



२६ औं वार्षिक प्रतिवेदन (२०१९/२०)

ANNUAL REPORT

Mid July 2019 - Mid July 2020

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EVEREST BANK LIMITED
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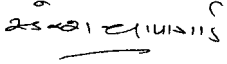
शेयरधनीको नाम:..... शेयरधनी नं.

शेयर संख्या शेयरधनीको दस्तखत:

(मिति २०७७ साल पौष २७ गते सोमवारका दिन हुने एभरेष्ट बैंक लिमिटेडको २६ औं वार्षिक साधारण सभामा उपस्थित हुन जारी गरिएको प्रवेश-पत्र)

द्रष्टव्य:

- १) शेयरधनी आफैले खाली कोष्ठहरू भर्नु होला ।
- २) सभा कक्षमा प्रवेश गर्न यो प्रवेश-पत्र प्रस्तुत गर्नु अनिवार्य छ ।


(सुरेश चापागाईं)
 कम्पनी सचिव

प्रोक्सी फाराम

श्री संचालक समिति
एभरेष्ट बैंक लिमिटेड

विषय: प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

..... जिल्ला न.पा./गाउँपालिका
 वडा नं. बस्ने म/हामी ले
 त्यस बैंकको शेयरधनीको हैसियतले २६ औं वार्षिक साधारण सभामा उपस्थित भई छलफल तथा निर्णयमा सहभागी
 हुन नसक्ने भएकोले उक्त सभामा भाग लिन तथा मतदान गर्नका लागि
 जिल्ला न.पा./गा.पा. वडा नं. बस्ने त्यस बैंकका शेयरधनी
 श्री , शेयरधनी नं./BOID No.
 लाई मेरो/हाम्रो प्रतिनिधि मनोनयन गरी पठाएको छु/छौं ।

प्रतिनिधि नियुक्त भएको व्यक्तिको

निवेदक

दस्तखत:.....
 शेयरधनी नं./BOID No.:
 शेयर संख्या:
 मिति:

दस्तखत:
 नाम:
 ठेगाना:
 शेयरधनी नं./BOID No.:
 शेयर संख्या:
 मिति:

कम्पनी सचिवको दस्तखत

बैंकको छाप

द्रष्टव्य:

- १) प्रतिनिधि (प्रोक्सी) मुकरर गर्दा शेयरधनी बाहेक अरूलाई गर्न पाइने छैन ।
- २) प्रोक्सी फाराम साधारण सभा हुनुभन्दा ४८ घण्टा अगावै निर्वाचन कार्यालयमा दर्ता भएको हुनुपर्नेछ ।

एभरेष्ट बैंक लिमिटेडको २६ औं वार्षिक साधारण सभा सम्बन्धी सूचना

यस बैंकको मिति २०७७ साल मार्ग ३० गते बसेको संचालक समितिको ३२३ औं बैठकको निर्णय अनुसार २६ औं वार्षिक साधारण सभा देहायको मिति, स्थान र समयमा निम्न प्रस्ताव उपर छलफल गर्न बस्ने भएको हुँदा सबै शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने मिति : २०७७ साल पौष २७ गते सोमबार (११ जनवरी २०२१) ।

स्थान : एभरेष्ट बैंक लिमिटेड, केन्द्रीय कार्यालय, लाजिम्पाट, काठमाडौं ।

समय : बिहान ११:०० बजे ।

(साधारण सभा ZOOM मार्फत सहभागी हुने शेयरधनी महानुभावहरूलाई MEETING ID र PASSWORD उपलब्ध गराउने व्यवस्था गरिएको छ ।)

बैंकको २६ औं वार्षिक साधारण सभाको छलफलको विषयसूची:

१. संचालक समितिको तर्फबाट अध्यक्षज्यूको प्रतिवेदन ।
२. लेखापरीक्षकको प्रतिवेदन सहितको लेखापरीक्षण गरिएको २०७७ साल आषाढ ३१ गतेको वासलात, सोही मितिमा समाप्त आ.व. २०७६/७७ को नाफा नोक्सान हिसाव तथा सोही अवधिको नगद प्रवाह विवरण छलफल गरी पारित गर्ने ।
३. मिति २०७७/०७/१९ मा बसेको सञ्चालक समितिको ३२२ औं बैठकले, शेयरधनीहरूलाई निम्न बमोजिम नगद लाभांश तथा बोनस शेयर प्रदान गर्न सिफारिश गरेकोले सो प्रस्ताव छलफल गरी पारित गर्ने ।
 - (क) ५% का दरले बोनस शेयर जारी गर्ने - विशेष प्रस्ताव,
 - (ख) ५.५३% नगद लाभांश (बोनस शेयर र नगद लाभांशमा लाग्ने कर समेत) वितरण गर्न गरेको सिफारिशलाई छलफल गरी पारित गर्ने,
४. प्रबन्धपत्र संशोधन सम्बन्धी विशेष प्रस्ताव पारित गर्ने,

चुक्ता पूँजी वृद्धि:

 - (क) बैंकले प्रस्तावित रु. ४२,३५,१०,३४२ बराबर बोनस शेयर जारी भए पश्चात् चुक्ता पूँजी वृद्धि हुने भएकोले चुक्ता पूँजी वृद्धि गर्न प्रबन्धपत्र संशोधन गर्ने ।
 - (ख) नेपाल राष्ट्र बैंकको स्वीकृति बमोजिम संस्थापक समूहको शेयर सर्वसाधारण समूहमा परिणत भए पश्चात् संस्थापक समूह र सर्वसाधारण समूहको शेयर स्वामित्व संरचना परिवर्तन गर्न प्रबन्धपत्रको दफा ५ संशोधन गर्ने ।
५. सर्वसाधारण शेयरधनीहरूको तर्फबाट सञ्चालक समितिमा प्रतिनिधित्व गर्ने दुईजना सञ्चालकको निर्वाचन गर्ने ।
६. आ.व. २०७७/७८ को लागि लेखापरीक्षकको नियुक्ति र निजको पारिश्रमिक तोक्ने ।
७. विविध ।

संचालक समितिको आज्ञाले,
कम्पनी सचिव

वार्षिक साधारण सभा सम्बन्धी सामान्य जानकारी

शेयर दाखिल खारेज किताब बन्द रहने

बैंकको शेयर दाखिल खारेजको काम २०७७ साल पौष १० गते देखि २०७७ साल पौष २७ गतेसम्म बन्द रहनेछ ।

नोट:

- (१) विश्वव्यापी रूपमा फैलिएको कोरोना भाइरस महामारी रोकथाम तथा नियन्त्रणका लागि नेपाल सरकारबाट जारी गरिएका स्वास्थ्य सम्बन्धी निर्देशन र मापदण्डहरूको सम्मान र परिपालना गर्दै अनलाईन ZOOM मार्फत् सभामा सहभागी हुने र आफ्नो मन्तव्य राख्न सक्ने व्यवस्था मिलाइएको हुँदा कोरोना भाइरसको संक्रमणबाट बच्न र बचाउन यथासक्क्य अनलाईन ZOOM मार्फत् उपस्थित भइदिनु हुन सम्पूर्ण शेयरधनी महानुभावहरूलाई अनुरोध छ । अन्य बैंक तथा वित्तीय संस्थाहरूले समेत ZOOM मार्फत् साधारण सभा संचालन गरेका छन् ।
- (२) ZOOM मार्फत् उपस्थित भई साधारण सभामा उपस्थित भई साधारण सभामा सहभागी हुने शेयरधनी महानुभावहरूले सभा हुनु भन्दा कम्तीमा ४८ घण्टा अगावै आफ्नो शेयर प्रमाणपत्र वा शेयर अभौतिकरण गरिसकेका शेयरधनीहरूको हकमा हितग्राही (DMAT Account) नम्बर, BOID Statement र आफ्नो परिचय खुल्ने (जस्तै: नागरिकताको प्रमाणपत्र वा अन्य कुनै परिचय पत्र) कम्पनी सचिवको कार्यालय वा ईमेल ठेगाना suresh.chapagain@ebl.com.np मा पठाउनु पर्ने छ । शेयरधनी महानुभावहरूको हितग्राही (DMAT Account) नम्बर, BOID Statement र आफ्नो परिचय खुल्ने (जस्तै: नागरिकताको प्रमाणपत्र वा अन्य कुनै परिचय पत्र) प्राप्त भए पश्चात् शेयरधनी महानुभावहरूलाई ZOOM मार्फत् साधारण सभामा उपस्थित हुनका लागि आवश्यक हुने MEETING ID र PASSWORD उपलब्ध गराइने छ । (ZOOM) को मार्फत् संचालन हुने साधारण सभा सम्बन्धी अन्य कुनै जिज्ञासा भएमा शेयरधनी महानुभावहरूले कम्पनी सचिवको सम्पर्क नं ९८५११०७७६६ मा सम्पर्क गर्न सक्नु हुनेछ । यस बैंकका शेयरधनी महानुभावहरू बाहेक अन्य व्यक्तिहरूको प्रवेश नहोस् भन्ने उद्देश्यले सम्बन्धित शेयरधनी महानुभावहरूलाई मात्र साधारण सभा MEETING ID र PASSWORD उपलब्ध गराउने व्यवस्था गरिएको हो ।
- (३) नगद लाभांश सम्बन्धित शेयरधनी महानुभावहरूको बैंक खातामा जम्मा गर्ने प्रयोजनका लागि बैंक खाता नभएका शेयरधनी महानुभावहरूले बैंक खाता खोली अनिवार्य रूपमा जानकारी गराई दिनु हुन अनुरोध छ । बैंक खाता प्राप्त भए पश्चात् यथाशीघ्र शेयरधनी महानुभावहरूको बैंक खातामा नगद लाभांश जम्मा हुने छ ।
- (४) साधारण सभा शुरू हुनु भन्दा १ घण्टा अगाडिबाट ZOOM खुल्ला गरिने छ ।
- (५) शेयरधनी महानुभावहरूले वार्षिक प्रतिवेदन लिनका लागि काठमाडौं उपत्यकामा रहेका बैंकको शाखा कार्यालयहरू वा केन्द्रीय कार्यालय र काठमाडौं उपत्यका बाहिरको हकमा यस बैंकका मुख्य शहरमा रहेको शाखा कार्यालयहरूमा सम्पर्क गर्न सक्नु हुन्छ ।



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CHAIRMAN'S STATEMENT



In my earlier Statements I had tried to bring to the notice that the huge imbalance in trade with India could lead to serious problem.

However, considerable amount was coming through foreign exchange remittance from lacs of Nepalese Workers who have been working, among other countries, mostly in Middle East Countries.

There is a grave turmoil in Middle East because the whole economy of these countries were based on oil. The oil prices have come down to less than half during the long lockdown period all over the World.

Since their economy is directly related with oil, all economic activities have started collapsing which resulted in the loss of jobs for the Nepalese Workers and lacs of them have come back to Nepal. They see no future for themselves and there are reports stating that

they have been drinking heavily and also there were domestic violence.

This loss of remittance from abroad can not only result negatively in the Country's economy, but can also lead to social upheaval. This is most worried (in fact frightening).

In the Country itself, because of long lock-down, the demand for everything has gone down. Lacs of people are either under-employed or lost their jobs in the industries connected with tourism, transportation and also connected with construction.

The Economist called such a situation as "Recession". In a Recession situation, the lowest and the weakest strata of the society gets affected. With such dissatisfaction and suffering, anything can happen. As I stated, this is not only worrisome, but almost frightening.

For the Banking, the present situation is such that even the deposits that the Bank is continuing to take on which we have to pay interest, there are very few safe areas where we can invest money above such interest rates.

This is again creating serious problems not only for our Bank,

but for the entire Banking system.

On top of it, the Nepal Rastra Bank (NRB) wants the Banks to invest certain percentage in – (a) Agriculture and (b) Small and Cottage Industries with the threat of heavy penalty.

Unfortunately, the Commercial Banks are not organized to do such lending.

As it is known, most of the farming (especially, in the hills) are subsistence farming. Only in the Terai areas farming is done for selling the crops. In fact, we have been trying in the past to finance the farmers for purchase of Equipments like Tractors.

There is specialized Institution, like Agricultural Development Bank which is controlled by the Government. The NRB could have asked the Banks to advance the money to them with minimal interest (above the rate of interest that we have to pay to the Depositors).

I want to state that both the Country and the Bank is going to go through a very difficult period. We have to work out a strategy, firstly for survival before profit and growth.

B.K. Shrestha
Chairman

Board of Director's Report

to the 26th Annual General Meeting of Shareholders of the Bank

Ladies and Gentlemen:

- It gives me immense pleasure to welcome you to the 26th Annual General Meeting (AGM) of your Bank. I have the privilege of presenting the Balance Sheet as at 31st Ashadh 2077 (15th July, 2020), the Profit & Loss Account and Cash Flow Statement of your Bank for the year ending on that date and the Auditors' report made there on.

2. Performance Review:

If one looks at the past performance of the Bank, the performance has been quite good as you will see from the following table during the last five years:

(Rs. in crore)

Particulars	2071/72 (2014/15)	2076/77 (2019/20)
Paid Up Capital Ordinary Shares	201.73	847.02
Preference Share	12.00	4.00
Statutory General Reserve	194.06	431.83
Share Premium	1.86	23.85
Capital Adjustment Reserve	80.71	4.76
Other Reserves	13.78	8.82
Exchange Equalization Reserve	2.58	3.51
Investment Adjustment Reserve	3.79	0.28
Debenture Redemption Reserve	14.07	97.51
Deferred Tax Reserve	103.93	-
Retained Profit	88.1	179.31
Other Reserve (Training)	0	1.03
Other Reserve (CSR)	0	3.04
Regulatory Reserve (NFRS)	0	97.87
Assets revaluation Reserve (NFRS)	0	96.89
Fair value Reserve (NFRS)	0	68.06
Total Shareholders' Fund	716.61	1,867.78

Other Major Performance:

a) Business:

Rs. In Crore

Particulars	Increase over				
	2071/72 (2014/15)	2075/76 (2018/19)	2076/77 (2019/20)	Previous Year %	Over 5 year's period %
Deposit	8309.37	13,017.74	14,472.83	11.18%	74.17%
Loans & Advances	5536.35	11,200.72	11,906.92	6.30%	115.07%

b) Profitability

Rs. In Crore

Particulars	Increase over				
	2071/72 (2014/15)	2075/76 (2018/19)	2076/77 (2019/20)	Previous Year%	Over 5 year's period%
Total Income	583.47	1445.09	1,548.66	7.17%	165.42%
Operating Profit	241.66	435.21	358.27	-17.68%	48.25%
Net Profit after Tax	157.44	305.41	251.62	-17.61%	59.82%

COVID-19 Pandemic and its Impact on Profit

I am sorry that there is not much good news to give you at this difficult time. This problem is not only for your Bank but for the entire banking system of Nepal and in fact to the whole economy of the country.

When recession in the economy takes place the poor country gets affected badly because their resources are limited. Similarly, the poor family gets more affected when the economy turns negative. We hope and pray that this difficult period would pass soon

On world economy, some of the richest oil producing country such as Saudi Arabia are even in serious difficulty because the oil price have come down half and since most of their economic activities are connected with the oil industry, their economy has gone down to tailspin. Lakhs of Nepalese worker who were working in the Middle East have started to come back and consequently the remittance income of the country is going down.

Unfortunately as an impact of COVID, during the year under review operating profit of your Bank has declined by 17.68% to Rs. 358.27 crore which is less than last year. Your banks has been able to post a after tax net profit of Rs. 251.62 crore, which is 17.61% lower than the last year. In case the pandemic prolongs, the business and the profit of the banks are expected to decline further.

- A newspaper “**Karobar**” had published sometime ago, the performance of the Bank in relation to the benefit to the shareholders during the last 25 years. It was pointed out

that the original investment of Rs. 137,429/- in the Bank's equity shares is now equal to Rs. 52.30 lacs. If the bonus shares are valued at the present time and the cash dividend is almost Rs 5.08 lacs between this period. While analyzing the amount invested in gold before 25 year, the initial amount of Rs. 5000/- per tola to Rs. 95,600/- that is an increase by about 19 times compared to EBL's share which has multiplied by more than 38 times.

4. Present and future:

At the present time not only in Nepal but the world is going through economic contraction. Not only Nepal, even our certain neighboring countries as well as all over the world are facing a period of economic contraction - which the Economists call recession. Such recession occur during the year 1930, which is before the World War II.

As you know, we are a commercial Bank, when the business and the industry contract it directly affects our business and income. At the same time, the NPA (non-performing) status increases. In view of this circumstances at the present time and the blank immediate future, the Bank has to adopt an even more conservative policy regarding lending.

On the other hand, there are some new economic activities which not only generates cash but also profit; which are

- a) Vegetable farming not only around Kathmandu but also in other cities of the country.
- b) Fish farming - Carp Farming and Trout farming
- c) Goat Farming.

We are trying to contact the important Entrepreneurs who have gone into this business so that we can give them loan which can generate even more profit and also interest income for the Bank.

As you may know that the profit of the Bank has already gone down from Rs. 305.41 crores during the last fiscal year to Rs. 251.62 crores during this year. This has resulted in negative contribution of earning per employee of the Bank as follows:

Rs. In Crore

Description	2075/76 (2018/19)		2076/77 (2019/20)		Increase over last year
	Total Amount	Amount Per Employee	Total Amount	Amount Per Employee	
Total Business	24218.46	27.37	26379.75	30.50	11.42%
Operating Profit	435.21	0.49	358.27	0.41	-15.47%
Net Profit	305.41	0.35	251.62	0.29	-16.89%

It is the considered view that the progress and success of any organization depends upon the knowledge, skills and motivational level of its workforce. The Bank has been taking keen and special interest in the development of its human resources by imparting its employees training in various aspects of banking. Besides this, the Bank has taken special care to keep the motivational level of its employees high as also to instill a sense of belongingness to the Bank.

5. Corporate Social Responsibility (CSR):

Nepal Rastra Bank, the regulatory body has issued a guideline that BFIs shall allocate at least 1% of their Net Profit to activities relating to corporate social responsibility creating "Corporate Social Responsibility Fund" account. Bank is availing expenditure benefit on tax for such allocation till date.

Bank has made expenditure of Rs. 4.52 crores in CSR in this FY including Bank's contribution of Rs. 1.05 crores in Central and State level Government's COVID Relief Fund. Recently on 16th August 2020, the bank again deposited Rs. 52.47 lacs in Central Government established COVID Relief Fund.

6. Dividend/Bonus Share

Your bank has proposed for cash dividend of 5.53% and bonus share 5% including tax.

7. Capital Adequacy:

Under the Basel – III framework, minimum bench mark fixed by Nepal Rastra Bank the Capital Adequacy Ratio is 11%. However, the NRB has further directed to maintain additional one percent as buffer in case Cash Dividend is declared. The Capital Adequacy Ratio of the Bank as at Ashadh-end 2077 (15th July 2020) before declaration of dividends is 13.38%. The previous year the same was 13.74%. After proposed dividends, the CAR shall stand at 12.99%. Your bank has managed to put the CAR at comfortable level.

8. Board of Directors:

There have been some changes in the Board of Directors of the Bank. Mr. Anil Bansal (General Manager Credit) has been appointed as director from Punjab National Bank in place of Mr. Lingam Venkata Prabhakar. Additionally, Mrs. Urmila Shrestha has been nominated as director in place of public director Mr. Sunil Gopal Shrestha.

The bank's Board is thankful to Mr. Lingam Venkata Prabhakar/Mr. Sunil Gopal Shrestha for their valuable contributions made towards the development of the Bank and welcome Mr. Anil Bansal and Mrs. Urmila Shrestha.

9. Amendment to Memorandum and Article of Association:

Some amendments to Memorandum and Article of Association are proposed including change in share structure of the bank which are being put as agenda for Annual General Meeting.

10. Employee Relations:

The Board is pleased to report that during the year under review the Management Employee relation has remained harmonious. In view of your Bank's expansion, the recruiting of new human resource as well as motivating our existing employees is proceeding apace.

11. Re-appointment of the Statutory Auditors:

The Shareholders are requested to re-appoint Sundar and Co. as Statutory Auditor of the bank along with the fee for the financial year 2077/78 (2020/21) as per recommendation of Audit Committee of the Board.

12. Acknowledgement:

On this occasion, on behalf of the Board of Directors and on my own behalf, I would like to thank all the shareholders for their continuous support and guidance. I also take this opportunity to extend thanks to our valued customers for their patronage. Further, we express our sincere gratitude to the officials of concerned Departments of Nepal Government, Nepal Rastra Bank, our joint-venture partner, Punjab National Bank, other concerned authorities and institutions for their patronage and all the employees of the Bank for their hard work and dedication. Further we also express our sincere thanks to members of the press and other well wishers of the Bank for their valuable co-operation and support.

Finally, I am sure that the Bank shall continue to get the same co-operation and support from all of you in the future which will be a source of inspiration in our endeavor to take our Bank to newer heights of success in the times to come.

Thank you.

B. K. Shrestha

On behalf of the Board of Directors

SUNDAR & CO.

Chartered Accountants

Pulchowk (Machagaa)
Lalitpur 20/8 Gha
P.O.B 3102 Kathmandu, Nepal

Phone # (977-1) 5521804/5529942
Fax : 977-1-5524804
Email: sundarmans@gmail.com

Independent Auditor's Report to the Members of Everest Bank Limited

Opinion on the Financial Statements

We have audited the accompanying financial statements of Everest Bank Ltd. ("the Bank") which comprise the Statement of Financial Position as at 31 Ashadh 2077 corresponding to 15 July 2020, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements referred to above present fairly, in all material respects, the financial position of the bank as of 31 Ashadh 2077 (15 July, 2020), and its financial performances, changes in equity and its cash flows for the year ended on that date in accordance with Nepal Financial Reporting Standards (NFRS) as mentioned under section (b) of Report on Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Company Act)

Basis of Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the ethical requirement that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Key Audit Matters

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

Management's Responsibility 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 the Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the bank's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Company Act)

On examination of the financial statements as aforesaid, we report that:

- a. We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our examination.
- b. In our opinion, proper books of account as required by law have been kept by the bank, in

so far as appears from our examination of those books of account and the financial statements dealt with by this report are prepared in conformity with the NFRS based format prescribed by Nepal Rastra Bank.

- c. In our opinion, the returns received from the respective bank's branches are adequate for the audit purpose, though the statements are independently not audited.
- d. In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the bank, we have not come across the cases where the Board of Directors or any member thereof or any employee of the bank has acted contrary to the provisions of the law relating to accounts or caused loss or damage to the bank or committed any misappropriation or violated any directive of Nepal Rastra Bank.
- e. In our opinion, the loans and advances are charged off as per the write off policy and with the approval of the authority concern.
- f. In our opinion, the business of the bank has been conducted within its authority.

For Sundar & Co.,

Chartered Accountants

UDIN # 201103CA00005EnDIM




CA. Sundar Man Shrestha

Partner

ICAN Membership Number: 005 Kathmandu

Date: November 04, 2020

Kartik 19, 2077

STATEMENT OF FINANCIAL POSITION

(FIG IN NPR)

As on 31 Ashadh 2077 (15 July 2020)

ASSETS	NOTE	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	4.1	9,646,947,712	7,759,121,374
Due from Nepal Rastra Bank	4.2	19,972,674,889	23,304,568,526
Placement with Bank and Financial Institutions	4.3	3,125,200,000	548,500,000
Derivative financial instruments	4.4	14,537,291	1,486,215,045
Other trading assets	4.5	-	-
Loan and advances to B/FIs	4.6	6,857,499,851	7,362,981,231
Loans and advances to customers	4.7	112,211,738,338	104,644,200,903
Investment securities	4.8	28,813,510,026	21,434,199,007
Current tax assets	4.9	226,712,839	75,090,726
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	379,022,906	314,441,000
Investment property	4.12	21,040,174	21,040,174
Property and Equipment	4.13	2,151,054,185	2,115,995,141
Goodwill and Intangible assets	4.14	46,136,457	37,769,556
Deferred tax assets	4.15	-	-
Other assets	4.16	1,557,115,037	973,410,771
TOTAL ASSETS		185,023,189,704	170,077,533,454
LIABILITIES	NOTE	CURRENT YEAR	PREVIOUS YEAR
Due to Bank and Financial Institutions	4.17	1,182,834,338	609,215,244
Due to Nepal Rastra Bank	4.18	32,886,332	1,206,069,094
Derivative financial instruments	4.19	-	1,446,389,926
Deposits from customers	4.20	143,545,475,184	129,568,152,895
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	-
Deferred tax liabilities	4.15	127,370,222	92,881,229
Other liabilities	4.23	20,428,422,168	18,460,916,661
Debt securities issued	4.24	1,068,845,000	1,068,845,000
Subordinated Liabilities	4.25	-	-
TOTAL LIABILITIES		166,385,833,244	152,452,470,050
EQUITY			
Share capital	4.26	8,510,206,836	8,106,863,347
Share premium		238,469,884	238,469,884
Retained earnings		1,793,065,962	2,324,150,968
Reserves	4.27	8,095,613,778	6,955,579,206
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		18,637,356,460	17,625,063,404
NON-CONTROLLING INTEREST		-	-
TOTAL EQUITY		18,637,356,460	17,625,063,404
TOTAL LIABILITIES AND EQUITY		185,023,189,704	170,077,533,454
Contingent liabilities and commitment	4.28	45,668,154,969	42,675,160,059
Net assets value per share		220.02	219.58

Keshab Paudel Asst. General Manager	Girish Kohli Dy. General Manager	Gajendar Kumar Negi Chief Executive Officer	B. K. Shrestha Chairman	As per our separate report attached
Rajan Kayastha Head - Accounts	Dr. Bal Gopal Baidya Director	Arun Man Sherchan Director	Nabin Bhakta Shrestha Director	
	Urmila Shrestha Director	Dr. Nirmal Kumar Bista Independent Director	Sundar Man Shrestha, FCA Partner, Sundar & Co. Chartered Accountants	

PLACE: Kathmandu, Nepal
DATE: 4 Nov. 2020

STATEMENT OF PROFIT OR LOSS

(FIG IN NPR)

For the Year ended 31 Ashadh 2077 (15 July 2020)

	NOTE	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	13,956,188,913	13,019,443,721
Interest expense	4.30	8,645,778,418	7,320,851,928
Net interest income		5,310,410,495	5,698,591,793
Fee and commission income	4.31	1,144,656,716	1,025,000,325
Fee and commission expense	4.32	128,502,771	133,605,344
Net fee and commission income		1,016,153,945	891,394,981
Net interest, fee and commission income		6,326,564,440	6,589,986,775
Net trading income	4.33	263,565,607	306,924,048
Other operating income	4.34	122,206,758	99,537,441
Total operating income		6,712,336,804	6,996,448,264
Impairment charge/(reversal) for loans and other losses	4.35	548,470,483	136,755,710
Net operating income		6,163,866,321	6,859,692,554
Operating expense			
Personnel expenses	4.36	1,646,839,964	1,653,296,315
Other operating expenses	4.37	784,499,401	726,832,851
Depreciation & Amortisation	4.38	149,835,180	127,443,880
Operating Profit		3,582,691,776	4,352,119,508
Non operating income	4.39	-	-
Non operating expense	4.40	612,663	4,337,697
Profit before income tax		3,582,079,114	4,347,781,811
Income tax expense	4.41		
Current Tax Expenses		1,079,441,418	1,298,359,472
Deferred Tax (Expenses)/Income		13,606,014	4,699,723
Profit for the period		2,516,243,710	3,054,122,062
Profit attributable to:			
Equity holders of the Bank		2,516,243,710	3,054,122,062
Non-controlling interest		-	-
Profit for the period		2,516,243,710	3,054,122,062
Earnings per share			
Basic earnings per share		29.71	38.05
Diluted earnings per share		29.57	37.67

Keshab Paudel
Asst. General Manager

Girish Kohli
Dy. General Manager

Gajendar Kumar Negi
Chief Executive Officer

B. K. Shrestha
Chairman

As per our separate
report attached

Rajan Kayastha
Head - Accounts

Dr. Bal Gopal Baidya
Director

Arun Man Sherchan
Director

Nabin Bhakta Shrestha
Director

Urmila Shrestha
Director

Dr. Nirmal Kumar Bista
Independent Director

Sundar Man Shrestha, FCA
Partner, Sundar & Co.
Chartered Accountants

PLACE: Kathmandu, Nepal
DATE: 4 Nov. 2020

STATEMENT OF COMPREHENSIVE INCOME

(FIG IN NPR)

For the Year ended 31 Ashadh 2077 (15 July 2020)

	CURRENT YEAR	PREVIOUS YEAR
Profit for the year	2,516,243,710	3,054,122,062
Other comprehensive income, net of income tax		
a) Items that will not be reclassified to profit or loss		
• Gains/(losses) from investments in equity instruments measured at fair value	140,839,362	49,628,407
• Gains/(losses) on revaluation	-	-
• Actuarial gains/(loss) on defined benefit plans	19,477,330	18,095,300
• Income tax relating to above items	(48,095,008)	(20,317,112)
Net other comprehensive income that will not be reclassified to profit or loss	112,221,684	47,406,595
b) Items that are or may be reclassified to profit or loss		
• Gains/(losses) on cash flow hedge	-	-
• Exchange gains/(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 equited method	-	-
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the period	2,628,465,394	3,101,528,657
Total comprehensive income attributable to:		
Equity holders of the Bank	2,628,465,394	3,101,528,657
Non-controlling interest	-	-
Total comprehensive income for the period	2,628,465,394	3,101,528,657

Keshab Paudel
Asst. General Manager

Girish Kohli
Dy. General Manager

Gajendar Kumar Negi
Chief Executive Officer

B. K. Shrestha
Chairman

As per our separate
report attached

Rajan Kayastha
Head - Accounts

Dr. Bal Gopal Baidya
Director

Arun Man Sherchan
Director

Nabin Bhakta Shrestha
Director

Urmila Shrestha
Director

Dr. Nirmal Kumar Bista
Independent Director

Sundar Man Shrestha, FCA
Partner, Sundar & Co.
Chartered Accountants

PLACE: **Kathmandu, Nepal**
DATE: 4 Nov. 2020

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 Ashadh 2077 (15 July 2020)

Fig in NPR

Attributable to equity holders of the Bank															
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Investment Adjustment Reserve	Capital Adjustment Reserve	Debenture Redemption Reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at Shrawan 1, 2075	8,106,863,347	238,469,884	3,204,229,870	30,161,539	534,427,622	547,282,479	1,418,266	47,562,907	641,310,000	968,943,421	1,739,036,261	74,801,820	16,134,507,416	-	16,134,507,416
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2075	8,106,863,347	238,469,884	3,204,229,870	30,161,539	534,427,622	547,282,479	1,418,266	47,562,907	641,310,000	968,943,421	1,739,036,261	74,801,820	16,134,507,416	-	16,134,507,416
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	3,054,122,062	-	3,054,122,062	-	3,054,122,062
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(Losses) from investments in equity instruments measured at fair value	-	-	-	-	-	34,739,885	-	-	-	-	-	-	34,739,885	-	34,739,885
Gain (loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Actuary gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(Losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	12,666,710	12,666,710	-	12,666,710
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	34,739,885	-	-	-	-	3,054,122,062	12,666,710	3,101,528,657	-	3,101,528,657
Transfer to reserve during the year	-	-	610,824,412	-	60,125,599	-	35,000	-	166,885,000	-	(858,034,686)	20,164,675	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issue Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders (ordinary)	-	-	-	-	-	-	-	-	-	-	(1,605,372,669)	-	(1,605,372,669)	-	(1,605,372,669)
Dividends to shareholders (preference)	-	-	-	-	-	-	-	-	-	-	(5,600,000)	-	(5,600,000)	-	(5,600,000)
Total contributions by and distributions	-	-	-	-	-	-	-	-	-	-	(1,610,972,669)	-	(1,610,972,669)	-	(1,610,972,669)
Balance at Ashadh end 2076	8,106,863,347	238,469,884	3,815,054,282	30,161,539	594,553,221	582,022,364	1,453,266	47,562,907	808,195,000	968,943,421	2,324,150,968	107,633,205	17,625,063,403	-	17,625,063,403

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For the Year ended 31 Ashadh 2077 (15 July 2020)

Keshab Paudel Asst. General Manager	Girish Kohli Dy. General Manager	Gajendar Kumar Negi Chief Executive Officer	B. K. Shrestha Chairman	As per our separate report attached
Rajan Kayastha Head - Accounts	Dr. Bal Gopal Baidya Director	Arun Man Sharchan Director	Nabin Bhakta Shrestha Director	
PLACE: Kathmandu, Nepal DATE: 4 Nov. 2020	Urmila Shrestha Director	Dr. Nirmal Kumar Bista Independent Director Sundar Man Shrestha, FCA Partner, Sundar & Co. Chartered Accountants	

Sundar Man Shrestha, FCA
Partner, Sundar & Co.
Chartered Accountants

STATEMENT OF CASH FLOWS

(FIG IN NPR)

For the Year ended 31 Ashadh 2077 (15 July 2020)

	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	12,092,707,402	11,986,107,021
Fees and other income received	1,144,656,716	1,025,000,325
Dividend received	-	-
Receipts from other operating activities	293,994,921	288,110,721
Interest paid	(8,554,128,240)	(7,363,600,279)
Commission and fees paid	(128,502,771)	(133,605,344)
Cash payment to employees	(1,796,941,258)	(1,497,908,573)
Other expense paid	(766,875,855)	(702,680,878)
Operating cash flows before changes in operating assets and liabilities	2,284,910,914	3,601,422,993
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	3,331,893,637	(4,365,820,691)
Placement with bank and financial institutions	(2,576,700,000)	2,742,500,000
Other trading assets	-	-
Loan and advances to bank and financial institutions	510,587,252	(3,139,700,206)
Loans and advances to customers	(7,734,806,083)	(14,821,935,275)
Other assets	(280,899,224)	(31,838,144)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	573,619,094	(306,863,060)
Due to Nepal Rastra Bank	(1,173,182,762)	1,179,356,369
Deposit from customers	13,977,322,289	14,056,446,974
Borrowings	-	-
Other liabilities	2,127,047,306	7,358,601,036
Net cash flow from operating activities before tax paid	11,039,792,423	6,272,169,996
Income taxes paid	(1,231,063,531)	(1,362,534,749)
Net cash flow from operating activities	9,808,728,892	4,909,635,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(7,238,471,657)	(6,092,256,369)
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(174,453,607)	(376,548,064)
Receipt from the sale of property and equipment	1,695,393	18,764,127
Purchase of intangible assets	(19,791,838)	(34,133,788)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	1,142,277,107	901,114,148
Dividend received	31,536,685	25,582,952
Net cash used in investing activities	(6,257,207,918)	(5,557,476,994)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	(1,573,275,162)	(1,531,574,194)
Interest paid	(110,042,421)	(110,027,489)
Other receipt/payment	-	-
Net cash from financing activities	(1,683,317,583)	(1,641,601,682)
Net increase (decrease) in cash and cash equivalents	1,868,203,392	(2,289,443,430)
Cash and cash equivalents at Shrawan 1, 2076	7,759,121,374	10,065,422,666
Effect of exchange rate fluctuations on cash and cash equivalents held	19,622,947	(16,857,863)
Cash and cash equivalents at Ashadh End 2077	9,646,947,712	7,759,121,374

Keshab Paudel
Asst. General Manager

Girish Kohli
Dy. General Manager

Gajendar Kumar Negi
Chief Executive Officer

B. K. Shrestha
Chairman

As per our separate
report attached

Rajan Kayastha
Head - Accounts

Dr. Bal Gopal Baidya
Director

Arun Man Sherchan
Director

Nabin Bhakta Shrestha
Director

Urmila Shrestha
Director

Dr. Nirmal Kumar Bista
Independent Director

Sundar Man Shrestha, FCA
Partner, Sundar & Co.
Chartered Accountants

PLACE: **Kathmandu, Nepal**
DATE: 4 Nov. 2020

Notes to the Financial Statements of Everest Bank Limited (Amount in Nepalese Rupees except otherwise stated) For the Year ended 31 Ashadh 2077 (15 July 2020)

1. Reporting entity

Everest Bank Limited (Bank) is a public limited company registered under the Companies act of Nepal. The Bank is licensed by the Nepal Rastra Bank (NRB) to perform all banking operations provided for in the Banking and Financial Institutions Act (BAFIA) and the Articles and Memorandum of the Bank.

The Head Office of the Bank is located at Lazimpat, Kathmandu, Nepal. At the end of the reporting period i.e. at 15 July 2020, the Bank had 95 branches (16 July 2019: 94 branches). As at 15 July 2020 the Bank had 868 employees (16 July 2019: 893 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading securities, as well as performs other activities set forth in the BAFIA and the Articles and Memorandum of the Bank. The Bank offers full range of banking products and services to wide range of clients encompassing individuals, midmarket, local corporate, multinationals, large public sector companies, Nepal Government & government corporations, airlines & hotels, aid agencies, INGOs and NGOs etc. as authorized by Nepal Rastra Bank.

The Bank's shares are listed with Nepal Stock Exchange Ltd and its stock symbol is EBL.

The Bank has entered into Technical Services Agreement (TSA) for the equity & management participation with Punjab National Bank, New Delhi, India. The bank has a representative office in New Delhi.

2. Basis of Preparation

The Financial statements of the Bank have been prepared on accrual basis of accounting in accordance with 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).

The preparation and presentation of the Financial Statements are in compliance with the requirements of format issued by Nepal Rastra Bank in Directive No. 4 of Unified NRB Directives, 2076.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1 Statement of Compliance

The financial statements have been prepared and approved by Board of Directors in accordance with Nepal Financial Reporting Standards (NFRSs) as published by the Nepal Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountant of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of Unified NRB Directives, 2076.

The significant accounting policies applied in the preparation of financial statements are set out in Note 3. These policies have been consistently applied to all the years presented except otherwise stated.

2.2 Reporting period and approval of financial statements

2.2.1 Reporting Dates

The Bank follows the Nepalese financial year based on the Nepalese calendar starting from first day of Shrawan (Mid July) of each year to the last day of Ashadh (Mid July) of the next year.

2.2.2 Approval of financial statements

The accompanied financial statements have been approved and authorized for issue by the Board of Directors in its 322nd meeting held on 4 Nov 2020 and the Board acknowledges the responsibility of preparation of financial statements of the Bank. The approved financial statements have been recommended for approval by the shareholders in the 26th Annual General Meeting of the Bank.

2.3 Functional and presentation currency

Financial statements are denominated in Nepalese Rupees (NPR), which is the functional and presentation currency of the Bank. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

2.4 Use of Estimates, assumptions and judgments

The preparation of the financial statements in accordance with NFRS requires management to make judgments, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses.

Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgments and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgment, are set out in the relevant disclosure notes for the following areas:

2.4.1 Going Concern

The Management has made an assessment on the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.4.2 Commitment and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known and measurable liabilities. 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 reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its considered remote that the Bank will be liable to settle the possible obligation.

2.4.3 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however, if such data are not available, a degree of judgment is exercised in establishing fair values which minimises the effect of use of unobservable inputs. The valuations of financial instruments are described comprehensively in Note 3.4.4

2.4.4 Impairment Losses on Loans and Advances

Impairment loss on financial assets – loans and advances are determined at the higher of:

- Loan loss provision amount derived as prescribed in directive no. 02/75 of Nepal Rastra Bank; and
- Impairment loss amount determined as per Incurred Loss Model specified in para 63 of NAS 39.

There arise a need for the Bank's management to apply judgment and estimation in assessing and determining the amount of impairment loss on financial assets measured at amortized cost. Some of the areas that require management judgment and estimation are listed herein below:

- Selection of appropriate impairment assessment tool;
- Defining individually significant assets;
- Designing impairment assessment questionnaire;
- Estimating future recoverable cash flows on financial asset; and
- Adjusting results of historical data

Analysis to incorporate the economic conditions and portfolio factors that existed at the reporting date. Exercise of judgment is an integral part of the impairment assessment process and the Bank exercises its experienced judgment to adjust observable data for a group of financial assets to reflect current circumstances. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. The Bank's policy in accounting for impairment of financial assets is explained in note 3.4.5

2.4.5 Impairment of Investment in Associates, Other Financial Assets and Non-Financial Assets

The Bank follow the guidance of NAS 36 – "Impairment of Assets" and NAS 39 – "Financial Instruments: Recognition and Measurement" in determining whether an investment or a financial asset is impaired. Determination and identification of impairment indicators require the Bank to evaluate duration and extent to which the fair value of an investment for a financial asset is less than its cost and the financial stability of the near term business outlook of the investment or the financial asset, considering the factors such as performance of the sector and industry, technology and operational environmental changes along with future cash flows. This process involves with significant judgment in aforesaid areas and details are given under respective Notes.

2.4.6 Defined Benefit Obligation

The cost of the defined benefit plans and other post-employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date and assumptions used in the year are given in Note 3.15

2.4.7 Fair Value of Land and Buildings

The land and buildings of the Bank are reflected at fair value less accumulated depreciation. The Bank engaged independent valuation specialists to determine fair value of such properties at appropriate time interval in terms of the NFRS 13 – "Fair Value Measurement".

2.4.8 Useful Life of the Property and Equipment and Intangible Assets

The Bank reviews the residual values, useful lives and methods of depreciation of Property and Equipment and intangible assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. The details of the depreciation methods and rates used for each assets category are given in note 3.7 & 3.8

2.4.9 Taxation

The bank is subject to income tax under Income Tax Act 2002 A.D. and amendments thereto, and due to the potential differences that may exist between the Bank and the Income Tax Authorities with regard to the interpretation of complex tax provisions, management judgment is required to determine the total provision for current tax and deferred tax amounts. Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which such losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Additional disclosure on tax is mentioned in note 3.10

2.5 Changes in Accounting policies

The principal accounting policies adopted in the preparation of financial statements are set out in relevant notes for each items of the financial statements. Accounting policies have been consistently applied to all the years presented, unless otherwise stated. There are no changes in accounting policies in current fiscal year.

2.6 New standards in use but not yet effective

Standards as pronounced by the Accounting Standards Board Nepal (ASB Nepal) has been used in the preparation of financial statements. Any departure from the requirements of NFRS, if any, has been separately disclosed in the Notes to Accounts/Explanatory Notes.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates within NFRS.

2.7 New standards and interpretation not adapted

There have been amendments to the standards issued by IASB and applicability of the new standards have been notified for IFRS. These amendments and new standards become applicable only when ASB-Nepal pronounces them.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach, resulting in earlier recognition of credit losses. The IFRS 9 impairment model has three stages. Entities are required to recognize a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk (stage 2). The assessment of whether a significant increase in credit risk has occurred is a key aspect of the IFRS 9 methodology and involves quantitative measures, such as forward looking probabilities of default, and qualitative factors and therefore requires considerable management judgment. Stage 3 requires objective evidence of impairment, which is similar to the guidance on incurred losses in IAS 39. IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The need to consider multiple economic scenarios and how they could impact the loss allowance is a very subjective feature of the IFRS 9 impairment model. Loan commitments and financial guarantees not measured at fair value through profit or loss are also in scope.

These changes may result in a material increase in the Bank's balance sheet provisions for credit losses although the extent of any increase will depend upon, amongst other things, the composition of the Bank's lending portfolios and forecast economic conditions at the date of implementation. The requirement to transfer assets between stages and to incorporate forward looking data into the expected credit loss calculation, including multiple economic scenarios, is likely to result in impairment charges being more volatile when compared to the current IAS 39 impairment model.

The IFRS 9 expected credit loss model principally differs from the regulatory model of incurred loss model.

In 2015, the Basel Committee on Banking Supervision published finalized guidance on credit risk and accounting for expected credit losses. The paper sets out supervisory guidance on how expected credit loss accounting models should interact with a bank's credit risk practices. The existing impairment processes, controls and governance will be reviewed and changed where necessary to reflect the increased demands of an expected credit loss impairment model. These are yet to be included in the regulatory requirements of Nepal Rastra Bank.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. The new standard introduces

the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

Financial instruments, leases and insurance contracts are out of scope of IFRS 15, and so this standard is not expected to have a significant impact on the Bank. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

2.8 Provisions of carve-out adapted by the Bank

The Institute of Chartered Accountants of Nepal (ICAN) issued “Notice regarding Decision on Carve-outs in NFRS with Alternative Treatments” on 20 September 2018 and alternative treatments as per carve-outs has been adapted while preparing the financial statements. The details of carve-out provisions adapted by the Bank is given hereunder.

2.8.1 Accounting for Investment in Associates as per equity method using uniform accounting policies (NAS 28: Investment in Associates and Joint Ventures, Para 35)

As per carve out prescribed for fiscal year 2017-18, 2018-19 and 2019-20, “The entity’s financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so.”

2.8.2 Incurred Loss Model to measure the Impairment Loss on Loan and Advances (NAS 39: Financial Instruments: Recognition and Measurement, Para 58)

As per carve out prescribed for fiscal year 2017-18, 2018-19 and 2019-20, “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, the entity shall apply paragraph 63 to determine the amount of any impairment loss unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63; and shall apply paragraph 63 to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.

Further, Bank and Financial Institutions shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 to measure the impairment loss on financial assets and other assets other than loan and advances. The Bank and Financial Institutions shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.”

2.8.3 Impracticability to determine transactions cost of all previous years which is the part of effective interest rate (NAS 39: Financial Instruments: Recognition and Measurement, Para 9)

As per carve out prescribed for fiscal year 2017-18, 2018-19 & 2019-20, “The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment call and similar options) but shall not consider future 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 (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the 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 estimate reliably 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)."

2.8.4 Impracticability to determine interest income on amortized cost (NAS 39: Financial Instruments: Recognition and Measurement, Para AG93)

As per carve-out prescribed for fiscal year 2017-18, 2018-19 and 2019-20, "Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully."

2.9 Discounting

When the realization of assets and settlement of obligation is for more than one year, the Bank considers the discounting of such assets and liabilities where the impact is material. Various internal and external factors have been considered for determining the discount rate to be applied to the cash flows of company.

3. Significant Accounting Policies

3.1 Basis of Measurement

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

- Financial assets other than measured at amortized cost are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Inventories are measured at cost or net realizable value whichever is lower.
- Net defined benefit liabilities are measured at Present Value of Defined Benefits Obligation less the Total Plan Assets.
- Investment property is measured at fair value.

3.2 Basis of Consolidation

The bank does not have control over any other entity for consolidation of financial statements. Investments in associates are accounted for in financial statements as per equity method by opting carve out as applicable.

3.3 Cash and Cash Equivalent

Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities period 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 measured at amortized cost in the statement of financial position.

3.4 Financial assets and Financial liabilities

The bank classifies its financial assets into the following measurement categories: a) financial assets held at fair value through profit or loss; b) financial assets held at fair value through Other Comprehensive Income, and c) financial assets held at amortized cost.

Financial liabilities are classified as either a) held at fair value through profit or loss, or b) held at amortized cost.

3.4.1 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 an instrument. The Bank initially recognizes loans and advances, deposits; and debt securities/subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/acquire the financial assets. Regular purchase and sale of financial assets are recognized on trade date.

3.4.1.1 Financial Assets

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

A. Financial assets recognized at amortized cost

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

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

B. Financial asset recognized 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:

- a. 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 are that are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.
- b. 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.

3.4.1.2 Financial Liabilities

The Bank classifies the financial liabilities as follows:

a) Financial liabilities recognized at fair value through profit or loss

Financial liabilities 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 are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at Statement of Profit or Loss.

b) Financial liabilities recognized at amortized cost

All financial liabilities other than measured at fair value through Statement of Profit or Loss are classified as subsequently measured at amortized cost using effective interest method.

3.4.2 Measurement

Initial Measurement

At initial recognition, the bank measures a financial assets or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction cost that are incremental and directly attributable to the acquisition or issue of the financial assets or financial liability, such as commission and fees. The transaction cost of financial assets and financial liabilities carried at fair value through profit of loss are expensed in profit or loss. Immediately after initial recognition, an Expected Credit Loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI.

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 rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

In case of Loans and Advances measured at amortised cost, the processing charge and documentation charges received from customers which are directly attributable to the acquisition or issue of such financial assets are booked as income in the Statement of Profit and Loss in the reporting period in which they are received. The effective interest rate method is not applied as it is impracticable to determine reliably.

Further, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

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.

3.4.3 Derecognition

3.4.3.1 Derecognition of Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset 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, and the sum of

- a. the consideration received and
- b. any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in Statement of Profit or Loss.

The Bank enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

3.4.3.2 Derecognition of Financial Liabilities

A financial liability is derecognized when, and only when it is extinguished (i.e. when the obligation specified in contract is discharged, cancelled or expired). If the liability is renegotiated with the original lender on substantially different contractual terms, the original liability is derecognized and new liability is recognized.

The difference between the carrying amount of a liability (or portion) extinguished or transferred to another party (including related unamortized cost) and the amount paid for it (including any noncash assets transferred or liability assumed), should be included in Statement of Profit or Loss for the period.

3.4.4 Determination of Fair Value

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The fair value of a liability reflects its non-performance risk. When available, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

Level 1

These are quoted prices in active markets for identical assets or liabilities that the bank can access at the measurement date.

Level 2

These are the inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

These would include prices for the similar, but not identical, assets or liabilities that were then adjusted to reflect the factors specific to the measured asset or liability.

Level 3

These are unobservable inputs for the assets or liability.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in The Statement of Profit or Loss immediately.

3.4.5 Impairment

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through The Statement of Profit or Loss are impaired.

A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter Bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In case of financial difficulty of the borrower, the Bank considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due.

Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

However, in case of loans and advances, impairment loss is measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per NAS 39 para 63.

3.4.5.1 Impairment of financial assets measured at amortized cost

Impairment of loans and advances portfolios is based on the judgments of past experience of portfolio behavior. In assessing collective impairment, the Bank uses 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. Further, management has taken additional external risk (inflation, market risk and risk of data incompleteness) for the impairment of loans and advances.

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 are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank.

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 allowance account. If a write off is later recovered, the recovery is recognized in the 'Impairment charges/(reversal) for loan and other losses' under Note no. 4.35.

However, in case of loans and advances, impairment loss is measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per NAS 39 para 63.

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

Objective evidence of impairment of investment in an equity instrument is a significant or prolonged decline in its fair value below its cost. Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and the current fair value, less any impairment loss recognized previously in profit or loss.

3.5 Trading Assets

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.6 Derivatives assets and derivative liabilities

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 and indices. Derivatives are categorized as trading unless they are designated as hedging instruments.

Derivatives are initially recognized and subsequently measured at fair value, with revaluation gains recognized in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognized within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognized fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities.

3.7 Property and Equipment

All Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably.

At each balance sheet date, the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the Statement of Profit or Loss.

The value of land is not depreciated although it is subject to impairment testing.

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate the difference between the cost and the residual value over their estimated useful lives, as follows:

Asset Code	Asset Detail Category	Useful Life
AP	Furniture & Fixtures - Others	5
CA	Computer & Accessories	5
EE	Office Equipment	5
FF	Furniture & Fixtures - Others	5
KE	Office Equipment	5
LB	Building	20
LD	Land	Unlimited
LE	Leasehold Property	10
MS	Office Equipment - Others	5
MY	Machinery	5
OE	Office Equipment	5
SF	Furniture & Fixtures - Metal	7
SR	Vault	10
VH	Vehicles	7
WF	Furniture & Fixtures - Wooden	5

Low value assets costing upto NPR 5,000 each are charged as operational expenses in the year of purchase.

Land properties, under the ownership and control of the bank, have been revalued to reflect the value of those properties. The excess of the market value over carrying value is taken to the equity as revaluation reserve.

Capital work in progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

3.8 Goodwill and Intangible assets

3.8.1 Intangible Assets

Intangible assets include externally generated capitalized software enhancements. Intangible assets, which have been determined to have a finite useful life are amortized on a straight-line basis over their estimated useful life. Intangible assets with finite useful lives are reviewed at each reporting date to assess whether there is any indication that they are impaired. If any such indication exists the recoverable amount of the asset is determined and, in the event, that the asset's carrying amount is greater than its recoverable amount, it is written down immediately.

3.8.1.1 Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization on computer software is calculated using the straight-line method to allocate the difference between the cost and the residual value over their estimated useful lives, as follows:

Asset Code	Asset Detail Category	Useful Life (yrs.)
SW	Software	5

3.9 Investment Property and Noncurrent Assets held for sale

3.9.1. Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances.

3.9.2. Non-Current Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and carried at lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortized while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in the statement of Profit or Loss.

3.10 Income Tax

3.10.1 Current income tax

Current income tax which is payable on taxable profits is recognized as an expense in the period in which the profits arise.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in Nepal.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Current tax related to gains and losses on the fair value re-measurement of assets and liabilities classified through other comprehensive income also recognized in other comprehensive income. Such tax is subsequently transferred to the Statement of Profit or Loss together with the gain or loss.

Current tax assets and liabilities are offset only when there is both a legal right of offset and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

- b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 differences can be utilized.

Deferred tax related to gains and losses on the fair value re-measurement of assets and liabilities classified through other comprehensive income, is also recognized in other comprehensive income. Such tax is subsequently transferred to the Statement of Profit or Loss together with the gain or loss.

3.11 Deposit, Debt Securities issued and subordinated liabilities

The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity period.

Debentures are recognized at amortized cost using effective interest rates. The coupon rates of these instruments represent the effective interest rates. Effective Interest Rate is expected to cover for the credit risk and time value of money on these instruments as these are solely for the purpose of principal and interest.

3.12 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events, and 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. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in Statement of Profit or Loss net of any reimbursement in other operating expenses

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.

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.

3.13 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of income recognition are as below:

a. Interest income

Interest income on financial assets held at amortised cost other than loan and advances are recognized using the bank's normal interest rate which is very close to effective interest rate using effective interest rate method.

For income from loans and advances to customers, initial charges are not amortised over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

As per the Carve-out Notice issued by ICAN, the calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

b. Fees and Commission

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, syndication fee and forex transaction commission are recognized as the related services are performed.

c. Dividend Income

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income 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 instruments.

d. Net trading income

Gain and losses arising in changes in fair value of financial instrument held at fair value through profit or loss are included in Statement of Profit or Loss in the period in which they arise.

These includes the net gain/(loss) on translation of period end balances carried in foreign exchange to the Nepalese Rupees.

e. Net income from other financial instrument at fair value through profit or loss

Gains and losses arising from changes in the fair value of other financial instruments held at fair value through profit or loss are included in the Statement of Profit or Loss in the period in which they arise.

f. Grant Income

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that: (a) the entity will comply with the conditions attaching to them; and (b) the grants will be received. A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Grants related to income are presented as part of profit or loss, are adjusted in reporting the related expense.

3.14 Interest Expenses

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.

3.15 Employees Benefits

Short-term employee benefits, such as salaries, paid absences, performance-based cash awards and social security costs are recognized over the period in which the employees provide the related services.

The Bank operates a number of post-retirement benefit schemes for its employees including both defined benefit and defined contribution plans. A defined benefit scheme is a plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary. A defined contribution plan is a pension plan into which the Bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

Full actuarial valuations of the Bank's defined benefit schemes are carried out periodically with interim reviews in the intervening years; these valuations are updated by qualified independent actuaries.

For the purposes of these annual updates scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using actuarial assumptions. The defined benefit scheme liabilities are discounted using rates equivalent to the market yields at the reporting date.

The Bank's Statement of Profit or Loss includes the current service cost, past service costs, net interest expense (income), and plan administration costs that are not deducted from the return on plan assets.

Re-measurements, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest expense (income) and net of the cost of managing the plan assets), and the effect of changes to the asset ceiling (if applicable) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Re-measurements recognized in other comprehensive income are reflected immediately in retained profits and will not subsequently be reclassified to Statement of other Comprehensive income.

The Bank's Statement of Financial Position includes the net surplus or deficit, being the difference between the fair value of scheme assets and the discounted value of scheme liabilities at the reporting date.

Surpluses are only recognized to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. In assessing whether a surplus is recoverable, the Bank considers its current right to obtain a refund or a reduction in future contributions and does not anticipate any future acts by other parties that could change the amount of the surplus that may ultimately be recovered.

Employees Provident Fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate (currently, 10% of the basic salary plus grades). Bank does not assume any future liability for provident fund benefits other than its annual contribution.

Leave Salary

The employees of the Bank are entitled to carry forward a part of their unavailed/unutilized leave subject to a maximum limit. The employees can encash unavailed/unutilized leave partially in terms of Employee Service Byelaws of the Bank. The Bank accounts for the liability for entire accumulated outstanding leave balance on accrual basis as per actuarial valuation report.

Termination Benefits

Termination benefits are recognized as expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Bank has made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

3.16 Leases

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Majority of lease agreements entered by the Banks are with the clause of increment which the management assumes are in line with the lessor's expected inflationary cost increases.

Hence, Lease payment under an operating lease has been recognized as an expense on a straight-line basis over the lease term.

3.17 Foreign Currency Translation

The financial statements are presented in Nepalese Rupees, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Profit or Loss, except when recognized in other comprehensive income.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on equities and similar non-monetary items held at fair value through profit and loss are recognized in Statement of Profit or Loss as part of the fair value gain or loss.

3.18 Financial Guarantee and Loan Commitment

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflow of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognized in financial statements but are disclosed unless they are remote.

Contingent assets are not recognized in the financial statements. 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. Details of financial guarantee and commitments provided by the bank on the reporting date is given as note 4.28.

3.19 Share Capital and Reserve

The Bank applies NAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument.

Dividends and other returns to equity holders are recognized when paid or declared by the members at the AGM and treated as a deduction from equity.

3.20 Earning per share including diluted

Basic earnings per share are calculated by dividing the net profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

For the calculation of diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares that arise in respect of convertible preference shares.

3.21 Segment Reporting

An operating segment is a component of the bank that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relating to transactions with any of the bank's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The bank manages its branch networks under regional demarcation for supervision, monitoring and control. Inter unit charges and revenues are applied to assess the performance of the business units. These charges are nullified at the overall bank's level. The bank has identified segments on the basis of each geographical presence in seven provinces of the country.

Segment results that are reported by the Bank include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's corporate building), head office expenses, and tax assets and liabilities that are categorized as banking assets/liabilities.

4. Notes to Accounts

Note 4.1- Cash and cash equivalent

Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, treasury bills having original maturity of less than three months and cash in transit is presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Cash in hand	2,415,923,890	3,396,219,495
Balances with B/FIs	3,200,707,372	3,572,590,678
Money at call and short notice	-	-
Other	-	-
3 months Treasury bills	4,030,316,450	790,311,200
TOTAL	9,646,947,712	7,759,121,374

Note 4.2- Due from Nepal Rastra Bank

Balances held with Nepal Rastra Bank including balance for compulsory cash reserve is presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Statutory balances with NRB	5,473,440,234	4,753,128,989
Securities purchased under resale agreement	-	-
Other deposit and receivable from NRB	14,499,234,654	18,551,439,537
TOTAL	19,972,674,889	23,304,568,526

Note 4.3- Placement with bank and financial institutions

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 as follows:

	31 ASHADH 2077	31 ASHADH 2076
Placement with domestic B/FIs	721,200,000	-
Placement with foreign B/FIs	2,404,000,000	548,500,000
Less: Allowances for impairment	-	-
TOTAL	3,125,200,000	548,500,000

Note 4.4- 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 categorised as trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in the Statement of Profit or Loss under Net trading 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 forward market rates ruling on the reporting date.

	31 ASHADH 2077	31 ASHADH 2076
Held for trading	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	14,537,291	1,486,215,045
Others	-	-
Held for risk management	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Other	-	-
TOTAL	14,537,291	1,486,215,045

Note 4.5- Other trading assets

The bank does not have any trading assets.

	31 ASHADH 2077	31 ASHADH 2076
Treasury bills	-	-
Government bonds	-	-
NRB Bonds	-	-
Domestic Corporate bonds	-	-
Equities	-	-
Other	-	-
TOTAL	-	-
Pledged	-	-
Non-pledged	-	-

Note 4.6- Loan and advances to bank and financial institutions

Loan and advances given to microfinance financial institutions as deprived sector lending is presented under this head after providing required impairment allowances.

	31 ASHADH 2077	31 ASHADH 2076
Loans to microfinance institutions	6,926,767,527	7,437,354,779
Other	-	-
Less: Allowances for impairment	69,267,675	74,373,548
TOTAL	6,857,499,851	7,362,981,231

4.6.1: Allowances for impairment

	31 ASHADH 2077	31 ASHADH 2076
Balance at Shrawan 1	74,373,548	42,976,546
Impairment loss for the year:	-	-
Charge for the year	(5,105,873)	31,397,002
Recoveries/reversal	-	-
Amount written off	-	-
BALANCE AT ASHADH END	69,267,675	74,373,548

Note 4.7- Loan and advances to customers

Sum of the outstanding amount of all loans and advances extended to the customers other than BFIs, bills purchased and discounted and amortized cost of staff loans; less the amount of impairment allowances is presented under this head.

The difference between the average yield of the bank and concessional rate of interest being provided to the bank is recognized as the amortized cost of staff loan.

	31 ASHADH 2077	31 ASHADH 2076
Loan and advances measured at amortized cost	113,956,726,844	105,835,613,054
Less: Impairment allowances		
Collective impairment	1,596,706,688	1,069,382,078
Individual impairment	148,281,818	122,030,073
Net amount	112,211,738,338	104,644,200,903
Loan and advances measured at FVTPL	-	-
TOTAL	112,211,738,338	104,644,200,903

4.7.1: Analysis of loan and advances - By Product

	31 ASHADH 2077	31 ASHADH 2076
Product		
Term loans	27,108,550,513	20,745,661,762
Overdraft	24,598,708,765	22,933,112,940
Trust receipt/Import loans	5,690,960,974	5,482,780,324
Demand and other working capital loans	19,911,395,233	15,273,351,963
Personal residential loans	22,584,889,128	18,488,694,143
Real estate loans	2,109,933,995	4,003,155,721
Margin lending loans	103,482,723	280,651,995
Hire purchase loans	6,025,767,608	6,946,380,153
Deprived sector loans	483,727,573	606,736,730
Bills purchased	-	34,371,000
Staff loans	1,368,664,266	1,225,162,761
Other	3,167,729,760	9,589,506,812
SUB TOTAL	113,153,810,537	105,609,566,303
Interest receivable	802,916,307	226,046,751
GRAND TOTAL	113,956,726,844	105,835,613,054

4.7.2: Analysis of loan and advances - By Currency

	31 ASHADH 2077	31 ASHADH 2076
Nepalese rupee	108,790,423,410	101,419,081,851
Indian rupee	-	-
United State dollar	5,166,303,434	4,416,531,203
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese Yuan	-	-
Other	-	-
TOTAL	113,956,726,844	105,835,613,054

4.7.3: Analysis of loan and advances - By Collateral

	31 ASHADH 2077	31 ASHADH 2076
Secured		
Movable/immovable assets	112,363,236,783	103,718,133,719
Gold and silver	.	.
Guarantee of domestic B/FIs	.	.
Government guarantee	198,736,624	198,736,758
Guarantee of international rated bank	.	.
Collateral of export document	50,484,000	65,820,000
Collateral of fixed deposit receipt	894,043,859	1,175,136,761
Collateral of Government securities	113,942,674	189,712,477
Counter guarantee	.	.
Personal guarantee	232,800,181	207,421,345
Other collateral	103,482,723	280,651,995
SUBTOTAL	113,956,726,844	105,835,613,054
Unsecured	.	.
GRANT TOTAL	113,956,726,844	105,835,613,054

4.7.4: Allowances for impairment

	31 ASHADH 2077	31 ASHADH 2076
Specific allowances for impairment		
Balance at Shrawan 1	122,030,073	167,158,053
Impairment loss for the year:	.	.
Charge for the year	.	.
Recoveries/reversal during the year	26,251,745	(45,127,980)
Write-offs	.	.
Exchange rate variance on foreign currency impairment	.	.
Other movement	.	.
Balance at Ashadh end	148,281,818	122,030,073
Collective allowances for impairment		
Balance at Shrawan 1	1,069,382,078	918,895,390
Impairment loss for the year:	.	.
Charge/(reversal) for the year	527,324,610	150,486,688
Exchange rate variance on foreign currency impairment	.	.
Other movement	.	.
Balance at Ashadh end	1,596,706,688	1,069,382,078
TOTAL ALLOWANCES FOR IMPAIRMENT	1,744,988,506	1,191,412,151

Impairment loss on Loans and Advances to BFIs and Customers are measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per NAS 39 of Para 63. The details of loan loss provision as per Nepal Rastra Bank and impairment loss as per NAS 39 of Para 63 are as follows:

PARTICULARS	31 ASHADH 2077	31 ASHADH 2076
Loans and advances to BFIs	9,958	35,611
Loans and advances to customers	148,271,860	244,796,829
Total Impairment as per para 63 of NAS 39	759,047,346	244,832,440
Total impairment as per NRB norms	1,814,256,181	1,265,785,699
Higher of impairment as per para 63 of NAS 39 or NRB Norms	1,814,256,181	1,265,785,699

DETAILS OF LOAN WRITTEN OFF DURING THE F/Y 2076/77

S.No.	Type of Loan	Amount Written off	Nature of security & Amount	Basis of Valuation of Security	Sanctioning Authority/ Level	Action taken to Recover the Loan	Remarks
1	Working Capital	-					
2	Project Finance	-					
3	Fixed Term Loan	-					
4	Personal Loan	-					
5	Others	-					
TOTAL		-					

Note 4.8- Investments securities

Investments made by Bank in financial instruments has been presented under this account head in three categories i.e. investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income which is as follows:

	31 ASHADH 2077	31 ASHADH 2076
Investment securities measured at amortized cost	27,746,976,485	20,575,139,688
Investment in equity measured at FVTOCI	1,066,533,542	859,059,319
TOTAL	28,813,510,026	21,434,199,007

The bank has investment in government bonds and NRB treasury bills which are measured at amortized cost. Disclosure in respect of investment in government bond are as follows:

4.8.1: Investment securities measured at amortized cost

	31 ASHADH 2077	31 ASHADH 2076
Debt securities	-	-
Government bonds	20,672,600,000	15,830,830,357
Government treasury bills	7,074,376,485	4,744,309,331
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
TOTAL	27,746,976,485	20,575,139,688

There is no impairment allowance to be provided on the investment instruments measured at amortized cost.

Investments made by the bank in shares and debentures/bonds of other companies/institutions is presented under this head.

Disclosure in respect of investment in shares of other companies are presented as follows:

4.8.2: Investment in equity measured at fair value through other comprehensive income

	31 ASHADH 2077	31 ASHADH 2076
Equity instruments		
Quoted equity securities	1,048,746,557	841,907,194
Unquoted equity securities	17,786,985	17,152,125
TOTAL	1,066,533,542	859,059,319

4.8.3: Information relating to investment in equities

	31 ASHADH 2077		31 ASHADH 2076	
	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity				
Rural Microfinance Development Ltd.				
285,456 shares including 31,200 shares @ 100 each, 5000 share @ 350 200,000 @ 330 each and 36,603 bonus shares)	70,870,000	106,454,493	4,870,000	20,702,830
Nirdhan Utthan Bank Ltd.	12,793,300	932,942,063	12,793,300	805,404,365
(1,346,790 shares of Rs. 100 each including 1,218,857 bonus shares)				
Taragaon Regency Hotel				
(50,000 shares of Rs. 100)	5,000,000	9,350,000	5,000,000	15,800,000
Investment in unquoted equity				
Nepal Clearing House Ltd.				
(36,000 shares of Rs. 100 each including 11,000 bonus shares)	2,500,000	3,600,000	2,500,000	3,600,000
Credit Information Center Ltd.				
(123,521 shares of Rs. 100 each, including 111,166 bonus share)	1,235,500	12,352,125	1,235,500	12,352,125
National banking Training Institute	1,834,860	1,834,860	1,200,000	1,200,000
(18,348 shares of Rs. 100 each)				
TOTAL	94,233,660	1,066,533,542	27,598,800	859,059,319

Note 4.9- Current tax assets/liabilities

Advance tax deposited by the bank less tax liabilities are presented under this head.

Liabilities recognized for the purpose of current income tax, including fees, penalties are presented under this head.

	31 ASHADH 2077	31 ASHADH 2076
Current tax assets		
Current year income tax assets	1,231,063,531	1,362,534,749
Tax assets of prior periods	8,347,235,489	6,984,700,740
Current tax liabilities		
Current year income tax liabilities	(1,079,441,418)	1,298,359,472
Tax liabilities of prior periods	(8,272,144,763)	6,973,785,291
TOTAL	226,712,839	75,090,726

Note 4.10- Investment in Subsidiaries

The bank does not have any subsidiary company.

	31 ASHADH 2077	31 ASHADH 2076
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Total Investment		
Less: Impairment allowances	-	-
Net carrying amount	-	-

Note 4.11- Investment in Associates

The bank holds 25% equity of investment in Forward Community Micro Finance Limited as investment in shares, which has been accounted for using equity accounting as under. The post-acquisition results of the associate are based on the unaudited financial highlights as published by the associate company.

Forward Community Micro Finance Limited has not prepared its financial statements as per NFRS therefore the investment in associates is based on its financial statement prepared as per previous GAAP i.e. Nepal Accounting Standards.

The net effect of gain arise on valuation of the investment amounting to Rs. 40,686,601 (Previous year Rs. 54,772,575) has been transferred to Regulatory Reserve from Retained Earning during the year.

	31 ASHADH 2077	31 ASHADH 2076
Investment in quoted associates	379,022,906	314,441,000
Investment in unquoted associates	-	-
Total investment		
Less: Impairment allowances	-	-
NET CARRYING AMOUNT	379,022,906	314,441,000

4.11.1: Investment in quoted associates

	31 ASHADH 2077		31 ASHADH 2076	
	Cost	Fair Value	Cost	Fair Value
Forward Community Micro Finance Ltd.				
(500,000 shares of Rs. 100 each)	50,000,000	379,022,906	50,000,000	314,441,000
TOTAL	50,000,000	379,022,906	50,000,000	314,441,000

4.11.2: Investment in unquoted associates

	31 ASHADH 2077		31 ASHADH 2076	
	Cost	Fair Value	Cost	Fair Value
.....Ltd.				
.....shares of Rs.each				
.....Ltd.				
.....shares of Rs.each				
.....				
TOTAL				

4.11.3: Information relating to associates of the Bank

PERCENTAGE OF OWNERSHIP HELD BY THE BANK		
	31 ASHADH 2077	31 ASHADH 2076
Forward Community Micro Finance Ltd.	25%	25%

4.11.4: Equity value of associates

	31 ASHADH 2077	31 ASHADH 2076
Forward Community Micro Finance Ltd.	379,022,906	314,441,000
TOTAL	379,022,906	314,441,000

Note 4.12- Investment properties

Land or land and building other than those classified as property and equipment; and non-current assets held for sale under relevant accounting standard has been presented under this account head. This shall include land, land and building acquired as non-banking assets by the bank but not sold.

The bank has no investment properties other than non-banking assets as on 31 Ashadh 2077. The position of the Non-banking Assets of the bank is as under:

	31 ASHADH 2077	31 ASHADH 2076
Investment properties measured at cost		
Balance as on Shrawan 1, 2076	21,040,174	2,202,745
Addition/disposal during the year		18,837,429
Adjustment/transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net amount	21,040,174	21,040,174
TOTAL	21,040,174	21,040,174

DETAILS OF NON-BANKING ASSETS

S.N.	NAME OF THE PARTY/BORROWER, ADDRESS	NBA BOOKED DATE	31 ASHADH 2077	31 ASHADH 2076
1	Joshi Food Processing, Mechinagar	27 Jestha 2073	2,202,745	2,202,745
2	Gaurab Suppliers And Traders	19 Ashwin 2076	18,837,428	18,837,428
	TOTAL		21,040,174	21,040,174

Note 4.13- Property and Equipment

Details of property & equipment are presented as follow:

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	TOTAL 31 Ashadh 2077	TOTAL 31 Ashadh 2076
Cost										
As on Shrawan 1, 2074	1,261,750,000	38,981,411	186,314,863	133,143,657	134,090,072	119,220,713	215,509,408	161,532,702	2,250,542,824	2,216,462,789
Addition during the Year										
Acquisition	-	156,536,886	42,304,350	35,129,339	56,486,500	32,620,328	44,229,050	36,749,547	404,056,000	63,606,281
Capitalization										
Disposal during the year	-	(6,202,171)	(3,032,856)	(9,008,817)	(4,500,000)	(4,214,920)	(10,961,869)	(6,931,418)	(44,852,052)	(29,526,246)
Adjustment/Revaluation										
Balance as on Ashadh end 2075	1,261,750,000	189,316,126	225,586,356	159,264,179	186,076,572	147,626,121	248,776,588	191,350,830	2,609,746,773	2,250,542,824
Addition during the Year										
Acquisition	131,281,020	17,544,631	63,731,835	27,386,631	562,054	38,041,967	33,603,766	51,779,730	363,931,634	404,056,000
Capitalization										
Disposal during the year	-	-	(4,517,599)	(12,350,853)	(47,367,685)	(2,702,204)	(18,188,645)	(10,598,613)	(95,725,597)	(44,852,052)
Adjustment/Revaluation										
Balance as on Ashadh end 2076	1,393,031,020	206,860,757	284,800,592	174,299,958	139,270,942	182,965,884	264,191,709	232,531,947	2,877,952,809	2,609,746,773
Addition during the Year										
Acquisition	-	29,358,712	17,186,380	23,002,870	1,561,500	19,026,162	13,002,948	48,002,814	151,141,388	363,931,634
Capitalization										
Disposal during the year	-	-	(15,317,867)	(4,313,912)	(1,500,000)	(2,586,161)	(7,218,112)	(9,550,180)	(40,486,232)	(95,725,597)
Adjustment/Revaluation										
Balance as on Ashadh end 2077	1,393,031,020	236,219,469	286,669,105	192,988,916	139,332,442	199,405,885	269,976,546	270,984,582	2,988,607,965	2,877,952,809
Depreciation and Impairment										
As on Shrawan 1, 2074	-	21,779,699	120,339,447	108,359,746	81,023,265	86,558,349	177,941,051	134,004,599	730,006,156	675,713,736
Depreciation charge for the Year	-	2,732,924	15,758,226	11,366,324	14,456,810	9,521,212	14,908,434	12,394,511	81,138,441	80,277,399
Impairment for the year										
Disposals	-	(4,446,663)	(1,627,687)	(8,909,231)	(4,153,620)	(4,114,990)	(10,961,869)	(6,744,781)	(40,958,842)	(25,984,978)
Adjustment										

As on Ashadh end 2075	-	20,065,960	134,469,986	110,816,839	91,326,455	91,964,571	181,887,616	139,654,328	770,185,755	730,006,157
Depreciation charge for the Year	-	9,510,638	17,737,082	16,237,814	19,450,114	13,026,547	22,250,386	19,935,123	118,147,704	81,138,441
Impairment for the year	-	-	(3,357,241)	(12,249,752)	(44,156,172)	(2,642,680)	(18,188,645)	(10,493,538)	(91,088,028)	(40,958,842)
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2076	-	29,576,598	148,849,828	114,804,900	66,620,397	102,348,438	185,949,357	149,095,914	797,245,432	770,185,755
Depreciation charge for the Year	-	11,488,528	20,021,196	19,587,513	16,864,157	18,325,437	24,267,075	27,856,337	138,410,243	118,147,704
Impairment for the year	-	-	(14,766,608)	(4,191,467)	(1,292,759)	(2,533,528)	(7,218,112)	(9,499,437)	(39,501,911)	(91,088,028)
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2077	-	41,065,126	154,104,415	130,200,946	82,191,795	118,140,348	202,998,321	167,452,814	896,153,763	797,245,432
Capital Work in Progress	-	-	-	-	-	-	-	-	58,599,983	35,287,764
Net Book Value	-	-	-	-	-	-	-	-	-	-
As on Ashadh end 2075	1,261,750,000	169,250,166	91,116,370	48,447,340	94,750,117	55,661,550	66,888,972	51,696,502	1,862,232,350	1,595,321,792
As on Ashadh end 2076	1,393,031,020	177,284,159	135,950,764	59,495,057	72,650,545	80,617,446	78,242,352	83,436,034	2,115,995,141	1,862,232,350
As on Ashadh end 2077	1,393,031,020	195,154,344	132,564,690	62,787,971	57,140,647	81,265,538	66,978,225	103,531,768	2,151,054,185	2,115,995,141

Note 4.14- Goodwill and intangible assets

The bank doesn't have any goodwill.

Software that are integral and necessary in operating office equipment are recognized with such office equipment.

Details presented as follows:

Particulars	Goodwill	Purchased	Software Developed	Other	TOTAL 31 Ashadh 2077	TOTAL 31 Ashadh 2076
Cost						
As on Shrawan 1, 2074		77,123,628			77,123,628	76,696,488
Addition during the Year						
Acquisition		9,994,211			9,994,211	427,140
Capitalization						
Disposal during the year						
Adjustment/Revaluation						
Balance as on Ashadh end 2075		87,117,839			87,117,839	77,123,628
Addition during the Year						
Acquisition		34,133,788			34,133,788	9,994,211
Capitalization						
Disposal during the year		(100,000)			(100,000)	
Adjustment/Revaluation						
Balance as on Ashadh end 2076		121,151,627			121,151,627	87,117,839
Addition during the Year						
Acquisition		19,791,838			19,791,838	34,133,788
Capitalization						
Disposal during the year						(100,000)
Adjustment/Revaluation						
Balance as on Ashadh end 2077		140,943,465			140,943,465	121,151,627
Amortization and Impairment						
As on Shrawan 1, 2074		69,951,356			69,951,356	67,146,708
Amortization charge for the Year		4,234,539			4,234,539	2,804,648
Impairment for the year						
Disposals						
Adjustment						

As on Ashadh end 2075	74,185,895	-	-	74,185,895	69,951,356
Amortization charge for the Year	9,296,176			9,296,176	4,234,539
Impairment for the year					
Disposals	-			(100,000)	
Adjustment	-			-	
As on Ashadh end 2076	83,382,071	-	-	83,382,071	74,185,895
Amortization charge for the Year	11,424,937			11,424,937	9,296,176
Impairment for the year					
Disposals					(100,000)
Adjustment					
As on Ashadh end 2077	94,807,008	-	-	94,807,008	83,382,071
Capital Work in Progress					
Net Book Value					
As on Ashadh end 2075	12,931,944	-	-	12,931,944	7,172,273
As on Ashadh end 2076	37,769,556	-	-	37,769,556	12,931,944
As on Ashadh end 2077	46,136,457	-	-	46,136,457	37,769,556

Note 4.15- Deferred tax assets

The bank doesn't have deferred tax assets as on reporting date.

Note 4.16- Other Assets

Other Asset include accounts receivable, interest receivable, accrued income, prepayments, deposit, deferred employee benefits and stationery stock details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Assets held for sale	-	-
Other non-banking assets	-	-
Bills receivable	-	-
Accounts receivable	115,547,229	80,963,237
Accrued income	365,661,175	253,417,984
Prepayments and deposit	36,890,664	33,477,382
Income tax deposit (For Legal Cases)	83,042,000	79,880,000
Deferred employee expenditure	665,250,327	474,688,478
Other assets*	290,723,641	50,983,692
TOTAL	1,557,115,037	973,410,771

* The other assets includes INR 653,000 of the Bank and INR 7,112,500 collected from customers sent to NRB for exchange but the same have not been exchanged by NRB yet.

Note 4.17- Due to bank and financial institutions

Deposits from other BFIs is shown under this head. Details as follows:

	31 ASHADH 2077	31 ASHADH 2076
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	1,182,834,338	609,215,244
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
TOTAL	1,182,834,338	609,215,244

Note 4.18- Due to Nepal Rastra Bank

The bank has only refinance facilities due to Nepal Rastra Bank, presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Refinance from NRB	32,886,332	1,206,069,094
Standing Liquidity Facility	-	-
Lender of last report facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other payable to NRB	-	-
TOTAL	32,886,332	1,206,069,094

Note 4.19- 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 categorised as trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in the Statement of Profit or Loss under Net trading 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 forward market rates ruling on the reporting date.

	31 ASHADH 2077	31 ASHADH 2076
Held for trading	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward Exchange Contract	-	1,446,389,926
Others	-	-
Held for risk management	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Other	-	-
TOTAL	-	1,446,389,926

Note 4.20- Deposits from customers

All deposits account other than deposit from bank and financial institutions (local and foreign bank and NRB) is presented under this head. Details are presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Institutions customers:		
Term deposits	41,318,107,078	33,002,644,681
Call deposits	10,431,558,724	13,040,385,912
Current deposits	10,756,311,470	8,834,269,766
Other	1,000,096,330	1,050,495,616
Individual customers:		
Term deposits	31,555,272,901	31,452,422,895
Saving deposits	47,391,279,466	40,891,258,109
Current deposits	365,472,198	658,539,249
Other	727,377,017	638,136,667
TOTAL	143,545,475,184	129,568,152,895

4.20.1: Currency wise analysis of deposit from customers

	31 ASHADH 2077	31 ASHADH 2076
Nepalese rupee	137,209,088,788	124,981,986,839
Indian rupee	134,727,535	110,900,095
United State dollar	6,112,484,307	4,377,752,677
Great Britain pound	799,902	7,180,273
Euro	88,371,573	90,330,220
Japanese Yen	3,079	2,790
Chinese Yuan	-	-
Other	-	-
TOTAL	143,545,475,184	129,568,152,895

Note 4.21- Borrowing

The bank does not have any borrowings as on reporting date.

	31 ASHADH 2077	31 ASHADH 2076
Domestic Borrowing		
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
Sub total	-	-
Foreign Borrowing		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub total	-	-
TOTAL	-	-

Note 4.22- Provisions

Entire provisions for expenses made by the bank as on 31 Ashadh 2077 are classified under other liabilities.

	31 ASHADH 2077	31 ASHADH 2076
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	-	-
TOTAL	-	-

Note 4.15- Deferred tax liabilities

Deferred tax is calculated on temporary differences between the book values of financial assets/liabilities and tax bases of assets/liabilities using the statutory tax of 30%. Details as follows:

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	31 ASHADH 2077 NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items			
Investment properties (NBA)	-	(660,824)	(660,824)
Forward Exchange contract		(4,361,187)	(4,361,187)
Investment securities	-	(291,689,964)	(291,689,964)
Investment in associates	-	(98,706,872)	(98,706,872)
Properties, Plants & equipment & intangible Assets	504,171	-	504,171
Employees' defined benefit plan	255,011,797	-	255,011,797
Lease liabilities	12,532,657	-	12,532,657
Deferred tax on temporary differences			(127,370,222)
Deferred tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of 2077			(127,370,222)
Deferred tax (asset)/liabilities as on Shrawan 1, 2076			(92,881,229)
Origination/(Reversal) during the year			(34,488,993)
Deferred tax expense/(income) recognised in profit or loss			13,606,014
Deferred tax expense/(income) recognised in other comprehensive income			(48,095,008)
Deferred tax expense/(income) recognised in directly in equity			-

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	31 ASHADH 2076 NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred tax on temporary differences on following items			
Investment properties (NBA)	-	(660,824)	(660,824)
Investment securities (Government Bond)	-	(125,214)	(125,214)
Forward Exchange contract		(249,438,156)	(249,438,156)
Investment securities	-	(11,947,536)	(11,947,536)
Investment in associates	-	(79,332,300)	(79,332,300)
Properties, Plants & equipment & intangible Assets		(1,267,197)	(1,267,197)
Employees' defined benefit plan	242,644,405	-	242,644,405
Lease liabilities	7,245,592		7,245,592
Deferred tax on temporary differences			(92,881,229)
Deferred tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of 2076			(92,881,229)
Deferred tax (asset)/liabilities as on Shrawan 1, 2075			(77,263,839)
Origination/(Reversal) during the year			(15,617,390)
Deferred tax expense/(income) recognised in profit or loss			4,699,723
Deferred tax expense/(income) recognised in other comprehensive income			(20,317,112)
Deferred tax expense/(income) recognised in directly in equity			-

Note 4.23- Other liabilities

The details of other liabilities are as follows:

	31 ASHADH 2077	31 ASHADH 2076
Liability for employees defined benefit obligations	266,107,125	388,463,433
Liability for long-service leave	338,156,608	332,392,502
Short-term employee benefits	-	-
Bills payable	164,232,431	232,926,223
Creditors and accruals	828,893,153	611,454,835
Interest payable on deposit	73,737,344	83,855,928
Interest payable on borrowing	-	8,273,659
Liabilities on deferred grant income	-	-
Unpaid Dividend	175,124,262	132,227,076
Liabilities under operating Lease	41,775,520	24,151,973
Employee bonus payable	398,008,790	483,086,868
Other	-	-
a) Government Revenue Payable	17,564,862,604	15,698,365,218
b) Agency Account	10,542,100	9,624,126
c) Branch Adjustment Account	6,473,596	6,513,405
d) Remittance Payable	201,802,095	133,337,244
e) Audit Fee	395,500	395,500
f) Others payables	358,311,041	315,848,671
TOTAL	20,428,422,168	18,460,916,661

4.23.1: Defined benefit obligations

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

	31 ASHADH 2077	31 ASHADH 2076
Present value of unfunded obligations	-	-
Present value of funded obligations	1,089,638,467	1,054,177,927
Total present value of obligations	1,089,638,467	1,054,177,927
Fair value of plan assets	823,531,340	665,714,490
Present value of net obligations	266,107,127	388,463,437
Recognised liability for defined benefit obligations	266,107,127	388,463,437

4.23.2: Plan assets

Plan assets comprise

	31 ASHADH 2077	31 ASHADH 2076
Equity securities	-	-
Government bonds	-	-
Bank deposit	823,531,340	665,714,490
Other	-	-
TOTAL	823,531,340	665,714,490

4.23.3: Movement in the present value of defined benefit obligations

	31 ASHADH 2077	31 ASHADH 2076
Defined benefit obligations at Shrawan 1	1,054,177,927	990,282,787
Actuarial losses	(76,063,320)	(67,204,540)
Benefits paid by the plan	(54,278,180)	(29,485,180)
Current service costs and interest	165,802,040	160,584,860
DEFINED BENEFIT OBLIGATIONS AT ASHADH END	1,089,638,467	1,054,177,927

4.23.4: Movement in the fair value of plan assets

	31 ASHADH 2077	31 ASHADH 2076
Fair value of plan assets at Shrawan 1	665,714,490	577,755,743
Contributions paid into the plan	212,095,020	117,443,930
Benefits paid during the year	(54,278,180)	(29,485,183)
Actuarial (losses) gains	(56,585,990)	(49,109,240)
Expected return on plan assets	56,586,000	49,109,240
FAIR VALUE OF PLAN ASSETS AT ASHADH END	823,531,340	665,714,490

4.23.5: Amount recognised in profit or loss

	31 ASHADH 2077	31 ASHADH 2076
Current service costs	76,852,930	77,044,010
Interest on obligation	88,949,110	83,540,850
Expected return on plan assets	(56,586,000)	(49,109,240)
TOTAL	109,216,040	111,475,620

4.23.6: Amount recognised in other comprehensive income

	31 ASHADH 2077	31 ASHADH 2076
Actuarial (gain)/loss	(19,477,330)	(18,095,300)
TOTAL	(19,477,330)	(18,095,300)

4.23.7: Actuarial assumptions

	31 ASHADH 2077	31 ASHADH 2076
Discount rate	8.50%	8.50%
Expected return on plan asset	8.50%	9.00%
Future salary increase	8.00%	8.00%
	Till age 35 years-3%	Till age 35 years-3%
Withdrawal rate	Thereafter-1%	Thereafter-1%

Note 4.24- Debt securities issued

8% redeemable debenture issued by the bank has been presented under this head. Details as follows:

- 8% Debenture of Rs. 46.88 crores for a period of 10 years and maturing on Jestha 2080 has been issued on Jestha 31, 2070.
- 8% debenture of Rs. 60 crores for a period of 6 years and maturing on Ashadh 2078 has been issued on Ashadh 31, 2072.
- During the year Rs. 16.69 crores has been appropriated through Profit & Loss Appropriation Account to Debenture Redemption Reserve (Rs.12.00 crore for 8% Debenture maturing on 14.7.2021 & Rs.4.69 crore for 8% Debenture maturing on 13.6.2023).The balance of Debenture Redemption Reserve as on Ashadh 31, 2076 is Rs. 80.82 crores (Previous Year Rs. 64.13 crores).

	31 ASHADH 2077	31 ASHADH 2076
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortised cost	1,068,845,000	1,068,845,000
TOTAL	1,068,845,000	1,068,845,000

Note 4.25- Subordinated Liabilities

The bank does not have any subordinate liabilities as on reporting date.

	31 ASHADH 2077	31 ASHADH 2076
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other	-	-
TOTAL	-	-

Note 4.26- Share Capital

The amount of share capital includes paid up equity share capital and convertible preference share capital. 7% Cumulative Convertible Preference Share worth Rs. 20 crore was issued on Ashwin 2064, which is convertible into Ordinary Share @ 20% after completion of each third year. On this basis preference shares worth Rs. 16 Crore have been converted into ordinary shares so far. The balance of Convertible Preference Share as on 31 Ashadh 2077 (July 15, 2020) is Rs. 7.00 Crore (Previous Year Rs. 8.00 Crore)

The bank is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for the current year and the bank has maintained the required ratio.

Details of shares (equity and preference) presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Ordinary shares	8,470,206,836	8,026,863,347
Convertible preference shares (equity component only)	40,000,000	80,000,000
Irredeemable preference shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
TOTAL	8,510,206,836	8,106,863,347

4.26.1: Ordinary shares

	31 ASHADH 2077	31 ASHADH 2076
Authorized Capital		
10,00,00,000 nos. of Ordinary Shares of Rs. 100 each (Previous 9,92,00,000 nos. of Ordinary Shares of Rs. 100 each)	10,000,000,000	9,920,000,000
Issued capital		
8,47,02,068 nos. of Ordinary Shares of Rs. 100 each (Previous 8,02,68,637 nos. of Ordinary Shares of Rs. 100 each)	8,470,206,836	8,026,863,347
Subscribed and paid up capital		
8,47,02,068 nos. of Ordinary Shares of Rs. 100 each (Previous 8,02,68,637 nos. of Ordinary Shares of Rs. 100 each)	8,470,206,836	8,026,863,347
TOTAL	8,470,206,836	8,026,863,347

4.26.2: Ordinary share ownership

	31 ASHADH 2077		31 ASHADH 2076	
	Percent	Amount	Percent	Amount
Domestic ownership	79.97	6,773,690,236	79.97	6,418,736,769
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	10.78	912,828,600	13.26	1,064,304,734
Public	69.19	5,860,861,636	66.71	5,354,432,035
Other				
Foreign ownership	20.03	1,696,516,600	20.03	1,608,126,900
TOTAL	100.00	8,470,206,836	100.00	8,026,863,669

Note 4.26.1- Share premium

Any premium collected on issue of share to public is credited to this reserve. This reserve is utilized only for issue of bonus share. During the F/Y 2074-75, the Bank had issued 15,088,087 right shares at the rate of Rs. 100. The unsubscribed shares of right issue were auctioned and the excess amount collected over the par value on auctioned shares are booked under Share Premium Account which is equivalent to Rs. 238,469,884.

Note 4.27- Reserves

Following reserves are maintained by the bank.

	31 ASHADH 2077	31 ASHADH 2076
Statutory general reserve	4,318,303,024	3,815,054,282
Exchange equalisation reserve	35,067,276	30,161,539
Corporate social responsibility reserve	30,410,213	50,447,435
Capital redemption reserve	-	-
Reserve for Staff Training	10,322,905	22,954,459
Regulatory reserve	978,675,406	594,553,221
Investment adjustment reserve	2,773,266	1,453,266
Capital Adjustment reserve	47,562,907	47,562,907
Assets revaluation reserve	968,943,421	968,943,421
Fair value reserve	680,609,918	582,022,364
Dividend equalisation reserve	-	-
Actuarial gain	(40,311,769)	(53,945,900)
Debenture Redemption reserve	975,080,000	808,195,000
Other reserve	88,177,211	88,177,211
TOTAL	8,095,613,778	6,955,579,206

a) General Reserve

There is regulatory requirement by the central bank to set aside 20% of the net profit after tax as general reserve to build up the capital until the reserve fund balance is twice the paid-up share capital. This is the restricted reserve and cannot be freely used.

During the year, bank has appropriated Rs. 503,248,742 (Previous year Rs. 610,824,412) to this reserve being 20% of net profit.

b) Exchange Equalization reserve

Central banks regulatory directive requires the bank to transfer 25% of exchange revaluation gain on foreign currency other than the Indian currency to this reserve.

During the year, bank has appropriated Rs. 4,905,737 (Previous year Rs. Nil) (being 25% of exchange gain) to this reserve.

c) Assets Revaluation Reserve

Reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets and Investment Property) is presented under this account head.

Rs. 968,943,421 on account of revaluation of land, under the ownership and control of bank is carried forward from previous financial year however no revaluation has been done during this reporting period.

d) Fair Value Reserves

The fair value reserve comprises the cumulative net change in the fair value of financial assets that are measured at fair value and the changes in fair value is recognized in other comprehensive income, until the assets are derecognized. The cumulative amount of changes in fair value of those financial assets is presented under this account head. During the reporting period, this reserve has been increased by Rs. 98,587,553 (Previous year Rs. 34,739,885).

e) Capital Reserve

The capital reserve represents the amount of those reserves which are in nature of capital and which shall not be available for distribution of cash dividend. No such reserve has been created by the bank.

f) Corporate Social Responsibility Fund

As per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/11/073/74, CSR fund shall be created for CSR activities of the Bank in the next fiscal year as per Corporate Social Responsibility Manual of the Bank.

During the year, CSR Fund of Rs. 20,037,222 (Previous year Rs. 30,541,221) has been appropriated being 1% of net profit. The CSR expenses incurred during the year amounting to Rs. 45,199,659 (Previous year Rs. 17,531,004) has been charged to statement of profit and loss with corresponding addition in retained earnings. The detail of expenses incurred during the period are as follows:

Particulars	31 Ashadh 2077	31 Ashadh 2076
Education	5,490,551	2,949,990
Health	16,719,459	2,911,544
Environment	17,633,355	5,858,742
Financial Literacy	37,600	2,278,242
Old Age Homes/Orphanage	1,937,500	35,000
Culture/Heritage Related	3,381,195	3,497,487
Total	45,199,659	17,531,004

g) Capital Redemption Reserve

There is no any balance in capital redemption reserve as opening balance of this reserve was nil and no amount has been allocated to this reserve during the reporting period.

h) Capital Adjustment/Equalization Fund

Any amount that is allocated from retained profit to a reserve that is created for the raising capital of the Bank as well as calls is advance amount to make up minimum paid up capital amount is presented under this account head.

Rs. 47,562,907 has been carried forward from previous financial year however no amount has been appropriated to capital adjustment reserve during the reporting period.

i) Dividend Equalization Fund

For the purpose of maintaining uniformity in dividend payment, certain amount of profit during the year of profit making is transferred and presented under this account head. No such fund has been created by the bank.

j) Special Reserve

Any special reserve that is created as per the specific requirement of NRB directive or special instruction of NRB is presented as special reserve. There is neither any opening balance in special reserve nor has any amount been allocated to this reserve during the reporting period.

k) Employee training cost and employee capacity development Fund

As per clause 6 of NRB Directive no. 6/074, 3% of previous year employee cost is required to be expended towards employee training and development in the current financial year. However as per circular no. 14/076/77, it is not mandatory to expend for the F/Y 2076-77. Therefore, the bank has not transferred any amount to this reserve for the F/Y year and expended amount during the F/Y Rs. 12,631,554 (Previous year Rs. 25,352,036) has been reversed from this reserve.

l) Investment Adjustment Reserve

It is a regulatory reserve created as a cushion for adverse price movements in bank's investments as directed by the Directives of Nepal Rastra Bank. As per NFRS 9 investment securities available for sale category is classified as financial assets through other comprehensive income.

During the year, bank has appropriated Rs. 1,320,000 (Previous year Rs. 35,000) to this reserve. The balance as on reporting date is Rs. 2,773,266 (Previous Year Rs. 1,453,266).

m) Regulatory Reserve

The amount that is allocated from profit or retained earnings of the Bank as per the Directive of NRB for the purpose of implementation of NFRS is presented under this account head. The amount in this reserve is not free for distribution of dividend (cash as well as bonus shares) The amount allocated to this reserve include interest income recognized but not received in cash, difference of loan loss provision as per NRB directive and impairment on loan and advance as per NFRS (in case lower impairment is recognized under NFRS), amount equals to deferred tax assets, actual loss recognized in other comprehensive income, amount of goodwill recognized under NFRS etc. Amount of Rs. 384,122,185 (Previous year Rs. 60,125,599) has been transferred from Regulatory reserve during the reporting period.

The details of regulatory reserve are presented below:

PARTICULARS	31 ASHADH 2077	31 ASHADH 2076
Net profit or (loss) as per statement of profit or loss	2,516,243,710	3,054,122,062
Appropriations:		
a. General reserve	503,248,742	610,824,412
b. Foreign exchange fluctuation fund	4,905,737	-
c. Debenture redemption reserve	166,885,000	166,885,000
d. Corporate social responsibility fund	(20,037,222)	13,010,216
e. Employees' training fund	(12,631,554)	7,154,459
f. Capital Adjustment Reserve	-	-
g. Investment Adjustment Reserve	1,320,000	35,000
h. Other	2,800,000	5,600,000
Profit or (loss) before regulatory adjustment	1,869,753,007	2,250,612,975
Regulatory adjustment:		
a. Interest receivable (-)/previous accrued interest received (+)	362,912,914	4,610,896
b. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	18,837,428
c. Deferred tax assets recognised (-)/ reversal (+)	-	-
d. Actuarial loss recognised (-)/reversal (+)	(19,477,330)	(18,095,300)
e. Other (+/-)		
Investment in associates	40,686,601	54,772,575
Regulatory Reserve for the year	384,122,185	60,125,599
Remaining Retained Earning of Previous year	307,435,131	133,663,601
Distributable profit or (loss)	1,793,065,962	2,324,150,968

n) Actuarial Gain/Loss Reserve

Actuarial gain or loss that represents change in actuarial assumptions used to value employee obligations is presented under this account head. During the year, the company has transferred Rs. 13,634,131 (Previous year Rs. 12,666,710) to this reserve. The balance of this reserve as on Ashadh 31, 2077 is Rs. 40,311,769 (Previous year Rs. 53,945,900).

o) Retained earnings

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institution's operations and is free for distribution of dividend to the shareholders is presented under this heading. The balance as on reporting date is Rs. 1,793,065,963 (Previous Year Rs. 2,274,232,544).

Note 4.28- Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions as on reporting date.

	31 ASHADH 2077	31 ASHADH 2076
Contingent liabilities	20,093,121,309	20,871,993,755
Undrawn and undisbursed facilities	24,175,647,295	20,385,006,443
Capital commitment	99,419,304	103,850,216
Lease Commitment	1,054,687,994	1,038,160,220
Litigation	245,279,067	276,149,424
TOTAL	45,668,154,969	42,675,160,059

4.28.1: Contingent liabilities

	31 ASHADH 2077	31 ASHADH 2076
Acceptance and documentary credit	10,737,206,382	12,977,396,716
Bills for collection	2,146,328,827	1,510,413,049
Forward exchange contracts	-	-
Guarantees	7,209,586,100	6,380,017,390
Underwriting commitment	-	-
Other commitments	-	4,166,600
TOTAL	20,093,121,309	20,871,993,755

4.28.2: Undrawn and undisbursed facilities

	31 ASHADH 2077	31 ASHADH 2076
Undisbursed amount of loans	5,524,308,226	7,437,713,097
Undrawn limits of overdrafts	10,783,310,113	7,794,759,480
Undrawn limits of credit cards	80,958,111	169,443,877
Undrawn limits of letter of credit	5,847,018,545	3,438,061,377
Undrawn limits of guarantee	1,940,052,300	1,545,028,612
TOTAL	24,175,647,295	20,385,006,443

4.28.3: Capital commitments

	31 ASHADH 2077	31 ASHADH 2076
Capital commitments in relation to Property and Equipment		
Approved and contracted for	99,419,304	103,850,216
Approved but not contracted for	-	-
Sub total	99,419,304	103,850,216
Capital commitments in relation to Intangible assets		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
TOTAL	99,419,304	103,850,216

4.28.4: Lease commitments

	31 ASHADH 2077	31 ASHADH 2076
Operating lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year	148,245,400	150,786,226
Later than 1 year but not later than 5 years	640,161,528	562,193,333
Later than 5 years	266,281,066	325,180,661
Sub total	1,054,687,994	1,038,160,220
Finance lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-
Grand total	1,054,687,994	1,038,160,220

4.28.5: Litigation

Large Tax Payer office has reassessed the income tax for the year 2063-64, 2064-65, 2067-68, 2068-69, 2069-70, 2070-71 and 2071-72 demanding total additional tax of Rs. 24.53 Crores (including VAT, Fine, Interest & TDS) (Previous year is Rs. 27.62 Crores). The bank has disputed remaining said assessment and is under with the Revenue Tribunal/Supreme Court.

Note 4.29- Interest income

Interest income include interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from BFIs, loan and advances to staff etc. Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Cash and cash equivalent	69,198,311	63,474,392
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	11,551,144	70,719,624
Loan and advances to bank and financial institutions	715,637,382	691,311,894
Loans and advances to customers	11,871,762,659	11,277,332,985
Investment securities	1,173,770,844	815,024,557
Loan and advances to staff	114,268,573	101,580,270
Other	-	-
TOTAL INTEREST INCOME	13,956,188,913	13,019,443,721

NRB circular no. 18/076/77 dated 2076/12/16 has provided relaxation by allowing 10% discount on monthly/quarterly interest for Term Loan/EMI Loan falling due on Chaitra 2076 has been granted which amounts to Rs. 2.87 Crores.

As the relief to the COVID-19 pandemic, NRB, through its circular No. 21/076/77, dated 2077/01/16 has come up allowing 2% rebate on the prevailing interest rate as of Chaitra end 2076. This interest rebate as the bench mark has to be made applicable to the interest rate till Ashadh end 2077. The rebate as such provided by the bank amounts to Rs. 45.92 Crores.

Note 4.30- Interest expense

Interest expenses include interest accrued on deposits collected and debt securities issued. Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Due to bank and financial institutions	3,105,211	2,463,435
Due to Nepal Rastra Bank	16,261,162	32,793,547
Deposits from customers	8,540,904,445	7,200,087,345
Borrowing	-	-
Debt securities issued	85,507,600	85,507,600
Subordinated liabilities	-	-
Other	-	-
TOTAL INTEREST EXPENSE	8,645,778,418	7,320,851,928

Note 4.31- Fees and commission income

Fees and commission income include management fee, service charges, syndication fee, forex transaction commission etc.

Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Loan administration fees	160,766,034	33,708,967
Service fees	368,405,546	318,594,668
Consortium fees	-	-
Commitment fees	18,538,845	17,383,409
DD/TT/Swift fees Income	22,090,677	31,224,204
Credit card/ATM issuance and renewal fees	127,035,917	167,501,077
Prepayment and swap fees	15,561,916	32,685,657
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	55,714,757	69,635,171
Commission on letter of credit	85,212,060	96,212,262
Commission on guarantee contracts issued	96,165,323	65,341,660
Commission on share underwriting/issue	-	-
Locker rental	14,105,440	13,115,591
Other fees and commission income	181,060,201	179,597,660
TOTAL FEES AND COMMISSION INCOME	1,144,656,716	1,025,000,325

Note 4.32- Fees and commission expense

Fees and commission expense include ATM management fees, card related fees, remittance fees & commissions/TT/swift charges etc.

Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
ATM management fees	27,017,687	21,771,715
VISA/Master card fees	23,341,555	19,118,548
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees Expenses	8,390,459	10,331,895
Remittance fees and commission	29,148,128	39,570,762
Other fees and commission expense	40,604,941	42,812,425
TOTAL FEES AND COMMISSION EXPENSE	128,502,771	133,605,344

Note 4.33- Net trading income

Net trading income includes gain/loss on foreign exchange transactions is included under this head.

Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
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	263,565,607	306,924,048
Other	-	-
NET TRADING INCOME	263,565,607	306,924,048

Note 4.34- Other operating income

Other operating income includes foreign exchange revaluation gain, fair value gain/loss on investment properties, dividend on equity instruments, gain/loss on sale of property and equipment etc.

Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Foreign exchange revaluation gain	19,622,947	(16,857,863)
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	72,219,631	68,092,331
Dividend on equity instruments	23,898,960	25,582,952
Gain/loss on sale of property and equipment	1,323,735	15,007,792
Gain/loss on sale of investment property	-	-
Operating lease income	5,141,486	7,712,229
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	-	-
TOTAL	122,206,758	99,537,441

Note 4.35- Impairment charge/(reversal) for loan and other losses.

Detail presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Impairment charge/(reversal) on loan and advances to B/FIs	5,105,873	31,397,002
Impairment charge/(reversal) on loan and advances to customer	543,364,610	105,358,708
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	548,470,483	136,755,710

Note 4.36- Personnel expenses

All expenses related to employees of a bank are included under this head.

Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Salary	638,396,793	607,787,135
Allowances	298,382,050	143,588,839
Gratuity expense	109,216,040	111,475,620
Provident fund	60,237,469	58,038,286
Uniform	9,837,720	9,251,625
Training & development expense	12,631,554	25,352,036
Leave Expenses	46,653,060	62,002,900
Medical	6,409,000	5,782,000
Insurance	9,422,693	9,171,208
Employees Incentive	-	-
Cash-settled share-based payments	-	-
Pension Expenses	-	-
Finance expense under NFRS	32,091,656	61,905,868
Other expenses related to staff	25,553,139	75,853,931
SUBTOTAL	1,248,831,174	1,170,209,447
Employees bonus	398,008,790	483,086,868
GRAND TOTAL	1,646,839,964	1,653,296,315

During the year, the average yield rate for calculation of interest subsidy on staff loan is 8.00% (Previous year 9.81%).

Note 4.37- Other Operating expenses

Operating expense other than those relating to personnel expense are recognized are presented in this head. Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Directors' fee	965,000	870,000
Directors' expense	998,820	1,225,926
Auditors' remuneration	395,500	395,500
Other audit related expense	1,299,410	1,353,740
Professional and legal expense	5,696,162	7,260,112
Office administration expense	517,107,552	516,795,048
Operating lease expense	186,235,293	169,326,937
Operating expense of investment properties	-	-
Corporate social responsibility expense	45,199,659	17,531,004
Onerous lease provisions	-	-
Other expenses	26,602,006	12,074,583
TOTAL	784,499,401	726,832,851

4.37.1 Office administration expense

	31 ASHADH 2077	31 ASHADH 2076
Water & Electricity	29,326,819	29,912,137
Repair & Maintenance		
(a) Building	1,218,163	2,645,968
(b) Vehicle	2,829,064	3,273,921
(c) Computer & Accessories	325,935	513,416
(d) Office Equipment and furniture	18,168,585	17,742,042
(e) Other	3,008,555	4,316,917
Insurance Premium	19,091,614	18,269,440
Postage, Telex, Telephone, Fax	43,331,383	44,312,040
Printing and Stationery	27,626,555	33,781,713
News Paper, Books and Journals	655,201	742,050
Advertisement	25,552,611	30,162,614
Donation	12,755	55,860
Security Expense	90,891,930	94,859,540
Deposit and loan guarantee premium	38,602,216	33,831,115
Travel allowance and expenses	13,375,855	13,038,632
Entertainment	14,587,105	15,504,143
Annual/Special general meeting expenses	2,645,361	2,798,321
Other		
a) Business Promotion	18,892,025	20,729,224
b) TSA fee and expenses reimbursement	48,372,601	42,541,321
c) Registration/Renewals	9,862,624	9,484,973
d) Fuel & Lubricant	28,926,920	19,335,190
e) Software Contract Expenses	23,027,427	24,921,173
f) Branch Less Banking & Mobile ATM	1,786,244	1,227,585
g) Disaster Recovery Sites	7,020,015	7,388,505
h) Temporary Staff Wages	47,835,956	43,841,672
i) Misc.	134,031	1,565,535
TOTAL	517,107,552	516,795,048

Grant Rs. 77.08 lacs (Previous year Rs. 41.27 lacs) received from Seba and Rs. 15.76 lacs (Previous year Rs. 2.39 lacs) received from Unnati projects as reimbursement of expenses has been netted off from with respective expenditure.

Note 4.38- Depreciation and amortization

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation and amortization include depreciation on plant and equipment & amortization of intangible assets.

Details presented as follows:

	31 ASHADH 2077	31 ASHADH 2076
Depreciation on property and equipment	138,410,243	118,147,704
Depreciation on investment property	-	-
Amortisation of intangible assets	11,424,937	9,296,176
TOTAL	149,835,180	127,443,880

Note 4.39- Non-operating income

The incomes that have no direct relationship with the operation of transactions are presented under this head.

	31 ASHADH 2077	31 ASHADH 2076
Recovery of loan written off	-	-
Other income	-	-
TOTAL	-	-

Note 4.40- Non-operating Expenses

The expenses that have no direct relationship with the operation of transactions are presented under this head.

	31 ASHADH 2077	31 ASHADH 2076
Loan written off	-	3,320,063
Redundancy provision	-	-
Expense of restructuring	-	-
Other non-operating expenses	612,663	1,017,635
TOTAL	612,663	4,337,697

Note 4.41- Income tax expense

The bank has calculated current tax on the basis of self-assessment as per income tax act 2058.

	31 ASHADH 2077	31 ASHADH 2076
Current tax expense	1,079,441,418	1,298,359,472
Current year	1,079,165,651	1,298,359,472
Adjustments for prior years	275,767	-
Deferred tax expense	(13,606,014)	(4,699,723)
Origination and reversal of temporary differences	(13,606,014)	(4,699,723)
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
TOTAL INCOME TAX EXPENSE	1,065,559,637	1,293,659,749

4.41.1: Reconciliation of tax expense and accounting profit

	31 ASHADH 2077	31 ASHADH 2076
Profit before tax	3,582,079,114	4,347,781,811
Tax amount at tax rate of 30 %	1,074,623,734	1,304,334,543
Add: Tax effect of expenses that are not deductible for tax purpose	150,000	996,018
Less: Tax effect on exempt income	(8,979,248)	(11,670,812)
Add/less: Tax effect on other items	(234,849)	-
TOTAL INCOME TAX EXPENSE	1,065,559,637	1,293,659,749
EFFECTIVE TAX RATE	30%	30%

5. Disclosure and Additional Information

Note 5.1 - Risk Management

Risk Management

Board Level Risk Committee

The Board is the one who set policy, strategy and objectives, and oversee the executive function. It sets risk appetite and ensures that it is reflected in business strategy and cascaded throughout the organization.

For the effective risk management, Board has formed a board level committee called Risk Management Committee (RMC) which assists the board in setting risk strategy policies, including risk tolerance and appetite levels, as stipulated by Nepal Rastra Bank. It devises the risk management policy of the bank including credit, market and operational risk, risk integration, implementation of best risk management practices and setting up various risk limits of the bank. The Committee receives reports from management and after discussion and deliberations reaches in a conclusion that existing action taken by the management are appropriate or elevate the situations to the Board where further action is required with its recommendation.

Risk Governance

The risk management framework which consists of board set risk appetite, clear organization setup, well defined roles, well developed tools and processes and well defined policy on each risk areas.

Risk Management framework is supervised by Risk Management Committee (RMC), a committee of Board and supported by functional committees namely Credit Risk Management Committee (CRMC), Asset and Liability Management Committee (ALCO), Operational Risk Management Committee (ORMC). Bank has separate Risk Management Department for managing, mitigating and controlling different risk which acts as second line of defense whereas all business functions lies on first line of defense and Internal Audit and Audit Committee on third line of defense. Further, the bank has different policies which directs/supplements the framework. The bank has Board approved operational instructions, book of instructions and clear role definition of each unit makes the process simple and robust. Bank has also set tolerance limits on different parameters above the regulatory requirement maintaining extra caution level in managing these risks.

Credit Risk

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. For measurement of Credit Risk bank has adopted Simplified Standardized Approach (SSA) and for Management of Credit Risk Bank has formulated various policies, procedure and internal guideline that is approved by Board in recommendation of Risk Management Committee (RMC). Bank has a clear guiding document related to loaning power approved by the Board.

The Risk Management department is individually reviewing the business loan having limit Rs. 5 crore and above. Assessment ground for sanctioning of new loan, renewal of loan or enhancement of existing loan is defined in book of instruction/Credit & Credit Risk Management Policy of the bank. A separate vertical Credit Administration department in HO and Branches are administering loan related documents, examining loan repayment, record keeping of loan files and related security documents.

All revolving loans are reviewed/ renewed annually. Quarterly Review for all loans of Rs. 1 Crore and above is conducted. Separate Recovery Cell has been created and bank has recovery/ write off Policy approved by the Board. Bank is doing comprehensive risk assessment by assessing the loan from internally developed rating model

Operational Risk

Operational Risk is loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risks. For measurement of Operation risk Bank has adopted Basic Indicator Approach (BIA) and for management of Operation risk Bank has policies in place, 3 line of defense in

practice, risk identification, assessment and monitoring tools are defined, Risk Control and Mitigation tools are in place. Formal channel is defined where by various policies, procedure and internal guidelines are approved by Board in recommendation of Risk Management Committee (RMC).

Bank has effective Internal Control System and Information System for managing Operational Risk. Risk Based Internal Audit (RBIA) has been started in the bank. IT/System Audit is been done annually by expert external agency and report is submitted to concerned Supervision Department of NRB.

Risk events of the Bank are compiled and instructed the related function to take corrective measures wherever necessary. Such risk events are presented in ORMC, RMC. Bank has Disaster Recovery Policy and Business Continuity Plan incorporated in IT Policy. Further, drill operation has been performed twice in a year and updated if necessary. Human Resource Department of the bank is placing and transferring the employees periodically.

Market Risk

Market risk refers to the risk to a bank resulting from movements in market prices, in particular, changes in liquidity, interest rates, foreign exchange rates, and equity prices. For measurement of Market Risk Bank has adopted Net Open Position Approach and for management of the Market Risk guiding policies such as Assets/Liabilities Management policy, Investment Policy and Treasury management policy and procedure are in place.

Bank has established middle office under the regulatory guidelines for monitoring exposures based on limit set up by the board and NRB including regulatory norms, prudential ceiling and delegation of authorities on Liquidity and Market Risk. Middle office is also conducting ALCO meetings and market risk reporting to ALCO.

Bank is assessing interest rate risk, foreign exchange risk and equity price risk at a regular interval as per the NRB guidelines and the internal policy in managing market risk and reporting to RMC and the Board on quarterly basis.

Liquidity Risk

Liquidity risk is the potential that the bank may be unable to meets its obligations due or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Bank has been maintaining CRR, SLR, net liquidity ratio and credit to core capital and deposit ratios within the limit approved by the Board and are being monitored on continuous basis. Further, maturity wise structural liquidity table are being prepared as per the regulatory guidelines on monthly basis and reported to the Board on quarterly basis. Bank has also addressed contingency liquidity plan in its policy that is being reviewed annually or on requirement basis.

Reputational Risk

Reputational risk is the current or prospective indirect to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. We call it indirect risk, as reputational risk has an indirect impact on capital and profitability. Its effect is mainly manifested in the deterioration of goodwill and lost makings. For management of the reputational risk bank has developed the model for collection and assessment of data.

Compliance Risk

Compliance Risk is the current and prospective risk to earnings or capital arising from violations of or non-conformance with laws, rules, regulations and prescribed practices and it exposes the bank to fines, penalties and payment of damages etc. It culminates into reputational risk. Bank has separate department that is handling the compliance of the Bank.

Internal Control

Internal Control System i.e Audit, Compliance has been reinforcing on the effective implementation of laid down Policies and Procedure. Regular banking activities are being closely monitored through internal control mechanism. Bank is having an appropriate control structure with well-defined control activities at every business level. Duties of officials and staff members of the bank are well defined at all level to avoid conflicting responsibilities. Bank has already placed Code of Ethics and Conflict of Interest Policy for Board Directors and staff. These laid down system are being monitored & reviewed periodically to identify the areas of potential conflicts of interest to minimize Operational Risk at all level. Information system of the bank is upgrading continuously and place to cover activities of the Bank. Internal Audit Department independently evaluates the adequacy and compliance of the bank's established guidelines for internal control system. Risk Based Internal Audit (RBIA) has been started in the bank, where internal auditor incorporates the measures initiated by branch/ department/ office to manage operational risk. System audit is being done through outsiders till the Capability buildup of internal personnel and report is submitted to concern Supervision Department of NRB.

5.2- Capital Management

1. Capital Structure and Capital Adequacy

• Tier 1 capital and a breakdown of its components :	In Rs. '000
Core Capital (Tier 1)	15,843,628
a Paid up Equity Share Capital	8,470,207
b Equity Share Premium	238,470
c Irredeemable Non-cumulative preference shares	-
d Statutory General Reserves	4,318,303
e Retained Earnings	1,793,066
f Reserve for Deferred Tax	-
g Un-audited current year cumulative profit	-
h Debenture Redemption Reserve	975,080
i Capital Adjustment Reserve	47,563
j Capital Redemption Reserve	-
k Other Free Reserve	118,587
l Calls in Advance	-

Less :

a Goodwill and Intangible Assets	(46,136)
b Deferred Tax Assets	-
c Less: Fictitious Assets	-
d Less: Investment in Equity in licensed Financial Institutions	-
e Less: Investment in Equity of Institutions with financial interests	-
f Less: Investment in Equity of institutions with excess of limits	-
g Less: Investments arising out of underwriting commitments	-
h Less: Reciprocal crossholdings	-
i Less: Purchase of land & building in excess of limit & unutilised	(31,200)
j Less: Cash Flow Hedge	-
k Less: Define Benefit Pension Assets	-
l Less: Unrecognised Define benefit Pension Liabilities	-
m Less: Negative balance of reserve accounts	(40,312)
n Less: other deduction	-
Adjustments under Pillar II	-
Less: Shortfall in Provision (6.4 a 1)	-
Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-

Supplementary Capital (Tier 2)

1,936,729

a	Cumulative and/or Redeemable Preference Share	40,000
b	Subordinated Term Debt	187,538
c	Hybrid Capital Instruments	-
d	General Loan Loss provision	1,644,564
e	Investment Adjustment Reserve	2,773
f	Assets Revaluation Reserve	-
g	Exchange Equalization Reserve	35,067
h	Additional Loan Loss Provision	16,464
i	Other Reserves	10,323

Total Capital Fund (Tier I and II)

17,780,357

- Tier 2 capital and a breakdown of its components**

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

- Deductions from capital : 117,648 thousand
- Total qualifying capital : 17,780,357 thousand
- Capital adequacy ratio : 13.38%
- Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:**

Bank assesses the adequacy of capital on a regular basis taking into consideration of the present total risk exposure and expected future increase in this respect. Bank is aiming to maintain a proper mix of different types of capital so that there would not be pressure on dividend policy as well as inadequacy of total capital funds against the risk exposure. In the past, bank had issued convertible preference share of Rs. 20 crore at a premium of 100% convertible into ordinary share @ 20% on completion of each third year. Further, the bank has issued debenture of Rs. 46.88 Crores in F.Y. 2069/70 for the period of 10 years and bank has also issued debenture of Rs. 60.00 Crore in F.Y. 2071/72 for the period of 6 years.

- Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments:**

As of 15th July 2020, Bank has the following capital structure:

Paid up ordinary capital	Rs. 847.02 crores
Convertible preference share	Rs. 4.00 crores (Rs. 16 Crore out of Rs. 20 Crores already converted into Ordinary shares)

The salient features of each instrument are as under:

i) Cumulative Convertible Preference Shares of Rs. 20 crore:

These shares were issued at 100% premium with the terms and condition of 7% fixed dividend on the face value on unconverted portion. These shares are convertible into ordinary shares @ 20% after completion of every three years. Rs. 16 Crore has already been converted into ordinary share so far.

ii) EBL Debenture Rs. 46.88 crore: (Issued on 14.06.2013 and maturing on 13.06.2023)

These debentures were issued for 10 years with a fixed interest of 8% p.a. These debentures are redeemable after expiry of its' fixed period of ten years.

iii) EBL Debenture Rs. 60.00 crore: (Issued on 15.07.2015 and maturing on 14.07.2021)

These debentures were issued for 6 years with a fixed interest of 8% p.a. These debentures are redeemable after expiry of its' fixed period of Six years.

2. Risk Exposures

- Risk weighted exposures for Credit Risk, Market Risk and Operational Risk.

Particulars	Amount ('000) NPR
1. Credit Risk	119,235,095
2. Market Risk	749,309
3. Operational Risk	8,195,200
4. Adjustment under Pillar III	4,702,608
TOTAL	132,882,212

- Risk weighted exposures under each of 11 categories of Credit Risk:

Particulars	Amount ('000) NPR
1. Claims on other official entities	-
2. Claims on banks	2,419,743
3. Claims on Domestic corporate & securities firms	59,136,094
4. Claims on regulatory retail portfolio	16,605,052
5. Claims secured by residential properties	11,079,175
6. Claims secured by commercial real estate	4,268,186
7. Past due claims	154,724
8. High risk claims	12,094,597
9. Investment in Equity of Institutions	250,502
10. Other assets	3,657,589
11. Off balance sheet items	9,569,432
TOTAL	119,235,095

- Total risk weighted exposure calculation table :
Enclosed as an Annexure:

- Amount of NPAs (both Gross and Net) NPR in '000

Category	Gross	Provision	Net
Substandard Loan	123,525	30,881	92,643
Doubtful Loan	49,580	24,790	24,790
Loss Loan	92,611	92,611	-
TOTAL	265,715	148,282	117,433

- NPA Ratios

- ✿ Gross NPA to gross advances : 0.22%
- ✿ Provision to NPA : >100%

- Movement of Non-Performing Assets : NPR in '000

Particulars	Amount	Provision
Opening balance	177,258	122,030
Addition during the year	154,810	51,129
Recovered during the year	65,535	24,483
BALANCE AS AT 15 JULY 2020	266,532	148,676

• **Write off of Loans and Interest Suspense :** **NPR in '000**

Particular	Amount
Loan	
Interest Suspense	35,984

• **Movements in Loan Loss Provisions and Interest Suspense:** **Rs in '000**

Particulars	Loan loss provision	Interest suspense
Opening balance	1,265,786	243,979
Write back/off in the year	13,374	35,984
Addition in the year	561,845	607,450
BALANCE AS AT 15 JULY 2020	1,814,257	815,445

• **Details of additional Loan Loss Provisions:** **NPR in '000**

Loan Category	Amount
1. Substandard	-
2. Doubtful	-
3. Loan against PG	-
4. Deprived Sector Loan	-
5. Retail Lending	-
6. Other	16,464
TOTAL	16,464

5.3- Classification and fair value of financial asset and financial liabilities

Categories of financial assets and liabilities are presented as follows:

A. Financial assets and liabilities at fair value through profit and loss

The following table contains detail of the carrying amount of the financial assets and liabilities as on reporting date:

Current year

Particulars	Carrying amount (Rs.)		
	Level 1	Level 2	Level 3
Derivative financial instruments (Assets)			14,537,291

Previous year

Particulars	Carrying amount (Rs.)		
	Level 1	Level 2	Level 3
Derivative financial instruments (Liabilities)			39,825,119

B. Financial assets and liabilities measured at amortized cost

The following table contains detail of the carrying amount of the financial assets and liabilities as on reporting date:

Current year

Particulars	Carrying amount (Rs.)		
	Level 1	Level 2	Level 3
Treasury bills		11,104,692,935	
Government bonds		20,672,600,000	
Loan and advances to B/FIs			6,926,767,527
Loans and advances to customers			113,956,726,844

Previous year

Particulars	Carrying amount (Rs.)		
	Level 1	Level 2	Level 3
Treasury bills		5,534,620,531	
Government bonds		15,830,830,357	
Loan and advances to B/FIs			7,437,354,779
Loans and advances to customers			105,835,613,054

C. Financial asset measured at fair value through other comprehensive income

The following table contains detail of the carrying amount and based on the hierarchy of fair value measurement of financial assets as on reporting date:

Current year

Particulars	Carrying amount (Rs.)		
	Level 1	Level 2	Level 3
Investment securities			
Quoted Equity			
Rural Microfinance Development Ltd.		106,454,493	
Nirdhan Utthan Bank Ltd.	439,546,765	493,395,299	
Taragaon Regency Hotel	9,350,000		
Unquoted Equity			
Nepal Clearing House Ltd.			3,600,000
Credit Information Center Ltd.			12,352,125
National banking Training Institute			1,834,860
TOTAL	448,896,765	599,849,792	17,786,985

Previous year

Particulars	Carrying amount (Rs.)		
	Level 1	Level 2	Level 3
Investment securities			
Quoted Equity			
Rural Microfinance Development Ltd.		20,702,830	
Nirdhan Utthan Bank Ltd.	364,195,891	441,208,474	
Taragaon Regency Hotel	15,800,000		
Unquoted Equity			
Nepal Clearing House Ltd.			3,600,000
Credit Information Center Ltd.			12,352,125
National banking Training Institute			1,200,000
TOTAL	379,995,891	461,911,304	17,152,125

Note 5.4 - Segment Analysis

The bank has identified segments on the basis of each geographical presence in seven provinces of the country. Segment profit or loss, revenue and expenses, assets and liabilities, and the basis of measurement are presented as follows:

Information about profit or loss, assets and liabilities

(in NPR '000)

Particulars	Province 1		Province 2		Bagmati Province		Gandaki Province		Lumbini Province		Karnali Province		Sudur Pashchim Province		Total	
	Current Year	Corresponding Previous Year	Current Year	Corresponding Previous Year	Current Year	Corresponding Previous Year	Current Year	Corresponding Previous Year	Current Year	Corresponding Previous Year	Current Year	Corresponding Previous Year	Current Year	Corresponding Previous Year	Current Quarter	Corresponding Previous Year Quarter
Revenues from external Customers	1,158,198	1,634,532	1,036,563	1,003,794	9,779,338	8,921,057	821,900	831,516	1,371,036	1,353,849	178,802	161,639	556,874	544,519	14,902,711	14,450,906
Intersegment Revenue	14,716	629,186	126,338	98,316	8,852,993	6,894,904	6,500	4,261	48,613	48,267	-	-	16,081	18,414	9,065,241	7,693,348
Gross Revenue	1,172,914	2,263,718	1,162,901	1,102,110	18,632,331	15,815,961	828,400	835,777	1,419,649	1,402,116	178,802	161,639	572,955	562,933	23,967,952	22,144,254
Interest Revenue	1,037,396	2,059,050	921,221	996,579	8,819,095	14,944,294	758,851	778,117	1,209,360	1,268,569	164,201	148,796	504,918	517,386	13,415,042	20,712,792
Interest Expenses	320,881	1,441,475	331,062	509,463	7,017,850	11,594,774	294,558	429,916	472,049	656,557	37,469	84,760	136,721	297,255	8,610,589	15,014,200
Net Interest Revenue	716,515	617,575	590,158	487,116	1,801,245	3,349,520	464,293	348,201	737,311	612,011	126,732	64,037	368,197	220,131	4,804,453	5,698,592
Depreciation & Amortisation	13,760	13,034	11,989	10,743	84,760	68,341	11,323	9,945	12,543	10,922	1,972	2,063	13,489	12,396	149,835	127,444
Segment Profit/(Loss)	326,995	593,968	350,365	457,990	2,204,582	2,664,748	206,824	296,474	454,639	588,282	39,092	57,509	118,668	165,153	3,701,165	4,824,123
impairment of assets	(14,103)	(24,638)	33,745	16,933	430,396	94,964	29,136	10,976	52,976	23,050	7,518	4,267	8,802	11,204	548,470	136,756
Segment assets	14,379,491	19,073,757	12,869,348	11,713,515	121,414,440	104,101,988	10,204,220	9,703,164	17,021,966	15,798,394	2,219,904	1,886,204	6,913,821	6,354,123	185,023,190	168,631,144
Segment Liabilities	12,931,048	17,080,197	11,573,020	10,489,237	109,184,383	93,221,411	9,176,351	8,689,005	15,307,346	14,147,170	1,996,293	1,689,061	6,217,393	5,690,000	166,385,833	151,006,080

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

a. Revenue

NPR in '000

	Current Year	Corresponding Previous Year
Total revenues for reportable segments	23,967,952	22,144,254
Other revenues	-	-
Elimination of intersegment revenues	(9,065,241)	(7,693,348)
Entity's revenues	14,902,711	14,450,906

b. Profit or loss

NPR in '000

	Current Year	Corresponding Previous Year
Total profit or loss for reportable segments	4,824,123	4,133,836
Other profit or loss	-	22,376
Elimination of intersegment profits	-	-
Unallocated amounts:	-	-
Bonus expenses	(483,087)	(362,902)
Other adjustments	6,746	(111,224)
Profit before income tax	4,347,782	3,682,086

Note 5.5 - Share option and share based payment

The bank doesn't have arrangements of share-based payment and share option as on reporting date.

Note 5.6 - Contingent Liabilities and commitments

The details of contingent liabilities and commitments has been presented in notes 4.28 above.

Note 5.7- Related party disclosure

Entity with significant influence over the bank

Followings have been identified as related parties for Everest Bank Limited under NAS 24 Related parties:

- 1) Punjab National Bank Limited – this is the joint-venture partner of the investors who established the bank
- 2) Key Management Personnel of the Bank – Bank is managed by three expatriates seconded from PNB group to oversee the management of the bank's functioning under a technical service agreement and two higher level employee of the bank.
- 3) Units and companies under PNB Group
- 4) Directors of the Bank
- 5) Relatives of directors and key management personnel
- 6) Forward Community Microfinance Limited
- 7) EBL Employee Retirement Fund

Transactions during the period

PARTICULARS	31 ASHADH 2077	31 ASHADH 2076
Directors:		
Director's Sitting Fees	1,715,000	1,790,000
Other Expenses	248,820	305,926
Interest Paid to directors on deposits	141,597,309	117,210,071
Key Management Personnel (KMP):		
Remuneration and benefits Paid	48,804,431	41,138,150
Interest on account balances	1,180,849	711,958
PNB Group		
TSA Paid	11,390,400	11,390,400
Dividend Paid	4,295,000	306,555,350
Bonus Share Paid (No. of Share)	824897	
Forward Community Microfinance Limited		
Dividend Received	7,637,725	13,319,756
Bonus Share Received (No. of Share)	306,858	194,169

Terms and conditions of transaction with related parties

The related party transactions are made at terms equivalent to those that prevail in arm's length transactions

The following table provides the total amount of transaction that has been entered into with related parties for during the reporting period.

Transactions	Current Year		Previous Year	
	Transaction (RS.)	Nature of relationship	Transaction (RS.)	Nature of relationship
Deposit	1,686,610,645	Director	1,299,168,171	Director
Deposit	5,282,812	KMP	9,389,066	KMP
Loan	6,058,900	KMP	12,893,586	KMP

Details of Directors

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Chairman	Mr. Bishnu Krishna Shrestha	Mr. Bishnu Krishna Shrestha
Directors	Mr. Arun Man Sherchan Dr. Bal Gopal Baidya Mr. Nabin Bhakta Shrestha Mr. Sunil Gopal Shrestha Dr. Nirmal Kumar Bista Mrs. Urmila Shrestha Mr. Anil Bansal	Mr. Arun Man Sherchan Dr. Bal Gopal Baidya Mr. Nabin Bhakta Shrestha Mr. Sunil Gopal Shrestha Mr. Lingam Venkata Prabhakar Dr. Nirmal Kumar Bista

Details of Key Managerial Personnel

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Chief Executive Officer	Mr. Gajendar Kumar Negi Mr. Someswor Seth	Mr. Someswor Seth
Dy. General Manager	Mr. Girish Kohli Mr. Rajiv Jain Dr. Sandhir Kumar	Mr. Girish Kohli Mr. Rajesh Gautam Mr. Rajiv Jain
Assistant General Manager	Mr. Keshab Poudel Mr. Ashutosh Sharma	Mr. Keshab Poudel Mr. Ashutosh Sharma

Note 5.8- Merger and acquisition

During the reporting period, there is no merger and acquisition.

Note 5.9- Additional disclosures of non consolidated entities

The bank has no subsidiary for consolidation.

5.10 Events after Reporting date

The events after the reporting date are all those events, whether favorable or unfavorable, which have occurred between the reporting date and the date of preparation or approval of the financial statements for its disclosure. During the review year there are no such events after reporting date.

Note 5.12- Departure from NFRS:

The management of bank has concluded that the financial statements fairly present the bank's financial position, performance and cash flows. The Institute of Chartered Accountants of Nepal (ICAN) issued "Notice regarding Decision on Carve-outs in NFRS with Alternative Treatments" on 20 September 2018 and alternative treatments as per carve-outs has been adapted while preparing the financial statements.

Note 5.13- Limitations of NFRS:

During NFRS implementation, wherever the information is not adequately available and the cost to develop the same would exceed the benefit derived, if any, has been noted and disclosed in respective sections.

Note 5.14- Reclassification, Regrouping and rounding off:

Previous year figure has been reclassified and regrouped wherever necessary to make the same comparable with the current year's figure. Figures in financial statements are rounded off to the nearest rupee.

CAPITAL ADEQUACY TABLE

(RS. IN '000)

As At Ashadh 31, 2077 (July 15, 2020)

	CURRENT YEAR	PREVIOUS YEAR
1.1 RISK WEIGHTED EXPOSURES	128,179,603	119,769,027
a. Risk Weighted Exposure for Credit Risk - Form No. 2	119,235,095	111,284,396
b. Risk Weighted Exposure for Operational Risk - Form No.5	8,195,200	7,534,595
c. Risk Weighted Exposure for Market Risk	749,309	950,036
Adjustments under Pillar II		
Overall risk management policies and precedures are not satisfactory. Add 2% of RWE (6.4 a 7)	2,563,592	2,395,381
Add RWE equivalent to reciprocal of capital charge of 3% of gross income. (6.4 a 9)	2,139,016	1,226,696
Add: ...% of the total deposit due to insufficient liquid Assets (6.4 a 6)	-	-
Total Risk Weighted Exposures (After Adjustment under Pillar II)	132,882,211	123,391,104
1.2 CAPITAL		
Core Capital (Tier 1)	15,843,628	15,276,006
a Paid up Equity Share Capital	8,470,207	8,026,863
b Equity Share Premium	238,470	238,470
c Irredeemable Non-cumulative preference shares	-	-
d Statutory General Reserves	4,318,303	3,815,054
e Retained Earnings	1,793,066	2,324,151
f Reserve for Deferred Tax	-	-
g Un-audited current year cumulative profit	-	-
h Debenture Redemption Reserve	975,080	808,195
i Capital Adjustment Reserve	47,563	47,563
j Capital Redemption Reserve	-	-
k Other Free Reserve	118,587	138,625
l Calls in Advance	-	-
Less:	-	-
a Goodwill and Intangible Assets	(46,136)	(37,770)
b Deferred Tax Assets	-	-
c Less: Fictitious Assets	-	-
d Less: Investment in Equity in licensed Financial Institutions	-	-
e Less: Investment in Equity of Institutions with financial interests	-	-
f Less: Investment in Equity of institutions with excess of limits	-	-
g Less: Investments arising out of underwriting commitments	-	-
h Less: Reciprocal crossholdings	-	-
i Less: Purchase of land & building in excess of limit & unutilised	(31,200)	(31,200)
j Less: Cash Flow Hedge	-	-
k Less: Define Benefit Pension Assets	-	-
l Less: Un recognised Define benefit Pension Liabilities	-	-
m Less: Negative balance of reserve accounts	(40,312)	(53,946)
n Less: other deduction	-	-
Adjustments under Pillar II	-	-
Less: Shortfall in Provision (6.4 a 1)	-	-
Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-	-
Supplementary Capital (Tier 2)	1,936,729	1,679,632
a Cumulative and/or Redeemable Preference Share	40,000	80,000
b Subordinated Term Debt	187,538	401,307
c Hybrid Capital Instruments	-	-
d General Loan Loss provision	1,644,564	1,127,292
e Investment Adjustment Reserve	2,773	1,453
f Assets Revaluation Reserve	-	-
g Exchange Equalization Reserve	35,067	30,162
h Additional Loan Loss Provision	16,464	16,464
i Other Reserves	10,323	22,954
Total Capital Fund (Tier I and II)	17,780,357	16,955,638
1.3 CAPITAL ADEQUACY RATIOS		
Tier 1 Capital to Risk Weighted Exposures	11.92	12.38
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	13.38	13.74

RISK WEIGHTED EXPOSURE FOR CREDIT RISK

RS. '000

A. Balance Sheet Exposures	Current Year				Previous Year		
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Risk Weighted Exposures
Cash Balance	2,415,924	-	-	2,415,924	0%	-	3,396,219
Balance With Nepal Rastra Bank	19,972,675	-	-	19,972,675	0%	-	23,304,569
Gold	-	-	-	-	0%	-	-
Investment in Nepalese Government Securities	31,777,293	-	-	31,777,293	0%	-	21,365,451
All other Claims on Government of Nepal	437,377	-	-	437,377	0%	-	307,701
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-
All other Claims on Nepal Rastra Bank	-	-	-	-	0%	-	-
Claims on Foreign Government Securities (ECA Rating 0-1)	-	-	-	-	0%	-	-
Claims on Foreign Government Securities (ECA- 2)	-	-	-	-	0%	-	-
Claims on Foreign Government Securities (ECA-3)	-	-	-	-	20%	-	-
Claims on Foreign Government Securities (ECA-4-6)	-	-	-	-	50%	-	-
Claims on Foreign Government Securities (ECA-7)	-	-	-	-	100%	-	-
Claims On BIS MIFECBEC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	150%	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	0%	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	100%	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	20%	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	50%	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	100%	-	-
Claims on domestic banks that meet capital adequacy requirements	9,567,172	-	-	9,567,172	150%	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	20%	1,913,434	1,406,875
Claims on Foreign Bank (ECA Rating 0-1)	948,934	-	-	948,934	100%	-	-
Claims on Foreign Bank (ECA Rating 2)	-	-	-	-	20%	189,787	188,505
Claims on Foreign Bank (ECA Rating 3-6)	-	-	-	-	50%	-	278,038
Claims on Foreign Bank (ECA Rating 7)	-	-	-	-	100%	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	150%	-	-
Claims on Domestic Corporates	1,582,611	-	-	1,582,611	20%	316,522	482,057
Claims on Foreigns Corporates (ECA 0-1)	60,144,080	-	1,007,987	59,136,094	100%	59,136,094	53,370,269
Claims on Foreigns Corporates (ECA 2)	-	-	-	-	20%	-	-
Claims on Foreigns Corporates (ECA 3-6)	-	-	-	-	50%	-	-
Claims on Foreigns Corporates (ECA 7)	-	-	-	-	100%	-	-
Regulatory Retail Portfolio (Not Overdue)	22,140,070	-	-	22,140,070	150%	-	-
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	75%	16,605,052	16,506,956
Claims secured by residential properties	17,516,857	-	-	17,516,857	100%	10,510,114	9,239,681
Claims not fully secured by residential properties	-	-	-	-	60%	-	-
Claims secured by residential properties (overdue)	51,068	36,359	-	14,708	100%	14,708	22,338
Claims secured by Commercial real estate	4,268,186	-	-	4,268,186	100%	4,268,186	3,879,648
Past due claims (except for claim secured by residential properties)	215,466	112,317	-	103,150	150%	154,724	49,334
High Risk claims (Venture capital private equity investments personal loans and credit card receivables)	8,063,064	-	-	8,063,064	150%	12,094,597	12,327,069
Lending against securities (bonds & shares)	103,483	-	-	103,483	100%	103,483	280,652
Investment in equity of institutions listed in the stock exchange	138,663	-	-	138,663	100%	138,663	72,663
Investment in equity of institutions not listed in the stock exchange	5,570	-	-	5,570	150%	8,356	7,403
Staff Loan Secured by Residential Property	1,108,707	-	-	1,108,707	50%	554,353	567,275
Interest Receivable/Claim on Government Securities	365,114	-	-	365,114	0%	-	-
Cash in transit and other cash items in process of collection	12,425	-	-	12,425	20%	2,485	2,485
Other Assets	3,655,104	-	-	3,655,104	100%	3,655,104	3,911,517
TOTAL	184,489,843	148,676	1,007,987	183,333,181		109,665,663	167,722,625
							102,592,764

RISK WEIGHTED EXPOSURE FOR CREDIT RISK

RS. '000

B. Off Balance Sheet Exposures	Current Year			Previous Year		
	Gross Book Value	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weighted Exposures f=d*e	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills under Collection	2,146,329	-	-	2,146,329	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Up to 6 months (domestic)	6,080,703	-	362,351	5,718,353	20%	1,143,671
ECA Rating 0-1	-	-	-	-	20%	-
ECA Rating 2	-	-	-	-	50%	-
ECA Rating 3-6	-	-	-	-	100%	-
ECA Rating 7	-	-	-	-	150%	-
LC Commitments with Original Maturity Over 6 months (domestic)	3,880,838	-	47,405	3,833,432	50%	1,916,716
ECA Rating 0-1	-	-	-	-	20%	-
ECA Rating 2	-	-	-	-	50%	-
ECA Rating 3-6	-	-	-	-	100%	-
ECA Rating 7	-	-	-	-	150%	-
Bid Bond Performance Bond and Counter guarantee (domestic)	6,656,564	-	1,053,417	5,603,147	50%	2,801,573
ECA Rating 0-1	-	-	-	-	20%	-
ECA Rating 2	-	-	-	-	50%	-
ECA Rating 3-6	-	-	-	-	100%	-
ECA Rating 7	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Leading of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements Assets sale with recourse (including repo/reverse repo)	-	-	-	-	100%	-
Advance Payment Guarantee	553,022	-	39,349	513,674	100%	513,674
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	775,665	-	-	775,665	100%	775,665
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short Term)	10,864,268	-	-	10,864,268	20%	2,172,854
Irrevocable Credit commitments (Long Term)	-	-	-	-	50%	-
" Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement"	-	-	-	-	20%	-
Other Contingent Liabilities	245,279	-	-	245,279	100%	245,279
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL	31,202,669	-	1,502,521	29,700,147	9,569,432	27,535,650
Total RWE for credit Risk Before Adjustment (A)+ (B)	215,692,512	148,676	2,510,508	213,033,328	119,235,095	195,258,276
Adjustments under Pillar II	-	-	-	-	-	-
Add: 10% of the loan and facilities in excess of Single Obligor limits (6.4 a 4)	-	-	-	-	-	-
Add: 1% of the contract(sale) value in case of the sale of credit with recourse (6.4 a 4)	-	-	-	-	-	-
Total RWE for credit Risk (After Bank's Adjustment of Pillar II)	-	-	-	-	119,235,095	111,284,396

RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

(RS. IN '000)

Particulars	2077 Asadh End		
	Year 1	Year 2	Year 3
	2073/074	2074/075	2075/076
Net Interest Income	3,737,599	4,869,764	5,698,592
Commission and Discount Income	346,180	945,375	1,025,000
Other Operating Income	565,130	92,641	99,537
Exchange Fluctuation Income	94,026	195,902	306,924
Additional Interest Suspense during the period	24,774	29,799	.
Gross income (a)	4,767,708	6,133,480	7,130,054
Alfa (b)	15%	15%	15%
Fixed percentage of Gross Income [c=(axb)]	715,156	920,022	1,069,508
Capital Requirement for operational risk (d) (average of c)	901,562		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	9.09		
Equivalent Risk Weight Exposure [f=(d + d1)xe]	8,195,200		

RISK WEIGHTED EXPOSURE FOR MARKET RISK

(RS. IN '000)

	Current Year		
	Open Position (FCY)	Open Position (NPR)	Relevant Open Position
U.S. Dollar	2,343	281,682	281,682
Euro	192	26,200	26,200
Pound Sterling	444	67,246	67,246
Swish Frank	-	-	-
Australian Dollar	53	4,507	4,507
Canadian Dollar	2	178	178
Singapore Dollar	0	5	5
Japanese Yen	6,198	6,968	6,968
Hongkong Dollar	7	106	106
Chinese Yuan	24	407	407
Thailand Bhat	2	9	9
Qatari Rial	-	-	-
Saudi Rial	28	899	899
Korean Won	1,550	154	154
Malasian Ringget	4	115	115
UAE Dirham	1,659	54,142	54,142
Indian Rupees	753,767	1,206,027	1,206,027
Total Open Position (a)		1,648,644	1,648,644
Fixed % (b)			5%
Capital Charge for Market Risk c= aXb			82,432
Risk Weight (reciprocal of capital requirement of 10%) in times (d)			9.09
Equivalent Risk Weight Exposure (cXd) = (e)			749,309

Unaudited Financial Results (Quarterly)

Forth Quarter ended of Fiscal Year 2076/77

Rs. in '000'

Statement of Financial Position	This Quarter Ending	Immediate Previous year Ending
Assets		
Cash and cash equivalent	9,646,948	7,759,121
Due from Nepal Rastra Bank	19,972,675	23,304,569
Placement with Bank and Financial Institutions	3,125,200	548,500
Derivative Financial Instruments	14,537	1,486,215
Other trading assets	-	-
Loan and advances to B/FIs	6,857,500	7,362,981
Loans and advances to customers	112,195,372	104,644,201
Investment securities	28,813,510	21,434,199
Current tax assets	234,114	75,091
Investment in subsidiaries	-	-
Investment in associates	368,845	314,441
Investment property	21,040	21,040
Property and Equipment	2,093,440	2,115,995
Goodwill and Intangible assets	45,151	37,770
Deferred tax assets	-	-
Other assets	1,630,476	973,411
Total Assets	185,018,807	170,077,533
Liabilities		
Due to Bank and Financial Institutions	1,182,834	609,215
Due to Nepal Rastra Bank	32,886	1,206,069
Derivative financial instruments	-	1,446,390
Deposits from customers	143,545,475	129,568,153
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	140,976	92,881
Other liabilities	20,426,683	18,460,917
Debt securities issued	1,068,845	1,068,845
Subordinated Liabilities	-	-
Total liabilities	166,397,700	152,452,470
Equity		
Share capital	8,510,207	8,106,863
Share premium	238,470	238,470
Retained earnings	1,727,527	2,324,151
Reserves	8,144,903	6,955,579
Total equity attributable to equity holders	18,621,107	17,625,063
Non-controlling interest	-	-
Total equity	18,621,107	17,625,063
Total liabilities and equity	185,018,807	170,077,533

UNAUDITED FINANCIAL RESULTS (QUARTERLY)

Forth Quarter ended of Fiscal Year 2076/77

(RS. IN '000)

Statement of Profit Or Loss	Current Year		Previous Year	
			Corresponding	
Particulars	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	3,247,725	13,956,190	3,485,511	13,019,444
Interest expense	2,283,679	8,645,778	1,955,112	7,320,852
Net interest income	964,046	5,310,412	1,530,399	5,698,592
Fee and commission income	260,858	1,144,436	317,466	1,025,000
Fee and commission expense	44,905	128,503	55,950	133,605
Net fee and commission income	215,953	1,015,933	261,516	891,395
Net interest, fee and commission income	1,180,000	6,326,345	1,791,915	6,589,987
Net trading income	69,555	263,566	82,783	306,924
Other operating income	14,565	110,422	15,413	99,537
Total operating income	1,264,120	6,700,333	1,890,111	6,996,448
Impairment charge/(reversal) for loans and other losses	440,787	548,470	16,862	136,756
Net operating income	823,333	6,151,863	1,873,249	6,859,692
Operating expense				
Personnel expenses	315,517	1,636,278	413,168	1,653,296
Other operating expenses	250,284	793,323	222,234	726,833
Depreciation & Amortisation	41,788	149,835	48,139	127,444
Operating Profit	215,744	3,572,427	1,189,708	4,352,119
Non operating income	-	-	-	-
Non operating expense	462	613	3,890	4,338
Profit before income tax	215,282	3,571,814	1,185,818	4,347,781
Income tax expense				
Current Tax	51,639	1,071,820	355,745	1,298,359
Deferred Tax	-	-	-	4,700
Profit for the period	163,643	2,499,994	830,073	3,054,122
Condensed Statement of Comprehensive Income				
Profit/(Loss) for the period	163,643	2,499,994	830,072	3,054,122
Other Comprehensive Income	57,287	112,222	260,926	47,407
Total Comprehensive Income	220,930	2,612,216	1,090,998	3,101,529
Earnings per share				
Basic earnings per share		31.15		38.05
Diluted earnings per share		30.84		37.67
Profit attributable to:				
Equity holders of the Bank	163,643	2,499,994	830,073	3,054,122
Non-controlling interest	-	-	-	-
Profit for the period	163,643	2,499,994	830,073	3,054,122

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

(RS. IN '000)

Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and cash equivalent	9,646,948	9,646,948	(0)	-	
Due from NRB	19,972,675	19,972,675	(0)	-	
Placement with Bank and Financial Institutions	3,125,200	3,125,200	-	-	
Derivative financial instruments	14,537	14,537	0	0.00%	
Loan and advances to B/FIs	6,857,500	6,857,500	(0)	0.00%	
Loans and advances to customers	112,195,372	112,211,738	16,366	0.01%	Audit Adjustment
Investments Securities	28,813,510	28,813,510	0	0.00%	
Current tax assets	234,114	226,713	(7,401)	-3.16%	Audit Adjustment
Investment in associates	368,845	379,023	10,178	2.76%	Audit Adjustment
Investment property	21,040	21,040	0	-	
Property and Equipment	2,093,440	2,151,054	57,614	2.75%	Audit Adjustment
Goodwill and intangible assets	45,151	46,136	985	2.18%	Audit Adjustment
Other assets	1,630,476	1,557,115	(73,361)	4.50%	Audit Adjustment
Total Assets	185,018,807	185,023,190	4,383	0.00%	
Capital and Liabilities					
Due to Bank and Financial Institutions	1,182,834	1,182,834	0	0.00%	
Due to Nepal Rastra Bank	32,886	32,886	0	0.00%	
Derivative financial instruments	-	-	-	-	
Deposits from customers	143,545,475	143,545,475	0	0.00%	
Deferred tax liabilities	140,976	127,370	(13,606)	-9.65%	Audit Adjustment
Other liabilities	20,426,683	20,428,422	1,739	0.01%	Audit Adjustment
Debt securities issued	1,068,845	1,068,845	(0)	-	
Total liabilities	166,397,700	166,385,833	(11,867)	-0.01%	
Equity					
Share capital	8,510,207	8,510,207	(0)	-	
Share premium	238,470	238,470	(0)	-	
Retained earnings	1,727,527	1,793,066	65,539	3.79%	Audit Adjustment
Reserves	8,144,903	8,095,614	(49,289)	-0.61%	Audit Adjustment
Total equity attributable to equity holders	18,621,107	18,637,356	16,249	0.09%	
Total equity	18,621,107	18,637,356	16,249	0.09%	
Total liabilities and equity	185,018,807	185,023,190	4,382	0.00%	
Statement of Profit or Loss					
Interest income	13,956,190	13,956,189	(1)	0.00%	
Interest expense	8,645,778	8,645,778	0	0.00%	
Net interest income	5,310,412	5,310,410	(2)	0.00%	
Fee and commission income	1,144,436	1,144,657	221	0.02%	Audit Adjustment
Fee and commission expense	128,503	128,503	(0)	0.00%	
Net fee and commission income	1,015,933	1,016,154	221	0.02%	
Net trading income	263,566	263,566	(0)	0.00%	
Other operating income	110,422	122,207	11,785	10.67%	Audit Adjustment
Total operating income	6,700,333	6,712,337	12,004	0.18%	Audit Adjustment
Impairment charge/(reversal) for loans and other losses	548,470	548,470	0	0.00%	
Net operating income	6,151,863	6,163,866	12,003	0.20%	
Personnel expenses	1,636,278	1,646,840	10,562	0.65%	Audit Adjustment
Other operating expenses	793,323	784,499	(8,824)	-1.11%	Audit Adjustment
Depreciation & Amortisation	149,835	149,835	0	-	
Operating profit	3,572,427	3,582,692	10,265	0.29%	
Non operating income/expense	613	613	(0)	-0.00%	
Profit before tax	3,571,814	3,582,079	10,265	0.29%	Audit Adjustment
Income tax	1,071,820	1,065,835	(5,985)	-0.56%	Audit Adjustment
Profit /(loss) for the period	2,499,994	2,516,244	16,250	0.65%	Audit Adjustment
Other comprehensive income	112,222	112,222	(0)	0.00%	
Total comprehensive income	2,612,216	2,628,465	16,249	0.62%	Audit Adjustment
Distributable Profit					
Net profit/(loss) as per profit or loss	2,499,994	2,516,244	16,250	0.65%	Audit Adjustment
Add/Less: Regulatory adjustment as per NRB Directive	1,131,463	1,030,613	(100,850)	-8.91%	Audit Adjustment
Free profit/(loss) after regulatory adjustments	1,368,531	1,485,631	117,100	8.56%	Audit Adjustment

Main Indicators

S.No.	Particulars	Indicator	Financial Years				
			2015/16	2016/17	2017/18	2018/19	2019/20
1	Net Profit/Total Income	%	29.75	26.75	22.86	21.13	16.25
2	Per share Earning (after tax income)	Rs.	40.33	32.48	32.78	38.05	29.71
3	Market price per share	Rs.	3385	1353	663	666	675
4	Price/Earning Ratio		83.94	41.66	20.23	17.50	22.72
5	Dividend on share- Bonus share	%	70	33	0	5	5
6	Cash Dividend	%	0	.	20.00	20	5.53
7	Interest Income/Loans & advances	%	6.86	8.13	9.89	10.66	10.51
8	Employee expenses/Total operating expenses	%	29.34	23.96	19.97	16.60	14.50
9	Interest expenses on deposit & borrowing	%	1.93	3.13	4.41	5.53	5.93
10	Exchange Income/total Income	%	2.73	1.97	1.36	2.12	1.81
11	Staff bonus/total employee expenses	%	33.39	32.64	37.76	41.28	31.87
12	Net Profit/Loans & advances	%	2.57	2.65	2.71	2.70	2.08
13	Net Profit/Total Assets	%	1.59	1.83	1.97	1.94	1.42
14	Total Loans & advances/Total Deposits	%	75.14	84.05	81.86	87.01	83.52
15	Total operating expenses/Total Assets	%	3.03	4.15	5.16	5.86	6.14
16	Capital Adequacy Ratio:						
	a) Core Capital	%	10.34	12.58	12.65	12.38	11.92
	b) Supplementary Capital	%	2.33	1.97	1.55	1.36	1.46
	c) Total Capital Funds	%	12.66	14.54	14.20	13.74	13.38
17	Cash Reserve Ratio (CRR)	%	16.61	16.52	17.75	18.56	14.43
18	NPAs/Total Loans & advances	%	0.38	0.25	0.20	0.16	0.22
19	Base Rate	%	4.86	7.68	8.45	8.12	8.05
20	Weighted Average Interest Rate Spread	%	4.89	4.48	4.72	4.29	3.59
21	Book Networth (Rs. in Lacs)	Rs.	97256	131275	160545	175451	185974
	Total Shares	Number	26226041	45264269	80268633	80268633	84702068
	Total Employee	Number	739	748	836	885	868
22	Others						
23	Per Employee Business (Rs. in Lakh)	Rs.	2223	2342	2533	2751	3060
24	Employee Expenses/Total Income	%	16.64	14.69	13.22	11.44	10.63

Note : i) CRR have been calculated on the basis of year end figures.

ii) Total Loan and Advances to Total Deposit does not include Core Capital and CCD Ratio as per NRB is 68.58%.

Established in 1994, Everest Bank Limited (EBL) is a name you can depend on for professionalized & efficient banking services. Everest bank Limited is a joint venture with Punjab National Bank, India and is a consistently growing commercial bank of Nepal. The Bank has been rendering professionalized & efficient banking services to various segment of the society through its widest domestic network and many correspondents across the globe. Deriving strength from joint-venture partner, it has been steadily growing in size & operation and has established itself as one of the leading private sector bank of the country. The Bank has recorded commendable performance with consistent growth in net-worth and profit having one of the lowest non-performing assets in the industry. The bank is a symbol of consistency strength and dependability in the Nepalese Banking Industry.

ABOUT US

Shareholding Pattern

49.11%	Local promoters
30.86%	Public shareholders
20.03%	Punjab National Bank, India

SHAREHOLDING PATTERN



Shareholding Pattern of Everest Bank Ltd.

S.N.	Name of Promoter	Total number of shares	% of Total Shares
Group A (Promoter)			
1	PRATIMA SHRESTHA	12,567,573.00	14.84
2	HOTEL SNOW LION P. LTD.	7,882,971.00	9.31
3	BISHNU KRISHNA SHRESTHA	7,777,744.00	9.18
4	SHANTA DEV PATHAK	5,351,438.00	6.32
5	NEPAL KRISHNA SHRESTHA	4,630,594.00	5.47
6	ARUN MAN SHERCHAN	2,711,387.00	3.2
7	ANANDA RATNA TULADHAR	639,127.00	0.75
8	RADHA SHRESTHA	35,032.00	0.04
Total		41,595,866.00	49.11
Group B (Public)			
Total Shares		26,141,036.36	30.86
Group C (PNB)			
PUNJAB NATIONAL BANK		16,965,166.00	20.03
		84,702,068.36	100.00

JOINT VENTURE PARTNER

Punjab National Bank (PNB), joint venture partner (holding 20% equity) is the largest nationalized bank in India. With its presence virtually in all important centers in India, PNB offers a wide range of banking services which include corporate & personal banking, industrial finance, agricultural finance, financing of trade & international banking. Currently bank has been rendering its service with nearly 7,000 branches and more than 9,000 ATMs spread all across the India out of which about 62% branches are in rural and Semi-Urban areas. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement.

CUSTOMER BASE

Everest Bank is one of the banks with largest customer bases of more than 10 lacs satisfied customers. With clients from all walks of life, the Bank has helped the nation to develop corporately, agriculturally & industrially.

NETWORK

Everest Bank provides customer-friendly services through its widest network all connected through core banking solution, which enables customers for operational transactions from any branches. The bank has 98 Branches, 7 Province Offices, 124 ATMs, 31 Revenue Collection counters & more than 9000 payout agents across the country making it a very efficient & accessible bank for its customers, anytime, anywhere.

HANDLING REVENUE ACCOUNTS OF GOVERNMENT

Owing to its strong credibility, Everest bank has been authorized to collect revenue of Nepal Government through its 31 revenue collection counter spread across the country. It is the only private sector commercial bank handling all kinds of accounts of Nepal Government and having special counter inside Singhadurbar. Everest Bank is responsible for collecting more than 50% of the total government revenue of our country.

VISION, MISSION, MOTTO AND STRATEGIC FOCUS



VISION

To be a Leading Commercial Bank with Pan Nepal presence and become a household name, providing wide range of financial products & services under one roof.



MISSION

Growth through Banking for ALL



MOTTO

Consistent in term of Performance & Growth
Strong in terms of its System & Procedures
Dependable in terms of Return to all Stakeholders

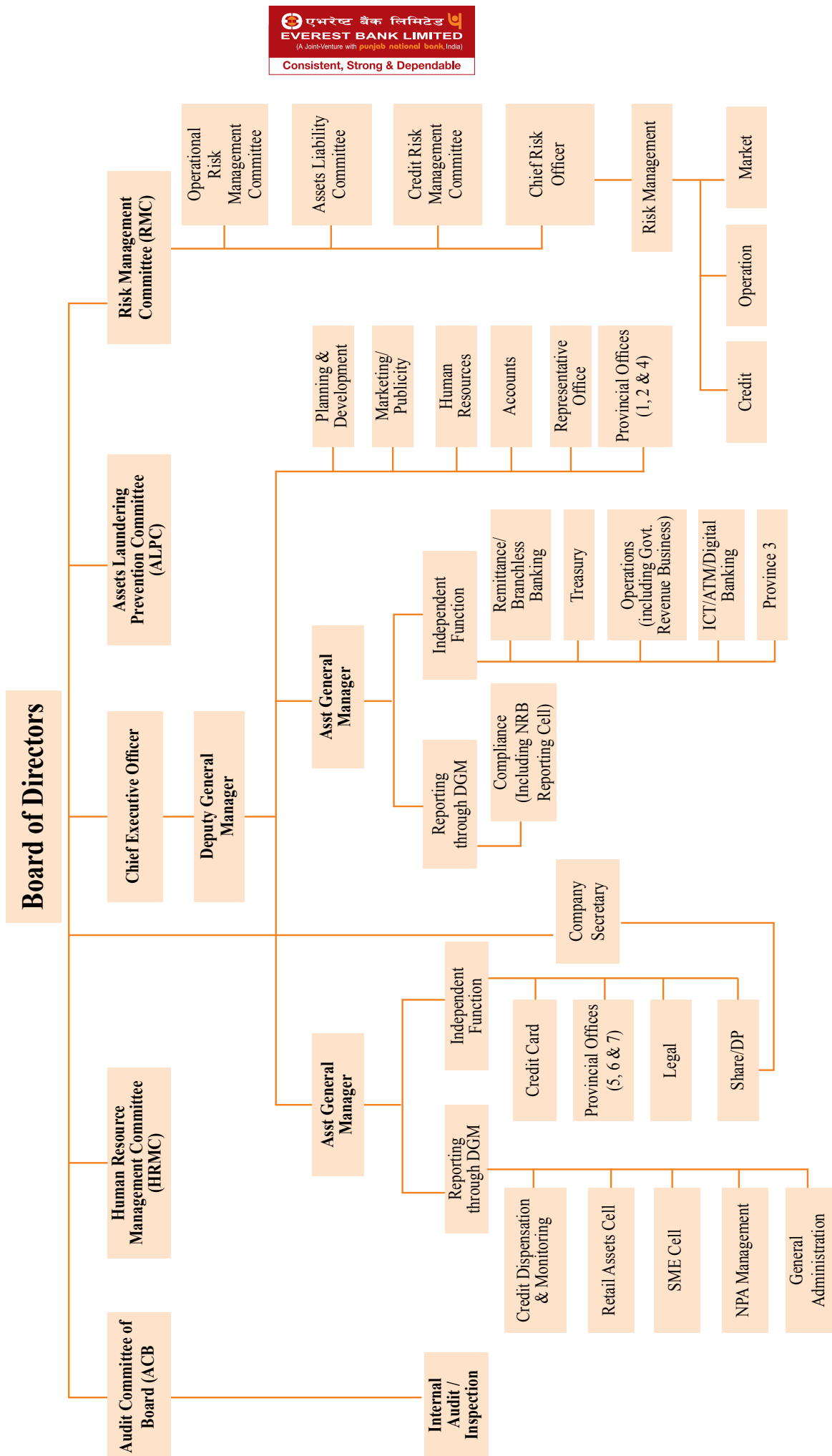


STRATEGIC FOCUS

The Bank has set itself the following broad goals:

- » Mobilize Deposits through Current, Savings, Term & Call Deposit accounts and other instruments.
- » Grant loans & advances with special thrust on Productive as well as the Retail Segment.
- » Provide Treasury Services following best international practices.
- » Facilitate cross border payment services so as to strengthen remittance inflow.
- » Provide custody services.
- » Provide cash management services and insurance products and other financial planning services.
- » Provide any other service businesses that NRB prescribes from time to time.

ORGANIZATION STRUCTURE



AWARDS and ACHIEVEMENTS

- The Bank was conferred with the “Best Managed Commercial Bank” by *NEWBIZ BUSINESS Award 2019*.
- The Bank was declared 2nd Best Managed Commercial Bank by *Abhiyan National daily* in 2018.
- *KAROBAR national daily* adjudged Everest Bank as Number 2 Bank under CAMELS rating in 2018.
- The Bank was conferred with the “Best Managed Commercial Bank” by *ASIAN PAINT NEWBIZ Award 2013*.
- The Bank was acknowledged as the “Highest Tax Payer among Commercial Banks” by *Nepal Government* for FY 2068/69.
- The bank was adjudged as “*Number 1 Bank*” under CAMELS rating conducted by *KAROBAR national daily* in 2012.
- The bank was conferred with “Bank of the Year 2006, Nepal” by the *Banker*, a publication of *Financial Times, London*.
- The bank was bestowed with the “*NICCI Excellence Award*” by *Nepal India Chamber of Commerce* for its spectacular performance under finance sector.



PIONEERING ACHIEVEMENTS



- Recognizing the value of offering a complete range of services, the bank pioneered in extending various customer friendly products such as Home Loan, Education Loan, Vehicle Loan, Professional loan etc.
- Everest Bank is one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal.
- Everest Bank has introduced Mobile Vehicle Banking service (Bank on Wheel) to serve the segment deprived of proper banking facilities through its Birtamod Branch, which is the first of its kind.
- Everest Bank has introduced branchless banking system first time in Nepal to cover unbanked sector of Nepalese society through biometric machine.
- Everest Bank is first bank that launched e-ticketing system in Nepal using which customers can buy tickets (Airline, Movie etc.) through internet.
- Everest Bank has introduced online payment of NTC Mobile/PSTN/ADSL bill or from the counter as well.
- Everest Bank is the first bank to introduce agro-specialized branch “KRISHI UDHYAM BIKASH SAKHA” at Rajbiraj.
- Everest Bank has introduced Cash Deposit Kiosk for the first time in Nepal through which the Customers can deposit Cash conveniently.
- Everest Bank introduced “FREEDOM Savings Account” which allows a minor to operate their account independently which is the first of its kind in Nepal.
- Reckoning the importance of digitization in banking system, the bank has established E-lobby at its Head Office premises.

PRODUCT AND SERVICES

1. NAARI BACHAT KHATA

With the objective to encourage the small savings of women from household and professions we have introduced Naari Bachat Khata, where the customer can make small saving and get the higher rate of interest.

The features of this account is

- Highly attractive interest Rate
- Issuance and renewal of Debit Card at NPR 50/-
- Issuance of Free Cheque Book
- Pay Bill Registration Facility
- 25% discount on Annual locker rent (Small Locker Only)
- i-Banking (Internet Banking) service facility

2. FREEDOM SAVINGS ACCOUNT

This unique deposit product has been introduced with an objective to inculcate saving habits in the minors (who are in the age between 10 to 16 years) and help them in becoming responsible by allowing them to operate this account independently.

A special savings scheme for minors, who have attained 10 years of age but not crossed 16 years can open this Savings account in their own name singly. No cheque book will be issued to this Account holder; however the minor is allowed to withdraw money from his/her account using ATM card or through withdrawal slip.

3. EVEREST SPECIAL SAVING

This scheme is designed to satisfy the need of different customer groups having expectations of wide range of facilities along with highly attractive interest rate.

Features of the account are as follows:

- Medical (Hospitalization) Insurance of Rs 1.00 Lac.
- Accidental Death Insurance of Rs 5.00 Lac.
- Free ATM Card (Issuance)
- Free C-ASBA Facility
- Free mobile banking
- Free DMAT AC Opening Charge
- 50% Dis on Rent of Small Size Locker (One Time)
- 50% Dis on Issuance of Credit Card (One Time)



MAJOR FIXED DEPOSIT ACCOUNTS

1. EVEREST PIZZA DEPOSIT

This scheme has been launched with an objective to mobilize small & medium sized deposits from individuals/institutions intended to have liquidity feature with flexibility in long-term investment. Further, it also caters to the needs of persons/entities want to have higher returns than a regular savings account with varying level of liquidity. The main feature of this product is its flexibility. It allows withdrawal (up to 50% of original deposits, in multiple of

Rs. 10,000.00 not more than 5 times) even before the maturity, without any penal charge. The Interest on such premature withdrawal will be paid at the rate applicable to the period for which the deposit has remained with the Bank. Depositors may borrow up to 90% of their deposit at interest rate of 2% above the deposit rate.

2. SUNAULO BHAWISHYA YOJANA

This products caters people who have the habit to save on a regular basis and avail the bulk sum at the end with a high yielding interest rate. The deposit is targeted among the middle-class families who save for specific purpose like purchase of items, marriage etc.

The best way to plan for your future needs is by way of opting Sunaulo Bhavishya Yojana which is most suitable for accumulating regular small savings into the substantial amount. You can plan and provide for a large investment amount at a future date out of regular small savings.

On maturity, you shall get the principal amount (i.e. the installments) along with quarterly compounded interest. With minimum balance of Rs. 500 only, this product allows our customer to deposit amounts in multiple of Rs. 100 each month from 12 months to 60 months. Premature withdrawal is also facilitated in this product. Furthermore, depositors may borrow up to 90% of their deposit at interest rate of 2% above the published interest rate.



MAJOR LOAN SCHEMES

MAJOR RETAIL LOAN

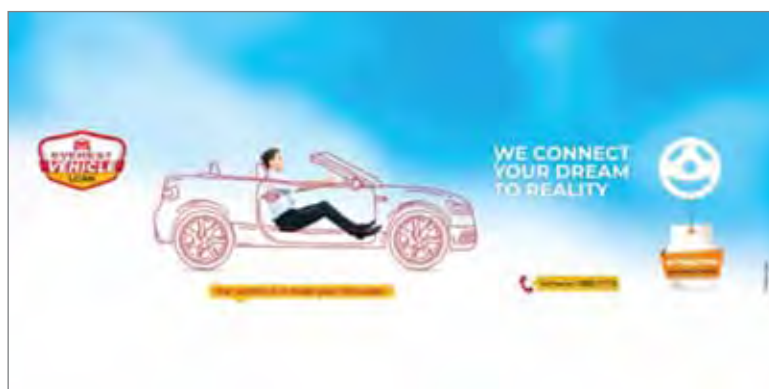
1. HOME LOAN

Everest bank aims to fulfill the dream of its customers to own a house by providing home loan in an attractive interest rate. Our bank provides a complete financial assistance for the construction & purchase of house/apartments, Repairs / renovation / additions / alteration to the house/flat and purchase of land for our customers to help turn their dream into reality.



2. VEHICLE LOAN

Owning a vehicle has been made easier and convenient with Everest Vehicle Loan. Everest bank aids to purchase car / van / jeep/ Multi Utility Vehicles/ Sports Utility Vehicle (non-commercial purpose only) for individual and business concerns at an attractive interest rate with repayment upto 7 years.



3. EDUCATION LOAN

Everest bank provides loan facilities to help students to achieve their ambition to pursue higher education in Nepal as well as abroad. Everest education loan covers Admission Fee, Books and stationery, Instruments required for the course undertaken by the borrowing scholar, Monthly fees/Tuition fees, Examination Fees, Caution deposit/building fund/refundable deposit supported by Institution bills/receipts, Any other expenses required completing the course like study tours, project work, thesis etc., Boarding and lodging expenses. Repayment shall start one year after the completion of study by the borrower or one-month after getting employment whichever is earlier.

The interest shall be regularly paid on monthly/quarterly basis. After the completion of the course, the principal shall be payable in maximum 84 equal monthly installments.



4. LOAN AGAINST LIFE INSURANCE POLICY

EBL has policy of Advancing against the security of Life Insurance Policies (LIP). It considered in individual cases on merits after ensuring the following:

- There are no encumbrances on the relative policy.
- The age of the assured stands admitted in the book of the respective companies.
- Premium is paid up to date

Companies approved for allowing advance against LIP

- Rastriya Beema Sansthan
- National Life Insurance Company Ltd.
- Life Insurance Corporation (Nepal) Ltd.
- Metlife Insurance Company Ltd. &
- Nepal Life Insurance Company Ltd.

SME LOANS

Small and medium enterprises are backbone of any developing economy. They are considered as important engine room for creation of employment and enhancement of economic growth. With an aim to promote SME development in country, Everest Bank Ltd. provides SME loan up to Rs. 5.00 Crores with an attractive interest rate. All three sectors of economy; manufacturing, trading and service sectors can avail SME loan for financing working capital and fixed assets. The bank has already set up dedicated SME Cell in February 2019 to provide special attention to this segment by formulating innovative loan products and streamlining procedures.



AGRICULTURAL LOAN

Loan for undertaking various agricultural/allied activities for production (credit required for raising crops, short term credit for allied agricultural activities) / investment and other activities as define by NRB to meet the credit and consumption requirements of the farmers.

- Cereal & cash crops, vegetable and fruit cultivation, floriculture and herbs production.
- Post harvesting (storage of food crops).
- Livestock, Poultry, fishery and insects keeping.
- Animal husbandry / Slaughter house.
- Irrigation and irrigation equipment (all culverts, canals, hand pump, captive generator, roar pump), pipelines, pumps etc.
- Agriculture tools and machinery. (Tractor, Thresher, harvester, modern plough, hoe, cultivator, rotovator, tiller and other motor or manually operated agricultural equipment).
- Infrastructure/sheds for livestock/birds/fishery etc.
- Infrastructure for agro farming with special technology i.e. tunnel farming/sprinkle irrigation etc.
- Cold storage construction and management.
- Other activities defined by NRB under agricultural sector from time to time.

MAJOR CORPORATE LOAN

1. WORKING CAPITAL FINANCE

The bank provides working capital finance to trading firms, industries and other business entities by assessing current assets and liabilities. The business can draw up to the limit determined by the drawing power which is appraised on a regular basis.

Bank offers working capital finance to meet short-term fund requirement for managing the day to day operation of the business. Bank's working capital finance is extended to meet the different demands from all segments of industry, trade and the services sector. Assistance is extended by way of Fund based and Non-Fund Based facilities to business entities and public sector undertakings (PSUs). Funded facilities include Overdraft, Demand Loan, Bill Discounting, etc. Non-funded instruments comprise Letters of Credit as well as Bank Guarantees to cover advance payments, bid bonds, performance bond, etc.

2. PROJECT FINANCE AND INFRASTRUCTURE FINANCE

Bank provides fund based and non-fund based credit facilities for new project as well as expansion, diversification, and modernization of existing projects in Infrastructure and Non-Infrastructure Sector.

Some of the Major Areas of Project Finance & Infrastructure Finance:

- Power Sector including Renewal Energy Projects in Solar and Hydro Power.
- Aviation Sector
- Telecommunication
- Manufacturing Unit – Cement, Steel, beverage, pipes, poultry /cattle feed, etc.
- Hotels/Resorts
- Hospitals

3. TRADE FINANCE

Through an extensive global network that aid domestic and international transaction, the bank facilitates export and import in local and foreign market through offering facilities like LCs, SWIFT transfers and Guarantees etc. The bank also offers Trust Receipt, Pre-shipment & Post Shipment loans as a part of import/export finance.

4. CONSORTIUM FINANCE

We have been arranging financial closure for Capital Intensive Projects like Hydropower, Manufacturing industries, Hospital, Airlines, Hotels etc. under our lead. We are open to exploring of such possibilities of finance as a lead as well as member bank in the future as well.

देशको सम्पूर्ण कृषि विकासमा एभरेष्ट बैंक को साभेदारी

PRODUCTIVE SECTOR LENDING



बिउँ बिजन आयातकर्ता नेशनल
सिङ्लाई कर्जा प्रदान गरी नेपालमा
कृषि विकास गर्दै ।



कृषकहरुलाई ३०० भन्दा बढी ट्रयाक्टर
कर्जा उपलब्ध गराई नेपालमा
कृषि विकास गर्दै ।



मल आयातकर्ता एग्रीकल्चर इनपुट
कर्पोरेशनलाई ३३ करोड भन्दा बढी ऋण
प्रदान गरी नेपालमा कृषि विकास गर्दै ।

EBL SWITCH SOLUTION

In endeavor to strengthen technology platform of the bank for enhancing operational convenience, delivering service excellence, gaining independency and enhancing security & innovations, the bank's Payment card and ATM system have been operated /driven through bank's own "Card based EFT Switch Solution", which is hosted through Service Provider M/S Maximus Infoware (India) Pvt. Ltd., India.

ATM SERVICE

Bank has maintained a network of ATM machines driven by bank's own EBL Switch Solution and the ATMs are located in diversified locations.

- Beside of services of Cash withdrawal, Balance Inquiry, Account Statement and PIN change, EBL is providing specific services to EBL cardholders through its ATM terminals.
- EBL cardholders can generate own PIN number through "GREEN PIN" option available in ATM screen.
- EBL cardholders can draw cash without using physical card by using "CARDLESS WITHDRAWAL" option available in ATM screen.

DEBIT CARD

A strong commitment toward delivering service excellence, convenience and flexibility, Everest Bank is offering Alternate Payment Mode in the form of "**EBL Debit Card**" to its valued customers. "EBL Debit Card" acts as an electronic Cheque, which enables you to have direct access to your bank account, for fulfilling your daily payment and cash requirements. It is an alternative payment method to cash and cheques, which enable you to pay directly during purchases of goods and services from merchants (POS Outlets) or draw cash from ATM outlets.

The bank is serving two brands of card product, namely **SCT – UPI brand Debit Card and Visa brand Debit Card** to its customers, which can be used at ATM & POS Networks, affiliated with Smart Choice Technologies (SCT) plus Union Pay International (UPI) & Visa Worldwide respectively, scattered throughout Nepal and India.

Acceptance of SCT – UPI brand Debit Card:

- Can be used to withdraw cash from almost all SCT / UPI affiliated ATMs in Nepal and India.
- Accepted as mode of payment at almost all UPI affiliated merchant locations (POS Outlets) within territory of Nepal & India.

Acceptance of Visa brand Debit Card:

- Can be used to withdraw cash from almost all Visa affiliated ATMs in Nepal and India.
- Accepted as mode of payment at almost all Visa affiliated merchant locations (POS Outlets) within territory of Nepal & India.

Features of EBL Debit Card:

- Instant Issuance and economical charges.
- Round the clock service.
- No charges are levied for using EBL Debit card at EBL ATM terminals and other domestic ATM terminals.
- Services can be used from Punjab National Bank (PNB) ATM terminals with lower transaction charges.
- No charges are levied for purchase of goods and services from merchant (POS) outlets.
- Debit cards are issued free of cost to all Saving Premium account holders.
- Offering of Discount of variable percentages, on shopping from selected stores, restaurants, hotels, hospitals etc. using Debit Card.

CREDIT CARD

Everest Bank Credit Card is an electronic Cheque, which enable you to pay on purchase of goods and services from merchant outlets or draw cash from ATM outlets. The bank creates a revolving account and grants a line of credit to cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance.

Everest Bank is serving "EBL VISA Domestic Credit Card" to its customers, which can be used at ATM & POS Networks, affiliated with Visa Worldwide, scattered throughout Nepal and India.

Features of EBL Domestic Credit Card

- EBL Credit Card can be used in POS and ATM terminals in Nepal & India.
- Chip based card with CHIP verification method for POS transactions.
- Accepted as mode of payment at Visa merchant locations (POS).
- Can withdraw cash from Visa accepting ATMs.
- Offering of Discount of variable percentages, on shopping from selected stores, restaurants, hotels, hospitals etc. using Debit Card.
- Flexible payment option of NPR 1,000 or 10% of debit balance, whichever is higher to 100% of debit balance.
- Interest free credit period of minimum 15 days to maximum 45 days for Purchase transactions.
- Competitive interest rate @ 2% per month.
- Credit limit between NPR 50,000 to 5 Lac.
- Cash limit of 10% of Credit Limit.
- Monthly E-Statement in customer's registered e-mail ID.




EBL STATEMENTS
 GO GREEN, SAVE TIME & PAPER

ANYWHERE ANYTIME

Now get your bank statement on your mobile, laptop or desktop...

* Please visit nearest branch to update your email.

 Secure
  Paperless
  Free
  Fast


एभरेष्ट बैंक लिमिटेड
EVEREST BANK LIMITED
 (A joint-Venture with **punjab national bank**, India)

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance is an underpinning factor for the proper operation of the banking sector and the economy as a whole. Effectiveness of the corporate governance in an institution ensures financial stability and builds social credibility which ultimately leads to the long term sustainability of the bank.

Everest bank aims to strive for an effective corporate governance, subsequently safeguarding the interest of shareholders strengthening accountability to its stakeholders, credibility of the bank, transparency and trust. We are always conscious about the good governance in Everest bank and always complied with the related provisions of Acts, Rules and Directives issued by Nepal Rastra Bank and the Government of Nepal.

The Board of directors

The Board is being collectively accountable to stakeholders for the long-term success and financial soundness of the Bank accordingly, approving and overseeing implementation of the Bank's overall strategic direction, risk appetite, strategies, and related policies to establish corporate culture, values and a strong control environment.

Composition of Board of Directors:

1. Mr. B.K. Shrestha	Chairman
2. Dr. Bal Gopal Baidhya	Promoter Director
3. Mr. Anil Bansal	Punjab National Bank Nominee Director
4. Mr. Arun Man Sherchan	Promoter Director
5. Mr. Nabin Bhakta Shrestha	Public Director
6. Mrs. Urmila Shrestha	Public Director
7. Dr. Nirmal Kumar Bista	Independent Director

Director's Profile

1. Mr. Bishnu Krishna Shrestha

Mr. Shrestha has completed MBA from USA. He has more than 40 years of experience in Trading, Manufacturing and Financial Management.

2. Dr. Bal Gopal Baidya

Dr. Baidya holds Ph.D in Economics from Philippines and is the Chairperson of New Era, a research institute based in Kathmandu. He was a former member of National Planning Commission and was also involved as a member of Board of Trustee, Poverty Alleviation Fund of Nepal.

3. Mr. Anil Bansal

Mr. Bansal has completed Masters in Commerce and is a Certified Associate of Indian Institute of Bankers (CAIIB). Mr. Bansal is currently the General Manager of Punjab National Bank and has more than 35 years of banking experience in Punjab National Bank.

4. Mr. Arun Man Sherchan

Mr. Sherchan is the Promoter of Malpi College, Baluwatar and is engaged in Pashupati Paper Mart Private Limited.

5. Mr. Nabin Bhakta Shrestha

Mr. Shrestha has completed Bachelor in Commerce and has more than 18 years of experience in Business and Trade sector.

6. Mrs. Urmila Shrestha

Mrs. Shrestha holds Masters Degree in Economics from Tribhuvan University. Mrs. Shrestha was the Promoter/Chairperson of Mahila Sahayatra Laghubitta Bittiya Sanstha Limited.

7. Dr. Nirmal Kumar Bista

Dr. Bista holds Ph.D in Management, International Trade. Dr. Bista was the former Director General of Family Planning Association of Nepal (FPAN) and former General Manager Nepal Food Corporation. Dr. Bista is also the Past President of Management Association of Nepal.

Change in the board of directors

During the fiscal year 2076/77, Mr. Sunil Gopal Shrestha has been replaced by Mrs. Urmila Shrestha as public director and Mr. Lingam Venkata Prabhakar has been replaced by Mr. Anil Bansal as director from PNB.

Details of Board meeting:-

Director	No of Meetings
Mr. B. K. Shrestha	5
Dr. Bal Gopal Baidya	11
Mr. Arun Man Sherchen	12
Mr. Lingam Venkata Prabhakar	1
Mr. Nabin Bhakta Shrestha	12
Mr. Sunil Gopal Shrestha	3
Mrs. Urmila Shrestha	6
Dr. Nirmal Kumar Bista	10

The Board conducted 12 meetings during the financial year and the total expenditure on account of meeting fee was incurred Rs. 9,00,000/-.

Roles and Responsibilities of the Board

1. No director shall do anything to derive personal benefit through the bank or financial institution or in the course of performing the functions of the bank or financial institution.
2. If any person who is appointed as a director has any personal or financial interest in the business of the bank or financial institution or in an agreement or involvement with the bank or financial institution, such person shall, prior to assuming the duties of his or her office, disclose such matter to the Board.
3. If any director is found to have derived a personal benefit in the course of business of the bank or financial institution, the bank or financial institution shall recover that amount from such director.
4. The bank or financial institution shall not be responsible for any action taken or function performed by any person working as its director by acting beyond his or her jurisdiction.
5. If any person carries on any transaction with any director or representative even while knowing or having reasons to believe that the director or representative is carrying on the transaction to serve his or her personal interests or to cause any loss or damage to the bank or financial institution, such person shall not be entitled to make any claim against the bank or financial institution in relation to such transaction.
6. No director shall interfere with the routine business relating to the management of the bank or financial institution.
7. Every director of the bank or financial institution shall comply with such directives issued by the Rastra Bank from time to time as required to be complied with by the directors of the bank or financial institution.

*As per BAFIA 2074

Board Level Committees

The Board has delegated the authority to make decisions to Board committees in line with NRB Directives and prevailing market scenarios but bears the ultimate responsibility. Major Sub committees of the Board to oversee the bank's function are as under:-

- (i) Audit Committee of Board
- (ii) Assets Laundering Prevention Committee
- (iii) Human Resource Management committee
- (iv) Risk Management Committee

The terms of reference for the Board and the Board committees are set out clearly. The Board has established communication procedures between the Board and Board committees, and across Board committees. The Board committees are periodically reporting to the full Board on a regular basis and as and when the need or urgency arises.

The Board has approved the Bank's organizational structure and to ensure adequate corporate governance frameworks and systems. The Board is also ensuring that senior management formulates policies that promote fair practices and professionalism, with respect to internal dealings and external transactions, including situations where there are real or potential conflicts of interests.

The Board level committee conducted 31 meetings during the financial year which can be segregated as below:-

Committee	No of meetings
Audit Committee	12
Human Resource Management Committee	6
Risk Management Committee	8
Assets Laundering Prevention Committee	5
Total	31

The senior management is bearing the general executive responsibility for the day-to-day conduct of business and affairs of the institution. It is responsible for creating an accountability framework for the staff, but cognisant that it is ultimately accountable to the Board for the performance of the Bank. Senior management is providing the Board with information on all potentially material risks the Bank is facing, including those relevant to the Bank's risk profile, capital and liquidity needs.

1. Audit Committee Board (ACB)

Nepal Rastra Bank, Directive No. 6, Point No. 7, Sub Point No. (1), states that as per provisions of Banks and Financial Institution act, 2073, Clause 22, 26, 27, 60 and 61, the Board shall, under its accountability, constitute Committee/ Sub Committee with specific Roles, Rights and Responsibility. As such, the board has constituted Audit Committee of the Board (ACB), a board level sub-committee to ensure that the Audit Function of the bank is effectively and adequately undertaken to maintain financial as well as organizational soundness of the bank.

Presently, the ACB comprises of the following members:

1. Mr. Nabin Bhakta Shrestha (Member Director)	Chairman/ Co-ordinator
2. Compliance Officer-	Member
3. Functional Head- Internal Audit	Member Secretary

The ACB reviews periodical issues related to bank's overall financial condition, internal controls and audit program in accordance to prevailing laws and provide necessary suggestions to the management on actions to be taken on the same. ACB reviews Quarterly Financial reports of the Bank and guide the management in preparing Yearly Financial Report in a correct and realistic manner.

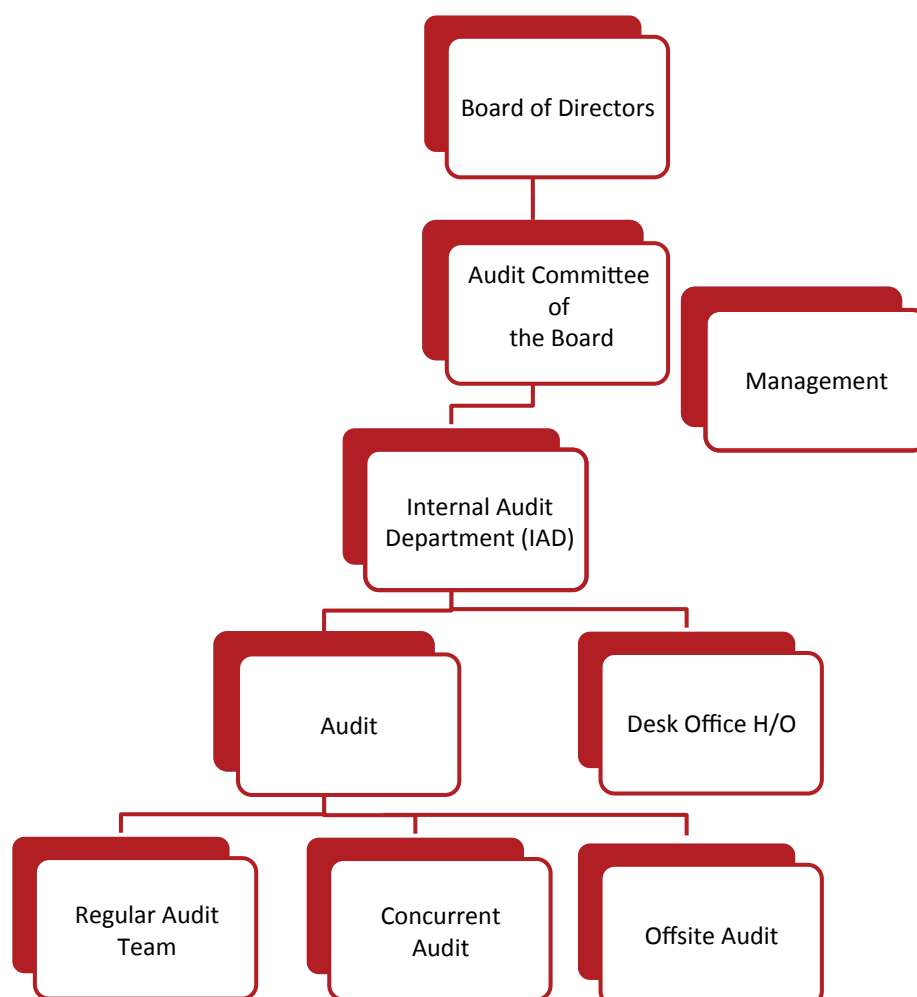
ACB supervise and report to the management whether actions under taken on managerial and operational activities are as per the rules/ regulations/ guidelines/ policies and directives which are issued as per prevailing Bank guidelines, directives of NRB and Bank and Financial Institution Act (BAFIA).

ACB discuss/review the observations/remarks contained in NRB inspection & Supervision report, audit report of the external/ statutory auditors and internal audit reports and suggest the management to take necessary corrective measures. ACB reviews/ prepares policy, guideline and audit plan for carrying out effective and adequate internal audit work. ACB ensures Internal Audit Department of the bank is performing in line with the Internal Audit Policy of the Bank.

Apart from above, ACB also recommend names of three auditors for appointment of external auditor.

The ACB reports to the Board on progress of activities undertaken, including but not limited to, minutes of its meetings on quarterly basis and any matter relating to the Banks affair as deemed necessary.

The ACB along with IAD forms the overall Audit Function vertical of the Bank under the following structure:



The major highlights of the activities and decisions taken during the Fiscal Year 2076/077 are as below:

1. Completed Risk Based audit of 71 branches including Corporate Credit Cell under RBIA, 18 Head office functional departments and Representative Office, New Delhi.
2. Conducted twice half yearly Risk Based Audit of Treasury Department and LC audit of 28 branches.
3. Deliberated on various aspects of banks financial report for FY 2076/077 and submitted the same to the Board for approval / approved Quarterly/ Yearly Financial reports for publication.
4. Recommended Statutory Auditor for the Fiscal year 2076/77 for the approval of AGM of the Bank .
5. Deliberated on the reply to the following Audit Reports to the concern authority:
 - a) Information System (IS) Audit for FY 2019-20
 - b) Onsite Risk Based Supervision (RBS) by Nepal Rastra Bank
 - c) Statutory Audit for FY 2076/077
6. Revision of RBIA guidelines , policy, audit planning etc.

2. Assets Laundering Prevention Committee (ALPC)

In accordance with Nepal Rastra Bank Directives, the bank has formulated Assets Laundering Prevention Committee under chairmanship of one of the board director. The Committee is a board level sub-committee to ensure prevention of money laundering and combat financing of terrorism. The committee has also been provided with Terms of Reference (TOR).

As per the policy paper the Committee meets at least once in quarter or as per the requirement of the bank.

The composition of ALPC is as follows:-

The Committee met five times during the Fiscal Year

Dr. Bal Gopal Vaidya (Board Director)	Chairman
Mrs. Urmila Shrestha (Board Director)	Member
Head- Risk Management Department	Member
Head- Compliance	Member
Compliance Officer	Member
	Secretary

076/077. The major responsibilities of ALPC are:

1. Reviewing the KYC/ CDD policy/status of the bank.

2. Monitoring the Threshold Transaction Report (TTR) submitted to Financial Information Unit (FIU).
3. Risk Identification, measurement, control and monitoring process followed by the bank on KYC, AML and CFT obtaining report from management and placing to the board.
4. Recommending on suitable system for risk identification and management related with KYC, AML and CFT.
5. Recommending to the Board for reviewing KYC/ AML/ CFT Policy of the bank.
Appraising the Capacity Building program place by the bank.

3. Human Resource Management Committee

Human Resource Management Committee has been constituted under the NRB Directive which governs policies level plans, manuals, directions and amendments pertaining to human resource aspects of the Bank. Keeping proper Human Resources Strategies, Policies and Planning to maintain congenial working environment at the Bank is its main objective where it recommends and provide suggestions to the Management and the Board as and when required. The HRMC comprises of a director of Everest Bank Limited signifies the importance in maintaining better Industrial Relations of the Bank and has remain one of a major actors in maintain good HR systems through continuous interventions.

Composition:

Dr. Nirmal Kumar Bista (Independent Director)	Chairperson
Chief Executive Officer	Member
Head- Human Resource Department	Member
	Secretary
Head- Finance Department	Member

Responsibilities:

- HR Planning:** Review the existing human resource position of the Bank. Suggest management to forecast future HR requirement as per corporate strategies and business/expansion plan of the bank. Also, suggest management for optimization of staff on the basis of branch categorization, horizontal and vertical expansion requirement of the bank.
- Recruitment and Selection:** Suggest management to prepare the parameters relating to recruitment,

selection, appointment, placement, transfer, promotion, skills development and submit to the board for approval.

- c. **Performance Appraisal:** Review the existing promotion policy and performance appraisal system of the bank by setting up the performance standard guidelines to meet the productivity target of the bank. Any changes in HR policies/ promotion policy shall be approved by the BOD upon recommendation of the HRMC.
- d. **Career Development:** Suggest management to prepare career development plans and placement of staff as per need of the bank.
- e. **Remuneration and benefit:** Review employee remuneration and benefits, which may be required due to various reasons, such as, changes in the structure of remuneration in the industry, inflation etc. if requested by the management.
- f. **Training and Development:** Review the training policies and programs of the bank prepared by the management to ensure increase in knowledge level, skills and changes in attitude of employees to improve their performance level.
- g. **Organization structure:** HRMC shall provide guidelines for preparing organization structure of the bank and recommend changes to the board as and when necessary. Also submit to the board the policies and procedures relating to succession planning of all employees/overall management level prepared by the management in due course.

4. Risk Management Committee

For the effective risk management, Board has formed a Board level committee called Risk Management Committee (RMC) which assists the Board in setting risk strategy/policies as stipulated by Nepal Rastra Bank. It devises the risk management policy of the bank including credit, market and operational risk, risk integration, implementation of best risk management practices and setting up various risk limits of the bank. The Committee receives reports from management and after discussion and deliberations reaches in a conclusion that existing action taken by the management are appropriate or elevate the situations to the Board where further action is required with its recommendation. During FY 2076/77, 8 meeting

of Risk Management Committee has been held. The composition of the Committee is:

Mr. Arun Man Sherchan, Director	Chairman
Mr. Nabin B. Shrestha, Director	Ex-Officio Member
Ms. Priti Lama, Deputy Manager - Operation	Member
Ms. Jamuna Tamrakar Chief Risk Officer	Member Secretary

Responsibilities

- Report to the Board regarding adequacy and suitability of the system for identification, analysis and management of inherent risk of the bank and at the same time recommend for development of a suitable policies and strategies.
- Periodic review of level of inherent risk, risk appetite, tolerance and risk management strategies of the bank and reporting to the Board regarding adequacy of the same.
- Review management's report on identification, measurement, monitoring and control of risk and give necessary recommendation to the Board.
- To ensure that an appropriate policy and plan for a system of risk management is developed by management, approved by the Board and implemented effectively.
- To review the adequacy and suitability of the bank's capital corresponding to its risk assets, ICAAP, Strategic policies, risk tolerance and risk appetite and recommend the Board accordingly.
- Recommend the Board regarding development of adequate structure or framework for risk management commensurate with the NRB directives and guidelines, Bank's internal policies and general practices.
- To regularly conduct stress testing and analyse the results there of and accordingly recommend the Board for necessary actions.
- To review and analyse the relevance and limits of authority delegated by the Board and report to the Board on the same with necessary recommendations.
- Review and report to the Board, on quarterly basis, regarding the bank's asset structure, state of their mobilization, expected earnings from these assets, change in assets quality and actions/proceedings of ALCO
- Analyse the possible effect of any changes or problems arising in various economic sectors on the financial health of the bank and recommend the Board regarding necessary actions or policies required to mitigate the same.

- To review the risk bearing capacity of the bank in light of its reserve funds (capital).
- To assist the Board in its responsibility for disclosure in relation to risk management in the annual report, and acknowledgement that it is accountable for the risk management function.

a. Operation Risk Management Committee

Operational Risk of EBL is supervised by Risk Management Committee (RMC), a subcommittee of the Board as other risk and supported by functional committee, Operational Risk Management Committee (ORMC).

In order to formulate procedure for mitigating operational risk, developing strategy and monitoring on the compliance of developed procedure, structure of ORMC is developed. ORMC is headed by DGM-Credit and key divisional heads and incumbents of two branches are the members of the committee to oversee the entire operational risk management of the bank. During FY 2076/77 the meeting of Operation Risk Management Committee is held 7 times. The composition of the Committee is:

DGM- Credit	Chairperson
AGM- Operation/Compliance	Member
Chief Risk Officer	Member
Head of System Department	Member
Head of Internal Audit Department	Member
Head of Compliance department	Member
Head of MIS/NRB Reporting	Member
Head of Planning Department	Member
Head of HR department	Member
Head of Law Department	Member
Head of Operation Department	Member
Head of GAD	Member
Security Manager	Member
Two Nominated Branch Managers	Member
Head of Operation Risk Department	Member Secretary

The ORMC meets at least once in quarter and review the operational risks associated with banking, system, employees, revenue leakages, external events, etc. The major roles of ORMC are:

- Implement significant policy and procedure for the management of operational risk arising from people, process, system and external events.
- Develop effective Internal Control System and Information System for the management of Operational Risk.
- Discuss and recommend suitable controls/mitigations for managing operational risk.

- Communicate with business units and staffs about the importance of operational risk and assure adequate participation and cooperation.
- Analyze frauds, potential losses, non-compliance, breaches etc. and recommend corrective measures to prevent recurrences.
- Review and approve the development and implementation of operational risk methodologies and tools including assessments, reporting, capital and loss event databases.
- Regular review of operational risks observed from risk management function along with the system for maintaining all the information related to loss events and concur on areas of highest priority and related mitigation strategy.
- Receive and review reports from various business groups, support departments and business units about their risk profiles and mitigation programs.

b. Credit Risk Management Committee

It is a subcommittee chaired by DGM (Operation) which is entrusted with the work of reviewing the guideline, policies, reports related to Credit Management and Credit Risk. The committee is responsible for implementation of credit risk policy/strategy approved by the Board/RMC. The proceedings of the committee are regularly reported to RMC. During FY 2076/77 the meeting of Credit Risk Management Committee is held 7 times. The composition of the Committee is:

DGM- Operations	Chairperson
AGM- Operation/Compliance	Member
AGM- Credit	Member
Chief Risk Officer (CRO)	Member
Head of Credit Administration Department	Member
Head of Inspection Department	Member
Head of Treasury Department	Member
Head of Legal Department	Member
Head of Planning and Development	Member
Incumbent from "C" category branch Kathmandu Valley	Member
Incumbent from "A" category branch	Member
Incumbent from "B" category branch	Member
In-Charge of Retail Assets Cell	Member
In-Charge of Corporate Credit Cell	Member
In-Charge of SME Cell	Member
Official from RMD-Credit	Member Secretary

Responsibilities

- Recommend Policy, Strategy, guideline, product paper related to Credit Administration and Credit Risk Management to the Risk Management Committee for approval.
- Assess, Identify, Measure, Monitor credit risk and ensure compliance with limits approved by the Board/ RMC.
- Recommend RMC, for its approval, the product papers, policies on standards for presentation of credit proposals, financial covenants, rating models its benchmark e.tc.
- Recommend delegation of credit approving powers, prudential limits on large credit exposures, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning changes and regulatory/legal compliance

c. Asset liability management Committee (ALCO)

ALCO is a senior management level committee responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. The committee proceedings are quarterly reported to the RMC and Board.

Bank has established middle office under the regulatory guidelines for monitoring exposures based on limit set up by the Board and NRB including regulatory norms, prudential ceiling and delegation of authorities on Liquidity and Market Risk. Middle office is also conducting ALCO meetings and market risk reporting to ALCO. In FY 2076/77, 10 ALCO meetings have been conducted. The composition of the Committee is:

Chief Executive Officer	Chairperson
Senior Executives of the bank i.e.	
- DGMs	Member
- AGMs	Member
Chief Risk Officer (CRO)	Member
IT Official-MIS	Member
Head-Planning and Development	Member
Head-Marketing	Member
Head-Treasury Department	Member
Official representing HO Credit	Member
Official representing Treasury	Member
Middle Office	Convener

Responsibilities

- Monitoring the structure/composition of bank's assets and liabilities identifying balance sheet management issues like balance sheet gap, interest rate gap/profiles etc that are leading to under performance.
- Developing maturity profile and mix of incremental assets and liabilities.
- Determining interest rates of the bank and deciding on the future business strategy.
- Reviewing and documenting bank's funding policy.
- Deciding the transfer pricing policy of the bank.
- Evaluating market risk involved in launching of new products.
- Reviewing deposit-pricing strategy for the local market.
- Receiving and reviewing reports on liquidity risk, market risk and capital management.
- Reviewing liquidity contingency plan for the bank.
- Develop alternate strategies deemed appropriate, which take into account changes in:
 - Interest rate levels and trends,
 - Deposit and loan products and related markets,
 - Banking regulations, and
 - Monetary and fiscal policy.

RISK MANAGEMENT



Risk are usually defined as adverse impact on profitability, present or future, as an outcome of actions or events within or outside the organization. The bank during the course of business continuation process cannot avoid or eliminate risks, so the bank has to assume some risks in order to maintain existing healthy growth and good returns to the shareholders. Risk management is the process by which a bank identifies, measures, monitors and controls its risk exposures to ensure that:

- a. Risks are understood
- b. Risks are within tolerances set by the board of directors
- c. Decisions having inherent risks are consistent with strategic business objectives
- d. Risk taking decisions are explicit and clear
- e. The expected returns compensate for the risk taken
- f. Capital allocation is consistent with risk exposure
- g. The bank's performance incentives are aligned with risk tolerances.

Risk Management is the application of proactive strategy to plan, organize, and control different types of risks which are faced by a business organization. In times of volatility and fluctuations in the market, financial institutions need to prove their mettle by withstanding the market variations and achieve

sustainability in terms of growth maintaining a stable share value. Hence, an essential component of risk management framework would be to mitigate all the risks and rewards of the products and service offered by the bank. Thus the need for an efficient risk management framework is paramount in order to factor in internal and external risks.

Basel Committee, on Risk Management Process mentions that "banks and banking groups must have comprehensive risk management processes (including board and senior management oversight) to identify, evaluate, monitor and control or mitigate all material risks and to assess their overall capital adequacy in relation to their risk profile. These processes should be commensurate with size and complexity of the bank".

The bank shall not only view the risk management function as a process of eliminating all kinds of identified risks to the greatest extent possible but a more holistic approach shall be taken whereby risk retention is considered appropriate after giving due consideration to factors such as specific risk characteristics of the obligor, inter relationship between risk variable and corresponding return and achievement of various business objectives within the controlled operational risk environment.

The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, clear purpose and understanding so that it can be measured and mitigated.

The risk management shall continue to be viewed as a journey, not a destination. The Bank recognizes the need to understand and manage the risk inherent in various underlying activities. All analytical, decision making and implementation processes should be oriented towards prudently managing the risk before focusing on the potential reward.

Board Level Risk Committee

The Board sets policy, strategy and objectives, and oversee the executive function. It sets risk appetite and ensures that it is reflected in business strategy and cascaded throughout the organization.

For the effective risk management, Board has formed a board level committee called Risk Management Committee (RMC) which assists the board in setting risk strategy/policies as stipulated by Nepal Rastra Bank. It devises the risk management policy of the bank including credit, market and operational risk, risk integration, implementation of best risk management practices and setting up various risk limits of the bank. The Committee receives reports from management

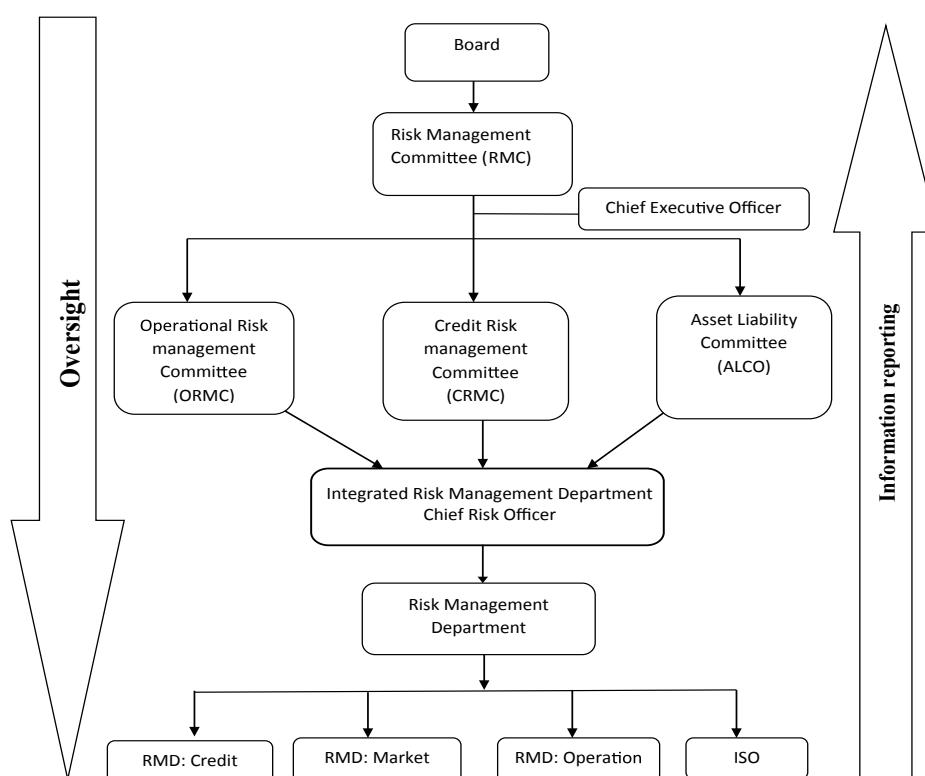
and after discussion and deliberations reaches in a conclusion that existing action taken by the management are appropriate or elevate the situations to the Board where further action is required with its recommendation. In FY 2076/77 the RMC meeting is conducted 8 times.

Risk Governance

The risk management framework which consists of board set risk appetite, clear organization setup, well defined roles, well developed tools and processes and well defined policy on each risk areas.

Risk Management framework is supervised by Risk Management Committee (RMC), a committee of Board and supported by functional committees namely Credit Risk Management Committee (CRMC), Asset and Liability Management Committee (ALCO), Operational Risk Management Committee (ORMC). Bank has separate Risk Management Department for identifying, managing, mitigating and controlling potential risk which acts as second line of defense whereas all business functions lies on first line of defense and Internal Audit and Audit Committee on third line of defense. Further, the bank has different policies which directs/supplements the framework. The bank has Board approved operational instructions, book of instructions and clear role definition of each

Functional structure of Risk Management



unit makes the process simple and robust. Bank has also set tolerance limits on different parameters above the regulatory requirement maintaining extra caution level in managing these risks.

Asset Liability Committee (ALCO)

It is a subcommittee chaired by CEO which is entrusted with the work of taking all policy decisions related to market, liquidity and Interest rate risk. The committee looks after the pricing of assets and liabilities and short/long term strategic decision on balance sheet of the bank. The committee proceedings are quarterly reported to the RMC and Board.

Credit Risk Management Committee (CRMC)

It is a subcommittee chaired by DGM (Operation) which is entrusted with the work of taking all policy decision related to credit risk. The committee is responsible for implementation of credit risk policy/strategy approved by Board/RMC. The proceedings of the committee are regularly reported to RMC and Board.

Operational Risk Management Committee (ORMC)

It is a subcommittee chaired by DGM (Credit) which is entrusted with the work of implementing policy/strategies for operational risk management and monitoring compliance of various policies. The proceedings of the committee are regularly reported to RMC and Board.

Credit Risk

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. For measurement of Credit Risk bank has adopted Simplified Standardized Approach (SSA) and for Management of Credit Risk Bank has formulated various policies, procedure and internal guideline that is approved by Board in recommendation of Risk Management Committee (RMC). Bank has a clear guiding document related to loaning power approved by the Board.

The risk based pricing has been introduced by the bank. The assessment ground for sanctioning of new loan, renewal of loan or enhancement of existing loan is defined in book of instruction/Credit & Credit Risk Management Policy of the bank. A separate vertical Credit Administration department in HO and Branches are administering loan related documents, examining loan repayment, record keeping of loan files and related security documents.

All revolving loans are reviewed/ renewed annually. Quarterly Review for all loans of Rs. 1 Crore and above is conducted. Bank is doing comprehensive risk assessment by assessing the loan from internally developed rating models. Separate Recovery Cell has been created and bank has recovery/ write off Policy approved by the Board.

Operational Risk

Operational Risk is loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risks. For measurement of Operation risk Bank has adopted Basic Indicator Approach (BIA) and for management of Operation risk Bank has policies in place, 3 line of defense in practice, risk identification, assessment and monitoring tools are defined, Risk Control and Mitigation tools are in place. Formal channel is defined where by various policies, procedure and internal guidelines are approved by Board in recommendation of Risk Management Committee (RMC).

Bank has effective Internal Control System and Information System for managing Operational Risk. Risk Based Internal Audit (RBIA) has been started in the bank. IT/ System Audit is been done annually by expert external agency and report is submitted to concerned Supervision Department of NRB.

Risk events of the Bank are compiled and instructed the related function to take corrective measures wherever necessary. Such risk events are presented in ORMC, RMC & Board. Bank has Disaster Recovery Policy and Business Continuity Plan incorporated in IT Policy. Further, drill operation has been performed twice in a year and updated if necessary. Human Resource Department of the bank is placing and transferring the employees periodically.

Market Risk

Market risk refers to the risk to a bank resulting from movements in market prices, in particular, changes in liquidity, interest rates, foreign exchange rates, and equity prices. For measurement of Market Risk Bank has adopted Net Open Position Approach and for management of the Market Risk guiding policies such as Assets/Liabilities Management policy, Investment Policy and Treasury management policy and procedure are in place.

Bank has established middle office under the regulatory guidelines for monitoring exposures based on limit set up by the board and NRB including regulatory norms, prudential ceiling and delegation

of authorities on Liquidity and Market Risk. Middle office is also conducting ALCO meetings and market risk reporting to ALCO.

Bank is assessing interest rate risk, foreign exchange risk and equity price risk at a regular interval as per the NRB guidelines and the internal policy in managing market risk and reporting to RMC and the Board on quarterly basis.

Liquidity Risk

Liquidity risk is the potential that the bank may be unable to meet its obligations due or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Bank has been maintaining CRR, SLR, net liquidity ratio and credit to core capital and deposit ratios within the limit approved by the Board and are being monitored on continuous basis. Further, maturity wise structural liquidity table are being prepared as per the regulatory guidelines on monthly basis and reported to the Board on quarterly basis. Bank has also addressed contingency liquidity plan in its policy that is being reviewed annually or on requirement basis.

Compliance Risk

Compliance Risk is the current and prospective risk to earnings or capital arising from violations of or non-conformance with laws, rules, regulations and prescribed practices and it exposes the bank to fines, penalties and payment of damages etc. The bank has separate compliance department which oversee the possible compliance risk of the bank and assist for mitigation of same by developing the policies, guidelines upon approval of the Board.

Internal Control

Internal Control System i.e Audit, Compliance has been reinforcing on the effective implementation of laid down Policies and Procedure. Regular banking activities are being closely monitored through internal control mechanism. Bank is having an appropriate control structure with well-defined control activities at every business level. Duties of officials and staff members of the bank are well defined at all level to avoid conflicting responsibilities. Bank has already placed Code of Ethics and Conflict of Interest Policy for Board Directors and staff. These laid down system are being monitored & reviewed periodically to identify the areas of potential conflicts of interest to minimize Operational Risk at all level. Information system of the bank is upgrading continuously and place to cover

activities of the Bank. Internal Audit Department independently evaluate the adequacy and compliance of the bank's established guidelines for internal control system. Risk Based Internal Audit (RBIA) has been started in the bank, where internal auditor incorporates the measures initiated by branch/ department/ office to manage operational risk. System audit is being done through outsiders till the capability build up of internal personnel and report is submitted to concern Supervision Department of NRB.

Risk assessment due to COVID-19

Global economy has been highly affected due to COVID-19 this year. The virus has affected the array of sectors, including hotel and restaurants, transport, manufacturing, construction, Trade and business. As the banking sector is of no exception. It has hampered the Banks operation/efficiency/business as well as its profitability.

Based on Asian Development Bank's report "economic impact of the COVID-19 Outbreak in Developing Asia" dated 6th March 2020, a report has been prepared under range of scenarios from best case to worst case, on various sectors of the economy that is most likely to be affected as the outbreak continues and reported to the top management.

Further, as the outbreak is prolonging, whole economy has been slowed down affecting almost every sector of the economy. In order to analyze the magnitude of impact due to pandemic on various sectors of economy, Risk Management Department has conducted a survey to study the degree of severity that the COVID-19 is likely to cause to different sectors in the near future and a report was prepared categorizing sectors from highly impacted to low impacted and exposure of the bank on each category and reported to Risk management Committee (RMC) and as well as Board through RMC proceedings. The impact assessment is a continue process in the bank till the Covid outbreak effect remains.

To provide the uninterrupted safe banking services even in the time of Corona virus (COVID 19) pandemic and to minimize the likely impact on the health of Bank employees, customers, vendors including service providers & all stakeholders, Bank has defined guidelines "Banking Service Operation Guidelines, 2020". Under the guidelines, Covid 19 safety management committee has also been formed which looks after Covid related safety measures and keeps the record of Covid affected staffs/family members. Further, information in this regards are reported regularly to the Board through various committees.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility (CSR), in recent times, has become an integral part of business. The contribution of banks in this regard is of paramount importance considering their unique position in the economy. It is believed that through CSR, the Bank's business will grow consistently and responsibly, benefitting those who directly serve while also promoting the conservation of natural environment and the community at large. The objective of the banks is to pro-actively support meaningful socio-economic development in the country and enable a larger number of people to participate in and benefited through the bank's CSR activities.

CSR has been evolved as an important tool to increase competitive advantage through enhanced reputation, raise brand awareness and build trust with customers and other stakeholders. Besides, NRB via its Directive No. 06, Section 10 has advised for the allocation of 1% of Net Profit towards the CSR activities. Further, the areas of CSR activities prescribed by NRB include:

- Direct and indirect expenditure in social projects namely Education, Health, Natural calamities management, Environment Preservation, Cultural Promotion, Basic Infrastructure improvement in rural areas, Income earning capability enhancement of socially backward community, financial literacy, Customer Protection programs.
- Focus on Toilet Facility and Drinking Water Facility: Bank shall focus on providing Toilet facility and Drinking water facility where there are no availability of same. Bank shall prepare the list of such community based schools and colleges located in rural and remote areas.
- Sustainable Development Goals: The areas identified by Nepal's Sustainable Development

Goals, 2016-2030, direct and indirect expenses assisting for its achievement.

- Direct Donation Expenses for Education and health expenses for people living under extreme poverty. Child Day Care Center: Expenses incurred for Child Day Care Center for the sake of employees working in the organization.

The Bank has been conducting different activities for CSR related activities. Those CSR activities helped the community for betterment of living standard of the people. The CSR activities enhanced the brand visibility of the bank as well as help to create a strong bonding with the community.

During the year, CSR Fund of NPR 20,037,222 (Previous year NPR 30,541,221 has been appropriated being 1% of net profit. The CSR expenses incurred during the year amounting to NPR 45,199,659 (Previous year NPR 17,531,004) has been charged to statement of profit and loss with corresponding addition in retained earnings. The detail of expenses incurred during the period are as follows:

Particulars	31 Ashad 077
Education	5,490,551
Health	16,719,459
Environment	17,633,355
Financial Literacy	37,600
Old Age Homes/Orphanage	1,937,500
Culture/Heritage Related	3,381,195
Total	45,199,659





Public Toilet Construction at Baneshwor



Environment friendly Crematorium handover at Pashupatinath



Crematorium handover at Swargadwarighat



CSR Program Teej Festival with Senior Citizen



Environmental friendly Crematorium handover at Pashupatinath



Bank's contribution to Central Government Relief Fund



Tree plantation at Teku



Cheque handover to Teach for Nepal



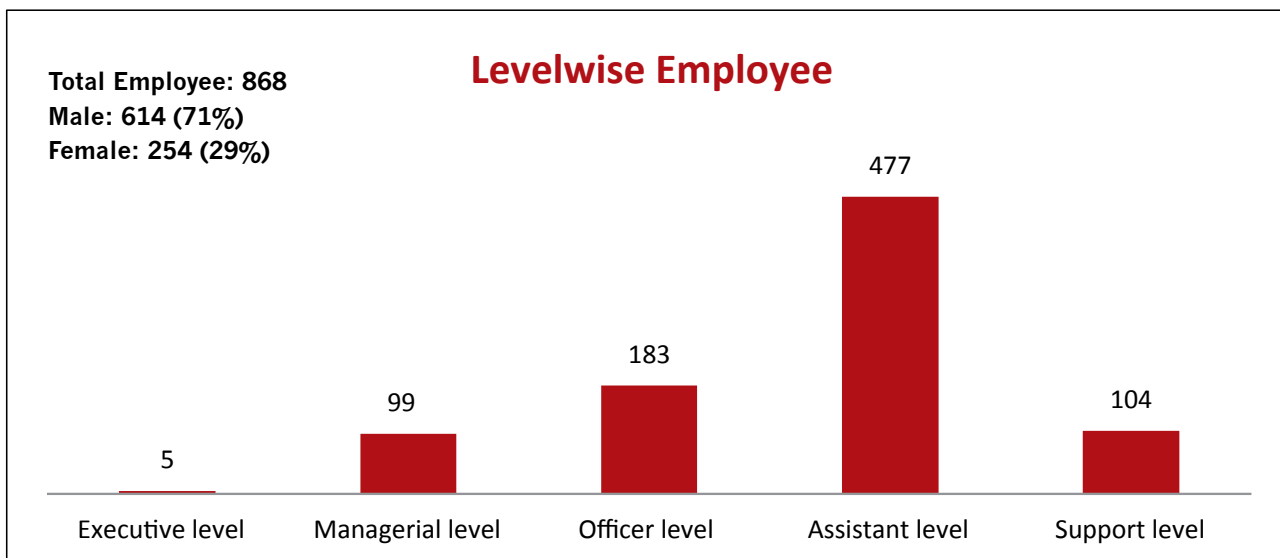
Human Resource Management

Success of banking business is determined by how we manage the people and how we manage the risks. Managing the people is the key challenge, right from recruitment to retention, motivation to development determines proper functionality of human resource management. Even more, managing people at difficult times was a learning experience for HR this year.

Every employee embedded to organizational goal, value and culture driven defines the organization

shape. The Human Resources contributes to the success of the Bank through leadership, service and excellence in human resource management. At Everest Bank, Quality workforce has been considered as the foundation of its success and we invest in our human capital. Motivating and nourishing each individual employee through learning and development, career growth and providing them proper learning space has credited for our success.

The staff strength of the Bank at the end of Fiscal Year 2076-77 has been presented below:



Learning and Development

Online/virtual learning and development become a new normal and has become imperative more than ever. This year the trainings composed of both In-house and external trainings including international. Both physically and virtual training were combined to educate our employee on basic core banking areas, compliance and digital banking.

International trainings such as Financing Infrastructure Projects, Risk Management, Management Development Program, Assets Liability Management, Advance program on Corporate Lending, Cyber Security and Enhancing Leadership Program were provided. Besides, regular and general banking trainings have been provided to employees.

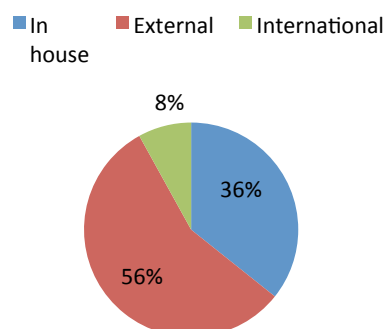
Memorandum of Understanding (MOU) with National Banking Institutes had been signed to take care of learning and development part of the Bank, where exclusive and online learning courses were conducted. EBL toastmaster platform has been introduced to enhance the skills in effective communication, public speaking and leadership development which is in initial phase and expect gradually to take pace.

112 trainings (in-house and external) were conducted on various area of banking functions and also soft skill development where total number of 1386 participated.

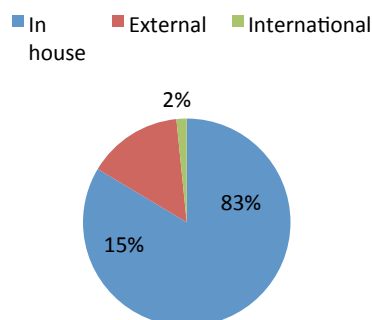
Major highlights of achievement of Human Resource Department during fiscal year 2075/76.

1. Conducted recruitment and selection process of fresh Junior Assistants.
2. Conducted promotion in various levels.
3. Tied up with visiting faculty of IT and Risk Management for EBL Training Academy.
4. Administration of proceeding of Collective Bargaining Agreement 2075.
5. Initiated amendment of Staff Service Byelaws as per Nepal Rastra Bank model Byelaw.
6. Processed transfer of staff members at various level.
7. Cluster wise/Region wise trainings organized incorporating maximum number of employees.
8. Conducted trainings through video conference facility and initiated e-learning module (Saraswati apps).
9. Developed Annual Training Calendar for 2076-77 divided into quarterly basis for effective review and implementation.

Trainings



Participants



Glimpses of 25th Annual General Meeting



COMPLIANCE



Compliance in conjunction with Risk and Good Governance is the top most priority for the Bank. In order to further strengthen the Compliance function in the bank, the bank has set up a separate Compliance Department headed by Head of Compliance Department. It has two wings namely General Compliance Unit under the direct supervision of Head of Compliance Department and KYC/AML/CFT Unit headed by Designated Compliance Officer of the Bank. Further, it has designated compliance officer at all Head Officer functional department, Province Office, each branch office and Representative Office as an extended arm of Compliance Department to ensure meticulous compliance across the Bank. The bank has also in place the board approved Compliance Policy and KYC/AML/CFT Policy which used to be reviewed once in a year or as per the requirement.

Further, the Assets Laundering Prevention Committee of the Board has been formed under the chairmanship of Non-Executive Director in line with the provision of Directives of Nepal Rastra Bank. The Committee oversees implementation of Assets (Money) Laundering

Prevention Act, 2064, Assets (Money) Laundering Prevention Rules, 2073, NRB Unified Directives and other legal and regulatory requirements related to Money Laundering Prevention. For smooth functioning of the Committee, the bank has also placed the board approved Terms of Reference. The Committee review the quarterly reports on implementation status of the AML/CFT framework in the Bank and place the report to the Board. The Committee met five times during the fiscal year 2076/2077 and discussed the KYC/AML/CFT related status of the bank.

During the fiscal year 2076/2077, the bank has further strengthened its KYC/AML/CFT Compliance by subscribing to Accuity's Data File of M/s. Reed Business Information Limited, UK to enable all the branches of Bank to screen the customers against Accuity's data file on real time basis. The Accuity's data file consists of major global sanctions list, politically exposed persons (PEPs) and close relatives and associates (CRAs), data, enforcement and adverse media data.



BRANCHLESS BANKING

Bank is providing Branchless Banking (BLB) facility based on Internet and Mobile Banking service through agents. Main objective of the bank under this product is to provide banking services through business correspondents as per NRB guidelines to the most remote, low bank segment and unbanked areas where potentiality of financial activity is high. EBL has always envisioned serving its customers with new and advanced technologies. Therefore, we always strive to incorporate and reflect the interests of our customers in the products and make it more efficient and convenient. EBL currently provides BLB services in all provinces via 488 Business Correspondents (BCs).

Further, with a view to reach the rural/semi-rural areas as well as to increase our customer base and core deposit, we have started a mobile/tab based service under the name "Branchless Banking" or "MOBILE ATM" for our customers. Currently, we have more than eighteen thousands customers who have been

benefiting from this service. The Account holder after registering his/her mobile in the system can transfer funds within the Bank without visiting the Branch. Besides, the customer can also withdraw cash from his/her account from our Business Correspondents by generating code through SMS in registered mobile no. In order to upgrade the Bank's product and provide efficient service to the customers through Branchless Banking, we have introduced the Tab based Banking under Branchless Banking since last year. Tab banking device is integrated with following features:

1. Biometric authentication
2. Card Reader
3. Printer
4. Camera & Scanner

By using the Integrated Tab Device, both literate and illiterate customers can initiate the account opening process, withdraw cash and deposit cash in the concerned Everest bank account.

अब EVEREST TAB BANKING

व्यावसायिक प्रतिनिधि मार्फत

अब घर आगनमा एभरेस्ट बैंकको बैंकिङ्ग सेवा
शाखा रहित बैंकिङ्ग मार्फत



खाता खोल्न सकिने



बचत गर्न र पैसा
भित्र गर्न सकिने



साम्ग, बिहान,
तथा बिचामा पनि
सेवा लिन सकिने



अब जानु पर्दैन बैंकमा, घरबाट
खोलौं खाता अनलाईनमा



www.everestbankltd.com वेबसाइटमा गएर अनलाईन खाता
खोल्ने लिंकमा क्लिक गर्नुहोस्।



एभरेस्ट बैंकको MISSED CALL सेवा

२ घण्टी
बचाओ

०१-८८८३३७८

तल ला रजिस्टर गरिएको मोबाइलबाट Missed Call गर्नुहोस् र
तुरुन्तै S.M.S मार्फत आफ्नो Bank Balance को जानकारी
पाइनुहुनेछ साथै प्रत्येक महिना इलेक्ट्रोनिक मार्फत आफ्नो खाताको
Statement प्राप्त गर्नुहुनेछ।

* MISSED CALL सेवा प्रयोग गर्नको लागि आफ्नो मोबाइल
अथवा S.M.S सुविधा अक्षियार्थ रूपमा लिनुपर्ने हुनेछ।

* मोबाइल बैंकिङ्ग सेवा लिनु आफ्नो आफ्नो सहजताअनुसारले बिना
कुनै शुल्क को सुविधा प्रयोग गर्न सक्नुहुनेछ।

फोन नं. : १९९२-८८८३३७८८ टोल फ्री नं. : १९९२८८३३७८८



सुनिश्चित गर्नु हुनेछ।


एभरेस्ट बैंक लिमिटेड
EVEREST BANK LIMITED
 (A Joint-Venture with Punjab National Bank, India)

DIGITAL EVEREST

Digital Everest is an initiative of Everest Bank to integrate the technological advancement enforcing and enhancing financial inclusion through digitization of banking services. It aims at ensuring that the services are made available to customers electronically by reducing paperwork.

Everest Bank is now catering to more than 11 lacs customers. Founded in 1994, the Bank has been one of the leading banks of the country and has been pioneer in introducing various digital services in the history of banking in Nepal.

- Any Branch Banking System (ABBS) in Nepal.
- Branchless banking system to cover unbanked sector of Nepalese society through biometric machine.
- E-ticketing system where customers can buy yeti airlines ticket through internet.
- Online payment of Mobile/PSTN/ADSL/NCELL bill or from the counter as well.
- Cash Deposit Kiosk for the first time in Nepal through which the Customers can deposit Cash conveniently.
- Missed Call alert system to facilitate customer for knowing their current balance.

A digital bank represents a virtual process that includes online banking and beyond. As an end-to-end platform, digital banking encompasses the front end that consumers see, the back end that bankers see through their servers and admin control panels and the middleware that connects these nodes for functioning of the product/services. Ultimately, a digital bank facilitates all functional levels of banking on all service delivery platforms. In other words, it has all the same functions as a head office, branch office, online service, bank cards, ATM and point of sale machines.

There is a lot of scope to expand electronic services to have a more sophisticated customer base. Information and communication technology infrastructure facilities are also to be well developed so the customers can conveniently conduct their banking transactions at a time that suits them and can access their bank account for 24 hours a day and 7 days a week. Latest and better ways of customer services are essential for the growth of the bank and for the banking system as a whole. The effect of digital bank on worldwide banking system is to facilitate existing banking and payment mechanisms, primarily by making the transactions cheaper, faster, more secure, and more convenient.

EBL Digital Product

<ul style="list-style-type: none"> • Online Account Opening • Mobile Banking • Omni Channel Banking • Internet Banking (Retail / Corporate Module) • Managed Online Transaction Processing. • Missed Call Balance inquiry service • Eve – an Intelligent Chatbot 	<ul style="list-style-type: none"> • Self Service Kiosk • Cash Deposit Machines • Cheque Deposit Machines • ATM Services • Cards Services <ul style="list-style-type: none"> (a) Credit Cards (b) Debit Cards • Online Remittance • DP Online • C-ASBA • TAB Banking 	<ul style="list-style-type: none"> • Online Government Tax Payments • Online De-mat renewal charge • Online Bill Payments • e-Ticketing • Online Inter Bank Fund Transfer • Instant QR Payments • QR Merchant Payments service • Load funds in various wallets 	<ul style="list-style-type: none"> • Green Pin- <ul style="list-style-type: none"> (a) e-Banking (b) ATM cards • e-statement • e-Learning system • On-line Customer care • Apply loans online • Online Credit Card bill payments
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EBL TOUCH 24

Now with **added features** for a truly **digital experience**



SECURE, FASTER & RELIABLE

Now with NEW UPDATED FEATURES
Everest Bank Mobile Banking Touch & Transact



SELF REGISTRATION
From your phone



BIOMETRIC ENABLED
Fingerprint / face recognition



FUND TRANSFER
To 50+ Banks



ONLINE TICKETS
Flight, Bus, Movies, Events



LOGIN WITH YOUR MOBILE NUMBER
No need to remember customer id



QR PAYMENTS
At over 1 million outlets



BILL PAYMENTS & TOPUP
Electricity, TV, internet, Mobile and more

Download / Update Now



www.everestbankltd.com


एभरेष्ट बैंक लिमिटेड
EVEREST BANK LIMITED
(A Joint-Venture with **punjab national bank**, India)

REMITTANCE

Our Bank is providing web based online remittance facility through its own product “Everest Remit”. Presently, this remittance facility is available to all the Nepalese migrants working in UAE, Qatar, Bahrain, Oman, UK, USA, Malaysia, South Korea, Japan, Hong kong, Australia and Seychelles. This facility will be extended to other corridors too in due course. In order to facilitate inward remittance and foreign trade, we have tied up with various foreign banks/ agencies in different countries.

Likewise, services from instant money transfer products have already been started through Xoom Corporation, EZ Remit, Xpress Money Transfer, MoneyGram and Western Union Money Transfer. Customer can get easy access to these agencies and

will contribute to increase in inward remittance from worldwide. Further, we are trying to penetrate existing markets deeper to provide services to our customers in a more convenient way.

Similarly, our joint venture partner Punjab National Bank (PNB), India has already launched its’ own remittance product “INREMIT”. Under this facility Nepalese who are working/residing in India can instantly remit money from PNB India to our bank through any branch of PNB or Mobile/Internet banking facility of PNB and through Business Correspondent locations for further payment to beneficiary either by direct credit into A/c maintained with banks in Nepal or cash payment through our 9000+ payout locations.

**एभरेष्ट रेमिट
Account**

विदेशबाट पैसा आउदै छ ?
एभरेष्ट रेमिट को भरपर्दो साथ र एभरेष्ट रेमिट बचत खाता को
उत्तम प्रतिफलको लाभ आजै उठाउनुहोस् ।

अब रेमिट्यान्स सिधै बैंक खातामा

**एभरेष्ट बैंक लिमिटेड
EVEREST BANK LIMITED**
(A Joint-Venture with punjab national bank, India)

Arrangement with Exchange Houses for Remittance/Draft

UAE	<p>Al Rostamani International Exchange Co Dubai, UAE Tel: 00971 4 2951996</p> <p>Al Ahalia Money Exchange Bureau Abu Dhabi, UAE Tel: 00971 2 6229666</p> <p>Al Ansari Exchange Dubai, UAE Tel: 00971 4 3772677</p> <p>Lulu International Exchange Abu Dhabi, UAE Tel: 00971 2 6547009</p>	<p>Index Exchange Company Abu Dhabi, Hamdan Street, UAE Tel: 00971 02 6272656</p> <p>Lari Exchange Abu Dhabi, United Arab Emirates Tel: 00971 2 622 3228</p> <p>Al Razouki International Exchange Co. Dubai, UAE Tel: 00971 4 3932331</p> <p>LM Exchange Dubai, UAE Tel: 00971 4 3540191</p>
Bahrain	<p>Bahrain Finance Company Manama, Bahrain Tel: 00973-17223501/17228888, 17506103</p>	
Qatar	<p>Al Zaman Exchange Doha, Qatar Tel: 00974 44441448</p> <p>Al Jazeera Exchange Doha, Qatar Tel: 00974 44363595</p>	<p>Eastern Exchange Doha, Qatar Tel: 00974 44412655</p>
Kuwait	<p>Bahrain Exchange Company Safat, Kuwait Tel: 00965 2452057, 1824000</p>	
UK	<p>Punjab National Bank (International) Ltd. London, UK Tel: 0044 2077969600</p> <p>Hums Remit Limited (AYO Remit) London, UK Tel: 0044 7863 900493</p>	<p>TransferTo Mobile Financial Services Limited London, UK Tel: 0044 7885536758</p>
Oman	<p>Unimoni Exchange LLC Sultanate of Oman Tel: 00968 24794127</p>	
United States	<p>Xoom Corporation- A PayPal Service Market Street Floor, San Francisco Tel: 0014157774800</p>	
India	<p>Punjab National Bank, New Delhi, India Tel: 23328894/237199094</p>	
Malaysia	<p>Tranglo Sdn. Bhd. Kuala Lumpur, Malaysia. Tel: 00603 2241 4188, 00603 2241 4189</p>	
Japan	<p>Japan Remit Finance Co. Ltd Tokyo, Japan Tel: 0081 3 5733 4337</p>	
South Korea	<p>Finshot Inc. Seoul, South Korea Tel: 0082 70 7728 5618</p>	<p>Coinone Transfer Inc. (Cross) Seoul, South Korea Tel: 0082 1670 2624</p>

Hong Kong	Harbour and Hills Financial Services Limited Kowloon, Hong Kong Tel: 00852 35801722, 00852 35807438	
Singapore	GPL Remittance Pte. Ltd 199588 Singapore, Singapore Tel: +65 6291 2991	
Australia	Lumbini Group Pty Ltd Sydney, NSW 2000 Tel: 0061 4350 22761	
Seychelles	Cash Plus Co. Pty Ltd Victoria, Seychelles Tel: 00248 250 1048	
Global Products	Paypal Inc (Xoom Corporation) Market Street Floor, San Francisco Tel: 0014157774800 Please visit www.xoom.com for further detail.	Transfast Remittance Company 44 wall street, 4th floor New York Please visit www.transfast.com for further detail.
	Xpress Money Services Ltd F10 Church Lane, Kingsbury London United Kingdom	Western Union Money Transfer
	Moneygram International Money Transfer	EzRemit Global (BFC Bank Ltd) Manama, Bahrain Tel:00973-17201826
Nepal	G.M.E Remit Pvt. Ltd (GME Remittance) Lainchaur, Kathmandu Tel: 00977 1 4024069	City Express Money Transfer Kamaladi, Kathamandu Tel: 00977 1 4431900

Remittance Payout locations

Province	District	No of agents	Province	District	No of agents
1	JHAPA	426	4	KASKI	371
	MORANG	374		NAWALPARASI	253
	SUNSARI	297		TANAHU	159
	ILAM	80		SYANJA	133
	UDAYAPUR	78		BAGLUNG	128
	DHANKUTA	64		LUMJUNG	104
	PANCHTHAR	45		MYAGDI	72
	BHOJPUR	44		GORKHA	67
	SANKHUWASABHA	43		PARBAT	63
	KHOTANG	43		MUSTANG	10
	OKHALDHUNGA	40		MANANG	8
	TERHATHUM	28	5	RUPANDEHI	334
	SOLUKHUMBU	20		BANKE	156
	TAPLEJUNG	18		DANG	148
2	DHANUSHA	213		KAPILVASTU	115
	SIRAHA	173		BARDIYA	86
	BARA	159		PALPA	83
	SAPTARI	129		GULMI	65
	PARSA	128		PYUTHAN	48
	SARLAHI	126		RUKUM	40
	MAHOTTARI	111		ARGHAKHACHI	35
	RAUTAHAT	110		ROLPA	27
			6	SURKHET	98
3	KATHMANDU	1806		SALYAN	46
	CHITWAN	379		DAILEKH	29
	LALITPUR	241		JAJARKOT	25
	KAVREPALANCHOWK	124		KALIKOT	15
	BHAKTAPUR	119		DOLPA	11
	MAKWANPUR	116		JUMLA	11
	NUWAKOT	87		MUGU	7
	DHADING	72		HUMLA	3
	DOLAKHA	71	7	KAILALI	162
	SINDHULI	59		KANCHANPUR	76
	SINDHUPALCHOWK	59		DOTI	26
	RAMECHHAP	41		ACHHAM	23
	RASUWA	22		DADELHURA	21
				BAJHANG	15
				BAJURA	15
				DARCHULA	12
				BAITADI	10

Total Payout Location: 9055

Correspondent Banks

USD Nostro Account

- 1) **Standard Chartered Bank**
NY 10048, New York, USA
SWIFT: SCBLUS33
Our USD A/C # 3582-059378-001
- 2) **Habib American Bank**
99 Madison Avenue, New York, NY 10016
Swift: HANYUS33
- 3) **Bank of China**
Head Office, No. 1 of Fu Xing Men Nei Da Jie.
Xicheng District, Beijing, China
Postal Code: 100818
Swift: BKCHCNBJXXX
- 4) **Mashreq Bank New York**
Account No: 70009908
Swift Code: MSHQUS33
- 5) **KOREA EXCHANGE BANK(KEB), SEOUL**
Account No: 0963-THR-051110011
Swift Code: KOEXKRSE

GBP Account

- 1) **Standard Chartered Bank**
1 Basinghall Ave London EC2V 5DD,
United Kingdom
SWIFT: SCBLGB2L
IBAN No: GB71 SCBL 6091 0412 6794 85
A/C: 01267948501

EURO Account

- 1) **Standard Chartered Bank**
Frankfurt, Germany
SWIFT: SCBLDEFF
Our Euro A/C #017043206

INR Account

- 1) **Punjab National Bank**
New Delhi, India
Tel: 23328894/237199094
SWIFT: PUNBINBDOB
Our INR A/C # 2254002100011251
- 2) **Standard Chartered Bank**
Kolkotta 700 001, India
Tel: 22205271/22200829
SWIFT: SCBLINBBCAL
Our INR A/C# 32205019343
- 3) **HDFC Bank Ltd.**
Manekji Wadia Bldg. Nanik Motwani Marg
Fort, Mumbai, India
Swift: HDFCINBB
Tel: 28474900/4902884
Fax: 28S69271
Our INR A/C# 00600390000146

JPY Account

- 1) **Standard Chartered Bank**
Tokyo, Japan
SWIFT: SCBLJPJT
Account No.: 23079361110

GRIEVANCE HANDLING/CUSTOMER QUERIES

The bank has set up Customer Care Center as a desk to act as “Grievance Handling Desk” where customers can approach through telephone, SMS, email, online portal and bank’s social media where all queries, suggestions, complaints are being attended.

As mandated by Nepal Rastra Bank, the bank has appointed “Information Officer” and “Grievance Handling Officer”. “Customer Service Policy” has been formulated by the bank in order to enhance the Customer Services with motto “Service with a Smile”. The various tools for enhancing the bank’s Customer Service, monitoring system, role and responsibilities for implementation of policy, review mechanism have been defined in the policies.

All the lodged queries/grievances/disputes at Customer Care Center were responded properly and being resolved in time. The grievances/disputes were escalated to the competent authority along with steps taken for prompt resolution. Standard Operating Procedure (SOP) for Grievance Handling and Dispute Resolution Process has been defined and implemented. Turn Around Time (TAT) is being also monitored.

There is a reporting/review mechanism on queries/grievances to the management/Operation Risk Management Committee/Risk Management Committee/Board/NRB on the periodicity as set in the policy and NRB.

The bank has started giving awareness of banking products and services to the customers through social media like Facebook, Instagram, Youtube channel, etc. In order to auto response of the customer queries on Facebook, a Chatbot service has been introduced. Further, bank has been also conducting “Financial Literacy” program to the customers regarding banking services and products through social media, website, and conducting other programs in schools/colleges.

During fiscal year 2076-77, altogether there were 14171 numbers of queries and 1498 numbers of grievances/complaints were lodged in Customer Care Center, Reception Desk and branches as well. All queries and grievances lodged during Fiscal Year 2076-77 have been resolved.

This disclosure is as per NRB Unified Directives No. 20, Sub-point 9.

BANKING OPERATION AND FUNCTION

Banking operation is one of the key functions of the banking industry. Presently, the bank is providing banking services to its customers from 96 branches, 3 extension counters, 124 ATMs and 31 revenue counters all over Nepal. Operation Department at Head Office is monitoring, supervising and looking after the operational affairs of the branches including inter branch coordination on operation issues.

In the Fiscal Year 2076-77, the bank has revised “Book of Instructions on Bank Routine (Operations)” for streamlining the systems and procedures and to reflect the correct picture and to serve as full-fledged guidelines for banking operation. Trainings are being provided to the field functionaries.

Cash management is the term that relates to the accumulation, concentration and outlay of cash. Bank is a service-based industry and the cash is the basic inventory of the Bank. Cash management is another important challenge for the bank which is monitoring on daily basis for timely disposal.

The bank as established separate Customer Care Center for customer’s queries, grievances, suggestions etc. and in the process of set up of 24 x 7 Customer Call Center soon.



नेपाल राष्ट्र बैंक बैंक सुपरिवेक्षण विभाग



दरबारमार्ग, काठमाडौं।
फोन नं.: ४४९९८०५, ७
फ्याक्स नं.: ४४९०९५९
Site: www.nrb.org.np
Email: bsd@nrb.org.np
पोष्ट बक्स: ७३

प.सं: बै.सु.वि./अफसाइट/एजिएम/१०/२०७७-७८

मिति: २०७७ ०८/२८

✓ एभरेष्ट बैंक लिमिटेड
लाजिम्पाट, काठमाडौं।

विषय: लाभांश घोषणा/वितरण तथा वित्तीय विवरण प्रकाशन सम्बन्धमा।

महाशय,

त्यस बैंकबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ४७ को उपदफा (२) का प्रावधानहरु पालना गरेको देखिएको हुँदा, उक्त ऐनको उपदफा (१) बमोजिम त्यस बैंकले प्रस्ताव गरे बमोजिम रु.४२,३५,१०,३४२।०० (अक्षरेपी बयालिस करोड पैतिस लाख दश हजार तीन सय बयालिस मात्र) बराबरको बोनस शेयर तथा रु.४६,८०,९०,३७८।०० (अक्षरेपी छयालिस करोड असी लाख नव्वे हजार तीन सय अठहत्तर मात्र) नगद लाभांश (लाभांशमा लाग्ने कर समेत) गरी शेयरधनीहरुलाई कुल रु. ८९,१६,००,७२०।०० (अक्षरेपी उनानव्वे करोड सोह्र लाख सात सय बीस मात्र) अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट पारित भएको अवस्थामा मात्र वितरण गर्न स्वीकृति प्रदान गरिएको तथा आ.व. २०७६/७७ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशनहरु सहित सार्वजनिक गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार जानकारी गराउँदछु।

- लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका सम्पूर्ण कैफियतहरु पूर्ण रुपले सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने आवश्यक व्यवस्था मिलाउनु।
 - यस बैंकबाट जारी गरिएको निर्देशन नं. १० को बुँदा नं. ७ बमोजिम इजाजतपत्र प्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेयरमा लगानी गर्दा चुक्ता पुँजीको बढीमा १५ प्रतिशत र अन्य बैंक तथा वित्तीय संस्थाहरुमा चुक्ता पुँजीको बढीमा १ प्रतिशतसम्म मात्र लगानी गर्न सकिने व्यवस्था रहेकोले उल्लिखित सीमाभन्दा बढी शेयर धारण गर्ने संस्थापक शेयरधनीहरुलाई सो सीमाभित्र नल्याएसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।
 - बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३ को दफा ११ को उपदफा ३ मा बैंकको चुक्ता पुँजीको २ प्रतिशत भन्दा बढी शेयर धारण गरेका संस्थापकहरुले आफुले धारण गरेको शेयर बिक्री तथा धितो बन्धक राख्दा नेपाल राष्ट्र बैंकको स्वीकृति लिनु पर्ने व्यवस्था रहेकोले नेपाल राष्ट्र बैंकको स्वीकृति नलिई आफुले धारण गरेको शेयर धितो बन्धक राखी अन्य बैंक तथा वित्तीय संस्थाबाट कर्जा उपयोग गरेका संस्थापक शेयरधनीहरु रहेमा ती संस्थापक शेयरधनीहरुलाई सोको स्वीकृति नलिएसम्म वा शेयर धितो बन्धक राखी उपयोग गरेको कर्जा पूर्ण रुपमा चुक्ता गरी शेयर फुकुवा नगरेसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।
- उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नुहुन।

भवदीय,

(कृष्ण शरण फुयाल)
उप-निर्देशक

बोधार्थ

- नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग।
- बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, एभरेष्ट बैंक लिमिटेड।



Everest Bank Limited
Lazimpat,
Kathmandu, Nepal

December 10, 2019

Dear Sir,

Issuer Rating

1. On the basis of recent developments including operational and financial performance of Everest Bank Limited for FY 19 and Q1FY20 (UA), CARE. Ratings Nepal Limited's (CRNL) Rating Committee has reviewed the following Ratings.

Facility/Instrument	Amount (Rs. Million)	Rating	Rating Action
Issuer Rating	NA	[CARE-NP] AA- (Is) [Double A Minus (Issuer Rating)]	Reaffirmed

2. The rating is only an opinion on the general creditworthiness of the Bank and not specific to any particular debt instrument.
 3. The explanatory notes regarding the rating symbols of CRNL for Issuer Rating are given in Annexure I. The rationale for this rating will be communicated to you separately.
 4. CRNL reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
 5. CRNL reserves the right to revise/reaffirm/withdraw the rating assigned, as a result of periodic review/surveillance, based on any event or information which in the opinion of CRNL warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CRNL so as to enable it to carry out continuous monitoring of the rating of the debt instrument; CRNL shall carry out the review on the basis of best available information throughout the life time of such instrument. CRNL shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
 6. Users of this rating may kindly refer our website: www.careratingsnepal.com for latest update on the outstanding rating.
 7. CRNL's Ratings are **not** recommendations to buy, or sell or hold any securities of the issuer.
- If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CRNL.

Thanking You.

Shalini Sanghai

[Shalini Sanghai]
Senior Manager



Yours faithfully,

Giri Raj Kandel

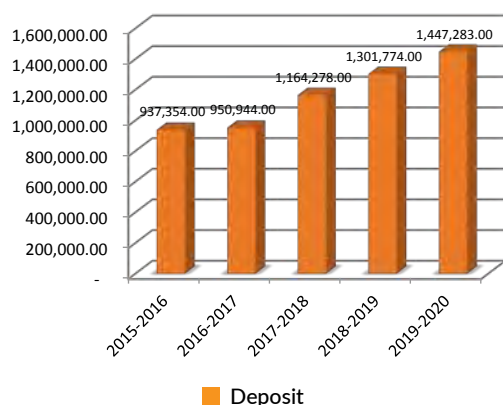
[Giri Raj Kandel]
Analyst

CARE RATINGS NEPAL LIMITED

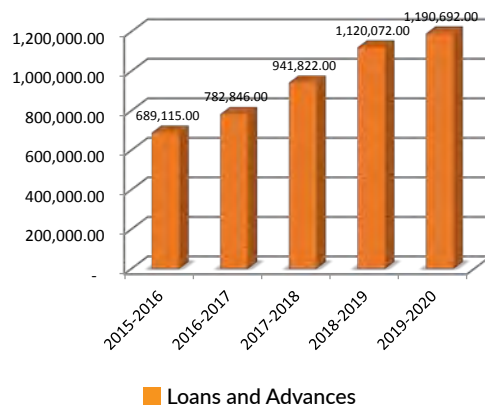
Godrej House, 3rd Floor, Teendhara Marg, Kamaladi, Kathmandu - 44600.
Tel.: +977-1-4445472/73/74 | Email: care@careratingsnepal.com | Website: www.careratingsnepal.com

Key Financial Indicators

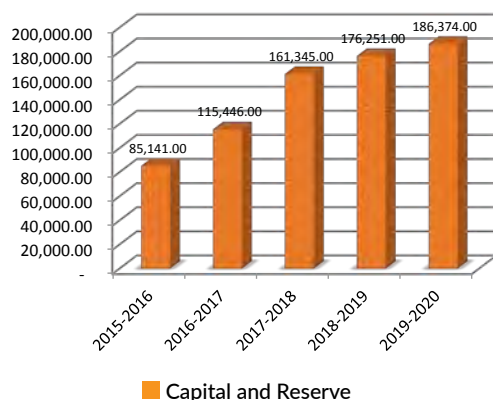
Deposit (Rs. In Lacs)



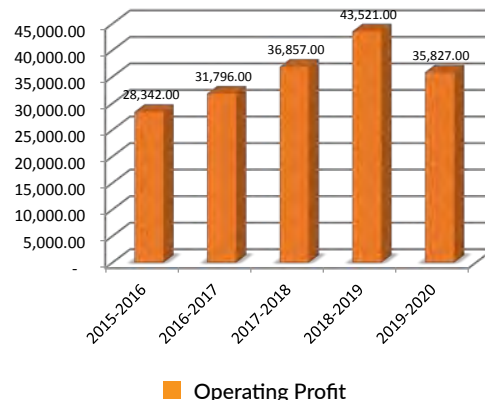
Loans and Advances (Rs. In Lacs)



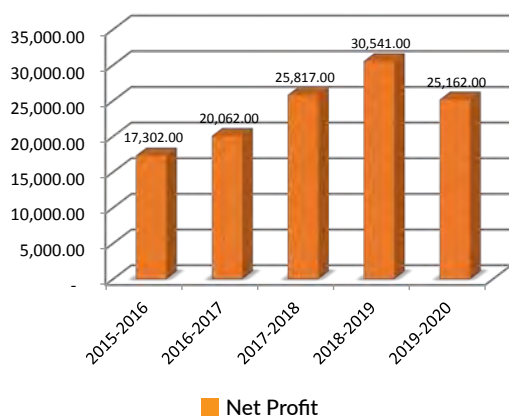
Capital and Reserve



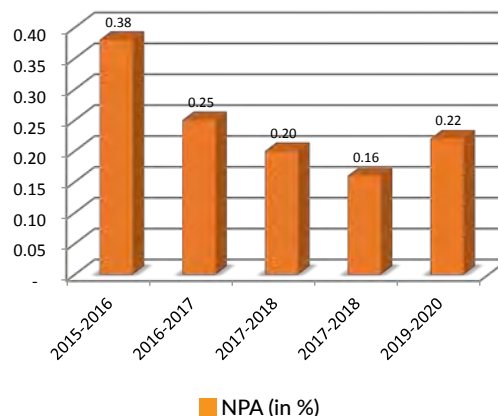
Operating Profit



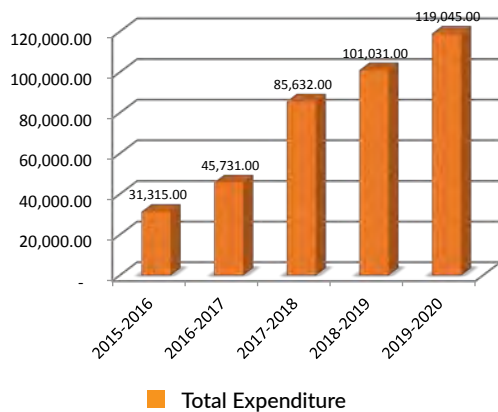
Net Profit



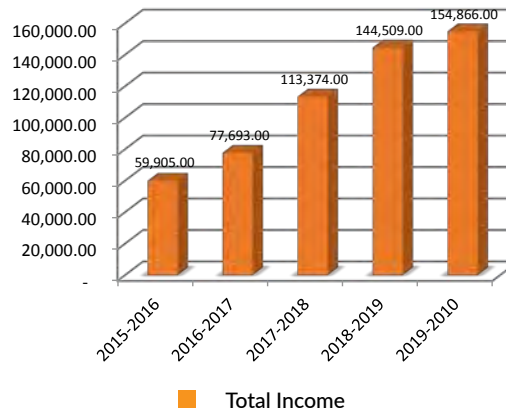
NPA (in %)



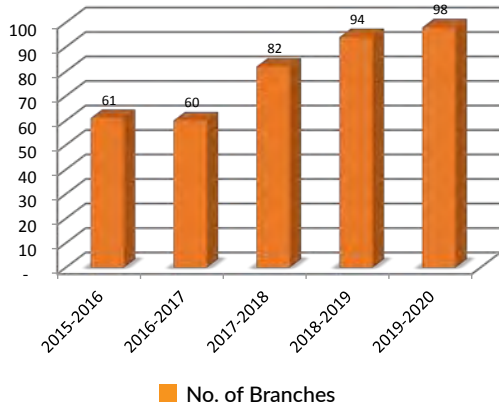
Total Expenditure



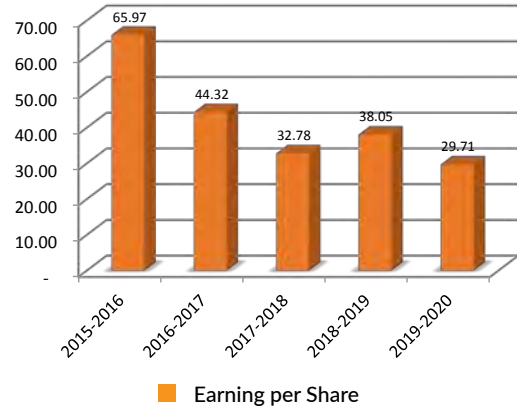
Total Income



No. of Branches



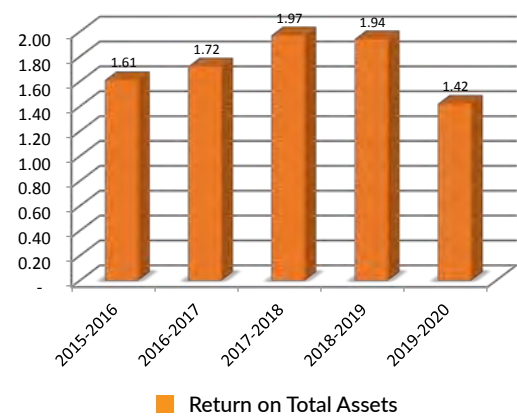
Earning per Share



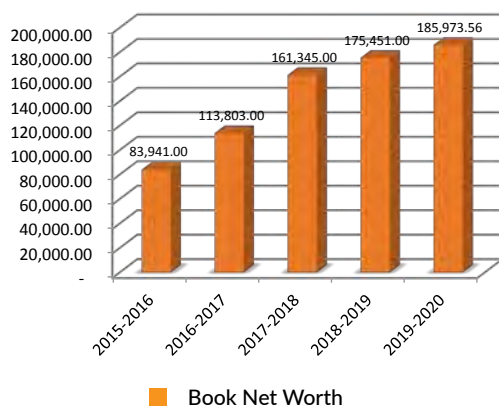
Price Earning Ratio



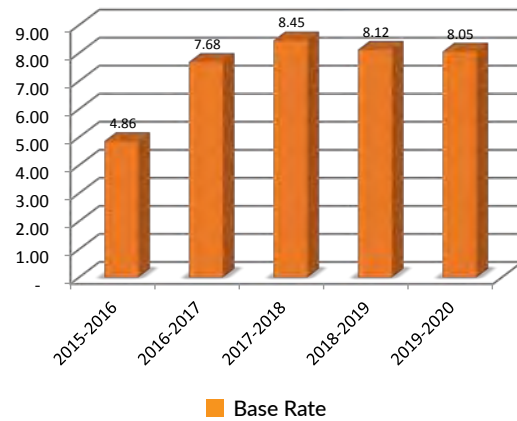
Return on Total Assets



Book Net Worth



Base Rate



BOARD OF DIRECTORS



B. K. Shrestha
Chairman



Dr. Bal Gopal Baidya
Director



Arun Man Sherchan
Director



Anil Bansal
Director
(Punjab National Bank, India)



Navin Bhakta Shrestha
Director
(Public Shareholders)



Mrs. Urmila Shrestha
Director
(Public Shareholders)



Dr. Nirmal Kumar Bista
Independent Director

Suresh Chapagain
Company Secretary

Sr. Advocate Shambhu Thapa
Legal Advisor

Auditor
Sundar Man Shrestha, FCA
Partner, Sundar & Co.
Chartered Accountants

DEPARTMENT HEADS



Bijay Kumar Gautam
 Chief Manager
 IT



Raghunath Pradhan
 Chief Manager
 Compliance



Anju Sharma
 Chief Manager
 SME



Anil Kumar Karki
 HR & Remittance



Jamuna Tamrakar
 Chief Risk Officer



Dharma Prasad Gauli
 Legal



Sumit Kumar Amatya
 Internal Audit



Rajan Kayastha
 Accounts



Priti Lama
 Operation



Dev Ranjan Dangal
 Planning



Yadav Bhandari
 Treasury



Puspa Raj Uprety
 Marketing



Madhusudan Shrestha
 ATM & Card



Mahesh Bajracharya
 GAD

PROVINCIAL HEADS



Purna Bahadur Shrestha
Province No. 1



Pranay Pradhan
Province No. 2



Santosh Kr. Bhattarai
Bagmati Province



Raju Gauli
Gandaki Province



Bishnu Gyawali
Lumbini Province



Raj Kumar Shakya
Karnali Province



Satish Pratap Singh
Sudur Pashchim Province

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Province No. 2

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New Baneshwor Branch

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E-mail: ccc@ebl.com.np

New Road Branch

Mr. Janak Chapagain

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Everest Bank Branches Network



Province 1

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☺ Duhabi ☺ Fikkal ☺ Inaruwa ☺ Itahari ☺ Kanchanbari ☺ Khandbari
☺ Mahakulung ☺ Okhaldhunga ☺ Silichong

Province 2

☺ Birgunj ☺ Chandranigahapur ☺ Garuda ☺ I.C.D. ☺ Janakpur ☺ Kalaiya
☺ Kanchanpur ☺ Mahendranagar ☺ Mirchaiya ☺ Pipra ☺ Rajbiraj ☺ Simara

Bagmati Province

☺ Bagbazar ☺ Bagdol ☺ Balaju ☺ Banepa ☺ Battar ☺ Bhaktapur
☺ Chabahil ☺ Dhading ☺ Dupcheshwor ☺ Golfutar ☺ Gongabu ☺ Gwarko
☺ Hetauda ☺ Jadibuti ☺ Jorpati ☺ Kalimati ☺ Kirtipur ☺ Lagankhel
☺ Lazimpat ☺ Maitidevi ☺ Narayangarh ☺ New Baneshwor ☺ New Road ☺ Parsa
☺ Pulchowk ☺ Sanogaun ☺ Satdobato ☺ Satungal ☺ Sitapaila ☺ Tandi
☺ Teku ☺ Thamel ☺ Naxal (Gairidhara)

Gandaki Province

☺ Amarsingh ☺ Baglung ☺ Beshishahar ☺ Biruwa ☺ Gorkha ☺ Kawasoti ☺ Kushma
☺ Lekhnath ☺ Pokhara ☺ Syangja

Lumbini Province

☺ Basgadhi ☺ Bhairahawa ☺ Butwal ☺ Chandrouta ☺ Gulariya ☺ Kohalpur ☺ Krishna Nagar
☺ Lamahi ☺ Lumbini ☺ Nepalgunj ☺ Sandhikharka ☺ Taulihawa ☺ Tulsipur

Karnali Province

☺ Rukum ☺ Surkhet

Sudur Pashchim Province

☺ Attariya ☺ Bajhang ☺ Bauniya ☺ Dhangadhi ☺ Dipayal ☺ Jhalari
☺ Lamki ☺ Mahendranagar ☺ Shikhar ☺ Sukkhad ☺ Surma ☺ Talkot ☺ Tikapur

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