

Making Life Better



Machhapuchchhre Bank

www.machhapuchchhre.com

Annual Report
2020/21





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.

COUNTER 3

COUNTER 2

COUNTER 1



www.machbank.com

हाम्रो
माछापुच्छ्रे बैंक
जहिले छ हाम्रो साथ...

Machhapuchhre Bank Limited
माछापुच्छ्रे बैंक लिमिटेड

संस्थापक अध्यक्ष

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Bank's Overview

The Bank facilitates its customers' need by delivering the best of services in combination with the latest state of the art technologies and prudent international practices. The bank 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 9.05 billion rupees, 162 Branch Offices, 175 Branchless Banking Units, 7 Extension Counters and 203 ATMs spread all across the country, it is one of the full fledged national level commercial banks operating in Nepal. It takes pride in having its own buildings for its Head and Corporate Office in Lazimpat, and Branch offices in Naya Bazar, Pokhara, Jomsom, Baglung and Damauli.





VISION

To become the bank of the first choice of the people.



36%

PROFIT GROWTH

1500+

NO. OF EMPLOYEES

7

EXTENSION COUNTERS



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.

162

BRANCHES ACROSS THE COUNTRY

203

ATM NETWORK

175

BRANCHLESS BANKING UNITS



VALUES

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

INTEGRITY

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

ACCESSIBILITY

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

VALUE CREATION

For shareholders, customers, employees and the nation.

QUALITY SERVICE

Through unmatched professionalism and excellent customer care.

STEWARDSHIP OF RESOURCES

With the feeling of ownership and accountability.



BANK STRATEGIES FOR THE FORTHCOMING YEAR

The Bank throughout the year was mainly focused on volume and product activity growth, cost minimization and stepping up its digitization effort with the spirit of accepting the change in strategy if required.

In last FY 2019-20, the Bank had to cope with the uncertain business scenario even before the inception of the year as the entire economy was coiled with COVID-19 terror. The Bank had set business plan considering the unprecedented situation of the economy and had started the year with dynamic strategies. The Bank throughout the year was mainly focused on volume and product activity growth, cost minimization and stepping up its digitization

effort with the spirit of accepting the change in strategy if required. In line with the strategy, the Bank was able to achieve around 50 Billion business (Loan & Deposit) volume with satisfactory other product activities growth including massive digital expansion and introduction of new products. However, the Bank's biggest challenge of last year, CBS migration along with simultaneous lockdown resulted by second wave of COVID-19 since the start of last quarter had created set back in the Bank's continual strategy achievement pace. Despite all the challenges, the Bank's sheer determination and dedication helped to achieve all the action plan including successful CBS migration within short period of time.

Among the strategies set for forthcoming fiscal year 2021-22, expanding our footprint in the digital banking segment holds considerable amount of importance. The Bank has made significant progress plan in the digital front in this fiscal year. However, in the coming fiscal year, the Bank wish to double the initiative and cement the position as key digital enabler in the industry living true to our name as "The Smart Bank". Further, the Bank shall expand the Bank digital network and incept the facility of foneloan and Omni channels and promote Banks digital wallet 'Remitap' - the first of its kind ever to be launched



by any Banks and Financial Institutions in the history of Nepal. The Bank also seek to introduce Cash Deposit Machine facilitating customers to directly deposit their hard cash into a machine without visiting the branch. The Bank is continuously striving towards digital excellence and has remained focused on redesigning and simplifying customer journeys to improve overall customer experience.

Further, the Bank want to emphasize on improving the Service delivery of the Bank for maximization of customer satisfaction with the vision to be the Bank of first choice. Hence, this year the focus shall be on External as well as Internal service giving special priority to exponentially improve the customer service quality and professionalism. Another priority the Bank has laid-down is to achieve Cost Efficiency by conducting orientation on cost reduction initiatives. Enhancing the operational effectiveness of Document Management System (DMS) and Loan Origination System (LOS), promoting paperless environment and search for other areas of automation in order to save operational costs as the major gears for the internal service quality and efficiency enhancement. Nepal being one of the remittance based economies, the Bank aims to develop Remittance as a strategic

sphere of operation by offering a wide range of customer-friendly and innovative products and services to its valued customers. The Bank seeks to meet the various demands of the widely dispersed Nepalese living and working abroad through business tie ups with various correspondent banks and exchange house / agents. The key strategies for forthcoming fiscal year include expansion of remittance network (both MBL Remit and other remits) as well as enhancement of the newly launched online platform for remittance services 'Remitap'.

The Bank plans to bring significant changes in the HR function of the Bank to make HR as a strong enabler and facilitator in meeting the business objectives of the Bank. The strategic goal of HR is to facilitate continuous talent acquisition, skill & knowledge development, employee engagement and employee retention. In particular, the Bank plans to invest adequate time and effort to improve the overall performance, productivity and efficiency of the Bank's staff force. The focus of this year's Human Resource Management and Development Strategy is to give utmost priority to the development of its workforce by focusing on employee training, development and governance.

Furthermore, the Bank shall continue its network expansion policy in fiscal year 2021-22 as well. The Bank shall establish branches, ATMs, POS and BLBs at strategically viable locations enhancing the already established wide area of network all over the country. In addition to this, the Bank shall actively contribute to the social and economic development and upliftment of the underprivileged communities through its CSR initiatives. The Bank has maintained a long legacy of contributing to the welfare of the society and coming fiscal year the Bank plans to strengthen it further. Lastly, the Bank shall also actively contribute in prevention of COVID-19 impacts and use it as boon rather than considering it as curse focusing more on aspects including digitization, automation and process re-engineering and embracing innovation.

BOARD OF DIRECTORS



Dr. Birendra Prasad Mahato
Chairman

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



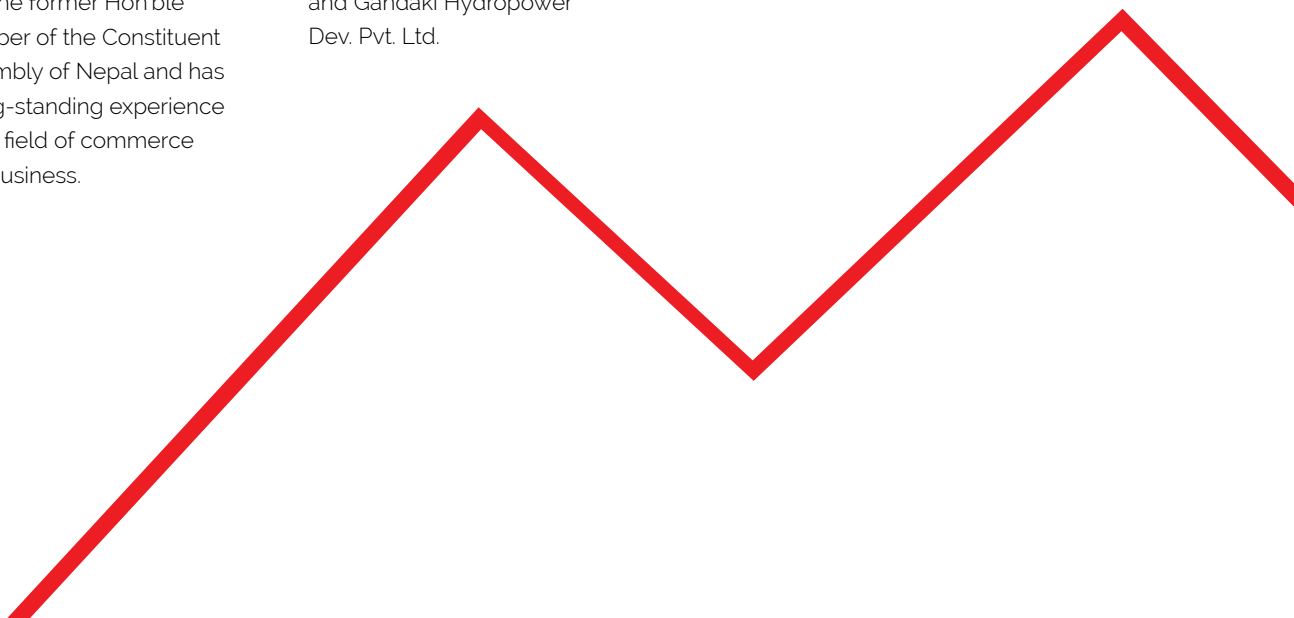
Mr. Roshan KC
Promoter Director

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. Mukunda Mahat
Independent Director

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





Mr. Jaya Mukunda Khanal
Public Director

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



Mr. Bishow Prakash Gautam
Public Director

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



Mr. Haribhakta Sigdel
Promoter Director

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



Ms. Bandana Karki
Public Director

Ms. Bandana Karki holds Master 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 STATEMENT

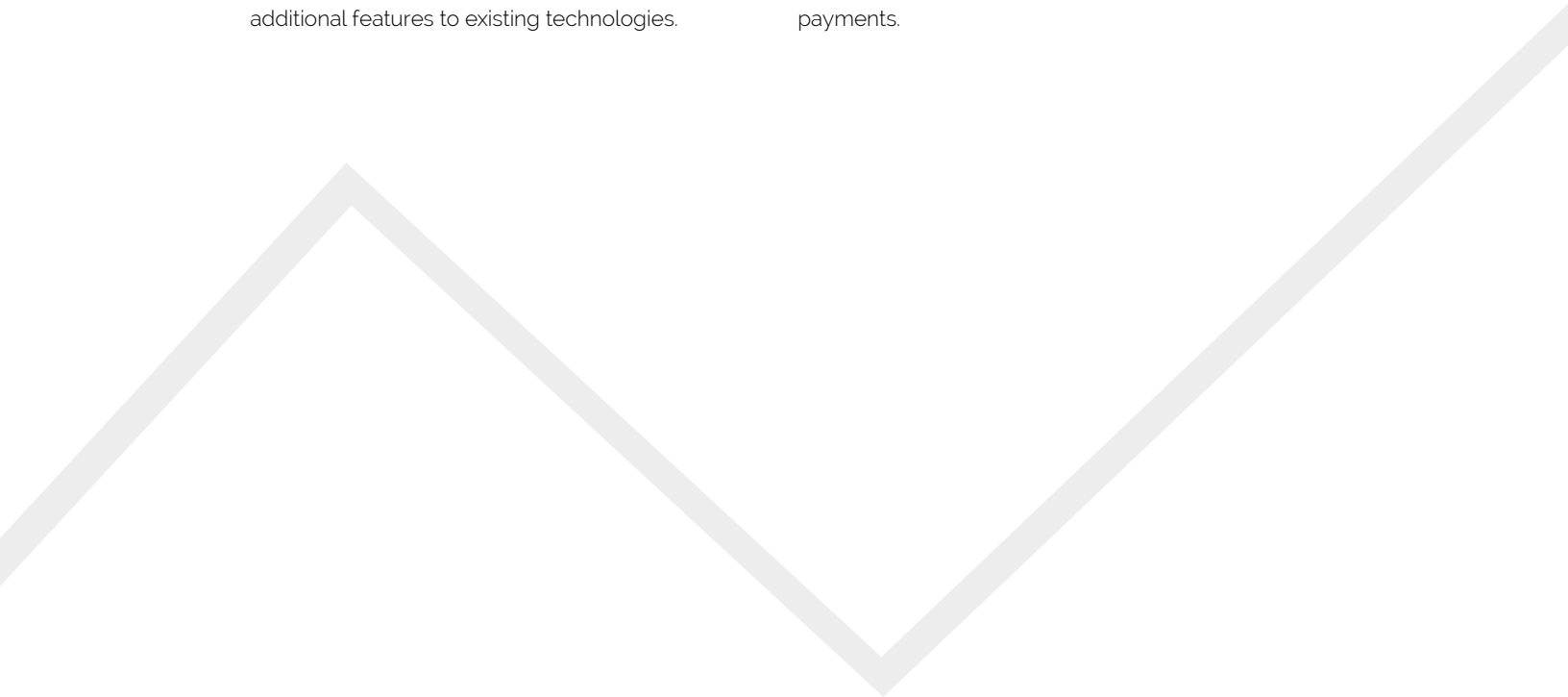
It is a proud moment for everyone associated with Machhapuchchhre Bank that the bank has completed its 22nd years of remarkable operation. In the last few years, we have made remarkable leap in the banking sector and we are on the way to become one of the best bank in the country.

We are here today because of the continued goodwill and support of our shareholder dignitaries, the deep trust and love of our customers towards us, the guidance of the regulatory bodies and the determined efforts of all the staff. While embracing the new dimensions of science and 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.

Today, especially in the field of digitization, we have been able to establish ourselves as a smart bank. Moving towards digitization keep our customers safe from various cyber risks in addition to constantly pushing the latest digital services and simplifying banking services and we have not compromised on this issue.

It seems that Covid 19 has become a challenge as well as an opportunity for banks. Opportunity in the sense to explore new avenues of digital services. The uses of digital services by banks has increased significantly since the outbreak of the Covid 19. There has also been a significant increase in the number of customers using digital banking services. Covid 19 is a global challenge right now, but I don't think there is an alternative to taking it as an opportunity rather than a problem. The objective of Machhapuchche Bank is to enable all the customers to provide complete banking facility at home. We are not only becoming a smart bank in slogans but also in our efforts to become smarter in practice. We are working on a strategy to develop and expand new technologies in a timely manner and to add additional features to existing technologies.

Finacle is our latest replaced the core banking software with existing Temenus, which we have been using for the past 20 years. We hope this will help in streamlining the operations as well as taking digital banking to new heights. Besides, the bank has also introduced various other digital products to support cashless transactions i.e. Mobile banking, internet banking, corporate internet banking, POS, QR, smart QR, card less withdrawal, online account opening, online Demat etc. with the high class efficiency, convenience and security. We believe those digital services will create a milestone towards a true cashless economy and those handy tools that enabled out customers to avail banking services from their own devices, providing them a greater freedom and control in managing their finances and payments.



Similarly, we have expanded customer access to bank services across the country by significantly expanding branches, extension counters, branchless banking and ATM networks. We believe that it will play an important role in expanding customers banking needs as well as retail deposits and SME loans.

Recent, Covid pandemic have had a significant impact in the business, revenues in past few years. As all are aware, how COVID- 19 has affected the country's economic conditions, and how challenging time it has been to everyone including the banking industry. Talking about the economic conditions of our country each sector i.e banking, manufacturing, tourism and aviation, trading, marketing have been badly affected and still those sectors are fighting to survive.

This has not only hampered the expansion of the bank's business but has also had a direct impact on the bank's revenue. We expect, the banking sector along with other productive sectors will pick speed in coming days.

At the end, I would like to thank all our respected shareholders, other stakeholders, regulators, dedicated and hardworking staffs and our valued customers and well-wishers for their significant contribution. The constructive advice, suggestions, support and goodwill we receive from you will give us more energy to move forward towards achieving our goals.

Thank You

DR. BIRENDRA PD. MAHATO
CHAIRMAN



CEO'S STATEMENT

The Bank upgraded to the latest version of Finacle as its Core Banking System (CBS) successfully replacing the Temenos T24 software that has been in use for past 21 years.

On behalf of Machhapuchchhre Bank Limited; I would like to extend my heartfelt welcome and greeting to the respected Chairman of 23rd Annual General Meeting of the Bank and the Board of Directors, Members of the Board of Directors, shareholders and also to all the stakeholders who have participated in this meeting through Zoom accepting our invitation.

With the main motto of "Stronger, Remarkable and Extended"; the Bank has been providing services through 162 branches, 175 branchless banking, 7 extension counters, 203 ATMs in all the provinces of the country. More than 1500 bank employees serves more than 11 lakhs of satisfied customers and are continuously obtaining the following remarkable achievements.

Established on 2057 B.S. as the regional bank in Pokhara, Machhapuchchhre Bank Ltd marked itself as a best bank in the region and the banking industry. From its commencement, the Banks' more than 1.1 million satisfied customers are provided with different and updated technology-led services. Now in the 22 years of successful banking operation, the Bank has introduced itself as the Smart Bank. I am pleased to announce that we have achieved significant progress and are one of the frontrunners in terms of offering a wide assortment of digital banking services based on the latest state of art technology.

The Bank upgraded to the latest version of Finacle as its Core Banking System (CBS) successfully replacing the Temenos T24 software that has been in use for past 21 years. Bank has once again demonstrated

high work efficiency by completing the most challenging task of transforming the Core Banking System in short span of time. Machhapuchchhre Bank Ltd pioneered to launch the first digital wallet "Remitap" in the banking industry of Nepal. Remitap shall primarily digitize domestic and foreign remittance while facilitating digital payments within the country. Similarly, the customers are now facilitated with opening of the online demat account, online loan application, etc. Digital banking is our priority and so are the latest digital services that are confident of establishing us as a leading bank in the field of digital banking. Last year in collaboration of Nepal Rastra Bank, the Bank launched a campaign to expand digital transaction across the country. In the presence of Governor, Executive Director, Directors of Nepal Rastra Bank; digital payment was launched by conducting various programs in different areas of country including agricultural market, transportation, temple, street markets, etc.

Last year we have achieved remarkable success in extending the digital payments through QR merchant and QR code. As a smart bank, we shall continue to take the lead in expanding digital payments.

The consequences of COVID 19 pandemic hit the economy nationwide. Despite of the negative impact of the Covid 19 epidemic on the overall economy in the last quarter, the Bank managed to collect NPR 28 billion deposit that summed up the total deposit collection of NPR 134 billion and disbursed NPR 22 billion loan that summed up the total loan disbursement of NPR 116 billion. Our net profit this year of NPR 1.60 billion registered 29% growth. All this has been possible by the efficient staffing, strong management and the guidance of the Board of Directors.

In the journey of 23 years, the Bank have more than 11 lakh of deposit customers and 32 thousand of loan customers. For



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

Non-performing loan of the Bank stands out as 0.62% for FY 2019/20. As prescribed by Nepal Rastra Bank, under the priority sector, 4,159 customers are facilitated with the loan investment of NPR 21 billion till mid of July 2021. Similarly, under the deprived sector, 4,660 customers are facilitated with the loan investment of NPR 4.54 billion. On the other hand, Corporate Social Responsibility (CSR) have always been the major focus of the Bank. Machhapuchchhre Bank allocates some percent of its net profit to aid in the sectors of education, health, sports, environment and the victims of natural disasters.

The Bank have adopted the policy to never compromise the good corporate governance to fulfill the paramount objective of continuously strengthening the bank by providing the highest security to the investment of the investors and the saving deposits of the 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.

Corporate governance is the strongest aspect of the Machhapuchchhre Bank Ltd. Another strength of the Machhapuchchhre Bank which does not compromise on corporate governance is its efficient management of more than 1500 employees. Considering the career development of the employees at all the levels, they participated in various trainings, seminars and workshops this fiscal year 2020/21. Even in the midst of the epidemic of Covid 19, we also provided training through virtual platform to keep the staff's high morale and increase efficiency.

At the end, I would like to express my heartfelt thanks to all the dedicated staff for serving the valued customers by putting their health at risk even in the midst of the epidemic of Covid 19. I would also like to thank all the board of directors, shareholder dignitaries, well-wishers for participating this annual general meeting through physical and virtual medium expecting to receive continuous support, co-operation, harmony and goodwill from all the stakeholders and well-wishers in the days to come. With all these trust and support, I really believe that our Bank has all the potentials to overcome any pandemic and accomplish the goals.

SANTOSH KOIRALA

CHIEF EXECUTIVE OFFICER

INTERNATIONAL SCENARIO



Effect of COVID 19 has still been seen in the world economic activities and their economy still in FY 2020/2021. Economy growth of different regions seems reacting differently this year after coping the situation.

We have seen re-opening of economies with the pace of growing vaccination and certain control in COVID situation. This has helped increasing the economic activities but renewed lockdowns due to new variants and supply disruptions the growth could not be as expected. Output in most OECD countries has now surpassed its late-2019 level and is converging on its pre-pandemic path but lower-income economies, particularly those where vaccination rates are low, are at risk of being left behind.

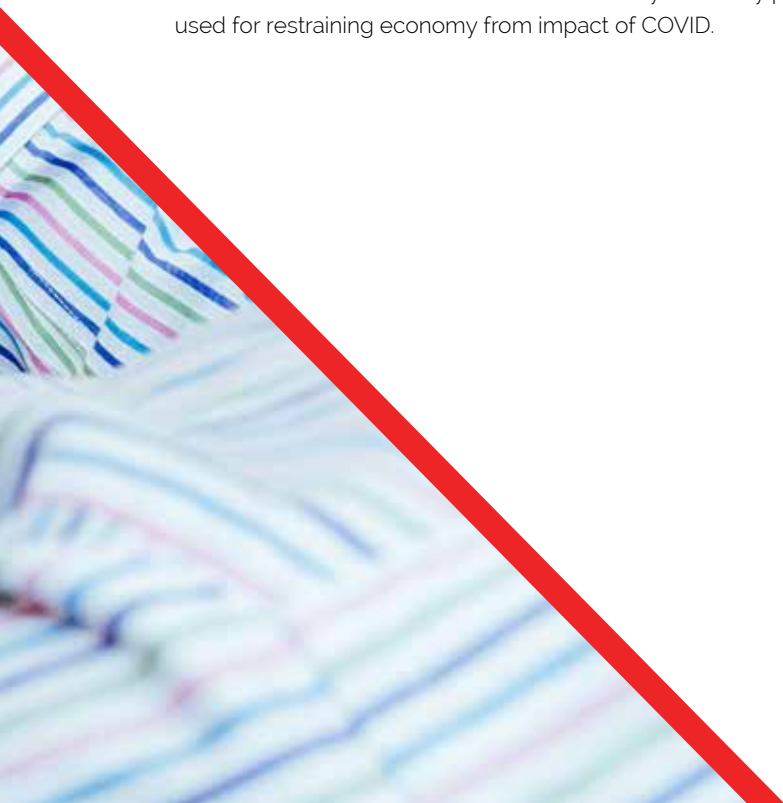
The global economy is projected to grow by 5.9 percent in 2021 and by 4.9 percent in 2022 by International Monetary Fund (IMF). Beyond 2022, global growth is projected to moderate to about 3.5 percent over the medium term. However, the higher inflation has been seen in world economies due to easy monetary policy used for restraining economy from impact of COVID.

COUNTRIES ECONOMIC CONDITION:

Nepal has recorded GDP growth of 4.01 percent for FY 2020/21, up from the estimated growth of 2.3 percent by Asian Development bank. Nepal's agriculture will likely be boosted by increased paddy plantation amid abundant rainfall this monsoon season. Industry output is expected to grow, thanks to a large increase in export volume and stronger domestic demand, as rollout of the national vaccination plan will reduce infection rates over time.

Economic activities has grown much faster as the lockdown and restrictions has been removed in the FY 2020/21. Significant increase in current account deficit and balance of payment has been seen in compare to previous year. Current account deficit remained at Rs 333.67 billion in the review year compared to a deficit of Rs 33.76 billion in the previous year. The surge in current account deficits was on account of the elevated level of import of petroleum products, transport equipment's and parts, and industrial goods. However, due to increase in remittance, FDI, BOP remained into a surplus area of Rs 1.23 billion in the review year.

Remittance increased 9.8% to Rs. 961.05 billion in the review period. Budgeted deficit remained to Rs 267.97 billion at same level as a year ago. The deficit has been financed by domestic borrowing. The level of foreign exchange reserves is sufficient to cover import of goods and services of 11.2 months on the basis of annualized data.



COUNTRY'S ECONOMIC CONDITION

(ECONOMIC OUTLOOK OF FY 2020-21)



Efficient and skilled manpower can manage the financial risk involved and we believe that the employees of our bank are our most precious assets. We are constantly working to improve the quality of work life by creating and implementing various programs and policies.

GDP & BALANCE OF PAYMENT (BOP)

The preliminary estimation of the Gross Domestic Product (GDP) growth of Nepal is expected to be 4.01% in FY 2020-21, which was -2.09% in previous rate as per the estimate of Central Bureau of Statistics. Government of Nepal (GON) has envisioned economic growth of 7% in FY 2021-22.

The gross value added of agriculture and non-agriculture sector is estimated to increase by 2.64 percent and 4.57 percent, respectively in fiscal year 2020/21. In the last fiscal year, the gross value added of agriculture sector was expanded by 2.23 percent while the gross value added of non-agricultural sector was negative by 3.91 percent. In fiscal year 2020/21, the contribution of agriculture, industry and service sectors to the growth of GDP (at basic prices) is estimated to be 20.2 percent, 19.6 percent and 60.2 percent, respectively. In the last fiscal year, the contribution of agriculture sector was 30.7 percent while the contribution of industry and service sectors was negative by 27.4 percent and 103.2 percent, respectively. Balance of Payments (BOP) registered a surplus of Rs.1.23 billion in the year 2020-21 compared to a surplus of Rs.282.41 billion in the previous year.

MERCHANDISE TRADE

During 2020/21, merchandise exports increased 44.4 percent to Rs.141.12 billion compared to an increase of 0.6 percent in the previous year. During 2020/21, merchandise imports increased 28.7 percent to Rs.1539.84 billion against a decrease of 15.6 percent a year ago. Total trade deficit increased 27.3 percent to Rs.1398.71 billion during 2020/21. Such a deficit had decreased 16.8 percent in the previous year. The export-import ratio increased to 9.2 percent in the review period from 8.2 percent in the previous year.

INFLATION AND INTEREST RATE

The average consumer price inflation stood at 3.60 percent in 2020/21 compared to 6.15 percent a year ago. Food price inflation stood at 5.00 percent while nonfood price inflation stood at 2.51% in the review period.

The weighted average 91-day treasury bills rate has stayed at 4.55 percent in mid-June to mid-July 2021, which was 1.27 percent a year ago. The weighted average inter-bank transaction rate among commercial banks increased to 4.12 percent during mid-June to mid-July 2021 from 0.35 percent a year ago. The average inter-bank rate of BFI's stood 4.14 percent in 2021.

The average base rate of commercial banks decreased to 6.86 percent in mid-June to mid-July of 2021 from 8.50 percent a year ago. Weighted average deposit rate and lending rate of commercial banks stood at 4.65 percent and 8.43 percent respectively. Such rates were 6.01 percent and 10.11 percent respectively a year ago.

FINANCIAL AND CAPITAL MARKETS

Stock market witnessed a bullish trend in the review year. The NEPSE index stood at 2883.4 in mid-July 2021 compared to 1362.4 a year ago. Similarly, market capitalization also saw more than two fold increment to Rs. 4010.96 billion in mid-July 2021 from Rs. 1792.76 billion a year ago. Securities Board of Nepal approved the total issuance of securities worth Rs. 61.67 billion in the review period, which includes debentures worth Rs. 23.04 billion, right share worth Rs. 14.05 billion, ordinary share worth Rs. 15.18 billion and mutual fund worth Rs. 9.40 billion. Number of companies listed at NEPSE reached 219 in mid-July 2021, out of which 143 are Bank and Financial Institutions (BFIs) and insurance companies, 40 hydropower companies, 19 manufacturing and processing industries, 5 hotels, 5 investment companies, 4 trading companies and 3 others. The number of companies listed at NEPSE was 212 in mid-July 2020.

EXCHANGE RATE

Nepalese currency vis-à-vis US dollar appreciated by 1.1 percent in mid-July 2021 from a year ago. In the US Dollar terms, remittance inflows increased 8.2 percent to 8.15 billion in the review year against a decrease of 3.3 percent in the previous year. The buying rate for one US dollar

stood at Rs.119.04 in mid July 2021 compared to Rs.120.37 a year ago.

REMITTANCE

The remittance inflow in the review period has increased 9.8 percent to Rs.961.05 billion against decrease of 0.5 percent in the same period of previous year. The number of Nepali workers taking approval for foreign employment decreased 62.8 percent in the review year.

FINANCIAL ACCESS

The commercial banks now have wider reach of network covering 750 local levels out of 753 local levels as of mid-July 2021. The merger and acquisition of Banks and Financial institutions has decreased the NRB licensed BFI's to 133 in mid-July 2021 from 155 in mid-July 2020.

DEPOSIT MOBILIZATION

Deposits at Banks and Financial Institutions (BFIs) increased 21.4 percent in the review year compared to a growth of 18.7 percent in the previous year. The share of demand, saving, and fixed deposits in total deposits stands at 10.4 percent, 34.2 percent and 47.0 percent respectively in mid-July 2021. Such shares were 10 percent, 31.9 percent and 48.6 percent respectively a year ago. The share of institutional deposits in total deposit of BFI's stands at 42.7 percent in mid-July 2021. Such a share was 44.3 percent in mid-July 2020.

CREDIT DISBURSEMENT

Private sector credit from BFI's increased 27.3 percent in the review year compared to a growth of 12 percent in the previous year. In the review year, private sector credit from commercial banks and development banks increased 27.8 percent and 30.5 percent respectively, while that of finance companies decreased 6.3 percent.

BANK'S PERFORMANCE

HORIZONTAL ANALYSIS OF BALANCE SHEET

PARTICULARS	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Assets					
Cash and cash equivalent	158%	178%	172%	43%	100%
Due from Nepal Rastra Bank	163%	83%	59%	130%	100%
Placement with Bank and Financial Institutions	658%	112%	2010%	1924%	100%
Derivative financial instruments	94%	291%	313%	0%	100%
Other trading assets	22%	264%	447%	314%	100%
Loan and advances to B/FIs	219%	146%	144%	106%	100%
Loans and advances to customers	227%	185%	150%	125%	100%
Investment securities	406%	247%	214%	160%	100%
Current tax assets	161%	106%	81%	77%	100%
Investment in subsidiaries					100%
Investment in associates					100%
Investment property	1101%	703%	315%	100%	100%
Property and equipment	211%	192%	161%	126%	100%
Goodwill and Intangible assets	289%	149%	112%	104%	100%
Deferred tax assets					100%
Other assets	142%	167%	240%	120%	100%
Total Assets	229%	180%	152%	123%	100%
Liabilities					
Due to Bank and Financial Institutions	220%	203%	489%	102%	100%
Due to Nepal Rastra Bank	2588%	9%	635%	397%	100%
Derivative financial instruments					100%
Deposits from customers	230%	182%	149%	124%	100%
Borrowing					100%
Current Tax Liabilities					100%
Provisions	0%	0%	0%	89%	100%
Deferred tax liabilities	0%	0%	0%	56%	100%
Other liabilities	214%	166%	130%	118%	100%
Debt securities issued					100%
Subordinated Liabilities					100%
Total liabilities	243%	188%	157%	124%	100%
Equity		-		-	
Share capital	128%	120%	114%	114%	100%
Share premium					100%
Retained earnings	103%	80%	105%	65%	100%
Reserves	270%	227%	200%	158%	100%
Total equity attributable to equity holders	140%	126%	122%	112%	100%
Non-controlling interest		-	-		100%
Total equity	140%	126%	122%	112%	100%
Total liabilities and equity	229%	180%	152%	123%	100%

HORIZONTAL ANALYSIS OF PROFIT OR LOSS (PAST 5 YEARS)

PARTICULARS	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Interest income	216%	220%	198%	151%	100%
Interest expense	244%	268%	237%	180%	100%
Net interest income	184%	164%	150%	116%	100%
Fee and commission income	254%	210%	175%	109%	100%
Fee and commission expense	282%	217%	151%	111%	100%
Net fee and commission income	250%	209%	178%	109%	100%
Net interest, fee and commission income	194%	170%	154%	115%	100%
Net trading income	197%	215%	231%	127%	100%
Other operating income	202%	72%	29%	9%	100%
Total operating income	194%	169%	154%	112%	100%
Impairment charge/(reversal) for loans and other losses	489%	578%	115%	150%	100%
Net operating income	184%	155%	155%	111%	100%
Operating expense					
Personnel expenses	255%	217%	177%	126%	100%
Other operating expenses	265%	264%	215%	125%	100%
Depreciation & Amortisation	221%	187%	151%	116%	100%
Operating Profit	139%	108%	135%	102%	100%
Non operating income	55%	45%	680%	17%	100%
Non operating expense					100%
Profit before income tax	127%	104%	135%	101%	100%
Income tax expense	125%	111%	136%	104%	100%
Current Tax	127%	115%	143%	105%	100%
Deferred Tax	-59%	-304%	-561%	25%	100%
Profit for the year	128%	101%	135%	99%	100%
Profit attributable to:					
Equity holders of the Bank	128%	101%	135%	99%	100%
Non-controlling interest				-	100%
Profit for the year	128%	101%	135%	99%	100%
Earnings per share					
Basic earnings per share	77%	65%	91%	68%	100%
Diluted earnings per share	77%	65%	91%	68%	100%

VERTICAL ANALYSIS OF BALANCE SHEET

PARTICULARS	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Assets					
Cash and cash equivalent	5.49%	7.85%	8.97%	2.79%	7.96%
Due from Nepal Rastra Bank	5.63%	3.66%	3.07%	8.37%	7.90%
Placement with Bank and Financial Institutions	0.30%	0.07%	1.39%	1.65%	0.10%
Derivative financial instruments	0.01%	0.05%	-	0.00%	0.03%
Other trading assets	0.01%	0.17%	0.34%	0.30%	0.12%
Loan and advances to B/FIs	2.35%	1.98%	2.32%	2.12%	2.45%
Loans and advances to customers	71.78%	74.31%	71.35%	73.62%	72.27%
Investment securities	12.39%	9.58%	9.79%	9.12%	6.98%
Current tax assets	0.26%	0.22%	0.20%	0.24%	0.38%
Investment in subsidiaries	0.13%	0.16%	-	-	-
Investment in associates	-	-	-	-	-
Investment property	0.17%	0.14%	0.07%	0.03%	0.04%
Property and equipment	0.93%	1.07%	1.07%	1.04%	1.01%
Goodwill and Intangible assets	0.08%	0.05%	0.05%	0.05%	0.06%
Deferred tax assets	0.02%	0.03%	-	-	-
Other assets	0.44%	0.65%	1.11%	0.69%	0.70%
Total Assets	100%	100%	100%	100%	100%
Liabilities					
Due to Bank and Financial Institutions	1.81%	2%	6%	2%	1.88%
Due to Nepal Rastra Bank	2.63%	0.01%	1%	0.75%	0.23%
Derivative financial instruments	-	-	-	-	-
Deposits from customers	83%	84%	81%	84%	82.93%
Borrowing	0.76%	-	-	-	-
Current Tax Liabilities	-	-	-	-	-
Provisions	-	-	0%	0%	0.00%
Deferred tax liabilities	-	-	0.00%	0.02%	0.04%
Other liabilities	1.49%	1%	1%	2%	1.59%
Debt securities issued	1.99%	-	-	-	-
Subordinated Liabilities	-	-	-	-	-
Total liabilities	92%	91%	89%	88%	87%
Equity					
Share capital	6%	7%	8%	10%	10.20%
Share premium	0.02%	0.02%	0.03%	-	-
Retained earnings	0.80%	1%	1%	1%	1.78%
Reserves	1.59%	2%	2%	2%	1.35%
Total equity attributable to equity holders	8%	9%	11%	12%	13%
Non-controlling interest	-	-	-	-	-
Total equity	8%	9%	11%	12%	13%
Total liabilities and equity	100%	100%	100%	100%	100%

VERTICAL ANALYSIS OF PROFIT OR LOSS (PAST 5 YEARS)

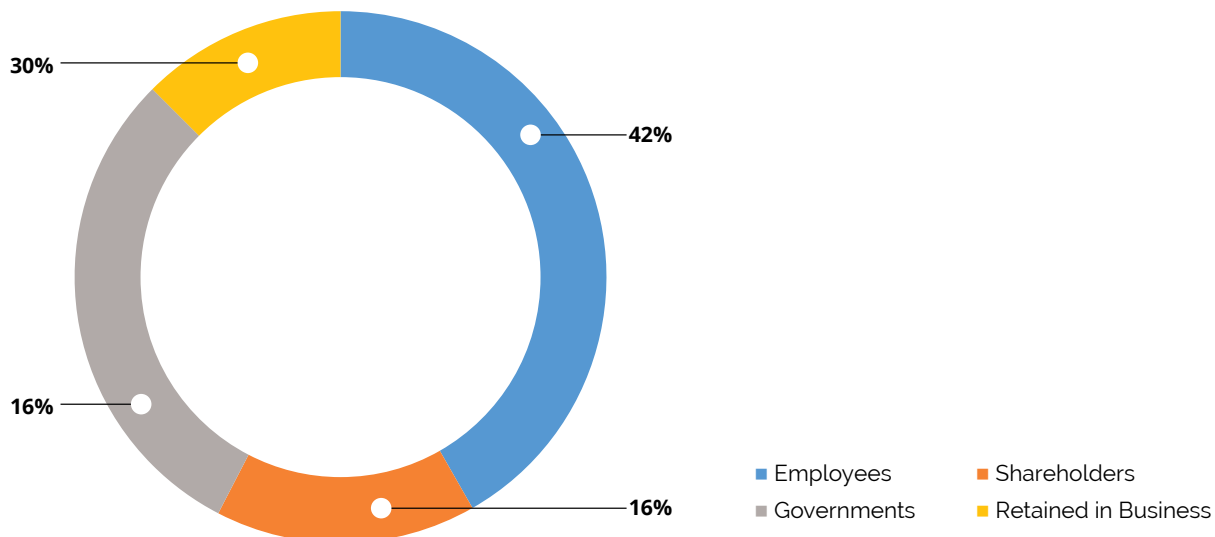
PARTICULARS	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Interest income	87%	90%	89%	92%	88%
Interest expense	53%	59%	58%	60%	48%
Net interest income	34%	31%	31%	32%	40%
Fee and commission income	9%	7%	7%	6%	8%
Fee and commission expense	1%	1%	1%	1%	1%
Net fee and commission income	8%	7%	6%	5%	7%
Net interest, fee and commission income	42%	37%	37%	38%	47%
Net trading income	2%	2%	3%	2%	2%
Other operating income	2%	0.55%	0.25%	0.11%	2%
Total operating income	46%	40%	40%	40%	51%
Impairment charge/(reversal) for loans and other losses	4%	5%	1%	2%	2%
Net operating income	42%	35%	39%	38%	49%
Operating expense					
Personnel expenses	14%	12%	11%	10%	12%
Other operating expenses	7%	7%	6%	5%	6%
Depreciation & Amortisation	1%	1%	1%	1%	1%
Operating Profit	19%	15%	21%	21%	30%
Non operating income	0.08%	0%	1%	0.04%	0.31%
Non operating expense	2%	1%	1%	0.02%	
Profit before income tax	18%	15%	21%	21%	31%
Income tax expense	5%	5%	6%	7%	9%
Current Tax	5%	5%	7%	7%	9%
Deferred Tax	-0.03%	-0.13%	-0.27%	0.02%	0.09%
Profit for the year	13%	10%	15%	15%	21%
Profit attributable to:					
Equity holders of the Bank	13%	10%	15%	15%	21%
Non-controlling interest				-	
Profit for the year	13%	10%	15%	15%	21%

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

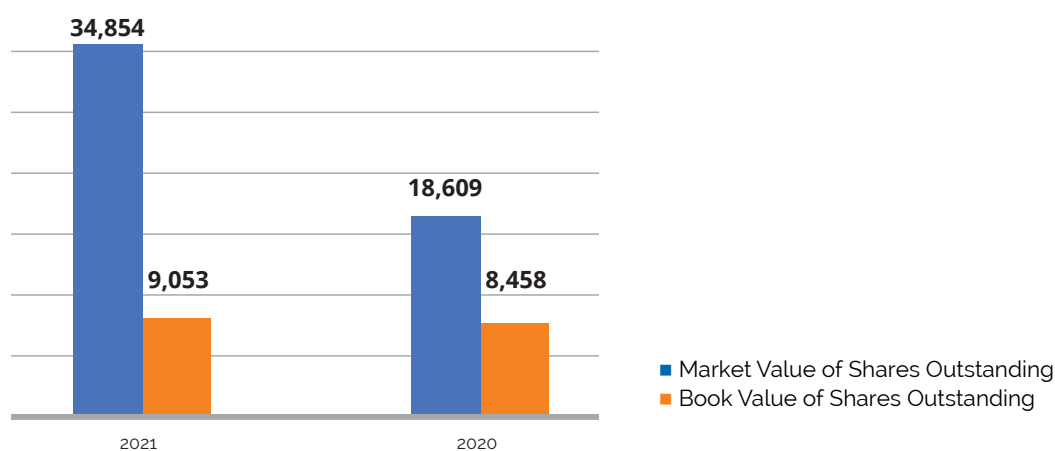
	2020/21	
	AMOUNT	%
Total Operating Income	12,556	
Total Operating Expenses	7,826	
Value Added from Core Banking Services	4,731	
Other Incomes	196	
Non-Operating Income	10	
Non-Operating Expenses	199	
Impairment Charge	498	
Total Value Added by the Bank	4,240	100%
Number of Employees	1,510	
Value Added per Employee	3	
Distribution of Value applied		
To Employees(As salary and allowances)	1,770	42%
Towards Government(Corporate tax)	673	16%
To Shareholders(Cash and Stock)	1,267	30%
Cash Dividend	63	
Bonus Share	1,204	
For Expansion and Replacement of Assets	190	4%
As retained Income	340	8%
Total Value Applied	4,240	100%



MARKET VALUE ADDED (MVA) STATEMENT

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

MARKET VALUE ADDED STATEMENT FOR THE YEAR END	2021	2020
Market Value of Shares Outstanding	34,854	18,609
Book Value of Shares Outstanding	9,053	8,458
Market Value Added	25,801	10,150



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	2020-21
Shareholders Fund at the Year End	12,864
Accumulated Loan Loss Provision	2,055
Average Shareholders Equity	12,224
Dividend	14.0%
Market Value Per Share	385
Net Operating Profit After Taxes before LLP	2,105
Cost of Equity	1,267
Economic Value Added	838

HUMAN RESOURCES



Efficient and skilled manpower can manage the financial risk involved and we believe that the employees of our bank are our most precious assets. We are constantly working to improve the quality of work life by creating and implementing various programs and policies.

We believe that efficiently run human resources department can provide any organization with structure and the ability to meet business needs through managing company's most valuable resources that is our own people. Thus, the bank has continued to lay great emphasis on human resources development, to make its employees attain global standards in productivity, thereby maximizing value creation for its stakeholders. We are proud of our employees who are the foundation of the Bank who operates and performs consistently for the growth of the Bank.

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

HR DETAILS

The total number of employees of the bank has reached to 1510 in the year as compared to 1,486 last year, with the increment of 24 employees in various positions. Total staffs at the end of FY 2020/21 constituted 58% male and 42% female staff. Diversity is a key enabler for long-term success which enables teams to bring diverse perspectives, make better decisions and manage risk. People with different backgrounds, education, skills and experiences can create sustainable values across the Bank. We are committed to gender diversity and have been providing equal employment opportunity to aspiring candidates who are fairly recruited through vacancies and internal job watch.

GENDER DIVERSITY

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

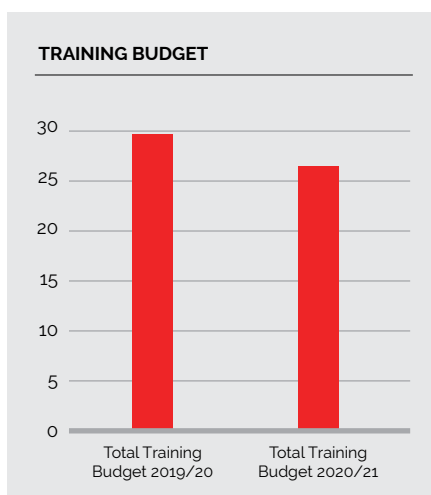
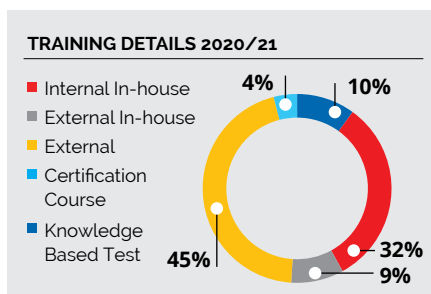
Composition of male and female employees

FY 2020/21

EMPLOYEES	MALE	FEMALE	TOTAL
Managerial	67	13	80
Officer	312	140	452
Assistant	422	459	881
Support	62	18	80
Contract	11	6	17
	874	636	1510

LEARNING AND DEVELOPMENT (L&D)

The growth and development of employees of the staff's has always been the bank's top priority. The Bank is committed towards enrichment of knowledge and skills of human assets. Developing a learning culture is not merely an option but an absolute necessity in today's competitive world. Investment in skills and accelerating employees' professional and personal development are essential components of the Bank's people agenda. We recognize the importance of learning and development to each staff and as it is equally important to strengthen the capability of staff and holding them accountable to enable employees to thrive and meet their full potential. In the FY 2020/2021 we conducted more of the certification courses and virtual trainings to enhance the employees know how. Similarly, we introduced the concept of knowledge based test where the overall areas of banking is covered in the form of tests.



Attrition Rate 2019/20	5.91%
Attrition Rate 2020/21	3.67%

Age wise composition 2020/21

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

During the review period, 1420 staffs were benefitted with internal and external trainings by the Machhapuchchhre Bank staff for skills and capacity development. The Bank has established itself as a platform for development of skills, knowledge, and capacity of employees, and various activities have been performed to ensure that the culture of gaining knowledge is developed among employees. Besides training and development activities, placement, transfer, job rotation, job enrichment, job enlargement, succession planning and cross functional teams are some of the tools we have been employing for the employee development.

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

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

STAFF BENEFITS AND FACILITIES AND RECOGNITION

In this age of highly competitive business environments, the workforce has become increasingly fluid, and it has become a challenge for organizations to retain their valuable employees. In such a scenario, one of the most effective ways to reduce employee turnover is to ensure that the level of motivation of employees is maintained continuously at a high level. This results in high job satisfaction and high organizational commitment, which keeps the employees from switching to other organizations. Hence, The Bank has always put Employees First, as rightly said if we make our employees happy they make our customers happy, so taking care of the employees has been one of the major agenda of the Bank. The Bank has been able to provide fair compensation to its employees, which is at par at the industry level. The Bank has been in the fore front in providing the best facilities be it in terms of the compensation packages or taking into consideration the health and wellbeing of the employees through attractive Insurance benefits, promoting the work life balance of the employees.

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

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

PERFORMANCE CULTURE

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

EMPLOYEE RELATION

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

We have a recognized Staff's Union Association in the Bank. The management and the Union execute a collective bargaining exercise once every two years. Collective Bargaining exercises have been harmonious throughout and has never resulted disruption in normal banking operations and customer The Employee Engagements programs like Annual Day Celebrations, celebrations of achievements and milestones, organizing and participation on socio-impact programs, conducting CSR programs at community level across the countries etc. have enabled to develop a strong bond and shared feeling between the team members leading to the engaged team.



REMITTANCE SERVICE

The Bank has entered into agreements with various national and international remittance organizations like Western Union, Money Gram, IME, Prabhu Money Transfer, City Express Money Transfer, CG Remit, Sewa Remit, Himal Remit, Samsara Remit, GME, I-Pay Reliable and Nepal Remit to make remittances simple for its customers. Bank has been providing remittance facility in international sectors as well. As per the agreements entered with Qatar, UAE, Saudi Arabia, Bahrain, Hong Kong, Iraq, Turkey, Euro Zone, Canada, UK, USA and Denmark, money can be easily sent to Nepal through MBL Remit app. Bank has also made the provision of sending money to Nepal from India through Om Express Payment Services. Such payments can be received from various branches as well as more than 10,000 payment center situated all over Nepal. Bank has also started working on making the remittance services more effective by sending its staffs or through outsourcing for business promotion.

“ **With an objective to digitalize remittance payments, we are closely working with foreign remittance partners.**

Post integration our system, remitters can send remittance directly to the Beneficiary's Mobile wallet named as Remitap, Bank's own Mobile Wallet and customers can utilize wallet balance in utility payments, transfer the balance into Bank account etc.



PRIORITY BANKING



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.

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



“Corporate Governance is the activity of developing and enforcing rules, practices and processes by which a company is directed and controlled.”

Corporate Governance institutes measures in order to maintain a more accountable management in line with international best practices. It refers to a set of relationships between the management, Board of Directors, shareholders and other stakeholders, which provides the structure through which the objectives of the organization are set. It also ensures that there are clear guidelines for the allocation of authority and responsibility to various stakeholders. It instils a culture where the Board of Directors and the Executive Management contemplate the impact of their decisions prior to implementation to consider the interests of all the stakeholders, first and foremost being the shareholders of the company.

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 part of the continuing obligations

of the Nepal Rastra Bank's listing provisions. The bank has complied with all principles and guidelines set out in the Code of Corporate Governance. Corporate Governance may not be seen as a core business function but without it, the basic business concerns would begin to suffer.

Governance is a holistic approach to the management and organization within a firm which, if directed in a comprehensive manner can make a substantial difference to the business's success and its long-term sustainability; it feeds into all areas of the business.

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

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

Governance framework within the Bank is inspired by the model set by the Central Bank and the regulations of the Securities Board, the Federal and local legislations.

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

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

- Integrity
- Accessibility
- Value Creation

- Quality Service
- Stewardship of Resources

The bank has a very experienced, highly skilled and well-respected Board of Directors from a variety of business backgrounds. The Board members are fully committed to the Bank's long-term sustainability and their confidence is evident through their shareholding in the Bank.

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

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

The Bank has following Board Structure.

S.N.	DIRECTORS NAME	REPRESENTATIVE GROUP	DATE OF APPOINTMENT	PROCEDURE
1.	Dr. Birendra Prasad Mahato	Promoter	2075/09/20 BS	20th AGM
2.	Mr. Roshan KC	Promoter	2075/09/20 BS	20th AGM
3.	Mr. Haribhakta Sigdel	Promoter	2078/03/03 BS	447th BoD meeting
4.	Mr. Mukunda Mahat	Independent	2077/02/16 BS	421st BoD meeting
5.	Mr. Bishow Prakash Gautam	Public	2077/09/02 BS	22nd AGM
6.	Mr. Jaya Mukunda Khanal	Public	2077/09/02 BS	22nd AGM
7.	Ms. Shreejana Karki Bhattarai	Public	2077/09/02 BS	22nd AGM

The Bank has following Board Committees structure.

1. Risk Management Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Mr. Jaya Mukunda Khanal	Coordinator	Director
2.	Mr. Mukunda Mahat	Member	Director
3.	Mr. Madhav Subedi	Member	Chief Operating Officer
4.	Mr. Tika Bhattarai	Member-secretary	Chief Risk Officer

2. AML / CFT Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Ms. Shreejana Karki Bhattarai	Coordinator	Director
2.	Mr. Haribhakta Sigdel	Member	Director
3.	Mr. Tika Bhattarai	Member	Chief Risk Officer
4.	Mr. Bhuvan Singh Khatri	Member	Chief Compliance Officer
5.	Mr. Manish Lal Shrestha	Member-secretary	Incharge- AML/CFT

3. Audit Committee

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

4. Employee Service Facility Committee

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

5. Merger and Acquisition Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Mr. Bishow Prakash Gautam	Coordinator	Director
2.	Mr. Roshan KC	Member	Director
3.	Mr. Jaya Mukunda Khanal	Member	Director
4.	Mr. Mukunda Mahat	Member	Director
5.	Mr. Khagendra Paudel	Member-secretary	Deputy Chief Finance Officer

Each of the Board Committees has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committees will not assume the functions of management, which remain the responsibility of the Executive Directors, Officers and other members of Senior Management. The risk management committee (RMC) is constituted in line with the spirit of Risk Management Guidelines (RMG) of Nepal Rastra Bank and the NRB Unified Directives has received regular reporting and communication from the CRO and other relevant functions about the bank's current risk profile, current state of the risk culture, utilization against the established risk appetite,

and limits, limit breaches and mitigation during the year. RMC advises the Board on the overall risk tolerance levels of the Bank. The strategic implementation process helps the Board, together with RMC, to ensure that a strong risk management framework is maintained. The Audit Committee (AC) is formed and functions in compliance to the regulatory provisions of NRB Unified Directives and the provisions of Sections 164 and 165 of Company Act 2063. The Coordinator and other members of AC are non-executive directors. The role of AC committee secretary is performed by the Head of Internal Audit department. Internal Auditors and Statutory Auditors have direct access to the Audit Committee. The Committee's role is extensive

and strongly supports the board in dealing with aspects of good corporate governance, internal control, risks management, financial reporting, legal and regulatory compliance and ethical conduct of business.

In order to effectively control the activities related to money laundering and for prevention of financing in terrorist activities, the Bank has set out the necessary policies and procedures as prescribed by the Asset (Money) Laundering Prevention Act, 2064, Asset (Money) Laundering Prevention Rules, 2073, Directives issued by Nepal Rastra Bank. An AML committee has been formed with the main objective of formulating and implementing necessary policies and regulations

in the field of prevention of money laundering and financial investment in terrorist activities. In addition, a separate AML /CFT unit under Chief Compliance Officer has been set up at the central office of the Bank to monitor the policies and activities and KYC / AML officer has been appointed in each branch office to give necessary instructions and implement money laundering prevention act and directives. Capacity building of employees and necessary training on asset laundering and prevention of financial investment in terrorist activities is being conducted periodically for BODs, senior management, officers and employees of the Bank. To test the effectiveness of understanding in employees, improve staff awareness and drive a culture of compliance in a sustainable manner, AML assessment is being conducted annually.

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

Apart from these, the Bank has formed organizational structure & sub committees to define the authorities and channels for the day to day operation and enhance the good

governance practice in the Bank as well. In compliance with the code of Corporate Governance under Section 9, Sub-section 2 of NRB Unified Directive No.6/2077 the Bank has formed a separate Corporate Governance Unit monitoring the overall corporate governance status of the Bank.

Whistle blowing

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

Commitment to the professional development Bank has made a major investment in the training and development of its entire staff with the launch of 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, Byelaws 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.

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.

Corporate Governance has been launched to the forefront of business activity post financial crisis. Regionally and internationally, recessions and downturns in many countries have been blamed on lack of corporate governance or non-compliance with corporate governance guidelines. It has therefore become imperative that companies focus on this as a matter of urgency, aiming to meet regulatory requirements and striving to meet international best practices.

REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

As per Directive on Corporate Governance 2074 issued for listed entity

MBL Tower, Lazimpat, Kathamandu.

Phone no: 014428556.

Toll Free No: 1660-01-23234.

Email: machbank@mbml.com.np.

Website: www.machbank.com

F.Y. 2077/078

1. STATEMENT ON BOARD OF DIRECTOR:**A. Name & Date of appointment of Chairman of the Board of Directors:**

Name: Dr. Birendra Prasad Mahato

Appoint date: 2075/09/20 BS

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

SHARE	NO. OF SHARE	PERCENTAGE
Promoter Share	4,61,70,782	51%
General Public Share	4,43,60,164	49%
Total Share	9,05,30,946	100%

C. Information of Board of Director

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	NO OF HOLDING SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
1.	Name: Dr. Birendra Prasad Mahato Address: Kathmandu District Kathmandu Metropolitan city Ward no-9, Gaushala, Pinglastha, Citizenship No.:15-1172/1224/3165, Issued District : Siraha	Promoter	551,683	2075/09/20 BS	2075/09/24 BS	20th Annual General Meeting
2.	Name: Mr. Roshan KC Address: Kaski District Pokhara, Metropolitan City-7, Mustangchwok. Citizenship No.: -80016, Issued District : Kaski	Promoter	13,43,078	2075/09/20 BS	2075/09/20 BS	20th Annual General Meeting
3.	Name: Haribhakta Sigdel Address: Kathmandu District, Budhanilkantha Municipality -11, Citizenship No.: -4087/2601/6280 Issued District : Kathmandu	Promoter	9,00,738	2078/03/03 BS	2078/03/03 BS	447th Board meeting.
4.	Name: Mukunda Mahat Address: Kathmandu District, Tokha Municipality -4, Dhapasi Citizenship No.: -930 Issued District: Nuwakot	Independent	Nil	2077/02/16 BS	2077/02/16 BS	421 st Board Meeting held on 2077/02/16 BS

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	NO OF HOLDING SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
5.	Name: Bishow Prakash Gautam Address: Kaski District, Pokhara Metropolian City-7, Mustang Chwok Citizenship No.:-20945, Issued District : Rupandehi	General Public	1,656	2077/09/02 BS	2077/09/02 BS	22nd Annual General Meeting
6.	Name: Jaya Mukunda Khanal Address: Kathmandu District, Kathmandu -4, Baluwatar Citizenship No.:- 9516/6255 Issued District : Kathmandu	General Public	160	2077/09/02 BS	2077/09/02 BS	22nd Annual General Meeting
7.	Name: Shreejana Karki Bhattarai Address: Kaski District, Pokhara -17, Dyamside, Citizenship No.:- 119627 Issued District : Kaski	General Public	935	2077/09/02 BS	2077/09/02 BS	22nd Annual General Meeting

- Promoter Director Mr. Gopi Krishna Neupane's resignation from the mail dated 2077-10-04 was approved by the 440th meeting of the Board of Directors of the Bank held on 2077.10.27. This information was given to Securities Board of Nepal and other regulatory bodies on 2077-10-28.

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

S.N.	DIRECTORS NAME & ADDRESS	REPRESENTATIVE GROUP	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE	INFORMED DATE
1.	Name: Haribhakta Sigdel Address: Kathmandu District, Budhanilkantha Municipality -11, Citizenship No.:-4087/2601/6280 Issued District : Kathmandu	Promoter	2078/03/03 BS	2078/03/03 BS	447th Board meeting.	2078/03/04 BS

D. Board of Directors Meeting

Information of Board of Director Meeting:

S.N	DATE OF BOD MEETING ON THIS FY 2076/077		NUMBER OF DIRECTOR PRESENT	NUMBER OF DIRECTOR DISSENTING ON DECISION	DATE OF BOD MEETING ON LAST FY 2075/076	
	DATE OF MEETING	NO. OF MEETING			DATE OF MEETING	NO. OF MEETING
1	2077/04/11 BS	425	6	None	2076/04/09 BS	400
2	2077/05/02 BS	426	5	None	2076/04/20 BS	401
3	2077/05/29 BS	427	6	None	2076/04/29 BS	402
4	2077/06/01 BS	428	6	None	2076/05/11 BS	403
5	2077/06/14 BS	429	6	None	2076/06/02 BS	404
6	2077/06/21 BS	430	5	None	2076/06/12 BS	405
7	2077/06/27 BS	431	6	None	2076/06/23 BS	406
8	2077/06/30 BS	432	6	None	2076/06/24 BS	407
9	2077/08/11 BS	433	6	None	2076/07/08 BS	408
10	2077/08/12 BS	434	6	None	2076/08/03 BS	409
11	2077/08/21 BS	435	5	None	2076/08/13 BS	410
12	2077/09/01 BS	436	5	None	2076/09/08 BS	411
13	2077/09/02 BS	437	7	None	2076/09/21 BS	412
14	2077/09/12 BS	438	7	None	2076/10/10 BS	413
15	2077/10/04 BS	439	6	None	2076/10/17 BS	414
16	2077/10/27 BS	440	6	None	2076/11/19 BS	415
17	2077/11/07 BS	441	4	None	2076/12/07 BS	416
18	2077/11/26 BS	442	6	None	2076/12/10 BS	417
19	2077/12/12 BS	443	5	None	2076/12/28 BS	418
20	2077/12/30 BS	444	5	None	2077/01/15 BS	419
21	2078/01/15 BS	445	4	None	2077/01/28 BS	420
22	2078/02/13 BS	446	5	None	2077/02/16 BS	421
23	2078/03/03 BS	447	5	None	2077/03/05 BS	422
24	2078/03/25 BS	448	6	None	2077/03/19 BS	423
25				None	2077/03/26 BS	424

- Board meeting postponed due to lack of quorum: Non
- Other Details Related to Board Meeting: Non
- Information of alternate Director in Board Meeting: Non

Information on absence of Directors in Board Meeting

S.N.	DATE OF MEETING	ABSENT DIRECTOR NAMESENT	REASON FOR ABSENT
1.	2077/05/02 BS	Mr. Bishow Prakash Gautam	For personal reasons
2.	2077/06/21 BS	Mr. Gopi Krishna Neupane	Due to outside the Kathmandu valley
3.	2077/08/02 BS	Mr. Roshan KC	Outside the Kathmandu valley
4.	2077/09/01 BS	Mr. Haribhakta Sigdel	Unable to reach Pokhara
5.	2077/10/04 BS	Mr. Gopi Krishna Neupane	For personal reasons
6.	2077/10/27 BS	Mr. Gopi Krishna Neupane	For personal reasons
7.	2077/11/07 BS	Mr. Mukunda Mahat & Ms. Shreejana Karki Bhattarai	For personal reasons
8.	2077/12/12 BS	Ms. Shreejana Karki Bhattarai	Outside the Kathmandu valley
9.	2077/12/30 BS	Mr. Jaya Mukunda Khanal	Due to outside the Kathmandu valley
10.	2078/01/15 BS	Mr. Roshan KC	For personal reasons
11.	2078/03/03 BS	Ms. Shreejana Karki Bhattarai	Outside the Kathmandu valley

Directors present in board meeting, agenda discussed & decision on (Minutes) kept separately or not.	Maintained properly
Maximum difference on two Board meeting (days)	28 days
Date of annual general meeting for determination of allowance of meeting (20th Annual General Meeting)	2075/09/20 BS
Board meeting allowance (Per meeting)	Chairman: 15,000 Member : 12,000
Total Board Meeting Expenses for this FY	32,73,574

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	AML CFT for Board of Directors	2077/06/02	6	NBI

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

- 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 of entity or of its holding or subsidiary company held by the director or close member of his family.
- 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, Section 24 of the Banks & Financial Institutions Act 2073 and NRB Directives.

Details of director who is also a director, officer, CEO or employee of other listed entity which has similar objective as the entity

Not applicable

A description of any action taken by the regulatory body and other agencies against member of the Board

There is no information that such action was taken

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

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

B. Information regarding Risk Management Committee

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

S.N	NAME	POST	COMMITTEE
1.	Mr. Jaya Mukunda Khamal	Coordinator	Director
2.	Mr. Mukunda Mahat	Member	Director
3.	Mr. Tika Bhattarai	Member Secretary	Chief Risk Officer
4.	Mr. Madhav Subedi	Member	Chief Operating Officer (COO)

b. Number of Committee Meeting: 7 time (FY 2077/078)

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

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

D. Committee for 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. Tika Bhattarai	Coordinator	Chief Risk Officer
2.	Mr. Sarju Kumar Thapa	Member	DGM -BUSINESS
3.	Mr. Prasadha Raj Aryal	Member	AGM -BUSINESS
4.	Mr. Bharat Kumar Lamsal	Member	CBO- Province 1 & 2
5.	Mr. Upendra Malakar	Member	CBO- Province 4,5,6 & 7
6.	Mr. Suvash Jamarkattel	Member	Chief Infrastructure & Corporate Loan
7.	Mr. Kumar Gnawali	Member	Deputy Chief Risk Officer
8.	Mr. Bineet Chandra Jha	Member	Chief Infrastructure Loan
9.	Mr. Naresh Pradhan	Member	Chief Corporate Loan
10.	Mr. Manish Dahal	Member	Chief SAM
11.	Ms. Reshma Shakya	Member	Head Treasury Front
12.	Mr. Abhishek Niroula	Member Secretary	Head Corporate Credit Risk

b. Number of Committee Meeting: 3 time (F.Y 2077/078)

c. Short Details of Committee Work: Credit Risk Management Committee involves in formation of policy, rules and regulations regarding credit risk minimization from time to time. Submitting proposals to the Management Committee and periodically reviewing the sectoral loan risk and making necessary recommendations to the management.

ii. Operation Risk Management Committee

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

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK
1.	Mr. Tika Bhattarai	Coordinator	Chief Risk Officer
2.	Mr. Kumar Gnawali	Member	Deputy Chief Risk Officer
3.	Mr. Madhav Subedi	Member	Chief Operating Officer (COO)
4.	Ms. Puspa Shrestha Piya	Member Secretary	Incharge-Operation Risk Department

b. Committee Meeting held number : 4 time (FY 2077/078)

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	2077/08/15 BS
Information of Special General Meeting		Not any
Annual Report	Annual Report Website	2077/09/02 BS
Place on Website		
Quarter Report	News Paper	2078/04/30 BS
Notice of affidavit affecting the value of the security	News Paper	Financial statements are published on regular basis.
Other		

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

C. Last Annual & Special General Meeting Held Date: 2077/09/02 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	21 years experience on Banking Industry
2.	Mr. Sarju Kumar Thapa	DGM- Business	MBA	21 years experience on Banking Industry
3.	Mr. Bishwambhar Neupane	DGM- Operation	MBA	24 years experience on Banking Industry
4.	Mr. Prasadha Raj Aryal	AGM	MBA	16 years experience on Banking Industry

D. Other Details Regarding Staff

STRUCTURED STAFF POSITION	REMARKS
The Procedure adopted when recruited new staff	Open Competition & talent Hunt- Employee Service by Law, 2074
Number of staff at Managerial Level	80
Total staff at service	1,510
Whether or not employee have a succession plan	Yes
Number of Participated staff & training on this FY 2077/078	No. of Training : 113
No. of participated staff: 3316	
Training expenses on FY 2077/078	NPR 72,95,777.00
Percentage of Staff expenses on total expenses	16.88% (62.08% of total Operational expenses)
Percentage of Training expenses on total staff expenses	0.41% (Total expenses of FY 2077/78)

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	2078/06/06 BS
Published date of third quarter financial statement	2078/04/30 BS
Accomplish date of final audit	2078/06/06 BS
Approved date of Financial Statement from Annual General Meeting	2077/09/02 BS
Internal Audit related details of Organization:	
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? (Three months, Four months or Half yearly.	

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. Bishow 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.	2077/04/29 BS	3	11	2077/11/05 BS	3
2.	2077/05/22 BS	3	12	2077/11/18 BS	3
3.	2077/06/01 BS	3	13	2077/12/30 BS	3
4.	2077/06/15 BS	3	14	2078/01/13 BS	3
5.	2077/06/30 BS	3	15	2078/03/16 BS	3
6..	2077/07/14 BS	3			
7.	2077/07/27 BS	3			
8.	2077/08/12 BS	3			
9	2077/09/23 BS	3			
10.	2077/10/14 BS	3			

Allowance per meeting

NPR 12,000 including tax to Board of director

The date the Audit Committee submitted its report to Board of Directors :

The Audit Committee has submitted its report of its proceedings and the Board of Directors meeting decisions of each committee to the Board of Directors

A. Other Details

The institution has taken money from the bank and financial institutions, loans or advances or any other form of financial interest to the director and his family	Not Taken
No person, firm, company, employee, advisor 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 bank has complied with the terms and conditions of issuing the license by NRB	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 directors if there is a case going on in the court	Since banking is a business entity, there are no significant issues other than those filed in connection with the regular operation of the organization and the loan transaction.

Note: Due to the nationwide or partially prohibitory ordered by Nepal government from 2078-01-12 BS to prevent the spread of the global epidemic Covid-19 in Nepal, it was done as directed by the Nepal Rastra Bank during that period.

Name of Governing Officer: **Bhuvan Singh Khatri**

Post: **Chief Compliance Officer**

Date approved by the Reporting Board : **452nd Board Meeting held on 2078/06/20 BS**

Date of audit test Certified : **2078/06/22 BS**

DIRECTOR'S REPORT



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

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 auditor, the legal advisors, the Chief Executive Officer and the employees of the Bank. Thank you all for joining us in the 23rd 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 to up to the expectation and embody faith.

I would like to present to you the Statement of Financial Position as on 15 July 2021, Statement of Profit or Loss for the Fiscal Year 2020/21, Cash Flow Statement along with the Bank's achievements during the period, challenges faced during operation, overall assessment of the Banking Industry, Director's Report and all other Financial Information. This report has been prepared adhering to provisions of the Companies Act 2063, Bank and Financial Institutions Act 2073 and all directives/circulars issued by Nepal Rastra Bank.

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

INTERNATIONAL ECONOMIC SCENARIO

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

The economic growth rate which was increased by 2.8% in 2019, decrease by 3.2% in 2020 has been expected to be increased by 6 % in 2021 by International Monetary Fund (IMF). Similarly the economy of developed nations which

was decreased by 4.6% in 2020 has been projected to be increased by 5.6% in 2021.

Also, for the neighboring countries China and India, IMF has projected the Chinese economies to grow by 8.1% and Indian economy to increase by 9.5% in 2021. Inflation in developed countries is projected to be 2.7% in 2021 compared to 0.7% in 2020 while in emerging and developing countries is projected to be 5.4% in 2021 compares to 5.1% in 2020. World trade volume is projected to expand by 9.7% which was shrink by 8.3% in 2020. While the petroleum products prices are projected to increase by 56.6% from 32.7% in 2021.

ECONOMIC SITUATION OF THE NATION

A SCENARIO

Covid-19 has added an unexpected challenge as the country moves forward with the national aspiration of 'Prosperous Nepal, Happy Nepal' while achieving the sustainable and high economic growth with social justice. The time and again recurrence of covid-19 pandemic has directly affected the economy of a nation. Despite, the significant improvement in export trade the balance of payment has come under pressure as the trade deficit has widened due to rising imports. Credit flow has increased significantly due to monetary and regulatory facilitation including refinancing, concessional loans provided by Nepal Rastra Bank. Due to the single digit interest rate of the loan, the cost of running the business has decreased even during the epidemic.

The use of electronic means in transaction payments has expanded rapidly in recent times due to the need for cashless transactions to reduce the risk of Covid-19 infection. It has helped in the development and modernization of the payment system as well as increasing access to finance. As the epidemic continues, it is seen that it will take more time to revive the most

affected areas including tourism sector. For the rapid economic recovery, there is need to provide regulatory facilitation and to be aware of the adverse effects on financial stability as well as external sector stability.

As per the preliminary estimate of Central Statistics Department, economic growth achieved for Fiscal year 2020/21 has expanded to 4.01% whereas for Fiscal year 2019/20 was 2.09%. The second wave of transitions in the fourth quarter has made it difficult to sustain growth. In Fiscal year 2020/21, the ratio of Gross Domestic Product to Gross Domestic Saving is estimated to be 6.6% and the Gross National Savings to 31.4% which were 6.3% and 32.6% respectively in the fiscal year 2019/20. In the same way, the ratio of total fixed capital formation to GDP is estimated to be 27.3% which was 28.4% in the previous fiscal year.

INFLATION

The annual average Consumer Price Inflation in Fiscal Year 2020/21 stood at 3.6% which was at 6.15% in previous year while the annual inflation rate of ghee and oil, pulses and nut, tobacco and transport sub group increased by 17.54%, 10.65%, 9.83% and 6.41% respectively. The inflation is 4.19% in Mid-July 2021. Such inflation was 4.78% in July 2020. The annual Consumer Price Index (CPI) is 4.19% in Nepal and 5.59% in India in July 2021. The consumer inflation in Fiscal Year 2020/21 in Kathmandu valley, Terai, Hilly and Himalayan is 3.33%, 3.68%, 3.87% and 2.87% respectively which was 6.96%, 6.29%, 5.10% and 4.91% respectively in previous year.

FOREIGN TRADE

Total exports of goods increased by 44.4% during Fiscal year 2020/21 reaching NPR 141.12 Billion. It had increased by 0.6% in the corresponding period of previous year.

Export direction shows an export to India and other countries increased

by 51.7% and 27.7% respectively while export to China declined by 14.7%. In the Fiscal year 2020/21 total import increased by 28.7% to NPR 1539.84 billion. Such import had declined by 15.6% in the corresponding period of previous year. Depending on the country of import, import from India, china and other countries increased by 32.1%, 28.6% and 19.6% respectively. On the export side, export has increased from the nationwide custom offices except from Tatopani, Kanchanpur and Rasuwa customs office. While on the import side, import has increased from nationwide custom office except from Tatopani and Rasuwa customs offices.

The trade deficit have increased by 27.3% reaching NPR 1398.72 billion which was 16.8% in previous year. During review period, the export-import ration reached to 9.2% which was 8.2% in the previous year.

REMITTANCE INFLOWS

In Fiscal Year 2020/21, remittance inflows increased by 9.8% amounting to NPR 961.05 Billion which was declined by 0.5% in the previous year. Remittance inflows increased by 8.2% in US dollar reaching NPR 8.15 Billion which was declined by 3.3% in the previous year. Numbers of Nepali workers taking final labor approval (institutional and personal - new and legalized) have decreased by 62.8% which was decreased by 20.5% in the previous year. Number of Nepali workers migrating for foreign employment based on renewal work permit decreased by 46.8% during the review period. Last year such number decreased by 34.7%. Net transfer income increased by 9.1% to NPR 1071.35 Billion in the fiscal year 2020/21. Such income had declined by 1.5% in the previous year.

FOREIGN EXCHANGE RESERVE

Gross Foreign Exchange Reserves remains at NPR 1,399 billion in Mid-July, 2021 which has declined by 0.2% of

NPR 1,401.84 billion of Mid-July, 2020. In terms of US Dollar, the Gross Foreign Exchange remains at NPR 11.75 billion in Mid-July, 2021 which has increased by 0.9% of NPR 11.65 billion in Mid-July, 2020. Of the total foreign exchange reserves, reserves held by Nepal Rastra Bank (NRB) increased by 1.5% and remains at NPR 1244.63 Billion in Mid-July, 2021. This was NPR 1,226.12 Billion in Mid-July, 2020.

Reserves held by Banks and Financial Institutions (except NRB) remains at NPR 154.39 Billion in Mid-July, 2021. This was NPR 175.71 Billion in Mid-July, 2020. The share of Indian currency in total reserves stood at 24.00% in Mid-July, 2021.

EXCHANGE RATE

Nepalese currency vis-à-vis US Dollar appreciated by 1.1% in Mid-July, 2021 compared to Mid-July, 2020. It had depreciated 9.10% in the same period of the previous year. The buying exchange rate per US Dollar stood at NPR 119.04 in Mid-July, 2021 compared to NPR 120.37 in Mid-July, 2020.

DEPOSIT COLLECTION AND LOAN DISBURSEMENT

The total deposits of Bank and Financial Institutions (BFIs) has increased by 21.4% during the review year. It had increased by 18.7% in the previous year.

In Mid-July 2021, the portion of Current, Savings & Fixed deposit in total deposit of BFIs settled at 10.4%, 34.2% and 47% respectively. It was 10%, 31.9% and 48.6% during the same period in previous year. In July 2020, the portion of Institutional Deposit in total deposit settled at 42.7%. It was 44.3% in the same period previous year. Likewise, the total loan disbursed by BFIs has increased by 27.3% during the review year. It had increased by 12% in same period previous year. Out of loan disbursed to Private Sectors, Commercial Banks Development Banks has increased by 27.8%, and 30.5% respectively whereas credit to finance companies decreased by 6.3% during the review

period. Out of total investment of BFIs, 66.1% of loan was secured by real estate and 12.7% loan was secured by current assets (agricultural and non-agricultural goods). It was 65.7% and 13% respectively in the same period previous year.

Loan of BFIs to agriculture sector increased 43.6%, industrial production sector increased by 20.6%, construction sector increased 18.4%, transportation, communication and public sector increased 20.4%, wholesale and retail trade industry increased by 26.2 and service industry sector increased 20.9% in the review period. In the review period, term loan extended by BFIs increased 29.7%, overdraft increased by 29.8%, trust receipt (import) loan increased by 48.7%, demand and working capital loan increased by 25.4%, real estate loan (including residential personal home loan) increased by 15.8%, margin nature loan increased by 110.8% whereas hire purchase loan decreased by 7.7%.

LIQUIDITY MANAGEMENT

In the review period, total liquidity of NPR 303.29 Billion has been mobilized by raising 109.54 Billion through reverse repo and NPR 193.75 Billion through bidding. In the same period of previous year, liquidity of NPR 78 billion was mopped up. In the fiscal year 2020/21, total liquidity of NPR 438.28 billion has been mobilized by raising NPR 67.94 billion through reverse repo and NPR 370.34 through standing liquidity facility. Liquidity of NPR 219.16 Billion was mopped up in the corresponding period of the previous year. In the review period, NRB injected liquidity of NPR 428.54 Billion through the net purchase of USD 3.62 Billion from foreign exchange market (Commercial Banks). NRB injected liquidity of NPR 492.24 Billion through the net purchase of USD 4.21 Billion from foreign exchange market (Commercial Banks) in the corresponding period previous year. NRB purchased Indian currency (INR) equivalent to NPR 535.23 Billion

through the sale of USD and other convertible foreign currencies 4.54 Billion in the review period. In the previous year NRB purchased Indian currency (INR) equivalent to NPR 442.13 Billion through the sale of USD and other convertible foreign currencies 3.82 Billion in the corresponding period of the previous year.

INTEREST RATE

The weighted average 91-day Treasury bills rate remain at 4.55% in July, 2021 from 1.27% a year ago. The weighted average inter-bank transaction rate among commercial banks reached to 4.12%, which was 0.35% in July, 2020. The interest spread rate that is known to be the aim of operating monetary policy stood at 4.14%. The average base rate of commercial banks stood at 6.86% in July, 2021 from 8.50% a year ago. Weighted average deposit and lending rates of commercial banks stood at 4.65% and 8.43% respectively in July 2021. Such rates were 6.01% and 10.11% respectively in the corresponding month of the previous year.

MERGER AND ACQUISITION

With an aim to booster Financial Stability, after the initiation of merger and acquisition process by NRB, the number of BFIs involved in this process has reached 229 till July, 2021. Out of which, the license of 171 BFIs was revoked thereby forming 58 BFIs.

FINANCIAL ACCESS

Of the total 753 local units, Commercial Banks extended their branches at 750 units as of July, 2021. The number of branches extended by Commercial Banks were 747 as of July, 2020. The total number of BFIs licensed by NRB stood at 133 in July, out of these 27 Commercial Banks, 18 Development Banks, 17 Finance Companies, 70 Microfinance Financial Institutions and 1 Infrastructure Development Bank are in operation. The number of BFIs branches reached 10,683 in July, 2021 from 9,765 in July, 2020.

DEPOSIT AND CREDIT GUARANTEE

Deposit and Credit Guarantee Fund (DCGF) has made Deposit Guarantee of NPR 811.62 Billion to the Saving, Current, Call and Fixed Deposit of 66 banks and financial institution belonging to 31 Million Natural Persons that was deposited within Mid July, 2021. In Mid-July, 2020, Deposit Guarantee was done amounting NPR 689.49 Billion worth of deposits belonging to 26 Million depositors. Likewise, DCGF has made Credit Guarantee amounting NPR 141 Billion of Micro & Deprived Sector Loan, Small and Medium Enterprise Loan and Agriculture Loan. In Mid-July, 2020, Credit Guarantee worth 65.8 Billion had been done.

CAPITAL MARKET

The NEPSE index has reached NPR 2,883.40 in mid-July, 2021 which was NPR 1,362.40 in mid-July, 2020. The stock market capitalization stood at NPR 4010.96 Billion in the review year which was NPR 1792.76 Billion in the corresponding period of the previous year. The number companies listed in NEPSE has reached 219 which was 212 in the previous year. Out of the total listed companies 143 are bank and financial institutions and insurance companies, while 40 belong to hydropower companies, 19 to manufacturing and processing industries, 5 to hotels, 5 to investment companies, 4 to business entities and 3 to other groups.

Of the listed companies bank and financial institutions and insurance companies accounted for 68.9%, Hydropower Company 8.4%, Investment Company 8.1%, manufacturing and processing industry 3.7%, hotel 1.5%, business 0.5% and other companies 8.9%. The paid up value of 5.83 billion shares listed in NEPSE has reached NPR 573.24 Billion in July 2021. In the fiscal year 2020/21, the development bond worth 284.95 Billion, bonus share worth 46.74 Billion, ordinary shares worth NPR 42.17 Billion, debenture worth NPR 18.55 Billion, mutual funds worth NPR 6.85 Billion and right shares worth NPR 5.52 Billion and

additional NPR 404.77 Billion securities has been listed. During the review period, Nepal Securities Board (NEPSE) has allowed for public issue, debenture worth NPR 23.04 Billion, NPR 15.18 Billion for ordinary shares, NPR 14.05 Billion for right shares and NPR 9.40 Billion for

mutual funds with total NPR 61.67 Billion.

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

GLIMPSE OF BANK OPERATIONS SUMMARY OF CURRENT FISCAL YEAR

The business position of the Bank till first 3 months of Current Fiscal Year is depicted as below:

(Amount in crore)

S.N.	HEADING	15 JULY, 2021	16 NOVEMBER, 2021
1.	Paid Up Capital	905.31	905.31
2.	Deposit	13,448.15	13,769.49
3.	Investment	1,980.38	2,096.12
4.	Loan and Advances	11,728.66	12,992.62

* Above details has been presented by accounting under NFRS.

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

AN OVERVIEW OF BUSINESS OF PREVIOUS FISCAL YEAR 2020/21

The key indicators of financial achievements of the Bank in Fiscal Year 2019/20 and 2020/21 are as follows:

(Amount in crore)

HEADING	2019/20	2020/21	INCREMENT (IN %)
Paid Up Capital	845.85	905.31	7%
Net Worth	1,158.47	1,286.41	11%
Deposit	10,674.84	13,448.15	26%
Investment	1,213.24	1,980.38	63%
Loans and Advances	9,500.04	11,728.66	23%
Interest Income	1,135.29	1,115.55	-2%
Interest Expense	749.10	680.40	-9%
Net Interest Income	386.19	435.15	13%
Other Income	129.98	159.74	23%
Employee Expense	150.29	176.95	18%
Operating Expense	88.84	89.08	0.27%
Operating Profit	192.05	246.95	29%
Net Profit after tax	126.52	160.75	27%
Loan Loss Provision	155.67	205.45	32%
Non-Performing Loan	0.52%	0.62%	19%
Total Assets	12,451.96	15,821.35	27%
Capital Adequacy	13.02%	12.06%	-7%
Book Value per Share	136.96	142.1	4%
Market Price per Share	220	385	75%
Number of branches (including extension counter)	164	166	1%
Number of ATMs	198	203	3%
Total Employees	1486	1510	2%

Net interest income has increased by 13% while interest income and interest expense have decreased by 2% and 9% respectively. Employee Expenses and other Operating Expenses have increased by 18% and 0.27% respectively in the review period.

The ratio of total Non-Performing Loan stands at 0.62% which was at 0.52% 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 27%, whereas Book Value per Share and Net Profit has increased by 4% and 27% respectively.

PAID UP CAPITAL AND CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) remains at 12.06 % during the Fiscal Year 2020/21.

This CAR ratio is higher by 1.06% 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 26% from the previous fiscal year and reached NPR 134.48 Billion. The average growth rate of commercial banks is about 20.38%. During the review period, the bank increased its term deposits by 25% and saving deposits by 34% resulting 26% 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 2077/78. As a result, the bank has been able to increase its previous year's saving account deposits by 34% and has been able to open 206,915 new saving accounts. The Bank aims to continue its strategy of increasing

saving deposits and saving accounts in the years to come. At the end of the review year, the total number of saving accounts of the bank were 1,013,055. The bank's current and saving deposits accounted for 39% of the total deposit which was 36% 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	%
Individual Deposit	70.17
Institutional Deposit	29.83
Total Deposit	100.00

LOAN AND LOAN LOSS PROVISION

Bank's total loan amount has increased by 23% from the previous year and reached NPR 117 Billion in the review period. The average growth of commercial banks during the same period was 28%.

With the view to increase investment, a total of 6.39 Billion deprived sector loans have been disbursed which is 5.97% of the total loan disbursed (6 months ago) by the Bank.

During the review period, the Bank achieved a 3% share of credit growth in the overall banking sector. Bank has contributed 3.12% of the total loan portfolio growth of the market which was 3.26% last year. Nepal Rastra Bank had allocated a limit of 10% in Agriculture and 15% in Tourism and Energy and other sectors. Out of the limit allocated by NRB, the Bank has circulated 10.30% and 20.10% in Agriculture sector and Energy and Tourism sector respectively. Along with

that, the deprived sector lending of the Bank is 5.97% which, as per NRB, shouldn't exceed 5% of the total loan investment (before 6 months).

The total loan loss provision has increased from last year's NPR 1.56 Billion and reached NPR 2.05 Billion. NPR 497.8 Million has been provisioned for loan loss purpose for this year which has decreased by 90 Million as compared to last year. The loans classified as Watch-list have decreased by 1.91 Billion as compared to last year. The ratio of Non-performing loan to total loan loss provision is 0.62%. Last year, the ratio of total bad loan to total loan was 0.27%, which has decreased this year and has remained at 0.22%.

The Bank has emphasized on circulation 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 the future.

INVESTMENT

The investment has increased by 63% from last year and has reached 19.80 Billion within the review period. Out of the total investment, the Bank has invested 5.19%, 88.41% and 6.4% 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 177.8 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 3.56 Billion from such investments in the review period.

INTEREST INCOME

The interest income of the Bank has decreased by 2% amounting 11.16 Billion in the review period. In the same period, the Bank's interest income from loan has decreased by 3% amounting 10.22 Billion whereas the interest income from other investments has increased by 22% amounting 928.3 Million.

Interest income of the bank is affected as the bank had to maintain the interest spread of 4.40% as per the NRB Directive.

In the review period, Bank's yearly average return on loan decreased by 2.13 point and the interest remained 9.10% due to various reasons. The Bank substituted the investments yielding low returns with the investments having high returns. This resulted in the increase of average return on investment to 5.31% in final quarter which was also 5.31% in the first quarter.

INTEREST EXPENSES

In the review period, Bank's interest expenses has decreased by 9% and reached 6.8 Billion. In the same duration, the Bank's interest expenses on deposit has reached 6.36 Billion decreasing to 10.54%. Due to the impact of Covid-19, though the total deposits has increased by 26% but bank's interest expenses on deposits has decreased by 10.5% in the review period. As a result, bank's yearly average interest on deposits decreased by 1.94 points and remained at 5.28%.

According to the strategy to increase CASA ratio in overall deposit, the Bank has introduced various saving deposit schemes. The Bank is confident that the cost of the Bank's deposits will

gradually improve in the coming days and the cost of the overall Bank's funds will be reduced.

NET INTEREST INCOME

The net interest income has reached 3.86 Billion which has increased by 8.79% from last year as a result of effective management.

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

NET COST AND COMMISSION INCOME

Net cost and commission income based on non-fund are also the major sources of income of the Bank. This year, the Bank has earned NPR 84.68 million from commission and other operating income, which is an increment of 17.52% 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 features and services and has also made relevant amendments in the review period. Bank has started its own remittance service, credit card and Point of Sale (POS) in the review period, which shall help in increasing commission incomes in the coming years.

OTHER OPERATING INCOMES

Bank's other operating income has increased by 149.23% and reached NPR 70.1 Million in the review period which was NPR 28.1 Million in the previous year.

STAFF EXPENSES

Bank's net staff expenses has increased

by 22.15% and reached NPR 1.50 Billion in the review period which was NPR 1.23 Billion in the previous year. Opening of new branches, fulfillment of staff requirements in existing branches and departments with the aim of gradually increasing business, hiring of additional new staffs in compared to the previous year, and the regular promotions carried out after annual performance appraisal has resulted in the increase of staff expenses in the review period.

Total number of staffs has reached 1,510 in the review period with the addition of 24 new staff from 1,486 staffs of last year. Bank has always prioritized on the training and skills development of the staffs. The staff training expenses in the review period is NPR 72.95 Million.

As per the circular no. 1/78/79 dated 26/07/2021 issued by Nepal Rastra Bank, it is not necessary to spend 3%, the bank has not allocated any amount for staff capacity building and training. Bank believes that human resources are the most valuable assets an organization can own. The Bank also believes that the expenses made to hire required number of staffs and to strengthen their skills are not expenses but investments which shall make the Bank more capable and increase business along with the profit in the coming years.

UNDERWRITING AND DEPRECIATION

Bank's underwriting and depreciation has increased by 18% and reached NPR 190.2 Million in the review period which was NPR 161.2 Million in the previous year.

OTHER OPERATING EXPENSES

In the review period, Bank's other operating expenses has increased by 0.27% and reached NPR 890.8 Million, which was NPR 888.4 Million in the previous year. Increase in the number of

staffs, various activities carried out to promote business in order to achieve objectives are the reasons for the increase in the total operating expenses.

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

RETURN ON ASSETS

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

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

The Bank has contributed to the IRO by depositing withholding tax payment of NPR 751.1 Million and paying tax of NPR 815.6 Million, thereby contributing total of NPR 1.57 Billion.

PROFIT/ LOSS DISTRIBUTION DETAIL

Bank has earned a total profit of NPR 1.60 Billion in this fiscal year and the details of the profit distribution details is as follows:

	(Amount in crore)	
DETAILS	THIS YEAR NPR	LAST YEAR NPR
Accumulated profits up to last year	981.30	1,293.50
Adjustment	2.80	11.50
Total	984.10	1,305.0
Transfer from Share Premium	-	-
This year's profits	1,607.50	1,265.20
Employee Skills Enhancement Reserve		2.40
Investment Adjustment Reserve		15.00
Total	2,591.60	2,587.60
Distributions		
General Reserve	321.50	253.00
Cash Dividends	285.10	886.10
Bonus Shares issued	594.60	402.80
Exchange Equalization Reserve	9.60	14.00
Corporate Social Responsibility Reserve	16.10	12.70
Regulatory Reserve	93.00	37.60
Total	1,319.90	1,606.20
Accumulated Profit/ Loss	1,271.7	981.30

Bank has appropriated 20% of its net profit i.e. NPR 321.5 million as General Reserve. Similarly, appropriation in Exchange Equalization Reserve, Corporate Social Responsibility Reserve and Regulatory Reserve stands at NPR 9.6 Million, 16.1 Million and 93 Million.

Bank has appropriated 1% of its net profit i.e. NPR 16.1 Million for CSR Reserve as per the Directive of Nepal Rastra Bank. This fiscal year, Bank has planned to spend the fund in various socially responsible activities as designated by Nepal Rastra Bank. Bank's

retained earning remains at NPR 1.27 Billion after the fund distributions and transfers.

LIQUIDITY MANAGEMENT

In the fiscal year 2020/21, the liquidity seemed a bit volatile at financial market. The liquidity which was high till the end of second quarter, seems to be declining since the third quarter. Thereafter the liquidity has been declining due to easing sanctions, rise in imports and tightening of the government bonds which remained unchanged until the end of the year. However, the asset liability management committee of the Bank has been regularly analyzing the market and taking necessary deposit and investment strategies and also reviewing them regularly. Also, the liquidity index for the Fiscal Year FY 2020/21 has been managed as per the criteria of Nepal Rastra Bank. Bank has given first priority to liquidity management.

In the review year itself, the Bank had invested NPR 6.90 billion in the government bonds with an average interest rate of 4.23%. Also, NPR 1.5 billion has been invested in treasury bills at an average weighted rate of 4.012% till the end of fiscal year.

BRANCH EXPANSION

Machhapuchchhre Bank Ltd which is moving forward with the objective of providing excellent and expanded core service to the customers is currently serving more than 10 lakh customers across the country through a total of 162 branch offices, 5 extension counters, 133 branchless banking. During FY 2020/21, bank have operated new branch office in Siraha. With the main objective of bringing access to banking services to the citizens of the nation, the Bank have added branchless banking at 34 new places where the branch offices

could not be reached. Using the latest technology, the bank has increased the number of branchless banking services in Mugu, Dang, Udayapur, Gorkha, Jhapa, Kailali and other districts. In the same period, the Bank added new ATMs in different places and currently serving through 203 ATMs nationwide. Apart from this, as per the directive of NRB, province offices of banks in all the seven provinces of Nepal has been established for the coordination, facilitation and inspection of the branches. We would like to assure that we are 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 of the valued customers.

NEW SERVICES

The Bank has continued its effort for refinement of its services this year as well. Bank has brought new products for deposit collection and loan to facilitate the customers. It is the well-known fact that the bank is always devoted in providing different services introducing various new deposit and loan schemes. In the same line, we have successfully upgraded to the latest version of the Finacle software as our Core Banking System replacing the Temenos T24 software that has been in use since past 21 years. The Bank have once again demonstrated its high working efficiency by completing the most challenging task of transforming the core banking system in the very short span of time. Since its inception, Machhapuchchhre Bank has been setting various trends in the banking sector especially in the digital banking. In this regard, the bank has brought its own mobile wallet remit app with the objective of extending digital banking facilities for the convenience of the customers. Along with this, bank is

working forefontly to provide the latest technological services. The latest example of which is establishment of international prepaid card—MBL Smart Dollar Card under which the customers holding an account with Machhapuchchhre Bank shall get the card worth USD 500 by submitting their PAN card. With this card, the customer shall easily make online payments through ecommerce sites up to USD 500 per annum to any country other than India. Bank has continued its effort to enhance the quality of its mobile banking service in order to provide additional qualitative services. This medium allows customers to recharge, transfer money from one account to another, bill payment, school/college fee payment, airlines ticket payment, insurance premium payment and various other payments. Internet banking facility provided by bank is also the result of same through which customers can easily do not only individual but also institutional transactions from anywhere at any time. In order to facilitate the customer the bank has introduced the online account opening service where the customer can open account from their home. With this service the people around the world will be able to open account using internet. Now the Bank customers are facilitated to make transactions through QR (Quick Response) Code technology. To minimize the impact created by Covid-19, NRB had requested to focus on digital

transaction rather than cash transaction which has been made easier by the various digital services provided by the Bank.

Bank has also introduced new facility where customer can open online demat account and apply for loan online. We have been and shall be making every possible effort for convenience of the customer with the more sophisticated and customer oriented digital banking services.

CORPORATE SOCIAL RESPONSIBILITY

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

During the review period, the Bank continued its social responsibility work by assisting various organizations to control the Covid 19 and also spent on the treatment of its employees. Similar to that, the bank assisted in the construction of school buildings, tree plantation, sanitation, etc.

Some of the major activities performed under corporate social responsibility in the FY 2020/21:

S.NO.	ACTIVITIES	AMOUNT (NPR)
1.	Treatment of Employee (due to Covid 19)	8,146,697.26
2.	Assistance to various organization helping to control Covid 19	217,785.03
3.	Distribution of Artificial Hands	250,000.00
4.	Construction of Shivajung Multiple Campus	502,708.75
5.	Tree Plantation	119,723.35
6.	Construction of Temples	377,356.00
7.	Others	2,845,868.61

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 signed agreement and operated its remittance service through Nishi Forex and Leisure Limited in India and Swift Remittances Inc. in Canada. 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, Xpress Money Services, Sewa Remit, Himal Remit, Samsara Remit, GME, I-Pay Reliable, EZ link, Nepal Remit, Esara Remit to make remittances simple for its customers.

INFORMATION TECHNOLOGY

Machhapuchchhre Bank has been providing customer friendly service by embracing the opportunities and ongoing challenges in the banking sector. The bank has provided simple and secure banking service from home to its valued customers through new technology even in the difficult situation caused by Covid 19.

Incorporating the latest change in the field of information technology, the bank is keeping all of its digital transaction agile and sound as well as is studying the risk that might be generated with the development of information technology in a very meticulous manner along with adoption of necessary security measures. The bank is also focused on participation

of skill development trainings and seminars periodically organized in the country and abroad in order to make its employees strong, robust and competitive. Despite the prolonged shutdown of the country, the bank has managed to transform and stabilize its core banking system to provide consistent quality banking services to its customers.

In addition, the achievement of the Bank in the field of Information Technology during the 23 years of its establishment are as under:

1. Despite the prolonged shutdown in the country, Core Banking Software – Temenos T24 that had been in use for past 21 years, has been replaced in the very short period of time in order to provide consistent quality banking services to its customers.
2. Arrangement has been made to open new bank account and demat account in a simple way from home through digital medium.
3. Arrangements has been made for the potential borrowers of the bank to fill up the form online.
4. Launched and operated the first mobile wallet "Remitap" in the banking industry.
5. Simplified and secured mobile banking and internet banking to further encourage the digital transactions.
6. To strengthen and upgrade Mobile Banking and Internet Banking, the feasibility study on OMNI CHANNEL is carried out for the implementation in the near future.
7. To achieve the aim of paperless banking and simplify the work, different software have been used

for automation like Loan Originating System, Document Management System/ Business Process Automation System.

8. Use of State-of-Art technology to minimize risk related to Information Technology.

9. Arrangement of separate Disaster Recovery Site (DR) at a earthquake free area for the data protection and in the process to implement Near Data Center (NDC).

HUMAN RESOURCE MANAGEMENT

As of 2021, the total number of staffs is 1,510 where the number of management level staff is 83 and the number of staffs working in other level is 1,427. During the review year the Bank has appointed 80 new staffs whereas 55 staffs has discontinued serving the bank. Among the total staffs, Bank has 637 (i.e. 42%) of female employees. In order to motivate and enhance the work efficiency of the staff, the Bank has been implementing Performance Based Appraisal System. The objective/qualitative evaluation along with quantitative evaluation of work performance is done under this system.

Human Resource is the most important requisite in order to make the Bank strong, competitive, effective and successful. The professional excellence and efficiency development programs and trainings provided to employees determine the success of the Bank. In recognition of the same, the Bank has been prioritizing the effort related to professional development, leadership development, work skills and efficiency enhancement programs for the employees. In line with the same the Bank is determined to invest minimum of 3% of the operating cost as specified by regulatory body for the effective development of human resource as

basic guideline. During the review period different department specific internal, external as well as international trainings in adequate number were provided to the employees. This practice of skills and abilities enhancement of the human resources through national and international trainings and seminars will continue in foreseeable future as well.

In addition, during the pandemic period with a view to enhance employee's knowledge and skills an e-learning platform is set where different department wise self-learning study materials have been placed. Also, internal tests and evaluation process is conducted through the same. The tests and evaluations are safely stored in the database system of the bank for future use. This practice of enhancing the knowledge and evaluating the employees will continue in the upcoming years as well. The bank has also been providing the medical Insurance and group accident insurance to every employee.

Similarly, Bank is well aware about the important role that human resource play for the progress of the bank in this competitive age. Further Bank is determined to hire qualified, efficient and honest employees as well as retain them. Professional development of human resources and management of skilled man power along with amendments and addition of other subjects and policies related to human resources will be done as per the requirement of time.

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

STAFF SERVICE AND FACILITIES COMMITTEE

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

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

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

The main objective of the Staff Services and Facilities Committee is to prepare the policy and criteria related to the Workforce Management of the Bank and submit it to the Board of Directors; to present all the decisions of the committee and works based on its decisions on periodic intervals to the Board.

DEPRIVED SECTOR LENDING

Bank has been disbursing deprived sector lending directly as well as 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. Similarly under the concessional loan procedure, the Bank has been

disbursing educated youth self-employment loan, youth project loan returned from foreign employment, women entrepreneurship loan, Dalit community business development loan, technical education and vocational training loan. The Bank has been providing commercial agriculture and livestock loan services at concessional interest rates to entrepreneurs for conducting various business with the objecting of increasing production and employment by promoting commercial agriculture and livestock business. Under this concessional loan title, the service recipients have been receiving interest subsidy up to 6 percent. Through these loans, more than two thousand customers have been using the loan service at concessional rates.

Similarly, the Bank has been indirectly disbursing loans to the poor in collaboration with other institutions. Accordingly, in partnership with UK AID Sakchyam-Access to Finance, the disadvantage has given the opportunity to streamline the flow of credit to backward classes by modifying various agricultural, women entrepreneurs, youth and small business agri loans, easy small entrepreneur loan facility. Similarly, in line with the Bank's policy of investing in areas such as small farmers, youth self-employment, and women enterprises, the program has been taken further enhanced by collaborating with the UK AID Sakchyam-Access to Finance project to reach unsecured loans to agricultural and women entrepreneurs in Dang. The Bank believes that the program, which

is aimed at making poor families self-employed, will significantly improve the living standards of farmers and women.

Machhapuchchhre Bank has launched Machhapuchchhre Kisan Card service in line with the objective of meeting working capital requirement of small farmers in their agribusiness. Under the Kisan Card, which has been launched by the Bank in collaboration with UK AID Sakchyam-Access to Finance program and Heffer International Nepal for farmers in 14 different districts, farmers will be able to get agricultural loan up to Rs. 4 lakhs through Kisan Card. In the first phase, the service has been started by providing the card to the farmers of Shree Saja Phulbari Udyami Mahila Sahakari located in Khajura village of Banke district affiliated to Heffer International Nepal. The application and approval process of the agricultural loan will be done by the Bank in a simple way through the credit scoring model. Through the Kisan Card, farmers will be able to transact within the limits available on their card through the branchless banking service of Machhapuchchhre Bank.

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, Monitoring Unit, following

the policy and directives issued by Nepal Rastra Bank and other regulatory bodies.

The Board of Directors is fully committed to the unified directives 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 Risk Management Committee (RMC), AML/CFT Committee and the Executive Committee at the senior Executive Level (EXCOM), and the Management Committee at the Management Level (CENMAC), under the coordination of a Non-Executive Director, to make the Bank's operations quick efficient and scientific and to decide on other necessary strategies. Various committees including the Property / Liability Management Committee (ALCO) are active.

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 the management have been effectively reviewing the internal control system from various

Management Level Committees.

More than 144 policies, rules and procedures have been formulated and implemented in line with the goal of making the internal control system of the bank effective. Market, credit, operations and other risks and the bank may be affected by such risks Board of Directors has been reviewing the internal control system of the bank and its effectiveness keeping in view the short-term, long-term and far-reaching effects.

The Board of Directors has always been committed to minimizing the short-term and long-term effects of risk, taking into account the need to bear risk in order to achieve the financial objectives of the Bank. For this, we have been preparing and implementing the necessary procedures for the establishment of effective internal control system. Such procedures have consistently made significant contributions to the identification, communication, 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 instructions and circulars issued by the Prevention of Money Laundering Act, 2064, Prevention of Money Laundering Regulations, 2073, necessary policies, procedures and practices have been formulated and implemented 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 Board of Directors. 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 in accordance with the directives of Nepal Rastra Bank and prevailing national and international provisions, AML and CDD procedures have been updated and implemented. Similarly, a management committee has been formed at the managerial level with high managers 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 22nd Annual General Meeting, for their detailed reporting of the bank's transactions and accounts. S.A.R Associates, Chartered Accountants has audited the bank for the fiscal year 2019/20 and is eligible for re-appointment as per sections 111 and 112 of the Companies Act, 2063 and sections 62 and 63 of the Banking and Financial Institutions Act, 2073.

BOARD OF DIRECTORS AND IT'S AMENDMENTS/CHANGES

The Board of Directors of the Bank comprises total of 7 directors that includes 3 from ordinary shareholders and 1 independent director. Due to

their own busy schedules Mr. Gopi Krishna Neupane and Mrs. Srijana Karki Bhattarai have resigned from the directorship and same has been approved by 440th BOD meeting held on 9th Feb, 2021 and 449th BOD meeting held on 8th Aug, 2021 respectively. On those vacant post, Mr. Haribhakta Sigdel, representing Shree Ramjanaki Investment and Petroleum Suppliers Pvt. Ltd from ordinary shareholders approved through 447th BOD meeting held on 17th June, 2021 and Mrs. Bandana Karki from ordinary shareholders approved through 449th BOD meeting held on 8th Aug, 2021 have been appointed for the remaining period. Therefore followings are the Board of Directors of Machhapuchchhre Bank Limited. The directors have been appointed by the Board of Directors for the remaining tenure of the previous directors and have been proposed for approval in this annual general meeting.

1) Chairman Dr. Birendra Prasad Mahato

(On Behalf of Promoter shareholders)

2) Director Mr. Roshan KC

(On behalf of the Promoter shareholders)

3) Director Mr. Jay Mukunda Khanal

(On behalf of the general shareholders)

4) Director Mr. Mukunda Mahat

(Independent Director)

5) Director Mr. Bishow Prakash Gautam

(On behalf of the general shareholders)

6) Director Mr. Haribhakta Sigdel

(On Behalf of Promoter shareholders)

7) Director Mrs. Bandana Karki

(On behalf of the general shareholders)

BOARD OF DIRECTORS MEETINGS

The meetings of Board of Directors of the Bank in accordance with the provisions of the existing act, is conducted regularly. A total of 24 meetings of the Board of Director have been held during the review period. The Chief Executive Officer of the bank has been invited in the meeting of BODs. The attendance of the directors in the meeting of the BODs and the details of allowances received are as follows:

MEMBERS	NUMBER OF MEETINGS ATTENDED	MEETINGS ALLOWANCES (IN NPR)
Chairman Dr. Birendra Prasad Mahato	24	3,60,000
Director Mr. Roshan KC	22	2,64,000
Director Mr. Gopi Krishana Neupane	13	1,56,000
Director Mr. Jaya Mukunda Khanal	11	1,32,000
Director Mr. Bishow Prakash Gautam	23	2,76,000
Director Mr. Haribhakta Sigdel	11	1,32,000
Director Mr. Mukunda Mahat	23	2,76,000
Director Mrs. Shreejana Karki Bhattarai	8	96,000

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 Provision, Corporate Governance, Loan, Operation and Market Risk. BODs has been reviewing the decisions taken in the previous meeting and the status of implementation of that decision in each meeting. In addition, the implementation status of the decisions taken by the Board in the previous quarter is also reviewed on quarterly basis. The decisions made by the Internal Committees of the bank also have been presented in the meeting of the Board and necessary decisions have been taken. The Board of Directors 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 works as per the directives given by NRB. Audit Committee for the Bank is responsible to review the financial condition of the bank, accounting, budget and internal audit procedures, monitor and supervise- whether the internal control

system is appropriate or not, and if appropriate, is implemented or not, to regularly examine managerial and performance outcome of Management and Operation of the Bank for ensuring that the prevailing laws applicable to the Bank are fully complied with; to review the outcomes of the audit and audit plan, and the remarks in the Audit Report submitted by Internal and External auditors, and direct the Management of the Bank to apply corrective measures; to review if the direction/remarks pointed out upon inspection and supervision by NRB have been implemented or not, and to maintain the record of such subjects and inform the Board accordingly; to assist the Management team in making the Annual Financial Information of the Bank accurate and realistic and to provide necessary recommendations/feedbacks to the Board regarding Bank's actions. Likewise, the internal and external auditors of the bank can have direct access to the committee. As per the NRB Directives, the audit committee formed under the coordination of Non-executive Director with additional one Non-executive director as Member and Internal Auditor as Member Secretary are as follows:

S.N	NAME	TITLE/POSITION
1	Director Mr. Mukunda Mahat	Coordinator
2	Director Mr. Bishow Prakash Gautam	Member
3	Internal Auditor Mr. Surendra Pathak	Member Secretary

RISK MANAGEMENT COMMITTEE

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

S.N	NAME	TITLE/POSITION
1	Director Mr. Jaya Mukunda Khanal	Coordinator
2	Director Mr. Mukunda Mahat	Member
3	Chief Operating Officer- Mr. Madhav subedi	Member
4	Chief Risk Management Officer- Mr. Tika Bhattarai	Member Secretary

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

The Bank has been fully abiding the Asset (Money) Laundering Prevention Act, 2064 BS, related Rules and Guidelines and directives issued by the Nepal Rastra Bank related to prevention/control of Money Laundering. The Bank has formulated and implemented effective Policies, Rules and Directives to prevent Money Laundering. The following member committee under the coordination of Non- Executive Director is formed with the primary objective to prepare and implement necessary policy/guidelines on Asset (Money) Laundering Prevention and areas of terrorist financing:

S.N	NAME	TITLE/POSITION
1	Director Mrs. Bandana Karki	Coordinator
2	Director Mr. Haribhakta Sigdel	Member
3	Chief Risk Officer - Mr. Tika Bhattarai	Member
4	Chief Compliance Officer - Mr. Manish Lal Shrestha	Member Secretary

Bank has been complying with the Acts and Directives on Money Laundering Prevention, which is why a separate AML/CFT unit has been set up at the Head office of the Bank to monitor the necessary policies and actions in the areas of prevention of Money laundering and Financial investment in terrorist activities, and a KYC/AML officer has been nominated in each of the branch offices and necessary instructions for the same have been given.

OTHER COMMITTEES

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

INFORMATION MANAGEMENT

Bank has given utmost priority to information exchange among all shareholders and stake holders. In this regard, Bank has been disseminating information such as Annual Reports, Quarterly Reports, Progress Reports of other banks, and different services provided by the Bank, through various media and the Bank's website www.machbank.com.

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

GRIEVANCE AND HEARING

The Bank has set up a separate desk and appointed a grievance handling officer to hear the grievances of public and customers for any inconvenience caused. The Bank has set up a toll free number for hearing customer grievances and integrated an online portal (MAYA Chat bot, Online Survey) on its website for hearing complaints and disseminating information to the public. In the fiscal year 2020/21, out of 20,508 complaints, 99.22% of the complaints have been successfully addressed.

MERGER AND ACQUISITION

As per the decision made in the previous Annual General Meeting on Merger and Acquisition, a Merger and Acquisition committee formed by the Board of Directors of the bank under the coordination of Mr. Roshan KC have given continuity to carry out tasks such as discussing in details the

policies, rules and directives related to Merger and Acquisitions, having an unofficial discussion with different Banks that are seen appropriate for Merger and Acquisition with the Bank and discussing further with them the business prospects, branch expansion, quality of assets and on other relevant topics.

CAPITAL INCREMENT PLAN

The total paid up capital of the bank till Mid July, 2021 is NPR 9,05,30,94,600.00. The bank plans to increase its capital as per its five-year strategic plan. As per the capital increment plan of the bank, Debenture worth NPR 2.25 billion has been issued and a proposal has been tabled at the Annual General Meeting to increase the paid up capital by issuing 13.30% of paid up capital as Bonus Share. In addition to that, Bank has continued to carry out discussion on the possibility of merger and acquisition with other suitable banks and financial institutions for increasing its capital and business.

NOTE OF THANKS

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

trust and goodwill to continue in future. We assure you that we are fully committed to the overall development of the Bank. We would like to express our sincere gratitude to respected shareholder and regulatory bodies who have always been a guardian figure to us and provided guidance and support for the continuous progress and prosperity of the Bank, Government of Nepal, Nepal Rastra Bank, Securities Board of Nepal, Office of the Company Registrar, Nepal Stock Exchange Ltd., CDS and Clearing Ltd and all our other supportive bodies and personnel who have been providing direct or indirect support to the Bank. We are confident that we will continue to receive your support in the future as well.

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

Thank you.

On behalf of Board of Directors,

DR. BIRENDRA PRASAD MAHATO

Chairman

November 12, 2021



RISK MANAGEMENT



The long-term financial security and success of the Bank is built on its robust risk management system. As a financial intermediary, the Bank is exposed to various risks, primarily Credit, Operational, Market, Liquidity and other risks inherent in bank.

An independent risk management function ensures that the risk is managed through a risk management architecture as well as through policies and processes approved by the Board of Directors. The risk management function in the Bank strives to proactively anticipate vulnerabilities at the transaction as well as at the portfolio level, through quantitative or qualitative examination of the embedded risks.

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

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

RISK MANAGEMENT FRAMEWORK

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

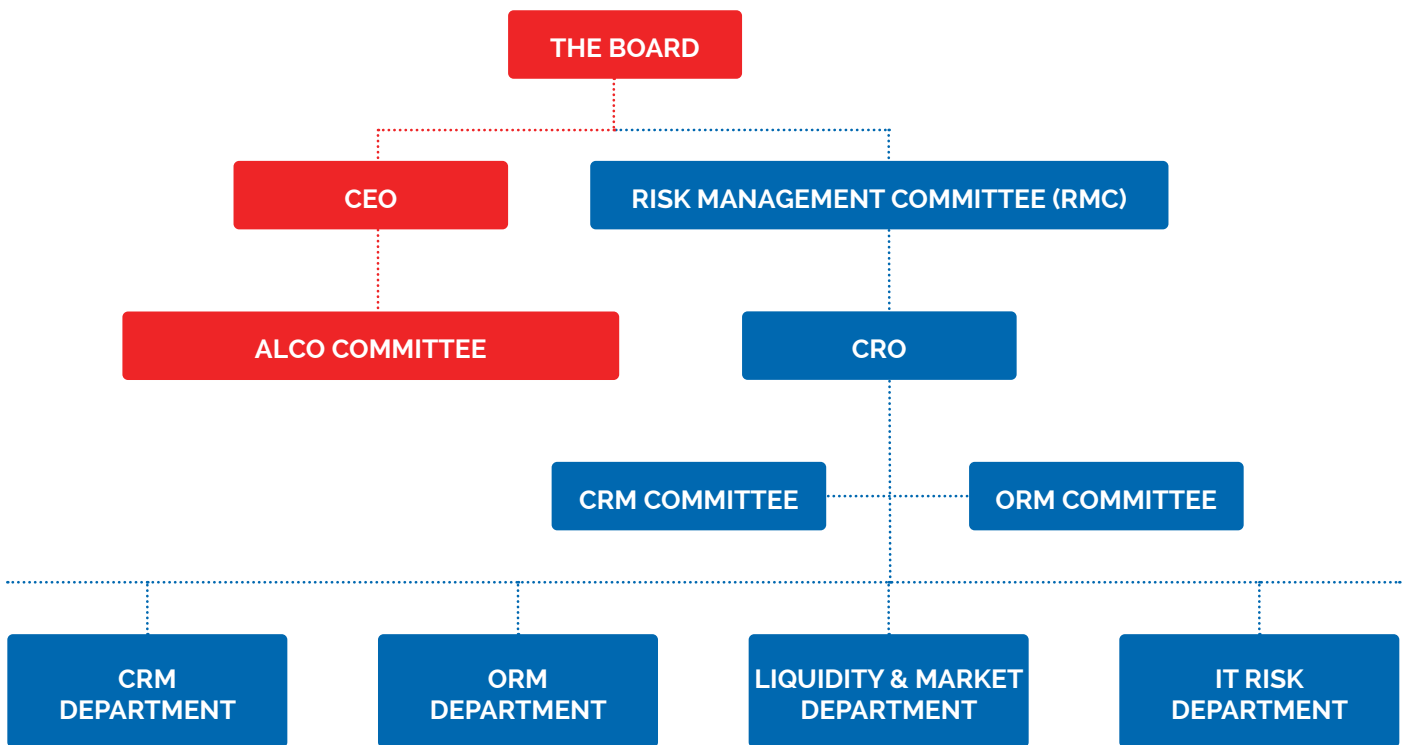
a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.

b) A well constituted organizational structure defining clearly roles and responsibilities of individuals involved

in risk taking as well as managing it. The structure should be such that ensures effective monitoring and control over risks being taken. The individuals/ departments responsible for review function (Risk Departments, internal audit, compliance etc.) should be independent from risk taking units and report directly to board, committees

or senior management who are not involved in risk taking.

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



RISK MANAGEMENT COMMITTEE

RMC is one of the important sub-committee of the Board, which plays a pivotal role in managing overall risk management of the Bank. RMC shall work as a bridge between the Board and CRO/Management for

implementation of risk strategies and escalate important risk matters to Board that are originated from Management. RMC at present comprises of 5 members: 3 from the Board of Directors or as may be decided by the Board of the Bank from time to time, and 2 from the management team.

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

RMC examines Credit Risk, Market Risk, Liquidity Risk, and Operation 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 and Operation Risk. Similarly, the committee also oversee the position of NPA/NBA/LLP, sectorial portfolio/portfolio

diversification, ALCO report/minute, liquidity profile and many other indicators of the bank and provide advice to the management whenever necessary.

- Recommend the Board on any possible significant impact on the Bank's Financial Position arising from any problem/change in the economy. The Committee should also suggest mitigating factors, to minimize the impact of such problems/changes.

CHIEF RISK OFFICER (CRO)

CRO has important role to play in order to mitigate potential risk inherent in the Bank's business. CRO directly reports to RMC and does not have any business targets. Role of CRO in managing risk is an independent function. CRO should also be vigilant about ever changing risk profile of the bank in the dynamic environment and accordingly propose for approval of adequate mitigation tools without hampering acceptable business activities of the bank in terms of risk tolerance and implement the same after approval. Ideally, three separate departments/units related to Credit Risk, Operation Risk and Market Liquidity Risk functions are directly reporting to CRO.

The roles and responsibilities of Chief Risk Officer shall be as follows:

- The Chief Risk Officer shall primarily be responsible for overseeing the development and implementation of the Bank's risk management function.
- The Chief Risk Officer shall be responsible for supporting the Board in its development of the Bank's risk appetite and Risk Appetite Statement and for translating the risk appetite into a risk limits structure.

- The Chief Risk Officer, together with management, shall be actively engaged in the process of setting risk measures and limits for the various business lines and monitoring their performance relative to risk-taking and limit adherence.

- The Chief Risk Officer's responsibilities shall also include managing and participating in key decision-making processes (e.g. strategic planning, capital and liquidity planning, new products and services, compensation design and operation)

- The Chief Risk Officer shall effectively implement/cause to implement all the directions/suggestions (pertaining to his area of work) of the Board and Risk Management Committee.

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

THREE LINES OF DEFENSE

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

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

FIRST LINES OF DEFENSE

Each business segments are MBL's first line of defense. Their responsibilities include the identification and management of risks arising from and relating to their respective areas of responsibilities, and ensuring that our operations remain within approved boundaries of our risk appetite and policies.

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

SECOND LINES OF DEFENSE

MBL's independent oversight functions such as Risk Management Department, Legal and Compliance form the second line of defense. They are responsible for the development and maintenance

of risk management policies and processes and they provide objective review and challenge on the activities undertaken by business segments.

THIRD LINES OF DEFENSE

The Bank's Internal Audit function independently reviews activities of the first two lines of defense based on a risk-based audit plan and methodology approved by the Audit Committee of the Board. Internal Audit provides independent assurance to the Board, the Audit Committee, senior

management and regulators regarding the effectiveness of the Bank's governance and controls designed for risk mitigation framework.

RISK EXPOSURE AND BUSINESS SEGMENTS

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

SEGMENT	AMT IN NPR M*	RISK WEIGHT EXPOSURE	% OF RWA*
Consumer Lending	32,273	Credit Risk	92.95%
Business Lending	34,782	Market Risk	0.02%
Corporate/Infra Lending	42,696	Operational Risk	4.39%
Microfinance	6,622	Others	2.64%
Total Risk Assets	116,373	Risk Weighted Asset	138,595

*Data as on Ashad end 2078

1. CREDIT RISK

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

Nepal Rastra Bank, as the Central Bank of the country, has laid significant emphasis on the adequacy of a Bank's management of risk. Overall risk management is of utmost importance to Banks, and as such, policies and procedures should be endorsed and strictly enforced by the senior management and the Board of the Bank. In the dynamic environment the risk also changes. An enterprise, segment or an industry are influenced

by so many internal and external factors that the risk keep on changing which is why credit risks have to be evaluated on an ongoing basis. Credit risk is tied up with the potential return on an investment, so as the quantum of risk rises so has to be the pricing, having said that pricing alone might not be the exhaustive measure / mitigation of credit risk. Portfolio as a whole, its performance, individual capacity, net-worth, market trend etc. also plays influential role on pricing determination. The goal of credit risk management is to maximize Bank's riskadjusted rate of return by maintaining credit risk exposure within acceptable parameters.

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

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

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

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



1.1 CREDIT RISK MANAGEMENT AT MBL

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

Credit Risk Governance

Policies

Risk Methodologies

Processes, systems and reports

A. CREDIT RISK GOVERNANCE:

Risk Governance structure of MBL comprises of the following:

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

CREDIT RISK MANAGEMENT COMMITTEE (CRMC)

CRMC is a management level risk management committee formulated in order to ensure that risk portfolios are understood, analyzed and addressed in a timely manner. CRMC comprises of the CRO as coordinator, DGM Business, Head Treasury (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 processing of linking those ratings with pricing i.e. risk based pricing and capital allotment also. Individual credit proposals are classified from Low Risk range to High Risk range as below according to the scores attained by individual borrower. Review frequency, acceptability of proposal and pricing are also substantiated with those scores.

A: Low Risk

B: Minimal Risk

C: Moderate Risk

D: Better than Average Risk

E: Average Risk

F: Acceptable Risk

G: High Risk

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

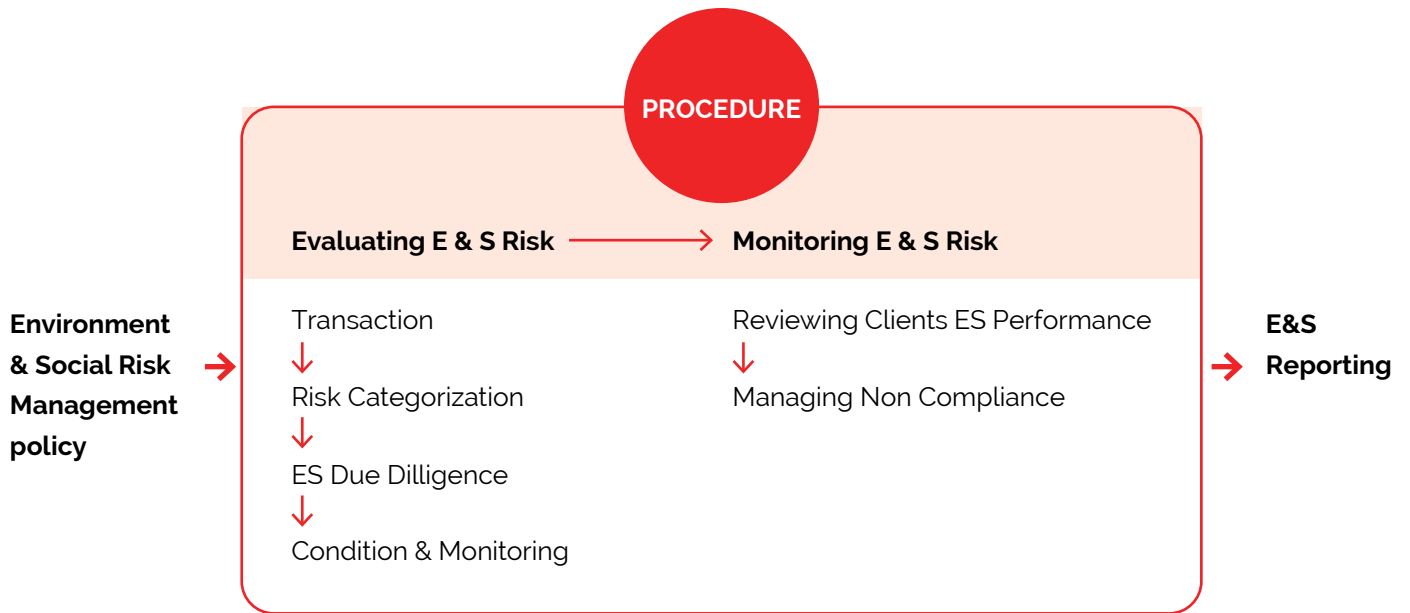
ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM)

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

Further regulator has already directed to formulate and implement policy to manage those risk. In line with the above, MBL has already devised Environmental & Social Risk Management Policy to integrate Environmental & Social Risk Management into overall credit

risk management process. The requirements of this policy represent the minimum standards for MBL and we have also sought alignment with Regulatory standards and, where possible, with best practices across the industry. Where significant ES risk issues are identified, escalation is

required to higher authority. Further such findings are also communicated to credit approving authority before approval. Overall ES Risk process is depicted as below



CREDIT RISK TOLERANCE/ CONCENTRATION RISK

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

INDUSTRY PROFILING

The CRM Department of MBL periodically examine the risk profile based on industry wide risk as defined by the Bank and priority is given to the large exposure in a particular industry. The risk profile is forwarded to the Chief Executive Officer for review originated from CRM Department through the line manager; the available documents shall be referred by Business Unit prior to processing of any credit facilities related to such sector.

TRAINING & CAPACITY DEVELOPMENT

MBL perceives the importance of a strong risk culture, which refers to our shared attitudes, values and standards that shape behaviors related

to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. In order to develop the organization wide risk culture and develop common understanding between risk function and business function, risk department periodically conducts interaction, training & capacity development programs to bank's staffs.

D. PROCESSES, SYSTEMS & REPORTS

MBL constantly invests in systems to support risk monitoring and reporting for our business processes. The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving

business, operations, risk management and other key stakeholders. Day-to-day monitoring of credit exposures, portfolio performance and external environmental factors potentially affecting credit risk profiles is key to our philosophy of effective credit risk management. Credit trends, which may include industry analysis, early warning alerts and significant weak credits, are submitted to the risk committees as well as senior management, allowing key strategies and action plans to be formulated and evaluated.

CREDIT STRESS TESTING

MBL engages in various types of credit stress testing, and these are driven either by regulators or internal requirements and management. Our credit stress tests are performed at the total portfolio or sub-portfolio level, and are generally performed to assess the impact of changing economic conditions on asset quality, earnings

performance, capital adequacy and liquidity. MBL's stress testing programme is comprehensive and covers all major functions and areas of business.

RISK REGISTER

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

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

MBL Maintains Comprehensive portfolio wise Credit Risk Register covering overall risks inherent in those portfolios. Maintenance of risk register and related reporting is done according to the guidelines formulated

regarding the same. Each risk events are assessed as Low, Medium or High considering Likelihood of the event & Severity of consequences.

1.1 CREDIT RISK MITIGATION

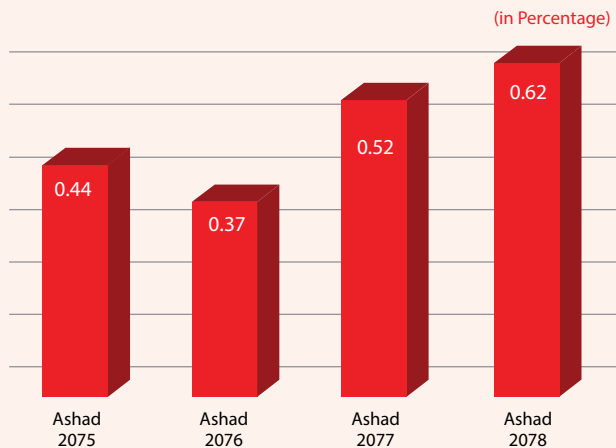
Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, risk transfer through credit insurance and other guarantees. MBL carefully assesses reliance that can be placed on these mitigants in light of issues such as legal certainty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

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

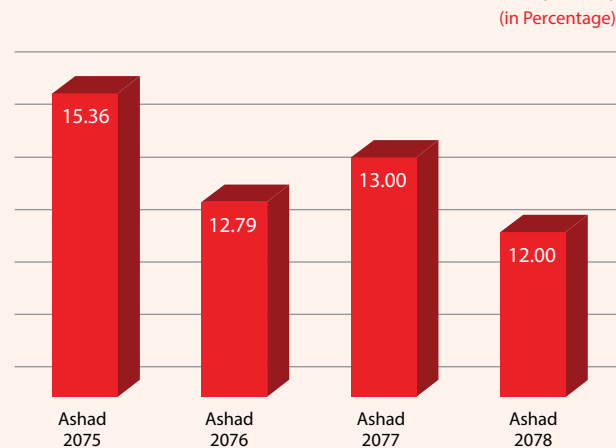
SPECIFIC RISK	SHORT DESCRIPTION AND SOURCE	RISK IMPACTS	MITIGATION TECHNIQUES OPTED BY MBL
Recovery Risk	The risk arises from Client's business failure, Death or departure of key management people, Double financing against same asset, Decline in Collateral Value, Repossession of Collateral and Owner's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

MOVEMENT IN KEY RISK PARAMETERS

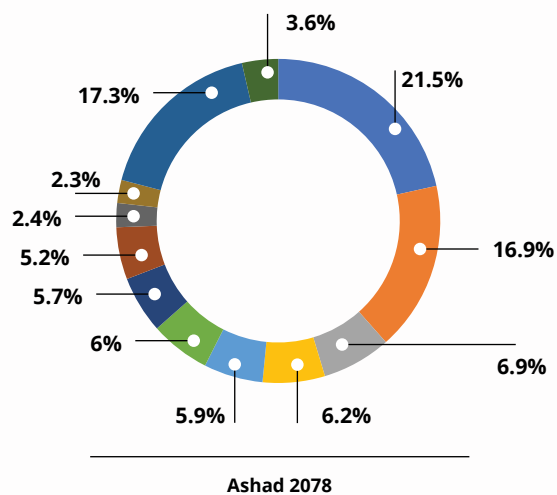
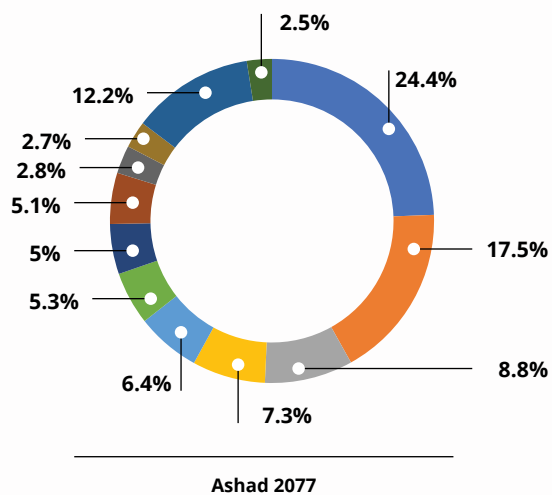
MOVEMENT IN NPA



MOVEMENT IN TOTAL CAPITAL /RWA (CAR)



INDUSTRYWISE CONCENTRATION OF RA



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

2. OPERATIONAL RISK

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

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

A. Operation Risk Governance

B. Policies

C. Risk Methodologies

D. Processes, systems and reports

A. OPERATION RISK

GOVERNANCE:

Risk Governance structure of MBL comprises of the following:

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

OPERATION RISK MANAGEMENT COMMITTEE (ORMC):

ORMC is a management level risk management committee consisting of Senior Management of the Bank for implementation and monitoring of the Operational Risk Framework throughout the Bank. The Committee is also responsible for reviewing Operational Risk profiles of the business units, understand future changes and threats, and concur on areas of highest priority and related mitigation strategy.

The RMC at the apex level is

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

OPERATIONAL RISK MANAGEMENT DEPARTMENT

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

B. OPERATION RISK POLICIES:

The Bank has implemented a robust and comprehensive Operational Risk Framework defined as part of the Board-approved Operational Risk Policy to identify, assess and monitor risks, strengthen controls and minimize Operational Risk losses. The Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner. The policy establishes a process to ensure that any new or changed activity will be evaluated for operational

risk prior to come into effect. The management ensures that it is communicated and understood throughout the bank. The policy is regularly reviewed and updated, to ensure it continue to reflect the environment within which the bank operates. The key policies address risk areas relating to compliance, fraud (internal or external), money laundering, damage to physical assets, clients, products & business practices, business disruptions & system failures, employment practices and workplace safety.

C. OPERATION RISK METHODOLOGIES:

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

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

REPUTATIONAL RISK

Reputational risk is the risk of possible damage to the Bank's brand and reputation resulting in loss of earnings or adverse impact on market capitalization or could be perceived as by the stakeholders

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

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

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

CONTINGENCY PLANNING

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

D. PROCESS, SYSTEMS AND REPORTS:

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

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

- Oversee and monitor the effectiveness of operational risk management
- Assess key operational risk issues with the units
- Report and/ or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies

3. MARKET AND LIQUIDITY RISK

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

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

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

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

A. Market/Liquidity Risk Governance

B. Policies

C. Risk Methodologies

D. Processes, systems and reports

A. MARKET/LIQUIDITY RISK**GOVERNANCE:**

Risk Governance structure of MBL comprises of the following:

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

ASSETS LIABILITIES COMMITTEE (ALCO):

ALCO is a management level risk management committee consisting of Senior Management of the Bank for implementation and monitoring of the market/liquidity Risk Framework throughout the Bank. ALCO currently comprises of the Chief Executive Officer, DGM Business, DGM Operation, Chief-Corporate & Infrastructure Lending, CRO, Chief Liability & External Affairs, Chief Global Market Relations, Deputy Chief Finance Officer, 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 by 1%, the Bank may not be able to increase the interest rate on all interest-bearing assets by the same margin. Further the maturing fixed deposit of the bank may also not be renewed at the existing interest rate. Such changes in interest rates can severely affect the Bank's profitability and net worth.

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

The 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.

MBL’s approach to Information Technology 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 of the following:

Board	
Risk Management Committee	
Chief Executive Officer (CEO)	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:

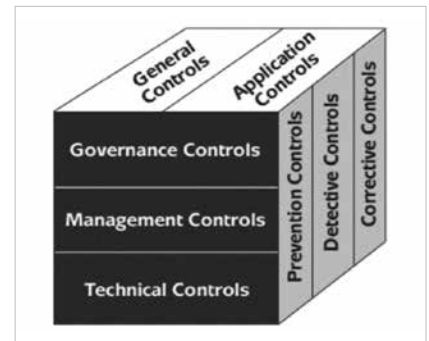


Fig: IT Control Classification



Fig: IT Control Classification

CORPORATE SOCIAL RESPONSIBILITY



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

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

and social stewardship is also a key factor for holistic business growth. MBL has been working in different sectors and regions continuously. MBL also partners with various social organizations to make a difference among local communities. MBL's focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations. During the fiscal year 2077/78(2020- 21), several programs were organized throughout the country from different branches and head office. The major details of the CSR activities incurred during the review period as follows Machhapuchchhre Bank allocated one percent of net profit to CSR fund in form of statutory reserve in the review year in compliance with NRB Circular and prioritizing on Corporate Social Responsibility (CSR) initiatives from past few years.

S.N	ACTIVITIES	AMOUNT (IN RS.)
1.	Staff Treatment Covid 19	8,146,697.26
2.	Various for the reduction of Covid 19 Support organizations	217,785.03
3.	Artificial hand distribution	250,000.00
4.	Construction of Shivjung Multiple Campus Building	502,708.75
5.	Tree Planting Program	119,723.35
6.	Temple construction	377,356.00
7.	Others	2,845,868.61

Fiscal Year 2077/78 Glimpses of Programs under the Bank's Institutional Social Responsibility





QR Handover



Branch and Branchless Banking Service Opening Program



PRODUCT AND SERVICES

A. SAVING DEPOSIT PRODUCT

- I. Machhapuchchhre Bachat Khata
- II. MBL Smart Bachat Khata
- III. MBL Pewa Bachat Khata
- IV. MBL Balbalika Bachat Khata
- V. MBL Student Saving Account
- VI. MBL Yuba Bachat Khata
- VII. MBL Samman Bachat Khata
- VIII. MBL Shareholders Saving Account
- IX. MBL Remittance Bachat Khata
- X. MBL Normal Saving account
- XI. MBL Online Account
- XII. MBL Ek Byakti Ek Khata Yojana
- XIII. MBL Premium Saving Account
- XIV. Payroll Accounts:
 - I. MBL Smart Salary account
 - II. MBL Surakshit Talab Khata
 - III. MBL Salary Management account
- XV. FCY Saving Accounts:
 - I. MBL FCY Saving Account

B. TERMS DEPOSITS

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

Our Premium Saving

DEPOSIT OFFERINGS:

1. MACHHAPUCHCHHRE BACHAT KHATA

Machhapuchchhre Bachat Khata (MBK) is one of our premium saving deposit product catering both Individual and

Institutional customers (Non Profit Making Organizations). MBK customers get to enjoy highest interest rate in savings along with various benefits.

Product Features/Benefits:

Features for Individual Customer:

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

Features for Institutional Customer

- (NGOs INGOs/Trusts/other Non Profit Making Organizations)
- Minimum Balance: Zero
- Free Cheque Book and Account
- Statement on Demand
- Free Subscription of internet
- Banking Facility Free ABBS Facility

PREMIUM PAYROLL ACCOUNTS:

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

1. MBL SMART SALARY ACCOUNT

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

Product Features/Benefits:

- Minimum Balance: Zero
- 50% Discount on Locker Charge
- Free Subscription of internet Banking, MBL Mobile Money (M3)
- Free Subscription of Debit/Credit Card
- Free ABBS Facility
- Free DMAT Account Opening/ C-ASBA/Mero Share
- Free Cheque Book and Account
- Statement on Demand

Health and Accidental Insurance benefits:

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

2. MBL SALARY MANAGEMENT ACCOUNT

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

Product Features/Benefits:

- Minimum Account Balance: Zero
- Statement of each staff provided every quarter upon request
- 50% discount on annual locker fee
- Free Internet Banking Facility, MBL Mobile Money (M3)
- Free ABBS facility in withdrawal and deposit
- Free Debit Card facility
- Account to be automatically downgraded to Normal Saving Account if salary is not received in the customer's account for six consecutive months
- Insurance coverage: Accidental Death Insurance of NPR 500,000.00 or 5 times of average balance, whichever is lower

3. MBL SURAKSHIT TALAB KHATA:

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

Product Features/Benefits:

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

PERSONAL SAVING ACCOUNT FOR ALL AGE GROUPS

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

I. Balbalika Bachat Khata: Account for Minors (children upto age of 15 years and below)

II. MBL Student Saving Account: Account for both for Minors & Majors (from age of 6 years upto 25 years)

III. MBL Yuba Bachat Khata: Account for Youths/Adults/Majors (age group between 18-40)

IV. MBL Samman Bachat Khata: Account for Elders (for age group above 50 years) Account for Elders (for age group above 50 years).

PERSONAL SAVING ACCOUNT FOR WOMEN

PEWA BACHAT KHATA

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

Product Features:

- Account Minimum Balance: NPR 100
- Only female can open this account (however, account operator can be male if accountholder authorizes so)
- 50% discount on Locker Charge

- Free subscription of Internet Banking
- This account can be opened in the joint name of minor as well (minor can be son or daughter)

MBL Online Account

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

MBL SHAREHOLDER SAVING ACCOUNT

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

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

MBL REMITTANCE BACHAT KHATA

This deposit scheme to serve the remittance payment holders, existing customers and foreign employment seekers.

- Account Minimum Balance: Zero
- Accidental Death Insurance

- Coverage of NPR 100,000.00 for accounts maintaining deposits over NPR 1,000.00
- Free Internet Banking

MBL EK BYAKTI EK KHATA YOJANA

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

Product Features:

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

Term Deposits

1. MBL FIXED DEPOSIT ACCOUNT:

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

Features:

- Fixed Deposits are accepted for minimum 3 months and maximum for any period agreed upon

■ Interest will be paid quarterly, or as agreed at the time of deposit.

■ The interest of the deposit can be credited to Current account or Saving account, as the case may be

■ Fixed Deposits can be opened with minimum amount of NPR 50,000/-

■ Fixed Deposits can be opened directly from MBL Mobile Money (M3) App.

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

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

TECHNOLOGY

Covid-19 pandemic in the past few years has triggered the transformation of banking practices in Nepal drastically. As the people have experienced the ease and comfort of banking from their remote location through digital banking platforms, the consumption of banking services has shifted radically from traditional mediums to digital. People have access to their bank accounts at their fingertips, and they do not wish to visit bank premises for trivial tasks such as fund transfers or bill payments, and tedious tasks such as account opening or DEMAT account opening due to their busy schedule. So, to address all these requirements and provide a smooth digital banking experience, Machhapuchchhre Bank Limited provides a plethora of banking services through its digital banking platforms.

MACHHAPUCHCHHRE MOBILE MONEY (M3)

Machhapuchchhre Mobile Money follows the concept of "Banking on-the go" by providing a host of banking services via a single mobile application. This is the most convenient way to access the account and till date, there are more than 500,000 MBL customers availing this service. M3 is also secured by two-factor authentication and just with the installation of a single application in the phone, customers can avail a wide range of financial services:

1. View Account Information
 - a. Balance Enquiry
 - b. View Statements
 - c. Share Account Information
2. Fund Transfer
 - a. Intra-Bank Fund Transfer
 - b. Inter-Bank Fund Transfer
3. Utility Bill Payments (Top-up, electricity, 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. Save and Schedule payments of regular nature
9. SMS Banking – banking services without internet

MBL EXPRESS BANKING

MBL Express Banking provides a seamless online banking experience at the comfort of one's home or office to both retail and corporate customers. With the retail module, customers can:

1. View Account Information
 - a. Balance Enquiry
 - b. Extract Account Statements
2. Fund Transfer
 - a. Intra-Bank Fund Transfer
 - b. 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

Likewise, with Corporate Express Banking, at the comfort of their office, corporate houses can have access to all the aforementioned banking services along



with processing bulk payments such as salary transfers, vendor payments and employee management. Further, since the corporate module of MBL Express banking is built on the concept of "Maker" and "Checker", the system is robust and can cater the online banking requirements of corporate houses having multiple signatories as well.

MBL CARDS

It is neither practical nor secure to carry a huge sum of cash with oneself. MBL offers plastic money services with a wide range of cards, in both NPR and USD currencies:

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

Till date, there are more than 400,000 MBL card holders across the country. These cards are widely accepted in every VISA enabled ATM and POS outlets, and for e-commerce transactions. Also, MBL cards are chip-based and 3D secure, which vouch for its wide acceptance and secure transactions.

ATM

ATM machines not only provide swift and convenient cash withdrawal facility to the customers, but also hassle free balance enquiry and mini statement view, without having the need to visit busy bank branches. Within this year only, Machhapuchchhre Bank has installed 54+ ATMs, leading to a wide spread coverage of a total of 199+ ATM outlets across the country.

QR PAYMENTS

ATM machines not only provide swift and convenient cash withdrawal facility to the customers, but also hassle free balance enquiry and mini statement view, without

having the need to visit busy bank branches. MBL has a wide spread coverage of a total of 200+ ATM outlets across the country.

QR PAYMENTS

Quick Response code is a two dimensional barcode that contains information. By generating account information via a QR code, retail/corporate customers can accept payments from their customers swiftly and conveniently, without the hassle of fund management. QR code payments have fostered the movement towards a cashless economy. MBL has registered 10,000 plus corporate customers for QR payments, and this QR code is readable with any application that is enlisted under the Fonepay network.

POS TERMINALS

Another channel that is helping the nation move towards a cashless economy is POS terminals. Machhapuchchhre Bank has deployed more than 2,000 POS terminals in various outlets all over Nepal. To facilitate wide range of payment options, MBL POS machines accept cards under the network of VISA, MasterCard and Union Pay.

BRANCHLESS BANKING

Branchless banking service helps to include those people into the financial system, who are staying in remote areas and do not have access to bank branches. Machhapuchchhre Bank has 150 plus Branchless Banking Agents, serving for the sole purpose of providing banking facilities in the rural and remote areas, and providing easy financial solutions to the public.

INSTA PAY

Instapay is a value added product of MBL under credit card for the financing of the consumer durables. With Instapay, you get to purchase varieties of home appliances, electronic gadgets, furniture, jewelries, and many more and pay back in easy installments. MBL has tie-ups with more than 225 merchants for availing Instapay services.

ONLINE ACCOUNT OPENING

In this busy age, people simply do not have the time to visit the Bank branches to open a bank account, or a Demat account. With online account opening facilities through the Bank's website and other digital banking channels, opening a bank account has become very easy and convenient, at the comfort of their own time and location.

MAYA (CHAT-BOT)

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

REMITAP NEPAL

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

WE CHAT

MBL is the first bank to launch we chat Pay in Nepal with more than 4000+ merchant enrolled till date. We Chat allows easy and secure mode of payments especially to the Chinese visitors. This allows our merchants with We Chat Pay QR code to receive international payments as an acquirer.

**2000+**

MBL POS MACHINES

4000+

WE CHAT MERCHANTS

200+

ATM OUTLETS

24X7

CHAT BOT ONLINE ASSISTANCE

450K

CARDS

FINANCIAL STATEMENT

Independent Auditor's Report

To the Shareholders of Machhapuchchhre Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Machhapuchchhre Bank Limited (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 31, 2078 (July 15, 2021), and the consolidated statement of profit or loss, consolidated statement of other 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, 2078 (15 July 2021), 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. 20 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 Machhapuchchhre Capital Limited and Kriti Capital and Investment Limited to form Machhapuchchhre Kriti 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>Interest Recognition</p> <p>The interest income of the bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines requires 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</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</p>



	<p>overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have effect on recognition of interest income the bank. Thus, we have considered it as key audit matter.</p>	<p>with manual computation.</p>
<p>2.</p>	<p>Investment Valuation, Identification, and Impairment</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted 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 in our audit.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> 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. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidences/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis. For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 15.07.2021 and for the unquoted investment the fair value has been taken as the NPR 100.
<p>3.</p>	<p>Impairment of Loans and Advances</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"> ▪ Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and ▪ Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model <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 NAS 39 read with NFRS 9, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets'</p>	<p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> 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. 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. 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. Grouping of homogeneous group of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of



	<p>carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p>	<p>the defined group in the past.</p>
<p>4.</p>	<p>Information Technology General Controls 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"> Understanding the coding system adopted by the bank for various categories of customers 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 Checking of the user requirements for any changes in the regulations/ policy of the bank Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank. We relied on the IT' audit conducted by the bank. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 15.07 2021
<p>5.</p>	<p>Risk Arising out of Data Migration The Bank has migrated to new core Banking System viz; Finacle from existing Globus T24 system effective from 2078.01.17.</p> <p>Change in the core banking system would require migration of data from existing system to the target system, using a variety of tools and techniques.</p> <p>Since data migration process involves a risk of data loss, we have considered this as key audit matter as such risk may impact fair presentation of financial statements.</p>	<p>Our audit approach regarding risk arising out of data migration included:</p> <ol style="list-style-type: none"> Understanding the procedures followed by the bank for migration to new core banking system. Understanding the controls placed by the bank to ensure integrity of data migrated to new system. Obtaining details of closing GL balances in the old system and confirming that said balance is duly migrated to new system as



		<p>an opening balance.</p> <p>d. Confirm, on test basis, individual customer balances migrated from old system to new system.</p> <p>e. Obtain management representation regarding the correctness of data migrated to new system from the old system.</p>
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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 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 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.

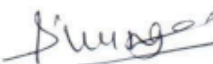

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



 Sunir Kumar Dhungel
 Managing Partner

Place: Kathmandu, Nepal

Date: September 22, 2021

UDIN No.: 210923CA00109qAeeo

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on 31st Ashad 2078

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets					
Cash and cash equivalent	4.1	8,784,104,032	9,778,033,447	8,679,174,999	9,778,033,447
Due from Nepal Rastra Bank	4.2	8,908,182,769	4,552,001,488	8,908,182,769	4,552,001,488
Placement with Bank and Financial Institutions	4.3	477,085,220	81,135,769	477,085,220	81,135,769
Derivative financial instruments	4.4	21,848,832	67,415,547	21,848,832	67,415,547
Other trading assets	4.5	17,409,000	212,019,133	17,409,000	212,019,133
Loan and advances to B/Fls	4.6	3,714,540,504	2,471,154,353	3,714,540,505	2,471,154,353
Loans and advances to customers	4.7	113,572,009,939	92,529,226,532	113,572,009,939	92,529,226,532
Investment securities	4.8	19,697,154,886	11,939,913,270	19,603,810,777	11,932,413,270
Current tax assets	4.9	419,337,284	275,878,938	419,106,236	275,808,469
Investment in subsidiaries	4.10	-	-	200,000,000	200,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	273,910,573	174,947,305	273,910,573	174,947,305
Property and equipment	4.13	1,479,096,398	1,344,551,049	1,474,088,435	1,335,804,292
Goodwill and Intangible assets	4.14	127,331,242	65,705,984	126,031,076	65,127,085
Deferred tax assets	4.15	35,348,476	35,129,485	35,139,179	35,234,822
Other assets	4.16	706,566,385	809,810,157	691,210,032	809,247,408
Total Assets		158,233,925,540	124,336,922,457	158,213,547,572	124,519,568,920
Liabilities					
Due to Bank and Financial Institutions	4.17	2,863,541,338	2,649,482,101	2,863,541,338	2,649,482,101
Due to Nepal Rastra Bank	4.18	4,159,288,073	13,723,693	4,159,288,073	13,723,693
Derivative financial instruments	4.19	-	-	-	-
Deposits from customers	4.20	131,519,765,974	103,900,036,875	131,617,964,617	104,098,899,866
Borrowing	4.21	1,202,306,566	1,202,500,000	1,202,306,566	1,202,500,000
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	-	-	-	-
Other liabilities	4.23	2,370,153,093	1,825,716,113	2,358,670,979	1,823,138,694
Debt securities issued	4.24	3,147,643,817	3,147,121,726	3,147,643,817	3,147,121,726
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		145,262,698,861	112,738,580,510	145,349,415,390	112,934,866,080
Equity					
Share capital	4.26	9,053,094,581	8,458,477,650	9,053,094,581	8,458,477,650
Share premium		30,881,765	30,881,765	30,881,765	30,881,765
Retained earnings		1,286,352,996	994,905,226	1,271,636,271	981,266,119
Reserves	4.27	2,511,584,814	2,114,077,306	2,508,519,565	2,114,077,306
Total equity attributable to equity holders		12,881,914,156	11,598,341,947	12,864,132,182	11,584,702,840
Non-controlling interest		89,312,523	-	-	-
Total equity		12,971,226,679	11,598,341,947	12,864,132,182	11,584,702,840
Total liabilities and equity		158,233,925,540	124,336,922,457	158,213,547,572	124,519,568,920
Contingent liabilities and commitment	4.28	34,450,301,043	32,632,466,562	34,450,301,043	32,632,466,562
Net assets value per share		142.29	137.12	142.10	136.96

Khagendra Paudel
Dy.Chief Finance & Planning

Santosh Koirala
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan KC
Director

Mukunda Mahat
Director

Jaya Mukunda Khanal
Director

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

Bishow Prakash Gautam
Director

Haribhakta Sigdel
Director

Bandana Karki
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st Ashad 2078

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	11,158,638,974	11,353,180,627	11,155,483,067	11,352,889,497
Interest expense	4.30	6,792,220,495	7,472,897,231	6,803,990,080	7,490,990,381
Net interest income		4,366,418,479	3,880,283,396	4,351,492,987	3,861,899,116
Fee and commission income	4.31	1,181,337,569	948,158,014	1,142,901,599	947,486,014
Fee and commission expense	4.32	132,933,303	100,670,244	131,043,156	100,670,244
Net fee and commission income		1,048,404,266	847,487,769	1,011,858,443	846,815,769
Net interest, fee and commission income		5,414,822,745	4,727,771,166	5,363,351,430	4,708,714,885
Net trading income	4.33	258,087,591	282,164,384	258,087,591	282,164,384
Other operating income	4.34	203,670,573	70,129,238	196,386,725	70,129,238
Total operating income		5,876,580,909	5,080,064,788	5,817,825,746	5,061,008,508
Impairment charge/(reversal) for loans and other losses	4.35	497,799,024	587,923,943	497,799,024	587,923,943
Net operating income		5,378,781,885	4,492,140,845	5,320,026,722	4,473,084,565
Operating expense					
Personnel expenses	4.36	1,786,411,069	1,505,799,584	1,769,507,572	1,502,909,804
Other operating expenses	4.37	897,400,404	893,093,254	890,785,804	888,437,218
Depreciation & Amortisation	4.38	191,637,742	161,778,559	190,200,553	161,263,091
Operating Profit		2,503,332,670	1,931,469,448	2,469,532,793	1,920,474,452
Non operating income	4.39	9,773,799	8,068,766	9,773,799	8,068,766
Non operating expense	4.40	198,963,976	67,520,083	198,963,976	67,520,083
Profit before income tax		2,314,142,493	1,872,018,132	2,280,342,616	1,861,023,135
Income tax expense	4.41	682,466,132	599,287,164	672,869,442	595,872,472
Current Tax		686,818,951	615,834,173	676,119,044	612,524,817
Deferred Tax		(4,352,819)	(16,547,008)	(3,249,602)	(16,652,345)
Profit for the year		1,631,676,361	1,272,730,967	1,607,473,174	1,265,150,663
Profit attributable to:					
Equity holders of the Bank		1,624,378,402	1,272,730,967	1,607,473,174	1,265,150,663
Non-controlling interest		7,297,959	-	-	-
Profit for the year		1,631,676,361	1,272,730,967	1,607,473,174	1,265,150,663
Earnings per share					
Basic earnings per share		17.94	14.06	17.76	13.97
Diluted earnings per share		17.94	14.06	17.76	13.97

Khagendra Paudel
Dy.Chief Finance & Planning

Santosh Koirala
Chief Executive Officer

Dr. Birendra Prasad Mahato
Chairman

As per our report of even date

Roshan KC
Director

Mukunda Mahat
Director

Jaya Mukunda Khanal
Director

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

Bishow Prakash Gautam
Director

Haribhakta Sigdel
Director

Bandana Karki
Director

Date: 22 September, 2021
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st Ashad 2078

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,631,676,361	1,272,730,967	1,607,473,174	1,265,150,663
Other comprehensive income, net of income tax					
a) Items that will not be reclassified to profit or loss					
Gain /(losses) from investments in equity instruments measured at fair value		11,150,816	9,471,745	11,150,816	9,471,745
Gain /(losses) on revaluation		-	-	-	-
Actuarial gains/(loss) on defined benefit plans		(38,080,762)	(18,110,759)	(38,080,762)	(18,110,759)
Income tax relating to above items		(3,345,245)	(2,841,524)	(3,345,245)	(2,841,524)
Net other comprehensive income that will not be reclassified to profit or loss		(30,275,191)	(11,480,538)	(30,275,191)	(11,480,538)
b) Items that are or may be classified to profit or loss					
Gain /(losses) on cash flow hedge		-	-	-	-
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)		-	-	-	-
Income tax relating to above items		-	-	-	-
Reclassify to profit or loss		-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method				-	-
Other comprehensive income for the period, net of income tax		(30,275,191)	(11,480,538)	(30,275,191)	(11,480,538)
Total comprehensive income for the year		1,601,401,169	1,261,250,430	1,577,197,983	1,253,670,126
Total comprehensive income attributable to:					
Equity holders of the Bank		1,594,103,210	1,261,250,430	1,577,197,983	1,253,670,126
Non-controlling interest		7,297,959	-	-	-
Total comprehensive income for the period		1,601,401,169	1,261,250,430	1,577,197,983	1,253,670,126

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Date: 22 September, 2021
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashad 2078

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	9,861,748,769	10,102,221,796	9,858,592,862	10,102,221,796
Fees and other income received	1,181,337,569	947,486,014	1,142,901,599	947,486,014
Divided received	-	-	-	-
Receipts from other operating activities	435,863,866	345,459,603	428,580,018	345,459,603
Interest paid	(6,484,155,167)	(7,211,178,796)	(6,495,924,752)	(7,220,198,084)
Commission and fees paid	(132,933,303)	(100,670,244)	(131,043,156)	(100,670,244)
Cash payment to employees	(1,786,411,069)	(1,502,909,804)	(1,769,507,572)	(1,502,909,804)
Other expense paid	(1,108,824,519)	(976,033,450)	(1,102,209,919)	(975,669,859)
Operating cash flows before changes in operating assets and liabilities	1,966,626,146	1,604,375,117	1,931,389,080	1,595,719,421
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(4,356,181,281)	(1,325,039,391)	(4,356,181,281)	(1,325,039,391)
Placement with bank and financial institutions	(395,949,451)	1,376,898,223	(395,949,451)	1,376,898,223
Other trading assets	240,176,848	151,857,017	240,176,848	151,857,017
Loan and advances to bank and financial institutions	(1,243,386,151)	(30,988,138)	(1,243,386,152)	(30,988,138)
Loans and advances to customers	(21,540,582,431)	(18,021,376,659)	(21,540,582,431)	(18,021,376,659)
Other assets	641,818,384	955,243,455	644,168,884	955,243,455
	(26,654,104,082)	16,893,405,493)	(26,651,753,583)	(16,893,405,493)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	214,059,237	(3,712,354,937)	214,059,237	(3,712,354,937)
Due to Nepal Rastra Bank	4,145,564,380	(1,006,800,598)	4,145,564,380	(1,006,800,598)
Deposit from customers	27,619,729,099	18,693,075,923	27,519,064,751	18,900,497,722
Borrowings	(193,434)	1,202,500,000	(193,434)	1,202,500,000
Other liabilities	506,878,309	376,735,578	497,973,614	376,616,583
Net cash flow from operating activities before tax paid	32,486,037,590	15,553,155,967	32,376,468,548	15,760,458,769
Income taxes paid	(829,488,714)	(679,708,869)	(819,416,810)	(678,355,975)
Net cash flow from operating activities	6,969,070,941	(415,583,277)	6,836,687,235	(215,583,278)

Contd... CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(8,225,340,547)	(1,416,863,737)	(8,139,496,437)	(1,616,863,737)
Receipts from sale of investment securities	479,249,746	-	479,249,746	
Purchase of property and equipment	(326,904,013)	(476,626,844)	(316,762,509)	(476,626,844)
Receipt from the sale of property and equipment	720,922	111,984,836	720,922	111,984,836
Purchase of intangible assets	(61,746,863)	(25,612,806)	(61,025,596)	(25,612,806)
Receipt from the sale of intangible assets	121,605	-	121,605	-
Purchase of investment properties	(222,550,408)	(108,369,319)	(222,550,408)	(108,369,319)
Receipt from the sale of investment properties	123,587,140	22,302,000	123,587,140	22,302,000
Interest received	758,071,830	649,218,504	758,071,830	649,218,504
Dividend received	35,668,097	4,480,543	35,668,097	4,480,543
Net cash used in investing activities	(7,439,122,490)	(1,239,486,824)	(7,342,415,610)	(1,439,486,824)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	3,147,121,726	-	3,147,121,726
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(297,864,744)	(886,126,230)	(285,064,744)	(886,126,230)
Interest paid	(308,065,328)	(270,792,297)	(308,065,328)	(270,792,297)
Other receipt/payment	82,052,207	-	-	-
Net cash from financing activities	(523,877,865)	1,990,203,199	(593,130,072)	1,990,203,199
Net increase (decrease) in cash and cash equivalents	(993,929,415)	335,133,098	(1,098,858,447)	335,133,097
Cash and cash equivalents at Sawan 1, 2077	9,778,033,447	9,442,900,351	9,778,033,447	9,442,900,351
Effect of exchange rate fluctuations on cash and cash equivalents held	-			
Cash and cash equivalents at Ashad end 2078	8,784,104,032	9,778,033,447	8,679,174,999	9,778,033,447

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Haribhakta Sigdel
Director

Bandana Karki
Director

Date: 22 September, 2021
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashad 2078

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Sawan 1, 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gains/ (losses) from investments in equity instruments measured at fair value				
Gains /(losses) on revaluation				
Actuarial gains /(losses) on defined benefit plans				
Gains /(losses) on cash flow hedge				
Exchange gains/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
Transfer to reserve during the year	-	-	253,030,133	14,015,417
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Share issued				
Share based payments				
Dividends to equity holders				
Bonus shares issued	402,784,651	-	-	-
Cash dividend paid				
Other				
Total contributions by and distributions	402,784,651	-	253,030,133	14,015,417
Balance at Ashad end 2077	8,458,477,651	30,881,765	1,706,571,460	30,441,716
Balance at Sawan 1, 2077	8,458,477,651	30,881,765	1,706,571,460	30,441,716
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 2077	8,458,477,651	30,881,765	1,706,571,460	30,441,716
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year	-	-	-	-
Transfer to reserve during the year	-	-	323,855,297	9,627,192
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Share issued				
Share based payments				
Dividends to equity holders				
Bonus shares issued	594,616,931			
Cash dividend paid				
Other				
Total contributions by and distributions	594,616,931	-	323,855,297	9,627,192
Balance at Ashad end 2078	9,053,094,581	30,881,765	2,030,426,757	40,068,908

GROUP							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE			
390,311,276	(13,711,424)	-	1,299,526,005	10,262,058	11,242,930,307	-	11,242,930,307
		-	11,493,984	(11,493,984)		-	-
390,311,276	(13,711,424)	-	1,311,019,989	(1,231,925)	11,242,930,306	-	11,242,930,306
			1,272,730,967		1,272,730,967	-	1,272,730,967
	6,630,222				6,630,222	-	6,630,222
				(18,110,759)	(18,110,759)	-	(18,110,759)
					-	-	-
					-	-	-
	6,630,222		1,272,730,967	(18,110,759)	1,261,250,430	-	1,261,250,430
37,606,588	-	-	(314,934,849)	(9,429,846)	(19,712,558)	-	(19,712,558)
-	-	-	15,000,000	(15,000,000)	-	-	-
					-	-	-
					-	-	-
					-	-	-
			(402,784,651)		-	-	-
			(886,126,230)		(886,126,230)	-	(886,126,230)
37,606,588	6,630,222	-	(316,114,763)	(42,540,605)	355,411,642	-	355,411,642
427,917,864	(7,081,202)	-	994,905,225	(43,772,531)	11,598,341,948	-	11,598,341,948
427,917,864	(7,081,202)	-	994,905,225	(43,772,531)	11,598,341,948	-	11,598,341,948
132,844,698	-	-	(243,761)	(132,844,698)	(243,761)	-	-
560,762,562	(7,081,202)	-	994,661,464	(176,617,229)	11,598,098,187	-	11,598,098,187
					-	-	-
			1,621,350,798		1,621,350,798	89,312,523	1,710,663,321
					-	-	-
	7,805,571				7,805,571		7,805,571
					-	-	-
				(38,080,762)	(38,080,762)		(38,080,762)
					-	-	-
					-	-	-
	7,805,571	-	1,621,350,798	(38,080,762)	1,591,075,607		1,680,388,130
93,015,834	-	-	(440,212,392)	4,319,180	(9,394,890)		(9,394,890)
(10,116,006)	7,081,204	-	3,034,802	-	(0)		(0)
					-	-	-
					-	-	-
					-	-	-
			(594,616,931)				-
			(297,864,744)		(297,864,744)		(297,864,744)
82,899,827	14,886,775	-	291,691,532	(33,761,582)	1,283,815,973		1,373,128,496
643,662,389	7,805,571	-	1,286,352,996	(210,378,810)	12,881,914,159	89,312,523	12,971,226,680

Contd... CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Sawan 1, 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 2076	8,055,693,000	30,881,765	1,453,541,328	16,426,299
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
Transfer to reserve during the year	-	-	253,030,133	14,015,417
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Share issued			-	-
Share based payments	-	-	-	-
Dividends to equity holders				
Bonus shares issued	402,784,650	-	-	-
Cash dividend paid				
Others	-	-	-	-
Total contributions by and distributions	402,784,650		253,030,133	14,015,417
Balance at Ashad end 2077	8,458,477,650	30,881,765	1,706,571,460	30,441,716
Balance at 1 Sawan 2077	8,458,477,650	30,881,765	1,706,571,460	30,441,716
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at 1 Sawan 2077	8,458,477,650	30,881,765	1,706,571,460	30,441,716
Comprehensive income for the year				
Profit for the year				
Other comprehensive income, net of tax				
Gain/ (losses) from investments in equity instruments measured at fair value				
Gain /(losses) on revaluation				
Actuarial gain /(losses) on defined benefit plans				
Gain /(losses) on cash flow hedge				
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)				
Total comprehensive income for the year				
Transfer to reserve during the year	-	-	321,494,635	9,627,192
Transfer from reserve during the year	-	-	-	-
Transactions with owners, directly recognised in equity				
Share issued	-	-	-	-
Share based payments	-	-	-	-
Dividends to equity holders				
Bonus shares issued	594,616,931	-	-	-
Cash dividend paid				
Others	-	-	-	-
Total contributions by and distributions	594,616,931		321,494,635	9,627,192
Balance at Ashad end 2078	9,053,094,581	30,881,765	2,028,066,095	40,068,908

BANK							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE			
390,311,276	(13,711,424)	-	1,293,467,202	10,262,058	11,236,871,504	-	11,236,871,504
4,612,277		-	11,493,984	(11,493,984)	4,612,277	-	4,612,277
390,311,276	(13,711,424)	-	1,304,961,185	(1,231,925)	11,236,871,503	-	11,236,871,503
			1,265,150,663		1,265,150,663	-	1,265,150,663
	6,630,222				6,630,222	-	6,630,222
			-		-	-	-
				(18,110,759)	(18,110,759)	-	(18,110,759)
			-		-	-	-
			-		-	-	-
	6,630,222		1,265,150,663	(18,110,759)	1,253,670,126	-	1,253,670,126
37,606,588	-	-	(314,934,849)	(9,429,846)	(19,712,558)	-	(19,712,558)
-	-	-	15,000,000	(15,000,000)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(402,784,650)	-	-	-	-
-	-	-	(886,126,230)	-	(886,126,230)	-	(886,126,230)
-	-	-	-	-	-	-	-
37,606,588	6,630,222	-	(323,695,066)	(42,540,605)	347,831,338	-	347,831,338
427,917,864	(7,081,202)	-	981,266,118	(43,772,531)	11,584,702,841	-	11,584,702,841
427,917,864	(7,081,202)	-	981,266,118	(43,772,531)	11,584,702,841	-	11,584,702,841
132,844,698	-	-	(243,761)	(132,844,698)	(243,760.60)	-	(243,760.60)
560,762,562	(7,081,202)	-	981,022,358	(176,617,229)	11,584,459,079	-	11,584,459,079
			1,607,473,174		1,607,473,174	-	1,607,473,174
	7,805,571		-		7,805,571	-	7,805,571
			-		-	-	-
			-	(38,080,762)	(38,080,762)	-	(38,080,762)
			-		-	-	-
			-		-	-	-
	7,805,571		1,607,473,174	(38,080,762)	1,577,197,983	-	1,577,197,983
93,015,834	-	-	(440,212,392)	3,614,593	(12,460,139)	-	(12,460,139)
(10,116,006)	7,081,204	-	3,034,802	-	(0)	-	(0)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(594,616,931)	-	-	-	-
-	-	-	(285,064,744)	-	(285,064,744)	-	(285,064,744)
-	-	-	-	-	-	-	-
82,899,827	14,886,775	-	290,613,908	(34,466,169)	1,279,673,100	-	1,279,673,100
643,662,389	7,805,571	-	1,271,636,271	(211,083,397)	12,864,132,179	-	12,864,132,182

CASH AND CASH EQUIVALENT

4.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in hand	3,512,357,814	3,194,147,060	3,512,357,814	3,194,147,060
Balances with B/FIs	2,371,700,051	2,394,470,474	2,266,771,018	2,394,470,474
Money at call and short notice	2,900,046,167	3,970,042,111	2,900,046,167	3,970,042,111
Other	-	219,373,802	-	219,373,802
Total	8,784,104,032	9,778,033,447	8,679,174,999	9,778,033,447

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

DUE FROM NEPAL RASTRA BANK

4.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory balances with NRB	8,440,162,857	4,147,251,118	8,440,162,857	4,147,251,118
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	468,019,912	404,750,370	468,019,912	404,750,370
Total	8,908,182,769	4,552,001,488	8,908,182,769	4,552,001,488

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

PLACEMENTS WITH BANK AND FINANCIAL INSTITUTIONS

4.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Placement with domestic B/FIs	-	81,135,769	-	81,135,769
Placement with foreign B/FIs	477,085,220	-	477,085,220	-
Less: Allowances for impairment	-	-	-	-
Total	477,085,220	81,135,769	477,085,220	81,135,769

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. There are no domestic placements with maturities more than three months from acquisition date.

DERIVATIVE FINANCIAL INSTRUMENTS

4.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management	21,848,832	67,415,547	21,848,832	67,415,547
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	21,848,832	67,415,547	21,848,832	67,415,547
Other	-	-	-	-
Total	21,848,832	67,415,547	21,848,832	67,415,547

OTHER TRADING ASSETS

4.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	17,409,000	212,019,133	17,409,000	212,019,133
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	17,409,000	212,019,133	17,409,000	212,019,133
Pledged	-	-	-	-
Non-pledged	17,409,000	212,019,133	17,409,000	212,019,133

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

LOAN AND ADVANCES TO B/FIS

4.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loans to microfinance institutions	3,763,334,454	2,496,063,436	3,763,334,454	2,496,063,436
Other	-	-	-	-
Less: Allowances for impairment	48,793,950	24,909,083	48,793,949	24,909,083
Total	3,714,540,504	2,471,154,353	3,714,540,505	2,471,154,353

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	24,909,083	24,606,677	24,909,083	24,606,677
Impairment loss for the year:	23,884,866	302,406	23,884,866	302,406
Charge for the year	23,884,866	302,406	23,884,866	302,406
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Balance at Ashad end	48,793,950	24,909,083	48,793,949	24,909,083

LOANS AND ADVANCES TO CUSTOMERS

4.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and advances measured at amortized cost	115,577,756,103	94,061,058,538	115,577,756,103	94,061,058,538
Less: Impairment allowances	2,005,746,164	1,531,832,006	2,005,746,164	1,531,832,006
Collective impairment	1,400,440,671	854,622,141	1,400,440,671	854,622,141
Individual impairment	605,305,493	677,209,865	605,305,493	677,209,865
Net amount	113,572,009,939	92,529,226,532	113,572,009,939	92,529,226,532
Loan and advances measured at FVTPL		-	-	-
Total	113,572,009,939	92,529,226,532	113,572,009,939	92,529,226,532

ANALYSIS OF LOAN AND ADVANCES - BY PRODUCT

4.7.1

Product	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Term loans	22,229,275,181	19,020,040,516	22,229,275,181	19,020,040,516
Overdraft	10,605,727,288	7,286,721,076	10,605,727,288	7,286,721,076
Trust receipt/Import loans	6,781,407,519	5,882,008,698	6,781,407,519	5,882,008,698
Demand and other working capital loans	14,085,087,150	11,367,114,331	14,085,087,150	11,367,114,331
Personal residential loans	5,611,773,608	5,825,704,749	5,611,773,608	5,825,704,749
Real estate loans	4,929,975,855	4,333,493,787	4,929,975,855	4,333,493,787
Margin lending loans	677,761,994	324,099,724	677,761,994	324,099,724
Hire purchase loans	7,856,125,291	6,648,220,556	7,856,125,291	6,648,220,556
Deprived sector loans	6,487,514,490	2,026,094,663	6,487,514,490	2,026,094,663
Bills purchased	118,583,840	-	118,583,840	-
Staff loans	2,201,429,189	917,310,952	2,201,429,189	917,310,952
Other	33,236,811,871	29,332,271,413	33,236,811,871	29,332,271,413
Sub total	114,821,473,276	92,963,080,466	114,821,473,276	92,963,080,466
Interest receivable	756,282,826	1,097,978,073	756,282,826	1,097,978,073
Grand total	115,577,756,103	94,061,058,538	115,577,756,103	94,061,058,538

ANALYSIS OF LOAN AND ADVANCES - BY CURRENCY

4.7.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	109,939,115,635	89,080,464,885	109,939,115,635	89,080,464,885
Indian rupee	-	-	-	-
United State dollar	5,638,640,468	4,980,593,653	5,638,640,468	4,980,593,653
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	115,577,756,103	94,061,058,538	115,577,756,103	94,061,058,538

ANALYSIS OF LOAN AND ADVANCES - BY COLLATERAL

4.7.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Secured				
Movable/immovable assets	104,542,731,194	91,046,585,768	104,542,731,194	91,046,585,768
Gold and silver	271,210,447	20,606,563	271,210,447	20,606,563
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	34,329,250	129,858,823	34,329,250	129,858,823
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	226,746,283	184,788,454	226,746,283	184,788,454
Collateral of Government securities	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	1,676,424,464	949,516,461	1,676,424,464	949,516,461
Other collateral	8,641,291,554	1,626,020,021	8,641,291,554	1,626,020,021
Subtotal	115,392,733,192	93,957,376,089	115,392,733,192	93,957,376,089
Unsecured	185,022,911	103,682,450	185,022,911	103,682,450
Grant Total	115,577,756,103	94,061,058,538	115,577,756,103	94,061,058,538

ALLOWANCES FOR IMPAIRMENT

4.7.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Specific allowances for impairment				
Balance at Sawan 1	677,209,865	199,889,768	677,209,865	199,889,768
Impairment loss for the year:	(71,904,372)	477,320,097	(71,904,372)	477,320,097
Charge for the year	-	477,320,097	-	477,320,097
Recoveries/reversal during the year	(71,904,372)	-	(71,904,372)	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	605,305,493	677,209,865	605,305,493	677,209,865
Collective allowances for impairment				
Balance at Sawan 1	854,622,141	744,320,701	854,622,141	744,320,701
Impairment loss for the year:	545,818,530	110,301,440	545,818,530	110,301,440
Charge/(reversal) for the year	545,818,530	110,301,440	545,818,530	110,301,440
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	1,400,440,671	854,622,141	1,400,440,671	854,622,141
Total allowances for impairment	2,005,746,164	1,531,832,006	2,005,746,164	1,531,832,006

INVESTMENT SECURITIES

4.8

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment securities measured at amortized cost	19,493,722,299	11,582,441,831	19,425,994,119	11,574,941,831
Investment in equity measured at FVTOCI	203,432,587	357,471,439	177,816,658	357,471,439
Total	19,697,154,886	11,939,913,270	19,603,810,777	11,932,413,270

INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

4.8.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities	67,728,180	7,500,000	-	-
Government bonds	17,509,318,464	10,553,409,295	17,509,318,464	10,553,409,295
Government treasury bills	1,026,985,777	650,715,360	1,026,985,777	650,715,360
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	889,689,878	370,817,176	889,689,878	370,817,176
Less: specific allowances for impairment	-	-	-	-
Total	19,493,722,299	11,582,441,831	19,425,994,119	11,574,941,831

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

INVESTMENT IN EQUITY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

4.8.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity instruments	203,432,587	357,471,439	177,816,658	357,471,439
Quoted equity securities	148,767,727	323,441,439	123,151,798	323,441,439
Unquoted equity securities	54,664,860	34,030,000	54,664,860	34,030,000
Total	203,432,587	357,471,439	177,816,658	357,471,439

INFORMATION RELATING TO INVESTMENT IN EQUITIES

4.8.3

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
INVESTMENT IN QUOTED EQUITY								
Nepal Life Insurance Corporation (5,059 Ordinary Shares of Rs. 100 paid up)	2,480,925	9,708,221	2,480,925	4,866,120	2,480,925	9,708,221	2,480,925	4,866,120
Butwal Power Company Ltd (7,524 Ordinary Shares of Rs. 100 paid up)	4,839,157	3,807,144	4,839,157	2,455,560	4,839,157	3,807,144	4,839,157	2,455,560
Nepal Doorsanchar Company Ltd (7,510 Ordinary Shares of Rs. 100 paid up)	-	-	5,836,193	4,919,050			5,836,193	4,919,050
NMB Hybrid Fund L-1 (12,61,921 Unit of Rs. 10 each)	-	-	12,619,210	11,988,250			12,619,210	11,988,250
Nabil Equity Fund (9,01,202 Unit of Rs. 10 each)	-	-	9,012,020	8,408,215			9,012,020	8,408,215
NIBL Pragati Fund (10,27,407 Unit of Rs. 10 each)	-	-	10,274,070	8,373,367			10,274,070	8,373,367
Laxmi Equity Fund (58,49,587 Unit of Rs. 10 each)	-	-	58,495,870	51,300,878			58,495,870	51,300,878
Sanima Equity Fund (10,00,000 Unit of Rs. 10 each)	-	-	10,000,000	9,930,000			10,000,000	9,930,000
Nabil Balance Fund 2 (70,00,000 Unit of Rs. 10 each)	-	-	70,000,000	69,300,000			70,000,000	69,300,000
Siddhartha Investment Growth Scheme-2 (20,00,000 Unit of Rs. 10 each)	-	-	20,000,000	20,000,000			20,000,000	20,000,000
NMB Fifty (50,00,000 Unit of Rs. 10 each)	-	-	50,000,000	50,000,000			50,000,000	50,000,000
Nic Asia Balance Fund (50,00,000 Unit of Rs. 10 each)	-	-	50,000,000	51,900,000			50,000,000	51,900,000
Sunrise First Mutual Fund (30,00,000 Unit of Rs. 10 each)	-	-	30,000,000	30,000,000			30,000,000	30,000,000
Sanima Large Cap Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	21,000,000			20,000,000	21,000,000		
Kumari Equity Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	21,000,000			20,000,000	21,000,000		
Sunrise Bluechip Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	20,320,000			20,000,000	20,320,000		
NIBL Samriddhi Fund-2 (30,00,000 Unit of Rs. 10 each)	30,000,000	32,430,000			30,000,000	32,430,000		
Prabhu Select Fund (14,68,090 Unit of Rs. 10 each)	14,680,900	14,886,433			14,680,900	14,886,433		
Citizen Investment Trust (9 Unit of Rs. 2,402 each)	21,622	31,419						
Citizens Bank International Limited (1,050 Unit of Rs. 334 each)	350,761	405,300						

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
Garima Bikas Bank Limited (1,250 Unit of Rs. 465 each)	581,173	680,000						
Himalayan Distillery Limited (280 Unit of Rs. 4409 each)	1,234,579	1,543,360						
Kamana Sewa Bikas Bank Limited (1,063 Unit of Rs. 529 each)	562,630	616,540						
Kumari Bank Limited (1,210 Unit of Rs. 320 each)	387,474	448,910						
Laxmi Bank Limited (750 Unit of Rs. 378 each)	283,864	296,250						
Lumbini General Insurance Limited (682 Unit of Rs. 838 each)	571,378	531,960						
Muktinath Bikas Bank Limited (939 Unit of Rs. 622 each)	584,400	616,923						
Nadep Laghubitta Bittiya Sanstha Limited (100 Unit of Rs. 993 each)	99,306	103,900						
Nepal Doorsanchar Company Limited (400 Unit of Rs. 1,347 each)	538,716	525,600						
Nepal Infrastructure Bank Limited (3,569 Unit of Rs. 544 each)	1,941,675	1,755,948						
Nepal Investment Bank Limited (3,096 Unit of Rs. 398 each)	1,232,764	1,247,688						
Nic Asia Bank Limited (1,802 Unit of Rs. 900 each)	1,621,673	1,791,188						
Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (556 Unit of Rs. 1,153 each)	641,096	889,600						
Nmb Bank Limited (556 Unit of Rs. 384 each)	217,245	249,040						
Prabhu Bank Limited (1,600 Unit of Rs. 463 each)	740,490	731,200						
Premier Insurance Company Limited (600 Unit of Rs. 1,273 each)	763,746	702,000						
Prudential Insurance Company Limited (1,280 Unit of Rs. 862 each)	1,103,979	1,036,800						
Sanima Bank Limited (1,500 Unit of Rs. 424 each)	635,917	727,500						
Shivam Cements Limited (1,062 Unit of Rs. 1,526 each)	1,620,315	1,548,396						
Siddhartha Bank Limited (1,000 Unit of Rs. 500 each)	500,483	504,000						
Siddhartha Insurance Limited (568 Unit of Rs. 1,093 each)	620,974	600,944						

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
Surya Life Insurance Company Limited (510 Unit of Rs. 907 each)	462,592	470,220						
Ime General Insurance Ltd. (42 Unit of Rs. each)	-	50,778						
Citizens Mutual Fund-2 (750 Unit of Rs. 10 each)	7,333	10,613						
Global Ime Samunnat Scheme 1 (600 Unit of Rs. 11 each)	6,838	12,168						
Nabil Balanced Fund-2 (5,000 Unit of Rs. 10 each)	50,000	70,500						
Nibl Pragati Fund (3,374 Unit of Rs. 10 each)	34,738	50,104						
Nibl Sahabhagita Fund (95,510 Unit of Rs. 10 each)	999,990	1,666,650						
Nibl Samridhhi Fund - li (100,000 Unit of Rs. 10 each)	1,000,000	1,081,000						
Prabhu Select Fund (350,000 Unit of Rs. 10 each)	3,500,000	3,549,000						
Sanima Equity Fund (1,800 Unit of Rs. 11 each)	20,030	30,222						
Sanima Large Cap Fund (20,000 Unit of Rs. 10 each)	200,000	210,000						
Siddhartha Equity Fund (22,933 Unit of Rs. 10 each)	238,287	322,209						
Sunrise Bluechip Fund (50,000 Unit of Rs. 10 each)	500,000	508,000						
INVESTMENT IN UNQUOTED EQUITY								
Credit Information Bureau Ltd (166,214 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	1,200,000	1,200,000	1,834,860	1,200,000	1,200,000	1,200,000
Nepal Clearing House Ltd (49,680 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
NIC Asia Select 30 Index Fund (20,000,000 Unit of Rs. 10 each)	20,000,000	20,000,000			20,000,000		20,000,000	
Mahila Laghubitta Bittiya Sastha Ltd (1,40,000 Promoter Shares of Rs.100 paid up)	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Total	190,541,908	203,432,587	367,587,445	357,471,439	166,665,842	177,816,658	367,587,445	357,471,439

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

CURRENT TAX ASSETS

4.9

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax assets	3,547,884,255	3,883,619,311	3,536,378,863	3,880,354,305
Current year income tax assets	(335,735,056)	680,185,422	(343,975,442)	678,273,309
Tax assets of prior periods	3,883,619,311	3,203,433,889	3,880,354,305	3,202,080,996
Current tax liabilities	3,128,546,971	3,607,740,373	3,117,272,627	3,604,545,836
Current year income tax liabilities	(479,193,402)	613,039,795	(487,273,209)	612,442,151
Tax liabilities of prior periods	3,607,740,373	2,994,700,578	3,604,545,836	2,992,103,685
Total	419,337,284	275,878,938	419,106,236	275,808,469

INVESTMENT IN SUBSIDIARIES

4.10

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

INVESTMENT IN QUOTED SUBSIDIARIES

4.10.1

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

INVESTMENT IN UNQUOTED SUBSIDIARIES

4.10.2

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
Machhapuchchhre Kriti Capital Ltd (20,00,000 Ordinary Shares of Rs. 100 each)	200,000,000	200,000,000	200,000,000	200,000,000
Total	200,000,000	200,000,000	200,000,000	200,000,000

INFORMATION RELATING TO ASSOCIATES OF THE BANK

4.11.3

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

EQUITY VALUE OF ASSOCIATES

4.11.4

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

INVESTMENT PROPERTIES

4.12

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment properties measured at fair value				
Balance as on Sawan 1, 2077	-	-	-	-
Addition/disposal during the year	-	-	-	-
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	-	-	-	-
Investment properties measured at cost				
Balance as on Sawan 1, 2077	174,947,305	78,457,743	174,947,305	78,457,743
Addition/disposal during the year	98,963,268	96,489,562	98,963,268	96,489,562
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	273,910,573	174,947,305	273,910,573	174,947,305
Total	273,910,573	174,947,305	273,910,573	174,947,305

The bank has during the year assumed additional Non Banking Assets of 249,393,268 and sold NBA of NPR 109,430,000 and converted to banking assets amounting to NPR 41,000,000.

PROPERTY AND EQUIPMENT

PARTICULARS	GROUP											TOTAL ASHAD END 2077	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2078				
Cost													
As on Sawan 1, 2076	198,510,472	213,585,033	309,823,570	351,072,805	316,725,168	170,687,073	-	310,060,401	1,870,464,522	1,593,063,523			
Addition during the Year	32,448,000	571,874	181,957,010	105,500,140	15,336,382	30,192,435	-	120,716,873	486,722,714	394,174,259			
Acquisition	32,448,000	571,874	181,957,010	105,500,140	15,336,382	30,192,435	-	120,716,873	486,722,714	308,957,734			
Capitalization	-	-	-	-	-	-	-	-	-	85,216,525			
Disposal during the year	-	-	23,930,798	30,581,085	155,568,478	3,756,173	-	24,361,591	238,198,124	63,606,163			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	53,167,097			
Balance as on Ashad end 2077	230,958,472	214,156,907	467,849,783	425,991,860	176,493,072	197,123,335	-	406,415,683	2,118,989,112	1,870,464,522			
Addition during the Year	36,400,000	4,600,000	138,279,118	60,079,837	11,876,441	30,198,796	-	39,516,742	320,950,935	486,722,714			
Acquisition	36,400,000	4,600,000	138,279,118	60,079,837	11,876,441	30,198,796	-	39,516,742	320,950,935	486,722,714			
Capitalization	-	-	-	-	-	-	-	-	-	-			
Disposal during the year	-	-	16,464,172	24,335,036	438,699	4,842,391	-	14,175,263	60,255,561	238,198,124			
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-			
Balance as on Ashad end 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			
Depreciation and Impairment													
As on Sawan 1, 2076	-	42,159,865	162,387,792	197,271,255	103,619,386	97,012,356	-	145,080,289	747,530,943	715,079,712			
Depreciation charge for the Year	-	4,280,279	29,563,864	45,954,863	22,083,717	15,729,944	-	34,636,016	152,248,682	125,149,046			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	21,722,976	30,528,743	46,411,284	3,506,844	-	23,171,715	125,341,562	43,102,660			
Adjustment	-	-	-	-	-	-	-	-	-	49,595,154			
As on Ashad end 2077	-	46,440,144	170,228,680	212,697,374	79,291,819	109,235,456	-	156,544,590	774,438,063	747,530,943			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Depreciation charge for the Year	-	4,283,138	44,484,100	56,940,355	22,966,388	13,871,263	-	35,743,335	178,288,578	152,248,682			
Impairment for the year	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	13,246,748	24,307,478	438,695	3,203,010	-	10,942,623	52,138,554	125,341,562			
Adjustment	-	-	-	-	-	-	-	-	-	-			
As on Ashad end 2078	-	50,723,282	201,466,033	245,330,251	101,819,512	119,903,709	-	181,345,302	900,588,087	774,438,063			
Capital Work in Progress													
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	
Net Book Value													
Net Book Value	198,510,472	171,425,168	147,435,778	153,801,550	213,105,781	73,674,717	-	164,980,112	1,122,933,578	877,983,812			
As on Ashad end 2076	198,510,472	171,425,168	147,435,778	153,801,550	213,105,781	73,674,717	-	164,980,112	1,122,933,578	877,983,812			
As on Ashad end 2077	230,958,472	167,716,763	297,621,102	213,294,486	97,201,253	87,887,879	-	249,871,093	1,344,551,049	1,122,933,578			
As on Ashad 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	1,344,551,049			

PROPERTY AND EQUIPMENT

4.13

PARTICULARS	BANK											TOTAL ASHAD END 2017
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2018	TOTAL ASHAD END 2017		
Cost												
As on Sawan 1, 2016	198,510,472	213,585,033	309,823,570	351,072,805	316,725,168	170,687,073	-	310,060,401	1,870,464,522	1,593,063,523		
Addition during the Year	32,448,000	571,874	178,852,458	104,358,910	15,134,982	28,544,391	-	117,587,955	477,498,569	394,174,259		
Acquisition	32,448,000	571,874	178,852,458	104,358,910	15,134,982	28,544,391		117,587,955	477,498,569	308,957,734		
Capitalization										85,216,525		
Disposal during the year			23,930,798	30,581,085	155,568,478	3,756,173		24,361,591	238,198,124	63,606,163		
Adjustment/Revaluation										53,167,097		
Balance as on Ashad end 2017	230,958,472	214,156,907	464,745,230	424,850,630	176,291,672	195,475,291	-	403,286,764	2,109,764,967	1,870,464,522		
Addition during the Year	36,400,000	4,600,000	137,304,691	59,656,741	9,802,700	30,007,410		38,990,967	316,762,509	477,498,569		
Acquisition	36,400,000	4,600,000	137,304,691	59,656,741	9,802,700	30,007,410		38,990,967	316,762,509	477,498,569		
Capitalization										-		
Disposal during the year			13,359,720	24,335,036	438,699	3,294,487		11,112,464	52,540,406	238,198,124		
Adjustment/Revaluation												
Balance as on Ashad end 2018	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		
Depreciation and Impairment												
As on Sawan 1, 2016	-	42,159,865	162,387,792	197,271,255	103,619,386	97,012,356	-	145,080,289	747,530,943	715,079,712		
Depreciation charge for the Year	-	4,280,279	29,486,152	45,799,752	22,071,725	15,672,110		34,461,276	151,771,294	125,149,046		
Impairment for the year												
Disposals			21,722,976	30,528,743	46,411,284	3,506,844		23,171,715	125,341,562	43,102,660		
Adjustment										49,595,154		
As on Ashad end 2017	-	46,440,144	170,150,969	212,542,263	79,279,827	109,177,622	-	156,369,850	773,960,675	747,530,943		
Impairment for the year												
Depreciation charge for the Year		4,283,138	44,202,545	56,701,444	22,789,492	13,717,767		35,392,532	177,086,918	151,771,294		
Disposals			12,936,303	24,307,478	438,695	3,015,894		10,450,588	51,148,958			
Adjustment										125,341,562		
As on Ashad end 2018	-	50,723,282	201,417,211	244,936,229	101,630,624	119,879,495	-	181,311,794	899,898,635	773,960,676		
Capital Work in Progress												
	-	-	-	-	-	-	-	-	-	-		
Net Book Value												
As on Ashad end 2016	198,510,472	171,425,168	147,435,778	153,801,550	213,105,781	73,674,717	-	164,980,112	1,122,933,578	877,983,812		
As on Ashad end 2017	230,958,472	167,716,763	294,594,261	212,308,367	97,011,845	86,297,669	-	246,916,914	1,335,804,292	1,122,933,578		
As on Ashad end 2018	267,358,472	168,033,625	387,272,990	215,236,106	84,025,049	102,308,719	-	249,853,473	1,474,088,435	1,335,804,292		

GOODWILL AND INTANGIBLE ASSETS

4.14

PARTICULARS	GROUP					TOTAL ASHAD END 2078	TOTAL ASHAD END 2077
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Sawan 1, 2076	-	108,334,148	-	-	108,334,148	99,214,698	
Addition during the Year	-	26,229,786	-	-	26,229,786	7,950,264	
Acquisition	-	26,229,786	-	-	26,229,786	7,950,264	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	423,750	
Adjustment/Revaluation	-	-	-	-	-	(1,592,936)	
Balance as on Ashad end 2077	-	134,563,934	-	-	134,563,934	108,334,148	
Addition during the Year	-	121,791,830	-	-	121,791,830	26,229,786	
Acquisition	-	121,791,830	-	-	121,791,830	26,229,786	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	102,967,009	-	-	102,967,009	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashad end 2078	-	153,388,755	-	-	153,388,755	134,563,934	
Amortization and Impairment							
As on Sawan 1, 2076	-	59,328,073	-	-	59,328,073	53,775,468	
Amortization charge for the Year	-	9,529,877	-	-	9,529,877	5,236,983	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	155,375	
Adjustment	-	-	-	-	-	(470,997)	
As on Ashad end 2077	-	68,857,950	-	-	68,857,950	59,328,073	
Amortization charge for the Year	-	13,315,692	-	-	13,315,692	9,529,877	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	56,116,129	-	-	56,116,129	-	
Adjustment	-	-	-	-	-	-	
As on Ashad end 2078	-	26,057,513	-	-	26,057,513	68,857,950	
Capital Work in Progress	-	-	-	-	-	-	
Net Book Value							
As on Ashad end 2076	-	49,006,075	-	-	49,006,075	45,439,230	
As on Ashad end 2077	-	65,705,984	-	-	65,705,984	49,006,075	
As on Ashad end 2078	-	127,331,242	-	-	127,331,242	65,705,984	

Contd... GOODWILL AND INTANGIBLE ASSETS

PARTICULARS	BANK					TOTAL ASHAD END 2078	TOTAL ASHAD END 2077
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Sawan 1, 2076	-	108,334,148	-	-	108,334,148	99,214,698	
Addition during the Year	-	25,612,806	-	-	25,612,806	7,950,264	
Acquisition	-	25,612,806	-	-	25,612,806	7,950,264	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	423,750	
Adjustment/Revaluation	-	-	-	-	-	(1,592,936)	
Balance as on Ashad end 2077	-	133,946,954	-	-	133,946,954	108,334,148	
Addition during the Year	-	120,868,506	-	-	120,868,506	25,612,806	
Acquisition	-	120,868,506	-	-	120,868,506	25,612,806	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	102,967,009	-	-	102,967,009	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Ashad end 2078	-	151,848,451	-	-	151,848,451	133,946,954	
Amortization and Impairment							
As on Sawan 1, 2076	-	59,328,073	-	-	59,328,073	53,775,468	
Amortization charge for the Year	-	9,491,796	-	-	9,491,796	5,236,983	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	-	-	-	-	155,375	
Adjustment	-	-	-	-	-	(470,997)	
As on Ashad end 2077	-	68,819,869	-	-	68,819,869	59,328,073	
Amortization charge for the Year	-	13,113,635	-	-	13,113,635	9,491,796	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	56,116,129	-	-	56,116,129	-	
Adjustment	-	-	-	-	-	-	
As on Ashad end 2078	-	25,817,375	-	-	25,817,375	68,819,869	
Capital Work in Progress	-	-	-	-	-	-	
Net Book Value							
As on Ashad end 2076	-	49,006,075	-	-	49,006,075	45,439,230	
As on Ashad end 2077	-	65,127,085	-	-	65,127,085	49,006,075	
As on Ashad end 2078	-	126,031,076	-	-	126,031,076	65,127,085	

DEFERRED TAX

4.15

CURRENT YEAR (FY 2077-78)	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and Advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	3,867,204	(3,867,204)	-	3,345,245	(3,345,245)
Property & equipment	-	36,924,271	(36,924,271)	-	36,802,834	(36,802,834)
Employees' defined benefit plan	61,894,467	-	61,894,467	61,117,717	-	61,117,717
Lease liabilities	19,882,507	-	19,882,507	19,806,564	-	19,806,564
Provisions	-	-	-	-	-	-
Other temporary differences	256,324	5,893,347	(5,637,023)	256,324	5,893,347	(5,637,023)
Deferred tax on temporary differences	82,033,297	46,684,822	35,348,476	81,180,604	46,041,426	35,139,179
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 2078	82,033,297	46,684,822	35,348,476	81,180,604	46,041,426	35,139,179
Deferred tax (asset)/liabilities as on Sawan 1, 2077			(35,129,485)			(35,234,822)
Origination/(Reversal) during the year			(218,991)			95,643
Deferred tax expense/(income) recognised in profit or loss			(3,564,236)			(3,249,601)
Deferred tax expense/(income) recognised in other comprehensive income			3,345,245			3,345,245
Deferred tax expense/(income) recognised in directly in equity			-			-

Contd... DEFERRED TAX

PREVIOUS YEAR (FY 2076-77) DEFERRED TAX ON TEMPORARY	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and Advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	3,034,802	-	3,034,802	3,034,802	-	3,034,802
Property & equipment	-	31,563,065	(31,563,065)	-	31,323,635	(31,323,635)
Employees' defined benefit plan	51,271,023	-	51,271,023	51,136,931	-	51,136,931
Lease liabilities	12,278,487	-	12,278,487	12,278,487	-	12,278,487
Provisions	-	-	-	-	-	-
Other temporary differences	-	(108,237)	108,237	-	(108,237)	108,237
Deferred tax on temporary differences	66,584,312	31,454,828	35,129,485	66,450,219	31,215,398	35,234,822
Deferred tax on carry forward of unused tax losses		-	-		-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 2077	66,584,312	31,454,828	35,129,485	66,450,219	31,215,398	35,234,822
Deferred tax (asset)/liabilities as on Sawan 1, 2076			(21,424,000)			(21,424,000)
Origination/(Reversal) during the year			(13,705,485)			(13,810,822)
Deferred tax expense/(income) recognised in profit or loss			(16,547,008)			(16,652,346)
Deferred tax expense/(income) recognised in other comprehensive income			2,841,524			2,841,524
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	105,280,765	231,360,623	90,324,412	231,360,623
Accrued income	-	-	-	-
Prepayments and deposit	113,441,278	147,624,849	113,041,278	147,624,849
Income tax deposit	-	-	-	-
Deferred employee expenditure	463,572,270	405,846,549	463,572,270	405,846,549
Other	24,272,072	24,978,137	24,272,072	24,415,388
a. Stationery at stock	24,272,072	21,098,513	24,272,072	21,098,513
b. Branch adjustment account	-	24,540	-	24,540
c. Others	-	3,855,083	-	3,292,334
Total	706,566,385	809,810,157	691,210,032	809,247,408

DUE TO BANK AND FINANCIAL INSTITUTIONS

4.17

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money market deposits	-	-	-	-
Interbank borrowing	-	-	-	-
Other deposits from BFIs	2,863,541,338	2,649,482,101	2,863,541,338	2,649,482,101
Settlement and clearing accounts	-	-	-	-
Total	2,863,541,338	2,649,482,101	2,863,541,338	2,649,482,101

There were no interbank borrowing of the bank as at Ashad end 2078.

DUE TO NEPAL RASTRA BANK

4.18

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	4,159,288,073	13,723,693	4,159,288,073	13,723,693
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	4,159,288,073	13,723,693	4,159,288,073	13,723,693

DERIVATIVE FINANCIAL INSTRUMENTS

4.19

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

DEPOSITS FROM CUSTOMERS

4.20

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Institutions customers:	48,579,029,671	42,612,007,410	48,677,228,314	42,810,870,401
Term deposits	31,237,805,446	27,559,035,188	31,328,805,446	27,739,035,188
Call deposits	8,639,834,279	9,098,937,579	8,647,030,268	9,117,799,569
Current deposits	7,744,984,598	5,099,620,657	7,744,987,252	5,099,621,657
Other	956,405,348	854,413,987	956,405,348	854,413,987
Individual customers:	82,940,736,303	61,288,029,465	82,940,736,303	61,288,029,465
Term deposits	38,028,188,672	27,776,756,291	38,028,188,672	27,776,756,291
Saving deposits	44,511,551,968	33,132,074,269	44,511,551,968	33,132,074,269
Current deposits	399,407,662	327,874,742	399,407,662	327,874,742
Other	1,588,001	51,324,163	1,588,001	51,324,163
Total	131,519,765,974	103,900,036,875	131,617,964,617	104,098,899,866

CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	126,535,106,973	100,272,368,295	126,633,305,616	100,471,231,286
Indian rupee	32,022,611	114,329,391	32,022,611	114,329,391
United State dollar	4,692,871,820	3,296,263,153	4,692,871,820	3,296,263,153
Great Britain pound	2,838,826	2,910,549	2,838,826	2,910,549
Euro	235,402,909	176,899,425	235,402,909	176,899,425
Japanese yen	21,406,775	37,156,687	21,406,775	37,156,687
Chinese yuan	-	-	-	-
Other (AUD)	116,060	109,375	116,060	109,375
Total	131,519,765,974	103,900,036,875	131,617,964,617	104,098,899,866

BORROWING

4.21

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Sub total	-	-	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	1,202,306,566	1,202,500,000	1,202,306,566	1,202,500,000
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	1,202,306,566	1,202,500,000	1,202,306,566	1,202,500,000
Total	1,202,306,566	1,202,500,000	1,202,306,566	1,202,500,000

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

PROVISIONS

4.22

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

MOVEMENT IN PROVISION

4.22.1

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

OTHER LIABILITIES

4.23

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	97,649,042	53,223,036	96,115,562	53,156,575
Liability for long-service leave	205,363,961	170,508,736	203,725,722	170,456,436
Short-term employee benefits	-	-	-	-
Bills payable	-	-	-	-
Creditors and accruals	227,130,811	193,030,564	227,130,815	193,030,564
Interest payable on deposit	248,312,401	366,820,565	248,312,401	366,820,565
Interest payable on borrowing	38,061,918	11,716,233	38,061,918	11,716,233
Liabilities on deferred grant income	13,885,888	11,691,993	13,885,888	11,691,993
Unpaid Dividend	97,832,934	98,580,995	97,832,934	98,580,995
Liabilities under Finance Lease	-	-	-	-
Employee bonus payable	257,698,424	208,002,014	253,371,402	206,780,348
Other	1,184,217,714	712,141,979	1,180,234,337	710,904,986
Total	2,370,153,093	1,825,716,113	2,358,670,979	1,823,138,694

Other includes liability under operating lease (lease equalisation) amount to NPR 66,021,879.06 (Previous year NPR 40,928,289)

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	96,115,562	53,156,575	96,115,562	53,156,575
Present value of funded obligations	412,362,097	343,914,303	412,362,097	343,914,303
Total present value of obligations	508,477,659	397,070,878	508,477,659	397,070,878
Fair value of plan assets	412,362,097	343,914,303	412,362,097	343,914,303
Present value of net obligations	-	-	-	-
Recognised liability for defined benefit obligations	96,115,562	53,156,575	96,115,562	53,156,575

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)	412,362,097	343,914,303	412,362,097	343,914,303
Total	412,362,097	343,914,303	412,362,097	343,914,303
Actual return on plan assets	22,752,372	29,218,306	22,752,372	29,218,306

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	397,070,878	324,723,729	397,070,878	324,723,729
Actuarial losses	26,638,170	22,341,298	26,638,170	22,341,298
Benefits paid by the plan	(7,461,153)	(10,027,731)	(7,461,153)	(10,027,731)
Current service costs and interest	92,229,764	60,033,583	92,229,764	60,033,583
Defined benefit obligations at Ashad end	508,477,659	397,070,878	508,477,659	397,070,878

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	343,914,303	277,641,857	343,914,303	277,641,857
Contributions paid into the plan	53,156,575	47,081,871	53,156,575	47,081,871
Benefits paid during the year	(7,461,153)	(10,027,731)	(7,461,153)	(10,027,731)
Actuarial (losses) gains	(10,256,209)	4,230,539	(10,256,209)	4,230,539
Expected return on plan assets	33,008,581	24,987,767	33,008,581	24,987,767
Fair value of plan assets at Ashad end	412,362,097	343,914,303	412,362,097	343,914,303

AMOUNT RECOGNISED IN PROFIT OR LOSS

4.23.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current service costs	55,382,038	32,417,597	55,382,038	32,417,597
Interest on obligation	35,661,343	27,615,986	35,661,343	27,615,986
Expected return on plan assets	(33,008,581)	(24,987,767)	(33,008,581)	(24,987,767)
Total	58,034,800	35,045,816	58,034,800	35,045,816

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME

4.23.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	38,080,762	18,110,759	38,080,762	18,110,759
Total	38,080,762	18,110,759	38,080,762	18,110,759

ACTUARIAL ASSUMPTIONS

4.23.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Discount rate	9%	9%	9%	9%
Expected return on plan asset	9%	9%	9%	9%
Future salary increase	8%	8%	8%	8%
Withdrawal rate	8%	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	3,147,643,817	3,147,121,726	3,147,643,817	3,147,121,726
Total	3,147,643,817	3,147,121,726	3,147,643,817	3,147,121,726

SUBORDINATED LIABILITIES

4.25

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

SHARE CAPITAL

4.26

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	9,053,094,581	8,458,477,650	9,053,094,581	8,458,477,650
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	9,053,094,581	8,458,477,650	9,053,094,581	8,458,477,650

ORDINARY SHARES

4.26.1

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital 100,000,000 Ordinary shares of Rs. 100 each share	10,000,000,000	10,000,000,000
Issued capital 90,530,946 Ordinary shares of Rs.100 each share (Previous Year 84,584,777 Ordinary shares of Rs.100 each share)	9,053,094,581	8,458,477,650
Subscribed and paid up capital 90,530,946 Ordinary shares of Rs.100 each share (Previous Year 84,584,777 Ordinary shares of Rs.100 each share)	9,053,094,581	8,458,477,650
Total	9,053,094,581	8,458,477,650

ORDINARY SHARE OWNERSHIP

4.26.2

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Domestic ownership				
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
Other Institutions	12	1,081,297,500	16	1,387,552,100
Public	88	7,971,797,081	84	7,070,925,550
Other	-	-	-	-
Foreign ownership	-	-	-	-
Total	100	9,053,094,581	100	8,458,477,650

SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Surendra Mahato	11.11	1,005,390,300	11.11	939,353,800
Upendra Mahato Sudi	9.14	827,173,900	9.14	772,843,100
Prem Kumari K.C	8.76	792,722,800	8.76	740,654,800
PKR Investment Company Pvt.Ltd	6.57	594,863,000	6.57	555,791,000
Ram Ashish Sahu Sudi	4.24	383,409,300	4.24	358,226,100
Krishna Gopal Shrestha	2.06	186,822,000	2.12	179,456,300
Dr.Dharma Raj Shrestha	2.03	183,815,000	2.03	171,741,600
Karan Motor Company Pvt.Ltd	1.51	137,094,600	1.57	132,910,100
Kiran K.C	1.43	129,601,500	1.48	125,487,900
Roshan K.C	1.48	134,307,800	1.48	125,486,200
Ganesh Bahadur Shrestha	0.81	73,019,100	0.98	83,295,500

Contd...SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Associated Automobiles Pvt.ltd	0.93	84,281,200	0.93	78,745,500
Shree Himalayan Enterprises Pvt.Ltd	0.80	72,290,600	0.80	67,542,400
Praneshwor Pokharel	0.72	64,770,600	0.65	55,076,300
Birendra Prasad Mahato	0.61	55,168,300	0.61	51,544,800
Rajan Lal Shrestha	0.56	51,085,200	0.58	49,473,000
Niraj Govinda Shrestha	0.53	47,825,300	0.57	48,328,800
Dinesh Lal Shrestha	0.51	46,046,100	0.51	43,021,700
Prakash K.C			1.69	142,746,200
Ram Janaki Investment			0.99	84,000,000
Ajad Shrestha			0.64	53,883,400
	53.79	4,869,686,600	57.45	4,859,608,500

RESERVES**4.27**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory general reserve	2,030,426,757	1,706,571,460	2,028,066,095	1,706,571,460
Exchange equalization reserve	40,068,908	30,441,716	40,068,908	30,441,716
Corporate social responsibility reserve	16,435,151	12,651,507	16,266,099	12,651,507
Capital redemption reserve	-	-	-	-
Regulatory reserve	643,662,389	427,917,864	643,662,389	427,917,864
Investment adjustment reserve	-	-	-	-
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	7,805,571	(7,081,204)	7,805,571	(7,081,204)
Dividend equalization reserve	-	-	-	-
Actuarial gain	(227,349,497)	(56,424,037)	(227,349,497)	(56,424,037)
Special reserve	-	-	-	-
Other reserve	535,535	-	-	-
a) Employee Skill Enhancement Reserve (Training Reserve)	-	-	-	-
b) Deferred Tax Reserve	-	-	-	-
c) Other Reserve	535,535	-	-	-
Total	2,511,584,814	2,114,077,306	2,508,519,565	2,114,077,306

CONTINGENT LIABILITIES AND COMMITMENTS

4.28

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	31,786,326,039	24,843,730,255	31,786,326,039	24,843,730,255
Undrawn and undisbursed facilities	949,476,586	5,897,407,277	949,476,586	5,897,407,277
Capital commitment	81,040,402	116,963,030	81,040,402	116,963,030
Lease commitment	1,521,013,379	1,693,689,331	1,521,013,379	1,693,689,331
Litigation	112,444,637	80,676,669	112,444,637	80,676,669
Total	34,450,301,043	32,632,466,562	34,450,301,043	32,632,466,562

CONTINGENT LIABILITIES

4.28.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	2,680,826,233	1,037,742,802	2,680,826,233	1,037,742,802
Bills for collection	7,608,064,251	3,629,419,202	7,608,064,251	3,629,419,202
Forward exchange contracts	-	3,118,213,573	-	3,118,213,573
Guarantees	21,497,435,554	17,058,354,679	21,497,435,554	17,058,354,679
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Total	31,786,326,039	24,843,730,255	31,786,326,039	24,843,730,255

Restated balance for Bills for collection for FY 2076-77 is NPR 3,609,727,203 and Forward Exchange Contract amounting to NPR 3,353,144,238 has been reclassified to On-Balance Sheet Items.

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	675,864,858	5,714,881,803	675,864,858	5,714,881,803
Undrawn limits of credit cards	273,611,728	182,525,474	273,611,728	182,525,474
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	949,476,586	5,897,407,277	949,476,586	5,897,407,277

CAPITAL COMMITMENTS

4.28.3

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

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Capital commitments in relation to Property and Equipment				
Approved and contracted for	81,040,402	116,963,030	81,040,402	116,963,030
Approved but not contracted for	-	-	-	-
Sub total	81,040,402	116,963,030	81,040,402	116,963,030
Capital commitments in relation to Intangible assets				
Approved and contracted for			-	-
Approved but not contracted for			-	-
Sub total	-	-	-	-
Total	81,040,402	116,963,030	81,040,402	116,963,030

LEASE COMMITMENTS

4.28.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Operating lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	204,894,703	201,785,523	204,894,703	201,785,523
Later than 1 year but not later than 5 years	812,325,516	808,359,826	812,325,516	808,359,826
Later than 5 years	503,793,160	683,543,982	503,793,160	683,543,982
Sub total	1,521,013,379	1,693,689,331	1,521,013,379	1,693,689,331
Finance lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Sub total	-	-	-	-
Grand total	1,521,013,379	1,693,689,331	1,521,013,379	1,693,689,331

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 2073-74, Large Taxpayers Office(LTO) has raised an assessment order for disputed tax liability of NPR 112,444,637. Bank has contended such tax liability and has filed appeal to higher authorities. These cases are under administrative review and pending before Revenue Tribunal/Supreme Court.

INTEREST INCOME**4.29**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	13,924,877	11,750,016	13,924,877	11,750,016
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	6,706,063	79,232,394	6,706,063	79,232,394
Loan and advances to bank and financial institutions	33,341,469	203,019,901	33,341,469	203,019,901
Loans and advances to customers	10,193,851,450	10,391,264,779	10,193,851,450	10,391,264,779
Investment securities	739,524,476	570,277,240	751,365,767	569,986,109
Loan and advances to staff	156,293,441	97,636,298	156,293,441	97,636,298
Other	14,997,198	-	-	-
Total interest income	11,158,638,974	11,353,180,627	11,155,483,067	11,352,889,497

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	73,820,166	591,866,697	73,820,166	591,866,697
Due to Nepal Rastra Bank	34,805,180	26,565,014	34,805,180	26,565,014
Deposits from customers	6,276,283,283	6,501,424,177	6,288,124,574	6,519,517,327
Borrowing	99,246,538	82,249,046	99,246,538	82,249,046
Debt securities issued	308,065,328	270,792,297	307,993,622	270,792,297
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	6,792,220,495	7,472,897,231	6,803,990,080	7,490,990,381

FEES AND COMMISSION INCOME

4.31

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	293,670,168	230,036,634	293,670,168	230,036,634
Service fees	188,815,415	100,660,311	149,924,894	100,660,311
Consortium fees	55,842,986	45,438,689	55,842,986	45,438,689
Commitment fees	2,600,965	4,764,083	2,600,965	4,764,083
DD/TT/Swift fees	19,191,309	17,461,023	19,191,309	17,461,023
Credit card/ATM issuance and renewal fees	108,862,766	74,748,903	108,862,766	74,748,903
Prepayment and swap fees	70,416,120	122,327,020	70,416,120	122,327,020
Investment banking fees	7,001,317	2,430,249	7,001,317	2,430,249
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	45,240,236	47,850,954	45,240,236	47,850,954
Commission on letter of credit	96,741,239	81,432,567	96,741,239	81,432,567
Commission on guarantee contracts issued	197,326,508	134,592,052	197,326,508	134,592,052
Commission on share underwriting/issue	-	-	-	-
Locker rental	9,551,396	12,171,500	9,551,396	12,171,500
Other fees and commission income	86,077,144	74,244,028	86,531,695	73,572,028
Total fees and Commission Income	1,181,337,569	948,158,014	1,142,901,599	947,486,014

FEES AND COMMISSION EXPENSE

4.32

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	54,951,868	46,541,192	54,951,868	46,541,192
VISA/Master card fees	37,454,494	27,442,879	37,454,494	27,442,879
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	14,011,716	6,397,535	14,011,716	6,397,535
Remittance fees and commission	3,438,111	3,438,984	3,438,111	3,438,984
Other fees and commission expense	23,077,114	16,849,655	21,186,967	16,849,655
Total fees and Commission Expense	132,933,303	100,670,244	131,043,156	100,670,244

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	258,087,591	282,164,384	258,087,591	282,164,384
Other	-	-	-	-
Net trading income	258,087,591	282,164,384	258,087,591	282,164,384

OTHER OPERATING INCOME

4.34

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	38,508,768	56,061,667	38,508,768	56,061,667
Gain/loss on sale of investment securities	114,132,737	-	108,337,341	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	35,705,621	4,480,543	35,668,097	4,480,543
Gain/loss on sale of property and equipment	(284,621)	(835,214)	(284,621)	(835,214)
Gain/loss on sale of investment property	14,157,140	10,422,243	14,157,140	10,422,243
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Other	1,450,928	-	-	-
Total	203,670,573	70,129,238	196,386,725	70,129,238

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	23,884,866	302,406	23,884,866	302,406
Impairment charge/(reversal) on loan and advances to customer	473,914,158	587,621,537	473,914,158	587,621,537
Impairment charge/(reversal) on financial Investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	497,799,024	587,923,943	497,799,024	587,923,943

PERSONNEL EXPENSE

4.36

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	494,835,975	393,318,549	486,370,638	392,483,096
Allowances	359,421,155	378,315,834	359,421,155	377,732,637
Gratuity expense	58,483,652	35,112,277	58,034,800	35,045,816
Provident fund	49,157,886	38,604,346	48,635,994	38,567,708
Uniform	29,122,853	10,253,018	29,122,853	10,253,018
Training & development expense	7,313,824	18,966,161	7,295,777	18,911,921
Leave encashment	121,162,498	112,320,331	119,886,294	112,249,631
Medical	-	-	-	-
Insurance	8,225,920	5,829,072	8,225,920	5,829,072
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRSs	126,404,300	66,808,996	126,404,300	66,808,996
Other expenses related to staff	275,156,063	238,268,987	272,738,439	238,247,562
a. Dashain allowance	69,791,131	61,542,611	69,615,250	61,542,611
b. Others	205,364,932	176,704,951	203,123,189	176,704,951
Subtotal	1,529,284,126	1,297,797,569	1,516,136,170	1,296,129,456
Employees bonus	257,126,943	208,002,014	253,371,402	206,780,348
Grand total	1,786,411,069	1,505,799,584	1,769,507,572	1,502,909,804

OTHER OPERATING EXPENSE

4.37

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	3,342,154	3,345,800	2,784,154	3,211,800
Directors' expense	1,449,682	1,627,022	1,417,924	1,621,342
Auditors' remuneration	1,921,000	1,904,050	1,864,500	1,864,500
Other audit related expense	-	-	-	-
Professional and legal expense	2,754,813	8,077,516	3,209,364	8,085,881
Office administration expense	666,091,065	678,584,398	662,217,899	675,918,972
Operating lease expense	221,836,323	198,287,371	219,291,963	196,474,156
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	5,367	1,267,097	-	1,260,567
Onerous lease provisions	-	-	-	-
Other	-	-	-	-
Total	897,400,404	893,093,254	890,785,804	888,437,218

OFFICE ADMINISTRATION EXPENSE

4.37.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and Electricity	33,536,553	32,113,280	33,310,660	32,042,679
Repair and Maintenance	17,898,548	16,306,518	17,841,871	16,296,659
a) Building	206,350	201,329	206,350	201,329
b) Vehicle	4,767,181	6,199,769	4,767,181	6,199,769
c) Computer and accessories	1,361,317	1,014,052	1,361,317	1,014,052
d) Office equipment and furniture	4,861,816	4,109,821	4,861,816	4,109,821
e) Other	6,701,884	4,781,549	6,645,207	4,771,690
Insurance	4,485,730	6,550,079	4,392,904	6,535,296
Postage, Telex, Telephone, Fax	81,386,528	83,415,655	81,163,446	83,197,600
Printing and Stationery	31,343,129	30,909,433	31,195,372	30,890,123
News Paper, books and journals	120,613	960,560	120,613	953,310
Advertisements	38,927,119	41,577,960	38,689,056	41,570,711
Donation	-	-	-	-
Security Expenses	143,616,542	140,766,913	142,861,523	140,154,743
Deposit and loan guarantee premium	66,877,046	54,543,991	66,877,046	54,543,991
Traveling Allowances and Expenses	8,942,375	18,236,258	8,883,812	18,236,258
Entertainment	2,242,337	3,315,804	2,242,337	3,315,804
Legal Expenses	-	-	-	-
Annual/special General Meeting	2,249,862	2,358,769	2,209,003	2,358,769
Other	234,464,683	247,529,177	232,430,255	245,823,029
a) Annual Maintenance Expenses	14,528,989	17,442,078	14,528,989	17,442,078
b) Fuel	10,118,105	10,189,622	10,047,719	10,165,218
c) Business Promotion/Annual Function Expenses	16,513,809	61,486,132	16,513,809	61,373,132
d) Rates And Taxes	10,545,670	13,184,959	10,545,670	13,162,129
e) Outsource Staff Expenses	54,881,305	47,522,080	54,753,052	47,294,708
f) Other	127,876,805	97,704,306	126,041,016	96,385,764
Total	666,091,065	678,584,398	662,217,899	675,918,972

DEPRECIATION & AMORTISATION

4.38

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	178,322,050	152,248,682	177,086,918	151,771,294
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	13,315,692	9,529,877	13,113,635	9,491,796
Total	191,637,742	161,778,559	190,200,553	161,263,091

NON OPERATING INCOME**4.39**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	9,773,799	8,068,766	9,773,799	8,068,766
Other income	-	-	-	-
Total	9,773,799	8,068,766	9,773,799	8,068,766

NON OPERATING EXPENSE**4.40**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	103,244,429	67,486,870	103,244,429	67,486,870
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	95,719,547	33,213	95,719,547	33,213
Total	198,963,976	67,520,083	198,963,976	67,520,083

Other Expense includes write-off of software amounting to NPR 46,850,880.

INCOME TAX EXPENSE**4.41**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	686,818,951	615,834,173	676,119,044	612,524,817
Current year	680,493,815	569,298,636	669,816,968	566,104,098
Adjustments for prior years	6,325,136	46,535,537	6,302,076	46,420,719
Deferred tax expense	(4,352,819)	(16,547,008)	(3,249,602)	(16,652,345)
Origination and reversal of temporary differences	(4,352,819)	(16,547,008)	(3,249,602)	(16,652,345)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	682,466,132	599,287,164	672,869,442	595,872,472

RECONCILIATION OF TAX EXPENSE AND ACCOUNTING PROFIT

4.41.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	2,314,142,493	1,872,018,132	2,280,342,616	1,861,023,135
Tax amount at tax rate of 30%	694,242,748	561,605,440	684,102,785	558,306,941
Add: Tax effect of expenses that are not deductible for tax purpose	-	(2,201,830)	-	(2,201,830)
Less: Tax effect on exempt income	8,822,965	1,209,746	8,822,965	1,209,746
Add/less: Tax effect on other items	(8,712,454)	(5,443,611)	(8,712,454)	(5,443,611)
Total income tax expense	676,707,329	552,750,252	666,567,366	549,451,753
Effective tax rate	29.24%	29.53%	29.23%	29.52%

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 31, Ashad 2078
(As per NRB Regulation)

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	1,607,473,174	1,265,150,663
Appropriations:		
a. General reserve	321,494,635	253,030,133
b. Foreign exchange fluctuation fund	9,627,192	14,015,417
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	16,074,732	12,651,507
e. Employees' training fund	-	(2,368,795)
f. Other	7,081,204	-
Profit or (loss) before regulatory adjustment	1,253,195,413	987,822,402
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	33,146,144	17,318,179
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 (+)	(88,176,859)	(31,759,059)
e. Deferred tax assets recognised (-)/ reversal (+)	95,643	(13,810,822)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(38,080,762)	(18,110,759)
i. Other (+/-)	10,116,006	8,755,873
- Fair Value Reserve	10,116,006	8,755,873
Distributable profit or (loss)	1,170,295,586	950,215,814

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2077/78

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Assets					
Cash and cash equivalent	8,678,698,193	8,679,174,999	476,806	0.01%	Adjustment in AIR of Placement
Due from Nepal Rastra Bank	8,908,182,769	8,908,182,769	-	0.00%	
Placement with Bank and Financial Institutions	477,562,026	477,085,220	(476,806)	-0.10%	Adjustment in AIR of Placement
Derivative financial instruments	21,848,832	21,848,832	-	0.00%	
Other trading assets	17,409,000	17,409,000	-	0.00%	
Loan and advances to B/Fls	3,714,540,505	3,714,540,505	-	0.00%	
Loans and advances to customers	113,571,049,308	113,572,009,939	960,631	0.00%	Adjustment in Loan Loss Provision
Investment securities	19,603,810,777	19,603,810,777	-	0.00%	
Current tax assets	432,252,207	419,106,236	(13,145,971)	-3.04%	Tax effect of adjustments in Profit or loss
Investment in subsidiaries	200,000,000	200,000,000	-	0.00%	
Investment in associates	-	-	-	0.00%	
Investment property	273,910,573	273,910,573	-	0.00%	
Property and equipment	1,474,088,435	1,474,088,435	-	0.00%	
Goodwill and Intangible assets	126,031,076	126,031,076	-	0.00%	
Deferred tax assets	37,675,690	35,139,179	(2,536,512)	-6.73%	Deferred Tax adjustment of Fair Value Reserve
Other assets	692,937,887	691,210,032	(1,727,855)	-0.25%	Deferred Employee Expenditure adjustment
Total Assets	158,229,997,278	158,213,547,573	(16,449,706)	-0.01%	

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

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Liabilities					
Due to Bank and Financial Institutions	2,863,541,335	2,863,541,338	3	0.00%	
Due to Nepal Rastra Bank	4,159,288,073	4,159,288,073	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Deposits from customers	131,617,964,617	131,617,964,617	-	0.00%	
Borrowing	1,192,000,000	1,202,306,566	10,306,566	0.86%	Reclassification of AIP of borrowings from Interest Payable on deposit
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	-	-	0.00%	
Deferred tax liabilities	-	-	-	0.00%	
Other liabilities	2,365,011,429	2,358,670,979	(6,340,450)	-0.27%	Adjustment in Leave Provision as per Final Actuarial Valuation Report and decrease in Interest Suspense account and Reclassification of AIP of borrowings from Interest Payable on deposit
Debt securities issued	3,147,643,817	3,147,643,817	-	0.00%	
Subordinated Liabilities	-	-	-	0.00%	
Total liabilities	145,345,449,271	145,349,415,390	3,966,119	0.00%	
Equity					
Share capital	9,053,094,581	9,053,094,581	-	0.00%	
Share premium	30,881,765	30,881,765	-	0.00%	
Retained earnings	1,243,472,349	1,271,636,271	28,163,922	2.26%	Due to change in Profit and previous year deferred tax adjustment in fair value reserve
Reserves	2,557,099,312	2,508,519,565	(48,579,747)	-1.90%	Due to General Reserve and CSR movement because change in profit and Subsequent Interest Recovery adjustment in Regulatory Reserve
Total equity attributable to equity holders	12,884,548,007	12,864,132,182	(20,415,825)	-0.16%	
Non-controlling interest					
Total equity	12,884,548,007	12,864,132,182	(20,415,825)	-0.16%	
Total liabilities and equity	158,229,997,278	158,213,547,572	(16,449,706)	-0.01%	

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

STATEMENT OF PROFIT OR LOSS	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Interest income	11,130,090,066	11,155,483,067	25,393,001	0.23%	Decreased in Interest Suspense
Interest expense	6,803,990,080	6,803,990,080	-	0.00%	
Net interest income	4,326,099,986	4,351,492,987	25,393,001	0.59%	
Fee and commission income	1,142,901,599	1,142,901,599	-	0.00%	
Fee and commission expense	131,043,156	131,043,156	-	0.00%	
Net fee and commission income	1,011,858,443	1,011,858,443	-	0.00%	
Net interest, fee and commission income	5,337,958,429	5,363,351,430	0	0	
Net trading income	258,087,591	258,087,591	-	0.00%	
Other operating income	196,388,323	196,386,725		0.00%	
Total operating income	5,792,434,343	5,817,825,746	25,391,403	0.44%	
Impairment charge/(reversal) for loans and other losses	497,298,954	497,799,024	500,070	0.10%	Loan Loss Provision adjustment
Net operating income	5,295,135,389	5,320,026,722	24,891,333	0.47%	
Operating expense				0.00%	
Personnel expenses	1,740,148,451	1,769,507,572	29,359,121	1.69%	Adjustment in Leave provision as per final actuarial valuation report and Bonus effect of adjustment in PL
Other operating expenses	890,526,098	890,785,804	259,706	0.03%	Adjustment in Stationery stock
Depreciation & Amortization	190,200,553	190,200,553	-	0.00%	
Operating profit	2,474,260,287	2,469,532,793	(4,727,494)	-0.19%	
Non operating income	9,773,799	9,773,799	-	0.00%	
Non operating expense	198,956,531	198,963,976	7,445	0.00%	
Profit before income tax	2,285,077,555	2,280,342,616	(4,734,939)	-0.21%	
Income tax expense	654,395,918	672,869,442	18,473,524	2.82%	Tax impact of above adjustment
Current Tax	662,973,073	676,119,044	13,145,971	1.98%	
Deferred Tax	(8,577,155)	(3,249,602)	5,327,553	-62.11%	Deferred Tax adjustment of above adjustment
Profit/(loss) for the period	1,630,681,637	1,607,473,174	(23,208,463)	-1.42%	
			0.00%		
Profit/(loss) for the period	1,630,681,637	1,607,473,174	(23,208,463)	-1.42%	
Other Comprehensive Income	(30,276,309)	(30,275,191)	1,118	0.00%	
Total comprehensive income	1,600,405,328	1,577,197,983	(23,207,345)	-1.45%	

COMPARISON OF PROJECTED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2077/78

Bank had issued 8.5% Machhapuchchhre debenture on Shrawan 2078 and issued projected Financials for upcoming ten Fiscal Years including this FY 2077-78. However there are some variances between projected Financials and audited financials for FY 2077-78 which are shown as below with reasons of variance:

STATEMENT OF FINANCIAL POSITION	AS PER PROJECTED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Assets					
Cash and cash equivalent	14,939,646,918	8,679,174,999	6,260,471,919)	-41.91%	Due to Regular Banking Transactions and Current
Due from Nepal Rastra Bank	5,007,201,637	8,908,182,769	3,900,981,132	77.91%	Economic scenario
Placement with Bank and Financial Institutions	101,419,711	477,085,220	375,665,509	370.41%	
Derivative financial instruments	67,415,547	21,848,832	(45,566,715)	-67.59%	
Other trading assets	233,221,046	17,409,000	(215,812,046)	-92.54%	
Loan and advances to B/FIs	2,619,423,614	3,714,540,505	1,095,116,891	41.81%	
Loans and advances to customers	116,161,642,439	113,572,009,939	2,589,632,500)	-2.23%	
Investment securities	14,318,895,924	19,603,810,777	5,284,914,853	36.91%	High Investment in Government Bonds and Government Treasury Bills
Current tax assets	275,808,469	419,106,236	143,297,767	51.96%	Excess tax paid
Investment in subsidiaries	200,000,000	200,000,000	-	0.00%	
Investment in associates	-	-	-	0.00%	
Investment property	174,947,305	273,910,573	98,963,268	56.57%	Due to increment of Non-Banking Assets
Property and equipment	1,402,594,506	1,474,088,435	71,493,929	5.10%	
Goodwill and Intangible assets	68,383,439	126,031,076	57,647,637	84.30%	Purchase of New CBS Software-Finacle
Deferred tax assets	35,234,822	35,139,179	(95,643)	-0.27%	
Other assets	849,709,778	691,210,032	(158,499,746)	-18.65%	Due to Decrease in Sundry Debtors

Contd... COMPARISON OF PROJECTED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2077/78

STATEMENT OF FINANCIAL POSITION	AS PER PROJECTED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Total Assets	156,455,545,156	158,213,547,573	1,758,002,416	1.12%	
Liabilities					
Due to Bank and Financial Institutions	2,914,430,311	2,863,541,338	(50,888,973)	-1.75%	
Due to Nepal Rastra Bank	15,096,062	4,159,288,073	4,144,192,011	27452.14%	Due to High Refinance from NRB as per requirement of Customers
Derivative financial instruments	-	-	-	0.00%	
Deposits from customers	134,267,345,402	131,617,964,617	(2,649,380,785)	-1.97%	
Borrowing	1,202,500,000	1,202,306,566	(193,434)	-0.02%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	-	-	0.00%	
Deferred tax liabilities	-	-	-	0.00%	
Other liabilities	2,005,452,564	2,358,670,979	353,218,415	17.61%	Due to increment of Leave and Gratuity Liability as per Actuarial Valuation Report
Debt securities issued	3,000,000,000	3,147,643,817	147,643,817	4.92%	
Subordinated Liabilities	-	-	-	0.00%	
Total liabilities	143,404,824,340	145,349,415,390	1,944,591,050	1.36%	
Equity				0.00%	
Share capital	9,053,108,629	9,053,094,581	(14,048)	0.00%	
Share premium	30,881,765	30,881,765	0	0.00%	
Retained earnings	917,439,382	1,271,636,271	354,196,889	38.61%	Due to change in NRB Directive which resulted in addition of Loan Loss Provision and subsequently decreased the profit
Reserves	3,049,291,041	2,508,519,565	(540,771,476)	-17.73%	Due to Non creation of Debenture Redemption Reserve
Total equity attributable to equity holders	13,050,720,816	12,864,132,182	(186,588,634)	-1.43%	
Non-controlling interest					
Total equity	13,050,720,816	12,864,132,182	(186,588,634)	-1.43%	
Total liabilities and equity	156,455,545,155	158,213,547,572	1,758,002,417	1.12%	

Contd... COMPARISON OF PROJECTED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2077/78

STATEMENT OF PROFIT OR LOSS	AS PER PROJECTED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Interest income	11,093,526,737	11,155,483,067	61,956,330	0.56%	
Interest expense	6,860,877,458	6,803,990,080	(56,887,378)	-0.83%	
Net interest income	4,232,649,279	4,351,492,987	118,843,708	2.81%	
Fee and commission income	1,250,226,686	1,142,901,599	(107,325,087)	-8.58%	
Fee and commission expense	108,243,318	131,043,156	22,799,838	21.06%	Due to Increase in DD/TT Swift fees and other fees
Net fee and commission income	1,141,983,368	1,011,858,443	(130,124,925)	-11.39%	
Net interest, fee and commission income	5,374,632,647	5,363,351,430	0	0	
Net trading income	302,915,508	258,087,591	(44,827,917)	-14.80%	
Other operating income	85,724,949	196,386,725	110,661,776	0.00%	
Total operating income	5,763,273,104	5,817,825,746	54,552,642	0.95%	
Impairment charge/(reversal) for loans and other losses	263,209,278	497,799,024	234,589,746	89.13%	0.3% Additional Provision in Pass Loan as per new direction from NRB and Increased Number of Non Performing Loan
Net operating income	5,500,063,826	5,320,026,722	(180,037,104)	-3.27%	
Operating expense				0.00%	
Personnel expenses	1,766,433,757	1,769,507,572	3,073,815	0.17%	
Other operating expenses	972,042,153	890,785,804	(81,256,349)	-8.36%	
Depreciation & Amortization	190,228,394	190,200,553	(27,841)	-0.01%	
Operating profit	2,571,359,521	2,469,532,793	(101,826,728)	-3.96%	
Non operating income	9,093,799	9,773,799	680,000	7.48%	
Non operating expense	103,678,687	198,963,976	95,285,289	91.90%	Due to Write off of Temenos Software
Profit before income tax	2,476,774,633	2,280,342,616	(196,432,017)	-7.93%	
Income tax expense	725,705,961	672,869,442	(52,836,519)	-7.28%	
Current Tax	725,705,961	676,119,044	(49,586,917)	-6.83%	
Deferred Tax	-	(3,249,602)	(3,249,602)	0.00%	
Profit/(loss) for the period	1,751,068,673	1,607,473,174	(143,595,499)	-8.20%	
			0.00%		
Profit/(loss) for the period	1,751,068,673	1,607,473,174	(143,595,499)	-8.20%	
Other Comprehensive Income		(30,275,191)	(30,275,191)	0.00%	
Total comprehensive income	1,751,068,673	1,577,197,983	(173,870,690)	-9.93%	

PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	F. Y. 2073/2074	F. Y. 2074/2075	F. Y. 2075/2076	F. Y. 2076/2077	F. Y. 2077/2078
1. Net Profit/Gross Income	%	21.96%	14.81%	14.86%	9.99%	12.60%
2. Earnings Per Share	Rs.	24.00	15.81	21.07	14.96	17.76
3. Market Value per Share	Rs.	360.00	209.00	264.00	220.00	385.00
4. Price Earning Ratio	Ratio	15.00	13.22	12.53	14.71	21.68
5. Dividend (including bonus) on share capital	%	15.00%	10.00%	16.00%	10.40%	13.30%
6. Cash Dividend on share capital	%	6.00%	10.00%	11.00%	3.37%	0.70%
7. Interest Income/Loans & Advances	%	9.87%	12.09%	12.96%	11.76%	9.35%
8. Employee Expenses/Total Operating Exps	%	13.18%	10.74%	11.29%	13.33%	16.30%
9. Interest Exps on Total Deposit and Borrowings	%	4.76%	6.93%	7.16%	7.02%	4.91%
10. Exchange Fluctuation Gain/Total Income	%	2.30%	2.05%	2.86%	2.67%	2.32%
11. Staff Bonus/ Total Employee Expenses	%	37.56%	29.86%	28.07%	15.95%	16.71%
12. Net Profit/Loans & Advances	%	2.51%	1.92%	2.16%	1.31%	1.35%
13. Net Profit/ Total Assets	%	1.89%	1.47%	1.61%	1.02%	1.02%
14. Total Credit/Deposit	%	88.47%	89.78%	87.00%	88.56%	86.53%
15. Total Operating Expenses/Total Assets	%	5.45%	7.40%	8.09%	7.81%	5.88%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	15.78%	14.38%	11.88%	9.57%	8.67%
b. Supplementary Capital	%	1.04%	0.98%	0.91%	3.45%	3.39%
c. Total Capital Fund	%	16.82%	15.36%	12.79%	13.02%	12.06%
17. Liquidity	%	26.29%	25.26%	23.70%	23.83%	27.08%
18. Non Performing Loans/Total Loans	%	0.38%	0.44%	0.37%	0.52%	0.62%
19. Base Rate	%	10.29%	11.06%	10.37%	9.21%	7.26%
20. Weighted Average Interest Rate Spread *	%	4.27%	4.75%	4.27%	4.36%	3.82%
21. Book Net worth	Rs.	8,211,005,911	10,356,871,786	11,236,871,503	11,584,702,840	12,864,132,182
22. Total Shares	Number	65,987,000	80,556,930	80,556,930	84,584,777	90,530,946
23. Total Employees	Number	742	953	1,195	1,486	1,510
24. Productivity per Staff	Rs.'000	1,755.37	1642.48	1,420.16	851.38	1064.55
25. Book Value Per Share	Rs.	124.43	128.57	139.49	136.96	142.10
26. Number of branches	Number	57	88	131	159	161
27. Number of ATM	Number	74	93	144	198	203

Note:

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

SIGNIFICANT ACCOUNTING POLICIES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Year 16 July 2020 to 15 July 2021 (1 Shrawan 2077 to 31 Ashad 2078)

1. GENERAL INFORMATION

1.1. Reporting Entity

Machhapuchchhre Bank Limited (hereinafter referred to as "the Bank") is a public limited company, incorporated on 16 February 1998 as per the then Companies Act 1964 of Nepal, and domiciled in Nepal. The Bank obtained license from Nepal Rastra Bank on 11 Ashoj 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 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.

Machhapuchchhre Capital Limited merged with Kriti Capital and Investment Limited Limited and started joint operation with effect from 2 Magh 2077 as Machhapuchchhre Kriti Capital Limited.

Revised holding of the Bank in Machhapuchchhre Kriti Capital Limited is 69.85% after merger.

SUBSIDIARY	COST AS ON ASHAD END 2078 (NPR)
Machhapuchchhre Kriti Capital Limited	200,000,000

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

1.3. Group

The Group represents the Bank and its subsidiary.

2. BASIS OF PREPARATION

2.1 Basis of Preparation

The Financial Statements of the Bank have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2077. 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 (SOCI)
- 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 2077 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 2078	15 July 2021
Consolidated Statement of Profit/Loss	1 Shrawan 2077 to 31 Ashad,2078	16 July 2020 to 15 July 2021
Consolidated Statement of Other Comprehensive Income	1 Shrawan 2077 to 31 Ashad,2078	16 July 2020 to 15 July 2021
Consolidated Statement of Cash flow	1 Shrawan 2077 to 31 Ashad,2078	16 July 2020 to 15 July 2021
Consolidated Statement of Changes in Equity	1 Shrawan 2077 to 31 Ashad,2078	16 July 2020 to 15 July 2021

The Board of Directors of the Bank authorized the financial statement vide its resolution dated 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 Polices

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

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption

to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

2.7 New Standards in issue but not yet effective

The Institute of Chartered Accountants of Nepal (ICAN) has published Nepal Financial Reporting Standards 2018 (NFRS 2018) on March, 2021. Accordingly, some new standards have been introduced with amendment to existing standards.

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

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

2.7.1 NFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is being used in FY 2077-78. However, with introduction of NFRS 2018, NFRS 9 shall cover Expected Credit Loss Model which is in line with the IFRS 9 Financial Instruments. The requirement of NFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

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

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

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

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

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

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

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

2.7.2 NFRS 15 Revenue from contract with customers

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

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

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

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

2.7.3 NFRS 16 Leases

NFRS 16 'Leases' is effective for annual periods beginning on or after 1 Shrawan 2078. NFRS 16 is the new accounting standard for leases and will replace NAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The new standard removes the distinction between operating or finance leases for lessee accounting, resulting in all leases being treated as finance leases. A lessee is required to recognize a right-of-use asset (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

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

2.8 New Standards and interpretation not adopted

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

2.9 Discounting

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

2.10 Prior Period Errors

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

2.11 Materiality and Aggregation

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

2.12 Offsetting

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

2.13 Rounding

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Measurement

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

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

3.2 Basis of Consolidation

3.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of NFRS 3 (Business Combinations). The Bank measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is immediately recognized in the profit or loss.

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

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

3.2.2 Non-Controlling Interest (NCI)

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

- 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 that are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred.

b) Financial Liabilities measured at amortized cost

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

3.6.3 Measurement

Initial Measurement

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

Subsequent Measurement

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

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

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

3.6.4 Derecognition

Derecognition of Financial Assets

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

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

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

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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. Loans and advances to customers with significant value are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank.

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

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

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

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

Loan Loss Provision as per direction of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1.3% 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 paragraph 63 of NAS 39.

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

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

3.7 Trading Asset and liabilities

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

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

3.8 Derivative financial Instruments

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

3.9 Property, Plant and Equipment

Recognition

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

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes purchase price including any non-refundable taxes after deducting volume rebates and trade discounts and such other costs that are incurred to bring asset to location and condition to be operating in a manner intended by management.

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

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

Cost Model

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

Revaluation Model

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

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

Subsequent Cost

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

Derecognition

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

Depreciation

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

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

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

- 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 depreciation over the lease period or 10 years whichever is lower.
- Software, licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

Changes in Estimates

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

Capital Work in Progress

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

3.10 Intangible Assets and Goodwill

Recognition

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

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic

benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

Goodwill

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

Subsequent Expenditure

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

Amortization of Intangible Assets

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

Derecognition of Intangible Assets

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

3.11 Government Grant

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

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

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

3.12 Investment Property / Non-Current Asset held for sale

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

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances. Accordingly, Investment properties include the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery.

Non-Current Assets Held for Sale

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

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

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

3.13 Due to Banks and Financial Institution

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

3.14 Deposit from Customers

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

As per Para 9 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking such interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts

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

3.15 Debt Securities issued

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

3.16 Subordinated Liabilities

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

3.17 Provisions

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

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

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

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

3.18 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined under NAS 37 Provisions, Contingent Liabilities and Contingent Assets. In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

3.19 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank is involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations. Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per NAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.20 Borrowing Cost

Borrowing cost directly attributable to acquisition or construction of asset necessarily takes substantial period of time to get ready for its intended use or sale are capitalized as part of cost of the asset. All other borrowing costs are expensed in the period in which they occur. It includes interest and other costs that entity incurs in connection with borrowing of funds.

3.21 Income Tax

As per Nepal Accounting Standard- NAS 12 Income Taxes tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income.

3.21.1 Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

3.21.2 Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

3.22 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

3.22.1 Interest Income

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, loans, and investment in government securities, investment in NRB bond, corporate bonds, and interest on investment securities measured at fair value.

Carve out issued by ICAN

Carve out on EIR which was initially applicable till FY 2076/77 has again been extended for FY 2077/78 as well. As per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Guideline on Recognition of Interest Income, 2019 by NRB.

Criteria for determining loans on which interest no longer be recognized to the profit or loss account but shall be suspended

Guideline issued by NRB on income recognition defines certain criteria for determining loans on which interest no longer be recognized to the profit or loss account but shall be suspended. These criteria are as follows

- (a) Loans where there is reasonable doubt about the ultimate collectability of principal or interest;
- (b) Loans against which individual impairment as per NAS 39 or life time impairment as per NFRS 9 has been made;
- (c) Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest;
- (d) Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral;
- (e) Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry, and where the net realizable value of security is insufficient to cover payment of principal and accrued interest;
- (f) Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 12 months of the expiry, irrespective of the net realizable value of collateral;

Criteria to cease the accrual of interest

Bank and financial institutions shall accrue the interest on loan although it has been decided to suspend the recognition of income. However, BFIs shall cease to accrue interest on loan, in case where contractual payments of principal and/or interest of the loan are due for more than 12 months and the "net realizable value" of security is insufficient to cover payment of principal and accrued interest. Cessation of accrual of interest for accounting purpose shall not preclude an entity to continue to accrue interest on a memorandum basis for legal enforcement purposes unless the loan is written off.

3.22.2 Fee and Commission Income

Fees and Commission Income being the transaction costs integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees to be considered for EIR computation unless it is impracticable to determine reliably. Since, such transaction costs are not identifiable for separate customer and therefore being impracticable, they have not been considered when computing EIR. They have been booked on accrual basis except commission on guarantees issued by the bank which is recognized as income over the period of the guarantee, except for guarantee commission not exceeding NPR one lakhs is recognized at the time of issue. Other fee and commission income are recognized on accrual basis.

3.22.3 Dividend Income

Dividend income are recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

3.22.4 Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

3.22.5 Net Income from other financial instrument at fair value through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

3.23 Interest Expense

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

3.24 Impairment of non-financial Assets

Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, Bank estimates the recoverable amount which is higher of Fair Value less cost to sell or value in use. Where the carrying amount exceeds its recoverable amount, asset is considered impaired and is written down to recoverable amount.

3.25 Employment Benefits

I. Short term employee Benefits

Short term employee benefits are the benefits that are expected to be settled wholly before 12 months and therefore booked as expense in the period in which employees render the related service. It includes the following:

- Wages, salaries and social security contributions
- Paid annual and paid sick leave
- Profit sharing and bonuses
- Non-monetary benefits

II. Post-employment benefit

Post-employment benefit includes the following

a) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Bank makes fixed contribution into a separate Bank account (a fund) and will have no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in Nepal Accounting Standards NAS 19 Employee Benefits.

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under 'Personnel Expense' as and when they become due.

Bank contributed 10% of the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in NAS 19 Employee Benefits.

b) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment and gratuity has been considered as defined benefit plans as per NAS 19 Employee Benefits. Net Obligation in DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. Bank recognizes all actuarial gains and losses arising from DBP in the Other Comprehensive Income and expenses related to DBP under personnel expense in the Statement of Profit or Loss.

Under NFRS, the actuarial gains and losses form part of re measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Also, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS. Some assumptions used by actuarial valuator for valuation are as under:

1. **Discount Rate:** It is based on Yield to Maturity Available on Government Bonds having similar term to decrement-adjusted estimated term of liabilities.
2. **Expected Return on Plan Asset:** Average long term rate of return expected on investments of Trust Fund.
3. **Salary Escalation Rate:** Management estimation of 8% after considering the expected earnings inflation as well as performance and seniority related increase.
4. **Withdrawal rate:** Management estimation on the basis of 8% on the basis of expected long term future employee turnover within the organization.
5. **Mortality Rate:** Nepali Assured Lives Mortality issued by Beema Samiti.

(a) Gratuity

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior

periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the under 'Personnel Expenses' together with the net interest expense. Also, actuarial gain/loss have been shown under Other Comprehensive Income (OCI) Bank recognizes the total actuarial gain/ (loss) that arises in computing Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (58 years), early withdrawal from service and retirement on medical grounds.

III. Other long term employee benefit

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

(a) Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government 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.

Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease.

When Bank is a lessee under finance leases, the leased assets are capitalized and included in 'Property, Plant and Equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in

'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When Bank is the lessee, leased assets are not recognized on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted as per provision mentioned in NAS 17 Leases.

3.28 Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the bank's mid-rate prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date which is the bank's mid-rate and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on FVTOCI equity instruments are recognized in other comprehensive income.

3.29 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitment is the commitment where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statement as commitments.

3.30 Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities.

Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity. Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The holders of ordinary shares are entitled to one vote per share at general meetings of the bank and are entitled to receive the annual dividend payments. The various reserve headings are explained hereinafter:

a) General reserve

The Bank is required to appropriate a minimum 20% of current year's net profit into this heading each year until it becomes double of

paid up capital and then after a minimum 10% of profit each year. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading.

b) Exchange equalization reserve

The Bank is required to appropriate 25% of current year's total revaluation gain (except gain from revaluation of Indian Currency) into this heading.

c) Fair value reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for financial assets. NFRS 9 requires that cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading until the fair valued asset is de-recognized. Any realized fair value changes upon disposal of the re-valued asset is reclassified from this reserve heading to retained earnings.

d) Revaluation reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a re-valuation model.

e) Corporate social responsibility fund

The Bank is required to appropriate an amount equivalent to 1% of net profit into this fund annually. The fund is created towards funding the Bank's corporate social responsibility expenditure during the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of payments made under corporate social responsibility activities.

f) Investment adjustment reserve

The Bank is required to maintain balance in this reserve heading which is calculated at fixed percentages of the cost of equity investments that are not held for trading. Changes in this reserve requirement are reclassified to retained earnings.

g) Actuarial gain / loss reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for employee benefits. NAS 19 requires that actuarial gain or loss resultant of the change in actuarial assumptions used to value defined benefit obligations be presented under this reserve heading. Any change in this reserve heading is recognized through other comprehensive income and is not an appropriation of net profit.

h) Regulatory reserve

This is a non-free statutory reserve and is a requirement as prescribed in NRB directive. In the transition to NFRS from previous GAAP the Bank is required to reclassify all amounts that are resultant of re-measurement adjustments and that are recognized in retained earnings into this reserve heading. The amount reclassified to this reserve includes:

- Re-measurement adjustments such as interest income recognized against interest receivables.
- Difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS.
- Amount equals to deferred tax assets.
- Actual loss recognized in other comprehensive income.
- Amount of goodwill recognized under NFRS.

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

i) Debenture Redemption Reserve

The Bank is required to maintain a redemption reserve in respect of borrowing raised through debenture issuance. As per the terms of NRB approval relating to the Bank's debenture issuance, the Bank is annually required to transfer 20% of the debenture's face value to redemption reserve. However, such provision shall not be applicable in the year of issue.

j) Employees training fund

The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's salary and allowance. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of expenses made for employees training related activities.

However, pursuant to the circular no. 1/078/79 dated 11 Shrawan 2078, it is not mandatory for the bank to spend such 3% amount. Accordingly, the bank has not created any fund as at 31 Ashad 2078.

3.31 Earnings per Share including diluted earning

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

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

Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend are deducted from equity when they are declared and no longer at the discretion of the Bank. Proposed dividend for the year after reporting period and before the authorization of financial statements has been disclosed in notes to accounts as non-adjusting event.

3.32 Segment Reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management. For management purposes, the Bank has organized into operating segments based on business. Also, interest income are identifiable product wise separately. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in the reporting period. Segment results that are reported to the Bank's include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise head office expense, corporate assets, tax assets and liabilities.

3.33 Capital Management

The primary objective of Capital Management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the Risk Appetite of the Bank.

Capital Adequacy

Capital Adequacy Ratio (CAR) is a measure of the Bank's capital expressed as a percentage of risk-weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios. Bank has maintained capital adequacy in excess of the minimum threshold prescribed by Nepal Rastra Bank.

Bank calculates CAR based on New Capital Adequacy Framework under Basel III requirement in July 2015 issued by NRB. Also, bank monitors the CAR, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as reputation risk, strategic risk, compliance risk, concentration risk, and interest rate risk on banking book.

3.34 Risk Management

Bank needs to manage Credit, Operational, Market, Liquidity and other risks inherent in bank. There are risk management in process to identify, measure, monitor, and control such risks. In order to manage such risks. Board of the bank is primarily responsible for setting out the risks policies, risk strategies, risk appetite, risk tolerance, risk mitigation etc. Such risks are communicated by the Board down the line for effective and timely implementation adherence. Board of the bank monitors and evaluates the risk on a regular interval and instructs RMC and other related departments, who is responsible for risk management of the bank through CEO/CRO for effective implementation.

In broad sense, Bank's functional structure for risk related matters are presented below

Board of Directors

Board has critical role to play in overseeing overall risks emanating in the bank business. Board approves, modifies, and review overall policies related to risk areas, advises the management to prepare suitable process. Overall accountability for risk management rests on Board and the level of risks organization accepts. Major responsibilities of Board, but not limited to include:

- a) Define bank's overall risk tolerance in relation to credit risk, market and liquidity risk.
- b) Ensure bank's Credit and investment exposure maintained at prudent levels.
- c) Ensure related top management responsible for risk management process.
- d) Ensure there is effective, integrated operational risk management framework
- e) Ensure implementation of sound fundamental policies that facilitate identification, measurement, monitoring and control of potential risk.

Risk Management Committee

Risk Management Committee is the sub-committee of the Board, which plays pivotal role in managing overall risk management of bank. RMC shall work as a bridge between Board and CRO/ Management and escalate the important risks matters to Board

AML/CFT committee

A separate committee is formed to ensure compliance of Anti Money Laundering Act, rules and directive No. 19 issued by Nepal Rastra Bank. Also, in order to enable the strong AML culture in the bank and in addition ensure to apply a uniform policy framework throughout the branches in compliance with internal as well as regulatory standards, committee is formed. It devises appropriate risk management framework to identify, assess and minimize the risk pertaining to AML and CFT; and recommend its implementation to management of bank.

Assets and Liability Management Committee

Senior Management Committee is responsible for supervision/management of market risk (mainly interest rate and liquidity risk). It includes the role of monitoring on the structure/ composition of bank's assets and liabilities and decide about product pricing for deposits and advances, deciding on maturity profile, evaluation of market risk and so on.

Credit Risk Management Department

Credit Risk Management is an independent function of the bank which has the objective to reduce the level of NPL, and delinquent

borrowers and to improve the risk assets quality of the bank. It is a centralized function which controls overall risk inherent in lending portfolio and also make an assessment of risk profile in credit files. It includes the assessment/review of purpose of credit, credit assessment of borrower, structuring of credit facilities, disbursement of loan, assessment of waiver policies, and others.

- a) To monitor bank's credit portfolio for risk identification, quantification
- b) Review risk of asset portfolio sector
- c) Periodically review irregular accounts which are NPA
- d) Define bank's overall tolerance to risk.
- e) Identify risk and analyze risk management tools.

Credit Risk Management

In order to manage credit risk, the Bank has established a sound credit appraisal system. The Bank has credit Policies Guidelines and other product papers approved by The Board of Directors which are strictly followed during credit approval/disbursement. The bank performs market/customer analysis to minimize the credit risk.

Operation Risk Management

A separate independent function has been established for effective management of operational risks of bank. The unit performs the job related to identity, measurement, monitoring and reporting of operational risks as a whole and ensure management of operational risk. It evaluates the adequacy of tools and techniques to reduce the operational risk to acceptable level.

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

Market Risk Management

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

Liquidity Risk Management

Bank recognize Market Risk as the possibility for loss of earnings or economic value to the bank caused due to adverse changes in the market level of interest rates or prices of securities (equity), foreign exchange rates and commodity price fluctuation, as well as the volatilities, of those prices. While Liquidity risk is chances of failure of a bank to meet obligations as they become due. Effective liquidity risk management helps ensure the Bank's ability to meet its obligations as they fall due without adversely affecting the Bank's financial condition and reduces the probability of developing of an adverse situation.

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding as required.

Reputational Risk Management

Reputational risk is the risk of possible damage to the Bank's brand and reputation resulting in loss of earnings or adverse impact on market capitalization or could be perceived as by the stakeholders to be inappropriate, unethical, or inconsistent with bank values and beliefs.

The Bank's Corporate Governance Policy establishes the framework for the governance and management of reputational risk. The framework aims to protect the Bank's reputation and restrict the ability to undertake any activities that may cause material damage to the Bank's branding.

The bank has clearly set the code of conduct / code of ethics which defines acceptable and unacceptable behaviors and explicitly disallow behavior that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti-competitive practices, bribery and corruption, or the violation of consumer rights and make clear that employees are expected to conduct themselves ethically in addition to complying with laws, regulations and company policies.

Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank. The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review, AML/CFT/KYC audit, ISO audit as well as Risk based Internal Audit (RBIA) approach. The audits observations are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department, regional offices or branches.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended 15th July 2021

1. Paid-up capital

Paid-up share capital of the Bank has increased from year to year as follows:

a) Paid-Up Capital

The structure of the share capital of the Bank is as follows:

- Authorized capital of NPR 10,000,000,000 represented by 100,000,000 ordinary shares of NPR 100 each; and
- Issued capital as of balance sheet date is NPR 9,053,094,581 represented by 90,530,946 ordinary shares of NPR 100 each.
- Paid-up capital as of balance sheet date is NPR 9,053,094,581 represented by 90,530,946 ordinary shares of NPR 100 each.

The paid-up capital of the Bank as on the balance sheet date is NPR 9,053,094,581 represented by 90,530,946 Ordinary Shares of NPR 100. Paid up share capital of the Bank has increased from year to year as follows:

FINANCIAL YEAR	PAID UP SHARE CAPITAL (NPR)	REMARKS
2061/62	550,000,000	Opening Share Capital
2062/63	715,000,000	Issue of 30% right shares
2063/64	821,651,300	14.92% Bonus shares
2064/65	901,339,300	NPR 79,688,000 calls in advance included
2065/66	1,479,269,600	Issue of right shares 10:6 and 12.5% of bonus shares included
2066/67	1,627,196,560	10% Bonus shares included
2067/68	1,627,196,560	
2068/69	2,478,794,560	NPR 851,598,000 paid capital of Standard Finance Limited Merged
2069/70	2,478,794,560	
2070/71	2,776,249,907	12% Bonus shares included
2071/72	3,484,123,196	NPR 174,833,289 calls in advance and NPR 533,040,000 proposed bonus share included

NFRS related adjustment for Paid-up capital

FINANCIAL YEAR	AS PER GAAP	ADJUSTMENT	AS PER NFRS	REMARKS
2072/73(Transition phase-Opening adjustment)	4,666,430,000	(801,890,000)	3,864,540,000	Issue of right shares NPR 555,250,093 and NPR 801,890,000 proposed bonus share. >Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital
2073/74 (Comparative Year)	7,716,605,100	(665,149,000)	7,051,456,100	Calls in advance of NPR 452,756,100 of 12% right shares and NPR 665,149,000 > Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital.
2074/75 (First Time Adoption)	8,055,693,000	-	8,055,693,000	
2075/76	8,055,693,000	-	8,055,693,000	
2076/77	8,458,477,650	-	8,458,477,650	Bank has issued 5% bonus shares, 4,027,846 no of shares of NPR 100 each pertaining to FY 2075/76.
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.

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 321,494,635 of the net profits to General Reserve in the current year.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Opening General Reserve	1,706,571,460	1,453,541,328
20% of Profit to be transferred	321,494,635	253,030,133
Closing General Reserve	2,028,066,095	1,706,571,460

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 9,627,192 have been transferred to exchange fluctuation fund maintained by the Bank.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Opening Exchange Equalization Reserve	30,441,716	16,426,299
25% of Revaluation gain	9,627,192	14,015,417
Closing Exchange Equalization Reserve	40,068,908	30,441,716

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 7,805,571.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Opening Fair Value Reserve	(7,081,202)	(13,711,424)
Transfer/ Adjustment in Reserve	14,886,776	6,630,222
Closing Fair Value Reserve	7,805,571	(7,081,202)

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 Nil. Actual training expense of this year amounting to NPR 7,295,777.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Opening Skill Enhancement Fund	-	2,368,795
Add : 3% of Last Year Staff Expense (Refer Note 1)	-	-
Actual Staff Training Expense this year	7,295,777	18,966,161
Closing Skill Enhancement Fund (Refer Note 2)	-	-

Note 1: Pursuant to the circular no.1/078/79 dated 11 Shrawan 2078, it is not mandatory for the bank to spend such 3% amount. Accordingly, the bank has not created any fund as at 31 Ashad 2078.

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 12,651,507 out of which NPR 12,460,139 has been spent this year for CSR activities. This year, bank has also appropriated 1% of net profit i.e. NPR 16,074,737 and therefore total amount in this fund is NPR 16,266,105 and shown in other reserve in Statement of Changes in Equity.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Opening CSR Fund	12,651,507	19,712,558
Add : 1% of profit this year	16,074,732	12,651,507
Less: CSR expense this year	12,460,139	19,712,558
Closing CSR Fund	16,266,099	12,651,507

Details of CSR expense are as follows:

PROVINCE	CATEGORY	AMOUNT IN "NPR"	%
1	Covid related contribution	300,000	
	Covid expense related to staff	1,242,713	
	दिगो विकास लक्ष्य	25,000	
	प्रत्यक्ष अनुदान खर्च	1,002,709	
	Total for Province 1	2,570,422	21%
2	Covid related contribution	118,035	
	Covid expenses related to staff	1,414,904	
	दिगो विकास लक्ष्य	252,356	
	Total for Province 2	1,785,295	14%
Bagmati	Covid related contribution	240,000	
	Covid expenses related to staff	1,395,676	
	Covid Related(Food to others)	375	
	दिगो विकास लक्ष्य	339,923	
	प्रत्यक्ष अनुदान खर्च	499,574	
	Total for Bagmati Province	2,475,548	20%
Gandaki	Covid related contribution	450,000	
	Covid expenses related to staff	1,311,623	
	दिगो विकास लक्ष्य	40,000	
	Total for Gandaki Province	1,801,623	14%

Contd... DETAILS OF CSR EXPENSE

PROVINCE	CATEGORY	AMOUNT IN "NPR"	%
Lumbini	Covid expenses related to staff	1,267,343	
	अनाथालय, बालमन्दिर र वृद्धाश्रमलाई दिइएको अनुदान तथा गरिएका खर्च	14,000	
	Total for Lumbini Province	1,281,343	10%
Karnali	Covid expenses related to staff	1,086,359	9%
Sudurpaschim	Covid expenses to other	300,000	
	Covid expenses related to staff	1,134,550	
	प्रत्यक्ष अनुदान खर्च	25,000	
	Total for Sudurpaschim Province	1,459,550	12%
	Total	12,460,139	100%

g) Regulatory Reserve

The amount to this reserve has been allocated from profit/retained earnings as per the Directive of NRB for the purpose of implementation of NFRS and is not regarded as free for distribution of dividend. Details are as presented under:

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Opening Regulatory reserve	427,917,864	390,311,276
Adjustment/ Restated	132,844,698	
Interest Suspense (Refer Note Below)	(33,146,144)	(17,318,179)
Investment Property Provision/(Non-Banking Assets) (Refer Note Below)	88,176,859	31,759,059
Actuarial loss	38,080,762	18,110,759
Fair Value Reserve	(10,116,006)	(8,755,875)
Deferred tax assets	(95,643)	13,810,822
Closing Regulatory Reserve	643,662,389	427,917,864

Note: Pursuant to the NRB Circular no. 6 dated 26 Kartik 2076, regulatory reserve on Accrued Interest Receivable and Non-Banking Asset has been considered after taking effect of bonus and income tax for FY 2077/78.

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
Total	182,780,052	-	198,393,661	35,139,179	-	-	227,349,497	-	-	643,662,389

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

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 year.

The bank has proposed to issue bonus shares of NRs. 1,204,061,000 in FY 2077-78, which is more than the amount to be set aside for Capital Redemption Reserve. Hence, the bank has not created any capital redemption reserve in this Fiscal Year 2077-78.

3. 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 15 July 2021 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 2078	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Accrued Interest Received after Asadh end 2078 till 15 Bhadra 2078	2299	104,552,954
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	27828	111,479,586,104
Extension of moratorium period of loan provided to Industry or Project under construction	Nil	Nil
Restructured/Rescheduled Loan with 5% Loan Loss Provision	989	2,451,396,820
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	107	132,791,546
Enhancement of Term Loan by 10% to COVID affected borrowers	137	40,402,919
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for upto 1 year with 5% provisioning	2	377,294
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for upto 1 year with 5% provisioning	5	802,574
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.

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. However, Bank has not provided any loan under business continuity loan scheme.

Details of Refinance Loan:

PARTICULARS	DURING FY 2077-78	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Refinance Loan	481	4,159,288,076
Business Continuity Loan	Nil	Nil

Details of Subsidized Loan:

PARTICULARS	DURING FY 2077-78	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Subsidized Loan	2,014	2,583,802,774

4. Investment Securities

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

5. Loans & Advances to B/FIs and customers

Loans & Advances to B/FIs and Customers have been valued under amortized cost as allowed under NFRS 9. Separate Effective Interest Rate (EIR) has not been computed since all the relevant transactions costs for computing EIR are ignored due to immateriality of such relevant costs. Also, Institute of Chartered Accountants of Nepal (ICAN) have provided carve out on EIR for the FY 2077/78 as well.

As per Para 63 of NAS 39, an entity shall assess at the end of each reporting period if there is any objective evidence that financial asset or group of financial assets measured at amortized cost is impaired. Bank has applied Para 63 and has computed impairment loss. However, as per the carve-out issued by ICAN as a mandatory treatment of impairment loss for the transition period for banks and financial institution, impairment loss to be measured at higher of amount derived as per norms prescribed by NRB for loan loss provision and as per Para 63. Details of such impairment are as mentioned below:

Amount in NPR

PARTICULARS	YEAR ENDED 15 JULY 2021	YEAR ENDED 15 JULY 2020	P/L IMPACT
Impairment (A)	849,020,652	994,787,586	(145,766,934)
Provision as per NRB (B)	2,054,540,112	1,556,741,089	497,799,023
Impairment to be considered as Alternative Treatment by ICAN (Higher of A or B)	2,054,540,112	1,556,741,089	497,799,023

Higher of impairment as per Para 63 of NAS 39 and as per the provision norms prescribed by NRB for loans and advances has been considered in preparing financial statements.

6. Segmental reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management.

For management purposes, the Bank has organized into operating segments based on business.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in the reporting period. Segment results that are reported to the Bank's include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, tax assets and liabilities.

7. Segmental Information

Segmental Reporting has been presented for three key business segments of the Bank, identified on the basis of key functional business activities that generate revenue for the Bank and incur expenses. These segments serve as the key functional units for resource allocation, decision making and review of operating results/performance by the Management. These are summarized as follows:

7.1. Information about reportable segments

Amount in NPR *'000*

PARTICULARS	BANKING	TREASURY	TRANSACTION BANKING	OTHERS	TOTAL
A Revenues from external customers	11,286,361	1,198,675	256,725	20,874	12,762,634
B Intersegment revenues	527,205	(504,668)	(6,299)	(16,237)	(0)
C Gross revenue	11,813,565	694,007	250,425	4,637	12,762,634
D Interest revenue	10,397,411	758,072	-	-	11,155,483
E Interest expenses	6,361,945	442,045	-	-	6,803,990
F Net interest revenue	4,035,466	316,026	-	-	4,351,493
G Depreciation & amortization	134,702	30,619	581	24,299	190,201
H Segment profit (loss) before tax	3,889,929	251,962	109,454	(1,971,000)	2,280,344
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	497,799	(11,149)	-	-	486,650
L Segment assets	114,270,150	25,974,857	492,596	20,613,084	161,350,686
M Segment liabilities	135,528,399	5,625,329	238,597	19,958,362	161,350,686

- Revenue from external customers includes the total interest and non-interest revenue.
- Intersegment Revenue includes revenues from transaction with other operating segments of Bank. Transactions between segments are reported on pre-determined transfer price.
- Segment Assets and liabilities include the assets and liabilities identifiable to particular segment.
- The result reported include the items directly attributable to a segment as well as those that can be allocated on reasonable basis.
- Segment assets and liabilities have been netted off from total assets and liabilities regarding the items that can be offset. (contra items).

7.2. Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

Revenue	Amount in NPR *'000*
PARTICULARS	AMOUNT
Total revenue for reportable segments	12,757,998
Other revenues	4,637
Elimination of intersegment revenue	-
Entity's revenues	12,762,634

Profit or Loss	Amount in NPR *'000*
PARTICULARS	AMOUNT
Total profit or loss for reportable segments	4,251,344
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts:	(1,971,000)
Profit or loss before income tax	2,280,344

Assets	Amount in NPR *'000*
PARTICULARS	AMOUNT
Total assets for reportable segments	140,737,603
Other assets	-
Unallocated amounts:	20,613,084
Entity's assets	161,350,686

Liabilities	Amount in NPR *'000*
PARTICULARS	AMOUNT
Total liabilities for reportable segments	141,392,325
Other liabilities	-
Unallocated amounts:	19,958,362
Entity's liabilities	161,350,686

7.3. Information about products and services

Products separately identifiable are Business, Consumer, Corporate, Infrastructure, Micro-finance, Treasury and others. Revenue i.e. interest income from each category is as mentioned below:

PARTICULARS	Amount in NPR *'000*
PARTICULARS	AMOUNT
Business	3,616,204
Consumer	2,416,442
Corporate	834,918
Infrastructure	1,223,203
Micro-finance	495,161
Treasury/Other	2,569,555
Total	11,155,483

7.4. Information about geographical areas

Revenue from following geographical areas

PARTICULARS	Amount in NPR *'000*
PARTICULARS	AMOUNT
Domestic	
Province 1	1,309,122
Province 2	837,771
Bagmati Province	9,710,005
Gandaki Province	13,601
Province 5	633,098
Karnali Province	10,186
Sudurpaschim Province	248,851
Foreign	-
Total	12,762,634

7.5. Information about major customers

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

8. Classification of Financial Asset and Liability:

Amount in NPR *'000'

PARTICULARS	AS AT 15-JUL-2021		AS AT 15-JUL-2020	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Assets carried at Amortized Cost				
Cash and cash equivalent	8,679,175	8,679,175	9,778,033	9,778,033
Due from Nepal Rastra Bank	8,908,183	8,908,183	4,552,001	4,552,001
Placement with Bank and Financial Institutions	477,085	477,085	81,136	81,136
Loans and advances to BFIs	3,714,541	3,714,541	2,471,154	2,471,154
Loan and advances to customers	113,572,010	113,572,010	92,529,227	92,529,227
Investment securities at amortized cost	19,425,994	19,425,994	11,574,942	11,574,942
Assets carried at Cost				
Investment in subsidiaries	200,000	200,000	200,000	200,000
Fair Value through Profit and Loss (FVTPL)				
Derivative financial instruments.	21,849	21,849	67,416	67,416
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment securities at OCI	177,817	177,817	357,471	357,471
Liabilities				
Liabilities carried at Amortized Cost				
Due to Bank and Financial Institutions	2,863,541	2,863,541	2,649,482	2,649,482
Due to Nepal Rastra Bank	4,159,288	4,159,288	13,724	13,724
Deposits from customers	131,617,965	131,617,965	104,098,900	104,098,900
Debt securities issued	3,147,644	3,147,644	3,147,122	3,147,122
Borrowings	1,202,307	1,202,307	1,202,500	1,202,500

9. Interest Income

Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank amounting to NPR 132,521,210 is capitalized during FY 2077/78.

10. Staff Bonus

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

11. Interim Financial Statements:

Interim Financial Statements are prepared and published on quarterly basis in accordance with NRB Directives in compliance with statutory and legal requirement within the time frame as prescribed.

12. Gratuity and Accumulated Leave Provision:

Gratuity

As per the actuarial valuation, gratuity liability of the bank is NPR 508,477,659 Out of which NPR 412,362,097 has been funded as at 31 Ashad 2078 and net amount is shown as liability of bank. However, the bank has funded remaining amount of NPR 96,115,562 in Citizen Investment Trust (CIT).

Bank has expensed NPR 58,034,800 for gratuity expense in statement of profit & loss. However, funding arrangement to CIT has been made on the basis of gratuity liability computed as per relevant provisions of Act. Deficit obtained after deducting the fair value of plan assets from Net Benefit Obligations has been shown as Net liability of bank.

Details of actuarial valuation of gratuity are as follows:

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Defined Benefit Obligations	508,477,659	397,070,878
Fair Value of Planned Assets	412,362,097	343,914,303
Net Liability	96,115,562	53,156,575
Expense booked as in PL	58,034,800	35,045,816
Actuarial Gain/ (Loss) booked in OCI	(38,080,762)	(18,110,759)

Current/Non-Current Bifurcation

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Current Liability	-	-
Non-Current Liability	96,115,562	53,156,575
Total	96,115,562	53,156,575

Leave

The Bank has recognized an additional provision of NPR 33,269,242 for accumulated leave liability in the current year. Being non-funded arrangement, total amount is booked as liability for bank. Moreover, leave encashment paid in excess of accumulated leave exceeding 90 days each of sick and annual leave is also charged in profit and loss account.

Amount in NPR

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Defined Benefit Obligations	203,725,678	170,456,436
Fair Value of plan assets	-	-
Net Liability	203,725,678	170,456,436

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Amount recognised in statement of profit or loss		
Current service cost	29,925,372	27,692,814
Interest cost	15,062,623	11,497,527
Actuarial (Gain)/ Loss on Leave	(5,530,801)	19,028,599
	39,457,194	58,218,940
Change in Present Value Obligations:		
PV of Obligation at beginning of the year	170,456,436	143,263,102
Current Service Cost	29,925,372	27,692,814
Interest cost	15,062,623	11,497,527
Actuarial (Gain)/ Loss	(5,530,801)	19,028,599
Benefit paid	(6,187,908)	(31,025,606)
Liability at the end of the year	203,725,722	170,456,436

13. Deferred Tax Asset/Liability

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses. All the adjustments relating to current year are taxed in current period and all the prior year NFRS adjustments have been deferred.

Amount in NPR *'000*

PARTICULARS	BOOK BASE	TAX BASE	DIFFERENCE
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	3,714,541	3,714,541	-
Loans and advances to customers	113,572,010	113,572,010	-
Property & equipment	1,332,761	1,210,085	(122,676)
Employees' defined benefit plan	203,726	-	203,726
Provisions for investment	(11,151)	-	(11,151)
Lease expenses as per NFRS	66,022	-	66,022
Bond Issue Expenses Amortization	(19,644)		(19,644)
Debenture issue cost	-	854	854
Total temporary differences			117,131
Deferred tax asset/(liabilities) as on 31 Ashad 2078			35,139
Deferred tax asset/(liabilities) as on 31 Ashad 2077			35,235
Origination/(Reversal) during the year			(96)
Deferred tax expense/(income) recognized in profit or loss			3,250
Deferred tax expense/(income) recognized in other comprehensive income			(3,345)

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

Amount in NPR *'000*

FY 2020-21	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
Gratuity	-	-	-	-
Leave encashment	51,137	9,981	-	61,118
Operating lease liability under NFRS	12,278	7,528	-	19,807
Actuarial loss	-	-	-	-
Financial assets held at FVTOCI	3,035	-	(6,380)	(3,345)
Bond Issue Expenses Amortization	-	(5,893)	-	(5,893)
Debenture Issue Expenses	108	148	-	256
Total of deferred tax assets	66,558	11,764	(6,380)	71,942
	-	-	-	-
Property, plant and equipment	(31,324)	(5,479)	-	(36,802)
	-	-	-	-
Total of deferred tax liability	(31,324)	(5,479)	-	(36,802)
	-	-	-	-
Net deferred tax liability	35,234	6,284	(6,380)	35,139

14. Subsidized interest income and amortization expense of prepaid staff loan

An endowment life insurance policy is purchased by Bank for insured sum equivalent to the principal of housing loan. The policy is purchased for a period of 21 years or remaining service period of the employee, whichever is earlier. The employees pay insurance premium in respect of policy on monthly basis. Upon maturity of the endowment policy, the proceeds/bonus are accounted towards settlement of interest and principal loan amount in a single installment. The Bank has amortized prepaid employee expense of NPR 126,404,400. Bank has considered average cost of deposit for FY 2077/78 i.e. 5.42% as market rate for calculating fair value of staff loans. Difference of fair value of staff loan and book value has been shown in other assets as deferred employee expenditure.

15. Weighted Average Interest Rate Spread

The weighted average interest rate spread between Loan and Investment and Deposit & Borrowing Liabilities are shown as below.

PARTICULARS	ANNUAL AVERAGE %
Average Interest Rate of Loan	9.10
Average Interest Rate of Deposit	5.28
Average Interest Rate Spread	3.82

16. Loans and Advances extended to Promoters

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

17. Related Party**17.1 Nepal Electronic Payment System (NEPS)**

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

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

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

17.2 Key Management Personnel

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

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

NAME OF THE RELATED PARTY	NATURE	REMARKS
Machhapuchchhre Kriti Capital Limited	Subsidiary Company	
Dr. Birendra Prasad Mahato	BOD Chairman	
Mr. Roshan K.C	Director	
Mr. Gopi Krishna Neupane	Director	Resigned w.e.f 2077.10.27
Mr. Bishwo Prakash Gautam	Director	
Mr. Haribhakta Sigdel	Director	
Mr. Mukunda Mahat	Director	
Mr. Jaya Mukunda Khanal	Director	
Ms. Shreejana Karki Bhattarai	Director	Resigned w.e.f 2078.04.24
Ms. Bandana Karki	Director	Appointed w.e.f 2078.04.24
Mr. Sarju Kumar Thapa	DGM-Business	
Mr. Bishwambhar Neupane	DGM-Operations	
Mr. Narayan Prakash Bhujju	CTO	Resigned w.e.f 2077.08.28
Mr. Prasiddha Raj Aryal	AGM-Business	Appointed w.e.f 2077.08.03

17.3 Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him whereas compensation paid to other member of KMP are governed by Employee Service Byelaw and decisions made by management from time to time in this regard. In addition to salaries and allowances, non-cash benefits like vehicle facility, subsidized rate employees loan, termination benefits are also provided to KMP. The details relating to compensation paid and expenses incurred to key management personnel (directors only) were as follows:

PARTICULARS	AMOUNT IN NPR
Meeting Fees	2,784,154
Other Board Expenses	1,417,924
Total	4,202,078

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

PARTICULARS	AMOUNT IN NPR
Short term employee benefits	33,354,091
Post- employment benefits	721,490
Other long term benefits	3,362,593
Termination benefits (Retirement Compensation)	-
Total	37,438,174

- 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 2078 (including CEO): 4

17.4 Machhapuchchhre Kriti Capital Limited-Subsidiary of Machhapuchchhre Bank Limited.

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

PARTICULARS	AMOUNT IN NPR
Balance as at 31 Ashad 2078	
Fixed Deposit from Subsidiary	91,000,000
Call Deposit from subsidiary	2,654
Current Deposit from subsidiary	7,195,989
Transactions during the year	
Interest paid to Subsidiary	11,841,291
DP Service received from subsidiary	454,551

17.5 Key Management Personnel of Machhapuchchhre Kriti 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. Tika Bhattarai	Director
Mr. Deepak Rajbhandary	Director
Mr. Jeevan Uprety	Director

18. Operational Lease Expense

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

19. Sakchyam Project

Sakchyam Project is the project funded by DFID for operating Access to Rural Banking Sakchyam Access to Finance Program. The bank has been running three projects under Sakchyam Access to Finance Program where the programs are operated focusing on the women empowerment, banking access to the rural areas and simplified microcredit services. The bank has received NPR 115,088,245 till 2077/78 from the project which has been parked to Sakchyam Fund Account. The total amount expended & income and grant liability recognized during the FY 2077/78 from the fund is as follows:

Amount in NPR

TOTAL EXPENSES	INCOME RECOGNIZED	GRANT LIABILITY RECOGNIZED
30,095,957	25,507,875	2,193,895

20. Merger and Acquisition

Machhapuchchhre Capital Limited (Subsidiary of Machhapuchchhre Bank) merged with Kriti Capital and Investment Limited and started joint operation with effect from 2 Magh 2077 as Machhapuchchhre Kriti Capital Limited.

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.

21. Events after reporting date

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue. Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorized for issue.

Where necessary all material events after reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per NAS 10. There are no material events that have occurred subsequent to 31 Ashad 2078 till the signing of this financial statement on 6 Ashwin 2078.

22. Proposed Dividend

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

23. Non-Banking Assets

Non-Banking Assets are the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower.

BORROWER OR PARTY'S NAME	DATE OF ASSUME THE NON-BANKING ASSETS	AMOUNT IN NPR
Keshav Prasad Rijal	10-Feb-11	375,000
Cosmic Automobile	3-Sep-12	24,210,000
Kantipur Surgical Pvt. Ltd.	1-Jul-19	12,586,918
Padam Singh Rana	6-Sep-19	1,005,784
Saroj Pariyar	23-Dec-19	953,989
Doma Lama Tamang	6-Jan-20	1,227,548
DS Nepal	16-Mar-20	17,718,065
Saujanya Collection Pvt.Ltd	16-Oct-20	28,600,000
Seti Mahakali Jewellers	10-Jan-21	6,630,394
Tek Bahadur Bishwakarma	10-Jan-21	2,696,796
Mohan Prasad Sitaula	11-Jan-21	42,500,000
Shubha Sahayatri Pvt.Ltd	11-Jan-21	40,634,000
Mohan Bibidh Centre	23-Feb-21	7,500,000
Kazis Vision International	23-Mar-21	80,000,000
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
Total		273,910,573

24. Contingent Liabilities

Contingent liabilities related details has been presented under Schedule 4.28.

25. Earnings per Share

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

PARTICULARS	UNITS	YEAR ENDED 15-JUL-21	YEAR ENDED 15-JUL-20
Profit attributable to equity shareholders	NPR	1,607,473,174	1,265,150,663
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	90,530,946	84,584,777
Earnings Per Share (EPS)	NPR	17.76	14.96
Diluted Earnings Per Share(DPS)	NPR	17.76	14.96

As there is no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

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

26. Unpaid Dividend

As on balance sheet date, total dividend payable amounts to NPR 97,832,934 (PY NPR 98,580,995). Details have been presented as under:

DIVIDEND PAYABLE OF FY	AS AT 15 JULY 2021	AS AT 15 JULY 2020
2076/77	17,755,394	
2075/76	35,039,780	44,442,578
2074/75	30,085,422	36,420,250
2073/74	14,952,338	17,718,167
Total	97,832,934	98,580,995

27. Non-performing assets

The Banks' non-performing assets ratio stood at 0.62% (Previous year 0.52%) as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 720,376,359 (Previous year NPR 494,078,967) and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 395,938,729 (Previous year 372,736,045).

Amount in NPR '000'

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan	115,654,763	94,042,599	21,612,164	23%
Pass	111,479,586	87,953,122	23,526,464	27%
Watch list	4,175,176	6,089,476	(1,914,300)	-31%
Non-Performing Loans (NPL)	718,662	494,079	224,583	45%
Restructured/rescheduled	-	2,181	(2,181)	100%
Substandard	361,849	-	361,849	-
Doubtful	101,458	238,869	(137,412)	-58%
Loss	255,356	253,029	2,327	1%
Gross Loans & Advances	116,373,425	94,536,678	21,836,747	23%

NPL ratios:

Gross NPL to Gross Loans & Advances : 0.62%
 Net NPL to Net Loans & advances : 0.28%

28. Capital Structure and Capital Adequacy

Nepal Rastra Bank has issued guidelines for implementation of New Capital Adequacy Framework under Basel III requirement in July 2015. NRB directed all Banks to adopt this framework and according to which Banks are to maintain Capital for Credit Risk, Operational Risk and Market Risk. Accordingly, the following disclosure is made:

28.1 Qualitative Disclosures

The Bank has developed its own internal policy, procedures and structures to manage credit, market and liquidity risk in adverse situation and to make contingency plan accordingly. For the purpose, the Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) which acts as a guiding document for reporting the ongoing assessment of the Bank's risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

28.2 Quantitative Disclosures

Capital Structure and Capital Adequacy

a) Tier 1 capital and a breakdown of its components

Amount in NPR '000

CAPITAL (A) CORE CAPITAL (TIER 1)	AS AT 15 JULY 2021
Paid up Equity Share Capital	9,053,095
Equity Share Premium	30,882
Proposed Bonus Equity Share	
Statutory General Reserve	2,028,066
Retained Earnings	1,271,636
Un-audited current year cumulative profit/ loss	
Capital Redemption Reserve	
Capital Adjustment Reserve	
Dividend Equalization Reserve	
Other Free Reserve	
Less : Goodwill	
Less: Intangible Assets	126,031
Less: Fictitious Assets	
Less: Deferred Tax Assets	
Less : Investment in equity in licensed Financial Institutions	
Less : Investment in equity of institutions with Financial interests	200,000
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	45,766
Less: Cash Flow Hedge	
Less: Defined Benefit Pension Assets	
Less: Unrecognized Defined Benefit Pension Liabilities	
Less : Other Deductions	
Adjustments under Pillar II	
Less: Shortfall in Provision	
Less: Loans & Facilities extended to related parties and restricted lending	
Additional Tier 1 (AT 1)	
Perpetual Non Cumulative Preference Share Capital	
Perpetual Debt Instruments	
Stock Premium	
Total Core Capital	12,011,881

b) Tier 2 capital and a breakdown of its components

Amount in NPR '000

SUPPLEMENTARY CAPITAL (TIER 2)	AS AT 15 JULY 2021
Cumulative and/or Redeemable Preference Shares	
Subordinated Term Debt	3,000,000
Hybrid Capital Instruments	
Stock Premium	
General Loan Loss Provision	1,657,993
Exchange Equalization Reserve	40,069
Investment Adjustment Reserve	
Assets Revaluation Reserve	
Other Reserves	
Total Supplementary Capital	4,698,062

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

Amount in NPR '000

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

*Interest is payable half yearly basis

d) Deduction from capital

Amount in NPR '000

PARTICULARS	AS AT 15 JULY 2021
Intangible Assets	126,031
Investment in equity of institutions with Financial interests	200,000
Purchase of Land& Building in excess of limit and unutilized	45,766
Total	371,797

Investment in equity of institutions with Financial Interests includes investment in subsidiary of the bank Machhapuchchhre Kriti Capital Limited amounting NPR 20 Cr.

e) Total qualifying capital

Amount in NPR '000

PARTICULARS	AS AT 15 JULY 2021
Core Capital	12,011,881
Supplementary Capital	4,698,062
Total Qualifying Capital (Total Capital Fund)	16,709,943

f) Capital Adequacy Ratio of the bank is 12.06%

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

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

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

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

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

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

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

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

PARTICULARS	DETAILS
Name	10.25% Machhapuchchhre Debenture, 2085
Amount of issue	NPR 3,000,000,000
Interest Rate	10.25% per annum payable semi annually
Numbers of Debentures	3,000,000
Face Value	NPR 1,000
Maturity Period	10 Years
Listing	Listed with Nepal Stock Exchange

i) Risk Weighted Exposure

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

Amount in NPR '000

PARTICULARS	AS AT 15 JULY 2021
Risk Weighted Exposures	
Risk Weighted Exposure for Credit Risk	128,814,792
Risk Weighted Exposure for Operational Risk	6,089,566
Risk Weighted Exposure for Market Risk	27,442
Total Risk Weighted Exposures (Before adjustments of Pillar II)	134,931,800
Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	964,148
Add: 2% of RWE added by supervisory Review	2,698,636
Total Risk Weighted Exposures	138,594,584

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

Amount in NPR '000

CATEGORIES	AS AT 15 JULY 2021
Claims on government and central Bank	793,752
Claims on other official entities	-
Claims on Banks	2,496,289
Claims on corporate and securities firm	50,693,972
Claims on regulatory retail portfolio	43,853,935
Claim secured by residential properties	4,017,438
Claims secured by commercial real state	924,437
Past due Claims	448,782
High risk claims	1,170,149
Other Assets	5,251,287
Off Balance sheet Items	19,164,752
Total	128,814,792

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

Amount in NPR '000

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
A. Balance Sheet Exposure							
1	Cash Balance	3,512,409			3,512,409	0%	-
2	Balance With Nepal Rastra Bank	8,908,183			8,908,183	0%	-
3	Gold	-			-	0%	-
4	Investment in Nepalese Government Securities	17,953,509			17,953,509	0%	-
5	All other Claims on Government of Nepal	182,705	-		182,705	0%	-
6	Investment in Nepal Rastra Bank Securities	1,020,079			1,020,079	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)	793,752			793,752	100%	793,752
12	Claims on Foreign Government and Central Bank (ECA 7)	-			-	150%	-
13	Claims On BIS, IMF, ECB, EC and On Multilateral Development Banks(MDB's) recognised by the framework	-			-	0%	-
14	Claims on Other Multilateral Development Banks					100%	
15	Claims on Domestic Public Sector Entities	-			-	100%	-
16	Claims on Public Sector Entity (ECA 0-1)	-			-	20%	-
17	Claims on Public Sector Entity (ECA 2)	-			-	50%	-
18	Claims on Public Sector Entity (ECA 3-6)	-			-	100%	-
19	Claims on Public Sector Entity (ECA 7)	-			-	150%	-
20	Claims on domestic banks that meet capital adequacy requirements	3,874,767			3,874,767	20%	774,953
21	Claims on domestic banks that do not meet capital adequacy requirements	-			-	100%	-
22	Claims on Foreign bank (ECA Rating 0-1)	1,564,349			1,564,349	20%	312,870
23	Claims on Foreign bank(ECA Rating 2)	1,872,062			1,872,062	50%	936,031
24	Claims on Foreign bank (ECA Rating 3-6)	357,600			357,600	100%	357,600
25	Claims on Foreign bank (ECA Rating7)	-			-	150%	-
26	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	574,173			574,173	20%	114,835

Continue: (i) Calculation of Credit Risk Exposure

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
27	Claims on Domestic Corporates	50,693,972			50,693,972	100%	50,693,972
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)	36,694,661		461,898	36,232,763	75%	27,174,572
33	Claim fulfilling all criterion of Regulatory Retail except granularity	16,679,362			16,679,362	100%	16,679,362
34	Claims secured by residential properties	6,654,585			6,654,585	60%	3,992,751
35	Claims not fully secured by residential properties				-	150%	-
36	Claims secured by residential properties (Overdue)	34,162	9,475		24,687	100%	24,687
37	Claims secured by Commercial real estate	924,437			924,437	100%	924,437
38	Past due claims (except for claim secured by residential properties)	685,465	386,276		299,189	150%	448,784
39	High Risk claims	754,434			754,434	150%	1,131,651
40	Lending against securities (Bonds and shares)	-			-	100%	-
41	Investment in equity and other capital instrument of institutions listed in the stock exchange	-			-	100%	-
42	Investment in equity and other capital instrument of institutions not listed in the stock	25,665			25,665	150%	38,498
43	Staff Loan Secured by Residential Property	1,285,775			1,285,775	50%	642,888
44	Interest Receivable/Claim on Government Securities	205,897			205,897	0%	-
45	Cash in transit and other cash items in the process of collection	-			-	20%	-
46	Other Assets	8,338,313	3,729,913		4,608,400	100%	4,608,400
	TOTAL	163,590,315	4,125,664	461,898	159,002,753		109,650,040
B. Off Balance Sheet Exposures							
1	Revocable Commitments				-	0%	-
2	Bills Under Collection	24,857			24,857	0%	-
3	Forward Exchange Contract Liabilities	3,353,144			3,353,144	10%	335,314
4	LC Commitments with original maturity up to 6 months	5,562,460		231,226	5,331,233	20%	1,066,247
5	Foreign Counterparty (ECA 0 -1)				-	20%	-

Continue: (i) Calculation of Credit Risk Exposure

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
6	Foreign Counterparty (ECA 2)				-	50%	-
7	Foreign Counterparty (ECA 3 -6)				-	100%	-
8	Foreign Counterparty (ECA 7)				-	150%	-
9	LC Commitments with original maturity over 6 months (domestic Counterparty	2,020,748		4,133	2,016,615	50%	1,008,307
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	12,725,447		556,468	12,168,980	40%	4,867,592
15	Foreign Counterparty (ECA 0 -1)				-	20%	-
16	Foreign Counterparty (ECA 2)				-	50%	-
17	Foreign Counterparty (ECA 3 -6)				-	100%	-
18	Foreign Counterparty (ECA 7)				-	150%	-
19	Underwriting Commitments				-	50%	-
20	Lending of Bank's Securities or Posting of Securities as collateral				-	100%	-
21	Repurchase Agreements, Assets sale with recourse				-	100%	-
22	Advance Payment Guarantee	5,188,837		46,069	5,142,768	100%	5,142,768
23	Financial Guarantee	3,583,151		17,196	3,565,955	100%	3,565,955
24	Acceptances and Endorsements				-	100%	-
25	Unpaid portion of Party paid shares and securities				-	100%	-
26	Irrevocable Credit commitments(Short term)	15,489,458			15,489,458	20%	3,097,892
27	Irrevocable Credit commitments(Long term)				-	50%	-
28	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-
29	Other Contingent Liabilities	80,677			80,677	100%	80,677
30	Unpaid Guarantee claims				-	200%	-
	TOTAL	48,028,779	-	855,092	47,173,687		19,164,752

Continue: (i) Calculation of Credit Risk Exposure

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
	Total RWE for Credit Risk Before adjustment (A) +(B)	211,619,093	4,125,664	1,316,990	206,176,439		128,814,792
	Adjustment under pillar II				-		
	Add: 10% of the loan and facilities in excess of Single obligor Limits (6.4 a 3)				-		-
	Add: 1% of contract (sale) value in case of the sale of credit with recourse (6.4 a 4)				-		-
	Total RWE for Credit Risk (After bank's adjustments of Pillar II)	211,619,093	4,125,664	1,316,990	206,176,439		128,814,792

(ii) Calculation of Market Risk Exposure

Amount in NPR *000

S.NO.	CURRENCY	OPEN POSITION (FCY)	EXCHANGE RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION
1	INR	-	1.60	-	-
2	USD	404,974	120.10	48,637,425	48,637,425
3	GBP	9,185	164.69	1,512,655	1,512,655
4	EUR	7,289	142.63	1,039,574	1,039,574
5	THB	12,000	3.50	41,940	41,940
6	CHF	670	129.64	86,855	86,855
7	AUD	6,952	91.87	638,706	638,706
8	CAD	4,070	95.03	386,772	386,772
9	SGD	4,338	89.17	386,798	386,798
10	JPY	4,408,111	1.10	4,831,290	4,831,290
11	HKD	2,210	15.41	34,045	34,045
12	DKK	-	18.04	-	-
13	SEK	50	13.83	691	691
14	SAR	5,655	31.84	180,027	180,027
15	QAR	2,029	32.78	66,500	66,500
16	AED	18,987	31.65	600,836	600,836
17	MYR	14,079	28.64	403,152	403,152
18	KRW	1,732,000	0.11	184,458	184,458
19	CNY	60,601	18.33	1,110,817	1,110,817
20	KWD	149	395.86	58,983	58,983
21	BHD	559	317.67	177,416	177,416
(a) Total Open Position				60,378,941	60,378,941
(b) Fixed Percentage					5%
(c) Capital Charge for Market Risk (=a×b)					3,018,947
(d) Risk Weight (reciprocal of capital requirement of 11%) in times					9.09
(e) Equivalent Risk Weight Exposure (=c×d)					27,442,229

(iii) Calculation of Operational Risk Exposure

Amount in NPR

S.N.	PARTICULARS	FISCAL YEAR		
		2017-18	2018-19	2019-20
1	Net Interest Income	2,739,799	3,549,756	3,861,899
2	Commission and Discount Income	491,069	790,519	947,590
3	Other Operating Income	9,034	28,139	70,129
4	Exchange Fluctuation Income	166,803	303,332	282,164
5	Addition/Deduction in Interest Suspense during the period	000	16,587	141,563
6	Gross income (a)	3,406,705	4,688,333	5,303,346
7	Alfa (b)	15%	15%	15%
8	Fixed Percentage of Gross Income [c=(a×b)]	511,006	703,250	795,502
9	Capital Requirement for operational risk (d) (average of c)	669,919		
10	Risk Weight (reciprocal of capital requirement of 11%) in times (e)	9.09		
11	Equivalent Risk Weight Exposure [f=(d×e)]	6,089,566		

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]	6,089,566

l) Non-Performing Loan

Amount in NPR "000

PARTICULARS	GROSS	PROVISION	NET OF PROVISION
Restructured/Rescheduled	-	-	-
Substandard	361,849	90,462	271,387
Doubtful	101,458	50,729	50,729
Loss	255,356	255,356	-
Total	718,662	396,547	322,115

28.3 Compliance with external requirement

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

29 Risk Management

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

30. Maturity Profile

Amount in NPR

PARTICULARS	1-90 DAYS	91- 180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL
Cash and cash equivalent	8,679,174,999	-	-	-	-	8,679,174,999
Due from Nepal Rastra Bank	8,908,182,769	-	-	-	-	8,908,182,769
Placement with Bank and Financial Institutions	-	477,085,220	-	-	-	477,085,220
Derivative financial instruments	21,848,832	-	-	-	-	21,848,832
Other trading assets	-	-	-	11,180,000	6,229,000	17,409,000
Loan and advances to B/FIs	118,727,487	91,265,350	327,256,976	157,801,366	3,019,489,326	3,714,540,506
Loans and advances to customers	34,090,296,975	18,202,516,508	10,800,935,200	3,792,997,318	46,685,263,939	113,572,009,940
Investment securities	1,204,802,435	-	-	-	18,399,008,342	19,603,810,777
Current tax assets	-	-	-	-	419,106,236	419,106,236
Investment in subsidiaries	-	-	-	-	200,000,000	200,000,000
Investment property	-	-	-	-	273,910,573	273,910,573
Property and equipment	-	-	-	-	1,474,088,435	1,474,088,435
Goodwill and Intangible assets	-	-	-	-	126,031,076	126,031,076
Deferred tax assets	-	-	-	-	35,139,179	35,139,179
Other assets	24,272,072	-	-	-	666,937,960	691,210,032
Total Assets	53,047,305,569	18,770,867,079	11,128,192,176	3,961,978,684	71,305,204,065	158,213,547,573
Due to Bank and Financial Institutions	2,863,541,338	-	-	-	-	2,863,541,338
Due to Nepal Rastra Bank	47,274,000	1,665,236,717	2,246,777,356	200,000,000	-	4,159,288,073
Derivative financial instruments	-	-	-	-	-	-
Deposits from customers	62,260,970,499	-	-	-	69,356,994,118	131,617,964,617
Borrowing	-	-	-	-	1,192,000,000	1,192,000,000
Other liabilities	501,683,803	-	-	-	1,856,987,176	2,358,670,979
Debt securities issued	-	-	-	-	3,147,643,817	3,147,643,817
Subordinated Liabilities	-	-	-	-	-	-
Total liabilities	65,673,469,640	1,665,236,717	2,246,777,356	200,000,000	75,553,625,111	145,339,108,824

**MACHHAPUCHHRE
KRITI CAPITAL LIMITED**

M. Khanal & Co., Chartered Accountants

Kathmandu, Nepal
PAN/VAT No.500094178

Tel:- 5542160
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Independent Auditors' Report To The Shareholders of Machhapuchhre Kriti Capital Limited.

Qualified Opinion

We have audited the accompanying financial statements of **Machhapuchhre Kriti Capital Limited.**, which comprise the statement of financial position as at Ashad 31, 2078, statement of the profit or loss, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

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 Ashad 31, 2078, 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, the company has acquired then **M/S. Kriti Capital and Investments Limited** and the purchase consideration have been 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 is 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 has resulted in understatement of company's asset.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intend to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

We communicate with the management 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.



Handwritten signature

Report on the Requirements of Companies Act, 2063

We have examined the attached financial statements and report that:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of such books;
3. In our opinion, on the statement of financial position, income statement and cash flow statement dealt with by this report are in agreement with the books of accounts;
4. To the best of our information and according to explanation given to us and from our examination of the books of account of the company necessary for the purpose of our audit, we have not come across cases where the directors or any employees thereof have acted contrary to the provisions of laws relating to accounts or committed any misappropriation or caused loss or damage of the company.

For: M. Khanal & Co.,

Chartered Accountants

CA. Mahesh Khanal

UDIN Number: 210922CA00102phLkD

Place: Kathmandu, Nepal

Date: 2078/06/06

M. Khanal



STATEMENT OF FINANCIAL POSITION

As on 31st Ashadh, 2078 (July 15, 2021)

Amount in Rs.

PARTICULARS	SCHEDULE	AS AT 15 JULY 2021	AS AT 15 JULY 2020
ASSETS			
A. NON CURRENT ASSETS			
Property, Plant & Equipment	3.1	5,007,963	8,746,757
Intangible Asset	3.2	1,300,166	578,899
Financial Assets Held At Amortized Cost	3.3	67,728,180	7,500,000
Deffered Tax Asset	3.4	209,297	-
Trade & Other Receivable, Prepaid Expenses & Advances	3.5	400,000	-
Total Non Current Assets		74,645,607	16,825,656
B. Current Assets			
Cash And Cash Equivalent	3.6	42,127,676	18,862,991
Financial Assets Held At Amortized Cost	3.7	161,000,000	180,000,000
Financial Assets Held At Fair Value Through Profit Or Loss	3.8	25,615,929	-
Advance Tax		11,505,392	3,265,006
Trade & Other Receivable, Prepaid Expenses & Advances	3.9	15,114,659	562,749
Total Current Assets		255,363,656	202,690,746
Total Assets (A+B)		330,009,262	219,516,402
Equity And Liabilities			
C. Equity			
Share Capital	3.10	267,607,200	200,000,000
Share Premium		13,850,825	-
Retained Earning and Reserves	3.11	25,636,474	13,639,107
Total Equity		307,094,499	213,639,107
D. Non Current Liabilities			
Long Term Loan		1,240,022	-
Employee Benefit Liability	3.12	3,189,939	118,761
Deferred Tax Liability	3.4	-	105,337
Lease equilization reserve		253,142	328,215
Total Non Current Liabilities		4,683,102	552,313
E. Current Liabilities			
Short Term Loan		-	-
Employee Benefit Liability	3.12	4,757,674	1,221,666
Income Tax Payable		11,274,343	3,194,537
Trade & Other Payable	3.13	2,199,644	908,779
Total Current Liabilities		18,231,661	5,324,982
Total Liabilities (C+D+E)		330,009,262	219,516,402

Bishwambhar Neupane
ChairmanDeepesh Kumar Vaidya
Chief Executive OfficerTika Bhattarai
Director

As per our report of even date

Deepak Rajbhandary
DirectorJeevan Kumar Uprety
DirectorGovind Prasad Sharma
Deputy Chief Executive OfficerDate: 22 September 2021
Place: Kathmandu, NepalShankar Rajbahak
Assistant ManagerMahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered Accountants

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st Ashadh, 2078 (July 15, 2021)

Amount in Rs.

PARTICULARS	SCHEDULE	YEAR ENDED 15 JULY 2021	YEAR ENDED 15 JULY 2020
INCOME			
Income from Operation	3.14	38,890,521	638,365
Interest Income	3.15	14,997,198	18,384,280
Net Gain Or Loss Of Financial Instruments-Fvt PL	3.16	5,832,919	-
Other Income	3.17	1,450,928	42,000
Total Income		61,171,566	19,064,645
Operating Expenses	3.18	1,890,147	818,900
Employee Expenses	3.19	16,903,498	2,889,780
Premises Cost	3.20	3,720,264	2,716,924
Administrative Expenses	3.21	3,348,887	1,128,577
Interest Expenses		71,706	-
Depreciation	3.1	1,235,132	477,388
Amortization	3.2	202,057	38,081
Total Expenses		27,371,691	8,069,649
Profit / Loss Before Tax		33,799,875	10,994,996
Income Tax Expense	3.22	9,596,690	3,414,692
Profit (Loss) For The Year		24,203,184	7,580,304
Other Comprehensive Income / (Expenses)			
Net Gains/Losses On Fair Value Through OCI			
Actuarial Gains / (Losses) On Defined Benefits Plan			
Total Other Comprehensive Income / (Expenses)			
Less: Tax Expense Relating To Components Of OCI			
Total Comprehensive Income For The Year			
Attributable To Equity Share Holders		24,203,184	7,580,304
Earning Per Share (BEPS)		9.04	3.79
Diluted Earning Per Share (DEPS)		9.04	3.79

Bishwambhar Neupane
Chairman

Deepesh Kumar Vaidya
Chief Executive Officer

Tika Bhattarai
Director

As per our report of even date

Deepak Rajbhandary
Director

Jeevan Kumar Uprety
Director

Govind Prasad Sharma
Deputy Chief Executive Officer

Date: 22 September 2021
Place: Kathmandu, Nepal

Shankar Rajbahak
Assistant Manager

Mahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered Accountants

CASH FLOW STATEMENT

For the year ended 31st Ashadh, 2078 (July 15, 2021)

Amount in Rs.

PARTICULARS	YEAR ENDED 15 JULY 2021	YEAR ENDED 15 JULY 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxation And Extraordinary Items	33,799,875	10,994,996
Adjustment For:		
Depreciation	1,235,132	477,388
Amortisation	202,057	38,081
Income From Sweat Equity		
Deferred Tax (Income)/Expense	(1,103,217)	
Gain On Sales Of Assets	-	-
Interest Expenses	71,706	-
Operating Profit Before Working Capital Changes	34,205,553	11,510,465
Decrease / (Increase) In Trade And Other Receivable	(14,551,910)	3,061,046
(Decrease) / Increase In Trade And Other Payables	1,290,865	789,784
(Decrease) / Increase In Employee Benefit Payables	6,607,185	1,340,427
(Decrease) / Increase In Non-Current Liabilities	(75,073)	328,215
Decrease / (Increase) In Other Non Current Assets	(400,000)	
Changes in Deferred tax Assets/Liabilities		
Income Tax Paid	(8,968,686)	(4,623,825)
Net Cash Flow From Operating Activities	18,107,934	12,406,111
Cash Flows From Investing Activities		
(Purchase) Of Property, Plant & Equipment	(770,615)	(9,841,125)
(Purchase) Through Acquisition	(4,374,608)	-
Sale Of Property, Plant & Equipment	6,725,560	-
Investment In Financial Assets	(66,844,109)	(7,500,000)
Net Cash Flow From Investing Activities	(65,263,771)	(17,341,125)
Cash Flows From Financing Activities		
Proceeds/Increase From Share (Business combination)	67,607,200	-
Proceeds From Share Premium	13,850,825	-
Increase In Reserve Through Business Purchase	688,816	-
Decrease In Csr Reserve	(94,633)	-
Proceeds From Loan	1,240,022	-
Dividend Paid	(12,800,000)	-
Interest Paid	(71,706)	-
Net Cash Flow From Financing Activities	70,420,523	-
Net Increase In Cash And Cash Equivalents	23,264,686	(4,935,014)
Cash And Cash Equivalents At Beginning Of Period	18,862,991	23,798,004
Cash And Cash Equivalents At End Of Period	42,127,676	18,862,991

Bishwambhar Neupane
ChairmanDeepesh Kumar Vaidya
Chief Executive OfficerTika Bhattarai
Director

As per our report of even date

Deepak Rajbhandary
DirectorJeevan Kumar Uprety
DirectorGovind Prasad Sharma
Deputy Chief Executive OfficerDate: 22 September 2021
Place: Kathmandu, NepalShankar Rajbahak
Assistant ManagerMahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

Amount in Rs.

PARTICULAR	SHARE CAPITAL	RETAINED EARNING	EXCHANGE FLUCATION FUND	SHARE PREMIUM	CSR PROVISION	GENERAL RESERVE	TOTAL
BALANCE AS ON 31/03/2077	200,000,000	12,805,274	-	-	75,803	758,030	213,639,107
Opening Balance As On 01/04/2077	200,000,000	12,805,274	-	-	75,803	758,030	213,639,107
Net Profit (Loss) During The Year	-	24,203,184	-	-	-	-	24,203,184
Issue Of Share Capital (Bonus)	-	-	-	-	-	-	-
Capital & Reserve Tranfer From Merger	80,691,300	468,578	-	766,725	18,830	201,407	82,146,841
Share Premium Payment	(13,084,100)	-	-	13,084,100	-	-	-
Issue Of Share Capital	-	-	-	-	-	-	-
Provision For Csr	-	(242,032)	-	-	242,032	-	-
CSR Expenses	-	-	-	-	(94,633)	(94,633)	(94,633)
Provision For General Reserve	-	(2,420,318)	-	-	-	2,420,318	-
Dividend	-	(12,800,000)	-	-	-	-	(12,800,000)
BALANCE AS ON 31/03/2078	267,607,200	22,014,686	-	13,850,825	242,032	3,379,756	307,094,499

Bishwambhar Neupane
Chairman

Deepesh Kumar Vaidya
Chief Executive Officer

Tika Bhattarai
Director

As per our report of even date

Deepak Rajbhandary
Director

Jeevan Kumar Uprety
Director

Govind Prasad Sharma
Deputy Chief Executive Officer

Shankar Rajbahak
Assistant Manager

Mahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered Accountants

Date: 22 September 2021
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st Ashadh, 2078 (July 15, 2021)

1. CORPORATE INFORMATION

Machhapuchchhre Kriti Capital Ltd., (hereinafter referred to as MKCL 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. 175858/074/075. MKCL 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 MKCL is situated at Kathmandu Metropolitan - Ward No. 11, JDA Complex, Bagdurbar, Sundhara.

Machhapuchchhre Capital Limited (MCL) changed its name to Machhapuchchhre Kriti Capital Limited on 17th Mangsir 2077. And it completed its strategic merger with Kriti Capital and Investments Limited (KCIL) and started joint operation in the name of Machhapuchchhre Kriti Capital Limited on 2nd Magh 2077.

From its initial establishment, MKCL, as a licensed Merchant Banker, has been providing Portfolio Management Services, Corporate Financial Services, and Underwriting Services. After the merger with Kriti Capital and Investments Limited, MKCL is also providing Depository Participants services with DP registration number 45 and as a Depository member with CDS and Clearing Ltd. with membership number 039.

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 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) except as stated in note 3.23. The Financial Statements were authorized for issue by the Board of Directors on 5th Ashwin 2078. 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 2077 to 31st Ashadh 2078.

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 are recognized in the period in which the estimates are revised. The significant accounting policies adopted, judgments and estimates while preparing these financial statements in accordance with NFRS, 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
Building	50 years
Office equipment	10 years
Wooden furniture	8 years
Metal Furniture	10 years
Vehicles	7 years
Computer and printer	5 years
Generator	10 years
Battery	3 years
Other assets	10 years

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

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

2.1.11. 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 are estimated at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are 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 a 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

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.

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 Kriti Capital Ltd. (MKCL) and Machhapuchchhre Bank Ltd. (MBL). As per this agreement, MKCL 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 have been provided for 10% of net profit before such bonus.

3. OTHER EXPLANATORY NOTES

3.1. Property Plant and Equipment

Total carrying amount of Tangible Assets NPR. 3,815,027 is the written down value of assets acquired from KCIL as on joint operation date i.e. 2nd Magh 2077, which has been added and treated as acquired assets from business combination. Disposal of assets totaling NPR. 67,25,560 (written down value) have been done during the year.

3.1

Property plant & equipment table needed

PARTICULARS	COMPUTER & ACCESSORIES	FURNITURE & FIXTURES (METAL)	FURNITURE & FIXTURES (WOODEN)	GENERATOR	LEASEHOLD ASSETS	OFFICE EQUIPMENT	CCTV	UPS AND BATTERIES	VEHICLE	TOTAL
Balance at 01 Shrawan 2077	1,141,330	645,140	1,002,905	785,000	3,104,452	1,679,952	280,020	383,947	201,400	9,224,146
Additions during the year	316,650	56,749	-	-	974,427	525,775	-	-	2,073,741	373,399
Acquired through Business combination	106,446	-	134,638	-	-	-	-	-	-	3,815,027
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	572,119	975,785	785,000	3,104,452	1,613,832	280,020	383,947	-	7,715,155
Balance at 31 Ashad 2078	1,564,426	129,769	161,758	-	974,427	591,895	-	-	2,275,141	5,697,416
Balance at 01 Shrawan 2077	155,211	26,493	31,341	60,417	77,611	52,995	18,668	42,661	11,992	477,389
Depreciation charged for the year	238,911	50,211	103,284	58,875	281,555	153,938	42,003	95,987	176,896	1,201,660
Adjustment due to revaluations	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-	-
Disposals	-	65,143	121,973	119,292	310,445	173,424	60,671	138,648	-	989,596
Balance at 31 Ashadh 2078	394,121	11,562	12,652	-	48,721	33,509	-	-	188,887	689,453
Net Carrying amount at 31 Ashadh 2078	1,170,305	118,208	149,106	-	925,706	558,386	-	-	2,086,253	5,007,963
Net Carrying amount at 31 Ashadh 2077	986,119	618,646	971,564	724,583	3,026,841	1,626,957	261,352	341,286	189,408	8,746,757

3.2. Intangible Assets

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

ITEM OF INTANGIBLE ASSETS	ESTIMATED USEFUL LIFE
Software	5 years

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

An intangible asset is derecognized on 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.

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

PARTICULARS	SOFTWARE	TOTAL
Cost		
Opening balance as at 1 Shrawan 2077	616,980	616,980
Additions during the year	397,216	397,216
Acquired through business Combination	526,108	526,108
Disposal	-	-
Closing balance as at 31 Ashad 2078	1,540,304	1,540,304
Accumulated Amortization and Impairment		
Opening balance as at 1 Shrawan 2077	38,081	38,081
Additions during the year	202,057	202,057
Revaluation	-	-
Disposal	-	-
Closing balance as at 31 Ashad 2078	240,138	240,138
Carrying Amount as at 15 July 2021	1,300,166	1,300,166
Carrying Amount as at 15 July 2020	578,899	578,899

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 requires delivery of the investment within the timeframe established by the market concerned.

Derecognition

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

Offsetting of financial instruments

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

FINANCIAL ASSETS HELD AT AMORTIZED COST**3.3**

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
10% NABIL DEBENTURE 2082	2,500,000	2,500,000
10 % SUNRISE DEBENTURE	1,000,000	-
10.25% KBL DEBENTURE 2086	5,000,000	5,000,000
10.5 % SBL DEBENTURE 2082	1,044,180	-
8.5% GLOBAL IME DEBENTURE 2086/87	1,000,000	-
8.5% NMB DEBENTURE -2087/88	1,000,000	-
8.5% SBL DEBENTURE 2084	2,438,000	-
8.75% PRIMED 2085	1,500,000	-
9.5% NCC DEBENTURE 2086	2,246,000	-
KRITI VENTURE FUND LIMITED	50,000,000	-
TOTAL NRs.	67,728,180	7,500,000

Financial Assets held at amortized cost for investment in Fixed Deposits of various Banks and Financial Institutions are mentioned in note 3.7

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 believe, it is probable that these assets will be recovered.

Deferred Tax Liabilities of KCIL carried forward on merger have been charged to profit and loss statement amounting Rs 7,88,583.18 and calculation of Deferred Tax for MKCL have been shown as below:

PARTICULARS	ACCOUNTING BASE	TAXATION BASE	DIFFERENCE	TAX RATE	DTL	DTA	NET
Fixed Assets	6,308,130	5,903,340	404,790	30%	121,437	-	
Gratuity Provision	1,533,480	460,172	(1,073,308)	30%	-	(321,992)	
Leave Provision	1,638,239	122,380	(1,515,859)	30%	-	(454,758)	
Lease equalization	253,142	-	(253,142)	30%	-	(75,943)	
Investments	25,615,929	23,876,066	1,739,862	30%	521,959		
Total	35,348,919	30,361,958	(697,656)		643,396	(852,693)	(209,297)
Closing Deferred Tax Liabilities/(Assets)							(209,296.90)
Opening Deferred Tax Liabilities							105,336.98
Income transferred to Profit and Loss Account							314,633.88

3.5. Trade and other receivables (non-current)

Non-current trade receivables are security and license deposits for normal business operation.

3.5

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Non-current Assets		
License deposit	300,000	-
Security deposit	100,000	-
Total NRs.	400,000	-

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 15 JULY 2021	AS AT 15 JULY 2020
Cash In Hand	-	-
Cash at Bank	42,111,726	18,862,991
Gold and Silver	15,950	-
Total	4,21,27,676	18,862,991

3.7. Financial Assets Measured at Amortized Cost

Current portion of Financial Assets held at amortised cost have been presented. These are specifically Fixed Deposits in Banks and Financial Institutions (BAFIs).

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.

PARTICULARS	MATURE DATE	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Bank Of Kathmandu FD	7/29/2021	30,000,000	
Garima Development Bank Ltd. FD	2/11/2022	7,500,000	
Machhapuchhre Bank Ltd FD (12 M)	2/3/2022	31,000,000	180,000,000
Machhapuchhre Bank Ltd (6m)	8/2/2021	35,000,000	
Machhapuchhre Bank Ltd (3m)	8/3/2021	25,000,000	
Shangri-La Development Bank Ltd. FD (12m)	3/14/2022	20,000,000	
Shangri-La Development Bank Ltd. FD (6m)	4/28/2022	7,500,000	
Shangri-La Development Bank Ltd. FD (3m)	7/29/2021	5,000,000	
Total		161,000,000	180,000,000

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:

FINANCIAL ASSETS HELD AT FAIR VALUE (FVT PL)

3.8

NAME OF ENTITIES/UNITS	QTY	COST PRICE	MARKET VALUE	GAIN
Investment in Equities				
Citizen Investment Trust	9	21,622	31,419	9,797
Citizens Bank International Limited	1,050	350,761	405,300	54,539
Garima Bikas Bank Limited	1,250	581,173	680,000	98,827
Himalayan Distillery Limited	280	1,234,579	1,543,360	308,781
Kamana Sewa Bikas Bank Limited	1,063	562,630	616,540	53,910
Kumari Bank Limited	1,210	387,474	448,910	61,436
Laxmi Bank Limited	750	283,864	296,250	12,386
Lumbini General Insurance Limited	682	571,378	531,960	(39,418)
Muktinath Bikas Bank Limited	939	584,400	616,923	32,523
Nadep Laghubtta Bittiya Sanstha Limited	100	99,306	103,900	4,594
Nepal Doorsanchar Company Limited	400	538,716	525,600	(13,116)
Nepal Infrastructure Bank Limited	3,569	1,941,675	1,755,948	(185,727)
Nepal Investment Bank Limited Promoter	3,096	1,232,764	1,247,688	14,924
Nic Asia Bank Limited	1,802	1,621,673	1,791,188	169,515
Nirdhan Utthan Laghubitta Bittiya	556	641,096	889,600	248,504
Nmb Bank Limited	566	217,245	249,040	31,795
Prabhu Bank Limited	1,600	740,490	731,200	(9,290)
Premier Insurance Company Limited	600	763,746	702,000	(61,746)
Prudential Insurance Company Limited	1,280	1,103,979	1,036,800	(67,179)
Sanima Bank Limited	1,500	635,917	727,500	91,583
Shivam Cements Limited	1,062	1,620,315	1,548,396	(71,919)
Siddhartha Bank Limited	1,000	500,483	504,000	3,517
Siddhartha Insurance Limited	568	620,974	600,944	(20,030)
Surya Life Insurance Company Limited	510	462,592	470,220	7,628
Ime General Insurance Ltd.	42	-	50,778	50,778
Sub-Total		17,318,851	18,105,464	786,613
Investment in Mutual Funds				
Citizens Mutual Fund-2	750	7,333	10,613	3,279
Global Ime Samunnat Scheme 1	600	6,838	12,168	5,330
Nabil Balanced Fund-2	5,000	50,000	70,500	20,500
Nibl Pragati Fund	3,374	34,738	50,104	15,366
Nibl Sahabhagita Fund	95,510	999,990	1,666,650	666,660
Nibl Samriddhi Fund - li	100,000	1,000,000	1,081,000	81,000
Prabhu Select Fund	350,000	3,500,000	3,549,000	49,000
Sanima Equity Fund	1,800	20,030	30,222	10,192
Sanima Large Cap Fund	20,000	200,000	210,000	10,000
Siddhartha Equity Fund	22,933	238,287	322,209	83,922
Sunrise Bluechip Fund	50,000	500,000	508,000	8,000
Sub-total		6,557,215	7,510,465	286,590
Grand Total		24,876,066	25,615,929	1,739,862

On investment valued at FVTPL there is fair value increment of Rs 1,739,862. There has been no investment that has been treated as FVTOCI, 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 receivables within 12 months' period. These includes the following information:

3.9

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Current Assets		
Accrued interest receivable on fd	923,999	-
Accrued interest receivables on debenture	715,571	287,568
Dividend receivable	29,354	-
Prepaid insurance	56,793	28,695
Stationery stocks	-	7,304
Advances for rent	-	121,500
Prepaid computer and internet charge	15,593	-
Advances for investments	1,000,000	-
Receivables from other parties	12,373,349	117,681
Total	15,114,659	562,749

3.10 Share Capital

Share Capital of MKCL has been increased to Rs 267,607,200 from Rs 200,000,000 due to merger of KCIL with MCL. The share value has been treated as equity instrument. Additional disclosure on share capital treatment has been disclosed under business combination note 3.23.

3.10

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Share Capital		
Authorized (4,000,000 ORDINARY SHARES OF Rs 100 EACH)	400,000,000	300,000,000
Issued (3,148,320 ORDINARY SHARES OF Rs 100 EACH)	314,832,000	300,000,000
Paid up (2,676,072 ORDINARY SHARES OF Rs. 100 EACH)	267,607,200	200,000,000

3.11 Reserve and Surplus

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

3.11

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
Retained Earning and Reserves		
Retained Earning	22,014,686	12,805,274
General Reserve	3,379,756	758,030
Provision For CSR	242,032	75,803
Total NRs.	25,636,474	13,639,107

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

3.12 Employee Benefits

Defined Contribution Plan

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

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

Employees' provident fund

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

Citizens' Investment Trust (CIT)

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

Staff Gratuity Provision

Staff gratuity provision has been created as stipulated by Labor Act 2074. Company makes defined contribution of 8.33% of monthly basic salary of each employees and no other additional legal or constructive obligation will arise other than this fixed contribution. This provisioned amount has been kept with entity itself.

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

3.12

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
EMPLOYEE BENEFIT LIABILITY (CURRENT/NON-CURRENT)		
EMPLOYEE BENEFIT LIABILITY (CURRENT)		
PROVIDENT FUND PAYABLE	115,893	-
RETIREMENT FUND	164,635	-
PROVISION FOR BONUS	4,327,022	1,221,666
SALARY AND PERKS PAYABLE	150,123	-
TOTAL NRS.	4,757,674	1,221,666
EMPLOYEE BENEFIT LIABILITY (NON-CURRENT)		
LEAVE PROVISION	1,638,239	52,300
PROVISION FOR GRATUITY ENCASHMENT A/C	1,533,480	66,461
WELFARE FUND	18,220	-
TOTAL NRS.	3,189,939	118,761

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:

3.13

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
TRADE AND OTHER PAYABLES		
SUNDRY PAYABLE	20,231	-
SEBON FEE PAYABLE	670,899	18,900
TDS-REMUNERATION INCOME TAX	365,627	-
TDS-SOCIAL SECURITY TAX	133,818	1,599
TDS- INDIVIDUAL & PROPRIOTERSHIP FIRM	25,690	-
TDS-OTHER ENTITIES TAX	4,500	36,818
TDS PAYABLE	15,612	-
TDS-PRIVATE LIMITED	11,117	-
TDS-PUBLIC LIMITED	4,812	-
RETENTION MONEY	-	520,716
PROVISION FOR EXPENSES	-	119,492
PAYABLE TO DIFFERENT PARTIES	947,338	211,255
TOTAL NRS.	2,199,644	908,779

3.14 Revenue From Operation

Following table summarizes the operating revenue recognized during the period.

3.14

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
INCOME FROM OPERATION		
UNDERWRITING SERVICE FEE INCOME	693,910	630,000
INCOME FROM CORPORATE FINANCIAL ADVISORY	4,667,699	-
INCOME FROM PORTFOLIO MANAGEMENT SERVICES	32,305,998	-
DEPOSITORY PARTICIPANT INCOME	1,222,914	-
	38,890,521	630,000

3.15 Income From Investment**3.15**

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
INTEREST INCOME		
INTEREST FROM DEBENTURES AND BOND	1,147,746	291,130
INTEREST INCOME	324,237	-
INTEREST INCOME FROM FIXED DEPOSITS	13,525,216	18,093,150
	14,997,198	18,384,280

3.16 Gains (losses) from Financial Investment

The gains from investment in financial instrument treated on FVTPL have been summarized as under:

3.16

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
NET GAINS/(LOSSES) OF FINANCIAL INVESTMENTS-FVTPL		
DIVIDEND INCOME	37,524	-
INCOME FROM SALE OF INVESTMENT	7,257,751	-
LOSS ON SALE OF INVESTMENT	(777,866)	-
NET GAINS/(LOSSES) OF FINANCIAL INVESTMENTS- FVT PL	(684,489)	-
TOTAL NRS.	5,832,919	18,384,280

3.17 Other Income**3.17**

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
OTHER INCOMES		
RENT INCOME	60,000	-
MISCELLANEOUS INCOME	336,377	42,000
SERVICE INCOME	454,551	8,365
SWEAT EQUITY SHARE INCOME	600,000	-
	1,450,928	50,365

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.

3.18

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
OPERATING EXPENSES		
DP SERVICE EXPENSES	228,973	-
LICENSE FEE AND RENEWAL CHARGES	410,000	800,000
REGISTRATION FEE AND APPLICATION CHARGES	60,000	-
SEBON FEE EXPENSES	1,191,174	18,900
	1,890,147	818,900

3.19 Employee Expenses

3.19

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
EMPLOYEE EXPENSES		
Gratuity Expenses	448,852	66,461
Staff Provident Fund	521,892	36,638
Annual Force Leave Payment	1,253,677	18,400
Dashain Allowances	175,881	-
Communication Allowance	202,967	-
Fuel Allowance	149,741	13,957
Lunch Allowance	584,849	60,486
Staff Amenities	12,335	21,425
Staff Overtime Expenses	7,025	-
Salary Expenses	8,465,338	1,344,206
Leave Encashment Expenses	1,276,204	52,300
Statutory Bonus	3,755,542	1,221,666
Team Building Expenses	31,150	-
Training And Development Expenses	18,046	54,240
TOTAL NRS.	16,903,498	2,889,780

3.20 Building and Premise Expenses

These are expenses incurred for office premise related rent, security and sanitation related expenses.

3.20

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
BUILDING AND PREMISES COST		
CLEANING CHARGES	194,991	220,939
OFFICE ELECTRICITY EXPENSES	186,102	61,351
RENT EXPENSES	2,544,360	1,813,215
SECURITY CHARGES	12,250	-
SECURITY GUARD EXPENSES	742,769	612,170
WATER AND UTILITIES	39,791	9,250
TOTAL NRS.	3,720,264	2,716,924

3.21 Administrative Expenses**3.21**

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
ADMINISTRATIVE EXPENSES		
ADVERTISEMENT AND PUBLICATION	238,063	7,249
ANNUAL GENERAL MEETING EXPENSES	40,859	-
INAGURATION EXPENSES	87,347	98,672
AUDIT FEE	56,500	39,550
DUE DILIGENCE AUDIT	150,000	-
INTERNAL AUDIT FEE	60,000	-
COVID-19 EXPENSES	38,212	-
ALLOWANCE AND TRAVEL EXPENSES	58,563	-
FUEL EXPENSES	66,386	20,354
FUEL EXP - GENERATOR	4,000	4,050
PARKING CHARGES	45,140	-
STAFF CONYEYANCE EXPENSES	1,411	-
TRANSPORTATION EXPENSES	2,000	-
WAGES EXPENSES	3,000	-
INSURANCE EXPENSES	92,826	14,783
COMPUTER AND INTERNET CHARGE	521,970	-
ELECTRICAL AND WIRING EXPENSES	70,982	-
SOFTWARE EXPENSES	19,471	39,572
TELEPHONE AND COMMUNICATION	216,413	218,056
TELEPHONE EXPENSES	6,669	-
CONSULTANCY FEE	124,300	95,000
BOARD MEETING ALLOWANCES	444,000	102,000
BOARD MEETING EXPENSES	25,031	5,680
COMMITTEE MEETING ALLOWANCES	114,000	32,000
MEETING EXPENSES	6,727	-
MERGER COMMITTEE MEETING ALLOWANCE	348,000	-
BRANDING EXPNSES	-	113,000
LUNCH EXPENSES	5,100	-
OFFICE EXPENSES	93,883	94,850
PANTRY EXPENSES	69,981	-
STATIONERY EXPENSES	147,757	-
CORPORATE SOCAIL RESPONSIBILITY EXPENESES	5,367	6,530
REPAIR AND MAINTENANCE EXPENSES	56,677	9,859
STAFF OUTSOURCE SERVICE	128,253	227,372
TOTAL NRS.	3,348,887	1,128,577

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.

3.22

PARTICULARS	AS AT 15 JULY 2021	AS AT 15 JULY 2020
INCOME TAX EXPENSES		
CURRENT TAX	10,663,786	3,194,537
PREVIOUS YEAR TAX	23,060	114,818
DEFERRED TAX (INCOME)/EXPENSE	(1,103,217)	105,337
TOTAL NRS.	9,583,629	3,414,692

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 Lease and Lease equalization reserve

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

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

PERIOD	CURRENT YEAR	PREVIOUS YEAR
Up to 1 year	2,290,668	1,620,000
1- 5 years	10,342,366	7,456,050
Above 5 years	14,191,146	9,219,474

Lease equalization reserve for this year in operating lease is increased by Rs 253,142

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

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

The Company has executed Underwriting Agreement with Terhathum Power Co. Ltd. for underwriting of shares of 6,00,000 units of public shares. If these shares are not fully subscribed by public, the further subscription responsibility lies with the company (Machhapuchchhre Kriti Capital Ltd.). If no any of the shares are subscribed by public then, there is the contingencies of 6,00,000 units shares with each Rs 100 amounting total Rupees 6,00,00,000. Looking towards the subsequent events after balance sheet date, these shares have been already issued and fully subscribed.

3.26 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. Tika Bhattarai - Director

*** Transaction with related parties**

The above related persons are the member of the Board of Directors, Audit Committee and HR Committee and are entitled to meeting allowances as per the Articles of Association of the Company. The meeting allowances per meeting per member of Board of Directors is Rs. 10,000 for Chairman and Rs. 8,000 for Directors. No other benefits or allowances are provided to the board of directors.

Key Management Personnel

Govind Prasad Sharma DCEO

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

Name of the related person:

Mr. Deepak Rajbhandary - Director

Transaction with related party:

MKCL, after obtaining required consent from Securities Board of Nepal, has been providing portfolio management services to Mr. Rajbhandary in accordance to the PMS product paper approved by the board.

(B) Related Party Transactions

Related party transaction with Parent company:

S.N.	PARTICULARS	TRANSACTION AMOUNT	NATURE OF TRANSACTION	REMARKS
1	Fixed Deposit at MBL	91,000,000.00	Fixed Deposit	As on Reporting Date
2	Call Deposit at MBL	2,653.94	Bank Deposit	
3	Current Deposit at MBL	7,195,989.47	Bank Deposit	
4	Service income	454,551.25	DP service	
5	Interest Income	11,841,290.76	Interest on FD and call deposit	

MKCL has not reported any business income from managing the portfolio of Mr. Rajbhandary in the review period.

3.27 Events after the Reporting Period

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

There are no material events either adjusting or non-adjusting events for the reporting period end. However, the contingent liability as on Ashadh end 2078 has been expired due to fully subscription of issued shares as explained in note 3.25

3.28 Proposed Dividend

The board of directors through its meeting has proposed dividend of 7% of and cash dividend 6.4%(inclusive of applicable dividend tax on cash and stock dividend) of paid up capital, subject to approval from Annual General Meeting.

LIST OF PROVINCE MANAGER

S.N.	NAME	DESIGNATION
1	Deependra Prasad Wagle	Province Manager - 1
2	Ujjwal Pandey	Province Manager - 2
3	Ajaya Acharya	Province Manager - 3 Cluster A
4	Leela Raj Thapa	Province Manager - 3 Cluster B
5	Suraj Shrestha	Province Manager - 3 Cluster C
6	Neelam Gautam Poudel	Province Manager - 4 (Deposit)
7	Dinesh Dawadi	Province Manager - 4 Cluster A (Credit)
8	Jeevan Bahadur Karki	Province Manager - 4 Cluster B (Credit)
9	Narayan K.C.	Province Manager - 5 Cluster A
10	Hari Lal Ayer	Province Manager - 5 Cluster B and 6
11	Ishwar Bahadur Rawal	Province Manager - 7

LIST OF PROVINCE MANAGER

S.N.	NAME	DEPARTMENT/FUNCTIONAL TITLE
1	Mr. Bharat Kumar Lamsal	Chief Risk Officer
2	Mr. Tika Bhattra	Chief Business Officer - Central
3	Mr. Suvash Jamarkattel	Chief Corporate and Infrastructure Lending
4	Mr. Upendra Malakar	Chief Credit Support and Monitoring Unit
5	Mr. Samir Jung Rayamajhi	Chief Administrative Officer
6	Mr. Bhuvan Singh Khatri	Chief Compliance Officer
7	Mr. Dilli Ram Giri	Chief Business Officer - East
8	Mr. Sunil Khatiwada	Chief Business Officer - Mid West
9	Mr. Kumar Gnawali	Chief Business Officer - West
10	Mr. Bishal Bhakta Joshi	Head - Central Trade Operation
11	Mr. Bineet Chandra Jha	Chief Infrastructure Lending
12	Mr. Neeraj Man Sainju	Chief Global Market Relations and Treasury Front
13	Mr. Madhav Subedi	Chief Operating Officer
14	Mr. Manish Dahal	Chief - Special Asset Management
15	Ms. Richa Pandey	Chief Human Resources Officer
16	Mr. Ganesh Thapa	Deputy Chief Legal Officer
17	Mr. Naresh Pradhan	Head - Corporate Lending
18	Mr. Jaya Prakash Raut	Head - Central Credit Administration
19	Ms. Pratima Pandey	Deputy Chief Liability Management and External Affairs Officer
20	Mr. Hem Kumar Shrestha	Head - Information Technology
21	Mr. Sudan Prasad Bhandari	Head - Remittance Business
22	Mr. Khagendra Paudel	Deputy Chief - Finance and Planning
23	Mr. Abhishek Niroula	Head Credit Risk
24	Ms. Mohini Pradhan	Head - Retail Deposit and Service Excellency
25	Mr. Sachin Tamang	Head - E-Banking Operations
26	Ms. Reshma Shakya	Head - Treasury Front
27	Ms. Puja Gongal	Head - Reconciliation
28	Mr. Amar Bahadur Singh	Head - Business Intelligence
29	Ms. Laxmi Lamichhane Dhakal	Head - Corporate Deposit Relationship
30	Mr. Surendra Pathak	Head - Internal Audit Department
31	Ms. Subeena Shrestha	Deputy Head - Central Operations
32	Ms. Binita Tamrakar	Head - Central Clearing Department
33	Mr. Govinda Prasad Dahal	Deputy Head - Central Credit Legal Administration
34	Mr. Sitaram Shrestha	Deputy Head - Law
35	Mr. Prayas Pokharel	Information Security Officer
36	Mr. Binay Regmi	Deputy Head - Digital Banking

BRANCH NETWORK

Inside Valley

BALAJU BRANCH

977-1-4381729

BALUWATAR BRANCH

977-01-4431815, 4434745

BATTISPOTALI BRANCH

977-01-4496909, 4496900

BHAKTAPUR BRANCH

977-1-6620120 / 6620220

BOUDDHA BRANCH

977-1-4911505

BUDHANILKANTHA BRANCH

977-4370077, 4370096

CHABAHIL BRANCH

975.0004366

CHAPAGAUN BRANCH

977-1-5265593

DALLU BRANCH

977-01-4281952, 4280813

GONGABU BRANCH

977 -1-4389171/4389172

KALANKI BRANCH

977-01-5225052, 5225211

KAPAN BRANCH

977-1-4813116 /117

KHUSIBU BRANCH

977-1-4383922

KIRTIPUR BRANCH

977-1-5907028 /27

KOTESHWOR BRANCH

977-01-5199693, 5199716

KULESHWOR BRANCH

977-01-4286316, 4286422

LALITPUR (GWARKO) BRANCH

977-1-5203333

LAZIMPAT BRANCH

977-1-4428556

MAHARAJGUNJ BRANCH

977-4376763,4378021

NAGARKOT BRANCH

977-1-6680226/ 6680227

NAXAL BRANCH

977 -1-4444620

NEW BANESHWOR BRANCH

977-1-4782183

NEWROAD BRANCH

977 -01-4223115, 4239473,
4220258, 4239490

PATAN BRANCH

977-1-5526302

PEPSICOLA BRANCH

977-01-5156182, 5156083

PULCHWOK BRANCH

977-1-5535681

PUTALISADAK BRANCH

977 -01-4422424, 4421933

SANO THIMI BRANCH

977-1-5639612/5639639

SATUNGAL BRANCH

977-01-4315171,4315172

SWOYAMBHU BRANCH

977-1-4033528/29/31

THAMEL BRANCH

977-01-5906030, 5906031

THAPATHALI BRANCH

977-1-4233182

SURYABINAYAK BRANCH

977-01-5708040, 5708041

DURBARMARG BRANCH

Outside Valley

AANBU KHAIRENI BRANCH

977-65-540345

API HIMAL BRANCH

ATTARIYA BRANCH

977-91-550431

BAGAR BRANCH

977-61-541226

BAGLUNG BRANCH

977-68-522673

BANEPA BRANCH

977-11-663553

BARADASHI BRANCH

BARDAGHAT BRANCH

977-078-590965, 590966

BARDIBAS BRANCH

977 -044-550731,044-550732

BENI BRANCH

977-69-520964

BENIGHAT BRANCH

977-10-416141/416140

BESISAHAR BRANCH

977-66-521452/521451

BHAIRAHAWA BRANCH

977-071-524642,525900

BHIMAD BRANCH

977 -65-572441

BHOJPUR BRANCH

977-29-420280/420357

BINAYAK BRANCH

977-97-500037

BIRATCHOWK BRANCH

977-21-546230

BIRATNAGAR BRANCH

977-21-450412

BIRAUTA BRANCH

977-61-468054

BIRGUNJ BRANCH

977-51 -524828

BIRTAMOD BRANCH

977-23-541600

BRINDABAN BRANCH

977-61-620039

BUTWAL BRANCH

977-71-545765 / 545766

CHAKRAGHATTI BRANCH

977-25-551102/551103

CHANDRAGADHI BRANCH

977-23-456570

CHANDRAPUR BRANCH

977-55-540439

CHANDRAUTA BRANCH

977-076-540555, 540640

DADELDHURA BRANCH

977-96-420960

DAMAK BRANCH

977 -023-584963,
023-584964

DAMAULI BRANCH

977-65-560500

DANG BRANCH

977-82-562372

DHALKEBAR BRANCH

977-041-560250, 560251

DHANGADHI BRANCH

977-91-520556/520596

DHANKUTA BRANCH

977-26-521437

DHARAN BRANCH

977-25-533796

DOLPA BRANCH

977-1-6201557

DULEGAUDA BRANCH

977-65-414270

GAIGHAT BRANCH

977-035-421090, 421091

GAJURI BRANCH

977 -010-402077, 529218

AANBU KHAIRENI BRANCH

977-65-540345

API HIMAL BRANCH**ATTARIYA BRANCH**

977-91-550431

BAGAR BRANCH

977-61-541226

BAGLUNG BRANCH

977-68-522673

BANEPA BRANCH

977-11-663553

BARADASHI BRANCH**BARDAGHAT BRANCH**

977-078-590965, 590966

BARDIBAS BRANCH

977 -044-550731,044-550732

BENI BRANCH

977-69-520964

BENIGHAT BRANCH

977-10-416141/416140

BESISAHAR BRANCH

977-66-521452/521451

BHAIRAHAWA BRANCH

977-071-524642,525900

BHIMAD BRANCH

977 -65-572441

BHOJPUR BRANCH

977-29-420280/420357

BINAYAK BRANCH

977-97-500037

BIRATCHOWK BRANCH

977-21-546230

BIRATNAGAR BRANCH

977-21-450412

BIRAUTA BRANCH

977-61-468054

BIRGUNJ BRANCH

977-51 -524828

BIRTAMOD BRANCH

977-23-541600

BRINDABAN BRANCH

977-61-620039

BUTWAL BRANCH

977-71-545765 / 545766

CHAKRAGHATTI BRANCH

977-25-551102/551103

CHANDRAGADHI BRANCH

977-23-456570

CHANDRAPUR BRANCH

977-55-540439

CHANDRAUTA BRANCH

977-076-540555, 540640

DADELDHURA BRANCH

977-96-420960

DAMAK BRANCH977 -023-584963,
023-584964**DAMAULI BRANCH**

977-65-560500

DANG BRANCH

977-82-562372

DHALKEBAR BRANCH

977-041-560250, 560251

DHANGADHI BRANCH

977-91-520556/520596

DHANKUTA BRANCH

977-26-521437

DHARAN BRANCH

977-25-533796

DOLPA BRANCH

977-1-6201557

DULEGAUDA BRANCH

977-65-414270

GAIGHAT BRANCH

977-035-421090, 421091

GAJURI BRANCH

977 -010-402077, 529218

GANESHMAN CHARNATH BRANCH

977-1-6201556

GAUR BRANCH

977-55-520670/520675

GOLBAZAR BRANCH977-033-
540530/540531/540532**GULARIYA BRANCH**

977-084-420501, 084-420512

HAKIM CHOWK BRANCH

977-56-533276 / 533278

HALESI BRANCH

977-36-410094

HARIWON BRANCH

977-46-530048

HEMJA BRANCH

977-061-400565, 400572

HETAUDA BRANCH

977-57-527067/ 527030

HILE BRANCH

977- 26- 540554

IBRD BRANCH

977-099-560287, 099-560288

ICHHAKAMANA BRANCH

977-56-410116

ILAM BRANCH

977-027-521710

INARUWA BRANCH

977-25-560543

ITAHARI BRANCH

977-25-586881

JAHADA BRANCH**JANAKPUR BRANCH**

977-041-525467, 041-525468

JOMSOM BRANCH

977-69-440098

JUMLA BRANCH

977-87-520500/87-520600

KAKADVITTA BRANCH

977-23-568411/562953

KALAIYA BRANCH

977-53-550559/550560

KALIKA BRANCH

977-56-413146/56-413147

KALYANPUR BRANCH

977 -33-403065

KANCHANBARI BRANCH

977-21-461823

KANCHANRUP BRANCH

977-31-560338/560339

KARJANHA BRANCH

977-33-411019

KATARI BRANCH

977-35-450568

KAWASOTI BRANCH

977-78-540941

KHALANGA BRANCH

977-93-420348

KHATYAD BRANCH**KOHALPUR BRANCH**

977 -081-541066,081-541067

KUSHMA BRANCH

977-67-420836/420869

LAHAN BRANCH

977 -033-562258,033-562259

LAKE SIDE BRANCH

977-061-463200 | 463700

LALBANDI BRANCH

977-046-501551, 501561

LAMACHAUR BRANCH

977-61-441799/442313

LAMAHI BRANCH

977-82-540870/540875

LAMKI BRANCH

977-91-540565/540566

LEKHNATH BRANCH

977-61-561717

LUMBINI BRANCH

977-71-404085

MADI BRANCH

977-61-506408

MAHENDRANAGAR BRANCH

977 -099-521373,099-522314

MAHENDRAPUL BRANCH

977-61-538479

MAHULI BRANCH

977-031-411235, 411236

MALANGWA BRANCH

977-46-521278/521279

MALIKARJUN BRANCH

MANIGRAM BRANCH

977-71-561340

MATIHANI BRANCH

977-44-540078

MIRCHAIYA BRANCH

977 -33-550626

NAGARAIN BRANCH

977-1-6201558

NARAYANGADH BRANCH

977-56-571271/571272

NEPALGUNJ BRANCH

977-81-528004/528005

NIJGADH BRANCH

977-53-540247

PALPA BRANCH

977- 75-522739

PARASI BRANCH

977 -78-520437

PARSA BRANCH

977-56-582612/582610

PARSYANG BRANCH

977-061-419574, 419575

PHIDIM BRANCH

977-24-520526

POKHARA BRANCH

977-61-530900

RAJBIRAJ BRANCH

977 -31-522466

RAM BAZAR BRANCH

977-61-431193

**SAKHUWA MAHENDRANAGAR
BRANCH**

977-41-540094

SALLERI BRANCH

977-38-520465

SALYAN BRANCH

977 -88-400045

SALYANTAR BRANCH

SIKLES BRANCH

977-61-413094

SIMARA BRANCH

977-53-521249/521349

SUNKOSHI BRANCH

977-9741461090

SURKHET BRANCH

977 -083-523061.083-523063

SURUNGA BRANCH

977-23-550664/550665

SYANGJA BRANCH

977-063-421222, 063-421223

TANDI BRANCH

977-56-562157

TANKISINWARI BRANCH

977-21-420442

TAPLEJUNG BRANCH

977-24-460517

TAULIHAWA BRANCH

977-76-560462

THAKURDWARA BRANCH

977-84-402098

TIMURE BRANCH

977-9851140601

TRISHULI BRANCH

977-10-560505

TULSIPUR BRANCH

977-82-520501

TATOPANI BRANCH

977-011-480007, 480003

TYAMKE MAIYUM BRANCH

977-9852086005

URLABARI BRANCH

977-21-541243/541343

VYAS BRANCH

WALING BRANCH

977-063-440311 /
061-695590(CDMA)

PROFILE OF THE COMPANY

MBL AT A GLANCE

MACHHAPUCHCHHRE BANK LIMITED
PUBLIC LIMITED COMPANY, LISTED WITH NEPAL STOCK EXCHANGE LIMITED

Scrip Code	MBL
Type of Business	Commercial Bank
Key business segments	Small Medium Enterprise (SME) financing, Corporate financing, Consumer financing including home loans, car loans & personal loans
Company registration number	678/054/55
Company PAN number	300225961
Date of incorporation	03 October 2000
Number of branches	159
Address of Corporate Head Office	MBL Tower, Lazimpat, Kathmandu
Telephone	+977-01-4428556
Facsimile	+977-01-4425356
Email address	machbank@mbl.com.np
SWIFT Code	MBLNNPKA

MACHHAPUCHCHHRE 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
Head Office	Sundhara, Kathmandu
Telephone	+977-01-4266285
Email address	mcl@machcapital.com.np

www.machbank.com