands at 2.26% which was at 1.04% 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 4.39% and Book Value per Share by 11.50% whereas Net Profit has decreased by 3.63%.

(NPR. in Million)

HEADING	2021/22	2022/23	INCREMENT (IN %)
Paid Up Capital	10,257.20	10,257.20	0.00%
Net Worth	14,485.80	16,151.80	11.50%
Deposit	150,098.90	158,284.70	5.45%
Investment	24,327.40	27,818.50	14.35%
Loans and Advances	131,180.70	130,601.90	-0.44%
Interest Income	15,232.40	19,284.50	26.60%
Interest Expense	10,354.30	13,912.10	34.36%
Net Interest Income	4,878.00	5,372	10.14%
Other Income	1,665.90	1,756.20	5.42%
Employee Expense (Excluding Bonus)	1,654.10	1,861.10	12.51%
Loan Loss Provision	501.20	1,148.20	129.09%
Operating Expense	1,096.40	801.90	-26.86%
Operating Profit	2,455.10	2,380.50	-3.04%
Net Profit after tax	1,686.70	1,625.50	-3.63%
Non-Performing Loan	1.04%	2.26%	117.31%
Total Assets	178,727.30	186,574.20	4.39%
Capital Adequacy	13.36%	13.58%	1.65%
Book Value per Share	141.23	157.47	11.50%
Market Price per Share	254	231.8	-8.74%
Number of branches (including extension counter)	173	178	2.89%
Number of ATMs	207	204	-1.45%
Total Employees	1584	1558	-1.64%

Details in the above table has been stated as per NFRS

## PAID UP CAPITAL AND CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) remains at 13.58 % during the Fiscal Year 2022/23. This CAR ratio is higher by 2.58% than the minimum CAR (11%) 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 5.45% from the previous fiscal year and reached to NPR 158.28 Billion. The average growth rate of commercial banks is about 12.10% during the Fiscal Year. During the review period, the bank increased its term deposits by 11% and saving deposits by 6% resulting 6.45% increment in the total deposit of the bank. As per the strategic plan of the bank, the bank modified the services and facilities in its saving account in the fiscal year 2022/23. As a result, the bank has been able to increase its previous year's saving account deposits by 6% and has been able to open 181,300 new saving accounts. The Bank aims to continue its strategy of increasing saving deposits and saving accounts in the coming years. At the end of the review year, the total number of saving accounts of the bank were 1,597,316. The bank's current and saving deposits accounted for 34% of the total deposit which was 39% in the previous year.

As per the directive of Nepal Rastra Bank, the ratio of institutional deposits to the total deposits of the bank should be maintained at a maximum of 50%. Therefore, the Bank is successful to maintain the both personal and institutional deposit with the prescribed instructions presented as:

DEPOSIT TYPE	IN %
Individual Deposit	75.41
Institutional Deposit	24.59
<b>Total Deposit</b>	<b>100.00</b>

### LOAN AND LOAN LOSS PROVISION

Bank's total loan amount has slightly decreased by 0.44% from the previous year and reached NPR 130 Billion in the review period. Whereas the average growth of commercial banks during the same period was 12.20%. With the view to increase investment, a total of 6.73 Billion deprived sector loans have been disbursed which is 5.05% of the total loan disbursed by the Bank.

During the review period, the Bank achieved a 0.88% share of credit growth in the overall banking sector. Bank has contributed 3.03% of the total loan portfolio growth of the market which was 3.12% last year. Deprived sector lending of the Bank is 5.18% which, as per NRB, shouldn't less than 5% of the total loan investment (before 6 months). The total loan loss provision has increased from last year's NPR 2.55 Billion and reached NPR 3.70 Billion. NPR 114.82 Million has been provisioned for loan loss purpose for this year which has increased by 64.7 Million as compared to last year.

The Bank has emphasized on disbursement of low risk loans as per its strategies to meet the objectives. In line with the same strategy, the Bank has put forward strategies to strengthen its loan recovery process and risk management system to reduce the possible risks that may arise from loans expansion in future.

### INVESTMENT

The investment has increased by 14.36% from last year and has reached 27.82 Billion within the review period. Out of the total investment, the Bank has invested 9.66%, 82.35% and 7.99% 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 325.01 million in Mutual Funds and Shares. Major investments, made in the capital market, are in those companies which provide dividends as sustainable earnings on a long-run. The Bank has earned NPR 3.2 Million from such investments in the review period.

### INTEREST INCOME

The interest income of the Bank has increased by 26.60% amounting 19.28 Billion in the review period. In the same period, the Bank's interest income from loan has increased by 24.87% amounting 17.42 Billion whereas the interest income from other investments has increased by 45.43% amounting 1.86 Billion. Interest income of the bank is affected as Nepal Rastra Bank issued directive to the bank and financial institutions where average interest spread rate of bank should not exceed 4.2% in Chaitra end 2079 and 4% in Ashad end 2080.

In the review period, Bank's yearly average return on loan increased by 2.33 point and the interest remained 12.76% due to various reasons.

### INTEREST EXPENSES

In the review period, Bank's interest expenses has increased by 34.36% and reached 13.91 Billion. In the same duration, the Bank's interest expenses on deposit has increased by 37.27% and reached 12.67Billion. 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. As a result, bank's yearly average interest on deposits increased by 1.83 points and remained at 8.5%.

### NET INTEREST INCOME

The net interest income has reached 5.37 Billion which has increased by 10.13% 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 FEES AND COMMISSION INCOME

Net fees and commission income based on non-funded are also the major sources of income of the Bank. This year, the Bank has earned NPR 1.14 billion from commission and other operating income, which is decrement of 1.64% as 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 services and facilities and has also made relevant amendments in the existing products offered by the bank during review period.

### OTHER OPERATING INCOMES

Bank's other operating income has decreased by 26.28% and reached NPR 70 Million in the review period which was NPR 95 Million in the previous year.

### STAFF EXPENSES

Bank's net staff expenses has increased by 10.23% and reached NPR 2.12 Billion in the review period which was NPR 1.92 Billion in the previous year.

Total number of staffs has reached 1,558 in the review period with the decrease in number of staff by 26 from 1,584 staffs of last year due to resignation without replacement. Bank has always prioritized on the training and skills development of the staffs. The staff training expenses in the review period is NPR 43.9 Million. As per the circular for FY 2021/22 issued by Nepal Rastra Bank, it is necessary to spend 3% and the bank has allocated NPR 43.5 Million for Skill enhancement fund. Bank believes that human resources are the most valuable assets of the bank. 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.

### AMORTIZATION AND DEPRECIATION

Bank's amortization and depreciation has increased by 10.42% and reached NPR 415.7 Million in the review period which was NPR 376.4 Million in the previous year.

### OTHER OPERATING EXPENSES

In the review period, Bank's other operating expenses has decreased by 26.86% and reached NPR 0.8 Billion, which was NPR 1.10 Billion in the previous year. Bank is able to reduce operating expenses by applying effective cost control and cost reduction techniques. Even though the expenses seems in higher side currently, 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 results.

### RETURN ON ASSETS

Bank's return on assets reached 0.87% in the review period which was 1.02% in the previous year.

### PAYMENT MADE BY THE BANK REGARDING INCOME TAX AND TAX DEDUCTED AT SOURCE

The Bank has contributed towards country's revenue by depositing withholding tax payment of NPR 991.7 Million and paying tax of NPR 1.02 Billion, thereby contributing total of NPR 2.02 Billion.

### DETAILS OF DISTRIBUTION OF PROFIT/ LOSS

Bank has earned a total profit of NPR 1.62 Billion in this fiscal year and the details of the profit distribution details is as follows:

DETAILS	NPR in million	
	CURRENT YEAR	LAST YEAR
Accumulated profits up to last year	597.20	1,271.70
Adjustment	(18.20)	7.6
<b>Total</b>	<b>579.00</b>	<b>1,279.30</b>
Transfer from Share Premium	0	0
This year's profits	1,625.50	1,686.60
Investment Adjustment Reserve		
<b>Total</b>	<b>2,204.50</b>	<b>2,965.90</b>
Distributions		
General Reserve	325.1	337.3
Cash Dividends	0	63.4
Skill Enhancement Fund	13.5	17.6
Bonus Shares issued	0	1204.1
Exchange Equalization Reserve	14.3	12.7
Corporate Social Responsibility Reserve	5.7	16.8
Debenture Redemption Reserve	0	428.5
Regulatory Reserve	397.5	288.1
<b>Total</b>	<b>756.10</b>	<b>2,368.50</b>
<b>Accumulated Profit/ Loss</b>	<b>1,448.40</b>	<b>597.40</b>

Bank has appropriated 20% of its net profit i.e. NPR 325.1 Million as General Reserve. Similarly, appropriation in Exchange Equalization Reserve, Corporate Social Responsibility Reserve and Regulatory Reserve stands at NPR 14.3 Million, 5.7 Million and 397.5 Million.

Bank has appropriated 1% of its net profit i.e. NPR 16.2 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 1448.4 Million after the fund distributions and transfers

## BRANCH EXPANSION

Machhapuchchhre Bank Limited, with the slogan of SMART BANK, provide services to its more than 16 lakhs customer through 165 branch offices in seven provinces of the country. During FY 2022/23, bank has focused on providing efficient services from the existing branches rather than opening new branches. Due to the economy affected by Covid, it was more challenging to the bank to operate all the branches without any hindrance than opening new branch. The bank has focused on better and digitalized banking services after COVID impact. However, bank opened 3 new extension counters at Employee provident Fund Office Lagankhel, Thakurram Multiple Campus, and Bhaktapur during the FY 2022/23. The total number of BLBs in different districts have reached 130. Apart from this province offices of bank has been established by covering all branches for the coordination, facilitation and inspection of the branches. Bank is committed to expand the branch network in the potential areas with addition of the required service facilities in the coming days for the simplification in the banking transaction to our valued customers.

## LATEST SERVICES

Machhapuchchhre Bank Limited has always strived to be a progressive institution. Machhapuchchhre Bank is always striving to provide new service facilities for its customers and increase its efficiency through internal process automation in terms of portfolio of services it offers, or in terms of streamlining its internal processes.

In the Fiscal Year 2022/23 only, Machhapuchchhre Bank has

introduced two new deposit schemes to its customers. "MBL Karmashil Bachat Khata" and "Mero Lagani Bachat Khata". Both of these deposit schemes offer competitive interest rates that enable account holders to voluntarily operate their accounts and maintain account information. MBL Karmashil Bachat Khata has been targeted for those who are in foreign employment and Mero Lagani Bachat Khata has been targeted for domestic investors. Further, Machhapuchchhre Bank has introduced online opening facility in NRN Bachat Khata through which Non Resident Nepali can open account in NPR or Foreign Currency (USD, Pound Sterling, EURO, or Japanese Yen).

This is the golden beginning of the digital era, in this environment, Machhapuchchhre Bank focuses on increasing financial literacy, financial access and financial inclusion by digitizing payments and financial transactions with the long term goal of "SMART BANK" By 2027. Further, Bank expands QR payment method and increase the number of merchants significantly with the continuous awareness and literate to the customer on digital transactions.

In order to support the concept of 'Digital Nepal' taken by the Government of Nepal, Machhapuchchhre Bank has continued to encourage electronic payment transactions. Various attractive discounts and cashback offers have been arranged in order to encourage customer for payment and customers are attracted for digital truncation day by day.

Machhapuchchhre Bank has connected more and more institutional customers to the digital

system for day to day fast, efficient and cashless transactions. Bank has started working as settlement bank by entering agreement with the various payment service providers licensed from Nepal Ratsra Bank. This will help to customer and Wallets users in order to associate in the digital system. The Credit Card facility has been enhanced to make it more customer friendly and efficient.

M Smart saving account has been launched by the bank, which can be opened by using mobile app and can be operated only through online.

In the coming days, a new dimension will be added to the existing mobile application of this bank so that services related to various cards can be accessed from the mobile app. The Bank make a plan to provide One Step Digital solution where merchants can receive payment and keep their accounts accurate and reconciled.

In the context of Nepal Rastra Bank celebrating the financial year 2022/23 as the year of promotion of electronic payment transactions, the bank's strategy is to make the process of loan application and approval through electronic means more effective by creating policies and guidelines for digital lending.

This year, the Bank had launched a program of "Machhapuchchhre with Student" with the objective of conducting digital financial literacy to the youth and student in a comprehensive manner.

Bank had entered in a business agreement with the various organization for customer's convenience and making bank's services and facilities modern and

technology friendly. In addition to this bank has been conduct various schemes on different date for promoting digital transactions.

Also, the bank has entered into an agreement with the Nepal Petroleum Dealers National Association for providing digital payment services. Under which petrol pumps affiliated with the association will be able to receive sales proceeds from the customer through POS, QR, and other digital payment instruments. This initiative of the bank has mapped out a meaningful campaign to transform cash transactions of 300 billion to digital transactions. In the coming days, Machhapuchchhre Bank will be determined to advance the digitization campaign more strongly in order to support the green economy and green banking.

#### **CORPORATE SOCIAL RESPONSIBILITY**

Bank and financial institutions are established with the main objective of providing financial services, so the role of these institutions is important in the sustainable development of the country. Credibility of the public towards the financial sector will increase, financial stability will be maintained, and institutions will be able to operate in long run only if human, social and external environment can be protected. In order to fulfill the obligation towards society and country, bank required to contribute in the sector of education, health, financial literacy, and financial access and required to contribute for uplift of marginalized community and backward areas.

Therefore, Machhapuchchhre Bank has been participating in various social activities, not only focusing on

profit, but also taking into account the responsibility towards the society.

In accordance with the provision of regulatory authorities regarding spending at last 1 percent of profit in corporate social responsibility and bank's objective, bank specially focus on financial literacy, customer protection, education, health, sports, environment etc. and provide support to victims of natural disasters. During the review period, the bank had continuously organized financial literacy programs through various branch offices scattered across the country while continuing its social responsibility work. Likewise, keeping cultural preservation as a top priority, bank provide generator to operate machine to count the devotees at well-known Halesi Mahadev temple in Khotang district. Apart from the digital literacy, bank made necessary arrangement for receipt of donation from Devotees through QR code at Bindhabasini Temple Pokhara, Galleshwor Mahadev Mandir Beni, Bhairavsthan Mandir

Palpa, and Gadhimai Mandir Bara. Similarly, solar lamps were installed at Mushahar Basti of Ramdhenu Municipality of Sunsari District and also assist in management of apple packaging cartoon in order to supply apple produced by the farmer to the commercial market from the rural district Jumla. In addition to this bank involve directly or indirectly in various social activities such as bank provide financial support for construction of building by Manav Sewa Ashram dedicated to the protection of Orphaned Children and the senior citizen, provide daily consumable goods to children who are dependent at Balmandir and to senior citizen who are dependent at human welfare society, support for the construction of necessary infrastructure to enhance the quality education of various school and college, distribute warm clothes at different parts of country during winter season, conduct blood donation program, conduct health camp in collaboration with various organization, involve in tree plantation and and distribute Dustbin to protect the environment.

#### **Some of the major activities performed under corporate social responsibility in the FY 2022/23:**

S. NO.	ACTIVITIES	AMOUNT (NPR)
1.	Amount spent on financial literacy programs organized by the various branch offices of the Bank.	1,394,605.58
2.	Amount spent for promotion of digital transactions.	412,083.85
3.	Solar lamp installed at Mushahar Basti of Sunsari District	270,000
4.	Sanitary pad making Machine Handed over to the Nepal Army	1,550,000
5.	Building construction at Manav Sewa Ashram	200,000
6.	Facilitation for bringing apple produced by the Farmer of Rural District Jumla in commercial market	219,500
7.	Daily Consumable goods provided to the Children at Balmandir Naxal and senior citizen at Human Welfare Society.	150,000

## REMITTANCE SERVICE

The Bank launched its own digital wallet service – “Remitap” with the objective of providing the latest technology to the customers in order to facilitate remittances from different countries of the world. The bank recently entered into agreement with Lulu Exchange Limited Baharain for remittance service. Therefore the bank shall receive remittances from every branch and more than 10,000 payment centers throughout the country.

In addition, the Bank have undergone agreements with various national and international remittance organizations like Western Union, Money Gram, IME, Prabhu Money Transfer, City Express Money Transfer, CG Remit, Himal Remit, Samsara Remit, GME, I-Pay Reliable, Nepal Remit, Swift Remittances Inc. to make remittances simple for its customers. In addition to this bank make a plan to operate the remittance business at Kuwait, Saudi Arabia, Qatar, and Malaysia by entering into contract with Exchange House.

## INFORMATION TECHNOLOGY

Machhapuchchhre Bank has been providing customer friendly, simple and secure banking service, through advanced technologies. The bank has been trying to incorporate various internal and external processes to take the banking experience of customers to a new level and be the first choice of digital bank in Nepal.

For the overall development of digital banking and to make the banking experience easy for customers, bank has started various plans with utmost importance. It has also incorporated latest technologies like Artificial Intelligence and

Machine Learning. Through artificial intelligence based Chat bot, various services like credit disburse from mobile banking application, KYC verification, Meroshare, Demat, and Delivery channel application can be made available to customers online.

Bank is incorporating various parts of digital eco system like PSP, PSO and agreement with various regulatory entities and government offices. To fulfill the banking requirements of customers, bank has made remarkable investments in latest technologies. For the purpose of security to the customer's data, bank has established three different data centers (Primary data center, secondary data center and Emergency data center).

With the development of advanced technologies, the security risks associated with it is integral and cannot be ignored. Bank has analyzed such risks and adequate investment in latest technologies have been made by the bank to mitigate such types of risks.

## HUMAN RESOURCE MANAGEMENT

As of Mid- July 2023, the total number of staffs is 1558 where the number of management level staff is 114 and the number of staffs working in other level is 1444. During the review year the Bank has appointed 65 new staffs whereas 92 staffs has discontinued serving the bank. Among the total staffs, Bank has 637 (i.e. 40.88%) of female employees. In order to motivate and enhance the work efficiency of the staff, the Bank has been implement performance based evaluation system (i.e. Performance Management System. This system helps to qualitative evaluation along with quantitative evaluation of work performed by employee.

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. The Bank has prioritized 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% of the salary expenses (Salary and grade) as specified by regulatory body for the effective development of human resource. During the review period, different internal, external as well as international trainings were provided to the staff of different department. The practice of skills and abilities enhancement of the human resources through national and international trainings and seminars will be continued in future.

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. Improving the professional skills of human resources and managing them in timely manner and addressing the bank's human resources related issues will be carried out in a timely manner.

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.

## EMPLOYEE SERVICE AND FACILITIES COMMITTEE

Banking business is service oriented as well as systematic risk taking business. Therefore, competent and professional manpower is required for providing excellent service and proper risk management. 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 employee management.

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

S.N.	NAME	POSITION
1	Director- Mr. Jaya Mukunda Khanal	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- Mr. Anil Babu Adhikari	Member Secretary

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. Committee submit it's report to the Board of Directors presenting all the decisions of the committee and works based on its decisions on periodic intervals.

## DEPRIVED SECTOR LENDING

Bank has disbursed loan in deprived sector directly and indirectly as per the direction of Nepal Rastra Bank. Bank has been providing loans to self-employed micro-enterprises directly through various branches by identifying the deprived sector defined by Nepal Rastra Bank. Pursuant to "Unified working procedure for interest subsidy on subsidized loans" issued by Nepal Rastra bank, Bank has been disbursing educated youth self-employment loan, youth entrepreneur loan to the youth returned from foreign employment, women entrepreneur loan, Marginalized community entrepreneur development loan, Higher technical and vocational education loan. The Bank has been providing commercial agriculture and livestock loan at subsidized interest rates to entrepreneurs for conducting various business with the objecting of increasing production and employment by promoting commercial agriculture and livestock business. Beneficiaries will receive interest subsidy upto 6% under such scheme. More than two thousand five hundred customer receive benefit from subsidized loan in collaboration with Sakchyam-Access to Finance program and Heffer International Nepal, it can continued to disburse loans to agricultural and women entrepreneurs in different districts.

Similarly, the Bank has been indirectly disbursing loans to the deprived sector in collaboration with other institutions. The bank's agreement with Micro-finance, multipurpose cooperative institutions, youth self-employment for disbursing loans to such deprived sector.

## CORPORATE GOVERNANCE

The Bank has always given high priority to corporate governance and has fully complied with the guidelines and circulars related to corporate governance. The prevailing laws related to banks and financial institutions, instructions and circulars issued by Nepal Rastra Bank have been fully complied with. As effective corporate governance is indispensable for the long term success of the bank, the board of directors and the management have been monitoring the institutional good governance on a monthly basis by forming a separate institutional good governance and monitoring unit, following the policy and directives issued by Nepal Rastra Bank and other regulatory bodies.

The Board of Directors is fully committed to comply with the unified directives 2022 issued by Nepal Rastra Bank and the conduct to be followed by the operators in accordance with the prevailing laws and regulations. The Board of Directors adheres to the directives on good governance issued by Nepal Rastra Bank and Nepal Securities Board and other provision related to corporate governance as prescribed by prevailing law. The bank has been regularly publishing notices and necessary information to the stakeholders timely.

The Risk Management Committee (RMC), AML/CFT Committee, Audit Committee and Employee Services and Facilities committee under the coordination of the Non-Executive Director as per clause 07 of NRB Directive no 06/2079 and the Executive Committee (EXCOM) at the senior Executive Level and the Management Committee at the

Management Level (CENMAC) have been formed to make the Bank's operations quick, efficient and scientific and to decide on other necessary strategies.

#### **INTERNAL CONTROL SYSTEM**

The Bank has always been committed to have a strong internal control system to provide quality services to the customers and provide maximum returns to the investors by minimizing the risks inherent in the banking business such as credit, market, liquidity and operations. The Board of Directors is responsible for reviewing the bank's internal control system and its effectiveness. In order to maintain adequate internal control in the bank, the Board of Directors, Risk Management Committee, Audit Committee and various Management Level Committees have been effectively reviewing the internal control system.

More than 140 policies, rules and procedures have been formulated and implemented in line with the goal of making the internal control system of the bank more effective and efficient. Board of Directors of bank has continuously reviewed the internal control system of the bank and its effectiveness keeping in view the short-term, long-term and far-reaching impact of market risk, credit risk, operational risk, and other risks in bank.

The Board of Directors has always been committed to minimizing the short-term and long-term impacts of risk, taking into account the need to bear risk in order to achieve the financial objectives of the Bank. For this, the bank have been preparing and implementing the necessary procedures for the establishment of effective internal control system. Such procedures have consistently

made significant contributions to the identification, reporting, evaluation and management of risks.

#### **PREVENTION OF MONEY LAUNDERING**

In order to effectively control and curb the activities related to money laundering and prevention of financial investment in terrorist activities, the Bank has issued different policies and procedures based on Prevention of Money Laundering Act, 2064 and Prevention of Money Laundering Regulations, 2073. Further, necessary policies, procedures and practices have been formulated and implemented in bank as prescribed by Nepal Rastra Bank and Financial Information Unit (FIU).

A committee has been formed under the coordination of Mrs. Bandana Karki, Director of the Bank, with the main objective of formulating and implementing necessary policies and regulations in the field of financial investment and prevention of financial activities in terrorist activities. The decisions made by this committee and the actions taken in accordance with the decision have been presented to the meeting of Board of Directors on regular basis. In addition, a separate AML / CFT unit has been set up at head office of the bank to monitor such policies and actions and KYC / AML officer has been appointed in each branch office giving necessary instructions and implementing money laundering prevention act and directive. AML and CDD policy and procedure in accordance with the directives of Nepal Rastra Bank and prevailing national and international provisions have been updated and implemented. Similarly, a management committee has been formed at the managerial level to prevent money laundering and financial investment in terrorist activities.

#### **APPOINTMENT OF AUDITOR**

On behalf of the Board of Directors, we would like to express our heartfelt thanks to S.A.R Associates, Chartered Accountants, appointed on 24th Annual General Meeting, for their detailed reporting of the bank's transactions and accounts after comprehensive auditing. S.A.R Associates, Chartered Accountants has carried out the statutory audit of bank for past three years and is not eligible for re-appointment as external auditor pursuant to section 111 and 112 of the Companies Act, 2063 and sections 62 and 63 of the Banking and Financial Institutions Act, 2073. Proposal will be recommended at Annual General Meeting of the Bank for the appointment of new external auditor for auditing of FY 2023/24.

#### **BOARD OF DIRECTORS AND ALTERATION IN THE BOARD OF DIRECTORS**

The Board of Directors of the Bank comprises total of 7 directors that includes 3 members from promoters, 3 members from general public, and 1 independent director. Therefore followings are the Board of Directors of Machhapuchchhre Bank Limited.

- 1. Chairman Dr. Upendra Mahato**  
(On Behalf of Promoter shareholders)
- 2. Director Mr. Roshan K.C**  
(On behalf Promoter shareholders)
- 3. Director Mr. Mukunda Mahat**  
(Independent Director)
- 4. Director Mr. Jay Mukunda Khanal**  
(On behalf of the general public shareholders)
- 5. Director Mr. Bishwo Prakash Gautam**  
(On behalf of the general public shareholders)
- 6. Director Mr. Haribhakta Sigdel**  
(On Behalf of Promoter shareholders)
- 7. Director Mrs. Bandana Karki**  
(On behalf of the general public shareholders)

## BOARD OF DIRECTORS MEETINGS

The meetings of Board of Directors of the Bank is conducted regularly in accordance with the provisions of the existing act. A total of 18 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 and the details of meeting fee received are as follows:

MEMBERS	NUMBER OF MEETINGS ATTENDED	MEETING ALLOWANCES (IN NPR)
Former-Chairman Dr. Birendra Prasad Mahato	4	72,000
Chairman Dr. Upendra Mahato	13	229,000
Director Mr. Roshan KC	18	279,000
Director Mr. Mukunda Mahat	18	279,000
Director Mr. Jaya Mukunda Khanal	17	263,500
Director Mr. Bishow Prakash Gautam	16	248,000
Director Mr. Haribhakta Sigdel	18	279,000
Director Mrs. Bandana Karki	18	279,000

The Board of Directors have been making appropriate decisions to make the bank more successful and strong by discussing all the areas that the Bank needs to pay attention to, including the condition of the Banks Capital Fund, Policy formulation, Corporate Governance, Loan, Operation and Market Risk. BODs has been reviewing the decisions taken in the previous meeting and the implementation status 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 is always committed to fulfill its roles and shall be ready for the coming days as well.

## AUDIT COMMITTEE

Audit Committee has been carrying on its activities as per the directives given by NRB. Audit Committee of 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 or not, to regularly examine managerial and performance outcome of Management and Operation of the Bank for ensuring that the prevailing laws applicable to the Bank are fully complied with or not; 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. In addition to this, the committee assists the management in making the financial statement accurate and realistic, check whether bank's operation is carried with regularity, frugality, propriety, realistic or not and provide necessary suggestion to the BOD after reviewing operational activities, approve the internal audit plan and outcomes of internal audit, reviewing

the quarterly financial statement of the bank, ensure whether the risk areas detected by risk based internal audit system. Internal and external auditors of the bank can have direct access to the committee. As per the NRB Directives, the audit committee formed under the coordination of Non-executive Director with additional one Non-executive director as Member and Head of Internal Audit Department as Member Secretary are as follows:

- 1. Director Mr. Mukunda Mahat**  
Coordinator
- 2. Director Mr. Bishow Prakash Gautam**  
Member
- 3. Head of Internal Audit Department 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 meeting of 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 five-member risk management committee in coordination of Non- Executive board as below:

- 1. Director Mr. Bishow Prakash Gautam**  
Coordinator
- 2. Director Mr. Mukunda Mahat**  
Member
- 3. Director Mr. Jaya Mukunda Khanal**  
Member
- 4. Chief Operating Officer Mr. Sunil Khatiwada**  
Member
- 5. Chief Risk Officer Mr. Dilli Ram Giri**  
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, related Rules and Guidelines and directives issued by the Nepal Rastra Bank related to prevention/control of Money Laundering. The Bank has formulated and implemented effective Policies, Rules and Directives to prevent Money Laundering. The following five member committee under the coordination of Non- Executive Director is formed with the primary objective to prepare and implement necessary policy/guidelines on Asset (Money) Laundering Prevention and areas of terrorist financing:

- 1. Director Mrs. Bandana Karki**  
Coordinator
- 2. Director Mr. Haribhakta Sigdel**  
Member
- 3. Chief Risk Management Officer- Mr. Dilli Ram Giri**  
Member
- 4. Chief Compliance Officer- Mr. Bhuvan Singh Khatri**  
Member
- 5. Enforcement Officer (AML/CFT Unit)- Mr. Roshan Thapaliya**  
Member Secretary

In order to complying with the Acts and Directives on Money Laundering Prevention, 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 has 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 formed other committees/sub-committees such as Merger and Acquisition Committee under the coordination of Non- Executive Director for specific purpose, time & work.

### **INFORMATION MANAGEMENT**

Bank has given utmost priority to information exchange among all shareholders and stakeholders. 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](http://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 annual general meeting and discuss the progress of the Bank.

### **GRIEVANCE AND HEARING**

Bank has been providing services by operating a 24-Hour Customer Care Services with the objective of addressing the grievances received from customer and other stakeholders. Bank try to address grievances, suggestion and response received through Telephone, Email, Facebook, Instagram, Chatbot, Website, etc as early as possible. The Bank has set up a separate mechanism through different mediums like mobile banking, website, email, chatbot to hear the

grievances of public and customers for any inconvenience caused and disseminating information to the public. The bank has timely addressed the grievances, feedback, and suggestions received from the customer and forward it to the concerned bodies. In addition to this, Chief Grievances Handling officer has been assigned and contact details of grievances handling officer has been updated in the bank's website pursuant to direction provided by Nepal Rastra Bank for effective management of grievances received from customer and concerned stakeholder. The Bank has consistently addressed customer grievances with high priority and efficiently. In the fiscal year 2022/23, out of 33,544 complaints, 98.32% of the complaints have been successfully addressed.

### **MERGER AND ACQUISITION**

As per the decision made in the previous Annual General Meeting regarding 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, 2023 is NPR 10,257,155,600. As per the capital increment plan of the bank, Debenture worth of NPR 5.25 billion had already been issued by the bank. In addition to this, bank has continued discussion regarding the possibility of merger/acquisition with other appropriate banks and financial institution (s) for capital and business growth.

### **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. Upendra Mahato**

Chairman



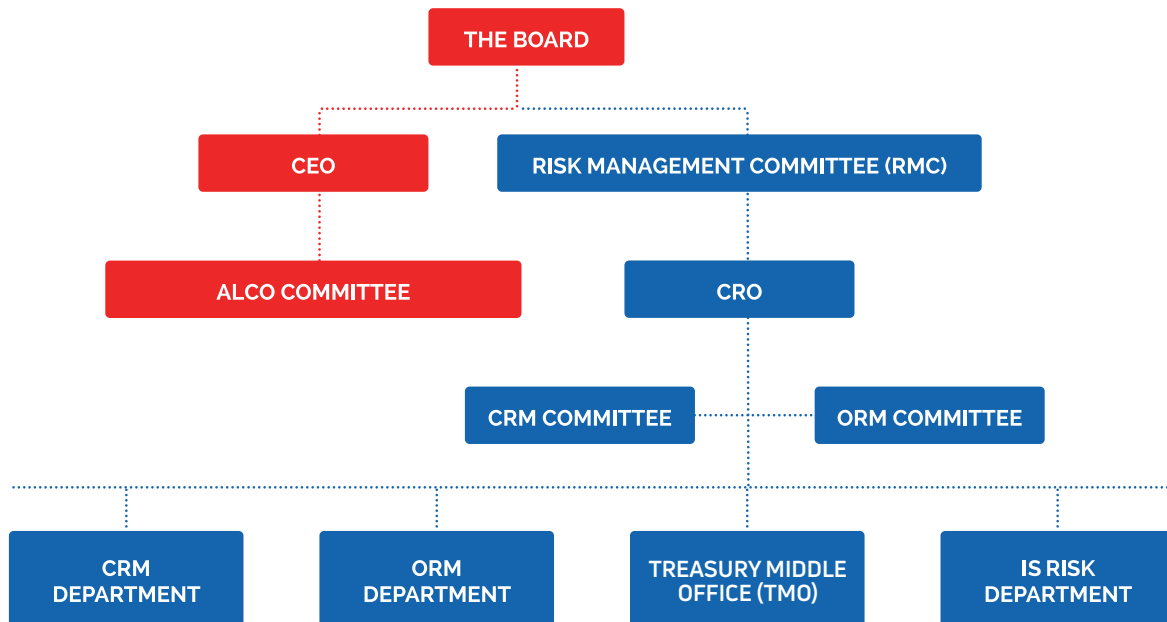
# RISK MANAGEMENT

**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, Information Security and other risks inherent in the 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 comprises maximum of 5 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. Coordinator of Audit Committee shall be ex officio member of the committee.

Board Member-Coordinator
Board Member-Member
Chief Risk Officer-Member
DGM-Operation or COO-Member

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

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, Operation and Information Security 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 Credit Risk, Operation Risk, Information Security Risk and Market/Liquidity Risk functions are directly reporting 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 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 LINE 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 LINE 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 table 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	35,331	Credit Risk	90.58%
Business Lending	39,771	Market Risk	0.28%
Corporate/Infra Lending	46,789	Operational Risk	5.12%
Microfinance+ Others	6,878	Others	4.01%
<b>Total Risk Assets</b>	<b>128,768</b>	<b>Risk Weighted Asset</b>	<b>157,659</b>



## 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 and province level; CRM Department 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 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 Board of Directors.
- 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:

<b>Credit Risk Governance</b>
<b>Policies</b>
<b>Risk Methodologies</b>
<b>Processes, systems and reports</b>

### A. CREDIT RISK GOVERNANCE

Risk Governance structure of MBL comprises of the following:

<b>Board</b>		
<b>Risk Management Committee (RMC)</b>		
<b>Credit Risk Management Committee (CRMC)</b>		
<b>Chief Risk Officer (CRO)</b>	<b>Dy. Chief Integrated Risk Officer (DCIRO)</b>	<b>Credit Risk Management Department</b>

### 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, DCEO, DGM Business, AGM Business, Head Treasury (front), Head of Special Asset Management, Head of Credit Risk Management Department and CBOs/Head of Credit Business. 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 process of linking those ratings with pricing i.e. risk based pricing and capital allotment. 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.

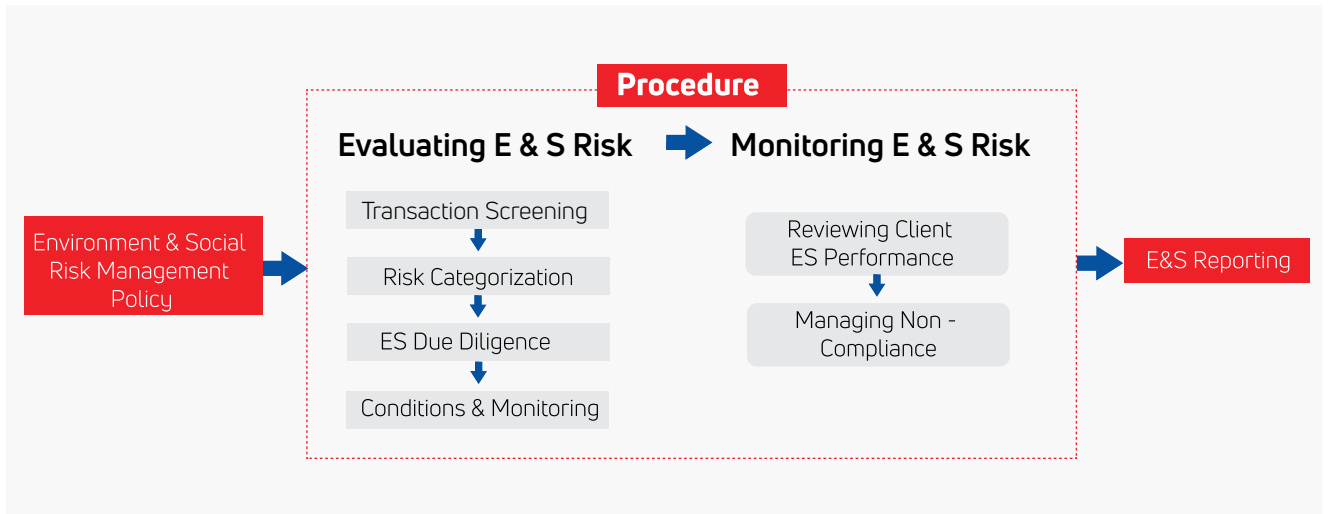
### ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM)

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 examines 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 program 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 events & severity of consequences.

### 1.1 CREDIT RISK MITIGATION

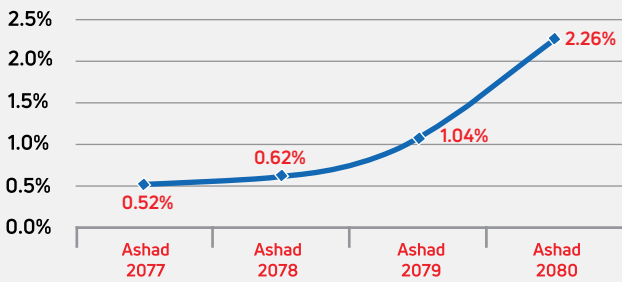
Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, risk transfer through credit insurance and other guarantees. MBL carefully assesses reliance that can be placed on these mitigates in light of issues such as legal certainty 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	MBL Mitigates risk of Default opting following Measures (list is not exhaustive): <ul style="list-style-type: none"> <li>■ Existing and projected cash flow &amp; financial analysis,</li> <li>■ Analysis &amp; Purpose Assessment,</li> <li>■ Market/industry review,</li> <li>■ 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,</li> <li>■ 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,</li> <li>■ Identification and analysis of early warning signals, borrower wise as well as industry wise to take timely remedial action as required,</li> <li>■ Assessment &amp; implement of Credit Structuring strategy or other remedial action wherever required etc.</li> </ul>

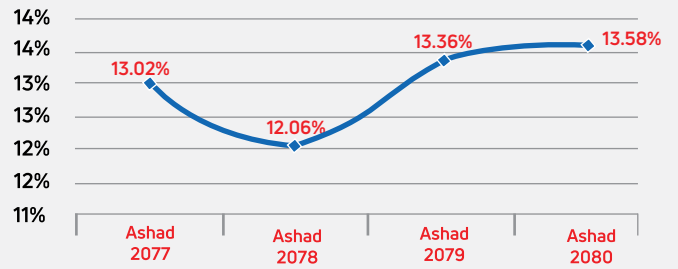
SPECIFIC RISK	SHORT DESCRIPTION AND SOURCE	RISK IMPACTS	MITIGATION TECHNIQUES OPTED BY MBL
Recovery Risk	The risk arises from Client's business failure, Death or departure of key management people, Double financing against same asset, Decline in Collateral Value, Repossession of Collateral and Owner's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

# MOVEMENT IN KEY RISK PARAMETERS

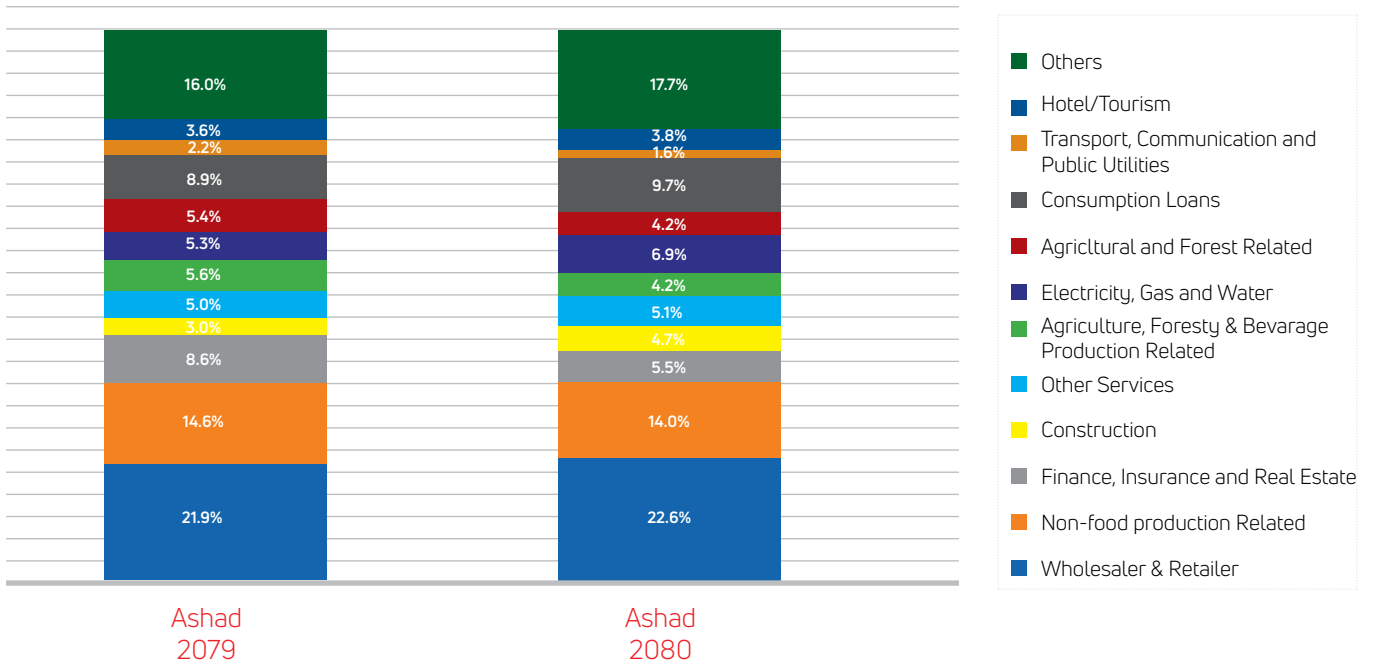
## Movement in NPA



## Movement in Total capital/RWA (CAR)



## Industrywise Concentration of RA



## 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. Operational Risk arises from a failure to properly control principal aspects of the Bank's activities. Basel II has projected seven types of operational risks that banks and financial institutions should bring into focus such as i) Internal Fraud, ii) External Fraud, iii) Employment Practices and Workplace Safety, iv) Clients, Products, and Business Practice, v) Damage to Physical Assets, vi) Business Disruption and Systems Failures vii) Execution, Delivery, and Process Management. 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:

<b>Board</b>		
<b>Risk Management Committee (RMC)</b>		
<b>Operation Risk Management Committee (ORMC)</b>		
<b>Chief Risk Officer (CRO)</b>	<b>Dy. Chief Integrated Risk Officer (DCIRO)</b>	<b>Operation Risk Management Department</b>

### 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 continues 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 Risk Management Manual approved by management. In order to meet bank's operational risk management objectives, each function of the Bank identify, measure, control and report its operational risk in line with Bank's Operational Risk Management Policy approved by

Board of Directors. Operational risk appetite is defined for managing operational risk within acceptable levels through an appropriate level of management. Likewise, threshold are predefined depending on the nature of the risk and the organization's risk tolerance which is essential for effective risk monitoring and management. Various Risk Tool kits such as ILDR, KRI, and RCSA are used for identifying and analyzing the operational risks. Further, with a view to bring about an ongoing improvement in the standard of internal housekeeping and identifying and mitigating operational risk, Quality Assurance Check (QAC) are done in the branches by verifying the documents on sample basis. Each and every selected sample shall be scrutinized and grading is done based on its quality and compliance to related policy & guidelines. Branches are categorized as Red, Amber and Green based on their grading where red category denotes that the branches/ department in this category is in need of the strongest supervisory attention and monitoring as these branch/ department/unit is substantially in non-compliance with procedures/ guidelines/ rules/ regulations and risk management is weak. Likewise, amber category denotes that the branch/department in this category is in a general compliance position and green category denotes the branch/department/unit is in a strong compliance/risk management position. The bank ensures that the operational risk mitigation/ control strategies and responses effectively address all identified major operational risks in line with

the operational risk tolerance set by Operational Risk Management Policy.

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 the following 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	
<b>Risk Management Committee (RMC)</b>	
<b>Assets Liabilities Committee (ALCO)</b>	
<b>Chief Risk Officer (CRO)</b>	<b>Treasury Middle Office</b>

#### 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, DCEOs, DGM Business, AGM Operations, AGM Business, Chief Liability Management, Chief/ Dy. Chief Risk Officer, Chief/ Dy. Chief Finance Officer, Head Institution & Corporate Deposit, Head-Treasury Front & Correspondent Banking and Treasury Middle Office. 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, 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 risk monitoring table for interest rate risk is prepared by Treasury Middle Office on a quarterly basis and present report to 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, Treasury Middle Office should reports it to the CRO immediately. The CRO should notify to the Risk Management Committee about the breach in limit as early as possible. The excess net position shall be offloaded the very next working day with the help of NRB's intervention/ interbank transaction. 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 Middle 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.

**4. INFORMATION TECHNOLOGY RISK**

Information Technology Risk is the risk that could threaten the Bank's information technology infrastructure and supported business application. Information Security is an integral part of

IT Control that applies to both infrastructure and data and generally ensure Confidentiality, Integrity and Availability. Bank has separate Information Security Department that aims to ensure information security throughout the bank.

**4.1 INFORMATION SECURITY PRINCIPLES**

The basic components of information security are most often summed up by the so-called CIA triad: confidentiality, integrity, and availability.

- **Confidentiality** is perhaps the element of the triad that most immediately comes to mind when you think of information security. Data is confidential when only those people who are authorized to access it can do so; to ensure confidentiality, you need to be able to identify who is trying to access data and block attempts by those without authorization. Passwords, encryption, authentication and defense against penetration attacks are all techniques designed to ensure confidentiality.
- **Integrity** means maintaining data in its correct state and preventing it from being improperly modified, either by accident or maliciously. Many of the techniques that ensure confidentiality will also protect data integrity—after all, a hacker cannot change data they cannot access—but there are other tools that help provide a defense of integrity in depth: checksums can help you verify data integrity, for instance, and version control software and

frequent backups can help you restore data to a correct state if need be. Integrity also covers the concept of non-repudiation; you must be able to prove that you've maintained the integrity of your data, especially in legal contexts.

- **Availability** is the mirror image of confidentiality; while you need to make sure that your data can't be accessed by unauthorized users, you also need to ensure that it can be accessed by those who have the proper permissions. Ensuring data availability means matching network and computing resources to the volume of data access you expect and implementing a good backup policy for disaster recovery purposes.

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

- A. INFORMATION TECHNOLOGY RISK GOVERNANCE**
- B. POLICIES**
- C. RISK METHODOLOGIES**
- D. PROCESSES, SYSTEMS AND REPORTS**

**A. INFORMATION SECURITY RISK GOVERNANCE**

Risk Governance structure of MBL comprises of the following

Board	
Risk Management Committee (RMC)	
Chief Risk Officer (CRO)	Information Security Department

Information Security Department MBL has separate independent function called Information Security

Department established for effective management of Information Security risks in the bank. The Department performs the jobs related to identify, measure, monitor and report Information security risks as a whole and ensure that the management of information security risk in the bank is carried out as per strategy and policy.

**B. INFORMATION SECURITY POLICIES AND PROCEDURE:**

The Bank has implemented board approved sound and robust Information Security Policies and Procedures that strengthen system security, reliability, availability, business continuity etc. The policies and procedures define the Key Risks, Potential Impact, and Recommended Control Activities and are related to:

- IT Governance,
- Continuous monitoring and Incident management,
- Information security,
- Data Privacy,
- Identity and Access Management,
- Physical Security,
- Business Continuity, Backup and Recovery,
- Third Party Vendors,
- Industry Issues etc.

**C. INFORMATION TECHNOLOGY RISK AND CONTROL (ITRC):**

ITRC (Information Technology Risk and Control) assures the bank around all the risks, including those introduced or enabled by the implementation of Information Technology (IT). The goal of this ITRC is to help the bank become more comfortable with general IT

risks and control. Moreover, it sets the stage for other ITRC's that cover in greater detail specific IT topics and associated business roles and responsibilities.

**D. IT CONTROLS:**

They are specific activities performed by a person or system that have been designed to prevent or detect the occurrence of a risk that could threaten the Bank's information technology infrastructure and supported business applications. The hierarchy of IT Control and its classification are depicted below:

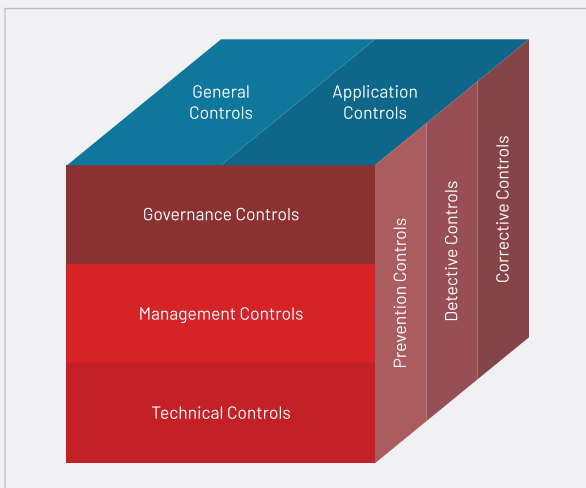


Fig: IT Control Classification

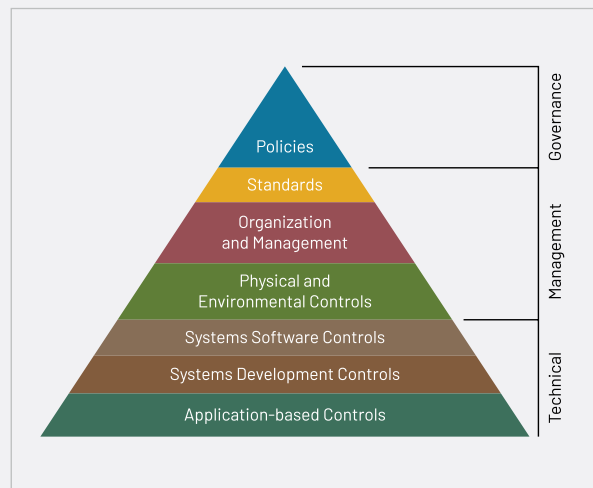


Fig: Hierarchy of IT Controls



# Corporate Social Responsibility

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.

Corporate Social Responsibility (CSR) is a concept of being socially responsible while doing earning activities. The domains of CSR differ from country to country. A growing number of countries have adopted laws as well as guidelines for CSR activities with varying features, though it is originally considered as a voluntary matter.



NRB introduced CSR directive in FY 2016/17 with a provision of establishing CSR fund by allocating at least 1 percent of net profit in order to be active in CSR activities.

Banks and financial institutions are established for the purpose of providing financial services to the country, so the role of these institutions is important in the sustainable development of the country. Only if the human, social and external environment can be protected, public trust in the financial sector will increase, financial stability will be maintained and institutions will be able to operate uninterrupted for a long time. Since the financial institution should pay sufficient attention to the protection of the interests of all its stakeholders, the institution's responsibility towards the country and society remains. Every bank and financial institution has to contribute to education, health, financial literacy, financial access and the upliftment of the backward classes to fulfill their social responsibility towards the society and the country.

MBL has been prioritizing on Corporate Social Responsibility (CSR) initiatives for past few years. Along with sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. External Affairs and Branding Unit is the unit responsible for organizing various CSR activities throughout the country. 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 review period, as part of bank's CSR activities, the bank continuously organized financial literacy programs through various branch offices across the country.

Similarly, keeping cultural preservation as a top priority, bank has handed over devotees counting machine in the well-known Halesi Mahadev temple in Khotang district. Also to promote digital transactions bank has managed QR code VindhyaVASINI temple in Pokhara & Galeshwar Mahadev temple in Beni, Bhairavasthan temple in Palpa and Gadhimai temple in Bara district.

In the same way, solar lamps were installed in Musahar Basti located in Ramdhenu municipality of Sunsari district and also assisted in the management of apple packing

cartons to facilitate bringing the apples produced by the farmers of Bikat district Jumla to the market. In addition to this, the Bank directly and in various social activities such as providing financial support to the Manav Seva Ashram for the protection of orphaned children and the elderly for the purpose of building the Ashram, providing daily consumables to dependent children in Kindergartens and the dependent children and the elderly in Human Welfare Society, support in the construction of necessary infrastructure to raise the educational quality of various schools and colleges, distribution of warm clothes during winter in different parts of the country, health camps in collaboration with various organizations, blood donation programs, planting trees and distributing dustbin to help protect the environment. It has been participating indirectly.

Province wise corporate social responsibility expenses details of FY 2079-80 was as under:

PROVINCE	EXPENSES	PERCENTAGE %
Koshi	2,624,969.00	25%
Madhesh	1,138,307.00	11%
Bagmati	2,822,337.00	27%
Gandaki	1,329,432.00	13%
Lumbini	904,672.00	9%
Karnali	877,684.00	8%
Sudurpaschim	891,324.00	8%
<b>Grand Total</b>	<b>10,588,725.00</b>	
<b>Total budget of FY 2079/80</b>	<b>21,738,429.00</b>	
<b>Remaining budget</b>	<b>11,149,704.00</b>	

#### Glimpse of various programs organized under Corporate Social Responsibility

# PRODUCTS AND SERVICES

## A. SAVING DEPOSIT PRODUCT

- I. MBL Balbalika Bachat Khata
- II. MBL Digi Yuva Saving Account
- III. MBL Karmashil Bachat Khata
- IV. M'Smart Bachat Khata
- V. Machhapuchchhre Bachat Khata
- VI. Mero Lagani Bachat Khata
- VII. MBL Normal Saving Account
- VIII. MBL NRN Saving Deposit Account
- IX. MBL Pewa Bachat Khata
- X. MBL Samman Bachat Khata
- XI. MBL Shareholders Saving Account
- XII. MBL Smart Bachat Khata
- XIII. MBL Smart Plus Saving Account
- XIV. MBL Ek Byakti Ek Khata Yojana
- XV. MBL FCY Saving Account

### XVI. Payroll Accounts:

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

## B. TERMS DEPOSITS

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



## MBL BALBALIKA BACHAT KHATA

MBL's "Balbalika Bachat Khata" is a popular children's savings account in Nepal. MBL Balbalika Bachat Khata is a product designed for children aged up to 15 and below. It also favors parents who want to create an early financial plan to save a significant amount of money for their children's future. The authorized person for the child's account can make deposits and transactions via the internet and mobile banking.

### Product Features/Benefits:

- Minimum Account Balance: Zero
- This is a personal saving account for minors.
- The account will be automatically converted to the Normal Saving Account once account holder turns major legally.
- Free subscription of Internet Banking.\*

## MBL DIGI YUVA SAVING ACCOUNT

Digi Yuva Saving Account is the account that are targeted to Students and Youths of 18 years and above.

### Product Features/Benefits:

- Minimum Balance: NPR 100
- Targeted Group: 18 years and above
- Free subscription of MBL M-Smart\* for 1st year
- 10% Discount on first top up from M-Smart.
- Free subscription of Debit Card\* and Credit Card\* for 1st year.
- Free subscription on MBL Dollar Prepaid Card\* for 1st year
- 25% Discount on issuance of Smart dollar card for 5 years.
- Free online/E-commerce transaction fee.
- Credit card limit of NPR 10,000/- and NPR 20,000/- for graduate and post-graduate levels respectively\*
- Free DMAT Account Opening\*/ Mero Share\* for 1st Year
- Free Connect IPS registration.
- Waiver of 0.25 basis points on processing fee of Education loan.
- Free Cheque Book and Account Statement on Demand.
- Free Email Bank Statement.
- Discount at various Retail Outlet on use of MBL Debit and Credit Card.
- Free Any Branch Banking Service (ABBS) Facility.

## MBL EK BYAKTI EK KHATA YOJANA

As a part of Government's "Kholau Bank Khata Abhiyan, 2076" campaign, MBL has come up with an attractive deposit product for individuals who don't have account in any BFIs. Now, customers can easily open account with minimum documentation requirement.

### Product Features/Benefits:

- Bank will deposit NPR 100 in the account
- Minimum Balance: NPR 100
- Interest Payment Frequency: Quarterly
- Simplified account opening form
- Annual transaction limit of the account shall be NPR 100,000
- Customer needs to change/convert account category if the transaction exceeds NPR 100,000
- Customer needs to provide additional information by filling up Bank's standard account opening form.
- Customer having bank account with any BFIs shall not be eligible for this account. Declaration regarding same is included on separately designed account opening form.

### MBL FCY SAVING ACCOUNT

Aside from Nepalese living abroad, many people residing in Nepal, both Nepalese and Foreigners, occasionally or frequently need to make transaction with foreign currency due to their earnings or business. Banks in Nepal have developed foreign currency savings accounts to make foreign currency transactions safer and more convenient. Individuals must follow the Nepal Rastra Bank's guidelines/directives in order to open an FCY Account (NRB). MBL offers a Foreign Currency Saving Account to ease the burden of foreign currency salary earners. This account's opening balance is USD 10 or a convertible foreign currency equivalent to USD 10.

Description Opening Amount  
MBL Foreign Currency Saving Account – (USD/EUR/GBP) USD 10 or convertible foreign currency equivalent to USD 10

#### Eligibility:

- Nepalese nationals residing, working and earning in abroad.
- Nepalese nationals residing, working and earning in Nepal in terms of foreign currency.
- Eligible NGOs/NGOs to operate FCY Account as per the directives of NRB.
- Foreign nationals residing and working in Nepal.
- All the prospective customers who can open an FCY Account as per the guidelines/ directives of Nepal Rastra Bank (NRB).

### MBL KARMASHIL BACHAT KHATA

MBL Karmashil Bachat Khata is a remittance nature saving account. Such account is eligible to be opened by Nepalese employed/working in foreign countries with Foreign Employment Permit issued by Nepal Government Department of Foreign Employment.

\* To be Eligible to apply IPO  
As per Securities Board of Nepal (SEBON), migrant workers will get at least 10% of the primary shares (IPOs) issued by companies. Therefore, to be eligible to apply IPO share under 10% reservation, NPR 50,000 must be remitted in this account in the last six months.

#### Product Features/Benefits:

- Minimum Balance: Zero
- Free Cheque Book and Account Statement on Demand
- Free ABBS Facility
- Free Subscription of Internet Banking Facility
- Free DEMAT
- Free Mero share
- Free CASBA charges

### M'SMART BACHAT KHATA

M'Smart Bachat Khata is online account opening service to such type of customer through web platform. Customer can open saving account through online platform i.e. Mobile Application (MBL M-SMART) for domestic customers without visiting our branches.

#### Product Features/ Benefits:

- Minimum Balance: Zero
- No other debit tools like Cheque, Debit card, Internet banking, Connect IPS, wallet linking shall be issued under this saving account except mobile banking.
- Subscription fee of Mobile Banking: Free for 1st year and NPR 1 from 2nd year onward
- Credit transaction through teller is also restricted.
- Annual Transaction: Debit: Max NPR 100,000/- ; Credit: Max NPR 100,000/-
- This account can be opened by Nepali Citizens and Non-Residential Nepalese having registered mobile number of Nepal.
- Account category conversion is allowed after updating KYC. The charges shall be waived for the category conversion under this account.

## MACHHAPUCHCHHRE BACHAT KHATA (MBK):

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

### Product Features/Benefits:

#### Features for Individual Customer:

- Minimum Balance: NPR 500
- Free withdrawal facility from any ATM within Nepal
- Free Subscription of Debit/Credit Card \*
- 50% Discount on Annual Rental Charge of Locker\*
- Free Subscription of internet Banking, MBL M-Smart\*
- Free Any Branch Banking Service (ABBS) Facility
- Free DMAT Account Opening/ Mero Share\*

#### Features for Institutional Customer

(NGOs/INGOs/Trusts/other Non Profit Making Organizations):

- Minimum Balance: Zero
- Free Cheque Book and Account Statement on Demand
- Free Subscription of internet Banking\*
- Free Any Branch Banking Service (ABBS) Facility

Note: Institutional customer here means organizations (such as NGOs, INGOs, Trust and other non-profit making organizations) that are legally eligible to operate through savings accounts.

\* Charges are free for first year only.

## MERO LAGANI BACHAT KHATA

We have designed a new product "Mero Lagani Bachat Khata" in order to target those customers who are engaged in share transactions and sensitive towards associated cost like DEMAT, MeroShare, C-ASBA etc.

### Product Features/ Benefits:

- Minimum Balance: Zero
- All time Free - MBL M-Smart (Mobile Banking)
- All time Free - DMAT
- All time Free - Mero Share
- All time Free - CASBA charges
- Free - Subscription of BLB Card (if account is opened from BLB touch point)

## MBL NEW SMART TALAB KHATA

Our New Smart Talab Khata is a payroll management solution for organization whilst offering the employees with insurance coverage benefits.

### Product Features/Benefits:

- Minimum Balance: Zero
- 50% Discount on Annual Rental Charge of Locker for 1st Year
- Free Subscription & Renewal of internet Banking, and MBL M-Smart for 5 Years
- Free Subscription & Renewal of Debit Card for 5 Years
- Free Any Branch Banking Service (ABBS) facility
- Free DMAT Account Opening/ Mero Share
- Free Cheque Book and Account Statement on Demand
- Free C-ASBA
- Free Subscription of Credit Card for 1st Year
- Online loan against FDR

Health and Accidental Insurance benefits\*\*:

- Accidental Death Insurance up to NPR 1,000,000 (including partial impairment)
- Hospitalization cost up to NPR 100,000 (Hospitalization upto NPR 80,000 and Domiciliary upto NPR 20,000)
- Critical Illness cost up to NPR 300,000

Note: Customer should have at least NPR 25,000 avg monthly balance to be eligible for insurance facility. Customers need to submit the claims within 15 days of check-up/ treatment/discharge

## MBL NORMAL SAVING ACCOUNT:

This product scheme offers Normal Saving Account (NPR) that can be opened with zero balance. Our customers can benefit from our saving deposit account in the following ways:



#### Product Features/ Benefits:

- Account Minimum Balance: Zero
- Free subscription of internet banking.\*

#### MBL NRN SAVING DEPOSIT ACCOUNT:

NRN saving deposit is a specialized saving deposit account that caters the need of NRNs, who wants to invest their dollar and wants to earn highest interest rate in their FCY saving.

#### MBL NRN Saving Deposit Account-FCY

- 0.15 paisa premium/rebate on FYC exchange
- Deposit and repatriation of the deposit amount can be done only through banking channel including swift and remittance through corresponding foreign bank.

- In case a customer requests to use the amount in local currency, settlement can be done in local currency upon receiving requests from the customer.
- Above mentioned terms and conditions may vary time to time as per the guidelines of the central bank of Nepal.

#### Currency

Minimum Balance Required		
USD	-	1,000
GBP	-	1,000
EURO	-	1,000
AUD	-	1,600
JPY	-	150,000

#### MBL NRN Savings Deposit Account NPR

- Minimum Balance: zero
- 50% waiver on charge for the locker fee\*.
- Waiver of 25 basis points for processing fee on consumer loans i.e. home loan and auto loan. It also applies to immediate family member of NRN.
- Free Internet banking facility\*
- Free Visa Debit Card.\*

#### MBL NARI SAKTI BACHAT KHATA

Women must begin saving money because they face numerous challenges, including a large Gender Pay Gap, less consistent income, and increased risks of chronic diseases, most notably uterine or breast cancer. And having their expenses paid for with their own money will make their life much easier and boost their self-esteem. Women's money, earned through numerous obstacles

and struggles, must be saved to deal with future issues, whether they are single, married, divorced, or simply retired. You should look for Best Women Saving Accounts in Nepal to do so. In fact, MBL's "MBL NARI SHAKTI BACHAT KHATA" is best suited for women's savings. Nari Shakti Bachat Khata is a product offered by Machhapuchhre Bank that allows women to enjoy various banking benefits.

#### Product Features/benefits:

- Minimum Account Balance: NPR 100
- Only females can open this account. (However, account operator can be male if account holder authorizes so).
- 50%, 25% and 10% discount on consecutive 1st to 3rd year annual locker rental charge.\*
- Free Subscription for 1st year or 1st Subscription of MBL M-Smart.\*
- Free Subscription for 1st year or 1st Subscription of Debit/Credit Card.\*
- Free Subscription for 1st year for DMAT/Mero Share.\*
- Free ABBS Facility

#### MBL SALARY MANAGEMENT ACCOUNT

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

#### Product Features/Benefits:

- Minimum Account Balance: Zero
- Statement of each staff provided every quarter upon request
- 50% Discount on Annual Rental Charge of Locker\*



- Free Internet Banking Facility, MBL Mobile Money (M-Smart)\*
- Free Any Branch Banking Service (ABBS) facility
- Free Subscription of Debit Card\*
- Account to be automatically downgraded to Normal Saving Account if salary is not received in the customer's account for six consecutive months.

### MBL SAMMAN BACHAT KHATA

Machhapuchchhre Bank has also developed MBL's Samman Bachat Khata, where senior citizens can begin their financial planning. MBL's Samman Bachat Khata is dedicated to honoring the years of experience of senior citizens. The Samman Bachat Khata aims to help people live self-sufficient lives after retirement by setting aside money for their financial needs.

#### Product Features/Benefits:

- Minimum Account Balance: NPR 100
- Free subscription of Internet Banking\*
- 50% Discount on Annual Rental Charge of Locker\*
- Free Any Branch Banking Service (ABBS) facility
- 50 years and above are only eligible to open this account
- This account may be opened in the joint name with immediate family members whose age is more than 50 Years.

### MBL SHAREHOLDERS SAVING ACCOUNT

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

#### Product Features/Benefits:

- Minimum Account Balance: Zero
- Free subscription of Debit Card\*
- Free Any Branch Banking Service (ABBS) facility
- Free subscription of Internet Banking\*
- 50% Discount on Annual Rental Charge of Locker\*
- Free DMAT Account Opening/ Mero Share\*
- This account can be opened by the Shareholder of MBL

### MBL SMART BACHAT KHATA:

Machhapuchchhre Bank's Smart Bachat Khata matches your financial expectation as it has the perfect ratio of merging digitalization in banking services with an interesting interest rate and lucrative insurance benefits, making it the Best Saving Accounts in Nepal. The best thing about MBL's New Smart Bachat Khata is that customers can open an account with MBL's Smart Bachat Khata from anywhere in the world and they provide impressive interest rate and other insurance benefits.

#### Product Features/Benefits:

- Minimum Balance: NPR 1,000
- 50% Discount on Annual Rental Charge of Locker\*
- Free Subscription of internet Banking, MBL M-Smart\*
- Free Subscription of Debit/Credit Card \*
- Free Any Branch Banking Service (ABBS) Facility
- Free DMAT Account Opening/ Mero Share\*

### MBL SMART PLUS SAVING ACCOUNT

MBL Smart plus Saving Account is a premium product designed for the customers who are seeking better return in saving account. All the valued customers of all age groups will get highest interest rate from this product.

#### Product Features/Benefits:

- Minimum Balance: NPR 5,000/-
- Free Cheque Book and Account Statement on Demand
- 50% Discount on Locker Charge shall be provided to the customer\*
- Free Subscription of Internet Banking Facility\*
- Free Subscription of MBL M-Smart\*
- Free Subscription of Debit Card \*
- Free ABBS Facility
- Free DMAT Account Opening\*
- Free Subscription of Credit Card\*
- Free Subscription of Mero Share\*
- Free activation of Debit/Credit/ Dollar card for E-commerce transaction (online payment).

## MBL SMART SALARY ACCOUNT

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

### Product Features/Benefits:

- Minimum Balance: Zero
- 50% Discount on Annual Rental Charge of Locker\*
- Free Subscription of Internet Banking, and MBL MBL M-Smart\*
- Free Subscription of Debit/Credit Card\*
- Free Any Branch Banking Service (ABBS) facility
- Free DMAT Account Opening/ Mero Share\*
- Free Cheque Book and Account Statement on Demand

Health and Accidental Insurance benefits\*\*:

- Accidental Death Insurance upto NPR 700,000 (including partial impairment)
- Medical Insurance upto 50,000 (Hospitalization upto NPR 40,000 and Domiciliary upto NPR 10,000)
- Critical Illness cost upto NPR 100,000

## MBL SURAKSHIT TALAB KHATA

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

### Product Features/Benefits:

- Minimum Account Balance: Zero
  - Free Cheque Book and Account Statement on Demand
  - 50% Discount on Annual Rental Charge of Locker\*
  - Free subscription of Internet Banking Facility, MBL M-Smart\*
  - Free Any Branch Banking Service (ABBS) facility
  - Free subscription of Debit Card\*
  - Free DMAT Account Opening/ Mero Share\*
  - Insurance Coverage: Accidental Insurance of NPR 700,000 (including partial impairment)\*\*
- \* Charges/Discounts are free for the first year only. Charges as per Standard Tariff of Charges shall be levied from second year onwards.

\*\*Conditions Apply

## MBL FIXED DEPOSIT:

MBL Fixed Deposit Account is a financial instrument provided by MBL to its valued customer which provides investors with higher rate of interest than a regular saving account.

## Individual Fixed Deposit (NPR):

- Tenure: 3 months and above
- Minimum amount : NPR 50,000/-
- Fixed Deposits can be opened directly from MBL M-Smart App, Internet Banking and website in real time.
- Up to 90% of the Fixed Deposit amount can be taken as Loan

## MBL NRN Fixed Deposit (FCY):

MBL NRN Fixed deposit account (FCY) nurture the needs of NRN by providing fixed deposit facility in different currencies.

- Deposit Period: 1 - 5 years
- The repatriation of the interest earned from the accounts will be repatriated to the bank account of the sender remittance amount sent country only. The amount of these accounts can be spend in Nepal or transfer to the NPR account as requested from the account holders.
- Interest earned from the amount deposited in the fixed deposit and saving accounts will be deposited on a quarterly basis in the saving accounts of the account holders and the interest tax will be imposed as per the Nepalese tax laws.
- In case of the principal of fixed deposit, it should be returned only after the expiry of the payment period. But if the tenure of fixed deposit is more than one year, it can be returned by prematuring the FD upon completion of one year period and as per the desire of depositor.

- Above mentioned terms and conditions may vary time to time as per the guidelines of the central bank of Nepal.

**Currency**

Minimum Balance Required

USD	-	1,000
GBP	-	1,000
EURO	-	1,000
AUD	-	1,600
JPY	-	150,000

**MBL Recurring Deposit Account:**  
 MBL Recurring Deposit is a tool to mobilize small deposits in the form of regular savings for future investments. Be it for your children's education, marriage ceremony, retirement days or investment, our customers will be able to save sizeable amount of money with this scheme

**Features:**

- Flexible saving option: from 6 months to 20 years
- Standing Instruction for debit authority
- Higher interest rate than saving deposit schemes



# TECHNOLOGIES

“ Banking sector is experiencing a significant transformation driven by remarkable technological disruptions. The traditional legacy banking models have evolved into dynamic digital ecosystems that offer convenient and efficient financial services.



The integration of cutting-edge technologies has revolutionized the way customers interact with banks, enhancing security, speed, and accessibility like never before. Customers are now demanding seamless services to meet their banking requirements.

Since, people have easy access to banking, and can access their bank accounts at any time. As a result, customers are becoming less likely to visit actual bank offices for simple tasks like fund transfers or bill payments as well as longer

processes like Account Opening or DEMAT Account opening. People's preference for quick and fast banking interactions and their increasingly hectic schedules can be the reason for this aversion to branch visits.

MBL provides a wide variety of banking services through its digital platforms in response to the changing needs of its customers and in an effort to provide a smooth digital banking experience. Customers can execute various banking activities using these platforms. These platforms let users

open accounts, transfer money, pay bills, and perform other banking tasks all from the convenience of their homes or other remote locations. MBL seeks to meet the needs of its clients and give them a better, more convenient banking experience by embracing digital solutions.

The bank guarantees that customers have access to a wide range of financial services conveniently, securely, and effectively by providing complete digital banking services.

## MBL M-SMART: AN OMNI CHANNEL MOBILE BANKING APPLICATION OF BANK

MBL M-Smart application revolutionizes banking with its "Banking on-the-go" concept by providing a wide range of banking services (financial and non-financial) through a single, user-friendly mobile application there by limiting branch visit by customer. This cutting-edge strategy has established M-Smart as the pinnacle of convenience by allowing users securely to easily access their accounts whenever and wherever they choose. Over 800,000 MBL users have accessed this service, attesting to its widespread popularity and user satisfaction.



### 1. VIEW ACCOUNT INFORMATION

- Balance Enquiry
- View Statements
- Share Account Information

### 2. FUND TRANSFER

- Intra-Bank Fund Transfer
- Inter-Bank Fund Transfer

### 3. UTILITY BILL PAYMENTS (TOP-UP, ELECTRICITY, AIR TICKETS, WATER LANDLINE, INTERNET AND SO ON)

### 4. QR PAYMENTS

### 5. CREDIT CARD BILL PAYMENT

### 6. LOAD DIGITAL WALLETS SUCH AS ESEWA, KHALTI, ETC.

### 7. OPEN FIXED DEPOSITS

### 8. INSTANT LOAN AGAINST FD

### 9. SAVE AND SCHEDULE PAYMENTS OF REGULAR NATURE

### 10. SMS BANKING – BANKING SERVICES WITHOUT INTERNET

### 11. SMART LOAN- PREAPPROVED INSTANT LOAN

### 12. SCHEDULE PAYMENTS

### 13. CARD WEB SERVICES

### 14. NFC PAYMENTS

MBL Express Banking: Web based Internet Banking solution

Customers of MBL Express Banking can conveniently manage their accounts from the convenience of their homes or offices with flawless online banking experience. A variety of services and functionalities are offered to clients through the retail module of MBL Express Banking.

#### 1. View Account Information

- Balance Enquiry
- Extract Account Statements

#### 2. Fund Transfer

- Intra-Bank Fund Transfer
- Inter-Bank Fund Transfer

#### 3. Utility Bill Payments (Top-up, electricity, landline, internet and so on)

#### 4. Credit Card Bill Payment

#### 5. Load Digital Wallets such as eSewa, Khalti, etc.

#### 6. Open Fixed Deposits

#### 7. Schedule and save payments of regular nature

MBL Express Banking offers Corporate Express Banking in addition to the retail module, giving businesses easy access to a full range of banking services right from their workplaces. Processes like staff management, vendor payments, and salary transfers can all be done in bulk. Even for corporate houses with numerous signatories, the corporate module of MBL Express Banking is developed with a strong "Maker" and "Checker" philosophy, ensuring a secure and effective online banking experience.

## MBL CARDS

Carrying large amounts of cash is impractical and poses risks. MBL provides a variety of card alternatives in both NPR and USD currencies in order to address this. These include:

1. Visa Debit Cards (NPR)
2. Visa Credit Cards (NPR)
3. Visa International Credit Cards (USD)
4. Visa Prepaid Dollar Cards (USD)
5. MBL Smart Dollar Card (USD) with a load limit of USD 500 per year for international e-commerce transactions

## PRIORITY PASS FACILITY

MBL has embarked on a journey of Priority Pass Facility for our valued customer with the motive to provide prominent service. Priority Pass is the world's largest independent airport lounge access program, providing member with quick and easy access to 1300+ airport lounges worldwide. The customers can use the priority pass on the different lounge associated with VISA. This priority pass scheme facilitates our customer to get benefit during travel through air way.

## ATM

Customers have the freedom to conduct various financial operations, such as cash withdrawals, and balance enquiries, at any hour of the day using automated teller machines (ATMs). The need to visit busy bank branches is replaced by these self-service machines, which offer quick and convenient cash withdrawal services. Customers can

also examine mini statements and conveniently check the balances of their accounts.

A comprehensive network of 200 ATM locations has been built by MBL throughout the nation. Customers are guaranteed convenient access to ATM services in various locations. The round-the-clock availability and accessibility of MBL's ATMs reduces reliance on conventional brick-and-mortar branches and promotes a seamless banking experience.

MBL gives its customers the ability to do necessary banking chores at their convenience by utilizing the power of ATMs, facilitating quick and simple financial transactions.

## QR PAYMENTS

Two-dimensional barcodes, Quick Response (QR) codes are used to store data. They have developed into a practical way for businesses and retail consumers to quickly and easily receive payments from their customers. Users can scan QR code and make contactless payments using MBL M-Smart app or digital wallets. This kind of payment has been crucial in accelerating the shift to a cashless society.

The fact that Machhapuchhre Bank Limited has over 70,000 registered QR merchants' shows how widely accepted QR code payments are. By utilizing this technology, MBL makes transactions more secure and effective, improving the practicality and simplicity of the payment procedures for both businesses and customers. The transition to a cashless world is

accelerated by the frictionless and contactless payment experience provided by QR code payments. With dynamic QR integration in client's payment platforms, MBL is providing convenience the merchants and hassle free payment to its customers. MBL stands itself at forefront to drive the digital payments in Nepal by constantly innovating itself to simplify the payment centering on safety and convenience.

## MBL QR SOUND BOX

For the First time in Banking Industry, MBL have successfully introduced revolutionary MBL QR SOUND BOX instant payment notification system, a cutting-edge device that will significantly enhance our merchant relationships, retention of the QR merchants and streamline the validation process for QR payments. This unique product is currently unparalleled in the Nepalese market, providing us with a distinct competitive advantage.

The MBL QR Sound Box is an innovative tool that not only validates QR payments but also provides real-time feedback to customers. Upon scanning the QR code and making a payment, the device will audibly announce the transaction amount. This feature is designed to help merchants identify and confirm the payment amount, ensuring transparency and enhancing their overall experience.

## POS TERMINALS

The shift of Nepal's economy to a cashless one is greatly aided by POS (Point of Sale) systems. By placing over 2,237 POS terminals in a various outlets around the nation, MBL has made great progress in this area. These POS terminals offer a variety of payment choices and accept cards from the VISA, MasterCard, and Union Pay networks.

The convenience of electronic payment transactions is offered to businesses and customers through MBL's wide network of POS terminals. These terminals help grow digital transactions and lessen dependency on cash-based transactions by providing secure and effective card payment processing. MBL's aim to promoting a cashless economy and offering clients a variety of payment choices is demonstrated by its commitment to increasing the accessibility of POS terminals.

MBL actively contributes to the development of Nepal's digital payment infrastructure by deploying smart POS terminals, enabling smoother and more secure transactions for both clients and companies.

## BRANCHLESS BANKING

For people living in distant places with little access to conventional bank branches, branchless banking services are essential for achieving financial inclusion. Machhapuchchhre Bank Ltd has established a network of more than

130 Branchless Banking Agents. These representatives are committed to providing the public with practical and easily accessible financial solutions while providing crucial banking services in rural and remote locations.

The Branchless Banking Agents of MBL function as bridge builders, connecting the bank with remote areas. MBL expands its reach to these areas by utilizing technology and strategic alliances, ensuring that they have access to crucial financial resources. Through these agents, people who live in rural locations can now take use of the convenience and advantages of financial services, promoting empowerment and economic growth in previously underserved areas.

## BUY NOW, PAY LATER (BNPL)

Instapay, a BNPL value-added product offered by MBL through its credit card services, provides financing options for consumer durables. With Instapay, customers can conveniently purchase a wide range of items such as home appliances, electronic gadgets, furniture, jewelry, and more, and repay the amount in easy installments.

MBL has partnered with over 250 businesses, guaranteeing that Instapay consumers have access to a wide range of goods and services. This makes it possible for people to satisfy their shopping demands while taking advantage of the convenience of installment payments with their

MBL credit cards. Customers using Instapay services benefit from a smooth and delightful purchasing experience because of MBL's vast network of merchant partnerships.

## ONLINE ACCOUNT OPENING

At present context, people have started to interact with banks virtually rather than visiting actual bank offices to complete chores like opening bank accounts or Demat accounts in today's hectic world. Understanding the scenario, MBL has made the procedure very simple and convenient by introducing online account opening capabilities through its website and other digital banking channels. Customers no longer need to physically visit banks in order to open bank accounts; they may do so at their own leisure and from anywhere. Due to the flexible and convenient access provided by this digital innovation, people can now conveniently fit banking services into their hectic modern schedules.

## REMITAP NEPAL

A state-of-the-art digital wallet created to streamline and speed up domestic and international transactions is RemiTap Nepal. RemiTap Nepal provides a number of features with a focus on security and efficiency, such as direct fund transfers to banks, transactions through cash pickup agents, a flexible virtual money card for merchant payments at retail stores and online e-commerce platforms, utility bill payments, and remittances. With the help of an all-inclusive digital wallet, customers can easily manage their financial activities.

## WE CHAT

MBL being the first bank in Nepal to provide WeChat Pay, has accomplished a critical milestone. WeChat Pay, which already has over 6,000 enrolled shops, provides

a simple and secure payment option that is especially useful to Chinese tourists. By using WeChat Pay QR codes, this cutting-edge platform allows MBL merchants to accept payments from abroad, acting as acquirers for global trade.

The addition of WeChat Pay by MBL strengthens convenience and broadens the range of payment alternatives available to both domestic and foreign clients, further establishing the bank as a pioneer in online banking services.



# Financial Statement



**Independent Auditor's Report**

**To the Shareholders of Machhapuchhre Bank Limited**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of the Machhapuchhre Bank Limited (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 31, 2080 (July 16, 2023), and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at Ashadh 31, 2080 (July 16, 2023), and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

**Basis for opinion**

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

**Emphasis of Matter**

We draw attention to Note no. 18 of the consolidated financial statements, which describes the accounting treatment, which is not in line with Nepal Financial Reporting Standards, on account of merger of erstwhile Machhapuchhre Capital Limited and Kriti Capital and Investment Limited to form Machhapuchhre Capital Limited, a subsidiary of the Bank. Since the subsidiary company is not material to the consolidated financial statements of the Group, our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated 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. N	Key Audit Matters	Auditor's Response
1.	<p><b>Interest Recognition</b></p> <p>The interest income of the bank has to be recognized on an accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines require suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on</p>	<p>Our audit approach regarding verification of process of interest recognition included:</p> <p>a. Obtaining clear understanding of the process of accrual of interest income on loans and advances in the Core Banking Software of the bank.</p> <p>b. For fair valuation of collateral, we relied on the latest available engineer's valuation of the collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019.</p> <p>c. Test check of the interest income booking with manual computation.</p> <p>d. Test-checked the premium charged on</p>

	<p>regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have an effect on recognition of interest income by the bank.</p> <p>Other liabilities include excess interest payable to loan customers reversing the interest income which may vary when the bank commences the refund. This may, in turn, have an effect on recognition of interest income of the bank. thus, considered them as key audit matters.</p> <p>Thus, we have considered it as a Key Audit Matter.</p>	<p>sampled borrowers from the report provided and basis taken by the management to arrive at the excess interest payable.</p>
2.	<p><b>Investment Valuation, Identification, and Impairment</b></p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> <li>Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8.</li> <li>We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management based on available evidence/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment.</li> <li>For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis.</li> <li>For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 16.07.2023 and for the unquoted investment the fair value has been taken as the NPR 100.</li> </ol>
3.	<p><b>Impairment of Loans and Advances</b></p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> <li>▪ Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and</li> <li>▪ Amount determined as per para 5.5. of NFRS 9, read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, adopting Incurred Loss Model</li> </ul> <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NFRS 9 read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, impairment of loans and advances</p>	<p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> <li>Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report.</li> <li>Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc.</li> <li>Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate.</li> <li>Grouping of homogeneous groups of loans</li> </ol>

	<p>should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after considering the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as Key Audit Matter.</p>	<p>was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.</p>
4.	<p><b>Information Technology General Controls</b></p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as Key Audit Matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ol style="list-style-type: none"> <li>a. Understanding the coding system adopted by the bank for various categories of customers.</li> <li>b. Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank</li> <li>c. Checking of the user requirements for any changes in the regulations/ policy of the bank</li> <li>d. Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS of the bank.</li> <li>e. We relied on the IT audit conducted by the bank.</li> <li>f. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 16.07.2023</li> </ol>



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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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



Aman Uprety  
Partner



Place: Kathmandu, Nepal  
Date: August 30, 2023

UDIN No.: 230830CA00451gSd4

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on 31st Asar 2080

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Assets</b>					
Cash and cash equivalent	4.1	10,633,520,357	11,522,097,022	10,632,385,826	11,494,023,887
Due from Nepal Rastra Bank	4.2	9,309,107,697	6,047,353,545	9,309,107,697	6,047,353,545
Placement with Bank and Financial Institutions	4.3	1,458,314,182	-	1,458,314,182	-
Derivative financial instruments	4.4	-	-	-	-
Other trading assets	4.5	489,503,750	507,975,922	489,503,750	507,975,922
Loan and advances to B/FIs	4.6	4,464,244,271	2,607,543,043	4,464,244,271	2,607,543,043
Loans and advances to customers	4.7	126,137,682,798	128,573,150,754	126,137,682,798	128,573,150,754
Investment securities	4.8	27,616,958,757	24,265,940,982	27,418,529,296	24,127,403,365
Current tax assets	4.9	784,948,803	647,378,841	774,948,142	646,424,245
Investment in subsidiaries	4.10	-	-	400,000,000	200,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	609,937,111	244,182,570	609,937,111	244,182,570
Property and equipment	4.13	1,587,805,143	1,586,335,430	1,582,407,853	1,583,505,876
Goodwill and Intangible assets	4.14	134,617,368	128,053,874	133,499,177	127,061,769
Deferred tax assets	4.15	91,232,820	54,701,213	85,784,940	49,253,332
Other assets	4.16	3,117,777,701	2,526,009,919	3,077,854,086	2,519,429,793
<b>Total Assets</b>		<b>186,435,650,758</b>	<b>178,710,723,115</b>	<b>186,574,199,129</b>	<b>178,727,308,101</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	4.17	4,105,067,655	5,072,835,872	4,105,067,655	5,072,835,872
Due to Nepal Rastra Bank	4.18	13,000,000	3,612,515,768	13,000,000	3,612,515,768
Derivative financial instruments	4.19	-	1,784,400	-	1,784,400
Deposits from customers	4.20	153,911,739,911	144,914,978,373	154,179,631,823	145,026,049,851
Borrowing	4.21	3,395,002,561	1,286,243,901	3,395,002,561	1,286,243,901
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	-	-	-	-
Other liabilities	4.23	3,263,462,278	3,752,238,738	3,235,672,094	3,749,348,072
Debt securities issued	4.24	5,494,038,946	5,492,759,107	5,494,038,946	5,492,759,107
Subordinated Liabilities	4.25	-	-	-	-
<b>Total liabilities</b>		<b>170,182,311,351</b>	<b>164,133,356,159</b>	<b>170,422,413,079</b>	<b>164,241,536,971</b>
<b>Equity</b>					
Share capital	4.26	10,257,155,581	10,257,155,581	10,257,155,581	10,257,155,581
Share premium		30,881,765	30,881,765	30,881,765	30,881,765
Retained earnings		1,456,169,382	598,209,396	1,448,531,597	597,244,914
Reserves	4.27	4,418,527,890	3,603,143,801	4,415,217,107	3,600,488,870
<b>Total equity attributable to equity holders</b>		<b>16,162,734,618</b>	<b>14,489,390,543</b>	<b>16,151,786,050</b>	<b>14,485,771,130</b>
Non-controlling interest		90,604,789	87,976,413	-	-
<b>Total equity</b>		<b>16,253,339,407</b>	<b>14,577,366,956</b>	<b>16,151,786,050</b>	<b>14,485,771,130</b>
<b>Total liabilities and equity</b>		<b>186,435,650,758</b>	<b>178,710,723,115</b>	<b>186,574,199,129</b>	<b>178,727,308,101</b>
Contingent liabilities and commitment	4.28	42,567,016,872	44,768,791,517	42,567,016,872	44,768,791,517
Net assets value per share		157.58	141.26	157.47	141.23

**Khagendra Paudel**  
Dy.Chief Finance & Planning

**Roshan KC**  
Director

**Bishow Prakash Gautam**  
Director

**Santosh Koirala**  
Chief Executive Officer

**Mukunda Mahat**  
Director

**Haribhakta Sigdel**  
Director

**Dr. Upendra Mahato**  
Chairman

**Jaya Mukunda Khana**  
Director

**Bandana Karki**  
Director

As per our report of event date

**Aman Uprety**  
Partner  
S.A.R. Associates  
Chartered Accountants

Date: 13/05/2080  
Place: Kathmandu, Nepal

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st Asar 2080

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	19,289,214,677	15,241,324,217	19,284,514,241	15,232,370,932
Interest expense	4.30	13,897,204,568	10,347,804,356	13,912,114,688	10,354,326,548
<b>Net interest income</b>		<b>5,392,010,109</b>	<b>4,893,519,861</b>	<b>5,372,399,553</b>	<b>4,878,044,384</b>
Fee and commission income	4.31	1,429,385,210	1,392,926,740	1,396,773,457	1,354,170,224
Fee and commission expense	4.32	252,730,753	193,143,910	252,730,753	191,034,406
<b>Net fee and commission income</b>		<b>1,176,654,457</b>	<b>1,199,782,830</b>	<b>1,144,042,704</b>	<b>1,163,135,818</b>
<b>Net interest, fee and commission income</b>		<b>6,568,664,566</b>	<b>6,093,302,691</b>	<b>6,516,442,257</b>	<b>6,041,180,202</b>
Net trading income	4.33	280,406,792	216,650,959	280,406,792	216,650,959
Other operating income	4.34	80,830,827	74,650,024	70,074,616	95,048,665
<b>Total operating income</b>		<b>6,929,902,185</b>	<b>6,384,603,674</b>	<b>6,866,923,665</b>	<b>6,352,879,826</b>
Impairment charge/(reversal) for loans and other losses	4.35	1,148,259,669	501,232,781	1,148,259,669	501,232,781
<b>Net operating income</b>		<b>5,781,642,516</b>	<b>5,883,370,893</b>	<b>5,718,663,996</b>	<b>5,851,647,045</b>
<b>Operating expense</b>					
Personnel expenses	4.36	2,138,037,268	1,943,073,507	2,120,527,655	1,923,717,847
Other operating expenses	4.37	831,100,932	1,105,033,306	801,938,597	1,096,383,226
Depreciation & Amortization	4.38	418,596,302	377,442,847	415,654,232	376,432,708
<b>Operating Profit</b>		<b>2,393,908,014</b>	<b>2,457,821,233</b>	<b>2,380,543,512</b>	<b>2,455,113,264</b>
Non operating income	4.39	8,931,154	34,466,836	8,931,154	34,466,836
Non operating expense	4.40	54,232,174	62,888,637	54,232,174	62,888,637
<b>Profit before income tax</b>		<b>2,348,606,994</b>	<b>2,429,399,432</b>	<b>2,335,242,492</b>	<b>2,426,691,463</b>
Income tax expense	4.41	712,881,573	741,115,863	709,716,503	740,036,218
Current Tax		746,100,107	753,305,669	745,230,539	746,987,441
Deferred Tax		(33,218,534)	(12,189,806)	(35,514,036)	(6,951,223)
<b>Profit for the year</b>		<b>1,635,725,421</b>	<b>1,688,283,569</b>	<b>1,625,525,989</b>	<b>1,686,655,245</b>
<b>Profit attributable to:</b>					
Equity holders of the Bank		1,633,097,045	1,687,792,631	1,625,525,989	1,686,655,245
Non-controlling interest		2,628,376	490,940	-	-
<b>Profit for the year</b>		<b>1,635,725,421</b>	<b>1,688,283,569</b>	<b>1,625,525,989</b>	<b>1,686,655,245</b>
<b>Earnings per share</b>					
Basic earnings per share		15.92	16.45	15.85	16.44
Diluted earnings per share		15.92	16.45	15.85	16.44

**Khagendra Paudel**  
Dy.Chief Finance & Planning

**Roshan KC**  
Director

**Bishow Prakash Gautam**  
Director

**Santosh Koirala**  
Chief Executive Officer

**Mukunda Mahat**  
Director

**Haribhakta Sigdel**  
Director

**Dr. Upendra Mahato**  
Chairman

**Jaya Mukunda Khana**  
Director

**Bandana Karki**  
Director

As per our report of event date

**Aman Uprety**  
Partner  
S.A.R. Associates  
Chartered Accountants

Date: 13/05/2080  
Place: Kathmandu, Nepal

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st Asar 2080

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Profit for the year</b>		<b>1,635,725,421</b>	<b>1,688,283,569</b>	<b>1,625,525,989</b>	<b>1,686,655,245</b>
<b>Other comprehensive income, net of income tax</b>					
<b>a) Items that will not be reclassified to profit or loss</b>					
Gain /(losses) from investments in equity instruments measured at fair value		(3,391,904)	(23,876,436)	(3,391,904)	(23,876,436)
Gain /(losses) on revaluation		-	-	-	-
Actuarial gains/(loss) on defined benefit plans		61,054,033	18,823,615	61,054,033	18,823,615
Income tax relating to above items		1,017,571	7,162,931	1,017,571	7,162,931
Net other comprehensive income that will not be reclassified to profit or loss		58,679,700	2,110,110	58,679,700	2,110,110
<b>b) Items that are or may be classified to profit or loss</b>					
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		-	-	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>		-	-	-	-
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>		-	-	-	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>58,679,700</b>	<b>2,110,110</b>	<b>58,679,700</b>	<b>2,110,110</b>
<b>Total comprehensive income for the year</b>		<b>1,694,405,121</b>	<b>1,690,393,678</b>	<b>1,684,205,689</b>	<b>1,688,765,355</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Bank		1,691,776,745	1,689,902,738	1,684,205,689	1,688,765,355
Non-controlling interest		2,628,376	490,940	-	-
<b>Total comprehensive income for the period</b>		<b>1,694,405,121</b>	<b>1,690,393,678</b>	<b>1,684,205,689</b>	<b>1,688,765,355</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Asar 2080

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	17,664,689,577	14,099,487,617	17,659,989,141	14,090,534,332
Fees and other income received	1,429,385,210	1,392,926,740	1,396,773,457	1,354,170,224
Dividend received	-	-	-	-
Receipts from other operating activities	366,926,604	311,506,250	356,170,393	331,904,891
Interest paid	(13,397,165,022)	(9,858,592,342)	(13,412,075,142)	(9,865,114,534)
Commission and fees paid	(252,730,753)	(193,143,910)	(252,730,753)	(191,034,406)
Cash payment to employees	(2,138,037,268)	(1,943,073,507)	(2,120,527,655)	(1,923,717,847)
Other expense paid	(885,575,006)	(1,179,316,165)	(856,170,771)	(1,170,666,085)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>2,787,493,342</b>	<b>2,629,794,682</b>	<b>2,771,428,670</b>	<b>2,626,076,575</b>
<b>(Increase)/Decrease in operating assets</b>				
Due from Nepal Rastra Bank	(3,261,754,152)	2,860,829,224	(3,261,754,152)	2,860,829,224
Placement with bank and financial institutions	(1,458,314,182)	477,085,220	(1,458,314,182)	477,085,220
Other trading assets	18,472,172	(468,718,090)	18,472,172	(468,718,090)
Loan and advances to bank and financial institutions	(1,856,701,228)	1,106,997,462	(1,856,701,228)	1,106,997,462
Loans and advances to customers	1,287,208,287	(15,502,373,596)	1,287,208,287	(15,502,373,596)
Other assets	(609,958,553)	(1,811,804,082)	(819,173,118)	(2,036,614,076)
	(5,881,047,656)	(13,337,983,862)	(6,090,262,221)	(13,562,793,856)
<b>Increase/(Decrease) in operating liabilities</b>				
Due to bank and financial institutions	(967,768,217)	2,209,294,534	(967,768,217)	2,209,294,534
Due to Nepal Rastra Bank	(3,599,515,768)	(546,772,305)	(3,599,515,768)	(546,772,305)
Deposit from customers	8,996,761,538	13,395,212,399	9,153,581,972	13,408,085,234
Borrowings	2,108,758,660	83,937,335	2,108,758,660	83,937,335
Other liabilities	(429,506,827)	1,402,693,660	(454,406,345)	1,411,285,108
<b>Net cash flow from operating activities before tax paid</b>	<b>6,108,729,386</b>	<b>16,544,365,623</b>	<b>6,240,650,302</b>	<b>16,565,829,906</b>
Income taxes paid	(885,965,571)	(981,347,226)	(891,945,208)	(966,666,004)
<b>Net cash flow from operating activities</b>	<b>2,129,209,502</b>	<b>4,854,829,217</b>	<b>2,029,871,543</b>	<b>4,662,446,622</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(3,354,409,679)	(4,592,662,532)	(3,494,517,835)	(4,547,469,024)
Receipts from sale of investment securities	-	-	-	-
Purchase of property and equipment	(423,313,398)	(492,183,875)	(155,271,324)	(283,174,387)
Receipt from the sale of property and equipment	3,247,383	7,501,996	1,463,940	5,718,553
Purchase of intangible assets	(6,730,414)	(885,331)	(6,604,328)	(1,193,392)
Receipt from the sale of intangible assets	166,920	162,699	166,920	162,699
Purchase of investment properties	(387,052,089)	(127,379,970)	(387,052,089)	(127,379,970)
Receipt from the sale of investment properties	21,297,548	157,107,973	21,297,548	157,107,973
Interest received	1,624,525,100	1,141,836,600	1,624,525,100	1,141,836,600
Dividend received	3,242,169	14,261,570	3,242,169	14,261,570
<b>Net cash used in investing activities</b>	<b>(2,519,026,460)</b>	<b>(3,892,240,870)</b>	<b>(2,392,749,899)</b>	<b>(3,640,129,379)</b>

Contd... CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipt from issue of debt securities	1,279,839	2,345,115,290	1,279,839	2,345,115,290
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	-	(80,498,632)	-	(63,371,632)
Interest paid	(500,039,546)	(489,212,014)	(500,039,546)	(489,212,014)
Other receipt/payment	-	-	-	-
<b>Net cash from financing activities</b>	<b>(498,759,707)</b>	<b>1,775,404,644</b>	<b>(498,759,707)</b>	<b>1,792,531,644</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(888,576,666)</b>	<b>2,737,992,990</b>	<b>(861,638,063)</b>	<b>2,814,848,887</b>
Cash and cash equivalents at Sawan 1, 2079	11,522,097,022	8,784,104,032	11,494,023,887	8,679,174,999
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
<b>Cash and cash equivalents at Asar end 2080</b>	<b>10,633,520,358</b>	<b>11,522,097,022</b>	<b>10,632,385,826</b>	<b>11,494,023,887</b>

**Khagendra Paudel**  
Dy.Chief Finance & Planning

**Santosh Koirala**  
Chief Executive Officer

**Dr. Upendra Mahato**  
Chairman

As per our report of event date

**Roshan KC**  
Director

**Mukunda Mahat**  
Director

**Jaya Mukunda Khana**  
Director

**Aman Uprety**  
Partner  
S.A.R. Associates  
Chartered Accountants

**Bishow Prakash Gautam**  
Director

**Haribhakta Sigdel**  
Director

**Bandana Karki**  
Director

Date: 13/05/2080  
Place: Kathmandu, Nepal

## STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 31st Asar 2080

(As per NRB Regulation)

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
<b>Net profit or (loss) as per statement of profit or loss</b>	1,625,525,989	1,686,655,245
<b>Appropriations:</b>		
a. General reserve	325,105,198	337,331,049
b. Foreign exchange fluctuation fund	14,334,160	12,711,190
c. Capital redemption reserve		428,571,429
d. Corporate social responsibility fund	16,255,260	16,866,552
e. Employees' training fund	13,472,551	17,640,072
f. Other	-	-
- Investment Adjustment Reserve	-	-
- Corporate Social responsibility reserve through PL	(10,588,725)	-
<b>Profit or (loss) before regulatory adjustment</b>	<b>1,266,947,545</b>	<b>873,534,953</b>
<b>Regulatory adjustment :</b>		
a. Interest receivable (-)/previous accrued interest received (+)	(188,175,252)	(324,675,609)
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 (+)	(230,425,361)	44,558,642
e. Deferred tax assets recognised (-)/ reversal (+)	(36,531,608)	(14,114,154)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	61,054,033	18,823,615
i. Other (+/-)	(3,391,904)	(12,725,620)
- Interest Capitalized Reserve (ICR)	-	-
- Fair Value Reserve	(3,391,904)	(12,725,620)
<b>Net Profit for the Qtr end 31 Ashad, 2080 available for distribution</b>	<b>869,477,453</b>	<b>585,401,828</b>
Opening Retained Earning as on Shrawan 1, 2079	<b>597,244,914</b>	<b>1,279,275,717</b>
Adjustment (+/-)	<b>(18,190,771)</b>	-
<b>Distribution</b>		
Bonus shares issued	-	1,204,061,000
Cash Dividend paid	-	63,371,632
<b>Total distributable profit or (loss) as on year end date</b>	<b>1,448,531,597</b>	<b>597,244,914</b>
Annualised as per Distributable Profit/Loss per share	<b>14.12</b>	<b>5.82</b>

## CASH AND CASH EQUIVALENT

4.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in hand	2,890,908,058	3,590,063,457	2,890,908,058	3,590,063,457
Balances with B/FIs	2,556,754,685	2,902,352,113	2,555,620,154	2,874,278,978
Money at call and short notice	4,686,691,414	4,110,241,557	4,686,691,414	4,110,241,557
Other	499,166,200	919,439,895	499,166,200	919,439,895
<b>Total</b>	<b>10,633,520,357</b>	<b>11,522,097,022</b>	<b>10,632,385,826</b>	<b>11,494,023,887</b>

Balance with B/FIs 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	5,605,741,451	5,380,814,486	5,605,741,451	5,380,814,486
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	3,703,366,246	666,539,059	3,703,366,246	666,539,059
<b>Total</b>	<b>9,309,107,697</b>	<b>6,047,353,545</b>	<b>9,309,107,697</b>	<b>6,047,353,545</b>

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 and Reverse REPO.

## PLACEMENTS WITH BANK AND FINANCIAL INSTITUTIONS

4.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Placement with domestic B/FIs	-	-	-	-
Placement with foreign B/FIs	1,458,314,182	-	1,458,314,182	-
Less: Allowances for impairment	-	-	-	-
<b>Total</b>	<b>1,458,314,182</b>	<b>-</b>	<b>1,458,314,182</b>	<b>-</b>

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
<b>Held for trading</b>	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
<b>Held for risk management</b>	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	-	-	-

## OTHER TRADING ASSETS

4.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	489,503,750	507,975,922	489,503,750	507,975,922
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>489,503,750</b>	<b>507,975,922</b>	<b>489,503,750</b>	<b>507,975,922</b>
Pledged	-	-	-	-
Non-pledged	489,503,750	507,975,922	489,503,750	507,975,922

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) 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	4,522,667,095	2,641,526,139	4,522,667,095	2,641,526,139
Other	-	-	-	-
Less: Allowances for impairment	58,422,824	33,983,096	58,422,824	33,983,096
<b>Total</b>	<b>4,464,244,271</b>	<b>2,607,543,043</b>	<b>4,464,244,271</b>	<b>2,607,543,043</b>

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 Sawan 1	33,983,096	48,793,949	33,983,096	48,793,949
Impairment loss for the year:	24,439,728	(14,810,853)	24,439,728	(14,810,853)
Charge for the year	-	-	-	-
Recoveries/reversal	24,439,728	(14,810,853)	24,439,728	(14,810,853)
Amount written off	-	-	-	-
<b>Balance at Asar end</b>	<b>58,422,824</b>	<b>33,983,096</b>	<b>58,422,824</b>	<b>33,983,096</b>

## LOANS AND ADVANCES TO CUSTOMERS

4.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and advances measured at amortized cost	129,783,292,536	131,094,940,551	129,783,292,536	131,094,940,551
Less: Impairment allowances	3,645,609,738	2,521,789,797	3,645,609,738	2,521,789,797
Collective impairment	1,483,237,148	1,579,359,510	1,483,237,148	1,579,359,510
Individual impairment	2,162,372,590	942,430,287	2,162,372,590	942,430,287
<b>Net amount</b>	<b>126,137,682,798</b>	<b>128,573,150,754</b>	<b>126,137,682,798</b>	<b>128,573,150,754</b>
Loan and advances measured at FVTPL	-	-	-	-
<b>Total</b>	<b>126,137,682,798</b>	<b>128,573,150,754</b>	<b>126,137,682,798</b>	<b>128,573,150,754</b>

## ANALYSIS OF LOAN AND ADVANCES - BY PRODUCT

4.7.1

Product	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Term loans	53,528,796,345	41,602,942,228	53,528,796,345	41,602,942,228
Overdraft	22,917,316,546	15,186,834,491	22,917,316,546	15,186,834,491
Trust receipt/Import loans	1,462,042,737	1,971,909,007	1,462,042,737	1,971,909,007
Demand and other working capital loans	24,084,884,189	22,347,856,190	24,084,884,189	22,347,856,190
Personal residential loans	6,196,713,645	6,483,890,229	6,196,713,645	6,483,890,229
Real estate loans	1,915,233,000	6,065,256,834	1,915,233,000	6,065,256,834
Margin lending loans	551,827,533	1,049,223,739	551,827,533	1,049,223,739
Hire purchase loans	5,456,780,809	6,853,897,297	5,456,780,809	6,853,897,297
Deprived sector loans	2,222,441,138	4,339,598,491	2,222,441,138	4,339,598,491
Bills purchased	13,874,257	-	13,874,257	-
Staff loans	3,212,134,337	2,939,866,876	3,212,134,337	2,939,866,876
Other	5,924,261,476	21,044,453,793	5,924,261,476	21,044,453,793
<b>Sub total</b>	<b>127,486,306,012</b>	<b>129,885,729,175</b>	<b>127,486,306,012</b>	<b>129,885,729,175</b>
Interest receivable	2,296,986,519	1,209,211,376	2,296,986,519	1,209,211,376
<b>Grand total</b>	<b>129,783,292,536</b>	<b>131,094,940,552</b>	<b>129,783,292,536</b>	<b>131,094,940,552</b>

## ANALYSIS OF LOAN AND ADVANCES - BY CURRENCY

4.7.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	129,613,072,053	130,244,759,564	129,613,072,053	130,244,759,564
Indian rupee	-	-	-	-
United State dollar	170,220,483	850,180,987	170,220,483	850,180,987
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japanese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>129,783,292,536</b>	<b>131,094,940,551</b>	<b>129,783,292,536</b>	<b>131,094,940,551</b>

## ANALYSIS OF LOAN AND ADVANCES - BY COLLATERAL

4.7.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Secured</b>				
Movable/immovable assets	75,703,189,742	120,260,113,839	75,703,189,742	120,260,113,839
Gold and silver	12,062,088	260,410,450	12,062,088	260,410,450
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	-	20,170,543	-	20,170,543
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	1,112,586,156	955,473,584	1,112,586,156	955,473,584
Collateral of Government securities	-	705,396	-	705,396
Counter guarantee	-	-	-	-
Personal guarantee	895,671,120	1,178,920,186	895,671,120	1,178,920,186
Other collateral	51,711,283,410	8,040,828,881	51,711,283,410	8,040,828,881
<b>Subtotal</b>	<b>129,434,792,516</b>	<b>130,716,622,879</b>	<b>129,434,792,516</b>	<b>130,716,622,879</b>
Unsecured	348,500,014	378,317,674	348,500,014	378,317,674
<b>Grant Total</b>	<b>129,783,292,536</b>	<b>131,094,940,553</b>	<b>129,783,292,536</b>	<b>131,094,940,553</b>

## ALLOWANCES FOR IMPAIRMENT

4.7.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Specific allowances for impairment</b>				
<b>Balance at Sawan 1</b>	<b>942,430,287</b>	<b>605,305,493</b>	<b>942,430,287</b>	<b>605,305,493</b>
Impairment loss for the year:	1,219,942,303	337,124,794	1,219,942,303	337,124,794
Charge for the year	1,219,942,303	337,124,794	1,219,942,303	337,124,794
Recoveries/reversal during the year	-	-	-	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
<b>Balance at Asar end</b>	<b>2,162,372,590</b>	<b>942,430,287</b>	<b>2,162,372,590</b>	<b>942,430,287</b>
<b>Collective allowances for impairment</b>				
<b>Balance at Sawan 1</b>	<b>1,579,359,510</b>	<b>1,400,440,671</b>	<b>1,579,359,510</b>	<b>1,400,440,671</b>
Impairment loss for the year:	(96,122,362)	178,918,839	(96,122,362)	178,918,839
Charge/(reversal) for the year	(96,122,362)	178,918,839	(96,122,362)	178,918,839
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
<b>Balance at Asar end</b>	<b>1,483,237,148</b>	<b>1,579,359,510</b>	<b>1,483,237,148</b>	<b>1,579,359,510</b>
<b>Total allowances for impairment</b>	<b>3,645,609,738</b>	<b>2,521,789,797</b>	<b>3,645,609,738</b>	<b>2,521,789,797</b>

## INVESTMENT SECURITIES

4.8

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment securities measured at amortized cost	27,291,880,239	24,067,470,560	27,093,450,778	23,928,932,943
Investment in equity measured at FVTOCI	325,078,518	198,470,422	325,078,518	198,470,422
<b>Total</b>	<b>27,616,958,757</b>	<b>24,265,940,982</b>	<b>27,418,529,296</b>	<b>24,127,403,365</b>

## INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

4.8.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities	50,904,457	89,728,180	-	-
Government bonds	22,907,851,171	21,435,268,403	22,907,851,171	21,435,268,403
Government treasury bills	2,688,320,248	1,344,398,883	2,688,320,248	1,344,398,883
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	1,644,804,363	1,198,075,094	1,497,279,359	1,149,265,657
Less: specific allowances for impairment	-	-	-	-
<b>Total</b>	<b>27,291,880,239</b>	<b>24,067,470,560</b>	<b>27,093,450,778</b>	<b>23,928,932,943</b>

## INVESTMENT IN EQUITY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOMET

4.8.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity instruments	325,078,518	198,470,422	325,078,518	198,470,422
Quoted equity securities	225,413,658	163,805,562	225,413,658	163,805,562
Unquoted equity securities	99,664,860	34,664,860	99,664,860	34,664,860
<b>Total</b>	<b>325,078,518</b>	<b>198,470,422</b>	<b>325,078,518</b>	<b>198,470,422</b>

## INFORMATION RELATING TO INVESTMENT IN EQUITIES

## 4.8.3

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
<b>Investment in quoted equity</b>								
Nepal Life Insurance Corporation (5,768 Ordinary Shares of Rs.100 paid up )	2,480,925	4,291,392	2,480,925	4,308,696	2,480,925	4,291,392	2,480,925	4,308,696
Butwal Power Company Ltd (8,691 Ordinary Shares of Rs.100 paid up )	4,839,157	2,872,045	4,839,157	2,664,872	4,839,157	2,872,045	4,839,157	2,664,872
Sanima Large Cap Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	17,840,000	20,000,000	18,640,000	20,000,000	17,840,000	20,000,000	18,640,000
Kumari Equity Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	20,340,000	20,000,000	20,140,000	20,000,000	20,340,000	20,000,000	20,140,000
Sunrise Bluechip Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	15,700,000	20,000,000	17,480,000	20,000,000	15,700,000	20,000,000	17,480,000
NIBL Samridhhi Fund-2 (30,00,000 Unit of Rs. 10 each)	30,000,000	27,330,000	30,000,000	26,010,000	30,000,000	27,330,000	30,000,000	26,010,000
Prabhu Select Fund (14,68,090 Unit of Rs. 10 each)	14,680,900	12,992,597	14,680,900	14,108,345	14,680,900	12,992,597	14,680,900	14,108,345
NIC Asia Select 30 Index Fund (NICSF) (2,00,000 Unit of Rs. 10 each)	20,000,000	17,980,000	20,000,000	17,540,000	20,000,000	17,980,000	20,000,000	17,540,000
RBB Mutual Fund-1 (RMFI) (1,00,000 Unit of Rs. 10 each)	10,000,000	8,080,000	10,000,000	9,270,000	10,000,000	8,080,000	10,000,000	9,270,000
NABIL BALANCED FUND-3 (NBF3) (16,680 Unit of Rs. 10 each)	166,800	126,268	166,800	157,292	166,800	126,268	166,800	157,292
MEGA MUTUAL FUND-1 (MMFI) (4,36,340 Unit of Rs. 10 each)	4,363,400	3,486,357	4,363,400	3,486,357	4,363,400	3,486,357	4,363,400	3,486,357
KUMARI DHANABRIDDDHI YOJANA (3,00,000 Unit of Rs. 10 each)	30,000,000	30,120,000	30,000,000	30,000,000	30,000,000	30,120,000	30,000,000	30,000,000
Global IIME Balanced Fund-1 (GIBF1) (15,00,000 unit of Rs. 10 each)	15,000,000	14,010,000			15,000,000	14,010,000		
NMB sulav Investment Fund-2 (NSIF2) (15,00,000 unit of Rs. 10 each)	15,000,000	14,985,000			15,000,000	14,985,000		
Sanima Growth Fund (SAGF) (10,00,000 unit of Rs. 10 each)	10,000,000	9,990,000			10,000,000	9,990,000		
NIBL Growth Fund (NIBLGF) (10,00,000 unit of Rs. 10 each)	10,000,000	10,640,000			10,000,000	10,640,000		
Sunrise Focused Equity Fund (SFEE) (10,00,000 unit of Rs. 10 each)	10,000,000	9,680,000			10,000,000	9,680,000		
Prabhu Smart Fund (PRSF) (5,00,000 unit of Rs. 10 each)	5,000,000	4,950,000			5,000,000	4,950,000		

Contd...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
<b>Investment in unquoted equity</b>								
Nepal Life Credit Information Bureau Ltd (165,215 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 (18,348 Ordinary Shares of Rs. 100 paid up)	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860
Nepal Clearing House Ltd (94,610 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
NATIONAL FUND MANAGEMENT (600,000 Promoter Share of 100)	60000000	60000000			60,000,000	60,000,000		
RBB Mutual Fund 2 (RMF2) (5,00,000 unit of Rs. 10 each)	5000000	5000000			5000000	5000000		
Mahila Laghubitta Bittija Sastha Ltd (304,587 Promoter Shares of Rs.100 paid up )	14,000,000	14,000,000	4,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
<b>Total</b>	<b>3,41,196,042</b>	<b>3,25,078,518</b>	<b>211,196,042</b>	<b>198,470,423</b>	<b>3,41,196,042</b>	<b>3,25,078,518</b>	<b>211,196,042</b>	<b>198,470,422</b>

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
<b>Current tax assets</b>	<b>5,415,904,230</b>	<b>4,532,505,530</b>	<b>5,405,903,569</b>	<b>4,513,958,362</b>
Current year income tax assets	883,398,700	984,621,275	891,945,207	977,579,499
Tax assets of prior periods	4,532,505,530	3,547,884,255	4,513,958,362	3,536,378,863
<b>Current tax liabilities</b>	<b>4,630,955,427</b>	<b>3,885,126,689</b>	<b>4,630,955,427</b>	<b>3,867,534,117</b>
Current year income tax liabilities	745,828,738	756,579,718	763,421,310	750,261,490
Tax liabilities of prior periods	3,885,126,689	3,128,546,971	3,867,534,117	3,117,272,627
<b>Total</b>	<b>784,948,803</b>	<b>647,378,841</b>	<b>774,948,142</b>	<b>646,424,245</b>

## INVESTMENT IN SUBSIDIARIES

4.10

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	400,000,000	200,000,000
<b>Total investment</b>	<b>400,000,000</b>	<b>200,000,000</b>
Less: Impairment allowances	-	-
<b>Net carrying amount</b>	<b>400,000,000</b>	<b>200,000,000</b>

## INVESTMENT IN QUOTED SUBSIDIARIES

4.10.1

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd				
.....Ltd				
<b>Total</b>				

## 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 100 each)	200,000,000	200,000,000	200,000,000	200,000,000
Machhapuchchhre Securities Ltd (2,000,000 Promoter Share of Rs. 100 paid up)	200,000,000	200,000,000	0	0
<b>Total</b>	<b>400,000,000</b>	<b>400,000,000</b>	<b>200,000,000</b>	<b>200,000,000</b>

## INFORMATION RELATING TO SUBSIDIARIES OF THE BANK

4.10.3

	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR
Machhapuchchhre Capital Ltd	69.85%	69.85%
Machhapuchchhre Securities Ltd	100.00%	
<b>Total</b>	<b>169.85%</b>	<b>69.85%</b>

## NON CONTROLLING INTEREST OF THE SUBSIDIARIES

4.10.4

	GROUP
	MACHHAPUCHCHHRE CAPITAL LTD
Equity interest held by NCI (%)	30.15%
Profit/(loss) allocated during the year	2,628,376
Accumulated balances of NCI as on Asar end	90,604,789
Dividend paid to NCI	-
No dividend paid to NCI till date.	

## INVESTMENT IN ASSOCIATES

4.11

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment in quoted associates			-	-
Investment in unquoted associates			-	-
<b>Total investment</b>			-	-
Less: Impairment allowances			-	-
<b>Net carrying amount</b>	-	-	-	-

## INVESTMENT IN QUOTED ASSOCIATES

4.11.1

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
<b>Total</b>								

## INVESTMENT IN UNQUOTED ASSOCIATES

4.11.2

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
<b>Total</b>								

## 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
<b>Total</b>				

## EQUITY VALUE OF ASSOCIATES

4.11.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Total</b>				

## INVESTMENT PROPERTIES

4.12

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Investment properties measured at fair value</b>				
Balance as on Sawan 1, 2079	-	-	-	-
Addition/disposal during the year	-	-	-	-
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	-	-	-	-
<b>Investment properties measured at cost</b>				
Balance as on Sawan 1, 2079	244,182,570	273,910,573	244,182,570	273,910,573
Addition/disposal during the year	365,754,541	(29,728,003)	365,754,541	(29,728,003)
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
<b>Net amount</b>	<b>609,937,111</b>	<b>244,182,570</b>	<b>609,937,111</b>	<b>244,182,570</b>
<b>Total</b>	<b>609,937,111</b>	<b>244,182,570</b>	<b>609,937,111</b>	<b>244,182,570</b>

The bank has assumed additional Non Banking Assets of 387,052,089 and sold NBA of NPR 21,297,548.

**PROPERTY AND EQUIPMENT**

4.13

PARTICULARS	GROUP										TOTAL ASHAD END 2079	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2080			
<b>Cost</b>												
As on Sawan 1, 2078	267,358,472	218,756,907	589,664,729	461,736,661	187,930,814	222,479,740	-	431,757,162	2,379,684,486	-	2,118,989,112	
Addition during the Year	-	-	74,267,643	96,443,130	63,178,924	17,651,495	-	31,940,306	283,481,498	-	320,950,935	
Acquisition	-	-	74,267,643	96,443,130	63,178,924	17,651,495	-	31,940,306	283,481,498	-	320,950,935	
Capitalization	-	-	-	-	-	-	-	-	-	-	-	
Disposal during the year	-	-	3,863,656	18,985,235	11,682,105	2,025,123	-	8,936,569	45,492,689	-	60,255,561	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance as on Asar end 2079</b>	<b>267,358,472</b>	<b>218,756,907</b>	<b>660,068,715</b>	<b>539,194,556</b>	<b>239,427,633</b>	<b>238,106,113</b>	<b>-</b>	<b>454,760,898</b>	<b>2,617,673,294</b>	<b>2,379,684,486</b>		
Addition during the Year	-	-	83,869,952	22,662,945	968,541	17,067,297	-	34,063,012	158,631,747	-	283,481,498	
Acquisition	-	-	83,869,952	22,662,945	968,541	17,067,297	-	34,063,012	158,631,747	-	283,481,498	
Capitalization	-	-	-	-	-	-	-	-	-	-	-	
Disposal during the year	-	-	19,773,773	15,763,109	2,561,936	2,987,933	-	17,529,550	58,616,301	-	45,492,689	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance as on Asar end 2080</b>	<b>267,358,472</b>	<b>218,756,907</b>	<b>724,164,894</b>	<b>546,094,392</b>	<b>237,834,237</b>	<b>252,185,477</b>	<b>-</b>	<b>471,294,360</b>	<b>2,717,688,740</b>	<b>2,617,673,295</b>		
<b>Depreciation and Impairment</b>												
As on Sawan 1, 2078	-	50,723,282	201,466,033	245,330,251	101,819,512	119,903,709	-	181,345,302	900,588,088	-	774,438,063	
Depreciation charge for the Year	-	4,387,125	52,714,974	66,180,884	25,086,105	16,315,158	-	39,263,053	203,947,298	-	178,288,578	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	2,516,364	18,967,302	9,096,090	1,691,165	-	8,335,310	40,606,230	-	52,138,554	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
As on Asar end 2079	-	55,110,407	251,664,643	292,543,833	117,809,527	134,527,702	-	212,273,045	1,063,929,156	-	900,588,087	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Depreciation charge for the Year	-	4,375,138	60,091,440	76,756,182	27,135,326	17,692,354	-	41,660,797	227,711,238	-	203,947,298	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	17,558,828	15,722,258	2,561,926	2,938,893	-	17,163,655	55,945,561	-	40,606,230	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
<b>As on Asar end 2080</b>	<b>-</b>	<b>59,485,545</b>	<b>294,197,255</b>	<b>353,577,756</b>	<b>142,382,926</b>	<b>149,281,163</b>	<b>-</b>	<b>236,770,187</b>	<b>1,235,694,833</b>	<b>1,063,929,155</b>		
<b>Capital Work in Progress</b>	<b>-</b>	<b>97,967,081</b>	<b>7,844,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,811,236</b>	<b>-</b>	<b>32,591,292</b>	
<b>Net Book Value</b>												
As on Asar end 2078	267,358,472	168,033,625	388,198,696	216,406,410	86,111,302	102,576,032	-	250,411,860	1,479,096,398	-	1,344,551,048	
As on Asar end 2079	267,358,472	196,237,792	408,404,072	246,650,723	121,618,106	103,578,411	-	242,487,853	1,586,335,430	-	1,479,096,399	
As on Asar end 2080	267,358,472	257,238,443	437,811,793	192,516,636	95,451,311	102,904,314	-	234,524,172	1,587,805,143	-	1,586,335,431	

PARTICULARS	BANK											TOTAL ASHAD END 2079
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2080			
Cost												
As on Sawan 1, 2078	267,358,472	218,756,907	588,690,201	460,172,335	185,655,673	222,188,214	-	431,165,267	2,373,987,070	2,109,764,967		
Addition during the Year	-	-	74,267,643	96,290,700	63,178,924	17,584,758	-	31,852,362	283,174,387	316,762,509		
Acquisition			74,267,643	96,290,700	63,178,924	17,584,758		31,852,362	283,174,387	316,762,509		
Capitalization												
Disposal during the year			3,863,656	18,985,235	9,632,775	2,025,123		8,917,992	43,424,782	-		
Adjustment/Revaluation											52,540,406	
<b>Balance as on Asar end 2079</b>	<b>267,358,472</b>	<b>218,756,906</b>	<b>659,094,187</b>	<b>537,477,800</b>	<b>239,201,822</b>	<b>237,747,849</b>	<b>-</b>	<b>454,099,637</b>	<b>2,613,736,674</b>	<b>2,373,987,070</b>		
Addition during the Year	-	-	82,541,455	211,388,545	968,541	16,755,911		33,866,872	155,271,324	283,174,387		
Acquisition			82,541,455	211,388,545	968,541	16,755,911		33,866,872	155,271,324	283,174,387		
Capitalization												
Disposal during the year			19,773,773	15,763,109	2,561,936	2,987,933		17,529,550	58,616,301	43,424,782		
Adjustment/Revaluation												
<b>Balance as on Asar end 2080</b>	<b>267,358,472</b>	<b>218,756,906</b>	<b>721,861,870</b>	<b>542,853,236</b>	<b>237,608,426</b>	<b>251,515,828</b>	<b>-</b>	<b>470,436,958</b>	<b>2,710,391,697</b>	<b>2,613,736,675</b>		
Depreciation and Impairment												
As on Sawan 1, 2078	-	50,723,282	201,417,211	244,936,229	101,630,624	119,879,495	-	181,311,794	899,898,636	773,960,675		
Depreciation charge for the Year		4,387,125	52,617,531	65,842,302	24,917,678	16,280,462		39,200,123	203,245,220	177,086,918		
Impairment for the year												
Disposals			2,516,364	18,967,302	8,813,498	1,691,165		8,333,438	40,321,766	51,148,958		
Adjustment												
<b>As on Asar end 2079</b>	<b>-</b>	<b>55,110,407</b>	<b>251,518,378</b>	<b>291,811,229</b>	<b>117,734,804</b>	<b>134,468,792</b>	<b>-</b>	<b>212,178,480</b>	<b>1,062,822,090</b>	<b>899,898,635</b>		
Impairment for the year												
Depreciation charge for the Year		4,375,138	59,930,342	76,296,328	27,103,066	17,633,112		41,580,564	226,918,551	203,245,220		
Disposals			17,558,828	15,722,258	2,561,926	2,938,893		17,163,655	55,945,561	40,321,766		
Adjustment												
<b>Capital Work in Progress</b>	<b>-</b>	<b>97,967,081</b>	<b>7,844,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,811,236</b>	<b>32,591,292</b>		
<b>Net Book Value</b>												
<b>As on Asar end 2078</b>	<b>267,358,472</b>	<b>168,033,625</b>	<b>387,272,990</b>	<b>215,236,106</b>	<b>84,025,049</b>	<b>102,308,719</b>	<b>-</b>	<b>249,853,473</b>	<b>1,474,088,434</b>	<b>1,335,804,292</b>		
<b>As on Asar end 2079</b>	<b>267,358,472</b>	<b>196,237,792</b>	<b>407,575,809</b>	<b>245,666,570</b>	<b>121,467,017</b>	<b>103,279,058</b>	<b>-</b>	<b>241,921,157</b>	<b>1,583,505,876</b>	<b>1,474,088,435</b>		
<b>As on Asar end 2080</b>	<b>267,358,472</b>	<b>257,238,443</b>	<b>435,816,132</b>	<b>190,467,937</b>	<b>95,332,482</b>	<b>102,352,817</b>	<b>-</b>	<b>233,841,570</b>	<b>1,582,407,853</b>	<b>1,583,505,876</b>		

**GOODWILL AND INTANGIBLE ASSETS**
**4.14**

PARTICULARS	GROUP					
	GOODWILL	SOFTWARE		OTHER	TOTAL ASHAD END 2080	TOTAL ASHAD END 2079
		PURCHASED	DEVELOPED			
<b>Cost</b>						
As on Sawan 1, 2078	-	153,388,755	-	-	153,388,755	134,563,934
Addition during the Year	-	18,113,964	-	-	18,113,964	121,791,830
Acquisition	-	18,113,964	-	-	18,113,964	121,791,830
Capitalization	-	-	-	-	-	-
Disposal during the year	-	2,276,950	-	-	2,276,950	102,967,009
Adjustment/Revaluation	-	-	-	-	-	-
<b>Balance as on Asar end 2079</b>	<b>-</b>	<b>169,225,769</b>	<b>-</b>	<b>-</b>	<b>169,225,769</b>	<b>153,388,755</b>
Addition during the Year	-	26,209,497	-	-	26,209,497	18,113,964
Acquisition	-	26,209,497	-	-	26,209,497	18,113,964
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	2,276,950
Adjustment/Revaluation	-	-	-	-	-	-
<b>Balance as on Asar end 2080</b>	<b>-</b>	<b>195,435,266</b>	<b>-</b>	<b>-</b>	<b>195,435,266</b>	<b>169,225,769</b>
Amortization and Impairment						
As on Sawan 1, 2078	-	26,057,513	-	-	26,057,513	68,857,950
Amortization charge for the Year	-	17,391,331	-	-	17,391,331	13,315,692
Impairment for the year	-	-	-	-	-	-
Disposals	-	2,276,949	-	-	2,276,949	56,116,129
Adjustment	-	-	-	-	-	-
<b>As on Asar end 2079</b>	<b>-</b>	<b>41,171,895</b>	<b>-</b>	<b>-</b>	<b>41,171,895</b>	<b>26,057,513</b>
Amortization charge for the Year	-	19,646,003	-	-	19,646,003	17,391,331
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	2,276,949
Adjustment	-	-	-	-	-	-
<b>As on Asar end 2080</b>	<b>-</b>	<b>60,817,898</b>	<b>-</b>	<b>-</b>	<b>60,817,898</b>	<b>41,171,895</b>
<b>Capital Work in Progress</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>						
<b>As on Asar end 2078</b>	<b>-</b>	<b>127,331,242</b>	<b>-</b>	<b>-</b>	<b>127,331,242</b>	<b>65,705,984</b>
<b>As on Asar end 2079</b>	<b>-</b>	<b>128,053,874</b>	<b>-</b>	<b>-</b>	<b>128,053,874</b>	<b>127,331,242</b>
<b>As on Asar end 2080</b>	<b>-</b>	<b>134,617,368</b>	<b>-</b>	<b>-</b>	<b>134,617,368</b>	<b>127,331,242</b>

Contd... GOODWILL AND INTANGIBLE ASSETS

PARTICULARS	BANK					TOTAL ASHAD END 2080	TOTAL ASHAD END 2079
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
<b>Cost</b>							
As on Sawan 1, 2078	-	151,848,451	-	-	-	151,848,451	133,946,954
Addition during the Year	-	18,113,964	-	-	-	18,113,964	120,868,506
Acquisition	-	18,113,964	-	-	-	18,113,964	120,868,506
Capitalization	-	-	-	-	-	-	-
Disposal during the year	-	2,276,950	-	-	-	2,276,950	102,967,009
Adjustment/Revaluation	-	-	-	-	-	-	-
<b>Balance as on Asar end 2079</b>	<b>-</b>	<b>167,685,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,685,465</b>	<b>151,848,451</b>
Addition during the Year	-	25,694,150	-	-	-	25,694,150	18,113,964
Acquisition	-	25,694,150	-	-	-	25,694,150	18,113,964
Capitalization	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	2,276,950
Adjustment/Revaluation	-	-	-	-	-	-	-
<b>Balance as on Asar end 2080</b>	<b>-</b>	<b>193,379,615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,379,615</b>	<b>167,685,465</b>
Amortization and Impairment							
As on Sawan 1, 2078	-	25,817,375	-	-	-	25,817,375	68,819,869
Amortization charge for the Year	-	17,083,270	-	-	-	17,083,270	13,113,635
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	2,276,949	-	-	-	2,276,949	56,116,129
Adjustment	-	-	-	-	-	-	-
<b>As on Asar end 2079</b>	<b>-</b>	<b>40,623,696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,623,696</b>	<b>25,817,375</b>
Amortization charge for the Year	-	19,256,742	-	-	-	19,256,742	17,083,270
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	2,276,949
Adjustment	-	-	-	-	-	-	-
<b>As on Asar end 2080</b>	<b>-</b>	<b>59,880,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,880,438</b>	<b>40,623,696</b>
<b>Capital Work in Progress</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>							
As on Asar end 2078	-	126,031,076	-	-	-	126,031,076	65,127,085
As on Asar end 2079	-	127,061,769	-	-	-	127,061,769	126,031,076
As on Asar end 2080	-	133,499,177	-	-	-	133,499,177	127,061,769

## DEFERRED TAX

4.15

CURRENT YEAR (FY 2079-80)	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
<b>Deferred tax on temporary differences on following items</b>						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and Advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(4,835,257)	4,835,257		(4,835,257)	4,835,257
Property & equipment	-	29,986,269	(29,986,269)	-	29,986,269	(29,986,269)
Employees' defined benefit plan	93,715,836	-	93,715,836	88,267,955	-	88,267,955
Lease liabilities	311,319,061	(272,148,310)	39,170,751	311,319,061	(272,148,310)	39,170,751
Provisions	-	-	-	-	-	-
Other temporary differences	816,148	17,318,903	(16,502,756)	816,148	17,318,903	(16,502,756)
Deferred tax on temporary differences	405,851,045	(229,678,396)	91,232,820	400,403,164	(229,678,396)	85,784,940
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
<b>Net Deferred tax asset/(liabilities) as on year end of 2080</b>	<b>405,851,045</b>	<b>(229,678,396)</b>	<b>91,232,820</b>	<b>400,403,164</b>	<b>(229,678,396)</b>	<b>85,784,940</b>
Recognised in Profit or loss			86,397,563			80,949,682
Recognised in other comprehensive income			4,835,257			4,835,257
Recognised directly in equity			-			-
Deferred tax (asset)/liabilities as on Sawan 1, 2079			(54,701,213)			(49,253,332)
<b>Origination/(Reversal) during the year</b>			<b>(36,531,607)</b>			<b>(36,531,608)</b>
<b>Deferred tax expense/(income) recognised in profit or loss</b>			<b>(35,514,036)</b>			<b>(35,514,037)</b>
<b>Deferred tax expense/(income) recognised in other comprehensive income</b>			<b>(1,017,571)</b>			<b>(1,017,571)</b>
<b>Deferred tax expense/(income) recognised in directly in equity</b>			<b>-</b>			<b>-</b>

Contd... DEFERRED TAX

PREVIOUS YEAR (FY 2078-79)	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
<b>Deferred tax on temporary differences on following items</b>						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and Advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(9,646,217)	9,646,217		(3,817,686)	3,817,686
Property & equipment	-	39,581,275	(39,581,275)	-	39,501,390	(39,501,390)
Employees' defined benefit plan	71,070,828	-	71,070,828	71,599,421	-	71,599,421
Lease liabilities	320,040,331	(289,674,417)	30,365,913	319,812,503	(289,674,417)	30,138,085
Provisions	-	-	-	-	-	-
Other temporary differences	518,433	17,318,903	(16,800,470)	518,433	17,318,903	(16,800,470)
Deferred tax on temporary differences	391,629,592	(242,420,456)	54,701,213	391,930,357	(236,671,810)	49,253,332
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
<b>Net Deferred tax asset/(liabilities) as on year end of 2079</b>	<b>391,629,592</b>	<b>(242,420,456)</b>	<b>54,701,213</b>	<b>391,930,357</b>	<b>(236,671,810)</b>	<b>49,253,332</b>
Recognised in Profit or loss			45,054,996			45,435,646
Recognised in other comprehensive income			9,646,217			3,817,686
Recognised directly in equity			-			-
Deferred tax (asset)/liabilities as on Sawan 1, 2078			(35,348,476)			(35,139,179)
<b>Origination/(Reversal) during the year</b>			<b>(19,352,737)</b>			<b>(14,114,154)</b>
Deferred tax expense/(income) recognised in profit or loss			(12,189,806)			(6,951,223)
Deferred tax expense/(income) recognised in other comprehensive income			(7,162,931)			(7,162,931)
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	670,982,210	427,038,005	644,711,363	420,857,879
Accrued income	-	-	-	-
Prepayments and deposit	94,252,095	112,140,632	93,852,095	111,740,632
Income tax deposit	-	-	-	-
Deferred employee expenditure	1,385,097,671	997,381,721	1,385,097,671	997,381,721
Other	967,445,725	989,449,561	954,192,957	989,449,561
a. Stationery at stock	47,083,781	23,868,170	47,031,922	23,868,170
b. Branch adjustment account	-	-	-	-
c. Right of Use Assets (NFRS 16)	920,361,944	965,581,391	907,161,033	965,581,391
d. Others	-	-	-	-
<b>Total</b>	<b>3,117,777,701</b>	<b>2,526,009,919</b>	<b>3,077,854,086</b>	<b>2,519,429,793</b>

Other includes Right of Use Assets (as per NFRS 16) amounting to NPR 907,161,033.

## DUE TO BANK AND FINANCIAL INSTITUTIONS

4.17

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money market deposits	-	-	-	-
Interbank borrowing	-	1,401,003,699	-	1,401,003,699
Other deposits from BFIs	4,105,067,655	3,671,832,173	4,105,067,655	3,671,832,173
Settlement and clearing accounts	-	-	-	-
<b>Total</b>	<b>4,105,067,655</b>	<b>5,072,835,872</b>	<b>4,105,067,655</b>	<b>5,072,835,872</b>

There is no any interbank borrowing as on 31st Ashad end 2080

## DUE TO NEPAL RASTRA BANK

4.18

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	13,000,000	3,612,515,768	13,000,000	3,612,515,768
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
<b>Total</b>	<b>13,000,000</b>	<b>3,612,515,768</b>	<b>13,000,000</b>	<b>3,612,515,768</b>

## DERIVATIVE FINANCIAL INSTRUMENTS

4.19

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Held for trading</b>	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
<b>Held for risk management</b>	-	<b>1,784,400</b>	-	<b>1,784,400</b>
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	1,784,400	-	1,784,400
Other	-	-	-	-
<b>Total</b>	-	<b>1,784,400</b>	-	<b>1,784,400</b>

There is no any derivative financial instrument as of Ashadh End 2080.

## DEPOSITS FROM CUSTOMERS

4.20

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Institutions customers:</b>	<b>48,138,785,452</b>	<b>50,999,941,990</b>	<b>48,406,677,363</b>	<b>51,111,013,468</b>
Term deposits	31,781,191,677	31,799,847,864	32,020,191,677	31,907,347,864
Call deposits	6,714,017,826	8,397,293,904	6,742,909,735	8,400,862,728
Current deposits	7,991,482,963	8,341,138,192	7,991,482,963	8,341,140,846
Other	1,652,092,986	2,461,662,030	1,652,092,986	2,461,662,030
<b>Individual customers:</b>	<b>105,772,954,459</b>	<b>93,915,036,383</b>	<b>105,772,954,460</b>	<b>93,915,036,383</b>
Term deposits	60,384,040,528	51,608,806,820	60,384,040,528	51,608,806,820
Saving deposits	44,362,893,310	41,793,452,001	44,362,893,310	41,793,452,001
Current deposits	1,020,266,782	512,068,723	1,020,266,782	512,068,723
Other	5,753,840	708,839	5,753,840	708,839
<b>Total</b>	<b>153,911,739,911</b>	<b>144,914,978,373</b>	<b>154,179,631,823</b>	<b>145,026,049,851</b>

## CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	148,953,749,323	138,632,284,744	149,221,641,234	138,743,356,222
Indian rupee	6,733,115	7,391,940	6,733,115	7,391,940
United State dollar	4,811,754,201	6,208,805,263	4,811,754,201	6,208,805,263
Great Britain pound	3,045,055	11,620,615	3,045,055	11,620,615
Euro	132,417,118	29,909,534	132,417,118	29,909,534
Japanese yen	3,922,298	24,851,598	3,922,298	24,851,598
Chinese yuan	-	-	-	-
Other (AUD)	118,802	114,678	118,802	114,678
<b>Total</b>	<b>153,911,739,913</b>	<b>144,914,978,372</b>	<b>154,179,631,823</b>	<b>145,026,049,850</b>

## BORROWING

4.21

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Domestic Borrowing</b>				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Sub total	-	-	-	-
<b>Foreign Borrowing</b>				
Foreign Bank and Financial Institutions	3,395,002,561	1,286,243,901	3,395,002,561	1,286,243,901
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	<b>3,395,002,561</b>	<b>1,286,243,901</b>	<b>3,395,002,561</b>	<b>1,286,243,901</b>
<b>Total</b>	<b>3,395,002,561</b>	<b>1,286,243,901</b>	<b>3,395,002,561</b>	<b>1,286,243,901</b>

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. Foreign borrowing also includes USD 15 million from Doha Qatar on 26 Jan 2023 for a period of 3 Years.

## 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	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## MOVEMENT IN PROVISION

4.22.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at Sawan 1	-	-	-	-
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	-	-	-	-
Unwind of discount	-	-	-	-
<b>Balance at Asar end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## OTHER LIABILITIES

4.23

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	8,568,111	68,949,092	8,568,111	68,949,092
Liability for long-service leave	284,304,154	239,990,006	282,736,035	238,664,736
Short-term employee benefits	89,082	-	-	-
Bills payable	-	-	-	-
Creditors and accruals	588,419,018	740,126,351	579,321,455	740,126,351
Interest payable on deposit	62,357,290	36,422,442	62,357,290	36,422,442
Interest payable on borrowing	14,083	54,373,053	14,083	54,373,053
Liabilities on deferred grant income	7,651,195	10,764,277	7,651,195	10,764,277
Unpaid Dividend	71,209,610	78,306,317	71,209,610	78,306,317
Liabilities under Finance Lease	1,037,730,205	1,066,041,676	1,037,730,205	1,066,041,676
Employee bonus payable	260,770,091	269,933,270	259,471,388	269,632,385
Other	942,349,439	1,187,332,254	926,612,722	1,186,067,743
<b>Total</b>	<b>3,263,462,278</b>	<b>3,752,238,738</b>	<b>3,235,672,094</b>	<b>3,749,348,072</b>

## 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	8,568,111	68,949,092	8,568,111	68,949,092
Present value of funded obligations	646,374,031	523,512,045	646,374,031	523,512,045
<b>Total present value of obligations</b>	<b>654,942,142</b>	<b>592,461,137</b>	<b>654,942,142</b>	<b>592,461,137</b>
Fair value of plan assets	646,374,031	523,512,045	646,374,031	523,512,045
Present value of net obligations	-	-	-	-
<b>Recognised liability for defined benefit obligations</b>	<b>8,568,111</b>	<b>68,949,092</b>	<b>8,568,111</b>	<b>68,949,092</b>

## 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)	646,374,031	523,512,045	646,374,031	523,512,045
<b>Total</b>	<b>646,374,031</b>	<b>523,512,045</b>	<b>646,374,031</b>	<b>523,512,045</b>
Actual return on plan assets	50,990,523	35,369,722	50,990,523	35,369,722

### MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

4.23.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Defined benefit obligations at Sawan 1	592,461,137	508,477,659	592,461,137	508,477,659
Actuarial losses	(55,394,309)	(23,976,592)	(55,394,309)	(23,976,592)
Benefits paid by the plan	(11,034,684)	(20,335,336)	(11,034,684)	(20,335,336)
Current service costs and interest	128,909,998	128,295,406	128,909,998	128,295,406
<b>Defined benefit obligations at Asar end</b>	<b>654,942,142</b>	<b>592,461,137</b>	<b>654,942,142</b>	<b>592,461,137</b>

### MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

4.23.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Fair value of plan assets at Sawan 1	523,512,045	412,362,097	523,512,045	412,362,097
Contributions paid into the plan	82,906,147	96,115,562	82,906,147	96,115,562
Benefits paid during the year	(11,034,684)	(20,335,336)	(11,034,684)	(20,335,336)
Actuarial (losses) gains	5,659,724	(9,478,177)	5,659,724	(9,478,177)
Expected return on plan assets	45,330,799	44,847,899	45,330,799	44,847,899
<b>Fair value of plan assets at Asar end</b>	<b>646,374,031</b>	<b>523,512,045</b>	<b>646,374,031</b>	<b>523,512,045</b>

### AMOUNT RECOGNISED IN PROFIT OR LOSS

4.23.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current service costs	77,373,781	83,447,507	77,373,781	83,447,507
Interest on obligation	6,205,418	4,325,200	6,205,418	4,325,200
Expected return on plan assets	-	-	-	-
<b>Total</b>	<b>83,579,199</b>	<b>87,772,707</b>	<b>83,579,199</b>	<b>87,772,707</b>

### AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME

4.23.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	(61,054,033)	(18,823,615)	(61,054,033)	(18,823,615)
<b>Total</b>	<b>(61,054,033)</b>	<b>(18,823,615)</b>	<b>(61,054,033)</b>	<b>(18,823,615)</b>

## ACTUARIAL ASSUMPTIONS

4.23.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Discount rate	10%	9%	10%	9%
Expected return on plan asset	10%	9%	10%	9%
Future salary increase	7%	8%	7%	8%
Withdrawal rate	8%	8%	8%	8%

## 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	5,494,038,946	5,492,759,107	5,494,038,946	5,492,759,107
<b>Total</b>	<b>5,494,038,946</b>	<b>5,492,759,107</b>	<b>5,494,038,946</b>	<b>5,492,759,107</b>

## SUBORDINATED LIABILITIES

4.25

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

## SHARE CAPITAL

4.26

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	10,257,155,581	10,257,155,581	10,257,155,581	10,257,155,581
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
<b>Total</b>	<b>10,257,155,581</b>	<b>10,257,155,581</b>	<b>10,257,155,581</b>	<b>10,257,155,581</b>

## ORDINARY SHARES

4.26.1

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
<b>Authorized Capital</b>		
150,000,000 Ordinary shares of Rs. 100 each share	15,000,000,000	15,000,000,000
<b>Issued capital</b>		
102,571,556 Ordinary shares of Rs.100 each share (Previous Year 90,530,946 Ordinary shares of Rs.100 each share)	10,257,155,581	10,257,155,581
<b>Subscribed and paid up capital</b>		
102,571,556 Ordinary shares of Rs.100 each share (Previous Year 90,530,946 Ordinary shares of Rs.100 each share)	10,257,155,581	10,257,155,581
<b>Total</b>	<b>10,257,155,581</b>	<b>10,257,155,581</b>

## ORDINARY SHARE OWNERSHIP

4.26.2

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
<b>Domestic ownership</b>				
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
Other Institutions	12	1,237,846,100	12	1,237,846,100
Public	88	9,019,309,481	88	9,019,309,481
Other	-	-	-	-
<b>Foreign ownership</b>	-	-	-	-
<b>Total</b>	<b>100</b>	<b>10,257,155,581</b>	<b>100</b>	<b>10,257,155,581</b>

## SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Surendra Mahato	10.95	1,123,249,200	11.11	1,139,107,300
Upendra Mahato Sudi	9.14	937,188,000	9.14	937,188,000
Prem Kumari K.C	8.68	890,105,600	8.68	890,105,600
PKR Investment Company Pvt. Ltd.	6.35	651,360,200	6.57	673,479,800
Ram Ashish Sahu Sudi	4.24	434,402,700	4.24	434,402,700
Krishna Gopal Shrestha	2.06	211,669,300	2.06	211,669,300
Dr.Dharma Raj Shrestha	1.56	159,585,500	2.03	208,262,600
Kiran K.C	1.46	149,318,200	1.48	152,170,700
Prakash K.C	1.29	132,642,200	1.29	132,642,300

CONTD...SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Roshan K.C	1.14	116,603,900	1.48	152,055,800
Karan Motor Company Pvt. Ltd	1.12	115,257,500	1.51	155,328,200
Ram Janaki Investment And Petroleum Suppliers Private Limited	0.99	101,862,600	0.99	101,862,600
Associated Automobiles Pvt. Ltd.	0.83	84,682,500	0.93	95,490,600
Ganesh Bahadur Shrestha	0.73	75,007,300	1.19	121,738,700
Shree Himalayan Enterprises Pvt. Ltd	0.61	62,924,000	0.80	81,905,200
Birendra Prasad Mahato	0.60	61,724,900	0.61	62,505,700
Praneshwor Pokharel	0.55	56,769,000	0.72	73,385,100
Rajan Lal Shrestha	0.52	53,344,500	0.53	54,160,700
Dinesh Lal Shrestha	0.51	52,170,200	0.51	52,170,200
Ajad Shrestha			0.64	65,341,700
	<b>53.33</b>	<b>5,469,867,300</b>	<b>56.50</b>	<b>5,794,972,800</b>

RESERVES

4.27

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory general reserve	2,693,585,769	2,367,871,642	2,690,502,342	2,365,397,144
Exchange equalization reserve	67,114,258	52,780,098	67,114,258	52,780,098
Corporate social responsibility reserve	27,632,320	21,918,862	27,404,964	21,738,429
Capital redemption reserve	-	-	-	-
Regulatory reserve	1,329,265,607	931,795,514	1,329,265,607	931,795,514
Investment adjustment reserve	-	-	-	-
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	(11,282,267)	(8,907,934)	(11,282,267)	(8,907,934)
Dividend equalization reserve	-	-	-	-
Debenture redemption reserve	428,571,429	428,571,429	428,571,429	428,571,429
Actuarial gain	(147,471,849)	(208,525,882)	(147,471,849)	(208,525,882)
Special reserve	-	-	-	-
<b>Other reserve</b>	<b>31,112,623</b>	<b>17,640,072</b>	<b>31,112,623</b>	<b>17,640,072</b>
a) Employee Skill Enhancement Reserve (Training Reserve)	31,112,623	17,640,072	31,112,623	17,640,072
b) Deferred Tax Reserve	-	-	-	-
c) Other Reserve	-	-	-	-
<b>Total</b>	<b>4,418,527,890</b>	<b>3,603,143,801</b>	<b>4,415,217,107</b>	<b>3,600,488,870</b>

## CONTINGENT LIABILITIES AND COMMITMENTS

4.28

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	37,430,282,242	38,888,529,322	37,430,282,242	38,888,529,322
Undrawn and undisbursed facilities	4,755,166,280	5,529,953,492	4,755,166,280	5,529,953,492
Capital commitment	19,375,067	211,156,953	19,375,067	211,156,953
Lease commitment	-	-	-	-
Litigation	362,193,283	139,151,751	362,193,283	139,151,751
<b>Total</b>	<b>42,567,016,872</b>	<b>44,768,791,517</b>	<b>42,567,016,872</b>	<b>44,768,791,517</b>

## CONTINGENT LIABILITIES

4.28.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	2,945,681,203	2,866,188,847	2,945,681,203	2,866,188,847
Bills for collection	12,261,341,871	12,799,688,047	12,261,341,871	12,799,688,047
Forward exchange contracts	-	-	-	-
Guarantees	22,223,259,168	23,222,652,427	22,223,259,168	23,222,652,427
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
<b>Total</b>	<b>37,430,282,242</b>	<b>38,888,529,322</b>	<b>37,430,282,242</b>	<b>38,888,529,322</b>

## UNDRAWN AND UNDISBURSED FACILITIES

4.28.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	-	-	-	-
Undrawn limits of overdrafts	4,390,493,648	5,169,753,697	4,390,493,648	5,169,753,697
Undrawn limits of credit cards	364,672,632	360,199,795	364,672,632	360,199,795
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
<b>Total</b>	<b>4,755,166,280</b>	<b>5,529,953,492</b>	<b>4,755,166,280</b>	<b>5,529,953,492</b>

## CAPITAL COMMITMENTS

4.28.3

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

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Capital commitments in relation to Property and Equipment</b>				
Approved and contracted for	19,375,067	211,156,953	19,375,067	211,156,953
Approved but not contracted for	-	-	-	-
<b>Sub total</b>	<b>19,375,067</b>	<b>211,156,953</b>	<b>19,375,067</b>	<b>211,156,953</b>
<b>Capital commitments in relation to Intangible assets</b>				
Approved and contracted for	-	-	-	-
Approved but not contracted for	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>19,375,067</b>	<b>211,156,953</b>	<b>19,375,067</b>	<b>211,156,953</b>

## LEASE COMMITMENTS

4.28.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Operating lease commitments</b>				
<b>Future minimum lease payments under non cancellable operating lease, where the bank is lessee</b>				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Finance lease commitments</b>				
<b>Future minimum lease payments under non cancellable operating lease, where the bank is lessee</b>				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Lease commitments has calculated as per NFRS 16-"Leases".

## LITIGATION

4.28.5

Under the self-assessment process, bank files its income tax returns which is then reviewed by Large Tax Payers Office usually within four years from the end of financial year. On completion of assesment till FY 2075-76, Large Taxpayers Office(LTO) has raised an assessment order for disputed tax liability of NPR 362,193,283. 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.

As per Finance Act 2080, Bargain Purchase Gain from Merger & Acquisition till 2078/79 shall be treated as income and liable for income tax. If the tax is paid within Mangsir 2080, no further penalty charge shall be taken by government. Machhapuchchhre Bank Limited (MBL) was merged with Standard Finance Limited (SFL) during FY 2068-69. Swap ratio between MBL and SFL was 1:0.85 and 15% of share capital i.e. 150,282,000 was booked as extra ordinary income, however tax was not paid. Therefore, 30% tax on NPR 150,282,000 i.e. NPR 45,084,600 has arise as liability to the government as per Finance Act 2080. However, bank is on the stage of filing legal proceedings against the retrospective impact of tax liability and thus have booked such tax amount as contingent liability during FY 2079-80.

## INTEREST INCOME

4.29

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	17,306,886	1,482,565	17,306,886	1,482,565
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	153,844,178	34,361,429	153,844,178	34,361,429
Loan and advances to bank and financial institutions	9,968,373	8,240,096	9,968,373	8,240,096
Loans and advances to customers	17,411,221,851	13,942,886,377	17,411,221,851	13,942,886,377
Investment securities	1,462,064,802	1,100,851,994	1,470,680,922	1,107,424,649
Loan and advances to staff	221,492,031	137,975,816	221,492,031	137,975,816
Other	13,316,556	15,525,940	-	-
<b>Total interest income</b>	<b>19,289,214,677</b>	<b>15,241,324,217</b>	<b>19,284,514,241</b>	<b>15,232,370,932</b>

Loan and advances to staff includes interest income from fair value of staff loan.

## INTEREST EXPENSE

4.30

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	199,552,926	150,974,084	199,552,926	150,974,084
Due to Nepal Rastra Bank	292,104,461	452,541,271	292,104,461	452,541,271
Deposits from customers	12,459,360,427	9,075,478,821	12,474,270,547	9,082,051,476
Borrowing	363,750,190	96,408,179	363,750,190	96,408,179
Debt securities issued	500,039,546	489,262,477	500,039,546	489,212,014
Subordinated liabilities	-	-	-	-
Other	82,397,018	83,139,524	82,397,018	83,139,524
<b>Total interest expense</b>	<b>13,897,204,568</b>	<b>10,347,804,356</b>	<b>13,912,114,688</b>	<b>10,354,326,548</b>

Other includes interest expense on Finance Lease as per NFRS 16 - "Leases"

## FEES AND COMMISSION INCOME

4.31

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	164,940,886	319,410,441	164,940,886	319,410,441
Service fees	233,373,582	210,363,205	212,650,816	171,540,100
Consortium fees	22,003,140	47,297,645	22,003,140	47,297,645
Commitment fees	1,786,845	1,795,467	1,786,845	1,795,467
DD/TT/Swift fees	66,706,129	41,651,165	66,706,129	41,651,165
Credit card/ATM issuance and renewal fees	191,346,849	164,584,307	191,346,849	164,584,307
Prepayment and swap fees	105,364,485	100,600,604	105,364,485	100,600,604
Investment banking fees	13,730,459	16,293,809	13,730,459	16,293,809
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	27,851,109	23,775,047	27,851,109	23,775,047
Commission on letter of credit	138,597,642	132,804,398	138,597,642	132,804,398
Commission on guarantee contracts issued	199,180,078	188,095,698	199,180,078	188,095,698
Commission on share underwriting/issue	-	-	-	-
Locker rental	14,809,000	12,474,369	14,809,000	12,474,369
Other fees and commission income	249,695,006	133,780,585	237,806,019	133,847,174
<b>Total fees and Commission Income</b>	<b>1,429,385,210</b>	<b>1,392,926,740</b>	<b>1,396,773,457</b>	<b>1,354,170,224</b>

Other fees and commission income includes education loan fee, IPS fee, draft charges, CIC income, CASBA income, etc.

## FEES AND COMMISSION EXPENSE

4.32

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	44,283,548	60,148,449	44,283,548	60,148,449
VISA/Master card fees	105,967,738	79,254,132	105,967,738	79,254,132
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	11,839,470	8,023,790	11,839,470	8,023,790
Remittance fees and commission	14,369,534	8,198,781	14,369,534	8,198,781
Other fees and commission expense	76,270,463	37,518,758	76,270,463	35,409,254
<b>Total fees and Commission Expense</b>	<b>252,730,753</b>	<b>193,143,910</b>	<b>252,730,753</b>	<b>191,034,406</b>

Other fees and commission expense includes cheque clearing fee, sms service charges, other bank charges, BLB Commission expenses, etc.

## 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	280,406,792	216,650,959	280,406,792	216,650,959
Other -	-	-	-	-
<b>Net trading income</b>	<b>280,406,792</b>	<b>216,650,959</b>	<b>280,406,792</b>	<b>216,650,959</b>

## OTHER OPERATING INCOME

4.34

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	57,336,639	50,844,759	57,336,639	50,844,759
Gain/loss on sale of investment securities	8,877,213	(22,141,577)	-	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	3,924,770	15,560,910	3,242,169	14,261,570
Gain/loss on sale of property and equipment	(835,602)	4,384,927	(835,602)	4,384,927
Gain/loss on sale of investment property	1,729,061	14,573,322	1,729,061	14,573,322
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	8,602,349	10,984,087	8,602,349	10,984,087
Other	1,196,397	443,596	-	-
<b>Total</b>	<b>80,830,827</b>	<b>74,650,024</b>	<b>70,074,616</b>	<b>95,048,665</b>

## 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	24,439,728	(14,810,853)	24,439,728	(14,810,853)
Impairment charge/(reversal) on loan and advances to customer	1,123,819,941	516,043,634	1,123,819,941	516,043,634
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	-	-	-	-
<b>Total</b>	<b>1,148,259,669</b>	<b>501,232,781</b>	<b>1,148,259,669</b>	<b>501,232,781</b>

## PERSONNEL EXPENSE

4.36

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	620,144,496	526,675,085	609,243,530	514,244,963
Allowances	477,605,570	413,777,351	477,605,570	413,777,351
Gratuity expense	84,129,851	88,421,859	83,579,199	87,772,707
Provident fund	61,585,398	52,202,741	60,924,351	51,423,509
Uniform	21,732,176	19,320,934	21,732,176	19,320,934
Training & development expense	44,209,256	16,888,729	43,888,478	16,789,521
Leave encashment	77,511,503	98,406,766	77,021,221	97,802,416
Medical	-	-	-	-
Insurance	18,749,179	9,970,565	18,749,179	9,970,565
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRSs	27,073,469	66,294,839	27,073,469	66,294,839
Other expenses related to staff	444,526,279	381,181,368	441,239,094	376,688,657
a. Dashain allowance	92,389,861	73,445,460	92,213,980	73,269,579
b. Others	352,136,418	307,735,908	349,025,114	303,419,078
<b>Subtotal</b>	<b>1,877,267,177</b>	<b>1,673,140,237</b>	<b>1,861,056,267</b>	<b>1,654,085,462</b>
Employees bonus	260,770,091	269,933,270	259,471,388	269,632,385
<b>Grand total</b>	<b>2,138,037,268</b>	<b>1,943,073,507</b>	<b>2,120,527,655</b>	<b>1,923,717,847</b>

## OTHER OPERATING EXPENSE

4.37

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	3,612,000	3,692,700	2,905,000	3,012,900
Directors' expense	2,233,455	1,813,528	1,859,824	1,688,934
Auditors' remuneration	2,413,367	2,373,000	2,260,000	2,260,000
Other audit related expense	-	-	-	-
Professional and legal expense	20,711,515	6,926,051	20,711,515	6,992,639
Office administration expense	769,460,832	1,083,017,856	741,532,495	1,078,015,534
Operating lease expense	22,081,038	7,210,171	22,081,038	4,413,219
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	10,588,725	-	10,588,725	-
Onerous lease provisions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>831,100,932</b>	<b>1,105,033,306</b>	<b>801,938,597</b>	<b>1,096,383,226</b>

## OFFICE ADMINISTRATION EXPENSE

4.37.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and Electricity	38,347,291	37,664,764	38,347,291	37,286,406
<b>Repair and Maintenance</b>	<b>18,862,723</b>	<b>20,856,786</b>	<b>18,862,723</b>	<b>20,785,426</b>
a) Building	269,787	125,175	269,787	125,175
b) Vehicle	5,836,527	6,986,042	5,836,527	6,986,042
c) Computer and accessories	953,498	1,014,691	953,498	1,014,691
d) Office equipment and furniture	6,376,274	6,214,167	6,376,274	6,214,167
e) Other	5,426,637	6,516,711	5,426,637	6,445,351
Insurance	8,852,914	6,177,295	8,852,914	5,952,803
Postage, Telex, Telephone, Fax	29,672,972	29,994,041	29,672,972	29,926,917
Printing and Stationery	33,647,172	33,357,476	33,647,172	33,013,798
News Paper, books and journals	270,363	179,669	270,363	179,669
Advertisements	42,315,060	40,731,068	42,315,060	40,022,432
Donation	-	-	-	-
Security Expenses	167,809,490	162,456,330	167,809,490	162,099,156
Deposit and loan guarantee premium	59,593,736	44,098,712	59,593,736	44,098,712
Traveling Allowances and Expenses	16,404,739	14,875,585	16,404,739	14,811,739
Entertainment	3,241,983	3,966,411	3,241,983	3,966,411
Legal Expenses	-	-	-	-
Annual/special General Meeting	2,409,912	2,795,742	2,409,912	2,653,786
<b>Other</b>	<b>348,032,476</b>	<b>685,863,976</b>	<b>320,104,141</b>	<b>683,218,278</b>
a) Annual Maintenance Expenses	17,336,944	22,869,227	17,336,944	22,869,227
b) Fuel	19,396,432	15,287,619	19,396,432	15,114,815
c) Business Promotion/Annual Function Expenses	32,027,119	40,365,944	32,027,119	40,345,785
d) Rates And Taxes	12,159,133	13,648,879	12,159,133	13,648,879
e) Outsource Staff Expenses	68,796,278	63,471,859	68,796,278	63,081,424
f) Other	198,316,570	530,220,448	170,388,235	528,158,148
<b>Total</b>	<b>769,460,832</b>	<b>1,083,017,856</b>	<b>741,532,495</b>	<b>1,078,015,534</b>

## DEPRECIATION & AMORTISATION

4.38

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	398,950,297	360,051,516	396,397,488	359,349,438
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	19,646,005	17,391,331	19,256,744	17,083,270
<b>Total</b>	<b>418,596,302</b>	<b>377,442,847</b>	<b>415,654,232</b>	<b>376,432,708</b>

Depreciation on property and equipment includes depreciation on Right of Use Assets amounting to NPR 169,478,938 as per NFRS 16 –“Leases” due to which depreciation amount does not match with 4.13 Property, Plant and Equipment schedule.

## NON OPERATING INCOME

4.39

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	8,931,154	34,466,836	8,931,154	34,466,836
Other income	-	-	-	-
<b>Total</b>	<b>8,931,154</b>	<b>34,466,836</b>	<b>8,931,154</b>	<b>34,466,836</b>

## NON OPERATING EXPENSE

4.40

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	52,633,551	38,126,303	52,633,551	38,126,303
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	1,598,623	24,762,334	1,598,623	24,762,334
<b>Total</b>	<b>54,232,174</b>	<b>62,888,637</b>	<b>54,232,174</b>	<b>62,888,637</b>

## INCOME TAX EXPENSE

4.41

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Current tax expense</b>	<b>746,100,107</b>	<b>753,305,669</b>	<b>745,230,539</b>	<b>746,987,441</b>
Current year	735,592,465	743,072,576	734,722,897	736,754,348
Adjustments for prior years	10,507,642	10,233,093	10,507,642	10,233,093
<b>Deferred tax expense</b>	<b>(33,218,534)</b>	<b>(12,189,806)</b>	<b>(35,514,036)</b>	<b>(6,951,223)</b>
Origination and reversal of temporary differences	(33,218,534)	(12,189,806)	(35,514,036)	(6,951,223)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
<b>Total income tax expense</b>	<b>712,881,573</b>	<b>741,115,863</b>	<b>709,716,503</b>	<b>740,036,218</b>

## RECONCILIATION OF TAX EXPENSE AND ACCOUNTING PROFIT

4.41.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	2,348,606,994	2,429,399,432	2,335,242,492	2,426,691,463
Tax amount at tax rate of 30%	704,582,098	728,819,830	700,572,748	728,007,439
Add: Tax effect of expenses that are not deductible for tax purpose	2,332,338	-	3,176,618	-
Less: Tax effect on exempt income	875,386	3,364,624	875,386	3,364,624
Add/less: Tax effect on other items	(3,665,119)	5,160,310	(3,665,119)	5,160,310
<b>Total income tax expense</b>	<b>702,373,931</b>	<b>730,615,516</b>	<b>699,208,861</b>	<b>729,803,125</b>
<b>Effective tax rate</b>	<b>29.91%</b>	<b>30.07%</b>	<b>29.94%</b>	<b>30.07%</b>

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2079/80

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
<b>Assets</b>					
Cash and cash equivalent	10,632,385,826	10,632,385,826	-	0.00%	
Due from Nepal Rastra Bank	9,309,107,697	9,309,107,697	-	0.00%	
Placement with Bank and Financial Institutions	1,458,314,182	1,458,314,182	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Other trading assets	489,503,750	489,503,750	-	0.00%	
Loan and advances to B/FIs	4,464,244,271	4,464,244,271	-	0.00%	
Loans and advances to customers	126,465,910,402	126,137,682,798	(328,227,604)	-0.26%	Adjustment in Loan Loss Provision
Investment securities	27,418,529,296	27,418,529,296	-	0.00%	
Current tax assets	670,218,886	774,948,142	104,729,256	15.63%	Tax effect of adjustments in Profit or loss
Investment in subsidiaries	400,000,000	400,000,000	-	0.00%	
Investment in associates	-	-	-	0.00%	
Investment property	609,937,111	609,937,111	-	0.00%	
Property and equipment	1,582,407,853	1,582,407,853	-	0.00%	
Goodwill and Intangible assets	133,499,177	133,499,177	-	0.00%	
Deferred tax assets	98,353,261	85,784,940	(12,568,321)	-12.78%	Final Deferred Tax adjustment
Other assets	3,077,854,084	3,077,854,086	2	0.00%	
<b>Total Assets</b>	<b>186,810,265,796</b>	<b>186,574,199,130</b>	<b>(236,066,666)</b>	<b>-0.13%</b>	

Contd... COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2079/80

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
<b>Liabilities</b>					
Due to Bank and Financial Institutions	4,105,067,655	4,105,067,655	-	0.00%	
Due to Nepal Rastra Bank	13,000,000	13,000,000	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Deposits from customers	154,179,631,822	154,179,631,823	1	0.00%	
Borrowing	3,395,002,561	3,395,002,561	-	0.00%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	-	-	0.00%	
Deferred tax liabilities	-	-	-	0.00%	
Other liabilities	3,301,513,358	3,235,672,094	(65,841,264)	-1.99%	As per final actuarial valuation report
Debt securities issued	5,494,038,946	5,494,038,946	-	0.00%	
Subordinated Liabilities	-	-	-	0.00%	
<b>Total liabilities</b>	<b>170,488,254,342</b>	<b>170,422,413,079</b>	<b>(65,841,263)</b>	<b>-0.04%</b>	
<b>Equity</b>					
Share capital	10,257,155,581	10,257,155,581	-	0.00%	
Share premium	30,881,765	30,881,765	-	0.00%	
Retained earnings	1,568,744,942	1,448,531,597	(120,213,345)	-7.66%	Due to change in Profit
Reserves	4,465,229,165	4,415,217,107	(50,012,058)	-1.12%	Due to change in Profit
<b>Total equity attributable to equity holders</b>	<b>16,322,011,454</b>	<b>16,151,786,050</b>	<b>(170,225,404)</b>	<b>-1.04%</b>	
Non-controlling interest					
Total equity	16,322,011,454	16,151,786,050	(170,225,404)	-1.04%	
<b>Total liabilities and equity</b>	<b>186,810,265,795</b>	<b>186,574,199,129</b>	<b>(236,066,666)</b>	<b>-0.13%</b>	

Contd... COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2019/20

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
<b>Statement of Profit or Loss</b>					
Interest income	19,298,799,955	19,284,514,241	(14,285,714)	-0.07%	Adjustment of interest suspense
Interest expense	13,912,114,688	13,912,114,688	-	0.00%	
<b>Net interest income</b>	<b>5,386,685,267</b>	<b>5,372,399,553</b>	<b>(14,285,714)</b>	<b>-0.27%</b>	
Fee and commission income	1,379,007,904	1,396,773,457	17,765,553	1.29%	Reclassification
Fee and commission expense	252,730,753	252,730,753	-	0.00%	
<b>Net fee and commission income</b>	<b>1,126,277,151</b>	<b>1,144,042,704</b>	<b>17,765,553</b>	<b>1.58%</b>	
<b>Net interest, fee and commission income</b>	<b>6,512,962,418</b>	<b>6,516,442,257</b>	<b>0</b>	<b>0</b>	
Net trading income	298,172,345	280,406,792	(17,765,553)	-5.96%	Reclassification
Other operating income	70,074,616	70,074,616	-	0.00%	
<b>Total operating income</b>	<b>6,881,209,379</b>	<b>6,866,923,665</b>	<b>(14,285,714)</b>	<b>-0.21%</b>	
Impairment charge/(reversal) for loans and other losses	820,032,065	1,148,259,669	328,227,604	40.03%	Regulatory Adjustment
<b>Net operating income</b>	<b>6,061,177,314</b>	<b>5,718,663,996</b>	<b>(342,513,318)</b>	<b>-5.65%</b>	
<b>Operating expense</b>				<b>0.00%</b>	
Personnel expenses	2,155,837,859	2,120,527,655	(35,310,204)	-1.64%	Bonus effect of adjustment in PL
Other operating expenses	791,349,872	801,938,597	10,588,725	1.34%	Effect of CSR Expenses through PL
Depreciation & Amortization	415,654,232	415,654,232	-	0.00%	Depreciation Expense on Right of Use of Assets as per NFRS 16
<b>Operating profit</b>	<b>2,698,335,351</b>	<b>2,380,543,512</b>	<b>(317,791,839)</b>	<b>-11.78%</b>	
Non operating income	8,931,154	8,931,154	-	0.00%	
Non operating expense	54,232,174	54,232,174	-	0.00%	
<b>Profit before income tax</b>	<b>2,653,034,331</b>	<b>2,335,242,492</b>	<b>(317,791,839)</b>	<b>-11.98%</b>	
Income tax expense	801,877,437	709,716,503	(92,160,934)	-11.49%	
Current Tax	849,959,795	745,230,539	(104,729,256)	-12.32%	Impact of above adjustment on tax liability
Deferred Tax	(48,082,358)	(35,514,036)	12,568,322	-26.14%	
<b>Profit / (loss) for the period</b>	<b>1,851,156,894</b>	<b>1,625,525,989</b>	<b>(225,630,905)</b>	<b>-12.19%</b>	
Profit/(loss) for the period	1,851,156,894	1,625,525,989	(225,630,905)	-12.19%	
Other Comprehensive Income	13,862,924	58,679,700	44,816,776	323.29%	
<b>Total comprehensive income</b>	<b>1,865,019,818</b>	<b>1,684,205,689</b>	<b>(180,814,129)</b>	<b>-9.70%</b>	

## PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	F. Y. 2075/2076	F. Y. 2076/2077	F. Y. 2077/2078	F. Y. 2078/2079	F. Y. 2079/2080
1. Net Profit/Gross Income	%	14.86%	9.99%	12.60%	9.96%	7.73%
2. Earnings Per Share	Rs.	21.07	14.96	17.76	16.44	15.85
3. Market Value per Share	Rs.	264.00	220.00	385.00	254.00	231.80
4. Price Earning Ratio	Ratio	12.53	14.71	21.68	15.45	14.63
5. Dividend (including bonus) on share capital	%	16.00%	10.40%	14.00%	-	14.00%
6. Cash Dividend on share capital	%	11.00%	3.37%	0.70%	-	0.70%
7. Interest Income/Loans & Advances	%	12.96%	11.76%	9.35%	11.39%	14.36%
8. Employee Expenses/Total Operating Exps	%	11.29%	13.33%	16.30%	12.11%	10.83%
9. Interest Expenses on Total Deposit and Borrowings	%	7.16%	7.02%	4.91%	6.74%	8.79%
10. Exchange Fluctuation Gain/Total Income	%	2.86%	2.67%	2.32%	1.58%	1.61%
11. Staff Bonus/ Total Employee Expenses	%	28.07%	15.95%	16.71%	16.30%	13.94%
12. Net Profit/Loans & Advances	%	2.16%	1.31%	1.35%	1.26%	1.21%
13. Net Profit/ Total Assets	%	1.61%	1.02%	1.02%	0.94%	0.87%
14. Total Credit/Deposit	%	87.00%	88.56%	86.53%	86.32%	81.35%
15. Total Operating Expenses/Total Assets	%	8.09%	7.81%	5.88%	7.64%	9.21%
<b>16. Adequacy of Capital Fund on Risk Weightage Assets</b>						
a. Core Capital	%	11.88%	9.57%	8.67%	8.62%	9.02%
b. Supplementary Capital	%	0.91%	3.45%	3.39%	4.74%	4.56%
c. Total Capital Fund	%	12.79%	13.02%	12.06%	13.36%	13.58%
17. Liquidity	%	23.70%	23.83%	27.08%	21.40%	29.43%
18. Non Performing Loans/Total Loans	%	0.37%	0.52%	0.62%	1.04%	2.26%
19. Base Rate	%	10.37%	9.21%	7.26%	9.86%	10.74%
20. Weighted Average Interest Rate Spread *	%	4.27%	4.36%	3.82%	4.33%	3.95%
21. Book Net worth	Rs.	11,236,871,503	11,584,702,840	12,864,132,182	14,485,771,130	16,151,786,050
22. Total Shares	Number	80,556,930	84,584,777	90,530,946	102,571,556	102,571,556
23. Total Employees	Number	1,195	1,486	1,510	1,584	1,558
24. Productivity per Staff	Rs.'000	1420.16	851.38	1064.55	1116.99	1026.22
25. Book Value Per Share	Rs.	139.49	136.96	142.10	141.23	157.47
26. Number of branches	Number	131	159	161	165	165
27. Number of ATM	Number	144	198	203	207	204

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 & BFI's 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

Financial Year 16 July 2022 to 16 July 2023 (1 Shrawan 2079 to 31 Ashad 2080)

### 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 then Companies Act 1964 of Nepal, and domiciled in Nepal. The Bank obtained license from Nepal Rastra Bank on 11 Ashwin 2057. 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

##### Machhapuchchhre Capital Limited

Machhapuchchhre Capital Limited subsidiary of the Bank was incorporated on 8 Ashwin 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.

Current holding of the Bank in Machhapuchchhre Capital Limited is 69.85%.

SUBSIDIARY	COST AS ON ASHAD END 2080 (NPR)
Machhapuchchhre Capital Limited	200,000,000

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

##### Machhapuchchhre Securities Limited

Machhapuchchhre Securities Limited is incorporated on Shrawan 10, 2076 with the objective of providing securities brokerage services in the secondary market of Nepal. The Company has obtained license from Securities Board of Nepal and Nepal Stock Exchange Limited for operation of transactions and is yet to be obtained license from CDS & Clearing limited for clearing of operated transactions. Machhapuchchhre Securities Limited is fully owned subsidiary company of Machhapuchchhre Bank Limited.

SUBSIDIARY	COST AS ON ASHAD END 2080 (NPR)
Machhapuchchhre Securities 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, 2079. 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 (SOI)
- 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 2079 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 2080	16 July 2023
Consolidated Statement of Profit/Loss	1 Shrawan 2079 to 31 Ashad,2080	16 July 2022 to 16 July 2023
Consolidated Statement of Other Comprehensive Income	1 Shrawan 2079 to 31 Ashad,2080	16 July 2022 to 16 July 2023
Consolidated Statement of Cash Flows	1 Shrawan 2079 to 31 Ashad,2080	16 July 2022 to 16 July 2023
Consolidated Statement of Changes in Equity	1 Shrawan 2079 to 31 Ashad,2080	16 July 2022 to 16 July 2023

The Board of Directors of the Bank authorized the financial statement vide its resolution dated 13 Bhadra 2080 and recommended for its approval by the Annual General Meeting of the shareholders.

## 2.4 Functional and Presentation Currency

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 Policies

There are different accounting principles adopted by management and these policies are consistently applied to all years presented except or changes in accounting policies that 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 published Nepal Financial Reporting Standards 2018 (NFRS 2018) on March, 2021. Accordingly, NFRS 9 and NFRS 17 has been introduced with amendment to existing standards which shall be effective from Fiscal Year 2024-25. NFRS 17 "Insurance Contracts" does not applicable to Banks and Financial Institutions due to revenue is recognized as per NFRS 15 "Revenue from contracts with customers".

### 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, the carve out issued by the Accounting Standard Board of Nepal has been used for impairment on loans and advances. 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
<b>Nature</b>	12 month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss
<b>Risk</b>	No significant risk since initial recognition	Significant credit risk since initial recognition	Credit impaired (With objective evidence of impairment)
<b>Nature</b>	Performing	Underperforming	Non-performing
<b>Interest Revenue</b>	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on gross Carrying amount less ECL

## 2.8 New Standards and interpretation not adopted

In preparing financial statement, Standards and pronouncement issued by Accounting Standard Board of 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.

The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 2079.03.31 has resolved that Carve-out in NFRS with alternative treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board(ASB). Details of carve out provided are as follows:

### 2.8.1 NFRS 9: Financial Instruments: Recognition and Measurement

#### a) Impracticability to determine transaction cost of all previous years which is the part of effective interest rate

In para 5.4, effective interest rate is the rate that exactly discounts estimated future cash payments of receipts through the expected life of the financial assets or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instruments (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (Para B5.4.1 – B5.4.3), transaction costs, and all other premiums or discounts. There is a presumption that cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments). This carve out is optional and has been provided until FY 2080-81 (i.e. FY 2023-24).

#### b) Impairment and collectability of financial assets measured at amortized cost

As per Para 5.5, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, they shall apply paragraph 5 to determine the amount of any impairment loss unless the entity is a bank or financial institution registered as per Bank and Financial Institution Act 2073. Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per the norms prescribed by the Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 5 and shall apply paragraph 5 to measure the impairment loss on financial assets other than loan and advances.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

This carve out is not optional and has been provided until FY 2080-81 (i.e. FY 2023-24). Bank will measure the impairment of loan and advances to customers as higher of the impairment as assessed under NFRS or as per the norms prescribed by Nepal Rastra Bank. The provision is mandatory where impairment under NFRS and impairment under NRB norms has been disclosed for comparison and the higher of the two is charged as impairment and recognized in the financial statements.

## 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 rate, EIR are used for discounting the future payments as required under the provision. It has been applied in the cases where discounting is significant financing component.

## 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.
- The Bank recognizes a right-of-use asset and a lease liability as per NFRS 16.

### 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 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 un-collectability

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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

### **3.6.5 Determination of Fair Value**

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

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

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

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

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

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

All unquoted equity investments are recorded at cost, 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.

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.

### **Impairment as per NFRS 9**

An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Impairment allowances that are calculated on individual loans or on groups of loans assessed collectively are recorded as charges to the profit or loss and are recorded against the carrying amount of impaired loans on the statement of financial position. Losses, which may arise from future events, are not recognized.

### **Individually assessed loans and advances**

Loans and advances to customers with significant value (Top 50 borrowers and borrowers classified as bad/doubtful with significant loan value as per Nepal Rastra Bank Directive) are assessed for individual impairment test. For these loans, the group considers on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. 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.

### **Collectively assessed loans and advances**

Impairment is assessed collectively to cover losses, which have been incurred but have not yet been identified on loans subject to individual assessment or for homogeneous groups of loans that are not considered individually significant. 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 1.3% 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 para 5 of carve out notice (mentioned in 2.8.1).

### **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, plant 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 period has been accounted from the date of booking. In case of assets being sold and written off, the depreciation is charged up to the previous month of disposal and gain or loss on the sales transaction is accounted for.

- Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.
- Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life. However, in case of opening of new branches, expansion, relocation and reconstruction of offices for same nature of assets if total purchase price is greater than 50,000 such type of assets are capitalized even though the assets unit price is less than NPR 10,000.
- Leasehold improvements are depreciated over the lease period or 10 years whichever is lower.

### **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.

Software, licenses are amortized over a period of useful life and in case of useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

### **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 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 NFRS 9 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 reliably 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 2076/77 has again been extended up to FY 2080/81. 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 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.

### 3.22.6 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:

- fi Identification of the contracts with the customer
- fi Identification of the performance obligations in the contract
- fi Determination of the transaction price
- fi Allocation of the transaction price to the performance obligations in the contract (as identified in step ii)
- fi 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 NFRS 15. NFRS 15 Revenue from Contracts with Customers. The standard shall supersede existing NAS 18 Revenue and NAS 11 Construction Contract.

### 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:

- fi
  - Wages, salaries and social security contributions
- fi
  - Paid annual and paid sick leave
- fi
  - Profit sharing and bonuses
- fi
  - 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. 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 7% 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 bonds 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.

NFRS 16 'Leases' is effective for annual periods beginning on or after 1 Shrawan 2078. NFRS 16 is the new accounting standard for leases and 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.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Cost of borrowing of Bank till the date of signing any lease contract has been considered as its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets under other assets (Note 4.16) and lease liabilities under other liabilities (Note 4.23) in the Statement of Financial Position.

The interest expenses on lease liability, depreciation charges on right of use assets and short term lease payment has been presented under interest expenses (4.29) and depreciation and amortization (4.38) respectively in the statement of profit or loss.

#### **Short-Term Leases and Leases of Low- Value Assets**

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **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) Retained Earnings**

The bank has to appropriate different reserves from retained earnings. Retained earnings comprises of current Fiscal Year profit and any non-distributed profit of preceding Fiscal Years. The opening adjustment in retained earnings is due to adjustment in deferred tax calculation and current tax calculation for FY 2078-79 at the time of finalization of tax audit.

#### **b) 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.

#### **c) 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.

#### **d) 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.

#### **e) 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.

#### **f) 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.

#### **g) 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.

#### **h) 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.

#### **i) 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 i.e Accrued Interest Receivable after considering effect of bonus and income tax
- Difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS,
- Amount equals to deferred tax assets,
- Actuarial gain/loss recognized in other comprehensive income,
- Amount of goodwill recognized under NFRS.
- Non-Banking assets after taking effect of bonus and income tax

#### **j) 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 issuance year and maturity year.

#### **k) 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.

### **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 16 July 2023

## 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 15,000,000,000 represented by 150,000,000 ordinary shares of NPR 100 each; and
- Issued capital as of balance sheet date is NPR 10,257,155,581 represented by 102,571,556 ordinary shares of NPR 100 each.
- Paid-up capital as of balance sheet date is NPR 10,257,155,581 represented by 102,571,556 ordinary shares of NPR 100 each.

The paid-up capital of the Bank as on the balance sheet date is NPR 10,257,155,581 represented by 102,571,556 Ordinary Shares of NPR 100 each. 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.
2077/78	9,053,094,581	-	9,053,094,581	Bank has issued 7.03% bonus shares, 5,946,169 no of shares of NPR 100 each pertaining to FY 2076/77.
2078/79	10,257,155,581	-	10,257,155,581	Bank has issued 13.30% bonus shares, 12,040,610 no of shares of NPR 100 each pertaining to FY 2077/78.
2079/80	10,257,155,581	-	10,257,155,581	Bank has not issued bonus shares for FY 2078/79.

## 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 325,105,198 of the net profits to General Reserve in the current year.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Opening General Reserve	2,365,397,144	2,028,066,095
20% of Profit to be transferred	325,105,198	337,331,049
<b>Closing General Reserve</b>	<b>2,690,502,342</b>	<b>2,365,397,144</b>

### 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 14,334,160 have been transferred to exchange fluctuation fund maintained by the Bank.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Opening Exchange Equalization Reserve	52,780,098	40,068,908
25% of Revaluation gain	14,334,160	12,711,190
<b>Closing Exchange Equalization Reserve</b>	<b>67,114,258</b>	<b>52,780,098</b>

### 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. Closing Fair Value reserve is NPR (11,282,267).

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Opening Fair Value Reserve	(8,907,934)	7,805,571
Transfer/ Adjustment in Reserve	(2,374,333)	(16,713,505)
<b>Closing Fair Value Reserve</b>	<b>(11,282,267)</b>	<b>(8,907,934)</b>

### 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 17,640,072. Actual training expense of this year amounting to NPR 43,888,478.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Opening Skill Enhancement Fund	17,640,072	-
Add : 3% of Last Year Staff Expense	39,720,957	34,429,593
Actual Staff Training Expense this year	43,888,478	16,789,521
<b>Closing Skill Enhancement Fund</b>	<b>13,472,551</b>	<b>17,640,072</b>

#### 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 21,738,429 out of which NPR 10,588,725 has been spent this year for CSR activities. This year, bank has also appropriated 1% of net profit i.e. NPR 18,022,338 and therefore total amount in this fund is NPR 29,172,042 and shown in other reserve in Statement of Changes in Equity

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Opening CSR Fund	21,738,429	16,266,099
Add : 1% of profit this year	16,255,260	16,866,552
Less: CSR expense this year	10,588,725	11,394,222
<b>Closing CSR Fund</b>	<b>27,404,964</b>	<b>21,738,429</b>

Details of CSR expense are as follows:

PROVINCE	CATEGORY	AMOUNT IN "NPR"	%
1	Covid expense related to staff	28,388	
	प्रत्यक्ष अनुदान खर्च	1,429,089	
	सामाजिक परियोजनाहरूमा हुने खर्च	613,917	
	बित्तिय साक्षरता	553,575	
	<b>Total for Koshi Province</b>	<b>2,624,969</b>	<b>25%</b>
2	Covid expenses related to staff	1,900	
	प्रत्यक्ष अनुदान खर्च	699,493	
	बित्तिय साक्षरता	436,914	
	<b>Total for Madhesh Province</b>	<b>1,138,307</b>	<b>11%</b>
3	Covid expenses related to staff	228,084	
	सामाजिक परियोजनाहरूमा हुने खर्च	55,350	
	प्रत्यक्ष अनुदान खर्च	1,463,408	
	दिगो विकास लक्ष्य	74,960	
	बित्तिय साक्षरता	1,000,534	
	<b>Total for Bagmati Province</b>	<b>2,822,337</b>	<b>27%</b>
4	Covid expenses related to staff	44,680	
	प्रत्यक्ष अनुदान खर्च	552,794	
	सामाजिक परियोजनाहरूमा हुने खर्च	200	
	दिगो विकास लक्ष्य	50,000	
	बित्तिय साक्षरता	681,759	
<b>Total for Gandaki Province</b>	<b>1,329,432</b>	<b>13%</b>	

Cond..... Details of CSR expense are as follows:

PROVINCE	CATEGORY	AMOUNT IN "NPR"	%
5	Covid expenses related to staff	9,340	
	प्रत्यक्ष अनुदान खर्च	324,497	
	सामाजिक परियोजनाहरूमा हुने खर्च	200,000	
	वित्तिय साक्षरता	370,835	
	<b>Total for Lumbini Province</b>	<b>904,672</b>	<b>9%</b>
6	Covid expenses related to staff	-	
	प्रत्यक्ष अनुदान खर्च	331,429	
	सामाजिक परियोजनाहरूमा हुने खर्च	219,500	
	वित्तिय साक्षरता	326,755	
	<b>Total for Karnali Province</b>	<b>877,684</b>	<b>8%</b>
7	प्रत्यक्ष अनुदान खर्च	537,394	
	वित्तिय साक्षरता	353,930	
	<b>Total for Sudur Paschim Province</b>	<b>891,324</b>	<b>8%</b>
	<b>Total</b>	<b>10,588,725</b>	<b>100%</b>

#### 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 16 JULY 2023	AS AT 16 JULY 2022
<b>Opening Regulatory reserve</b>	<b>931,795,514</b>	<b>643,662,389</b>
Adjustment/ Restated	-	-
Interest Suspense (Refer Note Below)	188,175,252	324,675,609
Investment Property Provision/(Non-Banking Assets) (Refer Note Below)	230,425,361	(44,558,642)
Actuarial loss	(61,054,033)	(18,823,615)
Fair Value Reserve	3,391,904	12,725,620
Deferred tax assets	36,531,608	14,114,154
<b>Closing Regulatory Reserve</b>	<b>1,329,265,607</b>	<b>931,795,514</b>

#### Details of Movement in Regulatory Reserve

FY	INTEREST RECEIVABLE	SHORT LLP	SHORT PROVISION ON NBA	DTA	GOODWILL	GAIN ON BARGAIN PURCHASE	ACTUARIAL LOSS RECOGNIZED	FAIR VALUE LOSS RECOGNIZED IN OCI	OTHER	TOTAL
74-75	275,772,186	-	24,870,824	-	-	-	159,698,543	10,761,980	-	471,103,533
75-76	(42,527,809)	-	53,586,919	21,424,000	-	-	11,459,433	8,109,899	-	52,052,441
76-77	(17,318,179)	-	31,759,059	13,810,822	-	-	18,110,759	(8,755,873)	-	37,606,588
77-78	(33,146,144)	-	88,176,859	(95,643)	-	-	38,080,762	(10,116,006)	-	82,899,827
78-79	324,675,609	-	(44,558,642)	14,114,154	-	-	(18,823,615)	12,725,620	-	288,133,125
79-80	188,175,252	-	230,425,361	36,531,608	-	-	(61,054,033)	3,391,904	-	397,470,092
<b>Total</b>	<b>695,630,915</b>	<b>-</b>	<b>384,260,380</b>	<b>85,784,940</b>	<b>-</b>	<b>-</b>	<b>147,471,849</b>	<b>16,117,524</b>	<b>-</b>	<b>1,329,265,607</b>

#### h) Share Premium

Share premium includes the excess amount received against the face value of the issued shares in FY 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.

#### i) Capital Redemption Reserve/Debenture Redemption Reserve

As per NRB Directive 16 (10) (7), Capital Redemption reserve is to be created for the redemption of Debentures/ Redeemable Non-convertible preference shares.

However, the bank may not set aside amount out of profit for Capital Redemption Reserve for a particular year where it has issued bonus share for the equivalent amount in case the remaining period for redemption is more than five years except for meeting minimum paid up capital requirement. However, the bank shall still be required to replenish the Capital Redemption Reserve for the said amount proportionately in the remaining years.

#### j) Effect of Covid-19

NRB vide its various circulars introduced reliefs to the customers due to Covid-19. Bank has complied all circulars and directives issued by Nepal Rastra Bank relating to COVID related reliefs. As per NRB circular no. 1/078/79 dated 26 July 2021 additional 0.3% loan loss provision shall be charged on those loans which were considered under pass category as at 16 July 2023 which has highly affected the profit of the Bank.

NRB has introduced some reliefs to the customers affected by Covid-19 pandemic. Enhancement of working capital loan by 20% and term loan by 10% to Covid affected borrowers and the expiry date of such loan has been extended for upto 1 year with 5% provisioning has been done. Extension of moratorium period of loan provided to industry or project under construction. Time extension provided for repayment of principal and interest for upto two years and restructured/ rescheduled loan provided with 5% loan loss provision.

The details of such loans provided by the bank is as follows:

PARTICULARS	AS OF ASADH END 2080	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Extension of moratorium period of loan provided to Industry or Project under construction	Nil	Nil
Restructured/Rescheduled Loan with 5% Loan Loss Provision	Nil	Nil
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	Nil	Nil
Enhancement of Term Loan by 10% to COVID affected borrowers	Nil	Nil
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for upto 1 year with 5% provisioning	Nil	Nil
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for upto 1 year with 5% provisioning	Nil	Nil
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Directives 2	Nil	Nil

### Refinance Loan/ Business Continuity Loan/ Subsidized Loan

Refinance loans means the loans provided at concessional interest rates by NRB to the commercial banks. As per NRB Refinancing Procedure 2077, the term of refinancing will be one year at most. There is no any refinance loan as of Ashad end 2080.

NRB has implemented Business Continuity Credit flow Procedure 2077 to rehabilitate the areas affected by Covid-19. NRB is facilitating the payment of wages of the workers and employees of the industries and businesses affected by the Covid-19 pandemic and providing easy loans for the continuity of business operations.

#### Details of Refinance Loan:

PARTICULARS	AS OF ASADH END 2080	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Business Continuity Loan	1	13,000,000

#### Details of Subsidized Loan:

PARTICULARS	AS OF ASADH END 2080	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Subsidized Loan	2,220	2,680,032,069

### 3. Investment Securities

Investment Securities have been valued under fair value or amortized cost as allowed under NFRS 9. Closing market price of Securities has been used as the Fair value of the Asset/Securities for investment securities valued at Fair Value through Other Comprehensive Income. Different Fair Value Hierarchy has been considered (Level 1, Level 2 and Level 3) depending upon the availability of information and regarding the valuation of other investments through amortized cost, EIR rate has been used for booking the amortized cost of investment and interest income accordingly.

### 4. Loans & Advances to B/FIs and customers

Loans & Advances to B/FIs and Customers have been valued under amortized cost as allowed under NFRS 9. Separate Effective Interest Rate (EIR) has not been computed since all the relevant transactions costs for computing EIR are ignored due to immateriality of such relevant costs. Also, Institute of Chartered Accountants of Nepal (ICAN) have provided carve out on EIR for the FY 2079/80 as well.

As per NFRS 9, 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 carve out issued by ICAN 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 carve out issued by ICAN. Details of such impairment are as mentioned below:

Amount in NPR

PARTICULARS	YEAR ENDED 16 JULY 2023	YEAR ENDED 16 JULY 2022	P/L IMPACT
Impairment (A)	2,456,328,349	2,056,784,313	399,544,036
Provision as per NRB (B)	3,704,032,562	2,555,772,894	1,148,259,668
<b>Impairment to be considered as Alternative Treatment by ICAN (Higher of A or B)</b>	<b>3,704,032,562</b>	<b>2,555,772,894</b>	<b>1,148,259,668</b>

Higher of impairment as per carve out issued by ICAN and as per the provision norms prescribed by NRB for loans and advances has been considered in preparing financial statements.

### 5. 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.

## 6. 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:

### 6.1. Information about reportable segments

PARTICULARS	BANKING	TREASURY	TRANSACTION BANKING	OTHERS	TOTAL
A Revenues from external customers	18,610,920	1,982,818	430,385	16,578	21,040,700
B Intersegment revenues	858,916	(937,519)	(2,673)	81,276	-
C Gross revenue	19,469,835	1,045,299	427,712	97,854	21,040,700
D Interest revenue	17,659,989	1,624,525	-	-	19,284,514
E Interest expenses	12,673,823	1,238,291	-	-	13,912,115
F Net interest revenue	4,986,166	386,234	-	-	5,372,400
G Depreciation & amortization	273,002	89,588	810	52,255	415,654
H Segment profit (loss) before tax	4,468,480	(110,595)	255,520	(2,278,162)	2,335,242
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	1,148,260	3,392	-	-	1,151,652
L Segment assets	125,583,578	41,211,191	372,666	24,037,720	191,205,155
M Segment liabilities	160,217,274	3,408,017	264,870	27,314,994	191,205,155

- 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).

## 6.2 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

Revenue		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total revenue for reportable segments	20,942,846	
Other revenues	97,854	
Elimination of intersegment revenue	-	
<b>Entity's revenues</b>	<b>21,040,700</b>	

Profit or Loss		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total profit or loss for reportable segments	4,613,405	
Other profit or loss	-	
Elimination of intersegment profits	-	
Unallocated amounts:	(2,278,162)	
<b>Profit or loss before income tax</b>	<b>2,335,242</b>	

Assets		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total assets for reportable segments	167,167,434	
Other assets	-	
Unallocated amounts:	24,037,720	
<b>Entity's assets</b>	<b>191,205,155</b>	

Liabilities		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Total liabilities for reportable segments	163,890,161	
Other liabilities	-	
Unallocated amounts:	27,314,994	
<b>Entity's liabilities</b>	<b>191,205,155</b>	

## 6.3 Information about products and services

Products separately identifiable are Term Loan, Overdraft, Subsidy, Deprived Sector Lending, Treasury and others. Revenue i.e. interest income from each category is as mentioned below:

		Amount in NPR *'000*
PARTICULARS	AMOUNT	
Term Loan	6,841,430	
Overdraft	646,948	
Subsidy	368,838	
Deprived Sector Lending	518,906	
Treasury	1,589,929	
Others	9,318,463	
<b>Total</b>	<b>19,284,514</b>	

## 6.4 Information about geographical areas

Revenue from following geographical areas interest income from each category is as mentioned below:

		Amount in NPR *'000*
PARTICULARS	AMOUNT	
<b>Domestic</b>		
Koshi Province	2,566,779	
Madhesh Province	2,246,207	
Bagmati Province	12,381,298	
Gandaki Province	1,826,952	
Lumbini Province	1,359,930	
Karnali Province	135,708	
Sudurpaschim Province	523,826	
<b>Foreign</b>	-	
<b>Total</b>	<b>21,040,700</b>	

## 6.5 Information about major customers

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

## 7. Classification of Financial Asset and Liability

Amount in NPR \*'000\*

PARTICULARS	AS AT 16-JULY-2023		AS AT 16-JULY-2022	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<b>Assets</b>				
<b>Assets carried at Amortized Cost</b>				
Cash and cash equivalent	10,632,386	10,632,386	11,494,024	11,494,024
Due from Nepal Rastra Bank	9,309,108	9,309,108	6,047,354	6,047,354
Placement with Bank and Financial Institutions	1,458,314	1,458,314	-	-
Loans and advances to BFIs	4,464,244	4,464,244	2,607,543	2,607,543
Loan and advances to customers	126,137,683	126,137,683	128,573,151	128,573,151
Investment securities at amortized cost	27,418,529	27,418,529	23,928,933	23,928,933
<b>Assets carried at Cost</b>				
Investment in subsidiaries	400,000	400,000	200,000	200,000
<b>Fair Value through Profit and Loss (FVTPL)</b>				
Derivative financial instruments.	-	-	-	-
<b>Fair Value through Other Comprehensive Income (FVTOCI)</b>				
Investment securities at OCI	325,078	325,078	198,470	198,470
<b>Liabilities</b>				
<b>Liabilities carried at Amortized Cost</b>				
Due to Bank and Financial Institutions	4,105,068	4,105,068	5,072,836	5,072,836
Due to Nepal Rastra Bank	13,000	13,000	3,612,516	3,612,516
Deposits from customers	154,179,632	154,179,632	145,026,050	145,026,050
Debt securities issued	5,494,039	5,494,039	5,492,759	5,492,759
Borrowings	3,395,002	3,395,002	1,286,244	1,286,244

## 8. Interest Income

Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank amounting to NPR 135,552,528 is capitalized during FY 2079/80.

## 9. Staff Bonus

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

## 10. 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.

## 11. Gratuity and Accumulated Leave Provision

### Gratuity

As per the actuarial valuation, gratuity liability of the bank is NPR 654,942,142 Out of which NPR 646,374,031 has been funded as at 31 Ashad 2080 and net amount is shown as liability of bank. However, the bank has funded remaining amount of NPR 8,568,111 in Citizen Investment Trust (CIT).

Bank has expensed NPR 87,772,707 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 16 JULY 2023	AS AT 16 JULY 2022
Defined Benefit Obligations	654,942,142	592,461,137
Fair Value of plan assets	646,374,031	523,512,045
<b>Net Liability</b>	<b>8,568,111</b>	<b>68,949,092</b>
Expense booked as in PL	83,579,199	87,772,707
<b>Actuarial Gain/ (Loss) booked in OCI</b>	<b>61,054,033</b>	<b>18,823,615</b>

**Current/Non-Current Bifurcation**

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Current Liability	-	-
Non-Current Liability	8,568,111	68,949,092
<b>Total</b>	<b>8,568,111</b>	<b>68,949,092</b>

**Leave**

The Bank has recognized an additional provision of NPR 57,026,335 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 16 JULY 2023	AS AT 16 JULY 2022
Defined Benefit Obligations	282,736,035	238,664,736
Fair Value of plan assets	-	-
<b>Net Liability</b>	<b>282,736,035</b>	<b>238,664,736</b>

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
Amount recognized in statement of profit or loss		
Current service cost	50,934,917	34,522,798
Interest cost	20,896,850	17,842,905
Actuarial (Gain)/ Loss on Leave	(14,805,432)	(6,484,243)
	<b>57,026,335</b>	<b>45,881,460</b>
<b>Change in Present Value Obligations:</b>		
PV of Obligation at beginning of the year	238,664,736	203,725,722
Current Service Cost	50,934,917	34,522,798
Interest cost	20,896,850	17,842,905
Actuarial (Gain)/ Loss	(14,805,432)	(6,484,243)
Benefit paid	(12,955,036)	(10,942,446)
<b>Liability at the end of the year</b>	<b>282,736,035</b>	<b>238,664,736</b>

## 12. 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
<b>Deferred tax on temporary differences on following items</b>			
Loan and Advance to B/FIs	4,464,244	4,464,244	-
Loans and advances to customers	126,137,683	126,137,683	-
Property & equipment	1,342,737	1,242,783	(99,954)
Employees' defined benefit plan	282,736	-	282,736
Gratuity	22,525	11,035	11,490
Provisions for investment	16,118	-	16,118
Lease expenses as per NFRS	130,569	-	130,569
Bond Issue Expenses Amortization	(57,730)	-	(57,730)
Debenture issue cost	-	2,720	2,720
<b>Total temporary differences</b>			<b>285,950</b>
<b>Deferred tax asset/(liabilities) as on 31 Ashad 2080</b>			<b>85,785</b>
Deferred tax asset/(liabilities) as on 32 Ashad 2079			<b>49,253</b>
Origination/(Reversal) during the year			36,532
Deferred tax expense/(income) recognized in profit or loss			35,514
Deferred tax expense/(income) recognized in other comprehensive income			1,018

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

Amount in NPR \*'000\*

FY 2023-22	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
Gratuity	-	3,447	-	3,447
Leave encashment	71,599	13,221	-	84,821
Operating lease liability under NFRS	-	39,171	-	39,171
Actuarial loss	-	-	-	-
Financial assets held at FVTOCI	3,818	-	1,018	4,835
Bond Issue Expense Amortization	(17,319)	-	-	(17,319)
Debenture Issue Expenses	518	298	-	816
<b>Total of deferred tax assets</b>	<b>58,617</b>	<b>56,137</b>	<b>1,018</b>	<b>115,771</b>
	-	-	-	-
<b>Property, plant and equipment</b>	<b>(39,501)</b>	<b>9,515</b>	<b>-</b>	<b>(29,986)</b>
	-	-	-	-
<b>Total of deferred tax liability</b>	<b>(39,501)</b>	<b>9,515</b>	<b>-</b>	<b>(29,986)</b>
	-	-	-	-
<b>Net deferred tax liability</b>	<b>19,115</b>	<b>65,652</b>	<b>1,018</b>	<b>85,785</b>

### 13. 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 27,073,469. Bank has considered average cost of deposit for FY 2079/80 i.e. 7.6% 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.

### 14. 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	12.76
Average Interest Rate of Deposit	8.50
Average Interest Rate Spread	4.26

### 15. Loans and Advances extended to Promoters

The Bank has not extended any loans to promoters during the year.

### 16. Related Party

#### 16.1 Nepal Electronic Payment System (NEPS)

The Bank has entered into financial transactions with NEPS having financial interest.

RELATED PARTY	NATURE OF RELATIONSHIP	NATURE OF TRANSACTION	CURRENT YEAR
Nepal Electronic Payment System (NEPS)	Representation in BOD	Investment in Shares	15,000,000

Bank has transactions relating to ATM and POS management along with monitoring, settlement and reconciliation.

#### 16.2 National Fund Management Limited (National Fund)

The Bank has entered into financial transactions with National Fund having financial interest.

RELATED PARTY	NATURE OF RELATIONSHIP	NATURE OF TRANSACTION	CURRENT YEAR
National Fund Management Limited	Representation in BOD	Investment in Shares	60,000,000

### 16.3 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
Machhapuchchhre Capital Limited	Subsidiary Company
Machhapuchchhre Securities Limited	Subsidiary Company
Dr. Upendra Mahato	BOD Chairman
Mr. Roshan K.C	Director
Mr. Bishow Prakash Gautam	Director
Mr. Haribhakta Sigdel	Director
Mr. Mukunda Mahat	Director
Mr. Jaya Mukunda Khanal	Director
Ms. Bandana Karki	Director
Mr. Santosh Koirala	CEO
Mr. Sarju Kumar Thapa	DCEO
Mr. Bishwambhar Neupane	DCEO
Mr. Prasiddha Raj Aryal	DGM-Business
Mr. Suvash Jamarkattel	AGM- Operation

Note: Dr Birendra Prasad Mahato has resigned from the post of BOD Chairman from 12 Mangsir 2079 and BOD has appointed Dr Upendra Mahato as BOD Chairman.

#### 16.4 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	2,905,000
Other Board Expenses	1,859,824
<b>Total</b>	<b>4,764,824</b>

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

PARTICULARS	AMOUNT IN NPR
Short term employee benefits	58,647,866
Post- employment benefits	5,992,198
Other long term benefits	650,076
Termination benefits(Retirement Compensation)	-
<b>Total</b>	<b>65,290,140</b>

- 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 2080 (including CEO): 5

### 16.5 Machhapuchchhre Capital Limited-Subsidiary of Machhapuchchhre Bank Limited.

The Bank has invested NPR 200 million in Machhapuchchhre Capital Ltd, subsidiary company of the Bank. Transaction details with Machhapuchchhre Capital Limited is as follows:

PARTICULARS	AMOUNT IN NPR
<b>Balance as at 31 Ashad 2080</b>	
Fixed Deposit from Subsidiary	59,000,000
Call & Current Deposit from subsidiary	8,028,129
<b>Transactions during the year</b>	
Interest paid to Subsidiary	8,616,120

### 16.6 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. Prasadha Raj Aryal	Director
Mr. Dip Prakash Panday	Director
Mr. Sudeep Khanal	Independent Director
Mrs. Sabita Shah (Thakuri)	Independent Director

### 16.7 Machhapuchchhre Securities Limited-Subsidiary of Machhapuchchhre Bank Limited

The Bank has invested NPR 200 million in Machhapuchchhre Securities Ltd, subsidiary company of the Bank. Transaction details with Machhapuchchhre Securities Limited is as follows:

PARTICULARS	AMOUNT IN NPR
<b>Balance as at 31 Ashad 2080</b>	
Fixed Deposit from Subsidiary	180,000,000
Call & Current Deposit from subsidiary	20,863,779
<b>Transactions during the year</b>	
Interest paid to Subsidiary	6,293,999

### 16.8 Key Management Personnel of Machhapuchchhre Securities 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. Ram Chandra Khanal	Chairman
Ms. Kalpana Shrestha	Director
Mr. Ujjwal Neupane	Director
Mr. Kamal Pokhrel	Director
Mr. Umesh Rajopadhya Subedi	Director

## 17. Lease

Bank has been making lease payments for operating different branches and therefore as provisioned under "NFRS 16 - Leases" Right of Use(ROU) is presented under Other assets and Lease liability shown under other liabilities in Statement of Financial Position. Similarly, finance expense is shown under interest expense and Depreciation on ROU is shown under Depreciation and Amortization heading in Statement of Profit & Loss.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Expenses relating to Rent not covered under NFRS-16	22,081,038	4,413,219
Cash outflow for Leases	221,767,069	204,805,336
Additions to ROU Assets	(58,420,358)	965,581,391
Impact on Interest Expenses	82,397,018	83,139,524
Impact on Depreciation Expenses	169,478,938	156,104,217

## 18. Merger and Acquisition of Subsidiary Company

The company has adopted conventional way of merger and acquisition and followed the same approach as recognized by Nepal Rastra Bank. The company has followed the procedures for the business combinations as per NRB Merger and Acquisition Bylaws 2073, company being the subsidiary company of the bank. Accordingly, the resulting difference amount is transferred to share premium as per the provisions of the bylaw. The company has also measured identifiable assets acquired and liabilities assumed on cost basis and purchase consideration transferred at face value.

## 19. 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 31 Ashad 2080 till the signing of this financial statement on 13 Bhadra 2080.

## 20. Proposed Dividend

The Board of Directors has proposed 13.30% of bonus shares and 0.70% of cash dividend (for tax purpose) on bank paid up capital, subject to approval from Nepal Rastra Bank and Annual General meeting.

## 21 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
Cosmic Automobile	3-Sep-12	24,210,000
Kantipur Surgical Pvt. Ltd.	1-Jul-19	12,586,918
Saroj Pariyar	23-Dec-19	953,989
DS Nepal	16-Mar-20	17,718,065
Mohan Prasad Sitaula	11-Jan-21	4,700,000
Shubha Sahayatri Pvt.Ltd	11-Jan-21	40,634,000

Cond... NON BANKING ASSETS

BORROWER OR PARTY'S NAME	DATE OF ASSUME THE NON-BANKING ASSETS	AMOUNT IN NPR
Mohan Bibidh Centre	23-Feb-21	7,500,000
Sharmila Alaichi Ta.Jadibuti Supp.	30-Mar-21	5,000,000
Liladhar Fresh House	13-Jun-21	867,449
Aadharsila Krishi Farm	1-Jul-21	1,404,629
Lalit Budha	3-Aug-21	1,075,162
Lalit Kirana Pasal	3-Aug-21	655,774
Matarani Trading Pvt.Ltd	13-Sep-21	72,941,412
Manakamana Silai Udhayag	28-Oct-21	4,200,000
Ram Prasad Bhattarai	17-Jun-22	6,178,942
Binita Construction	17-Jun-22	11,871,058
Kalika Computer & Suppliers	14-Jul-22	4,658,176
Shishir Poudel	15-Jul-22	5,729,446
Lahan Polyclinic And Diag Cen P Ltd	30-Sep-22	8,132,492
Mukesh Chaudhary	30-Sep-22	7,867,508
Shree Gauri Ganesh Traders	17-Oct-22	7,500,000
Deewakar Madira Bikri Kendra	20-Oct-22	8,015,599
Sudhakar Madira And Cold Store	20-Oct-22	4,886,535
Maa Janaki Nirman Sewa Pvt Ltd	20-Oct-22	36,000,000
Ananda Bakhra Farm	13-Nov-22	9,009,805
Ananda Trade And Suppliers	11-Jan-23	25,000,000
Kimganga Automobiles Pvt.Ltd	10-Mar-23	32,912,000
Siddhartha & Aradhya Itta Udhayog	10-Apr-23	25,125,195
Nepalgunj United Health Care P.L.	13-Jun-23	170,278,263
Sudarshan Adhikari	14-Jun-23	8,756,805
Mahabharat Suppliers	14-Jul-23	18,000,000
Baba Auto Parts	16-Jul-23	4,927,350
Mukesh Kumar Singh Mahato	16-Jul-23	3,119,538
Shovakhar Furniture Udhayog	16-Jul-23	7,221,843
Mukti Prasad Subedi	16-Jul-23	10,299,157
<b>Total</b>		<b>609,937,110</b>

## 22 Contingent Liabilities

Contingent liabilities related details has been presented under Schedule 4.28.

## 23 Earnings per Share

Earnings per Share is calculated using the earnings attributable to equity shareholders for the period divided by the number of weighted average number of shares as required under NAS 33 Earnings per share.

PARTICULARS	UNITS	YEAR ENDED 16-JULY-23	YEAR ENDED 16-JULY-22
Profit attributable to equity shareholders	NPR	1,625,525,989	1,686,655,245
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	102,571,556	102,571,556
Earnings Per Share (EPS)	NPR	15.85	16.44
Diluted Earnings Per Share(DPS)	NPR	15.85	16.44

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.

## 24. Unpaid Dividend

As on balance sheet date, total dividend payable amounts to NPR 71,209,610 (PY NPR 78,306,317). Details have been presented as under:

DIVIDEND PAYABLE OF FY	Amount in NPR	
	AS AT 16 JULY 2023	AS AT 16 JULY 2022
2077/78	2.64	2.64
2076/77	13,946,136	14,917,525
2075/76	26,035,878	28,946,982
2074/75	20,685,500	23,252,603
2073/74	10,542,093	11,189,204
<b>Total</b>	<b>71,209,610</b>	<b>78,306,317</b>

Note: The bank had not distributed any dividend during FY 2078/79.

## 25. Non-performing assets

The Banks' non-performing assets ratio stood at 2.26% (Previous year 1.04%) as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 2,733,274,558 (Previous year NPR 1,353,050,936) and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 1,648,027,429 (Previous year 786,136,639).

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
<b>Performing Loan</b>	<b>125,855,566</b>	<b>128,206,896</b>	<b>(2,175,163)</b>	<b>-2%</b>
Pass	119,316,554	125,064,168	(5,747,614)	-5%
Watch list	6,539,012	3,142,728	3,396,285	108%
<b>Non-Performing Loans (NPL)</b>	<b>2,912,669</b>	<b>1,353,051</b>	<b>1,559,618</b>	<b>115%</b>
Restructured/rescheduled	62,084	69,699	(7,614)	-11%
Substandard	480,724	414,287	66,437	16%
Doubtful	1,290,379	388,220	902,159	232%
Loss	1,079,482	480,846	598,636	124%
<b>Gross Loans &amp; Advances</b>	<b>128,768,235</b>	<b>129,559,947</b>	<b>(791,712)</b>	<b>-1%</b>

### NPL ratios:

Gross NPL to Gross Loans & Advances : 2.26%

Net NPL to Net Loans & advances : 0.86%

## 26. 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:

### 26.1 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.

## 26.2 Quantitative Disclosures

### Capital Structure and Capital Adequacy

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

Amount in NPR \*'000

CORE CAPITAL (TIER 1)	AS AT 16 JULY 2023
Paid up Equity Share Capital	10,257,156
Equity Share Premium	30,882
Proposed Bonus Equity Share	
Statutory General Reserve	2,690,502
Retained Earnings	1,448,532
Un-audited current year cumulative profit/ loss	
Capital Redemption Reserve	428,571
Capital Adjustment Reserve	
Dividend Equalization Reserve	
Other Free Reserve	
Less : Goodwill	
Less: Intangible Assets	133,499
Less: Fictitious Assets	
Less: Deferred Tax Assets	
Less : Investment in equity in licensed Financial Institutions	
Less : Investment in equity of institutions with Financial interests	460,000
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	46,000
Less: Cash Flow Hedge	
Less: Defined Benefit Pension Assets	
Less: Unrecognized Defined Benefit Pension Liabilities	
Less : Other Deductions	
<b>Adjustments under Pillar II</b>	
Less: Shortfall in Provision	
Less: Loans & Facilities extended to related parties and restricted lending	
<b>Additional Tier 1 (AT 1)</b>	
Perpetual Non-Cumulative Preference Share Capital	
Perpetual Debt Instruments	
Stock Premium	
<b>Total Core Capital</b>	<b>14,216,144</b>

#### b) Tier 2 capital and a breakdown of its components

Amount in NPR \*'000

SUPPLEMENTARY CAPITAL (TIER 2)	AS AT 16 JULY 2023
Cumulative and/or Redeemable Preference Shares	
Subordinated Term Debt	5,253,496
Hybrid Capital Instruments	
Stock Premium	
General Loan Loss Provision	1,867,254
Exchange Equalization Reserve	67,114
Investment Adjustment Reserve	
Assets Revaluation Reserve	
Other Reserves	
<b>Total Supplementary Capital</b>	<b>7,187,865</b>

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	3,000,000	13-05-2076	12-05-2086	10.25%	3,000,000
8.5% Machhapuchchhre Debenture 2087	2,253,496	24-04-2078	23-04-2088	8.5%	2,253,496

\*Interest is payable half yearly basis

d) Deduction from capital

Amount in NPR '000

PARTICULARS	AS AT 16 JULY 2023
Intangible Assets	133,499
Investment in equity of institutions with Financial interests	460,000
Purchase of Land& Building in excess of limit and unutilized	46,000
<b>Total</b>	<b>639,499</b>

Investment in equity of institutions with Financial Interests includes investment in subsidiary of the bank Machhapuchchhre Capital Limited amounting NPR 20 Cr , Machhapuchchhre Securities Limited amounting NPR 20 Cr and National Fund Management Limited amounting NPR 6 Cr.

e) Total qualifying capital

Amount in NPR '000

PARTICULARS	AS AT 16 JULY 2023
Core Capital	14,216,144
Supplementary Capital	7,187,865
<b>Total Qualifying Capital (Total Capital Fund)</b>	<b>21,404,008</b>

f) Capital Adequacy Ratio of the bank is 13.58%

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 two debentures. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the bank.

**Details regarding “10.25% Machhapuchchhre Debenture 2085”:**

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

**Details regarding “8.5% Machhapuchchhre Debenture 2087”:**

PARTICULARS	DETAILS
Name	8.5% Machhapuchchhre Debenture, 2087
Amount of issue	NPR 2,253,496,000
Interest Rate	8.5% per annum payable semi annually
Numbers of Debentures	2,253,496
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

	AS AT 16 JULY 2023
<b>Risk Weighted Exposures</b>	
Risk Weighted Exposure for Credit Risk	142,805,895
Risk Weighted Exposure for Operational Risk	8,077,517
Risk Weighted Exposure for Market Risk	447,437
<b>Total Risk Weighted Exposures</b> (Before adjustments of Pillar II)	<b>151,330,849</b>
Add RWE equivalent to reciprocal of capital charge of 3% of gross income.	1,788,723
Add: 3% of RWE added by supervisory Review	4,539,925
<b>Total Risk Weighted Exposures</b>	<b>157,659,498</b>

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

Amount in NPR "000

CATEGORIES	AS AT 16 JULY 2023
Claims on government and central Bank	17,985
Claims on other official entities	-
Claims on Banks	4,364,911
Claims on corporate and securities firm	51,971,600
Claims on regulatory retail portfolio	43,707,605
Claim secured by residential properties	4,421,006
Claims secured by commercial real state	160,030
Past due Claims	2,266,620
High risk claims	14,701,337
Other Assets	7,005,740
Off Balance sheet Items	14,189,061
<b>Total</b>	<b>142,805,895</b>

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)	
<b>A. Balance Sheet Exposure</b>								
1	Cash Balance	2,890,908			2,890,908	0%	-	
2	Balance With Nepal Rastra Bank	5,809,108			5,809,108	0%	-	
3	Gold	-			-	0%	-	
4	Investment in Nepalese Government Securities	26,109,850			26,109,850	0%	-	
5	All other Claims on Government of Nepal	129,845	-		129,845	0%	-	
6	Investment in Nepal Rastra Bank Securities	3,099,840			3,099,840	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)	-			-	100%	-	
12	Claims on Foreign Government and Central Bank (ECA 7)	657,500	328,750	316,760	11,990	150%	17,985	
13	Claims On BIS, IMF, ECB, EC and On Multilateral Development Banks (MDB's) recognized 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	6,465,520			6,465,520	20%	1,293,104	
21	Claims on domestic banks that do not meet capital adequacy requirements	-			-	100%	-	
22	Claims on Foreign bank (ECA Rating 0-1)	3,367,330			3,367,330	20%	673,466	
23	Claims on Foreign bank (ECA Rating 2)	3,228,450			3,228,450	50%	1,614,225	
24	Claims on Foreign bank (ECA Rating 3-6)	657,500			657,500	100%	657,500	
25	Claims on Foreign bank (ECA Rating 7)	-			-	150%	-	
26	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	633,080			633,080	20%	126,616	

Cont.....(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)
27	Claims on Domestic Corporates	51,985,470	-	13,870	51,971,600	100%	51,971,600
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)	28,829,200	-	1,064,860	27,764,340	75%	27,764,340
33	Claim fulfilling all criterion of Regulatory Retail except granularity	22,884,350	-	-	22,884,350	100%	22,884,350
34	Claims secured by residential properties	7,046,510	-	-	7,046,510	60%	4,227,906
35	Claims not fully secured by residential properties	-	-	-	-	150%	-
36	Claims secured by residential properties (Overdue)	230,850	37,750	-	193,100	100%	193,100
37	Claims secured by Commercial real estate	160,030	-	-	160,030	100%	160,030
38	Past due claims (except for claim secured by residential properties)	3,310,110	1,799,030	-	1,511,080	150%	2,266,620
39	High Risk claims	9,211,370	-	-	9,211,370	150%	13,817,055
40	Lending against securities (Bonds and shares)	-	-	-	-	100%	-
	Lending against securities (Upto Rs. 2.5 Million)	124,990	-	-	124,990	100%	124,990
41	Trust Receipt Loan for Trading Firms	361,460	-	-	361,460	120%	433,752
42	Investment in equity and other capital instrument of institutions listed in the stock exchange	266,050	-	-	266,050	100%	266,050
43	Investment in equity and other capital instrument of institutions not listed in the stock	39,660	-	-	39,660	150%	59,490
44	Staff Loan Secured by Residential Property	3,030,970	-	-	3,030,970	50%	1,515,485
45	Interest Receivable/Claim on Government Securities	363,370	-	-	363,370	0%	-
46	Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
47	Other Assets	12,223,465	6,733,210	-	5,490,255	100%	5,490,255
	<b>TOTAL</b>	<b>193,116,785</b>	<b>8,898,740</b>	<b>1,395,490</b>	<b>182,822,555</b>		<b>128,616,834</b>

Cont.....(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)
<b>B. Off Balance Sheet Exposure</b>							
1	Revocable Commitments	-	-	-	-	0%	-
2	Bills Under Collection	-	-	-	-	0%	-
3	Forward Exchange Contract Liabilities	2,093,800	-	-	2,093,800	10%	209,380
4	LC Commitments with original maturity up to 6 months	5,217,950	-	692,100	4,525,850	20%	905,170
5	Foreign Counterparty (ECA 0 -1)	-	-	-	-	20%	-
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	895,010	-	76,120	818,890	50%	409,445
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	11,157,580	-	199,460	10,958,120	40%	4,383,248
15	Foreign Counterparty (ECA 0 -1)	-	-	-	-	20%	-
16	Foreign Counterparty (ECA 2)	369,070	-	8,920	360,150	50%	180,075
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	2,986,750	-	62,330	2,924,420	100%	2,924,420
23	Financial Guarantee	-	-	-	-	100%	-
24	Acceptances and Endorsements	1,394,020	-	95,620	1,298,400	100%	1,298,400
25	Unpaid portion of Partly paid shares and securities	-	-	-	-	100%	-

Cont.....(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)
<b>B. Off Balance Sheet Exposurest</b>							
26	Irrevocable Credit commitments(Short term)	9,526,780	-	930,000	9,525,850	20%	1,905,170
27	Irrevocable Credit commitments(Long term)	3,223,120	-	-	3,223,120	50%	1,611,560
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	362,193	-	-	362,193	100%	362,193
30	Unpaid Guarantee claims	-	-	-	-	200%	-
	<b>TOTAL</b>	<b>37,226,273</b>	<b>-</b>	<b>1,135,480</b>	<b>36,090,793</b>		<b>14,189,061</b>
	<b>Total RWE for Credit Risk Before adjustment (A) +(B)</b>	<b>230,343,058</b>	<b>8,898,740</b>	<b>2,530,970</b>	<b>218,913,348</b>		<b>142,805,895</b>
	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)						
	<b>Total RWE for Credit Risk (After bank's adjustments of Pillar II)</b>	<b>230,343,058</b>	<b>8,898,740</b>	<b>2,530,970</b>	<b>218,913,348</b>		<b>142,805,895</b>

(ii) Calculation of Market Risk Exposure

S.NO.	CURRENCY	OPEN POSITION (FCY)	EXCHANGE RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION
1	INR	525,351,157	1.60	840,955,864	840,955,864
2	USD	(545,354)	131.50	(71,714,090)	71,714,090
3	GBP	(15,722)	172.13	(2,706,218)	2,706,218
4	EUR	151,333	147.64	22,342,084	22,342,084
5	THB	28,840	3.78	109,015	109,015
6	CHF	4,400	152.54	671,154	671,154
7	AUD	41,189	89.91	3,703,310	3,703,310
8	CAD	3,115	99.50	309,927	309,927
9	SGD	6,716	99.30	666,873	666,873
10	JPY	33,149,013	0.95	31,408,690	31,408,690
11	HKD	22,500	16.80	377,888	377,888
12	DKK	13,200	19.78	261,096	261,096
13	SEK	13,050	12.83	167,366	167,366
14	SAR	83,525	34.99	2,922,122	2,922,122
15	QAR	12,910	35.95	464,115	464,115
16	AED	103,268	35.73	3,689,750	3,689,750
17	MYR	13,606	28.98	394,234	394,234
18	KRW	1,111,000	0.10	114,766	114,766
19	CNY	70,121	18.38	1,288,478	1,288,478
20	KWD	197	428.44	84,402	84,402
21	BHD	311	348.13	108,267	108,267
<b>(a) Total Open Position</b>				<b>835,619,092</b>	<b>984,459,708</b>
<b>(b) Fixed Percentage</b>					<b>5%</b>
<b>(c) Capital Charge for Market Risk (=a×b)</b>					<b>49,222,985</b>
<b>(d) Risk Weight (reciprocal of capital requirement of 11%) in times</b>					<b>9.09</b>
<b>(e) Equivalent Risk Weight Exposure (=c×d)</b>					<b>447,436,937</b>

(iii) Calculation of Operational Risk Exposure

S.N.	PARTICULARS	FISCAL YEAR		
		2020-21	2021-22	2022-23
1	Net Interest Income	3,861,899	4,351,493	4,878,044
2	Commission and Discount Income	947,590	1,142,902	1,354,170
3	Other Operating Income	70,129	196,388	95,050
4	Exchange Fluctuation Income	282,164	258,088	216,651
5	Addition/Deduction in Interest Suspense during the period	124,976	-22,622	15,393
6	Gross income (a)	<b>5,286,759</b>	<b>5,926,248</b>	<b>6,559,308</b>
7	Alfa (b)	<b>15%</b>	<b>15%</b>	<b>15%</b>
8	Fixed Percentage of Gross Income [c=(a×b)]	<b>793,104</b>	<b>888,937</b>	<b>983,896</b>
9	Capital Requirement for operational risk (d) (average of c)	<b>888,616</b>		
10	Risk Weight (reciprocal of capital requirement of 11%) in times (e)	<b>9.09</b>		
11	Equivalent Risk Weight Exposure [f=(d×e)]	<b>8,077,517</b>		

**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]	8,077,517

**l) Non-Performing Loan**

Amount in NPR \*000

PARTICULARS	GROSS	PROVISION	NET OF PROVISION
Restructured/Rescheduled	62,084	7,761	54,324
Substandard	480,724	116,899	363,825
Doubtful	1,290,379	638,865	625,426
Loss	1,079,482	1,073,254	6,228
<b>Total</b>	<b>2,912,669</b>	<b>1,836,778</b>	<b>1,075,890</b>

**26.3 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.

**27 Risk Management**

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

## 28. 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	10,632,385,826	-	-	-	-	10,632,385,826
Due from Nepal Rastra Bank	9,309,107,697	-	-	-	-	9,309,107,697
Placement with Bank and Financial Institutions	-	1,458,314,182	-	-	-	1,458,314,182
Derivative financial instruments	-	-	-	-	-	-
Other trading assets	-	-	-	-	489,503,750	489,503,750
Loan and advances to B/FIs	966,954	16,216,774	14,855,156	19,110,644	4,413,094,744	4,464,244,271
Loans and advances to customers	28,375,833,926	10,662,433,807	5,329,302,253	4,077,670,281	77,957,300,197	126,402,540,464
Investment securities	3,013,398,766	-	-	-	24,405,130,530	27,418,529,296
Current tax assets	-	-	-	-	774,948,142	774,948,142
Investment in subsidiaries	-	-	-	-	400,000,000	400,000,000
Investment property	-	-	-	-	609,937,111	609,937,111
Property and equipment	-	-	-	-	1,582,407,853	1,582,407,853
Goodwill and intangible assets	-	-	-	-	133,499,177	133,499,177
Deferred tax assets	-	-	-	-	85,784,939	85,784,939
Other assets	47,031,922	-	-	-	3,030,822,162	3,077,854,084
<b>Total Assets</b>	<b>51,378,725,091</b>	<b>12,136,964,763</b>	<b>5,344,157,408</b>	<b>4,096,780,925</b>	<b>113,882,428,607</b>	<b>186,839,056,795</b>
Due to Bank and Financial Institutions	4,105,067,655	-	-	-	-	4,105,067,655
Due to Nepal Rastra Bank	-	-	-	13,000,000	-	13,000,000
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	61,775,399,616	-	-	-	92,404,232,205	154,179,631,821
Borrowing	-	-	-	3,395,002,561	-	3,395,002,561
Other liabilities	321,828,678	-	-	-	2,913,843,414	3,235,672,096
Debt securities issued	-	-	-	-	5,494,038,946	5,494,038,946
Subordinated Liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>66,202,295,949</b>	<b>-</b>	<b>-</b>	<b>3,408,002,561</b>	<b>100,812,114,565</b>	<b>170,422,413,079</b>

# MACHHAPUCHCHRE SECURITIES LIMITED

## **Independent Auditor's Report**

### **To the Shareholders of Machhapuchhre Securities Limited**

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

##### ***Opinion***

We have audited the financial statements of the Machhapuchhre Securities Limited (the "Company"), which comprise the statement of financial position as at Ashadh 31, 2080 (July 16, 2023), and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as at Ashadh 31, 2080 (July 16, 2023), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

##### ***Basis for opinion***

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

##### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no any key audit matters to communicate in our report.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists.

**Address** 64 Bishal Basti "Ka", Bishal Nagar, GPO Box 4585, Kathmandu, Nepal

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 consolidated financial statements.

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### ***Report on the requirements of Company Act, 2063***

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the Company were adequate for the purpose of the audit; the financial statements including the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Company; and the accounts and records of the Company are properly maintained in accordance with the prevailing laws.



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

  
Samil Adhikari  
Partner



Place: Kathmandu, Nepal  
Date: August 29, 2023

UDIN No.: 230911CA00598gT2Pg

## STATEMENT OF FINANCIAL POSITION

for FY 2079/080(2022/23)

Amount in NPR

PARTICULARS	SCHEDULE	AS ON 31/03/2080	AS ON 32/03/2079
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	1	20,863,779.14	-
Current Tax Assets	2	944,099.91	-
Financial Investments - at Amortized Cost	3	180,000,000.00	-
<b>Total Current Assets</b>		<b>201,807,879.05</b>	<b>-</b>
<b>Non-Current Assets</b>			
Property Plant & Equipment	4	1,052,817.63	-
Total Non-Current Assets		1,052,817.63	-
<b>Total Assets</b>		<b>202,860,696.68</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current Tax Payables	5	744,625.30	900.00
Sundry Payables	6	876,208.00	241,000.00
<b>Total Current Liabilities</b>		<b>1,620,833.30</b>	<b>241,900.00</b>
<b>Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>1,620,833.30</b>	<b>241,900.00</b>
<b>Equity</b>			
Share Capital	7	200,000,000.00	-
Reserves & Surplus	8	1,239,863.38	(241,900.00)
<b>Total Equity</b>		<b>201,239,863.38</b>	<b>(241,900.00)</b>
<b>Total Equity and Liabilities</b>		<b>202,860,696.68</b>	<b>-</b>

Schedules and Explanatory notes forms integral part of Statement of Position

**Jivan Kumar Uprety**  
DCEO Finance Chief

**Ram Chandra Khanal**  
Chairman

**Kabindra Regmi**  
CEO

As per our report of event date

**Ujjwal Neupane**  
Director

**Kalpana Shrestha**  
Director

**Kamal Pokhrel**  
Director

**CA. Sunil Adhikari**  
Partner  
S.A.R. Associates

**Umesh Rajopadhya Subedi**  
Director

## STATEMENT OF PROFIT AND LOSS

For the year ended on 31st Ashad 2080 (16th July 2022 to 16th July 2023)

Amount in NPR

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
<b>Income</b>			
Interest Income		6,293,999.41	-
Other Income		-	-
<b>Total Income</b>		<b>6,293,999.41</b>	<b>-</b>
<b>Expense</b>			
Operating Expenses	9	3,050,000.00	-
Employee Expenses	10	428,000.00	-
Administrative Expenses	11	537,051.89	22,600.00
Depreciation on Plant Property and Equipment	4	95,710.69	-
<b>Total Expenses</b>		<b>4,110,762.58</b>	<b>22,600.00</b>
Profit For the Year		2,183,236.83	(22,600.00)
Provision for Corporate Tax		701,473.45	-
Prior Year Tax		-	-
<b>Net Profit After Tax</b>		<b>1,481,763.38</b>	<b>(22,600.00)</b>

Schedules and Explanatory notes forms integral part of Statement of Position

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Chairman

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CEO

As per our report of event date

**Ujjwal Neupane**  
Director

**Kalpana Shrestha**  
Director

**Kamal Pokhrel**  
Director

**CA. Sunil Adhikari**  
Partner  
S.A.R. Associates

**Umesh Rajopadhya Subedi**  
Director

## STATEMENT OF CASH FLOWS

For the year ended on 31st Ashad 2080 (16th July 2022 to 16th July 2023)

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before Income Tax During the year	1,481,763.38	(22,600.00)
Adjustment for non cash items:		
Depreciation and Amortization Expenses	95,710.69	-
Total Cash Profit	1,577,474.07	(22,600.00)
Adjustment for Changes in Working Capital		
(Increase)/Decrease in Current Assets	(944,099.91)	
Increase / Decrease in Current Liabilities	1,378,933.30	22,600.00
Net changes in Working Capital		
Payment of Income Tax		
<b>A Net Cash flow From Operating Activities</b>	<b>2,012,307.46</b>	<b>-</b>
<b>B. Net Cash Flow from Investing Activities</b>	<b>18,851,471.68</b>	<b>-</b>
Purchase of Fixed Assets	(1,148,528.32)	-
Fixed Deposit at MBL Lazimpat	(180,000,000.00)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Share Capital	200,000,000.00	-
Distribution of Dividends	-	-
<b>C. Net Cash Flow From Financing Activities</b>	<b>-</b>	<b>-</b>
Changes in Cash and Cash Equivalent During the Year(A+B+C)	20,863,779.14	-
Cash & Cash Equivalent at the beginnings	-	-
<b>Cash &amp; Cash Equivalent as at the end of the year</b>	<b>20,863,779.14</b>	<b>-</b>

Schedules and Explanatory notes forms integral part of Statement of Position

**Jivan Kumar Uprety**  
DCEO Finance Chief

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CEO

As per our report of event date

**Ujjwal Neupane**  
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Director

**Kamal Pokhrel**  
Director

**CA. Sunil Adhikari**  
Partner  
S.A.R. Associates

**Umesh Rajopadhy Subedi**  
Director

## STATEMENT OF CHANGES IN EQUITY

For the Period From 1st Shrawan 2079 to 31 st Ashad 2080 (16th July 2022 to 16th July 2023)

Amount in NPR

PARTICULARS	SHARE CAPITAL	RETAINED EARNING	GENERAL RESERVE	TOTAL
<b>Balance as on 01.04.2078</b>	-	(219,300.00)		(219,300.00)
Additional Share Capital		(22,600.00)		(22,600.00)
Net Profit /(loss) during the year				
Transfer to/from Reserve				
<b>Balanance as on 32.03.2079</b>	-	(241,900.00)	-	(241,900.00)
Adjustment:				-
Additional Share Capital	200,000,000.00			200,000,000.00
Net Profit /(loss) during the year		1,481,763.38		1,481,763.38
Transfer to/from Reserve		(148,176.34)	148,176.34	-
<b>Balance as on 31.03.2080</b>	<b>200,000,000.00</b>	<b>1,069,087.04</b>	<b>148,176.34</b>	<b>201,239,863.38</b>

**Jivan Kumar Uprety**  
DCEO Finance Chief

**Ram Chandra Khanal**  
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As per our report of event date

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Director

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**Kamal Pokhrel**  
Director

**CA. Sunil Adhikari**  
Partner  
S.A.R. Associates

**Umesh Rajopadhya Subedi**  
Director

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

for FY 2079/080(2022/23)

### Schedule 1: Cash and Cash Equivalent

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
Cash in hand	5,056.00	-
Cash at Bank		
MBL- Call Deposit	17,192,396.52	-
MBL- Current Account	3,666,326.62	-
	<b>20,858,723.14</b>	-
<b>Total</b>	<b>20,863,779.14</b>	-

### Schedule 2: Current Tax Assets

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
Advance TDS on Interest	944,099.91	-
<b>Total</b>	<b>944,099.91</b>	-

### Schedule 3: Financial Investments - at Amortized Cost

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
Fixed Deposit with MBL-Lazimpat	180,000,000.00	-
<b>Total</b>	<b>180,000,000.00</b>	-

### Schedule 4: Plant Property and Equipment

Amount in NPR

PARTICULARS	BALANCE AS ON 01.04.2079	ADDITION DURING YEAR	DEPRECIATION	BALANCE AS ON 31.03.2080
Furniture & Fixture	-	83,620.00	6,968.33	76,651.67
Computer, Laptop and Printer	-	926,900.00	77,241.67	849,658.33
Office Equipment- LG TV 65"	-	138,008.32	11,500.69	126,507.63
<b>Total</b>	-	<b>1,148,528.32</b>	<b>95,710.69</b>	<b>1,052,817.63</b>

### Schedule 5: Current Tax Payables

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
TDS on Audit Fee	375.00	900.00
TDS on Board Fee	23,700.00	
TDS on Fixed Assets	14,862.33	
Salary Tax	4,105.00	
Corporate tax payable	701,473.45	
TDS Payble on AGM Notice publication	109.52	
<b>Total</b>	<b>744,625.30</b>	<b>900.00</b>

**Schedule 6: Sundry Payables**

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
Provision for Audit fees	27,875.00	
Payable to JS & Associates	66,900.00	66,900.00
Payable to Machhapuchchhre Bank Limited	463,608.00	174,100.00
Payable to EPF	21,000.00	
Board Fees Payable	52,700.00	
Net work Cable	8,100.00	
Salary Payable	235,125.00	
MBL -TDS on Audit fees	900.00	
<b>Total</b>	<b>876,208.00</b>	<b>241,000.00</b>

**Schedule 7: Share Capital**

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
Authorised Share Capital	200,000,000.00	50,000,000.00
Issued Share Capital	200,000,000.00	42,000,000.00
Paid up Capital	200,000,000.00	-
<b>Total</b>	<b>200,000,000.00</b>	<b>-</b>

**Schedule 8: Reserve and Surplus**

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
<b>Retained Earning</b>		
Accumulated Profit/(Loss) Up-to Last Year	(241,900.00)	(219,300.00)
Profit/(Loss) for Current Year net of general reserve	1,333,587.04	(22,600.00)
<b>Total</b>	<b>1,091,687.04</b>	<b>(241,900.00)</b>
<b>General Reserve</b>		
Opening balance	-	-
Addition During the FY	148,176.34	-
<b>Total</b>	<b>148,176.34</b>	<b>-</b>
<b>Grand Total Reserve and Surplus</b>	<b>1,239,863.38</b>	<b>(241,900.00)</b>

**Schedule 9: Operating Expenses**

Amount in NPR

PARTICULARS	AS ON 31.03.2080	AS ON 32.03.2079
Membership fees for SEBON	2,500,000.00	
NEPSE TMS Development	500,000.00	
Application for nepse and TMS	20,000.00	
Nepse membership	30,000.00	
<b>Total</b>	<b>3,050,000.00</b>	<b>-</b>

**Schedule 10: Employee Expenses**

Amount in NPR

<b>PARTICULARS</b>	<b>AS ON 31.03.2080</b>	<b>AS ON 32.03.2079</b>
Salary	428,000.00	-
<b>Total</b>	<b>428,000.00</b>	<b>-</b>

**Schedule 11: Administrative and Office Expenses**

Amount in NPR

<b>PARTICULARS</b>	<b>AS ON 31.03.2080</b>	<b>AS ON 32.03.2079</b>
Board Meeting Fees	158,000.00	
board meeting expenses	18,204.00	
Consultancy	205,000.00	
Registration and other expenses	84,508.00	
Notice publication	8,249.89	
Network cable	8,100.00	
Fuel Expenses	19,500.00	
Printing and Stationery	3,740.00	
Telephone and mobile expenses	1,000.00	
Audit Fees	28,250.00	22,600.00
Repair and maintenance	2,500.00	
<b>Total</b>	<b>537,051.89</b>	<b>22,600.00</b>

# MACHHAPUCHCHHRE SECURITIES LIMITED LAZIMPAT, KATHMANDU

Schedule Forming Parts of the Financial Statements for the period from 1st Shrawan 2079 to 31st Ashad 2080  
(17th July 2022 to 16 July 2023)

Schedule 12: Significant Accounting Policies and Notes to Account Relating to Financial Statements

## 1. CORPORATE OVERVIEW

### 1.1 Background

Machhapuchchhre Securities Limited is incorporated on Shrawan 10, 2076 with the objective of providing securities brokering servicing in the secondary market of Nepal. The promoter of the company being reputed bank in the market has agreed to take the share of the company. There is only one promoter namely Machhapuchchhre Bank Limited. The Company has obtained license from Securities Board of Nepal and is yet to get operation license from Nepal Stock Exchange Limited.

The Company has also obtained PAN form Inland Revenue Department

The Company is situated in Jamal, Kathmandu Metropolitan City, Ward no. 30.

### 1.2 Financial Statements

The Financial Statement of the Company for the year ended 31st Ashad 2080 comprises Statement of Financial Position, Statement of Profit and Loss, Statement of Changes in Equity, Statement of Cash Flow, Notes to the Financial Statements including Significant Policies of the Company.

### 1.3 Responsibility of Financial Statements

Management is responsible for the fair preparation and presentation of Financial Statements of the Company as per the provisions of the Companies Act 2006, in accordance with Nepal Accounting Standards and other applicable reporting framework.

### 1.4 Approval of Financial Statements by Directors

The accompanied Financial Statements have been authorized by the Board of Directors vide its resolution dated 12/05/2080 and recommended for its approval by the Annual General Meeting of the Shareholders.

## 2. BASIS OF PREPARATION

### 2.1 Basis of Preparation

Company's financial statements are prepared in accordance with Nepal Accounting Standard, other generally accepted accounting practices considering requirement of prevailing Company Act 2063 except stated otherwise. The financial statements have been prepared on a going concern basis.

### 2.2 Functional and Presentation Currency

The Financial statements of the Company are presented in Nepalese Rupees (NRs), which is the currency of the primary economic environment in which the Company operates, Financial information presented in Nepalese Rupees. There was no change in Company's presentation and functional currency during the year under review.

## 3. USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities as on the date of the financial statements and income and expenses during the reporting period. Management believes that the estimated used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimated in recognized prospectively in current and future periods.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, Plant and Equipment

All property, plant and equipment are stated at original cost less depreciation. Cost includes cost of purchase plus incidental expenditure incurred thereon while bringing it into ready to use condition. Interest during the construction period is capitalized accordingly.

### 4.2 Depreciation

The amortization of intangible assets will be done at five years at the rate of 20% on straight line basis. Office furniture, equipment, vehicles and other assets are depreciated using the diminishing balance method as per Income Tax Act 2058. Depreciation on addition to fixed assets during the fiscal year is charged as per Income Tax Act 2058. The rate of depreciation for property, plant and equipment except for intangible assets are as follow:

S.NO.	NATURE OF ASSETS	RATE OF DEPRECIATION
1.	Office Equipment, Computer and fixture	25%
2.	Vehicles	20%
3.	Generator and other Assets	15%
4.	Leasehold Development	20%

### 4.3 Revenue Recognition

Commission income from securities transactions (i.e. Buying & Selling) is recognized once the transaction order is executed on behalf of the customers. Customers are invoiced at the rate prescribed by Securities Board of Nepal.

### 4.3 Staff Bonus

The Company has adopted policy for provisioning an amount of 10% of profit after bonus towards employee bonus as per Bonus Act. 2030

### 4.4 Corporate Tax

Current income tax expenses comprises taxes on income from operations in Nepal. Income tax payable in Nepal is determined in accordance with the provisions of the Income Tax Act, 2058. Advance taxes and provisions for current taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same period.

## 5. NOTES TO THE ACCOUNTS

### A. Paid up Share Capital

Promoter of the Company has injected NPR. 20,00,00,000 as paid up share capital. Machhapuchchhre Bank Limited is the sole promoter of the Company or as holding Company of this Company.

### B. Provision for Corporate Tax

Company has made a profit (Profit before tax) of NPR. 21,83,346.35 during FY 2079/80 and the Company has made provision for tax of NPR. 701473.45.

### C. Interest Income and it's Tax

The Company has deposited Rs. 18 crores as fixed deposit at the rate of 9 percent and NPR 1.71 crores on call account at the rate of 2.5 percent. The Company has got gross interest NPR 62.94 lakh as and tax deducted @15 percent which is NPR. 9.44 lakh for TDS on interest amount. TDS on interest amount is higher than corporate tax so this year the Company has adjusted the corporate tax from TDS on interest amount.

**D. The Company has paid NPR. 25 Lakh as membership fee for broker license to SEBON and such amount has been booked as expenses.**

**E. The Company has paid NPR. 5 Lakh for TMS development to NEPSE and it has been booked as expenses.**

**F. Transaction with Related Parties**

Business transactions were conducted with related parties at arm's length in line with the Section 93 [3(C)] of the company Act 2063. Details of related party transaction were as follows:

NAME OF RELATED PARTY	AMOUNT (IN NRS.)	NATURE OF RELATED PARTY	REMARKS
MBL	4,63,608	Holding Company	Payable
MBL –Fixed Deposit	180,000,000	Holding Company	Fixed Deposit
MBL- Call Deposit	1,71,92.396	Holding Company	Call Deposit
MBL- Current Account	36,66,326	Holding Company	Balance at current A/c
MBL- Interest Income	62,93,999	Holding Company	Interest on FD and Call Account
<b>Total</b>	<b>190,423,934</b>		

Payable amount to Holding Company included pre-incorporation expenses such as feasibility study expense, registration expenses and application for license to NEPSE.

**G. No deferred tax provision has been made during the year.**

**H. Expenses Like rent expenses has not been shown in financial statements as holding company (Machhapuchchhre Bank Limited) has agreed to incur such expense on behalf of the Company in this financial year.**

**I. Re-classification and Re- grouping**

Previous year's Figures have been recast / restated wherever necessary.

# MACHHAPUCHCHHRE CAPITAL LIMITED

**Independent Auditor's Report**

**To the Shareholders of Machhapuchhre Capital Limited**

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

We have audited the financial statements of the Machhapuchhre Capital Limited (the "Company"), which comprise the statement of financial position as at Ashadh 31, 2080 (July 16, 2023), and the statement of profit or loss, statement of 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, except for the effects of the matters described on the Basis for Qualified opinion section here in below, accompanying financial statements give a true and fair view of the financial position of the company as at Ashadh 31, 2080 (July 16, 2023), its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

**Basis for qualified opinion**

During the financial year 2077/78, the company had acquired then M/S. Kriti Capital and Investments Limited and the purchase consideration was provided in the form of equity shares of the company as per due diligence audit carried out for the purpose of acquisition and merger. The resulting difference amount on share swap was transferred to share premium account.

However, as per Nepal Financial Reporting Standards - 3 (NFRS - 3): Business Combinations, the company shall measure the identifiable asset acquired, the liabilities assumed and the consideration transferred at their acquisition date fair value and recognized goodwill or bargain purchase gain for the difference between net asset acquired and the consideration provided. Had the company applied NFRS - 3 on Business Combinations related transactions goodwill would have been NRs. 61,56,583. Accordingly, this had resulted in understatement of company's asset.

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

**Key Audit Matters**

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

S.N.	Key Audit Matters	Auditor's Response
1.	<p><b>Revenue Recognition</b> The revenue of the company has to be recognized on accrual basis. Revenue is derived from multiple service offerings being initial and annual fees, commission income and other income.</p> <p>As a part of our risk assessment, we have considered each individual revenue stream and determined that a significant risk exists in respect of recognition of income under all material revenue streams, being RTS fees, DP commission income, advisory fee, PMS fee and other related fees. Revenue may also be misstated due to errors in</p>	<p>Our audit approach regarding verification of process of interest recognition included:</p> <p>a. Understanding and evaluating the controls and processes over the recording of revenue in system level and control in place for manual processes. We also assessed the revenue recognition policies adopted by the group for compliance with the relevant accounting standards.</p> <p>b. Obtaining the detailed breakup revenue from individual stream and reconciled the same with general ledger and financial statements.</p>



	system calculations or manual processes.	<p>c. We reviewed the contracts, wherever applicable to ensure whether revenue as per contract is recognized or not.</p> <p>d. We performed risk-based target testing of revenue journals posted into the general ledger which included identification of those journals posted to revenue which did not follow expected posting pattern.</p>
2.	<p><b>Information Technology General Controls</b> IT controls with respect to recording of transactions, generating various reports in compliance with SEBON guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of the information systems used.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p>	<p>Our audit approach regarding Information technology of the company is included:</p> <p>a. Understanding the coding system adopted by the company for various categories of customers</p> <p>b. Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the company</p> <p>c. Reviewing the reports generated by the system on sample basis. We also verified the income booking under various revenue stream on test basis with the system.</p>

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

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

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we



conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on the requirements of Company Act, 2063**

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the Company were adequate for the purpose of the audit; the financial statements including the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Company; and the accounts and records of the Company are properly maintained in accordance with the prevailing laws.

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

  
Samil Adhikari  
Partner



Place: Kathmandu, Nepal

Date: August 29, 2023

UDIN No.: 230911CA00598YDqzc

## STATEMENT OF FINANCIAL POSITION

AS AT ASHADH 31, 2080 (JULY 16, 2023)

Amount in NPR

PARTICULARS	SCHEDULE	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>ASSETS</b>			
<b>A. NON CURRENT ASSETS</b>			
Property, Plant and Equipment	3.1	17,545,383	2,829,554
Intangible Assets	3.2	1,118,192	992,106
Financial Instruments Measured At Amortized Cost	3.3	48,728,180	39,728,180
Financial Instruments Held Through OCI	3.3	49,492,939	50,000,000
Deferred Tax Assets	3.4	3,152,379	5,447,881
Trade & Other Receivables	3.5	400,000	400,000
Total Non Current Assets		120,437,073	99,397,720
<b>B. Current Assets</b>			
Cash and Cash Equivalents	3.6	9,162,660	6,644,612
Financial Assets Measured At Amortized Cost	3.7	59,000,000	132,500,000
Financial Assets Held At Fair Value Through P/L	3.8	98,032,065	48,809,437
Advance Tax		9,056,560	18,547,168
Trade & Other Receivable	3.9	30,521,221	6,180,128
<b>Total Current Assets</b>		<b>205,772,506</b>	<b>212,681,345</b>
<b>Total Assets (A+B)</b>		<b>326,209,578</b>	<b>312,079,065</b>
<b>Equity And Liabilities</b>			
<b>C. Equity</b>			
Share Capital	3.10	286,339,500	286,339,500
Share Premium		-	-
Reserves and Surplus	3.11	13,237,115	5,256,326
Total Equity		299,576,615	291,595,826
<b>D. Non Current Liabilities</b>			
Long Term Loan		-	-
Lease Liability		15,550,408	-
Employee Benefit Liability	3.12	1,586,338	1,343,490
Deferred Tax Liability	3.4	-	-
Lease equilization reserve		-	759,425
Total Non Current Liabilities		17,136,747	2,102,915
<b>E. Current Liabilities</b>			
Short Term Loan		-	-
Employee Benefit Liability	3.12	1,387,784	300,886
Income Tax Payable		168,095	17,592,572
Trade & Other Payable	3.13	7,940,338	486,866
Total Current Liabilities		9,496,217	18,380,324
<b>Total Liabilities (C+D+E)</b>		<b>326,209,578</b>	<b>312,079,065</b>

**Shankar Rajbahak**  
Head - Finance

**Prasidha Raj Aryal**  
Director

**Sabita Shah Thakuri**  
Director

**Paraag Bisht**  
Chief Executive Officer

**Dip Prakash Panday**  
Director

**Bishwambhar Neupane**  
Chairman

**Sudeep Khanal**  
Director

As per our report of event date

**Sunil Adhikari, CA**  
For, SAR & Associate,  
Chartered Accountants

DATE: 08/29/2023  
Place: Kathmandu, Nepal

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD 2079/04/01 (2022/07/17) TO 2080/03/31 (2023/07/16)

Amount in NPR

PARTICULARS	SCHEDULE	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>INCOME</b>			
Revenue From Operation	3.14	16,542,614	38,823,105
Income From Investment	3.15	13,316,556	15,525,940
Net Gain From Financial Instruments-FVTPL	3.16	13,830,097	2,444,279
Other Income	3.17	17,948,137	1,742,937
<b>Total Income</b>		<b>61,637,403</b>	<b>58,536,261</b>
Operating Expenses	3.18	16,180,382	2,109,504
Employee Expenses	3.19	17,081,615	19,355,660
Building and Premises Cost	3.20	901,976	3,575,519
Administrative Expenses	3.21	6,467,589	5,141,148
Net Loss From Financial Instruments-FVTPL	3.16	4,952,883	24,585,857
Interest Expenses		1,518,276	50,463
Depreciation	3.1	2,457,098	702,078
Amortization	3.2	389,261	308,061
<b>Total Expenses</b>		<b>49,949,080</b>	<b>55,828,290</b>
Profit / Loss Before Tax		11,688,324	2,707,971
Income Tax Expense	3.22	2,463,597	1,079,644
<b>Profit (Loss) For The Year</b>		<b>9,224,727</b>	<b>1,628,327</b>
<b>Other Comprehensive Income / (Expenses)</b>			
Net Gains/Losses On Fair Value Through OCI		507,061	
Actuarial Gains / (Losses) On Defined Benefits Plan		-	
<b>Total Other Comprehensive Income / (Expenses)</b>		<b>507,061</b>	
Less: Tax Expense Relating To Components Of OCI		-	
<b>Total Comprehensive Income For The Year</b>		<b>507,061</b>	
<b>Attributable To Equity Share Holders</b>		<b>8,717,665</b>	<b>1,628,327</b>
Earning Per Share (BEPS)		3.04	0.53
Diluted Earning Per Share (DEPS)		3.04	0.53

**Shankar Rajbahak**  
Head - Finance

**Paraag Bisht**  
Chief Executive Officer

**Bishwambhar Neupane**  
Chairman

As per our report of event date

**Prasidha Raj Aryal**  
Director

**Dip Prakash Panday**  
Director

**Sudeep Khanal**  
Director

**Sabita Shah Thakuri**  
Director

**Sunil Adhikari, CA**  
For, SAR & Associate,  
Chartered Accountants

DATE: 08/29/2023  
Place: Kathmandu, Nepal

## STATEMENT OF CASH FLOW

FOR THE PERIOD 2079/04/01 (2022/07/17) TO 2080/03/31 (2023/07/16)

Amount in NPR

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Taxation And Extraordinary Items	11,688,324	2,707,971
<b>Adjustment For:</b>		
Depreciation	2,457,098	702,078
Amortisation	389,261	308,061
Prior Period Income/Expenses Adjustment	(716,876)	
Income From Sweat Equity	-	-
Deferred Tax (Income)/Expense	-	-
Gain On Sales Of Assets	-	-
Net Gains/(Losses) On Fair Value Through OCI	(507,061)	
Interest Expenses	1,518,276	50,463
<b>Operating Profit Before Working Capital Changes</b>	<b>14,829,020</b>	<b>3,768,573</b>
Decrease / (Increase) In Trade And Other Receivable	(14,850,485)	1,892,755
(Decrease) / Increase In Trade And Other Payables	7,453,471	(1,712,778)
(Decrease) / Increase In Employee Benefit Payables	1,329,747	(6,303,237)
(Decrease) / Increase In Non-Current Liabilities	14,790,983	506,283
Decrease / (Increase) In Other Non Current Assets	-	-
Changes in Deferred tax Assets/Liabilities	-	-
Income Tax Paid	(17,592,572)	-
<b>Net Cash Flow From Operating Activities</b>	<b>5,960,165</b>	<b>(1,848,402)</b>
<b>Cash Flows From Investing Activities</b>		
(Purchase) Of Property, Plant & Equipment	(17,688,274)	(307,111)
(Purchase) Through Acquisition	-	-
Sale Of Property, Plant & Equipment	-	1,783,443
Investment In Financial Assets	15,784,434	(16,693,508)
<b>Net Cash Flow From Investing Activities</b>	<b>(1,903,841)</b>	<b>(15,217,177)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds/Increase From Share (Business combination)	-	-
Proceeds From Share Premium	-	-
Increase In Reserve Through Business Purchase	-	-
Decrease In CSR Reserve	(20,000)	-
Proceeds/ (Payment) From Loan	-	(1,240,022)
Dividend Paid	-	(17,127,000)
Interest Paid	(1,518,276)	(50,463)
<b>Net Cash Flow From Financing Activities</b>	<b>(1,538,276)</b>	<b>(18,417,485)</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>2,518,048</b>	<b>(35,483,064)</b>
<b>Cash And Cash Equivalents At Beginning Of Period</b>	<b>6,644,611</b>	<b>42,127,676</b>
<b>Cash And Cash Equivalents At End Of Period</b>	<b>9,162,660</b>	<b>6,644,611</b>

Shankar Rajbahak  
Head - Finance

Paraag Bisht  
Chief Executive Officer

Bishwambhar Neupane  
Chairman

As per our report of event date

Prasidha Raj Aryal  
Director

Dip Prakash Panday  
Director

Sudeep Khanal  
Director

Sunit Adhikari, CA  
For, SAR & Associate,  
Chartered Accountants

Sabita Shah Thakuri  
Director

DATE: 08/29/2023  
Place: Kathmandu, Nepal

## STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 2079/04/01 (2022/07/17) TO 2080/03/31 (2023/07/16)

PARTICULAR	Amount in NPR						
	SHARE CAPITAL	RETAINED EARNING	EXCHANGE FLUCATION FUND	SHARE PREMIUM	CSR PROVISION	GENERAL RESERVE	TOTAL
<b>Opening Balance As On 01/04/2078</b>	<b>267,607,200</b>	<b>22,014,686</b>	-	<b>13,850,825</b>	<b>242,032.00</b>	<b>3,379,756</b>	<b>307,094,499</b>
Bonus Share Distribution	18,732,300	(4,881,475)		(13,850,825)			
Net Profit (Loss) During The Year	-	1,628,327	-	-	-	-	1,628,327
Provision For CSR		(16,283)			16,283		-
Provision For General Reserve		(162,833)				162,833	-
Dividend	-	(17,127,000)	-	-	-	-	(17,127,000)
<b>BALANCE AS ON 32/03/2079</b>	<b>286,339,500</b>	<b>1,455,422</b>	-	-	<b>258,315</b>	<b>3,542,589</b>	<b>291,595,826</b>
<b>BALANCE AS ON 01/04/2079</b>	<b>286,339,500</b>	<b>1,455,422</b>	-	-	<b>258,315</b>	<b>3,542,589</b>	<b>291,595,826</b>
Prior Period Income/Expenses Adjustment		(716,876)					(716,876)
Bonus Share Distribution	-	-		-	-	-	-
Cash Dividend Distribution		-					-
Net Profit (Loss) During The Period		8,717,665			(20,000)		8,697,665
Provision For General Reserve		(871,767)				871,767	-
Provision For CSR		(87,177)			87,177		-
<b>BALANCE AS ON 31/03/2080</b>	<b>286,339,500</b>	<b>8,497,268</b>	-	-	<b>325,492</b>	<b>4,414,356</b>	<b>299,576,615</b>

**Shankar Rajbahaik**  
Head - Finance

**Prasidha Raj Aryal**  
Director

**Sabita Shah Thakuri**  
Director

**Paraag Bisht**  
Chief Executive Officer

**Dip Prakash Panday**  
Director

**Bishwambhar Neupane**  
Chairman

**Sudeep Khanal**  
Director

As per our report of event date

**Sunit Adhikari, CA**  
For, SAR & Associate,  
Chartered Accountants

DATE: 08/29/2023  
Place: Kathmandu, Nepal

# NOTES TO THE FINANCIAL STATEMENTS

For the Period ended 31st Ashad 2080 (16th July 2023)

## 1. CORPORATE INFORMATION

Machhapuchchhre Capital Ltd., (hereinafter referred to as MCL or as a Licensed Institution, or as a Company) is a Financial Institution incorporated under Companies Act, 2063 (first Amendment 2074) on 24th September 2017 as a public limited company with Registration No. 175859/074/075. MCL has obtained an operating license from the Security Board of Nepal (SEBON) on 07th Magh, 2076 with License Number 051 as required under Securities Act, 2073. The Company is also registered with Inland Revenue Department (IRD) with PAN No. 606877121. The Registered office of MCL is situated at Kathmandu Metropolitan - Ward No. 11, JDA Complex, Bagdurbar, Sundhara and registered at Kathmandu Metropolitan City on 29th Ashadh, 2077 with Registration No. 3823

Machhapuchchhre Kriti Capital Limited (MCL) changed its name to Machhapuchchhre Capital Limited on 10th Kartik 2078 by second Annual General Meeting and completed the name changed from Office of Company Registrar Office on 23th Mangsir, 2078.

MCL, as a licensed Merchant Banker, has been providing Portfolio Management Services, Corporate Financial Services, Underwriting Services and Depository Participants Services and, also a qualified institution investors licensed from Securities Board of Nepal.

## 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 Nepal Financial Reporting Standards (NFRS) Statement of Financial Position.

#### 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 1st Bhadra 2080. 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 2079 to 31st Ashadh 2080.

#### 2.1.3. Critical Accounting Estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards, except as stated, 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. For presentation purpose, 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 is operated and company's all transactions including income.

## 2.1.5. 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 is 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, except as stated, are set out in corresponding notes.

## 2.1.6. 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.

## 2.1.7. 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.

## 2.1.8. 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
Office equipment	10 years
Wooden furniture	8 years
Metal Furniture	10 years
Vehicles	7 years
Computer and printer	5 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.

### **2.1.9. 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.

### **2.1.10. Intangible Assets**

#### **Computer Software**

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

#### **Business License**

Acquiring business licenses are capitalized based on the costs incurred to acquire the license for operation of business. These costs are amortized over 5 years from date of business license.

### **2.1.11. Investments**

#### **Investments in debt and equity securities**

Investments held for trading (FVTPL) are classified as current assets and are stated at Fair Value and investment in debt instruments and government bonds held to maturity are stated at amortized 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 recognized directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognized in the income statement.

### **2.1.12. 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.

### **2.1.13. Inventories**

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Net realizable 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.

### **2.1.14. Cash and cash equivalents**

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

### **2.1.15. 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 is 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 in the income statement.

### **2.1.16. Share capital**

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

### **2.1.17. 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 recognized at the same time as the liability to pay the related dividend.

### **2.1.18. Trade and other payables**

Trade and other payables are stated at their cost.

### **2.1.19. 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 as stated in the service agreement. 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 as stated in the portfolio management service agreement.

#### **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 as stated in the service agreement. 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. Depository Participants**

Depository Participants (DP) related income is the fee for managing DP accounts of clients. All DP income is the collection from clients for new account opening, renewal of accounts, on-market-transaction and other DP services directly involving and collected from clients.

#### **e. Interest Income**

Interest income is recognized using effective interest rate method.

#### **f. Other Income**

Other income is recognized when it is probable that consideration associated with the relevant event is confirmed or realized. Other income also includes service income which is the DP service income received from Machhapuchchhre Bank Ltd. as per the service agreement executed between Machhapuchchhre Capital Ltd. (MCL) and Machhapuchchhre Bank Ltd. (MBL). As per this agreement, MCL will execute MBL's DP ID (16100) and offer Demat related all services to clients.

#### **2.1.20. 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 has been provided for 10% of net profit before such bonus.

### **3. OTHER EXPLANATORY NOTES**

#### **3.1 Property Plan and Equipment**

Tangible Assets NRS. 22,11,895 has been purchased during the year.

### 3.1 Plant, Property and Equipment

PARTICULARS	COMPUTER & ACCESSORIES	FURNITURE & FIXTURES (METAL)	FURNITURE & FIXTURES (WOODEN)	LEASEHOLD ASSETS	OFFICE EQUIPMENT	VEHICLE	RIGHT OF LEASE ASSETS	TOTAL
Balance at 01 Shrawan 2079	1,716,856	155,906	202,358	974,427	661,262	225,811	17,601,215	21,537,835
Additions during the year	597,500	96,500	131,266	1,328,497	58,132	-	-	2,211,895
<b>Balance at 31 Ashadh 2080</b>	<b>2,314,356</b>	<b>252,406</b>	<b>333,624</b>	<b>2,302,924</b>	<b>719,395</b>	<b>225,811</b>	<b>17,601,215</b>	<b>23,749,730</b>
<b>Depreciation and Impairment Losses</b>								
Balance at 01 Shrawan 2079	732,703	25,885	33,025	146,164	94,567	74,723	2,640,182	3,747,249
Depreciation charged for the year	382,612	20,872	31,402	161,098	68,733	32,260	1,760,121	2,457,098
<b>Balance at 31 Ashadh 2080</b>	<b>1,115,315</b>	<b>46,757</b>	<b>64,427</b>	<b>307,262</b>	<b>163,300</b>	<b>106,983</b>	<b>4,400,304</b>	<b>6,204,347</b>
<b>Net Carrying amount at 31 Ashadh 2080</b>	<b>1,199,041</b>	<b>205,649</b>	<b>269,197</b>	<b>1,995,662</b>	<b>556,095</b>	<b>118,829</b>	<b>13,200,911</b>	<b>17,545,383</b>
<b>Net Carrying amount at 32 Ashadh 2079</b>	<b>984,153</b>	<b>130,021</b>	<b>169,333</b>	<b>828,263</b>	<b>566,695</b>	<b>151,089</b>	<b>-</b>	<b>2,829,554</b>

### 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. The 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. Intangible assets NRS. 515,347 have been purchased during the year.

An intangible asset is derecognized at disposal or when no future economic benefits are expected from use or disposal. Gain or losses arising from de-recognition 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.

The following is the details of intangible assets as at the period end.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>Cost</b>		
Opening Balance of Accumulated Intangible Assets	1,540,304	1,540,304
Additions during the year	515,347	-
<b>Closing Balance of Accumulated Intangible Assets</b>	<b>2,055,651</b>	<b>1,540,304</b>
<b>Accumulated Amortization and Impairment</b>		
Opening Balance of Accumulated Amortization	548,198	240,137
Additions during the year	389,261	308,061
<b>Closing Balance of Accumulated Amortization</b>	<b>937,459</b>	<b>548,199</b>
<b>Carrying Amount as at 16 July 2022</b>	<b>-</b>	<b>992,106</b>
<b>Carrying Amount as at 15 July 2023</b>	<b>1,118,192</b>	<b>-</b>

### 3.3 Financial Instruments measured at Amortised cost.

Financial Assets held to maturity are classified and measured at amortised cost. These financial assets are initially recognized at fair value including direct and incremental costs and subsequently measured at amortised 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 require 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.

Financial Assets held at amortized cost for investment in Fixed Deposits of various Banks and Financial Institutions are mentioned in note 3.7.

FINANCIAL ASSETS HELD AT AMORTIZED COST	AS AT 16 JULY 2023	AS AT 16 JULY 2022
DEBENTURE INVESTMENT	48,728,180	39,728,180
<b>TOTAL NRS.</b>	<b>48,728,180</b>	<b>39,728,180</b>

#### Financial Instrument Held Through Other Comprehensive Income (OCI)

Equity instruments that are held for trading are classified as Fair Value through Profit and Loss Account (FVTPL). For other equity instruments, on the day of acquisition the company makes an irrevocable election (or an instrument-by-instrument) basis to designate them as at FVTOCI.

#### Debt investments at FVTOCI

Financial Instruments are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### Equity investments at FVTOCI

Financial Instrument are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised at OCI and are never reclassified to profit or loss.

The company considers Kriti Venture Fund Limited investment of 5 crores as equity instrument at FVTOCI and net gains and losses are recognized in OCI and classified below profit and loss account with loss from investment of NRS. 5,07,061 and fair value of investment are given below

FINANCIAL INSTRUMENTS HELD THROUGH OCI	AS AT 16 JULY 2023	AS AT 16 JULY 2022
UNLISTED PROMOTER SHARE INVESTEMENT - KVFL	50,000,000	50,000,000
Net Gains/Losses on Fair Value Through OCI	(507,061)	-
<b>TOTAL NRS.</b>	<b>49,492,939</b>	<b>50,000,000</b>

### 3.4 Deferred Tax Assets and Liabilities

Deferred Tax is calculated on temporary differences on Accounting Base and Taxation Base for Deductible Temporary difference and Taxable Temporary Difference using a tax rate of 30% (as per the Income Tax 2058 B.S.). Deferred tax assets and liabilities are calculated where the management believes it is probable that these assets will be recovered.

Calculation of Deferred Tax for MCL have been shown as below:

PARTICULARS	ACCOUNTING BASE	TAXATION BASE	DIFFERENCE	TAX RATE	DTL	DTA	NET
Fixed Assets	18,663,575	5,241,832	13,421,743	30%	4,026,523	-	4,026,523
Leave Provision	1,568,119	-	(1,568,119)	30%	-	(470,436)	(470,436)
Lease Liability	15,550,408	-	(15,550,408)	30%	-	(4,665,122)	(4,665,122)
Investments	147,525,003	154,336,153	(6,811,149)	30%	-	(2,043,344)	(2,043,344)
<b>Total</b>	<b>183,307,105</b>	<b>159,577,984</b>	<b>(10,507,933)</b>		<b>4,026,523</b>	<b>(7,178,902)</b>	<b>(3,152,379)</b>
Closing Deferred Tax Liabilities/(Assets)							(3,152,379)
Opening Deferred Tax Liabilities/(Assets)							5,447,881
Income transferred to Profit and Loss Account							2,295,502

### 3.5 Trade and other receivables (non-current)

Non-current trade receivables are security and license deposits for normal business operation.

NON-CURRENT ASSETS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
LICENSE DEPOSIT	300,000	300,000
SECURITY DEPOSIT	100,000	100,000
<b>TOTAL NRS.</b>	<b>400,000</b>	<b>400,000</b>

### 3.6 Cash and Cash Equivalents

For the purpose of presentation in the statement of Cash Flows, Cash and Cash Equivalents includes cash equivalents, 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.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
CASH IN HAND	-	-
GOLD & SILVER COINS	15,951	15,950
BANK BALANCE AT MBL	8,830,942	3,571,477
BANK BALANCE AT OTHER FINANCIAL INSTITUTIONS	315,767	3,057,185
<b>TOTAL NRS.</b>	<b>9,162,660</b>	<b>6,644,612</b>

### 3.7 Financial Assets Measured at Amortized Cost

The current portion of Financial Assets held at amortised cost have been presented. These are specifically Fixed Deposits in Banks and Financial Institutions (BAFIs).

The following table details the financial instruments included in the statements of financial position are measured at amortized cost and are current portion and maturing within 12 months period.

FINANCIAL ASSETS HELD AT AMORTIZED COST	AS AT 16 JULY 2023	AS AT 16 JULY 2022
INVESTMENT IN MBL FD	59,000,000	107,500,000
MUKTINATH BIKAS BANK LTD. FD A/C	-	5,000,000
SUNRISE BANK LTD. FD A/C	-	20,000,000
<b>TOTAL NRS.</b>	<b>59,000,000</b>	<b>132,500,000</b>

### 3.8 Financial assets held at Fair Value through -PL.

Determination of fair value hierarchy for all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Capital uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. Fair values are determined according to the following hierarchy:

**Level 1-** Quoted market price (unadjusted): financial instruments with quoted prices in active markets.

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

**Level 3-** Valuation technique with significant unobservable inputs: financial instruments are valued using valuation techniques where one or more significant inputs are unobservable. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>FINANCIAL ASSETS HELD AT FAIR VALUE (FVT PL)</b>	<b>MARKET VALUE</b>	<b>MARKET VALUE</b>
INVESTMENT IN EQUITIES	90,228,040	37,984,808
INVESTMENT IN MUTUAL FUND	7,804,025	10,824,629
<b>TOTAL NRS.</b>	<b>98,032,065</b>	<b>48,809,437</b>

FINANCIAL ASSETS HELD AT FAIR VALUE (FVT PL)	COST PRICE	MARKET PRICE	GAIN(Losses)
INVESTMENT IN SHARES	103,217,824.23	98,032,064.61	(5,185,759.62)
<b>TOTAL NRS.</b>	<b>103,217,824.23</b>	<b>98,032,064.61</b>	<b>(5,185,759.62)</b>

On investment valued at FVTPL there are fair value losses of NRS. 51,85,759.62. A transaction and other const incidental to the purchase of financial instrument amounting to NRS. 11,18,328.32 has been deduction from the purchase price for formulation of cost price of instrument purchase. There has been no investment that has been treated as FVTOCI except the investment represented in schedule 3 of notes to accounts, so, all fair value gain has been charged to profit and loss account.

### 3.9 Trade and Other Receivable

The current portion of Trade Receivables are those amounts recurring or receivable within 12 months' period. These includes the following information:

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>CURRENT ASSETS</b>		
ACCRUED INTEREST RECEIVABLE ON FD	-	46,685
ACCRUED INTEREST RECEIVABLES ON DEBENTURE	2,176,277	1,125,291
PREPAID INSURANCE	83,780	75,723
STATIONERY STOCKS	51,859	-
PREPAID COMPUTER AND INTERNET CHARGE	1,809	10,593
ADVANCES FOR INVESTMENTS	23,168,000	-
RECEIVABLES FROM OTHER PARTIES	5,039,496	4,921,835
<b>TOTAL NRS.</b>	<b>30,521,221</b>	<b>6,180,127</b>

Company has paid NRS. 2,00,00,000/- as advance for promoter share investment for the Right Share Application of Kriti Venture Fund Limited and NRS. 31,68,000/- for purchase of share of Kalika Laghubitta Bittiya Sanstha Limited.

### 3.10 Share Capital

Share Capital of MCL as on balance sheet date is NRS. 286,339,500. The company has increased its issued share capital from NRS.31,48,32,000/- to NRS.336,870,000/- by second Annual General Meeting of company and same has been duly approved from Office of Company Registrar Office on BS.2078/08/23. The share value has been treated as an equity instrument. Additional disclosure on share capital treatment has been disclosed under business combination note 3.23.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>SHARE CAPITAL</b>		
<b>AUTHORIZED SHARE CAPITAL</b> (4,000,000 ORDINARY SHARES OF Rs 100 EACH)	400,000,000	400,000,000
<b>ISSUED SHARE CAPITAL</b> (3,368,700 ORDINARY SHARES OF Rs 100 EACH)	336,870,000	336,870,000
<b>SUBSCRIBED &amp; PAID-UP SHARE CAPITAL</b> (2,863,395 ORDINARY SHARES OF Rs. 100 EACH)	286,339,500	286,339,500

### 3.11 Reserve and Surplus

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

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>RETAINED EARNING AND RESERVES</b>		
RETAINED EARNING	8,497,268	1,455,422
GENERAL RESERVE	4,414,356	3,542,589
PROVISION FOR CSR	325,492	258,315
<b>TOTAL NRS.</b>	<b>13,237,115</b>	<b>5,256,326</b>

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).

### 3.12 Employee Benefits

#### Defined Contribution Plan

A defined contribution plan is a post-employment plan under which an entity pays a 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 contributes 10% of the salary of each permanent employee and the employees may also choose to deposit additional amounts to the Citizens' Investment Trust according to their preference.

#### Staff Gratuity Provision

Staff gratuity provision has been created as stipulated by Labour Act 2074. The company makes a defined contribution of 8.33% of the monthly basic salary of each employee and no other additional legal or constructive obligation will arise other than this fixed contribution. Company transfers defined gratuity contribution of 8.33% to Citizen's Investment Trust monthly to respective gratuity account of employee.

### 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., 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.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>EMPLOYEE BENEFIT LIABILITY (CURRENT/NON-CURRENT)</b>		
<b>EMPLOYEE BENEFIT LIABILITY (CURRENT)</b>		
PROVISION FOR BONUS	1,298,703	300,886
SALARY AND PERKS PAYABLE	89,082	-
<b>TOTAL NRS.</b>	<b>1,387,784</b>	<b>300,886</b>
<b>EMPLOYEE BENEFIT LIABILITY (NON-CURRENT)</b>		
LEAVE PROVISION	1,568,119	1,325,270
WELFARE FUND	18,220	18,220
<b>TOTAL NRS.</b>	<b>1,586,338</b>	<b>1,343,490</b>

### 3.13 Trade and Other Payable

Trade and other payable to be recurring and settlement within 12 months' period have been represented and such are payable occurring during normal business operation. Such have been shown as follows:

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>TRADE AND OTHER PAYABLES</b>		
SUNDRY PAYABLE	4,071,010	178,400
SEBON FEE PAYABLE	187,708	76,649
ADVANCE INCOME PAYABLE	428,655	-
TDS PAYABLE	436,991	217,693
PROVISION FOR EXPENSES	2,815,973	14,125
<b>TOTAL NRS.</b>	<b>7,940,338</b>	<b>486,866</b>

### 3.14 Revenue From Operation

The following table summarizes the operating revenue recognized during the period.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>INCOME FROM OPERATION</b>		
UNDERWRITING SERVICE FEE INCOME	3,748,600.00	2,921,826
INCOME FROM CORPORATE FINANCIAL ADVISORY	9,530,240.79	8,485,119
INCOME FROM PORTFOLIO MANAGEMENT SERVICES	2,358,745.88	26,042,489
DEPOSITORY PARTICIPANT INCOME	905,027.27	1,373,671
<b>TOTAL NRS.</b>	<b>16,542,613.94</b>	<b>38,823,105</b>

### 3.15 Income From Investment

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>INTEREST INCOME</b>		
INTEREST FROM DEBENTURES AND BOND	4,557,803.02	2,605,170
INTEREST INCOME	142,632.04	230,669
INTEREST INCOME FROM FIXED DEPOSITS	8,616,120.49	12,690,101
<b>TOTAL NRS.</b>	<b>13,316,555.55</b>	<b>15,525,940</b>

### 3.16 Gains (losses) from Financial Investment

The gains from investment in financial instrument treated on FVTPL have been summarized as under:

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>NET GAINS OF FINANCIAL INVESTMENTS-FVTPL</b>		
DIVIDEND INCOME	-	1,299,340
INCOME FROM SALE OF INVESTMENT	1,137,596.67	2,444,279
NET GAINS/(LOSSES) OF FINANCIAL INVESTMENTS-FVT PL	12,692,500.01	-
<b>TOTAL NRS.</b>	<b>13,830,096.68</b>	<b>3,743,619.65</b>
<b>NET LOSSES OF FINANCIAL INVESTMENTS-FVTPL</b>		
LOSS ON SALE OF INVESTMENT	4,952,883.41	5,157,416
NET GAINS/(LOSSES) OF FINANCIAL INVESTMENTS-FVT PL	-	19,428,441
<b>TOTAL NRS.</b>	<b>4,952,883.41</b>	<b>24,585,856.68</b>

### 3.17 Other Income

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>OTHER INCOMES</b>		
RENT INCOME	209,333.24	120,000
DIVIDEND INCOME	682,601.59	-
MISCELLANEOUS INCOME	82,036.60	257,008
SERVICE INCOME	16,974,165.88	66,588
<b>TOTAL NRS.</b>	<b>17,948,137.31</b>	<b>443,596</b>

### 3.18 Operating Expenses

Operating expenses are those expenses which are directly related and incurred to make major business income. The major business income are from DP, underwriting, PMS and Corporate Advisory Services.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>OPERATING EXPENSES</b>		
DP SERVICE EXPENSES	2,174,915	293,173
DP EXPENSES TO MBL	12,233,137	-
LICENSE FEE AND RENEWAL CHARGES	510,000	510,000
REGISTRATION FEE AND APPLICATION CHARGES	10,000	113,120
SEBON FEE EXPENSES	1,252,330	1,193,211
<b>TOTAL NRS.</b>	<b>16,180,382</b>	<b>2,109,504</b>

### 3.19 Employee Expenses

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>EMPLOYEE EXPENSES</b>		
Salary Expenses	10,472,966	12,430,122
Staff Provident Fund	661,047	779,233
Gratuity Expenses	550,652	649,152
Other Allowances	1,570,211	1,769,014.77
Annual Force Leave Payment	806,531	979,305
Dashain Allowances	818,433	1,157,843.00
Executive Allowances	-	222,193.55
Staff Overtime Expenses	92,012	828
Leave Encashment Expenses	490,283	604,350
Statutory Bonus	1,298,703	300,886
Team Building Expenses	202,189	363,526
Training And Development Expenses	118,590	99,208
<b>TOTAL NRS.</b>	<b>17,081,615</b>	<b>19,355,660</b>

### 3.20 Building and Premise Expenses

These are expenses incurred for office premises related rent, security and sanitation related expenses.

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>BUILDING AND PREMISES COST</b>		
CLEANING CHARGES	47,553	43,035
OFFICE ELECTRICITY EXPENSES	285,278	290,826
RENT EXPENSES	-	2,796,951
SECURITY CHARGES	134,195	21,000
SECURITY GUARD EXPENSES	353,565	336,174
WATER AND UTILITIES	81,385	87,532
<b>TOTAL NRS.</b>	<b>901,976</b>	<b>3,575,519</b>

### 3.21 Administrative Expenses

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
<b>ADMINISTRATIVE EXPENSES</b>		
ADVERTISEMENT AND PUBLICATION	247,772	708,636
ANNUAL GENERAL MEETING EXPENSES	55,311	141,956
ANNIVERSARY EXPENSES	-	20,159
AUDIT FEE	113,000	113,000
AUDIT EXPENSES	12,117	-
INTERNAL AUDIT FEE	135,600	135,600
SHARE TRANSACTION CHARGES	1,118,328	-
COVID-19 EXPENSES	-	66,073
ALLOWANCE AND TRAVEL EXPENSES	81,265	63,846
FUEL EXPENSES	143,737	172,804
FUEL EXP - GENERATOR	22,050	-
PARKING CHARGES	18,845	69,995
TRANSPORTATION EXPENSES	14,965	10,170

Cont.....Administrative Expenses

PARTICULARS	AS AT 16 JULY 2023	AS AT 16 JULY 2022
INSURANCE EXPENSES	211,079	224,492
COMPUTER AND INTERNET CHARGE	870,531	777,252
ELECTRICAL AND WIRING EXPENSES	300,377	44,660
SOFTWARE EXPENSES	-	7,900
TELEPHONE AND COMMUNICATION	44,115	61,001
TELEPHONE EXPENSES	-	6,123
CONSULTANCY FEE	39,550	25,000
BOARD MEETING ALLOWANCES	549,000	679,800
BOARD MEETING EXPENSES	26,542	124,594
COMMITTEE MEETING ALLOWANCES	246,000	285,600
MEETING EXPENSES	27,574	42,645
LUNCH EXPENSES	78,657	33,996
OFFICE EXPENSES	16,969	54,398
PANTRY EXPENSES	248,127	207,221
STATIONERY EXPENSES	213,476	343,678
TAXES & DUTIES	777,372	-
REPAIR AND MAINTENANCE EXPENSES	107,382	71,360
STAFF OUTSOURCE SERVICE	714,098	390,435
FESTIVAL EXPENSES	19,680	39,212
BANK CHARGES	7,472	7,866
VEHICLE SERVICING & CLEANING CHARGES	6,600	15,859
SERVER COLOCATION & DRS SITES CHARGES	-	94,920
OTHER EXPENSES	-	100,896
<b>TOTAL NRS.</b>	<b>6,467,589</b>	<b>5,141,148</b>

### 3.22 Income Tax Expenses

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 16 JULY 2023	AS AT 16 JULY 2022
<b>INCOME TAX EXPENSES</b>		
CURRENT TAX	168,095	6,318,228
DEFERRED TAX (INCOME)/EXPENSE	2,295,502	(5,238,584)
<b>TOTAL NRS.</b>	<b>2,463,597</b>	<b>1,079,644</b>

### 3.23 Business Combination

The accounting for business combinations using the acquisition method when control is transferred to the merged company is as per NFRS 3. According to which, the consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any "gain on a bargain purchase" is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. However, this company being a subsidiary of a commercial Bank, it has accounted the business combination as per the Merger and Acquisition Bylaws 2073 issued by the Nepal Rastra Bank and has not followed NFRS 3.

### 3.24 Change in Lease Accounting

A disclosure has been made for change in operating lease accounting to lease accounting in accordance with NFRS 16 lease, a lessee shall measure the Right-of-Use Assets and Lease Liability at the commencement date. Commencement of the lease term is the date on which a lessor makes an underlying asset available for use by a lessee. Initially Right of Use Assets shall measure at cost. MCL shall measure the Right-of-Use Asset by applying a cost model it applies either of the revaluation models. MCL measures right of lease assets amount of NRS. 17,601,214.59 for which current year lease depreciation expenses is NRS. 17,60,121.46 and accumulated depreciation on right of lease assets is NRS. 26,40,182.19 which is presented in the schedule 3.1 Property Plant and Equipment of notes to accounts.

After the commencement of lease agreement, MCL shall measure the Lease Liability by:

- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made.

MCL measure lease liability for amount of NRS. 16,437,334 initially for which interest expense has been recognized as NRS. 8,86,926/- and closing lease liability NRS. 15,550,408.23 has been identified as on balance sheet date. Whereas right of lease assets with NRS. 17,601,215/- has been established as per the agreement terms for which accumulated amortization on right of lease assets with the value of NRS. 4,400,304/- as on financial cut-off period from the initial date of commencement of agreement and closing right of lease assets is NRS. 13,200,910.94 as on balance sheet date. MCL has paid NRS. 2,405,201.00 to lessor as a rental service for the fiscal year.

<b>Right of Lease Assets</b>	<b>17,601,214.59</b>
Current Year Lease Depreciation Expenses	1,760,121.46
Accumulated Depreciation on Right of Lease Assets	2,640,182.19
Closing Right of Lease Assets	13,200,910.94
Lease Liability	16,437,333.82
Accumulated Lease Interest Expenses	886,925.59
Closing Lease Liability	15,550,408.23

### 3.25 Investment in Associates

A disclosure has been made for NAS-28 investment in associates for holding amount of NRS. 5,00,00,000/- investment in promoter share of Kriti Venture Fund Limited for 25 percent holding investment of paid-up capital and advance for right call for amounting NRS. 2,00,00,000/- share investment as on Ashadh 31, 2080. Investment and Income from associate entity as follows:

Losses from investment in associates holding with NRS. 5,07,061/- has been charged as net income/(losses) on Fair value through other comprehensive income below the statement of profit and loss account and net investment holding as on financial cut-off period is NRS. 4,49,92,939/-

### 3.26 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 when an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for 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 an active Underwriting Agreement for 59,97,200 units share of NRS. 100 each from Citizen Life Insurance Limited and 800,512 units share of NRS.249.84 each from Sonapur Minerals & Oil Limited as on reporting date. Looking towards the subsequent events after the balance sheet date, these shares have been approved for issue to the public and in the process for initial public offering.

### 3.27 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.

Name of related persons:

Mr. Bishwambhar Neupane	-	Chairman
Mr. Prasadha Raj Aryal	-	Director

Mr. Prasadha Raj Aryal has been appointed as a director effective from Magh 16, 2079 in the substitute of Mr. Tika Bhattarai for the resignation from directorship of MCL.

#### \* Transaction with related parties

From the above related persons Mr. Bishwambhar Neupane is the member of the Board of Directors and HR Committee and Mr. Prasadha Raj Aryal is a member of Board of Director, HR Committee and Audit Committee and Investment Committee. They 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 NRS. 15,000 for Chairman and NRS. 12,000 as per the approval from general meeting of company. No other benefits or allowances are provided to the board of directors.

#### Key Management Personnel

Mr. Neeraj Man Sainju and Mr. Upendra Malakar serves to MCL as Officiating CEO from Baishak 21, 2080 to Jestha 12, 2080 and Jestha 14, 2080 to Ashadh 31, 208 respectively. Both are deputed from Parent Company, Machhapuchchhre Bank Limited and entitled to for reimbursement of expenses and benefit as per the company policies. No payroll benefits have been provided to them except reimbursement of expense incurred for office. Mr. Paraag Bisht has been appointed as CEO effective from Shrawan 1, 2080 on replacement of removal of deputation of Mr. Upendra Malakar from holding company, Machhapuchchhre Bank Limited.

#### (B) Related Party Transactions

Related party transaction with Parent company:

During the period, MCL has the following bank balance and interest realized from Parent Company as on reporting date.

S.N.	PARTICULARS	TRANSACTION AMOUNT (FY 2079-80)	TRANSACTION AMOUNT (FY 2078-79)	NATURE OF TRANSACTION
1	Fixed Deposit at MBL	5,90,00,000.00	10,75,00,000.00	Fixed Deposit
2	Call & Current Deposit at MBL	88,30,942.24	35,71,476.94	Bank Deposit
4	Service income	19,75,436.36	66,588.34	DP service
5	DP Service Expenses	1,22,33,137.00	-	DP Service
6	Interest Income	78,78,240.88	65,72,655.62	Interest on FD and call deposit
7	Rent Income for RTS	89,333.24	-	RTS Rental Servie

MCL has paid NRS. 1,22,33,137.00 for as direct DP service business from MBL and NRS. 89,333.24 as rental service for RTS operation of MBL during fiscal year.

### 3.28 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 us to classify those events into adjusting and non-adjusting events.

There are no material events, either adjusting or non-adjusting events for the reporting period end. However, the contingent liability as on Ashadh end 2080 has been presented for underwriting shares of issued shares as explained in note 3.26.

### 3.29 Proposed Dividend

The board of directors through its meeting has not proposed any dividend from the financial performance of fiscal year 2079-80, and subject to approval from Annual General Meeting.

## LIST OF CHIEF BUSINESS OFFICER

S.N	NAME	POSITION	PROVINCE
1	Tika Bhattarai	Chief Business Officer	Central
2	Bishal Bhakta Joshi	Chief Business Officer	West
3	Ajaya Acharya	Chief Business Officer	East
4	Bineet Chandra Jha	Chief Business Officer	Mid West

## LIST OF PROVINCE MANAGER

S.N	NAME	POSITION	BRANCH
1	Krishna Bahadur Shah	Province Manager	Province 1 Cluster A
2	Utashab Parajuli	Province Manager	Province 1 Cluster B
3	Bishnu Prasad Pandey	Province Manager	Province 2 Cluster A
4	Indu Shekhar Devkota	Province Manager	Province 2 Cluster B
5	Naresh Pradhan	Province Manager	Province 3 Cluster A
6	Ujjwal Pandey	Province Manager	Province 3 Cluster B
7	Deependra Prasad Wagle	Province Manager	Province 3 Cluster C
8	Manoj Bhattarai	Province Manager	Province 3 Cluster D
9	Neelam Gautam Paudel	Province Manager	Province 4
10	Suraj Shrestha	Province Manager	Province 4 Cluster A (Credit)
11	Jeevan Bahadur Karki	Province Manager	Province 4 Cluster B (Credit)
12	Narayan K.C.	Province Manager	Province 5 Cluster A
13	Abhishek Niroula	Province Manager	Province 5 Cluster B and 6
14	Manish Upadhyay	Province Manager	Province 7

## LIST OF HOD'S CHIEF

S.N	NAME	DEPARTMENT
1	Bharat Kumar Lamsal	Acting Assistant General Manager - Business
2	Bhuvan Singh Khatri	Chief Compliance Officer
3	Samir Jung Rayamajhi	Chief Liability Management
4	Upendra Malakar	Chief Trade and Credit Support
5	Sunil Khatiwada	Chief Operating Officer
6	Dilli Ram Giri	Chief Risk Officer
7	Madhav Subedi	Chief Digital Banking Officer
8	Kumar Gnawali	Chief Infrastructure and Corporate Lending
9	Leela Raj Thapa	Deputy Chief Credit Risk Management
10	Manish Dahal	Chief Special Asset Management
11	Ishwar Bahadur Rawal	Chief Administration Officer
12	Indra Thapa	Chief Credit Support and Monitoring Unit
13	Hari Lal Ayer	Deputy Chief Special Assets Management
14	Ganesh Thapa	Deputy Chief Legal Officer
15	Richa Pandey	Deputy Chief Integrated Risk
16	Anil Babu Adhikari	Deputy Chief Human Resource
17	Hem Kumar Shrestha	Deputy Chief Information Technology
18	Khagendra Paudel	Deputy Chief Finance & Planning
19	Nirmal Raj Acharya	Deputy Chief Liability Management
20	Pratima Pandey	Deputy Chief Operations Monitoring Unit
21	Sudan Prasad Bhandari	Deputy Chief Remittance Business
22	Dinesh Dawadi	Head of Department-Reconciliation
23	Bipin Udas	Head of Department-Central Credit Administration
24	Jaya Prakash Raut	Head of Department-Central Clearing
25	Reshma Shakya	Head of Department-Treasury Front Office
26	Sabin Shrestha	Head of Department-E-Banking Operations
27	Sachin Tamang	Head of Department-Information Security Department
28	Surendra Pathak	Head of Department-Internal Audit
29	Manish Lal Shrestha	Deputy Head-Reconciliation
30	Amar Bahadur Singh	Head of Department-Business Intelligence
31	Madhab Thapa	Head of Department-Special Asset Management
32	Abhaya Rana	Head of Department-Central Trade Operations
33	Alok Man Shrestha	Head of Department-Digital Banking Division
34	Binita Tamrakar	Head of Department-Project Management Operations
35	Govinda Prasad Dahal	Head of Department-Law
36	Prabhat Joshi	Head of Department-Institutional Deposit
37	Puja Gongal	Head of Department-Branch Coordination Cell and Service Excellence
38	Subeena Shrestha	Deputy Head-Central Operations Department
39	Roshan Thapaliya	Head - AML / CFT Department
40	Sudha Sharma	Deputy Head-Education Hub
41	Rewaty Raman Nepal	Deputy Head-Law
42	Sita Ram Shrestha	Head of Department-Central Credit Legal Administration

## LIST OF BRANCH MANAGER

S.N	NAME	DESIGNATION	BRANCH	PROVINCE
1	Shyam Pokharel	Branch Manager	Baradashi	P-1 Cluster A
2	Himal Rijal	Branch Manager	Birtamod	P-1 Cluster A
3	Kishan Raut	Branch Manager	Chandragadhi	P-1 Cluster A
4	Govinda Shrestha	Branch Manager	Damak	P-1 Cluster A
5	Ramesh Shiwakoti	Branch Manager	Illam	P-1 Cluster A
6	Kailash Kharel	Branch Manager	Kakarvitta	P-1 Cluster A
7	Sobha Dhungel	Branch Manager	Phidim	P-1 Cluster A
8	Kishor Nepal	Branch Manager	Surunga	P-1 Cluster A
9	Sushil Aryal	Branch Manager	Taplejung	P-1 Cluster A
10	Nawaraj Gautam	Branch Manager	Urlabari	P-1 Cluster A
11	Nirmal Kumar Rai	Branch Manager	Bhojpur	P-1 Cluster B
12	Prabhakar Khatiwada	Branch Manager	Biratchowk	P-1 Cluster B
13	Europe Raj Fago	Branch Manager	Biratnagar	P-1 Cluster B
14	Subodh Gopal Joshi	Branch Manager	Chakarghatti	P-1 Cluster B
15	Bhuvan Neupane	Branch Manager	Dhankuta	P-1 Cluster B
16	Sandeep Gartaula	Branch Manager	Dharan	P-1 Cluster B
17	Umesh Kumar Baskota	Branch Manager	Gaighat	P-1 Cluster B
18	Dibya Raj Pokharel	Branch Manager	Hile	P-1 Cluster B
19	Kedar Dhakal	Branch Manager	Inaruwa	P-1 Cluster B
20	Amod Shrestha	Branch Manager	Itahari	P-1 Cluster B
21	Manoj Chauhan	Branch Manager	Jahada	P-1 Cluster B
22	Hom Raj Adhikari	Branch Manager	Kanchanbari	P-1 Cluster B
23	Sandeep Acharya	Branch Manager	Tankisinwari	P-1 Cluster B
24	Lok Bahadur Tamang	Branch Manager	Tyamke Maiyum	P-1 Cluster B
25	Munna Bhetwal	Branch Manager	Bardibas	P-2 Cluster A
26	Apurva Rauniyar	Branch Manager	Dhalkebar	P-2 Cluster A
27	Upendra Singh	Officiating Branch Manager	Ganeshman Charnath	P-2 Cluster A
28	Kamal Bahadur K.C.	Branch Manager	Golbazar	P-2 Cluster A
29	Md Samir Rain	Branch Manager	Janakpur	P-2 Cluster A
30	Bimal Raj Tripathi	Branch Manager	Katari	P-2 Cluster A
31	Ramjee Das	Branch Manager	Kalyanpur	P-2 Cluster A
32	Baikuntha Dahal	Branch Manager	Kanchanrup	P-2 Cluster A
33	Sanjeep Kumar Yadav	Officiating Branch Manager	Karjana	P-2 Cluster A
34	Gyanendra Goshwami	Branch Manager	Lahan	P-2 Cluster A
35	Niraj Acharya	Branch Manager	Mahuli	P-2 Cluster A
36	Satish Kumar Choudhary	Branch Manager	Matihani	P-2 Cluster A
37	Parmanand Yadav	Branch Manager	Mirchaiya	P-2 Cluster A
38	Upendra Kumar Sah	Branch Manager	Nagarain	P-2 Cluster A
39	Md Danish	Branch Manager	Rajbiraj	P-2 Cluster A
40	Anup Acharya	Branch Manager	Sakhuwa Mahendranagar	P-2 Cluster A
41	Jogendra Mahato	Branch Manager	Siraha	P-2 Cluster A
42	Shusil Thapaliya	Branch Manager	Aadarshanagar	P-2 Cluster B
43	Subin Thapa	Branch Manager	Birgunj	P-2 Cluster B
44	Surendra Kumar Mahato	Officiating Branch Manager	Brindaban	P-2 Cluster B
45	Shyam Khatiwada	Branch Manager	Chandrapur	P-2 Cluster B
46	Ajay Kumar Chaudhary	Officiating Branch Manager	Gaur	P-2 Cluster B

## LIST OF BRANCH MANAGER

S.N	NAME	DESIGNATION	BRANCH	PROVINCE
47	Kiran KC	Branch Manager	Hariwon	P-2 Cluster B
48	Ranjeev Yadav	Branch Manager	Kalaiya	P-2 Cluster B
49	Shes Raj Pokhrel	Branch Manager	Lalbandi	P-2 Cluster B
50	Rajesh Kumar Chaudhary	Branch Manager	Malangwa	P-2 Cluster B
51	Pravesh Timalisina	Branch Manager	Nijgadhd	P-2 Cluster B
52	Roshan Neupane	Branch Manager	Simara	P-2 Cluster B
53	Aditya Aryal	Branch Manager	Naxal	P-3 Cluster A
54	Nishes Pokhrel	Branch Manager	Baluwatar	P-3 Cluster A
55	Arun Sharma	Branch Manager	Battisputali	P-3 Cluster A
56	Manisha Gyawali	Branch Manager	Boudha	P-3 Cluster A
57	Niroj Sigdel	Branch Manager	Chabahil	P-3 Cluster A
58	Sanjuli Juwa Pradhan	Branch Manager	Dallu	P-3 Cluster A
59	Praveen Rai	Branch Manager	Kapan	P-3 Cluster A
60	Amrita Swar	Branch Manager	Khusibu	P-3 Cluster A
61	Pranaya K.C.	Branch Manager	Koteshwor	P-3 Cluster A
62	Dipti Khadka	Branch Manager	Narayantar	P-3 Cluster A
63	Nishes K. C.	Branch Manager	New Baneshwor	P-3 Cluster A
64	Rashu Kafle	Branch Manager	New Road	P-3 Cluster A
65	Nirma Chaudhary	Branch Manager	Satdobato	P-3 Cluster A
66	Smriti Singh Shrestha	Branch Manager	Thamel	P-3 Cluster A
67	Debendra Koirala	Branch Manager	Balaju	P-3 Cluster B
68	Pushpa Shrestha	Branch Manager	Budhanilkantha	P-3 Cluster B
69	Kishor Thapa Magar	Branch Manager	Chapagaun	P-3 Cluster B
70	Pramila Phagu	Officiating Branch Manager	Durbarmarg	P-3 Cluster B
71	Chandan Pokharel	Branch Manager	Gongabu	P-3 Cluster B
72	Bikrant Rana	Branch Manager	Kalanki	P-3 Cluster B
73	Merina Shrestha	Branch Manager	Kirtipur	P-3 Cluster B
74	Dhirendra Raj Giri	Branch Manager	Kuleshwor	P-3 Cluster B
75	Manish Dahal 2	Branch Manager	Kumaripati	P-3 Cluster B
76	Yuki Bhattachan	Branch Manager	Maharajgunj	P-3 Cluster B
77	Pabitra Shakya	Branch Manager	Pulchowk	P-3 Cluster B
78	Suresh Prasad Ghimire	Branch Manager	Putalisadak	P-3 Cluster B
79	Bandana Lamsal	Branch Manager	Satungal	P-3 Cluster B
80	Pradip Subedi	Branch Manager	Swoyambhu	P-3 Cluster B
81	Samita Ghimire	Branch Manager	Thapathali	P-3 Cluster B
82	Yadav Acharya	Branch Manager	Banepa	P-3 Cluster C
83	Bishnu Lamichhane	Branch Manager	Gwarko	P-3 Cluster C
84	Manish Pradhan	Branch Manager	Halesi	P-3 Cluster C
85	Tika Ram Ojha	Branch Manager	Kamalbinayak	P-3 Cluster C
86	Rojee KC (Khatri)	Branch Manager	Kaushaltar	P-3 Cluster C
87	Mohini Pradhan	Branch Manager	Lazimpat	P-3 Cluster C
88	Yogendra Raj Haluwai	Branch Manager	Nagarkot	P-3 Cluster C
89	Shreedhar Dhungana	Branch Manager	Naya Thimi	P-3 Cluster C
90	Sudeep Baral	Branch Manager	Okhaldhunga	P-3 Cluster C
91	Omee Joshi	Branch Manager	Pepsicola	P-3 Cluster C
92	Bikram Prajapati	Branch Manager	Salleri	P-3 Cluster C

## LIST OF BRANCH MANAGER

S.N	NAME	DESIGNATION	BRANCH	PROVINCE
93	Prabindra Bir Bajracharya	Branch Manager	Sunkoshi	P-3 Cluster C
94	Mukesh Thapa	Branch Manager	Suryabinayak	P-3 Cluster C
95	Sushil Kumar Shrestha 1	Branch Manager	Tatopani	P-3 Cluster C
96	Deepak Niroula	Branch Manager	Benighat	P-3 Cluster D
97	Sujan Kumar Bista	Branch Manager	Gajuri	P-3 Cluster D
98	Kamal Raj Poudel	Branch Manager	Hakim Chowk	P-3 Cluster D
99	Roshan Dhakal	Branch Manager	Hetauda	P-3 Cluster D
100	Shobha Shrestha	Branch Manager	Ichhakamana	P-3 Cluster D
101	Bishal Khanal	Branch Manager	Kalika	P-3 Cluster D
102	Hem Prasad Itani	Branch Manager	Kawaswoti	P-3 Cluster D
103	Raghav Raj Joshi	Branch Manager	Narayangadh	P-3 Cluster D
104	Ram Krishna Tiwari	Branch Manager	Parsa	P-3 Cluster D
105	Sunil Shrestha	Branch Manager	Salyantar	P-3 Cluster D
106	Subash Khadka	Branch Manager	Simle	P-3 Cluster D
107	Ananda Adhikari	Branch Manager	Tandi	P-3 Cluster D
108	Vickey Narayan Shrestha	Branch Manager	Timure	P-3 Cluster D
109	Sameer Shrestha	Officiating Branch Manager	Trishuli	P-3 Cluster D
110	Saroj Pokharel	Branch Manager	Amar Singh	P-4 Cluster A
111	Ujjwal Ghimire	Branch Manager	Bagar	P-4 Cluster A
112	Manoj Raj Ghimire	Branch Manager	Birauta	P-4 Cluster A
113	Suresh Kunwar	Branch Manager	Hemja	P-4 Cluster A
114	Sailesh Rayamajhi	Branch Manager	Lakeside	P-4 Cluster A
115	Rajesh Devkota	Branch Manager	Lamachaur	P-4 Cluster A
116	Bhanu Bhakta Adhikari	Branch Manager	Lekhnath	P-4 Cluster A
117	Prakash Giri	Branch Manager	Nayabazar Pokhara	P-4 Cluster A
118	Birendra KC	Branch Manager	New Road Pokhara	P-4 Cluster A
119	Shalikram Pahari	Branch Manager	Parsyang	P-4 Cluster A
120	Sudeep Mahato	Branch Manager	Aanbukhaireni	P-4 Cluster B
121	Ramesh Khadka	Branch Manager	Baglung	P-4 Cluster B
122	Man Prasad Sharma	Branch Manager	Beni	P-4 Cluster B
123	Nanda Kumar Shrestha	Branch Manager	Besisahar	P-4 Cluster B
124	Jhalak Prasad Pokhrel	Officiating Branch Manager	Bhimad	P-4 Cluster B
125	Maheshwor Dawadi	Branch Manager	Damauli	P-4 Cluster B
126	Surya Tripathi	Branch Manager	Dulegauda	P-4 Cluster B
127	Krishma Shrestha	Branch Manager	Jomsom	P-4 Cluster B
128	Santosh Kumar K.C.	Branch Manager	Kushma	P-4 Cluster B
129	Shri Kanta Pantha	Branch Manager	Madi	P-4 Cluster B
130	Som Bahadur Gurung	Branch Manager	Putalibazar	P-4 Cluster B
131	Suman Pantha	Branch Manager	Sikles	P-4 Cluster B
132	Khyam Narayan Kafle	Branch Manager	Waling	P-4 Cluster B
133	Bhabishwar Dumre	Branch Manager	Bardaghat	P-5 Cluster A
134	Hem Bahadur Lama	Branch Manager	Bhairahawa	P-5 Cluster A
135	Amit Bhatta	Branch Manager	Butwal	P-5 Cluster A
136	Dinesh Pandey	Branch Manager	Chandrauta	P-5 Cluster A
137	Barsha Khanal	Branch Manager	Lumbini	P-5 Cluster A
138	Ramesh Aryal	Branch Manager	Manigram	P-5 Cluster A

## LIST OF BRANCH MANAGER

S.N	NAME	DESIGNATION	BRANCH	PROVINCE
139	Binod Thapa	Branch Manager	Palpa	P-5 Cluster A
140	Deepesh Kumar Karn	Branch Manager	Parasi	P-5 Cluster A
141	Sangharsh Regmi	Branch Manager	Taulihawa	P-5 Cluster A
142	Deb Bahadur K. C.	Branch Manager	Ghorahi	P-5 Cluster B
143	Man Bahadur Saud	Branch Manager	Guleriya	P-5 Cluster B
144	Deepak Khadka	Branch Manager	Kohalpur	P-5 Cluster B
145	Dinesh Bohora	Branch Manager	Lamahi	P-5 Cluster B
146	Niraj Giri	Branch Manager	Nepalgunj	P-5 Cluster B
147	Sharad Gautam	Branch Manager	Thakurdwara	P-5 Cluster B
148	Dipendra Neupane	Branch Manager	Tulsipur	P-5 Cluster B
149	Puja Amatya	Branch Manager	Biredranagar	P-6
150	Krishna Chalise	Branch Manager	Dolpa	P-6
151	Madan Mohan Rimal	Branch Manager	Jumla	P-6
152	Basant Shah	Branch Manager	Khatyad	P-6
153	Lalit Singh Bhat	Branch Manager	Salyan	P-6
154	Mahesh Chand	Officiating Branch Manager	Api	P-7
155	Mukund Prasad Joshi	Branch Manager	Attariya	P-7
156	Basant Damai	Branch Manager	Binayak	P-7
157	Narendra Bahadur Bohara	Branch Manager	Dadeldhura	P-7
158	Shiv Raj Pathak	Branch Manager	Dhangadhi	P-7
159	Deergh Singh Kathayat	Branch Manager	IBRD	P-7
160	Manoj Ojha	Branch Manager	Khalanga	P-7
161	Bhupendra Ghimire	Branch Manager	Lamki	P-7
162	Puja Kumari Bist	Officiating Branch Manager	Mahendranagar	P-7
163	Nabin Singh Rokaya	Branch Manager	Malikarjun	P-7
164	Jayanti Joshi	Officiating Branch Manager	Rajpur	P-7
165	Min Raj Bhatta	Branch Manager	Vyas	P-7

# BRANCH NETWORK

## KOSHI PROVINCE

### BARADASHI BRANCH

Baradashi Rural Municipality, Jhapa

### BHOJPUR BRANCH

Main Bazar, Bhojpur Municipality-7, Bhojpur  
+977-29-420280, 420357

### BIRATCHOWK BRANCH

Indrapur, Biratchowk, Morang  
+977-21547430, 21548230

### BIRATNAGAR BRANCH

Jaljala Chowk, Biratnagar, Morang  
+977-21-450412, 9852683262

### BIRTAMOD BRANCH

Bhadrapur Line, Birtamod Municipality-4, Jhapa  
+977-23-531600, 534001, 9852680990

### CHAKRAGHATTI BRANCH

Munal Chowk, Barahachhetra Municipality-6, Sunsari  
+977-25-551102, 551103, 9842046120

### CHANDRAGADHI BRANCH

Charali Road, Chandragadhi, Bhadrapur-10, Jhapa  
+977-23-453570, 9810326037

### DAMAK BRANCH

Beldangi Road, Damak, Damak Municipality-6, Jhapa  
+977-023-574963, 574964, 9844625664

### DHANKUTA BRANCH

Dhankuta Bazar, Dhankuta  
+977-026-523437, 523438, 9851245718

### DHARAN BRANCH

College Road, Dharan Sub-Metropolitan City-12, Sunsari  
977-025-578895, 538796, 538797, 9851200011

### GAIGHAT BRANCH

D.M. Gate, Gaighat, Triyuga-11, Udaypur  
+977-35-421090, 421091, 9849029890

### HALESI BRANCH

Halesi Tuwachung Municipality, Khotang  
+977-36-410094, 9851115830

### HILE BRANCH

Hile Bazar, Dhankuta  
+977-26- 540554, 9842072607

### ILAM BRANCH

Ilam Bazar, Ilam  
+977-27-521710, 9842409803

### INARUWA BRANCH

Inaruwa, Sunsari, Koshi  
+977-025-565542, 565543, 9852639317

### ITAHARI BRANCH

Purba line, Itahari Sub-Metropolitan City-6, Sunsari  
+977-25-586881, 9841539549

### JAHADA BRANCH

Laxminia Chowk, Jahada Rural Municipality-5, Morang  
9849033517

### KAKADVITA BRANCH

Suryodaya Marg, Kakadvita, Jhapa  
+977-23-566411, 566953, 9852025773

### KANCHANBARI BRANCH

Kanchanbari Chowk, Biratnagar-3, Morang  
+977-21-461823, 9849151769

### KATARI BRANCH

Katari Municipality, Ward No-03, Udaypur  
+977-35-450568, 9851071841

### OKHALDHUNGA BRANCH

Okhaldhunga  
9810058171

### PHIDIM BRANCH

Mainrod, Limbuwan Gate, Phidim-1, Panchthar  
+977-24-522526, 9844620100

### SALLERI BRANCH

Salleri Bazar, Dudhkunda Municipality-5, Solukhumbu  
+977-38-520465, 9841745446

### SUNKOSHI BRANCH

Mulkharka, Sunkoshi-5, Okhaldhunga  
+977-9741461090, 9841647500

### SURUNGA BRANCH

Surunga, Kankai Municipality-3, Jhapa  
+977-23-552664, 552665, 9852051164

### TANKISINWARI BRANCH

Gangachowk, Tankisinwari, Budhiganga-2, Morang  
+977-21-420442, 9851231229

### TAPLEJUNG BRANCH

Birendra Chowk, Phungling Municipality-5, Taplejung  
+977-24-460517, 9851079969

### TYAMKE MAIYUM BRANCH

Annapurna, Tyamke Maiyum-3, Bhojpur

### URLABARI BRANCH

Urlabari Municipality-1, Morang  
+977-21- 543243, 543343

## MADESH

### AADARSHANAGAR BRANCH

Birgunj Metropolitan City, Ward No. 06, Parsa  
+977-051-591198, 051-591998

### BARDIBAS BRANCH

Bardibas  
+977-44-550731, 550732

### BIRGUNJ BRANCH

Link Road, Ghantaghar, Birgunj, Parsa  
+977-51-524828

### BRINDABAN BRANCH

Brindaban Rural Municipality, Rautahat  
+977-61-620039

### CHANDRAPUR BRANCH

Chandrapur Chowk, Chandrapur-4, Rautahat  
+977-55-540439

### DHALKEBAR BRANCH

Mr. Apurva Rauniyar  
Dhalkebar, Mithila Municipality-6, Dhanusha  
+977-041-560250, 560251

### GANESHPAN CHARNATH BRANCH

Birendrabazar, Dhanusha  
977-041-427051

### GAUR BRANCH

Gaur Municipality-05, Rautahat  
+977-55-520670, 520675

### GOLBAZAR BRANCH

Golbazar municipality, Siraha  
+977-33-540530, 540531, 540532

### HARIWON BRANCH

Hariwon Municipality "11, Sarlahi  
+977-46-530048

### JANAKPUR BRANCH

Mills Area Road, Janakpurdam-1, Dhanusha  
+977-41-590801, 590802

### KALAIYA BRANCH

Kalaiya, Kalaiya Sub Metropolitan-1, Bara  
+977-53-550559, 550560,

### KALYANPUR BRANCH

Kalyanpur, Siraha  
+977-33-403065

### KANCHANRUP BRANCH

Kanchanrup Barrier, Kanchanrup-8, Saptari  
+977-31-560338, 560339

### KARJANHA BRANCH

Phul Kumari Mahato Memorial Hospital, Karjanha, Siraha  
+977-33-411019

### LAHAN BRANCH

Hulak Chowk, Lahan, Siraha  
+977-33-562258, 562259  
gyanendra.goshwami@mbi.com.np

### MR. SHESH RAJ POKHREL

Lalbandi Bazar, Lalbandi Municipality-7, Sarlahi  
+977-46-501551, 501561

### MAHULI BRANCH

Mr. Niraj Acharya  
Krishnasawaran Rural Municipality, Saptari  
+977-31-411235, 411236

### MALANGWA BRANCH

Mr. Rajesh Kumar Chaudhary  
Malangawa Municipality-08, Sarlahi  
+977-46-521278, 521279

**MATIHANI BRANCH**

Matihani Bazar, Mahottari  
+977-44-540078

**PARMANAND YADAV**

Katari Chowk, Mirchaiya Municipality-6, Siraha  
+977-33-550626

**NAGARAIN BRANCH**

Phulgama, Nagarain Municipality-4, Dhanusha  
+977-1-6201558

**NIJGADH BRANCH**

Nijgadh Municipality-09, Bara  
+977-53-540247

**RAJBIRAJ BRANCH**

Neta Chowk, Rajbiraj, Saptari  
+977-31-532466

**SAKHUWA MAHENDRANAGAR BRANCH**

Hanuman Chok, Chhireswornath-5, Dhanusha  
+977-41-540094

**SIMARA BRANCH**

Jitpur, Simara Sub-Metropolitan-2, Bara  
+977-53-521249, 521349

**SIRAHA**

033-520363, 520263

**BAGMATI****BALAJU BRANCH**

Balaju Chowk, Ringroad, Kathmandu-16  
+977-1-4981729, 4981917

**BALUWATAR BRANCH**

Baluwatar, Kathmandu  
+977-1-4431815, 4434745

**BANEPA BRANCH**

Banepa, Kavrepalanchowk  
+977-11-663553

**BATTISPUTALI BRANCH**

Battispatali, Kathmandu Metropolitan City-9  
+977-1-4496909, 4496900

**BENIGHAT BRANCH**

Benighat, Benighat Rorang-3, Dhading  
+977-10-416141, 416140

**BOUDDHA BRANCH**

Bouddha, Kathmandu  
+977-01-4915425

**BUDHANILKANTHA BRANCH**

Budhanilkantha, Budhanilkantha Municipality-4  
+977-1-4370077, 4370096

**CHABAHIL BRANCH**

Chabahil, Kathmandu  
+977-01-4560005, 4561953

**CHAPAGAUN BRANCH**

Pyangaun Bus Park, Chapagaun, Lalitpur  
01-5265452

**DALLU BRANCH**

Siddhartha Chowk, Dallu, Kathmandu-15  
+977-1-4281952, 4280813

**DURBARMARG BRANCH**

1 Durbar Mall, Durbarmarg, Kathmandu, Nepal  
+977-1- 5360988/5360989

**GAJURI BRANCH**

Gajuri Bazar, Gajuri Rural Municipality-1, Dhading  
+977-10-402077, 402078

**GONGABU BRANCH**

Samakhushi, Gongabu, Kathmandu  
+977-01-14989170, 4989171, 4989172

**HAKIM CHOWK BRANCH**

Hakim Chowk, Bharatpur, Chitwan  
+977-56- 590976, 590978

**HETAUDA BRANCH**

Ajar Amar Marg, Hetauda-04, Makwanpur  
+977-57-527067, 527030

**ICHHAKAMANA BRANCH**

Kurintar, Ichhakamana Rural Municipality-4, Chitwan  
+977-56-410116

**KALANKI BRANCH**

Kalanki, Kathmandu Metropolitan City-14  
+977-1-5225052, 5225211

**KALIKA BRANCH**

Kalika Municipality, Chitwan  
+977-56-413146, 413147

**KAMALBINAYAK BRANCH**

Kamalbinayak, Bhaktapur  
+977-1-6620120, 6620220

**KAPAN BRANCH**

Kapan, Budanilkantha Municipality-10, Kathmandu  
+977-1-4813116, 117

**KAUSHALTAR BRANCH**

Ms. Rojee KC (Khatri)  
Kaushaltar, Madhyapur Thimi-03, Bhaktapur  
+977-1-5900087, 5900089

**KHUSIBU BRANCH**

Sorakhutte, Khusibu Kathmandu-16  
+977-1-4383922

**KIRTIPUR BRANCH**

Kirtipur, Kirtipur Municipality-9  
+977-1-5907028

**KOTESHWOR BRANCH**

Koteshwor, Kathmandu  
+977-1-5199693, 5199716

**KULESHWOR BRANCH**

Kuleshwor, Kathmandu  
+977-01-5386316, 5386422

**KUMARIPATI BRANCH**

Kumaripati, Lalitpur  
+977-1-5425087, 5426302,

**LALITPUR (GWARKO) BRANCH**

Gwarko, Lalitpur  
+977-1-5203333

**LAZIMPAT BRANCH**

Ms. Mohini Pradhan  
Lazimpat, Kathmandu  
+977-1-4528556

**MAHARAJGUNJ BRANCH**

Maharajgunj, Kathmandu Metropolitan City-3  
+977-4376763, 4378021

**NAGARKOT BRANCH**

Bhaktapur, Changunarayan Municipality-06  
+977-1-6680226, 6680227

**NARAYANGADH BRANCH**

Sahid Chowk, Bharatpur Metropolitan City-3, Chitwan  
+977-56-598223, 598224

**NARAYANTAR BRANCH**

Boudha Road, Gokarneshwor  
014913245

**NAXAL BRANCH**

Narayanchaur, Naxal, Kathmandu  
+977-1-4533853, 4535833, 4544620

**NAYA THIMI BRANCH**

Naya Thimi, Bhaktapur  
+977- 1-5639612, 5639639

**NEW BANESHWOR BRANCH**

New Baneshwor, Kathmandu  
+977-1-4792183, 4792858

**NEWRoad BRANCH**

New Road, Kathmandu  
+977-1-4223115, 4839490, 4230726

**PARSA BRANCH**

Parsa, Khairahani Municipality-8, Chitwan  
+977-56-582612, 582610

**PEPSICOLA BRANCH**

Mr. Omeel Joshi  
Purano Sinamangal, Pepsicola, Kathmandu  
+977-1-5156182, 5156083

**PULCHWOK BRANCH**

Prasiddhi Tower, Pulchowk, Lalitpur  
+977-1-5535681

**PUTALISADAK BRANCH**

Putalisadak, Kathmandu  
+977-01-4443681, 4418544, 4416045

**SALYANTAR BRANCH**

Tripurasundari Ga.Pa-01, Kholasi Chowk, Salyantar  
+977-10-421058, 421059

**SATDOBATO BRANCH**

Satdobato, Lalitpur  
+977-01-5914981, 5913180

**SATUNGAL BRANCH**

Satungal, Chandragiri Municipality-11, Kathmandu  
+977-1-4315171,4315172

**SIMLE BRANCH**

Simle Bazar, Thakre Rural Municipality, Ward No. 02  
010-417084

**SURYABINAYAK BRANCH**

Pandu Bazaar, Suryabinayak Municipality-6, Bhak-  
tapur  
+977-1-5708040, 5708041

**SWOYAMBHU BRANCH**

Swoyambhu Chowk (Ringroad), Kathmandu  
+977-1-5247219, 5247222

**TANDI BRANCH**

Tandi, Ratnanagar-1, Chitwan  
+977-56-562158

**TATOPANI BRANCH**

Khokundole, Tatopani, Bhotekoshi -04  
+977-11-480007, 480003

**THAMEL BRANCH**

Narsingha Chowk, Thamel, Kathmandu-26  
+977-1-5906030, 5906031

**THAPATHALI BRANCH**

Thapathali (Singha Tole), Kathmandu-11  
+977-1-4233182

**TIMURE BRANCH**

Timure, Gosainkunda Rural Municipality, Rasuwa  
+977-010-543115

**TRISHULI BRANCH**

Bataar Bazaar, Bidur Municipality-04, Nuwakot  
+977-10-560505

**GANDAKI****AANBU KHAIRENI BRANCH**

Aanbu Khaireni, Tanahun  
+977-65-540345, 540344

**AMAR SINGH BRANCH**

Amarsingh Chowk, Pokhara, Kaski  
+977-61-434192, 434193

**BAGAR BRANCH**

Bagar, Pokhara, Kaski  
+977-61-541226

**BAGLUNG BRANCH**

Baglung Bazar, Baglung  
+977-68-522673

**BENI BRANCH**

Campus Chowk, Beni Bazar, Myagdi  
+977-69-520964

**BESISAHAR BRANCH**

Malpot Chowk Fulbari, Besisahar-8, Lamjung  
+977-66-521452, 521451

**BHIMAD BRANCH**

Bhimad, Tanahun  
+977-65-572441

**BIRAUTA BRANCH**

Birauta, Pokhara Metropolitan City-17, Kaski  
+977-61458054, 61458055

**DAMAULI BRANCH**

Mahersichowk, Damauli, Tanahun  
977-65-563500, 563502, 563503, 563614, 565244

**DULEGAUDA BRANCH**

Dulegauda, Shuklagandaki Municipality-4, Tanahun  
+977-65-414270

**HEMJA BRANCH**

Hemja, Milanchowk, Pokhara-25, Kaski  
+977-61-400565, 400572

**JOMSOM BRANCH**

Puthang Airport, Marpha, Jomsom  
+977-69-440098

**KAWASOTI BRANCH**

Sabhapati chowk, Kawasoti-8, Nawalpur  
+977-78-540941

**KUSHMA BRANCH**

Kushma Municipality-4, Parbat  
+977-67-420836, 420869

**LAKE SIDE BRANCH**

Halanchowk, Pokhara Metropolitan City-6, Kaski  
+977-061-453200/ 453500,

**LAMACHAUR BRANCH**

Lamachaur, Pokhara Metropolitan City -19, Kaski  
+977-061-444799, 061-445313

**LEKHNATH BRANCH**

Arghaichowk, Lekhnath, Pokhara-27, Kaski  
+977-61-561717

**MADI BRANCH**

Madi Rural Municipality, Kaski  
+977-61-506408

**NAYA BAZAR BRANCH**

Naya Bazar, Pokhara  
+977-061-580500, 580800, 580900, 581800,  
582868, 582869, 584358, 543049

**NEW ROAD POKHARA BRANCH**

Newroad, Pokhara, Kaski  
+977-61-584357, 588479, 588480, 589945

**PARSYANG BRANCH**

Malepatan, Parsyang, Pokhara-5, Kaski  
+977-61-419574, 419575

**POTALIBAZAR BRANCH**

Hulak Marga, Putalibazar Municipality-1, Syangja  
+977-063-425222, 425223, 425224

**SIKLES BRANCH**

Madi Municipality-01  
+977-61-413094

**WALING BRANCH**

Naya Bazar, Waling, Syangja  
977- 063-441311, 441572

**BARDAGHAT BRANCH**

Shivanagar Colony, Bardaghat-4, Nawalparasi  
+977-78-590965, 590966

**BHAIRAHAWA BRANCH**

Devkota Chowk – Siddharthanagar-12, Rupandehi  
(Opposite to NRB Bhairahawa)  
+977- 71574642,71574643,71575901

**BUTWAL BRANCH**

Ram Mandir Path, Butwal, Rupandehi  
+977-071-535765, 535766, 535776, 535789

**CHANDRAUTA BRANCH**

Chandrauta, Shivaraj Municipality-5, Kapilvastu  
+977-76-540555, 540640

**GHORAH BRANCH**

Sahid Umesh Marg, Ghorahi-15, Dang  
+977-82-562372

**GULARIYA BRANCH**

Mr. Man Bahadur Saud  
Radhakrishna Tole, Gulariya Municipality-6, Bardiya  
+977-84-420501, 420512

**KOHALPUR BRANCH**

New Road, Kohalpur Municipality-11, Banke  
+977-81-541066, 541067

**LAMAHI BRANCH**

Deupur Road, Lamahi Municipality-5, Dang  
+977-82-540870, 540875

**LUMBINI BRANCH**

Lumbini Sanskritik-6, Rupandehi, Nepal  
+977-71-404085

**MANIGRAM BRANCH**

Mr. Ramesh Aryal  
Manigram, Tilottama Municipality-5, Rupandehi  
+977-71-561340

**NEPALGUNJ BRANCH**

Karkando, Nepalgunj Sub-Metropolitan City-18, Banke  
+977- 081- 531004, 531005, 531006

**PALPA BRANCH**

Silkhan Tole, Tansen Municipality-4, Palpa  
+977-75-522739

**PARASI BRANCH**

Maheshpur Chowk, Ramgram-5, Nawalparasi  
+977-78-520437

**TAULIHAWA BRANCH**

Taulihawa municipality, Kapilvastu  
+977-76-560462,9857042567

**THAKURDWARA BRANCH**

Thakurdwara, Thakurbaba Municipality-09, Bardiya  
+977-84-402098

**TULSIPUR BRANCH**

BP Chowk, Tulsipur Sub-Metropolitan City-5, Dang  
+977-82-590162

## KARNALI

### DOLPA BRANCH

Tripurasundari Municipality, Dolpa  
+977-1-6201557

### JUMLA BRANCH

Chandannath Municipality, Ward No-05, Jumla  
+977-87-520500, 520600

### KHATYAD BRANCH

Khatyad Municipality, Mugu

### SALYAN BRANCH

Shreenagar, Sharada Municipality-1, Salyan  
+977-88-400045

### SURKHET BRANCH

Birendranagar, Surkhet  
+977-83-523061, 523063

## SUDURPASCHIM

### API HIMAL BRANCH

Khandeshwori, ApiHimal Gaunpalika-4, Darchula

### ATTARIYA BRANCH

Attariya, Godawari Municipality-1, Kailali  
+977-91-550431

### BINAYAK BRANCH

Binayak Bazar, Panchadewal Binayak-3, Achham  
+977-97-500037

### DADELDHURA BRANCH

Amargadi Municipality, Ward No-05, Dadeldhura  
+977-96-420960

### DHANGADHI BRANCH

Chauraha Road, Dhangadi  
+977-91-520556, 520596

### IBRD BRANCH

IBRD, Kanchanpur  
+977-99-420082, 420087, 9811670700

### KHALANGA BRANCH

Tinkarkheda, Khalanga, Mahakali-4, Darchula  
+977-93-420348

### LAMKI BRANCH

Lamkichuha Municipality-1, Kailali  
+977-91-540565, 540566

### MAHENDRANAGAR BRANCH

Mahendranagar, Kanchanpur  
+977-99-521373, 522314

### MALIKARJUN BRANCH

Malikarjun Rural Municipality, Darchula  
9860618034

### RAJPUR BRANCH

Dhangadhi

### VYAS BRANCH

Sunsera, Vyas Gaunpalika-4, Darchula

# FINANCIAL LITERACY

PROGRAMS ORGANIZED BY VARIOUS BRANCH OFFICES







*Handover of daily consumables to dependent children at Naxal Children's Temple*



*Distribution of warm winter sweaters to students studying at Shree Siddhawati Secondary School, Khambu in Udaipur district*



QR handover program at the famous Vindhya Vasini temple in Pokhara

# HIGHLIGHTS OF THE BANK'S 24TH ANNUAL GENERAL MEETING





**GLIMPSES OF VARIOUS PROGRAMS ORGANIZED  
ON THE OCCASION OF THE 22ND ANNIVERSARY OF THE BANK**





# 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	<b>Small Medium Enterprise (SME) financing, Corporate financing, Consumer financing</b> 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
<b>Address of Corporate Head Office</b>	MBL Tower, Lazimpat, Kathmandu
Telephone	+977-01-4528556
Facsimile	+977-01-4425356
Email address	machbank@mbl.com.np
SWIFT Code	MBLNNPKA

### MACHHAPUCHCHHRE KRITI CAPITAL LIMITED SUBSTANTIALLY 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
<b>Head Office</b>	Sundhara, Kathmandu
Telephone	+977-01-4266285
Email address	mcl@machcapital.com.np



[www.machbank.com](http://www.machbank.com)