

Empowering **Financial Futures.**

ANNUAL REPORT 2021-22







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





Contents.

06	Bank's Overview
08	Bank Strategies for the Forthcoming Year
10	Board of Directors
13	Chairman's Statement
17	CEO's Message
20	International Scenario
22	Country's Economic Conditions
23	Bank's Performance
28	Human Resources
32	Remittance Service
33	Priority Banking
34	Corporate Governance
46	Director's Report
60	Risk Management
76	Corporate Social Responsibility
82	Products and Services
88	Technology
93	Financial Statement
229	Branch Network

Bank's Overview.

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.

The Bank facilitates it's 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 10.25 billion rupees, 165 Branch Offices, 133 Branchless Banking Units, 11 Extension Counters and 205 ATMs spread all across the country, it is one of the full fledged national level commercial banks operating in Nepal. It takes pride in having its own buildings for its Head and Corporate Office in Lazimpat, and Branch offices in Naya Bazar, Pokhara, Jomsom, Baglung and Damauli.



36%

PROFIT
GROWTH

1500+

NO. OF
EMPLOYEES

162

BRANCHES ACROSS
THE COUNTRY

7

EXTENSION
COUNTERS

175

BRANCHLESS
BANKING UNITS

203

ATM
NETWORK

VISION

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



MISSION

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

CORE 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.

Fiscal year 2078-79 was a challenging year for the Bank, the COVID scenario was prevalent in the initial months and the overall market was severely hit by the liquidity crisis.



Entire industry was focused only on deposit collection. Because of the constriction in deposit growth, the Bank was not able to increase its risk assets as per the budgeted figure. Despite all the challenges, the Bank's sheer determination and dedication helped it remain afloat even in these trying times.

The Bank managed to earn a net profit of NPR 1.68 b in FY 2078-79. The portfolio growth of the Bank in FY 2078-79 reached NPR 29.5 b (NPR 15.6 b deposit growth, NPR 13.90 b loan growth). Out of NPR 15.6b deposit growth, the fixed deposit remained the dominant segment with NPR 14.16 b growth (20.42% year-on-year growth) whereas out of NPR 13.90 b loan growth, BG set remained the dominant segment with NPR 2.22 b growth (214%) followed by Business segment with NPR 7.41 b growth (23%). The Bank has also utilized its CD position at an optimum level i.e. 86.16% (as of Ashadh 2079).

The liquidity crisis prevalent in the market affected the risk asset growth

thereby restricting the fee and commission income segment of the Bank. With ongoing deposit crisis in the industry and NRB coming up with Yield limiting circulars (Base Rate to be taken at average of 3 months) and deposit rate capping circulars, the Bank has been forced to limit the pace of Business growth. The entire manpower was fully mobilized in deposit solicitation with the introduction of staff deposit campaigns.

Citing the alarming situation of Forex Reserve of the country, NRB had put restriction to open LC for many luxurious items. This has constrained the non-funded business growth and simultaneous income earnings as well. However, the Bank was aggressive in expansion of its digital banking activities.

In the upcoming FY 2079-80, the Bank aims to formulate and implement more focused strategies by undertaking an in-depth analysis of the market needs. The Bank in the FY 2079-80 aspires to

sustainably manage its key performance and regulatory indicators. The Bank plans to increase its digital footprints aggressively. The Bank also plans to extensively focus on pushing its existing lines of products and services by continuously improving its products/ services as per customer demands/ needs and by implementing focused marketing strategies. Special priority will also be given to exponentially improve the customer service quality and professionalism.

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.

Board *of* Directors.

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

Dr. Upendra Mahato

CHAIRMAN



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

Mr. Roshan KC

PROMOTER 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. Mukunda Mahat

INDEPENDENT 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. Jaya Mukunda Khanal
PUBLIC DIRECTOR



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

Mr. Bishow Prakash Gautam
PUBLIC DIRECTOR



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

Mr. Haribhakta Sigdel
PROMOTER 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.

Ms. Bandana Karki
PUBLIC DIRECTOR





Chairman's Speech



I feel privileged to share this statement on behalf of Board of Directors of the Bank. It is a proud moment for everyone associated with Machhapuchchhre Bank that the bank has completed its 23rd years of remarkable operation.

CHAIRMAN'S SPEECH

In the last few years, we have made a remarkable leap in the banking sector and we are on the way to become one of the best banks in the country.

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

Today, especially in the era of digitization, we have been able to establish ourselves as a smart

bank. Moving towards digitization while keeping our customer's safe from various cyber risks besides constantly pushing the latest digital services and simplifying banking services and we have not compromised on this issue.

Moving forward with the main objective of increasing access to banking, Machhapuchchhe Bank currently providing banking facilities to more than 14 million customers through 165 branches in seven provinces of the country, 133 branchless Banking services, 205 ATMs and 10 extension counters.

The Financial Year 2022-23 was more challenging for the Nepali banking sector. Due to the post effects of the corona pandemic, the sudden change in the economic environment were followed by liquidity crunch

in the market, higher cost of funds. Despite the challenges the Bank rose to national duty with a shared responsibility. The banks deliverables during that time address its commitment to support & its role in reviving the national economy.

Amidst the challenges, the Bank's results have been satisfactory as we were able to harness the opportunities created by these uncertain challenges. During the revision period the deposit of bank has been increased by 11.61% of bank deposits than last financial year similarly bank loans have increased by 11.85%. The results presented in this annual report demonstrates the achievement of our efforts.

The bank has a long-term and sustainable business model and

formulated various plans for expansion and increase in profits. We have proceeded with our actions accordingly which shall strengthen the economic status of the country as a whole.

The objective of Machhapuchchhre Bank is to enable all the customers to receive complete banking services with a click. We are not only becoming a smart bank in slogans but also in our efforts. By harness the power of digital technology MBL is planning to streamline processes, enhance operational efficiency and deliver personalized services to our customers. As technology continues to advance and customer expectations evolve, it is crucial for us to adopt and leverage digital innovation to

stay competitive and provide exceptional banking experience.

We are working on a strategy to develop and expand new technologies in a timely manner and to add additional features to existing technologies.

We believe our digital services will create a milestone towards a true cashless economy and those handy tools that enable 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, retail loans and SME loans

At the end, I would like to thank all our respected shareholders, other stakeholders, Board members, 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 our customers will give us more energy to move forward towards achieving our goals.

Thank You

Dr. Upendra Mahato

CHAIRMAN



CEO Message



Welcome! The chairman, Board of Directors, the shareholders, representative of regulatory bodies, auditors, legal advisors, lawyers, supervisors, journalists, bank staffs. I would like to extend my heartfelt greetings on 24th Annual General Meeting of the Bank.

CEO MESSAGE



With the main motto of “Stronger, Remarkable and Extended”; the Bank’s vision is to provide excellent services to the customers responding to the challenges of the day through 165 branches, 157 branchless banking, 10 extension counters, and 206 ATMs nationwide serving more than 14 lakhs of satisfied customers. I would like to thank all Machhapuchchhre Bank staffs for their hard work realizing the Bank’s vision.

Bank has extended its services to Mugu, Jumla, Dolpa and Darchula expecting to literate people in that area financially to extent possible and serve them.

Nepal economy has continued to be afflicted by a sequence of large domestic and international shocks, reflecting the impacts of the Covid crisis and the Russian invasion of Ukraine. This has generated difficult economic environment, with significant deposit crisis. Despite this, financial indicators of the bank are encouraging earning NPR 1.68 billion net profit this fiscal year.

The size of bank’s balance sheet has increased by 13%. The bank has also achieved significant success in deposit collection and loan growth. During the review period, the bank’s total deposit reached NPR 150.10 billion and total loan reached NPR 131.27 billion. In addition, the bank’s investment increased by 23.08% and reached NPR 24.13 billion. Non-performing loan ratio stands at 1.04%. All this has been possible due to strong and unwavering trust and deep affection of the customers towards our bank.

To ensure that we can continue to be at the forefront of modern banking accepting the changing requirements, we have continued to invest in a number of important areas. An instance of which is range of latest, reliable and quality services. The Bank’s response to Covid crisis demonstrated how adaptable we can be. Considering needs and demand of time and highest use of science and technology, the bank has shifted its focus on paperless technology. Based on this, we serve facilities

like: Online Account Opening, Credit Card Online Application Mobile Banking Version Upgradation, AI Chatbot, Foneloan and Video KYC. Digital platform of the Bank is systematic and secured with plethora of facilities. Customers are facilitated to open an account/ demat/ meroshare account, apply for a loan, apply for different visa cards, etc regardless of their physical presence. Institutions having salary accounts in our bank can advise the bank to post employee salary from any feasible branch. Likewise, the bank has kept its website simple and understandable.

Awareness campaign towards usage of digital banking services has not only helped people in city but also significantly helped in villages. Our team is working towards BLB (branchless banking) services intending banking services accessible to every region and class of the country in a simpler and convenient way. Most of the youths of our country are in abroad. These youths can be

from any parts of the country. Our country is heavily dependent on the remittance inflows. For safe-secured remittance, the bank has collaborated and coordinated with various international organizations time and again. Remittance received from Nepali citizens rendering their services in international platform can directly be paid to the nominee through all branches of the bank and more than 10,000 assistant representatives of MBL Remit scattered throughout the country. Further plans are in process for feasible remittance payments.

Moreover the bank has participated in various social activities as its responsibility towards the society in sectors like health, education, sports, and to the victims affected by natural disaster. Corporate governance, being the best aspect of Machhapuchchhre Bank Ltd., the Bank adopted the policy to never compromise on good corporate governance to fulfill the paramount objective of continuously strengthening the bank by providing the highest

security to the investor's investment and deposits of general public paving the path to the strongest position in the industry. The Bank is also determined to follow each and every policy, rules and regulations and pay special attention to the risk management. Another strength of the Machhapuchchhre Bank which does not compromise on corporate governance is its efficient management of staff. Keeping in mind the career development of employees at all level, the bank is providing internal/ external/ international training and professional development programs for employees. The bank invested NPR 1.6 million in training and professional development during the year to increase organizational productivity and make employees proficient in their work duties.

The Bank has also emphasized on sustainable banking. More than 1600 employees are committed to fulfill the mission of making the bank strong and remarkable. We also appreciate Customer Trust that has brought us to where we

are today. Therefore we always strive for the satisfaction of our customers and are working for the convenience of the customers to extent possible.

At the end, I would like to express my sincere gratitude to all the respected board of directors, shareholders and dignitaries who always show deep interest in all our activities and suggest us opinions, regulatory bodies, media world, customers, bank and financial institutions and other associations that have directly or indirectly supported for the development, progress and growth of this bank.

With Best Regards,

Santosh Koirala

CHIEF EXECUTIVE OFFICER

International Scenario.



Although new variants of the coronavirus have been observed in the markets throughout the year 2022, the impact of the virus has decreased as compared to previous years. Fortunately, due to the immunity gained, none of these new variants resulted in a wave.

The conflict between Russia and Ukraine that began in early 2022 has increased the risk of economic growth in the near future and is expected to keep inflation high for a longer period. This has caused an increase in commodity prices, particularly crude oil, which has had a ripple effect on the prices of food, goods, and services. As a result, the global supply chain has been further disrupted. The impact of

this conflict on global inflation has been significant.

In 2022, European countries faced a multitude of challenges, including humanitarian crises and financial fallout. The bloc was particularly impacted by Russia's invasion of Ukraine, which resulted in high inflation, an energy crisis, and slowed economic growth. European nations responded to the attack by imposing sanctions on Russia and reducing trade of fuel supplies, such as oil and gas, from the country. When Moscow retaliated by switching off the Nord Stream 1 pipeline, European nations had to hastily find alternative supplies to make up for the shortfall.

Inflation rates surged globally due to the rise in food and energy prices in Asia, Europe, and the US, with the US inflation rate reaching up to 9% and India's at around 6-7%. To combat this inflation, global central banks aggressively raised their key benchmark interest rates. For instance, the FED increased its interest rates by 2.5% in just five months from March to July 2022. Most other central banks, except the BOJ, followed suit and raised their interest rates to tame inflation. Experts predict that with such a fast global increase in interest rates, there may be a modest slowdown or even a recession in 2023. The International Monetary Fund's baseline forecast indicates a drop in growth from 6.1% last year to 3.2% this year and 2.9% next year, with



downgrades of 0.4 and 0.7 percentage points from April. The slowing growth in the three largest economies in the world – the United States, China, and the euro area – will have significant consequences for the global outlook.

Nepal is not immune to the effects of inflation and supply chain disruptions this year. The country is facing a severe balance of payment deficit of around 255.26 billion due to the high costs of raw materials and petroleum products. In the first half of 2022, Nepal's foreign exchange reserves were under immense pressure due to global inflation. To tackle the dwindling foreign exchange reserve situation, the government imposed restrictions on the import of luxury and non-essential items in April

2022. However, in July 2022, Nepal experienced a surge in imports, with import bills increasing by 24.7% to reach Rs. 1.92 trillion compared to the previous fiscal year. Meanwhile, exports touched an all-time high of Rs. 200 billion.

The "Global Economic Prospect Report" by the World Bank predicts that Nepal's growth rate for the 2021-22 fiscal year is expected to be around 5.8%. However, inflation in Nepal reached a 74-month high in September 2022, peaking at 8.64%. As a result, the costs of imports and prices of consumer goods increased due to the appreciating value of the US dollar. By December 2022, the Nepali rupee had reached a record high of Rs. 132.88 against the US dollar.

Throughout the year, market liquidity has remained very constrained, largely due to a BOP deficit, reduced government spending, and a decrease in remittance. This has resulted in an increasing trend of interest rates in the market, and the NRB has raised the bank rate from 7% to 8.5%, which has also impacted market rates.

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

Country's Economic Condition.

(Economic Outlook of FY 2021-22)

Economic Growth and Price Situation

Central Bureau of Statistics has estimated the economic growth of Nepal to be 5.84 percent in 2021/22. Economic growth is mainly supported by electricity generation, expansion in construction activities, and revival of the tourism sector. In 2020/21, the economic growth rate was 4.25 percent.

In 2021/22, the ratio of gross domestic savings to GDP is estimated to be 9.27 percent and the ratio of gross national savings to GDP is estimated to be 31.95 percent. In the previous year, such ratios were 7.71 percent and 33.30 percent respectively.

In 2021/22, the ratio of gross fixed capital formation to GDP is estimated to be 29.37 percent compared to 29.85 percent in the previous year.

The y-o-y consumer inflation stood at 8.56 percent in mid-June 2022. However, in the eleven months of 2021/22, the average consumer inflation is 6.09 percent. The annual average consumer inflation seems to remain within the target.

International Trade, Remittances, and Balance of Payment Position

During the eleven months of 2021/22, merchandise exports increased 53.3 percent to Rs.185.84 billion, while merchandise imports increased 27.5 percent to Rs.1763.22 billion. As a result, the merchandise trade deficit increased 25.0 percent to Rs.1577.39 billion.

Remittance inflow is improving. Whereas the remittances inflows had decreased in the first nine months of 2021/22, it started to increase in the tenth and eleventh months of the year. Remittance inflows increased 0.2 percent in the tenth month and by 3.8 percent in the eleventh month, and reached Rs.904.18 billion. Such flows had increased 12.6 percent during the eleven months of the previous year. In the first eleven months of 2021/22, remittances in US dollar terms remained 7.51 billion, which is higher by 1.5 percent than the remittances of 7.39 billion in the same period of the previous year.

In the eleven months of 2021/22, the BoP deficit stood at Rs.269.81 billion compared to Rs.15.15 billion during the same period of the previous year. As such, foreign currency reserves decreased by 2.3 billion US dollars in the eleven months of 2021/22 to 9.45 billion US dollars. The current level of reserve is adequate to cover the prospective imports of goods and services for 6.73 months.

Interest Rate

In mid-July 2021, the weighted average interest rate of 91-day treasury bills was 4.55 percent, which reached 10.66 percent in mid-July 2022.

The average base rate of commercial banks was 6.66 percent in mid-June 2021, which reached 9.39 percent in mid-June 2022. In mid-June 2021, the weighted average interest rate of deposits was 4.72 percent, which reached 7.34 percent in mid-June 2022. Similarly, in mid-June

2021, the weighted average lending rate was 8.46 percent, which reached 11.54 percent in mid-June 2022.

Capital Markets

The NEPSE index, which was 2883.41 in mid-July 2021, stood at 2009.46 in mid-July 2022. At mid-July 2022, the stock market capitalization stood Rs.2869.34 billion. At mid-July 2021, market capitalization was Rs.4010.96 billion.

In the eleven months of 2021/22, the Securities Board of Nepal has approved the issue of debentures worth Rs.11.28 billion, mutual funds worth Rs.6.90 billion, ordinary shares worth Rs.6.51 billion, and right shares worth Rs.3.46 billion. Altogether, the total approval for the public issue of securities stood at Rs.28.15 billion.

In the eleven months of 2021/22, seven commercial banks have received approval from the Securities Board of Nepal to issue debenture worth Rs.10.88 billion, and one development bank for Rs.400 million. By the end of mid-June 2022, BFIs have mobilized Rs.123.76 billion through debentures.

Financial Access

The commercial banks now have wider reach of network covering 750 local levels out of 753 local levels as of mid-July 2022. The merger and acquisition of Banks and Financial institutions has decreased the NRB licensed BFIs to 125 in mid-July 2022 from 133 in mid-July 2021.

BANK'S PERFORMANCE

HORIZONTAL ANALYSIS OF BALANCE SHEET

PARTICULARS	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18
Assets					
Cash and cash equivalent	486.17%	367%	414%	399%	100%
Due from Nepal Rastra Bank	85.21%	126%	64%	45%	100%
Placement with Bank and Financial Institutions	0.00%	34%	6%	104%	100%
Derivative financial instruments					100%
Other trading assets	201.53%	7%	84%	142%	100%
Loan and advances to B/FIs	144.99%	207%	137%	136%	100%
Loans and advances to customers	205.99%	182%	148%	120%	100%
Investment securities	312.04%	254%	154%	133%	100%
Current tax assets	322.61%	209%	138%	105%	100%
Investment in subsidiaries					100%
Investment in associates					100%
Investment property	981.80%	1101%	703%	315%	100%
Property and equipment	180.36%	168%	152%	128%	100%
Goodwill and Intangible assets	279.63%	277%	143%	108%	100%
Deferred tax assets					100%
Other assets	432.09%	119%	139%	199%	100%
Total Assets	210.79%	186.60%	146.86%	124%	123%
Liabilities					
Due to Bank and Financial Institutions	380.74%	215%	199%	477%	100%
Due to Nepal Rastra Bank	566.40%	652%	2%	160%	100%
Derivative financial instruments	1532.99%	0%	0%	0%	100%
Deposits from customers	203.85%	185%	146%	120%	100%
Borrowing					100%
Current Tax Liabilities					100%
Provisions	0.00%	0%	0%	0%	100%
Deferred tax liabilities	0.00%	0%	0%	0%	100%
Other liabilities	287.71%	181%	140%	110%	100%
Debt securities issued					100%
Subordinated Liabilities					100%
Total liabilities	220.66%	195.28%	152%	157%	124%
Equity					-
Share capital	127.33%	112%	105%	100%	100%
Share premium	100.00%	100%	100%	100%	100%
Retained earnings	74.68%	159%	123%	162%	100%
Reserves	244.83%	171%	144%	126%	100%
Total equity attributable to equity holders		124.21%	112%	108.50%	100%
Non-controlling interest			-	-	
Total equity	139.87%	124.21%	112%	108%	100%
Total liabilities and equity	210.79%	186.60%	180%	124%	100%

HORIZONTAL ANALYSIS OF PROFIT OR LOSS (PAST 5 YEARS)

PARTICULARS	NOTE	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18
Interest income	4.29	196%	144%	146%	131%	100%
Interest expense	4.30	206%	135%	149%	132%	100%
Net interest income		178%	159%	141%	130%	100%
Fee and commission income	4.31	276%	233%	193%	161%	100%
Fee and commission expense	4.32	370%	254%	195%	136%	100%
Net fee and commission income		265%	230%	193%	164%	100%
Net interest, fee and commission income		190%	169%	148%	134%	100%
Net trading income	4.33	130%	155%	169%	182%	100%
Other operating income	4.34	1052%	2174%	776%	311%	100%
Total operating income		189%	173%	151%	137%	100%
Impairment charge/(reversal) for loans and other losses	4.35	328%	326%	385%	77%	100%
Net operating income		183%	166%	140%	140%	100%
Operating expense						
Personnel expenses	4.36	220%	202%	172%	141%	100%
Other operating expenses	4.37	261%	212%	212%	172%	100%
Depreciation & Amortisation	4.38	376%	190%	161%	130%	100%
Operating Profit		136%	137%	106%	133%	100%
Non operating income	4.39	1105%	313%	259%	3907%	100%
Non operating expense	4.40					
Profit before income tax		134%	126%	103%	134%	100%
Income tax expense	4.41	132%	120%	106%	130%	100%
Current Tax		134%	121%	110%	136%	100%
Deferred Tax		-506%	-236%	-1212%	-2234%	100%
Profit for the year		135%	129%	101%	136%	100%
Profit attributable to:						
Equity holders of the Bank		135%	129%	101%	136%	99%
Non-controlling interest						-
Profit for the year		135%	129%	101%	136%	99%
Earnings per share						
Basic earnings per share		78%	112%	94.63%	133.28%	68%
Diluted earnings per share		78%	112%	94.63%	133.28%	68%

VERTICAL ANALYSIS OF BALANCE SHEET

PARTICULARS	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18
Assets					
Cash and cash equivalent	6.43%	5.49%	7.85%	8.97%	2.79%
Due from Nepal Rastra Bank	3.38%	5.63%	3.66%	3.07%	8.37%
Placement with Bank and Financial Institutions	0.00%	0.30%	0.07%	1.39%	1.65%
Derivative financial instruments	0.00%	0.01%	0.05%	-	0.00%
Other trading assets	0.28%	0.01%	0.17%	0.34%	0.30%
Loan and advances to B/FIs	1.46%	2.35%	1.98%	2.32%	2.12%
Loans and advances to customers	71.94%	71.78%	74.31%	71.35%	73.62%
Investment securities	13.50%	12.39%	9.58%	9.79%	9.12%
Current tax assets	0.36%	0.26%	0.22%	0.20%	0.24%
Investment in subsidiaries	0.11%	0.13%	0.16%	-	-
Investment in associates	0.00%	-	-	-	-
Investment property	0.14%	0.17%	0.14%	0.07%	0.03%
Property and equipment	0.89%	0.93%	1.07%	1.07%	1.04%
Goodwill and Intangible assets	0.07%	0.08%	0.05%	0.05%	0.05%
Deferred tax assets	0.03%	0.02%	0.03%	-	-
Other assets	1.41%	0.44%	0.65%	1.11%	0.69%
Total Assets	100%	100%	100%	100%	100%
Liabilities					
Due to Bank and Financial Institutions	2.84%	1.81%	2%	6%	2%
Due to Nepal Rastra Bank	2.02%	2.63%	0.01%	1%	0.75%
Derivative financial instruments	0.00%	-	-	-	-
Deposits from customers	81.14%	83%	84%	81%	84%
Borrowing	0.72%	0.76%	-	-	-
Current Tax Liabilities	0.00%	-	-	-	-
Provisions	0.00%	-	-	0%	0%
Deferred tax liabilities	0.00%	-	-	0.00%	0.02%
Other liabilities	2.10%	1.49%	1%	1%	2%
Debt securities issued	3.07%	1.99%	-	-	-
Subordinated Liabilities	0.00%	-	-	-	-
Total liabilities	92%	92%	91%	89%	88%
Equity					
Share capital	5.74%	6%	7%	8%	10%
Share premium	0.02%	0.02%	0.02%	0.03%	-
Retained earnings	0.33%	0.80%	1%	1%	1%
Reserves	2.01%	1.59%	2%	2%	2%
Total equity attributable to equity holders	8%	8%	9%	11%	12%
Non-controlling interest	-	-	-	-	-
Total equity	8%	8%	9%	11%	12%
Total liabilities and equity	100%	100%	100%	100%	100%

VERTICAL ANALYSIS OF PROFIT OR LOSS (PAST 5 YEARS)

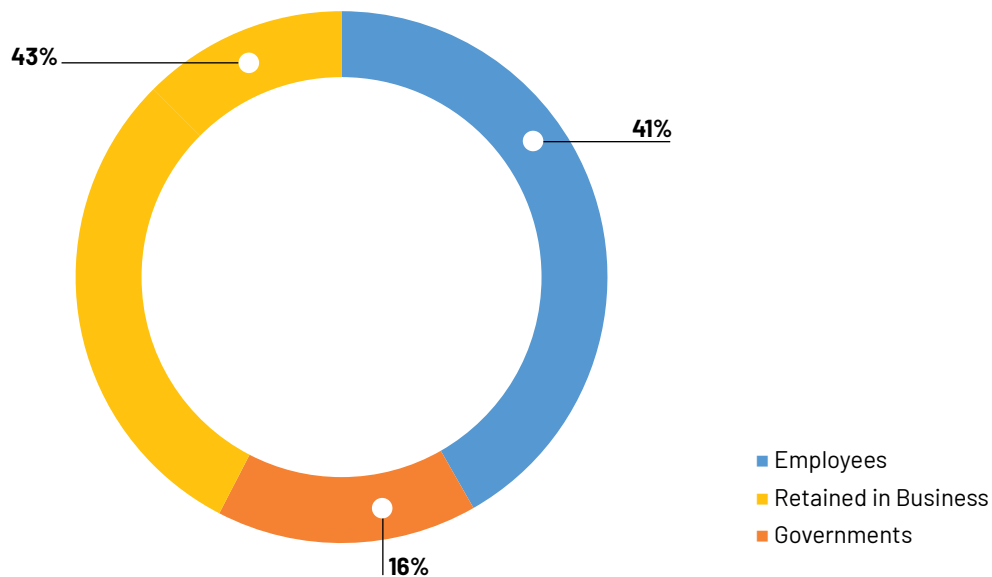
PARTICULARS	NOTE	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18
Interest income	4.29	90%	87%	90%	89%	92%
Interest expense	4.30	61%	53%	59%	58%	60%
Net interest income		29%	34%	31%	31%	32%
Fee and commission income	4.31	8%	9%	7%	7%	6%
Fee and commission expense	4.32	1%	1%	1%	1%	1%
Net fee and commission income		7%	8%	7%	6%	5%
Net interest, fee and commission income		36%	42%	37%	37%	38%
Net trading income	4.33	1%	2%	2%	3%	2%
Other operating income	4.34	1%	2%	0.55%	0.25%	0.11%
Total operating income		38%	46%	40%	40%	40%
Impairment charge/(reversal) for loans and other losses	4.35	3%	4%	5%	1%	2%
Net operating income		35%	42%	35%	39%	38%
Operating expense						
Personnel expenses	4.36	11%	14%	12%	11%	10%
Other operating expenses	4.37	6%	7%	7%	6%	5%
Depreciation & Amortisation	4.38	2%	1%	1%	1%	1%
Operating Profit		14%	19%	15%	21%	21%
Non operating income	4.39	0.20%	0.08%	0%	1%	0.04%
Non operating expense	4.40	0%	2%	1%	1%	0.02%
Profit before income tax		14%	18%	15%	21%	21%
Income tax expense	4.41	4%	5%	5%	6%	7%
Current Tax		4%	5%	5%	7%	7%
Deferred Tax		0%	-0.03%	-0.13%	-0.27%	0.02%
Profit for the year		10%	13%	10%	15%	15%
Profit attributable to:						
Equity holders of the Bank		10%	13%	10%	15%	15%
Non-controlling interest		-	-	-	-	-
Profit for the year		10%	13%	10%	15%	15%

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

	2021/22	
	AMOUNT	%
Total Operating Income	16,803	
Total Operating Expenses	11,642	
Value Added from Core Banking Services	5,161	
Other Incomes	95	
Non-Operating Income	34	
Non-Operating Expenses	63	
Impairment Charge	501	
Total Value Added by the Bank	4,727	100%
Number of Employees	1,584	
Value Added per Employee	3	
Distribution of Value applied		
To Employees(As salary and allowances)	1,924	41%
Towards Government (Corporate tax)	740	16%
To Shareholders (Cash and Stock)	0	0%
Cash Dividend		
Bonus Share		
For Expansion and Replacement of Assets	376	8%
As retained Income	1,687	36%
Total Value Applied	4,727	100%



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

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

HR DETAILS

The total number of employees of the bank has reached to 1,584 in the year as compared to 1,510 last year, with the increment of 74 employees in various positions. Total staffs at the end of FY 2021/22 constituted 59% male and 41% female staff. Diversity is a key enabler for long-term success which enables teams to bring diverse perspectives, make better decisions and manage risk. People with different backgrounds, education, skills and experiences can create sustainable values across the Bank. We are committed to gender diversity and have been providing equal employment opportunity to aspiring candidates who are fairly recruited through vacancies and internal job watch.

GENDER DIVERSITY

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

Composition of Male and Female Employees 2021/22

SHAREHOLDER	FEMALE	MALE	TOTAL
Managerial	21	94	115
Officer	152	314	466
Assistant	441	445	886
Support	16	62	78
Contract	13	26	39
	643	941	1584

3.67%

ATTRITION RATE
2020/21

6.78%

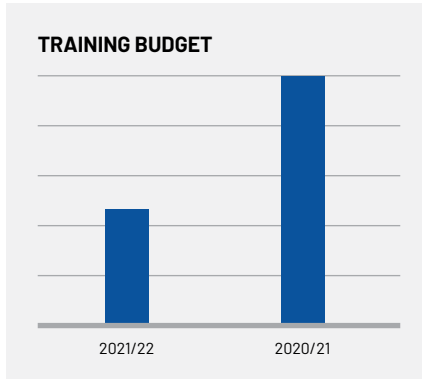
ATTRITION RATE
2021/22

Age wise composition 2021/22

AGE	NO. OF EMPLOYEES
18-25	144
26-34	980
35-44	354
45-54	102
55-64	4

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 2021/22 we emphasized on physical trainings along with the certification courses to enhance the employees know how. Similarly, the knowledge based tests were conducted in various domains.



During the review period, 2740 staffs were benefitted with internal and external trainings by the Machhapuchchhre Bank staff for skills and capacity development. The Bank has established itself as a platform for development of skills, knowledge, and capacity of employees, and various activities have been performed to ensure that the culture of gaining knowledge is developed among employees. Besides training and development activities, placement, transfer, job rotation, job enrichment, job enlargement, succession planning and cross functional teams are some of the tools we have been employing for the employee development.

Employees expect a fair return for what they contribute for their jobs. Employee motivation, satisfaction and commitment are the crucial factor towards high productivity which is affected by multiple factors among which financial benefits is a very important one. Market forces constantly pose a challenge to our HR strategy and retaining the best brains is not easy. Remuneration is one of the major factors affecting one's decision about joining, continuing or leaving an organization. Our Bank comprises of competitive Salary Packages along with various staff benefits and facilities. Our employee receives the benefit of housing loan, vehicle loan and other staff loan facilities as per their individual eligibility as guided by Staff Service Bye Laws.

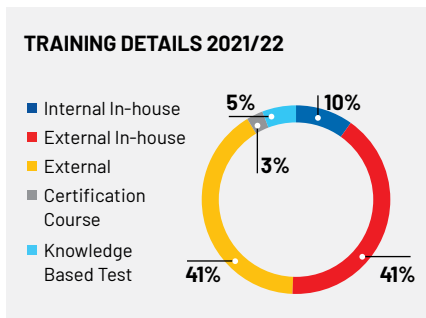
STAFF BENEFITS AND FACILITIES AND RECOGNITION

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

The Bank has been able to provide fair compensation to its employees, which is at par at the industry level. The Bank has been in the fore front in providing the best facilities be it in terms of the compensation packages or taking into consideration the health and wellbeing of the employees through attractive Insurance benefits, promoting the work life balance of the employees.

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

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



PERFORMANCE CULTURE

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

EMPLOYEE RELATION

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

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

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



Remittance Service.

“Remitap”, a digital wallet of Machhapuchchhre Bank has been launched. This significant step is taken by the Bank to provide better digital financial services which includes digital remittance as well.

Remitap”, a digital wallet of Machhapuchchhre Bank was launched which is a significant step is taken by the Bank to provide better digital financial services and digital remittance.

Bank has been working diligently to enable digital remittance from various parts of the world, allowing customers to send remittance home digitally from any nation to Nepal with best exchange rates and nominal charges. This move comes as part of MBL’s commitment to provide the best possible service to all of its account holders as well as the citizens of the nation.

Furthermore, the Bank has signed an agreement with Lalit Money Transfer



to enable digital remittance from the United States of America, Europe and other countries for which customers are facilitated with MBL’s website and mobile banking to send and receive remittance digitally, making the process quick and hassle-free.

Recently, the Bank also partnered with Lulu Exchange Limited to facilitate remittance from Gulf countries. With this partnership, customers can receive remittance in all MBL branches and the bank’s agent network of more than 11,000 locations.

With the aim to provide better remittance services, the Bank has formed business agreements with major industry players that includes Western Union, Money Gram, IME, Prabhu Money Transfer, City Express Money Transfer,

CG Remit, Xpress Money, Sewa Remit, Himal Remit, Samsara Remit, GME, IPay Reliable, EZ Link, Nepal Remit, Esara Remit, Nishi Forex and Leisure Limited, and Swift Remittances Inc.

MBL’s commitment towards providing excellent remittance services extends its use of digital technology to ensure that customers can access their money easily and conveniently.

With the launch of Remitap and partnership with Lalit Money Transfer along with other remittance companies demonstrates the bank’s commitment on providing top-notch digital remittance services to its customers. Its agreements with major industry players further reinforce its position as a leading provider of remittance services in Nepal.

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 manner of directing and controlling the actions and affairs of an entity.



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 149 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	DESIGNATION	DATE OF APPOINTMENT	PROCEDURE
1.	Dr. Upendra Mahato	Promoter	Chairman	2079/09/29 BS	24th AGM
2.	Mr. Roshan K.C	Promoter	Director	2079/09/29 BS	24th AGM
3.	Mr. Haribhakta Sigdel	Promoter	Director	2079/09/29 BS	24th AGM
4.	Mr. Mukunda Mahat	Independent	Director	2077/02/16 BS	421st BoD meeting
5.	Mr. Bishwo Prakash Gautam	Public	Director	2077/09/02 BS	22nd AGM
6.	Mr. Jaya Mukunda Khanal	Public	Director	2077/09/02 BS	22nd AGM
7.	Ms. Bandana Karki	Public	Director	2078/04/24 BS	429th BoD meeting

The Bank has 5 Board level committee. 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 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. Bishwo Prakash Gautam	Coordinator	Director
2.	Mr. Jaya Mukunda Khanal	Member	Director
3.	Mr. Mukunda Mahat	Member	Director
4.	Mr. Sunil Khatiwada	Member	Chief Operating Officer
5.	Mr. Bharat Kumar Lamsal	Member-secretary	Chief Risk Officer

The risk management committee (RMC) is constituted in line with the spirit of Risk Management Guidelines (RMG) of Nepal Rastra Bank and the NRB Unified Directives has received regular reporting and communication from the CRO and other relevant functions about the bank's current risk profile, current state of the risk culture, utilization against the established risk appetite, 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.

2. AML / CFT Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Ms. Bandana Karki	Coordinator	Director
2.	Mr. Haribhakta Sigdel	Member	Director
3.	Mr. Bharat Kumar Lamsal	Member	Chief Risk Officer
4.	Mr. Bhuvan Singh Khatri	Member	Chief Compliance Officer
5.	Mr. Roshan Thapaliya	Member-secretary	Incharge- AML/CFT

In order to effectively control the activities related to money laundering and for prevention of financing in terrorist activities, the Bank has set out the necessary policies and procedures as prescribed by the Asset (Money) Laundering Prevention Act, 2064, Asset (Money) Laundering Prevention Rules, 2073, Directives issued by Nepal Rastra Bank. An AML committee has been formed with the main objective of formulating and implementing necessary policies and regulations in the field of prevention of money laundering and financial investment in terrorist activities. In addition, a separate AML /CFT unit under Chief Compliance Officer has been set up at the central office of the Bank to monitor the policies and activities and KYC / AML officer has been appointed in each branch office to give necessary instructions and implement money laundering prevention act and directives. Capacity building of employees and necessary training on asset laundering and prevention of financial investment in terrorist activities is being conducted periodically for BODs, senior management, officers and employees of the Bank. To test the effectiveness of understanding in employees, improve staff awareness and drive a culture of compliance in a sustainable manner, AML assessment is being conducted annually.

3. Audit Committee

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

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.

4. Employee Service Facility Committee

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

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

Roles and Responsibilities of HR Services Committee are as follows

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

5. Merger and Acquisition Committee

S.N	NAME OF MEMBERS	POSITION IN THE COMMITTEE	DESIGNATION IN THE ENTITY
1.	Mr. Roshan KC	Coordinator	Director
2.	Mr. Bishwo Prakash Gautam	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

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

Apart from these, the Bank has formed organizational structure & sub committees to define the authorities and channels for the day to day operation and enhance the good governance practice in the Bank as well. In compliance with the code of Corporate Governance under Section 9, Sub-section 2 of NRB Unified Directive No.6/2079 the Bank has formed a separate Corporate Governance Unit monitoring the overall corporate governance status of the Bank.

Roles and Responsibility of the Compliance Department are as Follows:

- Assess the adequacy and effectiveness of the bank's Corporate Governance (CG) System and framework for the implementation of the provisions in NRB Directives and the bank's policies and procedures.
- Arrange to formulate policies, procedures and standards required for prudent Corporate Governance practice and their revision/ update at reasonable frequency.
- Regularly review internal/statutory/ NRB audit comments for their implementation.
- Review monthly monitoring report prepared by CG Unit to assess implementation and effectiveness of CG policies and procedures.

- Monitor whether or not the Board of Directors (BOD) has undertaken their roles and responsibilities and also assess adherence to the code of conducts by BOD and the Bank's staffs.
- Assess adequacy of board and management level sub-committees, sufficiency & appropriateness of the members, effectiveness of their functioning and provide feedback to the management/ board for necessary decisions / recommendations.
- Ensure compliance to regulatory provision and arrange to adapt international best practices in Transparency, Disclosure, Conflict of Interest and Compliance.
- Regularly review areas/ business activities that may arise issues related to CG and make recommendation for their effective management.
- Ensure all required activities for improving staff awareness and knowledge (Training, Knowledge Sharing Programs) in Corporate Governance.

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.

- To handle the hidden compromise on corporate governance related

issues, the Bank also promotes whistle blowing mechanism among staffs.

- Customer's grievances and suggestions are also taken care of through Grievance handling desk at every Branch and also through the customer complaints and suggestion box placed at every Branch which is accessed every month with proper approval from the Management level for the further course of actions from respective Departments and Branches towards solving the matter at the earliest.

COMMITMENT TO THE PROFESSIONAL DEVELOPMENT

Bank has made a major investment in the training and development of its entire staff with the e-Learning Portal. Available online, these self-study courses make it easy to learn, test and improve competency levels across a wide variety of banking-related Policies, Plans, Guidelines, and Product papers, 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.

REPORT ON COMPLIANCE *of* CORPORATE GOVERNANCE

As per Directive on Corporate Governance 2074 issued for listed entity

LISTED COMPANY

Machhapuchchhre Bank Limited

ADDRESS

MBL Tower, Lazimpat, Kathamandu.
PHONE NO: 014428556,
TOLL FREE NO: 1660-01-23234,
EMAIL: machbank@mb.com.np,
WEBSITE: www.machbank.com

FISCAL YEAR

2078/079 BS

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	5,23,11,493.56	51%
General Public Share	5,02,60,062.44	49%
Total Share	10,25,71,556	100%

C. Information of Board of Director

S.N.	DIRECTORS NAME & ADDRESS	REPRESENT GROUP	NO OF SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
1.	Name: Dr. Birendra Prasad Mahato Address: Kathmandu District Kathmandu Metropolitan city Ward no-9, Gaushala, Pinglastha, Citizenship No.:15-1172/1224/3165, Issued District : Siraha	Promoter	625,057	2075/09/20 BS	Oath of secrecy taken on 2075/09/20 BS for Director. & Oath of secrecy taken in front of NRB on 2075/09/24 BS for chairman	20th Annual General Meeting
2.	Name: Mr. Roshan K.C Address: Kaski District Pokhara, Metropolitan City-7, Mustangchwok. Citizenship No.: -80016, Issued District : Kaski	Promoter	15,21,707	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	10,20,536 (Ram Janaki Investment & Petroleum Suppliers -10,18,626 and Haribhakta Sigdel 1,910)	2078/03/03 BS	2078/03/03 BS	447th Board meeting.
4.	Name: Bishwa Prakash Gautam Address: Kaski District, Pokhara Metropolian City-7, Mustang Chwok Citizenship No.: -20945, Issued District : Rupandehi	General Public	1,877	2077/09/02 BS	2077/09/02 BS	22nd Annual General Meeting
5.	Name: Jaya Mukunda Khanal Address: Kathmandu District, Kathmandu -4, Baluwatar Citizenship No.: - 9516/6255 Issued District : Kathmandu	General Public	181	2077/09/02 BS	2077/09/02 BS	22nd Annual General Meeting

contd...

contd...

S.N.	DIRECTORS NAME & ADDRESS	REPRESENT GROUP	NO OF SHARE	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE
6.	Name: Bandana Karki Address: Kaski District, Pokhara -7, Mustang Chowk Citizenship No.:- 169188 Issued District : Kaski	General Public	86,839	2078/04/24 BS	2078/04/24 BS	449th Board meeting held on 2078/04/24 BS
7.	Name: Mukunda Mahat Address: Kathmandu District, Tokha Municipality -4, Dhapasi Citizenship No.:-930 Issued District : Nuwakot	Independent	Zero	2077/02/16 BS	2077/02/16 BS	421st Board meeting held on 2077/02/16 BS

General Public Director Ms. Shreejana Karki Bhattarai's resignation was approved by the 449th meeting of the Board of Directors of the Bank held on 2078-04-24. This information was given to Nepal Securities Board and other regulatory bodies on 2078-04-25.

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

S.N.	DIRECTORS NAME & ADDRESS	REPRESENT GROUP	DATE OF APPOINTMENT	DATE OF OFFICE & OATH TAKING	DIRECTOR APPOINTMENT PROCEDURE	INFORMED DATE
1.	Name: Bandana Karki Address: Kaski District, Pokhara -7, Mustang Chowk Citizenship No.:- 169188 Issued District : Kaski	General Public	2078/04/24 BS	2078/04/24 BS	449th Board meeting.	2078/04/25 BS

D. Board of Directors Meeting

S.N.	DATE OF BOD MEETING ON THIS FY 2078/079		NUMBER OF DIRECTOR PRESENT	NUMBER OF DIRECTOR DISSENTING ON DECISION	DATE OF BOD MEETING ON LAST FY 2077/078	
	DATE OF MEETING	NO. OF MEETING			DATE OF MEETING	NO. OF MEETING
1	2078/04/24 BS	449	6	None	2077/04/11 BS	425
2	2078/05/03 BS	450	7	None	2077/05/02 BS	426
3	2078/06/06 BS	451	7	None	2077/05/29 BS	427
4	2078/06/20 BS	452	7	None	2077/06/01 BS	428
5	2078/07/10 BS	453	7	None	2077/06/14 BS	429
6	2078/07/26 BS	454	7	None	2077/06/21 BS	430
7	2078/07/26 BS	455	7	None	2077/06/27 BS	431
8	2078/08/09 BS	456	6	None	2077/06/30 BS	432
9	2078/09/08 BS	457	7	None	2077/08/11 BS	433
10	2078/09/25 BS	458	7	None	2077/08/12 BS	434
11	2078/10/18 BS	459	7	None	2077/08/21 BS	435
12	2078/11/16 BS	460	7	None	2077/09/01 BS	436
13	2078/12/14 BS	461	7	None	2077/09/02 BS	437
14	2078/12/25 BS	462	7	None	2077/09/12 BS	438
15	2079/01/16 BS	463	7	None	2077/10/04 BS	439
16	2079/02/03 BS	464	7	None	2077/10/27 BS	440
17	2079/02/29 BS	465	7	None	2077/11/07 BS	441
18	2079/03/28 BS	466	7	None	2077/11/26 BS	442
				None	2077/12/12 BS	443
				None	2077/12/30 BS	444
				None	2078/01/15 BS	445
				None	2078/02/13 BS	446
				None	2078/03/03 BS	447
				None	2078/03/25 BS	448

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

Information on absence of Directors in Board Meeting

S.N.	DATE OF MEETING	ABSENT DIRECTOR NAME/SENT	REASON FOR ABSENT
1	2078/04/24 BS	Ms. Shreejana Karki Bhattarai	Ms. Shreejana Karki Bhattarai's resignation from Director
2	2078/08/09 BS	Ms. Bandana Karki	For personal reasons
Directors present in board meeting, agenda discussed & decision on (Minutes) kept separately or not.			Maintained properly
Maximum difference on two Board meeting (days)			38 days
Date of annual general meeting for determination of allowance of meeting (23rd Annual General Meeting)			2078/07/26 BS
Board meeting allowance (Per meeting)			Chairman: 18,000 Member : 15,500
Total Board Meeting Expenses for this FY			33,20,492

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
	Has each director submitted written information on following matter within 15 days from the date of appointment, details if not.M			
	<ul style="list-style-type: none"> ■ Details of any contract entered into/to be entered by the director or any close member of his family with the organization. ■ Details of shares or debentures held by the director or close member of his family of entity or of its holding or subsidiary company. ■ Details of share hold or directorship in any other company ■ Details of any close family member working as officer or employee of the entity, 			Self-declaration obtained from directors pursuant to the section 92(1) of the Companies Act 2063 and Section 24 of the Banks & Financial Institutions Act 2073
	Details of director who is also a director, officer, CEO or employee of other listed entity which has similar objective as the entity			Not applicable
	A description of any action taken by the regulatory body and other agencies against member of the Board			There is no information that such action was taken

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

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

B. Information regarding Risk Management Committee

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

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK
1	Mr. Jaya Mukunda Khanal	Coordinator	Director
2	Mr. Mukunda Mahat	Member	Director
3	Mr. Bharat Kumar Lamsal	Member Secretary	Chief Risk Management Officer
4	Mr. Sunil Khatiwada	Member	Chief Operating Officer (COO)

b. Number of Committee Meeting: 6 time (F.Y 2078/079)

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

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

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

E. Details of Internal Control System Committee:

i. Credit Risk Management Committee

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

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK
1	Mr. Bharat Kumar Lamsal	Coordinator	Chief Risk Management Officer
2	Mr. Sarju Kumar Thapa	Member	DCEO
3	Mr. Prasadha Raj Aryal	Member	DGM -Business
4	Mr. Suvash Jamarkattel	Member	AGM- Business
5	Mr. Dilli Ram Giri	Member	CBO- Province 1 & 2
6.	Mr. Tika Bhattarai	Member	CBO- Province 3 Ka & 3 Kha
7.	Mr. Ajay Acharya	Member	CBO- Province 3 Ga & 4
8.	Mr. Kumar Gnawali	Member	CBO- Province 5,6 & 7
9.	Mr. Binit Chandra Jha	Member	Chief Corporate & Infrastructure Loan
10.	Mr. Manish Dahal	Member	Chief SAM
11.	Ms. Reshma Shakya	Member	Head Treasury Front
12.	Mr. Manish Upadhyay	Member	Head Corporate Credit Risk (SME & Retail)
13.	Mr. Abhishek Niroula	Member Secretary	Head Corporate Credit Risk (Corporate & Infrastructure)

b. Number of Committee Meeting: 3 time (F.Y 2078/079)

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

ii. Operation Risk Management Committee

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

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK
1	Mr. Bishwambhar Neupane	Coordinator	DCEO
2	Mr. Bharat Kumar Lamsal	Member	Chief Risk Management Officer
3	Mr. Sunil Khatiwada	Member	Chief Operating Officer (COO)
4	Mr. Manish Upadhyay	Member	Head Corporate Credit Risk (SME & Retail)
5	Ms. Puspa Shrestha Piya	Member Secretary	Incharge-Operation Risk Department

b. Committee Meeting held number : 4 time (F.Y 2078/079)

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	2078/07/23 BS , 2078/07/24 BS, 2078/06/21 BS, 2078/07/01 BS
Information of Special General Meeting		Not any
Annual Report	News Paper, Website	2078/07/26 BS, Place on Website
3rd Quarter Report	News Paper	2079/04/07 BS & 2079/07/07 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: 2078/07/26 BS

5. DETAILS OF STAFF & INSTITUTIONAL STRUCTURE

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

B. To attached the Organizational Structure: Has Been attached

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

S.N	NAME	POSITION	EDUCATION	EXPERIENCE
1	Mr. Santosh Koirala	Chief Executive Officer	MBA	Pragya Acedemy- 1996 to 2000 Bank of Kathmandu 2000 to 2004 Sanima Bank 2004 to 2013 Machhapuchchhre Bank 2013 to till now
2	Mr. Sarju Kumar Thapa	DGM- Business	MBA	Bank of Kathmandu 2000 to 2004 Machhapuchchhre 2004 to 2005 Sanima Bank 2005 to 2013 Machhapuchchhre Bank 2013 to till now
3	Mr. Bishwambhar Neupane	DGM- Operation	MBA	Everest Bank 1997 to 1999 NIC Bank 1999 to 2004 Machhapuchchhre Bank 2004 to till now
4	Mr. Prasadha Raj Aryal	AGM	MBA	Nepal Investment Bank 2004 to 2007 Sunrise Bank 2007 to 2009 Civil Bank 2010 to 2020 Machhapuchchhre Bank 2020 to till now

D. Other Details Regarding Staff

STRUCTURED STAFF POSITION	REMARKS
The Procedure adopted when recruited new staff M	Open Competition & talent Hunt- Employee Service by Law, 2074
Number of staff at Managerial Level	115
Total staff at service	1,584
Whether or not employee have a succession plan	Yes
Number of Participated staff & training on this FY 2077/078	No. of Training : 170 No. of participated staff: 3348
Training expenses on FY 2077/078	NPR 16,789,521.00
Percentage of Staff expenses on total expenses	13.32% (56.64 % of total Operational expenses)
Percentage of Training expenses on total staff expenses	0.87% (Total expenses of FY 2078/79)

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	2079/09/01 BS
Published date of third quarter financial statement	2079/04/07 BS
Accomplish date of final audit	2079/09/01 BS
Approved date of Financial Statement from Annual General Meeting	2078/07/26 BS
Internal Audit related details of Organization:	
a. Internally audited or appointed external expert	No any external expert appointed for
b. Details if appointed external expert	Internal Audit
c. How much longer the internal audit done? (Quarterly or Annually)	

B. Details of Audit Committee**Name, Post & Education of Coordinator & member:**

S.N	NAME	POST IN COMMITTEE	DESIGNATION IN BANK	EDUCATION
1	Mr. Mukunda Mahat	Coordinator	Director	CA
2	Mr. Bishwa Prakash Gautam	Member	Director	BBA
3	Mr. Surendra Pathak	Member Secretary	Head Internal audit	CA

Date of Meeting & Number of Member Present:

S.N.	DATE OF MEETING	NUMBER OF MEMBER PRESENT	S.N.	DATE OF MEETING	NUMBER OF MEMBER PRESENT
1	2078/04/29 BS	3	9	2078/09/11 BS	3
2	2078/05/15 BS	3	10	2078/09/27 BS	3
3	2078/05/30 BS	3	11	2078/10/06 BS	3
4	2078/06/06 BS	3	12	2078/12/10 BS	3
5	2078/06/14 BS	3	13	2078/12/20 BS	3
6	2078/06/25 BS	3	14	2079/01/06 BS	3
7	2078/07/14 BS	3	15	2079/02/20 BS	3
8	2078/07/23 BS	3	16	2079/03/28 BS	3

Allowance per meeting	NPR 15,500 including tax to Board of director NPR 12,000 including tax to Board of director till 231st Meeting
The date the Audit Committee submitted its report to Board of Directors:	The Audit Committee has submitted its report of its proceedings and the Board of Directors meeting decisions of each committee to the Board of Directors

A. Other Details

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

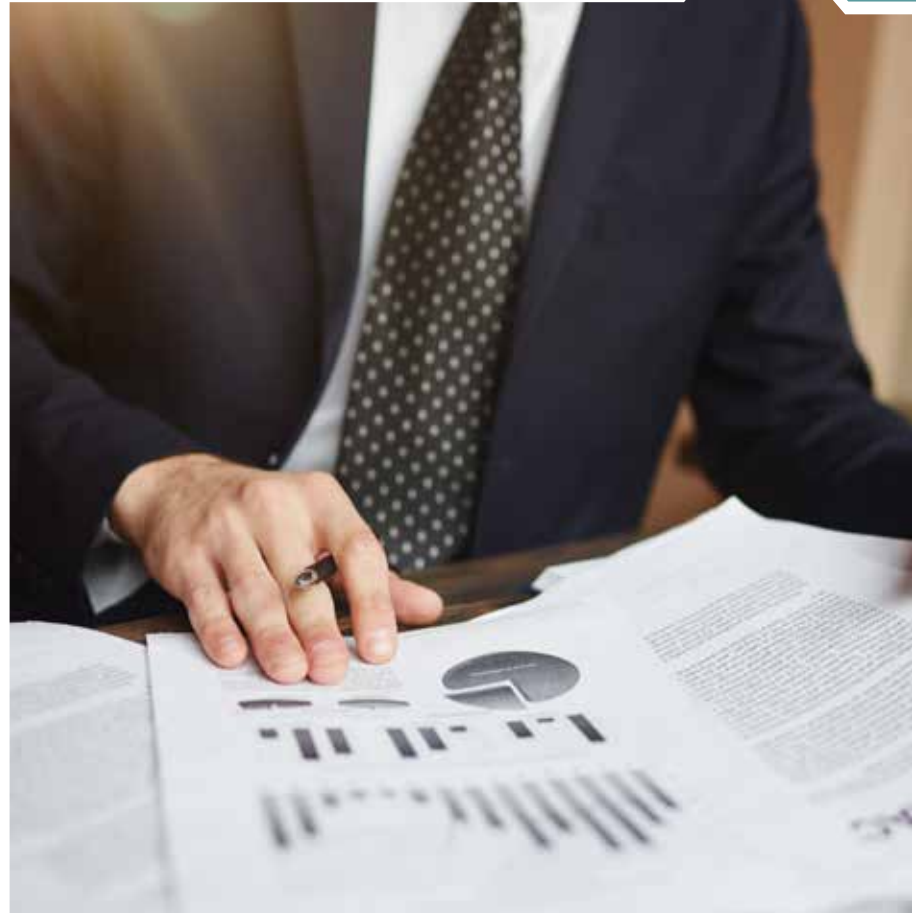
NOTE: It was done as directed by the Nepal Rastra Bank during that period.

Director's Report

Dear Shareholders,

On behalf of the board and the Bank, I would like to extend my warm welcome to all the respected shareholders, the external auditor, the legal advisors, the Chief Executive Officer and the employees of the Bank.

Thank you all for joining us in the 24th Annual General Meeting program of Machhapuchchhre Bank Limited. As you have entrusted us with the responsibility of Board of Directors of the Bank for making it stronger, remarkable and ever growing; your trust confidence and faith towards us have undoubtedly fueled up our efforts towards continued commitment for the prosperity and sustainability of the Bank. We assure you that we will always be working relentlessly and committed to staying afloat with even



more conviction to live up to the expectation and embody faith.

I would like to present to you the Statement of Financial Position as on 16 July 2022, Statement of Profit or Loss for the Fiscal Year 2021/22, 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

The Russia-Ukraine war has caused decline in world economic growth rate. The world economic growth rate which was 6.1% in 2021 has been decreased to 3.6% in 2022 by International Monetary Fund (IMF). The economy of developed nations which was 5.2% in 2021 has been projected to be decreased to 3.3% in 2022. Similarly, the economy of developing nations which was 6.8% percent in 2021, has been projected to be decreased to 3.8% in 2022. Russia-Ukraine war has also affected the international trade. The world trade volume which was 10.1% in 2021 has been projected to be 5% in 2022 as per IMF.

Inflation in developed countries which was average of 1.5% in last decade, is projected to be 5.7% in 2022 while in emerging and developing countries is projected to be 8.7% in 2022 as compared to average of 5.1% in last decade. The commercial banks have followed the directions given by the tight monetary policies to increase the interest rates to control the inflation. American Federal Reserve, Bank of Canada, Indian Reserve Bank have increased the interest rates many times in recent months. American Federal Reserve has increased the federal fund rate by 75 base point to 1.5%-1.75% in June 2022. Indian Reserve Bank has increased the rate by 40 base point

and 50 base point in May and June respectively to 4.90%.

ECONOMIC SITUATION OF THE NATION

A Scenario

In recent times the economic activities have been affected world-wide by Russia-Ukraine war. There has been a significant increase in petroleum products and food items. World trade activities and credit flow has been affected. This has added challenges to the economy affected by Covid. To resolve the global inflation problem, central banks have withdrawn the relief programs and regulatory rebates implemented earlier and to address the unstability as seen in economy, monetary policy has been made tight.

In the context of Nepal, the price and outside factors and tight investable securities has brought challenges in the revival of economy and economic growth rate.

In fiscal year 2021/22, though the average inflation rate has been in the limit specified but due to increase in price of petroleum and food items, high inflation rate in neighbouring countries, blockade in imports and increase in US dollar rate, inflation has increased. Due to lowest production capacity and increased consumption, the ratio of import in GDP in FY 2021/22 is around

40%. The current account loss is estimated to be 13% of GDP. There is a huge gap between the inflow of foreign exchange in the country due to export of good & services, remittance inflows, foreign investment and foreign aid and outflow of foreign exchange from the country due to import of goods and services.

The economic growth rate for Fiscal year 2021/22 is 5.84% whereas in FY 2020/21 it was 4.25%. The main reason for economic growth has been electricity production, construction and revival of tourism sector. In Fiscal year 2021/22, the ratio of Gross Domestic Product to Gross Domestic Saving is estimated to be 9.27% and the Gross National Savings to 31.95% which were 7.71% and 33.3% respectively in the fiscal year 2020/21. The ratio of total fixed capital formation to GDP is estimated to be 29.37% which was 29.85% in the previous fiscal year.

Inflation

Due to increase in price of petroleum and food items globally, blockade in imports and increase in US dollar rate, the inflation has increased rapidly in last months of FY 2021/22. The annual average Consumer Price Inflation in Fiscal Year 2021/22 stood at 6.32% which was at 3.60% in previous year. The inflation rate on transportation, education, furnishing and domestic equipments & entertainment and

cultural sub-group is 15.82%, 8.78%, 7.09% and 6.68% respectively. The annual Consumer Price Index (CPI) is 8.08% in July 2022 which was 4.19% in July 2021. Such rate is 6.71% in India in July 2022. The inflation rate in FY 2021/22 for food items like ghee and oil, pulses, tobacco products and liquor products is 26.13%, 9.92%, 9.84% and 8.57% respectively. The consumer inflation in Fiscal Year 2021/22 in Kathmandu valley, Terai, Hilly and Himalayan is 5.73%, 6.41%, 6.87% and 6.07% respectively which was 3.33%, 3.68%, 3.87% and 2.87% respectively in previous year.

Foreign Trade

Total exports of goods increased by 41.7% during Fiscal year 2021/22 reaching NPR 200.3 Billion. Last year such exports had increased by 44.4%.

Export direction shows an export to India and other countries increased by 45.9% and 30.4% respectively while export to China declined by 20.4%. In the Fiscal year 2021/22 total import increased by 24.7% to NPR 1920.45 billion. Such import had increased by 28.7% in FY 2020/21. Depending on the country of import, import from India, china and other countries increased by 23.5%, 13.2% and 36.3% respectively.

The trade deficit has increased by 23% reaching NPR 1,720.42 billion which was 27.3% in previous year. The export-import ratio reached to 10.4% which was 9.2% in the previous year.

Remittance Inflows

In Fiscal Year 2021/22, remittance inflows increased by 4.8% amounting to NPR 1007.31 Billion. Last year such remittance inflows increased by 9.8%. Remittance inflows increased by 2.2% in US dollar reaching NPR 8.33 Billion which was increased by 8.2% in the previous year.

Numbers of Nepali workers taking

final labor approval (institutional and personal - new and legalized) have increased to 354,660 in FY 2021/22 which had declined last year by 62.8%. Number of Nepali workers migrating for foreign employment based on renewal work permit increased by 198.5% and reached to 282,453. Last year such number decreased by 46.8%. Net transfer income increased by 4.3% to NPR 1117.88 Billion in the FY 2021/22. Such transfer had increased by 9.1% in the previous year.

Foreign Exchange Reserve

Gross Foreign Exchange Reserves remains at NPR 1,215.80 billion in Mid-July, 2022 which had declined by 13.1% of NPR 1,399.03 billion of Mid-July, 2021. In terms of US Dollar, the Gross Foreign Exchange remains at NPR 11.75 billion in Mid-July, 2022 which has decreased by 18.9% of NPR 9.54 billion in Mid-July, 2021. Of the total foreign exchange reserves, reserves held by Nepal Rastra Bank (NRB) decreased by 15.1% and remains at NPR 1056.39 Billion in Mid-July, 2022. This was NPR 1,226.12 Billion in Mid-July, 2021.

Reserves held by Banks and Financial Institutions (except NRB) remains at NPR 159.41 Billion in Mid-July, 2022. This was NPR 154.39 Billion in Mid-July, 2021. The share of Indian currency in total reserves stood at 23.6% in Mid-July, 2021. The foreign exchange reserve is adequate for import of goods for 7.8 months and import of goods and services for 6.9 months. The ratio of foreign exchange reserve to GDP, Gross Import and Broad money supply is 25.1%, 57.8% and 22.1% respectively in Mid-July 22. These ratios were 32.7%, 84.7% and 27.1% respectively in Mid-July 2021.

Exchange Rate

Nepalese currency vis-à-vis US Dollar appreciated by 6.64% in Mid-July, 2022 compared to Mid-July, 2021. It had appreciated by 1.1% in the same

period of the previous year. The buying exchange rate per US Dollar stood at NPR 127.51 in Mid-July, 2022 compared to NPR 119.04 in Mid-July, 2021.

Deposit Collection and Loan Disbursement

The total deposits of Bank and Financial Institutions (BFIs) has increased by 13.1% during the review year. It had increased by 27.3% in the previous year.

In Mid-July 2022, out of loan disbursed to private sector, non-banking institute constitutes 63.3% and personal loan constitutes 36.7%. Last year such ratio 63.6% and 36.4% respectively. Out of loan disbursed to Private Sectors, Commercial Banks, Development Banks and finance companies has increased by 12.7%, 13.9% and 29.8% respectively. Out of total investment of BFIs, 66.4% of loan was secured by real estate and 12.3% loan was secured by current assets (agricultural and non-agricultural goods). It was 66.1% and 12.7% respectively in the same period previous year.

Loan of BFIs to agriculture sector increased by 19.7%, industrial production sector increased by 8%, transportation, communication and public sector increased by 15.7%, wholesale and retail trade industry increased by 13.3% and service industry sector increased by 8.7% in the review period. In the review period, term loan extended by BFIs increased by 28.4%, overdraft increased by 13.3%, trust receipt (import) loan decreased by 61.9%, demand and working capital loan increased by 15.2%, real estate loan (including residential personal home loan) increased by 17.5%, margin nature loan decreased by 24.3% whereas hire purchase loan decreased by 2.2%.

Liquidity Management

In the review period, total liquidity of NPR 60 Billion has been mobilized by raising 28.35 Billion through reverse

repo and NPR 31.65 Billion through bidding. In the same period of previous year, liquidity of NPR 303.29 billion was mobilized. In the fiscal year 2021/22, total liquidity of NPR 9,702.41 billion has been mobilized by raising NPR 476.39 billion through reverse repo, NPR 55.92 billion through direct purchases and NPR 9170.11 through standing liquidity facility. Liquidity of NPR 438.28 Billion was mopped up in the corresponding period of the previous year. In the review period, NRB injected liquidity of NPR 355.57 Billion through the net purchase of USD 2.91 Billion from foreign exchange market (Commercial Banks). NRB injected liquidity of NPR 425.94 Billion through the net purchase of USD 3.60 Billion from foreign exchange market (Commercial Banks) in the corresponding period previous year. NRB purchased Indian currency (INR) equivalent to NPR 595.23 Billion through the sale of USD and other convertible foreign currencies 4.92 Billion in the review period. In the previous year NRB purchased Indian currency (INR) equivalent to NPR 535.23 Billion through the sale of USD 4.54 Billion and other convertible foreign currencies in the corresponding period of the previous year.

Interest Rate

The weighted average 91-day Treasury bills rate remain at 10.66% in July, 2022 from 4.55% in July, 2021. The weighted average inter-bank transaction rate among commercial banks reached to 6.99%, which was 4.12% in July, 2021. The interest spread rate that is known to be the aim of operating monetary policy stood at 7.01%. The average base rate of commercial banks stood at 9.54% in July, 2022 from 6.86% a year ago. Weighted average deposit and lending rates of commercial banks stood at 7.41% and 11.62% respectively in July 2021. Such rates were 4.65% and 8.43% 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 245 till July, 2022. Out of which, the license of 178 BFIs was revoked thereby forming 67 BFIs.

Financial Access

Of the total 753 local units, Commercial Banks extended their branches at 752 units as of July, 2022. The number of branches extended by Commercial Banks were 750 as of July, 2021. The total number of BFIs licensed by NRB stood at 126 in July, out of these 26 Commercial Banks, 17 Development Banks, 17 Finance Companies, 65 Microfinance Financial Institutions and 1 Infrastructure Development Bank are in operation. The number of BFIs branches reached 11,528 in July, 2022 from 10,683 in July, 2021.

Deposit and Credit Guarantee

Deposit and Credit Guarantee Fund (DCGF) has made Deposit Guarantee of NPR 879.22 Billion to the Saving, Current, Call and Fixed Deposit of 62 banks and financial institution belonging to 36.14 Million Natural Persons that was deposited within Mid July, 2022. In Mid-July, 2021, Deposit Guarantee was done amounting NPR 811.31 Billion worth of deposits belonging to 29.64 Million depositors. Likewise, DCGF has made Credit Guarantee amounting NPR 264.07 Billion of Micro & Deprived Sector Loan, Small and Medium Enterprise Loan and Agriculture Loan. In Mid-July, 2021, Credit Guarantee worth 210.33 Billion had been done.

Capital Market

The NEPSE index has reached 2,009.50 in mid-July, 2022 which was 2,883.40 in mid-July, 2021. The stock market capitalization stood at NPR 2,869.34 Billion in the review year which was NPR 4,010.96 Billion in the corresponding

period of the previous year. The number companies listed in NEPSE has reached 234 which was 219 in the previous year. Out of the total listed companies 146 are bank and financial institutions and insurance companies, while 51 belong to hydropower companies, 19 to manufacturing and processing industries, 5 to hotels, 6 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 67.3%, Hydropower Company 11%, Investment Company 6.9%, manufacturing and processing industry 4.3%, hotel 1.6%, business 0.4% and other companies 8.5%. The paid up value of 6.77 billion shares listed in NEPSE has reached NPR 667.75 Billion in July 2022.

In the fiscal year 2021/22, the development bond worth 89.50 Billion, bonus share worth 55.89 Billion, ordinary shares worth NPR 23.28 Billion, debenture worth NPR 53.22 Billion, mutual funds worth NPR 3.75 Billion and right shares worth NPR 11.97 Billion and additional NPR 237.61 Billion securities has been listed. During the review period, Nepal Securities Board (NEPSE) has allowed for public issue of debenture worth NPR 12.48 Billion, ordinary shares worth NPR 7.20 Billion, right shares worth NPR 4.79 Billion and mutual funds worth NPR 6.90 Billion with total NPR 31.37 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 5 months of Current Fiscal Year is depicted as below:

(Amount in crore)

S.N.	HEADING	16 JULY, 2022	15 DECEMBER, 2022
1.	Paid Up Capital	1,025.72	1,025.72
2.	Deposit	15,009.89	14,681.75
3.	Investment	2,432.74	2,466.13
4.	Loan and Advances	13,118.07	13,417.62

* Above details has been presented by accounting under NFRS.

Deposits have decreased by NPR 3.28 Billion (-2.19%), Investments have increased by NPR 533.9 Million (2.21%) in the first five month of current fiscal year compared to Mid-July, 2022 Whereas Loans and Advances have increased by NPR 2.99 Billion (2.28%).

An overview of business of previous Fiscal Year 2021/22

The key indicators of financial achievements of the Bank in Fiscal Year 2020/21 and 2021/22 are as follows:

Net interest income has increased by 12.10% while interest income and interest expense have increased by 36.55% and 52.18% respectively. Employee Expenses and other operating expenses have increased by 8.71% and 23.08% respectively in the review period.

The ratio of total Non-Performing Loan stands at 1.04% which was at 0.62% 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 12.61%, whereas Book Value per Share and Net Profit has increased by 0.61% and 4.93% respectively.

(Rs in Million)

HEADING	2020/21	2021/22	INCREMENT (IN %)
Paid Up Capital	9,053.10	10,257.20	13.30%
Net Worth	12,864.10	14,485.80	12.61%
Deposit	134,481.50	150,098.90	11.61%
Investment	19,803.80	24,327.40	22.84%
Loans and Advances	117,286.60	131,180.70	11.85%
Interest Income	11,155.50	15,232.40	36.55%
Interest Expense	6,804	10,354.30	52.18%
Net Interest Income	4,351.50	4,878	12.10%
Other Income	1,597.40	1,665.90	4.29%
Employee Expense	1,769.50	1,923.70	8.71%
Operating Expense	890.80	1,096.40	23.08%
Operating Profit	2,469.50	2,455.10	0.58%
Net Profit after tax	1,607.50	1,686.70	4.93%
Loan Loss Provision	2,054.50	2,555.80	24.40%
Non-Performing Loan	0.62%	1.04%	67.74%
Total Assets	158,213.50	178,727.30	12.97%
Capital Adequacy	12.06%	13.63%	10.81%
Book Value per Share	142.1	141.23	0.61%
Market Price per Share	385	254	-34.03%
Number of branches (including extension counter)	166	173	4.22%
Number of ATMs	203	207	1.97%
Total Employees	1510	1584	4.90%

Paid Up Capital and Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) remains at 13.36 % during the Fiscal Year 2021/22.

This CAR ratio is higher by 2.36% 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 11.61% from the previous fiscal year and reached NPR 150.09 Billion. The average growth rate of commercial banks is about 8.09%. 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 2078/79. 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	IN %
Individual Deposit	72.46
Institutional Deposit	27.53
Total Deposit	100.00

Loan and Loan loss provision

Bank's total loan amount has increased by 11.85% from the previous year and reached NPR 131 Billion in the review period. The average growth of commercial banks during the same period was 12.20%.

With the view to increase investment, a total of 6.91 Billion deprived sector loans have been disbursed which is 5.18% 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 3.10% 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 10.96% and 17.63% in Agriculture sector and Energy and Tourism sector respectively. Along with that, the deprived sector lending of the Bank is 5.18% 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 2.05 Billion and reached NPR 2.55 Billion. NPR 501.2 Million has been provisioned for loan loss purpose for this year which has decreased by 34 Million as compared to last year. The loans classified as Watch-list have decreased by 1.03 Billion as compared to last year. The ratio of Non-performing loan to total loan loss provision is 1.04%. Last year, the ratio of total bad loan to total loan was 0.28%, which has increased this year and has remained at 0.37%.

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 22.84% from last year and has reached 24.33 Billion within the review period. Out of the total investment, the Bank has invested 5.53%, 88.11% and 6.36% 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 198.5 million in Mutual Funds and Shares. Major investments, made in the capital market, are in those companies which provide dividends as sustainable earnings on a long-run. The Bank has earned NPR 1.42 Million from such investments in the review period.

Interest Income

The interest income of the Bank has increased by 36.55% amounting 15.23 Billion in the review period. In the same period, the Bank's interest income from loan has increased by 36.41% amounting 13.95 Billion whereas the interest income from other investments has increased by 38.02% amounting 1.28 Billion.

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 1.33 point and the interest remained 10.43% 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 5.69% in final

quarter which was also 4.75% in the first quarter.

Interest Expenses

In the review period, Bank's interest expenses has increased by 52.18% and reached 10.35 Billion. In the same duration, the Bank's interest expenses on deposit has increased by 45.13% and reached 9.23 Billion. According to the strategy to increase CASA ratio in overall deposit, the Bank has introduced various saving deposit schemes. The Bank is confident that the cost of the Bank's deposits will gradually improve in the coming days and the cost of the overall Bank's funds will be reduced. As a result, bank's yearly average interest on deposits increased by 1.94 points and remained at 6.67%.

Net Interest Income

The net interest income has reached 4.78 Billion which has increased by 12.10% from last year as a result of effective management.

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

Net Fees and Commission Income

Net fees and commission income based on non-fund are also the major sources of income of the Bank. This year, the Bank has earned NPR 1.16 billion from commission and other operating income, which is an increment of 14.95% 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 decreased by 51.60% and reached NPR 95 Million in the review period which was NPR 196 Million in the previous year.

Staff Expenses

Bank's net staff expenses has increased by 8.71% and reached NPR 1.92 Billion in the review period which was NPR 1.77 Billion in the previous year.

Total number of staffs has reached 1,584 in the review period with the addition of 74 new staff from 1,510 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 16.7 Million. As per the circular for FY 2078/79 issued by Nepal Rastra Bank, it is necessary to spend 3% and the bank has allocated NPR 17.60 Million for Skill enhancement fund. Bank believes that human resources are the most valuable assets an organization can own. The Bank also believes that the expenses made to hire required number of staffs and to strengthen their skills are not expenses but investments which shall make the Bank more capable and increase business along with the profit in the coming years.

Underwriting and Depreciation

Bank's underwriting and depreciation has increased by 97.91% and reached NPR 376.4 Million in the review period which was NPR 190.2 Million in the previous year.

Other Operating Expenses

In the review period, Bank's other operating expenses has increased by 23.08% and reached NPR 1.10 Billion,

which was NPR 890.7 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 0.94% in the previous year too.

Payment made by the Bank Regarding Income tax and Tax Deducted at Source

The Bank has contributed to the IRO by depositing withholding tax payment of NPR 985.1 Million and paying tax of NPR 976.7 Million, thereby contributing total of NPR 1.97 Billion.

Details of distribution of Profit/ Loss

Bank has earned a total profit of NPR 1.68 Billion in this fiscal year and the details of the profit distribution details is as follows:

	(Rs in Million)	
DETAILS	CURRENT YEAR NPR	LAST YEAR NPR
Accumulated profits up to last year	1,271.7	981.30
Adjustment	7.60	2.80
Total	1279.30	984.10
Transfer from Share Premium	-	-
This year's profits	1,686.60	1,607.50
Employee Skills Enhancement Reserve		
Investment Adjustment Reserve		
Total	2,965.90	2,591.60
Distributions		
General Reserve	337.30	321.50
Cash Dividends	634	285.10
Skill Enhancement Fund	176	0
Bonus Shares issued	1204.1	594.60
Exchange Equalization Reserve	12.7	9.60
Corporate Social Responsibility Reserve	16.80	16.10
Debenture Redemption Reserve	428.5	0
Regulatory Reserve	288.10	93.00
Total	2,368.60	1,319.90
Accumulated Profit/ Loss	597.2	1,271.7

Bank has appropriated 20% of its net profit i.e. NPR 337.30 million as General Reserve. Similarly, appropriation in Exchange Equalization Reserve, Corporate Social Responsibility Reserve and Regulatory Reserve stands at NPR 12.7 Million, 16.8 Million and 288.10 Million.

Bank has appropriated 1% of its net profit i.e. NPR 16.8 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 597.2 Million after the fund distributions and transfers.

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 13 lakh customers across the country through a total of 165 branch offices. During FY 2021/22, rather than opening new branches, bank has focused on providing efficient services from already existing branches. Due to the economy affected by Covid, it was more challenging to operate all the branches without any hindrance than opening new branch. The bank has focused on better and digitalized banking services. Therefore in review period, bank has extended its banking services in one branch office in Simle of Dhading district and extension counters in Custom office of Darchula district and bandipur of Siraha district and 22 branchless banking (BLB). The total number of BLBs in different districts have reached 156. 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 FY 2021/22, bank has introduced three deposit plans among its customers: "MBL Smart Plus Saving Account", "MBL Smart Square fixed deposit" and "MBL New smart salary

account". All the deposit plans have different interest rates and ables the account holder to operate the account and keep information about the accounts. Similarly for non-residents Nepali residing outside Nepal, bank has introduced "NRN Bachat Khata" where NRN can open accounts in Machhapuchchhre Bank in foreign currency (Dollar, Pound, Euro or Japanese Yen) online.

Machhapuchchhre Bank has upgraded its digital front on Omni channels. Through this the bank's customers can operate the account in mobile, tablet, laptop and Dektop terminal in same way. With the start of Fone loan facilities, bank has also taken steps in digital loan sector where the customers can process the loan in short time through mobile. Similarly the bank has also introduced the facility of linking the digital wallets like esewa and khalti with the accounts so that the customer does not have to load in wallet and can transact directly from bank account through wallet. This facility has not only saved the time of the customer but also earn interest in the deposit remaining in the account.

Apart from this, to facilitate the digital payment, bank has started Nepal Pay QR which is operated QR network by Nepal Clearing House (NCHL). To ease the merchant payments, bank has also introduced Anroid POS which supports billing system integration and card and QR payments can be done through this.

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. Bank has been able to establish itself as first "Smart Bank" and has been continuously working towards it.

Corporate Social Responsibility

BFI's have to allocate at least 1% of its profit on Corporate social responsibility (CSR) as per the provision of directives. 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 for in setting up the CCU ward in Shahid Gangalal Hospital. The bank also assisted in the construction of block in school ground of Birendra Higher secondary school, Bhadrapur Jhapa. Similar to that bank has also been involved in financial literacy, tree plantation, sanitation, etc.

Some of the major activities performed under corporate social responsibility in the FY 2021/22:

S. NO.	ACTIVITIES	AMOUNT (NPR)
1.	Provision of CCU Ward in Shahid Gangalal National Heart & Research Centre	3,704,983.88
2.	Assistance in keeping block in school grounds of Birendra H.S. School	500,000
3.	Tree plantation in World environment day (June 5)	65,000
4.	Plantation in Maharajgunj, Kathmandu	435,050
5.	Production of film based on banking knowledge and social awareness	878,000
6.	Expenses to control Covid	2,525,168.57
7.	Financial Literacy programs conducted through branches	174,556

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. Bank has entered into agreement with Lalit Money transfer for providing remittance services to the customers of USA & Europe. Through this service, customer can send money from any place to any friends and family in bank accounts in Nepal. This service is available in Machhapuchchhre bank's mobile banking and website.

The bank recently signed agreement with Lulu Exchange Limited for remittance service. Therefore the bank shall receive remittances from every branch and more than 10,000 payment centers throughout the country.

In addition, the Bank have undergone agreements with various national and international remittance organizations like Western Union, Money Gram, IME, Prabhu Money Transfer, City Express Money Transfer, CG Remit, 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. Bank has entered into agreement with Nishi Forex and Leisure Limited in India and Swift Remittances Inc. for remittance services.

Information Technology

Machhapuchchhre Bank has been providing customer friendly, simple and secure banking service, through advanced technologies.

The bank has been trying to incorporate various internal and external processes to take the banking experience of customers to a new level and be the first choice of digital bank in Nepal.

For the overall development of digital banking and to make the banking

experience easy for customers, bank has started various plans with utmost importance. It has also incorporated latest technologies like Artificial Intelligence and Machine Learning. Through artificial intelligence based Chat bot, various services like credit disburse from mobile banking and also KYC, Meroshare, Demat, Delivery channel application can be made available to customers online.

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

With the development of technologies, the security risks associated with it cannot be ignored. Bank has analysed such risks and to control such risks bank has invested in latest technologies.

Human Resource Management

As of Mid- July 2022, the total number of staffs is 1,584 where the number of management level staff is 115 and the number of staffs working in other level is 1,469. During the review year the Bank has appointed 180 new staffs whereas 105 staffs has discontinued serving the bank. Among the total staffs, Bank has 643 (i.e. 40%) of female employees. In order to motivate and enhance the work efficiency of the staff, the Bank has been implementing Performance Management 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.

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.

Employee 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	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- Mr. Anil Babu Adhikari	Member Secretary

The main objective of the Staff Services and Facilities Committee is to prepare the policy and criteria related to the Workforce Management of the Bank 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 five hundred customers have been using the loan service at concessional rates. In collaboration with Sakchyam-Access to Finance program and Heffer International Nepal, it can continued to disburse loans to agricultural and women entrepreneurs in different districts.

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

Corporate Governance

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

basis by forming a separate institutional good governance, 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, as per clause 7 of NRB Directive no. 6/078 to make the Bank's operations quick efficient and scientific and to decide on other necessary strategies.

Internal control system

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

More than 147 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 24th 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 2021/22 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 Manipulation of the Board of Directors

The Board of Directors of the Bank comprises total of 7 directors that includes 3 from ordinary shareholders and 1 independent director. Therefore followings are the Board of Directors of Machhapuchchhre Bank Limited.

- Chairman Dr. Upendra Mahato (On Behalf of Promoter shareholders) (471st meeting of the bank dated 2022/11/28 has accepted the resignation tendered by Dr. Birendra Prasad Mahato and said meeting has appointed Dr. Upendra Mahato as the director of the bank. 472nd meeting of the bank has appointed Dr. Upendra Mahato as the chairman of the bank.)
- Director Mr. Roshan K.C (On behalf Promoter shareholders)
- Director Mr. Jay Mukunda Khanal (On behalf of the general shareholders)
- Director Mr. Mukunda Mahat (Independent Director)
- Director Mr. Bishwo Prakash Gautam (On behalf of the general shareholders)
- Director Mr. Haribhakta Sigdel (On Behalf of Promoter shareholders)
- 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 18 meetings of the Board of Director have been held during the review period. The Chief Executive Officer of the bank has been invited in the meeting of BODs. The attendance of the directors in the meeting 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	18	297,000
Director Mr. Roshan KC	18	247,500
Director Mr. Jaya Mukunda Khanal	18	247,500
Director Mr. Bishow Prakash Gautam	18	247,500
Director Mr. Haribhakta Sigdel	18	247,500
Director Mr. Mukunda Mahat	18	247,500
Director Mrs. Bandana Karki	17	223,500

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

NAME	TITLE/POSITION
Director Mr. Mukunda Mahat	Coordinator
Director Mr. Bishow Prakash Gautam	Member
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. Sunil Khatiwada	Member
4	Chief Risk Management Officer- Mr. Bharat Kumar Lamsal	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 Management Officer- Mr. Bharat Kumar Lamsal	Member
4	Chief Compliance Officer- Mr. Bhuvan Singh Khatri	Member
5	Enforcement Officer (AML/CFT Unit)- 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 customer service centre through different mediums like mobile banking, website, email, chatbot to hear the grievances of public and customers for any inconvenience caused and disseminating information to the public. Also, bank has been providing 24 hour services to the customers as per their requirement from Mid-April 2022. In the fiscal year 2021/22, out of 18,066 complaints, 99.46% 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, 2022 is NPR 10,257,155,600. As per the capital increment plan of the bank, Debenture worth NPR 2.25 billion has already been issued by the bank. In addition to that, to accumulate the distributable profit remaining at the end of financial year and 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. Upendra Mahato

CHAIRMAN



Risk Management

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



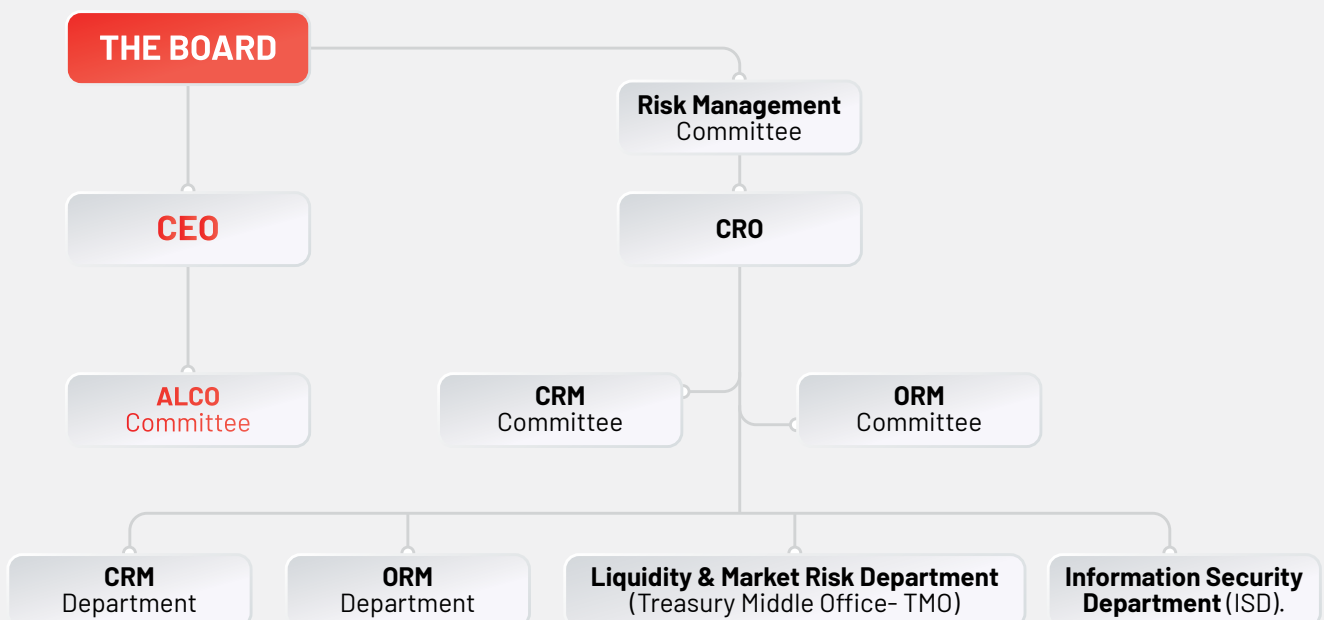
RISK MANAGEMENT FRAMEWORK

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:

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

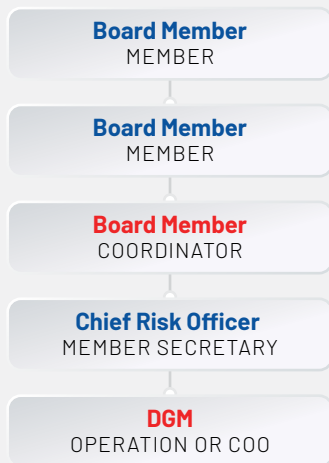
The individuals/departments responsible for review function (Risk Departments, Internal Audit, Compliance etc.) should be independent from risk taking units and report directly to Board Committees or senior management who are not involved in risk taking.

- 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.



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

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

- Apprise the Board on Adequacy and Appropriateness of current Credit Risk identification & Credit Risk Management System of the Bank and make suggestions and recommendations, as deemed appropriate, to the Board, for improving and strengthening existing Credit Risk Management System of the Bank.
- Apprise and update the Board on existing Risk Management Process and Procedural Guidelines, on the level of Risk prevalent in its Business, Operation and about Risk Appetite of the Bank, Strategies developed for Credit Risk Management etc. and recommend the Board for necessary update and improvement.
- Update/ recommend the Board after discussing and analysing the Capital Adequacy based on Risk Assets, Internal Capital Adequacy Assessment Process (ICAAP), Stress testing, adequacy of the existing Policies with regard to the Business Strategy and the Bank's Credit Risk Tolerance.
- Committee shall review the stress testing carried out on a regular basis and discuss on its results. On the basis of result of stress testing, the Committee should offer suggestions to the Board for appropriate policies and decision making.
- RMC oversee the escalated Credit, Market, Liquidity, Operation and Information Security Risk. Similarly, the committee also oversee the position of NPA/NBA/LLP, sectorial portfolio/portfolio diversification, ALCO report/minute, liquidity profile and many other indicators of the bank and provide advice to the management whenever necessary.
- Recommend the Board on any possible significant impact on the Bank's Financial Position arising from any problem/change in the economy. The Committee should also suggest mitigating factors, to minimize the impact of such problems/changes.

CHIEF RISK OFFICER (CRO)

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

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

- The Chief Risk Officer shall primarily be responsible for overseeing the development and implementation of the Bank's risk management function.
- The Chief Risk Officer shall be responsible for supporting the Board in its development of the Bank's risk appetite and Risk Appetite Statement for translating the risk appetite into a risk limits structure.
- The Chief Risk Officer, together with management, shall be actively engaged in the process of setting risk measures and limits for the various business lines and monitoring their performance relative to risk-taking and limit adherence.
- The Chief Risk Officer's responsibilities shall also include managing and participating in key decision-making processes (e.g. strategic planning, capital and liquidity planning, new products and services, compensation design and operation).
- The Chief Risk Officer shall effectively implement/cause to implement all the directions/suggestions (pertaining to his area of work) of the Board and Risk Management Committee.
- The Chief Risk Officer shall ensure the establishment, robust implementation and strengthening the system of Internal Control, Credit/Operation/Market Risk Management System and Corporate Governance across all levels, functions and activities of the Bank.



THREE LINES OF DEFENSE

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

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



FIRST LINE OF DEFENSE

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

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

SECOND LINE OF DEFENSE

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

THIRD LINES OF DEFENSE

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

RISK EXPOSURE AND BUSINESS SEGMENTS

The 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	37,609	Credit Risk	92.30%
Business Lending	40,248	Market Risk	0.37%
Corporate/Infra Lending	44,066	Operational Risk	4.68%
Microfinance+ Others	7,632	Others	2.65%
Total Risk Assets	129,555	Risk Weighted Asset	154,308

*Data as on Ashad end 2079

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 Department identifies and manages Bank's credit exposures following the principle of diversification across products, geographies, and client and customer segments.

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

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

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

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

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

1.1 CREDIT RISK MANAGEMENT AT MBL

MBL's approach to Credit Risk Management comprises the following building blocks:

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

Chief Risk Officer (CRO)

Credit Risk Mgmt. Dpt.

Credit Risk Management Committee (CRMC)

CRMC is a management level risk management committee formulated in order to ensure that risk portfolios are understood, analyzed and addressed in a timely manner. CRMC comprises of the CRO as coordinator, DCEO, DGM Business, AGM Business, Head Treasury (front), Head of Special Asset Management, Head of Credit Risk Management Department and CBOs/ Head of Credit Business. There could be other invitees in the Committee as per the requirement. The Committee meet at least every quarter to discuss various aspects of risk management.

Credit Risk Management (CRM)

Department

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

B. Credit Risk Policies

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

C. Credit Risk Methodologies

Credit Risk is managed by thoroughly understanding our customers – the

businesses they are in, their repayment capacity as well as the economies in which they operate in individual borrower level, it is also managed through statistical models and data analysis in portfolio level.

Internal Risk Grading:

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

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

A: Low Risk

B: Minimal Risk

C: Moderate Risk

D: Better than Average Risk

E: Average Risk

F: Acceptable Risk

G: High Risk

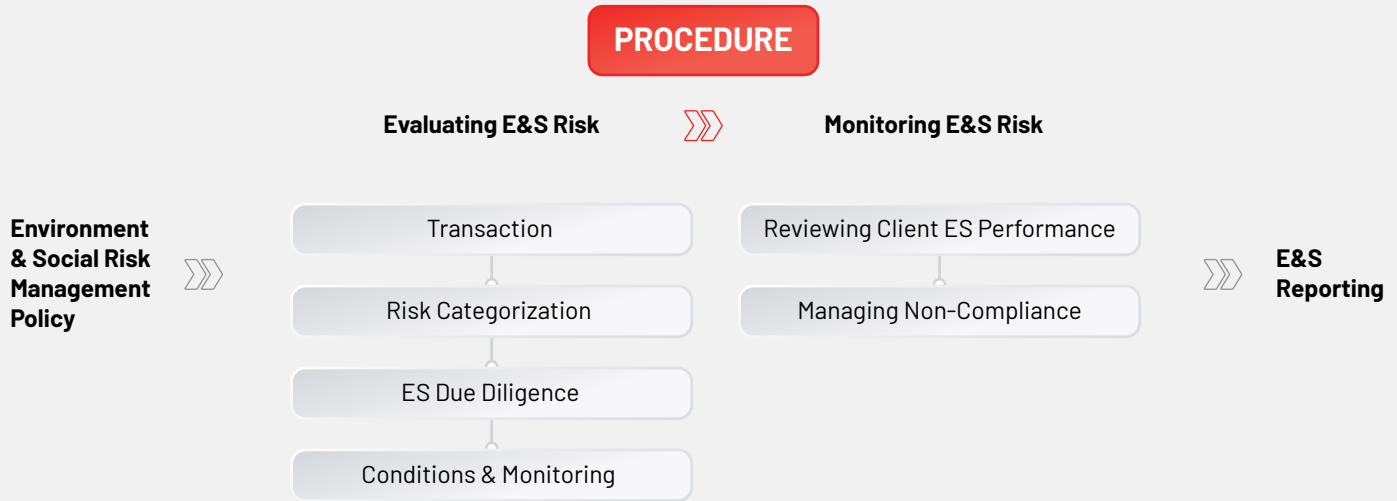
Considering dynamics in risk environment i.e. internal as well as external, bank in regular interval, reviews those rating parameters and incorporate required changes wherever required.

Environmental and Social Risk Management (ESRM)

Responsible financing, covering Environmental & Social Risk (ESR)

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

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



Credit Risk

Tolerance/Concentration Risk

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

Industry Profiling

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

Training & Capacity Development

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

D. Processes, Systems & Reports

MBL constantly invests in systems to support risk monitoring and reporting for our business processes. The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving business, operations, risk management and other key stakeholders. Day-to-day monitoring of credit exposures, portfolio performance and external environmental factors potentially affecting credit risk profiles is key to our philosophy of effective credit risk management. Credit trends, which may

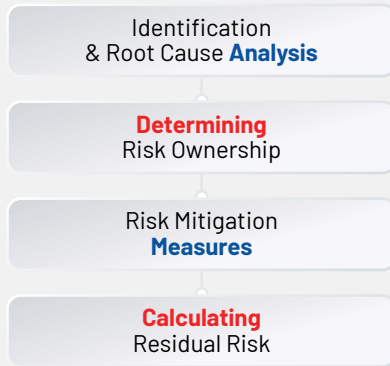
include industry analysis, early warning alerts and significant weak credits, are submitted to the risk committees as well as senior management, allowing key strategies and action plans to be formulated and evaluated.

Credit Stress Testing

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



MBL maintains comprehensive portfolio wise Credit Risk Register covering

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

1.1 CREDIT RISK MITIGATION

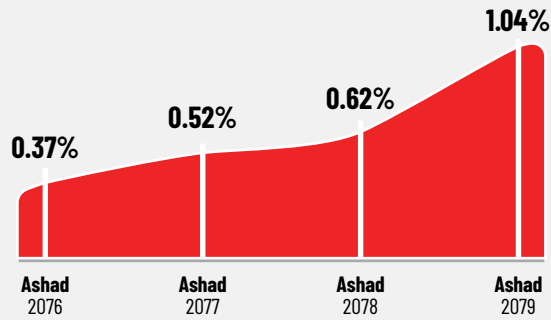
Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, risk transfer through

credit insurance and other guarantees. MBL carefully assesses reliance that can be placed on these mitigates in light of issues such as legal certainty and enforceability, market standing and counterparty risk of the guarantor etc. Although the credit risk cannot be brought down to zero, the same can be managed through appropriate mitigating tools. Major risk that MBL faces in current scenario and mitigation measures being opted has been detailed as below:

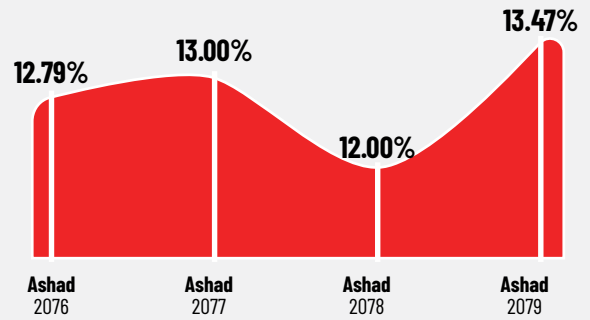
SPECIFIC RISK	SHORT DESCRIPTION AND SOURCE	RISK IMPACTS	MITIGATION TECHNIQUES OPTED BY MBL
Default Risk	Borrower's failure to repay debt. The risk arises from fund diversion, cash crunch, wrong product and over financing, borrower's willful nonpayment etc.	Severe	<p>MBL Mitigates risk of Default opting 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 & implement of Credit Structuring strategy or other remedial action wherever required etc.
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

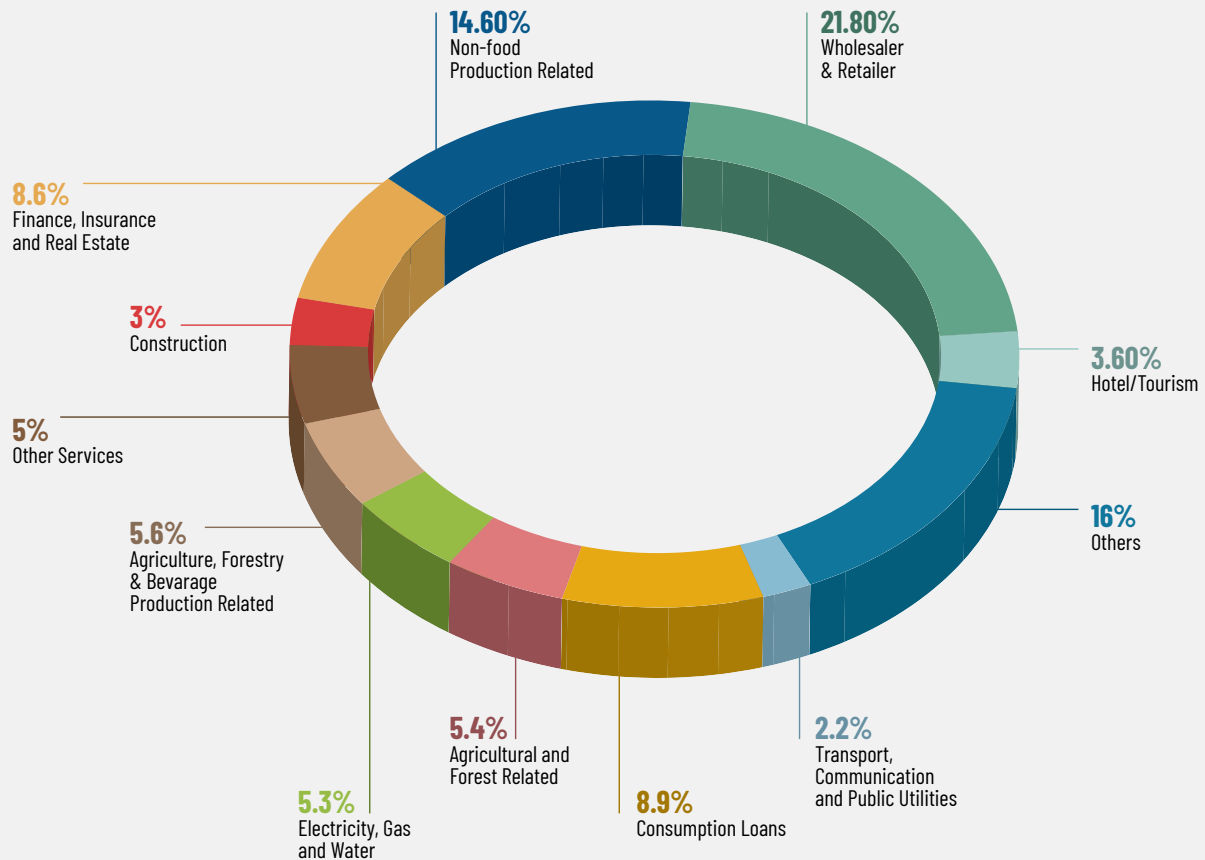
MOVEMENT IN NPA



MOVEMENT IN TOTAL CAPITAL/RWA (CAR)



INDUSTRYWISE CONCENTRATION OF RA



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. MBLs' 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:

Operation Risk Governance

Policies

Risk Methodologies

Processes, Systems and Reports

A. Operation Risk Governance

Risk Governance structure of MBL comprises of the following:

BOARD

Risk Management Committee (RMC)

Operation Risk Management Committee

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 continues to reflect the environment within which the bank operates. The key policies address risk areas relating to compliance, fraud (internal or external), money laundering, damage to physical assets, clients, products & business practices, business disruptions & system failures, employment practices and workplace safety.

C. Operation Risk Methodologies

The Bank has a strong internal control system so that material fraud and errors can be easily traced. Further, the Bank follows a scientific process for segregation of duty so that internal check be maintained. The Bank follows the operational manual approved by Board of Directors. ORMD devise appropriate risk monitoring mechanism to develop an understanding of the risk profile of the bank, assess adequacy and effectiveness of risk toolkits (RCSA/KRI) and determine through action plans new areas of focus, toolkit enhancements and other mitigation measures.

For ongoing improvement in the standard of internal housekeeping and

identifying and mitigating operational risk, Quality Assurance Check (QAC) has been introduced. QAC is a quantitative grading system based on quality/compliance status of different functional areas of bank. Operational Risk Management Department shall conduct QAC in all the functional areas of Bank with emphasis on branches.

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

Reputational Risk

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

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

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

Contingency Planning

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

D. Process, systems and reports

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

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

following functions:

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

3. MARKET AND LIQUIDITY RISK

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

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

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

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

Market/Liquidity Risk Governance

Policies

Risk Methodologies

Processes, Systems and Reports

A. Market/Liquidity Risk Governance

Risk Governance structure of MBL comprises of the following:

BOARD

Risk Management Committee

Assets Liabilities Committee (ALCO)

Chief Risk Officer (CRO)

Treasury Middle Office

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, DCEO, DGM Business, AGM Business, CRO, Chief/Dy. Chief Liability & External Affairs, Head Institution & Corporate Deposit, Chief/ Dy. 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.

4.1 INFORMATION SECURITY PRINCIPLES

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

- **Confidentiality** is perhaps the element of the triad that most immediately comes to mind when you think of information security. Data is confidential when only those people who are authorized to access it can do so; to ensure confidentiality, you need to be able to identify who is trying to access data and block attempts by those without authorization. Passwords, encryption, authentication and

defense against penetration attacks are all techniques designed to ensure confidentiality.

- **Integrity** means maintaining data in its correct state and preventing it from being improperly modified, either by accident or maliciously. Many of the techniques that ensure confidentiality will also protect data integrity—after all, a hacker cannot change data they cannot access—but there are other tools that help provide a defense of integrity in depth: checksums can help you verify data integrity, for instance, and version control software and frequent backups can help you restore data to a correct state if need be. Integrity also covers the concept of non-repudiation; you must be able to prove that you've maintained the integrity of your data, especially in legal contexts.
- **Availability** is the mirror image of confidentiality; while you need to make sure that your data can't be accessed by unauthorized users, you also need to ensure that it can be accessed by those who have the proper permissions. Ensuring data availability means matching network and computing resources to the volume of data access you expect and implementing a good backup policy for disaster recovery purposes.

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

Information Technology Risk Governance

Policies

Risk Methodologies

Processes, Systems and Reports

A. Information Security Risk Governance

Risk Governance structure of MBL comprises of the following:

BOARD

Risk Management Committee

Chief Risk Officer (CRO)

Information Security Dept.

Information Security Department

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

B. Information Security Policies and Procedure:

The Bank has implemented board approved sound and robust Information Security Policies and Procedures that

strengthen system security, reliability, availability, business continuity etc. The policies and procedures define the Key Risks, Potential Impact, and Recommended Control Activities and are related to:

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

C. Information Technology Risk and Control (ITRC):

ITRC (Information Technology Risk and Control) assures the bank around all the risks, including those introduced or enabled by the implementation of Information Technology (IT). The goal of this ITRC is to help the bank become more comfortable with general IT risks and control. Moreover, it sets the stage for other ITRC's that cover in greater detail specific IT topics and associated business roles and responsibilities.

D. IT Controls:

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

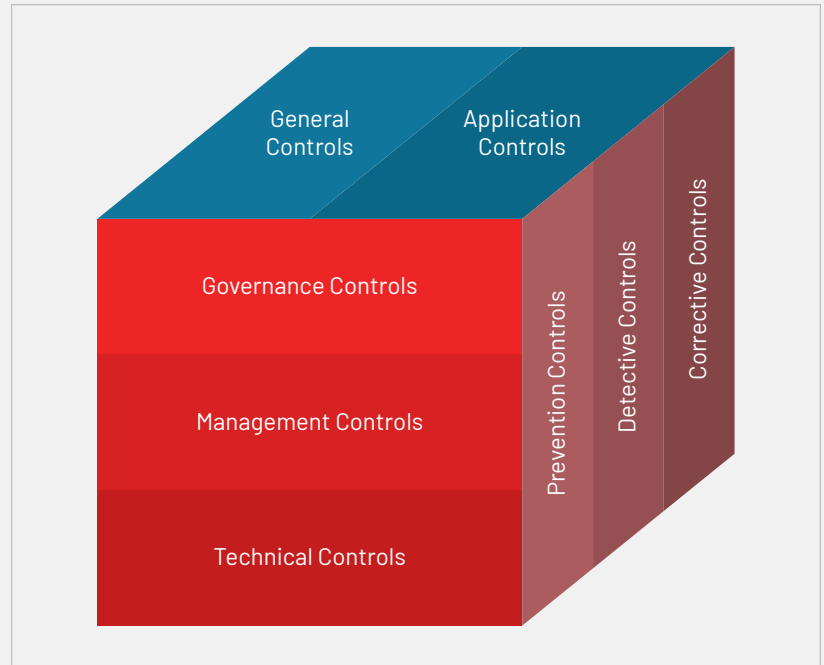


Fig: IT Control Classification

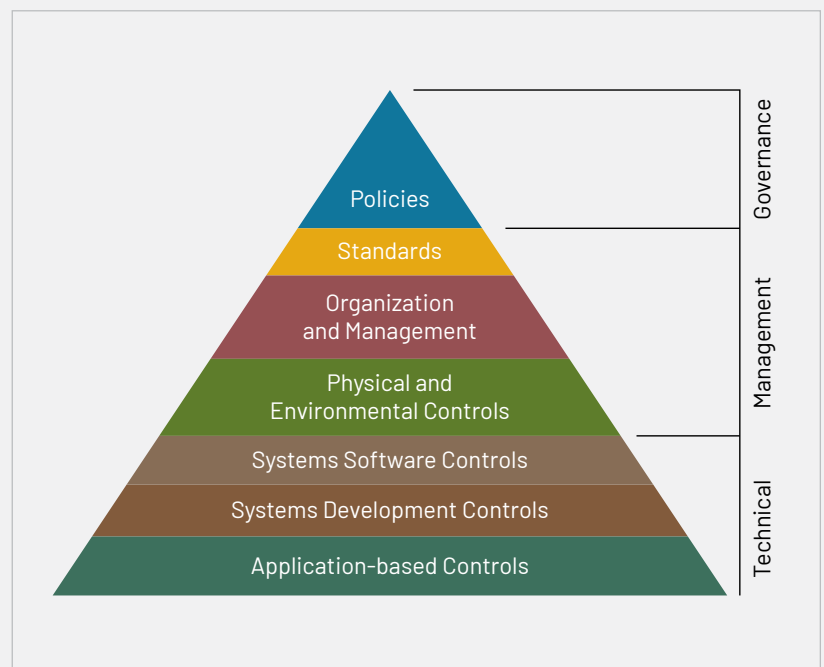


Fig: Hierarchy of IT Controls

Corporate Social Responsibility

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.





The term generally applies to companies' efforts that go beyond what may be required by regulators or environmental protection groups. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

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 2078/79 (2022-23), several programs were organized throughout the country from different branches and head office. The sector wise details of the CSR activities incurred during the review period as follows

HEADING	COST
CCU Ward Handover to Shahid Gangalal National Heart Centre	3,704,983.88
Tree Plantation on occasion of World Environment Day (June 5)	650,000.00
Sponsor in Banking Shikshya Program & Short Movies in coordination with Prahari Pradhan Karyelaya	878,000.00
Covid related expenses	252,516,857.00
Financial literacy	174,556.00

HIGHLIGHTS *of* THE YEAR



Glimpses of the Bank's
23rd Annual General Meeting



Employee appreciation
program organized on the
occasion of 21st anniversary
of the bank



School bag and dress
handover to students of
Shree Bal Bikash Primary School



Dustbin distribution to Shree Krishna Mahila Krishi Sahakari Sanstha, Chandrapur Rautahat



CCU Ward handover to Shahid Gangalal National Heart Center



School bags handover to the children's sheltered in Nawa Yuba Bal Sudhar Samaj

Glimpses of financial literacy program organized by various branches.





Product and Services

A. SAVING DEPOSIT PRODUCT

- I. MBL Balbalika Bachat Khata
 - II. MBL Digi Yuva Saving Account
 - III. MBL Karmashil Bachat Khata
 - IV. M'Smart Bachat Khata
 - V. Machhapuchchhre Bachat Khata
 - VI. Mero Lagani Bachat Khata
 - VII. MBL Normal Saving Account
 - VIII. MBL NRN Saving Deposit Account
 - IX. MBL Pewa Bachat Khata
 - X. MBL Remittance Bachat Khata
 - XI. MBL Samman Bachat Khata
 - XII. MBL Shareholders Saving Account
 - XIII. MBL Smart Bachat Khata
 - XIV. MBL Smart Plus Saving Account
 - XV. MBL Ek Byakti Ek Khata Yojana
 - XVI. MBL FCY Saving Account
- XVII. Payroll Accounts:
- I. MBL Surakshit Talab Khata
 - II. MBL Smart Salary account
 - III. MBL New Smart Talab Khata
 - IV. MBL Salary Management Account

B. TERMS DEPOSITS

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



1) MBL Balbalika Bachat Khata

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

Product Features/Benefits:

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

2) MBL Digi Yuva Saving Account

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

Product Features/Benefits:

- Minimum Balance: NPR 100.00
- Targeted Group: 18 years and above
- Free subscription of MBL M-Smart* for 1st year
- 10% Discount on first top up from M-Smart.
- Free subscription of Debit Card* and Credit Card* for 1st year.
- Free subscription on MBL Dollar Prepaid Card* for 1st year
- 25% Discount on issuance of Smart dollar card for 5 years.
- Free online/E-commerce transaction fee.
- Credit card limit of NPR 10,000/- and NPR 20,000/- for graduate and post-graduate levels respectively**

- Free DMAT Account Opening*/ Mero Share* for 1st Year
- Free Connect IPS registration.
- Waiver of 0.25 basis points on processing fee of Education loan.
- Free Cheque Book and Account Statement on Demand.
- Free Email Bank Statement.
- Discount at various Retail Outlet on use of MBL Debit and Credit Card.
- Free Any Branch Banking Service (ABBS) Facility.

3) MBL Ek Byakti Ek Khata Yojana

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

Product Features/Benefits:

Bank will deposit NPR 100/- in the account

- Minimum Balance: NPR 100
- Interest Payment Frequency: Quarterly
- Simplified account opening form
- Annual transaction limit of the account shall be NPR 100,000.00. Customer needs to change/convert account category if the transaction exceeds NPR 100,000.00. Customer needs to provide additional information by filling up Bank's standard account opening form.
- Customer having bank account with

any BFIs shall not be eligible for this account. Declaration regarding same is included on separately designed account opening form.

4) MBL FCY Saving Account

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

Eligibility:

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

5) MBL Karmashil Bachat Khata

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

Product Features/Benefits:

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

6) M'Smart Bachat Khata

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

Product Features/ Benefits:

- Minimum Balance: Zero
- No other debit tools like Cheque, Debit card, Internet banking, Connect IPS, wallet linking shall be issued under this saving account except mobile banking.

- Subscription fee of Mobile Banking: Free for 1st year and Re. 1 from 2nd year onward
- Credit transaction through teller is also restricted.
- Annual Transaction: Debit: Max NPR 100,000/- ; Credit: Max NPR 100,000/-
- This account can be opened by Nepali Citizens and Non-Residential Nepalese having registered mobile number of Nepal.
- Account category conversion is allowed after updating of KYC. The charges shall be waived for the category conversion under this account.

7) Machhapuchchhre Bachat Khata (MBK):

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

Product Features/Benefits:

Features for Individual Customer

- Minimum Balance: NPR 500.00
- Free withdrawal facility from any ATM within Nepal
- Free Subscription of Debit/Credit Card *
- 50% Discount on Annual Rental Charge of Locker*
- Free Subscription of Internet Banking, MBL M-Smart*
- Free Any Branch Banking Service (ABBS) Facility
- Free DMAT Account Opening/Mero Share*

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

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

- Free Any Branch Banking Service (ABBS) Facility

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

8) Mero Lagani Bachat Khata

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

Product Features/ Benefits:

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

9) MBL New Smart Talab Khata

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

Product Features/Benefits:

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

- Free Subscription of Credit Card for 1st Year
- Online loan against FDR

Health and Accidental Insurance benefits**:

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

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

10) MBL Normal Saving Account

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

Product Features/ Benefits:

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

11) MBL NRN Saving Deposit Account:

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

MBL NRN Saving Deposit Account-FCY

- 0.15 paisa premium/rebate on FYC exchange
- Deposit and repatriation of the deposit amount can be done only through banking channel including swift and remittance through corresponding foreign bank.
- In case a customer requests to use the amount in local currency, settlement can be done in local

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

currency upon receiving requests from the customer.

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

MBL NRN Savings Deposit Account- NPR

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

12) MBL Pewa Bachat Khata

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

Product Features/Benefits :

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

13) MBL Remittance Bachat Khata

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

Product Features/Benefits:

- Account Minimum Balance: Zero
- Free subscription of Internet Banking*

14) MBL Salary Management Account

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

Product Features/Benefits:

- Minimum Account Balance: Zero
- Statement of each staff provided every quarter upon request
- 50% Discount on Annual Rental Charge of Locker*
- Free Internet Banking Facility, MBL Mobile Money (M3)*
- Free Any Branch Banking Service (ABBS) facility
- Free Subscription of Debit Card*
- Account to be automatically downgraded to Normal Saving Account if salary is not received in the customer's account for six consecutive months.

15) MBL Samman Bachat Khata

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

Product Features/Benefits:

- Minimum Account Balance: NPR 100.00
- Free subscription of Internet Banking*
- 50% Discount on Annual Rental Charge of Locker*
- Free Any Branch Banking Service (ABBS) facility
- 50 years and above are only eligible to open this account
- This account may be opened in the joint name with immediate family members whose age is more than 50 Years.

16) MBL Shareholders Saving Account

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

Product Features/Benefits:

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

17) MBL Smart Bachat Khata:

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

world and they provide impressive interest rate and other insurance benefits.

Product Features/Benefits:

- Minimum Balance: NPR 1,000.00
- 50% Discount on Annual Rental Charge of Locker*
- Free Subscription of Internet Banking, MBL M-Smart*
- Free Subscription of Debit/Credit Card *
- Free Any Branch Banking Service (ABBS) Facility
- Free DMAT Account Opening/Mero Share*

18) MBL Smart Plus Saving Account

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

Product Features/Benefits:

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

19) MBL Smart Salary account

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

Product Features/Benefits:

- Minimum Balance: Zero

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

Health and Accidental Insurance benefits:

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

20) MBL Surakshit Talab Khata

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

Product Features/Benefits:

- Minimum Account Balance: Zero
- Free Cheque Book and Account Statement on Demand
- 50% Discount on Annual Rental Charge of Locker*
- Free subscription of Internet Banking Facility, MBL M-Smart*
- Free Any Branch Banking Service (ABBS) facility
- Free subscription of Debit Card*
- Free DMAT Account Opening/Mero Share*
- Insurance Coverage: Accidental Insurance of NPR 700,000.00 (including partial impairment)**

*Charges/Discounts are free for the first year only. Charges as per Standard Tariff of Charges shall be levied from second year onwards. **Conditions Apply

MBL Fixed Deposit:

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

Individual Fixed Deposit (NPR):

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

MBL NRN Fixed Deposit (FCY):

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

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

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

MBL Recurring Deposit Account:

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

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

Features :

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



Technologies

Banking sector is experiencing a significant transformation driven by remarkable technological advancements.

The traditional brick-and-mortar banking institutions have evolved into dynamic digital ecosystems that offer convenient and efficient financial services. The integration of cutting-edge technologies has revolutionized the way customers interact with banks, enhancing security, speed, and accessibility like never before.

Now people have easy access to banking, and can access their bank

accounts at any time. As a result, customers are becoming less likely to visit actual bank offices for simple tasks like fund transfers or bill payments as well as longer processes like Account Opening or DEMAT Account opening. People's preference for quick and fast banking interactions and their increasingly hectic schedules can be blamed for this aversion to branch visits.



MACHHAPUCHCHHRE MOBILE MONEY (M3)

Machhapuchchhre Bank Limited provides a wide variety of banking services through its digital platforms in response to the changing needs of its customers and in an effort to provide a smooth digital banking experience. Customers can execute various banking activities using these platforms. These platforms let users open accounts, transfer money, pay bills, and perform other banking tasks all from the convenience of their homes or other remote locations. Machhapuchchhre Bank Limited seeks to meet the needs of its clients and give them a better, more convenient banking experience by embracing digital solutions.

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

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

Machhapuchchhre Bank Limited's MBL M-Smart application revolutionizes banking with its "Banking on-the-go" concept by providing a wide range of banking services (financial and non-financial) through a single, user-friendly mobile application there by limiting branch visit by customer. This cutting-edge strategy has established

M-Smart as the pinnacle of convenience by allowing users securely to easily access their accounts whenever and wherever they choose. Over 800,000 MBL users have accessed this service, attesting to its widespread popularity and user satisfaction.

1. View Account Information
 - 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, Air Tickets, Water Landline, Internet and so on)
4. QR Payments
5. Credit Card Bill Payment
6. Load Digital Wallets such as eSewa, Khalti, etc.
7. Open Fixed Deposits
8. Instant Loan Against FD
9. Save and Schedule payments of regular nature
10. SMS Banking – banking services without internet
11. Smart Loan- preapproved instant loan
12. Card Web Services

MBL EXPRESS BANKING: WEB BASED INTERNET BANKING SOLUTION

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

1. View Account Information
 - 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



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

MBL CARDS

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

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

ATM

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

A comprehensive network of 205 ATM locations has been built by Machhapuchchhre Bank Limited throughout the nation. Customers are guaranteed convenient access to ATM services in various locations. The round-the-clock availability and accessibility of MBL's ATMs reduces reliance on conventional brick-and-mortar branches and promotes a seamless banking experience.

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

QR PAYMENTS

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

The fact that Machhapuchchhre Bank Limited has over 60,000 registered QR merchants' shows how widely accepted QR code payments are. By utilizing this technology, MBL

2100+

MBL POS
MACHINES

200+

ATM
OUTLETS

400K+

CARDS

60000+

QR
MERCHANTS

24x7

CHAT BOT ONLINE
ASSISTANCE

makes transactions more secure and effective, improving the practicality and simplicity of the payment procedures for both businesses and customers. The transition to a cashless world is accelerated by the frictionless and contactless payment experience provided by QR code payments. MBL stands itself at forefront to drive the digital payments in Nepal by constantly innovating itself to simplify the payment centering on safety and convenience.

POS TERMINALS

The shift of Nepal's economy to a cashless one is greatly aided by POS (Point of Sale) systems. By placing over 2,100 POS terminals in a various outlets around the nation, Machhapuchchhre Bank Limited (MBL) has made great progress in this area. These POS terminals offer a variety of payment choices and accept cards from the VISA, MasterCard, and Union Pay networks.

The convenience of electronic payment transactions is offered to businesses and customers through MBL's wide network of POS terminals. These

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

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

BRANCHLESS BANKING

For people living in distant places with little access to conventional bank branches, branchless banking services are essential for achieving financial inclusion. Machhapuchchhre Bank Ltd has established a network of more than 130 Branchless Banking Agents. These representatives are committed to providing the public with practical

and easily accessible financial solutions while providing crucial banking services in rural and remote locations.

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

INSTAPAY

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

MBL has partnered with over 225 businesses, guaranteeing that Instapay consumers have access to a wide range of goods and services. This makes it possible for people to satisfy their shopping demands while taking advantage of the convenience of installment payments with their MBL credit cards. Customers using Instapay services benefit from a smooth and delightful purchasing experience because to MBL's vast network of merchant partnerships.

ONLINE ACCOUNT OPENING

People frequently don't have the time to visit actual bank offices to complete chores like opening bank accounts or Demat accounts in today's hectic world. However, Machhapuchchhre Bank Limited (MBL) has made the procedure very simple and convenient by introducing online account opening capabilities through its website and other digital banking channels. Customers no longer need to physically visit banks in order to open bank accounts; they may do so at their own leisure and from anywhere. Due to the

flexible and convenient access provided by this digital innovation, people can now conveniently fit banking services into their hectic modern schedules.

MAYA (CHAT-BOT)

Customers can access 24/7 digital assistant services from Maya, an AI-powered chatbot. This cutting-edge gadget not only gives information on banking, but also responds to inquiries for the bank's goods and services. Maya was created with the purpose of hearing client concerns, frustrations, and suggestions about the bank's services and working to effectively resolve them. Customers can get support and information whenever they need it with Maya's help, which improves their overall banking experience.

REMITAPP NEPAL

A state-of-the-art digital wallet created to streamline and speed up domestic and international transactions is RemiTap Nepal. RemiTap Nepal provides a number of features with a focus on security and efficiency,

such as direct fund transfers to banks, transactions through cash pickup agents, a flexible virtual money card for merchant payments at retail stores and online e-commerce platforms, utility bill payments, and remittances. With the help of an all-inclusive digital wallet, customers can easily manage their financial activities.

WE CHAT

Machhapuchchhre Bank Limited (MBL), the first bank in Nepal to provide WeChat Pay, has accomplished a critical milestone. WeChat Pay, which already has over 6,000 enrolled shops, provides a simple and secure payment option that is especially useful to Chinese tourists. By using WeChat Pay QR codes, this cutting-edge platform allows MBL merchants to accept payments from abroad, acting as acquirers for global trade. The addition of WeChat Pay by MBL strengthens convenience and broadens the range of payment alternatives available to both domestic and foreign clients, further establishing the bank as a pioneer in online banking services.



Financial Statement

Independent Auditor's Report

To the Shareholders of 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 32, 2079 (July 16, 2022), 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 32, 2079 (16 July 2022), 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. 19 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 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 require suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of</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.</p> <p>Other liabilities include excess interest payable to loan customers reversing the interest income which may vary when bank commences the refund. This may, in turn, have an effect on recognition of interest income of the bank. thus, considered them as key audit matters.</p> <p>Thus, we have considered it as key audit matter.</p>	<p>with manual computation.</p> <p>d. Test-checked the premium charged on sampled borrowers from the report provided and basis taken by the management to arrive at the excess interest payable.</p>
2.	<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> <p>a. Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8.</p> <p>b. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management based on available evidence/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment.</p> <p>c. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis.</p> <p>d. For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 16.07.2022 and for the unquoted investment the fair value has been taken as the NPR 100.</p>
3.	<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 5.5. of NFRS 9, read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, adopting Incurred Loss Model <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>Our audit approach regarding verification of impairment of loans and advances included:</p> <p>a. Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report.</p> <p>b. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc.</p> <p>c. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on</p>



<p>As per NFRS 9 read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after considering the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p>	<p>management estimate.</p> <p>d. Grouping of homogeneous groups of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.</p>
<p>4. 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> <p>a. Understanding the coding system adopted by the bank for various categories of customers</p> <p>b. Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank</p> <p>c. Checking of the user requirements for any changes in the regulations/ policy of the bank</p> <p>d. Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank.</p> <p>e. We relied on the IT audit conducted by the bank.</p> <p>f. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 16.07 2022</p>



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: December 16, 2022

UDIN No.: 221216CA00109npl6u

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on 32nd Ashad 2079

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets					
Cash and cash equivalent	4.1	11,522,097,022	8,784,104,032	11,494,023,887	8,679,174,999
Due from Nepal Rastra Bank	4.2	6,047,353,545	8,908,182,769	6,047,353,545	8,908,182,769
Placement with Bank and Financial Institutions	4.3	-	477,085,220	-	477,085,220
Derivative financial instruments	4.4	-	21,848,832	-	21,848,832
Other trading assets	4.5	507,975,922	17,409,000	507,975,922	17,409,000
Loan and advances to B/FIs	4.6	2,607,543,043	3,714,540,505	2,607,543,043	3,714,540,505
Loans and advances to customers	4.7	128,573,150,754	113,572,009,939	128,573,150,754	113,572,009,939
Investment securities	4.8	24,265,940,982	19,697,154,886	24,127,403,365	19,603,810,777
Current tax assets	4.9	647,378,841	419,337,284	646,424,245	419,106,236
Investment in subsidiaries	4.10	-	-	200,000,000	200,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	244,182,570	273,910,573	244,182,570	273,910,573
Property and equipment	4.13	1,586,335,430	1,479,096,398	1,583,505,876	1,474,088,435
Goodwill and Intangible assets	4.14	128,053,874	127,331,242	127,061,769	126,031,076
Deferred tax assets	4.15	54,701,213	35,348,476	49,253,332	35,139,179
Other assets	4.16	2,526,009,919	706,566,385	2,519,429,793	691,210,032
Total Assets		178,710,723,115	158,233,925,540	178,727,308,101	158,213,547,572
Liabilities					
Due to Bank and Financial Institutions	4.17	5,072,835,872	2,863,541,338	5,072,835,872	2,863,541,338
Due to Nepal Rastra Bank	4.18	3,612,515,768	4,159,288,073	3,612,515,768	4,159,288,073
Derivative financial instruments	4.19	1,784,400	-	1,784,400	-
Deposits from customers	4.20	144,914,978,373	131,519,765,974	145,026,049,851	131,617,964,617
Borrowing	4.21	1,286,243,901	1,202,306,566	1,286,243,901	1,202,306,566
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	-	-	-	-
Other liabilities	4.23	3,752,238,738	2,370,153,093	3,749,348,072	2,358,670,979
Debt securities issued	4.24	5,492,759,107	3,147,643,817	5,492,759,107	3,147,643,817
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		164,133,356,159	145,262,698,861	164,241,536,971	145,349,415,389
Equity					
Share capital	4.26	10,257,155,581	9,053,094,581	10,257,155,581	9,053,094,581
Share premium		30,881,765	30,881,765	30,881,765	30,881,765
Retained earnings		598,209,396	1,286,352,996	597,244,914	1,271,636,271
Reserves	4.27	3,603,143,801	2,511,584,814	3,600,488,870	2,508,519,565
Total equity attributable to equity holders		14,489,390,543	12,881,914,156	14,485,771,130	12,864,132,182
Non-controlling interest		87,976,413	89,312,523	-	-
Total equity		14,577,366,956	12,971,226,679	14,485,771,130	12,864,132,182
Total liabilities and equity		178,710,723,115	158,233,925,540	178,727,308,101	158,213,547,572
Contingent liabilities and commitment	4.28	44,768,791,517	34,450,301,043	44,768,791,517	34,450,301,043
Net assets value per share		141.26	142.29	141.23	142.10

Khagendra Paudel
Dy. Chief Finance & Planning

Santosh Koirala
Chief Executive Officer

Dr. Upendra 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 32nd Asar 2079

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	15,241,324,217	11,158,638,974	15,232,370,932	11,155,483,067
Interest expense	4.30	10,347,804,356	6,792,220,495	10,354,326,548	6,803,990,080
Net interest income		4,893,519,861	4,366,418,479	4,878,044,384	4,351,492,987
Fee and commission income	4.31	1,392,926,740	1,181,337,569	1,354,170,224	1,142,901,599
Fee and commission expense	4.32	193,143,910	132,933,303	191,034,406	131,043,156
Net fee and commission income		1,199,782,830	1,048,404,266	1,163,135,818	1,011,858,443
Net interest, fee and commission income		6,093,302,691	5,414,822,745	6,041,180,202	5,363,351,430
Net trading income	4.33	216,650,959	258,087,591	216,650,959	258,087,591
Other operating income	4.34	74,650,024	203,670,573	95,048,665	196,386,725
Total operating income		6,384,603,674	5,876,580,909	6,352,879,826	5,817,825,746
Impairment charge/(reversal) for loans and other losses	4.35	501,232,781	497,799,024	501,232,781	497,799,024
Net operating income		5,883,370,893	5,378,781,885	5,851,647,045	5,320,026,722
Operating expense					
Personnel expenses	4.36	1,943,073,507	1,786,411,069	1,923,717,847	1,769,507,572
Other operating expenses	4.37	1,105,033,306	897,400,404	1,096,383,226	890,785,804
Depreciation & Amortization	4.38	377,442,847	191,637,742	376,432,708	190,200,553
Operating Profit		2,457,821,233	2,503,332,670	2,455,113,264	2,469,532,793
Non operating income	4.39	34,466,836	9,773,799	34,466,836	9,773,799
Non operating expense	4.40	62,888,637	198,963,976	62,888,637	198,963,976
Profit before income tax		2,429,399,432	2,314,142,493	2,426,691,463	2,280,342,616
Income tax expense	4.41	741,115,863	682,466,132	740,036,218	672,869,442
Current Tax		753,305,669	686,818,951	746,987,441	676,119,044
Deferred Tax		(12,189,806)	(4,352,819)	(6,951,223)	(3,249,602)
Profit for the year		1,688,283,569	1,631,676,361	1,686,655,245	1,607,473,174
Profit attributable to:					
Equity holders of the Bank		1,687,792,631	1,624,378,402	1,686,655,245	1,607,473,174
Non-controlling interest		490,940	7,297,959	-	-
Profit for the year		1,688,283,569	1,631,676,361	1,686,655,245	1,607,473,174
Earnings per share					
Basic earnings per share		16.45	15.91	16.44	15.67
Diluted earnings per share		16.45	15.91	16.44	15.67

Khagendra Paudel
Dy.Chief Finance & Planning

Santosh Koirala
Chief Executive Officer

Dr. Upendra 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 COMPREHENSIVE INCOME

For the year ended 32nd Asar 2079

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit for the year		1,688,283,569	1,631,676,361	1,686,655,245	1,607,473,174
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		(23,876,436)	11,150,816	(23,876,436)	11,150,816
Gain /(losses) on revaluation		-	-	-	-
Actuarial gains/(loss) on defined benefit plans		18,823,615	(38,080,762)	18,823,615	(38,080,762)
Income tax relating to above items		7,162,931	(3,345,245)	7,162,931	(3,345,245)
Net other comprehensive income that will not be reclassified to profit or loss		2,110,110	(30,275,191)	2,110,110	(30,275,191)
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		2,110,110	(30,275,191)	2,110,110	(30,275,191)
Total comprehensive income for the year		1,690,393,678	1,601,401,169	1,688,765,355	1,577,197,983
Total comprehensive income attributable to:					
Equity holders of the Bank		1,689,902,738	1,594,103,210	1,688,765,355	1,577,197,983
Non-controlling interest		490,940	7,297,959	-	-
Total comprehensive income for the period		1,690,393,678	1,601,401,169	1,688,765,355	1,577,197,983

Khagendra Paudel
Dy.Chief Finance & Planning

Santosh Koirala
Chief Executive Officer

Dr. Upendra 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: 16 December, 2022
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 32nd Asar 2079

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	14,099,487,617	9,861,748,769	14,090,534,332	9,858,592,862
Fees and other income received	1,392,926,740	1,181,337,569	1,354,170,224	1,142,901,599
Divided received	-	-	-	-
Receipts from other operating activities	311,506,250	435,863,866	331,904,891	428,580,018
Interest paid	(9,858,592,342)	(6,484,155,167)	(9,865,114,534)	(6,495,924,752)
Commission and fees paid	(193,143,910)	(132,933,303)	(191,034,406)	(131,043,156)
Cash payment to employees	(1,943,073,507)	(1,786,411,069)	(1,923,717,847)	(1,769,507,572)
Other expense paid	(1,179,316,165)	(1,108,824,519)	(1,170,666,085)	(1,102,209,919)
Operating cash flows before changes in operating assets and liabilities	2,629,794,682	1,966,626,146	2,626,076,575	1,931,389,080
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	2,860,829,224	(4,356,181,281)	2,860,829,224	(4,356,181,281)
Placement with bank and financial institutions	477,085,220	(395,949,451)	477,085,220	(395,949,451)
Other trading assets	(468,718,090)	240,176,848	(468,718,090)	240,176,848
Loan and advances to bank and financial institutions	1,106,997,463	(1,243,386,151)	1,106,997,462	(1,243,386,152)
Loans and advances to customers	(15,502,373,596)	(21,540,582,431)	(15,502,373,596)	(21,540,582,431)
Other assets	(1,811,804,083)	641,818,384	(2,036,614,076)	644,168,884
	(13,337,983,862)	(26,654,104,082)	(13,562,793,856)	(26,651,753,583)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	2,209,294,534	214,059,237	2,209,294,534	214,059,237
Due to Nepal Rastra Bank	(546,772,305)	4,145,564,380	(546,772,305)	4,145,564,380
Deposit from customers	13,395,212,399	27,619,729,099	13,408,085,234	27,519,064,751
Borrowings	83,937,335	(193,434)	83,937,335	(193,434)
Other liabilities	1,402,693,660	506,878,309	1,411,285,108	497,973,614
Net cash flow from operating activities before tax paid	16,544,365,623	32,486,037,590	16,565,829,906	32,376,468,548
Income taxes paid	(981,347,226)	(829,488,714)	(966,666,004)	(819,416,810)
Net cash flow from operating activities	4,854,829,217	6,969,070,941	4,662,446,622	6,836,687,235

contd...

contd...

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(4,592,662,532)	(8,225,340,547)	(4,547,469,024)	(8,139,496,437)
Receipts from sale of investment securities	-	479,249,746	-	479,249,746
Purchase of property and equipment	(492,183,875)	(326,904,013)	(283,174,387)	(316,762,509)
Receipt from the sale of property and equipment	7,501,996	720,922	5,718,553	720,922
Purchase of intangible assets	(885,331)	(61,746,863)	(1,193,392)	(61,025,596)
Receipt from the sale of intangible assets	162,699	121,605	162,699	121,605
Purchase of investment properties	(127,379,970)	(222,550,408)	(127,379,970)	(222,550,408)
Receipt from the sale of investment properties	157,107,973	123,587,140	157,107,973	123,587,140
Interest received	1,141,836,600	758,071,830	1,141,836,600	758,071,830
Dividend received	14,261,570	35,668,097	14,261,570	35,668,097
Net cash used in investing activities	(3,892,240,870)	(7,439,122,490)	(3,640,129,379)	(7,342,415,610)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	2,345,115,290	-	2,345,115,290	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(80,498,632)	(297,864,744)	(63,371,632)	(285,064,744)
Interest paid	(489,212,014)	(308,065,328)	(489,212,014)	(308,065,328)
Other receipt/payment	-	82,052,207	-	-
Net cash from financing activities	1,775,404,644	(523,877,865)	1,792,531,644	(593,130,072)
Net increase (decrease) in cash and cash equivalents	2,737,992,990	(993,929,415)	2,814,848,887	(1,098,858,447)
Cash and cash equivalents at Sawan 1, 2078	8,784,104,032	9,778,033,447	8,679,174,999	9,778,033,447
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Asar end 2079	11,522,097,022	8,784,104,032	11,494,023,887	8,679,174,999

Khagendra Paudel
Dy.Chief Finance & Planning

Roshan KC
Director

Bishow Prakash Gautam
Director

Santosh Koirala
Chief Executive Officer

Mukunda Mahat
Director

Haribhakta Sigdel
Director

Dr. Upendra Mahato
Chairman

Jaya Mukunda Khanal
Director

Bandana Karki
Director

As per our report of even date

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

Date: 16 December, 2022
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 32nd Asar 2079

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
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				
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	-	-	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 Asar end 2078	9,053,094,581	30,881,765	2,030,426,757	40,068,908
Balance at Sawan 1, 2078	9,053,094,581	30,881,765	2,030,426,757	40,068,908
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 2078	9,053,094,581	30,881,765	2,030,426,757	40,068,908
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	-	-	337,444,886	12,711,190
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	1,204,061,000			
Cash dividend paid				
Other				
Total contributions by and distributions	1,204,061,000	-	337,444,886	12,711,190
Balance at Asar end 2079	10,257,155,581	30,881,765	2,367,871,642	52,780,098

GROUP							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK						NON-CONTROLLING INTEREST	TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL		
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		-	-	-
						-	-
						-	-
			(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	89,312,523	1,373,128,496
643,662,389	7,805,571	-	1,286,352,996	(210,378,810)	12,881,914,156	89,312,523	12,971,226,679
643,662,389	7,805,571	-	1,286,352,996	(210,378,810)	12,881,914,156	89,312,523	12,971,226,679
-	-	-	7,639,446	-	7,639,446	(1,827,051)	5,812,395
643,662,389	7,805,571	-	1,293,992,442	(210,378,810)	12,889,553,602	87,485,473	12,802,068,130
						-	-
			1,687,792,631		1,687,792,631	490,940	1,688,283,572
						-	-
	(16,713,505)				(16,713,505)		(16,713,505)
						-	-
			18,823,615		18,823,615		18,823,615
						-	-
						-	-
-	(16,713,505)	-	1,687,792,631	18,823,615	1,689,902,741		1,690,393,682
288,133,125	-	-	(654,024,457)	4,948,168	(10,787,089)		(10,787,089)
-	-	-	-	-	-		-
						-	-
						-	-
						-	-
			(1,222,793,300)		(18,732,300)		(18,732,300)
			(80,498,632)		(80,498,632)		(80,498,632)
			(426,259,288)	446,211,500	19,952,213		19,952,213
288,133,125	(16,713,505)	-	(695,783,046)	469,983,291	1,599,836,933		1,600,327,874
931,795,514	(8,907,936)	-	598,209,396	259,604,481	14,489,390,544	87,976,413	14,577,366,956

contd...

contd...

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
Balance at Sawan 1, 2077	8,458,477,650	30,881,765	1,706,571,460	30,441,716
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at Sawan 1, 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 Asar end 2078	9,053,094,581	30,881,765	2,028,066,095	40,068,908
Balance at 1 Sawan 2078	9,053,094,581	30,881,765	2,028,066,095	40,068,908
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance at 1 Sawan 2078	9,053,094,581	30,881,765	2,028,066,095	40,068,908
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	-	-	337,331,049	12,711,190
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	1,204,061,000	-	-	-
Cash dividend paid				
Others	-	-	-	-
Total contributions by and distributions	1,204,061,000	-	337,331,049	12,711,190
Balance at Asar end 2079	10,257,155,581	30,881,765	2,365,397,144	52,780,098

BANK							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK						NON-CONTROLLING INTEREST	TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL		
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)	(243,761)	-	(243,761)
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	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(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)	12,864,132,182	-	12,864,132,182
643,662,389	7,805,571	-	1,271,636,271	(211,083,397)	12,864,132,182	-	12,864,132,182
			7,639,446		7,639,446	-	7,639,446.66
643,662,389	7,805,571	-	1,279,275,717	(211,083,397)	12,871,771,628	-	12,871,771,628
			1,686,655,245		1,686,655,245	-	1,686,655,245
	(16,713,505)				(16,713,505)	-	(16,713,505)
					-	-	-
				18,823,615	18,823,615	-	18,823,615
					-	-	-
					-	-	-
	(16,713,505)		1,686,655,245	18,823,615	1,688,765,355	-	1,688,765,355
288,133,125	-	-	(655,041,916)	5,472,330	(11,394,222)	-	(11,394,222)
					-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(1,204,061,000)	-	-	-	-
			(63,371,632)		(63,371,632)	-	(63,371,632)
			(446,211,500)	446,211,500	-	-	-
288,133,125	(16,713,505)	-	(682,030,804)	470,507,445	1,613,999,501	-	1,613,999,501
931,795,514	(8,907,934)	-	597,244,914	259,424,048	14,485,771,131	-	14,485,771,130

CASH AND CASH EQUIVALENT

4.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in hand	3,590,063,457	3,512,357,814	3,590,063,457	3,512,357,814
Balances with B/FIs	2,902,352,113	2,371,700,051	2,874,278,978	2,266,771,018
Money at call and short notice	4,110,241,557	2,900,046,167	4,110,241,557	2,900,046,167
Other	919,439,895	-	919,439,895	-
Total	11,522,097,022	8,784,104,032	11,494,023,887	8,679,174,999

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

DUE FROM NEPAL RASTRA BANK

4.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory balances with NRB	5,380,814,486	8,440,162,857	5,380,814,486	8,440,162,857
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	666,539,059	468,019,912	666,539,059	468,019,912
Total	6,047,353,545	8,908,182,769	6,047,353,545	8,908,182,769

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	-	-	-	-
Placement with foreign B/FIs	-	477,085,220	-	477,085,220
Less: Allowances for impairment	-	-	-	-
Total	-	477,085,220	-	477,085,220

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 placements with maturities more than three months from acquisition date on Ashadh end 2079.

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	-	21,848,832
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	21,848,832	-	21,848,832
Other	-	-	-	-
Total	-	21,848,832	-	21,848,832

OTHER TRADING ASSETS

4.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	507,975,922	17,409,000	507,975,922	17,409,000
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	507,975,922	17,409,000	507,975,922	17,409,000
Pledged	-	-	-	-
Non-pledged	507,975,922	17,409,000	507,975,922	17,409,000

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

LOAN AND ADVANCES TO B/FIS

4.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loans to microfinance institutions	2,641,526,139	3,763,334,454	2,641,526,139	3,763,334,454
Other	-	-	-	-
Less: Allowances for impairment	33,983,096	48,793,949	33,983,096	48,793,949
Total	2,607,543,043	3,714,540,505	2,607,543,043	3,714,540,505

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	48,793,949	24,909,083	48,793,949	24,909,083
Impairment loss for the year:	(14,810,853)	23,884,866	(14,810,853)	23,884,866
Charge for the year	-	23,884,866	-	23,884,866
Recoveries/reversal	(14,810,853)	-	(14,810,853)	-
Amount written off	-	-	-	-
Balance at Asar end	33,983,097	48,793,949	33,983,096	48,793,949

LOANS AND ADVANCES TO CUSTOMERS

4.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and advances measured at amortized cost	131,094,940,551	115,577,756,103	131,094,940,551	115,577,756,103
Less: Impairment allowances	2,521,789,797	2,005,746,164	2,521,789,797	2,005,746,164
Collective impairment	1,579,359,510	1,400,440,671	1,579,359,510	1,400,440,671
Individual impairment	942,430,287	605,305,493	942,430,287	605,305,493
Net amount	128,573,150,754	113,572,009,939	128,573,150,754	113,572,009,939
Loan and advances measured at FVTPL	-	-	-	-
Total	128,573,150,754	113,572,009,939	128,573,150,754	113,572,009,939

ANALYSIS OF LOAN AND ADVANCES - BY PRODUCT

4.7.1

Product	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Term loans	41,602,942,228	22,229,275,181	41,602,942,228	22,229,275,181
Overdraft	15,186,834,491	10,605,727,288	15,186,834,491	10,605,727,288
Trust receipt/Import loans	1,971,909,007	6,781,407,519	1,971,909,007	6,781,407,519
Demand and other working capital loans	22,347,856,190	14,085,087,150	22,347,856,190	14,085,087,150
Personal residential loans	6,483,890,229	5,611,773,608	6,483,890,229	5,611,773,608
Real estate loans	6,065,256,834	4,929,975,855	6,065,256,834	4,929,975,855
Margin lending loans	1,049,223,739	677,761,994	1,049,223,739	677,761,994
Hire purchase loans	6,853,897,297	7,856,125,291	6,853,897,297	7,856,125,291
Deprived sector loans	4,339,598,491	6,487,514,490	4,339,598,491	6,487,514,490
Bills purchased	-	118,583,840	-	118,583,840
Staff loans	2,939,866,876	2,201,429,189	2,939,866,876	2,201,429,189
Other	21,044,453,793	33,236,811,871	21,044,453,793	33,236,811,871
Sub total	129,885,729,175	114,821,473,276	129,885,729,175	114,821,473,276
Interest receivable	1,209,211,376	756,282,826	1,209,211,376	756,282,826
Grand total	131,094,940,550	115,577,756,103	131,094,940,551	115,577,756,103

ANALYSIS OF LOAN AND ADVANCES - BY CURRENCY

4.7.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	130,244,759,564	109,939,115,635	130,244,759,564	109,939,115,635
Indian rupee	-	-	-	-
United State dollar	850,180,987	5,638,640,468	850,180,987	5,638,640,468
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	131,094,940,551	115,577,756,103	131,094,940,551	115,577,756,103

ANALYSIS OF LOAN AND ADVANCES - BY COLLATERAL

4.7.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Secured				
Movable/immovable assets	120,260,113,839	104,542,731,194	120,260,113,839	104,542,731,194
Gold and silver	260,410,450	271,210,447	260,410,450	271,210,447
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	20,170,543	34,329,250	20,170,543	34,329,250
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	955,473,584	226,746,283	955,473,584	226,746,283
Collateral of Governement securities	705,396	-	705,396	-
Counter guarantee	-	-	-	-
Personal guarantee	1,178,920,186	1,676,424,464	1,178,920,186	1,676,424,464
Other collateral	8,040,828,881	8,641,291,554	8,040,828,881	8,641,291,554
Subtotal	130,716,622,879	115,392,733,192	130,716,622,879	115,392,733,192
Unsecured	378,317,674	185,022,911	378,317,674	185,022,911
Grant Total	131,094,940,553	115,577,756,103	131,094,940,551	115,577,756,103

ALLOWANCES FOR IMPAIRMENT

4.7.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Specific allowances for impairment				
Balance at Sawan 1	605,305,493	677,209,865	605,305,493	677,209,865
Impairment loss for the year:	337,124,794	(71,904,372)	337,124,794	(71,904,372)
Charge for the year	337,124,794	-	337,124,794	-
Recoveries/reversal during the year	-	(71,904,372)	-	(71,904,372)
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Asar end	942,430,287	605,305,493	942,430,287	605,305,493
Collective allowances for impairment				
Balance at Sawan 1	1,400,440,671	854,622,141	1,400,440,671	854,622,141
Impairment loss for the year:	178,918,839	545,818,530	178,918,839	545,818,530
Charge/(reversal) for the year	178,918,839	545,818,530	178,918,839	545,818,530
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Asar end	1,579,359,510	1,400,440,671	1,579,359,510	1,400,440,671
Total allowances for impairment	2,521,789,797	2,005,746,164	2,521,789,797	2,005,746,164

INVESTMENT SECURITIES

4.8

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment securities measured at amortized cost	24,067,470,560	19,493,722,299	23,928,932,943	19,425,994,119
Investment in equity measured at FVTOCI	198,470,422	203,432,587	198,470,422	177,816,658
Total	24,265,940,982	19,697,154,886	24,127,403,365	19,603,810,777

INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

4.8.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities	89,728,180	67,728,180	-	-
Government bonds	21,435,268,403	17,509,318,464	21,435,268,403	17,509,318,464
Government treasury bills	1,344,398,883	1,026,985,777	1,344,398,883	1,026,985,777
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	1,198,075,094	889,689,878	1,149,265,657	889,689,878
Less: specific allowances for impairment	-	-	-	-
Total	24,067,470,560	19,493,722,299	23,928,932,943	19,425,994,119

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	198,470,422	203,432,587	198,470,422	177,816,658
Quoted equity securities	163,805,562	148,767,727	163,805,562	123,151,798
Unquoted equity securities	34,664,860	54,664,860	34,664,860	54,664,860
Total	198,470,422	203,432,587	198,470,422	177,816,658

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 (5,768 Ordinary Shares of Rs.100 paid up)	2,480,925	4,308,696	2,480,925	9,708,221	2,480,925	4,308,696	2,480,925	9,708,221
Butwal Power Company Ltd (8,276 Ordinary Shares of Rs.100 paid up)	4,839,157	2,664,872	4,839,157	3,807,144	4,839,157	2,664,872	4,839,157	3,807,144
Sanima Large Cap Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	18,640,000	20,000,000	21,000,000	20,000,000	18,640,000	20,000,000	21,000,000
Kumari Equity Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	20,140,000	20,000,000	21,000,000	20,000,000	20,140,000	20,000,000	21,000,000
Sunrise Bluechip Fund (20,00,000 Unit of Rs. 10 each)	20,000,000	17,480,000	20,000,000	20,320,000	20,000,000	17,480,000	20,000,000	20,320,000
NIBL Samridhhi Fund-2 (30,00,000 Unit of Rs. 10 each)	30,000,000	26,010,000	30,000,000	32,430,000	30,000,000	26,010,000	30,000,000	32,430,000
Prabhu Select Fund (14,68,090 Unit of Rs. 10 each)	14,680,900	14,108,345	14,680,900	14,886,433	14,680,900	14,108,345	14,680,900	14,886,433
NIC Asia Select 30 Index Fund(NICSF) (2,000,000 Unit of Rs. 10 each)	20,000,000	17,540,000			20,000,000	17,540,000		
RBB Mutual Fund-1(RMFI) (1,000,000 Unit of Rs. 10 each)	10,000,000	9,270,000			10,000,000	9,270,000		
NABIL BALANCED FUND-3(NBF3) (16,680 Unit of Rs. 10 each)	166,800	157,292			166,800	157,292		
MEGA MUTUAL FUND-1(MMF1) (436,340 Unit of Rs. 10 each)	4,363,400	3,486,357			4,363,400	3,486,357		
KUMARI DHANABRIDDDHI YOJANA (3,000,000 Unit of Rs. 10 each)	30,000,000	30,000,000			30,000,000	30,000,000		
Citizen Investment Trust (1170 Unit of Rs. 3,031 each)			21,622	31,419				
Citizens Bank International Limited (10,095 Unit of Rs. 328 each)			350,761	405,300				
Garima Bikas Bank Limited (1,250 Unit of Rs. 465 each)			581,173	680,000				
Himalayan Distillery Limited (631 Unit of Rs. 3698 each)			1,234,579	1,543,360				
Kamana Sewa Bikas Bank Limited (1 Unit)			562,630	616,540				
Kumari Bank Limited (10,000 Unit of Rs. 281 each)			387,474	448,910				

contd...

contd...

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Laxmi Bank Limited (750 Unit of Rs. 378 each)			283,864	296,250				
Lumbini General Insurance Limited (1,095 Unit of Rs. 708 each)			571,378	531,960				
Mukthinath Bikas Bank Limited (1 Unit)			584,400	616,923				
Nadep Laghubitta Bittiya Sanstha Limited (120 Unit of Rs. 828 each)			99,306	103,900				
Nepal Doorsanchar Company Limited (400 Unit of Rs. 1,347 each)			538,716	525,600				
Nepal Infrastructure Bank Limited (10,143 Unit of Rs. 416 each)			1,941,675	1,755,948				
Nepal Investment Bank Limited (3,486 Unit of Rs. 354 each)			1,232,764	1,247,688				
Nic Asia Bank Limited (2,000 Unit of Rs. 847 each)			1,621,673	1,791,188				
Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (732 Unit of Rs. 281 each)			641,096	889,600				
Nmb Bank Limited (6,750 Unit of Rs. 368 each)			217,245	249,040				
Prabhu Bank Limited (3,150 Unit of Rs. 378 each)			740,490	731,200				
Premier Insurance Company Limited (1,222 Unit of Rs. 995 each)			763,746	702,000				
Prudential Insurance Company Limited (2,007 Unit of Rs. 754 each)			1,103,979	1,036,800				
Sanima Bank Limited (1,500 Unit of Rs. 424 each)			635,917	727,500				
Shivam Cements Limited (2,415 Unit of Rs. 1,414 each)			1,620,315	1,548,396				
Siddhartha Bank Limited (1,371 Unit of Rs. 440 each)			500,483	504,000				
Siddhartha Insurance Limited (1,426 Unit of Rs. 905 each)			620,974	600,944				
Surya Life Insurance Company Limited (1,377 Unit of Rs. 799 each)			462,592	470,220				
IME General Insurance Ltd. (42 Unit of Rs. each)			-	50,778				
Citizens Mutual Fund-2 (84,650 Unit of Rs. 15 each)			7,333	10,613				

contd...

contd...

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
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 - II (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 (54,350 Unit of Rs. 12 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 (166,215 Ordinary Shares of Rs. 100 paid up)	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
National Banking Institute Ltd (18,348 Ordinary Shares of Rs. 100 paid up)	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860
Nepal Clearing House Ltd (94,610 Ordinary Shares of Rs. 100 paid up)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Nepal Electronic Payment Systems Ltd (NEPS) (150,000 Promoter Share of Rs. 100 paid up)	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
NIC Asia Select 30 Index Fund (20,00,000 Unit of Rs. 10 each)	-	-	20,000,000	20,000,000			20,000,000	20,000,000
Mahila Laghubitta Bittiya Sastha Ltd (206,500 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	211,196,042	198,470,423	190,541,908	203,432,567	211,196,042	198,470,422	166,665,842	177,816,658

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	4,532,505,530	3,547,884,255	4,513,958,362	3,536,378,863
Current year income tax assets	984,621,275	(335,735,056)	977,579,499	(343,975,442)
Tax assets of prior periods	3,547,884,255	3,883,619,311	3,536,378,863	3,880,354,305
Current tax liabilities	3,885,126,689	3,128,546,971	3,867,534,117	3,117,272,627
Current year income tax liabilities	756,579,718	(479,193,402)	750,261,490	(487,273,209)
Tax liabilities of prior periods	3,128,546,971	3,607,740,373	3,117,272,627	3,604,545,836
Total	647,378,841	419,337,284	646,424,245	419,106,236

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	273,910,573	174,947,305	273,910,573	174,947,305
Addition/disposal during the year	(29,728,003)	98,963,268	(29,728,003)	98,963,268
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	244,182,570	273,910,573	244,182,570	273,910,573
Total	244,182,570	273,910,573	244,182,570	273,910,573

The bank has during the year assumed additional Non Banking Assets of 127,379,970 and sold NBA of NPR 157,107,973.

PROPERTY AND EQUIPMENT

PARTICULARS	GROUP										TOTAL ASHAD END 2078	
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2079			
Cost												
As on Sawan 1, 2077	230,958,472	214,156,907	467,849,783	425,991,860	176,493,072	197,123,335	-	406,415,663	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 Asar 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		
Addition during the Year	-	-	74,267,643	96,443,130	63,178,924	17,651,495	-	31,940,306	283,481,498	320,950,935		
Acquisition	-	-	74,267,643	96,443,130	63,178,924	17,651,495	-	31,940,306	283,481,498	320,950,935		
Capitalization	-	-	-	-	-	-	-	-	-	-		
Disposal during the year	-	-	3,863,656	18,985,235	11,682,105	2,025,123	-	8,936,569	45,492,689	60,255,561		
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-		
Balance as on Asar end 2079	267,358,472	218,756,907	660,068,715	539,194,556	239,427,633	238,106,113	-	454,760,898	2,617,673,294	2,379,684,486		
Depreciation and Impairment												
As on Sawan 1, 2077	-	46,440,144	170,228,680	212,697,374	79,291,819	109,235,456	-	156,544,590	900,588,087	747,530,943		
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 Asar end 2078	-	50,723,282	201,466,033	245,330,251	101,819,512	119,903,709	-	181,345,302	900,588,088	774,438,063		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Depreciation charge for the Year	-	4,387,125	52,714,974	66,180,884	25,086,105	16,315,158	-	39,263,053	203,947,298	178,288,578		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	2,516,364	18,967,302	9,096,090	1,691,165	-	8,335,310	40,606,230	52,138,554		
Adjustment	-	-	-	-	-	-	-	-	-	-		
As on Asar end 2079	-	55,110,407	251,664,643	292,543,833	117,809,527	134,527,702	-	212,273,045	1,063,929,156	900,588,087		
Capital Work in Progress												
	-	32,591,292	-	-	-	-	-	-	32,591,292	-		
Net Book Value												
As on Asar 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 Asar end 2078	267,358,472	168,033,625	388,198,696	216,406,410	86,111,302	102,576,032	-	250,411,860	1,479,096,398	1,344,551,049		
As on Asar end 2079	267,358,472	196,237,793	408,404,072	246,650,723	121,618,106	103,578,411	-	242,487,853	1,586,335,430	1,479,096,398		

PROPERTY AND EQUIPMENT

PARTICULARS	BANK											TOTAL ASHAD END 2078
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHAD END 2079			
Cost												
As on Sawan 1, 2077	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 Asar end 2078	267,358,472	218,756,907	588,690,201	460,172,335	185,655,673	222,188,214	-	431,165,267	2,373,987,070	2,109,764,967		
Addition during the Year	-	-	74,267,643	96,290,700	63,178,924	17,584,758	-	31,862,362	283,174,387	316,762,509		
Acquisition	-	-	74,267,643	96,290,700	63,178,924	17,584,758	-	31,862,362	283,174,387	316,762,509		
Capitalization	-	-	-	-	-	-	-	-	-	-		
Disposal during the year	-	-	3,863,656	18,985,235	9,632,775	2,025,123	-	8,917,992	43,424,782	52,540,406		
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-		
Balance as on Asar end 2079	267,358,472	218,756,907	659,094,187	537,477,800	259,201,822	237,747,849	-	454,099,637	2,613,736,675	2,373,987,070		
Depreciation and Impairment												
As on Sawan 1, 2077	-	46,440,144	170,150,969	212,542,263	79,279,827	109,177,622	-	156,369,850	773,960,675	747,530,943		
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		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Disposals	-	-	12,936,303	24,307,478	438,695	3,015,894	-	10,450,588	51,148,958	125,341,562		
Adjustment	-	-	-	-	-	-	-	-	-	-		
As on Asar end 2078	-	50,723,282	201,417,211	244,936,229	101,630,624	119,879,495	-	181,311,794	899,898,635	773,960,675		
Impairment for the year	-	-	-	-	-	-	-	-	-	-		
Depreciation charge for the Year	-	4,387,125	52,617,531	65,842,302	24,917,678	16,280,462	-	39,200,123	203,245,220	177,086,918		
Disposals	-	-	2,516,364	18,967,302	8,813,498	1,691,165	-	8,333,438	40,321,766	51,148,958		
Adjustment	-	-	-	-	-	-	-	-	-	-		
As on Asar end 2079	-	55,110,407	251,518,378	291,811,229	117,734,804	134,468,792	-	212,178,480	1,062,822,089	899,898,635		
Capital Work in Progress	-	32,591,292	-	-	-	-	-	-	32,591,292	-		
Net Book Value												
As on Asar end 2077	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 Asar end 2078	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		
As on Asar end 2079	267,358,472	196,237,792	407,575,809	245,666,570	121,467,017	103,279,058	-	241,921,157	1,583,505,876	1,474,088,435		

GOODWILL AND INTANGIBLE ASSETS

4.14

PARTICULARS	GROUP					TOTAL ASHAD END 2079	TOTAL ASHAD END 2078
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Sawan 1, 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	-	-	26,229,786	26,229,786	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	102,967,009	-	-	102,967,009	-	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Asar end 2078	-	153,388,755	-	-	153,388,755	134,563,934	
Addition during the Year	-	18,113,964	-	-	18,113,964	121,791,830	
Acquisition	-	18,113,964	-	-	18,113,964	121,791,830	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	2,276,950	-	-	2,276,950	102,967,009	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Asar end 2079	-	169,225,769	-	-	169,225,769	153,388,755	
Amortization and Impairment							
As on Sawan 1, 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 Asar end 2078	-	26,057,513	-	-	26,057,513	68,857,950	
Amortization charge for the Year	-	17,391,331	-	-	17,391,331	13,315,692	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	2,276,949	-	-	2,276,949	56,116,129	
Adjustment	-	-	-	-	-	-	
As on Asar end 2079	-	41,171,895	-	-	41,171,895	26,057,513	
Capital Work in Progress	-	-	-	-	-	-	
Net Book Value							
As on Asar end 2077	-	65,705,984	-	-	65,705,984	49,006,075	
As on Asar end 2078	-	127,331,242	-	-	127,331,242	65,705,984	
As on Asar end 2079	-	128,053,874	-	-	128,053,874	127,331,242	

contd...

contd...

PARTICULARS	BANK					TOTAL ASHAD END 2079	TOTAL ASHAD END 2078
	GOODWILL	SOFTWARE		OTHER			
		PURCHASED	DEVELOPED				
Cost							
As on Sawan 1, 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 Asar end 2078	-	151,848,451	-	-	151,848,451	133,946,954	
Addition during the Year	-	18,113,964	-	-	18,113,964	120,868,506	
Acquisition	-	18,113,964	-	-	18,113,964	120,868,506	
Capitalization	-	-	-	-	-	-	
Disposal during the year	-	2,276,950	-	-	2,276,950	102,967,009	
Adjustment/Revaluation	-	-	-	-	-	-	
Balance as on Asar end 2079	-	167,685,465	-	-	167,685,465	151,848,451	
Amortization and Impairment							
As on Sawan 1, 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 Asar end 2078	-	25,817,375	-	-	25,817,375	68,819,869	
Amortization charge for the Year	-	17,083,270	-	-	17,083,270	13,113,635	
Impairment for the year	-	-	-	-	-	-	
Disposals	-	2,276,949	-	-	2,276,949	56,116,129	
Adjustment	-	-	-	-	-	-	
As on Asar end 2079	-	40,623,696	-	-	40,623,696	25,817,375	
Capital Work in Progress	-	-	-	-	-	-	
Net Book Value							
As on Asar end 2077	-	65,127,085	-	-	65,127,085	49,006,075	
As on Asar end 2078	-	126,031,076	-	-	126,031,076	65,127,085	
As on Asar end 2079	-	127,061,769	-	-	127,061,769	126,031,076	

DEFERRED TAX

4.15

CURRENT YEAR (FY 2078-79)	GROUP			BANK		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and Advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(9,646,217)	9,646,217		(3,817,686)	3,817,686
Property & equipment	-	39,581,275	(39,581,275)	-	39,501,390	(39,501,390)
Employees' defined benefit plan	71,070,828	-	71,070,828	71,599,421	-	71,599,421
Lease liabilities	320,040,331	(289,674,417)	30,365,913	319,812,503	(289,674,417)	30,138,085
Provisions	-	-	-	-	-	-
Other temporary differences	518,433	17,318,903	(16,800,470)	518,433	17,318,903	(16,800,470)
Deferred tax on temporary differences	391,629,592	(242,420,456)	54,701,213	391,930,357	(236,671,810)	49,253,332
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 2079	391,629,592	(242,420,456)	54,701,213	391,930,357	(236,671,810)	49,253,332
Deferred tax (asset)/liabilities as on Sawan 1, 2078			(35,348,476)			(35,139,179)
Origination/(Reversal) during the year			(19,352,737)			(14,114,154)
Deferred tax expense/(income) recognised in profit or loss			(12,189,806)			(6,951,223)
Deferred tax expense/(income) recognised in other comprehensive income			(7,162,931)			(7,162,931)
Deferred tax expense/(income) recognised in directly in equity			-			-

contd...

contd...

PREVIOUS 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			-			-

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	427,038,006	105,280,765	420,857,879	90,324,412
Accrued income	-	-	-	-
Prepayments and deposit	112,140,632	113,441,278	111,740,632	113,041,278
Income tax deposit	-	-	-	-
Deferred employee expenditure	997,381,721	463,572,270	997,381,721	463,572,270
Other	989,449,561	24,272,072	989,449,561	24,272,072
a. Stationery at stock	23,868,170	24,272,072	23,868,170	24,272,072
b. Branch adjustment account	-	-	-	-
c. Right of Use Assets (NFRS 16)	965,581,391	-	965,581,391	-
d. Others	-	-	-	-
Total	2,526,009,920	706,566,385	2,519,429,793	691,210,032

Other includes Right of Use Assets (as per NFRS 16) amounting to NPR 965,581,391.

DUE TO BANK AND FINANCIAL INSTITUTIONS

4.17

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money market deposits	-	-	-	-
Interbank borrowing	1,401,003,699	-	1,401,003,699	-
Other deposits from BFIs	3,671,832,173	2,863,541,338	3,671,832,173	2,863,541,338
Settlement and clearing accounts	-	-	-	-
Total	5,072,835,872	2,863,541,338	5,072,835,872	2,863,541,338

DUE TO NEPAL RASTRA BANK

4.18

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	3,612,515,768	4,159,288,073	3,612,515,768	4,159,288,073
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	3,612,515,768	4,159,288,073	3,612,515,768	4,159,288,073

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	1,784,400	-	1,784,400	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	1,784,400	-	1,784,400	-
Other	-	-	-	-
Total	1,784,400	-	1,784,400	-

DEPOSITS FROM CUSTOMERS

4.20

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Institutions customers:	50,999,941,990	48,579,029,671	51,111,013,468	48,677,228,314
Term deposits	31,799,847,864	31,237,805,446	31,907,347,864	31,328,805,446
Call deposits	8,397,293,904	8,639,834,279	8,400,862,728	8,647,030,268
Current deposits	8,341,138,192	7,744,984,598	8,341,140,846	7,744,987,252
Other	2,461,662,030	956,405,348	2,461,662,030	956,405,348
Individual customers:	93,915,036,383	82,940,736,303	93,915,036,383	82,940,736,303
Term deposits	51,608,806,820	38,028,188,672	51,608,806,820	38,028,188,672
Saving deposits	41,793,452,001	44,511,551,968	41,793,452,001	44,511,551,968
Current deposits	512,068,723	399,407,662	512,068,723	399,407,662
Other	708,839	1,588,001	708,839	1,588,001
Total	144,914,978,373	131,519,765,974	145,026,049,851	131,617,964,617

CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	138,632,284,744	126,535,106,973	138,743,356,222	126,633,305,616
Indian rupee	7,391,940	32,022,611	7,391,940	32,022,611
United State dollar	6,208,805,263	4,692,871,820	6,208,805,263	4,692,871,820
Great Britain pound	11,620,615	2,838,826	11,620,615	2,838,826
Euro	29,909,534	235,402,909	29,909,534	235,402,909
Japanese yen	24,851,598	21,406,775	24,851,598	21,406,775
Chinese yuan	-	-	-	-
Other (AUD)	114,678	116,060	114,678	116,060
Total	144,914,978,373	131,519,765,974	145,026,049,851	131,617,964,617

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	1,286,243,901	1,202,306,566	1,286,243,901	1,202,306,566
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	1,286,243,901	1,202,306,566	1,286,243,901	1,202,306,566
Total	1,286,243,901	1,202,306,566	1,286,243,901	1,202,306,566

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 Asar end	-	-	-	-

OTHER LIABILITIES

4.23

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	68,949,092	97,649,042	68,949,092	96,115,562
Liability for long-service leave	239,990,006	205,363,961	238,664,736	203,725,722
Short-term employee benefits	-	-	-	-
Bills payable	-	-	-	-
Creditors and accruals	740,126,351	227,130,811	740,126,351	227,130,815
Interest payable on deposit	36,422,442	248,312,401	36,422,442	248,312,401
Interest payable on borrowing	54,373,053	38,061,918	54,373,053	38,061,918
Liabilities on deferred grant income	10,764,277	13,885,888	10,764,277	13,885,888
Unpaid Dividend	78,306,317	97,832,934	78,306,317	97,832,934
Liabilities under Finance Lease	1,066,041,676	-	1,066,041,676	-
Employee bonus payable	269,933,270	257,698,424	269,632,385	253,371,402
Other	1,187,332,254	1,184,217,714	1,186,067,743	1,180,234,337
Total	3,752,238,738	2,370,153,093	3,749,348,072	2,358,670,979

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	68,949,092	96,115,562	68,949,092	96,115,562
Present value of funded obligations	523,512,045	412,362,097	523,512,045	412,362,097
Total present value of obligations	592,461,137	508,477,659	592,461,137	508,477,659
Fair value of plan assets	523,512,045	412,362,097	523,512,045	412,362,097
Present value of net obligations	-	-	-	-
Recognised liability for defined benefit obligations	68,949,092	96,115,562	68,949,092	96,115,562

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)	523,512,045	412,362,097	523,512,045	412,362,097
Total	523,512,045	412,362,097	523,512,045	412,362,097
Actual return on plan assets	35,369,722	22,752,372	35,369,722	22,752,372

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	508,477,659	397,070,878	508,477,659	397,070,878
Actuarial losses	(23,976,592)	26,638,170	(23,976,592)	26,638,170
Benefits paid by the plan	(20,335,336)	(7,461,153)	(20,335,336)	(7,461,153)
Current service costs and interest	128,295,406	92,229,764	128,295,406	92,229,764
Defined benefit obligations at Asar end	592,461,137	508,477,659	592,461,137	508,477,659

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	412,362,097	343,914,303	412,362,097	343,914,303
Contributions paid into the plan	96,115,562	53,156,575	96,115,562	53,156,575
Benefits paid during the year	(20,335,336)	(7,461,153)	(20,335,336)	(7,461,153)
Actuarial (losses) gains	(9,478,177)	(10,256,209)	(9,478,177)	(10,256,209)
Expected return on plan assets	44,847,899	33,008,581	44,847,899	33,008,581
Fair value of plan assets at Asar end	523,512,045	412,362,097	523,512,045	412,362,097

AMOUNT RECOGNISED IN PROFIT OR LOSS

4.23.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current service costs	83,447,507	55,382,038	83,447,507	55,382,038
Interest on obligation	4,325,200	35,661,343	4,325,200	35,661,343
Expected return on plan assets	-	(33,008,581)	-	(33,008,581)
Total	87,772,707	58,034,800	87,772,707	58,034,800

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME

4.23.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	(18,823,615)	38,080,762	(18,823,615)	38,080,762
Total	(18,823,615)	38,080,762	(18,823,615)	38,080,762

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	5,492,759,107	3,147,643,817	5,492,759,107	3,147,643,817
Total	5,492,759,107	3,147,643,817	5,492,759,107	3,147,643,817

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	10,257,155,581	9,053,094,581	10,257,155,581	9,053,094,581
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	10,257,155,581	9,053,094,581	10,257,155,581	9,053,094,581

ORDINARY SHARES

4.26.1

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital 150,000,000 Ordinary shares of Rs. 100 each share	15,000,000,000	10,000,000,000
Issued capital 102,571,556 Ordinary shares of Rs.100 each share (Previous Year 90,530,946 Ordinary shares of Rs.100 each share)	10,257,155,581	9,053,094,581
Subscribed and paid up capital 102,571,556 Ordinary shares of Rs.100 each share (Previous Year 90,530,946 Ordinary shares of Rs.100 each share)	10,257,155,581	9,053,094,581
Total	10,257,155,581	9,053,094,581

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	1,237,846,100	12	1,081,297,500
Public	88	9,019,309,481	88	7,971,797,081
Other	-	-	-	-
Foreign ownership	-	-	-	-
Total	100	10,257,155,581	100	9,053,094,581

SHAREHOLDER HOLDING 0.5% OR MORE SHARE

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Surendra Mahato	11.11	1,139,107,300	11.11	1,005,390,300
Upendra Mahato Sudi	9.14	937,188,000	9.14	827,173,900
Prem Kumari K.C	8.68	890,105,600	8.76	792,722,800
PKR Investment Company Pvt.Ltd	6.57	673,479,800	6.57	594,863,000
Ram Ashish Sahu Sudi	4.24	434,402,700	4.24	383,409,300
Krishna Gopal Shrestha	2.06	211,669,300	2.06	186,822,000
Dr.Dharma Raj Shrestha	2.03	208,262,600	2.03	183,815,000
Karan Motor Company Pvt.Ltd	1.51	155,328,200	1.51	137,094,600
Kiran K.C	1.48	152,170,700	1.43	129,601,500

contd...

contd...

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Roshan K.C	1.48	152,055,800	1.48	134,307,800
Prakash K.C	1.29	132,642,300		
Ganesh Bahadur Shrestha	1.19	121,738,700	0.81	73,019,100
Ram Janaki Investment And Petroleum Suppliers Private Limited	0.99	101,862,600		
Associated Automobiles Pvt.ltd	0.93	95,490,600	0.93	84,281,200
Shree Himalayan Enterprises Pvt.Ltd	0.80	81,905,200	0.80	72,290,600
Praneshwor Pokharel	0.72	73,385,100	0.72	64,770,600
Ajad Shrestha	0.64	65,341,700		
Birendra Prasad Mahato	0.61	62,505,700	0.61	55,168,300
Rajan Lal Shrestha	0.53	54,160,700	0.56	51,085,200
Niraj Govinda Shrestha			0.53	47,825,300
Dinesh Lal Shrestha	0.51	521,702	0.51	46,046,100
	56.50	5,743,324,302	53.79	4,869,686,600

RESERVES

4.27

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory general reserve	2,367,871,642	2,030,426,757	2,365,397,144	2,028,066,095
Exchange equalization reserve	52,780,098	40,068,908	52,780,098	40,068,908
Corporate social responsibility reserve	21,918,862	16,435,151	21,738,429	16,266,099
Capital redemption reserve	-	-	-	-
Regulatory reserve	931,795,514	643,662,389	931,795,514	643,662,389
Investment adjustment reserve	-	-	-	-
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	(8,907,934)	7,805,571	(8,907,934)	7,805,571
Dividend equalization reserve	-	-	-	-
Debenture redemption reserve	428,571,429	-	428,571,429	-
Actuarial gain	(208,525,882)	(227,349,497)	(208,525,882)	(227,349,497)
Special reserve	-	-	-	-
Other reserve	17,640,072	535,535	17,640,072	-
a) Employee Skill Enhancement Reserve (Training Reserve)	17,640,072	-	17,640,072	-
b) Deferred Tax Reserve	-	-	-	-
c) Other Reserve	-	535,535	-	-
Total	3,603,143,801	2,511,584,814	3,600,488,870	2,508,519,565

CONTINGENT LIABILITIES AND COMMITMENTS

4.28

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	38,888,529,322	31,786,326,039	38,888,529,322	31,786,326,039
Undrawn and undisbursed facilities	5,529,953,492	949,476,586	5,529,953,492	949,476,586
Capital commitment	211,156,953	81,040,402	211,156,953	81,040,402
Lease commitment	-	1,521,013,379	-	1,521,013,379
Litigation	139,151,751	112,444,637	139,151,751	112,444,637
Total	44,768,791,517	34,450,301,043	44,768,791,517	34,450,301,043

CONTINGENT LIABILITIES

4.28.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	2,866,188,847	2,680,826,233	2,866,188,847	2,680,826,233
Bills for collection	12,799,688,047	7,608,064,251	12,799,688,047	7,608,064,251
Forward exchange contracts	-	-	-	-
Guarantees	23,222,652,427	21,497,435,554	23,222,652,427	21,497,435,554
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Total	38,888,529,322	31,786,326,039	38,888,529,322	31,786,326,039

UNDRAWN AND UNDISBURSED FACILITIES

4.28.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	-	-	-	-
Undrawn limits of overdrafts	5,169,753,697	675,864,858	5,169,753,697	675,864,858
Undrawn limits of credit cards	360,199,795	273,611,728	360,199,795	273,611,728
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
Total	5,529,953,492	949,476,586	5,529,953,492	949,476,586

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	211,156,953	81,040,402	211,156,953	81,040,402
Approved but not contracted for	-	-	-	-
Sub total	211,156,953	81,040,402	211,156,953	81,040,402
Capital commitments in relation to Intangible assets				
Approved and contracted for	-	-	-	-
Approved but not contracted for	-	-	-	-
Sub total	-	-	-	-
Total	211,156,953	81,040,402	211,156,953	81,040,402

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	-	204,894,703
Later than 1 year but not later than 5 years	-	812,325,516	-	812,325,516
Later than 5 years	-	503,793,160	-	503,793,160
Sub total	-	1,521,013,379	-	1,521,013,379
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	0	1,521,013,379	0	1,521,013,379

Lease commitments has been calculated as per NFRS 16- Leases

LITIGATION**4.28.5**

Under the self-assessment process, bank files its income tax returns which is then reviewed by Large Tax Payers Office usually within four years from the end of financial year. On completion of assesment till FY 2074-75, Large Taxpayers Office(LTO) has raised an assessment order for disputed tax liability of NPR 139,151,751. 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	1,482,565	13,924,877	1,482,565	13,924,877
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	34,361,429	6,706,063	34,361,429	6,706,063
Loan and advances to bank and financial institutions	8,240,096	33,341,469	8,240,096	33,341,469
Loans and advances to customers	13,942,886,377	10,193,851,450	13,942,886,377	10,193,851,450
Investment securities	1,100,851,994	739,524,476	1,107,424,649	751,365,767
Loan and advances to staff	137,975,816	156,293,441	137,975,816	156,293,441
Other	15,525,940	14,997,198	-	-
Total interest income	15,241,324,217	11,158,638,974	15,232,370,932	11,155,483,067

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	150,974,084	73,820,166	150,974,084	73,820,166
Due to Nepal Rastra Bank	452,541,271	34,805,180	452,541,271	34,805,180
Deposits from customers	9,075,478,821	6,276,283,283	9,082,051,476	6,288,124,574
Borrowing	96,408,179	99,246,538	96,408,179	99,246,538
Debt securities issued	489,262,477	308,065,328	489,212,014	307,993,622
Subordinated liabilities	-	-	-	-
Other	83,139,524	-	83,139,524	-
Total interest expense	10,347,804,356	6,792,220,495	10,354,326,548	6,803,990,080

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

FEES AND COMMISSION INCOME

4.31

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	319,410,441	293,670,168	319,410,441	293,670,168
Service fees	210,363,205	188,815,415	171,540,100	149,924,894
Consortium fees	47,297,645	55,842,986	47,297,645	55,842,986
Commitment fees	1,795,467	2,600,965	1,795,467	2,600,965
DD/TT/Swift fees	41,651,165	19,191,309	41,651,165	19,191,309
Credit card/ATM issuance and renewal fees	164,584,307	108,862,766	164,584,307	108,862,766
Prepayment and swap fees	100,600,604	70,416,120	100,600,604	70,416,120
Investment banking fees	16,293,809	7,001,317	16,293,809	7,001,317
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	23,775,047	45,240,236	23,775,047	45,240,236
Commission on letter of credit	132,804,398	96,741,239	132,804,398	96,741,239
Commission on guarantee contracts issued	188,095,698	197,326,508	188,095,698	197,326,508
Commission on share underwriting/issue	-	-	-	-
Locker rental	12,474,369	9,551,396	12,474,369	9,551,396
Other fees and commission income	133,780,585	86,077,144	133,847,174	86,531,695
Total fees and Commission Income	1,392,926,740	1,181,337,569	1,354,170,224	1,142,901,599

FEES AND COMMISSION EXPENSE

4.32

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	60,148,449	54,951,868	60,148,449	54,951,868
VISA/Master card fees	79,254,132	37,454,494	79,254,132	37,454,494
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	8,023,790	14,011,716	8,023,790	14,011,716
Remittance fees and commission	8,198,781	3,438,111	8,198,781	3,438,111
Other fees and commission expense	37,518,758	23,077,114	35,409,254	21,186,967
Total fees and Commission Expense	193,143,910	132,933,303	191,034,406	131,043,156

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	216,650,959	258,087,591	216,650,959	258,087,591
Other	-	-	-	-
Net trading income	216,650,959	258,087,591	216,650,959	258,087,591

OTHER OPERATING INCOME

4.34

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	50,844,759	38,508,768	50,844,759	38,508,768
Gain/loss on sale of investment securities	(22,141,577)	114,132,737	-	108,337,341
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	15,560,910	35,705,621	14,261,570	35,668,097
Gain/loss on sale of property and equipment	4,384,927	(284,621)	4,384,927	(284,621)
Gain/loss on sale of investment property	14,573,322	14,157,140	14,573,322	14,157,140
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	10,984,087	-	10,984,087	-
Other	443,596	1,450,928	-	-
Total	74,650,024	203,670,573	95,048,665	196,386,725

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	(14,810,853)	23,884,866	(14,810,853)	23,884,866
Impairment charge/(reversal) on loan and advances to customer	516,043,634	473,914,158	516,043,634	473,914,158
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	501,232,781	497,799,024	501,232,781	497,799,024

PERSONNEL EXPENSE

4.36

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	526,675,085	494,835,975	514,244,963	486,370,638
Allowances	413,777,351	359,421,155	413,777,351	359,421,155
Gratuity expense	88,421,859	58,483,652	87,772,707	58,034,800
Provident fund	52,202,741	49,157,886	51,423,509	48,635,994
Uniform	19,320,934	29,122,853	19,320,934	29,122,853
Training & development expense	16,888,729	7,313,824	16,789,521	7,295,777
Leave encashment	98,406,766	121,162,498	97,802,416	119,886,294
Medical	-	-	-	-
Insurance	9,970,565	8,225,920	9,970,565	8,225,920
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRSs	66,294,839	126,404,300	66,294,839	126,404,300
Other expenses related to staff	381,181,368	275,156,063	376,688,657	272,738,439
a. Dashain allowance	73,445,460	69,791,131	73,269,579	69,615,250
b. Others	307,735,908	205,364,932	303,419,078	203,123,189
Subtotal	1,673,140,237	1,529,284,126	1,654,085,462	1,516,136,170
Employees bonus	269,933,270	257,126,943	269,632,385	253,371,402
Grand total	1,943,073,507	1,786,411,069	1,923,717,847	1,769,507,572

OTHER OPERATING EXPENSE

4.37

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	3,692,700	3,342,154	3,012,900	2,784,154
Directors' expense	1,813,528	1,449,682	1,688,934	1,417,924
Auditors' remuneration	2,373,000	1,921,000	2,260,000	1,864,500
Other audit related expense	-	-	-	-
Professional and legal expense	6,926,051	2,754,813	6,992,639	3,209,364
Office administration expense	1,083,017,856	666,091,065	1,078,015,534	662,217,899
Operating lease expense	7,210,171	221,836,323	4,413,219	219,291,963
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	-	5,367	-	-
Onerous lease provisions	-	-	-	-
Other	-	-	-	-
Total	1,105,033,306	897,400,404	1,096,383,226	890,785,804

OFFICE ADMINISTRATION EXPENSE

4.37.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and Electricity	37,664,764	33,536,553	37,286,406	33,310,660
Repair and Maintenance	20,856,786	17,898,548	20,785,426	17,841,871
a) Building	125,175	206,350	125,175	206,350
b) Vehicle	6,986,042	4,767,181	6,986,042	4,767,181
c) Computer and accessories	1,014,691	1,361,317	1,014,691	1,361,317
d) Office equipment and furniture	6,214,167	4,861,816	6,214,167	4,861,816
e) Other	6,516,711	6,701,884	6,445,351	6,645,207
Insurance	6,177,295	4,485,730	5,952,803	4,392,904
Postage, Telex, Telephone, Fax	29,994,041	81,386,528	29,926,917	81,163,446
Printing and Stationery	33,357,476	31,343,129	33,013,798	31,195,372
News Paper, books and journals	179,669	120,613	179,669	120,613
Advertisements	40,731,068	38,927,119	40,022,432	38,689,056
Donation	-	-	-	-
Security Expenses	162,456,330	143,616,542	162,099,156	142,861,523
Deposit and loan guarantee premium	44,098,712	66,877,046	44,098,712	66,877,046
Traveling Allowances and Expenses	14,875,585	8,942,375	14,811,739	8,883,812
Entertainment	3,966,411	2,242,337	3,966,411	2,242,337
Legal Expenses	-	-	-	-
Annual/special General Meeting	2,795,742	2,249,862	2,653,786	2,209,003
Other	685,863,976	234,464,683	683,218,278	232,430,255
a) Annual Maintenance Expenses	22,869,227	14,528,989	22,869,227	14,528,989
b) Fuel	15,287,619	10,118,105	15,114,815	10,047,719
c) Business Promotion/Annual Function Expenses	40,365,944	16,513,809	40,345,785	16,513,809
d) Rates And Taxes	13,648,879	10,545,670	13,648,879	10,545,670
e) Outsource Staff Expenses	63,471,859	54,881,305	63,081,424	54,753,052
f) Other	530,220,448	127,876,805	528,158,148	126,041,016
Total	1,083,017,855	666,091,065	1,078,015,534	662,217,899

DEPRECIATION & AMORTISATION

4.38

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	360,051,516	178,322,050	359,349,438	177,086,918
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	17,391,331	13,315,692	17,083,270	13,113,635
Total	377,442,847	191,637,742	376,432,708	190,200,553

Depreciation on property and equipment includes depreciation on Right of Use Assets amounting to NPR 156,104,218 as per NFRS 16 - "Leases" due to which depreciation amount does not match with 4.13 Property, Plant and Equipment schedule.

NON OPERATING INCOME

4.39

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	34,466,836	9,773,799	34,466,836	9,773,799
Other income	-	-	-	-
Total	34,466,836	9,773,799	34,466,836	9,773,799

NON OPERATING EXPENSE

4.40

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	38,126,303	103,244,429	38,126,303	103,244,429
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	24,762,334	95,719,547	24,762,334	95,719,547
Total	62,888,637	198,963,976	62,888,637	198,963,976

INCOME TAX EXPENSE

4.41

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current tax expense	753,305,669	686,818,951	746,987,441	676,119,044
Current year	743,072,576	680,493,815	736,754,348	669,816,968
Adjustments for prior years	10,233,093	6,325,136	10,233,093	6,302,076
Deferred tax expense	(12,189,806)	(4,352,819)	(6,951,223)	(3,249,602)
Origination and reversal of temporary differences	(12,189,806)	(4,352,819)	(6,951,223)	(3,249,602)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	741,115,863	682,466,132	740,036,218	672,869,442

RECONCILIATION OF TAX EXPENSE AND ACCOUNTING PROFIT

4.41.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	2,429,399,432	2,314,142,493	2,426,691,463	2,280,342,616
Tax amount at tax rate of 30%	728,819,830	694,242,748	728,007,439	684,102,785
Add: Tax effect of expenses that are not deductible for tax purpose	-	-	-	-
Less: Tax effect on exempt income	3,364,624	8,822,965	3,364,624	8,822,965
Add/less: Tax effect on other items	5,160,310	(8,712,454)	5,160,310	(8,712,454)
Total income tax expense	730,615,516	676,707,329	729,803,125	666,567,366
Effective tax rate	30.07%	29.24%	30.07%	29.23%

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 32, Ashad 2079
(As per NRB Regulation)

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Opening Retained Earning	11,843,085	101,340,682
Add: Net profit or (loss) as per statement of profit or loss	1,686,655,245	1,607,473,174
Appropriations:		
a. General reserve	337,331,049	321,494,635
b. Foreign exchange fluctuation fund	12,711,190	9,627,192
c. Capital redemption reserve	428,571,429	-
d. Corporate social responsibility fund	16,866,552	16,074,732
e. Employees' training fund	17,640,072	-
f. Other	-	7,081,204
- Investment Adjustment Reserve	-	-
Profit or (loss) before regulatory adjustment	885,378,038	1,354,536,094
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(324,675,609)	33,146,144
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 (+)	44,558,642	(88,176,859)
e. Deferred tax assets recognised (-)/ reversal (+)	(14,114,154)	95,643
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	18,823,615	(38,080,762)
i. Other (+/-)	(12,725,620)	10,116,006
- Fair Value Reserve	(12,725,620)	10,116,006
Total Distributable profit or (loss) as on year end date	597,244,914	1,271,636,271

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2078/79

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	10,574,583,992	11,494,023,887	919,439,895	8.69%	Adjustment of T-Bills with original maturities 90 days
Due from Nepal Rastra Bank	6,047,353,545	6,047,353,545	0	0.00%	
Placement with Bank and Financial Institutions	-	-	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Other trading assets	507,975,922	507,975,922	0	0.00%	
Loan and advances to B/FIs	2,872,865,317	2,607,543,043	(265,322,274)	-9.24%	Classification Mismatch
Loans and advances to customers	128,562,254,560	128,573,150,754	10,896,194	0.01%	Adjustment in Loan Loss Provision
Investment securities	25,892,936,247	24,127,403,365	(1,765,532,882)	-6.82%	Adjustment of T-Bills with original maturities 90 days
Current tax assets	393,145,046	646,424,245	253,279,199	64.42%	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	244,182,570	244,182,570	0	0.00%	
Property and equipment	1,583,543,723	1,583,505,876	(37,847)	0.00%	
Goodwill and Intangible assets	127,061,769	127,061,769	(0)	0.00%	
Deferred tax assets	101,849,936	49,253,332	(52,596,603)	-51.64%	Final of Deferred Tax adjustment
Other assets	1,624,397,798	2,519,429,793	895,031,995	55.10%	Adjustment made as per Statutory Audit
Total Assets	178,732,150,425	178,727,308,102	(4,842,322)	0.00%	

contd...

contd...

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	5,071,832,173	5,072,835,872	1,003,699	0.02%	Adjustment of AIR of Interbank Borrowing
Due to Nepal Rastra Bank	3,612,515,768	3,612,515,768	-	0.00%	
Derivative financial instruments	1,784,400	1,784,400	-	0.00%	
Deposits from customers	145,026,049,850	145,026,049,851	1	0.00%	
Borrowing	1,286,243,901	1,286,243,901	(0)	0.00%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	-	-	0.00%	
Deferred tax liabilities	-	-	-	0.00%	
Other liabilities	3,299,872,628	3,749,348,072	449,475,444	13.62%	Adjustment made as per Statutory Audit
Debt securities issued	5,492,759,107	5,492,759,107	0	0.00%	
Subordinated Liabilities	-	-	-	0.00%	
Total liabilities	163,791,057,827	164,241,536,971	450,479,144	0.28%	
Equity					
Share capital	10,257,155,581	10,257,155,581	-	0.00%	
Share premium	30,881,765	30,881,765	0	0.00%	
Retained earnings	1,328,405,771	597,244,914	(731,160,857)	-55.04%	Due to change in Profit
Reserves	3,324,649,481	3,600,488,870	275,839,389	8.30%	Due to change in Profit
Total equity attributable to equity holders	14,941,092,599	14,485,771,130	(455,321,469)	-3.05%	
Non-controlling interest	-	-	-	-	
Total equity	14,941,092,599	14,485,771,130	(455,321,469)	-3.05%	
Total liabilities and equity	178,732,150,425	178,727,308,101	(4,842,324)	0.00%	

contd...

contd...

STATEMENT OF PROFIT OR LOSS	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Interest income	15,348,186,116	15,232,370,932	(115,815,184)	-0.75%	Adjustment in premium as per NRB Direction
Interest expense	10,271,187,023	10,354,326,548	83,139,525	0.81%	Interest Expenses as per NFRS 16-Leases
Net interest income	5,076,999,093	4,878,044,384	(198,954,709)	-3.92%	
Fee and commission income	1,354,170,225	1,354,170,224	(1)	0.00%	
Fee and commission expense	191,034,406	191,034,406	(0)	0.00%	
Net fee and commission income	1,163,135,818	1,163,135,818	(0)	0.00%	
Net interest, fee and commission income	6,240,134,911	6,041,180,202	(199,000,000)	-3.19%	
Net trading income	232,903,007	216,650,959	(16,252,048)	-6.98%	Classification Mismatch
Other operating income	95,048,665	95,048,665	1	0.00%	
Total operating income	6,568,086,582	6,352,879,826	(215,206,756)	-3.28%	
Impairment charge/(reversal) for loans and other losses	241,973,382	501,232,781	259,259,399	107.14%	Loan Loss Provision adjustment
Net operating income	6,326,113,200	5,851,647,045	(474,466,155)	-7.50%	
Operating expense				0.00%	
Personnel expenses	1,989,562,872	1,923,717,847	(65,845,025)	-3.31%	Adjustment in gratuity provision as per final actuarial valuation report and Bonus effect of adjustment in PL
Other operating expenses	986,180,967	1,096,383,226	110,202,259	11.17%	Rent Expense Reversed as per NFRS 16 and additional provision on Srilankan Bond
Depreciation & Amortization	220,328,490	376,432,708	156,104,218	70.85%	Depreciation Expense on Right of Use Assets as per NFRS 16
Operating profit	3,130,040,870	2,455,113,264	(674,927,606)	-21.56%	
Non operating income	34,466,836	34,466,836	0	0.00%	
Non operating expense	62,888,637	62,888,637	(0)	0.00%	
Profit before income tax	3,101,619,069	2,426,691,463	(674,927,606)	-21.76%	
Income tax expense	940,718,814	740,036,218	(200,682,596)	-21.33%	Tax impact of above adjustment
Current Tax	1,000,266,640	746,987,441	(253,279,199)	-25.32%	
Deferred Tax	(59,547,826)	(6,951,223)	52,596,603	-88.33%	Deferred Tax adjustment on Lease, Gratuity and other above adjustment items
Profit / (loss) for the period	2,160,900,256	1,686,655,245	(474,245,011)	-21.95%	
			0.00%		
Profit/(loss) for the period	2,160,900,256	1,686,655,245	(474,245,011)	-21.95%	
Other Comprehensive Income	(16,713,505)	2,110,110	18,823,615	-112.63%	
Total comprehensive income	2,144,186,750	1,688,765,355	(455,421,396)	-21.24%	

PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	F. Y. 2074/2075	F. Y. 2075/2076	F. Y. 2076/2077	F. Y. 2077/2078	F. Y. 2078/2079
1. Net Profit/Gross Income	%	14.81%	14.86%	9.99%	12.60%	9.96%
2. Earnings Per Share	Rs.	15.81	21.07	14.96	17.76	16.44
3. Market Value per Share	Rs.	209.00	264.00	220.00	385.00	254.00
4. Price Earning Ratio	Ratio	13.22	12.53	14.71	21.68	21.68
5. Dividend (including bonus) on share capital	%	10.00%	16.00%	10.40%	14%	-
6. Cash Dividend on share capital	%	10.00%	11.00%	3.37%	0.70%	-
7. Interest Income/Loans & Advances	%	12.09%	12.96%	11.76%	9.35%	11.39%
8. Employee Expenses/Total Operating Exps	%	10.74%	11.29%	13.33%	16.30%	12.11%
9. Interest Exps on Total Deposit and Borrowings	%	6.93%	7.16%	7.02%	4.91%	6.74%
10. Exchange Fluctuation Gain/Total Income	%	2.05%	2.86%	2.67%	2.32%	1.58%
11. Staff Bonus/ Total Employee Expenses	%	29.86%	28.07%	15.95%	16.71%	16.30%
12. Net Profit/Loans & Advances	%	1.92%	2.16%	1.31%	1.35%	1.26%
13. Net Profit/ Total Assets	%	1.47%	1.61%	1.02%	1.02%	0.94%
14. Total Credit/Deposit	%	89.78%	87.00%	88.56%	86.53%	86.32%
15. Total Operating Expenses/Total Assets	%	7.40%	8.09%	7.81%	5.88%	7.64%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	14.38%	11.88%	9.57%	8.67%	8.62%
b. Supplementary Capital	%	0.98%	0.91%	3.45%	3.39%	3.39%
c. Total Capital Fund	%	15.36%	12.79%	13.02%	12.06%	13.36%
17. Liquidity	%	25.26%	23.70%	23.83%	27.08%	21.40%
18. Non Performing Loans/Total Loans	%	0.44%	0.37%	0.52%	0.62%	1.04%
19. Base Rate	%	11.06%	10.37%	9.21%	7.26%	9.86%
20. Weighted Average Interest Rate Spread *	%	4.75%	4.27%	4.36%	3.82%	4.33%
21. Book Net worth	Rs.	10,356,871,786	11,236,871,503	11,584,702,840	12,864,132,182	14,485,771,130
22. Total Shares	Number	80,556,930	80,556,930	84,584,777	90,530,946	102,571,566
23. Total Employees	Number	953	1,195	1,486	1,510	1,584
24. Productivity per Staff	Rs.'000	1642.48	1,420.16	851.38	1064.55	1116.99
25. Book Value Per Share	Rs.	128.57	139.49	136.96	142.10	142.10
26. Number of branches	Number	88	131	159	161	165
27. Number of ATM	Number	93	144	198	203	207

Note:

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

SIGNIFICANT ACCOUNTING POLICIES

Financial Year 16 July 2021 to 16 July 2022 (1 Shrawan 2078 to 32 Asar 2079)

1. GENERAL INFORMATION

1.1 Reporting Entity

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

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

SUBSIDIARY	COST AS ON ASHAD END 2079 (NPR)
Machhapuchchhre Capital Limited	200,000,000

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

1.3 Group

The Group represents the Bank and its subsidiary.

2. BASIS OF PREPARATION

2.1 Basis of Preparation

The Financial Statements of the Bank have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2078. 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 (SOCl)
- 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 2078 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	32 Ashad 2079	16 July 2022
Consolidated Statement of Profit/Loss	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022
Consolidated Statement of Other Comprehensive Income	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022
Consolidated Statement of Cash flow	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022
Consolidated Statement of Changes in Equity	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022

The Board of Directors of the Bank authorized the financial statement vide its resolution dated 1 Poush 2079 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, NFRS 9 and NFRS 17 has been introduced with amendment to existing standards which shall be effective from Fiscal Year 2024-25.

2.7.1 NFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, the carve out issued by the Accounting Standard Board of Nepal has been used for impairment on loans and advances. However, with introduction of NFRS 2018, NFRS 9 shall cover Expected Credit Loss Model which is in line with the IFRS 9 Financial Instruments. The requirement of NFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

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

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

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

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

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

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

	STAGE 1	STAGE 2	STAGE 3
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 gross carrying amount less ECL

2.8 New Standards and interpretation not adopted

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

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

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

2.8.1 NFRS 9: Financial Instruments: Recognition and Measurement

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

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

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

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

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

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

2.9 Discounting

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

2.10 Prior Period Errors

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

2.11 Materiality and Aggregation

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

2.12 Offsetting

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

2.13 Rounding

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Measurement

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

- Financial instruments at fair value through profit or loss or through OCI are measured at fair value.
- Financial instruments subsequently measured at amortized cost.
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- The Bank recognizes a right-of-use asset and a lease liability as per NFRS 16.

3.2 Basis of Consolidation

3.2.1 Business Combinations and Goodwill

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

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

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

3.2.2 Non-Controlling Interest (NCI)

Bank elects to measure any non-controlling interests for each business combination in the acquire at their proportionate share of the acquirer's identifiable net assets (partial goodwill method).

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

3.2.3 Subsidiaries

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

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances as stated on Para 19 of the NFRS 10.

3.2.4 Loss of Control

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

3.2.5 Special Purpose Entity (SPE)

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

3.2.6 Transaction Elimination on Consolidation

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

3.3 Cash and Cash Equivalent

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

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

3.4 Due from Nepal Rastra Bank

Due from Nepal Rastra Bank includes statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra Bank. Balances with central banks are carried at amortized cost in the Statement of Financial Position.

3.5 Placement with Bank and Financial Institution

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

3.6 Financial Assets and Financial Liabilities

3.6.1 Recognition

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

3.6.2 Classification

Financial instruments are classified as

- Financial Assets
- Financial Liabilities

I. Financial Assets

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

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

a) Financial assets measured at amortized cost

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

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

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 costs 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 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 counterparty.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

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

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

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

Impairment losses on assets measured at amortized cost

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

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

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

Impairment as per NFRS 9

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

Individually assessed loans and advances

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

Collectively assessed loans and advances

Impairment is assessed collectively to cover losses, which have been incurred but have not yet been identified on loans subject to individual assessment or for homogeneous groups of loans that are not considered individually significant. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to four broad products as follows:

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

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

Loan Loss Provision as per direction of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1.3% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies Adopted

The bank adopts carve out issued by ICAN for measurement of impairment loss on loans and advances. As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per para 5 of carve out notice (mentioned in 2.8.1).

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

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

3.7 Trading Asset and liabilities

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

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

3.8 Derivative financial Instruments

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

3.9 Property, Plant and Equipment**Recognition**

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

Measurement

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

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

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

Cost Model

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

Revaluation Model

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

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

Subsequent Cost

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

Derecognition

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

Depreciation

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

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

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

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

Changes in Estimates

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

Capital Work in Progress

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

3.10 Intangible Assets and Goodwill**Recognition**

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

Computer Software

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

Goodwill

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

Subsequent Expenditure

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

Amortization of Intangible Assets

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

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

Derecognition of Intangible Assets

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

3.11 Government Grant

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

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

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

3.12 Investment Property / Non-Current Asset held for sale

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

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

Non-Current Assets Held for Sale

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

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

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

3.13 Due to Banks and Financial Institution

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

3.14 Deposit from Customers

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

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

As per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and

it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

3.15 Debt Securities issued

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

3.16 Subordinated Liabilities

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

3.17 Provisions

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

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

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

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

3.18 Contingent Liabilities and Commitments

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

3.19 Litigation

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

3.20 Borrowing Cost

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

3.21 Income Tax

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

3.21.1 Current Tax

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

3.21.2 Deferred Tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

3.22 Revenue Recognition

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

3.22.1 Interest Income

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

Carve out issued by ICAN

Carve out on EIR which was initially applicable till FY 2076/77 has again been extended for FY 2078/79 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 or life time impairment as per NFRS 9 has been made;
- (c) Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest;
- (d) Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral;
- (e) Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry, and where the net realizable value of security is insufficient to cover payment of principal and accrued interest;
- (f) Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 12 months of the expiry, irrespective of the net realizable value of collateral;

Criteria to cease the accrual of interest

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

3.22.2 Fee and Commission Income

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

3.22.3 Dividend Income

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

3.22.4 Net Trading Income

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

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

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

3.22.6 NFRS 15 Revenue from contract with customers

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

- 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 NFRS 15.

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

3.23 Interest Expense

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

3.24 Impairment of non-financial Assets

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

3.25 Employment Benefits

I. Short term employee Benefits

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

- 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.

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

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

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

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

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

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

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

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

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

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

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

Short-Term Leases and Leases of Low- Value Assets

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

3.28 Foreign Currency Transactions, Translation and Balances

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

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

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

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

3.29 Financial guarantee and loan commitment

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

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

3.30 Share Capital and Reserves

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

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

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

a) Retained Earnings

The bank has to appropriate different reserves from retained earnings. Retained earnings comprises of current Fiscal Year profit and any non-distributed profit of preceding Fiscal Years. The opening adjustment in retained earnings is due to non-booked advance tax amount regarding sale of investment on shares by Bank in preceding Fiscal Year 2077-78.

b) General reserve

The Bank is required to appropriate a minimum 20% of current year's net profit into this heading each year until it becomes double of paid up capital and then after a minimum 10% of profit each year. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading.

c) Exchange equalization reserve

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

d) Fair value reserve

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

e) Revaluation reserve

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

f) Corporate social responsibility fund

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

g) Investment adjustment reserve

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

h) Actuarial gain / loss reserve

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

i) Regulatory reserve

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

- Re-measurement adjustments such as interest income recognized against interest receivables i.e Accrued Interest Receivable after considering effect of bonus and income tax
- Difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS,
- Amount equals to deferred tax assets,
- Actuarial loss recognized in other comprehensive income,
- Amount of goodwill recognized under NFRS.
- Non-Banking assets after taking effect of bonus and income tax

j) Debenture Redemption Reserve

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

k) Employees training fund

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

3.31 Earnings per Share including diluted earning

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

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

Dividend on Ordinary Shares

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

3.32 Segment Reporting

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

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

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

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

3.33 Capital Management

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

Capital Adequacy

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

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

3.34 Risk Management

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

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

Board of Directors

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

- a) Define bank's overall risk tolerance in relation to credit risk, market and liquidity risk.
- b) Ensure bank's Credit and investment exposure maintained at prudent levels.
- c) Ensure related top management responsible for risk management process.

- d) Ensure there is effective, integrated operational risk management framework
- e) Ensure implementation of sound fundamental policies that facilitate identification, measurement, monitoring and control of potential risk.

Risk Management Committee

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

AML/ CFT committee

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

Assets and Liability Management Committee

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

Credit Risk Management Department

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

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

Credit Risk Management

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

Operation Risk Management

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

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

Market Risk Management

For the management of Market/Liquidity risk, the Bank has a very effective ALM Policy which defines procedures and authority including

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

Liquidity Risk Management

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

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

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

Reputational Risk Management

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

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

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

Internal Control

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 16 July 2022

1. Paid-up capital

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

a) Paid-Up Capital

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

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

The paid-up capital of the Bank as on the balance sheet date is NPR 10,257,155,581 represented by 102,571,556 Ordinary Shares of NPR 100 each. Paid up share capital of the Bank has increased from year to year as follows:

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

NFRS related adjustment for Paid-up capital

FINANCIAL YEAR	AS PER GAAP	ADJUSTMENT	AS PER NFRS	REMARKS
2072/73 (Transition phase-Opening adjustment)	4,666,430,000	(801,890,000)	3,864,540,000	Issue of right shares NPR 555,250,093 and NPR 801,890,000 proposed bonus share. >Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital
2073/74 (Comparative Year)	7,716,605,100	(665,149,000)	7,051,456,100	Calls in advance of NPR 452,756,100 of 12% right shares and NPR 665,149,000 > Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital.
2074/75 (First Time Adoption)	8,055,693,000	-	8,055,693,000	
2075/76	8,055,693,000	-	8,055,693,000	

contd...

contd...

FINANCIAL YEAR	AS PER GAAP	ADJUSTMENT	AS PER NFRS	REMARKS
2076/77	8,458,477,650	-	8,458,477,650	Bank has issued 5% bonus shares, 4,027,846 no of shares of NPR 100 each pertaining to FY 2075/76.
2077/78	9,053,094,581	-	9,053,094,581	Bank has issued 7.03% bonus shares, 5,946,169 no of shares of NPR 100 each pertaining to FY 2076/77.
2078/79	10,257,155,581	-	10,257,155,581	Bank has issued 13.30% bonus shares, 12,040,610 no of shares of NPR 100 each pertaining to FY 2077/78.

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 337,331,049 of the net profits to General Reserve in the current year.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Opening General Reserve	2,028,066,095	1,706,571,460
20% of Profit to be transferred	337,331,049	321,494,635
Closing General Reserve	2,365,397,144	2,028,066,095

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 12,711,190 have been transferred to exchange fluctuation fund maintained by the Bank.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Opening Exchange Equalization Reserve	40,068,908	30,441,716
25% of Revaluation gain	12,711,190	9,627,192
Closing Exchange Equalization Reserve	52,780,098	40,068,908

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 (8,907,934).

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Opening Fair Value Reserve	7,805,571	(7,081,202)
Transfer/ Adjustment in Reserve	(16,713,505)	14,886,776
Closing Fair Value Reserve	(8,907,934)	7,805,571

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 16,789,521.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Opening Skill Enhancement Fund	-	-
Add : 3% of Last Year Staff Expense	34,429,593	
Actual Staff Training Expense this year	16,789,521	7,295,777
Closing Skill Enhancement Fund	17,640,072	-

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 16,266,099 out of which NPR 11,394,222 has been spent this year for CSR activities. This year, bank has also appropriated 1% of net profit i.e. NPR 16,866,552 and therefore total amount in this fund is NPR 21,738,429 and shown in other reserve in Statement of Changes in Equity.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Opening CSR Fund	16,266,099	12,651,507
Add : 1% of profit this year	16,866,552	16,074,732
Less: CSR expense this year	11,394,222	12,460,139
Closing CSR Fund	21,738,429	16,266,099

Details of CSR expense are as follows:

PROVINCE	CATEGORY	AMOUNT IN "NPR"	%
1	Covid related contribution	146,980	
	Covid expense related to staff	36,271	
	दिगो विकास लक्ष्य	2,486,561	
	वित्तिय साक्षरता	150,346	
	QR Distribution	69,225	
	Total for Province 1	2,889,384	25%
2	Covid related contribution	96,713	
	Covid expenses related to staff	23,571	
	दिगो विकास लक्ष्य	962,695	
	प्रत्यक्ष अनुदान खर्च	29,412	
	वित्तिय साक्षरता	165,541	
	Total for Madhesh Province	1,277,932	11%
3	Covid related contribution	781,415	
	Covid expenses related to staff	285,609	
	दिगो विकास लक्ष्य	2,094,376	
	प्रत्यक्ष अनुदान खर्च	348,980	

contd...

contd...

PROVINCE	CATEGORY	AMOUNT IN "NPR"	%
	वित्तिय साक्षरता	293,862	
	Total for Bagmati Province	3,804,242	33%
4	Covid related contribution	198,982	
	Covid expenses related to staff	85,571	
	प्रत्यक्ष अनुदान खर्च	10,000	
	दिगो विकास लक्ष्य	584,200	
	वित्तिय साक्षरता	132,571	
	Total for Gandaki Province	1,011,325	9%
5	Covid related contribution	75,050	
	Covid expenses related to staff	30,671	
	दिगो विकास लक्ष्य	633,983	
	वित्तिय साक्षरता	147,551	
	Total for Lumbini Province	887,256	8%
6	Covid expenses related to staff	26,571	
	दिगो विकास लक्ष्य	569,283	
	वित्तिय साक्षरता	138,221	
	Total for Karnali Province	734,076	6%
7	Covid related Contribution	72,396	
	Covid expenses related to staff	23,571	
	दिगो विकास लक्ष्य	549,283	
	वित्तिय साक्षरता	144,756	
	Total for Sudur Paschim Province	790,007	7%
	Total	11,394,222	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 16 JULY 2022	AS AT 15 JULY 2021
Opening Regulatory reserve	643,662,389	427,917,864
Adjustment/ Restated	-	132,844,698
Interest Suspense (Refer Note Below)	324,675,609	(33,146,144)
Investment Property Provision/(Non-Banking Assets)(Refer Note Below)	(44,558,642)	88,176,859
Actuarial loss	(18,823,615)	38,080,762
Fair Value Reserve	12,725,620	(10,116,006)
Deferred tax assets	14,114,154	(95,643)
Closing Regulatory Reserve	931,795,514	643,662,389

Details of Movement in Regulatory Reserve

FY	INTEREST RECEIVABLE	SHORT LLP	SHORT PROVISION ON NBA	DTA	GOODWILL	GAIN ON BARGAIN PURCHASE	ACTUARIAL LOSS RECOGNIZED	FAIR VALUE LOSS RECOGNIZED IN OCI	OTHER	TOTAL
74-75	275,772,186	-	24,870,824	-	-	-	159,698,543	10,761,980	-	471,103,533
75-76	(42,527,809)	-	53,586,919	21,424,000	-	-	11,459,433	8,109,899	-	52,052,441
76-77	(17,318,179)	-	31,759,059	13,810,822	-	-	18,110,759	(8,755,873)	-	37,606,588
77-78	(33,146,144)	-	88,176,859	(95,643)	-	-	38,080,762	(10,116,006)	-	82,899,827
78-79	324,675,609	-	(44,558,642)	14,114,154	-	-	(18,823,615)	12,725,620	-	288,133,125
Total	507,455,663	-	153,835,019	49,253,332	-	-	208,525,882	12,725,620	-	931,795,514

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.

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 16 July 2022 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 2079	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Accrued Interest Received after Asadh end 2079 till 15 Bhadra 2079	-	-
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	34,744	362,700,927
Extension of moratorium period of loan provided to Industry or Project under construction	Nil	Nil
Restructured/Rescheduled Loan with 5% Loan Loss Provision	320	523,754,369
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	17	37,771,578
Enhancement of Term Loan by 10% to COVID affected borrowers	30	12,101,255
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for upto 1 year with 5% provisioning	Nil	Nil
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for upto 1 year with 5% provisioning	Nil	Nil
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Directives 2	2	3,700,226

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 2078-79	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Refinance Loan	406	3,474,903,664
Business Continuity Loan	1	13,000,000

Details of Subsidized Loan:

PARTICULARS	AS OF ASHADH 2079	
	NO. OF CUSTOMERS	AMOUNT (NRS.)
Subsidized Loan	2,316	3,653,647,235

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 2078/79 as well.

As per NFRS 9, an entity shall assess at the end of each reporting period if there is any objective evidence that financial asset or group of financial assets measured at amortized cost is impaired. Bank has applied carve out issued by ICAN and has computed impairment loss. However, as per the carve-out issued by ICAN as a mandatory treatment of impairment loss for the transition period for banks and financial institution, impairment loss to be measured at higher of amount derived as per norms prescribed by NRB for loan loss provision and as per carve out issued by ICAN. Details of such impairment are as mentioned below:

PARTICULARS	Amount in NPR		
	YEAR ENDED 16 JULY 2022	YEAR ENDED 15 JULY 2021	P/L IMPACT
Impairment (A)	2,056,784,313	849,020,652	(1,207,763,661)
Provision as per NRB (B)	2,555,772,894	2,054,540,112	501,232,782
Impairment to be considered as Alternative Treatment by ICAN (Higher of A or B)	2,555,772,894	2,054,540,112	501,232,782

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

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	15,163,313	1,425,076	309,067	35,252	16,932,708
B Intersegment revenues	600,581	(670,904)	(5,001)	75,324	-
C Gross revenue	15,763,893	754,172	304,066	110,577	16,932,708
D Interest revenue	14,090,534	1,141,837	-	-	15,232,371
E Interest expenses	9,316,165	1,038,161	-	-	10,354,327
F Net interest revenue	4,774,369	103,675	-	-	4,878,044
G Depreciation & amortization	261,488	68,870	1,001	45,074	376,433
H Segment profit (loss) before tax	5,086,901	(283,989)	163,890	(2,540,111)	2,426,691
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	501,233	23,876	-	-	525,109
L Segment assets	126,839,412	33,406,734	485,588	21,863,963	182,595,697
M Segment liabilities	151,056,375	6,354,136	283,945	24,901,241	182,595,697

- 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	16,822,131
Other revenues	110,577
Elimination of intersegment revenue	-
Entity's revenues	16,932,708

Profit or Loss

Amount in NPR '000'

PARTICULARS	AMOUNT
Total profit or loss for reportable segments	4,966,802
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts:	(2,540,111)
Profit or loss before income tax	2,426,691

Assets

Amount in NPR '000'

PARTICULARS	AMOUNT
Total assets for reportable segments	160,731,734
Other assets	-
Unallocated amounts:	21,863,963
Entity's assets	182,595,697

Liabilities

Amount in NPR '000'

PARTICULARS	AMOUNT
Total liabilities for reportable segments	157,694,456
Other liabilities	-
Unallocated amounts:	24,901,241
Entity's liabilities	182,595,697

7.3. Information about products and services

Products separately identifiable are Business, Consumer, Corporate, Infrastructure, Micro-finance, Treasury and others. Revenue i.e. interest income from each category is as mentioned below:

Amount in NPR '000'

PARTICULARS	AMOUNT
Business	4,946,705
Consumer	3,305,518
Corporate	1,142,107
Infrastructure	1,673,253
Micro-finance	677,344
Treasury/Other	3,487,444
Total	15,232,371

7.4. Information about geographical areas

Revenue from following geographical areas

Amount in NPR '000'

PARTICULARS	AMOUNT
Domestic	
Province 1	766,642
Madhesh Province	595,374
Bagmati Province	14,224,230
Gandaki Province	872,552
Lumbini Province	291,393
Karnali Province	44,889
Sudurpaschim Province	137,628
Foreign	-
Total	16,932,708

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 16 JULY 2022		AS AT 15-JUL-2021	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Assets carried at Amortized Cost				
Cash and cash equivalent	11,494,024	11,494,024	8,679,175	8,679,175
Due from Nepal Rastra Bank	6,047,354	6,047,354	8,908,183	8,908,183
Placement with Bank and Financial Institutions	-	-	477,085	81,136
Loans and advances to BFIs	2,607,543	2,607,543	3,714,541	3,714,541
Loan and advances to customers	128,573,151	128,573,151	113,572,010	113,572,010
Investment securities at amortized cost	23,928,933	23,928,933	19,425,994	19,425,994
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
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment securities at OCI	198,470	198,470	177,817	177,817
Liabilities				
Liabilities carried at Amortized Cost				
Due to Bank and Financial Institutions	5,072,836	5,072,836	2,863,541	2,863,541
Due to Nepal Rastra Bank	3,612,516	3,612,516	4,159,288	4,159,288
Deposits from customers	145,026,050	145,026,050	131,617,965	131,617,965
Debt securities issued	5,492,759	5,492,759	3,147,644	3,147,644
Borrowings	1,286,244	1,286,244	1,202,307	1,202,307

9. Interest Income

Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank amounting to NPR 28,471,352 is capitalized during FY 2078/79.

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 592,461,137 Out of which NPR 523,512,045 has been funded as at 31 Ashad 2079 and net amount is shown as liability of bank. However, the bank has funded remaining amount of NPR 68,949,092 in Citizen Investment Trust (CIT).

Bank has expensed NPR 87,772,707 for gratuity expense in statement of profit & loss. However, funding arrangement to CIT has been made on the basis of gratuity liability computed as per relevant provisions of Act. Deficit obtained after deducting the fair value of plan assets from Net Benefit Obligations has been shown as Net liability of bank.

Details of actuarial valuation of gratuity are as follows:

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Defined Benefit Obligations	592,461,137	508,477,659
Fair Value of plan assets	523,512,045	412,362,097
Net Liability	68,949,092	96,115,562
Expense booked as in PL	87,772,707	58,034,800
Actuarial Gain/ (Loss) booked in OCI	18,823,615	-38,080,762

Current/Non-Current Bifurcation

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Current Liability	-	-
Non-Current Liability	68,949,092	96,115,562
Total	68,949,092	96,115,562

Leave

The Bank has recognized an additional provision of NPR 45,881,460 for accumulated leave liability in the current year. Being non-funded arrangement, total amount is booked as liability for bank. Moreover, leave encashment paid in excess of accumulated leave exceeding 90 days each of sick and annual leave is also charged in profit and loss account.

Amount in NPR

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Defined Benefit Obligations	238,664,736	203,725,678
Fair Value of plan assets	-	-
Net Liability	238,664,736	203,725,678

PARTICULARS	AS AT 16 JULY 2022	AS AT 15 JULY 2021
Amount recognized in statement of profit or loss		
Current service cost	34,522,798	29,925,372
Interest cost	17,842,905	15,062,623
Actuarial (Gain)/ Loss on Leave	(6,484,243)	(5,530,801)
	45,881,460	39,457,194
Change in Present Value Obligations:		
PV of Obligation at beginning of the year	203,725,722	170,456,436
Current Service Cost	34,522,798	29,925,372
Interest cost	17,842,905	15,062,623
Actuarial (Gain)/ Loss	(6,484,243)	(5,530,801)
Benefit paid	(10,942,446)	(6,187,908)
Liability at the end of the year	238,664,736	203,725,722

13. Deferred Tax Asset/Liability

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses. All the adjustments relating to current year are taxed in current period and all the prior year NFRS adjustments have been deferred.

Amount in NPR '000'

PARTICULARS	BOOK BASE	TAX BASE	DIFFERENCE
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	2,607,543	2,607,543	-
Loans and advances to customers	128,573,151	128,573,151	-
Property & equipment	1,410,618	1,278,947	(131,671)
Employees' defined benefit plan	238,665	-	238,665
Provisions for investment	12,726	-	12,726
Lease expenses as per NFRS	305,266	204,805	100,460
Bond Issue Expenses Amortization	(57,730)	-	(57,730)
Debenture issue cost	-	1,728	1,728
Total temporary differences			164,178
Deferred tax asset/(liabilities) as on 32 Ashad 2079			49,253
Deferred tax asset/(liabilities) as on 31 Ashad 2078			35,139
Origination/(Reversal) during the year			14,114
Deferred tax expense/(income) recognized in profit or loss			6,951
Deferred tax expense/(income) recognized in other comprehensive income			(7,163)

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

Amount in NPR '000'

FY 2021-22	OPENING BALANCE	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
Gratuity	-	-	-	-
Leave encashment	61,118	10,482	-	71,599
Operating lease liability under NFRS	-	30,138	-	30,138
Actuarial loss	-	-	-	-
Financial assets held at FVTOCI	(3,345)	-	7,163	3,818
Bond Issue Expense Amortization	-	(17,319)	-	(17,319)
Debenture Issue Expenses	256	262	-	518
Total of deferred tax assets	58,029	23,563	7,163	88,755
	-	-	-	-
Property, plant and equipment	(36,803)	(2,699)	-	(39,501)
	-	-	-	-
Total of deferred tax liability	(36,803)	(2,699)	-	(39,501)
	-	-	-	-
Net deferred tax liability	21,226	20,864	7,163	49,253

14. Subsidized interest income and amortization expense of prepaid staff loan

An endowment life insurance policy is purchased by Bank for insured sum equivalent to the principal of housing loan. The policy is purchased for a period of 21 years or remaining service period of the employee, whichever is earlier. The employees pay insurance premium in respect of policy on monthly basis. Upon maturity of the endowment policy, the proceeds/bonus are accounted towards settlement of interest and principal loan amount in a single installment. The Bank has amortized prepaid employee expense of NPR 66,294,839. Bank has considered average cost of deposit for FY 2078/79 i.e. 6.45% 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	10.43
Average Interest Rate of Deposit	6.67
Average Interest Rate Spread	3.86

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

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

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	3,012,900
Other Board Expenses	1,688,934
Total	4,701,834

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

PARTICULARS	AMOUNT IN NPR
Short term employee benefits	43,698,237
Post- employment benefits	7,609,215
Other long term benefits	1,217,334
Termination benefits(Retirement Compensation)	-
Total	52,524,786

- 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 2079 (including CEO): 4

17.4 Machhapuchchhre Kriti Capital Limited-Subsidiary of Machhapuchchhre Bank Limited.

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

PARTICULARS	AMOUNT IN NPR
Balance as at 32 Ashad 2079	
Fixed Deposit from Subsidiary	107,500,000
Call & Current Deposit from subsidiary	3,571,477
Transactions during the year	
Interest paid to Subsidiary	6,572,656
DP Service received from subsidiary	66,588

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. Dip Prakash Panday	Director
Mr. Jiban Kumar Uprety	Director

18. Lease

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

19. Merger and Acquisition of Subsidiary Company

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 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.

20. 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 32 Ashad 2079 till the signing of this financial statement on 1 Poush 2079.

21. Proposed Dividend

The Board of Directors has not proposed any dividend in this FY 2078-79.

22. Non-Banking Assets

Non-Banking Assets are the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower.

BORROWER OR PARTY'S NAME	DATE OF ASSUME THE NON-BANKING ASSETS	AMOUNT IN NPR
Cosmic Automobile	3-Sep-12	24,210,000
Kantipur Surgical Pvt. Ltd.	1-Jul-19	12,586,918
Saroj Pariyar	23-Dec-19	953,989
Doma Lama Tamang	6-Jan-20	1,227,548
DS Nepal	16-Mar-20	17,718,065
Mohan Prasad Sitaula	11-Jan-21	4,700,000
Shubha Sahayatri Pvt.Ltd	11-Jan-21	40,634,000
Mohan Bibidh Centre	23-Feb-21	7,500,000
Sharmila Alaichi Ta.Jadibuti Supp.	30-Mar-21	5,000,000
Liladhar Fresh House	13-Jun-21	867,449
Aadharsila Krishi Farm	1-Jul-21	1,404,629
Lalit Budha	3-Aug-21	1,075,162
Lalit Kirana Pasal	3-Aug-21	655,774
Matarani Trading Pvt.Ltd	13-Sep-21	72,941,412
Manakamana Silai Udhyag	28-Oct-21	6,000,000
Dikshya Trading Pvt.Ltd	14-Jan-22	18,270,000
Ram Prasad Bhattarai	17-Jun-22	6,178,942
Binita Construction	17-Jun-22	11,871,058
Kalika Computer & Suppliers	14-Jul-22	4,658,176
Shishir Poudel	15-Jul-22	5,729,446
Total		244,182,570

23. Contingent Liabilities

Contingent liabilities related details has been presented under Schedule 4.28.

24. Premium Refund

As per direction of Nepal Rastra Bank, Bank has made provision of amounting to NPR 11.70 crore for refund of the premium in this FY 2078-79.

25. Earnings per Share

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

PARTICULARS	UNITS	YEAR ENDED 16-JUL-22	YEAR ENDED 15-JUL-21
Profit attributable to equity shareholders	NPR	1,686,655,245	1,607,473,174
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	102,571,556	102,571,556
Earnings Per Share (EPS)	NPR	16.44	15.67
Diluted Earnings Per Share (DPS)	NPR	16.44	15.67

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 78,306,317 (PY NPR 97,832,934). Details have been presented as under:

DIVIDEND PAYABLE OF FY	AS AT 16 JULY 2022	AS AT 15 JULY 2021
2077/78	2.64	-
2076/77	14,917,525	17,755,394
2075/76	28,946,982	35,039,780
2074/75	23,252,603	30,085,422
2073/74	11,189,204	14,952,338
Total	78,306,317	97,832,934

27. Non-performing assets

The Banks' non-performing assets ratio stood at 1.04% (Previous year 0.62%) as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 1,353,050,936 (Previous year NPR 720,376,359) and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 786,136,639 (Previous year 395,938,729).

Amount in NPR '000'

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan	128,206,896	115,654,763	12,552,133	11%
Pass	125,064,168	111,479,586	13,584,582	12%
Watch list	3,142,728	4,175,176	(1,032,449)	-25%
Non-Performing Loans (NPL)	1,353,051	718,662	634,389	88%
Restructured/rescheduled	69,699	-	69,699	100%
Substandard	414,287	361,849	52,438	14%
Doubtful	388,220	101,458	286,763	283%
Loss	480,846	255,356	225,490	88%
Gross Loans & Advances	129,559,947	116,373,425	13,186,522	11%

NPL ratios:

Gross NPL to Gross Loans & Advances : 1.04%

Net NPL to Net Loans & advances : 0.45%

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 16 JULY 2022
Paid up Equity Share Capital	10,257,156
Equity Share Premium	30,882
Proposed Bonus Equity Share	
Statutory General Reserve	2,365,397
Retained Earnings	597,245
Un-audited current year cumulative profit/ loss	
Capital Redemption Reserve	428,571
Capital Adjustment Reserve	
Dividend Equalization Reserve	
Other Free Reserve	
Less : Goodwill	
Less: Intangible Assets	127,062
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	13,306,423

b) Tier 2 capital and a breakdown of its components

Amount in NPR *000

SUPPLEMENTARY CAPITAL (TIER 2)	AS AT 16 JULY 2022
Cumulative and/or Redeemable Preference Shares	
Subordinated Term Debt	5,492,759
Hybrid Capital Instruments	
Stock Premium	
General Loan Loss Provision	1,769,636
Exchange Equalization Reserve	52,780
Investment Adjustment Reserve	
Assets Revaluation Reserve	
Other Reserves	
Total Supplementary Capital	7,315,175

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

Amount in NPR *000

PARTICULARS	O/S AMOUNT	ISSUE DATE	MATURITY DATE	INTEREST RATE*	AMOUNT ELIGIBLE FOR CAPITAL FUND
10.25% Machhapuchchhre Debenture, 2085	3,000,000	13-05-2076	12/5/2086	10.25%	3,000,000
8.5% Machhapuchchhre Debenture 2087	2,253,496	24-04-2078	23-04-2088	8.50%	2,253,496

Interest is payable half yearly basis*d) Deduction from capital**

Amount in NPR *000

PARTICULARS	AS AT 16 JULY 2022
Intangible Assets	127,062
Investment in equity of institutions with Financial interests	200,000
Purchase of Land & Building in excess of limit and unutilized	45,766
Total	372,828

Investment in equity of institutions with Financial Interests includes investment in subsidiary of the bank Machhapuchchhre Capital Limited amounting NPR 20 Cr.

e) Total qualifying capital

Amount in NPR *000

PARTICULARS	AS AT 16 JULY 2022
Core Capital	13,306,423
Supplementary Capital	7,315,175
Total Qualifying Capital (Total Capital Fund)	20,621,598

f) Capital Adequacy Ratio of the bank is 13.36%

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

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

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

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

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

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

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

Debentures: The bank has issued two debentures. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the bank.

Details regarding "10.25% Machhapuchchhre Debenture 2085":

PARTICULARS	DETAILS
Name	10.25% Machhapuchchhre Debenture, 2085
Amount of issue	NPR 3,000,000,000
Interest Rate	10.25% per annum payable semi annually
Numbers of Debentures	3,000,000
Face Value	NPR 1,000
Maturity Period	10 Years
Listing	Listed with Nepal Stock Exchange

Details regarding "8.5% Machhapuchchhre Debenture 2087":

PARTICULARS	DETAILS
Name	8.5% Machhapuchchhre Debenture, 2087
Amount of issue	NPR 2,253,496,000
Interest Rate	8.5% per annum payable semi annually
Numbers of Debentures	2,253,496
Face Value	NPR 1,000
Maturity Period	10 Years
Listing	Listed with Nepal Stock Exchange

i) Risk Weighted Exposure

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

Amount in NPR '000

PARTICULARS	AS AT 16 JULY 2022
Risk Weighted Exposures	
Risk Weighted Exposure for Credit Risk	142,425,919
Risk Weighted Exposure for Operational Risk	7,227,159
Risk Weighted Exposure for Market Risk	573,486
Total Risk Weighted Exposures (Before adjustments of Pillar II)	150,226,564
Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	1,077,392
Add: 2% of RWE added by supervisory Review	3,004,531
Total Risk Weighted Exposures	154,308,487

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

Amount in NPR '000

CATEGORIES	AS AT 16 JULY 2022
Claims on government and central Bank	-
Claims on other official entities	-
Claims on Banks	2,417,199
Claims on corporate and securities firm	53,117,251
Claims on regulatory retail portfolio	42,677,602
Claim secured by residential properties	4,522,614
Claims secured by commercial real state	195,141
Past due Claims	1,287,075
High risk claims	17,912,725
Other Assets	4,745,102
Off Balance sheet Items	14,384,005
Total	141,258,713

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	3,590,063	-	-	3,590,063	0%	-
2	Balance With Nepal Rastra Bank	6,047,354	-	-	6,047,354	0%	-
3	Gold	-	-	-	-	0%	-
4	Investment in Nepalese Government Securities	21,197,600	-	-	21,197,600	0%	-
5	All other Claims on Government of Nepal	129,845	-	-	129,845	0%	-
6	Investment in Nepal Rastra Bank Securities	2,728,650	-	-	2,728,650	0%	-
7	All other Claims on Nepal Rastra Bank	-	-	-	-	0%	-
8	Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
9	Claims on Foreign Government and Central Bank (ECA 2)	-	-	-	-	20%	-
10	Claims on Foreign Government and Central Bank (ECA 3)	-	-	-	-	50%	-
11	Claims on Foreign Government and Central Bank (ECA 4-6)	-	-	-	-	100%	-
12	Claims on Foreign Government and Central Bank (ECA 7)	639,000,000	-	186,907,500	452,092,500	150%	678,138,750
13	Claims On BIS, IMF, ECB, EC and On Multilateral Development Banks(MDB's) recognized by the framework	-	-	-	-	0%	-
14	Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
15	Claims on Domestic Public Sector Entities	-	-	-	-	100%	-
16	Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
17	Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
18	Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
19	Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
20	Claims on domestic banks that meet capital adequacy requirements	5,743,254	-	-	5,743,254	20%	1,148,651
21	Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
22	Claims on Foreign bank (ECA Rating 0-1)	4,286,443	-	-	4,286,443	20%	857,289
23	Claims on Foreign bank (ECA Rating 2)	605,265	-	-	605,265	50%	302,633
24	Claims on Foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
25	Claims on Foreign bank (ECA Rating 7)	-	-	-	-	150%	-

contd...

contd...

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)
26	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	543,134			543,134	20%	543,134
27	Claims on Domestic Corporates	53,117,251			53,117,251	100%	53,117,251
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)	29,105,656		610,347	28,495,309	75%	21,371,482
33	Claim fulfilling all criterion of Regulatory Retail except granularity	21,306,120			21,306,120	100%	21,306,120
34	Claims secured by residential properties	7,355,088			7,355,088	60%	7,355,088
35	Claims not fully secured by residential properties	-			-	150%	-
36	Claims secured by residential properties (Overdue)	126,501	16,940		109,561	100%	109,561
37	Claims secured by Commercial real estate	195,141			195,141	100%	195,141
38	Past due claims (except for claim secured by residential properties)	1,422,457	564,408		858,050	150%	1,287,075
39	High Risk claims	12,243,060		501,243,588	11,941,816	150%	17,912,725
40	Lending against securities (Bonds and shares)	-			-	100%	-
41	Trust Receipt Loan for Trading Firms	407,566			407,566		489,067
42	Investment in equity and other capital instrument of institutions listed in the stock exchange	-			-	100%	-
43	Investment in equity and other capital instrument of institutions not listed in the stock	25,665			25,665	150%	38,498
44	Staff Loan Secured by Residential Property	3,118,808			3,118,808	50%	1,559,404
45	Interest Receivable/Claim on Government Securities	280,832,929			280,832,929	0%	-
46	Cash in transit and other cash items in the process of collection	-			-	20%	-
47	Other Assets	5,088,172	1,902,473,848		3,185,698	100%	3,185,698
	TOTAL	179,277,252	2,483,822	1,098,498	175,694,932		128,041,914

contd...

contd...

S.N	PARTICULARS	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D=A-B-C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F=D*E)
B. Off Balance Sheet Exposures							
1	Revocable Commitments				-	0%	-
2	Bills Under Collection				-	0%	-
3	Forward Exchange Contract Liabilities	7,029,790			7,029,790	10%	702,979
4	LC Commitments with original maturity up to 6 months	7,012,171		1,694,669	5,317,502	20%	1,063,500
5	Foreign Counterparty (ECA 0 -1)				-	20%	-
6	Foreign Counterparty (ECA 2)				-	50%	-
7	Foreign Counterparty (ECA 3 -6)				-	100%	-
8	Foreign Counterparty (ECA 7)				-	150%	-
9	LC Commitments with original maturity over 6 months (domestic Counterparty)	1,130,612		122,005	1,008,607	50%	504,304
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	12,658,345		1,012,714	11,645,630	40%	4,658,252
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	2,884,165		20,324	2,863,841	100%	2,863,841
23	Financial Guarantee				-	100%	-
24	Acceptances and Endorsements				-	100%	-
25	Unpaid portion of Party paid shares and securities				-	100%	-
26	Irrevocable Credit commitments (Short term)	11,997,324		3,392,000	11,993,932	20%	2,398,786
27	Irrevocable Credit commitments (Long term)	4,159,795,362			4,159,795,362	50%	2,079,897,681

contd...

contd...

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)
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	112,445	-	-	112,445	100%	112,445
30	Unpaid Guarantee claims	-	-	-	-	200%	-
	TOTAL	46,984,647	-	2,853,105	44,131,542		14,384,005
	Total RWE for Credit Risk Before adjustment (A)-(B)	231,113,278	6,058,211	3,951,603	221,103,465		143,702,909
	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)	226,261,899	2,463,822	3,951,603	219,826,475		142,425,919

(ii) Calculation of Market Risk Exposure

Amount in NPR

S.NO.	CURRENCY	OPEN POSITION (FCY)	EXCHANGE RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION
1	INR	758,830,172	1.60	1,214,697,398	1,214,697,398
2	USD	133,947	127.8	1,7118,443	1,7118,443
3	GBP	3,165	151.62	479,941	479,941
4	EUR	1,890	129.06	243,894	243,894
5	THB	6,000	3.48	20,880	20,880
6	CHF	1,110	130.99	145,399	145,399
7	AUD	3,538	87.53	309,656	309,656
8	CAD	975	98.12	95,667	95,667
9	SGD	1,528	91.30	139,506	139,506
10	JPY	1,265,237	9.27	11,728,750	11,728,750
11	HKD	6,710	16.36	109,776	109,776
12	DKK	30,600	17.34	530,604	530,604
13	SEK	13,050	12.14	158,427	158,427
14	SAR	60,343	33.94	2,048,041	2,048,041
15	QAR	8,060	34.45	277,667	277,667
16	AED	131,442	34.65	4,554,467	4,554,467
17	MYR	21,015	28.67	602,500	602,500
18	KRW	1,000	9.58	9,580	9,580
19	CNY	(449,419)	18.89	(8,489,525)	8,489,525
20	KWD	86	412.62	35,485	35,485
21	BHD	-	-	-	-
(a) Total Open Position				1,244,816,556	1,261,795,606
(b) Fixed Percentage					5%
(c) Capital Charge for Market Risk (=a×b)					63,089,780
(d) Risk Weight (reciprocal of capital requirement of 11%) in times					9.09
(e) Equivalent Risk Weight Exposure (=c×d)					573,486,103

(iii) Calculation of Operational Risk Exposure

Amount in NPR'000

S.N.	PARTICULARS	FISCAL YEAR		
		2018-19	2019-20	2020-21
1	Net Interest Income	3,549,756	3,861,899	4,351,493
2	Commission and Discount Income	790,519	947,590	1,142,902
3	Other Operating Income	28,139	70,129	196,388
4	Exchange Fluctuation Income	303,332	282,164	258,088
5	Addition/Deduction in Interest Suspense during the period	16,587	124,976	-22,622
6	Gross income (a)	4,688,333	5,286,759	5,926,248
7	Alfa (b)	15%	15%	15%
8	Fixed Percentage of Gross Income [c=(a×b)]	703,250	793,104	888,937
9	Capital Requirement for operational risk (d)(average of c)	795,067		
10	Risk Weight (reciprocal of capital requirement of 11%) in times (e)	9.09		
11	Equivalent Risk Weight Exposure [f=(d×e)]	7,227,159		

SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)

Total Credit and Investment (net of Specific Provision) of related month	-
Capital Requirement for Operational Risk (5% of net credit and investment)	-
Risk Weight (reciprocal of capital requirement of 11%) in times	9.09
Equivalent Risk Weight Exposure (g)	-
Equivalent Risk Weight Exposure [h=f+g]	7,227,159

I) Non-Performing Loan

Amount in NPR '000

PARTICULARS	GROSS	PROVISION	NET OF PROVISION
Restructured/Rescheduled	69,699	8,712	60,986
Substandard	414,287	102,469	311,818
Doubtful	388,220	194,110	194,110
Loss	480,846	480,846	-
Total	1,353,051	786,137	566,914

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

PARTICULARS	Amount in NPR						TOTAL
	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR		
Cash and cash equivalent	11,494,023,887	-	-	-	-	-	11,494,023,887
Due from Nepal Rastra Bank	6,047,353,545	-	-	-	-	-	6,047,353,545
Placement with Bank and Financial Institutions	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Other trading assets	-	-	-	67,885,922	440,090,000	-	507,975,922
Loan and advances to B/FIs	1,568,403	1,267,905	114,718,189	5,057,701	2,484,930,845	-	2,607,543,043
Loans and advances to customers	42,284,155,936	13,194,234,275	6,825,589,188	3,348,460,281	62,920,711,074	-	128,573,150,754
Investment securities	1,542,869,305	-	-	-	22,584,534,060	-	24,127,403,365
Current tax assets	-	-	-	-	646,424,245	-	646,424,245
Investment in subsidiaries	-	-	-	-	200,000,000	-	200,000,000
Investment property	-	-	-	-	244,182,570	-	244,182,570
Property and equipment	-	-	-	-	1,583,505,876	-	1,583,505,876
Goodwill and Intangible assets	-	-	-	-	127,061,769	-	127,061,769
Deferred tax assets	-	-	-	-	49,253,332	-	49,253,332
Other assets	23,868,170	-	-	-	2,495,561,623	-	2,519,429,793
Total Assets	61,393,839,246	13,195,502,180	6,940,307,377	3,421,403,904	93,776,255,395	178,727,308,101	
Due to Bank and Financial Institutions	5,072,835,872	-	-	-	-	-	5,072,835,872
Due to Nepal Rastra Bank	326,175,000	2,771,434,768	240,255,000	274,651,000	-	-	3,612,515,768
Derivative financial instruments	1,784,400	-	-	-	-	-	1,784,400
Deposits from customers	61,509,895,167	-	-	-	83,516,154,684	-	145,026,049,851
Borrowing	-	-	-	1,286,243,901	-	-	1,286,243,901
Other liabilities	306,054,827	-	-	-	3,443,293,245	-	3,749,348,072
Debt securities issued	-	-	-	-	5,492,759,107	-	5,492,759,107
Subordinated Liabilities	-	-	-	-	-	-	-
Total liabilities	67,216,745,266	2,771,434,768	240,255,000	1,560,894,901	92,452,207,036	164,241,536,971	

Machhapuchhre Capital Limited

M. Khanal & Co., Chartered Accountants

Kathmandu, Nepal
PAN/VAT No.500094178

Tel:- 5542160
Email:- charteredmahesh.mk@gmail.com

Independent Auditor's Report To The Shareholders of Machhapuchchhre Capital Limited

Opinion

We have audited the accompanying financial statements of **Machhapuchchhre Capital Limited.**, which comprise the statement of financial position as at Ashad 32, 2079, 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 32, 2079, 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 previous financial year 2077/78, the company had acquired then **M/S. Kriti Capital and Investments Limited** and the purchase consideration was provided in the form of equity shares of the company as per due diligence audit carried out for the purpose of acquisition and merger. The resulting difference amount on share swap was transferred to share premium account.

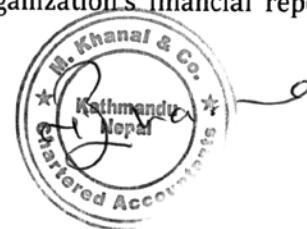
However, as per Nepal Financial Reporting Standards – 3 (NFRS – 3): Business Combinations, the company shall measure the identifiable asset acquired, the liabilities assumed and the consideration transferred at their acquisition date fair value and recognized goodwill or bargain purchase gain for the difference between net asset acquired and the consideration provided. Had the company applied NFRS – 3 on Business Combinations related transactions goodwill would have been NRs. 61,56,583. Accordingly, this had resulted in understatement of company's asset.

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.

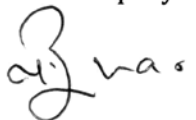
We believe that our audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

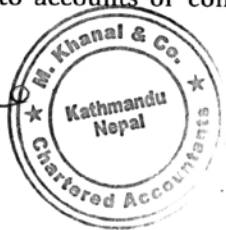
We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.





CA. Mahesh Khanal
M. Khanal & Co.,
Chartered Accountants
UDIN: 221014CA0010211ytK

Place: Lalitpur, Nepal

Date: 28/06/2079

STATEMENT OF FINANCIAL POSITION

As on 32nd Ashadh, 2079 (July 16, 2022)

Amount in Rs.

PARTICULARS	SCHEDULE	32/03/2079	31/03/2078
ASSETS			
A. Non Current Assets			
Property, Plant and Equipment	3.1	2,829,554	5,007,963
Intangible Assets	3.2	992,106	1,300,166
Financial Instruments Measured At Amortized Cost	3.3	89,728,180	67,728,180
Deferred Tax Assets	3.4	5,447,881	209,297
Trade & Other Receivables	3.5	400,000	400,000
Total Non Current Assets		99,397,721	74,645,607
B. Current Assets			
Cash and Cash Equivalents	3.6	6,644,612	42,127,676
Financial Assets Measured At Amortized Cost	3.7	132,500,000	161,000,000
Financial Assets Held At Fair Value Through P/L	3.8	48,809,437	25,615,929
Advance Tax		18,547,168	11,505,392
Trade & Other Receivable	3.9	6,180,127	15,114,659
Total Current Assets		212,681,344	255,363,656
Total Assets (A+B)		312,079,065	330,009,262
EQUITY AND LIABILITIES			
C. Equity			
Share Capital	3.10	286,339,500	267,607,200
Share Premium		-	13,850,825
Reserves and Surplus	3.11	5,256,326	25,636,474
Total Equity		291,595,826	307,094,499
D. Non Current Liabilities			
Long Term Loan		-	1,240,022
Employee Benefit Liability	3.12	1,343,490	3,189,939
Deferred Tax Liability	3.4	-	-
Lease equilization reserve		759,425	253,142
Total Non Current Liabilities		2,102,915	4,683,102
E. Current Liabilities			
Short Term Loan		-	-
Employee Benefit Liability	3.12	300,886	4,757,674
Income Tax Payable		17,592,572	11,274,343
Trade & Other Payable	3.13	486,866	2,199,644
Total Current Liabilities		18,380,324	18,231,661
Total Liabilities (C+D+E)		312,079,065	330,009,262

Bishwambhar Neupane
ChairmanTika Bhattarai
DirectorDip Prakash Panday
Director

As per our report of even date

Jiban Kumar Uprety
DirectorNeeraj Man Sainju
Officiating Chief Executive OfficerShankar Rajbahak
Head - FinanceMahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered AccountantsDate: 14 October 2022
Place: Kathmandu, Nepal

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

For the period 2078/04/01 (2021/07/16) to 2079/03/32 (2022/07/16)

Amount in Rs.

PARTICULARS	SCHEDULE	2078/79	2077/78
Income			
Revenue From Operation	3.14	38,823,105	38,890,521
Income From Investment	3.15	15,525,940	14,997,198
Net Gain From Financial Instruments-FVTPL	3.16	3,743,620	7,295,273
Other Income	3.17	443,596	1,450,928
Total Income		58,536,261	62,633,920
Operating Expenses	3.18	2,109,504	1,890,147
Employee Expenses	3.19	19,355,660	16,903,498
Building and Premises Cost	3.20	3,575,519	3,720,264
Administrative Expenses	3.21	5,141,148	3,348,887
Net Loss From Financial Instruments-FVTPL	3.16	24,585,857	1,462,355
Interest Expenses		50,463	71,706
Depreciation	3.1	702,078	1,235,132
Amortization	3.2	308,061	202,057
Total Expenses		55,828,290	28,834,046
Profit / Loss Before Tax		2,707,971	33,799,874
Income Tax Expense	3.22	1,079,644	9,596,690
Profit (Loss) For The Year		1,628,327	24,203,184
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		1,628,327	24,203,184
Earning Per Share (BEPS)		0.57	9.04
Diluted Earning Per Share (DEPS)		0.57	9.04

Bishwambhar Neupane
Chairman

Tika Bhattarai
Director

Dip Prakash Panday
Director

As per our report of even date

Jiban Kumar Uprety
Director

Neeraj Man Sainju
Officiating Chief Executive Officer

Shankar Rajbahak
Head - Finance

Mahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered Accountants

Date: 14 October 2022
Place: Kathmandu, Nepal

CASH FLOW STATEMENT

For the period 2078/04/01 (2021/07/16) to 2079/03/32 (2022/07/16)

Amount in Rs.

PARTICULARS	32/03/2079	31/03/2078
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxation And Extraordinary Items	2,707,971	33,799,874
Adjustment For:		
Depreciation	702,078	1,235,132
Amortisation	308,061	202,057
Income From Sweat Equity	-	-
Deferred Tax (Income)/Expense	-	(1,103,217)
Gain On Sales Of Assets	-	-
Interest Expenses	50,463	71,706
Operating Profit Before Working Capital Changes	3,768,573	34,205,552
Decrease / (Increase) In Trade And Other Receivable	1,892,755	(14,551,910)
(Decrease)/ Increase In Trade And Other Payables	(1,712,778)	1,290,865
(Decrease)/ Increase In Employee Benefit Payables	(6,303,237)	6,607,185
(Decrease)/ Increase In Non-Current Liabilities	506,283	(75,073)
Decrease / (Increase) In Other Non Current Assets	-	(400,000)
Changes in Deferred tax Assets/Liabilities	-	-
Income Tax Paid	-	(8,968,686)
Net Cash Flow From Operating Activities	(1,848,402)	18,107,933
Cash Flows From Investing Activities		
(Purchase) Of Property, Plant & Equipment	(307,111)	(770,615)
(Purchase) Through Acquisition	-	(4,374,608)
Sale Of Property, Plant & Equipment	1,783,443	6,725,560
Investment In Financial Assets	(16,693,508)	(66,844,109)
Net Cash Flow From Investing Activities	(15,217,177)	(65,263,771)
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/ (Payment) From Loan	(1,240,022)	1,240,022
Dividend Paid	(17,127,000)	(12,800,000)
Interest Paid	(50,463)	(71,706)
Net Cash Flow From Financing Activities	(18,417,485)	70,420,523
Net Increase In Cash And Cash Equivalents	(35,483,064)	23,264,685
Cash And Cash Equivalents At Beginning Of Period	42,127,676	18,862,991
Cash And Cash Equivalents At End Of Period	6,644,612	42,127,676

Bishwambhar Neupane
ChairmanTika Bhattarai
DirectorDip Prakash Panday
Director

As per our report of even date

Jiban Kumar Uprety
DirectorNeeraj Man Sainju
Officiating Chief Executive OfficerShankar Rajbahak
Head - FinanceMahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered AccountantsDate: 14 October 2022
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

Amount in Rs.

PARTICULAR	SHARE CAPITAL	RETAINED EARNING	EXCHANGE FLUCUATION FUND	SHARE PREMIUM	CSR PROVISION	GENERAL RESERVE	TOTAL
BALANCE AS ON 31/03/2078	267,607,200	22,014,686.00	-	13,850,825	242,032	3,379,756	307,094,499
Opening Balance As On 01/04/2078	267,607,200.00	22,014,686.00	-	13,850,825.00	242,032.00	3,379,756.00	307,094,499
Bonus Share Distribution	18,732,300.00	(4,881,475.00)	(13,850,825.00)				
Net Profit (Loss) During The Year	-	1,628,326.61	-	-	-	-	1,628,327
Issue Of Share Capital (Bonus)	-	-	-	-	-	-	-
Capital & Reserve Transfer From Merger	-	-	-	-	-	-	-
Share Premium Payment	-	-	-	-	-	-	-
Issue Of Share Capital	-	-	-	-	-	-	-
Provision For CSR		(16,283.00)			16,283		
Provision For General Reserve		(162,833.00)				162,833.00	
Dividend	-	(17,127,000.00)	-	-	-	-	(17,127,000)
BALANCE AS ON 32/03/2079	286,339,500	1,455,422	-	-	258,315	3,542,589	291,595,826

Bishwambar Neupane
Chairman

Tika Bhattarai
Director

Dip Prakash Panday
Director

As per our report of even date

Jiban Kumar Uprety
Director

Neeraj Man Sainju
Officiating Chief Executive Officer

Shankar Rajbahak
Head - Finance

Mahesh Khanal, FCA
For, M.Khanal & Co.,
Chartered Accountants

Date: 14 October 2022
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS

For the Period ended 32nd Ashad 2079 (16th July 2022)

1. CORPORATE INFORMATION

Machhapuchchhre Capital Ltd., (hereinafter referred to as MCL or as a Licensed Institution, or as a Company) is a Financial Institution incorporated under Companies Act, 2063 (first Amendment 2074) on 24th September 2017 as a public limited company with Registration No. 175859/074/075. MCL has obtained an operating license from the Security Board of Nepal (SEBON) on 07th Magh, 2076 with License Number 051 as required under Securities Act, 2073. The Company is also registered with Inland Revenue Department (IRD) with PAN No. 606877121. The Registered office of MCL is situated at Kathmandu Metropolitan - Ward No. 11, JDA Complex, Bagdurbar, Sundhara and registered at Kathmandu Metropolitan City on 29th Ashadh, 2077 with Registration No. 3823

Machhapuchchhre Kriti Capital Limited (MCL) changed its name to Machhapuchchhre Capital Limited on 10th Kartik 2078 by second Annual General Meeting and completed the name changed from Office of Company Registrar Office on 23th Mangsir, 2078.

MCL, as a licensed Merchant Banker, has been providing Portfolio Management Services, Corporate Financial Services, Underwriting Services and Depository Participants Services and, also a qualified institution investors licensed from Securities Board of Nepal.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation

The Financial Statements are prepared on accrual and going concern basis. The accounting Policies are applied consistently to all the period presented in the financial statements including the preparation of the Nepal Financial Reporting Standards (NFRS) Statement of Financial Position.

2.1.1. Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS). The Financial Statements were authorized for issue by the Board of Directors on 28th Ashwin 2079. 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 2078 to 32nd Ashadh 2079.

2.1.3. Critical Accounting Estimates

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

2.1.4. Functional and Presentation Currency

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

2.1.5. Accounting Policies

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

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

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

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

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

2.1.7. Property, Plant and Equipment

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

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

2.1.8. Depreciation

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

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

ASSETS	LIFE
Leasehold assets	10 years
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 based on the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated lives of 5 years.

Business License

Acquiring business licenses are capitalized based on the costs incurred to acquire the license for operation of business. These costs are amortized over 5 years from date of business license.

2.1.11. Investments

Investments in debt and equity securities

Investments held for trading (FVTPL) are classified as current assets and are stated at Fair Value and investment in debt instruments and government bonds held to maturity are stated at amortized cost less impairment losses.

Investment property

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

2.1.12. Trade and other receivables

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

2.1.13. Inventories

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

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

2.1.14. Cash and cash equivalents

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

2.1.15. Impairment

The carrying amounts of the company's assets, other than biological assets, investment property, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that are not yet available for use, the recoverable amount 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

Annual Management fee and Performance fee is recognized as revenue as stated in the portfolio management service agreement.

c. Corporate Advisory Fee

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

d. Depository Participants

Depository Participants (DP) related income is the fee for managing DP accounts of clients. All DP income is the collection from clients for new account opening, renewal of accounts, on-market-transaction and other DP services directly involving and collected from clients.

e. Interest Income

Interest income is recognized using effective interest rate method.

f. Other Income

Other income is recognized when it is probable that consideration associated with the relevant event is confirmed or realized. Other income also includes service income which is the DP service income received from Machhapuchchhre Bank Ltd. as per the service agreement executed between Machhapuchchhre Capital Ltd. (MCL) and Machhapuchchhre Bank Ltd. (MBL). As per this agreement, MCL will execute MBL's DP ID (16100) and offer Demat related all services to clients.

2.1.20. Expenses

All Expenses except specially mentioned are accounted on accrual basis.

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

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

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

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

3. OTHER EXPLANATORY NOTES**3.1 Property Plan and Equipment**

Tangible Assets NPR. 3,07,111 has been purchased during the year.

Disposal of assets total NPR. 17,83,443 (written down value) have been done during the year.

PLANT, PROPERTY AND EQUIPMENT

3.1

PARTICULARS	COMPUTER & ACCESSORIES	FURNITURE & FIXTURES (METAL)	FURNITURE & FIXTURES (WOODEN)	GENERATOR	LEASEHOLD ASSETS	OFFICE EQUIPMENT	VEHICLE	TOTAL
Balance at 01 Shrawan 2078	1,584,426	129,769	161,758	-	974,427	591,895	2,275,141	5,697,416
Additions during the year	152,430	26,137	40,600	-	-	87,944	-	307,111
Acquired through Business combination	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	18,577	2,049,330	2,067,906
Balance at 31 Ashadh 2079	1,716,856	155,906	202,358	-	974,427	661,262	225,811	3,936,621
Depreciation and Impairment Losses								
Balance at 01 Shrawan 2078	394,121	11,562	12,652	-	48,721	33,509	188,887	689,453
Depreciation charged for the year	338,582	14,323	20,373	-	97,443	62,930	168,427	702,078
Adjustment due to revaluations	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	1,872	282,592	284,464
Balance at 31 Ashadh 2078	732,703	25,885	33,025	-	146,164	94,567	74,723	1,107,067
Net Carrying amount at 32 Ashadh 2079	984,153	130,021	169,333	-	828,263	566,695	151,089	2,829,554
Net Carrying amount at 31 Ashadh 2078	1,170,305	118,208	149,106	-	925,706	558,386	2,086,253	5,007,963

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	3.2	
	SOFTWARE	TOTAL
Cost		
Opening balance as at 1 Shrawan 2078	1,540,304	1,540,304
Additions during the year	-	-
Closing balance as at 32 Ashad 2079	1,540,304	1,540,304
Accumulated Amortization and Impairment		
Opening balance as at 1 Shrawan 2078	240,138	240,138
Additions during the year	308,061	308,061
Closing balance as at 31 Ashad 2078	548,198	548,198
Carrying Amount as at 16 July 2022	992,106	992,106
Carrying Amount as at 15 July 2021	1,300,166	1,300,166

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.

PARTICULARS	32/03/2079	31/03/2078
Debenture Investment	39,728,180	17,728,180
Unlisted Promoter Share Investment	50,000,000	50,000,000
Total Nrs.	89,728,180	67,728,180

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.

Calculation of Deferred Tax for MCL have been shown as below:

PARTICULARS	ACCOUNTING BASE	TAXATION BASE	DIFFERENCE	TAX RATE	DTL	DTA	NET
Fixed Assets	3,821,659	3,555,376	266,283	30%	79,885	-	
Gratuity Provision	-	2,179,703	2,179,703	30%	653,911	-	
Leave Provision	1,325,270	907,544	(417,726)	30%	-	(125,318)	
Lease equalization reserve	759,425	-	(759,425)	30%	-	(227,828)	
Investments	48,809,437	68,237,877	(19,428,441)	30%	-	(5,828,530)	
Total	54,715,792	74,880,501	(18,159,606)		733,796	(6,181,678)	(5,447,881)
Closing Deferred Tax Liabilities/(Assets)							(5,447,881)
Opening Deferred Tax Liabilities/(Assets)							(209,297)
Income transferred to Profit and Loss Account							(5,238,585)

3.5. Trade and other receivables (non-current)

Non-current trade receivables are security and license deposits for normal business operation.

3.5

PARTICULARS	32/03/2079	31/03/2078
Non-current Assets		
License Deposit	300,000	300,000
Security Deposit	100,000	100,000
Total NRs.	400,000	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	32/03/2019	31/03/2018
Cash In Hand	-	-
Gold & Silver Coins	15,950	15,950
Bank Balance At Mbl	3,571,477	7,198,643
Bank Balance At Other Financial Institutions	3,057,185	34,913,083
Total Nrs.	6,644,612	42,127,676

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.

FINANCIAL ASSETS HELD AT AMORTIZED COST	AS AT 32/03/2019	AS AT 31/03/2018
Mbl Fixed Deposit	107,500,000	91,000,000
Fixed Deposit At Other Financial Institutions	25,000,000	70,000,000
Total Nrs.	132,500,000	161,000,000

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)	AS AT 32/03/2079	AS AT 31/03/2078
Investment in equities	37,984,808	18,105,464
Investment in mutual fund	10,824,629	7,510,465
Total NRs.	48,809,437	25,615,929

FINANCIAL ASSETS HELD AT FAIR VALUE (FVT PL)	COST PRICE	MARKET PRICE	GAIN(LOSSES)
Investment in equities	54,680,431	37,984,808	(16,695,623)
Investment in mutual fund	13,557,446	10,824,629	(2,732,817)
Total NRs.	68,237,877	48,809,437	(19,428,440)

On investment valued at FVTPL there is fair value losses of Rs 1,94,28,440.69 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:

PARTICULARS	32/03/2079	31/03/2078
Current Assets		
Accrued interest receivable on FD	46,685	923,999
Accrued interest receivables on debenture	1,125,291	715,571
Dividend receivable	-	29,354
Prepaid insurance	75,723	56,793
Prepaid computer and internet charge	10,593	15,593
Advances for investments	-	1,000,000
Receivables from other parties	4,921,835	12,373,349
Total NRs.	6,180,127	15,114,659

3.10 Share Capital

Share Capital of MCL has been increased to Rs 286,339,500 from Rs 267,607,200 due to bonus share distribution previous year. The share value has been treated as equity instrument. Additional disclosure on share capital treatment has been disclosed under business combination note 3.23.

PARTICULARS	32/03/2079	31/03/2078
Share Capital		
AUTHORIZED SHARE CAPITAL (4,000,000 ORDINARY SHARES OF Rs 100 EACH)	400,000,000	400,000,000
ISSUED SHARE CAPITAL (3,148,320 ORDINARY SHARES OF Rs 100 EACH)	314,832,000	314,832,000
SUBSCRIBED & PAID-UP SHARE CAPITAL (2,863,395 ORDINARY SHARES OF Rs. 100 EACH)	286,339,500	267,607,200

3.11 Reserve and Surplus

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

RETAINED EARNING AND RESERVES	32/03/2079	31/03/2078
Retained Earning	1,455,422	22,014,686
General Reserve	3,542,589	3,379,756
Provision for CSR	258,315	242,032
Total NRs.	5,256,326	25,636,474

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 Labour Act 2074. Company makes defined contribution of 8.33% of monthly basic salary of each employee 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.

EMPLOYEE BENEFIT LIABILITY (CURRENT/NON-CURRENT)	32/03/2079	31/03/2078
Employee Benefit Liability (Current)		
Provident Fund Payable	-	115,893
Retirement Fund	-	164,635
Provision For Bonus	300,886	4,327,022
Salary And Perks Payable	-	150,123
Total NRs.	300,886	4,757,674
Employee Benefit Liability (Non-Current)		
Leave Provision	1,325,270	1,638,239
Provision For Gratuity Encashment A/C	-	1,533,480
Welfare Fund	18,220	18,220
Total NRs.	1,343,490	3,189,939

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:

TRADE AND OTHER PAYABLES	32/03/2079	31/03/2078
Sundry Payable	178,400	20,231
Sebon Fee Payable	76,649	670,899
TDS Payable	2,17,693	5,61,175
Provision For Expenses	14,125	-
Payable To Different Parties	-	947,338
Total NRs.	486,866	2,199,644

3.14 Revenue From Operation

Following table summarizes the operating revenue recognized during the period.

INCOME FROM OPERATION	2078/79	2077/78
Underwriting Service Fee Income	2,921,826	693,910
Income From Corporate Financial Advisory	8,485,119	4,667,699
Income From Portfolio Management Services	26,042,489	32,305,998
Depository Participant Income	1,373,671	1,222,914
Total NRs.	38,823,105	38,890,521

3.15 Income From Investment

INTEREST INCOME HEAD	2078/79	2077/78
Interest From Debentures And Bond	2,605,170	1,147,746
Interest Income	230,669	324,237
Interest Income From Fixed Deposits	12,690,101	13,525,216
Total Nrs.	15,525,940	14,997,198

3.16 Gains (losses) from Financial Investment

The gains from investment in financial instrument treated on FVTPL have been summarized as under:

NET GAINS OF FINANCIAL INVESTMENTS-FVTPL	2078/79	2077/78
Dividend Income	1,299,340	37,524
Income From Sale Of Investment	2,444,279	7,257,749
Total NRs.	3,743,620	7,295,273

NET LOSSES OF FINANCIAL INVESTMENTS-FVTPL	2078/79	2077/78
Loss On Sale Of Investment	5,157,416	777,866
Net Gains/(Losses) Of Financial Investments-FVT PL	19,428,441	684,489
Total NRs.	24,585,857	1,462,355

3.17 Other Income

OTHER INCOMES	2078/79	2077/78
Rent Income	120,000	60,000
Miscellaneous Income	257,008	336,377
Service Income	66,588	454,551
Sweat Equity Share Income	-	600,000
	443,596	1,450,928

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.

OPERATING EXPENSES	2078/79	2077/78
DP Service Expenses	293,173	228,973
License Fee And Renewal Charges	510,000	410,000
Registration Fee And Application Charges	113,120	60,000
SEBON Fee Expenses	1,193,211	1,191,174
Total NRs.	2,109,504	1,890,147

3.19 Employee Expenses

EMPLOYEE EXPENSES	2078/79	2077/78
Gratuity Expenses	649,152	448,852
Staff Provident Fund	779,233	521,892
Annual Force Leave Payment	979,305	1,253,677
Dashain Allowances	1,157,843	175,881.04
Executive Allowances	222,194	-
Other Allowances	1,769,015	949,891.67
Staff Overtime Expenses	828	7,025
Salary Expenses	12,430,122	8,465,338
Leave Encashment Expenses	604,350	1,276,204
Statutory Bonus	300,886	3,755,542
Team Building Expenses	363,525	31,150
Training And Development Expenses	99,207	18,046
Total NRs.	19,355,660	16,903,498

3.20 Building and Premise Expenses

These are expenses incurred for office premise related rent, security and sanitation related expenses.

BUILDING AND PREMISES COST	2078/79	2077/78
Cleaning Charges	43,035	194,991
Office Electricity Expenses	290,826	186,102
Rent Expenses	2,796,951	2,544,360
Security Charges	21,000	12,250
Security Guard Expenses	336,174	742,769
Water And Utilities	87,532	39,791
Total NRs.	3,575,519	3,720,264

3.21 Building and Premise Expenses

ADMINISTRATIVE EXPENSES	2078/79	2077/78
Advertisement And Publication	708,636	238,063
Annual General Meeting Expenses	141,956	40,859
Anniversary Expenses	20,159	-
Inaguration Expenses	-	87,347
Audit Fee	113,000	56,500
Due Diligence Audit	-	150,000
Internal Audit Fee	135,600	60,000
Covid-19 Expenses	66,073	38,212
Allowance And Travel Expenses	63,846	58,563
Fuel Expenses	172,804	66,386
Fuel Exp - Generator	-	4,000
Parking Charges	69,995	45,140
Staff Conyeyance Expenses	-	1,411
Transportation Expenses	10,170	2,000
Wages Expenses	-	3,000
Insurance Expenses	224,492	92,826
Computer And Internet Charge	777,252	521,970
Electrical And Wiring Expenses	44,660	70,982
Software Expenses	7,900	19,471
Telephone And Communication	61,001	216,413
Telephone Expenses	6,123	6,669
Consultancy Fee	25,000	124,300
Board Meeting Allowances	679,800	444,000
Board Meeting Expenses	124,594	25,031
Committee Meeting Allowances	285,600	114,000
Meeting Expenses	42,645	6,727
Merger Committee Meeting Allowance	-	348,000
Branding Expnses	-	-
Lunch Expenses	33,996	5,100
Office Expenses	54,398	93,883
Pantry Expenses	207,221	69,981
Stationery Expenses	343,678	147,757
Corporate Socail Responsibility Expneses	-	5,367
Repair And Maintenance Expenses	71,360	56,677
Staff Outsource Service	390,435	128,253
Festival Expenses	39,212	-
Bank Charges	7,866	-
Vehicle Servicing & Cleaning Charges	15,859	-
Server Colocation & Drs Sites Charges	94,920	-
Other Expenses	100,896	-
Total NRs.	5,141,148	3,348,887

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.

INCOME TAX EXPENSES	2078/79	2077/78
Current Tax	6,318,228	10,676,847
Previous Year Tax	-	23,060
Deferred Tax (Income)/Expense	(5,238,585)	(1,103,217)
Total NRs.	1,079,644	9,596,690

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	2,290,668
1- 5 years	10,342,366	10,342,366
Above 5 years	14,191,146	14,191,146

Lease equalization reserve for this year in operating lease is increased by NPR. 5,06,283.44.

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 active Underwriting Agreement for 53,64,420 units shares of Rs.100 each from different Hydropowr Company as on reporting date. Looking towards the subsequent events after balance sheet date, these shares have not been issued to public and in the process for initial public offering.

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

From the above related persons Mr. Bishwambhar Neupane is the member of the Board of Directors and HR Committee and Mr. Tika Bhattarai is a member of Board of Director, HR Committee and Audit Committee. They are entitled to meeting allowances as per the Articles of Association of the Company. The meeting allowances per meeting per member of Board of Directors is Rs. 15,000 for Chairman and Rs. 12,000 for Directors and duly passed from second Annual General Meeting of company. No other benefits or allowances are provided to the board of directors.

Key Management Personnel

Mr. Govind Prasad Sharma - ACTING CEO

Mr. Govind Prasad Shara serves to MCL as a DCEO from Shrawan 1, 2078 to Poush 30, 2078. Mr. Sharma is deputed from Parent company, Machhapuchchhre Bank Limited and his roles has been changed as Acting CEO effective from Magh 1, 2078 after resignation of previous CEO Mr. Deepesh Kumar Vaidya. He serves at till Baishak 25, 2079 and during the period he is entitled for Rs. 50,000 executive allowances per month with other benefit as per company policies as a remuneration. Mr. Neeraj Man Sainju has been appointed as Officiating CEO from Baishak 21, 2079.

(B) Related Party Transactions

Related party transaction with Parent company:

During the period, MCL has following bank balance and interest realized from Parent Company as on reporting date.

S.N.	PARTICULARS	TRANSACTION AMOUNT (FY 2078-79)	TRANSACTION AMOUNT (FY 2077-78)	NATURE OF TRANSACTION
1	Fixed Deposit at MBL	10,75,00,000.00	91,000,000.00	Fixed Deposit
2	Call & Current Deposit at MBL	35,71,476.94	71,98643.51	Bank Deposit
4	Service income	66,588.34	454,551.25	DP service
5	Interest Income	65,72,655.62	11,841,290.76	Interest on FD and call deposit

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 not proposed any dividend from the financial performance of fiscal year 2078-79, and subject to approval from Annual General Meeting.

LIST OF PROVINCE MANAGER

SN	PROVINCE NAME	PROVINCE MANAGER
1	Province 1 Cluster A	Krishna Bahadur Shah
2	Province 1 Cluster B	Utashab Parajuli
4	Province 2 Cluster A	Bishnu Prasad Pandey
5	Province 2 Cluster B	Indu Shekhar Devkota
7	Province 3 Cluster A	Naresh Pradhan
8	Province 3 Cluster B	Leela Raj Thapa
9	Province 3 Cluster C	Deependra Prasad Wagle
10	Province 3 Cluster D	Manoj Bhattarai
11	Province 4 (Deposit)	Neelam Gautam Paudel
12	Province 4 Cluster A (Credit)	Suraj Shrestha
13	Province 4 Cluster B (Credit)	Jeevan Bahadur Karki
15	Province 5 Cluster A	Narayan K.C.
14	Province 5 Cluster B and 6	Hari Lal Ayer
18	Province 7	Manish Upadhyay

DEPARTMENT HEADS

SN	NAME	LEVEL/POSITION	DESIGNATION
1	Bharat Kumar Lamsal	Acting Assistant General Manager	Chief Risk Officer
2	Bhuvan Singh Khatri	Chief Manager	Chief Compliance Officer
3	Samir Jung Rayamajhi	Chief Manager	Chief Liability Management
4	Sunil Khatiwada	Acting Chief Manager	Chief Operating Officer
5	Kumar Gnawali	Senior Manager	Chief Corporate & Infrastructure Lending
6	Madhav Subedi	Senior Manager	Chief Digital Banking Officer
7	Bineet Chandra Jha	Senior Manager	Chief Central Trade Operations
8	Indra Thapa	Acting Senior Manager	Deputy Chief Credit Support and Monitoring Unit
9	Manish Dahal	Acting Senior Manager	Chief Special Asset Management
10	Ishwar Bahadur Rawal	Acting Senior Manager	Chief Administration Officer
11	Ganesh Thapa	Manager	Deputy Chief Legal Officer
12	Richa Pandey	Manager	Deputy Chief Integrated Risk
13	Bipin Udas	Acting Manager	Head of Department - Central Credit Administration Department
14	Jaya Prakash Raut	Acting Manager	Head Deposit Monitoring Unit
15	Anil Babu Adhikari	Acting Manager	Deputy Chief Human Resource
16	Hem Kumar Shrestha	Acting Manager	Deputy Chief Information Technology
17	Khagendra Paudel	Acting Manager	Deputy Chief Finance & Planning
18	Nirmal Raj Acharya	Acting Manager	Deputy Chief Liability Management
19	Pratima Pandey	Acting Manager	Deputy Chief Operations Monitoring Unit
20	Sudan Prasad Bhandari	Acting Manager	Deputy Chief Remittance Business
21	Abhishek Niroula	Deputy Manager	Head of Department - Credit Risk Management
22	Mohini Pradhan	Deputy Manager	Head of Department - Branch Coordination Cell and Service Excellence
23	Reshma Shakya	Deputy Manager	Head of Department - Treasury Front Office
24	Sabin Shrestha	Deputy Manager	Head of Department - E Banking Operations
25	Sachin Tamang	Deputy Manager	Head of Department - Information Security Department
26	Surendra Pathak	Deputy Manager	Head of Department - Internal Audit Department
27	Amar Bahadur Singh	Acting Deputy Manager	Head of Department - Business Intelligence
28	Binita Tamrakar	Assistant Manager	Head of Department - Central Clearing
29	Govinda Prasad Dahal	Assistant Manager	Head of Department - Law
30	Prabhat Joshi	Assistant Manager	Head of Department - Institutional Deposit
31	Puja Gongal	Assistant Manager	Head of Department - Reconciliation Department
32	Abhaya Rana	Assistant Manager	Deputy Head - Central Trade Operations
33	Subeena Shrestha	Assistant Manager	Deputy Head - Central Operations
34	Sudha Sharma	Acting Assistant Manager	Deputy Head - Education Hub

BRANCH NETWORK

Koshi Province

BARADASHI BRANCH
977-61-620038, 9842746914

BHOJPUR BRANCH
977-29-420280, 420357,
9856019914

BIRATCHOWK BRANCH
977-21547430, 21548230,
9852025929

BIRATNAGAR BRANCH
977-21-450412, 9852683262

BIRTAMOD BRANCH
977-23-531600, 534001,
9852680990

CHAKRAGHATTI BRANCH
977-25-551102, 551103,
9842046120

CHANDRAGADHI BRANCH
77-23-453570, 9810326037

DAMAK BRANCH
77-023-
574963, 574964, 9844625664

DHANKUTA BRANCH
977-026-523437,
523438, 9851245718

DHARAN BRANCH
977-025-578895, 538796,
538797, 9852056957

GAIGHAT BRANCH
977-35-421090,
421091, 9849029890

HALESI BRANCH
977-36-410094, 9851108659

HILE BRANCH
977-26- 540554, 9842072607

ILAM BRANCH
977-27-521710, 9842409803

INARUWA BRANCH
977-025-565542/43,
9852639317

ITAHARI BRANCH
977-25-586881, 9851120203

JAHADA BRANCH
9849033517

KAKADVITTA BRANCH
977-23-566411, 566953,
9852025773

KANCHANBARI BRANCH
977-21-461823, 9849151769

KATARI BRANCH
977-35-450568, 9858028918

OKHALDHUNGA BRANCH
9851001957

PHIDIM BRANCH
977-24-522526, 9844620100

SALLERI BRANCH
977-38-520465, 9851153340

SUNKOSHI BRANCH
977-9741461090, 9841647500

SURUNGA BRANCH
977-23-552664/65,
9852051164

TANKISINWARI BRANCH
977-21-420442, 9842129985

TAPLEJUNG BRANCH
977-24-460517, 9851079969

TYAMKE MAIYUM BRANCH
977-9852086005,
9806097872

URLABARI BRANCH
977-21- 543243, 543343,
9842298306

Koshi Province

AADARSHANAGAR BRANCH
977-051-591198/98,
9855044662

BARDIBAS BRANCH
977-44-550731,
550732, 9855011744

BIRGUNJ BRANCH
977-51-524828, 9841291219

BRINDABAN BRANCH
977-61-620039, 9804729189

CHANDRAPUR BRANCH
977-55-540439, 9854031875

DHALKEBAR BRANCH
977-041-560250/51,
9823452053

GANESHPAN CHARNATH BRANCH
977-041-427051, 9849035786

GAUR BRANCH
977-55-520670/75,
9843358846

GOLBAZAR BRANCH
977-33-540530/31/32,
9815318272

HARIWON BRANCH
977-46-530048, 9845059155

JANAKPUR BRANCH
977-41-590801/02,
9858032424

KALAIYA BRANCH
977-53-550559/60,
9851089269

KALYANPUR BRANCH
977-33-403065, 9857023280

KANCHANRUP BRANCH
977-31-560338/39,
9801660327

KARJANHA BRANCH
977-33-411019, 9842921471

LAHAN BRANCH
977-33-562258/59,
9849079328

LALBANDI BRANCH
977-46-501551/61, 9851004881

MAHULI BRANCH
977-31-411235,
411236, 9851110934

MALANGWA BRANCH
977-46-521278/79,
9855036398

MATIHANI BRANCH
977-44-540078, 9842409364

MIRCHAIYA BRANCH
977-33-550626, 9844384200

NAGARAIN BRANCH
977-1-6201558, 9844024132

NIJGADH BRANCH
977-53-540247, 9869123071

RAJBIRAJ BRANCH
977-31-532466, 9852029219

**SAKHUWA
MAHENDRANAGAR BRANCH**
977-41-540094, 9849662032

SIMARA BRANCH
977-53-521249,
521349, 9851218038

SIRAHA
033-520363,
520263, 9855045742

Bagmati Province

BALAJU BRANCH
977-1-4981729, 4981917,
9841653766

BALUWATAR BRANCH
977-1-4431815, 4434745,
9841308819

BANEPAL BRANCH
977-11-663553, 9841317500

BATTISPOTALI BRANCH
977-1-4496909/00,
9851180769

BENIGHAT BRANCH
977-10-416141/40, 9841161062

BOUDDHA BRANCH
977-01-4915425,
4911505, 9843768105

BUDHANILKANTHA BRANCH
977-1-4370077/96,
9843478957

CHABAHIL BRANCH

977-01-4560005, 4561953,
9851060257

CHAPAGAUN BRANCH

977-1-5265593, 9841804323

DALLU BRANCH

977-1-4281952, 4280813,
9851296977

DURBARMARG BRANCH

977-1- 5360988/89, 9851007856

GAJURI BRANCH

977-10-402077/78, 9841644046

GONGABU BRANCH

977-01-14989170/71, 4989172,
9842030369

HAKIM CHOWK BRANCH

977-56- 590976/78, 9855060543

HEAD OFFICE

977-1-4528556

HETAUDA BRANCH

977-57-527067/30, 9851227017

ICHHAKAMANA BRANCH

977-56-410116, 9856032559

KALANKI BRANCH

977-1-5225052/211, 9841539549

KALIKA BRANCH

977-56-413146/7, 9845212172

KAMALBINAYAK BRANCH

977-1-6620120/220, 9841664936

KAPAN BRANCH

977-1-4813116/17, 9841759967

KAUSHALTAR BRANCH

977-1-5900087/89, 9851170116

KHUSIBU BRANCH

977-1-4383922, 9849049714

KIRTIPUR BRANCH

977-1-5907028/27, 9856032697

KOTESHWOR BRANCH

977-1-5199693, 5199716,
9851222741

KULESHWOR BRANCH

977-01-5386316/422,
9851038920

KUMARIPATI BRANCH

977-1-5425087, 5426302,
9851231229

LALITPUR (GWARKO) BRANCH

977-1-5203333, 9856061250

LAZIMPAT BRANCH

977-1-4528556/ 9852674832,
9856021394

MAHARAJGUNJ BRANCH

977-4376763, 4378021,
9851140924

NAGARKOT BRANCH

977-1-6680226/27, 9841338600

NARAYANGADH BRANCH

977-56-598223/4, 9840273324

NARAYANTAR BRANCH

014913245, 9841398486

NAXAL BRANCH

977-1-4533853, 4535833,
4544620, 9851079227

NAYA THIMI BRANCH

977- 1-5639612/39, 9808142403

NEW BANESHWOR BRANCH

977-1-4792183,
4792858, 9851112048

NEWRoad BRANCH

977-1-4223115,
4839490, 4230726

PARSA BRANCH

977-56-582612/0, 9856041044

PEPSICOLA BRANCH

977-1-5156182,
5156083, 9856062975

PULCHWOK BRANCH

977-1-5535681, 9841652847

PUTALISADAK BRANCH

977-01-4443681, 4418544,
4416045, 9851167619

SALYANTAR BRANCH

977-10-421058/59, 9824635041

SATDOBATO BRANCH

977-01-5914981, 5913180,
9846080411

SATUNGAL BRANCH

977-1-4315171/72, 9856047502

SIMLE BRANCH

010-417084, 9849150518

SURYABINAYAK BRANCH

977-1-5708040/41, 9851115830

SWOYAMBHU BRANCH

977-1-5247219/22, 9841570817

TANDI BRANCH

977-56-562158, 9851219681

TATOPANI BRANCH

977-11-480007/3, 9841818285

THAMEL BRANCH

977-1-5906030/31, 9861102059

THAPATHALI BRANCH

977-1-4233182, 9849099296

TIMURE BRANCH

977-010-543115, 9855061601

TRISHULI BRANCH

977-10-560505, 9841600689

Gandaki Province**AANBU KHAIRENI BRANCH**

977-65-540345/44, 9841254814

AMAR SINGH BRANCH

977-61-434192/93, 9856027154

BAGAR BRANCH

977-61-541226, 9856087221

BAGLUNG BRANCH

977-68-522673, 9856075777

BENI BRANCH

977-69-520964, 9851052561

BESISAHAR BRANCH

977-66-521452/51, 9851064180

BHIMAD BRANCH

977-65-572441, 9857625444

BIRAUTA BRANCH

977-61458054/55, 9851122924

DAMAULI BRANCH

977-65-563500/02/03/14 /44,
9856024324

DULEGAUDA BRANCH

977-65-414270, 9846037965

HEMJA BRANCH

977-61-400565/72, 9802805517

JOMSOM BRANCH

977-69-440098, 9846041618

KAWASOTI BRANCH

977-78-540941, 9851055383

KUSHMA BRANCH

977-67-420836/69, 9846030448

LAKE SIDE BRANCH

977-061-453200/453500,
9856027540

LAMACHAUR BRANCH

977-61-441799, 442313,
9841374308

LEKHNATH BRANCH

977-61-561717, 9847385807

MADI BRANCH

977-61-506408, 9856020128

NAYA BAZAR BRANCH

977-061-580500, 580800,
580900, 581800, 582868,
582869, 584358, 543049,
9841431853

NEW ROAD POKHARA BRANCH

977-61-584357, 588479/80,
589945, 9856053353,
9805854638

PARSYANG BRANCH

977-61-419574/75,
9816197014/9856088771

POTALIBAZAR BRANCH

977-063-425222/23,
425224, 9846032568

SIKLES BRANCH

977-61-413094, 9846165912

WALING BRANCH

977- 063-441311, 441572,
9856031560

*Lumbini Province***BARDAGHAT BRANCH**

977-78-590965,
590966,9856060177

BHAIRAHAWA BRANCH

977- 71574642/43,
71575901,9851086325

BUTWAL BRANCH

977-071-535765/66/76/89,
9843715388

CHANDRAUTA BRANCH

977-76-540555,
540640,9841418087

GHORAHAI BRANCH

977-82-562372, 9851152882

GULARIYA BRANCH

977-84-420501/12,9858420156

KOHALPUR BRANCH

977-81-541066/67,9846832746

LAMAHI BRANCH

977-82-540870/75, 9848751135

LUMBINI BRANCH

977-71-404085, 9857015563

MANIGRAM BRANCH

977-71-561340, 9847268589

NEPALGUNJ BRANCH

977- 081- 531004, 531005,
531006,9856029660

PALPA BRANCH

977-75-522739, 9851055993

PARASI BRANCH

977-78-520437, 9847022551

TAULIHAWA BRANCH

977-76-560462, 9857042567

THAKURDWARA BRANCH

977-84-402098, 9848144518

TULSIPUR BRANCH

977-82-590162, 9857073316

*Karnali Province***DOLPA BRANCH**

977-1-6201557, 9857062499

JUMLA BRANCH

977-87-520500, 520600,
9851081023

KHATYAD BRANCH

9843666189

SALYAN BRANCH

977-88-400045, 9861596538

SURKHET BRANCH

977-83-523061/63, 9849285849

*Sudurpaschim Province***API HIMAL BRANCH**

9860922784

ATTARIYA BRANCH

+977-91-550431, 9841635069

BINAYAK BRANCH

+977-97-500037, 9869835424

DADELHURA BRANCH

+977-96-420960, 9858776677

DHANGADHI BRANCH

+977-91-520556/96,
9858422124

IBRD BRANCH

+977-99-560287/88,
9748662719

KHALANGA BRANCH

+977-93-420348,9 848760256

LAMKI BRANCH

+977-91-540565/66,
9848449274

MAHENDRANAGAR BRANCH

+977-99-521373, 522314,
9848879955

MALIKARJUN BRANCH

98,606,180,349,860,600,000

RAJPUR BRANCH

9849511431

VYAS BRANCH

9848750852

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

