

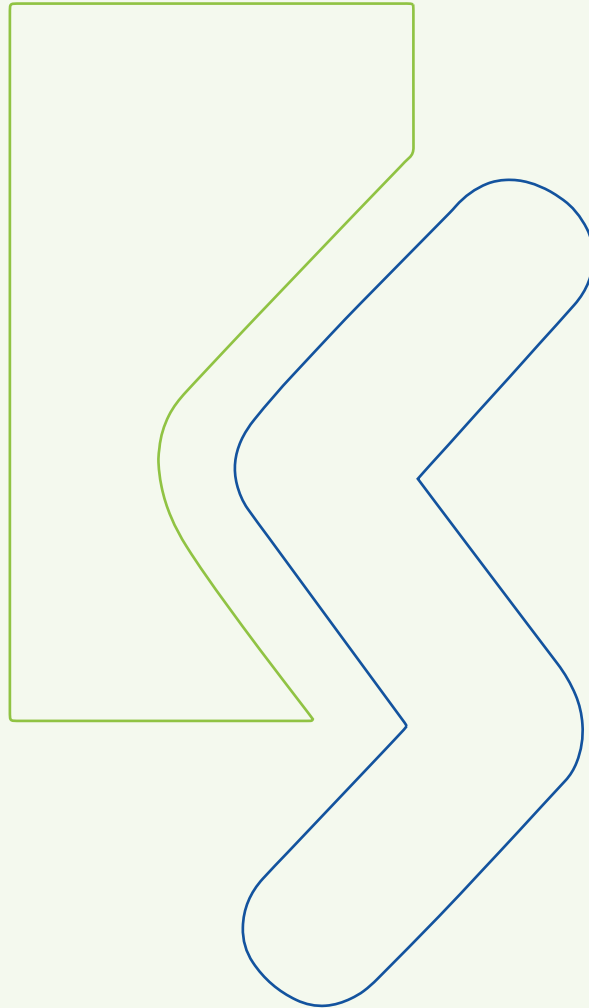
18th
Annual Report
2023/24



**THRIVING
FOR PROSPERITY**



प्रगतिको आधार, कामना सेवा सँग कारोबार



ANNUAL REPORT 2023-24

"The term 'KSBBL' or 'the Bank' refers to Kamana Sewa Bikas Bank Ltd.

Annual Report - FY 2080-81 contains the Annual Financial Statements along with significant accounting policies and notes to the account. It also comprises the relevant disclosure as required under statutory requirements and other useful information to the bank's stakeholders."



OUR IDENTITY

Kamana Sewa Bikas Bank Limited is a National-Level Development Bank registered with the Government of Nepal under registration number 997/063/64 at the Office of the Company Registrar. It is licensed by Nepal Rastra Bank to conduct "B" class banking operations. The bank was formerly known as Kamana Bikas Bank, which received its operating license for financial transactions from Nepal Rastra Bank on 24th of Shrawan, 2064, with its head office located in Dandakonak, Lekhnath, Kaski. Kamana Bikas Bank commenced its operations on 27th of Ashwin, 2064 (October 13, 2007). In 2073 (2016), Kamana Bikas Bank merged with Kaski Finance Limited and continued operations as Kamana Bikas Bank Limited, with its central office in Pokhara, Kaski, and operating as a National-Level Development Bank. Later, on 20th of Shrawan, 2074 (May 3, 2017), Kamana Bikas Bank merged with Sewa Bikas Bank, which was headquartered in Butwal-8, Pushpalal Park, Rupandehi district, and had jurisdiction over 10 districts. The merged entity adopted the name Kamana Sewa Bikas Bank Limited. With a vision of becoming a leading national-level development bank, the bank relocated its central office to Gyaneshwor, Kathmandu-30. It now provides banking services through 134 branches and one extension counter, ensuring its presence across all provinces of Nepal.





APPLICABLE REPORTING FRAMEWORK, PRINCIPLES AND GUIDELINES

- i. Companies Act, 2006
- ii. Banking and Financial Institution Act, 2017
- iii. Securities Act, 2006
- iv. Income Tax Act, 2002
- v. Guidelines, Regulations, Directives, and Circulars issued by Nepal Rastra Bank
- vi. Nepal Financial Reporting Standards
- vii. Other applicable laws, regulations, and guidelines



MANAGEMENT RESPONSIBILITY

The Bank acknowledges the integrity of the information provided in this Annual Report and believes that the Report is a fair representation of its financial and non-financial performance in FY 2080-81. The Board acknowledges that the information provided in the Report has been reviewed and approved by respective business unit heads and the top management.



ASSURANCE

B.R.S Neupane and Co. Chartered Accountants were appointed as independent auditor for FY 2080-81. The auditors are independent to the Bank in accordance with the code of ethics for professional accountants issued by the Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to audit of the financial statements under the provisions of the Companies Act, 2063. The auditors have conducted the audit in accordance with Nepal Standards on Auditing (NSAs). As per opinion of independent auditor, the accompanying financial statements present fairly, in all material respects and therefore, have provided unmodified opinion in respect of Financial Statements pertaining to current financial year. Full auditor's report is available on Financial Statements section of this report.



FEEDBACK

KSBBBL welcomes your feedback and suggestions on this Report, which may be communicated to customercare@kamanasewabank.com.



APPROACH AND PREPARATION

The Bank's Annual Report seeks to provide its stakeholders with a comprehensive insight into the Bank's integrated approach to value creation. The Bank has identified key material topics that represent its most significant impacts on the economy, environment, and the society. The Report highlights the Bank's management approach, strategy and performance against its material topic and their impacts. The Report also outlines interactions between the Bank's material topics, strategy, risk management and governance frameworks, in the context of its operating environment, and describes how its business model has impacted its financial, manufactured, intellectual, human, social and relationship, and natural capitals.

INSIDE

1. BANK'S OVERVIEW

Who We Are, Mission, Vision, Value Statement and Code of Conduct	10
Key Milestones	12
Global and National Economic Outlook	13
Financial Highlights	16
Non- Financial Highlights	19
Bank's Key Performance Indicators	20
Recognition and Awards	29
Products and Services	30
Customer centric Product and Services	36
Innovative Launch This Year	36
Success Stories	38

2. OUR VISIONARY LEADERS

Board Of Directors Composition	46
Message from the Chairman	51
Directors Report	54
Message from CEO	67
Organizational Structure	68
Strategic Alliance	70
Department Leaders	72
Geographical Leaders	74

3. GOVERNANCE AND SUSTAINABILITY

Governance Framework and Internal Control	78
Strategic Direction and Initiatives	80
Overview of Risk Management Framework	82

Value Creation Model	98
SWOT Analysis	100
Board Level Committees Overview	103
Corporate Governance Policies	107
HR Department	108
Our Social Connections	110
Right to Information and Grievance Handling	111
Report Pursuant to the Directive related to Corporate Governance for Listed Companies 2074	112
Report Pursuant to Securities Registration and Issuance Regulation, 2073	122
Corporate Social Responsibility (CSR)	124

4. FINANCIAL STATEMENTS AND DISCLOSURE

Independent Auditor's Report	134
Statement of Financial Position	139
Statement of Profit or Loss	140
Statement of Other Comprehensive Income	141
Statement of Change in Equity	142
Statement of Cash Flows	144
Significant Accounting Policies and Notes to the Account	147
AGM Notice	217
Others	221
Branch Networks	228



BANK'S OVERVIEW





Vision

Become a distinct National Level Development Bank by continuously delivering superior customer service and promoting welfare of stakeholders thus making significant contribution to nation building.

Mission

Provide smart, convenient & reliable financial solutions to our valued customers through our happy employees.

Core Values

PURSUIT OF EXCELLENCE

The Bank shall always strive to bring continuous improvement and excellence in products, processes, and services.

CUSTOMER FOCUS

The Bank shall always place customer's interest at the center while making decisions.

CORPORATE GOVERNANCE

The Bank shall endeavor to attain highest level of corporate governance and not mere compliance.

COLLABORATION

The Bank shall always look forward to collaborative opportunities and achieve common goals.

BUSINESS ETHICS

The Bank shall follow highest standard of business integrity & ethics.

INNOVATION

The Bank shall leverage innovation to serve customers better.

STRATEGIC ORIENTATION

The Bank shall derive its competitive edge from its ability to link its goal with well-articulated & coherent strategy.

PROFESSIONALISM

The Bank shall follow highest standard of professionalism which is key to enhancing quality and efficiency.



"Code of Conduct"

Our Bank's Code of Conduct intends to set standards on internal as well as external behavior of the employees of the Bank and to ensure quality of interaction between the bank and its customers, shareholders, government, the media and the public at a large. It expects all its employees to act in accordance with governing laws and maintain highest standards of personal and professional integrity in all aspects of their activity, decision, and actions. As an employee of KSBBL, every employees of the Bank irrespective of their level, deputation and area of work shall comply with the statutory regulations, Nepal Rastra Bank's Directives and Circulars, and the bank's other internal Bylaws and Policies including the Employee Code of Conduct.

1. Employees shall abide by the highest standards of corporate governance and shall ensure compliance with all the legal, regulatory, and internal requirements.
2. Employees must keep confidentiality in all Bank's and other matters that could provide other third parties unauthorized access to confidential information.
3. Employees shall show respect and politeness to colleagues, subordinates, and seniors. Employees shall respect people from all cultures and social backgrounds.
4. Employees shall not practice any form of discrimination, harassment and bullying in the workplace. Employees shall practice high standard of ethical and moral values.
5. Employees shall not be involved in any transaction with customers, vendors, and other parties of the Bank that can cause governance to be compromised. One shall not accept bribes or incentives in a manner that affects his/her work ethics and integrity.
6. Employees shall not be involved in insider trading.
7. Employee shall perform their duties and responsibilities with honesty, integrity and professionalism abiding with rules and regulations.
8. Employees are strictly prohibited to be at office consuming drug and alcohol. Smoking shall be allowed only at prescribed smoking zones.
9. Employees shall keep themselves fully aware and updated of the Bylaws/Policies/Manuals/Guidelines/Product Papers/ Procedural Documents / Standard Operating Procedures/ Country Circulars as well as the legal and regulatory requirements in so far as they are applicable to their respective areas of work.

Whistle Blowing

The Bank has established an effective mechanism for employees to report to the appropriate authority, their concerns about unethical behavior, actual or suspected fraud or violation of the Bank's code of conduct. All the employees are encouraged to communicate confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable practices. This mechanism could also provide for adequate safeguards against victimization of employees who avail of the mechanism. The identity of the whistleblower and any other employee investigating the matter shall be protected. However, it shall ensure that frivolous accusations do not become a means to harass anybody.

The Bank has formulated separate Whistle Blowing Polycys for whistleblowing their concerns to appropriate pre-identified authority without any fear of revenge and retaliation such as fear for the loss of job, discrimination, victimization, harassment etc. The Bank has formed independent Whistle Blowing Committee for the implementation of the policy with following members:

Head- Human Resource	(Coordinator)
Chief Operating Officer	(Member)
Chief Risk Officer	(Member)
Head- Strategy	(Member Secretary)



Key Milestones

1st Development Bank to Launch Credit Card in Nepal

Bank Launched KS Sports Saving Account

Became the 1st ISO Certified Development Bank in Nepal

Awarded as 3rd Best Managed Development Bank by 7th Newbiz Business Conclave

Bank launched Swabhimani Bachat Khata for visually impaired people for the 1st time in Nepal

2022

Crossed 6 lakhs+ Deposit Customer Base

Launched Timrai Lagi Fixed Deposit Account

Formulated Strategy 2084

First Development Bank to implement Robotic Process Automation (RPA)

Launch of KSBBL Auction Hub, new practice in Non Performing Assets Management

2023

2024

Crossed 7 lakhs Customer Base

Surpassed 50 billion RA portfolio size

Double digit return to shareholders

RPA added in additional business process

Honored with Silver Award for the prestigious National Best Presented Annual Report Award 2023

Launched AI (Artificial Intelligence) Integrated Learning Portal for employees

Launched Green Financing Product Paper to promote Sustainable Financing

Online Account Opening with feature of Video KYC

Bank has crossed its Portfolio above 50 Billion

Awarded with Highest Tax Payer for the first time

Appointed Independent & Female Director as Board Member

Huge investment in IT Infrastructure

2020

2021

Bank has crossed its Portfolio Size above 100 Billion

Depository Participants License obtained

Awarded with Highest Tax Payer for the second time

Issued 1 Arab Debenture (First Development Bank to issue Debenture)

Market Maker License obtained

KSBBL share has been listed as A Class Script

2019

Kamana Bikas Bank and Sewa Bikas Bank was merged and named as Kamana Sewa Bikas Bank

Shifted to Corporate Office in Gyaneshwor Kathmandu in its own building

2018

Bank initiated its own remit as Kamana Sewa Remit

Expansion of footprint in Kathmandu Valley

Strategy 2080 has been formulated and approved with the moto to be the top development bank

GLOBAL AND NATIONAL ECONOMIC OUTLOOK

Global Economic Outlook

Global growth is projected at 3.2 percent in 2024 and 3.3 percent in 2025. However, varied momentum in activity at the turn of the year has somewhat narrowed the output divergence across economies as cyclical factors wane and activity becomes better aligned with its potential. Services price inflation is holding up progress on disinflation, which is complicating monetary policy normalization. Upside risks to inflation have thus increased, raising the prospect of higher-for-even-longer interest rates, in the context of escalating trade tensions and increased policy uncertainty. To manage these risks and preserve growth, the policy mix should be sequenced carefully to achieve price stability and replenish diminished buffers.



of factors that have converged to propel the demand for gold to new heights. Escalating tensions in the Middle East have stoked fears of geopolitical instability, prompting investors to seek refuge in the safe haven that gold traditionally represents.

WORLD ECONOMIC OUTLOOK UPDATE JULY 2024

GROWTH PROJECTIONS

(Real GDP Growth, Percent change)

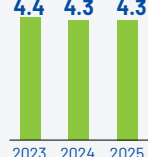
Global Economy



Advanced Economies



Emerging Market & Developing Economies

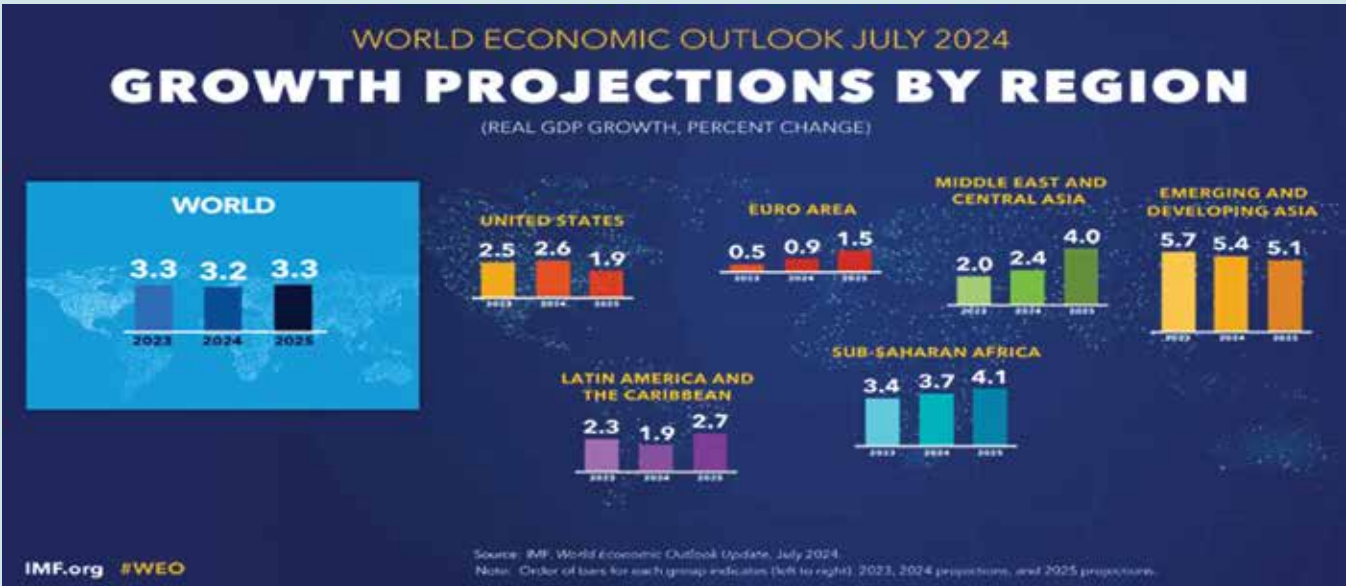


International Monetary Fund

The gold price has increased significantly during the year 2023. The major factors influencing gold price are inflation and interest rates, fluctuation in currency rate, geopolitical tension, market & investor sentiment. The price of gold has increased from 1,859 per ounce to 2,075 per ounce during the year 2023 and around 2,440 per ounce in July 2024. This surge is attributed to a combination

The Federal Reserve on Wednesday held its key interest rate steady for the third straight time and set the table for multiple cuts to come in 2024 and beyond. With the inflation rate easing and the economy holding in, policymakers on the Federal Open Market Committee voted unanimously to keep the benchmark overnight borrowing rate in a targeted range between 5.25%-5.5% which is in the same level since July 2023.

The Reserve Bank of India maintained its benchmark policy repo at 6.5% for the ninth consecutive meeting in August 2024 to ensure inflation is down towards its 4% medium-term target while supporting growth, aligning with the market expected. The latest move came after annual inflation accelerated to a four-month high of 5.08% in June 2024, boosted by rising food prices but remaining within the RBI's tolerance of the 2-6% target range. Additionally, the central bank kept the economic growth forecast for the fiscal year 2024-25 at 7.2%, with Q1 at 7.1%, slightly down from the earlier projection of 7.3%; 7.2% for Q2; 7.3% for Q3; and 7.2% for Q4 while maintaining inflation expectations at 4.5%, with a projection of 4.4% for Q2 (revised from 3.8%); 4.7% for Q3 (revised from 4.6%); and 4.3% for Q4 (revised from 4.5%). The RBI also left the standing deposit facility (SDF) rate at 6.25% while holding the marginal standing facility (MSF) and bank rates unchanged at 6.75%



Major Macro Economics Indicators of Nepal

World Bank has projected Nepal’s economic growth to 3.3% in 2024 compared to 1.9% growth in 2023. World Bank has projected consumption drove growth on the domestic demand side, supported by a substantial increase of remittance inflows. The external position strengthened, as the current account balance recorded a surplus, fueled by rising remittances and a shrinking trade deficit.

IMF has projected economic growth of Nepal by 3% for fiscal 2023-24 which the IMF believes to be below potential in subdued domestic demand and post-pandemic balance sheet repairs as the economy continues to face challenges.

As per Nepal Rastra Bank statistics, Based on Annual Data for F.Y. 2023/24:

- Annual average Inflation remained 5.44 percent.
- Imports and exports decreased 1.2 percent and 3.0 percent respectively. In the previous year, imports and exports decreased 16.1 percent and 21.4 percent respectively.
- Remittances increased 16.5 percent in Nepalese rupee and 14.5 percent in USD.
- Balance of Payments remained at a surplus of Rs.502.49 Billion compared to a surplus of Rs.285.82 Billion last year.
- Gross foreign exchange reserves stood at USD 15.27 Billion. This level of foreign exchange reserve is sufficient to cover the merchandise and services imports for 13 months.
- Broad money (M2) expanded 13.0 percent.
- Deposits at Banks and Financial Institutions increased 13.0 percent and private sector credit increased 5.8 percent.
- Total deposits at BFIs stood at Rs.6452 Billion and private sector credit amounted to Rs.5074 Billion.

Nepalese Banking Industry

Classifications of banks and financial institutions into 5 categories has fulfilled the banking needs of Nepalese citizens. Over the period, Banks have gone through periodic change since then in terms of size, function, volume and operation model. The number of BFIs as of mid-July 2024 is shown in the table below:

Nature of Financial Institution	Number of BFIs		
	Mid-July 2022	Mid-July 2023	Mid-July 2024
Commercial Banks	27	26	20
Development Banks	18	17	17
Finance Companies	17	17	17
Microfinance Financial Institutions	70	65	52
Infrastructure Development Bank	1	1	1
Total	133	126	107

Source: (<https://www.nrb.org.np/contents/uploads/2024/08/Current-Macroeconomic-and-Financial-Situation-English-Based-on-Annual-data-of-2023.24-2.pdf>)

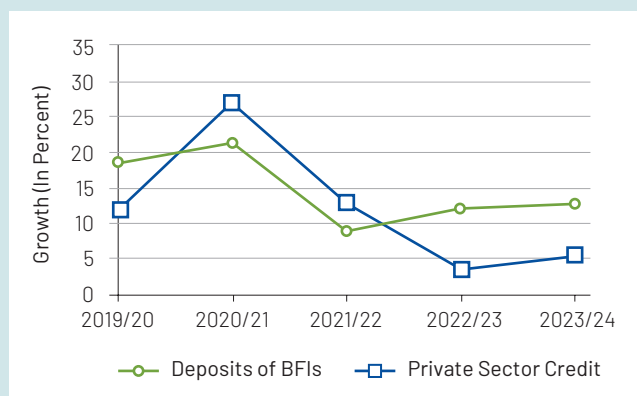
The total number of BFIs licensed by NRB remained 107 in mid-July 2024. As of mid-July 2024, 20 commercial banks, 17 development banks, 17 finance companies, 52 microfinance financial institutions and 1 infrastructure development bank are in operation.



Financial Situation in Nepal

DEPOSIT

Deposits at Banks and Financial Institutions (BFIs) increased Rs.742.37 Billion (13.0 percent) in the review year compared to an increase of Rs. 627.25 Billion (12.3 percent) in the previous year. Private sector credit from BFIs increased Rs.276.94 Billion (5.8 percent) in the review year compared to an increase of Rs.175.94 Billion (3.8 percent) in the previous year.



LIQUIDITY MANAGEMENT

In the FY 2080-81, NRB absorbed Rs.4673.60 Billion liquidity including Rs.3522.35 Billion through standing deposit facility (SDF) and Rs.1151.25 Billion through deposit collection auction. Meanwhile, the NRB injected Rs.804.76 Billion liquidity on turnover

basis, of which, Rs.1.20 Billion was through standing liquidity facility (SLF) and Rs.803.56 Billion through Overnight Liquidity Facility (OLF). Consequently, Rs.3868.84 Billion net amount of liquidity absorbed through various instruments in the review year. In 2022/23, Rs.5409.99 Billion net amount of liquidity was injected through various instruments.

INTEREST RATES

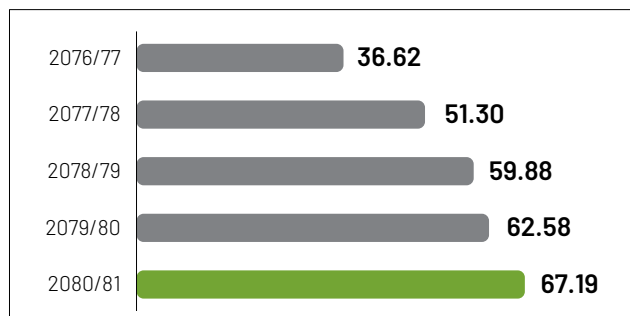
The average base rate of commercial banks, development banks and finance companies stood 8.00 percent, 9.71 percent and 11.21 percent respectively in the last month of 2023/24. Such rates were 10.03 percent, 12.15 percent and 13.41 percent respectively in the corresponding month a year ago. Weighted average deposit rate of commercial banks, development banks and finance companies stood 5.77 percent, 6.63 percent and 7.93 percent respectively in the last month of 2023/24. Such rates were 7.86 percent, 9.14 percent and 9.79 percent respectively in the corresponding month a year ago.

CAPITAL MARKET

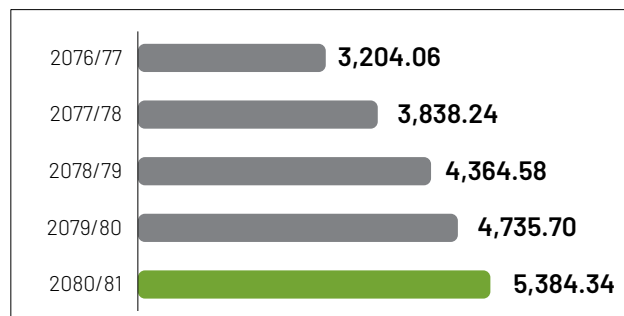
NEPSE index stood 2240.41 in mid-July 2024 compared to 2097.10 in mid-July 2023. Stock market capitalization stood Rs.3553.68 Billion in mid-July 2024 compared to Rs.3082.52 Billion in mid-July 2023. Share of BFIs and insurance companies in stock market capitalization is 58.6 percent in mid-July 2024. Such a share for hydropower companies is 15.1 percent, investment companies 7.3 percent, manufacturing and processing industries 6.4 percent, hotels 2.8 percent, trading companies 0.5 percent and the share of other companies is 9.2 percent.

Financial Highlights

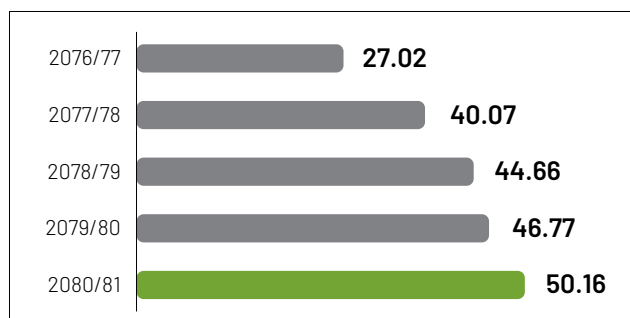
TOTAL ASSETS (RS. IN BN)



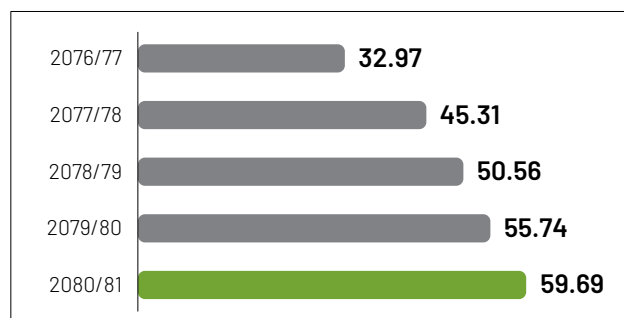
NET WORTH (RS. IN MN)



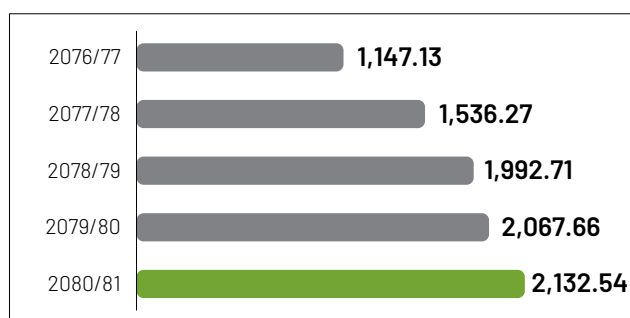
LOANS AND ADVANCES (RS. IN BN)



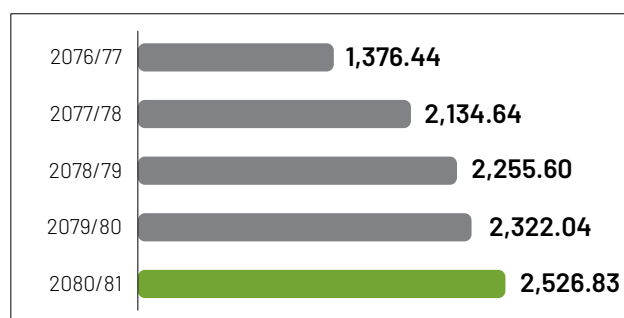
DEPOSIT (RS. IN BN)



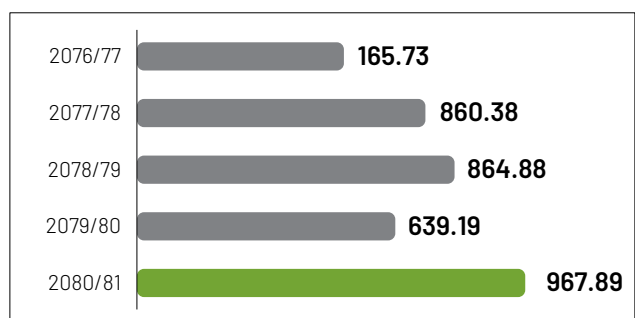
NET INTEREST INCOME (RS. IN MN)



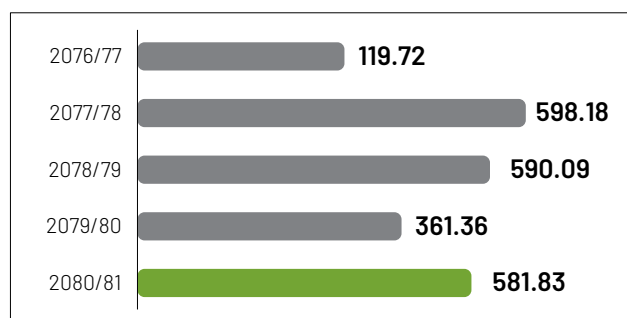
TOTAL OPERATING INCOME (RS. IN MN)



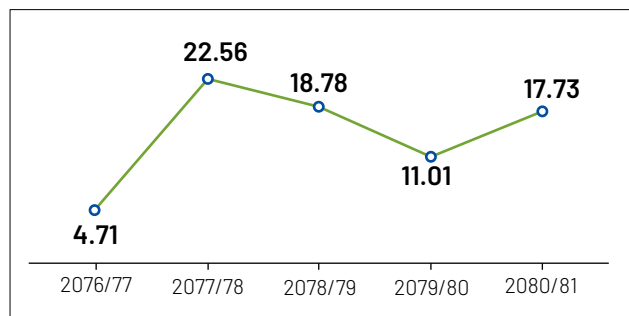
OPERATING PROFIT (RS. IN MN)



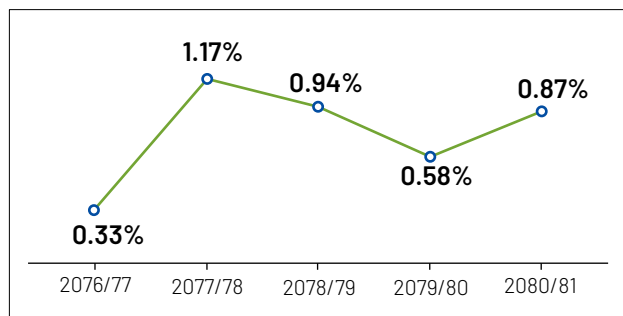
NET PROFIT (RS. IN MN)



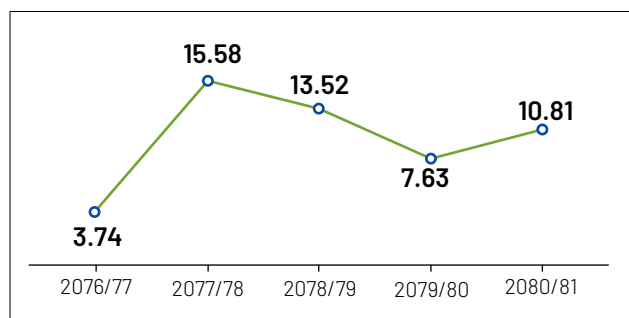
EARNING PER SHARE (EPS)



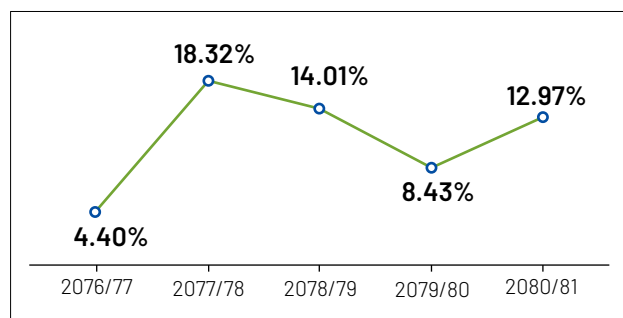
RETURN ON ASSETS



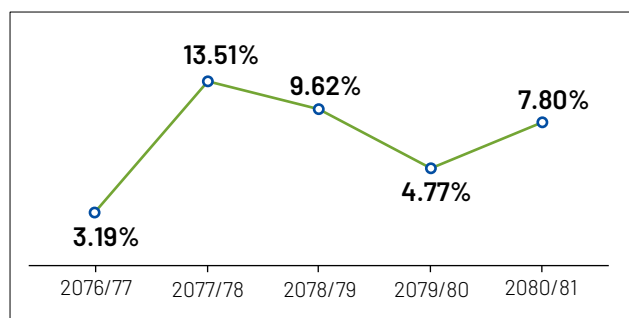
RETURN ON EQUITY



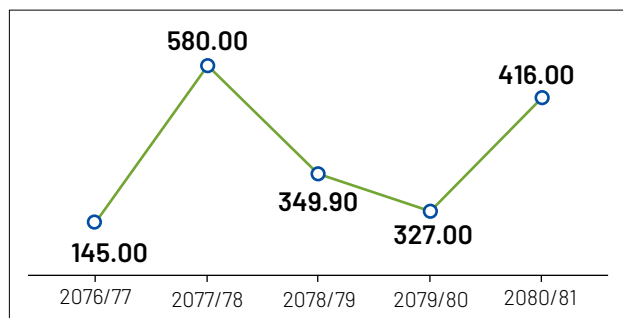
OPERATING PROFIT MARGIN



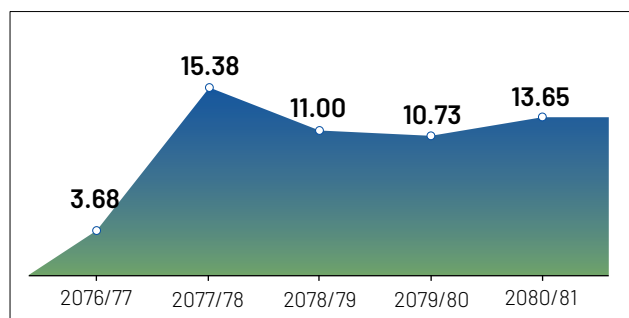
NET PROFIT MARGIN



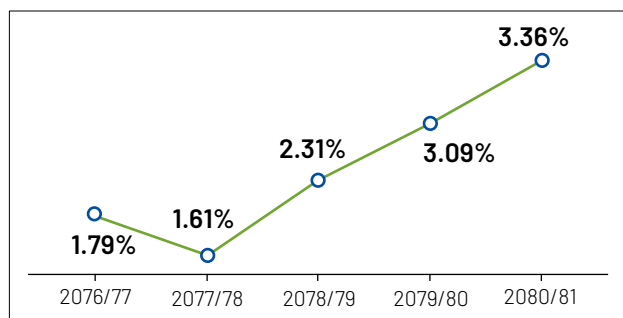
MARKET PRICE PER SHARE (MPS)



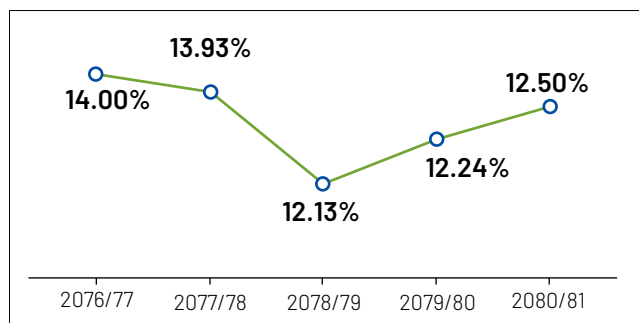
MARKET CAPITALIZATION (RS. IN BN)



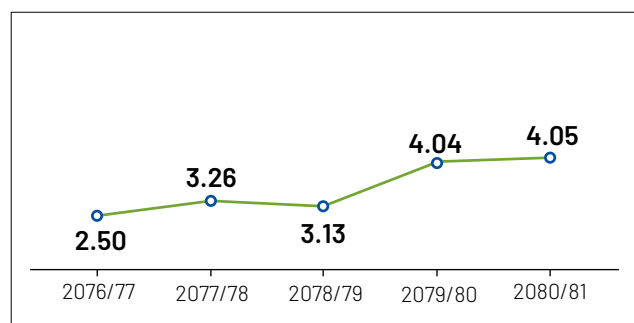
NON PERFORMING ASSETS



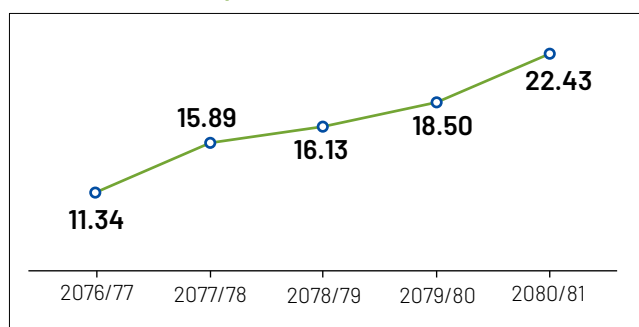
CAPITAL ADEQUACY RATIO



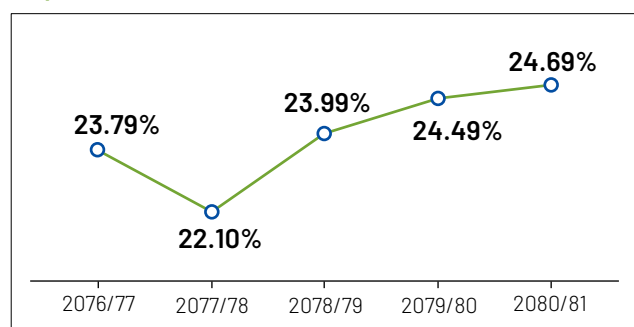
CASH RESERVE RATIO



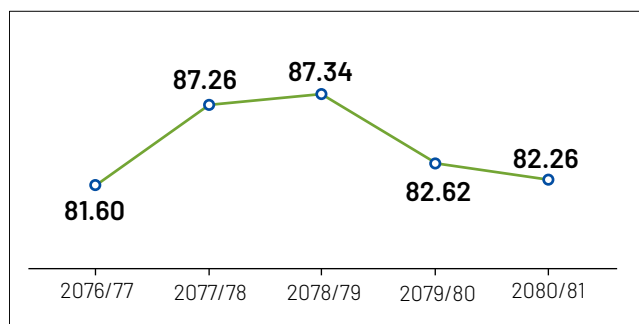
STATUTORY LIQUIDITY RATIO



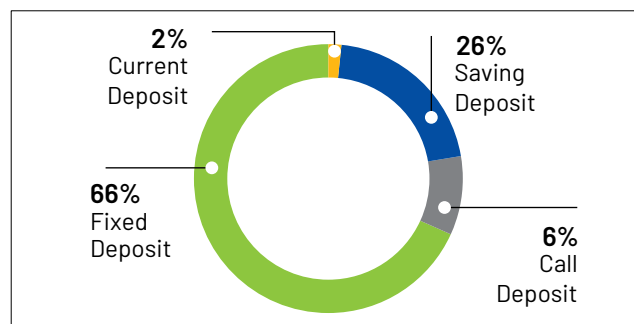
LIQUIDITY RATIO



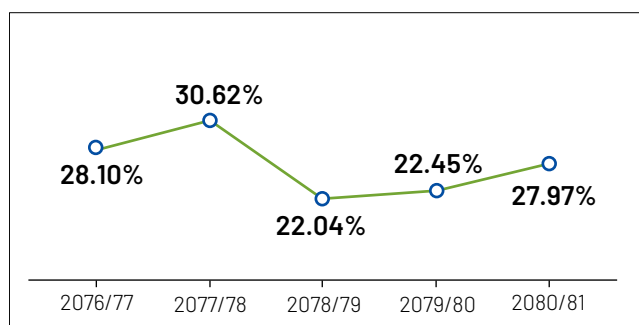
CD RATIO



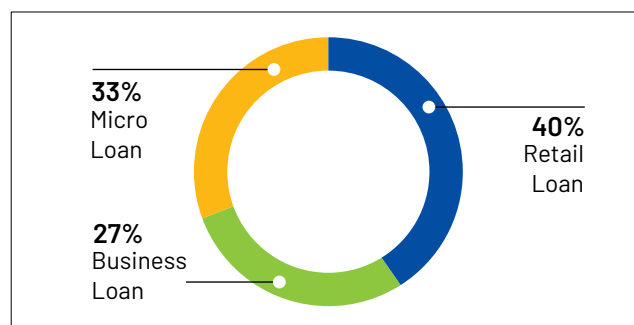
DEPOSIT COMPOSITION



CASA DEPOSIT



LOAN COMPOSITION



Non Financial Highlights

LAST YEAR		THIS YEAR
627,062	NUMBER OF CUSTOMERS	746,073
135	NUMBER OF BRANCHING OUTLETS	135
77	NUMBER OF ATM MACHINES	74
1,031	NUMBER OF STAFFS	988
685,587	TOTAL DEPOSIT ACCOUNTS	802,778
31,747	TOTAL LOAN ACCOUNTS	30,490
240,792	MOBILE BANKING USERS (ACTIVE)	241,550
76,095	DEBIT CARD (ACTIVE)	82,234
17,368	QR	22,692
21	NUMBER OF BLB AGENTS	17
-	NO. OF DOOR STEP BANKING OUTLETS	2
7	PROVINCE COVERED	7

Bank's Key Performance Indicators

COMPARATIVE FINANCIAL HIGHLIGHTS

NPR in Million unless stated otherwise

Particulars	2080-81	2079-80	Increase/ (decrease)	Change %
Statement of Financial Position				
Total assets	67,189.03	62,581.15	4,607.87	7.36%
Total loans and advances	49,101.29	46,046.42	3,054.86	6.63%
Investment securities	11,696.21	7,920.49	3,775.72	47.67%
Total deposit	59,693.40	55,735.85	3,957.55	7.10%
Share capital	3,281.16	3,281.16	-	0.00%
Total equity	5,384.34	4,735.70	648.64	13.70%
Profit or Loss				
Net interest income (NII)	2,132.54	2,067.66	64.88	3.14%
Total operating income	2,526.83	2,322.04	204.79	8.82%
Impairment charge/ (reversal)	358.20	522.69	(164.49)	-31.47%
Total operating expenses	1,200.75	1,160.16	40.59	3.50%
Operating profit	967.89	639.19	328.69	51.42%
Profit before income tax	898.60	530.81	367.79	69.29%
Profit after tax	581.83	361.36	220.47	61.01%
Other information				
Earning per share	17.73	11.01	6.72	61.01%
Net assets value per share	164.10	144.33	19.77	13.70%
Numbers of shares	32,811,647	32,811,647	-	0.00%
Regulatory Ratio				
Cash reserve ratio (CRR)	4.05	4.04	0.01	0.17%
Statutory liquidity ratio (SLR)	22.43	18.50	3.93	21.24%
Liquidity Ratio	24.69	24.49	0.20	0.82%
Capital adequacy ratio	12.50	12.24	0.26	2.14%
Tier - I	9.61	8.62	0.99	11.46%
Tier - II	2.89	3.62	(0.73)	-20.04%
CD ratio	82.26	82.62	(0.36)	-0.44%
Assets Quality				
Performing assets	48,473.19	45,329.19	3,144.00	6.94%
Non performing assets	1,686.62	1,443.78	242.83	16.82%
NPL%	3.36	3.09	0.27	8.74%
Loan loss provision fund to Non performing assets (%)	123.70	119.69	4.01	3.35%

LAST FIVE YEARS' PERFORMANCE HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION

NPR in million unless stated otherwise

Particulars	2080-81	2079-80	2078-79	2077-78	2076-77
Assets					
Cash and Cash Equivalent	1,774.37	4,193.07	6,299.34	4,401.24	1,710.90
Due from Nepal Rastra Bank	2,396.95	2,167.39	1,234.52	940.62	1,074.76
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-
Other Trading Assets	-	-	-	-	-
Loans and Advances to BFIs	3,121.68	2,195.09	1,798.62	952.70	976.66
Loans and Advances to Customers	45,979.61	43,851.34	42,362.43	38,580.55	25,926.02
Investment Securities	11,696.21	7,920.49	6,261.36	4,972.53	5,759.42
Current Tax Assets	-	38.78	34.22	46.95	87.20
Investment in Subsidiaries	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Investment Property	352.14	374.30	237.68	34.81	9.61
Property and Equipment	991.49	1,135.49	1,200.77	613.08	651.72
Goodwill and Intangible Assets	13.64	14.16	14.79	100.53	10.39
Deferred Tax Assets	54.01	82.51	75.19	28.38	36.56
Other Assets	808.92	608.53	362.79	633.51	378.47
Total Assets	67,189.03	62,581.15	59,881.70	51,304.90	36,621.71
Liabilities					
Due to Bank and Financial Institutions	626.69	2,263.44	4,303.59	1,106.02	1,061.54
Due to Nepal Rastra Bank	-	-	2,809.54	599.79	-
Derivative Financial Instruments	-	-	-	-	-
Deposits from Customers	59,066.71	53,472.41	46,256.07	44,200.61	31,905.98
Borrowings	-	-	-	-	-
Current Tax Liabilities	24.76	-	-	-	-
Provisions	16.49	17.94	16.05	25.82	71.41
Deferred Tax Liabilities	-	-	-	-	-
Other Liabilities	1,073.80	1,096.50	1,137.73	541.44	378.72
Debt Securities Issued	996.23	995.16	994.14	992.98	-
Subordinated Liabilities	-	-	-	-	-
Total Liabilities	61,804.68	57,845.45	55,517.12	47,466.66	33,417.66
Equity					
Share Capital	3,281.16	3,281.16	3,142.58	2,651.96	2,540.20
Share Premium	-	-	-	-	-
Retained Earnings	411.20	52.76	146.72	527.52	119.71
Reserves	1,691.98	1,401.78	1,075.28	658.76	544.15
Total Equity Attributable to Equity Holders	5,384.34	4,735.70	4,364.58	3,838.24	3,204.06
Non Controlling Interest	-	-	-	-	-
Total Equity	5,384.34	4,735.70	4,364.58	3,838.24	3,204.06
Total Liabilities and Equity	67,189.03	62,581.15	59,881.70	51,304.90	36,621.71
Contingent Liabilities and Commitments	2,653.10	2,389.88	2,192.24	170.36	1,137.77

LAST FIVE YEARS' FINANCIAL HIGHLIGHTS

STATEMENT OF PROFIT OR LOSS

NPR in million unless stated otherwise

Particulars	2080-81	2079-80	2078-79	2077-78	2076-77
Interest Income	7,040.45	7,302.57	5,836.29	4,090.31	3,530.98
Interest Expense	4,907.91	5,234.90	3,902.19	2,554.04	2,383.85
Net Interest Income	2,132.54	2,067.66	1,934.10	1,536.27	1,147.13
Fee and Commission Income	298.47	264.27	295.33	338.37	221.47
Fee and Commission Expense	28.98	22.62	13.52	7.37	4.81
Net Fee and Commission Income	269.49	241.65	281.81	331.00	216.66
Net Interest, Fee and Commission Income	2,402.03	2,309.32	2,215.91	1,867.27	1,363.79
Net Trading Income	0.49	0.05	0.10	0.04	0.05
Other Operating Income	124.31	12.67	39.59	267.33	12.59
Total Operating Income	2,526.83	2,322.04	2,255.60	2,134.64	1,376.44
Impairment Charge/ (Reversal) for Loans and Other Losses	358.20	522.69	284.13	272.11	315.71
Net Operating Income	2,168.63	1,799.35	1,971.47	1,862.53	1,060.72
Operating Expense					
Personnel Expenses	761.18	721.63	698.61	623.46	489.36
Other Operating Expenses	266.93	253.91	218.24	262.56	316.26
Depreciation & Amortization	172.64	184.61	189.75	116.12	89.37
Operating Profit	967.89	639.19	864.88	860.38	165.73
Non Operating Income	0.70	-	-	-	-
Non Operating Expense	69.99	108.39	17.13	2.14	1.62
Profit Before Income Tax	898.60	530.81	847.74	858.24	164.11
Income Tax Expense					
Current Tax	317.70	186.89	279.44	269.56	53.38
Deferred Tax	(0.93)	(17.44)	(21.78)	(9.50)	(8.99)
Profit for the Period	581.83	361.36	590.09	598.18	119.72
Profit Attributable to:					
Equity-holders of the Bank	581.83	361.36	590.09	598.18	119.72
Non-Controlling Interest	-	-	-	-	-
Profit for the Period	581.83	361.36	590.09	598.18	119.72
Earnings per Share					
Basic Earnings per Share	17.73	11.01	18.78	22.56	4.71
Diluted Earnings per Share	17.73	11.01	18.78	22.56	4.71

HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Particulars	2080-81	2079-80	2078-79	2077-78	2076-77
Assets					
Cash and Cash Equivalent	104%	245%	368%	257%	100%
Due from Nepal Rastra Bank	223%	202%	115%	88%	100%
Loans and Advances to BFIs	320%	225%	184%	98%	100%
Loans and Advances to Customers	177%	169%	163%	149%	100%
Investment Securities	203%	138%	109%	86%	100%
Current Tax Assets	0%	44%	39%	54%	100%
Investment Property	3664%	3895%	2473%	362%	100%
Property and Equipment	152%	174%	184%	94%	100%
Goodwill and Intangible Assets	131%	136%	142%	967%	100%
Deferred Tax Assets	148%	226%	206%	78%	100%
Other Assets	214%	161%	96%	167%	100%
Total Assets	183%	171%	164%	140%	100%
Liabilities					
Due to Bank and Financial Institutions	59%	213%	405%	104%	100%
Due to Nepal Rastra Bank	100%	100%	100%	100%	100%
Deposits from Customers	185%	168%	145%	139%	100%
Current Tax Liabilities	100%	0%	0%	0%	100%
Provisions	23%	25%	22%	36%	100%
Other Liabilities	284%	290%	300%	143%	100%
Debt Securities Issued	100%	100%	100%	100%	100%
Total Liabilities	185%	173%	166%	142%	100%
Equity					
Share Capital	129%	129%	124%	104%	100%
Retained Earnings	344%	44%	123%	441%	100%
Reserves	311%	258%	198%	121%	100%
Total Equity Attributable to Equity Holders	168%	148%	136%	120%	100%
Total Liabilities and Equity	183%	171%	164%	140%	100%

Horizontal Analysis (Balance Sheet)

Horizontal Analysis on Balance Sheet refers to the analysis of growth of each component of balance sheet items from the base period. Here, base period is considered the year 2076-77 giving a value of 100% and after that period value above 100% means positive growth and below 100% means negative growth compared to base year. Here, total assets, liabilities and shareholders' equity are showing consistent growth over the last five years which symbolize sustainable balance sheet growth of the bank as a whole.

HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS

Particulars	2080-81	2079-80	2078-79	2077-78	2076-77
Interest Income	199%	207%	165%	116%	100%
Interest Expense	206%	220%	164%	107%	100%
Net Interest Income	186%	180%	169%	134%	100%
Fee and Commission Income	135%	119%	133%	153%	100%
Fee and Commission Expense	603%	471%	281%	153%	100%
Net Fee and Commission Income	124%	112%	130%	153%	100%
Net Interest, Fee and Commission Income	176%	169%	162%	137%	100%
Net Trading Income	946%	101%	184%	87%	100%
Other Operating Income	987%	101%	314%	2123%	100%
Total Operating Income	184%	169%	164%	155%	100%
Impairment Charge/ (Reversal) for Loans and Other Losses	113%	166%	90%	86%	100%
Net Operating Income	204%	170%	186%	176%	100%
Operating Expense					
Personnel Expenses	156%	147%	143%	127%	100%
Other Operating Expenses	84%	80%	69%	83%	100%
Depreciation & Amortization	193%	207%	212%	130%	100%
Operating Profit	584%	386%	522%	519%	100%
Non Operating Income	100%	0%	0%	0%	100%
Non Operating Expense	4311%	6676%	1055%	132%	100%
Profit Before Income Tax	548%	323%	517%	523%	100%
Income Tax Expense					
Current Tax	595%	350%	524%	505%	100%
Deferred Tax	10%	194%	242%	106%	100%
Profit for the Period	486%	302%	493%	500%	100%
Earnings per Share					
Basic Earnings per Share	376%	234%	398%	479%	100%
Diluted Earnings per Share	376%	234%	398%	479%	100%

Horizontal Analysis (Profit and Loss Statement)

Horizontal Analysis on Income Statement refers to the analysis of growth of each component of income statement items from the base period. Here, base period is considered the year 2076-77 giving a value of 100% and after that period value above 100% means positive growth and below 100% means negative growth compared to base year. Here, earning, profitability, efficiency measurement are determining factors to evaluate a company's performance overtime.

VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Particulars	2080-81	2079-80	2078-79	2077-78	2076-77
Assets					
Cash and Cash Equivalent	2.64%	6.70%	10.52%	8.58%	4.67%
Due from Nepal Rastra Bank	3.57%	3.46%	2.06%	1.83%	2.93%
Placement with Bank and Financial Institutions	0.00%	0.00%	0.00%	0.00%	0.00%
Derivative Financial Instruments	0.00%	0.00%	0.00%	0.00%	0.00%
Other Trading Assets	0.00%	0.00%	0.00%	0.00%	0.00%
Loans and Advances to BFIs	4.65%	3.51%	3.00%	1.86%	2.67%
Loans and Advances to Customers	68.43%	70.07%	70.74%	75.20%	70.79%
Investment Securities	17.41%	12.66%	10.46%	9.69%	15.73%
Current Tax Assets	0.00%	0.06%	0.06%	0.09%	0.24%
Investment in Subsidiaries	0.00%	0.00%	0.00%	0.00%	0.00%
Investment in Associates	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property	0.52%	0.60%	0.40%	0.07%	0.03%
Property and Equipment	1.48%	1.81%	2.01%	1.19%	1.78%
Goodwill and Intangible Assets	0.02%	0.02%	0.02%	0.20%	0.03%
Deferred Tax Assets	0.08%	0.13%	0.13%	0.06%	0.10%
Other Assets	1.20%	0.97%	0.61%	1.23%	1.03%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities					
Due to Bank and Financial Institutions	0.93%	3.62%	7.19%	2.16%	2.90%
Due to Nepal Rastra Bank	0.00%	0.00%	4.69%	1.17%	0.00%
Derivative Financial Instruments	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits from Customers	87.91%	85.44%	77.25%	86.15%	87.12%
Borrowings	0.00%	0.00%	0.00%	0.00%	0.00%
Current Tax Liabilities	0.04%	0.00%	0.00%	0.00%	0.00%
Provisions	0.02%	0.03%	0.03%	0.05%	0.19%
Deferred Tax Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
Other Liabilities	1.60%	1.75%	1.90%	1.06%	1.03%
Debt Securities Issued	1.48%	1.59%	1.66%	1.94%	0.00%
Subordinated Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
Total Liabilities	91.99%	92.43%	92.71%	92.52%	91.25%
Equity					
Share Capital	4.88%	5.24%	5.25%	5.17%	6.94%
Share Premium	0.00%	0.00%	0.00%	0.00%	0.00%
Retained Earnings	0.61%	0.08%	0.25%	1.03%	0.33%
Reserves	2.52%	2.24%	1.80%	1.28%	1.49%
Total Equity Attributable to Equity Holders	8.01%	7.57%	7.29%	7.48%	8.75%
Non Controlling Interest	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	8.01%	7.57%	7.29%	7.48%	8.75%
Total Liabilities and Equity	100.00%	100.00%	100.00%	100.00%	100.00%

Vertical Analysis (Balance Sheet)

Vertical Analysis on Balance Sheet refers to the components of balance sheet items as a percentage of Total Assets over the periods which would be termed as common sizing of balance sheet.

VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS

Particulars	2080-81	2079-80	2078-79	2077-78	2076-77
Interest Income	94.32%	96.35%	94.57%	87.10%	93.78%
Interest Expense	65.75%	69.07%	63.23%	54.39%	63.31%
Net Interest Income	28.57%	27.28%	31.34%	32.71%	30.47%
Fee and Commission Income	4.00%	3.49%	4.79%	7.21%	5.88%
Fee and Commission Expense	0.39%	0.30%	0.22%	0.16%	0.13%
Net Fee and Commission Income	3.61%	3.19%	4.57%	7.05%	5.75%
Net Interest, Fee and Commission Income	32.18%	30.47%	35.91%	39.76%	36.22%
Net Trading Income	0.01%	0.00%	0.00%	0.00%	0.00%
Other Operating Income	1.67%	0.17%	0.64%	5.69%	0.33%
Total Operating Income	33.85%	30.64%	36.55%	45.46%	36.56%
Impairment Charge/ (Reversal) for Loans and Other Losses	4.80%	6.90%	4.60%	5.79%	8.39%
Net Operating Income	29.05%	23.74%	31.95%	39.66%	28.17%
Operating Expense					
Personnel Expenses	10.20%	9.52%	11.32%	13.28%	13.00%
Other Operating Expenses	3.58%	3.35%	3.54%	5.59%	8.40%
Depreciation & Amortization	2.31%	2.44%	3.07%	2.47%	2.37%
Operating Profit	12.97%	8.43%	14.01%	18.32%	4.40%
Non Operating Income	0.01%	0.00%	0.00%	0.00%	0.00%
Non Operating Expense	0.94%	1.43%	0.28%	0.05%	0.04%
Profit Before Income Tax	12.04%	7.00%	13.74%	18.28%	4.36%
Income Tax Expense					
Current Tax	4.26%	2.47%	4.53%	5.74%	1.42%
Deferred Tax	-0.01%	-0.23%	-0.35%	-0.20%	-0.24%
Profit for the Period	7.79%	4.77%	9.56%	12.74%	3.18%

Vertical Analysis (Profit and Loss Statement)

Vertical Analysis on Income Statement refers to the components of income statement items as a percentage amount of total income over the periods which would be termed as common sizing of income statement.

VALUE ADDED STATEMENT

The value-added statement shows how much value (wealth) has been created by the bank through the utilization of its capacity, capital, manpower and other resources and allocated the same to the stakeholders, employees, government, community, shareholder and expansion as well as growth of the Bank.

NPR in million unless stated otherwise

Particulars	2080/81	2079/80	Changes
Interest Earned	7,040.45	7,302.57	-3.59%
Other Income	394.99	254.38	55.28%
Interest Expense	4,907.91	5,234.90	-6.25%
Other Operating Expenses	336.91	362.30	-7.01%
Value Added by Banking Services	2,190.62	1,959.74	11.78%
Impairment	358.20	522.69	-31.47%
Gross Value Added	1,832.42	1,437.05	27.51%
Application Statement			
To Employees			
Salaries and other benefits	761.18	721.63	5.48%
To Government			
Income Taxes	317.70	186.89	70.00%
To Community			
Corporate Social Responsibility	5.82	3.61	61.01%
To Share Holders			
Dividend and Bonus Share	368.12	51.29	617.74%
To Expansion and Growth			
Reserve and Surplus	207.89	306.46	-32.16%
Depreciation and Amortization	172.64	184.61	-6.49%
Deferred Tax	(0.93)	(17.44)	-94.67%
Total Value Added - Allocation	1,832.42	1,437.05	27.51%

MARKET VALUE ADDED

Market value is the difference between the market value and total book value of the bank. It shows the difference between the current market value of the bank and capital contributed by investors. It is the sum of all capital claims held against the bank plus the market value of debt and equity. Positive market value added depicts the bank has added value.

NPR in million unless stated otherwise

Particulars	2080-81	2079-80	Changes
Market Price per share (Rs.)	416.00	327.00	27.22%
Number of shares	32.81	32.81	-
Total Market Value	13,649.65	10,729.41	27.22%
Book Value per Share (Rs.)	164.10	144.33	13.70%
Number of shares	32.81	32.81	-
Total Book Value	5,384.34	4,735.70	13.70%
Market Value Added	8,265.30	5,993.71	37.90%

ECONOMIC VALUE ADDED

Economic Value Added (EVA) is a financial performance measurement tool which is an estimate of a Bank's economic profit, or the value created in excess of the required return of the Bank's shareholders. EVA is the profit earned by the Bank less the cost of financing the Bank's capital.

NPR in million unless stated otherwise

Particulars	2080-81	2079-80	Changes
Net Operating Profit after tax	581.83	361.36	61.01%
Average Shareholder Fund	5,060.02	4,550.14	11.21%
Cost of Capital	11%	11%	-
Cost of Capital Employed	556.60	500.52	11.21%
Economic Value Added	25.23	(139.15)	118.13%

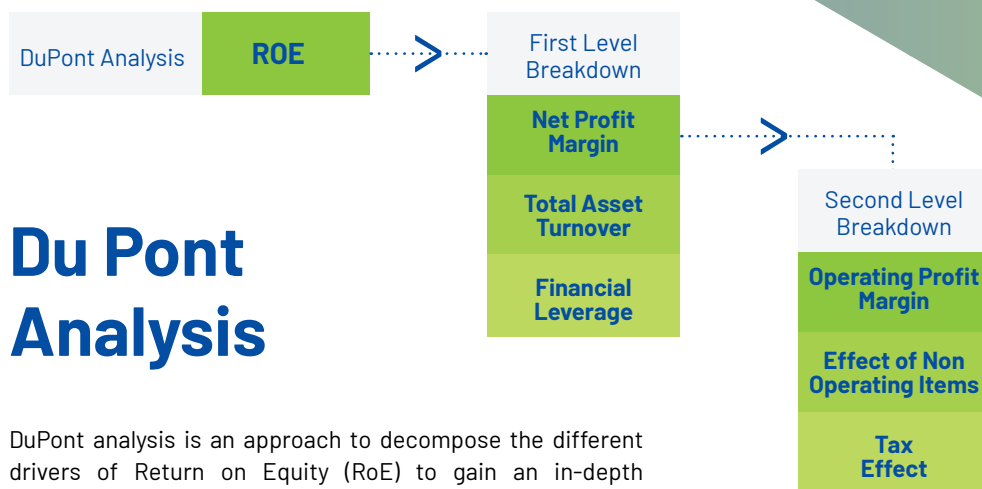
Du Pont Analysis

DuPont analysis is an approach to decompose the different drivers of Return on Equity (RoE) to gain an in-depth understanding of factors contributing to movement in RoE. For analysis, we used 5 factors model that covers net profit margin, total asset turnover and financial leverage. Net profit margin is further broken down to operating profit margin, effect of non-operating items and tax effects.

Particulars	2080-81	2079-80
ROE	10.81%	7.63%
Net Profit Margin	7.80%	4.77%
Total Asset Turnover	0.1111	0.1211
Financial Leverage	12.4786	13.2148
Operating Profit Margin	12.97%	8.43%
Effect of non operating items	0.9284	0.8304
Tax Effect	0.6475	0.6808

ROE measures the profitability in terms of equity. Net profit margin consists of three important components namely operating profit margin, effects on non-operating items and tax effects as mentioned in second level break down. There is an increment of operating profit margin from 8.43% to 12.97% due to increase interest & fee income and reduction in impairment charge for the financial year.

Effect on non-operating items increased to 0.9284 due to decrease in loan written off expenses. There is also decrease in tax effect from 0.6808 to 0.6475. Increase in operating profit margin, effect of non operating items and tax effect in combined caused to increase net profit margin from 4.77% to 7.80% eventually.



Awards and Recognition



3rd Best Managed Development Bank by 7th Newbiz Business Conclave 2022



Highest Tax Payer in FY 2076-77



Silver Award for the prestigious National Best Presented Annual Report Award 2023

Issuer Credit Rating Information

Rating Agency : Care Ratings Nepal Limited

Issuer Rating : CARE-NP BB+(Is)

Issuers with this Rating are considered to offer moderate risk of default regarding timely servicing of financial obligations, in Nepal.





Products & Services

PURE HOME LOAN/ RESIDENTIAL HOME LOAN

The purpose of this loan is to serve the need of individual persons basically for acquiring freehold residential properties with various other needs such as:

- Purchase/Construction for residential building.
- Purchase of Plot for construction of residential house/ apartment in future subject to obtainment of declaration of same from the borrower.
- Refinance/Swap of existing home loan.

Particulars	Parameters
Facility Type	Term loan
Loan Amount	Minimum: NPR 1M (For New Loans) Maximum: Up to 20M or as specified by NRB (Loan above Npr.20M to be booked under 'Residential Home Loan')
LTV	60% of FMV (70% of FMV in case of First Home Loan)
Loan Tenure	Minimum: 3 years Maximum: 25 years (Inclusive of Moratorium Period)

PERSONAL EQUITY LOAN AND LAND PURCHASE LOAN

The purpose of this loan is to meet the personal obligation or any other specific purposes other than as covered by other product features.

Particulars	Parameters
Facility Type	Term Loan (PEL) and Overdraft
Minimum Loan Amount	For PEL/ Land Purchase Loan: Minimum: Above NPR. 2.5M Maximum: Up to 50M or as decided by management from time to time. For loan above 5M, purpose of loan and end use of fund shall be disclosed/obtained with appropriate documents. For Easy OD: Minimum: Above NPR. 2.5M Maximum: Up to NPR. 5M in all BFIs or within the limit prescribed by NRB from time to time.
LTV	50% of FMV
Loan Tenure	For PEL: Minimum: 3 years Maximum: 25 years For Easy OD: 1-year subject to renewal

Join the GREEN REVOLUTION ! Switch Now with KSBBL Auto Loan



AUTO LOAN – PRIVATE

The purpose of this loan is for the purchase new/used vehicle which is used solely for personal purpose (i.e. not for income generating activities).

Particulars	Parameters
Facility Type	Term loan
Loan Amount	Minimum: NPR 4,00,000 per vehicle Maximum: NPR 15,000,000 per vehicle
LTV	Up to 50% of VAT bill (For EV- Up to 80% of VAT bill)
Loan Tenure	7 years

MARGIN LENDING LOAN

The purpose of this loan is to finance individuals and institutions against security of acceptable listed companies at NEPSE in line with NRB Directives.

Particulars	Parameters
Facility Type	Overdraft/ Demand Loan
Loan Amount	<ul style="list-style-type: none"> Minimum: NPR 5 Lakhs. Maximum: <ul style="list-style-type: none"> For Individual Borrower: NPR 150 Million for individual SOL For Institutions Borrower: No limit for institution established with the objective of making investment in securities market
LTV	For ordinary and promoter Shares, maximum financing percent shall be as decided by Assets Liabilities management Committee (ALCO) not exceeding the maximum LTV permitted by NRB
Loan Tenure	1 year

Retail Loan	Asadh 2080	Asadh 2081	Progress
No. of Files	13201	15011	1810
Total RA	19,148,058,313.26	19,997,099,514.09	849,041,200.83

कामना सेवा
Kamana Sewa Bikas Bank Ltd.

3 दिन भित्रै कर्जा
यो योजना सरल अर्थको लागि मात्र लक्ष्य हो।

सानो लगानी भए पनि, सोच ठुलो हुनुपर्छ
कामना सेवा, सरल व्यापार कर्जा
समृद्धिको सम्बन्ध स्थापना गर्दै वित्तीय सबलताको लागि सरल व्यापार कर्जा लिनुहोस्।

विशेषताहरू
कर्जा सीमा : कुल धितोको ८०% सम्म। कर्जा भुक्तानी : किस्तावन्दी र ओभरड्राफ्ट रिमिड

MAJOR PRODUCT OF MICRO LOAN

Name of Product	YOY No. of Customers Growth	YOY RA Growth Amount
SAJILO LAGHU KARJA-TERM	1,011.00	1,644,767,884.41
SAJILO BYABASAYA KARJA-TL	291.00	458,371,377.32
NYUNA LAGAT AWASH KARJA	21.00	13,262,569.96



SAJILO LAGHU KARJA-TERM

1,011 ▲

YOY No. of Customers Growth

1,644 MILLION

YOY RA Growth Amount

Sajilo Laghu Karja is designed to address urgent financial needs for various purposes like social/personal obligations. Secured by real estate mortgage owned by borrower or family members.

FEATURES:

- Loan Limit: Maximum NPR 2.5 Million
- Nature of Loan: Term/OD
- Loan Tenure: TL up to 20 years, OD up to 1 year (renewable)
- Loan to Value (LTV): Up to 50% of FMV of collateral
- Debt Burden Ratio (DBR): Repayment not more than 50% of Gross Income



SAJILU BYABASAYA KARJA-TL

291 ▲

YOY No. of
Customers Growth

458 MILLION

YOY RA
Growth Amount

Sajilo Byabasaya Karja is designed to meet financial requirements of small businesses and micro enterprises. Loans can be term loans or overdraft facilities based on working capital needs and cash flow.

FEATURES:

- Loan Limit: Maximum NPR 2.5 Million
- Loan Tenure: TL up to 20 years, OD up to 1 year (renewable)
- Loan to Value (LTV): Up to 80% of FMV for profitable firms, 70% for others
- Financial Analysis: Financial projections, Audited/Provisional reports required



NYUNA LAGAT AAWASH KARJA

21 ▲

YOY No. of
Customers Growth

13.26 MILLION

YOY RA
Growth Amount

Nyuna Lagat Aawash Karja is designed to provide low-cost housing loans to economically deprived people in rural and semi-urban areas. Aims to improve housing conditions and reduce dependency on high-interest lenders.

FEATURES:

- Loan Limit: Maximum NPR 0.7 Million
- Loan Tenure: TL up to 15 years
- Loan to Value (LTV): Up to 50% of FMV
- Special Concessions: 1% interest concession for special groups

तिम्मे लागि मुद्दती खाता



Nepal's 1st ISO 9001:2015
Certified Development Bank

कुनै खुशी, दिदैँ हिरा मोतीले पनि

त्यसैले उपहार को नयाँ परम्परा तिम्मे लागि मुद्दती खाता छ नि ।



* शर्तहरू लागू हुनेछन्

विशेषताहरू:

- न्यूनतम मौज्दात रकम रु. १०,०००/-
- मासिक व्याज पाइने
- खातामा रकम थप गर्दै जान सकिने
- मुद्दती रकमको ९० प्रतिशत सम्म कर्जा लिन सकिने



निःशुल्क
डेबिट/क्रेडिट
कार्ड



निःशुल्क
लकर सुविधा



TIMRAI LAGI MUDATI KHATA

"Upahar ko Naya Parampara"

5,086

No. of Customers
Growth

7,585 MILLION

Deposit Amount

The "Timrai Lagi" deposit product is a special kind of term deposit product which helps people to get better return on their investment after a fixed period of time. The account holder can open FD on behalf of family members such as Husband-Wife, Parents-Children, Brother-sister, Sister-Sister, Grandparents to Grand Children and vice versa as Empowerment, Love and Care, Security, Convenience, Future preparedness, bonding, caring and many more.

FEATURES:

- Minimum Balance: NPR 10000
- Debit Card: Free for first year
- Locker Fee: Free for first year
- Locker Security deposit: 50% waiver
- Demat Meroshare: Free for first year



KAMANA SEWA PRAGATI BACHAT KHATA-PLATINUM

689

No. of Customers
Growth

549 MILLION

Deposit Amount

Kamana Sewa Pragati Bachat Khata - Platinum is our premium saving product with wide range of banking services for customers. This product specially offers medical and accidental insurance facility which is unique to our other deposit products. This is only deposit products with free complimentary services for first year.

FEATURES:

- Minimum Balance: NPR 5000
- Debit Card: Free for first year
- Mobile Banking/Internet Banking: Free for first year
- Locker Fee: Free for first year
- Locker Security deposit: 50% discount on STC
- Insurance Facility: Medical up to Rs. 1 lakh and Accidental up to Rs. 7 lakhs (for first year from date of account opening)
- Balance Certificate: Free
- Good for payment: Free
- Cheque Book: Free
- Account Statement: Free



TIMRAI LAGI SAVING ACCOUNT

2,996

No. of Customers
Growth

1,152 MILLION

Deposit Amount

Timrai Lagi saving product is special saving product designed for gift-giving purpose to nurture the saving habit of loved ones. It can also be opened by any eligible individuals as a gift to oneself.

FEATURES:

- Minimum Balance: NPR 1000
- Debit Card: Free for first year
- Mobile Banking/Internet Banking: As per STC
- Locker Fee: Free for first year
- Locker Security deposit: 50% discount on STC
- Balance Certificate: Free
- Good for payment: Free
- Cheque Book: Free
- Account Statement: Free

CUSTOMER CENTRIC PRODUCTS AND SERVICES

At KSBBL, our commitment to delivering exceptional customer experiences is at the core of everything we do. Putting our customers at the heart of everything we do is more than just a mission—it's a promise. Over the past year, we have made significant strides in enhancing our customer experience through innovative products, services, and practices.

PRODUCT INNOVATION

The bank has actively promoted inclusive banking by undertaking various initiatives to enhance financial inclusion. KSBBL has partnered with NGOs to extend services to under-served communities. It offers *Braille services* to support visually impaired individuals with account openings. Additionally, the bank has introduced a specialized product called "Swabhiman Bachat Khata," designed to empower visually impaired individuals in their journey towards financial independence, all without incurring any fees.

FIVE IN ONE SERVICES

To offer a comprehensive solution, KSBBL has introduced a specialized service that integrates various banking services into a single savings account. This account includes Meroshare, Demat, CRN, and TMS services, all combined with an attractive interest rate, catering to individuals interested in investing in the stock market.

INNOVATIVE LAUNCH THIS YEAR

The bank consistently strives to introduce new offerings to its customers. To achieve this, the bank remains deeply engaged in research and development, alongside pursuing long-term organizational strategies. The bank has started opening accounts by visiting customers' premises to enhance the efficiency and convenience of banking services for our customers i.e. "Door to Door Service" during financial literacy programs.

The bank has also launched KSBBL Auction Hub, a platform that facilitates the auction process for various assets and properties. It serves as a digital marketplace where users can participate in or conduct auctions, providing a streamlined and efficient way to buy and sell assets through the bank.



"Proud Customer"



Saugat Wagle

As a visually impaired individual, accessing basic banking services has always been a challenge in Nepal. However, Kamana Sewa Bikas Bank's **Swabhiman Bachat Khata** has truly transformed that experience. It's the only bank in Nepal that offers a separate account scheme specifically designed for blind and visually impaired

individuals, allowing us to manage our finances independently and enjoy a hassle-free banking experience.

When I first heard about the Swabhiman Bachat Khata, I wasn't sure what to expect. But from the moment I approached the bank, everything changed. The account opening process was smooth, and the staff was incredibly helpful throughout. They even provided a *Braille document* outlining the key terms and conditions, making it easy for me to fully understand what I was signing up for.

Kamana Sewa Bikas Bank also provides additional services like Debit Card, mobile and internet Banking, Demat and MeroShare

upon request. With written confirmation, I was able to gain access to these services, allowing me to handle my finances independently, including making transactions and checking my balances. This level of convenience is something I hadn't experienced before.

Beyond my role as a customer, the bank has been incredibly supportive in my professional development as well. Bank allowed me the opportunity to do a two-month internship, which was an amazing experience. During this period, I not only gained hands-on exposure to banking but also had the chance to review the product paper guidelines of the Swabhiman Bachat Khata in detail. As part of my internship, I collected feedback from customers using this scheme and shared it with the bank to help improve their services even further.

The customer service at Kamana Sewa Bikas Bank has been exceptional from day one. The staff is patient, kind, and always ready to assist, ensuring I never feel confused or left out. They genuinely care about making the banking experience as smooth as possible for visually impaired customers like me.

Currently, Mr. Saugat Wagle is working at Nepal Airlines Corporation, Kathmandu.



Success Stories



Greetings,
I am Niranjana Timilsina !

I am currently running Alpine Food and Beverage Industries at Pokhara Municipality Ward No. 26 with a purpose to offer hygienic, pure and qualitative bakery products to the customers.

After completing my studies in the field of Food and Technology, my family and friends had suggested me that I have good employment prospects in foreign countries because of my academic background. They also advised me to explore going to countries like the USA, Australia and other European Countries as these countries offered good income generation opportunity to Food and Technology Graduates. However, I always felt that I should utilize my knowledge in the field of Food and Technology in Nepal itself. I also felt that I should start my own venture to utilize this knowledge rather than opting for job opportunities. However, I did not have enough funds to start my own business and I even thought of borrowing some money from my friends for starting the business. In between all this, I came across one of the staffs of Kamana Sewa Bikas Bank and shared my business idea with him, to which he informed that the Bank shall be interested to invest in such production-oriented industries. After this, I applied for credit facility and obtained loan from Kamana Sewa Bikas Bank and started my business.

At the moment, I have a team of 10 staff members and all of them are financially supporting their families from the income generated from my business. Currently, we are selling our bakery products all over Pokhara. We have invested more than Rs. 1 crores and we have successfully established ourselves as a modern, technology friendly bakery of Pokhara. In addition to this, customers who have bought our products once have liked them so much that they have become our regular and loyal customers.

I am truly thankful to Kamana Sewa Bikas Bank for its financial support to operate this business and fulfill my dream.



Greetings,

I am Prabin Maharjan, Director of Forego Phonetech Pvt. Ltd.

Kamana Sewa Bikas Bank and my company Forego Phonetech pvt.Ltd started our journey from 2020 AD and now here we are till 2024 going strong together and growing bigger. It provided us with such a great facilities and services which we were lacking from other banks. The financial assist was the major support to us from Kumaripati branch. Staffs here are very friendly and services are super-fast with smile. We have now added our business with big home appliances along with mobile and accessories.

Our business has taken a new height. Our margins are increasingly on daily basis. Our transaction is breaking our own records monthly. All these would not have been possible without the support and proper guidance of Kamana Sewa Bikas Bank in each and every financial aspect. We are very happy to be associated with this bank.



Greetings,

I am Sushil Kumari Khawas !

I am a resident of Kaseni, Belbari Municipality, Morang. I was struggling to arrange Rs. 1.5 million to send my son to Japan. I was also not able to get back the money that I had lent to my friends. Though my husband is working abroad, it was difficult for me to arrange such a big amount of money. Amidst all this, I luckily met one of the staff from Kamana Sewa Bikas Bank and shared my problems with him. After this, I was able to get loan from the Bank after fulfilling all the requirements and rules of the Bank and was able to send my son to Japan. At that time, the loan provided by Kamana Sewa Bikas Bank helped me to create a bright future for my son. If I had not received the Bank's support, my son would have never gone to Japan.

I am deeply grateful to Kamana Sewa Bikas Bank for its support.

Success Stories



Greetings,
I am Chandrakala Rai !

I am a resident of Pathari Sanishchare – 1, Morang . I currently operate a cosmetics store.

After my husband retired from his service in the Nepalese Army, we decided to get involved in some kind of business since our children had also grown up and we both had some free time. My husband's home is in Bardibas and my maternal home is in Pathari Sanishchare, we mutually decided to start our venture at Pathari Sanishchare itself.

We started our shop named Shringar Cosmetic at B.P. Chowk, Pathari Sanishchare – 1. Once we established our business, we felt the need of some funds for further business expansion. Since, the land that we wanted to keep as collateral for our loan was in Bardibas and our business was in Pathari, most of the banks were reluctant to provide us loan for business expansion. Finally, Kamana Sewa Bikas Bank, Pathari reviewed our loan request as well as collateral and was ready to provide us the loan.

After getting loan from Kamana Sewa Bikas Bank, it became very easy for us to further expand our business. Since we had sufficient capital, we started importing cosmetic products from India which helped us to increase our revenue. Initially, we were operating our business from just one rented shutter shop. However, currently, we have rented an entire flat of the same building and are also further expanding our business. As our business expanded, we decided to import cosmetic products from third country (China) for which we again needed some additional funds.

It has been a great help for us that Kamana Sewa Bikas Bank supported us by offering additional credit at the time of our need for business expansion. Importing goods from foreign countries and selling them in Nepalese market has helped us to increase our revenue as well. I want to express my sincere appreciation to Kamana Sewa Bikas Bank, Pathari for trusting us and offering us with credit facilities at the time of our need. If Kamana Sewa Bikas Bank had not provided us with financial assistance then we would not have been able to achieve our business goals and plans. We also would not have been able to grow our business to this extent and enhance our standard of living. The loan facility that we had taken from Kamana Sewa Bikas Bank has indeed become a boon for us to enhance our business and our lives.



Greetings,

I am Ganga Limbu, Proprietor of Misti Kirana Pasal.

Misti Kirana Pasal is registered in Dharan Sub Metropolitan City with proprietorship firm having capital NPR. 500K. I along with my spouse Mr. Subash Kumar Limbu strongly wanted to contribute to the family income and thought of scaling the business and decided to take borrowing for deficit investment from Kamana Sewa Bikas Bank Limited, Dharan Branch.

The Bank disbursed Kamana Women Entrepreneurship Loan (KWEL) on 2021, considering the business plan and projection of the business and proprietor engagement/ experience of business. After the injection of disbursed loan, our Entrepreneurial journey started. We also expanded our business which helped us to increase our sales, profitability and net worth of firm.



Greetings,

I am Bhagawati Prasad Chaudhary, Proprietor of Netrachandra Medical Hall in Jhumka, Ramdhuni municipality, Sunsari.

I began my entrepreneurial journey alongside my spouse, Mrs. Radha Kumari Chaudhary. Initially, as a small-scale businessman, we encountered numerous challenges before seeking financial support from the bank. I secured three loans: a small business loan to upgrade our medical hall, a land purchase loan, and a KSBBL Pure Home loan. The business loan helped us upgrade our medical hall with better equipment, and the home loan gave us space that we plan to use for our medical hall in the future. Over time, our business grew, becoming a successful medical center that serves the community with care.

Success Stories



Greetings,

I am Bhabis Chudal, Proprietor of a clothing store, The S Collection.

I along with my wife, Indira Bhattarai is currently running a clothing store, The S Collection. We were thinking of expanding our operations and were lacking the required fund. We secured a loan from KSBBL Madhumalla Branch allowing us to add new stock of ready-made clothes, boosting our sales and profitability.

After expanding our business, we experienced significant growth and remained actively involved in its operations. I took a job in Dubai, which provided additional income, while my wife, Mrs. Bhattarai, efficiently manages our shop. Her dedication has increased its annual revenue and earned her recognition as a successful entrepreneur in the community.



Greetings,

I am Tara Karki, Proprietor of Gopikrishna Tara Bahuudeshya Krishi Farm.

My husband, Om Bahadur Karki, and I are currently operating a proprietorship firm called Gopikrishna Tara Bahuudeshya Krishi Farm. We were considering expanding our operations but were short on the necessary funds. We obtained a loan from the KSBBL Padajungi Branch, which enabled us to add livestock to our operations. This expansion led to a significant boost in our sales, profitability, and overall net worth.

The business expansion led to a higher production volume and we engaged all family members, resulting in increased monthly and yearly income. This growth also elevated our social status and contributed to our self-employment.



Greetings,

I am Beni Prasad Sunar from Saraswati Jewellery Shop, Biratnagar.

I have been operating Saraswati Jewellery Shop in Biratnagar. Initially, my shop was funded independently before we partnered with the Bank. During the expansion phase, I encountered difficulties due to a lack of working capital. Working from a small location, I faced numerous rejections from financial institutions when seeking financing for working capital.

Following a discussion with an official from Kamana Sewa Bikas Bank, the Bank assessed and considered the proposal. Recognizing the business's potential, they decided to back it and allocated funds to facilitate the expansion of the business.

Today, the jewellery shop is a well-regarded establishment in Biratnagar and has created five additional employment opportunities.



Greetings,

I am Ram Nepali, Proprietor of Ajay Saw Mill and Furniture Udhyog.

Ajay Saw Mill and Furniture Udhyog is in Bharatpur-16, Dhaddaghari, Chitwan. To grow the business, I took a loan from Kamana Sewa Bikas Bank Limited, Shardanagar branch. Our business now provides jobs for six people. With the bank's support and guidance in financial matters, I am very happy to be connected with them.



OUR VISIONARY LEADERS



Board of Directors



LEFT TO RIGHT

Dr. Pawan Kumar Sharma, *Director*
Bhim Prasad Tulachan, *Director*
Bishweshwar Subedi, *Director*
Sudeep Acharya, *Chairman*



Balaram Baral, *Director*
Chaturakhar Adhikari, *Director*
Sita Ghimire, *Independent Director*

Board of Directors Composition



MR. SUDEEP ACHARYA
Director

Educational Qualification

Postgraduate – University of Arkansas (Industrial Engineering)

Associated Organizations

Director, DishHome; Chairman, Digital Home International Pvt. Ltd.; Chairman, Multiple Television Pvt. Ltd.; Managing Director, Ripumardeni Pvt. Ltd.; Director, Multi Energy Development Pvt. Ltd.; Promoter, Prabhu Bank Limited; Promoter, Bindhyabasini Hydro Power Company Ltd.; Past President, Rotary Club of Nagarjun; Member, Teach For Nepal; Member, Nepal-Israel Chamber of Commerce; Director, Former Kaski Finance Ltd.; Chairman/Director, Former Kamana Bikas Bank Ltd. and involved in various other organizations.



MR. BHIM PRASAD TULACHAN
Director

Educational Qualification

Bachelor's Degree – Tribhuvan University (Economics)

Associated Organizations

Coordinator: Audit Supervision Committee Co-ordinator, National Cooperative Federation of Nepal; Chairman, District Cooperative Federation Ltd., Rupandehi; Managing Director, Lumbini Hospital & Technical College Pvt. Ltd.; Chairman, Lumbini Resort & Hill Development Pvt. Ltd.; Chief Advisory Committee, Lumbini Specialized Cooperative Union Ltd., Rupandehi; Promoter Chairman, Chandranagar Drinking Water and Sanitation Committee; Chief Advisor, Thakali Sewa Samiti, Butwal Region; Chairman, Butwal Hillpark Council; Chairman, Former Sewa Bikas Bank Ltd.; Chartered President, Tilottama Secondary School, Butwal; Past Ward Chairman, Butwal-8 (1997 – 2002); President, Rotary Club of Butwal Down Town (2005); Chartered Treasurer, Nepal Cancer Prevention Organization, Rupandehi; Promoter, Mani Mukunda Sen Park, Butwal; Lifetime Member, Nepal Red Cross Society; Promoter Chairman, Rupandehi Savings and Credit Cooperative Association Ltd., Rupandehi; Promoter Chairman, Butwal CT & Imaging Center Pvt. Ltd.; Promoter, Scholarship Fund, Rupandehi; Promoter Chairman, Lumbini Sports Club, Rupandehi.



MR. CHATURAKHAR ADHIKARI
Director

Educational Qualification

Bachelor's Degree – Tribhuvan University (Science)

Honorary: Honorary Doctorate – Integrated Global University (Honoris Causa)

Associated Organizations

Past President, Lekhnath Chamber of Commerce; Promoter Chairman, Shree Laxmi Adarsha Multiple Campus; Past President, Lekhnath Community Lions Hospital; Ex.Senator, Pokhara University; Honorary Member, Office of the Abhyusthman, Philippines; Promoter Chairman, Lekhnath Lions Club; Chairman/Director, Former Kamana Bikas Bank Ltd.; Past Central Vice-President, Brahman Society Nepal; Author of books Gyanapunya and Tirtha Yatra Smaran; and involved in various other organizations.



MR. BISHWESHAR SUBEDI
Director

Educational Qualification

Postgraduate – Tribhuvan University (Management)

Associated Organizations

Director, National Hydropower Company Ltd.; Director, Lower Indrawati Hydropower Project; Managing Director, Lower Irkhuwa Hydropower Company Ltd.; Secretary, Nepal Investors Forum; Director, Former Sewa Bikas Bank Ltd.; Director, Ujyalo Energy Pvt. Ltd. and involved in various other organizations.



MR. BALRAM BARAL
Director

Educational Qualification

Bachelor's Degree – Tribhuvan University (Economics)

Associated Organizations

Director, Rambha General Food Industries Pvt. Ltd.; Director, Pokhara Foods Pvt. Ltd.; Managing Director, Bakeland Marketing Company Pvt. Ltd.; Treasurer, Pokhara Industrial State Industry Federation; Director, Bhadrakali Multiple Campus, Pokhara; Director, Former Kaski Finance Ltd.; Director, Former Kamana Bikas Bank Ltd. and involved in various other organizations.



MR. PAWAN KUMAR SHARMA
Director

Educational Qualification

PhD – Singhania University (Computer Science & Engineering)

Associated Organizations

Acting Chairman, Envision Tech Pvt. Ltd.; Co-founder Chair, Three Monks Pvt. Ltd.; Chairman, Dewan Soft Pvt. Ltd.; Chairman/Chief Editor, ICT Nepal News dot com; Faculty Lecturer, Texas College of Management & IT; Program Director, Virinchi College; Ambassador, Agora Speakers International; Associated with Nepal Open University and involved in various other organizations



MS. SITA GHIMIRE
Independent Director

Educational Qualification

Postgraduate – Tribhuvan University (Nepali & Economics) Bachelor's Degree – Law

Associated Organizations


Past Director, Nepal Rastra Bank; Internal Debt Specialist

Term Expired on 2081/05/29



18TH ANNUAL GENERAL MEETING

CHAIRMAN'S SPEECH



I extend my heartfelt welcome to respected shareholders, distinguished representatives from regulatory bodies, the Bank's Board of Directors, former chairmen and directors, external auditor of the Bank, Chief Executive Officer of the Bank, valued staff members, friends from media as well as all other distinguished guests in the 18th Annual General Meeting of Kamana Sewa Bikas Bank Limited (KSBBBL).

The Bank is truly indebted to all of you for your constant support, trust and appreciation throughout our 18 years long journey in the ever-competitive banking and finance industry of Nepal. The Bank has always prioritized offering specialized products and services to more than 700,000 customers through use of modernized technologies and in a prompt, efficient and transparent manner. The Bank has always taken a proactive approach to offer premium services to its valued customers as well as stakeholders through its competitive products and services. Today, I feel proud to present the Bank's achievements in the FY 2080/81 to our dear shareholders and other stakeholders through this annual general meeting.

In the aftermath of COVID-19, the world economy has started showing revival from the adverse effects of the pandemic and the positive ripple effects of such revival is slowly starting to be seen in the national economy as well as in the business performance of the Bank. However, in the review period, several unanticipated changes in the global economy, changes in government

in Nepal, amendments in various policies and guidelines of the regulatory authorities and low morale of the local investors had both implicit and explicit impacts on the Bank's performance. However, despite the adverse business environment in the Nepalese banking industry, the Bank was able to record some positive progress in its major performance indicators. It has been a matter of concern for the Bank that the demand for credit facilities in the Nepalese market has not boosted up despite having single digit interest rates. The negative impact seen in the economic activities of the country, decline in demand for credit facilities, various agitations directed towards the Nepalese Banking industry as well as challenges in credit recovery due to spread of negative information in the social for the banking sector in the last fiscal year has led to a different perception of the general public towards the entire banking industry of the country. Despite all these adversities, Kamana Sewa Bikas Bank feels honored to be able to propose double digit dividend rate to its valued shareholders through this annual general meeting.

As a result of the liquidity surplus in the banking industry, there has been a significant decline in the interest rates for deposit products and this has also impacted the interest rates for credit facilities of the Bank in the review period. In addition to this, the Bank also has a surplus of investable funds due to lack of new businesses in the economy as well as unwillingness of the existing businesses to expand their business

through additional investment. However, we are hopeful that the latest policies and provisions issued by the regulatory authorities shall slowly lead to increase in demand for credit facilities of the Bank.

In the last fiscal year, the bank successfully collected Rs. 59.69 Billion in deposits and disbursed Rs. 50.16 Billion in loans. It achieved an operating profit of Rs. 967.9 million and a net profit of Rs. 581.8 million, reflecting strong financial performance. Analyzing key financial indicators, the bank's Capital Adequacy Ratio stands at 12.50%, while its Earnings Per Share (EPS) is Rs. 17.73. The Price-to-Earnings (P/E) Ratio is 23.46 times, and the Net Worth Per Share is Rs. 164.10. Additionally, the bank maintains a Liquidity Ratio of 24.69%, ensuring financial stability. With these encouraging growth figures and a significant increase in profitability, the bank has decided to distribute a 7% bonus share and a 5% cash dividend (including tax) from the profit of fiscal year 2080/81. This proposal has been approved by Nepal Rastra Bank and is now presented for approval in the esteemed Annual General Meeting.

Being a financial institution created through merger of various other financial institutions and guided by the philosophy of "Pragati ko Aadhar, Kamana Sewa sanga Karobar", I am equally delighted to be able to highlight the Bank's achievements in the areas of financial stature, rate of returns, robust internal control corporate governance.

The Bank has implemented several short term and long term strategies to ensure its sustainable financial success and growth. In line with this, the Bank has developed and implemented Road Map 2081/82 with a strategic intent to position the Bank as a leading development bank of Nepal with positive contributions to the national economy. The Bank aims to further strengthen its business operations as well as internal control mechanisms through this Road Map. Further, the Bank's main motto for the FY 81/82 is to promote

responsible banking, qualitative services and Prudent-Quality-Return.

The Bank has already initiated the processes to select appropriate consultants for the implementation of Expected Credit Loss (ECL) Model as necessitated by the NFRS 9-Expected Credit Loss Related Guidelines, 2024. This portrays the Bank's utmost emphasis to adhere to the requirements and guidelines of the regulatory authorities. On the other hand, the Bank has been focused on strengthening its corporate governance mechanism under the coordination of a non-executive director for monitoring of various committees and sub committees namely Audit Committee, Risk Management Committee, Employee Compensation and Benefits Committee, Anti-Money Laundering Committee to name a few and it has been developing and implementing various effective policies, manuals, standards and guidelines through these committees to ensure policy level improvements inside the Bank.

The Bank, following its guiding principle of "technology-driven services as the need of today," has been continuously enhancing its services to be more technology-friendly and advanced. It has developed an online account opening system, allowing customers to update their identification details through the same platform. To further automate operations, the bank has introduced Robotics Process Automation (RPA) and has been upgrading this system to enhance efficiency. Prioritizing digitization, the bank aims to provide fast, efficient, and high-quality services while minimizing human errors and ensuring transparent operations. Most of the bank's internal processes are now conducted through digital platforms, and the Management Information System (MIS) has been automated to facilitate data-driven decision-making. This system also enables the timely reporting of financial updates to the board of directors. To strengthen loan recovery strategies, the bank has implemented an effective

plan for the collection of overdue loans. Additionally, to ensure widespread access to information, the bank has launched a dedicated Auction Hub portal on its website and created a separate social media page for auction-related updates. This platform has been further upgraded to make it more efficient and user-friendly.

As a responsible corporate citizen, the Bank duly adheres to the relevant directives and guidelines issued by Nepal Rastra Bank with respect to Corporate Social Responsibility and has been allocating at least 1 percent of its Net Profit for various corporate social responsibility initiatives. The Bank has also been conducting various programs related with financial inclusion, financial literacy and exposure at the branch level as well as corporate level throughout the country.

In the review period, as a part of its Corporate Social Responsibility initiatives, the Bank offered financial assistance through programs in various sectors namely health, education, financial literacy, environment, cultural conservation, economically marginalized children, to name a few. It has also contributed and actively participated in various other cultural and religious programs both through economic contribution as well as activities like distribution of water, juice and other eateries. It is committed to continue such corporate social responsibility initiatives in the days to come as well.

The Bank's Annual Report has incorporated different subjects as well as its remarkable achievements along with key information to all its stakeholders as necessitated by the relevant regulatory authorities required to be presented in Annual General Meeting. We are hopeful that you shall review this report and continue offering your valuable suggestions and recommendations as in the past. We truly value your suggestions and insights and are hopeful that they

shall continue playing an instrumental role to further strengthen the Bank and its goodwill in the days to come.

The Bank's Board of Directors as well as all the team members are committed as ever to establish the Bank as a robust financial institution in the days to come. I am hopeful that the proposals and special agenda presented by the Bank in this annual general meeting shall be duly approved by the majority of shareholders present in this meeting.

As I draw to a close, I would like to once again extend my heartfelt gratitude and deepest appreciation to Nepal Rastra Bank and other regulatory authorities, Government and Non-Government Organizations and private sector for their direct and indirect guidance to the Bank. I am also deeply grateful to our valued shareholders and customers, Share Registrar – Prabhu Capital Limited, Credit Information Center Limited, different Banks and Financial Institutions (BFIs), Confederation of Bank and Financial Institutions Nepal (CBFIN), Development Bankers Association Nepal (DBAN), media as well as the Bank's sincere and dedicated staff members for their undeterred trust and valuable contributions to enhance the Bank's efficiency, growth and success. I am hopeful that we shall be receiving such guidance and support in the days to come as well. On behalf of the Bank, I reiterate the Bank's commitment to further diversify its service offerings and offer precise, prompt and transparent services to its stakeholders in the future.

Thank you once again !

SUDEEP ACHARYA

Chairman

Kamana Sewa Bikas Bank

Presented in the 18th Annual General Meeting of Kamana Sewa Bikas Bank

Dear Valued Shareholders,

I heartily welcome our valued shareholders, representatives from regulatory bodies, promoters, directors, external auditors, media representatives, Chief Executive Officer of the Bank, staff members and all other distinguished guests to this 18th Annual General Meeting of the Kamana Sewa Bikas Bank. I am grateful to the Bank's Former Chairman and Directors, Shareholders, Customers, Regulators, Staff Members, Wellwishers and all other Stakeholders for their remarkable contribution throughout this 18 year of journey, which has enabled the Bank to scale greater heights year after year.

The Bank deeply values each of your support, trust and goodwill which has empowered the Bank's Board of Directors to create a robust and excellent Development Bank of the country. We have always been inspired by your undeterred trust and support to grow and achieve remarkable progress on a continuous basis. We are committed as ever to fully justify the trust and support that you have placed upon us by becoming a responsible and sustainable financial institution of the country.

Inflation has remained within the targeted limits in the economy, the external sector has improved, foreign exchange reserves have increased significantly, and interest rates on savings and loans have declined. Although banks and financial institutions have an increasing amount of investable funds, credit expansion has not grown as expected. Despite lower loan interest rates, internal demand has not improved significantly, making it difficult to boost credit demand solely through monetary policy.

Referring to the developed and developing economies, the stringent monetary policies implemented by their central bank has decreased rates of inflation. As a result of this, the global inflation rate that had been at top by the COVID-19 pandemic as well as geopolitical tensions is now on a declining trend.

In the review period, there was surplus of liquidity due to the imbalance created by reduced demand for credit as compared to increment in deposit during the same period, as a result of this, though the Bank had enough funds for investment, its credit portfolio has not expanded in a satisfactory manner. However, despite the economic challenges at national and international level, the Bank has been able to register positive progress in the FY 2080/81.

In line with Bank's Strategy 2084 which focused on offering appropriate strategic guidance to the Bank and to further strengthen the Bank's brand within the boundaries of the Bank's Vision, Mission, Values, customer relationships and market presence, the Bank implemented Road Map 2081/82 in the review period. This Road Map aims to further streamline and strengthen the Bank's operations and its internal control mechanisms. The Bank's main motto for the FY 2081/82 stands as Prudent-Quality-Return which aims to make the Bank a responsible financial institution.

The Bank has been able to register following remarkable achievements in the review period:

- The Bank's total deposit portfolio stands at Rs. 59.69 Billion as at Asadh end 2081, which is 9.79 percent of the total deposit portfolio of the development banks in the country. In the same period, the bank's total credit portfolio stands at Rs. 50.16 Billion which represents 10 percent of the total credit portfolio of overall development banks of Nepal.
- In the review period, the Bank has been able to achieve a growth of 8.07 percent, 0.31 percent and 30.65 percent respectively in its debit card, mobile banking and QR business as compared to last fiscal year.
- The Bank has always placed utmost emphasis on adhering to the culture of zero tolerance rather than only abiding by the relevant laws and regulations of the regulatory bodies as well as applicable local laws. It has highly prioritized the welfare of its shareholders and all stakeholders as well as corporate governance and has

ensured transparent implementation of various rules and guidelines for the same.

- It has already started shortlisting of suitable consultants for effective implementation of Expected Credit Loss (ECL) Model as necessitated by NFRS 9-Expected Credit Loss Related Guidelines, 2024.
- The Bank has automated following services to ensure prompt and effective services to its diverse set of customers:
 - Online Account Opening with Video KYC
 - Mobile Banking System
 - Document Validation for Bank Guarantee
 - QR Merchant
 - Fixed Deposit Account Opening

Guided by the Bank's long-term strategies for increase in exposure to individual loans, small and medium enterprise loans, number of current account holders, number of savings account holders, and non-interest incomes, it has implemented various appropriate instruments and measures to achieve the intended outcomes defined by these strategies.

In this context, I seek your approval in presenting to you the Report of the Board of Directors which has been made in line with Company Act 2063, Banks and Financial Institution Act 2073 and Securities Registration and Issue Guidelines 2073 with major emphasis on highlighting the Bank's progress and achievements, challenges and evaluation and review of overall banking activities in the FY 2080/81.

1. An insight into the international and national economy:

a. Overview of the International Economy

Though there has been traces of some kind of strengthening of the global economies, containment of rising inflation rates resulted by stringent monetary policies, the global economic growth rate is expected to remain at lower levels because of long term effects of COVID-19 pandemic as well as the geopolitical tensions resulted by Russia-Ukraine conflict. The International Monetary Fund (IMF) has

projected minor improvements in the economic growth rates of global economy and developed economies and a stable economic growth of emerging and developing economies. The global economic growth rate has been projected at 3.2 percent in the year 2024 and 3.3 percent in the year 2025 as compared to 3.3 percent in the year 2023.

It is expected that the developed economies shall grow at the rate of 1.7 percent in the year 2024 and 1.8 percent in the year 2025 as compared to a growth of 1.7 percent in the year 2023. Similarly, emerging and developing economies are expected to grow by 4.3 percent respectively in the years 2024 and 2025 as compared to a rate of 4.4 percent in the year 2023. Indian and Chinese economies are forecasted a growth of 7 percent and 5 percent respectively in the year 2024 and 6.5 percent and 4.5 percent respectively in the year 2025 as compared to a growth of 8.2 percent and 5.2 percent in the year 2023.

The overall global economy is showing gradual improvements in the inflationary rate and are moving towards the targeted level of inflation while the emerging and developing economies are still witnessing higher levels of inflation. The consumer inflation rate that stood at 6.7 percent in the year 2023 is expected to remain at 5.9 percent and 4.4 percent respectively in the year 2024 and 2025. IMF also projects an inflation rate of 2.7 percent and 2.1 percent respectively for the developed economies in the year 2024 and 2025 in comparison to 4.6 percent in the year 2023. Similarly, emerging and developing economies are expected to witness an inflation rate of 8.2 percent and 6 percent respectively in the year 2024 and 2025 as compared to 8.3 percent in the year 2023.

In the year 2023, India and China witnessed an average inflation rate of 5.4 percent and 0.2 percent respectively which is forecasted to remain at 4.6 percent and 1 percent respectively in the year 2024 and 4.2 percent and 2 percent respectively in the year 2025.

If we look at the central banks across the globe, we can clearly see that some of the central banks have started loosening their monetary policy while most of them are still continuing their strict monetary policy regimes. The Federal Reserve has given continuation to its Federal Fund

Rate of 5.25 -5.50 percent that came into effect in July 2023. However, the European Central bank has reduced the statutory rate as it has been able to contain the inflation to the targeted levels. Indian Reserve Bank has also continued its Repo Rate of 6.5 percent which had been determines after evaluation of the country's monetary policy in 2024. As such, the IMF forecasts a scenario of reduction in statutory rates by central banks of other developed economies as well in the near future.

b. Overview of the National Economy

i. Economic Status of the Country:

As per the Central Bureau of Statistics, the Nepalese economy is expected to witness an economic growth of 3.87 percent in the FY 2080/81. Specifically, expansion of sub sectors such as housing and food items, electricity and gas, transportation and storage have positively affected the economic growth while the growth rate of construction and productive sectors are still expected to be negative.

In the review period, credit disbursal by Banks and Financial Institutions (BFIs) has increased by Rs. 276.94 Billion (5.8 percent). Last year the increment was Rs 175.94 Billion (3.8 percent). In the review period, of the total credit disbursed to the private sector, the credit disbursal to non-financial sector was 63.3 percent and individuals and households was 36.7 percent which stood at 62.7 percent and 37.3 percent in the last fiscal year. Commercial banks saw a growth of 5.8 percent, development banks saw a growth of 5 percent and finance companies saw a growth of 7.7 percent in their credit disbursed to private sector in the review period.

As of Asadh end 2081, of the total credit portfolio of BFIs, 66.5 percent was disbursed for collateral for land and building and 13.2 percent was disbursed for current assets (agricultural and non-agricultural goods). The ratio of such collateral based loans as at Asadh end 2080 stood at 68 percent and 11.6 percent respectively. In the FY 2080/81, loan disbursed by BFIs in agricultural sector grew by 0.9 percent, industrial production sector grew by 8.8 percent, transportation, communication and public service sector grew by 16.7 percent, retail trade grew by 1.5 percent and service sector grew by 6.2 percent.

In the FY 2080/81, the total goods import declines by 3 percent and reached a level of Rs. 152.38 Billion as compared to a decline of 21.4 percent in the last fiscal year. On the basis of country of export, export to India and other nations declined by 3.3 percent and 4.3 percent respectively while export to China increased by 46.6 percent. In terms of commodities, export of zinc sheet, particle board, juice, polyester thread, mustard paste has increased while export of palm oil, soyabean oil, wolen carpet, brass and jute products have declined.

In the review period, total loss in terms of commodities trade has decreased by 1 percent and reached Rs. 1440.60 Billion which had declined by 15.5 percent in the last fiscal year. The import-export ratio has reached 9.6 percent in the review period as compared to 9.7 percent in the preceding fiscal year. A total of Rs. 151.76 Billion commodity exports have been carried out with India through payment in convertible foreign exchange in the review period as compared to Rs. 154.42 Billion last year.

In the FY 2080/81, the remittance inflow has increased by 16.5 percent reaching Rs. 1445.32 Billion as compared to an increment of 23.2 percent last year. Remittance inflow in US Dollars has reached Rs. 10.86 Billion which is a growth of 14.5 percent as compared to 13.9 percent last year.

There has been significant growth in tourist arrivals in the FY 2080/81. Factors like declaration by Government of Nepal to make the period of 2023-2033 as Visit Nepal Decade, various promotional events planned for the FY 2081/82 to ensure arrival of 1.6 million tourists, expansion of tourism related infrastructures like hotels, airports and so on have shown further growth of the tourism industry of the country. In the FY 2080/81 there has been a significant increment in tourist arrivals and a total of 11,28,284 tourists had arrived in Nepal as compared to 8,62,992 in the FY 2079/80.

Traces of improvement in the external sectors of economy as well as declining rates of interest show probability of rise in private sector credit which shall assist to enhance economic activities of the country. The remittance inflow is also expected to remain at satisfactory level owing to rise in number of people opting for foreign employment. However, the internal demand scenario of the country

has been hampered to a certain extent because of significant number of youth opting to travel abroad for educational and employment purposes. In such a scenario, timely spending of capital expenditure can assist in increment of productivity of the economy. Also, in case the disbursement disputes of construction sector as well as challenges in saving and credit cooperative institutions are timely settled, then some level of improvement in the economic activities of the country can be expected.

ii. Status of Monetary and Financial Sector:

The Unit Value index based on annual point base of exports as at Asadh 2081 has grown by 2.1 percent while Export Value Index has grown by 0.4 percent. In Asadh 2081, the terms of Trade increased by 1.7 percent while annual consumer point inflation stands at 3.57 percent as compared to inflation rate of 7.44 percent last year.

The annual average inflation rate of food and drinks in the FY 2080/81 stood at 6.47 percent as compared to 6.62 percent last year. In Asadh 2081, the annual average inflation rate of food and drinks remained 4.10 percent in comparison to 7.38 percent last year. In the FY 2080/81, the average annual consumer inflation rate stood at 4.64 percent as compared to 8.62 percent last year while the average point based consumer inflation for non food items and service sector stood at 3.15 percent as compared to 7.48 percent last year.

The private sector credit from monetary sector as of Asadh 2081 reached a total of RS. 52.73 Billion which is approximately 92 percent of the country Total Gross Domestic Product. The internal demand in the FY 2080/81 are still in a passive state while the non performing loan ratio of Banks and Financial Institutions have increased owing to decline in credit recovery by these institutions. The non performing loans ratio of Banks and Financial Institutions has reached 3.98 in Jestha 2081 as compared to 3.02 in Asadh 2080.

3. Review of the Bank's transactions in the last 6 fiscal years

The major financial indicators of the Bank in the FY 2080/81 and past few fiscal years are highlighted below:

Details	Unit	2075/76	2076/77	2077/78	2078/79	2079/80	2080/81
1. Gross Profit/Total Income	Percentage	10.72	3.19	13.52	9.62	4.78	7.8
2. Earning per Share	Rs.	11.20	4.71	22.56	18.78	11.01	17.73
3. Market Price per share	Rs.	160	145	580	349.90	327	416
4. Price Earning Ratio	Ratio	14.28	30.77	25.71	18.63	29.69	23.46
5. Dividend ratio (including bonus)	Percentage	6.8	4.63	19.47	4.64	0	12
6. Cash Dividend	Percentage	6.8	0.23	0.97	0.23	0	5
7. Interest Income/Interest Bearing Assets	Percentage	12.21	12.81	10.35	13.22	15.86	14.34
8. Staff Expenses/Total Operating Expenses	Percentage	59.26	54.68	62.21	59.96	62.20	63.39
9. Composition of Interest Expenses in Total Deposit and Liabilities	Percentage	7.52	7.47	5.78	8.31	9.79	8.09
10. Staff Bonus/Total Staff Expenses	Percentage	15.91	3.87	18.06	15.58	8.90	15.10
11. Net Profit/Total Loans and Advance	Percentage	1.41	0.45	1.51	1.34	0.78	1.18
12. Net Profit/Total Assets	Percentage	1.07	0.33	1.17	0.99	0.58	0.87
13. Total Credit/Deposit	Percentage	94.67	81.60	87.26	87.34	82.64	82.26
14. Total Operating Expenses/Total Assets	Percentage	2.16	2.44	1.95	1.95	1.85	1.79
15. Capital Adequacy to Risk Weighted Assets							
a. Primary Capital	Percentage	15.44	12.73	10.02	8.59	8.62	9.61
b. Supplementary Capital	Percentage	1.37	1.26	3.91	3.54	3.62	2.89
c. Capital Adequacy	Percentage	16.81	14	13.93	12.13	12.24	12.50
16. Liquidity	Percentage	22.74	23.79	22.10	23.99	24.49	24.69
17. Non Performing Loan/Total Loan	Percentage	0.97	1.79	1.61	2.31	3.09	3.36
18. Base Rate	Percentage	11.59	10.55	8.38	11.05	11.93	9.45
19. Average Interest Rate Spread	Percentage	4.97	4.91	4.20	4.81	4.59	4.59
20. Total Shares	Number	25,401,954	25,401,954	26,519,637	31,425,770	32,811,647	32,811,647
21. Book Value per Share	Rs.	128	126	144.73	138.89	144.33	164.10
22. Total Staff	Number	790	913	905	955	1031	988
23. Total Branches/Outlets	Number	94	124	129	134	135	135

In the review period, the major indicators defined by Nepal Rastra Bank such as capital adequacy ratio, liquidity ratio etc denoting the Bank's financial strength have been positive which is an indication of the Bank's prudent business practices.

a) Paid Up Capital: The Bank's Paid Up Capital stood at Rs. 3,28,11,64,668.60 in the review period.

b) Capital Adequacy: The Bank's Capital Adequacy has been calculated based on the Capital Adequacy Framework of Nepal 2015 of Nepal Rastra Bank. At the end of the FY 2080/81, the Bank's capital adequacy stood at 12.50 percent which is much higher than the mandatory capital adequacy ratio defined by Nepal Rastra Bank.

c) Deposit Collection: The Bank recorded a total deposit portfolio of Rs. 59.69 Billion in the current fiscal year of which Current deposits account for 1.58 percent, savings deposits account for 26.39 percent, fixed deposits account for 65.64 percent and call deposits account for 6.39 percent. The contribution of institutional deposits in the total deposit portfolio stands at 31.44 percent which is within the limit of institutional deposit as defined by Nepal Rastra Bank.

d) Loan and Borrowings: The Bank's loans and borrowings has increased by 7.24 percent, reaching a total of Rs. 50.16 Billion as compared to Rs. 46.77 Billion at the beginning of the fiscal year. The Bank plans to come up with relevant and effective products to further expand its services in the days to come.

e) Investment: The Bank's total investment at the end of the fiscal year stood at Rs. 11.70 Billion of which government bonds amount for Rs. 10.61 Billion and shared of other institutions amount for Rs. 1.09 Billion.

f) Operational Expenses: The Bank incurred a total of Rs. 120.07 crores in the review period of which staff expenses amount a total of Rs. 76.12 crores and other operating expenses amount a total of Rs. 43.96 crores.

g) Income: The Bank's total income has been segregated into two categories namely operating income and non-operating income. Interest income, commission and discount and other operational income have been included in the operating income category. In the review period, it was able to generate Rs. 704.05 crores, Rs. 29.85 crores and Rs. 12.43 crores respectively in interest income, commission and discount and other operational income respectively.

h) Liquidity Management: The Bank has implemented its liquidity policy based on its business volume as well as complexities of business transactions. A dedicated Assets Liabilities Committee is in place to ensure efficient liquidity management since inadequate liquidity is bound to result shrinkage in business operations and ultimately reduce the profitability of the Bank. The Committee ensures that the liquidity position stays at par with the desired level through periodic reviews and meetings.

i) Non Performing Loans: The Bank's total non performing loans stands at 3.36 percent in the review period.

4. Major Challenges impacting the Bank's business operations and activities:

Some of the major challenges with potential impact on the Bank's business operations and activities are presented below:

- Impact of inflation.
- Potential risks from the Bank's funded and non funded credit facilities.
- Potential risks from the Bank's deposit and credit products.
- Possible risks from changes in the economic, monetary and financial policies of the country.
- Potential risks from fluctuations in exchange rates while conducting foreign exchange transactions.
- Possible risks resulting from contractions in the boundaries of deposit collection, investment and credit disbursement.

- Risks arising from increasing competition and lack of skilled workforce.
- Risks created by frequent changes in the policies and procedures defined by regulatory authorities.
- Risks resulting from relevant digital products and their usage.
- Adverse effects created by political instability in the country.
- Adverse effects in hydropower and agricultural sector resulted by climate changes .
- Potential risks resulted by negative comments and activities directed towards the banking sector.
- Imbalance between rate of inflation and interest rates.
- Risks resulted by delay in credit payment/recovery.
- Increasing operational risks.
- Increasing risks related with IT and Cyber Security.

In order to minimize the impacts of the aforementioned risks, the Bank has already implemented a robust risk management mechanism for timely identification, assessment, review, control and reporting of these various categories of risk. It has also in place loan loss provisions, foreign exchange reserve and other reserves and provisions created by its own judgement as well as the NRB directives and regulatory guidance to minimize risks associated with non performing loans and foreign exchange rate fluctuations. It has also equally emphasized capacity development of its staff members to equip them with necessary knowledge and skills to manage the intense competition in the banking and finance industry.

5. Different existing schemes, programs and achievements of the Bank

The main strategic intent of the Bank for the upcoming fiscal year is business growth backed by proper risk management and as such it has prioritized the following activities for the same period:

- Introducing various innovative banking services related with deposit, credit and other banking services
- Further expansion of the Bank's infrastructure and services to reach majority of beneficiaries
- Quality enhancement of the Bank's modern banking services through digital banking services, introduction of new services and expansion of network

- Implementing cost cutting measures to synchronize operating expenses
- Continuation of capacity development programs to enhance skills and competencies of the employees
- Identification of possible avenues to further expand and diversify the Bank's business
- Implementation of new plans to reduce the cost associated with the Bank's deposit portfolio
- Increment in the Bank's profitability by identifying new sources of Non Interest Income
- Further strengthening of the Bank's internal control and corporate governance mechanisms
- Establishing the Bank as a prominent and professional development bank of the country
- Emphasize reduction of non performing loans through effective and prioritized credit recovery
- Automation of the Bank's operations and processes to ensure prompt and efficient operations and service delivery to the customers
- Identification of new business avenues, improved management of foreign exchange market and interest rate fluctuations to achieve a positive impact on the Bank's profitability and implementation of appropriate measures for the same.
- Gradual expansion of the Bank's branch network, ATM and other modern digital banking services.

i. Branch Network:

Till the end of FY 2080/81, the Bank has developed a comprehensive network of 134 branches, 1 extension counter and 74 ATMs throughout the country. It has also been associated with VISA network since the FY 2075/76 and as such has been offering Chip Based ATM Card to its customers. In the days to come, the Bank plans to further enhance the efficiency of its services and enhance the capacity of its existing branches as well as analysing the feasibility and capability of its branches for merger of appropriate branches, rather than aggressively expanding its branch network.

ii. Remittance:

The Bank has been offering fast, safe and confidential remittance-based products and services to its diverse set of customers located abroad through its partnership with various national and international remittance service

providers. It has prioritized collaborating with renowned and reliable remittance service providers as per the need of the Bank in the days to come as well. In order to encourage remittance while complying to the directives and guidelines of the Government of Nepal and Nepal Rastra Bank, the Bank has been offering remittance based fixed deposit product with a higher interest payment to its valued customers.

iii. ABBS Facility:

Ever since its initial days, the Bank has been offering free of cost Any Branch Banking Service (ABBS) to its customers.

iv. Information Technology:

The Bank has always been a pioneer when it comes to adapting and implementing information technology based initiatives. It is not only the first development bank to offer Credit Card facility to its customers but also pioneer in other technology based products and services namely Online Account Opening, Smart Credit Management System, Vault Management System, Locker Management System, Charge Module System, Smart Teller, Robotic Process Automation (RPA) for loan repayment. In its quest to offer additional modern banking services to its diverse clientele, it has also been offering services like ATM (Automated Teller Machine), Debit Card, SMS Banking, Mobile Banking, Internet Banking, Credit Card, Smart Teller and so on.

The Bank emphasizes continuous updates in its information technology system and mechanisms to ensure higher customer satisfaction and to enhance the effectiveness and accuracy of its information technology initiatives. The Bank is also fully aware of the risks associated with digital and technology-based products, services and processes in the Banking industry and as such to mitigate the potential adverse effects of these risks, the Bank has in place mechanisms like Information Security Audit, regular review of VAPT and use of Crowdstrike Antivirus software.

v. Online C-ASBA Facility:

The Bank has also been offering online C-ASBA facility to its customers which enables them to submit IPO/FPO/ Right Issue applications through online medium and frees

them up from the hassles of queuing up for hours to submit such applications.

vi. DMAT:

The Bank also offers efficient and robust DMAT services in collaboration with CDSC to its diverse customer base.

vii. IPS, RTGS and Clearing Facility:

Any of the accountholders of the Bank are able to clear cheques of any bank and financial institution which is a member of Nepal Clearing House Limited (NCHL) via an application for fund transfer. They can also make payment of various government charges as well as taxes through the Connect IPS service and the Bank also offers RTGS service for real time settlement of fund transfers.

viii. Locker Facility:

The bank has also been offering locker services to its customers through its different branches in the country. It plans to further expand the locker facility to other branches as well based on the needs and demands of its customers. As at Asadh end 2081, the Bank has a total of 3,179 lockers of which 1984 customers have been using the locker service.

6. Human Resources

The Bank is truly aware of the fact that its success in the competitive banking industry of the country has been possible only because of its competent staff members. The national trend of more and more youth opting for foreign countries for their studies or employment has indeed created a scarcity of skilled employees in the country. As such, it is important for any organization to ensure proper human resource management while enhancing the level of skills and satisfaction of the staff members. The Bank has been committed to offer suitable environment to enhance the capacity of its staff members by focusing on their dedication, professional competency, mutual cooperation, innovativeness and so on. It has been encouraging participation of its staff members in various internal and external trainings, seminars, and conferences with an intent to further assist in their capacity development.

7. Industrial and Professional Relations

The Bank has always prioritized its customers as the core of its business philosophy. As such it has been partnering and collaborating with various banks and financial institutions to offer quality and diverse banking services to its customer base. We accredit our growth and success to the undoubted trust and support of our valued customers and we are fully committed to further enhance the quality and efficiency of our customers in the future as well. The Bank has also been maintaining cordial relationships with its various stakeholders including but not limited to customers, professional and industrial associations, organizations and different bodies in the due course of its operation. It shares a harmonious relationship with various government and non government organizations, businesses, industries, social groups, Nepal Rastra Bank, Company Registrar Office, Securities Exchange Board Nepal, Nepal Stock Exchange, CDS and Clearing, Nepal Clearing House to name a few, which has enabled it to further expand the scope and effectiveness of its business. In addition to this, it is also an active member of Confederation of Banks and Financial Institutions Nepal (CBFIN), Development Bankers Association Nepal and Nepal Chamber of Commerce and Industries.

8. Anti-money Laundering and KYC

As necessitated by Nepal Rastra Bank to mitigate risks arising from money laundering and financial terrorism, the Bank has been updating the pertinent details of its customers through KYC initiatives as well as reporting various transactions of the Bank through electronic mediums. It has also been advising its Board of Directors on matters related with Anti-Money laundering Act 2064 along with submission of necessary details and reports to Nepal Rastra Bank with respect to anti-money laundering.

Some of the key activities carried out by the Bank in the review period have been highlighted below:

1. Review of necessary policies and guidelines to ensure compliance with various international practices and mechanisms related with anti-money laundering and countering financial terrorism

2. Quarterly reporting to the Bank's Board of Directors regarding the activities and initiatives of the Bank with respect to anti-money laundering and countering financial terrorism
3. Reporting of the assessment of risks related with investment in anti-money laundering and countering financial terrorism
4. Review of policy level interventions defined by the relevant regulatory authorities as well as adherence to Anti-Money Laundering Act and related guidelines.
5. The Bank has initiated necessary steps to ensure regular review of the reports regarding anti-money laundering and countering financial terrorism as well as to minimize the associated risks. It has in place a dedicated committee responsible for minimizing investments in money laundering and financial terrorism knowingly or unknowingly as well as to implement directives received from respective regulatory authority related with AML/CFT and review of adherence to anti-money laundering. The committee met for a total of 6 times in the FY 2080/81.

Similarly, the Bank has been conducting frequent trainings for its staff members to keep them abreast with the latest developments and insights on KYC and anti-money laundering. It has also been conducting annual Skill Assessment Test which has to be compulsorily attended by all of its staff members. As a whole, the Bank has been able to achieve satisfactory progress when it comes to adherence to KYC and anti-money laundering guidelines and directives.

9. Corporate Governance

The Bank's Board of Directors and Management Team has placed its utmost commitment on maintaining higher standards of corporate governance and as such it has been fully abiding by the various guidelines and practices to ensure a higher degree of corporate governance in the institution both at employee level and board level.

The Bank has ensured full compliance with the internal rules and policies as well as relevant directives and guidelines of

respective regulatory authorities. The Bank is committed to ensure implementation of the basic components of corporate governance while highly prioritizing clearly defined roles and responsibilities as well as transparency when it comes to compliance with corporate governance in each of its business operations. The Bank has not only established a dedicated corporate governance unit but also there is a practice of monthly review of the status of corporate governance of the Bank. The Bank also has in place a strong Internal Audit Department that ensures proper adherence to various prevalent policies and directives issued by Nepal Rastra Bank with respect to corporate governance.

10. Corporate Social Responsibility

With an intent to ensure achievement of its goals of sustainability and contribution to the society, the Bank has been allocating and sending at least 1 percent of its Net Profit in various corporate social responsibility initiatives within the scope defined by Nepal Rastra Bank. It has been conducting various activities related with financial inclusion, financial literacy and capacity development both at head office and branch level. As per the Unified Directives No. 6 of Nepal Rastra bank, the Bank has allocated 1 percent of its net profit i.e. Rs. 58,18,318 in the review period as compared to Rs. 36,13,645 in the preceding fiscal year.

11. Investor Relations and provision of sharing information with shareholders

At the end of Asadh 2081, the Bank had a total of 399 promoter shareholders and 55,449 (physical and demat) shareholders. The Bank has always prioritized proper dissemination of information to its shareholders. It has been seeking active guidance of its shareholders through its annual general meeting while it has been disseminating relevant information including press release, quarterly reports, annual reports and other details through its website www.kamanasewabank.com as well as various media outlets. As such, the Bank fully abides by the highest standards of Corporate Governance and Compliance while prioritizing the welfare of its shareholders.

12. Comments in the Audit report and response of the Board of Directors on the same:

Except for a few minor limitations, the audit report of the Bank for the FY 2080/81 does not depict any major comments or flaws. The Bank's management team has already been advised to work on resolution of comments and to implement the suggestions received from the Bank's auditor. In addition to this, the Bank's Balance Sheet, Profit and Loss Statement, Cash Flow Statement, related annexures and auditor's report have been prepared in full compliance with Nepal Financial Reporting Standard and have been attached along with this report.

13. Internal Audit System

With an intent to strengthen the internal audit mechanisms of the Bank, there is in place a dedicated risk management committee and risk management unit under the discretion of non executive director of the board level. Apart from this, there is a separate board level Internal Audit Committee that supervises the internal audit systems and practices of the Bank via the Internal Audit Department. There are also other dedicated committees to ensure proper mechanisms and policies for effective management of operational risk, credit risk, information technology risk and prevention, market risk and compliance with AML/CFT.

14. Profit and Loss Appropriation and Proposed Dividend

In the FY 2080/81, the available distributable amount (including profit reserved till last year as well as deducting reserve fund and other reserves) stands at Rs. 411,201,538. Of this amount, 7 percent of the Bank's paid up capital of Rs. 3,281,164,669, i.e. Rs. 229,681,526.83 (Bonus Dividend) and 5 percent of the Bank's paid up capital i.e. Rs. 164,058,233.43 (Cash Dividend) has been set aside for dividend distribution. This has been decided in the 381st Board Meeting of the Bank and has also been duly approved by Nepal Rastra Bank. This proposal has been presented in today's annual general meeting for due approval by the shareholders present in the meeting.

15. Details regarding changes in the Board of Directors:

The existing composition of the Bank's Board of Directors are as follows:

S.N.	Name	Designation	Representative Group
1.	Mr. Sudeep Acharya	Chairman	Promoter
2.	Mr. Bhim Prasad Tulachan	Director	Promoter
3.	Mr. Chaturakhar Adhikari	Director	Promoter
4.	Mr. Bishweshwar Subedi	Director	Public
5.	Mr. Balaram Dahal	Director	Public
6.	Mr. Pawan Kumar Sharma	Director	Public
7.	Ms. Sita Ghimire	Director	Independent

Note:

1. The 379th board meeting of the Bank dated 2081/04/14 has appointed Mr. Pawan kumar Sharma as the bank's Board of Director (representing Public Shareholders) with effect from 2081/04/15.

2. The term of service of Ms. Sita Ghimire as Independent Director ended on 2081/05/29.

16. Details regarding seizure of the Bank's shares:

No such seizure of shares in the FY 2080/81

17. Details regarding the Bank and its subsidiary companies:

The Bank has no subsidiary company till date.

18. Details regarding changes in the major transactions of the Bank and its subsidiary companies in the review period:

None

19. Details regarding the information received from the Bank's shareholders regarding their share transactions in other companies as promoter shareholders:

None

20. Details regarding the share ownership taken by the Board of Directors and officials of the Bank:

None

21. Details regarding personal interests of the Directors or their immediate family members in case of any agreements/ contracts with the Bank:

None

22. Details if the Bank has bought its own shares:

The Bank has not bought its own shares in the review period.

23. Details regarding total operating expenses in the FY 2080/81:

S.N.	Details	Amount (in Rs.)
1.	Staff Expenses (including bonus)	76,11,80,563
2.	Operating Expenses	26,69,25,030
3.	Depreciation & Amortization	17,26,40,675
	Total Operating Expenses	1,20,07,46,267

24. Details regarding members of Audit Committee & remuneration, allowances & benefits provided to members:

The Bank's Audit Committee has the following members:

Mr. Chaturakhar Adhikari	Coordinator (Director)
Mr. Balaram Baral	Member (Director)
Mr. Niranjana Bhandari	Member Secretary (Director)

The coordinator and members of the Audit Committee are not entitled to any other benefits except the meeting allowance. Except for the Bank's staff, the Coordinator and Members of the Committee are entitled to meeting allowance of Rs. 8,000 per meeting and Rs. 1,000 per meeting for Member Secretary. There were a total of 11 meetings conducted in the FY 2080/81 and a total of Rs. 1,87,000 has been paid as meeting allowance.

25. Details regarding any amount yet to be paid to the Directors, Chief Executive Officer, Promoter Shareholders or their immediate family members:

None

26. Details regarding remuneration, allowance and benefits paid to Directors and Chief Executive Officer:

a. Remuneration, allowance and benefits paid to Directors:

S.N.	Name	Designation	Allowance per meeting (Rs.)
1.	Mr. Sudeep Acharya	Chairman	9,000
2.	Mr. Bhim Prasad Tulachan	Director	8,000
3.	Mr. Chaturakhar Adhikari	Director	8,000
4.	Mr. Bishweshwar Subedi	Director	8,000
5.	Mr. Balaram Baral	Director	8,000
6.	Ms. Sita Ghimire	Director	8,000

A total of Rs. 14,76,000 had been paid to the Directors as Meeting Allowance and Rs. 36,80,115 has been expensed under the headings of transportation, Travel, Telephone Expenses and Newspaper expenses in the FY 2080/081.

b. Remuneration, allowance and benefits paid to Chief Executive Officer:

S.N.	Details	Amount (Rs.)
1.	Salary, Allowance, Bonus (excluding tax)	1,07,07,888
2.	Other benefits	26,820

27. Details regarding unclaimed dividend: Rs. 121,816

28. Details regarding purchase or sales of assets as per Clause 141:

The Bank has not purchased or sold any land or building in the review period

29. Details regarding transactions between associated companies as per Clause 175: None

30. Other Details:

All other details that are to be presented in the Board of Directors Report as per the prevalent laws and regulations have been mentioned in this report.

Vote of Thanks

We are deeply grateful to our valued shareholders for their undeterred cooperation, support and guidance for the growth and success of the Bank. In addition to this, we deeply appreciate the role that our diverse customer base has played by trusting us and enabling an enriching relationship marked by trust and collaboration. Similarly, we would like to express our sincere appreciation to our regulatory body – Nepal Rastra Bank for always guiding and mentoring us with insightful suggestions, recommendations, decisions and advices. In this special occasion, we could not thank more the Company Registrar Office for their continuous support to the Bank which has enabled the Bank to carry out a range of regular operational activities and ultimately offer seamless and effective services to our stakeholders.

We are equally grateful to the Government of Nepal, Ministry of Finance, Securities Board of Nepal (SEBON), Nepal Stock Exchange Limited, CDS and Clearing Limited, Inland Revenue Department, our share Registrar – Prabhu Capital Limited, Confederation of Banks & Financial Institutions Nepal, Development Bankers' Association Nepal, External Auditors, Legal Advisors as well as all other regulatory bodies

and guiding authorities and individuals for their direct and indirect support in the Bank's journey towards sustainability, growth and success. We are hopeful to receive such insightful assistance and support in the days to come as well. We deeply appreciate the efforts of all our well-wishers for their pivotal role in spreading our positive word of mouth about the Bank.

To draw a close, we would like to extend our special thanks to the Chief Executive Officer and the valued staff members of the Bank for their tireless efforts, dedication and commitment towards prioritizing the welfare and fulfilling the needs and welfare of the Bank's stakeholders. We would like to reiterate our commitment that we shall continue to serve them with qualitative, hassle free and technology friendly services to our customers in the days to come.

Kudos to Kamana Sewa Bikas Bank !

On behalf of the Board of Directors,
Sudeep Acharya
 Chairman



MESSAGE FROM CEO

DRIVING GROWTH & INNOVATION

Dear Valued Stakeholders,
Greetings!!

As we embark our journey towards a fiscal year 2081/82, I want to take a moment to express my heartfelt gratitude for your continued support and commitment towards Kamana Sewa Bikas Bank Limited. The past year has presented its challenges, but thanks to the unwavering trust of our customers, shareholders, regulators and efforts put by our dedicated staffs, we have achieved significant milestones in terms of Profit, Business Growth, NPL management and maintaining solid customer Base with due adherence to regulatory norms.

Previous year, despite being a stressful one, was the year where we managed to increase our market share in terms of deposit and lending. Non-Performing Loans ratio remained within our appetite level despite strict regulation from NRB. Our productivity per staff increased with increase in per staff deposit and per staff loan as compared to past year. Our Bank faced no such external or internal threat to significantly affect our going concern. We remained in news with our natural success stories like timely publication of financial reports, positive financial results, CSR activities, FLP programs etc. We managed to organize 34 FLP programs and 103 CSR programs in last year, proving our commitment to payback to society where we operate. I feel our staffs remained more motivated and more determined in terms of productivity and efficiency. We acknowledged the contribution made by them through first of the kind motivation and engagement programs across all regions. In addition, we have managed to implement industry-based digitization tools and measures to automate our business system. This year we became the first Bank in entire industry to launch the concept of Auction Hub to list our Auction/Non-Banking Property.

The joint goal and ambition which we had taken through Strategic Pillars of "Strategy 2084", for maintaining stable loan and deposit business, minimizing non-performing loans with due adherence to regulatory norms with continuous support from our shareholders and motivated employees has proved our way for success. Our strategic breakdown i.e. "Roadmap 2080/81" proved to be effective for bank to proactively return from a defensive to prudent stage in our overall business strategy. I would like to thank all stakeholders those who have collectively put their effort for making this success happen.

Looking ahead, we are excited about the opportunities that lie before us. Our focus will remain on value driven banking,

operational excellence, innovation and delivering exceptional return to our stakeholders. We are confident that with our dedicated team and strategic vision, we will navigate the evolving landscape and drive sustainable growth.

Paving the upcoming year's direction through "Roadmap 2081/82", we shall carry the theme of P-Q-R i.e. Prudent-Quality-Return for holistic growth. Our core focus area remains at these three areas in coming year. We shall primarily prioritize to cultivate a vibrant brand experience through customer satisfaction, healthy business growth, maintaining stakeholder's relation and ultimately delivering best returns to our shareholders. For this we shall focus on maintaining optimum CASA mix, diversification of credit portfolio mix, strengthening the recovery process for stable NPL by utilizing our existing networks to deliver excellent customer service. Besides, as we grow bigger to create space for business growth and adequacy in capital, we shall explore for injection of alternate capital instruments with better financial planning and regulatory support.

Our commitment for effective risk management practices and maintaining compliant based culture continue to remain the priority of the time. Bank shall continue to promote compliant based, risk managed internal control system across all the segments with implementation of zero tolerance policy for non-compliance, fraud and serious breaches.

I'm happy to share with all the shareholders that we've been able to propose double digit returns even in the situation where industry is on stress.

I also like to give appreciation to Bank's Senior Management whose determination and stewardship has balanced the growth and success path.

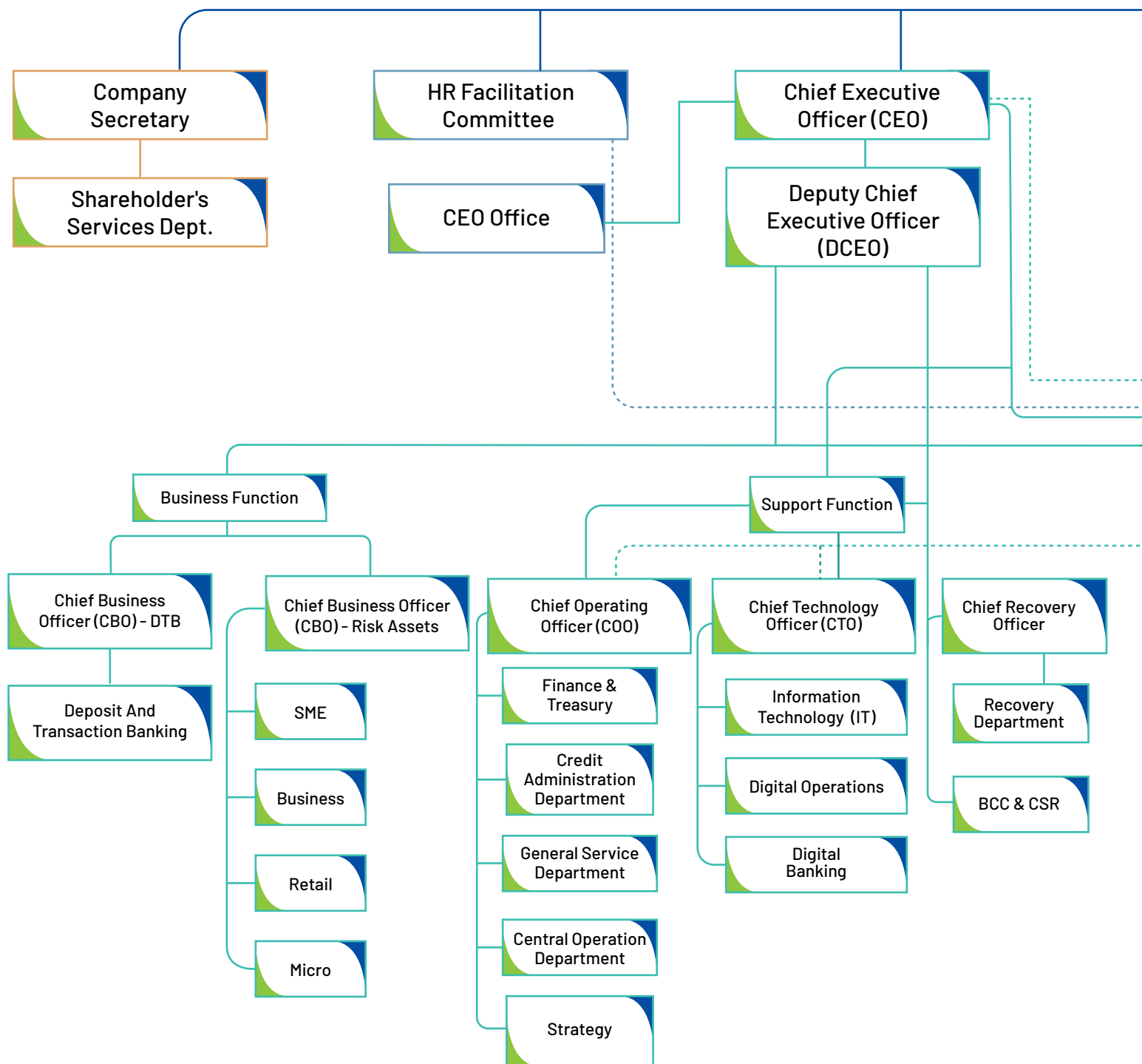
At last but not the least, my sincere thank goes to our Promoters, Shareholders and our current Board of Directors who continuously guide us, motivate us and empower us for betterment in every step of our banking journey. The experience, professionalism and guidance they bring into the table is commendable and we stand high because of them.

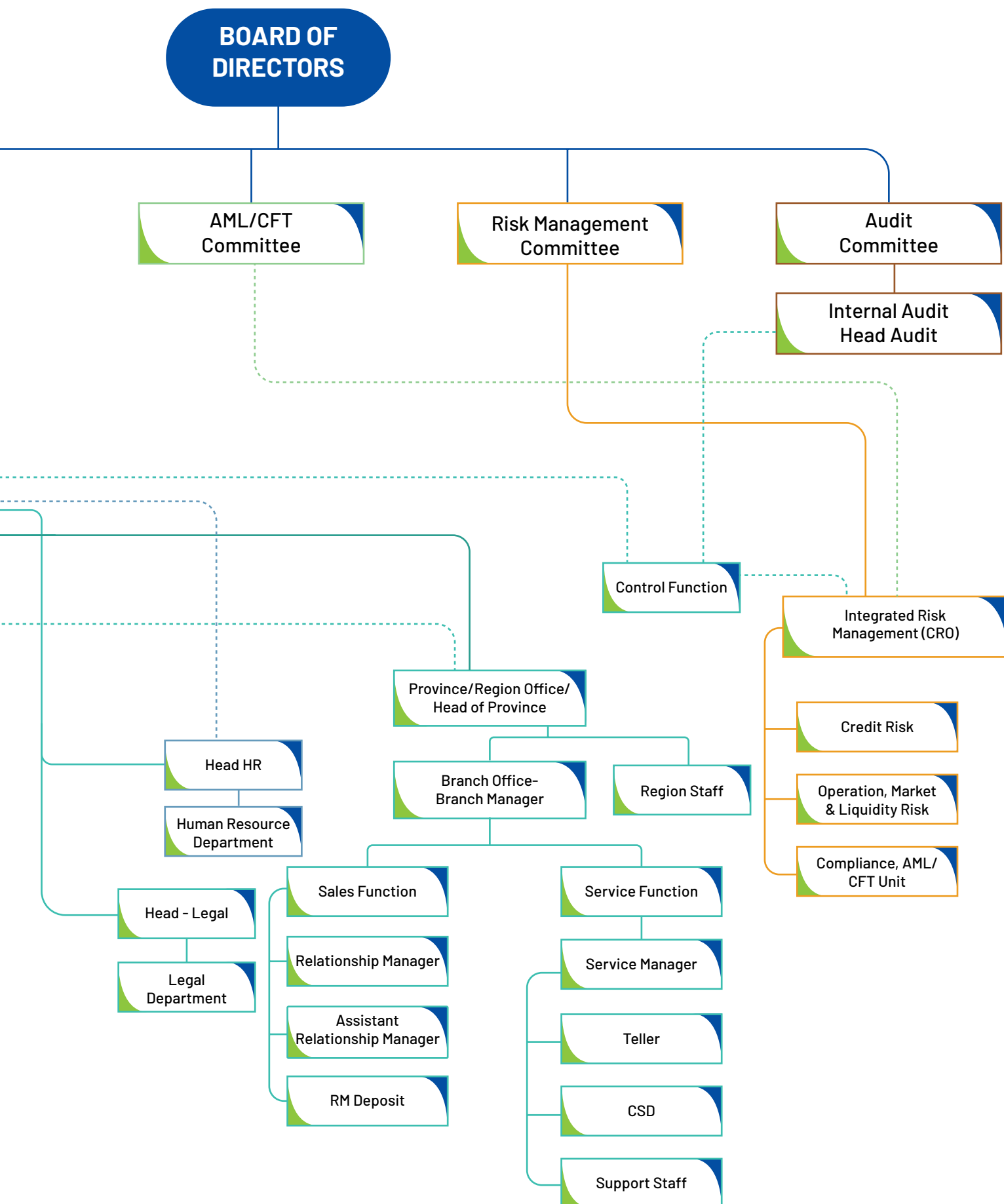
Thank you for being an integral part of KSBBL journey. Together, we will shape a successful future and continue to achieve great things.

Happy Banking !!!!!

DINESH THAKALI
Chief Executive Officer

Organizational Structure





Strategic Alliance



DINESH THAKALI

CHIEF EXECUTIVE OFFICER

Education

- ❖ Chartered Accountancy from Institute of Chartered Accountants of Nepal
- ❖ Masters in Business Studies from TU
- ❖ M SC IT (Data Science) from London Metropolitan University (Top of Cohort)
- ❖ LLB from Tribhuvan University

Past Experience

- ❖ Chief Business Officer, Prabhu Bank Limited
- ❖ Managing Director, Prabhu Capital Limited
- ❖ Chief Operating Officer, Prabhu Bank Limited
- ❖ Deputy CEO, Shangri-La Development Bank Limited



BINAY DAHAL

DEPUTY CHIEF EXECUTIVE OFFICER

Education

- ❖ Executive Masters of Business Administration (EMBA) Degree from Kathmandu University

Past Experience

- ❖ Head – Business and Planning (Provinces), NMB Bank Limited
- ❖ Head – Small and Medium Enterprises, NMB Bank Limited
- ❖ Head – Small and Medium Enterprises, NIC Asia Bank Limited
- ❖ Manager – Corporate Banking, NIC Asia Bank Limited



HARI PRASAD LAMSAL

CHIEF BUSINESS OFFICER:
DEPOSIT AND TRANSACTION BANKING

Education

- ❖ Masters of Business Studies (MBS) Degree in Finance from Tribhuvan University
- ❖ LLB from Tribhuvan University

Past Experience

- ❖ Corporate Manager, Innovative Development Bank Limited
- ❖ Manager, Everest Finance
- ❖ Assistant Manager, Siddhartha Finance Limited



BIKASH DHUNGANA

CHIEF OPERATING OFFICER & CTO

Education

- ❖ Chartered Accountancy from Institute of Chartered Accountants of India (ICAI)

Past Experience

- ❖ Head – Internal Audit, Bank of Kathmandu Limited
- ❖ Head – Compliance, Shangri-La Development Bank Limited
- ❖ Head – Internal Audit, Head – Credit Risk, Kamana Bikas Bank Limited



DIPENDRA SUBEDI

CHIEF BUSINESS OFFICER:
RISK ASSETS

Education

- ❖ Masters in Business Studies from Tribhuvan University

Past Experience

- ❖ Cluster Head, Shangri-La Development Bank Limited
- ❖ Regional Manager, Shangri-La Development Bank Limited
- ❖ Branch Manager, Nepal Share Market and Finance Limited



BISHNU PRASAD WOSTI

CHIEF RISK OFFICER

Education

- ❖ Chartered Accountancy from Institute of Chartered Accountants of India (ICAI)
- ❖ Masters of Business Studies (MBS) Degree in Finance from Tribhuvan University

Past Experience

- ❖ Deputy Manager, Prabhu Bank Limited
- ❖ Finance Officer, NIC Asia Bank Limited
- ❖ Internal Audit Officer, Global IME Bank Limited

Department Leaders



DANDAPANI BHATTARAI
HEAD - LEGAL



RAGHUNATH TRIPATHEE
HEAD - RECOVERY



NITESH ARYAL
HEAD - RISK ASSETS
(BUSINESS/SME)



NIRANJANA BHANDARI
HEAD - INTERNAL AUDIT



BIKASH ADHIKARI
HEAD - FINANCE, TREASURY
AND STRATEGY



JINUSHA PALIKHEY SHRESTHA
HEAD - DIGITAL OPERATION



PARMA DHUNGEL
HEAD - CREDIT ADMINISTRATION



BIDHAN KOIRALA
HEAD - IT/DIGITAL BANKING



ARCHANA KUNWAR CHHETRI
HEAD - HUMAN RESOURCE



KESHAV SAPKOTA
HEAD - RISK ASSETS
(RETAIL/MICRO)



SUSHIL POUDEL
HEAD - GSD, BCC & CSR



RAHUL KUMAR
HEAD - CENTRAL OPERATIONS



KHUM NATH BHUSAL
HEAD - COMPLIANCE



BHAWANA KHANAL
INCHARGE - CREDIT RISK

Geographical Leaders



MOHAN DATTA KHANAL
HEAD - KOSHI PRADESH



DIMASH AMATYA
HEAD - MADHESH PRADESH



KEDAR NATH SHARMA
HEAD - KATHMANDU REGION



SURENDRA BHANDARI
HEAD - NARAYANGADH REGION



SHIBA KUMAR DHAKAL
HEAD - POKHARA REGION



KHIM LAL BHUSAL
HEAD - BUTWAL REGION



MAHENDRA KHANAL
OFFICIATING HEAD - WESTERN REGION





GOVERNANCE AND SUSTAINABILITY



Governance Framework

Kamana Sewa Bikas Bank adheres the compliance with all applicable regulations, legislations, standards and code of conduct. The Board of Directors is the apex decision making body in the Bank and has ultimate responsibility for good governance. Bank always maintains a high level of business ethics and implements prudent practices to deliver optimum for all our stakeholders.

Kamana Sewa Bikas Bank is subject to and complies with the regulatory requirements of Bank and Financial Institution Act, 2073, Company Act, 2063, various regulations issued by Security Exchange Board of Nepal (SEBON), Nepal Stock Exchange (NEPSE), Directives/Circulars/guidelines issued by Nepal Rastra Bank- the central bank of Nepal, various guidelines issued by Institute of Chartered Accountants of Nepal (ICAN), prevailing applicable laws and other national and international standards/ principles on corporate governance.

Bank's Governance framework, in addition to complying with legal and regulatory requirements is designed to facilitate prudent business practices, effective oversight and sufficient control over our business process. Our governance structure aims to;

- Protect the interest of all other valued stakeholders such as regulators, customers, employees and society at large.
- Deliver fair return to our valued shareholders.
- Ensure integrity, transparency and proactiveness.
- Clear, accurate and unbiased flow of information
- Ensure accountability.
- Provide high quality customer service.

Bank has a separate senior level Corporate Governance Unit for oversight and monitoring of governance status on regular basis.

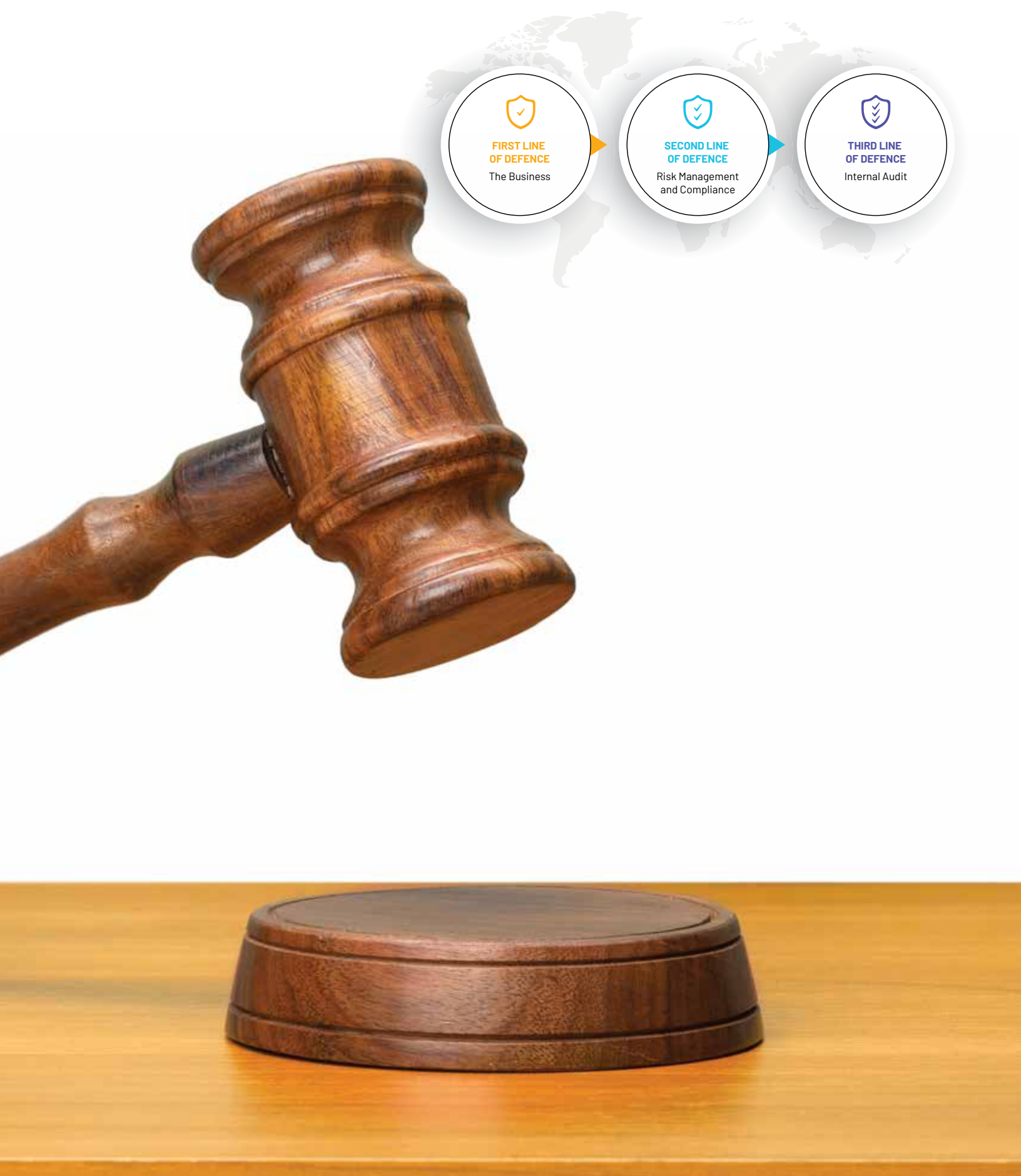
Kamana Sewa Bikas Bank Limited is committed for:

- Ensuring that the Bank's Board of Directors provides effective leadership and insights in business and process and reviews Bank's performance through regular meetings.
- Establishing a policy and process driven culture with continuous review of its efficiency.
- Establishing an unbiased and transparent decision-making process.
- Ensuring that Bank complies to all applicable statutes, regulations and other procedures, policies as laid down by the regulators and the Board.

Internal Control

Kamana Sewa Bikas Bank Limited also has in place adequate and effective internal control system for the conduct of our business taking into account, size of business, risk profile and complexity of operations. The existing internal control system of the Bank incorporates management oversight, risk recognition and assessment, control and monitoring activities along with correcting deficiencies.





Strategic Directions and Initiatives

The year 2080-81 has been a challenging yet exciting year where we, Kamana Sewa Bikas Bank (KSBBB) emerged as a pioneer Bank in terms of Business Growth, NPA Management, Digitization and Human Resource Management. The Strategy 2084 formulated by the Bank and its attributed

STRATEGIC PILLARS OF THE BANK



PILLAR- 1

BRAND RECOGNITION

"CULTIVATING KSBBB IDENTITY: ESTABLISHING A VIBRANT BRAND EXPERIENCE"

- Collaborations with influencer for promoting KSBBB as a trusted brand.
- Increase social media engagement through increase in Followers/Likes in social media platforms.
- Co-relating CSR/FLP activities to highlight philosophy of value driven banking through KSBBB cares with key focus on areas like environment, people sentiment and social cause.
- Explore for possible solutions to benchmark, measure and quantify positive media mentions through sentiment analysis tools for measuring the social media reach out.
- Provide media handling training to Key Managerial Persons of the Banks and other required staffs to control negative flow of information against bank through print, audio or through social media groups.



PILLAR- 2

SUSTAINABLE BANKING

"BANKING FOR SUSTAINABLE FUTURE: PRUDENT, STABLE AND PROSPEROUS"

- Achieving realistic increase in loan and deposit along with maintaining healthy and cordial relationship with the customers.
- Implement a robust Early Warning Signal (EWS) System and conduct regular portfolio reviews to identify and address root causes of NPLs. Use counselling or negotiation tools along with providing necessary support to staffs as well as to borrowers showcasing collective efforts for effective management of NPL and Probable NPL accounts.
- Provide one stop solution through implementation of 24 hours hotline services for customers with 24 hours service availability for customers through knowledgeable, trained and skilled staffs.
- Upgrade the existing door-step-banking services by onboarding DSB Agents, Defining their TOR and handing over POS machine to them.
- Reduce paper usage, electricity consumption through internal energy efficient initiatives like "DON'T PRINT UNLESS ITS TOO IMPORTANT", "SAVE ENERGY SAVE PLANET- A green initiatives by KSBBB Cares".



PILLAR- 3

RISK MANAGEMENT AND GOOD GOVERNANCE

"MAXIMIZING RETURNS BY MINIMIZING RISK"

- Establishing risk compliant and prudent banking practices starting from onboarding of customers to post disbursement monitoring at departmental level.
- Effective monitoring of customer profile, their KYC and transactions for effective compliance risk-management.
- Set benchmark/standards related to acceptable level of compliance with industry-standard security frameworks like ISO, NIST Cybersecurity Framework by conducting a comprehensive gap analysis and implementing necessary controls and processes.

document Roadmap 2080-81 has shown the right direction for accomplishment of short-term goals at the Bank. We as a Bank emerged even better, planned and organized with our Roadmap 2080-81. Our main focus for upcoming fiscal year will be towards value optimization, promoting good working

culture and delivering high return to our valued shareholders. "Delivering High Returns to the shareholders, promoting healthy work culture through optimum utilization of available resources by promoting value driven banking across all the segments."



PILLAR- 4

HUMAN RESOURCE MANAGEMENT

"EMPOWERING PEOPLE, BUILDING SUCCESS"

- Implement a comprehensive training program for all staff members through effective Training Need Assessment (TNA) focused on risks, compliance, and regulatory requirements.
- Increase employee retention rate by creating consulting environment through targeted retention strategies, reviewing past year's exit interviews to identify reasons for attrition and implementing action plans to address key issues.
- Provide resources and training to Executives, HODs and other employees to raise awareness about mental health issues, offer wellness programs and fitness classes, to promote physical well-being among employees and promote a healthy culture.



PILLAR- 5

DIGITIZATION AND INNOVATION

"ELEVATING EFFICIENCY, EMPOWERING INNOVATION"

- 100% automation of manual reports and manual MIS based on system available information to optimize resource allocation and minimize manpower engagement.
- Improvising Chat-Bots services implemented at staffs, accumulate the feedbacks and plan for same services to be rolled-out at customer level.



PILLAR- 6

ACCOUNTING AND FAIR BANKING PRACTICES

"BANKING WITH INTEGRITY"

- Provided optimum return to shareholder on their investment (ROI) at par to or higher than industry benchmarks, through strategic business growth, efficient capital allocation, and operational excellence.
- Enhance transparency and accountability through comprehensive and timely financial reporting and disclosures, ensuring shareholders have access to timely and accurate information about the Bank's performance, risks, and opportunities.
- Strengthening a whistleblower hotline to enable employees to report concerns or unethical behavior anonymously, ensuring transparency in addressing issues and maintaining a culture of integrity and accountability.

Overview of Risk Management Framework

Bank has the vision and objective of following risk-based approach to establish prudent banking culture for more sustainable banking which help to minimize overall risk. The risk includes different type, nature and gravity where the bank can be exposed at any time and could impact the reputation, confidence of stakeholders and ultimately the sustainable bank. Bank is conscious on assessing and managing probable risk of each type for efficient functioning of banking business and transactions complying legal and regulatory provisions. Risk management framework is the guideline used by bank to identify, eliminate and minimize risks. Bank cannot exist without exposing to risks associated with law & regulation, economy, banking transactions, banking business, investment, management and so on. While it is impossible to eliminate all risks involved in running banking business and transactions, they can be minimized. The major components that make up the risk management framework are:

a) Identification

The first component in implementing the Risk Management Framework is to identify the risks that the bank faces. These might include different types of risk the bank may exposed to. It is important to note that risk identification is not a one-time process. The risks that an organization faces tend to change over time, so risk assessments will need to be performed on a periodic basis.

b) Measurement and assessment

The objective behind the measurement and assessment component is to create a risk profile for each risk that has been identified. There are number of different ways that bank might complete the measurement and assessment phase of the process. Measuring the potential impact of a risk might be far more difficult. In current context of banking risk associated with information security is very tough to identify and assess the possible risks.

c) Mitigation

Risk mitigation involves examining the risks that have been identified and determining which risks can and should be eliminated, as opposed to the risks that are deemed to be acceptable. Risk mitigation process involves coming up with mitigation strategies. Bank would likely also put additional baseline security controls in place for mitigating identified risk.

d) Reporting and monitoring

Reporting and monitoring involves regularly re-examining the risks in order to make sure that the risk mitigation strategies

the organization has adopted are having the desired effect. Reporting independently to board level risk management committee for assessment and implementation of monitoring framework is also the part of reporting and monitoring in risk management framework.

e) Governance

Risk governance is the process of making sure that the risk mitigation techniques that have been adopted are put into place and that the employees adhere to those policies. Governance refers to the actions, processes, traditions and institutions by which authority is exercised and decisions are taken and implemented. Risk governance applies the principles of good governance to the identification, assessment, management and communication of risks. Risk is inherent in the bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and each individual within the bank is accountable for the risk exposures relating to his or her responsibilities. The bank is mainly exposed to;

1. Credit Risk
2. Operational Risk
3. Market Risk
 - a. Interest Rate Risk
 - b. Foreign Exchange Risk
 - c. Equity Risk
 - d. Commodity Risk
 - e. Concentration Risk

4. Liquidity Risk
5. Compliance and Legal Risk
6. ML/FT Risk and AML/CFT Risk
7. Information Technology Risk
8. Reputation Risk
9. Strategic Risk and
10. Environmental and Social Risk

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. Chief Risk Officer, along with the team, is responsible for overall risk management of the bank which includes managing, assessing, identifying, monitoring and reducing pertinent global, macro and micro-economic level business risks that could interfere with Bank's objective and goals and whether the bank is in substantial compliance with its internal operating policies and other applicable regulations and procedures, external, legal, regulatory or contractual requirements on a continuous basis. Further, Chief Risk Officer ensures integration of all major risk in capital assessment process. The bank's risk management policies are established to identify and analyses the risks faced by the bank, to set appropriate risk limits and controls, and to monitor adherence to established limits. Risk management policies and systems are reviewed annually to reflect changes in market conditions, products and services offered. The bank, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

1. Risk Governance

The Bank's Board has the ultimate responsibility of effective risk governance and is the supreme authority for formulation of risk framework. The Board has further delegated sufficient authority and status for the Risk Management Committee (RMC) to oversee prudential risks.

The Board Level Risk Management committee has the responsibility of reviewing the appropriateness and effectiveness of the risk management protocol, controls, and regularly appraises the Board in matters of risk recommendations. The committee regularly reviews and updates the Board in Bank's policies and standards, internal control systems, capital adequacy, market trends within its terms of reference.

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Risk Management Committee (RMC) and the Audit Committee of the Board, which are sub-committees of the Board, review various aspects of risk arising from the businesses of the Bank.

As the first line of defense, line management and business units have the primary ownership, accountability and responsibility for accessing, controlling and mitigating all financial and non-financial risks affecting their businesses.



As the second line of defense, compliance and risk management monitor the effectiveness of the established policies, procedures, circulars and directives in the Bank. It also reviews the effectiveness on the use of risk management control framework. In particular, they provide guidelines to business functions to facilitate compliance, risk management processes and support management to identify emerging risks and assist in developing internal controls.

Independent assurance is provided by the Internal Audit function of the Bank as the third line of defense. The independent assessment includes assurance of the risk management activities performed at both first line and second line of defense.

Furthermore, the risk management framework for the identification, assessment, measurement and management of risk is designed to meet our internal needs. The framework is dynamic and allows for proportionate adjustment of policies and controls where business strategy and risk appetite are amended in response to changes in market conditions. Risk management framework is set for end-to-end activities which controls and optimizes the risk-return profile of the bank.

2. Lines of Defense / Policy Structure

Integrated Risk Management model concurs with the risk management framework as envisaged organizational responsibilities for risk management, typically referred as the three lines of defense. Three lines of defense model provides guidance for effective risk management and governance across the bank. Each of the three lines plays a distinct role within the bank's control environment.

2.1 First Line of Defense – Business / Operation Units

The first line of defense lies with the business units of the bank who are the process owners. Bank's business units are responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. The business units are responsible and accountable for the ongoing management of such risks. This includes identifying, assessing and reporting risk exposures and risk events. The Bank's risk culture shall be translated in the execution of the responsibilities of the business unit. All the front office and client facing activity shall be included under the Business Unit.

2.2 Second Line of Defense – Risk Management Department, Compliance Department and Legal Department

The second line of defense supports business units to help ensure risk and controls are effectively managed. Bank has incorporated the risk management, legal and compliance functions to help build and to monitor the controls of first line-of-defense. Second line of defense helps to ensure

the first line of defense is properly designed, in place, and operating as intended. The second line of defense serves an important purpose but because of their function, they cannot be completely independent.

Typical functions in this second line of defense include:

- Risk Management Department to facilitate and monitor the implementation of effective risk management practices, defining the target risk exposure and reporting adequate risk-related information throughout the bank.
- Compliance Department to monitor various risks but not limited to noncompliance with applicable laws and regulations. In this capacity, the separate function reports directly to senior management.
- A legal function that monitors legal risks and whether financial or reporting issues.

2.3 Third Line of Defense – Internal Audit

Third line of defense aims to provide assurance to senior management and to board that the first- and second-lines' efforts are meeting the expectations. The main difference between third line of defense and the first two lines is its high level of organizational independence and objectivity. Internal Audit may not direct or implement processes, but they can provide advice and recommendations regarding processes. Additionally, Internal Audit may support enterprise risk management but may not implement or perform risk management other than inside of its own function.

The Policy, Process and Structure of the bank is intended to create consistency and predictability throughout the organization by ensuring that the policies are established, applied, monitored, reviewed, and retained consistently and appropriately across the organization.

3) Core Risk Areas

A) CREDIT RISK

Credit risk is the likelihood that a debtor or financial instrument issuer is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement. Credit risk also refers the risk of negative effects on the financial result and capital of the bank caused by borrower's default on its obligations to the bank. Settlement risk is the potential that completion of a financial transaction will fail to occur as intended and will be considered as a subcomponent of credit risk, where appropriate.

While financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management, or a lack of attention to changes in economic or other circumstances that can lead to a

deterioration in the credit standing of a Bank's counterparties. This has led to financial institutions being more aware of the need to identify measure, monitor and control credit risk. Credit risk can simply be defined as the actual, contingent or potential that a Bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. The goal of credit risk management is to maximize a Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits. Banks should also consider the relationships between credit risks and other risks. In order to minimize the credit risk, appropriate diversification of the loan portfolio and appropriate monitoring and control of the same is vital.

i) Credit Risk Management

Credit Risk Management for banking is a robust and flexible solution for measuring and reporting regulatory credit risk measures of a bank portfolio. Credit Risk Management for banking also helps to optimize the allocation of credit risk mitigates, while computing such credit risk measures. It lets a bank to configure all regulatory parameters and options that drive the calculations, and supports multiple configuration sets.

Bank can also create and perform stress tests to compute credit risk measures under stressed scenarios with computation of Credit Risk Parameters (Probability of Default, Exposure at Default, Loss given Default, Recovery Rate).

Among the various risks, bank is exposed to credit risk which is the major risk arising during the normal course of lending and credit underwriting. Apart from lending, banks increasingly face credit risk in various financial instruments, including acceptances, interbank transactions, trade financing, foreign exchange transactions, and in the extension of commitments and guarantees and settlement of transactions.

The Bank shall develop effective Credit Risk Management system for assessment and monitoring of credit risk from assessment till disbursement. The Bank's Credit Risk Management system shall comprise of:

ii) Credit Risk Assessment: The main purpose for assessing credit risk is to determine the customer's willingness along with ability to meet their obligations to the Bank (and to other lenders and creditors) as they fall due. Risk assessment shall be done considering industry risks/business risks, financial risks, management quality risk, technical risk, security risk, sensitivity analysis and other related risks.

iii) Mitigation Measures: Credit risk mitigation is a technique used to reduce the credit risk associated with funded as well as non-funded exposures of the credit institutions pre or post disbursement within the acceptable limit. Mitigation measures at the time of assessment are applied by Relationship Manager/Assistant Relationship Manager/Credit approving authorities for analysis of financial strength of the borrowers under set standards of credit related policies, procedures, guidelines, product papers within portfolio/sectoral caps. Credit risk officer / reviewer shall provide independent review as part of credit assessment and risk management. Post disbursement mitigation measures are applied by various lines of defense through different tools, techniques, delinquency/ risk triggers, reporting mechanisms serving to monitor the credit risk in existing portfolio and signifying/indicating the probable credit risk in future financing.

iv) Credit Risk Monitoring and Control: Credit risk monitoring refers to the continuous monitoring of individual credits inclusive of off-balance sheet exposures to obligors as well as overall credit portfolio of the Bank. Integrated risk management department shall develop comprehensive procedures and information systems to monitor the condition of individual credits and single borrowers across the Bank's various portfolios. Establishing an efficient and effective credit monitoring system would help senior management to monitor the overall quality of the total credit portfolio and its trends. As a result, the management could reassess its credit strategy /policy accordingly before encountering any major setback.

v) Approaches to Credit Risk Management: The effective management of credit risk is a critical and essential to the long-term success of any banking organization. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits. Banks should also consider the relationships between credit risks and other risks. In order to minimize the credit risk, appropriate diversification of the loan portfolio and appropriate monitoring and control of the same is vital. The management of credit risks is approached on three levels:

■ **Strategic level:** It encompasses risk management functions performed by Board of Directors, Board level committees and senior management. For instance, direction and orientation of business, definition of risks, ascertaining risk appetite, formulating strategy and policies for managing risks; and establishing adequate systems and controls to ensure the overall risk remain within acceptable level and the reward compensates for the risks taken. Credit portfolio is structured to ensure that no single event can have a significant adverse impact on overall performance of the Bank.

■ **Policies/Procedures:** The Bank establishes credit policies and procedures which provide a minimum standard for

credit activities and foster a common approach to credit risk management by individual units/branches/departments. These are established to provide a prudent framework for individual staff to operate within. In addition, resources within the Bank are deployed so as to take maximum advantage of profitable credit risk opportunities in its target markets.

■ **Management/Functional level:** The Bank relies on the competence of the staff involved in credit related activities to identify acceptable credit risks and to make sound decisions in the approval and ongoing management of those risks.

Single Obligor Limit









One of the main problems in restricting credit concentrations is the need to identify potential linkages between exposures to single debtors. It sometimes happens that separate borrowers, despite dealing on an independent basis with

the lending institution, represent a single risk because they are legally or economically interrelated. Thus, repayment difficulties would arise for all if any one of them experienced financial problems.

The large exposure limits presently applied in most banks are generally expressed in terms of the lending bank's capital. A sensible standardization of approach would mean relating limits to the total capital base as defined in the Basle framework. If so, this would automatically imply some adjustment to existing limits.

Measurement

Monitoring the individual borrower, group borrower and SOL limit to mitigate concentration risk. The concentration is measured with the exposure cap are as follows:

Particulars	Limit of NRB	Asar 2081	
SOL (Fund Based and Non Fund Based)	Up to 25% of Core Capital	12.00%	
SOL (Fund Based and Non Fund Based) in Productive Sector	Up to 30% of Core Capital	0.96%	
Pure Hydropower Project, Transmission Line and Cable Car Construction Project (Funded and Non Funded)	Up to 50% of Core Capital	8.79%	
Residential Real Estate Loan except Residential Personal Home Loan upto Rs. 20 million; Development of Commercial building and Residential Apartment; Income Generating business complex and other real estate loan (including land purchase and development, plotting)	Upto 25% of Total Loans and Advance	3.69%	
Other Real estate (Land Purchase and plotting)	Upto 10% of Total Loans and Advance	3.18%	
Margin Lending	Up to 40% of Core Capital of the bank	34.67%	
Deprive Sector Loan	Minimum 5% of Total loans and advance	9.49%	
Loan on the basis of personal guarantee	Up to 5% of Total loans and advance	1.15%	

Top Borrower Concentration

Bank's exposure to top 50 borrowers is 8.89% of the total loans and advances of the bank. The exposure has decreased from 10.80% in previous year to 8.89% in current year.

Total Exposure of top 50 Borrower (excluding microfinance institution)	4,459,414,424
Total Exposure	50,159,806,494
% of Total Loan	8.89%

Bank's exposure to top 10 microfinance institutions is 4.59% of the total loans and advances of the bank. The exposure has increased from 3.69% in previous year to 4.59% in current year.

Total exposure of top 10 microfinance institution	2,303,736,114
Total Exposure	50,159,806,494
% of Total Loan	4.59%

Sector Wise Concentration

Bank need to spread overall lending risk as widely as possible to reduce exposure to any one industry and thus reduce overall exposure risk and profit volatility. Bank can reduce portfolio risk by making advances to a wide variety of industries, spreading the risk among a broad client base. Being very aware of the risk of over concentration in any one sector, banks usually operate within industry thresholds, limiting credit exposure to achieve the best mix of individual and portfolio safety. Although loans concentrated in one particular industry may appear sound and profitable, external factors may substantially affect some industries. Nepal Rastra Bank has also provided limit in lending to restrict exposure to any one sector.

SN	INDUSTRY/SECTOR	AS ON ASAR 2080			AS ON ASAR 2081			CHANGE (% TO TOTAL LOANS)	CHANGE (% TO CORE CAPITAL)
		LOAN AMOUNT	% TO TOTAL LOANS	% TO CORE CAPITAL	LOAN AMOUNT	% TO TOTAL LOANS	% TO CORE CAPITAL		
1.	Agricultural and Forest Related	3,081.12	6.59%	75.97%	2,717.15	5.42%	58.64%	-1.17%	-17.33%
2.	Fishery Related	148.78	0.32%	3.67%	129.61	0.26%	2.80%	-0.06%	-0.87%
3.	Mining Related	-	0.00%	0.00%	-	0.00%	0.00%	0.00%	0.00%
4.	Agriculture, Forestry & Beverage Production Related	944.37	2.02%	23.28%	831.38	1.66%	17.94%	-0.36%	-5.34%
5.	Non-food Production Related	892.25	1.91%	22.00%	836.33	1.67%	18.05%	-0.24%	-3.95%
6.	Construction	2841.74	6.08%	70.06%	424.84	0.85%	9.17%	-5.23%	-60.89%
7.	Electricity, Gas and Water	171.34	0.37%	4.22%	811.25	1.62%	17.51%	1.25%	13.29%
8.	Metal Products, Machinery & Electronic Equipment & Assemblage	96.56	0.21%	2.38%	69.5	0.14%	1.50%	-0.07%	-0.88%
9.	Transport, Communication and Public Utilities	1,477.63	3.16%	36.43%	1,005.88	2.01%	21.71%	-1.15%	-14.72%
10.	Wholesaler & Retailer	8,476.84	18.12%	209.00%	7,795.00	15.54%	168.24%	-2.58%	-40.76%
11.	Finance, Insurance and Real Estate	3,385.40	7.24%	83.47%	5,271.38	10.51%	113.77%	3.27%	30.30%
12.	Hotel or Restaurant	1,513.60	3.24%	37.32%	1,798.84	3.59%	38.82%	0.35%	1.50%
13.	Other Services	1,740.19	3.72%	42.90%	1,981.16	3.95%	42.76%	0.23%	-0.14%
14.	Consumption Loans	11,781.27	25.19%	290.47%	15,875.48	31.65%	342.64%	6.46%	52.17%
15.	Local Government	-	0.00%	0.00%	-	0.00%	0.00%	0.00%	0.00%
16.	Others	10,221.88	21.85%	252.02%	10,612.00	21.16%	229.04%	-0.69%	-22.98%
TOTAL		46,772.98	100.00%	1153.20%	50,159.81	100.00%	1082.59%		

Product Wise Concentration

Excessive concentrations of credit have been key factors in banking crises and failures. Any product or service may expose a bank to multiple risks. Risks also may be interdependent and may be positively or negatively correlated. Bank should be aware of and assess this interdependence. Bank also should be alert to concentrations that can significantly elevate risk. Concentrations can accumulate within and across different products of the bank. Products containing the same types of risks under different names and in different units, such as structured products and off-balance-sheet funding structures, can mask some exposures and risks.

The highest concentration is observed at term loans of 55.11%, followed by deprived sector loan at 9.49%. There have been no significant changes in this year as compared to previous year.

Amount in Million

S.N	INDUSTRY/SECTOR	AS ON ASAR 2081	
		LOAN AMOUNT	PERCENTAGE
1.	Term Loan	27,643.27	55.11%
2.	Overdraft	3,493.58	6.96%
3.	Cash Credit Loan	4,507.00	8.99%
4.	Trust Receipt Loan / Import Loan	-	0.00%
5.	Short Term Working Capital/Demand Loan	422.33	0.84%
6.	Residential Personal Home Loan (Up to Rs. 20 million)	3,355.45	6.69%
7.	Real Estate Loan	1,848.53	3.69%
	a. Residential Real Estate		
	(except Residential Personal Home Loan upto Rs. 20 million)	253.52	0.51%
	b. Commercial Complex & Residential Apartment Construction Loan	-	0.00%
	c. Lending on Income Generated Commercial Complex	-	0.00%
	d. Other Real Estate (Including Land Purchase & Plotting)	1,595.00	3.18%
8.	Margin Nature Loan	1,606.23	3.20%
9.	Hire Purchase Loan	1,228.24	2.45%
10.	Deprived Sector Loan	4,758.64	9.49%
11.	Bills Purchased	-	0.00%
12.	Other Product	1,296.55	2.58%
	a. Education Loan	-	0.00%
	b. Gold Loan	753.64	1.50%
	c. Loan against FDR	542.91	1.08%
Total Loans & Advances		50,159.81	100%

Asset Quality

Based on the analysis of assets quality coverage of NPL, most of the files which are under NPL is covered by Real Estate collateral including Land and Building. Real estate is used as collateral for 85.22% of the total NPL loans.

Amount in Million

COLLATERAL	NO OF FILES	NPL	SHARE IN TOTAL
Real Estate (Land and Building)	836	1,437.34	85.22%
Vehicles	249	137.77	8.17%
Personal Guarantee	248	83.15	4.93%
Collective Guarantee	307	21.81	1.29%
Non-Governmental Securities	1	3.55	0.21%
Gold and Silver	1	2.15	0.13%
Others	5	0.84	0.05%
Total	1,647	1,686.62	100.00%

B) OPERATION RISK

Operational Risk is the risk of direct or indirect loss, or damaged reputation resulting from inadequate or failed internal processes, people and systems or external events that can disrupt the flow of business operations.

Operational Risk is pervasive across all the functions of the Bank and is influenced by all resources, including human resource, systems and procedural designs, deployed by the Bank to carry out those functions. Operational Risk can be caused by both internal and external sources such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risks in products, customers, inadequacy in procedures or flawed process designs, and business practices. The risk can occur in any business function or the business supporting functions.

Operational Risk Management Framework of the Bank

The board envisions that by opting for sound Operational Risk Management practices, the Bank will be able to gain respect, appreciation and confidence of all the stakeholders. These practices will also enhance image, goodwill and creditability of the Bank. It is also expected that the policy will play a vital role to mitigate operational risk which otherwise the Bank would be exposed to.

It is the strategy of the Bank to indulge into activities the risks of which are fairly known and reasonable and in line with the risk appetite of the Bank. It is mandatory that while executing day to day operations, compliance of the stipulated system, process and procedures are must. It is the responsibility of all the concerned to manage identified, assessed, decided, implemented, operation risk function. Conscious efforts should be made to ensure that these policies are communicated at all levels and across entire value chain.

The Operational Risk Management Framework of the Bank typically consists of the following:

- i) Board and Senior Management Oversight
- ii) Risk Management Department(s) and Various Committees
- iii) Policies and Procedures
- iv) Appropriate Management Information System (MIS)
- v) Comprehensive Internal Controls and Limits

Operation Risk Management Unit headed by Chief Risk Officer in line with the Bank's Corporate Governance Policy, shall act as the second line of defense in Operational risk management of the Bank.

Key activities carried out by the Integrated Risk Management Department related to management of operational risk are as under:

- Identification and assessment of the operational risk inherent in all material products, activities, processes and systems.
- A governance structure, effective governance in practice and a decision-making process for operational risk issues.
- A definition of operational risk appetite which is consistent with the risk strategy.
- A documented and effective organizational framework for operational risk management with an adequate segregation of functions between risk-taking units and operational risk controls units and clear assignment of tasks and responsibilities.
- An independent Operational Risk Management function.
- Adequate and effective human and technical resources available for the functions involved in operational risk management and control.
- An effective reporting system.
- Contingency planning for addressing failures due to operational risks.
- Ongoing monitoring of the risk-exposed activities and risk exposures to ensure they are in line with the approved risk appetite, and risk limits
- Influencing and, when necessary, challenging material risk decisions; and
- Reporting to senior management and the board or risk management committee, as appropriate, on all these items, including but not limited to proposing appropriate operational risk-mitigating actions.

Operation Risk Related Events and Mitigating Measures

Operational risk events are classified into four categories of People, Process, System and External Events. Some of the events of the operational risk are tabulated as follows and mitigating measures have been discussed alongside.

PEOPLE	PROCESSES	SYSTEMS	EXTERNAL EVENTS
i. Inadequate Manpower	i. Obsolete Policy Documents	i. Obsolete technology	i. Lock out/strike
ii. Untrained Manpower	ii. Process not circulated	ii. No disaster recovery	ii. Terrorism
iii. Long Absenteeism Approval	iii. Inadequate Process	iii. Inadequate Users	iii. Adverse media coverage
iv. No Job Description	iv. Inadequate Support	iv. Frequent Downtime	iv. Political Events
v. No segregation of duties	v. Non-compliance with defined process	v. No back up	v. Natural Disaster
vi. Unauthorized trading	vi. Product Failure	vi. No segregation of Duties in system level	(earthquake/flood/ landslide, etc.)
vii. Lack of due diligence		vii. Fraudulent activities in electronic transaction	
viii. Involve in illegal activities		viii. Vendor/Suppliers related risk	
ix. Violation of internal / external rules			

i) People: Mitigating Measures

- Bank shall establish sound policies for managing risks associated with outsourcing activities.
- Orientation and Basic Banking Induction training shall be given to new recruits (Trainee Assistant & Management Trainee).
- Bank shall transfer/rotate the staffs working for a very long time in the same department/branches in order to reduce the dependency of the staffs & to mitigate the potential threats from the staffs working in the same department/unit.
- Job description to each employee shall be provided.
- Employee of the bank shall have to take written approval from bank to work part time or to be involved in any business activities.
- KYE shall be updated on every year.
- Self-declaration for assets and liabilities
- Staff turnover of the bank shall be critically examined. Annual report incorporating the details of employee turnover (level, reason for turnover, finding of exit interview etc.) to be submitted Board level HR committee with notification to RMC.
- Bank shall adopt a policy of providing employment to a single person from a single family. The bank shall not depute such related staff in the same branch or in a same reporting line. Disclosure in this regard from existing/new staffs shall be taken.

ii) Process: Mitigating Measures

- Formulation of sound policies, guidelines and manuals with clear work procedures.
- Effective segregation of roles and responsibilities.
- Updated delegation of authority in commensurate with the Bank's Policies.

- Performance of security guard service companies shall be reviewed by taking the feedback from the branches by security officer/GSD.

iii) Systems: Mitigating Measures

- System access control shall be reviewed on timely basis.
- One-time Password (OTP)/ Two Factors Authentication (TFA) mechanism shall be established into all applicable software.
- Information system audit shall be conducted at least on annual basis.
- Coordinate with training experts for the development and delivery of awareness training program on information security and privacy matters for the staff members of the bank.
- Contingency Plans
- Maintain electronic transaction logs which report unsuccessful attempts, electronic attacks in system using the all the channels via wired or wireless network
- Make aware of customers about securely measures such as password/passcode username, pin of different transaction such as ATM and POS etc.
- Daily transaction limit and per transaction limit should be set on every electronic delivery channel such as mobile, E-banking, ATM etc.
- Internet transactions should be secured by implementing Secured Socket Layer (SSL) to prevent the possible threat.
- Close supervision, monitoring, and access control by vendors, Suppliers or consultants who are authorized to access critical systems of the bank should be done similar to those applying to internal staffs.
- Proper UAT (User Acceptance Testing) shall be done by all concerned departments before moving the system to production environment.

- RFP (Request for Proposal) shall be well reviewed by all concerned department to ensure bank meets all the requirements before circulating to the vendor.
- For any internal changes to the application / system, RFC (request for change) shall be initiated and approved by all approving authorities prior making changes to the system and changes shall not be initiated with verbal communication.
- NDA between bank and 3rd party vendor shall be collected and revised periodically.
- Any 3rd party application that bank tends to implement shall be clear of any security plans and VAPT report shall be obtained before going live.
- Number of transactional systems without maker and checker concept.
- Number of security breaches (Data Breaches).
- Number of critical services that cannot maintain RTO of 2 Hours.
- Number of non-compliant workstations with respect to endpoint security.
- Number of non-compliant servers with respect to endpoint security for servers.
- Number of services whose backups are not tested.
- Number of attempted IT attacks from external networks.

iv) External Events: Mitigating Measures

- Carry out Business Impact Analysis (BIA) with its Recovery time objectives (RTO) under the proposed business continuity and disaster recovery plan.
- Bank shall formulate well defined Business Continuity Plan (BCP) & implement accordingly.
- Establish Drill plan & BCP.
- Disaster Drill (DR) procedure is to be conducted on frequent basis.

C) ENVIRONMENT AND SOCIAL RISK

Environmental risks pertain to the potential for damage of the environment and ecosystem. The principal sources of such potential damage are pollution of the air, water and land resulting from industrial/business activity. Social risks pertain to the potential of business activities to cause an adverse impact such as damage, injury or loss to persons (e.g., employees, customers) and communities (e.g., neighbors). Social risks can include violation of labor standards, unsafe working conditions, and community impacts such as public health, safety and security, discrimination, impacts on indigenous peoples and cultural heritage, or involuntary resettlement. Social risks are largely a function of the

client's behavior. Typical examples include employee safety, community health and safety, child labor, discrimination, and adding vulnerable to people.

Environmental related issues at present are vital agenda across the globe to content the effect of global warming. The concern group internationally have issued various guidelines/ policies country wise towards precaution and prevention of deterioration of green earth. In process of effective implementation and to carry out sustainable financing, NRB has issued the Environment and Social Management guidelines and alongside the Bank has formulated and implemented the policy and been assessing the related risk in the business proposals prudently with steps undertaken as under:

- Develop and implement an ESRM system to systematically assess the E&S risks arising from the clients' business operations and manage its exposure to those risks
- Develop a mechanism for proactive identification, assessment, and management of E&S risks before they become significant or result in an adverse outcome for the client.
- Review the loan application in-terms of qualifying E&S due diligence scope, risk summary sheet and corrective action plan for further approval of application as applicable.
- Periodic monitoring of action plan and inspection of business/industry in terms of ESRM scope is being done by branches/business units.
- Ensure the Environment and Social Due Diligence Checklist has been prepared on new/renewal/rescheduling/ restructuring loan for the sanction amount as prescribed by internal guidelines.
- Trainings to business units/branches and micro banking department along with risk team has been conducted to educate the business/risk team to comply the ESRM guidelines/policy.

Further, observing the need of robust working modality to comply the environmental impact issues, bank has appointed Environment and social Risk Officer within Risk Department to review the credit application especially within scope of ESRM policy. The proposed modality shall help the organization to implement the core objective of ESRM policy and global demand for prudent assessment of investment on risk assets. This shall help to enhance the overall image of the bank in national/international arena for adopting prudence on global most important agenda.

The summary of ESRM report for FY 2080/81 is provided as under:

PARTICULARS	NUMBER/ AMOUNT		
No. of loan requests rejected due to Exclusion list	-		
No. of transactions subject to ESDD	585		
Total No. and Amount of disbursed transactions by E & S Risk Rating	E & S Risk Rating	No. ofdisbursement	Disbursement Amount (In 'NPR')
	Low	585	5,797,437,805
	Medium	-	-
	High	-	-

D) MARKET AND LIQUIDITY RISK

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from adverse movements in market prices. The major constituents of market risks are:

- a) The risks pertaining to interest rate related instruments;
- b) Foreign exchange risk throughout the bank; and
- c) The risks pertaining to investment in equities.

Liquidity risk is chances of failure of a bank to meet obligations as they become due. Effective liquidity risk management helps ensure the Bank's ability to meet its obligations as they fall due without adversely affecting the Bank's financial condition and reduces the probability of an adverse situation developing.

Liquidity Risk for Bank mainly manifests on accounts of the followings:

- i) Funding Liquidity Risk - The risk that Bank will not be able to meet efficiently the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition.
- ii) Market Liquidity Risk - The risk that Bank cannot easily offset or eliminate a position at the prevailing market price because of inadequate market depth or market disruption.

Liquidity Risk Reporting

PARTICULARS	REGULATORY REQUIREMENT	ASAR 2081	COMPLIANT STATUS
% of Top Single Depositor to Total Deposit	10%	3.01%	Within Regulator requirement
% of Retail deposit	50%	26.39%	
% of Institutional Deposit	50%	31.44%	

Interest Rate Risk

PARTICULARS	REGULATORY REQUIREMENT	ASAR 2081	COMPLIANT STATUS
Maximum Interest Rate in year-end month (Individual FD for 2 years and above)	10% deviation	7.7%	Compliant
Difference in interest rate of savings	2% difference among saving account	Minimum 3.5% Maximum 5.5%	Compliant
Remittance related savings account	Maximum 3% above saving product having minimum interest rate	6.5%	Compliant
Call Deposit	50% of minimum saving interest rate rate	1.75%	Compliant
Maximum difference between LCY deposit products	Max 5%	4.2%	Compliant

Structured Liquidity Statement as on Asar 2081

Liquidity profile is the statement of assets and liabilities prepared on the basis of maturity ladder approach as per the residual maturity of assets and liabilities. Liquidity profile shall provide snap shot view of bucket wise liquidity mismatch as well as cumulative mismatch. Liquidity profile also measures the bank's ability to meet current liabilities and obligations.

Structural Liquidity Statement shall provide snap shot view of bucket wise liquidity mismatch as well as cumulative mismatch.

Structural Liquidity Profile of the Bank as of Asar end 2081 can be shown as follows:

		In NPR million									
S.N.	PARTICULARS	1-7 DAYS	8-30 DAYS	31-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL AMOUNT
1	Cash Balance	561.12	-	-	-	-	-	-	-	-	561.12
2	Balance with Banks & FIs	3,610.22	-	-	-	-	-	-	-	-	3,610.22
3	Government Securities	59.86	23.47	353.41	504.51	24.21	531.31	550.00	2,970.00	4,560.00	9,576.77
4	Loans & Advances	1,655.08	1,407.11	2,740.15	2,904.09	3,453.75	2,431.67	3,115.00	8,419.90	24,033.05	50,159.81
5	Interest Receivable	560.50	90.25	284.72	126.55	13.88	24.83	45.56	124.78	36.96	1,308.02
6	Others	43.27	100.96	216.35	360.58	360.58	360.58	1.42	50.76	556.62	2,051.12
	Total Assets (A)	6,490.04	1,621.79	3,594.63	3,895.73	3,852.42	3,348.40	3,711.97	11,565.45	29,186.63	67,267.05
	Liabilities										
7	Current Deposits	14.45	33.72	72.26	120.43	120.43	120.43	137.73	137.73	188.41	945.57
8	Saving Deposits	193.89	452.41	969.45	1,615.75	1,615.75	1,615.75	3,054.69	3,054.69	3,178.32	15,750.69
9	Fixed Deposits	700.27	3,618.83	8,731.64	8,851.06	4,821.56	4,960.76	3,015.15	3,413.49	1,067.64	39,180.42
10	Debentures	-	-	-	-	-	-	-	-	996.23	996.23
11	Borrowings:	3,815.73	-	-	-	-	-	-	-	0.91	3,816.65
	(a) Call/Short Notice	3,815.73	-	-	-	-	-	-	-	0.91	3,816.65
	(b) Inter-bank/Financial Institutions	-	-	-	-	-	-	-	-	-	-
	(c) Refinance	-	-	-	-	-	-	-	-	-	-
	(d) Others	-	-	-	-	-	-	-	-	-	-
12	Other Liabilities and Provisions	22.33	52.21	103.57	186.15	185.85	185.71	1.06	1.90	0.16	738.95
	(a) Sundry Creditors	20.31	47.39	101.54	169.24	169.24	169.24	-	-	-	676.94
	(b) Bills Payable	-	-	-	-	-	-	-	-	-	-
	(c) Interest Payable	2.03	4.82	2.03	16.92	16.62	16.48	1.06	1.90	0.16	62.01
	Total Liabilities (B)	4,746.68	4,157.16	9,876.91	10,773.38	6,743.59	6,882.65	6,208.63	6,607.81	5,431.68	61,428.50
	Net Financial Assets (A-B)	1,743.36	(2,535.38)	(6,282.28)	(6,877.65)	(2,891.17)	(3,534.25)	(2,496.66)	4,957.63	23,754.95	5,838.55
	Cumulative Net Financial Assets	1,743.36	(792.02)	(7,074.30)	(13,951.95)	(16,843.13)	(20,377.38)	(22,874.03)	(17,916.40)	5,838.55	-

Foreign Exchange Risk

Foreign exchange rate risk is the potential impact of adverse currency rate movements on earnings and economic value. This involves settlement risk which arises when the Bank incurs financial loss due to foreign exchange positions taken in both the trading and banking books.

Foreign Currency Approach /Net Open Position Approach

Net open foreign currency position is the difference between the total open long (receivable) and open short (payable) position in a given currency held by the Bank.

The Net Open position is the base to identify the market risk exposure of the bank. For this the equivalent open position is converted into the Nepalese currency equivalent to identify the overall market risk exposure as follows:

Figure in '000

CORE CAPITAL OF PREVIOUS YEAR - 4,343,654.33

S. N	CURRENCY	ASSETS	LIABILITIES	NET POSITION(NPR)	TOTAL NET POSITION TO CORE CAPITAL
1	INR	88	-	88	0.00%
2	USD	20,853	-	20,853	0.48%
3	GBP	73	-	73	0.00%
4	EUR	639	-	639	0.01%
5	THB	54	-	54	0.00%
6	AUD	558	-	558	0.01%
7	CAD	203	-	203	0.00%
8	SGD	37	-	37	0.00%
9	JPY	669	-	669	0.02%
10	SAR	88	-	88	0.00%
11	QAR	86	-	86	0.00%
12	AED	41	-	41	0.00%
13	MYR	7	-	7	0.00%
14	KRW	42	-	42	0.00%
15	KWD	44	-	44	0.00%
Total		23,482		23,482	0.54%

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) allows firms to assess their capital adequacy and requires them to have appropriate risk management techniques in place.

ICAAP involves a thorough evaluation of the institution's risks, such as credit, market, operational, and liquidity risks, among others. The goal is to determine the appropriate amount of capital that should be held to cover potential losses under various stress scenarios.

This Internal Capital Adequacy Assessment Process (ICAAP) report is produced quarterly and Kamana Sewa Bikas Bank ("KSBB" or "The Bank") own assessment of its internal capital requirements, the primary purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that the Bank has sufficient capital at all times to cover the risks associated with its activities. Another purpose of the report is:

- To inform Board of the ongoing assessment of the Bank's risks,
- How the Bank intends to mitigate those risks and
- How much current and future capital is necessary having considered other mitigating factors.

The Framework of ICAAP

The Bank approach to calculating its own internal capital requirements has been to take the minimum capital required for credit risk, assess whether this is sufficient to cover credit risk market risk and operational risk, and then identify other risks and assess prudent levels of capital to meet them.

The management will continue to monitor the capital adequacy position, also keeping a close eye on the number of customer portfolios and the actual growth in transactions and products against the business plan. Should the capital adequacy headroom fall below regulatory requirement, the Board would undertake a formal review of the Bank's capital position.

Quantitative Disclosures

Capital Structure and Capital Adequacy

The primary objective of this report is to ensure that the Bank maintains adequate risk capital, complies with the capital requirements laid down by the NRB and maintains a healthy capital ratio in order to support its business and maximize

shareholder value. The Bank manages the capital base to cover risks inherent in the business. The adequacy of the capital is monitored using, among other measures, the rules and ratios established by NRB the central bank of Nepal. The following table summarizes the regulatory capital of the Bank.

Tier I capital and a breakdown of its components:

Figure in '000

CAPITAL STRUCTURE	ASAR END 2081
(A) Core Capital (Tier 1)	4,657,413.71
Paid up Equity Share Capital	3,281,164.67
Statutory General Reserves	845,877.89
Retained Earnings	411,201.54
Debenture Redemption Reserve	142,857.14
Less: Intangible Assets	13,641.13
Less: Purchase of land & building in excess of limit and unutilized	10,046.40

Tier II capital and a breakdown of its components

Figure in '000

(B) Supplementary Capital (Tier 2)	1,403,392.02
Subordinated Term Debt	853,373.61
General loan loss provision	545,907.43
Exchange Equalization Reserve	1,110.97
Investment Adjustment Reserve	3,000.00

Total Qualifying Capital

Figure in '000

PARTICULARS	AMOUNT
Core Capital (Tier 1)	4,657,413.71
Supplementary Capital (Tier 2)	1,403,392.02
Total Capital Fund (Tier I and Tier II)	6,060,805.73

Capital Adequacy of the Bank

Banks capital adequacy stands as follows:

CAPITAL ADEQUACY RATIO (CAR)

Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	9.61%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	12.50%

Overview of the exposure of the Bank

The overall risk position of the bank has been calculated on the basis of the Basel III requirement as made applicable by the Nepal Rastra Bank. The credit risk has been calculated by applying the Simplified Standardized Approach. The different types of the loans as classified by the Nepal Rastra Bank are applied with the assigned percentage based on the risk to calculate the Credit Risk.

Basic Indicator Approach is used for the purpose of calculating the Operation Risk. The operational risk is equal 9.09 times of the 15% of average of Gross Profit of preceding three years as per Basel III requirement.

Adjustment under Pillar II includes the adjustment in the risk weighted assets suggested by the regulator under supervisory review process (SRP). The exposure of the Bank as on Asar End 2081 is as under:

Summary of current Risk Weighted Exposure

Figure in '000

RISK WEIGHTED EXPOSURES	ASAR END 2081
Risk Weighted Exposure for Credit Risk	43,672,594.42
Risk Weighted Exposure for Operational Risk	2,830,303.26
Risk Weighted Exposure for Market Risk	10,672.60
Adjustments under Pillar II	
Add RWE equivalent to reciprocal of capital charge of 3% of gross income	573,300.85
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,395,407.11
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	48,482,278.23
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	9.61%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	12.50%

Total Risk Weight Exposure Table

On Balance Sheet Exposure and OFF Balance Sheet Exposure

Figure in '000

A. BALANCE SHEET EXPOSURES	BOOK VALUE	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES
Cash Cash Balance	561,116	561,116	0%	-
Balance With Nepal Rastra Bank	2,396,952	2,396,952	0%	-
Investment in Nepalese Government Securities	10,607,565	10,607,565	0%	-
All claims on Nepal Rastra Bank	223,919	223,919	0%	-
Claims on domestic banks that meet capital adequacy requirements	4,367,606	4,367,606	20%	873,521
Claims on Domestic Corporates (Unrated)	4,383,124	4,353,124	100%	4,353,124
Regulatory Retail Portfolio (Not Overdue)	30,194,744	29,027,111	75%	21,770,333
Claims secured by residential properties	3,402,423	3,402,423	60%	2,041,454
Claims secured by residential properties (Overdue)	50,336	27,722	100%	27,722
Past due claims (except for claims secured by residential properties)	2,593,226	1,362,721	150%	2,044,081
High Risk claims	3,833,630	3,737,369	150%	5,606,054
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	625,464	625,464	125%	781,830
Lending against Shares(above Rs.5 Million)	1,214,695	1,214,695	125%	1,518,368
Lending against securities (bonds)		-	100%	-
Lending against Shares(upto Rs.5 Million)	387,982	387,982	100%	387,982
Personal Hirepurchase/Personal Auto Loans	319,829	319,829	100%	319,829
Investments in equity and other capital instruments of institutions listed in stock exchange	767,825	767,825	100%	767,825

Continue

Continue

A. BALANCE SHEET EXPOSURES	BOOK VALUE	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES
Investments in equity and other capital instruments of institutions not listed in the stock exchange	320,824	320,824	150%	481,236
Staff loan secured by residential property	329,450	329,450	50%	164,725
Interest Receivable/claim on government securities	159,054	159,054	0%	-
Other Assets (as per attachment)	2,098,162	2,098,162	100%	2,098,162
TOTAL (A)	68,837,926	66,290,913		43,236,245
B. Off Balance Sheet Exposures				
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	275,865	268,788	40%	107,515
Irrevocable Credit commitments (short term)	1,644,170	1,644,170	20%	328,834
TOTAL (B)	1,920,034	1,912,957		436,349
Total RWE for credit Risk Before Adjustment (A)+(B)	70,757,960	68,203,870		43,672,594
Total RWE for Credit Risk after Bank's adjustments under Pillar II	70,757,960	68,203,870		43,672,594



Value Creation Model



Financial Capital

Our Financial Capital is the pool of funds which includes our monetary resources such as funds arranged from valued depositors and shareholders in the form of deposits, equity and reinvestment which is for making loans, advances and investment.

Our bank uses Financial Capital to expand business network & invest in various projects also provide diverse forms of deposit schemes through assessment in terms of risk exposure, capital adequacy, loan provision and regulators' instructions in advancing loans and making investment.

Input

- Equity
- Reserves
- Deposits & borrowings
- Capital adequacy

Value Created

- Return of Equity of 11%
- Operating Profit of NPR 968 million
- Net Profit of NPR 582 million
- Capital adequacy ratio of 12.50%



Human Capital

Our Human Capital refers to the skills and experience of our employees which enable us to implement its strategies and deliver better services that create value to our stakeholders. Our Bank focuses on making industry-competitive, developing and motivated workforce.

Our investment in Human Capital reduces our Financial Capital in the short-term. However in the long-term, it adds to our Human, Financial, and Social and Relationship Capital.

Input

- Experienced and competent human resources
- Technical and managerial skills
- Diversity and equality
- Learning and Development

Value Created

- No. of employees: 988
- 55% of male employees and
- 45% of female employees
- Amount of employee related expenditure: NPR 761 million



Manufacturing Capital

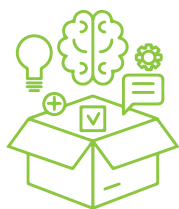
Our Manufacturing Capital includes all infrastructure created and utilized within our integrated business model. These include our regional footprint of banking operations, business processes and technologies etc. for providing effective, efficient and innovative services to our customers. Our Bank focuses on strong internal business process platform with output based infrastructural facility in all of the branches by creating & implementing technological innovation.

Input

- Branches
- Branchless Banking
- ATMs
- Digital Payment solutions

Value Created

- 134 branches and 1 extension counters
- 82k debit cards
- Better service delivery
- Improvement and expansion of digital banking



Intellectual Capital

Our Intellectual Capital consists of intangible intellectual resources like brand image, knowledge based assets like skills and competencies of employees, innovative research and development team, market reputation that offers a competitive edge to our bank. Structured network, qualitative database, better software, good security systems are also used in our bank. It is an important factor for achieving success and helps to survive in the competitive environment. Our Bank creates market reputation by introducing, expanding & diversifying

product portfolio, reducing service waiting time, conducting customer service quality survey.

Input

- Technological capabilities
- Integrated risk management
- Management and control system
- Culture and Process
- Knowledge base

Value Created

- 241k mobile banking users
- 23k QR Customers



Social and Relationship Capital

"Our Social and Relationship Capital refers to the long-term relationships we have created with our stakeholders like business partners, regulators, customers, voluntary organizations which helps to build and maintain a strong social reputation and trust. Building Social and Relationship Capital is vital importance for the sustainable value creation of our bank. We take a holistic approach to sustainable value creation with our customers, trade partners and merchants or communities by nurturing our long-standing relationships. Through CSR activities we work closely with

various communities to improve their lives and livelihood opportunities.

Input

- Relationship with stakeholders
- CSR activities
- Quality service to customers
- Trade partners and merchants

Value Created

- Rs 4 million spent on CSR activities
- NPR 318 million contributed to Government through taxes



Natural Capital

The natural resources we consume to conduct our business and seamlessly deliver our products and services constitute our natural capital. We screen all our large loans to assess them for environmental and social risks. Our Bank tries to create a public awareness on the preservation of natural capital, reduction of wastage and keep the environment free from pollution through its operational activities.

Input

- Introduced E-products such as SMS banking, mobile banking and payment solution
- Digital process for Paperless transactions
- Lending to agricultural sector and electric vehicles
- Prioritize financing into any eco-friendly projects

Value Created

- Disbursement of Rs. 3.36 Billion in agricultural sector
- Saved trees with paperless transactions

SWOT Analysis



STRENGTHS

- Extensive network to provide nationwide coverage: 134 branches, 1 extension counter and 74 ATM outlet
- Dynamic Workforce and Talented Leadership
- Market Leader in Automation
- Regulatory compliant bank
- Trust and Confidence among public
- Extensive Stakeholder Partnerships



WEAKNESS

- Limited appeal to younger demographics
- Challenges to hire and retain quality manpower
- Capital constraints and reserve strengthen
- Culture shift and strategy alignment among workforce
- Challenges in maintaining consistency in service quality and customer experience across all contact points due to extensive network
- High staff turnover and frequent changes in management
- Risk of raising NPL exposure



OPPORTUNITIES

- Digital Transformation and increasing tech-savvy population
- Increasing digital literacy in the population
- Government encouragement for promotion of productive and priority sector lending
- Opportunities in pursuing suitable capital funding
- Changing behaviour of the customers.
- Expected debt restructuring and economic revival



THREATS

- Weak macro economic scenario and stressed external sector
- Cost of switching very low for customers due to presence of large number of bank and financial institutions in the country.
- Cyber Security & Increasing Trend of Operational Risk And Fraud.
- Possibility of downgrading of Nepal's AML rating resulting to fall in international trade
- Volatility in interest rates, raise in cost of fund, tightening spread rate and tough competitions

External Environment

PORTER'S FIVE FORCES

1.

Threat of competitors

- Presence of large number of banks and financial institutions
- Competitive pricing of similar products

4.

Threat of Suppliers

- Low bargaining power of other suppliers

2.

Threat of substitutes

- Savings and Cooperatives with high levels of interest on deposit and less strict regulatory compliance
- Informal Lending Sources

5.

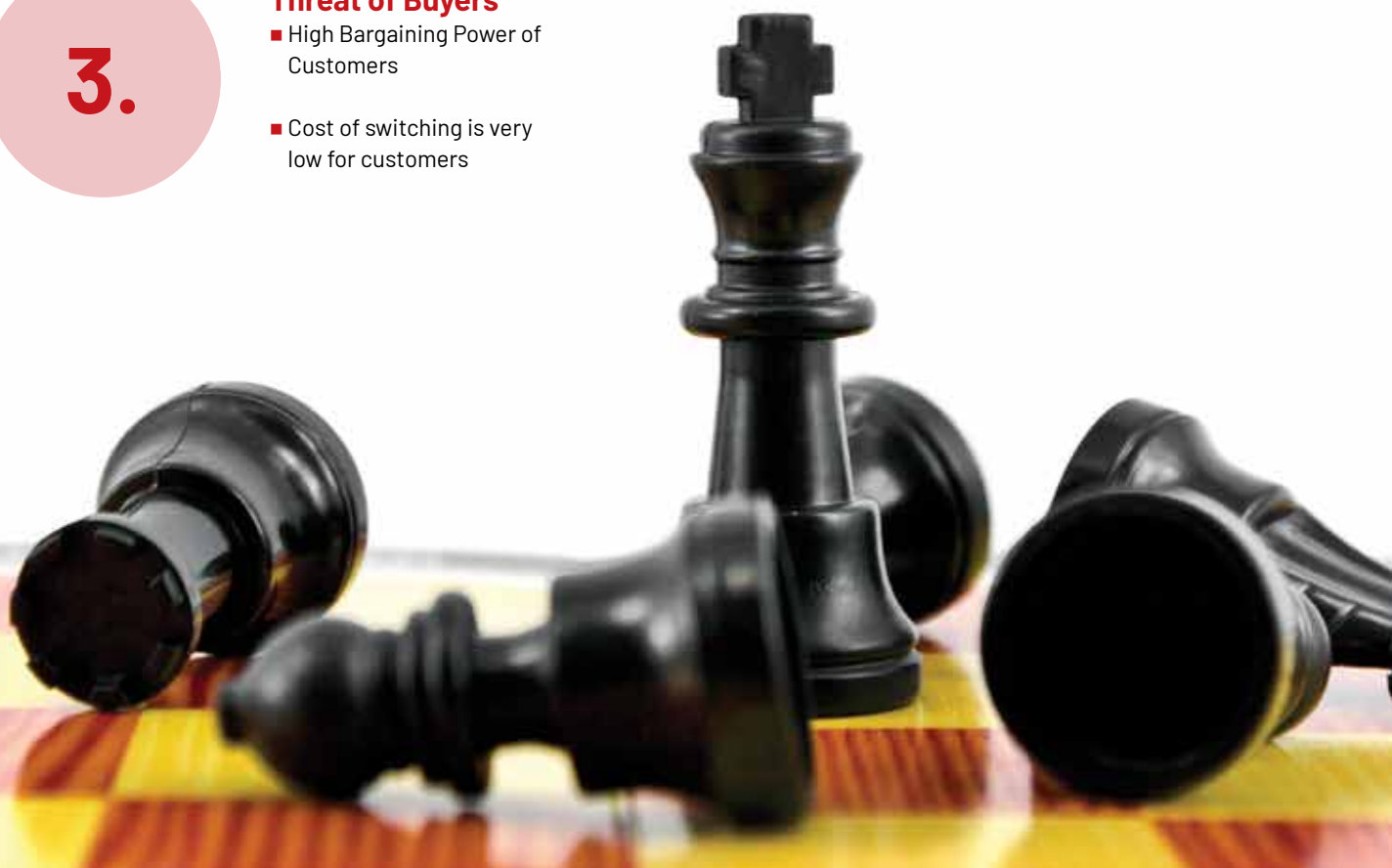
Threat of New Entrants

- Strict NRB regulations and high capital requirement

3.

Threat of Buyers

- High Bargaining Power of Customers
- Cost of switching is very low for customers



PESTEL ANALYSIS

POLITICAL FACTORS

A nation's political condition and governmental decisions have a massive impact on the banking industry. Government laws affect the state of the banking sector. The government can intervene in the matters of banking whenever, leaving the industry susceptible to political influence. This includes corruption amongst political parties, or specific legislative laws such as labor laws, trade restrictions, tariffs, and political stability. Government regulations and foreign investment policy influences the operations and investment of banks in the country. Likewise, taxation policies are different of each government and changes in tax laws affect the Bank's cost of doing business.



ECONOMIC FACTORS

The banking industry and the economy are tied. How income flows, whether the economy is prospering or barely surviving during times of recession, affects how much capital banks can access. Economic growth drives demand for credit and financial services. Inflation affects the cost of borrowings and return on investment. High inflation may lead to increased loan defaults and rise in non-performing loans. Interest rates is another critical component of economic factor which impact the demand of loans and deposits in banks.

SOCIAL FACTORS

Socio-Cultural forces are major factors that affect the economic climate in developing like in Nepal. Changing demographics, workforce diversity, education level, trends in tech-culture, entrepreneurship culture, change in living style and life style, changing expectations of the society all affects the banking operation. Banks play a crucial role in improving financial literacy and serving those customers who are deprived of banking. Customer expectations are changing rapidly in Nepal and banks need to keep pace with changing customer expectations to remain competitive.



TECHNOLOGICAL FACTORS

Technology in Banking industry has become vital aspects for its operation. Continuous pressure to bank to improve the customer service either to reduce operational cost or to be competitive in the market has pressurized banks to adopt advanced technology. Digital or mobile technology, automation, research and development etc are the key considerations to the banks these days. Banks need to focus on both soft technology (system/ procedures and policies) as well as hard technology. With the rise in technological advancements, many people are adapting to new technologies and banks need to provide such services like mobile banking, internet banking and digital payments. Further, adaptation of new technology always come with a package i.e. risk factor. Thus bank need to focus on both adaptation of technology as well as managing the risk associated with these technologies.

ENVIRONMENTAL FACTORS

Over the recent decades there is high pressure that the business need to focus on the conservation of the ecological balances. Business born, grow, matures, and even dies in the environment surrounding its operation. Thus, focus should be given to the benefit of its surroundings including ecological balance. Thus, business today are involved in various CSR related activities and the CSR element of ecological environment is becoming more popular these days. Factors such as climate change, recycling process, carbon footprint, waste management, energy saving, green financing, energy efficiency program and sustainable activities for sustainable development are the few to name here.



LEGAL FACTORS

Legal environment has profound effect in how a business is established, operated, regulated, and dissolved. Business must follow a path that is both legally and ethically sound. Thus, a banking professional need to be very much aware of the existing rules and regulations, any changes in legislation and the impact of such changes on banking operations. Forces in legal environment include employment/labor legislation, consumer law, contract law, health and safety related laws, risk mitigation policy, compliance to AML/CFT, Electronic transaction related law, intellectual property and data privacy related legislation. Hence, banks must comply with various laws and regulations along with protection of customers rights and data privacy.



Board Level Committees Overview

The Board of Directors is the apex and supreme authority of the Bank. The board of directors should take the lead in establishing a strong risk management culture. The board of directors and senior management should establish a corporate culture that is guided by strong risk management and that supports and provides appropriate standards and incentives for professional and responsible behavior. In this regard, it is the responsibility of the board of directors to ensure that a strong risk management culture exists throughout the whole organization.

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's risk strategy and corporate. The Board also provides effective oversight of the Risk Management function and framework. It is responsible and accountable to frame and implement robust guidelines and frameworks for effective compliance with the laws of land and with the regulations and directives issued by the regulatory authorities. The illustrative but not exhaustive roles and responsibilities of the Board related to this policy are as follows:

- a. Approval, timely review and necessary amendment of the policy as per regulatory requirement.
- b. Ensure that the Policy Framework is comprehensive for key business and support functions and establish a method for monitoring compliance of the same.

- c. The Board shall provide various policy and guidelines relating to Risk Management from time to time which shall be automatically incorporated as a part of this policy.
- d. Setting up risk management structure and scope of activities.
- e. Any amendments/ cancellation or revision in this policy shall be at the sole discretion of the Board.
- f. To review and provide feedbacks on report on risk management forwarded to board through RMC by Risk Management Department.
- g. Boards ensure that the risk management department is in compliance with relevant laws and regulations. They are also responsible for understanding the impact of regulatory changes on the organization's risk profile.
- h. Define the Bank's overall risk tolerance
- i. Ensure current and future capital needs of the Bank in relation to strategic objectives.
- j. Issue appropriate instructions to the senior management regarding ICAAP that it deems appropriate.



Bank has following Board Level Committee for overseeing the enterprise level risk management framework:

1. Risk Management Committee

Risk Management Committee of the bank shall act as the board level risk managing authority of the bank. Risk Management Committee shall guide the overall risk practices of the bank. The Committee shall assess, monitor and control the overall risk at the appropriate level in order to monitor and ensure that risk management activities are in line with the bank's overall policy and framework approved by the Board of Directors. The Committee shall also set risk measurement criteria and acceptable risk level for overall risk management.

- To review the risk appetite set by the Board of Directors.
- To review the risk report prepared by the Risk Management Department.
- To review the bank's process and instruct risk department for appropriate actions.
- To ensure that the regulatory capital is aligned with the risk profile of the Bank.
- Ensure that all the material risks are identified, measured, monitored and controlled.
- Periodically review the process to ensure its capital adequacy, risk positions, resulting capital levels and quality of capital held by the Bank.
- Periodically review the risk management process to ensure its integrity, accuracy and reasonableness.
- Review whether the internal control and risk management system is adequate or not to ensure well-ordered and prudent conduct of business.
- Review of risk appetite and tolerance level of the Bank and make recommendation/ instructions as appropriate.
- To recommend to the Board of Directors that the relevant policies and structures be developed in compliance with the directives/directives given by Nepal Rastra Bank, internal restrictions set by the organization, and suitable risk management procedures.
- Conduct stress tests on a regular basis, evaluate the results, and provide the board of directors with recommendations for future policy formulation or decision-making.
- Ensure that the organization is complying with relevant laws, regulations, and industry standards, and assess the impact of regulatory changes on the risk profile.
- Assessing/reviewing the organization's asset structure, its operational status, the income it can generate, the rise or fall in asset quality, and the activities carried out by the Asset Liability Committee (ALCO), and submitting a report to the Board of Directors.

Currently the risk management committee consist of:

Mr. Bhim Prasad Tulachan : Coordinator (Director)
Mr. Chaturakhar Adhikari : Member (Director)

Mr. Bikash Dhungana : Member (Chief Operating Officer)
Mr. Bishnu Prasad Wosti : Member Secretary
(Chief Risk Officer)

To this regard, 9 risk management committee meetings have been conducted during the FY 2080/81. The details of the meeting of Risk Management Committee are presented below:

S. N	Meeting Number	Date of Meeting
1.	Meeting Number 56 FY 2080/81	29/04/2080
2.	Meeting Number 57 FY 2080/81	24/05/2080
3.	Meeting Number 58 FY 2080/81	02/07/2080
4.	Meeting Number 59 FY 2080/81	19/08/2080
5.	Meeting Number 60 FY 2080/81	11/10/2080
6.	Meeting Number 61 FY 2080/81	19/11/2080
7.	Meeting Number 62 FY 2080/81	15/12/2080
8.	Meeting Number 63 FY 2080/81	27/01/2081
9.	Meeting Number 64 FY 2080/81	30/02/2081

RMC has assessed risk relating to Credit Risk, Operation Risk, Market Risk, Human Resource Related Risk, Technology Risk, Legal Risk and Internal Capital Adequacy Assessment Process (ICAAP) on monthly and quarterly basis. RMC has observed that bank has not breached any direction of Nepal Rastra Bank on the issues related to risk.

2. Audit Committee

The bank's Audit Committee has been formed in line with NRB Directive No. 6 where this committee will review the organization's financial condition, internal control, audit related programs and discuss the results of the audit in detail and give necessary instructions to the management. Following are the roles and responsibilities/function of audit committee:

- Review and approve audit plan prepared by the internal Audit Department, scope of audit, human resource requirements and budget of the internal audit functions;
- Review and discussion of audit reports presented by internal Audit Department and provide necessary instructions to the management to take corrective actions;
- Ensure and facilitate for the Risk Based internal Audit of the Bank;
- Approve Risk Based Internal Audit Guideline & Manuals prepared by internal Audit Department and monitor on the effectiveness of the Risk Based internal Audit approach adopted by the internal Audit Department;

- Supervision of activities conducted by the internal Audit Department and provides necessary guideline to regulate the functions of the department so as to enable it to achieve its objectives. It shall include review of the Audit Policy and other related guidelines as and when required;
- Regular assessment of the quality of internal audit functions of the Bank to ensure that they are conducted with the highest degree of professionalism, ethics and in line with relevant auditing standards and are capable of providing accurate and adequate assurance regarding the governance system of the Bank;
- Carry out appraisal of Head - internal Audit Department and review. Annual Performance Appraisal (APR) of the staff working in internal Audit Department conducted by Head-internal Audit Department;
- Assign tasks to the internal Audit Department as deemed necessary by the Committee.

The Audit committee of the bank consist of following:

Mr. Chaturakhar Adhikari : Co - Ordinator (Director)
 Mr. Balaram Baral : Member (Director)
 Mr. Niranjana Bhandari : Member Secretary
 (Head Internal Audit)

Audit Committee Meeting Detail

S. N	Meeting Number	Date of Meeting
1.	Meeting Number 62, FY 2080/81	17/04/2080
2.	Meeting Number 63, FY 2080/81	25/04/2080
3.	Meeting Number 64, FY 2080/81	24/05/2080
4.	Meeting Number 65, FY 2080/81	01/07/2080
5.	Meeting Number 66, FY 2080/81	18/08/2080
6.	Meeting Number 67, FY 2080/81	15/09/2080
7.	Meeting Number 68, FY 2080/81	03/10/2080
8.	Meeting Number 69, FY 2080/81	11/10/2080
9.	Meeting Number 70, FY 2080/81	18/12/2080
10.	Meeting Number 71, FY 2080/81	05/01/2081
11.	Meeting Number 72, FY 2080/81	10/03/2081

Audit committee has reviewed bank's financial position and performance, internal controls, audit program, and findings of the internal audit team, audit report of the external (statutory) auditors, NRB onsite Inspection Report and instructed the management for necessary corrective and enforcement actions along with recommendation to the Board of Directors about the further actions to be taken. Further, Audit committee has being carrying out the functions as specified on section 61 of Bank and financial institution Act, 2073 and Section 165 of Companies Act, 2063.

3. AML/CFT Committee

AML/CFT Committee is the Board Level Committee which shall constantly monitor the nature of level of ML/TF risk being taken by the Bank and how the risk relates to risk appetite and tolerance capacity of the Bank. The illustrative but not exhaustive roles and responsibilities of AML/CFT Committee related to this Policy are as follows:

- Present summary of implementation status as per Anti-Money Laundering Act, 2064, Anti-Money laundering rules, 2073, and NRB directives (directive no. 19) to the BOD.
- Conduct gap analysis among the internal policy, manual, and procedural aspects formulated and implemented by bank based with AML Act 2064, AML Rules 2073, NRB directives, and FATF recommendation and formulate necessary policies to fulfill the gap.
- Conduct gap analysis on sufficiency of implemented procedural aspect and information technology system to identify and prevent money laundering and financing of terrorism and report the BOD if change is needed.
- Effectively implement customer identification and customer acceptance policy based on risk classification including high positioned person and beneficial owner after analyzing existing procedure of customer identification.
- Present quarterly report on implementation status of internal rules and policies, NRB directives, and act and rules related to money laundering and financing of terrorism to the BOD.
- Collect the following reports from management and advice to BOD on:
 - Report related to risk management of AML/CFT.
 - Information on KYC update status, CDD details, details of PEPs, ECDD details along with need assessment of use of IT for these processes to make the process short and easy.
 - Assessment of external and internal audit, and NRB inspection report related to AML/CFT and procedural/policy level changes required as per these reports.
 - Detail information for risk management of AML/CFT risk for any new product and services, purchase of any new IT system, wire transfers, E-banking, Mobile banking, wallet transfer after proper risk analysis.
- Present necessary suggestion to BOD for any policy level changes required to mitigate AML/CFT risks that may arise due national and international events/accidents
- Organize AML/CFT related knowledge sharing program for compliance officer, shareholder holding 2% or more

of paid-up capital, directors, senior management and employees who directly and regularly involve in AML/CFT work.

- Conduct periodic review of internal AML/CFT Policy/Guideline and recommend for change if any required.
- Make necessary arrangement to discuss in BOD meeting regarding working mechanism of AML/CFT system, AML/CFT risk management, monitoring of doubtful activities, and if the required reports are sent to concerned authority or not on time.
- Discuss whether the required reports are being sent to FIU and other concerned NRB offices through required medium, related to prevention of money laundering and financing of terrorism.

The AML / CFT Committee of the bank consist of:

Mr. Balaram Baral	: Co – Ordinator (Director)
Mr. Bishnu Prasad Wosti	: Member Secretary (Chief Risk Officer)
Mr. Khum Nath Bhusal	: Member (Head Compliance)

To this regard, 6 AML/ CFT Committee meetings were conducted during the FY 2080/81. The meetings discussed about the AML requirement and KYC of the account holders in the bank and formulated an action plan to update KYC documents of all the account holders and proper implementation of AML requirement. The details of the meeting of AML/ CFT Committee are presented below:

S. N	Meeting Number	Date of Meeting
1.	Meeting Number 34, FY 2080/81	30/04/2080
2.	Meeting Number 35, FY 2080/81	23/06/2080
3.	Meeting Number 36, FY 2080/81	21/07/2080
4.	Meeting Number 37, FY 2080/81	12/10/2080
5.	Meeting Number 38, FY 2080/81	20/11/2080
6.	Meeting Number 39, FY 2080/81	27/01/2081

The committee has been critically reviewing the Bank's risk exposure from AML/CFT perspective of various indicators. The committee has continually been suggesting measures for improvements for managing and mitigating ML/FT risk by strengthening the review and monitoring process and developing/acquiring tools to cater issues identified during course of Bank's business.

4. Employee Service and Facilities Committee

As per the essence and spirit of the NRB Directive and to have clear guidelines regarding the scope of the Employee Service & Facilities Committee (HR Committee), the Board of Directors (the Board) has outlined following roles and responsibilities for the committee.

- Assist the Board to formulate the policies related to the salary, perquisites and benefits for the employees of the Bank,
- Analyze the salary structure of the employees of the Bank vis-a-vis the industry and appraise the Board,
- Recommend the Board for any revisions required in the salary structure and other benefits of the Bank's employees pursuant to the internal policies of the Bank, external regulations, or market conditions,
- Review of performance management system of the Bank incorporating job description, targets, key result areas (KRAs), performance achievement evaluation matrix based on key performance indicators (KPIs),
- Review of employee bylaws covering selection and recruitment, placement, transfer, promotion, career growth, performance management, rewards, punishment and employee relations for approval of the Board,
- Review of organization structure as per the business dynamics ensuring effective succession planning and submit for approval of the Board,
- Perform other jobs as assigned by the Board from time to time.

Among others, the committee critically discussed and appraised the Board on the following major decisions to implement sound risk management practices during the review year:

- Recommended HR budget for FY including industry analysis among peer Banks.
- Recommended for implementation of increment in staff facilities in line with recent developments among industry peers and market conditions.
- Reviewed and recommended HR activities within the Bank during the FY and proposed changes where required.
- Effective training and development
- Discussed retention, rotation and reason of transfer
- Overall status of HR relevant to risk perspective like timely transfer

The HR Committee consists of:

Mr. Bishweshwar Subedi	: Co – Ordinator (Director)
Mr. Dinesh Thakali	: Member (Chief Executive Officer)
Mr. Bikash Dhungana	: Member (Chief Operating Officer)
Mrs. Archana Kunwar Chhetri	: Member Secretary (Head- Human Resource)

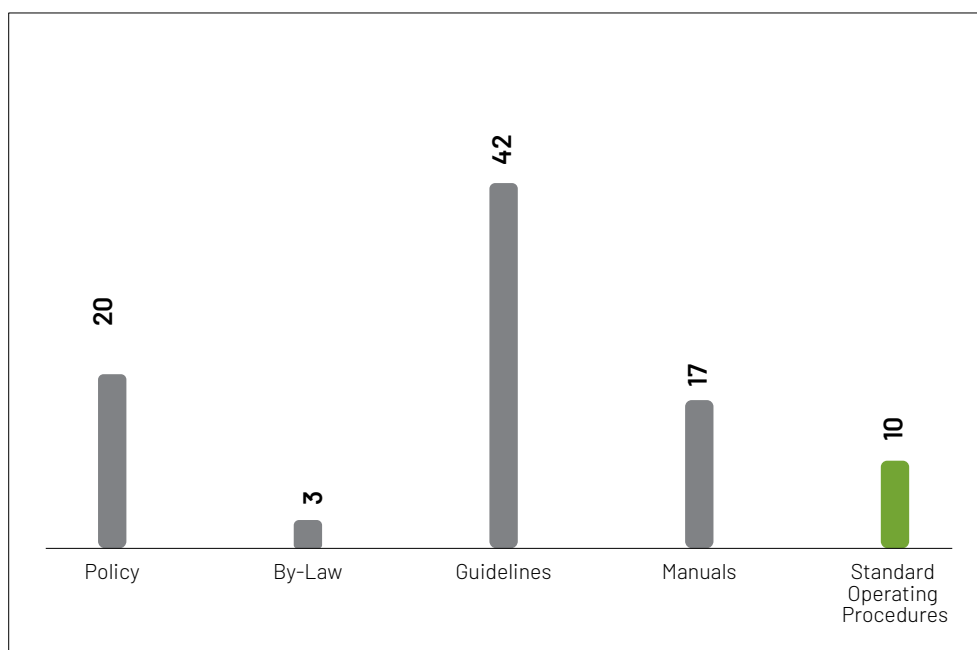
The details of the meeting of Employee Service and Facilities Committee (HR Committee) are presented below:

S. N	Meeting Number	Date of Meeting
1.	Meeting Number 53, FY 2080/81	19/06/2080
2.	Meeting Number 54, FY 2080/81	08/10/2080
3.	Meeting Number 55, FY 2080/81	13/01/2081
4.	Meeting Number 56, FY 2080/81	30/02/2081



Corporate Governance Policies

CORPORATE GOVERNANCE POLICIES



HR Department

Human Capital encompasses the collective knowledge, skills, abilities, and attributes of its employees. Managing human capital effectively involves recognizing and cultivating these assets to drive innovation, productivity, and organizational success.

KSBBL acknowledges the significance of the dedication and contributions made by its workforce towards accomplishing the overarching organizational goals. In a service-oriented sector where expertise and knowledge are paramount, the company places great importance on its employees. Consequently, KSBBL has actively pursued top talent through competitive recruitment processes. Additionally, the company is committed to retaining its human assets, consistently fostering their growth, and ensuring the acquisition of essential skills.

In KSBBL, the management of human resources follows the guidelines set in the company's HR policy, as crafted by the

Board, and aligns with the regulations outlined in Labor Acts and Bylaws. Job descriptions define the responsibilities of each employee, and their performance is regularly assessed through reviews led by their supervisor, with final approval from the CEO.



1) New Hires in 2080/81

Management Band	Under 20		20-30		30-40		40-50		Above 50		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Management					1		1				2
Managerial Level											
Middle Management			1		20	3					24
Junior Management	1	1	56	80	16	8	1				163
Total	1	1	57	80	37	11	2				189

2) Learning and Development-2080/81

Particulars	2079/80	2080/81
Total Classroom Trainings Conducted	139	109
Total Digital Trainings Conducted	23	28
Total	162	137

4) Average Hours of Training Breakup -2080/81

Particulars	Male	Female
Total Training Hours (a)	5268	5210
Headcount of Participant (b)	1937	1307
Average Participant Training Hours (a/b)	4.93	4.03

3) Gender Wise Training Breakup-2080/81

Particulars	Male	Female	Total
Total Classroom Trainings Conducted (no. of Participants)	1318	623	1941
Total Digital Trainings Conducted (no. of Participants)	619	684	1303
Total	1937	1307	3244

5) Training Program: Category-Wise Breakup

Program Category	2079-80	2080-81
Business	45	36
Support	102	72
Control	15	29
Total	162	137



6) Total Training: Participant Nature Wise Breakup

Particulars	2079/80	2080/81
Senior Management	5	13
Managerial Level	68	42
Middle Management	95	75
Junior Management	106	102
Overall	274	232

7) Staffs Rewards and Recognition for FY 2080/81

Category	Count
Service Period Award	302
Best Performer Awards (Department Staff) Counts	29
Best Performer Awards (Region Staff) Counts	38
Other Rewards and Recognition	-

8) People Demographics – Region

Region	Male	Female	Total
Province-1	57	30	87
Province-2	61	17	78
Kathmandu Region	65	98	163
Narayanghat Region	51	54	105
Pokhara Region	79	74	153
Butwal Region	72	77	149
Western Region	56	26	82
Central Region	103	68	171
Total	544	444	988

9) Service Period Wise Employee Classification-2080/81







Classification	Male	Female	Total
Less than 3 years	303	208	511
More than 3 upto 5	72	60	132
More than 5 upto 7	121	106	227
More than 7 upto 10	21	36	57
More than 10 years	27	34	61

10) Workforce Classification-2080/81

Classification Nature	Male	Female	Total
Permanent	473	346	819
Contract	71	98	169
Outsourced			
Total	544	444	988



Our Social Connections

	PREVIOUS YEAR	THIS YEAR
	FACEBOOK 84,000	90,000
	INSTAGRAM 1,500	1,795
	LINKEDIN 401	818
	VIBER 2,217	2,400
	YOUTUBE 1,920	2,350
	TIKTOK 2,500	2,800

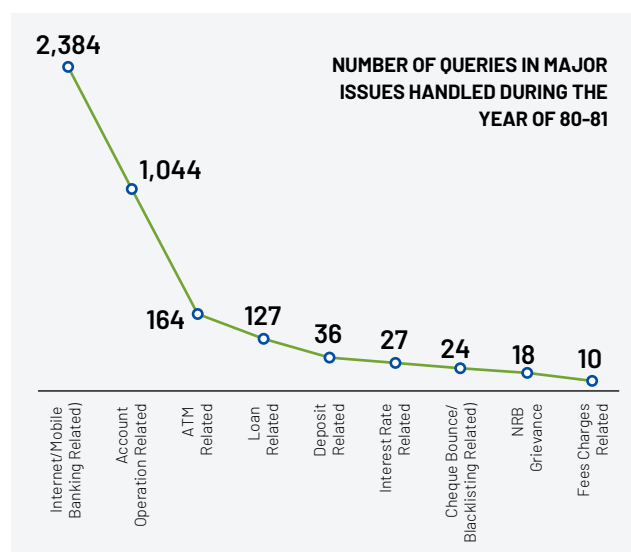
Right to Information and Grievance Handling

The Right to Information (RTI) is a fundamental human right that allows individuals to request and obtain information from public authorities. We, Kamana Sewa Bikas Bank Limited believe in keeping things open and clear. We want you to have the right to know what's happening with your bank. We promote transparency, accountability, and citizen empowerment. The bank discloses information adequately to the stakeholders which they shall be well informed of.

KSBBL is committed to maintaining the highest standards of excellence in financial services based on sustainable growth and development. To optimize the handling of customer information requests, disclosures, and public grievances, a Service Excellence initiative has been introduced at the central office. This initiative is designed to streamline these processes and ensure a more efficient mechanism for managing customer-related inquiries and concerns. With the access of Service Excellence Department, the bank gathers and analyzes the customer feedback, resolves complaints and monitor the service quality ensuring regulatory compliance. The Service Excellence department collects the queries from multiple sources including telephones, email,

social media sites such as Facebook, Instagram, etc. with the minimum Turn Around Time to foster customer satisfaction, loyalty and overall positive perceptions of the bank.

The bank has also established the Suggestion Box in all the bank branches to gather the feedback from the customers and employees to enhance various aspects of operations promoting continuous improvement, customer satisfaction. The bank has been using the suggestion box for identifying and addressing issues, improving services, optimizing processes, and ensuring compliance.



BINAY DAHAL

CHIEF INFORMATION OFFICER

EMAIL: info@kamanasewabank.com

CONTACT NO: 01-5970030



BIKASH DHUNGANA

GRIEVANCE HANDLING OFFICER

EMAIL: customercare@kamanasewabank.com

CONTACT NO: 9851366310 / 01-5970030

Corporate Governance Related Annual Compliance Report

(As per Listed Corporate Institution's Corporate Governance Related Directives, 2074)

Name of the Listed Institution including Address, Email, Website	Kamana Sewa Bikas Bank Limited Kathmandu – 30, Gyaneshwar, Anand Bhairab Marga customercare@kamanasewabank.com www.kamanasewabank.com
Phone Number	01-5970030, 98501571101, 16600113000
Report for the Fiscal Year (F.Y.)	2080.081 (based on data and information as on Asadh end 2081)

1. Report on Board of Directors:

1.1 Name of the Chairman and Appointment Date:

Mr. Sudeep Acharya, 2078/07/23

1.2 Share Structure (Promoter, Ordinary and Others):

S.N.	Share Structure	No. of Shares
1.	Promoters	1,67,33,939.81
2.	Public	1,60,77,706.88
3.	Others	-
	Total	3,28,11,646.69

1.3 Details of Board of Directors:

S.N.	Name and Address of Directors	Group	No. of Shares	Date of Appointment	Date of Oath of Service	Method of Appointment of Director
1.	Mr. Sudeep Acharya, Kathmandu-10, New Baneshwar	Promoter	Promoter: 54,140 Ordinary: 3,454	2078/07/23	2078/07/28	Elected
2.	Mr. Bhim Prasad Tulachan, Butwal- 6, Rupandehi	Promoter	Promoter: 2,12,555 Ordinary: 55,341	2078/07/23	2078/07/29	
3.	Mr. Chaturakhar Adhikari, Pokhara – 27, Kaski	Promoter	Promoter: 1,00,584 Ordinary: 27,612	2078/07/23	2078/07/29	
4.	Mr. Bishweshwar Subedi, Thulipokhari – 4, Parbat	Ordinary	Ordinary: 835	2078/07/23	2075/07/29	
5.	Mr. Balaram Baral, Pokhara – 13, Kaski	Ordinary	Ordinary: 3,837	2078/07/23	2078/07/29	
6.	Ms. Sita Ghimire, Kathmandu-10, New Baneshwar	Independent Director	No	2077/05/30	2077/05/31	Appointed

1.4 Board of Directors Meeting:

- Meeting Details of Board of Directors:

S.N.	Date of Meeting in the current Fiscal Year	No. of Directors Present	No. of Directors Writing note of Dissent to the meeting decisions	Date of Meeting in last Fiscal Year
1.	2080/04/10	6	None	2079/04/15
2.	2080/04/24	6	None	2079/04/16
3.	2080/04/30	6	None	2079/05/17
4.	2080/05/24	6	None	2079/06/11
5.	2080/06/19	5	None	2079/07/18
6.	2080/07/02	6	None	2079/07/30
7.	208-/07/21	6	None	2079/05/01
8.	2080/08/10	5	None	2079/08/20
9.	2080/08/18	6	None	2079/09/13
10.	2080/09/02	6	None	2079/10/07
11.	2080/09/16	6	None	2079/10/13
12.	2080/09/28	6	None	2079/10/26
13.	2080/10/12	6	None	2079/10/24
14.	2080/10/16	5	None	2079/12/13
15.	2080/11/20	6	None	2079/12/16
16.	2080/12/16	6	None	2079/12/25
17.	2081/01/13	6	None	2080/01/04
18.	2081/01/20	6	None	2080/01/13
19.	2081/01/28	6	None	2080/01/30
20.	2081/02/31	6	None	2080/02/20
21.	2081/03/17	6	None	2080/02/32
22.	2081/03/27	5	None	2080/03/22

- Details regarding any Board of Directors Meeting that had to be adjourned due to non presence of mandatory quorum of Board Members: None

- Other Details related with Board of Directors Meeting:

Presence/Absence of any Director or Alternative Director in the Board of Directors Meeting	No Alternative Directors on the Board of Director, and on the meeting held on 2080/06/19, 2080/08/10, 2080/10/16 and 2081/03/27, one Director was absent in each meeting due to personal reasons.
Availability of a separate record of Meeting minutes including Directors present in Board of Directors meeting, meeting agenda and meeting decisions	A separate record has been kept
Maximum Gap in number of days between two consecutive meeting of Board of Directors	From 2081/01/28 to 2081/02/31 , 33 days
Date of Annual General Meeting to determine Meeting Allowance for the Board of Directors Meeting	2076/03/14
Meeting Allowance per meeting for the Board of Directors	Chairman: Rs. 9,000/-, Directors: Rs. 8,000/-
Total expenses of BOD meeting for the Fiscal Year	Rs. 10,46,000/-

2. Conduct of the Board of Directors and other details:

Availability of Code of Conduct of related institutions for the Board of Directors (Available or Not) Available

Presence of one or more Board of Directors belonging to same immediate family None

Details on Annual Training and Refreshment Programs for the Board of Directors

S.N.	Subject	Date	No. of Participating Directors	Training Venue/Location
1.	Leadership Development Program	2nd-6th October, 2023	1	Victoria University, Melbourne, Australia
2.	Cyber Resilience Guidelines & Cyber Security	26/01/2024	6	Akama Hotel, Dhumbarahi, Kathmandu
3.	Workshop on Director's Refresher Program	29th -30th March, 2024	5	Gokarna Forest Resort, Kathmandu
4.	Leadership Development Program	15th -19h April, 2024	1	Victoria University, Melbourne, Australia
5.	AML/CFT/CPF Knowledge Sharing Program	20/06/2024	1	Akama Hotel, Dhumbarahi, Kathmandu

Each Director who has been appointed/nominated has or has not submitted the below mentioned written information within 15 days and if not submitted, details of the same: All Directors who have been nominated have submitted the information in written form with 15 days and based on the information:

- Any kind of contract done or to be done between the Director or their immediate family members and the Bank	None
- Details regarding Share or Debenture of the Bank or its holding or subsidiary companies, owned by the Director or their immediate family members	None
- Details if the Director holds Ordinary Shares or is in the role of Board of Director in any organization	No information received regarding this so far
- Details if any of the immediate family members of the Director holds a designation or works as an employee in any member organizations	None
- Details if the Director has worked as Director, salaried official, Chief Executive Officer or employee in any other organizations of similar objectives	None
- Any disciplinary action taken by regulatory bodies or other authorities against the Board of Directors	None

3. Details regarding Risk Management and Internal Control Mechanisms of the Bank:

a. Any committee established or not established for risk management of the Bank: Established

b. Details regarding Risk Management Committee:

i. Composition of Risk Management Committee (Names and Designations of Coordinator and Members):

S.N.	Name	Designation
1.	Mr. Bhim Prasad Tulachan	Coordinator
2.	Mr. Chaturakhar Adhikari	Member
3.	Mr. Bikash Dhungana	Member
4.	Mr. Bishnu Prasad Wosti	Member Secretary

ii. Number of meeting of the Committee: 9

iii. Overview of the Scope of Work of the Committee:

As per the Directive No. 6 issued by Nepal Rastra Bank, this Committee has been monitoring the capital adequacy of the Bank, adherence to defined boundaries of conducting business, stress testing and so on and has been submitting quarterly reports of the same. In addition to this, it is also regularly updated about the Bank's risk management policies and practices and has been updating and suggesting improvement measures to the Board of Directors in the Board Meeting.

c. Availability of Internal Control Policy and Procedures: The Bank has developed and implemented several policies and procedures to streamline and systematize its internal control mechanisms.

d. Reasons behind establishment or non-establishment of internal control mechanism: Different board level and management level committees have been formed to strengthen the internal control mechanisms of the Bank.

e. Details regarding Internal Control Committee:

i. Composition of the Committee (Name and Designation of Members):

Internal Audit Committee (Board Level):

S.N.	Name	Designation
1.	Mr. Chaturakhar Adhikari	Coordinator
2.	Mr. Balaram Baral	Member
3.	Mr. Niranjana Bhandari	Member Secretary

ii. Number of meetings of the Committee: 11

iii. Scope of Work of the Committee:

As defined by the Directive No. 6 of Nepal Rastra Bank, this Committee is involved in approval of internal audit plan, review of internal audit reports of branches and departments submitted by Internal Audit Department, audit report submitted by External Auditor and the supervision report of Nepal Rastra Bank. It also assists the Bank's Board of Directors to formulate appropriate responses to the queries raised by Nepal Rastra Bank in its supervision report.

f. Details regarding Employee Benefits Committee (Board Level):

i. Composition of the Committee:

S.N.	Name	Designation
1.	Mr. Bishweshwar Subedi	Coordinator
2.	Mr. Dinesh Thakali	Member
3.	Mr. Bikash Dhungana	Member
4.	Ms. Archana Kunwar Chhetri	Member Secretary

ii. Number of meetings of the Committee: 4

iii. Scope of Work of the Committee:

As per the Directive No. 6 of Nepal Rastra Bank, this committee oversees analysis and determination of remuneration and benefits of the Bank's staff, determination of designated area of work of staff, review of performance appraisal system and development of various policies and procedures related with human resource management of the Bank and presentation of the same to the Board level to name a few. In addition to this, the Committee prepares and submits annual Human Resource Plan to the Bank's Board of Directors.

g. Anti-Money Laundering Committee (Board Level):

i. Composition of the Committee:

S.N.	Name	Designation
1.	Mr. Balaram Baral	Coordinator
2.	Mr. Khum Nath Bhusal	Member
3.	Mr. Bishnu Prasad Wosti	Member Secretary

ii. Number of meetings of the Committee: 6

iii. Scope of Work of the Committee:

In line with the Directive No. 6 of Nepal Rastra Bank, this Committee is responsible to oversee traces of money laundering and financial terrorism activities based on geographical location, occupation or profession, operational area, customers, products or services, business services and distribution channels and so on for proper identification and evaluation of associated risks. It is also involved in continuous monitoring of customers/actual owners/businesses to mitigate incidences of money laundering and financial terrorism and thereby develop and implement suitable policies and procedures for proper management of such risks after due approval from the Board of Directors.

h. Recruitment Committee (Management Level):

i. Composition of the Committee:

S.N.	Name	Designation
1.	Mr. Binay Dahal	Coordinator
2.	Mr. Bikash Dhungana	Member
3.	Ms. Archana Kunwar Chhetri	Member Secretary

ii. Number of meetings of the Committee: 67

iii. Scope of Work of the Committee:

The Committee is responsible for identifying vacant positions, plan recruitment process, evaluating potential candidates, conducting interview/written examination, selecting suitable candidate and manage recruitment and performance appraisal activities of the Bank.

i. Asset Liabilities Management Committee (Management Level):

i. Composition of the Committee:

S.N.	Name	Designation
1.	Mr. Dinesh Thakali	Coordinator
2.	Mr. Binay Dahal	Member
3.	Mr. Hari Prasad Lamsal	Member
4.	Mr. Bikash Dhungana	Member
5.	Mr. Dipendra Subedi	Member
6.	Mr. Bishnu Prasad Wosti	Member
7.	Mr. Bikash Adhikari	Member Secretary

ii. Number of meetings of the Committee: 12

iii. Scope of Work of the Committee:

The Committee oversees effective management of the Bank's assets and liabilities, liquidity management, interest rate determination and analysis and management of changes in the Bank's deposit and credit portfolio. Similarly, it is also involved in evaluation of the Bank's investment portfolio and decisions related to investment, gap analysis and liquidity management plan.

j. Procurement Committee (Management Level):

i. Composition of the Committee:

S.N.	Name	Designation
1.	Ms. Archana Kunwar Chhetri	Coordinator
2.	Mr. Bikash Adhikari	Member
3.	Mr. Sushil Poudel	Member Secretary

ii. Number of meetings of the Committee: 92

iii. Scope of Work of the Committee:

The Committee is responsible for procurement activities of the Bank in line with the policies and procedures related with asset quality, pricing and financial management of the Bank.

k. Economic Advisory Committee (Management Level):

i. Composition of the Committee:

S.N.	Name	Designation
1.	Mr. Dinesh Thakali	Coordinator
2.	Mr. Binay Dahal	Member
3.	Mr. Bikash Dhungana	Member
4.	Mr. Bikash Adhikari	Member
5.	Mr. Sushil Poudel	Member Secretary

ii. Number of meetings of the Committee: 26

iii. Scope of Work of the Committee:

The Committee is involved in recommending appropriate suppliers and service providers for the Bank based on quality of the product or service, price efficiency, competency, risk level and dependability of the product or service that has been identified by the Bank's General Administration Department. It is actively involved in ensuring the effectiveness of the product or services procured and adherence to parameters of economic discipline of the Bank.

l. Availability of Economic Management Policy: Available

4. Details regarding flow of information:

a. Details of information publicly disseminated by the Bank:

Subject	Medium	Date of Publishing
Notice regarding Annual General Meeting	National Newspaper	2080/08/22 Karobar National Daily 2080/08/26 Karobar National Daily
Notice regarding Special General Meeting		No Special General Meeting in the F.Y 2080/81
Annual Report	Bank's website	2080/08/22
Quarterly Report	National Daily Newspaper	1st Quarter: 2080/07/03, Abhiyaan Daily 2nd Quarter: 2080/10/04, Karobar National Daily 3rd Quarter: 2081/01/07, Aarthik Abhiyaan 4th Quarter: 2081/04/09, Aarthik Abhiyaan
Notice related with Price Sensitivity Information impacting the value of securities		Decision of the Bank's Board of Directors for the issue of Perpetual Non Cumulative Preference Share at the rate of 9 percent communicated through Letter No: 2081/82/271 to Securities Exchange Board of Nepal, Nepal Stock Exchange Limited and CDS and Clearing Limited on 2081/03/17.
Others		

b. Disciplinary actions taken against the Bank by Securities Exchange Board of Nepal or other bodies for lack of dissemination of information or any other reasons: No such actions taken

c. Date of last Annual and Special General Meeting: 2080/9/17

5. Details regarding Organizational Structure and Employees:

a. Availability of Staff Service Bylaws with clear explanations of Employee Structure/Hierarchies, Recruitment, Training and Development, Remuneration, Allowances and Other Benefits, Attendance, Leaves and Code of Conduct: Available

b. Inclusion of Organizational Structure: Included along with this report

c. Details regarding Name, Educational Qualification and Work Experience of Senior Management Team members:

S.N	Name	Designation	Educational Qualification	Work Experience
1.	Mr. Dinesh Thakali	Chief Executive Officer	Chartered Accountant/Masters (Management/Information Technology)/ L.L.B	21 years
2.	Mr. Binay Dahal	Deputy Chief Executive Officer	Masters (Management)	29 years
3.	Mr. Hari Prasad Lamsal	Deputy General Manager	Masters (Management/L.L.B.)	24 years
4.	Mr. Bikash Dhungana	Assistant General Manager	Chartered Accountant/B.Com.	16 years
5.	Mr. Dipendra Subedi	Assistant General Manager	Masters (Management)	18 years

d. Other details related with employees:

Recruitment of staff as per organizational structure	Yes
Recruitment process for new employees	As per the Bank's Staff Service Bylaws, it follows the recruitment process through publishing vacancy announcement, head hunting and talent hunt
No. of employees in managerial level	28
Total No. of employees	988
Succession Plan of employees	Available
No. of employee trainings and no. of participants in the fiscal year	No. of trainings: 137 No. of participants: 3,244
Training Cost for the fiscal year	Rs. 1,48,52,069
Percentage of Employee Cost to Total Cost	63.39% (Based on total operational expenses)
Percentage of Employee Training Cost to Total Employee Cost	1.95%

6. Details regarding Audit activities of the Bank:

a. Details regarding Audit:

Preparation of the Bank's Financial Report for the last fiscal year based on NFRS; if not prepared as per NFRS, reasons for the same	Prepared based on NFRS
Date of approval of the financial report by the Board of Directors	Financial report of the FY 2079/080 approved on 2080/08/18
Date of publication of quarterly financial reports	2080/07/03, 2080/10/04, 2081/01/07, 2081/04/09
Date of Final Audit Completion	Financial Report of the FY 2079/080 was completed on 2080/07/22
Financial Report approved by Annual General Meeting	Financial Report of the FY 2079/080 was approved on 2080/09/17
Details regarding Internal Audit of the Bank:	
a. Internal Audit done by the Bank or Appointment of External Parties	Internal Audit done by the Bank's internal audit team
b. Relevant details if any External Parties are appointed	None
c. Frequency of Internal Audit (quarterly, every four months or semi annually)	Quarterly

b. Details regarding Audit Committee:

Name, Designation and Qualification of Coordinator and Members of the Committee	S.N	Name	Designation	Qualification
	1.	Mr. Chaturakhar Adhikari	Coordinator	Undergraduate/ Tribhuvan University (Science and Technology)
	2.	Mr. Balaram Baral	Member	Undergraduate/ Tribhuvan University (Economics)
	3.	Mr. Niranjan Bhandari	Member Secretary	Chartered Accountant/Postgraduate (Economics)
				Undergraduate/Tribhuvan University (Law, Management)
Meeting Date and No. of Attendees	S.N.	Date		No. of Attendees
	1.	2080/04/14		3
	2.	2080/04/25		3
	3.	2080/05/24		3
	4.	2080/07/01		3
	5.	2080/08/18		3
	6.	2080/09/15		3
	7.	2080/10/03		3
	8.	2080/10/11		3
	9.	2080/12/18		3
	10.	2081/01/05		3
	11.	2081/03/10		3
Allowance per meeting	Coordinator: Rs. 8,000/-			
	Member: Rs. 8,000/-			
	Member Secretary: Rs. 1,000/-			

Submission of Report by the Audit Committee regarding its work: Submitted

7. Other Details:

Cash received in the form of Loans and Advances by the Directors or their immediate family members from individuals, banks and financial institutions with their financial interests	No such amount taken
Benefits taken by people, firms, companies, employees, advisors or consultants other than the Bank's Directors, shareholders, employees, advisors, consultants	None
Adherence to terms and conditions set by regulatory authorities while issuing operational license	Yes
Adherence to instructions given by regulatory authorities during their visit/supervision of the Bank	Yes

Details on any ongoing lawsuits against the Bank or its Directors: No information received so far regarding lawsuits on the Bank's Directors except for matters related with the Bank. Following lawsuits have been ongoing in the name of the Bank:

S.N.	Name of the Court	No. of Lawsuits
1.	Supreme Court	3
2.	High Court	7
3.	Various District Courts	35
4.	Debt Recovery Tribunal	7

Name of the Compliance Officer : Mr. Bishnu Prasad Wosti
 Designation : Chief Manager
 Date : 2081/05/27
 Signature :

Approval Date for the Report by the Board of Directors : 2081/05/28

Verified By

Name of Company Secretary : Mr. Dinesh Thakali
 Signature :
 Stamp :

Verified by Auditor on : 2081/06/08
 Name of the Auditor : CA Gyanendra Bahadur Bhari
 Signature :

Stamp :

Regarding Annexure 15, Clause 26, Sub-Clause 2 of Securities Registration and Issuance Regulations

1. Board of Directors Report:

Attached along with this Report

2. Auditor's Report:

Attached along with this Report

3. Audited Financial Statements:

Attached along with this Report

4. Details regarding Legal Actions:

4.1. If any lawsuits have been filed by the Bank or against the Bank in the FY 2080/81: During the review period, no such law suits have been filed by the Bank or its Directors or against the Bank or its Directors. However, Lawsuits have been filed by the Bank and against the Bank in matters related with credit recovery.

4.2. If any lawsuits have been filed by or against the Bank's Directors because of non- compliance or criminal offence: No such information has been received by the Bank till reporting date.

4.3. If any lawsuits have been filed against any of the Bank's promoters or directors for financial irregularities and offence: No such information has been received by the Bank till reporting date.

5. Details regarding share transactions and growth of the Bank:

5.1. Management's opinion regarding share transactions of the Bank in the secondary market: The Bank's shares have been listed in the Nepal Stock Exchange and are being traded based on the open market dynamics and under the close supervision of Securities Exchange Board of Nepal.

5.2. Quarterly Share details of last fiscal year: As per Nepal Stock Exchange's website – www.nepalstock.com.np, the share transactions in the review period are as follows:

Quarter (Month)	Maximum Share Price (Rs.)	Minimum Share Price (Rs.)	Closing Share Price (Rs.)	Total Transactions (Rs.)	Total no of shares traded	Total Trading Days per Quarter
First Quarter (Mid October 2023)	380	297	299	91,68,86,217	27,26,061	61
Second Quarter (Mid January 2024)	352.90	288	352.90	60,04,44,151	18,24,181	49
Third Quarter (Mid April 2024)	367.30	331	357	1,01,42,38,739	28,42,335	58
Fourth Quarter (Mid July 2024)	420	343.40	416	1,53,29,15,923	39,86,467	61

6. Problems and Challenges:

6.1. Internal Problems and Challenges:

- a) Availability and retention of competent staffs resulted by increasing competition
- b) Lack of sufficient projects feasible for investment
- c) Changes in interest rates of deposits, lending and investment
- d) Increasing operational expenses
- e) Adverse effect on profitability due to shrinking spread rate
- f) Increasing non-performing loans

6.2. External Problems and Challenges:

- a) Risks resulted by unstable liquidity scenario
- b) Lack of balance between inflation rates and interest rates
- c) Limited opportunities of investment
- d) Risks arising from frequent policy level changes by regulatory authorities/bodies

6.3. Strategies:

The Bank is planning to enhance capacity of its branches, competency of its employees and staff engagement through various internal and external training and development programs to increase their morale and commitment towards the Bank. The Bank is also fully aware of the possible impacts on the Bank's deposit portfolio, credit portfolio, liquidity and profitability and is planning to minimize the possible risks and adversities associated with this. The Bank is planning to emphasize on offering qualitative and customer friendly products and services in order to create a distinctive edge for the Bank amidst intense competition in the banking and financial industry of the country. In addition to this, the Bank is committed to keep abreast with the potential risks and minimize possible losses that can be resulted by external factors beyond its control.

7. Corporate Governance: Details regarding the steps or actions taken by the Bank to ensure corporate governance:

7.1. The Bank fully adheres to the relevant directives and guidelines issued by Nepal Rastra Bank and other regulatory bodies with respect to corporate governance. The Bank has in place an independent internal auditor responsible for ensuring robust internal audit practices and systems to enhance its level of corporate governance.

7.2. The Bank has developed and implemented various internal policies, procedures, guidelines and mechanisms to reduce its operational risk and to further systematize its work processes. There are also provisions for regular review and monitoring of these policies, procedures, guidelines and mechanisms.

7.3. The Bank has placed utmost priority to comply with the guidelines and directives issued time and again by Nepal Rastra Bank as well as other regulatory authorities. The Bank has in place fully functioning Board of Directors, Audit Committee, Risk Management Committee, Employee Compensation and Benefits Committee, Corporate Governance Committee, Whistle Blow Committee and various other sub committees to ensure enhancement in corporate governance along with transparent and compliant operations.

8. Details in case of 20 percent or more deviation in projected and audited financial statements: Attached along with this report

9. Details regarding special incidents or scenario related with Clause 26, Sub Clause (5):

9.1. Amendments in Bylaws: Revised as per the need of the Bank

9.2. Changes in the Bank's Directors or senior management team members:

- a) End of service period of Director: The service period of the Bank's Independent Director Ms. Sita Ghimire came to an end on 2081/05/29
- b) Resignation by any Director: None
- c) New Appointment in Board of Directors: Dr. Pawan Kumar Sharma was elected as the Bank's Director (Public) with effect from 2081/04/15
- d) Resignation in Senior Management Team: None
- e) New Appointment in Senior Management Team: Mr. Dipendra Subedi was appointed as Assistant General Manager in the FY 2080/81

9.3. Dividend Declaration or changes in Share Structure: In the FY 2080/81, the Bank has approved a 7 percent bonus share and 5 percent cash dividend for its shareholders. After approval of the 7 percent bonus share amounting Rs. 22,96,81,526.80 from the existing paid-up capital of Rs. 3,28,11,64,668.60, the Bank's total paid capital shall be equal to Rs. 3,51,08,46,195.40.

Corporate Social Responsibility

KSBBL HAS UNDERTAKEN SOCIALLY IMPACTFUL CORPORATE SOCIAL RESPONSIBILITY (CSR) PROJECTS FOR WELFARE AND SUSTAINABLE DEVELOPMENT OF THE POPULATION AT LARGE, THROUGH PARTICIPATORY AND BOTTOM-UP APPROACH IN ACCORDANCE WITH THE GUIDELINES AND ROBUST MECHANISM LAID OUT IN THE KSBBL'S CORPORATE SOCIAL RESPONSIBILITY POLICY (CSR POLICY) AS PER NEPAL RASTRA BANK, UNIFIED DIRECTIVE 2080.

The bank has initiated various initiatives across to implement projects in the CSR focus areas defined under its CSR Policy viz., environmental sustainability, social welfare and philanthropy, ethical business practices, employee well-being, community development, human rights advocacy and innovation for social impact.

In line with our commitment to sustainable growth and ethical banking, our CSR strategy is integral to how we conduct our business and engage with the world around us. We believe that as a financial institution, our responsibilities extend beyond profits to encompass the well-being of our customers, employees, communities, and the environment.

With reference to NRB circular guideline, the provision has been made to allocate at-least 1 percent of total net profit of previous fiscal year towards Corporate Social Responsibility. We have adopted the bottom-up approach by prioritizing all 7 provinces of Nepal by allocating the resources and CSR funds to promote fairness remaining unbiased.

The bank has actively participated in several CSR activities in different sectors such as, health, environmental protection, financial literacy, women empowerment, social projects and infrastructure development which contribute towards bringing positive changes in the society. In FY 2080/81, we have contributed NPR 4,000,283.18 for various CSR activities.

Sector	Amount (Rs.)
Social Projects	2,853,970
Financial Literacy	473,705
Direct Donation	260,000
Sustainable Development Goals	343,878
Donation to Orphanage & Old Age Home	62,630
Kholau Khata Abhiyan, 2076	200
Others	5,900
Total	4,000,283

Sector	Amount (Rs.)
Koshi Pradesh	179,265
Madhesh Pradesh	122,324
Bagmati Pradesh	1,627,012
Gandaki Pradesh	1,008,828
Lumbini Pradesh	624,665
Karnali Pradesh	208,500
Sudur Pashchim Pradesh	229,690
Total	4,000,283



Handover of Traffic Rod and Cones to Kathmandu valley Traffic Police Office, Ramshahpath

The bank has provided 200 traffic cones and 100 traffic rods to Kathmandu valley traffic police for road safety and security handover by Chief Executive Officer to DIG of valley traffic police.



Pathology Lab Construction at Pokhara University

The bank has contributed to construct Pathology lab at Pokhara University Teaching Hospital. The hospital is providing the health service to public through this pathology lab. The lab is situated at Pokhara-30, Kaski.



Construction of Butwal Hill Park

The bank has constructed Butwal Hill Park at Butwal considering to serve the community to provide better place to relax with nature. The bank has supported for the renovation and reconstruction of the park for better improvement, construction and maintenance of this park.





Financial literacy programs targeting different sectors for inclusive banking.

The bank is actively advancing financial literacy through various programs to ensure safe banking practices, support inclusive and equitable education, and promote lifelong learning opportunities for everyone.

The bank has completed 34 financial literacy programs and educated more than 1500 individuals through these programs.



Blood donation program across several branches

The bank aims to ensure healthy lives and promote well-being for people in all ages. Through blood donation the bank has shown its efforts to ensure access to safe blood, strengthening healthy systems and promoting medical partnerships.

The bank has collected 417 Pint Blood from different region during its Anniversary and other occasions.



Placement of Traffic Awareness Hoarding Board in Bhairahawa-Butwal road section

The bank aims to provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons





Health Camp at Jyotinagar branch

The bank has been promoting Sustainable Goal through health awareness, providing preventive care and offering medical checkups directly contributing to improved health outcomes in communities.

A total of 185 individuals took part in the health camp and received free health check-ups, benefiting from the services offered.



School Bag along with stationeries handover in Holeri, Rolpa

The bank is advancing sustainability in quality education by providing study materials to remove learning barriers, promote inclusive and equitable access, and encourage regular school attendance.

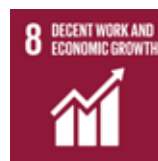
A total of 146 students received benefits from the handover at Mahendra Higher Secondary School in Holeri, Rolpa.



Support for service shelter to Roadside Shoe Mender in Ranbari, Kathmandu.

The bank has been supporting small entrepreneurs by providing safe and designated space for their work, enhancing their income opportunities and employment conditions.

Bank has constructed a shoe mender station and handover it presence of Ward member, Kathmandu Metropolitan City, Ward no. 3.



Committed for Environmental Impact (ESG)

Environment and Social Obligations, Initiatives and Practices

The increasing frequency of extreme weather-related events and the socio-economic impact of unchecked global warming continue to pose significant risk to economies, businesses, and societies globally. Global warming and climate change are already affecting Nepal's gross domestic product. Increased flooding, heat stress on labor productivity and health, and heat stress on crops and livestock are expected to be a continual drag on growth. Further, Nepal was ranked 165 out of 180 countries for the Environmental Performance Index, 180 out of 180 countries for air quality, 63 out of 180 countries for Biodiversity, 162 out of 180 countries for climate change, in 2024, and virtually all of the population is exposed to unhealthy levels of air pollution, massive destruction of biodiversity and climate change.

The Bank has been taking environmental and social initiatives through its operational activities, CSR, and lending activities. The Bank has been proactively taking measures such that the Bank can contribute to environmental sustainability. The Bank has emphasized sustainability as one of its corporate conscience and over the years, has aligned its business, operation, function, and CSR activities considering the Sustainable Development Goals (SDGs) to promote sustainable development, create long-term value in society, and build a more resilient and sustainable future for all.

- The Bank's Mobile Banking application KS iMobile enables customers to obtain required information and carry transactions from the applicant. It prevents frequent traveling or the use of paper vouchers.
- The Bank focused and increased the use of other alternative channels (IPS, CIPS, RTGS) for increasing digital transactions to decrease branch footprints and achieve positive environmental benefits.
- The Bank has an intranet service to get the necessary information and internal functions for its employees. For example, the Bank officials could refer to the policies in the intranet whenever required, and no need to print the same for reference purposes. This has saved lots of paper printing.

- The Bank is financing Electric Vehicles (EVs) and is planning to increase its financing for Sustainable Electric Transport across Nepal. EVs produce little or no tailpipe emissions and reduce dependence on petroleum, greenhouse gas emissions, and health effects from air pollution.
- The Bank also contributes financial support for tree plantation under its CSR activities by collaborating with different institutions and government bodies and provides financial support for safeguarding trees in city areas, and heritage sites through multiple institutions.

Environment and Social Risk Management (ESRM) Policy

The Bank's commitment to preserving the environment and being socially inclusive is reflected through our responsible lending protocols, which include a mandatory environmental and social screening process. The Bank has included the ESRM Policy in Integrated Risk Management Policy 2024.

The Bank has formalized screening of risks associated with environmental and social issues while extending credit facilities to business units across the country. Every business unit needs to conduct an "Exclusion List Screening" check in the policy and businesses falling under this list shall not be considered for financing. The Bank has a practice of conducting Environment & Social Risk Due Diligence (ESDD) of small loan (less than NPR 10 million) provided to critical sectors, business loan more than NPR 10 million and Project Finance. The ratings received by credit clients play an essential role in the Bank's risk assessment of the business. Sustainability is a major parameter the Bank looks for in terms of lending to its customers. During the fiscal year, 585 number of loans have been disbursed through Environment and Social Risk Rating.

Green Financing

Green financing refers to financing small scale business enterprises and individuals in order to promote green investments in Nepal and in order to stimulate green growth contributing to resilient, equitable and sustainable development. Green financing is a way for financial institutions to support environmental friendly projects while generating revenue. KSBBL has developed a green financing loan facility that focuses on supporting projects in electronic vehicle, renewable energy, clean agriculture, waste water treatment, solar energy, small hydro project, fossil fuel, bio gas, robotics and agriculture farming.

1. Electronic Vehicle (EV): With the increasing need for environmentally-friendly modes of transport, electronic vehicles have gained popularity as a way to reduce greenhouse gas emissions from the transportation sector. Our loan facility supports the purchase of electric vehicles, including cars, trucks, and buses or to set up electric vehicle charging stations, which will help reduce carbon emissions and promote sustainable practices.

2. Water Based Energy: We understand the importance of harnessing the power of water resources for clean energy generation. KSBBL offers financial support for projects utilizing hydropower. We provide loan facility to assist in the development, construction and operation of water-based energy projects.

3. Waste Water Treatment: Wastewater treatment is an essential aspect of environmental protection. Our loan facility supports the development of wastewater treatment projects that reduce pollution and improve water quality. The facility can be used to set up waste water treatment plants or to upgrade existing facilities, ensuring that waste water is treated properly before it is released into the environment.

4. Wind Energy: We are committed to promoting wind energy as a clean and abundant source of power. We provide project loans, equipment leasing and other financial instruments to facilitate the development and installation of wind-based energy.

5. Solar Energy: Solar energy is a clean and renewable source of energy that can help reduce greenhouse gas emissions. Our loan facility supports the installation of Solar Panels, Solar Pump, Improved Cook Stoves, Solar Cooker and Solar Dryer for residential and commercial properties.

6. Biological Energy: Biological Energy is a renewable source of energy that can be produced from organic waste. Our loan facility supports the development of biological energy projects such as biogas, bio fuel production.

7. Robotics: Robotics technology can help reduce energy consumption and improve resource efficiency in various industries. Our loan facility supports the adoption of robotics technology in manufacturing and other industries.

8. Agriculture and Forest based: We recognize the vital role of agriculture and forests in addressing climate change and sustainable development. Our loan facility also supports the development of sustainable agriculture projects that reduce the environmental impact of food production. KSBBL offers financing solutions for projects focused on agroforestry and reforestation initiatives. It also supports farmers who want to adopt sustainable agriculture practices, such as organic farming and regenerative agriculture.

Some Glimpses of 17th AGM



Registration of Shareholder on AGM Attendance Book



Tribute through National Anthem



BOD Report presentation by Chairman



Shareholder presenting their queries on Financial Statements



Chairman addressing the queries of shareholders



CEO addressing the queries of shareholders



FINANCIAL STATEMENTS AND DISCLOSURE



Independent Auditor's Report
To The Shareholders of Kamana Sewa Bikas Bank Limited.

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying Financial Statements of Kamana Sewa Bikas Bank Limited (**referred to as the "Bank"**) which comprises the Statement of Financial Position as at 31st Ashadh 2081 (15th July 2024), Statement of Profit and Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash flows for the year then ended and notes to the Financial Statements.

In our opinion, the accompanying Financial Statements of the Bank present fairly, in all material respects the Financial Position of the Bank as at 31st Ashadh 2081 (15th July 2024) and its financial performance, and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for Opinion

We have conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Institute of Chartered Accountants of Nepal (ICAN) Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the Financial Statements in Nepal and we have fulfilled our Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

S. N.	Key Audit Matters	How our Audit addressed the Key Audit Matters
1.	Interest Recognition Interest income of the Bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by Nepal Rastra Bank (NRB). Guideline requires where loans and advances are overdue for more than 3 months and up to 12 months, collateral testing shall be done. If the outstanding amount is within the collateral value, then the interest income is recognized, if not, then accrual of such interest income is suspended. However,	Our audit procedures included: <ul style="list-style-type: none">Obtain clear understanding of the process of accrual of interest income on loan and advances in the Core Banking System of the Bank.Regarding fair value of the collateral, we have relied on the

	<p>if the loan is in past dues for more than 12 months then the accrual of interest income is suspended irrespective of the value of collateral.</p> <p>The manual intervention is required for the interest recognition process. Hence, it creates risk of improper application of guidelines and determination of fair value of the collateral. So, this may have an effect on recognition of interest income of the bank. Therefore, we have considered it as Key Audit Matter.</p> <p><i>(Refer Note 4.29 read with 3.14 of Notes to Financial Statements)</i></p>	<p>latest available valuation of the collateral.</p> <ul style="list-style-type: none"> Test checking of booking of interest income with the manual computation. 																		
2.	<p>Impairment of Loans and Advances</p> <p>The provisions for loans and write off is a Key Audit Matter as the Bank has significant credit exposure to a large number of borrowers and there is high degree of complexity and judgement involved in recoverability of loans, estimating the provisions thereon and identification of accounts to be written off. The same resulted in significant audit effort to address the risk around loan recoverability and the determination of related provisions and write off.</p> <p>As per NRB Directive 4, Bank shall measure impairment loss on loans and advances at the higher of the following.</p> <ul style="list-style-type: none"> Amount derived as per norms prescribed by NRB for loan loss provision. Amount determined as per NFRS adopting incurred loss model. <p>The Bank has opted to apply carve-out for the treatment of impairment of loans and advances. Accordingly, higher of the above is taken as impairment loss for loans and advances. The Bank's Portfolio of loans and advances amounts to NPR 50,159,806,494 on which the Bank has reported following impairments following above provision:</p> <table border="1"> <thead> <tr> <th>Impairment</th><th>Current Year</th><th>Previous Year</th></tr> </thead> <tbody> <tr> <td>Loans and advances to BFIs</td><td>37,852,249</td><td>32,597,089</td></tr> <tr> <td>Loans and advances to Customer</td><td></td><td></td></tr> <tr> <td>Collective Impairment</td><td>798,315,487</td><td>724,364,063</td></tr> <tr> <td>Individual Impairment</td><td>1,250,110,323</td><td>971,114,858</td></tr> <tr> <td>Total</td><td>2,086,278,059</td><td>1,728,076,011</td></tr> </tbody> </table> <p>Identification of performing and non-performing advances involve establishment of proper mechanism. Bank Accounts for all the transaction related to the loan and advances in its IT system viz core banking system (CBS) which also provides information to identify whether advances are performing or non-performing.</p> <p>Considering the nature of the transaction, regulatory requirement, existing business environment, estimation/judgments involved in the valuation of securities, it is a matter of higher importance for the intended users of financial statements. Considering these aspects, we have determined this as Key Audit Matter.</p> <p><i>(Refer Note 4.6, 4.7 & 5.8 (c) read with 3.4 of Notes to Financial Statements)</i></p>	Impairment	Current Year	Previous Year	Loans and advances to BFIs	37,852,249	32,597,089	Loans and advances to Customer			Collective Impairment	798,315,487	724,364,063	Individual Impairment	1,250,110,323	971,114,858	Total	2,086,278,059	1,728,076,011	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> We tested on sample basis, the approval of new lending facilities against the Bank's credit policies, the performance of annual loan assessments, and controls over the monitoring of credit quality. We assessed management's forecast and inputs of recoverable cash flows, valuation of underlying security and collaterals, estimates of recoverable amounts on default and other sources of repayment. We tested on sample basis the level of provisions held against different loan products. We discussed the file with concerned officials and challenged the assumptions made in respect of expected recoveries, primarily from collateral held. We tested the design and operating effectiveness of periodic internal reviews of asset quality and periodic value of collateral. We selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans as Non-Performing Loans.
Impairment	Current Year	Previous Year																		
Loans and advances to BFIs	37,852,249	32,597,089																		
Loans and advances to Customer																				
Collective Impairment	798,315,487	724,364,063																		
Individual Impairment	1,250,110,323	971,114,858																		
Total	2,086,278,059	1,728,076,011																		
3.	<p>Information Technology System and Controls Impacting Financial Reporting</p> <p>The IT environment of the Bank is complex and uses a large number of independent and interdependent IT systems. The Bank's</p>	<p>Our audit approach regarding Information Technology of the Bank is</p>																		

[Signature]

[Circular Stamp: B.R.S. Nepal Chartered Accountants]

<p>operational and financial processes are dependent on IT systems due to large volume of transactions that are processed on daily basis. Due to the dependency of Banks's key financial accounting and reporting process on IT system, and high chance that any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management and regulators. Considering this we have identified testing of such IT systems and related control environment as a key audit matter.</p> <p>The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including general controls over user access management and change in management across applications, networks, database, and operating systems. There is also a risk that, gaps in the change management, segregation of duties or user access management controls may undermine our ability to place some reliance thereon in our audit. Lapses Failures/ incorrect output if any of such systems may result in material misstatement in the Financial Statements.</p>	<p>based upon the Information Technology Guidelines issued by NRB and it also included:</p> <ul style="list-style-type: none"> ▪ Verification of the interest income and expense booking regarding loan and deposits on test check basis with the CBS of the Bank. ▪ Reliance on the IT audit conducted by the Bank. ▪ Verification of the provisioning of the loan and advances based on ageing on test check basis.
---	--

Information other than the Financial Statements and Auditors Report thereon

The Banks's Management is responsible for the Other Information. The Other Information comprises the information included in the Annual Report but does not include the Financial Statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the Other Information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements



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

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

The Board of Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the 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 for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- 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 going concern basis of accounting and based on 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank's activities to express an opinion on Financial Statements.

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

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and we have not come across any fraudulence in the accounts, so far as it appeared from our examination of the books of accounts. The accounts and records of the bank has been maintained as required by the law and Financial Statements are in agreement with the books of account maintained by the Bank. In our opinion, so far as appeared from our examination of the books, the bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the Directives issued by Nepal Rastra Bank.




To the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the bank has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the bank deliberately or acted in a manner that would jeopardize the interest and security of the bank and the bank has not acted in a manner to jeopardize the interest and security of the depositors and the investors.



CA. Gyanendra Bhari
Partner

UDIN: 240915CA000702xQM9

Place: Kathmandu, Nepal

Date: 13 September 2024

STATEMENT OF FINANCIAL POSITION

As on 31 Asar 2081

Amount in Rs.

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
Assets			
Cash and Cash Equivalent	4.1	1,774,367,964	4,193,072,505
Due from Nepal Rastra Bank	4.2	2,396,952,186	2,167,394,329
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and Advances to BFIs	4.6	3,121,680,410	2,195,086,685
Loans and Advances to Customers	4.7	45,979,607,704	43,851,337,345
Investment Securities	4.8	11,696,213,887	7,920,492,163
Current Tax Assets	4.9	-	38,777,223
Investment in Subsidiaries	4.10	-	-
Investment in Associates	4.11	-	-
Investment Property	4.12	352,139,820	374,298,199
Property and Equipment	4.13	991,491,994	1,135,491,003
Goodwill and Intangible Assets	4.14	13,641,132	14,161,348
Deferred Tax Assets	4.15	54,013,504	82,510,688
Other Assets	4.16	808,919,471	608,532,834
Total Assets		67,189,028,073	62,581,154,321
Liabilities			
Due to Bank and Financial Institutions	4.17	626,690,715	2,263,444,306
Due to Nepal Rastra Bank	4.18	-	-
Derivative Financial Instruments	4.19	-	-
Deposits from Customers	4.20	59,066,711,728	53,472,410,557
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	24,761,859	-
Provisions	4.22	16,494,486	17,936,287
Deferred Tax Liabilities	4.15	-	-
Other Liabilities	4.23	1,073,795,173	1,096,499,712
Debt Securities Issued	4.24	996,230,755	995,160,201
Subordinated Liabilities	4.25	-	-
Total Liabilities		61,804,684,716	57,845,451,063
Equity			
Share Capital	4.26	3,281,164,669	3,281,164,669
Share Premium		-	-
Retained Earnings		411,201,538	52,756,328
Reserves	4.27	1,691,977,150	1,401,782,260
Total Equity Attributable to Equity Holders		5,384,343,357	4,735,703,257
Non Controlling Interest		-	-
Total Equity		5,384,343,357	4,735,703,257
Total Liabilities and Equity		67,189,028,073	62,581,154,321
Contingent Liabilities and Commitments	4.28	2,653,096,963	2,389,878,303
Net Assets Value per share		164.10	144.33

SUDEEP ACHARYA
CHAIRMAN

BIKASH ADHIKARI
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
SITA GHIMIRE
PAWAN KUMAR SHARMA
DIRECTORS

As per our report of even date
CA. GYANENDRA B. BHARI
PARTNER
BRS NEUPANE & CO.
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE : **13 SEPTEMBER 2024**
PLACE : **KATHMANDU**

STATEMENT OF PROFIT OR LOSS

For the year ended 31 Asar 2081

Amount in Rs.

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
Interest Income	4.29	7,040,454,206	7,302,567,522
Interest Expense	4.30	4,907,911,294	5,234,903,747
Net Interest Income		2,132,542,912	2,067,663,776
Fee and Commission Income	4.31	298,473,799	264,271,645
Fee and Commission Expense	4.32	28,983,983	22,618,867
Net Fee and Commission Income		269,489,816	241,652,778
Net Interest, Fee and Commission Income		2,402,032,728	2,309,316,553
Net Trading Income	4.33	489,908	52,388
Other Operating Income	4.34	124,312,147	12,672,283
Total Operating Income		2,526,834,784	2,322,041,224
Impairment Charge/ (Reversal) for Loans and Other Losses	4.35	358,202,048	522,692,328
Net Operating Income		2,168,632,737	1,799,348,897
Operating Expense			
Personnel Expenses	4.36	761,180,563	721,626,972
Other Operating Expenses	4.37	266,925,030	253,914,787
Depreciation & Amortization	4.38	172,640,675	184,614,204
Operating Profit		967,886,469	639,192,934
Non Operating Income	4.39	700,000	-
Non Operating Expense	4.40	69,987,244	108,386,049
Profit Before Income Tax		898,599,225	530,806,885
Income Tax Expense			
Current Tax	4.41	317,697,683	186,886,208
Deferred Tax		(930,281)	(17,443,867)
Profit for the Period		581,831,823	361,364,544
Profit Attributable to:			
Equity-holders of the Bank		581,831,823	361,364,544
Non-Controlling Interest		-	-
Profit for the Period		581,831,823	361,364,544
Earnings per Share			
Basic Earnings per Share		17.73	11.01
Diluted Earnings per Share		17.73	11.01

SUDEEP ACHARYA
CHAIRMAN

BIKASH ADHIKARI
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
SITA GHIMIRE
PAWAN KUMAR SHARMA
DIRECTORS

As per our report of even date
CA. GYANENDRA B. BHARI
PARTNER
BRS NEUPANE & CO.
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE : 13 SEPTEMBER 2024
PLACE : KATHMANDU

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 Asar 2081

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Profit for the year	581,831,823	361,364,544
Other Comprehensive Income, Net of Income Tax	-	-
a) Items that will not be reclassified to profit or loss	-	-
Gains/(losses) from investment in equity instruments measured at fair value	85,301,857	41,352,385
Gains/(losses) on revaluation	-	-
Actuarial gains/(losses) on defined benefit plans	12,789,694	(7,610,777)
Income tax relating to above items	(29,427,465)	(10,122,482)
Net other comprehensive income that will not be reclassified to profit or loss	68,664,086	23,619,125
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 equity method	-	-
Other Comprehensive Income for the year, Net of Income Tax	68,664,086	23,619,125
Total Comprehensive Income for the Period	650,495,909	384,983,669
Total Comprehensive Income attributable to:		
Equity-Holders of the Bank	650,495,909	384,983,669
Non-Controlling Interest	-	-
Total Comprehensive Income for the Period	650,495,909	384,983,669

SUDEEP ACHARYA
CHAIRMAN

BIKASH ADHIKARI
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
SITA GHIMIRE
PAWAN KUMAR SHARMA
DIRECTORS

As per our report of even date
CA. GYANENDRA B. BHARI
PARTNER
BRS NEUPANE & CO.
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE : **13 SEPTEMBER 2024**
PLACE : **KATHMANDU**

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 Asar 2081

PARTICULARS				
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALIZATION RESERVE
Balance at Shrawan 1, 2079	3,142,577,022	-	657,238,618	724,969
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance as on Shrawan 1,2079	3,142,577,022	-	657,238,618	724,969
Comprehensive Income for the year	-	-	-	-
Profit for the year	-	-	-	-
Other Comprehensive Income, Net of Tax	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)	-	-	-	-
(arising from translating financial assets of foreign operation)	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-
Transfer to Reserves during the year	-	-	72,272,909	318,466
Transfer from Reserves during the year	-	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-
Share Issued	-	-	-	-
Share Based Payments	-	-	-	-
Dividend to Equity-Holders	-	-	-	-
Bonus Shares Issued	138,587,647	-	-	-
Cash Dividend Paid	-	-	-	-
Other	-	-	-	-
Total Contributions by and Distributions	138,587,647	-	72,272,909	318,466
Balance at Asar 31, 2080	3,281,164,669	-	729,511,527	1,043,435
Balance at Shrawan 1, 2080	3,281,164,669	-	729,511,527	1,043,435
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance as on Shrawan 1,2080	3,281,164,669	-	729,511,527	1,043,435
Comprehensive Income for the year	-	-	-	-
Profit for the year	-	-	-	-
Other Comprehensive Income, Net of Tax	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)	-	-	-	-
(arising from translating financial assets of foreign operation)	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-
Transfer to Reserves during the year	-	-	116,366,365	67,539
Transfer from Reserves during the year	-	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-
Share Issued	-	-	-	-
Share Based Payments	-	-	-	-
Dividend to Equity-Holders	-	-	-	-
Bonus Shares Issued	-	-	-	-
Cash Dividend Paid	-	-	-	-
Other	-	-	-	-
Total Contributions by and Distributions	-	-	116,366,365	67,539
Balance at Asar 31, 2081	3,281,164,669	-	845,877,892	1,110,974

SUDEEP ACHARYA
CHAIRMAN

BIKASH ADHIKARI
HEAD - FINANCE & TREASURY

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE : 13 SEPTEMBER 2024

PLACE : KATHMANDU

Amount in Rs.

ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK							TOTAL EQUITY
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	CORPORATE SOCIAL RESPONSIBILITY	OTHER RESERVE	TOTAL	
466,897,594	(60,046,207)	-	146,719,988	6,097,654	4,369,690	4,364,579,329	4,364,579,329
-	-	-	(865,355)	-	-	(865,355)	(865,355)
466,897,594	(60,046,207)	-	145,854,633	6,097,654	4,369,690	4,363,713,974	4,363,713,974
-	-	-	-	-	-	-	-
-	-	-	361,364,544	-	-	361,364,544	361,364,544
-	-	-	-	-	-	-	-
-	28,946,669	-	-	-	-	28,946,669	28,946,669
-	-	-	-	-	-	-	-
-	-	-	-	-	(5,327,544)	(5,327,544)	(5,327,544)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	28,946,669	-	361,364,544	-	(5,327,544)	384,983,669	384,983,669
233,870,273	-	-	(308,581,114)	3,613,645	(1,494,179)	0	0
-	-	-	-	(5,700,299)	-	(5,700,299)	(5,700,299)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(138,587,647)	-	-	-	-
-	-	-	(7,294,087)	-	-	(7,294,087)	(7,294,087)
-	-	-	-	-	-	-	-
233,870,273	28,946,669	-	(93,098,304)	(2,086,654)	(6,821,723)	371,989,283	371,989,283
700,767,867	(31,099,538)	-	52,756,328	4,011,000	(2,452,033)	4,735,703,258	4,735,703,257
700,767,867	(31,099,538)	-	52,756,328	4,011,000	(2,452,033)	4,735,703,258	4,735,703,257
-	-	-	2,144,474	-	-	2,144,474	2,144,474
700,767,867	(31,099,538)	-	54,900,802	4,011,000	(2,452,033)	4,737,847,731	4,737,847,730
-	-	-	-	-	-	-	-
-	-	-	581,831,823	-	-	581,831,823	581,831,823
-	-	-	-	-	-	-	-
-	59,711,300	-	-	-	-	59,711,300	59,711,300
-	-	-	-	-	-	-	-
-	-	-	-	-	8,952,786	8,952,786	8,952,786
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	59,711,300	-	581,831,823	-	8,952,786	650,495,909	650,495,909
(51,401,946)	11,232,995	-	(225,531,087)	5,818,318	143,447,817	-	-
-	-	-	-	(4,000,283)	-	(4,000,283)	(4,000,283)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(51,401,946)	70,944,295	-	356,300,736	1,818,035	152,400,603	646,495,626	646,495,626
649,365,921	39,844,756	-	411,201,538	5,829,036	149,948,570	5,384,343,357	5,384,343,357

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
DIRECTORS

BALARAM BARAL
BISHWESHWAR SUBEDI
DIRECTORS

SITA GHIMIRE
PAWAN KUMAR SHARMA
DIRECTOR

As per our report of even date
CA. GYANENDRA B. BHARI
PARTNER
BRS NEUPANE & CO.
CHARTERED ACCOUNTANTS

STATEMENT OF CASH FLOWS

For the year ended 31 Asar 2081

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	6,470,354,318	6,964,298,608
Fee and Other Income Received	298,473,799	264,271,645
Dividend Received	-	-
Receipts from Other Operating Activities	114,004,266	11,187,553
Interest Paid	(4,763,049,039)	(5,046,526,740)
Commissions and Fees Paid	(28,983,983)	(22,618,867)
Cash Payment to Employees	(684,457,483)	(629,783,137)
Other Expenses Paid	(391,167,949)	(420,511,688)
Operating Cash Flows before Changes in Operating Assets and Liabilities	1,015,173,930	1,120,317,374
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	(229,557,857)	(932,877,364)
Placement with Banks and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	(926,593,725)	(396,463,682)
Loans and Advances to Customers	(2,128,270,359)	(1,488,911,428)
Other Assets	(133,112,230)	(257,619,740)
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financial Institutions	(1,636,753,591)	(2,040,145,405)
Due to Nepal Rastra Bank	-	(2,809,542,033)
Deposit from Customers	5,594,301,171	7,216,340,260
Borrowings	-	-
Other Liabilities	615,519	(39,343,327)
Net Cash Flow from Operating Activities before Tax Paid	1,555,802,857	371,754,654
Income Tax Paid	(316,767,402)	(169,442,341)
Net Cash Flow from Operating Activities	1,239,035,455	202,312,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(3,775,721,724)	(1,659,127,290)
Receipts from Sale of Investment Securities	-	-
Purchase of Property and Equipment	(44,268,866)	(78,756,434)
Receipts from Sale of Property and Equipment	11,249,146	8,477,670
Purchase of Intangible Assets	(4,688,000)	(6,603,119)
Purchase of Investment Properties	22,158,378	(136,617,985)
Receipts from Sale of Investment Properties	-	-
Interest Received	570,099,888	338,268,915
Dividend Received	10,797,790	1,537,118
Net Cash Used in Investing Activities	(3,210,373,387)	(1,532,821,126)

Contd...

Contd...

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	-	-
Dividends Paid	-	-
Interest Paid	(90,606,580)	(130,166,154)
Other Receipts/Payments	(356,760,028)	(645,588,752)
Net Cash from Financing Activities	(447,366,608)	(775,754,906)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,418,704,540)	(2,106,263,720)
Cash and Cash Equivalents at Shrawan 01, 2080	4,193,072,505	6,299,336,225
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Asar 31, 2081	1,774,367,964	4,193,072,505

SUDEEP ACHARYA
CHAIRMAN

BIKASH ADHIKARI
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
SITA GHIMIRE
PAWAN KUMAR SHARMA
DIRECTORS

As per our report of even date
CA. GYANENDRA B. BHARI
PARTNER
BRS NEUPANE & CO.
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE : **13 SEPTEMBER 2024**
PLACE : **KATHMANDU**

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 31 Asar 2081

(As per NRB Regulation)

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	581,831,823	361,364,544
Appropriations:		
a. General reserve	(116,366,365)	(72,272,909)
b. Foreign exchange fluctuation fund	(67,539)	(318,466)
c. Capital redemption reserve	(142,857,143)	-
d. Corporate social responsibility fund	(5,818,318)	(3,613,645)
e. Employees' training fund	(590,674)	1,494,179
f. Other		
>Training expense	-	-
>Fair Value Reserve	(11,232,995)	-
Profit or (loss) before regulatory adjustment	304,898,789	286,653,702
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(31,107,340)	(173,425,770)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	13,959,778	(80,015,031)
e. Deferred tax assets recognized (-)/ reversal (+)	28,497,184	(7,321,384)
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	8,952,786	(5,327,544)
i. Fair value Loss on investment	31,099,538	32,219,456
j. Other (+/-)	-	-
Distributable profit or (loss)	356,300,736	52,783,429
Opening Retained Earnings	52,756,328	146,719,988
Adjustment (+/-) *	2,144,474	(865,355)
Distribution:		
Bonus Shares Issued	-	(138,587,647)
Cash dividend Paid	-	(7,294,087)
Total Distributable profit or (loss) as on year end date	411,201,538	52,756,328
Annualised Distributable Profit/Loss per share	12.53	1.61

* Adjustment is on account of Income Tax Provision and other

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNT

Year ended 31st Asar 2081

1. General Information

1.1 Reporting Entity

Kamana Sewa Bikas Bank Limited is a limited liability company domiciled in Nepal which has been in operation in Nepal since 2064/02/24 (2007/06/07). The Bank is registered with the Office of Company Registrar as a public limited company and carries out banking activities in Nepal under the license from Nepal Rastra Bank as Class "Kha" licensed institution (National Level). It's registered, and corporate office are at Kathmandu, Nepal.

The Bank merged with Sewa Bikas Bank Limited in the Fiscal year 2074/75 and started joint operation from 20th Shrawan, 2075.

The Bank offers maximum banking services of banking products and services including loans and advances, deposits etc. to wide range of clients encompassing individuals, corporates, large public sector companies, government corporations, etc. as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

The Bank is listed on Nepal Stock Exchange and its stock symbol is "KSBBL".

1.2 Subsidiary/Group

Subsidiaries are investees that are controlled by the Bank. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee.

The bank does not have any subsidiary company.

1.3 Principal activities of the Bank

Principal activities of the Bank comprise banking services including financial intermediation, trade finance services, remittance, treasury, cards and e-banking, agency services and other ancillary banking services to a diverse clientele encompassing individuals, corporates, multinationals, state owned enterprises, public sector companies, developmental aid agencies, embassies, NGOs and INGOs.

2. Basis of Preparation

2.1 Basis of Preparation

The Financial Statements of the Bank have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2080. The Bank has opted for certain carve outs which are briefly described in Notes to Accounts. The Financial Statement comprise of:

- Statement of Financial Position (SOFP) stating the financial position of the Bank as at the end of reporting period;
- Statement of Profit and Loss (SOPL) and Statement of Other Comprehensive Income (SOI) stating the financial performance of the Bank for the reported period ended.
- Statement of Cash Flow (SOCF) stating the ability of Bank to generate Cash and Cash Equivalent.
- Statement of Changes in Equity (SOCE) stating all the changes in Equity of the Bank during the reporting period.
- Notes to the Financial Statements comprising summary of Principal Accounting Policies and explanatory notes that are of significant importance to the users of Financial Statements.

2.2 Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2080. These financial statements comply with the requirements of the Companies Act, Banking and Financial Institutions Act and also provide appropriate disclosures required under regulations of the Securities Board of Nepal (SEBON).

2.3 Reporting Period and approval of financial statements

For the preparation of financial statement for fiscal year 2080/81, the bank has adopted the NFRS pronounced by ASB during the fiscal year 2078/79. To comply with the NFRS provisions following dates have been considered for the reporting time period.

FINANCIAL STATEMENTS	ENGLISH DATE	NEPALI DATES
Statement of Financial Position	17 July 2023 15 July 2024	1 Shrawan 2080 31 Asar 2081
Comparatives	17 July 2022 16 July 2023	1 Shrawan 2079 31 Asar 2080

The Board of Directors of the bank has authorized the financial statement vide its resolution dated 13 September 2024 and recommended for its approval by the Annual General Meeting of the shareholders.

Responsibility for financial statements;

The board of directors of the Bank is responsible for the preparation of financial statements of the Bank which reflects a true and fair view of the financial position and performance of the Bank. The board is of the view that the financial statements in its entirety have been prepared in conformity with the prevailing financial reporting standards, regulations of the Nepal Rastra Bank and the requirements of the Companies Act.

The board of directors acknowledges their responsibility for financial statements as set out in the 'Statement of Director's Responsibility' and in the certification on the statement of financial position.

2.4 Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.5 Foreign Exchange Transaction

Foreign Exchange Transactions Assets and liabilities denominated in foreign currencies as on the balance sheet date have been converted into local currency at mid-point exchange rates published by Nepal Rastra Bank after adjustment for effective trading rate.

2.6 Functional and Presentation Currency

The financial statements of the Bank are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the Bank operates. Financial information is presented in Nepalese Rupees. There was no change in the presentation and functional currency during the year under review. The figures are rounded to nearest integer, except otherwise indicated.

2.7 Use of Estimates, Assumptions and Judgment

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed. The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively. Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.8 Accounting Policies and Changes in Accounting Policies

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

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

2.9 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ICAN. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 20 November 2020

and 18 July 2022 has resolved that Carve-outs in NFRS with Alternative Treatment and the effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB). Details of carve-out provided are as follows.

2.9.1 NFRS 9: Financial instruments

- a) As per Para 5.4 read together with appendix A (Defined Terms) relating to Effective interest Rate, Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortized cost of financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call, and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see paragraphs 8s.4.1-8s.4.3), 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 reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Optional: The carve-out is optional. If any entity opts to use this carve-out that should be disclosed in the financial statements with its monetary impact in the financial statements as far as practicable.

- b) As per Para 5.5, Impairment, for impairment and collectability of financial assets measured at amortized cost, the following provision have been made.
- 1) 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 5 (given below) to determine the amount of any impairment loss unless the entity is a bank or financial institution registered as per Bank and Financial Institution Act 2073. Such entities shall measure impairment loss on loans and advances as the higher or amount derived as per the norms prescribed by Nepal Rastra Bank for loan loss provision and the amount determined as per paragraph 5 (given below)

and shall apply paragraph 5 (given below) 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 5 (given below).

- 2) A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:
- i. significant financial difficulty of the issuer or obligor;
 - ii. a breach of contract, such as a default or delinquency in interest or principal payments;
 - iii. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
 - iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
 - v. the disappearance of an active market for that financial asset because of financial difficulties; or
 - vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or
 - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan

assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

- 3) The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in a debt instrument that results from an increase in the risk-free interest rate).
- 4) In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. For example, this may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, an entity uses its experienced judgement to estimate the amount of any impairment loss. Similarly, an entity uses its experienced judgement to adjust observable data for a group of financial assets to reflect current circumstances (see paragraph AG6 below). The use of reasonable estimates is an essential part of the Preparation of financial statements and does not undermine their reliability.
- 5) If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.
- 6) An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph 2 above). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

- 7) If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in Profit or loss.

Application Guidance (AG) for carve-out

AG1 Impairment of a financial asset measured at amortized cost is measured using the financial instrument's original effective interest rate because discounting at the current market rate of interest would, in effect, impose fair value measurement on financial assets that are otherwise measured at amortized cost. If the terms of a financial asset measured at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss under paragraph 5 is the current effective interest rate(s) determined under the contract. As a practical expedient, a creditor may measure the impairment of a financial asset measured at amortized cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

AG2 The process for estimating impairment considers all credit exposures, not only those of low credit quality. For example, if an entity uses an internal credit grading system it considers all credit grades, not only those reflecting a severe credit deterioration.

AG3 The process for estimating the amount of an impairment loss may result either in a single amount or in a range of possible amounts. In the latter case, the entity recognizes an impairment loss equal to the best estimate within the range taking into account all relevant information available before the financial statements are issued about conditions existing at the end of the reporting period.

AG4 For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due according to the contractual terms (for example, on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status, and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. However, loss probabilities and other loss probabilities and other loss statistics differ at a group level between (a) assets that have been individually evaluated for impairment and found not to be impaired and (b) assets that have not been individually evaluated for impairment, with the result that a different amount of impairment may be required. If an entity does not have a group of assets with similar risk characteristics, it does not make the additional assessment.

AG5 Impairment losses recognized on a group basis represent an interim step pending the identification of impairment losses on individual assets in the group of financial assets that are collectively assessed for impairment. As soon as information is available that specifically identifies losses on individually impaired assets in a group, those assets are removed from the group.

AG6 Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity-specific loss experience or insufficient experience, use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

AG7 As an example of applying paragraph AG6, an entity may determine based on historical experience that one of the main causes of default on credit card loans is the death of the borrower. The entity may observe that the death rate is unchanged from one year to the next. Nevertheless, some of the borrowers in the entity's group of credit card loans may have died in that year, indicating that an impairment loss has occurred on those loans, even if, at the year-end, the entity is not yet aware which specific borrowers have died. It would be appropriate for an impairment loss to be recognized for these 'incurred but not reported losses. However, it would not be appropriate to recognize an impairment loss for deaths that are expected to occur in a future period, because the necessary loss event (the death of the borrower) has not yet occurred.

AG8 When using historical loss rates in estimating future cash flows, it is important that information about historical loss rates is applied to groups that are defined in a manner consistent with the groups for which the historical loss rates are observed. Therefore, the method used should enable each group to be associated with information about past loss experience in groups of assets with similar credit risk characteristics and relevant observable data that reflect current conditions.

AG9 Formula-based approached or statistical methods may be used to determine impairment losses in a group of financial assets (e.g. for smaller balance loans) as long as they are consistent with the requirements in paragraphs 5-7 and AG4-AG8. Any model used would incorporate the effect of the time value of money, consider the cash flows for all of the remaining life of an asset (not only the next year), consider the age of the loans within the portfolio and not give rise to an impairment loss on initial recognition of a financial asset.

Non-Optional: The carve-out is not optional.

2.10 New Standards in issue but not yet effective

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 them within NFRS.

2.11 New Standards and interpretation not adopted

The following amendments are not mandatory for 2023-24 and have not been early adopted by the bank. The Bank is still currently assessing the detailed impact of these amendments.

2.11.1 Expected Credit Loss Model of Impairment as per NFRS-9

Though NFRS-9 has been made effective from 16 July 2021, carve out has been provided to adopt expected credit loss model of impairment.

Expected Credit Loss Model (ECL) of Impairment

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

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

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

Stage 2: Lifetime ECL – Significantly increased credit risk in the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

Interest income will continue to be recognized on a gross basis.

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

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

2.12 Discounting

Non-current assets and liabilities are discounted where discounting is material. Interest income and expenses have been recognized on unwinding of financial assets and liabilities respectively.

2.13 Prior Period Errors

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

2.14 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Nepal Accounting Standard – NAS 1 on 'Presentation of Financial Statements'. Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the bank. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.15 Offsetting

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

2.16 Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's financial statement and reclassified whenever necessary to conform to current year presentation.

2.17 Rounding

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

3. Summary of Significant Accounting Policies

The principal accounting policies applied by the Bank in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

3.1 Basis of Measurement

The Financial Statements of the Bank have been prepared

on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets and liabilities at fair value through profit or loss or other comprehensive income are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Financial assets and financial liabilities held at amortized cost at measured using a rate that is a close approximation of effective interest rate.

3.2 Basis of Consolidation

The Bank does not have control over any other entity for consolidation of Financial Statements.

3.3 Cash and Cash Equivalent

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short-term commitments.

Details of the Cash and Cash Equivalents are given in Note 4.1 to the Financial Statements.

3.4 Financial Assets and Financial Liabilities

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

3.4.2 Classification

Financial instruments are classified as

- Financial Assets
- Financial Liabilities

a) Financial Assets

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

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

i. Financial assets measured at amortized cost

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

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

ii. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

- Financial assets at fair value through profit or loss.
- Financial assets at fair value through other comprehensive income

Financial assets at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

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.

b) Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan

Commitments, as follows;

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

Financial Liabilities at Fair Value through Profit or Loss

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

Financial Liabilities measured at amortized cost

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

3.4.3 Measurement**Initial Measurement**

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

Subsequent Measurement

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

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

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

Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

3.4.4 Derecognition**Derecognition of Financial Assets**

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

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

- The consideration received (including any new asset obtained less any new liability assumed) and
- Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

3.4.5 Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability be settled, between

knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk. The fair values are determined according to the following hierarchy:

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

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

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

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

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

3.4.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and it intends either settle them on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.4.7 Impairment

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments.
- When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

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

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

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

Impairment losses on assets measured at amortized cost

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

Bank considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant and assessed on collective basis for those that are not individually significant. Loans and advances to customers with significant value are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank.

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

together loan and advances and held to maturity with similar risk characteristics.

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

- a) Term Loan
- b) Auto Loan
- c) Home Loan
- d) Overdraft

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

Loan Loss Provision as per direction of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances at 1.2 % to 100 % on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Impact of NRB Directives No. 2/80,2 (09) with regard to loan loss provision effective from 1st Magh 2080 has been adjusted accordingly.

Policies Adopted

The bank adopts carve out issued by ICAN for measurement of impairment loss on loans and advances. As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and the amount determined as per applicable framework of carve out provided by ICAN.

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

3.5 Trading Assets

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

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

3.6 Derivative financial Instruments

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

Forward contracts are the contracts to purchase or sell a specific quantity of a financial instrument, a commodity, or a foreign currency at a specified price determined at the outset, with delivery or settlement at a specified future date. Settlement is at maturity by actual delivery of the item specified in the contract, or by a net cash settlement.

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value on the statement of financial position regardless of whether they are held for trading or non-trading purposes. Changes in fair value on derivatives held for trading are

included in net gains/ (losses) from financial instruments in fair value through profit or loss on financial assets/ liabilities at fair value through profit or loss.

3.7 Property, Plant and Equipment

Recognition

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

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent Cost

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

Depreciation

Depreciation is calculated by using the written down value method on cost of the Property, Plant & Equipment

ASSET CATEGORY	Rate of Depreciation per annum (%)	
	FOR THE YEAR ENDED 15 JULY 2024	FOR THE YEAR ENDED 16 JULY 2023
Freehold Buildings	5%	5%
Motor Vehicles	20%	20%
Computer Equipment	25%	25%
Furniture and Fixtures	25%	25%
Equipment's and others	25%	25%
Leasehold Properties	10%	10%

other than leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

Other disclosures regarding the depreciation;

- Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.
- Assets with a unit value of NPR 5,000 or less are expensed-off during the year of purchase irrespective of its useful life.
- Leasehold assets and cost of software licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

Changes in Estimates

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

Capital Work in Progress

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

Borrowing Costs

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

De-recognition

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

3.8 Goodwill and Intangible Assets

Recognition

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

Computer Software & Licenses

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

Subsequent Expenditure

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

Goodwill is measured at cost less accumulated impairment losses.

Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from

the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

ASSET CATEGORY	FOR THE YEAR ENDED 15 JULY 2024	FOR THE YEAR ENDED 16 JULY 2023
Computer Software	5 years	5 years
Licenses	5 years	5 years

De-recognition of Intangible Assets

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

3.9 Investment Property

Investment Properties are land or building or both other than those classified as property and equipment under NAS 16 – “Property, Plant & Equipment” and assets classified as non-current assets held for sale under NFRS 5 – “Non-Current Assets Held for Sale & Discontinued Operations”. The Bank has recognized as investment property such land or land & building acquired by bank as non-banking assets in course of recovery of loans and advances to borrowers that have turned into chronic defaulters.

Measurement

Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties are reported at fair value with any gains or losses in fair value reported in the statement of profit or loss as they arise. No depreciation is charged in investment property as they are not intended for the owner occupied use.

De-recognition

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.10 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

3.10.1 Current Tax

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

3.10.2 Deferred Tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

3.11 Deposits, debts securities issued and subordinated liabilities

3.11.1 Deposits

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

3.11.2 Debt Securities Issued

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

Bank has set aside Rs. 14.29 Crore per year starting from this fiscal year for Debenture Redemption Reserve fund as required.

3.11.3 Subordinated Liabilities

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

3.12 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision are not recognized for future operating losses.

Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.13 Contingent Liabilities and Commitments

Contingent Liabilities:

Where the Bank undertakes to make a payment on behalf of its customers for guarantees issued, such as for performance bonds or as irrevocable letters of credit as part of the Bank's transaction banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs, for bids or offers.

Commitments:

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

Please refer Note No. 4.28.1 to 4.28.4 for the detail of contingent liabilities and commitments as at 15 July 2024.

Litigation:

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank is involved in various such legal actions in the normal course of business and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations.

The details of litigations is presented in Notes no 4.28.5.

3.14 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can

be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

3.14.1 Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets classified as Fair value through profit and loss, interest income is recorded using the rate that closely approximates the effective interest rate (EIR) because the bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Further, Interest income on Loans and Advances is recognized as per the guideline on recognition of interest income, 2019 issued by NRB and carve out issued by ICAN has been opted.

Carve out issued by ICAN

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

Guideline on Recognition of Interest Income, 2019 by NRB.

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

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

- (a) Loans where there is reasonable doubt about the ultimate collectability of principal or interest;

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

Criteria to cease the accrual of interest

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

As per Guideline on Recognition of Interest Income, 2019 by NRB, following interest income has been derecognized in the financial statement;

LOAN CLASS	CURRENT YEAR (AMOUNT IN RS.)	PREVIOUS YEAR (AMOUNT IN RS.)
Bad loan	20,688,053	29,136,600
Other NPA	1,754,674	9,951,649
Total	22,442,726	39,088,249

3.14.2 Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income. Guarantee commission are recognized on cash basis. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself, or retained a part at the same effective

interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis.

3.14.3 Dividend Income

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

3.14.4 Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities.

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

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No any other financial instruments are designated at fair value through profit or loss. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income. The bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

3.15 Interest Expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate (EIR), interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

3.16 Employment Benefits

Employee benefits include:

- Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
 - a) Wages, salaries and social security contributions;
 - b) Paid annual leave and paid sick leave;

- c) Profit sharing and bonuses, and
- d) Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

Short term employee benefits are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- Post-employment benefits, such as the following:
 - a) Retirement benefits (e.g.: pensions, lump sum payments on retirement); and
 - b) Other post-employment benefits such as post-employment life insurance and post-employment medical care;
- Other long-term employee benefits and
- Termination benefits

Post employments benefits are as follows:

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an Bank pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

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

Provident Fund

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

Gratuity

Bank has changed the treatment of gratuity from Defined Benefit Plan to Defined Contribution Plan dated from 2024/07/11. Provision for Gratuity has been deposited as per the Labor Act 2074.

Under the newly implemented policy, Bank has followed following rate to deposit the gratuity:

- For the employee who have worked up to 15 years, gratuity is provided at 8.33% of the basic remuneration of each month
- For the employee who have worked above 15 years and up to 20 years, gratuity is provided at 12.50% of the basic remuneration of each month
- For the employee who have worked above 20 years, gratuity is provided at 16.67% of the basic remuneration of each month

Bank has calculated the gratuity provision as per old policy for the employees who are eligible for gratuity as on 10.7.2024 and after the transition date gratuity has been calculated for all employees as per new policy. Bank has created the total provision of Rs. 47,820,227/- as on Ashad 2081. The amount shall be deposited in CIT under respective employee account. Going forward, Bank shall deposit eligible amount of gratuity for respective employees into such account on monthly basis.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

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

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of

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

Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

3.17 Other expense

Other Expense have been recognized in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at profit for the year. Provisions in respect of other expenses are recognized when there is present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.18 Finance and Operating Leases

NFRS 16 Leases was adopted from 1st Shrawan 2078 as per pronouncement by ICAN. NFRS 16 requires to assesses whether a contract is, or contains, a lease, at inception of the contract. The bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). Lease payments included in the measurement of the lease liability comprise of fixed lease payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date, the amount expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise the options;

payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. the lessee shall use the lessee's incremental borrowing rate.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The bank has considered rate of 10% as incremental borrowing rate for discounting of remaining lease payments.

All operating lease contracts were recognized on the balance sheet by recognizing right-of-use assets and corresponding lease liabilities at the transition date. The lease liability is presented as a separate line item under other liabilities in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

3.19 Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the

beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

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

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss.

3.20 Financial guarantee and loan commitment

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc. Where the bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, etc. whether cancellable or not and the bank had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.21 Share Capital and Reserves

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus contributions from holders of equity claims, minus distributions to holders of equity claims.

3.22 Earnings per Share

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

Earnings per share is calculated and presented in the face of Statement of Profit and loss.

3.23 Segment Reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this NFRS, an entity's post-employment benefit plans are not operating segments.

The bank has identified seven segments based on the geographic locations of its offices in the 7 provinces of the country. Interest earnings and foreign exchange gains/losses generated while conducting businesses

under different segments are reported under the respective segment. For segmentation purpose, all business transactions of offices and business units located in a particular province are grouped together. All transactions between the units are conducted on arm's length basis, with intra unit revenue and cost being nullified at the bank level.

3.24 Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend is deducted from equity when they are declared and no longer at the discretion of the Bank. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

The bank has proposed the dividend of 12% in the form of bonus share of 7% and cash dividend of 5% (for dividend tax purpose as well).

3.25 Cash Flow Statement

The cash flow statement has been prepared using 'The Direct Method', whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

3.26 Comparative Figures

The comparative figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

CASH AND CASH EQUIVALENT

4.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Cash in Hand	561,116,459	729,141,191
Balances with BFIs	1,213,251,506	3,463,931,313
Money at Call and Short Notice	-	-
Other	-	-
Total	1,774,367,964	4,193,072,505

The fair value of cash and cash equivalent is its carrying value. Cash at vault is adequately insured for physical and financial risks. Cash balance at vault is maintained on the basis of the availability and regular business requirements. Balance with BFIs includes balance held at various local banks and financial institutions. Cash held in foreign currency is subject to risk of changes in the foreign exchange rates which are closely monitored, if any risk identified then are promptly managed.

DUE FROM NEPAL RASTRA BANK

4.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Statutory Balances with NRB	2,396,952,186	2,167,394,329
Securities purchased under Resale Agreement	-	-
Other Deposit and Receivable from NRB	-	-
Total	2,396,952,186	2,167,394,329

Statutory balance with NRB represents the balance maintained for regulatory cash reserve ratio required by the NRB. Other deposit and receivable from NRB includes the Foreign currency deposit due from NRB.

PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

4.3

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Placement with Domestic BFIs	-	-
Placement with Foreign BFIs	-	-
Less: Allowances for Impairment	-	-
Total	-	-

Bank does not have any Placement related to Domestic and Foreign bank and financial institutions.

DERIVATIVE FINANCIAL INSTRUMENTS**4.4**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Held for Trading		
Interest Rate Swap.	-	-
Currency Swap.	-	-
Forward Exchange Contracts	-	-
Others	-	-
Held for Risk Management		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts.	-	-
Others	-	-
Total	-	-

OTHER TRADING ASSETS**4.5**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other	-	-
Total	-	-

Trading assets are those assets that the bank has acquired for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit are presented under this head.

LOANS AND ADVANCES TO BFIs**4.6**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loans to Micro-Finance Institutions	3,159,532,658	2,227,683,774
Other	-	-
Less: Allowances for Impairment	(37,852,248)	(32,597,089)
Total	3,121,680,410	2,195,086,685

Loans and advances disbursed to banks and financial institutions are presented above. These assets are measured at amortized cost. All the loans to BFIs are classified in pass category. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income. Loans include accrued interest receivable of Rs. 5,178,616/- in current year (PY Rs. 4,830,758).

ALLOWANCES FOR IMPAIRMENT**4.6.1**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 01	32,597,089	23,690,070
Impairment Loss for the year:		
Charge for the year	5,255,159	8,907,019
(Recoveries)/Reversal	-	-
Amount Written Off	-	-
Balance at Asar End	37,852,248	32,597,089

Impairment allowance on these loans and advances has been considered as per NRB directives. All the loans outstanding with BFIs have been classified in pass category. No individual loans to banks and micro finance has terms and conditions that significantly affect the amount, timing or certainty of consolidated cash flows of the Bank.

LOANS AND ADVANCES TO CUSTOMERS

4.7

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loans and Advances measured at Amortized Cost	48,028,033,514	45,546,816,267
Less: Impairment Allowances		
Collective Impairment	(798,315,487)	(724,364,063)
Individual Impairment	(1,250,110,323)	(971,114,858)
Net Amount	45,979,607,704	43,851,337,345
Loans and Advances measured at FVTPL	-	-
Total	45,979,607,704	43,851,337,345

Loans and advances disbursed to customers and employees other than banks and financial institutions are presented above. These assets are measured at amortized cost. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Loans and advances are presented net of impairment allowances as per Directive No. 2 issued by Nepal Rastra Bank. Impairment as per NRB directives for each of the above periods is higher than the impairment as per para 5 of the Alternative treatment and its application guideline provided in the carve out for implementation of NFRS 9 by ICAN dated 2079.04.02. Hence, impairment allowance as per NRB Directives is considered in the Financial Statements. Impairment in loans and advances to BFIs and loans and advances to customer are as per NRB directive no.2 NPR 2,086,278,059/- which is higher than total impairment as per NFRS 9. As per NFRS 9 impairment are NPR 50,993,756/- for FY 2080/81.

ANALYSIS OF LOANS AND ADVANCES - BY PRODUCT

4.7.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Product		
Term Loans	27,643,271,606	23,686,693,790
Overdraft	3,493,578,693	4,488,260,679
Cash Credit Loan	4,504,320,103	5,506,857,154
Trust Receipt/Import Loans	-	-
Demand and other Working Capital Loans	422,328,690	528,103,220
Personal Residential Loans	3,355,447,288	2,431,436,080
Real Estate Loans	1,848,526,728	1,115,369,830
Margin Lending Loans	1,606,226,620	1,414,226,620
Hire Purchase Loans	1,228,236,568	1,699,071,130
Deprived Sector Loans	1,606,967,337	2,149,628,492
Bills Purchased	-	-
Staffs Loans	440,449,000	441,670,930
Other	1,296,548,819	1,530,475,702
Sub-Total	47,445,901,452	44,991,793,627
Interest Receivable	582,132,062	555,022,641
Grand Total	48,028,033,514	45,546,816,267

ANALYSIS OF LOANS AND ADVANCES - BY CURRENCY

4.7.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	48,028,033,514	45,546,816,267
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
Grand Total	48,028,033,514	45,546,816,267

ANALYSIS OF LOANS AND ADVANCES - BY COLLATERAL

4.7.3

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Secured		
Moveable/Immoveable Assets	43,545,878,918	40,645,884,753
Gold and Silver	731,960,365	827,677,169
Guarantee of Domestic BFIs	-	-
Government Guarantee	353,888	601,658
Guarantee of International Rated Bank	-	-
Collateral of Export Document	-	-
Collateral of Fixed Deposit Receipt	542,905,453	702,397,323
Collateral of Government Securities	-	-
Counter Guarantee	-	-
Personal Guarantee	577,287,829	957,718,127
Other Collateral	2,629,647,060	2,412,537,237
Subtotal	48,028,033,514	45,546,816,267

ALLOWANCE FOR IMPAIRMENT

4.7.4

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Specific Allowance for Impairment		
Balance at Shrawan 01	971,114,858	588,787,115
Impairment Loss for the year		
Charge for the year	348,982,709	490,713,792
Recoveries/Reversals during the year	-	-
Write-Offs	69,987,244	108,386,049
Exchange Rate Variance on Foreign Currency - Individual	-	-
Other Movement	-	-
Balance at Asar End	1,250,110,323	971,114,858
Collective Allowances for Impairment		
Balance at Shrawan 01	724,364,063	592,906,499
Impairment Loss for the year		
Charge/(Reversal) for the year	73,951,423	131,457,565
Exchange Rate Variance on Foreign Currency - Foreign	-	-
Other Movement-From Merger	-	-
Balance at Asar End	798,315,487	724,364,063
Total Allowances for Impairment	2,048,425,810	1,695,478,922

INVESTMENT SECURITIES

4.8

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment Securities measured at Amortized Cost	10,607,565,263	7,310,084,980
Investment in Equity measured at FVTOCI	1,088,648,624	610,407,183
Total	11,696,213,887	7,920,492,163

Investment made by the Bank in financial instruments has been presented under this account head in two categories i.e. investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Investment other than those measured at amortized cost is measured at fair value and changes in fair value has been recognized in other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment is made by increasing the number of shares without changing in the cost of investment.

INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

4.8.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Debt Securities	-	-
Government Bonds	8,260,800,000	6,254,600,000
Government Treasury Bills	1,346,765,263	1,055,484,980
Nepal Rastra Bank Bonds	-	-
Nepal Rastra Bank Deposit Instruments	1,000,000,000	-
Other Investments	-	-
Less: Specific Allowances for Impairment	-	-
Total	10,607,565,263	7,310,084,980

INVESTMENT IN EQUITY MEASURED AT FVTOCI

4.8.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Equity Instruments		
Quoted Equity Securities	1,017,824,924	539,583,483
Unquoted Equity Securities	70,823,700	70,823,700
Total	1,088,648,624	610,407,183

INVESTMENT IN EQUITY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

4.8.3

Amount in Rs.

PARTICULARS	AS AT 31 ASAR 2081		AS AT 31 ASAR 2080	
	COST	FAIR VALUE	COST	FAIR VALUE
Aarambha Aarambha Chautari Laghubitta Sanstha Ltd Promoter 125389 Shares of Rs. 100 Each with Bonus of 6300 shares	9,000,000	30,105,791	9,000,000	12,538,855
Sanima GIC Insurance Limited (Promoter) 14571 Share of Rs.100 Each	1,457,100	1,457,100	1,457,100	1,457,100
Sanima GIC Insurance Limited (Public) 5429 Share of Rs.100 Each	542,900	3,132,533	542,900	3,528,307
Neco Insurance Company Limited 35514 shares of Rs. 987.38 Each	35,066,028	29,689,802	29,268,985	25,416,950
NLG Insurance Company Limited 24923 Shares of Rs. 830.29 Each	20,693,267	19,811,293	15,240,061	14,414,400
National Life Insurance Company Limited 28897 shares of Rs. 734.05 Each	21,211,702	17,193,537	18,797,934	16,040,957
Life Insurance Corporation Nepal Limited 27999 Shares of Rs 1720.68 Each	48,177,305	40,262,562	43,221,581	38,097,500
Asian Life Insurance Company Limited 32461 Shares 752.84 Each	24,437,849	20,223,000	20,935,992	18,542,315
Suryajyoti Life Insurance Company Limited 31408 shares of Rs. 608.91 Each	19,124,493	13,502,299	16,078,884	13,667,050
Nepal Reinsurance Company Limited 30910 Shares of Rs. 1061.01 Each	32,796,238	21,575,400	27,564,036	17,323,634
Siddhartha Premier Insurance Company Limited 23021 shares of Rs. 827.54 Each	19,050,953	19,795,868	11,255,469	10,307,439
National Micro Finance Limited 1 share of Rs 100	-	-	-	1,366
Nepal Life Insurance Company Limited 4501 shares of Rs 643.46 Each	2,896,210	2,786,119	-	744
Prabhu Insurance Limited 5500 shares of Rs 837.52 Each	4,606,364	4,543,000	-	-
Sagarmatha Lumbini Insurance Company Limited 4500 shares of Rs 724.19 Each	3,258,862	3,271,500	-	-
Shivam Cement Limited 3500 shares of Rs 514.13 Each	1,799,447	1,758,050	-	-
Himalayan Reinsurance Limited 2500 shares of Rs 587.36 Each	1,468,401	1,450,000	-	-
Sarbottam Cement Limited 200000 shares of Rs 401 Each	80,200,000	161,300,000	-	-
NIBL Sahabhagita Fund 250000 units	2,500,000	2,635,000	2,500,000	2,657,500
Laxmi Unnati Kosh 1187694 Units	11,439,669	10,689,246	9,905,000	9,300,795
NIC Asia Dynamic Debt Fund (Open-Ended) 664820 Units	6,648,200	7,372,854	6,648,200	7,346,261
Sanima Large Cap Fund 1152050 Units	11,163,867	10,702,545	10,000,000	8,920,000
Kumari Equity Fund 1253505 Units	12,202,784	12,108,858	10,000,000	10,170,000
Sunrise Blue Chip Fund 1149000 Units	11,103,171	9,502,230	10,000,000	7,850,000
NIBL Samridhi Fund2 4040623 Units	39,439,227	33,335,140	39,424,117	36,791,856

Contd...

Contd...

PARTICULARS	AS AT 31 ASAR 2081		AS AT 31 ASAR 2080	
	COST	FAIR VALUE	COST	FAIR VALUE
Prabhu Select Fund				
1768100 Units	17,143,705	17,309,699	14,681,000	12,992,685
NIC SELECT 30				
1100000 Units	10,779,392	10,560,000	10,779,392	9,889,000
Global IME Samunnat Scheme 1				
1566519 Units	-	-	31,142,601	15,085,578
RBB Mutual Fund 1				
1100900 Units	10,762,605	8,983,344	10,755,519	8,888,000
NABIL BALANCED FUND III				
216670 Units	1,631,723	1,690,026	1,631,723	1,640,192
Global IME Balance fund-1				
1000000 Units	10,000,000	9,100,000	10,000,000	9,340,000
Shubha Laxmi Kosh				
1000000 Units	10,000,000	10,570,000	10,000,000	10,030,000
NMB Sulav Investment Fund - II				
4952138 Units	49,264,346	49,818,508	50,000,000	49,950,000
Nabil Flexi Cap Fund				
1000000 Units	10,000,000	10,640,000	10,000,000	9,860,000
Sanima Growth Fund				
2686475 Units	26,468,563	27,240,857	25,000,000	24,975,000
NIBL Growth Fund				
5250680 Units	51,900,726	55,867,235	50,000,000	53,200,000
Sunrise Focused Equity Fund				
2190270 Units	21,485,376	18,047,825	20,000,000	19,360,000
Prabhu Smart Fund				
3023075 Units	30,216,635	29,051,751	30,000,000	30,000,000
Siddhartha Investment Growth Scheme 3				
2000000 Units	20,000,000	18,900,000	20,000,000	20,000,000
RBB Mutual Fund 2				
1000900 Units	10,007,847	9,508,550	10,000,000	10,000,000
Himalayan 80-20				
511000 Units	5,099,059	5,104,890	-	-
NIC Asia Growth Fund- 2				
271770 Units	2,678,931	2,228,514	-	-
NIBL Stable Fund				
500000 Units	5,000,000	5,000,000	-	-
Alpha Plus Vision Fund				
150000 Units	150,000,000	150,000,000	-	-
National Equity Fund				
100000 Units	100,000,000	100,000,000	-	-
Total	962,722,943	1,017,824,924	585,830,495	539,583,483
Investment in Unquoted Equity				
Nepal Clearing House Ltd.				
31922 Shares of 100 each with Bonus	612,600	1,679,900	612,600	1,679,900
Prabhu Capital Ltd.				
37518 Shares	3,000,000	3,751,800	3,000,000	3,751,800
Smart Choice Technologies Ltd.				
153920 shares of Rs. 100 Each	15,392,000	15,392,000	15,392,000	15,392,000
National Fund Management Ltd				Contd...
500000 shares of Rs 100 Each	50,000,000	50,000,000	50,000,000	50,000,000
Total	69,004,600	70,823,700	69,004,600	70,823,700
Grand Total	1,031,727,543	1,088,648,624	654,835,095	610,407,183

CURRENT TAX ASSETS/(LIABILITIES)**4.9**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current Tax Assets		
Current year Income Tax Assets	260,229,721	225,663,431
Tax Assets of Prior Periods	-	-
Current Tax Liabilities		
Current year Income Tax Liabilities	284,991,580	186,886,208
Tax Liabilities of Prior Periods	-	-
Total	(24,761,859)	38,777,223

Current Tax Assets includes advance income tax paid by the Bank under self assessment tax returns filed as per the Income Tax Act 2058 and tax deducted at source (TDS) by several parties on behalf of the Bank. Similarly, current income tax liabilities includes the tax payable to the Government computed as per the provision of the Income Tax Act 2058.

INVESTMENT IN SUBSIDIARIES**4.10**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	-	-
Total Investment		
Less: Impairment Allowances	-	-
Net Carrying Amount	-	-

INVESTMENT IN QUOTED SUBSIDIARIES**4.10.1**

Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. Each				
.....Ltd.				
.....Shares of Rs. Each				
Total				

INVESTMENT IN UNQUOTED SUBSIDIARIES**4.10.2**

Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. Each				
.....Ltd.				
.....Shares of Rs. Each				
Total				

INFORMATION RELATING TO SUBSIDIARIES OF THE BANK

4.10.3
In %

PARTICULARS	PERCENTAGE OF OWNERSHIP HELD BY BANK	
	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
Total	-	-

NON CONTROLLING INTEREST OF THE SUBSIDIARIES

4.10.4
Amount in Rs.

LTD.LTD.
Equity Interest held by NCI (%)		
Profit (Loss) allocated during the year		
Accumulated Balances of NCI as on Asar End		
Dividend Paid to NCI		
Equity Interest held by NCI (%)		
Profit (Loss) allocated during the year		
Accumulated Balances of NCI as on Asar End		
Dividend Paid to NCI		

INVESTMENT IN ASSOCIATES

4.11
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Associates	-	-
Investment in Unquoted Associates	-	-
Total Investment	-	-
Less: Impairment Allowances - Associates	-	-
Net Carrying Amount	-	-

INVESTMENT IN QUOTED ASSOCIATES

4.11.1
Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. Each				
.....Ltd.				
.....Shares of Rs. Each				
Total				

INVESTMENT IN UNQUOTED ASSOCIATES

4.11.2

Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. Each				
.....Ltd.				
.....Shares of Rs. Each				
Total				

INFORMATION RELATING TO ASSOCIATES OF THE BANK

4.11.3

Amount in Rs.

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY BANK	
	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.	-	-

EQUITY VALUE OF ASSOCIATES

4.11.4

Amount in Rs.

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY BANK	
	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.	-	-

INVESTMENT PROPERTIES

4.12

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment Properties measured at Fair Value		
Balance as on Shrawan 01	-	-
Addition/(Disposal) during the year.	-	-
Net Changes in fair value during the year.	-	-
Adjustment/Transfer - Fair Value	-	-
Closing Balance of NBA	-	-
Investment Properties measured at Cost		
Balance as on Shrawan 01.	374,298,199	237,680,213
Addition/(Disposal) during the year	(22,158,378)	136,617,985
Net Changes in fair value during the year	-	-
Adjustment/Transfer - At Cost	-	-
Closing Balance of NBA	352,139,820	374,298,199
Total	352,139,820	374,298,199

PROPERTY AND EQUIPMENTS

4.13

Amount in Rs.

PARTICULARS	LAND	BUILDING	PROPERTIES LEASEHOLD	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURES	MACHINERY	EQUIPMENT & OTHERS	RIGHT OF USE/ASSET	TOTAL ASAR END 2081	TOTAL ASAR END 2080
Cost											
Balance as on Shrawan 1 2079	154,268,802	64,052,184	140,989,309	107,220,706	129,280,473	179,388,887	-	303,543,861	617,479,118	1,696,203,341	1,019,821,239
Addition during the Year	-	-	6,880,250	6,823,605	20,943,400	12,949,091	-	31,160,087	59,686,628	138,443,062	697,861,547
Acquisition	-	-	6,880,250	6,823,605	20,943,400	12,949,091	-	31,160,087	59,686,628	138,443,062	697,861,547
Capitalization	-	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(6,543,293)	(2,618,935)	(12,814,900)	(1,682,875)	-	(7,898,016)	(22,158,181)	(53,716,201)	(21,479,445)
Adjustments	-	-	(16,403)	4,009,355	119,717	(102,844)	-	(209,116)	-	3,800,709	-
Balance as on Asar End 2080	154,268,802	64,052,184	141,289,864	115,434,730	137,528,690	190,552,259	-	326,596,816	655,007,565	1,784,730,910	1,696,203,341
Addition during the Year	-	1,741,105	9,859,317	1,941,290	8,785,923	5,147,433	-	16,793,798	11,007,498	55,276,364	138,443,062
Acquisition	-	1,741,105	9,859,317	1,941,290	8,785,923	5,147,433	-	16,793,798	11,007,498	55,276,364	138,443,062
Capitalization	-	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	(36,386)	(3,433,975)	(5,989,504)	(16,218,442)	(2,632,419)	-	(23,056,844)	(17,547,529)	(68,915,099)	(53,716,201)
Adjustments	-	(203,231)	(104,194)	-	-	104,194	-	203,231	-	-	3,800,709
Balance as on Asar End 2081	154,268,802	65,553,672	147,611,012	111,386,516	130,096,170	193,171,467	-	320,537,002	648,467,534	1,771,092,175	1,784,730,910
Depreciation and Impairment											
As on Shrawan 1 2079	-	14,159,136	54,228,516	58,060,975	64,633,017	105,789,352	-	122,223,322	76,342,324	495,436,640	322,460,273
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	2,494,652	12,656,059	13,915,786	14,054,070	20,335,596	-	40,076,331	76,566,159	180,098,653	185,671,731
Disposals	-	-	(3,377,765)	(2,430,835)	(8,031,090)	(1,542,905)	-	(6,314,437)	(4,097,796)	(25,794,828)	(12,695,364)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
As on Asar end 2080	-	16,653,788	63,506,809	69,545,926	70,655,997	124,582,043	-	155,985,216	148,810,686	649,740,465	495,436,640
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	2,389,750	12,874,588	11,618,833	13,840,321	17,043,193	-	34,167,842	75,917,433	167,851,960	180,098,653
Disposals	-	(9,050)	(2,172,709)	(5,686,509)	(7,280,220)	(2,275,190)	-	(18,917,190)	-	(36,340,867)	(25,794,828)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
As on Asar End 2081	-	19,034,489	74,208,689	75,478,249	77,216,098	139,350,047	-	171,235,868	224,728,119	781,251,558	649,740,465
Capital Work in Progress	-	-	1,109,989	-	-	-	-	541,388	-	1,651,377	500,558
Net Book Value	154,268,802	46,519,183	74,512,313	35,908,267	52,880,072	53,821,420	-	149,842,522	423,739,415	991,491,994	1,135,491,003
As on Asar End 2079	154,268,802	49,893,048	86,740,794	49,159,731	64,647,455	73,599,536	-	181,320,540	541,136,795	1,200,766,701	613,077,820
As on Asar End 2080	154,268,802	47,398,396	77,783,054	45,916,804	66,872,692	65,970,216	-	171,084,159	506,196,879	1,135,491,003	1,200,766,701
As on Asar End 2081	154,268,802	46,519,183	74,512,313	35,908,267	52,880,072	53,821,420	-	149,842,522	423,739,415	991,491,994	1,135,491,003

GOODWILL AND INTANGIBLE ASSETS

4.14

Amount in Rs.

PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASAR END 2081	TOTAL ASAR END 2080
		PURCHASED	DEVELOPED			
Cost						
Balance as on Shrawan 1 2079	-	28,966,329	-	-	28,966,329	26,359,279
Addition during the Year						
Acquisition	-	6,603,119	-	-	6,603,119	2,607,050
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	(3,841,272)	-	-	(3,841,272)	-
Balance as on Asar end 2080	-	31,478,176	-	-	31,478,176	28,966,329
Addition during the Year						
Acquisition	-	4,688,000	-	-	4,688,000	6,353,119
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	(3,841,272)
Balance as on Asar end 2081	-	36,166,176	-	-	36,166,176	31,478,176
Amortization and Impairment						
As on Shrawan 1 2079	-	(14,181,278)	-	-	(14,181,278)	(10,107,711)
Impairment for the year						
Depreciation for the year	-	(4,515,550)	-	-	(4,515,550)	(4,073,567)
Amortisation charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2080	-	(18,696,828)	-	-	(18,696,828)	(14,181,278)
Impairment for the year						
Depreciation for the year	-	(4,788,716)	-	-	(4,788,716)	(4,515,550)
Amortization charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2081	-	(23,485,544)	-	-	(23,485,544)	(18,696,828)
Capital Work in Progress		960,500			960,500	1,380,000
Net Book Value	-	13,641,132	-	-	13,641,132	14,161,348
As on Asar End 2079	-	14,785,051	-	-	14,785,051	100,534,705
As on Asar End 2080	-	14,161,348	-	-	14,161,348	14,785,051
As on Asar end 2081	-	13,641,132	-	-	13,641,132	14,161,348

DEFERRED TAX

4.15

Amount in Rs.

PARTICULARS	CURRENT YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	17,076,324	(17,076,324)
Property and Equipment	-	125,048,599	(125,048,599)
Employees' Defined Benefit Plan	40,987,844	-	40,987,844
Lease Liabilities	154,019,810	-	154,019,810
Provisions	-	-	-
Debentures	1,130,774	-	1,130,774
Other Temporary Differences	-	-	-
Deferred tax on temporary differences			54,013,504
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 Asar 2081			54,013,504
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2080			(82,510,688)
Origination/(Reversal) during the year			(28,497,184)
Deferred Tax expense (income) recognized in profit or loss			930,281
Deferred Tax expense (income) recognized in OCI			(29,427,465)
Deferred Tax expense (income) recognized directly in Equity			-

PARTICULARS	PREVIOUS YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	-	-	-
Investment Properties	-	-	-
Investment Securities	13,328,373	-	13,328,373
Property and Equipment	-	152,823,576	(152,823,576)
Employees' Defined Benefit Plan	48,621,264	-	48,621,264
Lease Liabilities	171,932,686	-	171,932,686
Provisions	-	-	-
Debentures	1,451,940	-	1,451,940
Other Temporary Differences	-	-	-
Deferred tax on temporary differences			82,510,688
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 Asar 2080			82,510,688
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2079			(75,189,304)
Origination/(Reversal) during the year			7,321,384
Deferred Tax expense (income) recognized in profit or loss			17,443,867
Deferred Tax expense (income) recognized in OCI			(10,122,482)
Deferred Tax expense (income) recognized directly in Equity			-

OTHER ASSETS**4.16**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Accounts Receivable	77,173,593	99,681,209
Accrued Income	182,593,972	118,861,850
Prepayments and Deposits	29,567,749	22,960,339
Deferred Employee Expenditure	175,143,617	145,877,157
Other		
Stationery Stock	29,354,204	30,109,034
Insurance Tie Up Home Loans - Interest Receivable	53,703,422	39,102,129
Staff Advances	2,420,074	16,296,538
Deferred Revenue Expenditure	4,674,545	9,064,740
Paid In Advance	1,957,689	1,300,084
NRB - Interest Subsidy	223,918,965	119,947,647
Clearing Accounts	7,489,364	-
Other Assets	20,922,279	5,332,107
Total	808,919,471	608,532,834

DUE TO BANKS AND FINANCIAL INSTITUTIONS**4.17**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Money Market Deposits	-	-
Interbank Borrowing	-	-
Other Deposits from BFIs	626,690,715	2,263,444,306
Settlement and Clearing Accounts	-	-
Total	626,690,715	2,263,444,306

DUE TO NEPAL RASTRA BANK**4.18**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of Last Resort facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other Payable to NRB	-	-
Total	-	-

DERIVATIVE FINANCIAL INSTRUMENTS

4.19

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Held for Trading		
Interest Rate Swap - Held for Trading	-	-
Currency Swap - Held for Trading	-	-
Forward Exchange Contracts - Held for Trading	-	-
Others - Held for Trading	-	-
Held for Risk Management		
Interest Rate Swap - Risk Management	-	-
Currency Swap - Risk Management	-	-
Forward Exchange Contracts - Risk Management	-	-
Others - Risk Management	-	-
Total	-	-

DEPOSITS FROM CUSTOMERS

4.20

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Institutional Customers:		
Term Deposits.	13,029,433,245	10,117,104,099
Call Deposits	3,518,058,295	3,812,885,528
Current Deposits.	943,728,456	787,208,732
Others.	-	-
Individual Customers:		
Term Deposits	25,824,799,564	27,112,397,526
Saving Deposits	15,750,692,168	11,642,814,672
Current Deposits	-	-
Call Deposits.	-	-
Total	59,066,711,728	53,472,410,557

CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	59,066,711,728	53,472,410,557
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
Total	59,066,711,728	53,472,410,557

BORROWINGS

4.21

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Domestic Borrowings		
Nepal Government	-	-
Other Institutions.	-	-
Other	-	-
Sub Total	-	-
Foreign Borrowings		
Foreign Banks and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub Total	-	-
Total	-	-

PROVISIONS

4.22

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Provisions for Redundancy	-	-
Provisions for Restructuring	-	-
Pending Legal Issues and Tax Litigation	-	-
Onerous Contracts	-	-
Other		
Provision for Expenses	9,207,054	9,087,537
Provision for rebate and refund	-	4,211,548
Provision on Assets for Probable Loss	6,699,985	4,145,776
Provision for NBA	-	-
Other Provisions	587,447	491,426
Total	16,494,486	17,936,287

MOVEMENT IN PROVISION

4.22.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 01	17,936,287	16,045,256
Provisions made during the year	-	1,891,031
Provisions used during the year	(1,441,801)	-
Provisions reversed during the year	-	-
Unwind of Discount	-	-
Balance at Asar end	16,494,486	17,936,287

OTHER LIABILITIES

4.23
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	-	78,184,703
Liabilities for long service leave	89,481,462	83,886,178
Short term employee benefits	-	-
Creditors and accruals	76,824	20,093
Interest payable on deposits	64,109,243	63,722,714
Unpaid Dividend	121,816	7,747,106
Employee bonus payable	101,474,616	62,763,061
Other		
Lease Liability	513,399,367	573,108,955
Gratuity Payable (Net of Plan Assets)	47,144,684	-
Employee Provident Fund Payable	32,220	41,078
ATM/CARD Payables	19,899,691	26,363,648
TDS Payable	49,079,014	40,094,107
Managers Cheque	1,145,968	732,170
Deposit Account Payable	40,014,527	27,849,680
Fee\Commission Payable	6,865,712	6,550,530
CIT Payable	50,000	95,073
Social Security Fund Payable	5,219,106	26,902,338
Retention Money	68,292,059	29,302,357
Other Liabilities	21,667,239	22,295,019
Interest payable on debentures	45,123,287	45,123,287
Clearing Accounts	-	702,677
CIB Payable	598,340	1,014,940
Total	1,073,795,173	1,096,499,712

DEFINED BENEFIT OBLIGATION

4.23.1

The amounts recognized in the statements of financial positions are as follows :

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Present value of unfunded obligations	-	82,405,471
Present value of funded obligations	-	-
Total present value of obligations	-	82,405,471
Fair value of plan assets	-	4,220,768
Present value of net obligations	-	78,184,703
Recognized liability for defined benefit obligations	-	78,184,703

PLAN ASSETS

4.23.2

Plan assets comprise

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	921,356	4,220,768
Total	921,356	4,220,768
Actual return on plan assets		(201,715)

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS**4.23.3**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Defined benefit obligations at Shrawan 1	82,405,471	58,690,578
Actuarial losses	(12,789,694)	6,871,977
Benefits paid by the plan	(69,615,777)	(460,106)
Current service costs and interest	-	17,303,022
Defined benefit obligations at Asar end	-	82,405,471

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS**4.23.4**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Fair value of plan assets at Shawan 1	4,220,768	4,882,589
Contributions paid into the plan	637,388	-
Benefits paid during the year	(3,936,800)	(460,106)
Actuarial (losses) gains	-	(738,800)
Expected return on plan assets	-	537,085
Fair value of plan assets at Asar end	921,356	4,220,768

AMOUNT RECOGNIZED IN PROFIT OR LOSS**4.23.5**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current service costs	-	11,150,849
Interest on obligation	-	6,152,173
Expected return on plan assets	-	(537,085)
Total	-	16,765,937

AMOUNT RECOGNIZED IN OTHER COMPREHENSIVE INCOME**4.23.6**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	(12,789,694)	7,610,777
Total	(12,789,694)	7,610,777

ACTUARIAL ASSUMPTIONS**4.23.7**

In %

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Discount rate	0%	10%
Expected return on plan asset	0%	10%
Future salary increase	0%	10%
Withdrawal rate	0%	18%

DEBT SECURITIES ISSUED

4.24

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortized cost	996,230,755	995,160,201
Total	996,230,755	995,160,201

SUBORDINATED LIABILITIES

4.25

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other - Subordinated Liabilities	-	-
Total	-	-

SHARE CAPITAL

4.26

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	3,281,164,669	3,281,164,669
Convertible preference shares (equity component only)	-	-
Irredeemable preference shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
Total	3,281,164,669	3,281,164,669

ORDINARY SHARES

4.26.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Authorized Authorized Capital		
50,000,000 Ordinary share of Rs. 100 each	5,000,000,000	5,000,000,000
Issued capital		
32,811,646.69 Ordinary share of Rs. 100 each	3,281,164,669	3,281,164,669
Subscribed and paid up capital		
32,811,646.69 Ordinary share of Rs. 100 each	3,281,164,669	3,281,164,669
Total	3,281,164,669	3,281,164,669

ORDINARY SHARE OWNERSHIP

4.26.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Domestic ownership		
Nepal Government	-	-
"A" class licensed institutions	-	-
Other licensed institutions	-	-
Other Institutions	7.53%	247,209,240
Public	92.47%	3,033,955,429
Other	-	-
Foreign ownership		
Total	100%	3,281,164,669

SHARE CAPITAL STRUCTURE

Promoter Shareholder: 51%

Ordinary Shareholder: 49%

DETAILS OF SHAREHOLDERS HOLDING 0.5% OR MORE OF TOTAL SHARES

4.26.3

NAME OF SHAREHOLDERS	TOTAL KITTA	PERCENTAGE (%)
1. Tulasia Pandey	798,406	2.43%
2. Sita Acharya	576,857	1.76%
3. Entegra Sources Pvt.Ltd	509,892	1.55%
4. Shri Ram Pandey	454,539	1.39%
5. Sitaram Upreti	448,084	1.37%
6. Madan Khanal	352,097	1.07%
7. Ram Prasad Pokherel	310,146	0.95%
8. Rib Bahadur Thapa	305,458	0.93%
9. Chakrapani Bastola	270,193	0.82%
10. Bhim Prasad Tulachan	267,897	0.82%
11. Babu Ram Pant	258,084	0.79%
12. Bhim Raj Adhikari	249,575	0.76%
13. Prakash Chhetri	244,375	0.74%
14. Dewan Singh Thapa	240,806	0.73%
15. Maya Hold Pvt.Ltd.	236,420	0.72%
16. Kamal Raj Uday	233,943	0.71%
17. Lila Gauchan	228,835	0.70%
18. Janardan Dev Pant	227,772	0.69%
19. Raj Kumar Amatya	215,777	0.66%
20. Bharatraj Koirala	193,557	0.59%
21. Gau Mata Investment Company Pvt.Ltd	183,099	0.56%
22. Deepak Kharel	178,624	0.54%
23. Caliber Investment Company Pvt Ltd	171,214	0.52%
24. Bhaktaram Gyawali	167,612	0.51%

RESERVES

4.27
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Statutory General Reserve	845,877,892	729,511,527
Exchange Equalization Reserve	1,110,974	1,043,435
Corporate Social Responsibility Reserve	5,829,036	4,011,000
Capital Redemption Reserve	-	-
Regulatory Reserve	649,365,921	700,767,867
Investment Adjustment Reserve	3,000,000	3,000,000
Capital Reserve	-	-
Assets Revaluation Reserve	-	-
Fair Value Reserve	39,844,756	(31,099,538)
Dividend Equalization Reserve	-	-
Debenture Redemption Reserve	142,857,143	-
Actuarial Gain	-	(8,952,786)
Special Reserve	-	-
Other Reserve	4,091,428	3,500,754
Total	1,691,977,150	1,401,782,260

STATUTORY GENERAL RESERVE

General reserve maintained as per the regulatory requirements of the Bank and Financial Institutions Act, 2073. The regulatory requirement to set aside 20% of net profit until the reserve is twice the paid up capital and thereafter minimum 10% of the net profit.

EXCHANGE EQUALIZATION RESERVE

Exchange equalization is maintained as per requirement of Bank and Financial Institutions Act, 2073. There is a regulatory requirement to set aside 25% of the foreign exchange revaluation gain on the translation of foreign currency to the reporting currency.

CORPORATE SOCIAL RESPONSIBILITY RESERVE

Corporate Social Responsibility reserve of 1% of net profit after tax is maintained as per Nepal Rastra Bank Directive. The balance in the reserve includes the apportion of profit of current year and unexhausted balance of previous year which shall be utilized CSR objective in the coming years.

REGULATORY RESERVE

Regulatory Reserve is created due to the changes in the NFRS conversion and adoption with effect in the retained earnings of the bank.

INVESTMENT ADJUSTMENT RESERVE

Investment Adjustment Reserve is created as per the directive of NRB created against the quoted as well as unquoted investments.

FAIR VALUE RESERVE

The fair value reserve is created against the valuation of the investment of the bank as per the fair valuation of the investment made, quoted as available for sale investments.

DEBENTURE REDEMPTION RESERVE

The Debenture Redemption Reserve is created as per NRB directive against the face value of debenture issued by the Bank on proportionate basis.

ACTUARIAL GAIN/(LOSSES)

The reserve created against the actuarial valuation of gratuity benefit to the employee of the bank due to change in HR policy

OTHER RESERVES

Other Reserves include reserve created for the Employee Training Reserve created as per the NRB directive, the allocation is utilized in the current year and remaining balances is transferred to training reserve which is created to be utilized for training expenses in coming years.

CONTINGENT LIABILITIES AND COMMITMENTS

4.28

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	275,864,611	308,697,548
Undrawn and undisbursed facilities	1,644,169,819	1,228,719,127
Capital commitment	211,199	3,649,407
Lease Commitment	732,851,333	848,812,221
Litigation	-	-
Total	2,653,096,963	2,389,878,303

CONTINGENT LIABILITIES

4.28.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	275,864,611	308,697,548
Underwriting commitment	-	-
Other commitments	-	-
Total	275,864,611	308,697,548

UNDRAWN AND UNDISBURSED FACILITIES

4.28.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	1,644,169,819	1,228,719,127
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	1,644,169,819	1,228,719,127

CAPITAL COMMITMENTS

4.28.3

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

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Capital commitments in relation to Property and Equipment		
Approved and contracted for	191,989	1,426,454
Approved but not contracted for	19,210	2,222,953
Sub total	211,199	3,649,407
Capital commitments in relation to Intangible assets		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Total	211,199	3,649,407

LEASE COMMITMENTS

4.28.4

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Operating lease commitments	-	-
Future minimum lease payments under non cancellable operating lease, where the bank is lessee	-	-
Not later than 1 year	107,854,676	108,226,508
Later than 1 year but not later than 5 years	422,509,389	451,979,507
Later than 5 years	202,487,268	288,606,205
Sub total	732,851,333	848,812,221
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	732,851,333	848,812,221

LITIGATION

4.28.5

With respect to Assessment Order issued by Large Tax Payer Office (LTO) relating to case of FY 2072/73, Revenue Tribunal has issued the order demanding to pay tax of Rs.51,510.00/- (which was accepted by bank) and nullified the order of LTO with respect to disputed tax amount of Rs.2,762,582.34/- and to reassess the income accordingly.

With respect to Assessment Order issued by Medium Tax Payer Office (MLTO) relating to case of FY 2072/73, Revenue Tribunal

has issued the order demanding to pay tax of Rs.100,473.77/- (which was accepted by bank) and nullified the order of MLTO with respect to disputed tax amount of Rs.845,721.85/- and reassess the income accordingly.

Large Tax Payer Office (LTO) has reassessed the income tax of FY 2074/75 demanding additional tax on Income of Rs. 20,446,491/- . The bank has disputed the said assessment and is the case under Revenue Tribunal (final verdict pending).

INTEREST INCOME

4.29

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	29,212,194	98,408,309
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	321,037,946	334,389,865
Loans and advances to customers	5,897,207,711	6,348,227,172
Investment securities	570,099,888	338,268,915
Loan and advances to staff	73,788,660	86,909,735
Other Interest Income	149,107,807	96,363,527
Total interest income	7,040,454,206	7,302,567,522

Notes:

Interest income is recognized for all items on accrual basis as per the fair presentation framework of NFRS. Interest accrual on default party is not recognized as per the guidelines issued by Nepal Rastra Bank. Hence considering the materiality of the transaction cost with respect to the tenure of the loan interest rate charged to customer is considered as effective interest rate to calculate the interest on loans and advances.

INTEREST EXPENSES

4.30

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	269,110	773,356
Due to Nepal Rastra Bank	-	11,104,308
Deposits from customers	4,762,779,929	5,034,649,076
Borrowing	35,616	39,644,799
Debt securities issued	90,570,964	90,521,355
Subordinated liabilities	-	-
Other	54,255,675	58,210,852
Total Interest expense	4,907,911,294	5,234,903,747

Notes:

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Finance cost as per NFRS-16 (Leases) has been disclosed under "Other" heading of Interest expense.

FEES AND COMMISSION INCOME**4.31***Amount in Rs.*

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	146,700,842	124,655,300
Service Fees	28,545,923	34,496,993
Consortium fees	-	-
Commitment fees	1,014,933	1,179,196
DD/TT/Swift fees	-	-
Credit Card/ATM issuance and renewal fees	16,720,118	11,157,550
Prepayment and swap fees	6,138,396	4,176,362
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	1,687,673	2,543,122
Remittance fees	4,375,471	5,983,248
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	3,072,753	2,131,711
Other fees and commission income		
Agency Commission	8,389,067	4,470,910
Service Charges - Cards	8,037,292	7,700,491
Mobile banking	61,546,329	57,678,384
Other Fee and Commission - Cards	7,117,985	5,411,736
Other Fees and Commission - Loan	5,127,017	2,686,640
Total Fees and Commission Income	298,473,799	264,271,645

Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act is performed. Service processing fees on loan is recognized as fees and commission income by the bank and the same is recognized by the bank upfront and is not deferred with the tenure of loan.

FEES AND COMMISSION EXPENSE**4.32***Amount in Rs.*

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	28,983,983	22,618,867
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees.	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
Total Fees and Commission Expense	28,983,983	22,618,867

NET TRADING INCOME

4.33

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	489,908	52,388
Other	-	-
Net trading income	489,908	52,388

Net trading income includes all gains and (losses) from changes in fair value, related capital gains/ losses, foreign exchange trading gains/ (losses), interest income from trading assets and dividend from financial assets measured at fair value through profit or loss. Dividend income from assets is recognized when the bank's right to receive the payment is established.

OTHER OPERATING INCOME

4.34

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	270,155	1,273,864
Gain/loss on sale of investment securities	54,116,112	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	10,797,790	1,537,118
Gain/loss on sale of property and equipment	(3,777,555)	(1,392,100)
Gain/loss on sale of investment property	18,240,494	2,041,516
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Other Operating Income	44,665,152	9,211,885
Total	124,312,147	12,672,283

All other operating income not specifically provided under the income heads above is booked and presented under this head. This include foreign exchange revaluation gain, gain/loss on sale of available for sale securities, dividend on available for sale securities, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, operating lease income, gain/loss on sale of gold and silver, finance income of finance lease etc.

IMPAIRMENT CHARGE/(REVERSAL) FOR LOAN AND OTHER LOSSES

4.35

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Impairment charge/(reversal) on loan and advances to BFIs	5,255,159	8,907,019
Impairment charge/(reversal) on loan and advances to customers	352,946,888	513,785,309
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with BFIs	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	358,202,048	522,692,328

Loans and advances are assessed individually and collectively as per incurred loss model which is compared with the loss provision prescribed by NRB directive no. 2. Higher of the loss as per incurred loss model and NRB directive is considered for impairment. Accrued Interest Receivable on loans have been considered under Loans and Advances measured at Amortized Cost. Loan to employees provided according to the Employee Bylaws of the bank is presented under this head, which is also measured at amortized cost.

PERSONNEL EXPENSES

4.36

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Salary	273,921,837	275,800,513
Allowances	220,724,853	216,151,496
Gratuity Expense	14,832,996	16,765,937
Provident Fund	24,123,055	23,091,815
Uniform	6,943,446	10,058,157
Training & development expense	14,852,069	14,430,985
Leave encashment	49,484,212	47,077,677
Medical	-	-
Insurance - Staff	3,292,753	3,628,278
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	12,405,872	28,000,222
Other expenses related to staff		
Staff Tiffin Expenses	22,552,742	22,806,100
Voluntary Retirement Scheme (VRS) Expenses	11,023,379	-
Other expenses related to staff	7,178,991	4,837,249
Subtotal	661,336,204	662,648,430
Employees Bonus	99,844,358	58,978,543
Grand total	761,180,563	721,626,972

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2074. All expenses related to employees of a bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, etc. Staff Loans are fair valued using the market rates.

OTHER OPERATING EXPENSE

4.37

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	1,476,000	1,858,000
Directors' expense	3,680,115	5,699,721
Auditors' remuneration	800,000	800,000
Other audit related expense	-	-
Professional and legal expense	1,477,804	2,428,519
Office administration expense	225,064,294	206,598,751
Operating lease expense	-	-
Corporate social responsibility expense	-	-
Other Expenses	34,426,817	36,529,796
Finance Expense- Lease	-	-
Share Issue Expenses	-	-
Deposit Product Insurance	931,799	614,874
Bank Charges	139,717	125,632
Mobile Banking Expenses	10,719,236	11,117,709
Registration and Renewals	6,857,870	7,045,308
Clearing Expenses	430,368	804,247
Software Licensing and Related Costs	9,333,251	7,798,480
DC Colocation Rent	1,962,774	1,035,794
Debenture & Other Related Expenses	882,339	732,339
Commission Expenses	-	-
Onerous lease provisions	-	-
Tax Related Expenses	-	-
Operating expense of investment properties	-	-
Other Operating Expenses	3,169,463	7,255,412
Total	266,925,030	253,914,787

All operating expenses other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and audit fee paid to auditors, professional and legal expense, expense of restructuring, onerous lease provisions etc.

OFFICE ADMINISTRATION EXPENSE

4.37.1
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Water and electricity	24,203,512	22,812,162
Repair and maintenance		
(a) Building	2,222,622	2,172,429
(b) Vehicle	3,383,401	2,952,170
(c) Computer and accessories	982,327	910,687
(d) Office equipment and furniture	3,848,991	3,734,280
(e) Other	1,785,036	1,743,694
Insurance	7,477,533	6,633,673
Postage, telex, telephone, fax	5,056,145	5,460,344
Printing and stationery	19,039,472	16,490,519
News paper, books and journals	107,366	61,218
Advertisement	10,985,516	5,117,693
Security expense	47,244,610	44,217,448
Deposit and loan guarantee premium	26,392,637	26,518,200
Travel allowance and expense	14,408,564	12,246,981
Annual/special general meeting expenses	1,056,269	744,249
Other		
Fuel Expenses	10,276,036	10,097,966
Business Promotion Expenses	7,048,082	6,778,800
Technical/Consultancy Services Fee	1,167,887	365,503
Office Expenses	23,691,478	21,331,549
Annual Maintenance	5,410,255	5,230,385
Meeting Expenses	179,040	1,281,263
Branch Opening Expenses	-	9,857
Donation	-	-
Internet Expenses	9,097,516	9,687,683
Total	225,064,294	206,598,751

DEPRECIATION AND AMORTIZATION

4.38

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	91,934,526	103,532,494
Depreciation on Right of use Assets	75,917,433	76,566,160
Depreciation on investment property	-	-
Amortization of intangible assets	4,788,716	4,515,550
Total	172,640,675	184,614,204

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. Intangible asset contains software which has been amortized over 5 years.

NON OPERATING INCOME**4.39**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	700,000	-
Other income	-	-
Total	700,000.0	-

NON OPERATING EXPENSES**4.40**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loan written off	69,987,244	108,386,049
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense.	-	-
Total	69,987,244	108,386,049

INCOME TAX EXPENSES**4.41**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current tax expense		
Current year	317,697,683	186,886,208
Adjustments for prior years	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(930,281)	(17,443,867)
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
Total income tax expense	316,767,402	169,442,341

Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. Income tax and deferred tax have been recognized as per regulatory profit.

RECONCILIATION OF TAX EXPENSE AND ACCOUNTING PROFIT**4.41.1**

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	898,599,225	530,806,885
Tax amount at tax rate of 30%	269,579,768	159,242,066
Add: Tax effect of expenses that are not deductible for tax purpose	48,117,916	27,644,142
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
Total income tax expense	317,697,683	186,886,208
Effective tax rate	35.35%	35.21%

5. Additional Disclosures

5.1. Financial Risk Management

Introduction and Overview

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is mainly exposed to;

1. Credit Risk
2. Liquidity Risk
3. Market Risk
4. Operational Risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Chief Risk Officer (CRO), along with his team, is responsible for overall risk management of the Bank which includes managing, assessing, identifying, monitoring and reducing pertinent global, macro and micro-economic level business risks that could interfere with Banks objective and goals and whether the Bank is in substantial compliance with its internal operating policies and other applicable regulations and procedures, external, legal, regulatory

or contractual requirements on a continuous basis. Further, CRO ensures integration of all major risk in capital assessment process. The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor adherence to established limits. Risk management policies and systems are reviewed annually to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities. Risk Management structure is depicted below:

5.1.1. Credit Risk

Risk is an inherent feature of any business and it drives an entity towards income generation. Likewise, Risk management objective of the Bank is to strike balance between risk and return, and ensure optimum Risk-adjusted return on capital. A reasonable level of return is essential for sustainability of the business. However, taking higher risk in search of higher earnings may have chances to result in failure of business. Thus effective risk management is a must for business success. Towards this end Kamana Sewa Bikas Bank has implemented robust risk management architecture as well as policies and processes approved by the Board of Directors. These encompass independent identification, measurement and management of risks across various facets of banking operation.



Board level risk management committee has been set up under NRB Directive for ensuring/reviewing bank's risk appetite are in line with the policies and CRO acts as member secretary. CRO closely monitors and report on credit related risks in RMC meeting.

Credit Risk Mitigation (CRM)

The Bank has extensive policy and guidelines to mitigate credit risks. The Bank's credit policy has strengthened minimizing credit risk and provided support to make qualitative analysis based on sound credit principles and procedures. Bank has a policy to consider as security for pledge, hypothecated or mortgage which have value considering physical control and legal title. Bank has considered eligible CRM as prescribed by Capital Adequacy standard. Collateral taken as Deposit with own Bank, Deposit with other BFIs, National Saving & Development Bonds, and Gold & Silver have been considered as CRM and adjusted on overall risk weighted exposure on credit risk in line with the standard.

The Bank has developed a risk assessment culture and has in place the required reports for assessing concentration of risks. Periodic performance reporting based on Balanced Scorecard, in line with capital strength, to the Board is also in place. These reports are periodically put up to the board. Board also reviews the same and issues instructions, as appropriate, to the Bank's management.

Collateral and other credit enhancements

"The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The general creditworthiness of customers tends to be the most relevant indicator of credit quality of a loan. However, collateral provides additional security and the Bank generally requests large borrowers to provide same. The Bank may take collateral in the form of a first charge over real estate and residential properties, floating charges over all corporate assets and other liens and guarantees. The Bank's policy is to pursue timely realization of the collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. The Bank generally does not use non-cash collateral for its own operations."

Definition of Past Due

Bank consider that any amounts uncollected one day or more beyond their contractual due date are 'past due'.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Bank. All loans and advances have been impaired.

5.1.2. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The bank classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The bank has separate market risk management policy in place as a guiding document.

Market Risks are discussed at Asset Liability Management Committee (ALCO) of the Bank and even discussed at respective division level on open position on daily basis. The limits for open position are controlled, level wise which ensures in-depth knowledge of the market and movement before taking decision (by choice). The monthly reports on such aspects are well discussed and dealt in ALCO. The committee ensures functioning of the jobs in line with the policies and procedures and suggests/recommends for necessary steps collectively to address the risk on interest rate movement, exchange rate movement and equity price changes. Most of the market operations (investments) are done from the Treasury Front Office which reports to the Chief Financial Officer and exposure accounting including booking of income/expense is done from Treasury Back Office which reports to the Chief Operating Officer. The Bank assesses the open position on daily basis and calculates risk exposure for allocation of required capital in line with Basel provisions. Likely impact on earnings due to change in the market condition and change in the standing of the counterparty are well assessed periodically and necessary actions are taken as appropriate. TFO is equipped with advanced dealing platform for timely and effectively concluding the deals. Similarly the unit is equipped with modern and advanced information system on global news, market movements and any incidents so that bank can manage and maintain the position favorably.

5.1.3. Liquidity Risk & Funding management

Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The bank has formulated separate liquidity risk management policy and developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow. The Bank also has committed lines of credit that could be utilized to meet liquidity needs. Further, the Bank maintains a statutory deposit with the Nepal Rastra Bank equal to approx. 4.04% of customer local deposits. In accordance with the bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Bank. The most important of these is to maintain the required ratio of liquid assets to liabilities, to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.

Statutory Liquidity Ratio

For the Month of Ashad 2081 22.43%

5.1.4. Fair value of Financial instruments

Financial instruments are recorded at fair value. The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the bank's estimate of assumptions that a market participant would make when valuing the instruments.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. Financials assets measured at fair value (either through PL or OCI), primarily consisting of quoted equities and Quoted Mutual Fund units, are valued using the quoted market price in active markets as at the reporting date. If unquoted, those are carried at cost.

Financial investments – Measured through OCI

Financials assets measured through OCI, primarily consist of quoted equities and Quoted Mutual Fund units, are valued using the quoted market price in active markets as at the reporting date. For unquoted securities those are carried at cost.

5.1.5. Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Strategic and Reputational Risks are not covered in Operational Risk. Effective operational risk management systems aims to minimizing losses and customer dissatisfaction due to failure

in processes, focusing on flows in products and their design that can expose the Bank to losses due to fraud, analyzing the impact of failures in technology / system, developing plans to meet external shocks that can adversely impact continuity in the Bank's operations. Bank has introduced a "comprehensive operational risk monitoring and reporting framework" as well as "output checking" at all branches covering all transactions on daily basis to minimize operational risk.

One of the growing risks among others these days is Operations Risk that arises out of inefficient processes and people inside and outside the Bank. Asset Liability Management Committee (ALCO) is the management committee where operating risk, market risk and other risks are discussed, in line with ALM Policy. Banking System (BS) is another area of concern where it has witnessed growing threat from outside. Information and Technology Division in the Bank reviews and checks the security aspects in line with IT Policy of the Bank. Bank has conducted an IS Audit of the Bank's system and suggestions given by the audit with respect to safety and security standards are being put in place.

Bank has separate division to oversee operation risk including Compliance of KYC and AML. The division is headed by senior level staff with adequate access to the daily report, operational processes and right to recommend the changes in the system and procedures. The head of operation risk directly reports to the Chief Risk Officer. Bank has SIMs (Standing Instruction Manuals) for all businesses of the Bank. All the activities are undertaken in line with the set criteria in the Standing Instruction Manual, policies and guidelines including Directives and circulars from central bank (the regulatory authority). Similarly daily functions at operations are independently reported through separate reporting line other than business generation and credit risk where independence of checking and control is complied with. Processes are reviewed periodically so that their perfection can be weighed and any shortcoming can be addressed. Most of the functions like line approval, bill payment, loan disbursement are centralized which controls activities that can cause mistake due to inadequate knowledge on the part of staff. Similarly awareness to the public is made on our services and products periodically by placing the notices in the website of the Bank, or in branches or publishing notices as appropriate. Staffs are given orientation on the job including that of system of the Bank before they are placed for the job and are guided to follow the SIMs for the job. Any staff for the first time in any job is put under the supervision of an experienced staff and is allowed to work independently after attaining required skills.

Bank has Whistle Blowing Policy to report to senior or management directly on anyone's suspicious conduct outside and inside the Bank. Skill development and skill enhancement programs are conducted on periodic basis and staffs identified for the program get the opportunity

for training, seminar and workshop. Adequate numbers of trainings are conducted and staffs required with training are given the opportunity for skill enhancement. Knowledge sharing is one of the core methods of skill development. If a staff gets any training, s/he is encouraged to share the same among the peers in the division/branch. In operations, the Bank has put in place a maker and checker concept in which a transaction has to compulsorily go through two individuals from a control standpoint with proper transaction right to capture deviations, if any. Similarly MIS Reports are generated to check correctness of transactions and any mistakes are promptly addressed and rectified. The activities of a personnel and division / branch can be viewed and monitored centrally through an integrated system, which helps in minimizing the risk of misconduct, if any. The Bank has an on-line replication Disaster Recovery Site (DRS) which captures the record of each transaction that takes place at the Production Server. Both the sites (Production Server and Disaster Recovery – Back up site) are housed in well-conditioned and high shock resistant buildings and are at different seismic zone, far from each other. DRS is outsourced to a professionally managed company having expertise in the sector. Drill is being done periodically and is being tested occasionally to assess the functioning of DRS.

Each desktop is implemented with Active Directory System (ADS) which does not allow user to take away the data in devices like data traveller (pen drive) or bring in data for processing or any other purposes posing threat to the repository. Similarly individual data in desk are also stored and backed up in periodic interval at data center so that any loss of data in desktop can be retrieved from data center. The Bank has a separate Legal division which is adequately manned by qualified and experienced staff. All legal agreements, deeds and documents including claims and charges are thoroughly studied prior to making any decision involving such documents. Compliance with existing rules and regulations and business practices globally and locally are taken into account before arriving at the decision. The cases where the Bank needs expert's opinion on any of the issues the same is done through the expert in the respective field.

5.1.6. Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instruments due to changes in foreign exchange rates. The Bank's Board has set limits on positions by currency in line with NRB directives (maximum position for all currency excluding INR is 30% of core capital). In accordance with the bank's policy, positions are monitored on a daily basis and also reviewed in ALCO meeting and hedging strategies are used to ensure positions are maintained within established limits. Market risk management policy and Treasury Manual of the bank are the guiding documents for the management and mitigation of currency risk.

5.2 CAPITAL MANAGEMENT

The Bank's capital management policies and practices support its business strategy and ensure that it is adequately capitalized to withstand even in severe macroeconomic downturns. Kamana Sewa Bikas Bank is a licensed institution providing financial services therefore it must comply with capital requirement of central bank so called Nepal Rastra Bank.

The Bank's capital consists of Tier I capital and Tier II capital.

5.2.1. Qualitative disclosures

Nepal Rastra Bank has directed the Banks to develop own internal policy, procedures and structures to manage all material risk inherent in business for assessing capital adequacy in relation to the risk profiles as well as strategies for maintaining capital levels. This includes basic requirements of having good governance, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate capital. The Bank has various BODs approved risk management policies for proper governance. The Bank has developed a comprehensive ICAAP document which is subject to review every year. The ICAAP has two major components; first is an internal process to identify, measure, manage and report risks to which the bank is exposed or could be exposed in the future; and second is an internal process to plan and manage a bank's capital so as to ensure adequate capital. The Bank prepares the ICAAP report annually complying with the NRB requirement. The report is reviewed and analyzed by Risk Management Committee and Board. The report is prepared as per BASEL III norms considering various adverse scenarios. The Bank also conducts the stress testing on thirty two different unfavorable scenarios on quarterly basis and is reviewed by senior management, Risk Management Committee and Board. The Bank in line with BASEL provisions and ICAAP document assesses risk exposures and allocated sufficient capital/cushion for perceived risks. The adequacy of capital is main agenda of any ALCO, Man-Com and Board meetings.

5.2.2. Quantitative disclosures

1. Capital structure and capital adequacy

Tier 1 Capital and a breakdown of its Components:

Particulars	Amount (Rs.)
Paid up Equity Share Capital	3,281,164,669
Irredeemable Non-cumulative preference shares	-
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	845,877,892
Retained Earnings	411,201,538
Un-audited current year cumulative profit/(loss)	-
Capital Redemption Reserve	-
Capital Adjustment Reserve	-
Debenture Redemption Reserve	142,857,143
Dividend Equalization Reserves	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible Assets	(13,641,132)
Less: Fictitious Assets	-
Less: Investment in equity in licensed Financial Institutions	-
Less: Investment in equity of institutions with financial interests	-
Less: Investment in equity of institutions in excess of limits	-
Less: Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Purchase of land & building in excess of limit and unutilized	(10,046,400)
Less: Other Deductions	-
Total Tier 1 Capital	4,657,413,709

Tier 2 Capital and Breakdown of its Components:

Particulars	Amount (Rs.)
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	853,373,612
Hybrid Capital Instruments	-
General loan loss provision	545,907,430
Exchange Equalization Reserves	1,110,974
Investments Adjustment Reserves	3,000,000
Assets Revaluation Reserves	-
Other Reserve	-
Total Tier 2 Capital	1,403,392,016

Total Qualifying Capital:

Particulars	Amount (Rs.)
Core Capital (Tier 1)	4,657,413,709
Supplementary Capital (Tier 2)	1,403,392,016
Total Capital Fund	6,060,805,725

Core Capital Ratio: 9.61%

Capital Adequacy Ratio: 12.50%

Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:

Kamana Sewa Bikas Bank adopts healthy risk management framework. The bank follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business. The bank's policies and procedures are approved by the Board of Directors and these documents provide guidance on independent identification, measurement and management of risks across various businesses. Bank's different committees like Audit Committee, Risk Management Committee review the business and risks periodically and take account of stress test results, scenario analysis so as to align risk, return and capital in sustainable manner.

The bank also defines risk aspects, considering domestic economic scenario, and puts in place the system to minimize and remove such risk. The risk appetite and approach towards risk taking is well discussed in management level and board level. It is always aligned with the business, its return and capital. Basel disclosures have been complied with, addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks, weakness of businesses and fast changing world with intense competition pose a threat to sustainability.

Capital planning is an integral part of the bank's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected, and a plan is formulated to retain the required capital. The bank is well capitalized and able to maintain the required capital through internal generation, and equally through capital markets if needed.

2. Risk exposures

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:

RISK WEIGHTED EXPOSURES	Amount (Rs.)
Risk Weighted Exposure for Credit Risk	43,672,594,420
Risk Weighted Exposure for Operational Risk	2,830,303,258
Risk Weighted Exposure for Market Risk	10,672,596
Total Risk Weighted Exposures (Before Bank's adjustment of Pillar II)	46,513,570,274

Risk Weighted exposures under each categories of Credit Risk:

	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
A. Balance Sheet Exposures						
Cash Balance	561,116,459	-	-	561,116,459	0%	-
Balance With Nepal Rastra Bank	2,396,952,186	-	-	2,396,952,186	0%	-
Investment in Nepalese Government Securities	10,607,565,263	-	-	10,607,565,263	0%	-
All Claims on Nepal Rastra Bank	223,918,965	-	-	223,918,965	0%	-
Claims on domestic banks that meet capital adequacy requirements	4,367,605,547	-	-	4,367,605,547	20%	873,521,109
Claims on Domestic Corporates (Unrated)	4,383,123,667	-	30,000,000	4,353,123,667	100%	4,353,123,667
Regulatory Retail Portfolio (Not Overdue)	30,194,743,832	-	1,167,633,076	29,027,110,756	75%	21,770,333,067
Claims secured by residential properties	3,402,423,390	-	-	3,402,423,390	60%	2,041,454,034
Claims secured by residential properties (Overdue)	50,336,164	22,614,355	-	27,721,809	100%	27,721,809
Past due claims (except for claims secured by residential properties)	2,593,226,026	1,227,495,968	3,009,402	1,362,720,656	150%	2,044,080,984
High Risk claims	3,833,629,689	-	96,260,229	3,737,369,460	150%	5,606,054,190
Real Estate loans for land acquisition and development	625,463,696	-	-	625,463,696	125%	781,829,620
Lending against shares (above Rs. 5 million)	1,214,694,786	-	-	1,214,694,786	125%	1,518,368,483
Lending against shares (upto Rs. 5 million)	387,981,834	-	-	387,981,834	100%	387,981,834
Personal Hirepurchase/Personal Auto Loans	319,829,368	-	-	319,829,368	100%	319,829,368
Investments in equity and other capital instruments of institutions listed in stock exchange	767,824,924	-	-	767,824,924	100%	767,824,924
Investments in equity and other capital instruments of institutions not listed in the stock exchange	320,823,700	-	-	320,823,700	150%	481,235,550
Staff loan secured by residential property	329,450,062	-	-	329,450,062	50%	164,725,031
Interest Receivable/claim on government securities	159,054,246	-	-	159,054,246	0%	-
Other Assets (as per attachment)	2,098,161,782	-	-	2,098,161,782	100%	2,098,161,782
TOTAL (A)	68,837,925,585	1,250,110,323	1,296,902,707	66,290,912,555		43,236,245,451
B. Off Balance Sheet Exposures						
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	275,864,611	-	7,077,100	268,787,511	40%	107,515,004
Irrevocable Credit commitments (short term)	1,644,169,819	-	-	1,644,169,819	20%	328,833,964
TOTAL (B)	1,920,034,431	-	7,077,100	1,912,957,331		436,348,968
Total RWE for credit Risk (A) +(B)	70,757,960,016	1,250,110,323	1,303,979,807	68,203,869,885		43,672,594,420

Total Risk Weight Exposures Calculation Table:

RISK WEIGHTED EXPOSURES	Amount (Rs.)
Risk Weighted Exposure for Credit Risk	43,672,594,420
Risk Weighted Exposure for Operational Risk	2,830,303,258
Risk Weighted Exposure for Market Risk	10,672,596
Add: 3% of the total RWE added by Supervisory Review	1,395,407,108
Add: 3 % of gross income added by Supervisory Review	573,300,846
Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	48,482,278,228
Total Core Capital	4,657,413,709
Total Capital	6,060,805,725

Amount of Non-Performing Assets (Both Gross and Net):

Particulars	Gross Amount (Rs)	Loan Loss Provision (Rs)	Net NPL (Rs)
Restructured	-	-	-
Sub-Standard	378,394,600	91,963,210	286,431,390
Doubtful	239,951,958	115,787,614	124,164,343
Loss	1,068,268,810	1,042,359,499	25,909,311
Total	1,686,615,368	1,250,110,323	436,505,044

5.2.3. Compliance with External Requirement

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

5.3. Classification of Financial Assets and Financial Liabilities

Analysis of financial instruments by measurement basis.

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in NFRS 9 and by headings of the Statement of Financial Position.

Particulars	Fair Value through PL	Amortized Cost	Measured at FVTOCI	Total
Financial Assets				
Cash & Cash Equivalents	-	1,774,367,964	-	1,774,367,964
Due from Nepal Rastra Bank	-	2,396,952,186	-	2,396,952,186
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Assets	-	-	-	-
Loan and Advances to B/FIs	-	3,121,680,410	-	3,121,680,410
Loans & Advances to Customers	-	45,979,607,704	-	45,979,607,704
Financial Investments - Measured at Fair Value through PL	-	-	-	-
Financial Investments - Measured at Fair Value through OCI	-	-	1,088,648,624	1,088,648,624
Financial Investments - Measured at Amortized cost	-	10,607,565,263	-	10,607,565,263
Other Financial Assets	-	745,322,974	-	745,322,974
Total Financial Assets	-	64,625,496,501	1,088,648,624	65,714,145,125
Financial Liabilities				
Due to Bank and Financial Institutions	-	626,690,715	-	626,690,715
Deposit from Customers	-	59,066,711,728	-	59,066,711,728
Other Liabilities	-	1,090,289,659	-	1,090,289,659
Debt Securities Issued	-	996,230,755	-	996,230,755
Total Financial Liabilities	-	61,779,922,857	-	61,779,922,857

5.4 Segment Reporting

Particulars	Koshi	Madhesh	Province 3	Province 4	Province 5	Province 6	Province 7	Total
Revenue from external customers	716,548,265.89	629,149,495.81	3,189,566,216.02	1,177,215,584.91	1,498,145,058.73	43,623,837.86	210,181,601.98	7,464,430,061
Intersegment revenues	-	-	-	-	-	-	-	-
Net Revenue	-	-	-	-	-	-	-	-
Interest Revenue	688,821,511.31	609,329,555.79	2,956,370,137.94	1,112,824,878.89	1,430,447,702.36	41,968,267.39	200,692,152.62	7,040,454,206
Interest Expense	182,763,849.26	111,418,095.71	1,995,983,929.23	1,443,452,281.35	1,094,819,595.80	16,943,602.18	62,529,940.44	4,907,911,294
Net interest revenue (d-e)	506,057,662	497,911,460	960,386,209	(330,627,402)	335,628,107	25,024,665	138,162,212	2,132,542,912
Depreciation and Amortization	13,707,429.04	12,130,920.70	85,106,481.93	27,085,704.88	27,910,596.23	816,997.75	5,882,544.11	172,640,675
Segment profit/(loss)	30,011,879	(63,570,028)	292,891,066	76,421,921	207,998,172	6,477,153	31,601,661	581,831,823
Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-
Other material non-cash items:	-	-	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-	-	-
Segment assets	7,327,836,270	5,814,238,976	25,622,803,194	11,741,698,402	14,221,786,514	407,647,254	2,053,017,463	67,189,028,073
Segment liabilities	2,396,040,764	1,623,161,869	22,460,064,979	19,009,962,202	15,232,873,613	184,333,048	898,248,242	61,804,684,716

5.5 Share Options and Share Based Payments

Share options is a contract that gives the holder the right, but not the obligation, to subscribe the Bank's shares at a fixed or determinable price for a specified period. A share-based payment is a transaction in which the bank receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.

The bank has not entered into any share option or share based payment contract during the period.

5.6 Contingent liabilities and Commitments

Contingent Liability

- It is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- It is a present obligation that arises from past events but is not recognized because :it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- It is the amount of the obligation cannot be measured with sufficient reliability An entity should not recognize a contingent liability. An entity should disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote."

Commitments

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

Comprehensive disclosure of the contingent liabilities and commitments are made on **Note 4.28**.

5.7 Related parties disclosures

a) Identified related parties

The bank has identified following as related parties under NAS 24:

1. Directors
2. Key Managerial Personnel of the Bank and
3. Related parties of the above two

S. N.	Name of Related Party	Relationship
1.	Mr. Sudeep Acharya	Chairman, Board of Directors
2.	Mr. Bhim Prasad Tulachan	Member, Board of Directors
3.	Mr. Chaturakhar Adhikari	Member, Board of Directors
4.	Mr. Bishweshwar Subedi	Member, Board of Directors
5.	Mr. Balaram Baral	Member, Board of Directors
6.	Mrs. Sita Ghimire	Member, Board of Directors
7.	Mr. Pawan Kumar Sharma	Member, Board of Directors
8.	Mr. Dinesh Thakali	Chief Executive Officer
9.	Mr. Binay Dahal	Deputy Chief Executive Officer

b) Key Managerial Personnel (KMP)

Key managerial Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Board of Directors, Chief Executive Officer (CEO) and Deputy CEO of the bank are identified as KMP of the bank.

c) Transaction with Board of Directors

Board of Directors Meeting Fee/Allowance

In addition to above meeting allowance, following amount have been paid to director:

Particulars	Sitting Fees (Rs.)
Board Meeting	1,046,000
Audit Committee Meeting	187,000
Risk Management Committee Meeting	153,000
Staff Service and Facilities Committee Meeting	36,000
AML/CFT Committee Meeting	54,000
Total	1,476,000

Particulars	Amount (Rs.)
Newspaper and Periodical Facility (Rs. 4,000 per month)	288,000
Total	288,000

d) Transaction with other Key Managerial Personnel

Amount in Rs.

Particulars	Deputy Chief Executive Officer	Chief Executive Officer
Salary and Allowances	9,159,984	10,171,488
Provident Fund	415,800	536,400
Other Perks	63,871	26,820
Total	9,639,655	10,734,708

e) Transaction and agreements involving KMP and their close family member

Close family members of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Bank. They may include KMP's spouse and children, children of the KMP's spouse and dependents of the KMP or of the KMP's spouse. Close family member is related parties to the Bank.

For the reported period there have been no payments or transactions with close family members of KMP except in the normal course of banking business, both for the Bank.

iii. Fair Value Reserve

The net change in fair value of financial assets that are measured at fair value and change in fair value is recognized in other comprehensive income until assets are derecognized. The amount transferred to this reserve during the year is:

Amount in Rs.

Particulars	Current Year	Previous Year
Opening Fair Value Reserve	(31,099,538)	(60,046,207)
Transfer/ Adjustment in Reserve	70,944,295	28,946,669
Closing Fair Value Reserve	39,844,756	(31,099,538)

5.8 Additional disclosures**a) Reserve****i. General Reserve**

Section 44 of Bank and Financial Institutions Act 2073 requires the Bank to allocate at least 20% of the net profits of every year to General Reserve until it is twice the paid-up capital. The Bank has appropriated NPR 116,366,365/- of the net profits to General Reserve in the current year.

Amount in Rs.

Particulars	Current Year	Previous Year
Opening General Reserve	729,511,527	657,238,618
20% of Profit to be transferred	116,366,365	72,272,909
Closing General Reserve	845,877,892	729,511,527

ii. Exchange Equalization Reserve

Section 45 Bank and Financial Institutions Act 2073 requires, 25% of revaluation gain from foreign currency exchange rate differences to be transferred to Exchange Equalization Reserve and revaluation loss is charged to profit and loss account. 25% of Revaluation profit of foreign currency accounts during the current period amounting NPR 67,539/- been transferred to exchange fluctuation fund maintained by the Bank.

Amount in Rs.

Particulars	Current Year	Previous Year
Opening Exchange Equalization Reserve	1,043,435	724,969
25% of Revaluation gain	67,539	318,466
Closing Exchange Equalization Reserve	1,110,974	1,043,435

iv. Assets Revaluation Reserve

Assets are recognized under cost model and they are presented under historical cost. So, no assets have been revalued as on balance sheet date.

v. Regulatory Reserve

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

Particulars	31st Asar 2081 (Rs.)	31st Asar 2080 (Rs.)	32nd Asar 2079 (Rs.)
Opening Balance of Regulatory reserve	700,767,867	466,897,594	111,646,881
Addition:			
Interest receivable on Loans and advances	31,107,340	173,425,770	116,166,879
Change in fair value of equity instrument	(31,099,538)	(32,219,456)	63,318,994
Deferred Tax Assets	(28,497,184)	7,321,384	46,809,978
Non-Banking Assets	(13,959,778)	80,015,031	133,862,534
Actuarial Gain/Loss	(8,952,786)	5,327,544	(4,907,673)
Closing Balance of Regulatory Reserve	649,365,921	700,767,867	466,897,594

Item wise movement of regulatory reserve is as follows;

Amount in Rs.

Particulars	Interest Receivable	Short loan loss provision on NBA	Deferred tax assets	Actuarial Loss Recognized	Fair Value Weight	Total
Balance as on Ashad 31st 2076	74,027,705	-	31,673,888	9,519,451	58,567,078	173,788,123
Addition during the FY 2076-77	(1,163,841)	6,054,300	4,888,216	(2,937,602)	(18,631,389)	(11,790,316)
Balance as on Ashad 31st 2077	72,863,864	6,054,300	36,562,104	6,581,849	39,935,689	161,997,807
Addition during the FY 2077-78	(20,059,524)	15,876,000	(8,182,778)	1,951,066	(39,935,689)	(50,350,926)
Balance as on Ashad 31st 2078	52,804,341	21,930,300	28,379,326	8,532,915	-	111,646,881
Addition during the FY 2078-79	116,166,879	133,862,534	46,809,978	(4,907,673)	63,318,994	355,250,713
Balance as on Ashad 32nd 2079	168,971,220	155,792,834	75,189,304	3,625,242	63,318,994	466,897,594
Addition during the FY 2079-80	173,425,770	80,015,031	7,321,385	5,327,544	(32,219,456)	233,870,273
Balance as on Ashad 31st 2080	342,396,990	235,807,865	82,510,689	8,952,786	31,099,538	700,767,867
Addition during the FY 2080-81	31,107,340	(13,959,778)	(28,497,184)	(8,952,786)	(31,099,538)	(51,401,946)
Balance as on Ashad 31st 2081	373,504,330	221,848,087	54,013,505	-	-	649,365,921

Movement of AIR and ICTL

Particulars	AIR	ICTL	Total
Opening balance	559,853,398	4,864,649	564,718,047
Add: Adjustment during the year	49,900,007	688,685	50,588,692
Less: Interest derecognized during the year on NPL accounts	22,442,726	-	22,442,726
Closing balance	587,310,679	5,553,335	592,864,014
Balance of AIR and ICTL in Regulatory Reserve			373,504,330

vi. Investment Adjustment Reserve (IAR)

The Bank has maintained adequate reserve in compliance with NRB Directives 08/2080 for unlisted investments according to which 100% reserve to be created for investments not being listed.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Opening IAR	3,000,000	3,000,000
Add: Additional Reserve during this year	-	-
Less: Adjustment in Reserve	-	-
Closing IAR	3,000,000	3,000,000

vii. Corporate Social Responsibility Reserve

Clause 16 of the NRB Directive No. 06/80 requires the Bank to allocate 1% of its net profit to the corporate social responsibility fund and spent the same for the social causes. The details of the movement of the Corporate Social Responsibility Fund is presented below:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Opening CSR Reserve	4,011,000	6,097,654
Add: Amount allocated to CSR reserve	5,818,318	3,613,645
Less: Expenses incurred from CSR Fund	(4,000,283)	(5,700,299)
Closing CSR Reserve	5,829,036	4,011,000

Sector wise bifurcation of CSR expenses is as follows;

Sector	31st Asar 2081 (Rs.)
Social Projects	2,853,970
Financial Literacy	473,705
Direct Donation	260,000
Sustainable Development Goals	343,878
Donation to Orphanage & Old Age Home	62,630
Kholau Khata Abhiyan, 2076	200
Others	5,900
Total	4,000,283

Province wise bifurcation of CSR expenses is as follows;

Sector	Amount (Rs.)
Koshi Pradesh	179,265
Madhesh Pradesh	122,324
Bagmati Pradesh	1,627,012
Gandaki Pradesh	1,008,828
Lumbini Pradesh	624,665
Karnali Pradesh	208,500
Sudur Pashchim Pradesh	229,690
Total	4,000,283

viii. Staff Skill Development Fund

The Bank and Financial Institution are required to allocate and spent at least 3% of the previous year salary and allowances for the staff skill development as per Directive 6 of the Nepal Rastra Bank Directives. In case the allocated amount isn't spent, the same has to be carried forward to the next financial year in a Staff Skill Development Fund. In line of this requirement, the movement on the Skill Development Fund is as follows:

Amount in Rs.		
Particulars	Current Year	Previous Year
Opening Balance	3,500,754	4,994,933
3% of the previous year salary and allowances	15,442,743	12,936,807
Total amount incurred for employee training and skill development program	14,852,069	14,430,985
Excess/(Deficit) amount incurred for employee training and skill development program	590,674	(1,494,178)
Staff Skill Development Fund carried forward to next year	4,091,428	3,500,754

ix. Debenture Redemption Reserve

The Bank has issued KSBBL Debenture 2087 with coupon rate of 9% having maturity of 10 years in FY 2077-78. The Bank is required to transfer proportionate amount to Debenture Redemption Reserve annually except the financial year in which debenture is issued and repaid.

During the fiscal year 2080-81, the bank has transferred Rs. 142,857,143/- to Debenture Redemption Reserve.

Financial Year	Amount (Rs.)
2077-78	Issue year
2078-79	-
2079-80	-
2080-81	142,857,143
2081-82	142,857,143
2082-83	142,857,143
2083-84	142,857,143
2084-85	142,857,143
2085-86	142,857,143
2086-87	142,857,143
2087-88	Repayment year

b) Investment Securities:

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

c) Loans & Advances to B/FIs and customers:

Loans & Advances to B/FIs and Customers have been valued under amortized cost as allowed under NFRS 9. Separate Effective Interest Rate (EIR) has not been computed since all the relevant transactions costs for computing EIR are ignored due to impracticability to determine the relevant costs as allowed by Carve Out issued by ICAN. The details of loans and advances are as follows:

Particulars	Amount (Rs.)
1. Performing Loans and advances	
1.1 Pass Loan	41,682,811,146
1.1.1 Pass Loan (other than Restructured/ Rescheduled COVID Related)	41,682,811,146
1.1.2 Pass Loan (Restructured/ Rescheduled COVID Related)	-
1.2 Watch List	6,790,379,980
2 Non-Performing Loan and Advances	
2.1 Restructured / Rescheduled	-
2.2 Sub-standard	378,394,600
2.3 Doubtful	239,951,958
2.4 Loss	1,068,268,810
3 Total Loan and Advances (1+2)	50,159,806,494

The reconciliation of loans as per above and financials are as follows:

Particulars	Amount (Rs.)
Loan as per financial	51,187,566,172
Staff Loan Included	(615,592,617)
AIR on Loan	(587,310,679)
Staff Loan NFRS Adjustment	175,143,617
Total Loans	50,159,806,494

As per para 63 of NAS 39, an entity shall assess at the end of each reporting period if there is any objective evidence that financial asset or group of financial assets measured at amortized cost is impaired. Bank has applied Para 63 and has computed impairment loss. However, as per the Carve-out issued by ICAN as a mandatory treatment of impairment loss for the transition period for banks and financial institution, impairment loss to be measured at higher of amount derived as per norms prescribed by NRB for loan loss provision and as per para 63. Details of such impairment is as mentioned below:

Particulars	This Year	Previous Year	P/L Impact
Loan Loss as per NRB	2,086,278,059	1,728,076,011	358,202,048
Good	493,457,677	513,084,770	(19,627,093)
Watch list	342,710,058	243,876,382	98,833,676
Substandard	91,963,210	86,014,305	5,948,905
Doubtful	115,787,614	179,821,375	(64,033,761)
Bad	1,042,359,499	705,279,179	337,080,320
Impairment as per NFRS	50,993,756	45,165,461	5,828,295
Individual Impairment	-	-	-
Collective Impairment	50,993,756	45,165,461	5,828,295
Impairment to be considered as Alternative Treatment by ICAN (Higher of above two)	2,086,278,059	1,728,076,011	358,202,048

Provision as per NRB contains provision required as NRB directive as well as those prescribed by NRB supervision audit. Higher of impairment as per para 63 of NAS 39 and as per the provision norms prescribed by NRB for loans and advances has been considered in preparing financial statements.

Loan Loss Provision as per Unified Directive 2080

Amount in Rs.

Particulars	2080-81		2079-80	
	Loans and Advances	Loan Loss Provision	Loans and Advances	Loan Loss Provision
Pass	41,682,811,146	493,457,677	40,392,865,715	513,084,770
Watch list	6,790,379,980	342,710,058	4,936,325,777	243,876,382
Restructure	-	-	-	-
Substandard	378,394,600	91,963,210	351,015,253	86,014,305
Doubtful	239,951,958	115,787,614	368,401,395	179,821,375
Bad	1,068,268,810	1,042,359,499	724,367,571	705,279,179
Total	50,159,806,494	2,086,278,059	46,772,975,712	1,728,076,011

d) Segmental reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management.

e) Staff Bonus

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

f) Interim Financial Statements:

Interim Financial Statements are prepared and published on quarterly basis in accordance with NRB Directives in compliance with statutory and legal requirement within the time frame as prescribed.

g) Gratuity and Accumulated Leave Provision:**Gratuity**

Bank has changed the treatment of gratuity from Defined Benefit Plan to Defined Contribution Plan dated from 2024/07/11. Provision for Gratuity has been deposited as per the Labor Act 2074.

Under the newly implemented policy, Bank has followed following rate to deposit the gratuity:

- For the employee who have worked up to 15 years, gratuity is provided at 8.33% of the basic remuneration of each month
- For the employee who have worked above 15 years and up to 20 years, gratuity is provided at 12.50% of the basic remuneration of each month
- For the employee who have worked above 20 years, gratuity is provided at 16.67% of the basic remuneration of each month

Bank has calculated the gratuity provision as per old policy for the employees who are eligible for gratuity as on 10.7.2024 and after the transition date gratuity has been calculated for all employees as per new policy. Bank has created the total provision of Rs. 47,144,684/- as on Ashad 2081. The provision amount shall be deposited in CIT of respective employee.

Particulars	Amount (Rs.)
Opening Gratuity provision as per Actuary report under Defined Benefit Plan	78,184,703
Additional Provision created during FY 2080-81	14,832,996
Reversal of Gratuity Provision due to change in policy	45,873,015
Closing Gratuity Provision	47,144,684
Provision to be created after the change in gratuity policy	
For eligible staffs under old policy	47,507,753
For all staffs under new policy	312,474
Total Provision	47,820,227
Less: Plan Assets	675,543
Net Provision	47,144,684

Leave

The Bank has recognized an additional provision of NPR 5,595,284/- for accumulated leave liability in the current year. Being non-funded arrangement, total amount is booked as liability for bank. Moreover, leave encashment paid in excess of accumulated leave exceeding 60 days each of sick and annual leave is also charged in profit and loss account.

Amount in Rs.		
Particulars	Current Year	Previous Year
Defined Benefit Obligations (DBO)	89,481,462	83,886,178
Fair Value of Planned Assets	-	-
Net Liability	89,481,462	83,886,178

h) Operating Lease

As per NFRS 16, Lease expense shall be recognized at the commencement date, a lessee shall recognize a right-of-use asset and a lease liability. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

After the commencement date, a lessee shall measure the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications to reflect revised in-substance fixed lease payments;

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Lease Liabilities		
Current	59,157,173	55,396,047
Non-Current	454,242,194	517,712,908
Total Lease Liability	513,399,367	573,108,955
Reconciliation of Right of Use (ROU) Asset		
ROU Asset as of 1st Shrawan	506,196,879	541,136,795
Addition during the year	11,007,498	59,686,628
Depreciation	75,917,433	76,566,159
ROU Asset derecognized	17,547,529	18,060,385
Closing Balance	423,739,415	506,196,879
Reconciliation of Lease Liabilities		
Lease Liability as of 1st Shrawan	573,108,955	578,112,484
Addition during the year	11,007,498	59,686,627
Interest	54,255,675	58,210,852
Lease Payments	107,112,235	103,049,035
Lease Liability derecognized	17,860,525	19,851,974
Closing Balance	513,399,367	573,108,955

i) Deferred Tax Asset/Liability:

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

Amount in Rs.

PARTICULARS	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
Deferred tax on temporary differences on following items			
Investment Securities	-	17,076,324	(17,076,324)
Property and Equipment	-	125,048,599	(125,048,599)
Employees' Defined Benefit Plan	40,987,844	-	40,987,844
Lease Liabilities	154,019,810	-	154,019,810
Debentures	1,130,774	-	1,130,774
Deferred tax on temporary differences			54,013,504
Net Deferred Tax Asset (Liabilities) as on year-end of Asar 2081			54,013,504
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2080			(82,510,688)
Origination/(Reversal) during the year			(28,497,184)
Deferred Tax expense (income) recognized in profit or loss			930,281
Deferred Tax expense (income) recognized in OCI			(29,427,465)

j) Staff Loans measured at fair value

Under previous NAS, staff loans were recorded at cost less repayments net of loan loss provision, if any. Under NFRS, the Bank has to measure the staff loans granted below the market interest rate at their fair value, calculate based on the market interest rate of similar products.

The fair value of such loans as at Ashad 31 2081 was NPR 615.59 Million. The difference between the fair value and NAS carrying amount was NPR 175.14 Million has been netted off against staff loans & recognized as deferred employee expenditure.

k) Weighted Average Interest Rate Spread

The weighted average interest rate spread between Loan and Investment and Deposit Liabilities are shown as below;

Particulars	Annual Average %
Average Interest Rate of Loan and Investment	11.50 %
Average Interest Rate of Deposit and Borrowing	6.90 %
Average Interest Rate Spread	4.59 %

l) Loans and Advances extended to Promoters

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

m) Non-Banking Assets

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

Amount in Rs.		
Particulars	Current Year	Previous Year
Opening Balance	374,298,199	237,680,213
Addition during the year.	48,746,000	146,545,432
Disposal during the year	(70,904,379)	(9,927,446)
Closing Balance	352,139,820	374,298,199

List of Non-Banking Assets

Amount in Rs.		
S.N.	Name of Borrower	Total amount of Non-Banking Assets (Rs.)
	Date of assuming NBA	
1	Mathagadhi Furniture Udhyog	2021/04/13 25,200,000
2	Palhi Bhagwati Traders	2022/04/13 27,300,300
3	Tshiring Enterprises	2022/04/13 9,958,000
4	S and A Construction and Suppliers	2022/04/13 23,685,000
5	Platinum Publication Pvt. Ltd.	2022/05/09 14,075,788
6	Shree Pathivara Trade	2022/07/15 38,957,000
7	Grace Paper Mills Pvt Ltd	2022/07/06 22,906,905
8	Sabin & Brothers Pvt. Ltd.	2022/07/14 39,142,430
9	R.K Supplier and Traders	2022/07/14 20,281,141
10	Nawadurga Traders & Suppliers	2022/10/09 6,930,000
11	Parbat Alina Cosmetic Pasal	2022/10/09 5,780,000
12	Evergreen Drinking Water & Niton Shrestha	2023/01/14 19,622,000
13	Namuna Mart Department Store Pvt. Ltd.	2023/01/24 23,776,895
14	Simon Business Pvt. Ltd.	2023/02/20 25,778,362
15	Threepage Collection & Rabindra Titung	2024/01/18 9,000,000
16	Jamir Suppliers&Jamir Ahamad	2024/05/14 5,408,000
17	Sonamai Saw Mill & Furniture Udhyog/ Mangal Mahato Sudi/Anil Kumar Sah	2024/07/07 13,946,375
18	Maa Rajdevi Sawmill	2024/07/07 13,325,625
19	Kopila Krihi Tatha Pashupalan Farm	2024/07/09 7,066,000
Total		352,139,820

n) Contingent Liabilities

Contingent liabilities related details have been presented under Schedule 4.28.

o) Earnings per Share

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

Amount in Rs.			
Particulars	Units	Current Year	Previous Year
Profit attributable to equity shareholders	NPR	581,831,823	361,364,544
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	32,811,647	32,811,647
Earnings Per Share (EPS)	NPR	17.73	11.01
Diluted Earnings Per Share (DPS)	NPR	17.73	11.01

As there are no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

p) Unpaid Dividend

As on balance sheet date, total dividend payable amounts to Rs. 121,816/- (Previous year Rs. 7,747,106). Details have been presented as under:

Particulars	Amount (Rs.)
Dividend Payable KSBBL 074/075	66,950
Dividend Payable KSBBL 075/076	54,866
Dividend Payable KSBBL 075/076	121,816

q) Non-performing assets

The Banks' non-performing assets ratio stood at 3.36% as at balance sheet date. The total non-performing assets is as below:

PARTICULARS	THIS YEAR	PREVIOUS YEAR	Amount in Rs.	
			CHANGE AMOUNT	%
Performing Loan				
Pass	41,682,811,146	40,392,865,715	1,289,945,431	3%
Watch List	6,790,379,980	4,936,325,777	1,854,054,203	38%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-	-	0%
Substandard	378,394,600	351,015,253	27,379,347	8%
Doubtful	239,951,958	368,401,395	(128,449,437)	-35%
Loss	1,068,268,810	724,367,571	343,901,239	47%
Gross Loans & Advances	50,159,806,494	46,772,975,713	3,386,830,781	7%

r) Interest Capitalization

The Bank has capitalized interest of Rs. 5,553,335/- during FY 2080-81. The borrower wise detail of interest capitalized during the year is as follows:

Borrower Name	Interest Capitalization (Rs.)
LC Energy Limited	5,553,335
Total	5,553,335

s) Loan write off

During the fiscal year following loans had been written off:

Borrower Name	Balance (Rs.)
Bhogendra Mandal	57,204
Sagarmatha Offset Press	2,040,146
Nawa Anirudra Traders	2,275,342
Fasi Ulla Miya	1,245,375
Mechi Model Technical Academy & Consultancy Pvt.Ltd.	4,131,599
Teju Construction And Suppliers Pvt	1,392,840
Drisha Bag House	1,032,189
Evergreen Drinking Water	4,111,030
Shree Mithila Ayurveda College And Research Center	1,807,554
Som Bahadur Darji	919,656
Top Bahadur Budha Chhetri	1,570,232
Jamir Suppliers	979,977
Ajay Kumar Chaudhary	865,116
Shree Samrat Suppliers	4,486,755
Lila Adhikari	3,037,276
Yashoda Shahi	3,345,443
Kopila Krisi Tatha Pasupalan Farm	3,603,982
Shiva Readymade Fancy Store	557,358
Maa Rajdevi Saw Mill	9,991,933
Mangal Mahato Sudi	3,780,687
Sonamai Saw Mill & Furniture Udhog	15,000,000
Pabi Kirana Stores	902,147
Threepage Collection	2,853,405
Total	69,987,244

t) Subsidized Loan

During the fiscal year the bank has provided subsidized loan to 1,786 customers as below

Particulars	No. of customers	Amount (Rs.)
Subsidized Loan	1,786	2,019,813,648

u) Opening Retained Earning

During the fiscal year the Bank has adjusted opening retained earnings by Rs. 2,144,474/- on account of Income Tax Provision which includes income after reconciliation of Annexure 10 and advance tax ledger amounting to Rs. 3,063,533/-.

5.9 Events after reporting date

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorized for issue.

Where necessary all material events after reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per NAS 10. There are no material events that have occurred subsequent to 15 July 2024 till the signing of this financial statement on 13 September 2024.

PRINCIPAL INDICATORS

S.N.	PARTICULARS	INDICATORS	2074/75	2075/76	2076/2077	2077/2078	2078/2079	2079/2080	2080/2081
1	Net Profit/Gross Income	%	13.87	10.72	3.19	13.51	9.62	4.78	7.80
2	Earnings Per Share	Rs	12.64	11.20	4.71	22.56	18.78	11.01	17.73
3	Market Value per Share	Rs	141.00	160.00	145.00	580.00	349.90	327.00	416.00
4	Price Earning Ratio	Ratio	11.16	14.28	30.77	25.71	18.63	29.69	23.46
5	Dividend (including bonus) on share capital	%	9.50	6.80	4.63	19.47	4.64	-	12.00
6	Cash Dividend on share Capital	%	8.00	6.80	0.23	0.97	0.23	-	5.00
7	Interest Income/Loans & Advances	%	14.26	12.21	12.82	10.35	13.22	15.86	14.34
8	Employee Expenses/Total Operating Exps	%	10.63	59.26	54.68	62.21	59.96	62.20	63.39
9	Interest Exps on Total Deposit and Borrowings	%	7.60	7.52	7.47	5.78	8.31	9.79	8.09
10	Exchange Fluctuation Gain/Total Income	%	-	0.00	0.00	0.0000	0.0000	0.000007	0.000066
11	Staff Bonus/ Total Employee Expenses	%	27.80	15.91	3.87	18.06	15.58	8.90	15.10
12	Net Profit/Loans & Advances	%	2.25	1.41	0.45	1.51	1.34	0.78	1.18
13	Net Profit/ Total Assets	%	1.56	1.07	0.33	1.17	0.99	0.58	0.87
14	Total Credit/Deposit	%	85.35	94.67	81.60	87.26	87.34	82.62	82.26
15	Total Operating Expenses/Total Assets	%	7.70	2.16	2.44	1.95	1.95	1.85	1.79
16	Adequacy of Capital Fund on Risk Weighted Assets								
a.	Core Capital	%	20.52	15.44	12.73	10.02	8.59	8.62	9.61
b.	Supplementary Capital	%	1.06	1.37	1.26	3.91	3.54	3.62	2.89
c.	Total Capital Fund	%	21.58	16.81	14.00	13.93	12.13	12.24	12.50
17	Liquidity	%	5.24	5.21	23.79	22.10	23.99	24.49	24.69
18	Non Performing Loans/Total Loans	%	1.13	0.97	1.79	1.61	2.31	3.09	3.36
19	Weighted Average Interest Rate Spread	%	5.22	4.97	4.91	4.20	4.81	4.59	4.59
20	Book Net worth	Rs	2,924,475,713	3,245,220,259	3,204,056,688	3,838,240,300	4,364,579,329	4,735,703,257	5,384,343,357
21	Return on Equity	%	12%	9%	4%	16%	14%	8%	11%
22	Total Shares	Number	25,401,954	25,401,954	25,401,954	26,519,637	31,425,770	32,811,647	32,811,647
23	Book Net Worth Per Share	Ratio	115	128	126	145	139	144	164
24	Reserve & Surplus	Rs	634,739,930	705,024,907	663,861,336	1,186,276,568	1,222,002,307	1,454,538,589	2,103,178,688
25	Total Employees	Number	398	790	913	905	955	1,031	988

COMPARISON OF PROJECTED FINANCIAL STATEMENTS PUBLISHED FOR THE ISSUANCE OF 9% KSBBL DEBENTURE 2087 AND AUDITED FINANCIAL STATEMENTS AS OF FY 2080-81

Statement of Financial Position	As per Projected Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and Cash Equivalent	9,281,215,106	1,774,367,964	(7,506,847,142)	-80.88%	Cash is maintained as per necessity and NRB requirement.
Due from Nepal Rastra Bank	3,812,730,126	2,396,952,186	(1,415,777,940)	-37.13%	NRB balance is maintained as per NRB requirement.
Placement with Bank and Financial Institutions	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	0.00%	
Other Trading Assets	-	-	-	0.00%	
Loans and Advances to BFIs	1,281,909,901	3,121,680,410	1,839,770,509	143.52%	DSL loan was disbursed more than projected.
Loans and Advances to Customers	64,640,433,090	45,979,607,704	(18,660,825,386)	-28.87%	New loans could not be disbursed due to adverse market scenario.
Investment Securities	8,413,392,042	11,696,213,887	3,282,821,845	39.02%	Investments were made as per management decision.
Current Tax Assets	114,461,612	-	(114,461,612)	-100.00%	Actual tax was more than estimated tax.
Investment in Subsidiaries	-	-	-	0.00%	
Investment in Associates	-	-	-	0.00%	
Investment Property	-	352,139,820	352,139,820	0.00%	Investment property was created due to takeover of collateral from bad loans which was not expected.
Property and Equipment	791,876,420	991,491,994	199,615,574	25.21%	Right of use Asset is created as per NFRS requirement.
Goodwill and Intangible Assets	12,923,539	13,641,132	717,593	5.55%	Intangible assets are purchased as per actual requirement which is more than expected.
Deferred Tax Assets	-	54,013,504	54,013,504	0.00%	Deferred tax asset is calculated on actual basis.
Other Assets	433,131,116	808,919,471	375,788,355	86.76%	Due to increase in deferred revenue expenditure and NRB subsidy receivable.
Total Assets	88,782,072,953	67,189,028,073	(21,593,044,880)	-24.32%	

Contd...

Contd...

Statement of Financial Position	As per Projected Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Liabilities					
Due to Bank and Financial Institutions	1,554,207,298	626,690,715	(927,516,583)	-59.68%	Bank has held deposit of other banks as per necessity.
Due to Nepal Rastra Bank	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	0.00%	
Deposits from Customers	79,480,810,699	59,066,711,728	(20,414,098,971)	-25.68%	Increase in deposit has been affected due to adverse market scenario
Borrowings	-	-	-	0.00%	
Current Tax Liabilities	-	24,761,859	24,761,859	0.00%	Actual tax was more than estimated tax.
Provisions	-	16,494,486	16,494,486	0.00%	Provisions were created as per actual requirement.
Deferred Tax Liabilities	-	-	-	0.00%	
Other Liabilities	853,361,320	1,073,795,173	220,433,853	25.83%	Adjustment of lease liability as per NFRS requirement.
Debt Securities Issued	1,000,000,000	996,230,755	(3,769,245)	-0.38%	The difference is due to amortization of debenture as per NFRS.
Subordinated Liabilities	-	-	-	0.00%	
Total Liabilities	82,888,379,316	61,804,684,716	(21,083,694,600)	-25.44%	
Equity					
Share Capital	3,206,073,861	3,281,164,669	75,090,808	2.34%	Due to issuance of bonus shares which is more than projected.
Share Premium	-	-	-	0.00%	
Retained Earnings	1,084,901,809	411,201,538	(673,700,271)	-62.10%	The bank projected high dividend capacity but due to adverse market scenario the bank could not meet the projected target.
Reserves	1,602,717,966	1,691,977,150	89,259,184	5.57%	Reserves are created on the basis of actual profit and as per regulatory requirement.
Total Equity Attributable to Equity Holders	5,893,693,637	5,384,343,357	(509,350,280)	-8.64%	
Non Controlling Interest	-	-	-		
Total Equity	5,893,693,637	5,384,343,357	(509,350,280)	-8.64%	
Total Liabilities and Equity	88,782,072,953	67,189,028,073	(21,593,044,881)	-24.32%	

Contd...

Contd....

Statement of Profit or Loss	As per Projected Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	7,691,913,215	7,040,454,206	(651,459,009)	-8.47%	The difference in interest income is due to fluctuation interest rate which is dependent on monthly base rate.
Interest expense	5,365,827,782	4,907,911,294	(457,916,488)	-8.53%	The difference in interest expense is due to fluctuation of interest rate which is published in monthly basis.
Net interest income	2,326,085,432	2,132,542,912	(193,542,520)	-8.32%	
Fee and commission income	336,534,255	298,473,799	(38,060,456)	-11.31%	Fee and commission income is charged on the basis of actual disbursement and renewal of loans.
Fee and commission expense	2,809,417	28,983,983	26,174,566	931.67%	The increment is due to increment in VISA card related expenses which is more than projected.
Net fee and commission income	333,724,839	269,489,816	(64,235,023)	-19.25%	
Net interest, fee and commission income	2,659,810,271	2,402,032,728	(257,777,543)	-9.69%	
Net trading income	90,583	489,908	399,325	440.84%	Foreign exchange transaction is more than projected.
Other operating income	61,276,424	124,312,147	63,035,723	102.87%	Sale of investment is more than expected.
Total operating income	2,721,177,279	2,526,834,784	(194,342,495)	-7.14%	
Impairment charge/(reversal) for loans and other losses	147,551,700	358,202,048	210,650,348	142.76%	Loan Loss provision is higher than expected
Net operating income	2,573,625,579	2,168,632,737	(404,992,842)	-15.74%	
Operating expense		-		0.00%	
Personnel expenses	797,112,953	761,180,563	(35,932,390)	-4.51%	Personnel expenses is less than expected
Other operating expenses	459,114,362	266,925,030	(192,189,332)	-41.86%	Operating expenses have incurred less than expected.
Depreciation & Amortization	130,844,413	172,640,675	41,796,262	31.94%	Depreciation of ROU asset is considered which was not projected.
Operating profit	1,186,553,851	967,886,469	(218,667,382)	-18.43%	
Non operating income	-	700,000	700,000	0.00%	
Non operating expense	-	69,987,244	69,987,244	0.00%	Loan write off was not projected during preparation of projected report.
Profit before income tax	1,186,553,851	898,599,225	(287,954,626)	-24.27%	
Income tax expense		-	-	0.00%	
Current Tax	355,966,155	317,697,683	(38,268,472)	-10.75%	Tax expense is calculated on actual basis
Deferred Tax	-	(930,281)	(930,281)	0.00%	Deferred tax expense is calculated on actual basis.
Profit/(loss) for the period	830,587,696	581,831,823	(248,755,873)	-29.95%	Projected profit could not be achieved due to higher impairment charge and lower net interest income.

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2080/81

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	1,774,387,437	1,774,367,964	(19,472)	0.00%	Adjustment of interest on nostro accounts.
Due from Nepal Rastra Bank	2,396,952,186	2,396,952,186	-	0.00%	
Placement with Bank and Financial Institutions	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	-	
Other Trading Assets	-	-	-	-	
Loans and Advances to BFIs	3,116,501,793	3,121,680,410	5,178,616	0.17%	Final adjustments for loan loss provision and reclassification of AIR.
Loans and Advances to Customers	45,994,356,501	45,979,607,704	(14,748,797)	-0.03%	
Investment Securities	11,696,213,887	11,696,213,887	-	0.00%	
Current Tax Assets	-	-	-	0.00%	
Investment in Subsidiaries	-	-	-	-	
Investment in Associates	-	-	-	-	
Investment Property	352,139,820	352,139,820	-	0.00%	
Property and Equipment	998,079,444	991,491,994	(6,587,450)	-0.66%	Adjustment of ROU Asset
Goodwill and Intangible Assets	12,515,358	13,641,132	1,125,774	9.00%	Reclassification and adjustments
Deferred Tax Assets	56,920,132	54,013,504	(2,906,627)	-5.11%	Final calculation of deferred tax assets.
Other Assets	838,132,331	808,919,471	(29,212,860)	-3.49%	Adjustment of staff loan and receivables.
Total Assets	67,236,198,889	67,189,028,073	(47,170,816)	-0.07%	

Contd...

Contd...

Statement of Financial Position	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Liabilities					
Due to Bank and Financial Institutions	626,690,715	626,690,715	-	0.00%	
Due to Nepal Rastra Bank	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	-	
Deposits from Customers	59,066,711,728	59,066,711,728	-	0.00%	
Borrowings	-	-	-	-	
Current Tax Liabilities	12,309,112	24,761,859	12,452,747	101.17%	
Provisions	12,467,869	16,494,486	4,026,617	32.30%	Provision created for receivables
Deferred Tax Liabilities	-	-	-	-	
Other Liabilities	1,125,012,123	1,073,795,173	(51,216,950)	-4.55%	Reclassification of accounts and gratuity and leave adjustment
Debt Securities Issued	996,230,755	996,230,755	-	0.00%	
Subordinated Liabilities	-	-	-	-	
Total Liabilities	61,839,422,301	61,804,684,716	(34,737,586)	-0.06%	
Equity					
Share Capital	3,281,164,669	3,281,164,669	-	0.00%	
Share Premium	-	-	-	-	
Retained Earnings	357,880,198	411,201,538	53,321,340	14.90%	Changes due to change in Profit figure after final audit.
Reserves	1,757,731,721	1,691,977,150	(65,754,571)	-3.74%	Changes due to change in Profit figure after final audit.
Total Equity Attributable to Equity Holders	5,396,776,587	5,384,343,357	(12,433,231)	-0.23%	
Non Controlling Interest	-	-	-	-	
Total Equity	5,396,776,587	5,384,343,357	(12,433,231)	-0.23%	
Total Liabilities and Equity	67,236,198,889	67,189,028,072	(47,170,816)	-0.07%	

Contd...

Contd...

Statement of Profit or Loss	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	7,037,873,431	7,040,454,206	2,580,775	0.04%	Adjustments as per the NFRS
Interest expense	4,912,655,619	4,907,911,294	(4,744,325)	-0.10%	Interest Expense on lease liability
Net interest income	2,125,217,812	2,132,542,912	7,325,100	0.34%	
Fee and commission income	298,216,556	298,473,799	257,243	0.09%	Effect of income pertaining to the fiscal year accounted after year end
Fee and commission expense	28,965,780	28,983,983	18,203	0.06%	Effect of expense pertaining to the fiscal year accounted after year end
Net fee and commission income	269,250,776	269,489,816	239,040	0.09%	
Net interest, fee and commission income	2,394,468,588	2,402,032,728	7,564,141	0.32%	
Net trading income	489,908	489,908	-	0.00%	
Other operating income	91,507,850	124,312,147	32,804,297	35.85%	Gratuity provision reversal.
Total operating income	2,486,466,347	2,526,834,784	40,368,438	1.62%	
Impairment charge/(reversal) for loans and other losses	304,045,293	358,202,048	54,156,755	17.81%	Adjustment for provision as suggested by external auditors/regulators.
Net operating income	2,182,421,054	2,168,632,737	(13,788,317)	-0.63%	
Operating expense		-			
Personnel expenses	765,566,905	761,180,563	(4,386,342)	-0.57%	NFRS adjustment of staff loan, leave and bonus
Other operating expenses	264,680,287	266,925,030	2,244,743	0.85%	Addition in Provisions.
Depreciation & Amortization	173,723,842	172,640,675	(1,083,168)	-0.62%	Adjustment in Depreciation on ROU Asset as per NFRS.
Operating profit	978,450,019	967,886,469	(10,563,550)	-1.08%	
Non operating income	-	700,000	700,000	0.00%	Reclassification of recovery of loan written off
Non operating expense	69,987,244	69,987,244	-	0.00%	
Profit before income tax	908,462,776	898,599,225	(9,863,550)	-1.09%	
Income tax expense	-	-	-	0.00%	
Current Tax	305,244,936	317,697,683	12,452,747	4.08%	Change in tax figure after audit.
Deferred Tax	-	(930,281)	(930,281)	0.00%	Change in tax figure after audit.
Profit/(loss) for the period	603,217,840	581,831,823	(21,386,016)	-3.55%	

Notice Regarding the 18th Annual General Meeting

(First published on: September 24, 2024, Aarthik Abhiyan National Daily Newspaper)

Dear Valued Shareholders,

In accordance with the decision made on 382nd meeting of the Board of Directors of Kamana Sewa Bikas Bank Ltd., held on 2081/06/07, September 23, 2024), the 18th Annual General Meeting (AGM) of this Development Bank will convene on the following date, time, and venue to discuss and decide on the listed agendas. We sincerely request our valued shareholders to attend the meeting.

AGM Date, Venue and Time of Meeting:

Date: 2081/06/30 (Wednesday, October 16, 2024)

Venue: Lisara Reception, Bhagwati Bahal, Naxal, Kathmandu

Time: 10:30 AM

Agenda for Discussion:

A. General Proposals:

1. To discuss and approve the Annual Report of the Board of Directors for the fiscal year 2080/81.
2. To discuss and approve the Annual Financial Statement (Balance Sheet as on Ashadh end 2081, Statement of Profit and Loss for 2080/81, Cash Flow Statement, Statement of Distributable Profit or Loss, Statement of Change in Equity along with the Notes to Accounts related with Annual Financial Statement.
3. To discuss and approve the distribution of a 5% Cash Dividend (equivalent to NPR 16,40,58,233.43) to the current paid-up capital of NPR 3,28,11,64,668.60 (Three Arab Twenty-Eight Crore Eleven Lakh Sixty-Four Thousand Six Hundred Sixty-Eight Rupees and Sixty Paisa only), from the distributable profit of FY 2080/81, as proposed by the Board of Directors. This amount includes the tax allocation for Cash and Bonus shares.
4. To appoint an Auditor for FY 2081/82 as per Section 63 of the Banks and Financial Institutions Act, 2073, and Section 111 of the Companies Act, 2063, and to determine their remuneration.
5. To approve the Appointment of Directors (representing the Ordinary Shareholders).

B. Special Proposals:

1. To discuss and approve the distribution of a 7% Bonus Share (equivalent to NPR 22,96,81,526.80) from the current Paid-Up Capital of NPR 3,28,11,64,668.60, as proposed by the Board of Directors, from the distributable profit of FY 2080/81.
2. To approve the proposal to issue Perpetual Non-Cumulative Preference Shares worth NPR 35 crore at a rate of NPR 100 per share with a 9% Annual Dividend rate, to be distributed only in profitable years, as proposed by the Board of Directors. The issuance will be subject to the prescribed terms and conditions and regulatory approval, aiming to increase the Core Capital.
3. To amend the Bank's Memorandum of Association and Articles of Association as per the Approved proposals (Agenda 1 and Agenda 2) to increase Issued Capital and Paid-up Capital.
4. To authorize the Board of Directors to make necessary amendments or modifications in the Articles of Association, Memorandum of Association, or other related documents to comply with instructions or conditions from the regulatory bodies (e.g., Nepal Rastra Bank, Office of the Company Registrar, or Nepal Securities Board).

C. Miscellaneous:**Brief Information on Annual General Meeting (AGM)**

1. For the purpose of this 18th Annual General Meeting, the Shareholder Register of this Development Bank will remain closed for one day on 2081/06/14. This notice hereby informs that only shareholders whose shares have been traded on the Nepal Stock Exchange Limited up to 2081/06/14 and are duly registered with the Share Registrar of Development Bank, Prabhu Capital Limited, Kamaladi, Kathmandu, in accordance with the prevailing laws, shall be eligible to participate and cast their votes at the forthcoming General Meeting.
2. The Annual Report booklet will be sent to the shareholders of the Development Bank at the address registered with the bank. If, for any reason, the booklet is not received, shareholders can conveniently access it on the bank's website.
3. A guardian may attend, discuss, and even appoint a representative on behalf of a minor or shareholder who have unsound mind. Only the individual whose name is registered as a custodian in the shareholders' register will be considered the official custodian. In the case of jointly held shares, only the individual whose name is listed first in the share register, or a person designated by unanimous consent of the joint shareholders, will be authorized to attend the meeting, participate in discussions, appoint a representative, and vote.
4. Shareholders intending to appoint a proxy to attend the Annual General Meeting must fill out the proxy form in accordance with the format specified by the current Companies Act and submit it to the Central Office of Development Bank, Kathmandu 30, Gyaneshwor, at least 48 hours prior to the meeting's commencement. A proxy may only be appointed for a shareholder of the Development Bank, and it is prohibited to assign a proxy to more than one individual by dividing shares or through any other means. Any proxy granted in such a manner will be deemed invalid. However, if the shareholder who appointed the proxy submits a request explicitly stating the revocation of the previous proxy and designates another shareholder as the new proxy, the newly appointed proxy will be allowed to attend the meeting and vote. In such a situation, the previous proxy will automatically be considered invalid.
5. If a shareholder who has appointed a proxy attends the meeting in person and signs the attendance register within the specified time, the previously granted proxy will be automatically deemed invalid.
6. A corporate entity or company that holds shares in the Development Bank may designate another shareholder of the Development Bank as its proxy. If no proxy has been appointed, the representative designated by the corporate body or company may attend the meeting as a shareholder.
7. All shareholders attending the General Meeting must be present at the meeting venue and sign the attendance register available at the location. The attendance register for the general meeting will be open for signing from 7:00 AM on the same day. Furthermore, shareholders wishing to attend the meeting are kindly requested to present their official identification card along with their shareholder number or Beneficiary Owner Identification Document (BOID) for dematerialized shares.
8. Under the miscellaneous section, shareholders wishing to discuss or provide feedback on matters not included in the scheduled agenda must submit their topics in writing at least 7 days prior to the AGM. Topics not submitted within this timeframe shall not be discussed during the meeting.
9. Shareholders who are unable to attend the General Meeting, whether residing domestically or abroad, may download and sign the proxy form available on Development Bank's official website at www.kamasewabank.com, and submit it to the bank's official email address at agm@kamasewabank.com.
10. For additional information related to the General Meeting and the annual report, shareholders may contact the bank's central office at the Toll-Free number 16600113000 or phone number 01-5970030. Alternatively, they may visit the bank's website or its central office in Gyaneshwor, Kathmandu, during office hours.

.....
 By the order of the Board of Directors,
Dinesh Thakali
 Company Secretary



नेपाल राष्ट्र बैंक
वित्तीय संस्था सुपरिवेक्षण विभाग

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन नं.: ०१-४४१२३०७
Site: www.nrb.org.np
Email: nrbfsd@nrb.org.np
पोष्ट बक्स: ७३



पत्रसंख्या : वि.सं.सु.वि./गैर-स्थलगत/कामना सेवा/०८१/८३
च.नं. ६६

मिति : २०८१/०६/०७

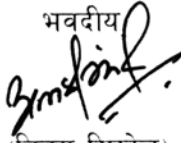
श्री कामना सेवा विकास बैंक लिमिटेड,
ज्ञानेश्वर, काठमाण्डौ ।

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०८०/८१ को लेखापरीक्षण भएको वित्तीय विवरण तथा अन्य प्रतिवेदनहरूका आधारमा गैर-स्थलगत सुपरिवेक्षण गर्दा देखिएका कैफियतहरूका सम्बन्धमा देहाय बमोजिमका निर्देशनहरू शेरधनीहरूको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्ने गरी संस्थाको आर्थिक वर्ष २०८०/८१ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा अनुरोध छ । साथै, संस्थाले प्रस्ताव गरे अनुसार आ.व. २०८०/८१ सम्मको सञ्चित मुनाफाबाट २०८१ असार मसान्तमा कायम रहेको चुक्ता पूँजी रु.३,२८,११,६४,६६९ को ७ प्रतिशतले हुन आउने रकम रु.२२,९६,८१,५२६.८० (अक्षरेपी बाईस करोड छयानब्बे लाख एकासी हजार पाँच सय छव्विस रुपैयाँ र असी पैसा मात्र) बोनस शेयर र ५ प्रतिशतले हुन आउने रकम रु.१६,४०,५८,२३३.४३ (अक्षरेपी सोढ करोड चालिस लाख अठ्ठाउन्न हजार दुई सय तेत्तिस रुपैयाँ र त्रिचालिस पैसा मात्र) बराबरको नगद लाभांश (लाभांशमा लाग्ने कर प्रयोजनको लागि) अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना हुने गरी वार्षिक साधारण सभाबाट स्वीकृत भएको अवस्थामा मात्र वितरण गर्न स्वीकृति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

१. कर्जा प्रवाह पश्चात अनिवार्य रुपमा कर्जा सदुपयोगिताको सुनिश्चितता गरी प्रवाहित कर्जाको नियमित रुपमा अनुगमन गर्ने कार्यलाई प्रभावकारी रुपमा कार्यान्वयन गर्नुहुन ।
२. यस बैंकबाट जारी एकीकृत निर्देशन नं १९/०७९ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाको पूर्णरुपमा पालना गर्नुहुन ।
३. गैर-बैंकिङ सम्पत्तिलाई यथाशीघ्र व्यवस्थापन गर्नुहुन ।
४. यस बैंकबाट पुनरकर्जा, व्यावसायिक निरन्तरता कर्जा र सहूलियतपूर्ण कर्जाको सदुपयोगिताको अध्ययन गर्न नियुक्त परामर्शदाताले पेश गरेको प्रतिवेदनमा सदुपयोग नभएको आशंका गरिएको पुनरकर्जा तथा सहूलियतपूर्ण कर्जाहरूको हकमा यस बैंकको मिति २०८१/०५/१३ को पत्र मार्फत दिइएको निर्देशन बमोजिम तोकिएको समय अवधि भित्र छानबिन प्रतिवेदन यस बैंकमा पेश गर्नुहुन ।
५. कर्जा व्यवस्थापन, ग्राहक पहिचान (KYC), सूचना प्रविधि, सञ्चालन जोखिम लगायतका विषयमा आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याएका कैफियतहरू पुनः नदोहोरिने व्यवस्था गर्नुहुन ।

भवदीय

(विनय सिग्देल)
उप-निर्देशक

बोधार्थ:

- श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
श्री नेपाल राष्ट्र बैंक, वित्तीय संस्था सुपरिवेक्षण विभाग, कार्यान्वयन इकाई ।
श्री IBS (Individual Bank Supervisor) Officer



कामना सेवा विकास बैंक लि. Kamana Sewa Bikas Bank Ltd.

(नेपाल राष्ट्र बैंकबाट "ख" वर्गको इजाजतपत्रप्राप्त राष्ट्रियस्तरको विकास बैंक)

चलानी नं. ०८८१/२०८१/८२

मिति : २०८१/०६/०७

श्री नेपाल राष्ट्र बैंक

वित्तीय संस्था सुपरिवेक्षण विभाग

बालुवाटार, काठमाडौं ।

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महोदय,

उपरोक्त सम्बन्धमा तहाँको मिति २०८१/०६/०७ को पत्रसंख्या: वि.सं.सु.वि./गैर-स्थलगत/कामना सेवा/०८१/८२ चलानी नं. ६६ को पत्र प्राप्त भई व्यहोरा अवगत भयो । यस बैंकको वार्षिक साधारणसभा प्रयोजनको लागि वित्तीय विवरण प्रकाशन गर्न स्वीकृति प्रदान गर्नु भएकोमा विशेष धन्यवाद सहित आभार प्रकट गर्दछौं । साथै, तहाँबाट प्राप्त निर्देशनको सम्बन्धमा मिति २०८१/०६/०७ गते बसेको सञ्चालक समितिको ३८२ औं बैठकको निर्णय बमोजिम निम्नानुसार प्रष्ट पारिएको व्यहोरा जानकारीको लागि अनुरोध छ ।

१. तहाँबाट प्राप्त निर्देशन बमोजिम कर्जा प्रवाह पश्चात अनिवार्य रुपमा कर्जा सदुपयोगिताको सुनिश्चितता गरी प्रवाहित कर्जाको नियमित रुपमा अनुगमन गर्ने कार्यलाई थप प्रभावकारी बनाइने व्यहोरा जानकारीको लागि अनुरोध छ ।
२. तहाँबाट जारी गरिएको एकीकृत निर्देशन नं. १९/०७९ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवकारण सम्बन्धी व्यवस्थाको पूर्ण पालना गर्न बैंक कटिबद्ध रहेको व्यहोरा जानकारीको लागि अनुरोध छ ।
३. गैर-बैंकिङ सम्पत्तिलाई यथाशीघ्र व्यवस्थापन गर्न तहाँबाट निर्देशन प्राप्त भएकोमा यस बैंकद्वारा गत आ. व. २०८०/८१ मा रु. ७,०९,०४,३७९ बराबरको गैर बैंकिङ सम्पत्तिको बिक्री गरिएको तथा आगामी दिनहरूमा थप प्रभावकारी रुपमा गैर बैंकिङ सम्पत्ति व्यवस्थापन गर्न प्रतिबद्ध रहेको व्यहोरा जानकारीको लागि अनुरोध छ ।
४. यस बैंकबाट पुनरकर्जा, व्यवसायिक निरन्तरता कर्जा र सहूलियतपूर्ण कर्जाको सदुपयोगिताको अध्ययन गरी नियुक्त परामर्शदाताले पेश गरेको प्रतिवेदनमा सदुपयोग नभएको आशंका गरिएको पुनरकर्जा तथा सहूलियतपूर्ण कर्जाहरूको हकमा तहाँ बैंकको मिति २०८१/०५/१३ को पत्र मार्फत दिइएको निर्देशन बमोजिम तोकिएको समय अवधि अगावै छानविन प्रतिवेदन तहाँ बैंकमा पेश गर्ने प्रतिवद्धता व्यक्त गर्दछौं ।
५. कर्जा व्यवस्थापन, ग्राहक पहिचान (KYC), सूचना प्रविधि, सञ्चालन जोखिम लगायतका विषयमा आन्तरिक लेखापरीक्षण, बाह्य लेखापरिक्षक तथा तहाँ बैंकबाट औल्याएका कैफियतहरू पुनः दोहोरिन नदिने गरी कार्यान्वयन गरिरहेको र सो कार्यलाई आगामी दिनमा थप प्रभावकारी बनाइने व्यहोरा जानकारीको लागि अनुरोध छ ।

भवदीय,



कामना सेवा विकास बैंक लि.
Kamana Sewa Bikas Bank Ltd.

दिनेश थकाली

प्रमुख कार्यकारी अधिकृत

बेधार्थ :

श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।

श्री नेपाल राष्ट्र बैंक, वित्तीय संस्था सुपरिवेक्षण विभाग, कार्यान्वयन इकाई ।

श्री IBS (Individual Bank Supervisor) Officer

Website: www.kamanasewabank.com | Email: customercare@kamanasewabank.com

Central Office, Kathmandu-30, Anandabhairav Marga | Tel: 01-5970030 | Toll: 16600113000 (NTC), 9801571101 (Ncell)

‘प्रगतिको आधार, कामना सेवा संगै कारोबार’

0590289

Amendments in the Memorandum of Association of this Development Bank are necessary due to the passage of time and the issuance of Bonus and Preference shares, and the following provisions are presented for amendment

Kamana Sewa Bikas Bank Limited

Three Tier Details regarding Amendments in Memorandum of Association

Clause	Existing Provisions	Proposed Provisions	Reason for Amendments
5 (A)	The Authorized Capital of the Development Bank shall be Rs. 5,000,000,000/- (In words: Rs. Five Billion only) which has been divided into 50,000,000 (Fifty million) units of ordinary shares at the rate of Rs. 100 per share.	The Authorized Capital of the Development Bank shall be Rs. 5,000,000,000/- (In words: Rs. Five Billion only) which has been divided into 46,500,000 (Forty Six Million Five Hundred Thousand) units of ordinary shares at the rate of Rs. 100 per share and 3,500,000 units of Preference share at the rate of Rs. 100 per share.	Since the issuance of preference shares will result in change in the bank's existing capital structure.
5 (B)	The Issued Capital of the Development Bank shall be Rs. 3,281,164,668.60 (In words: Three Billion Two Hundred Eighty One Million One Hundred Sixty Four Thousand Six Hundred Sixty Eight and Sixty Paiza only) which has been divided into 32,811,646.686 units of ordinary shares at the rate of Rs. 100 per share.	The Issued Capital of the Development Bank shall be Rs. 3,860,846,195.40 (In words: Three Billion Eight Hundred Sixty Million Eight Hundred Forty Six Thousand One Hundred Ninety Five and Forty Paiza only) which shall be divided into 35,108,461.954 units of ordinary shares at the rate of Rs. 100 per share and 3,500,000 units of preference share at the rate of Rs. 100 per share.	Since the issuance of Bonus shares from the profit of the fiscal year 2080/081 and issuance of Preference shares will result in change in the bank's existing capital structure.
5 (C)	The Paid-up Capital of the Development Bank shall be 3,281,164,668.60 (In words: Three Billion Two Hundred Eighty One Million One Hundred Sixty Four Thousand Six Hundred Sixty Eight and Sixty Paiza only) which has been divided into 32,811,646.686 units of ordinary shares at the rate of Rs. 100 per share.	The Paid-up capital of the Development Bank shall be Rs. 3,860,846,195.40 (In words: Three Billion Eight Hundred Sixty Million Eight Hundred Forty Six Thousand, One Hundred Ninety Five and Forty Paiza only) which shall be divided into 35,108,461.954 units of ordinary shares at the rate of Rs. 100 per share and 3,500,000 units of preference share at the rate of Rs. 100 per share.	Since the issuance of Bonus shares from the profit of the fiscal year 2080/081 and issuance of Preference shares will result in change in the bank's existing capital structure.
5 (E)	The Bank's shareholders have been classified into two groups. Promoter shareholders have been classified as Group A and Public shareholders have been classified as Group B. The ownership percentage of the issued capital of this development bank shall be as follows: 1. The share ownership of Group A shall be 51 percent. 2. The share ownership of Group B shall be 49 percent.	The Bank's shareholders have been classified into two groups. Promoter shareholders have been classified as Group A and Public shareholders have been classified as Group B. The ownership percentage (with voting rights) of the issued capital of this development bank shall be as follows: 1. The share ownership of Group A shall be 51 percent. 2. The share ownership of Group B shall be 49 percent.	Since the group-wise share ownership needs to be further clarified.

Amendments to the Article of Association of this Development Bank are necessary due to the passage of time and the issuance of Bonus and Preference shares, and the following provisions are presented for amendment

Clause	Existing Provisions	Proposed Provisions	Reason for Amendments
6	Since there is no provision for Preference shares at present, the financial institution's shareholding is solely composed of ordinary shares. In case, Preference Share needs to be issued, required amendments in the Memorandum of Association and Article of Association must be made, adhering to the applicable legal procedures, and such shares can only be issued with the approval of Nepal Rastra Bank.	The Bank's share composition shall be made up of Ordinary Shares and Preference Shares.	Since there is a requirement to make further provisions regarding Preference shares.
5	<p>Unless at least three shareholders, representing more than 50% of the total shareholding, are present either personally or through their representatives (proxies), the general meeting will not proceed.</p> <p>However, as per Sub-point (5) of Point 4, in the reconvened General Meeting, the meeting will not be obstructed if at least three shareholders, representing 25% of the total shareholding, are present either personally or through their representatives (proxies).</p>	<p>Unless at least three shareholders, representing more than 50% of the total ordinary shareholding with voting rights (excluding preference shares), are present either physically or through their representatives (proxies), the General Meeting will not proceed.</p> <p>However, as mentioned in Point (5) of Rule 4, in the reconvened General meeting, the meeting may proceed without obstruction if at least three shareholders, representing 25% of the total shareholding, are present either physically or through their representatives (proxies).</p>	Since it is necessary to further clarify the provision regarding minimum number of shareholders to be present to proceed the General Meeting.
15.1	Unless otherwise specified in the prevailing Company law or this Article of Association, each shareholder shall be entitled to cast one vote for each share they own.	Unless otherwise specified in the prevailing Company law or this Article of Association, each shareholder shall be entitled to cast one vote for each share they own. However, preference shareholders shall not have any voting rights.	Since it is necessary to further clarify the provisions regarding voting rights.
24	As per the prevailing laws, the financial institution may issue Redeemable or Irredeemable and other types of Preference Shares based on their capital requirements and their adequacy, after approving a resolution at the General Meeting and obtaining approval from Nepal Rastra Bank.	As per the prevailing laws, the financial institution may issue Redeemable or Irredeemable and other types of Preference Shares based on their capital requirements and their adequacy, after approving a resolution at the General Meeting and obtaining approval from Nepal Rastra Bank. While issuing the preference shares, the related terms and conditions (such as the nature of the instrument, duration, whether the investment is redeemable or Irredeemable, dividend rate, cumulative or non-cumulative, payment priority, convertible or non-convertible, voting rights along with other necessary conditions) shall be approved by the general meeting followed by approval from the regulatory body outlining all the terms and conditions in the prospectus.	Since it is necessary to clarify the provisions regarding the issuance of preference shares.

Proposed Arrangements and Conditions regarding "Perpetual Non-Cumulative Preference Share"

In accordance with Clause 17 (Ga) of the Directive No. 10/080 of Nepal Rastra Bank's Unified Directive 2080, which states that any increase in capital and changes in the capital structure of banks and financial institutions must be approved by the Annual General Meeting or Special General Meeting of the concerned institution as per the prevailing laws, and in consideration of the need to increase the bank's capital, this development bank proposes to increase its capital through additional primary capital. In compliance with the terms of Circular No. 09/080/081 issued on 12th Asar, 2081, the proposal for the issuance of 'KSBBL (Approved Rate) Perpetual Non Cumulative Preference Share' worth NPR 35 crores with the following features is hereby presented for your approval."

Details	Provisions and Conditions
Name of the Instrument	KSBBL (Approved Rate) Perpetual Non-Cumulative Preference Share
Type of Instrument	Perpetual Non-Cumulative Preference Share
Number of Right Share to be issued	35,00,000 units
Par value per share and Issue Price	Rs. 100
Time period	Perpetual
Targeted Investors	Institutional Investors (Private Placement)
Dividend Rate/Dividend Payment Process	<p>a. 9% annual Cash Dividend (inclusive of tax)(can be amended based on market liquidity at the time of issuance and approval from the regulatory bodies) (payable only if the distributable profit is available in the respective fiscal year)</p> <p>b. Distributable Profit as mentioned in point (a.) shall be the fund available after allocating funds for all regulatory provisions as well as funds set aside for financial instruments counted as additional/ supplementary capital</p> <p>c. Dividend for Perpetual Non-Cumulative Preference Share shall not be distributed from the retained earnings or any other reserve funds of the Bank.</p> <p>d. If Distributable Profit as mentioned in point (a.) is less than the dividend amount required for Perpetual Non-Cumulative Preference Share, the dividend shall be distributed on proportionate basis from the available Distributable Profit.</p> <p>e. Time of Book Closure: Before the Annual General Meeting, the Shareholder register for Preference shareholders shall be closed as same as for ordinary shareholders (preference shareholders who are updated in preference shareholder's register till the book close date will be eligible for cash dividend).</p> <p>f. Payment Period:</p> <ul style="list-style-type: none"> ■ Annually, after the approval from Annual General Meeting. ■ In the first year of the issuance of preference shares, cash dividend will be distributed on a proportionate basis for the remaining period of the fiscal year, starting from the date of share allocation. <p>g. If the condition occurs where the bank needs to exercise a Call Option (the bank's ability to return the investor's investment), it can be done with</p>

Details	Provisions and Conditions
	prior approval from Nepal Rastra Bank. In the case where the bank exercises the call option, the redemption for the preference shares including the proportionate dividend amount shall be paid up to the date of holding the shares during the fiscal year.
Interim Dividend	Not applicable
Provisions regarding Put/Call Option	<p>Since the Preference shares issued are of Perpetual nature, a Put option (where the investor can request the return of their investment) is not available.</p> <p>However, if a situation arises where the bank needs to exercise a Call Option (the bank's ability to return the investor's investment), it can be done with prior approval in accordance to the direction of Nepal Rastra Bank.</p>
Priority in payment in the event of liquidation or dissolution.	In the event of the bank's liquidation or dissolution, the payment of Perpetual Cumulative Preference shares will be claimed before Ordinary shares but after other instruments and debtors counted as supplementary capital.
Convertible/Non-Convertible into Ordinary Shares	Non-Convertible; However, if it reaches the trigger point defined by Nepal Rastra Bank, then it can be converted into ordinary shares for the purpose of absorbing losses.
If the ordinary shares are less than 5.125% of the core capital or total risk-weighted assets (the trigger point), they may be converted into ordinary shares for the purpose of loss absorption.	<ol style="list-style-type: none"> 1. Converted to Promoters Category under Ordinary Shares. 2. The conversion ratio shall be based on the ratio of prevalent market price of ordinary shares and par value of preference shares. (For example: if the market price per unit of promoter share at the time of conversion is Rs. 200 per share, then the conversion ratio shall be 1 unit preference share equals to 0.50 units of promoter share)
Voting Rights	No Voting Rights
Non-Cumulative and Cumulative	Non-Cumulative: In case in any year the bank's distributable profit is insufficient to pay the cash dividend for preference shares due to which the dividend is paid at a lower rate, the shortfall dividend will not be distributed/ paid due to the availability of distributable profit in previous fiscal year or any other reasons.
Listing	The Perpetual Non-Cumulative Preference Shares will be listed in Nepal Stock Exchange only after receiving approval from the regulatory bodies. Trading of these Perpetual Non-Cumulative Preference Shares will be limited to Institutional Investors only.

We kindly request that the above-mentioned arrangements and conditions be passed through this esteemed meeting and, after receiving prior approval from Nepal Rastra Bank, be presented in a more detailed and clarified manner in the prospectus, which will be submitted to the relevant regulatory authority. After receiving the final approval from the relevant regulatory authority, we also request that necessary amendments and further refinements be made to issue 'KSBBL (Approved Rate) Perpetual Non-Cumulative Preference Shares, which will be published for the information to shareholders, the general public, and targeted investors.

कामना सेवा विकास बैंक लिमिटेड
ज्ञानेश्वर, काठमाडौं
प्रतिनिधि (प्रोक्सी) नियुक्त गर्ने निवेदन फाराम

श्री सञ्चालक समिति
कामना सेवा विकास बैंक लिमिटेड
केन्द्रीय कार्यालय, काठमाडौं-३०, ज्ञानेश्वर
काठमाडौं ।

विषय : प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

.....जिल्ला.....गाउँपालिका/नगरपालिका/उप/महा/नगरपालिका वडा नं.....वस्ने
म/हामी.....ले यस विकास बैंकको सेयरधनीको हैसियतले मिति २०८१ साल असोज ३० गते बुधवार, (तदनुसार
१६ अक्टोबर, २०२४) का दिन हुने अठारौं वार्षिक साधारणसभामा स्वयं उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने भएकाले
उक्त सभामा मेरो/हाम्रो तर्फबाट भाग लिन तथा मतदान गर्नका लागिजिल्ला.....
गाउँपालिका/नगरपालिका/उप/महा/नगरपालिका वडा नं.....वस्ने श्रीलाई मेरो/हाम्रो प्रतिनिधि
नियुक्त गरी पठाएको छु/छौं । साथै, निज व्यक्ति बाहेक अरु कसैलाई प्रतिनिधि (प्रोक्सी) नियुक्त गरेको छैन/छैनौं ।

प्रतिनिधिको विवरण

निवेदकको विवरण

दस्तखत :

दस्तखत:.....

नाम :

नाम :

ठेगाना :

ठेगाना :

सेयरधनी नं.

सेयरधनी नं. :

हितग्राही (डि-म्याट) नं. :

हितग्राही (डि-म्याट) नं. :

कुल सेयर संख्या :

कुल सेयर संख्या :

मिति :

मिति :

द्रष्टव्य : यो निवेदन साधारणसभा हुनुभन्दा कम्तीमा ४८ घण्टा अगावै विकास बैंकको केन्द्रीय कार्यालयमा पेश गरी सक्नुपर्नेछ । सेयरधनी बाहेक
अन्य व्यक्तिलाई प्रतिनिधि नियुक्त गर्न सकिने छैन ।

कामना सेवा विकास बैंक लिमिटेड
ज्ञानेश्वर, काठमाडौं
प्रवेशपत्र

यस विकास बैंकको मिति २०८१ साल असोज ३० गते बुधवार, (तदनुसार १६ अक्टोबर, २०२४) का दिन हुने अठारौं वार्षिक साधारणसभामा
भाग लिन यो प्रवेशपत्र जारी गरिएको छ ।

दस्तखत.....

सेयरधनीको नाम :

सेयरधनी नं. :

हितग्राही (डि-म्याट) नं. :

कुल सेयर संख्या :



दिनेश थकाली

कम्पनी सचिव

द्रष्टव्य: सभा कक्षमा प्रवेश गर्न यो प्रवेश पत्र अनिवार्य रूपमा लिई आउनु हुन अनुरोध छ । अन्यथा सभाकक्षमा प्रवेश पाइने छैन ।

NOTES

[illegible]

BRANCH NETWORK

KOSHI PROVINCE

BIRATCHOWK BRANCH

Morang
9851366173

PATHARI BRANCH

Morang
9851366176

RAJBIRAJ BRANCH

Saptari
9851366187

GONGABU BRANCH

Kathmandu
9851366207

BIRATNAGAR BRANCH

Morang
9851366177

URLABARI BRANCH

Morang
9851366178

BAGMATI PROVINCE**AMRIT CHOWK BRANCH**

Dinesh Poudel
9851366250

GWARKO BRANCH

Lalitpur
9851366197

BIRTAMOD BRANCH

Jhapa
9851366180

MADHESH PRADESH**BARDIBAS BRANCH**

Mahottari
9851366191

BALAJU BRANCH

Kathmandu
9851366206

HAKIM CHOWK

Pradesh
9851366341

BUDHABARE BRANCH

Jhapa
9851366179

BIRGUNJ BRANCH

Parsa
9851366194

BHANGAL BRANCH

Kathmandu
9851366208

HATTIBAN BRANCH

Lalitpur
9851345142

DAMAK BRANCH

Jhapa
9851366327

CHANDRAPUR BRANCH

Rautahat
9851366193

BHIMSENGOLA BRANCH

Kathmandu
9851366307

HETAUDA BRANCH

Nischal Kumar Manandhar
9851366258

DHARAN BRANCH

Sunsari
9851366172

GOLBAZAR BRANCH

Siraha
9851366186

BHOTAHTY BRANCH

Kathmandu
9851366214

JAGATI BRANCH

Bhaktapur
9851366204

GAIGHAT BRANCH

Udayapur
9851366190

HARIWON BRANCH

Sarlahi
9851366195

BIKASCHOWK BRANCH

Chitwan
9851366253

JYOTINAGAR BRANCH

Ilam
9851366251

INARUWA BRANCH

Sunsari
9851366175

JANAKPUR BRANCH

Dhanusa
9851366196

BOUDDHA BRANCH

Kathmandu
9851366212

KALANKI BRANCH

Kathmandu
9851366213

ITAHARI BRANCH

Sunsari
9851366174

LAHAN BRANCH

Siraha
9851366185

CHABAHIL BRANCH

Kathmandu
9851366216

KHAIRHANI PARSA BRANCH

Ilam
9851366257

ITTABHATTA BRANCH

Jhapa
9851366183

MAHULI BRANCH

Saptari
9851366188

CHAPALI BRANCH

Kathmandu
9851366209

KHURKHURE BRANCH

Ilam
9851366259

KERABARI BRANCH

Morang
9851366184

MIRCHAIYA BRANCH

Siraha
9851366189

DHADING BRANCH

Dhading
9851366219

KULESHWOR BRANCH

Kathmandu
9851366200

MADHUMALLA BRANCH

Morang
9851366182

NIJGADH BRANCH

Bara
9851366192

GALCHHI BRANCH

Dhading
9851366218

KUMARIPATI BRANCH

Lalitpur
9851366199

PADAJUNGI BRANCH

Jhapa
9851366181

LOKANTHALI BRANCH

Bhaktapur
9851366203

MAIN BRANCH

Kathmandu
9851366334

MANAMAIJU BRANCH

Kathmandu
9851366210

NAKHHU BRANCH

Lalitpur
9851366201

NARAYANGADH BRANCH

Chitwan
9851366255

NEW BANESHWOR BRANCH

Kathmandu
9851366211

NEW ROAD KATHMANDU BRANCH

Kathmandu
9851366215

PADAMPUR BRANCH

Ilam
9851366256

RADHE RADHE BRANCH

Bhaktapur
9851366328

SANAGAU BRANCH

Lalitpur
9851366202

SHARADANAGAR BRANCH

Ilam
9855056422

SWAYAMBHU BRANCH

Kathmandu
9851366205

TANDI BRANCH

Chitwan
9851366252

THAMEL BRANCH

Kathmandu
9851366217

GANDAKI PROVINCE**AMARSINGH BRANCH**

Gandaki Pradesh
Kaski
9851366262

BAGLUNG BRANCH

Baglung
9851366237

BAISJAGAR BRANCH

Tanahun
9851366224

BELDIHA BRANCH

Nawalparasi
9851366246

BENI BRANCH

Myagdi
9851366240

BESISAHAR BRANCH

Lamjung
9851366222

BIRAUTA BRANCH

Kaski
9851366346

CHHINEDANDA BRANCH

Kaski
9851366263

DALDALE BRANCH

Nawalparasi
9851366243

DAMAULI BRANCH

Tanahun
9851366221

DANDA BRANCH

Ilam
9851366248

DEEP BRANCH

Kaski
9851366232

DHUNGEPATAN BRANCH

Kaski
Prabachan Neupane
9851366261

DIMUWA BRANCH

Parbat
9851366238

DUIPIPLE BRANCH

Lamjung
9851366227

DULEGAUDA BRANCH

Tanahun
9851366226

DUMKIBAS BRANCH

Nawalparasi
9851366244

DUMRE BRANCH

Tanahun
9851366223

GALKOT BRANCH

Baglung
9851366241

JHALUNGE BRANCH

Syangja
9851366236

KAILASHNAGAR BRANCH

Rupandehi
9851366298

KAWASOTI BRANCH

Nawalparasi
9851366242

KHAIRENITAR BRANCH

Tanahun
9851366225

KUSMA BRANCH

Parbat
9851366239

LEKHNATH BRANCH

Kaski
9851366260

NEW ROAD BRANCH

Kaski
9851366229

PARSYANG BRANCH

Kaski
9851366348

PRAGATINAGAR BRANCH

Nawalparasi
9851366247

PURANCHAUR BRANCH

Kaski
9851366235

SARDI BRANCH

Nawalparasi
9851366245

SRIJANA CHOWK BRANCH

Kaski
9851366233

SUNDARBAZAR BRANCH

Lamjung
9851366228

WALING BRANCH

Syangja
9851366231

LUMBINI PROVINCE**BAIJANATH BRANCH**

Banke
9851366266

BARDAGHAT BRANCH

Nawalparasi
9851366299

BASHABASAHI BRANCH

Nawalparasi
9851366296

BETHARI BRANCH

Rupandehi
9851366284

BHAIRAHAWA BRANCH

Rupandehi
9851366331

BUTWAL BRANCH

Rupandehi
9851366329

CHANDRAUTA BRANCH

Kapilvastu
9851366282

GARGARE BRANCH

Rupandehi
9851366283

GHORAHAI BRANCH

Dang
9851366305

GORUSINGE BRANCH

Kapilvastu
9851366280

HOLERI BRANCH

Rolpa
9851366271

HORIZONCHOWK BRANCH

Rupandehi
9851366291

JASPUR BRANCH

Pyuthan
9851366272

KHAIRENI BRANCH

Rupandehi
9851366286

KOHALPUR BRANCH

Banke
9851366265

KOTIHAWA BRANCH

Rupandehi
9851366294

LAMAHI BRANCH

Dang
9851366269

MAINABAGAR BRANCH

Rupandehi
9851366288

MAINIYA BRANCH

Rupandehi
9851366293

MANIGRAM BRANCH

Rupandehi
9851366292

NEPALGUNJ BRANCH

Banke
9851366344

PADSARI BRANCH

Rupandehi
9851366297

PALPA BRANCH

Palpa
9851366290

PARASI BRANCH

Ilam
9851366295

PHARSATIKAR BRANCH

Rupandehi
9851366289

RAMPUR BRANCH

Palpa
9851366287

SALJHANDI BRANCH

Rupandehi
9851366279

SUSTA BRANCH

Nawalparasi
9851366300

TAULIHAWA BRANCH

Kapilvastu
9851366281

THADA BRANCH

Arghakhanchi
9851366285

TULSIPUR BRANCH

Dang
9851366270

KARNALI PROVINCE**SURKHET BRANCH**

Surkhet
9851366267

SUDURPASHCHIM PROVINCE**ATTARIYA BRANCH**

Kailali
9851366275

DHANGADI BRANCH

Kailali
9851349706

LAMKI BRANCH

Kailali
9851366277

MAHENDRANAGAR BRANCH

Kanchanpur
9851366273

MOTICHOWK BRANCH

Kailali
9851366278

SUKHAD BRANCH

Kailali
9851366276









प्रगतिको आधार,
कामना सेवा सँग कारोबार



Gyaneshwor, Aanand Bhairab Marg
PHONE: +977 01-5970030
NTC: 16600113000, NCELL: 9801571101
EMAIL: customercare@kamanasewabank.com

kamanasewabank.com

-  [KamanaSewaBBL](#)
-  [kamana-sewa-official](#)
-  [kamana_sewa_official](#)
-  [Kamana Sewa](#)
-  [kamanasewabikasbank](#)
-  [Kamana Sewa Bank](#)