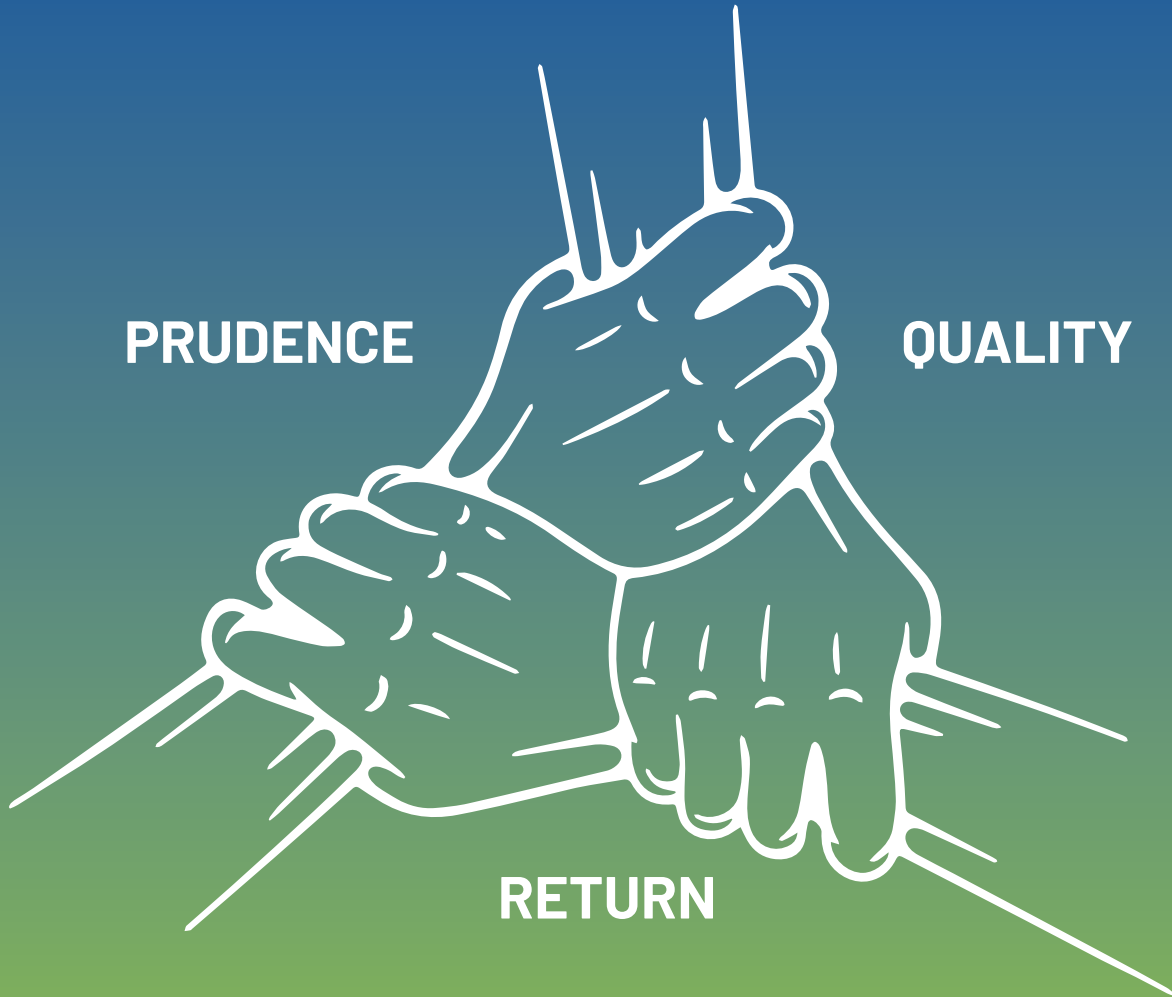


# प्रतिबद्ध हामी

TOGETHER WITH ONE GOAL, ONE DIRECTION >>>



19<sup>th</sup>

Annual Report  
2024/25



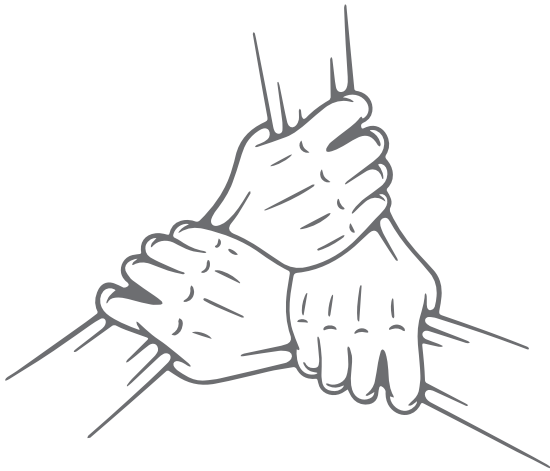
प्रगतिको आधार, कामना सेवा सँग कारोबार



## **ANNUAL REPORT 2024-25**

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

The Annual Report – FY 2024/25 presents KSBBL's Annual Financial Statements, Disclosures, and Key Highlights of the year. It reflects the bank's overall performance, strategic priorities, and progress toward long-term goals. Beyond financial results, the report emphasizes sustainable practices, stakeholder value creation, and KSBBL's commitment to resilience and growth."



## »» KSBBL AT A GLANCE

Kamana Sewa Bikas Bank Limited is a national-level development bank of Nepal, registered with the Office of the Company Registrar under registration number 997/063/64 and licensed by Nepal Rastra Bank to operate as a "Class B" financial institution.

The former Kamana Bikas Bank received its license from Nepal Rastra Bank to commence financial operations on 2064/06/24 (BS) and officially began its banking services from 2064/07/27 (BS). Since then, the bank has been celebrating this date as its Establishment Day.

The former Kaski Finance Ltd. based in Pokhara, Kaski, and Kamana Bikas Bank Ltd. completed merger on 2073/03/06 (BS) and continued operations under the name Kamana Bikas Bank as a national-level development bank.

Subsequently, on 2074/04/20 (BS), Kamana Bikas Bank merged with the former Sewa Bikas Bank, headquartered in Butwal, Rupandehi, which had a working area spanning 10 districts. After the merger, the unified entity was named Kamana Sewa Bikas Bank, and it has been operating under this name since.

Following the merger, the bank obtained approvals from all regulatory bodies and established its central office in its own building located at Gyaneshwor-30, Kathmandu, providing modern and innovative banking services.

At present, the bank is delivering a wide range of financial services through its robust network of 129 branch offices and one extension counter, reaching across all provinces of the country.



## 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 2081-82. 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 and Co. Chartered Accountants were appointed as independent auditors for FY 2081-82. 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 the opinion of the independent auditor, the accompanying financial statements are present fairly, in all material respects and therefore, have provided an unmodified opinion in respect of Financial Statements pertaining to the current financial year. The full auditor's report is available in the Financial Statements section of this report.



## FEEDBACK

KSBBL cordially welcomes your valuable feedback and suggestions on this Report, which may be shared with us at [customercare@kamasewabank.com](mailto:customercare@kamasewabank.com).





**कामना सेवा**  
विकास बैंक लि.  
Kamana Sewa Bikas Bank Ltd.

## 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 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.



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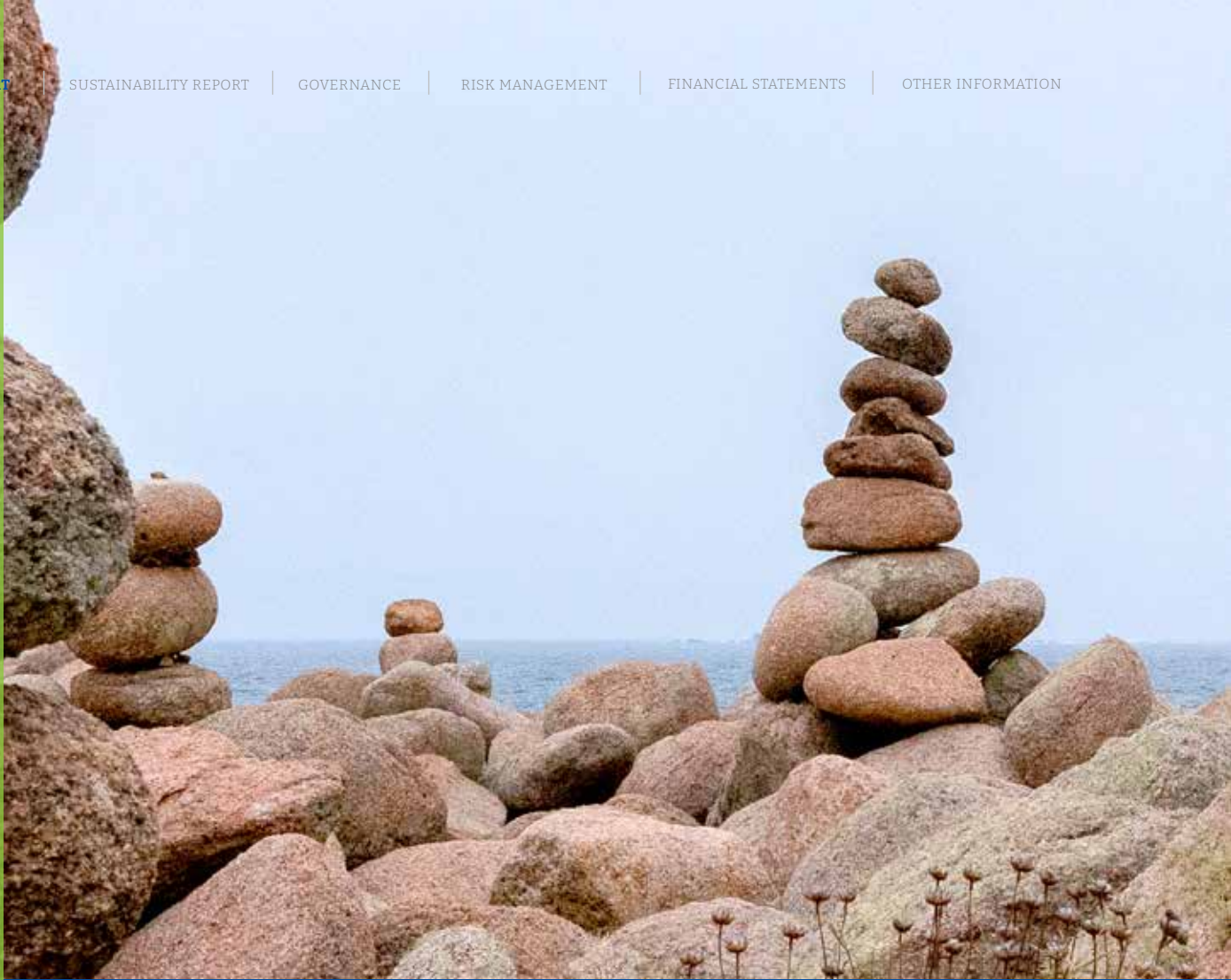
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The image is a cover for a 'Strategic Report'. It features a dark blue background with a large, light blue and green abstract shape on the right side. Two hands are visible on the left side, one at the top and one at the bottom, both wearing dark blue suits. The top hand is holding a small white object. The bottom hand is holding a small white object. The text 'STRATEGIC REPORT' is written in white, bold, uppercase letters on the light blue and green shape. A thin blue line with a small blue dot at the end is positioned below the text.

# STRATEGIC REPORT





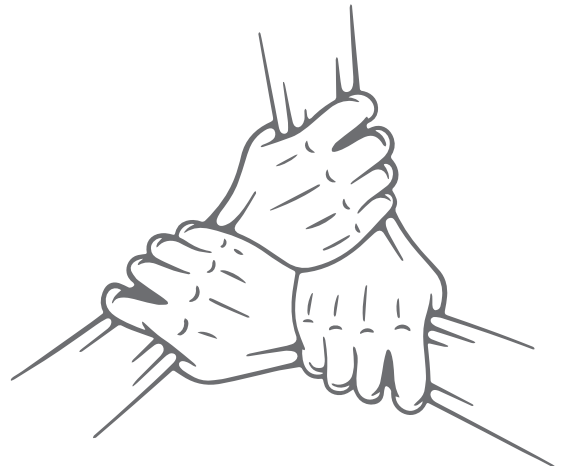
## Vision

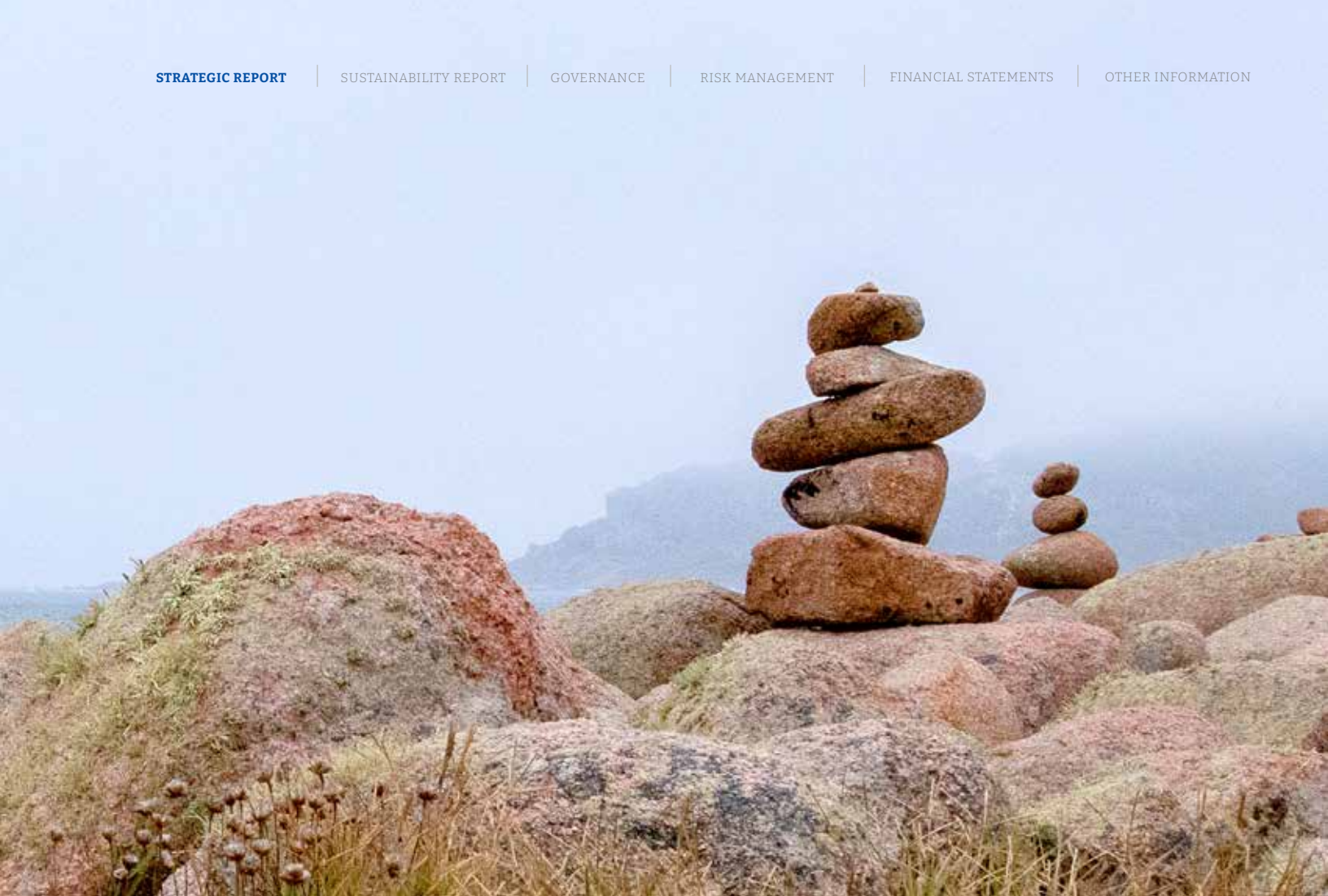
Become a distinct National Level Development Bank by continuously delivering superior customer service and promoting welfare of stakeholders thus making significant contribution to nation building.



## 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 the customer's interest at the center while making decisions.

### CORPORATE GOVERNANCE

The Bank shall endeavor to attain the 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 the 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 a well-articulated & coherent strategy.

### PROFESSIONALISM

The Bank shall follow the 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 the highest standards of personal and professional integrity in all aspects of their activity, decision, and actions. As an employee of KSBBL, every employee 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.

- i. Employees shall abide by the highest standards of corporate governance and shall ensure compliance with all the legal, regulatory, and internal requirements.
- ii. Employees must keep confidentiality in all Banks and other matters that could provide other third parties unauthorized access to confidential information.
- iii. Employees should show respect and politeness to colleagues, subordinates, and seniors. Employees shall respect people from all cultures and social backgrounds.
- iv. Employees shall not practice any form of discrimination, harassment or bullying in the workplace. Employees shall practice high standard of ethical and moral values.
- v. 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.
- vi. Employees shall not be involved in insider trading.
- vii. Employees shall perform their duties and responsibilities with honesty, integrity and professionalism abiding with rules and regulations.
- viii. Employees are strictly prohibited to be at the office consuming drug and alcohol. Smoking shall be allowed only in prescribed smoking zones.
- ix. 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.

## CORPORATE GOVERNANCE

Corporate Governance has been considered integral to sustainable growth of the Bank. Various committees and sub-committees are actively functioning in the Bank as prescribed by Nepal Rastra Bank. The committees are highly committed and focused to mitigate and manage various risks through the implementation of highest standards of Corporate Governance. Directors have complied all the provisions as prescribed by Nepal Rastra Bank during the review period. The Bank is always actively looking forward to improve corporate governance by maintaining integrity, fairness and transparency in engagement with all the stakeholders.

In addition to the board's subcommittee and In line with NRB Directives 6 and corporate policy of bank, to oversee to oversee the corporate governance, the bank had formulated the Corporate Governance Unit. The Corporate Governance Unit (CGU) reviews and monitors overall the corporate governance status of the Bank with regards principles of good governance such as accountability, fairness, transparency and responsibilities and relevant legal framework. The unit also monitors compliance with the Employee Code of Conduct.

The current composition of Corporate Governance Unit;

Deputy CEO	(Coordinator – DCEO)
Head-Integrated Risk Management	(Member)
In-charge Internal Audit	(Member Secretary)

The functions and responsibilities of a Corporate Governance Committee/Unit within a bank, focusing on establishing, monitoring, and enforcing governance, ethics, and compliance standards are as:

**a. Governance and Supervision:** The unit specially review and supervise developing trends in legal developments, governance issues, and best corporate governance practices. CGU time and again endorses the best conduct and practices amongst the stakeholders for adherence therewith. Further, it recommends changes to the bank's corporate governance practices, guidelines, policies, manuals, and procedures on a timely basis for ensuring good governance across the bank.

**b. Ethics and Conducts' Compliance Review:** The Unit periodically meets for discussion overall compliance of governance framework. If any instances of breach were noted with respect to employee's code of conduct, noncompliance with regulatory framework or bank's internal procedures and process, CGU shall conduct hearing over the matters and suggest the necessary actions. Further to set off the culture of good governance and adherence to legal and regulatory framework across the organization from each stakeholder conduct necessary awareness program as well.

## 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 adequate safeguards against victimization of employees who avail themselves 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 Policies 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	Co-ordinator
Chief Operating Officer	Member
Chief Risk Officer	Member
Head-Strategy	Member Secretary



# Global and National Economic Outlook

## Global Economic Outlook

Global growth is projected at 3.0 percent for 2025 and 3.1 percent in 2026. The forecast for 2025 is 0.2 percentage point higher than that in the reference forecast of the April 2025 World Economic Outlook (WEO) and 0.1 percentage point higher for 2026. This reflects stronger-than-expected front-loading in anticipation of higher tariffs; lower average effective US tariff rates than announced in April; an improvement in financial conditions, including due to a weaker US dollar; and fiscal expansion in some major jurisdictions. Global headline inflation is expected to fall to 4.2 percent in 2025 and 3.6 percent in 2026, a path similar to the one projected in April. The overall picture hides notable cross-country differences, with forecasts predicting inflation will remain above target in the United States and be more subdued in other large economies.

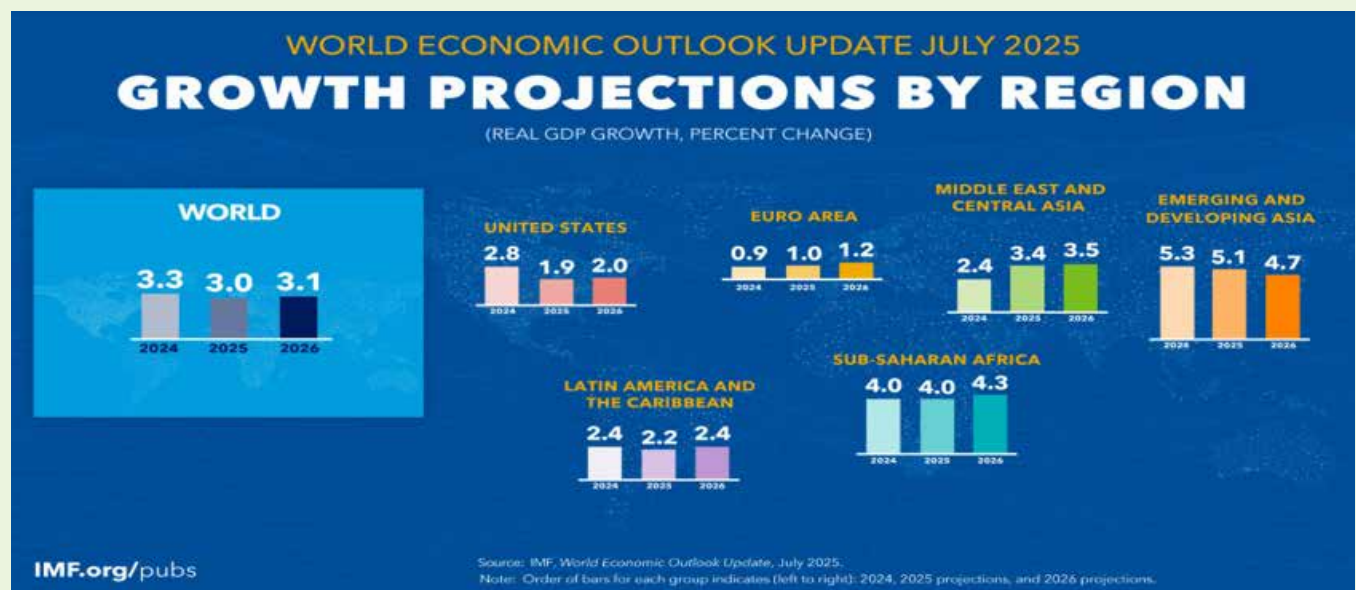
Risks to the outlook are tilted to the downside, as they were in the April 2025 WEO. A rebound in effective tariff rates could lead to weaker growth. Elevated uncertainty could start weighing more heavily on activity, also as deadlines for additional tariffs expire without progress on substantial, permanent agreements. Geopolitical tensions could disrupt global supply chains and push commodity prices up. Larger fiscal deficits or increased risk aversion could raise long-term interest rates and tighten global financial conditions. Combined with fragmentation concerns, this could reignite volatility in financial markets. On the upside, global growth could be lifted if trade negotiations lead to a predictable

framework and to a decline in tariffs. Policies need to bring confidence, predictability, and sustainability by calming tensions, preserving price and financial stability, restoring fiscal buffers, and implementing much-needed structural reforms.

An escalation of geopolitical tensions, particularly in the Middle East or Ukraine, could introduce new negative supply shocks to the global economy. Shipping routes and supply chains may be disrupted while commodity prices rise, especially if, unlike what happened in June, supply infrastructure were to be damaged. These forces would lower growth and reignite inflationary pressures. Central banks could face more difficult trade-offs when they are already grappling with challenges from the trade environment.

Fiscal vulnerabilities could become more salient, with implications for financial markets and spillovers to the real economy. A number of economies, including Brazil, France, and the United States, are projected to run large fiscal deficits against the backdrop of historically high levels of public debt. This could raise term premiums and, especially in the case of the United States, tighten global financial conditions. An increase in US term premiums led by concerns regarding fiscal sustainability could also make financial markets excessively volatile, especially if it interacts with concerns about geoeconomic fragmentation and the future of the international monetary system centered on the dollar.

On the upside, a breakthrough in trade negotiations establishing a predictable framework could lead to a further decline in effective tariff rates and other protectionist measures. By meaningfully bringing down uncertainty and fostering policy predictability, nondiscriminatory agreements to reduce trade barriers could facilitate investment and other business decisions. Their impact could be larger if, besides goods trade, they cover trade in digital services and foreign investment. In the longer term, benefits would accrue in the form of faster productivity growth and enhanced resilience to external shocks. A new wave of credible trade agreements could usher in a broader reform momentum to



lift medium-term growth. Progress on labor market policies for upskilling and a reduction of barriers to mobility, simplification of business regulations, and measures to enhance competition and innovation could become inevitable in a more challenging global economic environment.

Gold prices in 2025 showed strong upward movement, reaching record highs above \$3,000 and even \$3,400 per ounce by June and July, driven by factors like central bank policies, persistent inflation, and geopolitical risk, which reinforced its role as a safe-haven asset. While the price saw a surge in the first half of the year, forecasts for the second half suggest a volatile but potentially high range, with some banks predicting a year-end price around \$3,100-\$3,700, depending on how these key drivers evolve.

The Fed held rates steady at 4.25%-4.50% for a fifth straight meeting. Policymakers observed that, while fluctuations in net exports continue to influence the data, recent indicators point to a moderation in economic activity in H1—contrasting with earlier assessments that growth was proceeding 'at a solid pace'. The Fed also said that the unemployment rate remains low while inflation remains somewhat elevated, and uncertainty about the economic outlook persists. The Fed reinforced that additional adjustments to the interest rate will depend on incoming data, the evolving outlook, and the balance of risks. The central bank maintained a wait-and-see approach amid rising concerns that the ongoing trade war could undermine progress toward the 2% inflation target.

The Reserve Bank of India (RBI) maintained its key repo rate at 5.50% during its August meeting, keeping a neutral stance, following a larger-than-expected 50 bps in June, as widely expected. The rate remains at its lowest level since August 2022. The decision came amid easing inflation and the recent US tariff announcement, which imposed a 25% duty on Indian imports. Regarding the economic outlook, the RBI maintained its GDP growth forecast at 6.5% for FY2025/26 and 6.6% for the following fiscal year. Meanwhile, inflation projections were revised down to 3.1% from 3.7%, remaining well within the RBI's 2-6% target range. The RBI also held the Standing Deposit Facility (SDF) and the Marginal Standing Facility (MSF) rates steady at 5.25% and 5.75%, respectively. Previously, the central bank cut the Cash Reserve Ratio (CRR) by 100 bps—from 4% to 3%—at its June meeting, implemented in four tranches of 25 basis points each, starting in September 2025.

## Major Macro Economics Indicators of Nepal

According to the World Bank, Nepal's economic growth is projected to be 4.5% in FY25, up from 3.9% in FY24, driven by growth in the services sector and increased merchandise imports. Growth is expected to accelerate to an average of 5.4%

annually for FY26-FY27, supported by a strong performance in tourism, hydropower, and paddy production, alongside efforts to improve domestic trade and manufacturing.

Further, Nepal's economy is anticipated to grow by 4.4% in fiscal year (FY) 2025, up from an estimated growth of 3.9% in FY2024, says the Asian Development Outlook (ADO) April 2025, a flagship publication of the Asian Development Bank (ADB).

"Nepal's improved growth forecast is being spurred by a gradual recovery of domestic demand, addressing of reforms in the private sector, and further revitalization of tourism and related services," said ADB Country Director for Nepal Arnaud Cauchois. "Key economic sectors, such as manufacturing and construction, which contracted in FY2024, will expand this fiscal year owing to stable oil and raw material prices, increased liquidity, and declining interest rates, which have paved the way for increasing credit to all production sectors."

Gross domestic product (GDP) growth is forecasted to reach 5.1% in FY2026, fueled by government reforms to improve capital budget execution, advancements in tourism and related services, and enhanced agricultural productivity through mechanization and better irrigation systems, contingent on a favorable monsoon. Inflation is expected to moderate in FY2025 and FY2026. The inflation forecast is expected to remain within the central bank's ceiling, assuming a normal harvest and a modest decline in inflation in India, the major source of imports.

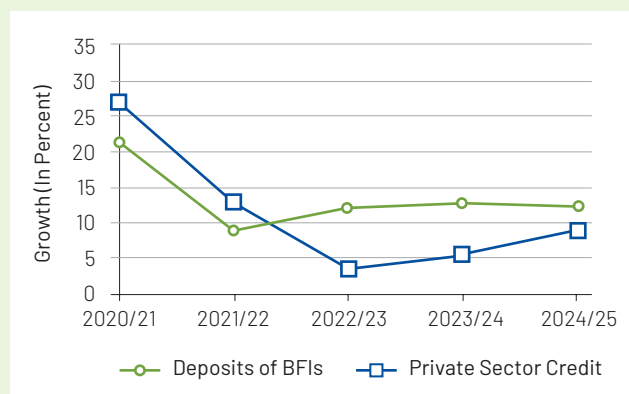
Nepal's external sector gained stability in FY2024 with higher foreign exchange reserves and a prudent monetary stance. Despite higher imports in the latter half of FY2025, strong remittance inflows are expected to keep the current account surplus at 0.1% of GDP. In FY2026, a deficit equal to 2.4% of GDP is projected as goods and service imports accelerate.

Risks to the outlook tilt to the downside. Ongoing tariff rises may cause a global economic downturn, affecting Nepal's tourism receipts and remittances, and lower foreign aid could negatively impact growth as Nepal relies on foreign aid to finance development needs. Under-execution of the capital budget would also dent growth prospects.

As per Nepal Rastra Bank statistics, Based on Annual Data for F.Y. 2024/25:

- The economic growth rate for 2024/25 has been estimated to be 4.61 percent. In the previous year the economic growth rate was 3.67 percent.
- Annual average Inflation remained 4.06 percent in 2024/25. In the previous year annual average inflation was 5.44 percent.
- Balance of Payments remained at a surplus of Rs.594.54 billion compared to a surplus of Rs.502.49 billion last year.
- Imports and exports increased 13.3 percent and 81.8 percent respectively. In the previous year, imports and exports decreased 1.2 percent and 3.0 percent respectively.

- Remittances increased 19.2 percent in NPR terms and 16.3 percent in USD terms. During mid-June to mid-July 2025 remittance inflows stood at Rs. 189.11 billion.
- Gross foreign exchange reserves stood at 19.50 billion in USD terms. This level of foreign exchange reserve is sufficient to cover merchandise and services imports for 15.4 months.
- Broad money (M2) increased 12.5 percent in 2024/25. In the previous year M2 increased 12.9 percent.
- Deposits at BFIs increased 12.6 percent amounting to Rs. 7264 billion while private sector credit increased 8.4 percent amounting to Rs.5498 billion in 2024/25.



## 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 2025 is shown in the table below:

Nature of Financial Institution	Number of BFIs		
	Mid-July 2023	Mid-July 2024	Mid-July 2025
Commercial Banks	20	20	20
Development Banks	17	17	17
Finance Companies	17	17	17
Microfinance Financial Institutions	57	52	52
Infrastructure Development Bank	1	1	1
<b>Total</b>	<b>112</b>	<b>107</b>	<b>107</b>

Source: (<https://www.nrb.org.np/contents/uploads/2025/08/Current-Macroeconomic-and-Financial-Situation-English-Based-on-Annual-data-of-2024.25.pdf>)

The total number of BFIs licensed by NRB remained 107 in mid-July 2025. As of mid-July 2025, 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 12.6 percent (Rs.811.49 billion) in the review year compared to an increase of 13.0 percent (Rs.742.37 billion) in the previous year. Private sector credit from BFIs increased Rs.423.73 billion (8.4 percent) in the review year compared to an increase of Rs.276.94 billion (5.8 percent) in the previous year.

### LIQUIDITY MANAGEMENT

In FY 2081-82, NRB absorbed, a total liquidity of Rs.24,651.35 billion including Rs.21,508.40 billion through standing deposit facility(SDF) and Rs.3,142.95 billion through deposit collection auction. Meanwhile, the NRB injected Rs.2.7 billion liquidity through Overnight Liquidity Facility (OLF). Consequently, Rs.24,648.65 billion net amount of liquidity was absorbed through various instruments in the fiscal year. In 2080-81, Rs.3,868.84 billion net amount of liquidity was absorbed through various instruments.

### INTEREST RATES

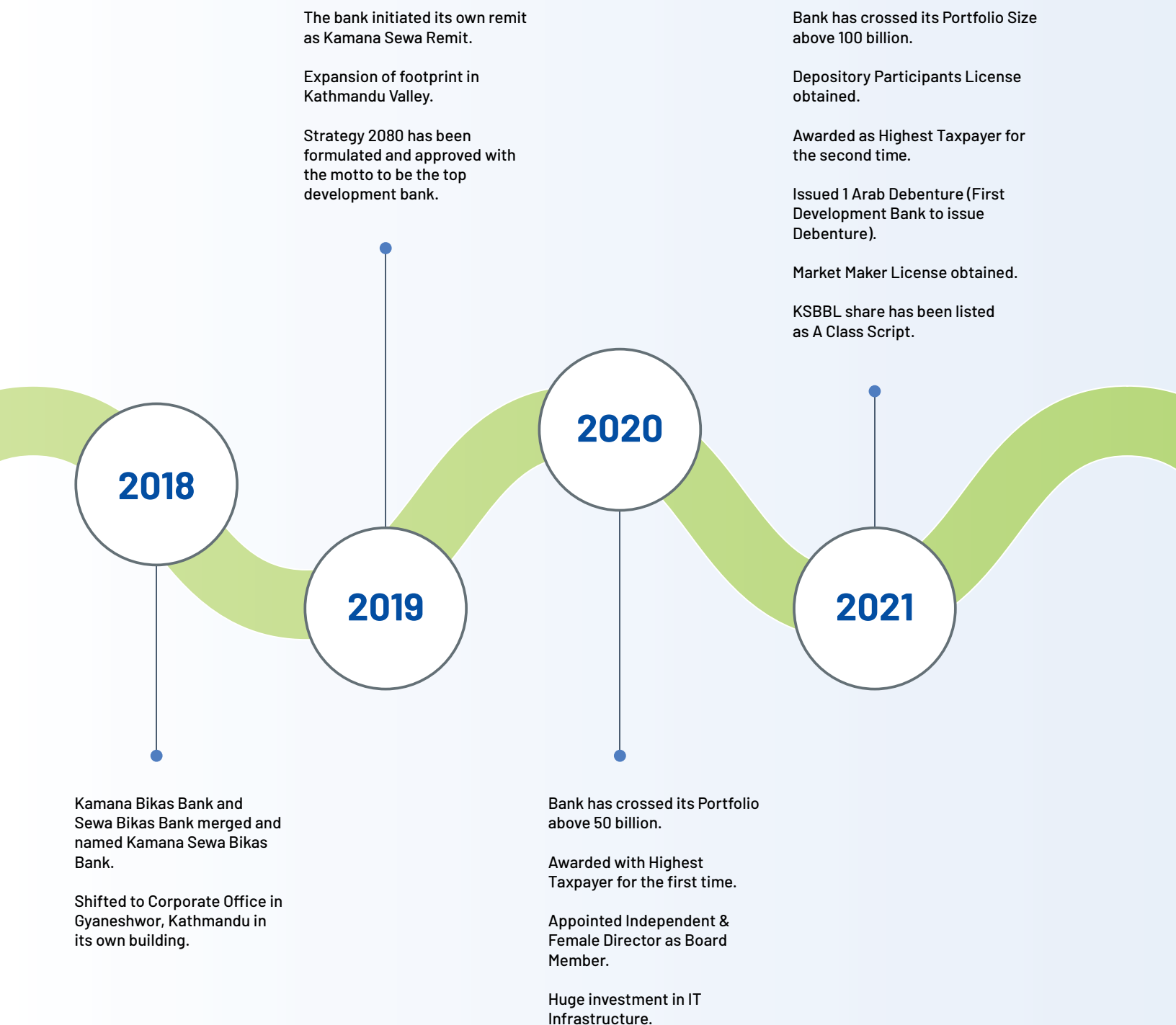
The average base rate of commercial banks, development banks and finance companies stood 6.02 percent, 8.03 percent and 8.97 percent respectively in the last month of 2024/25. Such rates were 8.00 percent, 9.71 percent and 11.21 percent respectively in the corresponding month a year ago.

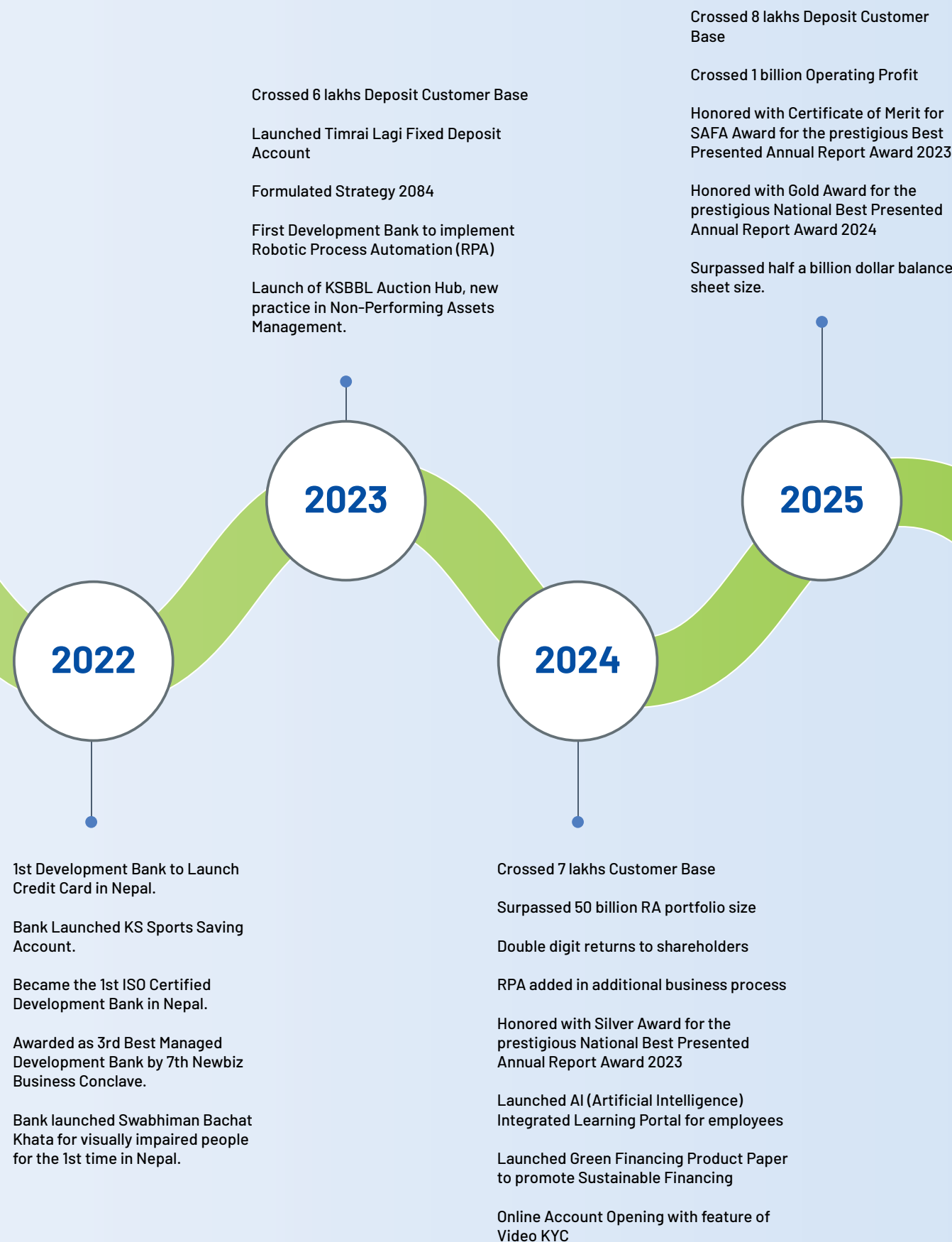
Weighted average deposit rate of commercial banks, development banks and finance companies stood 4.19 percent, 4.88 percent and 6.01 percent respectively in the last month of 2024/25. Such rates were 5.77 percent, 6.63 percent and 7.93 percent respectively in the corresponding month. Weighted average lending rate of commercial banks, development banks and finance companies stood 7.85 percent, 8.95 percent and 10.22 percent respectively in the last month of 2024/25. Such rates were 9.93 percent, 11.34 percent and 12.55 percent respectively in the corresponding month a year ago.

### CAPITAL MARKET

NEPSE index stood 2,794.79 in mid July 2025 compared to 2,240.41 in mid July 2024. Stock market capitalization in mid July 2025 stood Rs.4,656.99 billion compared to Rs.3,553.68 billion in mid-July 2024. The ratio of market capitalization to GDP stood 76.25 percent in mid-July 2025 compared to 62.25 percent in mid-July 2024. Share of BFIs and insurance companies in stock market capitalization is 54.1 percent in mid-July 2025. Such a share for hydropower companies is 15.3 percent, investment companies 7.7 percent, manufacturing and processing industries 5.4 percent, trading companies 5.0 percent, hotels 2.7 percent and the share of other companies is 9.8 percent.

# Key Milestones

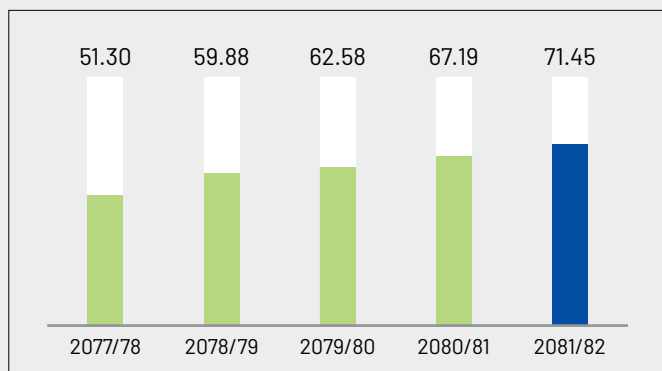




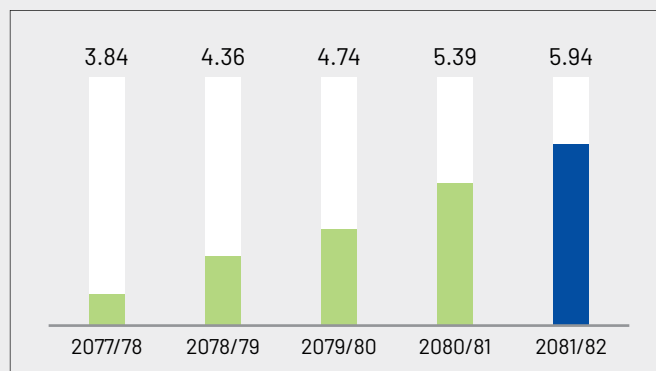
# Financial Highlights



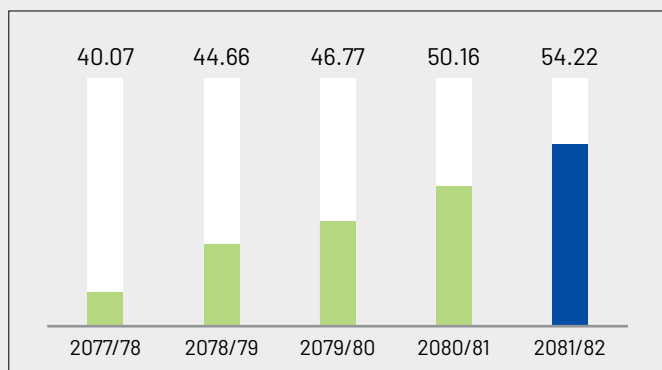
## TOTAL ASSETS (RS. IN BN)



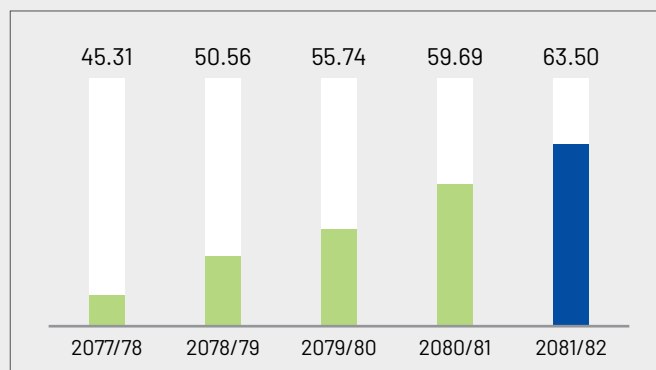
## NETWORTH (RS. IN BN)



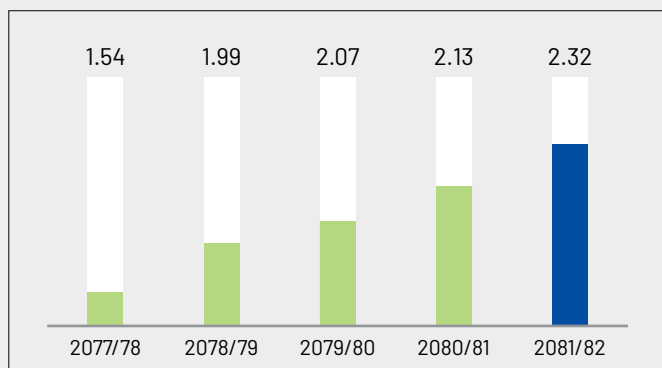
## LOANS AND ADVANCES (RS. IN BN)



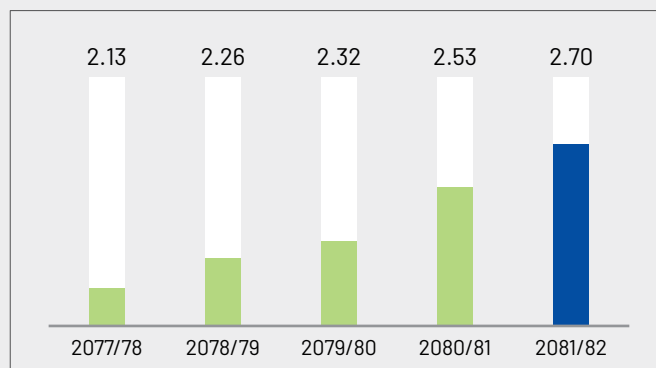
## DEPOSIT (RS. IN BN)

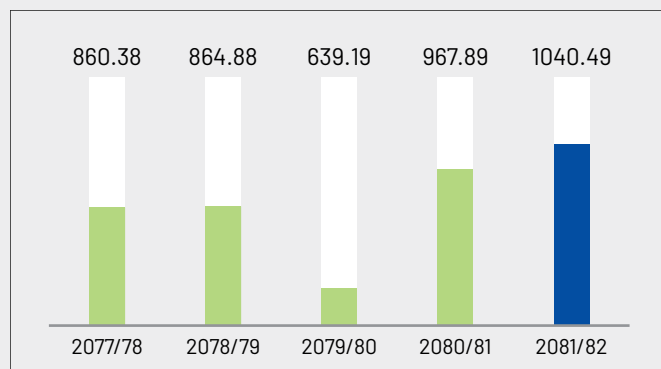
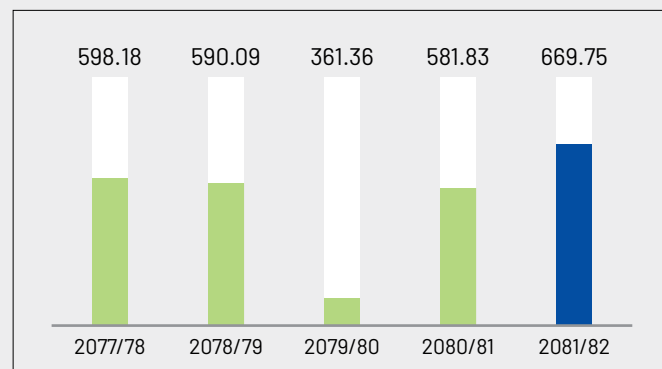
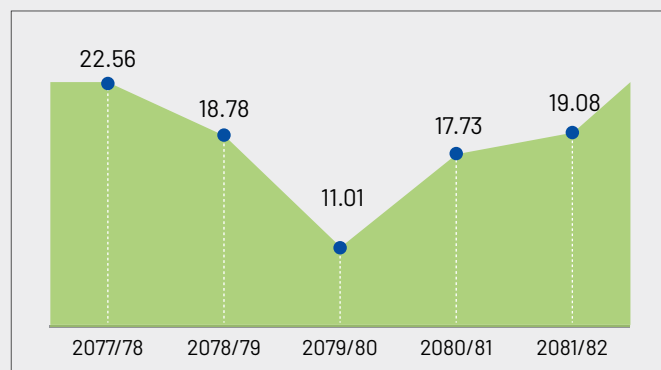
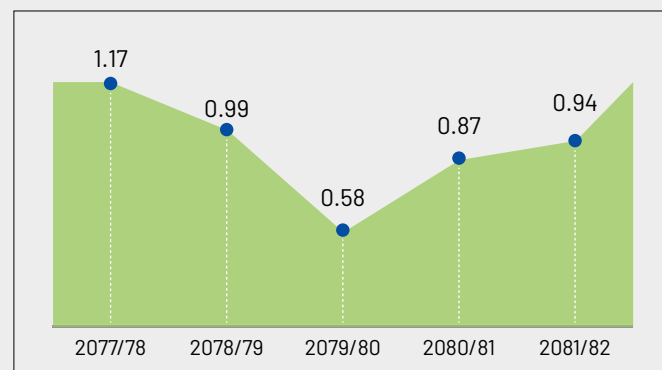
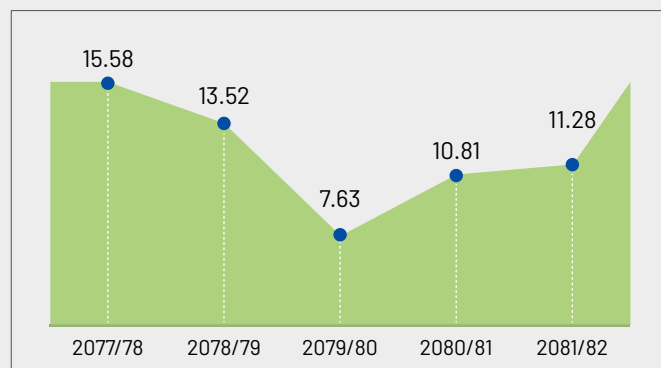
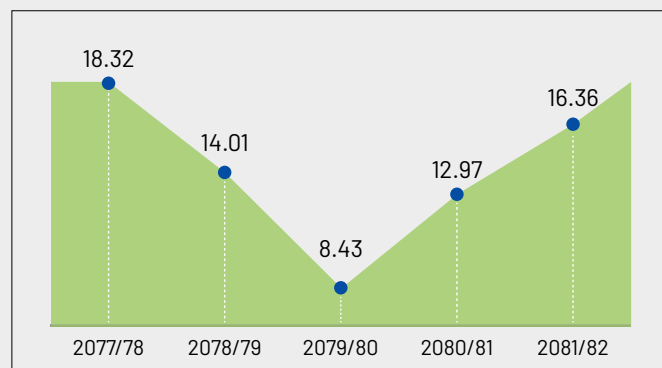


## NET INTEREST INCOME (RS. IN BN)



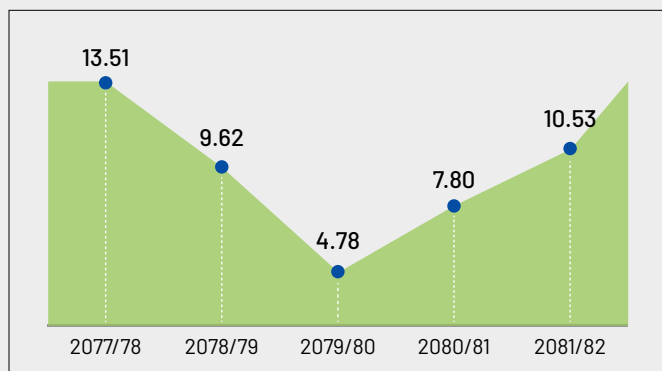
## TOTAL OPERATING INCOME (RS. IN BN)



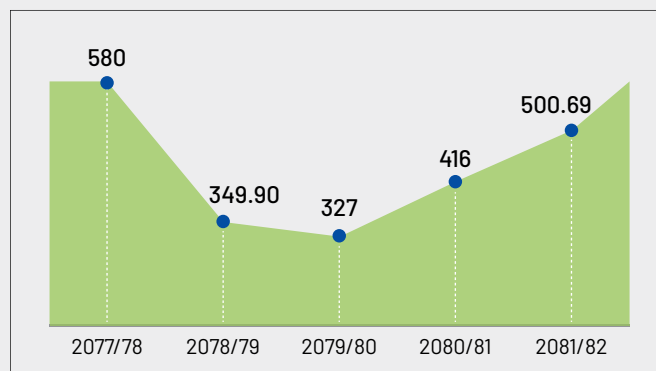
**OPERATING PROFIT (RS. IN MN)****NET PROFIT (RS. IN MN)****EARNING PER SHARE (RS.)****RETURN ON ASSETS (IN %)****RETURN ON EQUITY (IN %)****OPERATING PROFIT MARGIN (IN %)**

# Financial Highlights

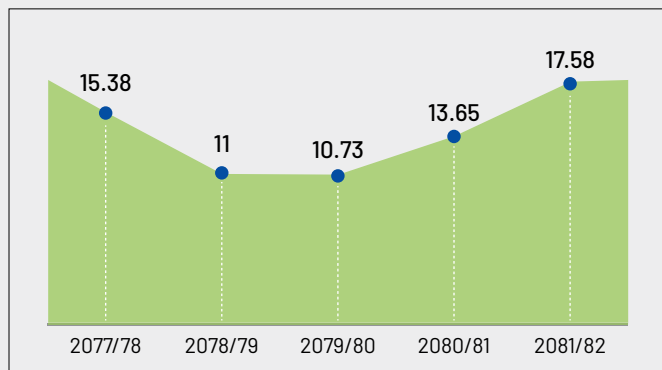
## NET PROFIT MARGIN (IN %)



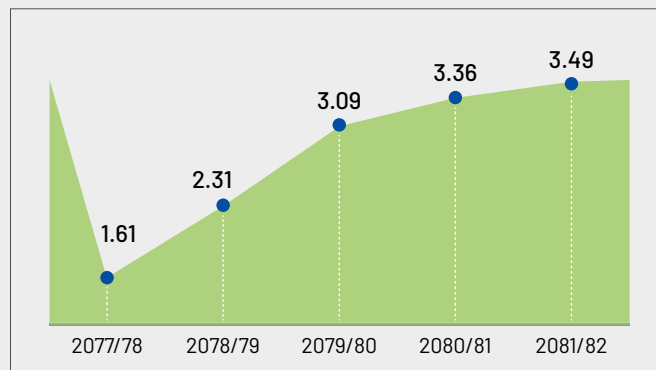
## MARKET PRICE PER SHARE (MPS)



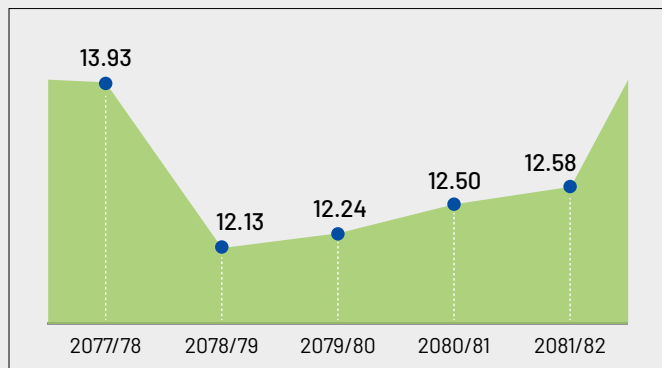
## MARKET CAPITALIZATION (RS. IN BN)



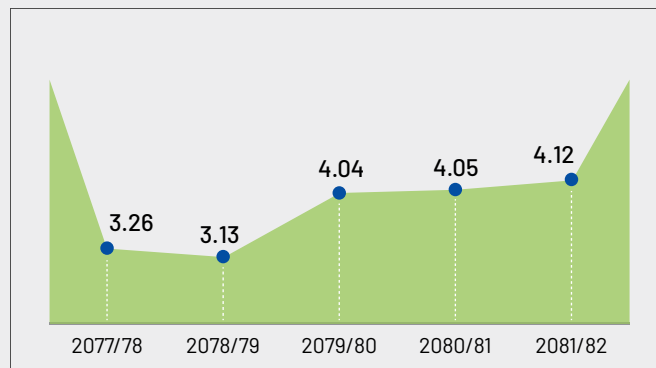
## NON PERFORMING ASSETS (IN %)



## CAPITAL ADEQUACY RATIO (IN %)

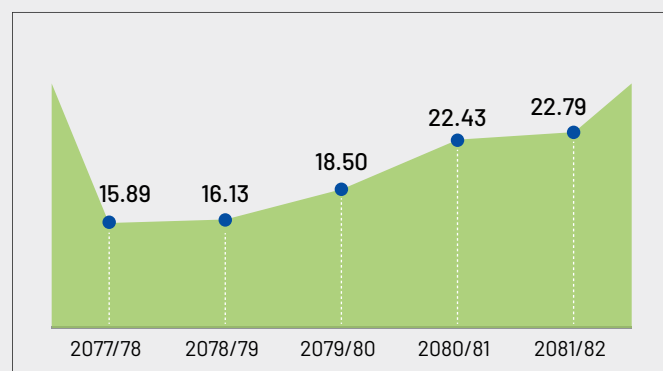


## CASH RESERVE RATIO (IN %)

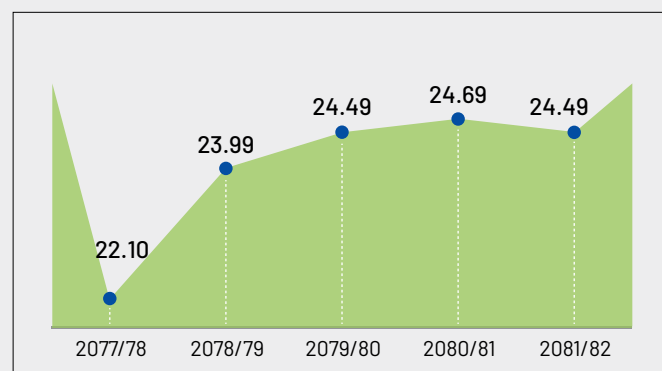




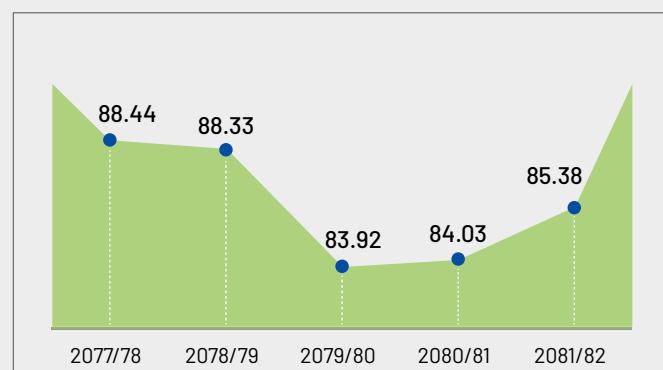
### STATUTORY LIQUIDITY RATIO (IN %)



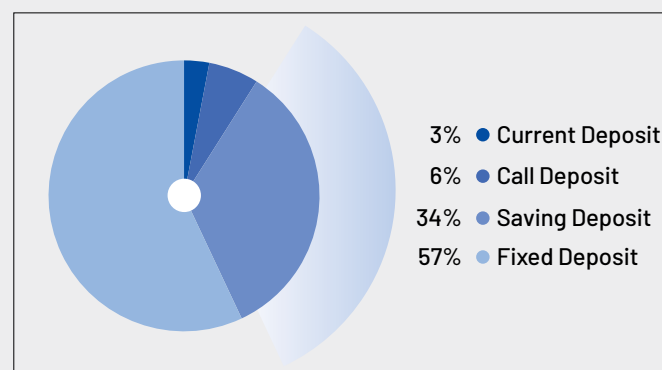
### LIQUIDITY RATIO (IN %)



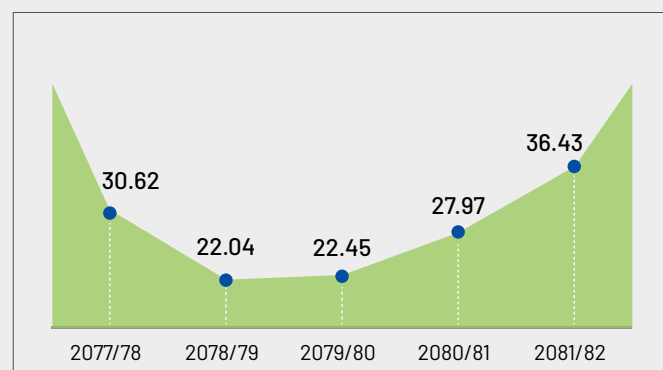
### CD RATIO (EPS IN %)



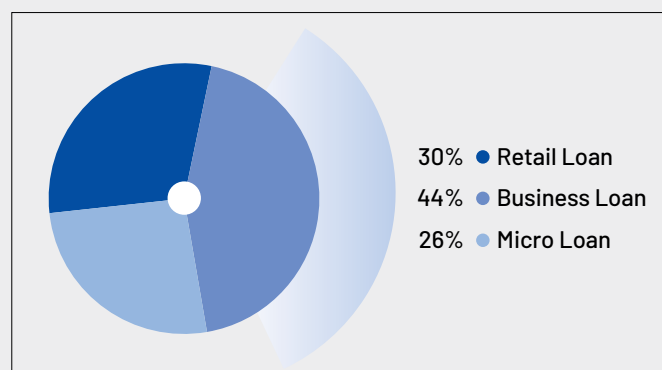
### DEPOSIT COMPOSITION (IN %)



### CASA DEPOSIT (IN %)



### LOAN COMPOSITION (IN %)



## FAIR VALUE HEIRARCHY

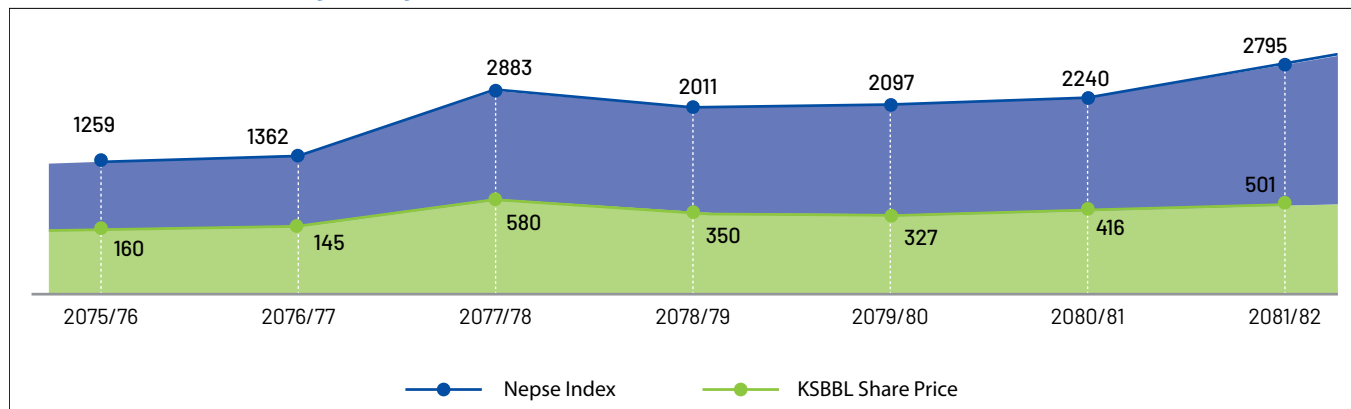
Particulars	Fair Value Heirarchy Level	As on Ashadh 2082		As on Ashadh 2081	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Through FVTOCI					
Quoted Equity Securities	1	1,063,452,483	1,177,795,617	962,722,943	1,017,824,924
Unquoted Equity Securities	3	69,004,600	70,823,700	69,004,600	70,823,700
At Amortised Cost					
Cash & Cash Equivalents	3	1,786,654,797	1,786,654,797	1,774,367,964	1,774,367,964
Due from Nepal Rastra Bank	3	2,724,031,338	2,724,031,338	2,396,952,186	2,396,952,186
Loan and Advances to B/FIs	3	2,537,879,119	2,537,879,119	3,121,680,410	3,121,680,410
Loans & Advances to Customers	3	50,077,497,277	50,077,497,277	45,979,607,704	45,979,607,704
Investment Securities	3	11,042,323,204	11,042,323,204	10,607,565,263	10,607,565,263
Other Financial Assets	3	640,210,875	640,210,875	745,322,974	745,322,974
Total Financial Assets		69,941,053,693	70,057,215,927	65,657,224,044	65,714,145,125
Financial Liabilities					
At Amortised Cost					
Due to Bank and Financial Institutions	3	667,439,221	667,439,221	626,690,715	626,690,715
Deposit from Customers	3	62,834,301,164	62,834,301,164	59,066,711,728	59,066,711,728
Other Liabilities	3	1,006,564,801	1,006,564,801	1,090,289,659	1,090,289,659
Debt Securities Issued	3	997,108,939	997,108,939	996,230,755	996,230,755
Total Financial Liabilities		65,505,414,124	65,505,414,124	61,779,922,857	61,779,922,857

## NON PERFORMING LOAN DISCLOSURE

### MOVEMENT OF NPA AND PROVISION ON NPA

Particulars	2081-82	2080-81	Change	
			Amount	%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-	-	0%
Substandard	105,261,638	378,394,600	(273,132,962)	-72%
Doubtful	118,808,870	239,951,958	(121,143,088)	-50%
Loss	1,669,866,113	1,068,268,810	601,597,303	56%
Gross Loans & Advances	1,893,936,621	1,686,615,368	207,321,253	12%
Provision of NPL				
Restructured/rescheduled	-	-	-	0%
Substandard	25,519,161	91,963,210	(66,444,049)	-72%
Doubtful	57,210,583	115,787,614	(58,577,031)	-51%
Loss	1,663,975,958	1,042,359,499	621,616,459	60%
Loan Loss Provision	1,746,705,702	1,250,110,323	496,595,379	40%

## Share Price Sensitivity Analysis



# Bank's Key Performance Indicators

## COMPARATIVE FINANCIAL HIGHLIGHTS

NPR in Million unless stated otherwise

Particulars	2081-82	2080-81	Increase/(decrease)	Change %
<b>Statement of Financial Position</b>				
Total assets	71,454.57	67,189.03	4,265.55	6.35%
Total loans and advances	54,215.27	50,159.81	4,055.46	8.09%
Investment securities	12,290.94	11,696.21	594.73	5.08%
Total deposit	63,501.74	59,693.40	3,808.34	6.38%
Share capital	3,510.85	3,281.16	229.68	7.00%
Total equity	5,937.46	5,384.34	553.12	10.27%
<b>Profit or Loss</b>				
Net interest income (NII)	2,318.49	2,132.54	185.95	8.72%
Total operating income	2,701.30	2,526.83	174.47	6.90%
Impairment charge/ (reversal)	418.13	358.20	59.93	16.73%
Total operating expenses	1,242.69	1,200.75	41.94	3.49%
Operating profit	1,040.49	967.89	72.60	7.50%
Profit before income tax	992.93	898.60	94.33	10.50%
Profit after tax	669.75	581.83	87.92	15.11%
<b>Other information</b>				
Earning per share (Rs.)	19.08	17.73	1.34	7.58%
Net assets value per share (Rs.)	169.12	164.10	5.02	3.06%
Numbers of shares (in numbers)	35,108,462	32,811,647	2,296,815	7.00%
<b>Regulatory Ratio</b>				
Cash reserve ratio (CRR)(%)	4.12	4.05	0.07	1.70%
Statutory liquidity ratio (SLR)(%)	22.79	22.43	0.36	1.60%
Liquidity Ratio (%)	24.49	24.69	(0.20)	-0.81%
Capital adequacy ratio (%)	12.58	12.50	0.08	0.64%
Tier - I (%)	9.91	9.61	0.30	3.16%
Tier - II (%)	2.67	2.89	(0.22)	-7.73%
CD ratio (%)	85.38	84.03	1.35	1.60%
<b>Assets Quality</b>				
Performing assets	52,321.33	48,473.19	3,848.14	7.94%
Non performing assets	1,893.94	1,686.62	207.32	12.29%
NPL %	3.49	3.36	0.13	3.87%
Loan loss provision fund to Non performing assets (%)	132.23	123.70	8.54	6.90%

## LAST FIVE YEARS' PERFORMANCE HIGHLIGHTS

### STATEMENT OF FINANCIAL POSITION

NPR in million unless stated otherwise

Particulars	2081-82	2080-81	2079-80	2078-79	2077-78
<b>Assets</b>					
Cash and Cash Equivalent	1,786.65	1,774.37	4,193.07	6,299.34	4,401.24
Due from Nepal Rastra Bank	2,724.03	2,396.95	2,167.39	1,234.52	940.62
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-
Other Trading Assets	-	-	-	-	-
Loans and Advances to BFIs	2,537.88	3,121.68	2,195.09	1,798.62	952.70
Loans and Advances to Customers	50,077.50	45,979.61	43,851.34	42,362.43	38,580.55
Investment Securities	12,290.94	11,696.21	7,920.49	6,261.36	4,972.53
Current Tax Assets	-	-	38.78	34.22	46.95
Investment in Subsidiaries	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Investment Property	354.18	352.14	374.30	237.68	34.81
Property and Equipment	932.12	991.49	1,135.49	1,200.77	613.08
Goodwill and Intangible Assets	13.30	13.64	14.16	14.79	100.53
Deferred Tax Assets	32.46	54.01	82.51	75.19	28.38
Other Assets	705.51	808.92	608.53	362.79	633.51
<b>Total Assets</b>	<b>71,454.57</b>	<b>67,189.03</b>	<b>62,581.15</b>	<b>59,881.70</b>	<b>51,304.90</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	667.44	626.69	2,263.44	4,303.59	1,106.02
Due to Nepal Rastra Bank	-	-	-	2,809.54	599.79
Derivative Financial Instruments	-	-	-	-	-
Deposits from Customers	62,834.30	59,066.71	53,472.41	46,256.07	44,200.61
Borrowings	-	-	-	-	-
Current Tax Liabilities	11.70	24.76	-	-	-
Provisions	26.95	16.49	17.94	16.05	25.82
Deferred Tax Liabilities	-	-	-	-	-
Other Liabilities	979.61	1,073.80	1,096.50	1,137.73	541.44
Debt Securities Issued	997.11	996.23	995.16	994.14	992.98
Subordinated Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>65,517.11</b>	<b>61,804.68</b>	<b>57,845.45</b>	<b>55,517.12</b>	<b>47,466.66</b>
<b>Equity</b>					
Share Capital	3,510.85	3,281.16	3,281.16	3,142.58	2,651.96
Share Premium	-	-	-	-	-
Retained Earnings	587.58	411.20	52.76	146.72	527.52
Reserves	1,839.04	1,691.98	1,401.78	1,075.28	658.76
<b>Total Equity Attributable to Equity Holders</b>	<b>5,937.46</b>	<b>5,384.34</b>	<b>4,735.70</b>	<b>4,364.58</b>	<b>3,838.24</b>
Non Controlling Interest	-	-	-	-	-
<b>Total Equity</b>	<b>5,937.46</b>	<b>5,384.34</b>	<b>4,735.70</b>	<b>4,364.58</b>	<b>3,838.24</b>
<b>Total Liabilities and Equity</b>	<b>71,454.57</b>	<b>67,189.03</b>	<b>62,581.15</b>	<b>59,881.70</b>	<b>51,304.90</b>
Contingent Liabilities and Commitments	2,310.15	2,653.10	2,389.88	2,192.24	170.36

## LAST FIVE YEARS' FINANCIAL HIGHLIGHTS

### STATEMENT OF PROFIT OR LOSS

NPR in million unless stated otherwise

Particulars	2081-82	2080-81	2079-80	2078-79	2077-78
Interest Income	5,948.66	7,040.45	7,302.57	5,836.29	4,090.31
Interest Expense	3,630.17	4,907.91	5,234.90	3,902.19	2,554.04
<b>Net Interest Income</b>	<b>2,318.49</b>	<b>2,132.54</b>	<b>2,067.66</b>	<b>1,934.10</b>	<b>1,536.27</b>
Fee and Commission Income	335.73	298.47	264.27	295.33	338.37
Fee and Commission Expense	25.50	28.98	22.62	13.52	7.37
<b>Net Fee and Commission Income</b>	<b>310.23</b>	<b>269.49</b>	<b>241.65</b>	<b>281.81</b>	<b>331.00</b>
<b>Net Interest, Fee and Commission Income</b>	<b>2,628.72</b>	<b>2,402.03</b>	<b>2,309.32</b>	<b>2,215.91</b>	<b>1,867.27</b>
Net Trading Income	0.76	0.49	0.05	0.10	0.04
Other Operating Income	71.83	124.31	12.67	39.59	267.33
<b>Total Operating Income</b>	<b>2,701.30</b>	<b>2,526.83</b>	<b>2,322.04</b>	<b>2,255.60</b>	<b>2,134.64</b>
Impairment Charge/ (Reversal) for Loans and Other Losses	418.13	358.20	522.69	284.13	272.11
<b>Net Operating Income</b>	<b>2,283.17</b>	<b>2,168.63</b>	<b>1,799.35</b>	<b>1,971.47</b>	<b>1,862.53</b>
<b>Operating Expense</b>					
Personnel Expenses	797.36	761.18	721.63	698.61	623.46
Other Operating Expenses	287.06	266.93	253.91	218.24	262.56
Depreciation & Amortization	158.26	172.64	184.61	189.75	116.12
<b>Operating Profit</b>	<b>1,040.49</b>	<b>967.89</b>	<b>639.19</b>	<b>864.88</b>	<b>860.38</b>
Non Operating Income	3.79	0.70	-	-	-
Non Operating Expense	51.35	69.99	108.39	17.13	2.14
<b>Profit Before Income Tax</b>	<b>992.93</b>	<b>898.60</b>	<b>530.81</b>	<b>847.74</b>	<b>858.24</b>
Income Tax Expense					
Current Tax	323.96	317.70	186.89	279.44	269.56
Deferred Tax	(0.78)	(0.93)	(17.44)	(21.78)	(9.50)
<b>Profit for the Period</b>	<b>669.75</b>	<b>581.83</b>	<b>361.36</b>	<b>590.09</b>	<b>598.18</b>
<b>Profit Attributable to:</b>					
Equity-holders of the Bank	669.75	581.83	361.36	590.09	598.18
Non-Controlling Interest	-	-	-	-	-
<b>Profit for the Period</b>	<b>669.75</b>	<b>581.83</b>	<b>361.36</b>	<b>590.09</b>	<b>598.18</b>
<b>Earnings per Share</b>					
Basic Earnings per Share	19.08	17.73	11.01	18.78	22.56
Diluted Earnings per Share	19.08	17.73	11.01	18.78	22.56

## HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

Particulars	2081-82	2080-81	2079-80	2078-79	2077-78
<b>Assets</b>					
Cash and Cash Equivalent	41%	40%	95%	143%	100%
Due from Nepal Rastra Bank	290%	255%	230%	131%	100%
Loans and Advances to BFIs	266%	328%	230%	189%	100%
Loans and Advances to Customers	130%	119%	114%	110%	100%
Investment Securities	247%	235%	159%	126%	100%
Current Tax Assets	0%	0%	83%	73%	100%
Investment Property	1017%	1012%	1075%	683%	100%
Property and Equipment	152%	162%	185%	196%	100%
Goodwill and Intangible Assets	13%	14%	14%	15%	100%
Deferred Tax Assets	114%	190%	291%	265%	100%
Other Assets	111%	128%	96%	57%	100%
<b>Total Assets</b>	<b>139%</b>	<b>131%</b>	<b>122%</b>	<b>117%</b>	<b>100%</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	60%	57%	205%	389%	100%
Due to Nepal Rastra Bank	0%	0%	0%	468%	100%
Deposits from Customers	142%	134%	121%	105%	100%
Current Tax Liabilities	100%	100%	0%	0%	100%
Provisions	104%	64%	69%	62%	100%
Other Liabilities	181%	198%	203%	210%	100%
Debt Securities Issued	100%	100%	100%	100%	100%
<b>Total Liabilities</b>	<b>138%</b>	<b>130%</b>	<b>122%</b>	<b>117%</b>	<b>100%</b>
<b>Equity</b>					
Share Capital	132%	124%	124%	118%	100%
Retained Earnings	111%	78%	10%	28%	100%
Reserves	279%	257%	213%	163%	100%
<b>Total Equity Attributable to Equity Holders</b>	<b>155%</b>	<b>140%</b>	<b>123%</b>	<b>114%</b>	<b>100%</b>
<b>Total Liabilities and Equity</b>	<b>139%</b>	<b>131%</b>	<b>122%</b>	<b>117%</b>	<b>100%</b>

### 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 2077-78 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	2081-82	2080-81	2079-80	2078-79	2077-78
Interest Income	145%	172%	179%	143%	100%
Interest Expense	142%	192%	205%	153%	100%
<b>Net Interest Income</b>	<b>151%</b>	<b>139%</b>	<b>135%</b>	<b>126%</b>	<b>100%</b>
Fee and Commission Income	99%	88%	78%	87%	100%
Fee and Commission Expense	346%	393%	307%	183%	100%
<b>Net Fee and Commission Income</b>	<b>94%</b>	<b>81%</b>	<b>73%</b>	<b>85%</b>	<b>100%</b>
<b>Net Interest, Fee and Commission Income</b>	<b>141%</b>	<b>129%</b>	<b>124%</b>	<b>119%</b>	<b>100%</b>
Net Trading Income	1686%	1093%	117%	212%	100%
Other Operating Income	27%	47%	5%	15%	100%
<b>Total Operating Income</b>	<b>127%</b>	<b>118%</b>	<b>109%</b>	<b>106%</b>	<b>100%</b>
Impairment Charge/ (Reversal) for Loans and Other Losses	154%	132%	192%	104%	100%
<b>Net Operating Income</b>	<b>123%</b>	<b>116%</b>	<b>97%</b>	<b>106%</b>	<b>100%</b>
<b>Operating Expense</b>					
Personnel Expenses	128%	122%	116%	112%	100%
Other Operating Expenses	109%	102%	97%	83%	100%
Depreciation & Amortization	136%	149%	159%	163%	100%
<b>Operating Profit</b>	<b>121%</b>	<b>112%</b>	<b>74%</b>	<b>101%</b>	<b>100%</b>
Non Operating Income	100%	100%	0%	0%	100%
Non Operating Expense	2396%	3265%	5057%	799%	100%
<b>Profit Before Income Tax</b>	<b>116%</b>	<b>105%</b>	<b>62%</b>	<b>99%</b>	<b>100%</b>
Income Tax Expense					
Current Tax	120%	118%	69%	104%	100%
Deferred Tax	8%	10%	184%	229%	100%
<b>Profit for the Period</b>	<b>112%</b>	<b>97%</b>	<b>60%</b>	<b>99%</b>	<b>100%</b>
<b>Earnings per Share</b>					
Basic Earnings per Share	85%	79%	49%	83%	100%
Diluted Earnings per Share	85%	79%	49%	83%	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 2077-78 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, income of the bank is growing consistently over the period of past five years which symbolize sustainable income growth of the bank.

## VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

Particulars	2081-82	2080-81	2079-80	2078-79	2077-78
<b>Assets</b>					
Cash and Cash Equivalent	2.50%	2.64%	6.70%	10.52%	8.58%
Due from Nepal Rastra Bank	3.81%	3.57%	3.46%	2.06%	1.83%
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	3.55%	4.65%	3.51%	3.00%	1.86%
Loans and Advances to Customers	70.08%	68.43%	70.07%	70.74%	75.20%
Investment Securities	17.20%	17.41%	12.66%	10.46%	9.69%
Current Tax Assets	0.00%	0.00%	0.06%	0.06%	0.09%
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	0.50%	0.52%	0.60%	0.40%	0.07%
Property and Equipment	1.30%	1.48%	1.81%	2.01%	1.19%
Goodwill and Intangible Assets	0.02%	0.02%	0.02%	0.02%	0.20%
Deferred Tax Assets	0.05%	0.08%	0.13%	0.13%	0.06%
Other Assets	0.99%	1.20%	0.97%	0.61%	1.23%
<b>Total Assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	0.93%	0.93%	3.62%	7.19%	2.16%
Due to Nepal Rastra Bank	0.00%	0.00%	0.00%	4.69%	1.17%
Derivative Financial Instruments	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits from Customers	87.94%	87.91%	85.44%	77.25%	86.15%
Borrowings	0.00%	0.00%	0.00%	0.00%	0.00%
Current Tax Liabilities	0.02%	0.04%	0.00%	0.00%	0.00%
Provisions	0.04%	0.02%	0.03%	0.03%	0.05%
Deferred Tax Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
Other Liabilities	1.37%	1.60%	1.75%	1.90%	1.06%
Debt Securities Issued	1.40%	1.48%	1.59%	1.66%	1.94%
Subordinated Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Liabilities</b>	<b>91.69%</b>	<b>91.99%</b>	<b>92.43%</b>	<b>92.71%</b>	<b>92.52%</b>
<b>Equity</b>					
Share Capital	4.91%	4.88%	5.24%	5.25%	5.17%
Share Premium	0.00%	0.00%	0.00%	0.00%	0.00%
Retained Earnings	0.82%	0.61%	0.08%	0.25%	1.03%
Reserves	2.57%	2.52%	2.24%	1.80%	1.28%
<b>Total Equity Attributable to Equity Holders</b>	<b>8.31%</b>	<b>8.01%</b>	<b>7.57%</b>	<b>7.29%</b>	<b>7.48%</b>
Non Controlling Interest	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Equity</b>	<b>8.31%</b>	<b>8.01%</b>	<b>7.57%</b>	<b>7.29%</b>	<b>7.48%</b>
<b>Total Liabilities and Equity</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### 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	2081-82	2080-81	2079-80	2078-79	2077-78
Interest Income	93.52%	94.32%	96.35%	94.57%	87.10%
Interest Expense	57.07%	65.75%	69.07%	63.23%	54.39%
<b>Net Interest Income</b>	<b>36.45%</b>	<b>28.57%</b>	<b>27.28%</b>	<b>31.34%</b>	<b>32.71%</b>
Fee and Commission Income	5.28%	4.00%	3.49%	4.79%	7.21%
Fee and Commission Expense	0.40%	0.39%	0.30%	0.22%	0.16%
<b>Net Fee and Commission Income</b>	<b>4.88%</b>	<b>3.61%</b>	<b>3.19%</b>	<b>4.57%</b>	<b>7.05%</b>
<b>Net Interest, Fee and Commission Income</b>	<b>41.33%</b>	<b>32.18%</b>	<b>30.47%</b>	<b>35.91%</b>	<b>39.76%</b>
Net Trading Income	0.01%	0.01%	0.00%	0.00%	0.00%
Other Operating Income	1.13%	1.67%	0.17%	0.64%	5.69%
<b>Total Operating Income</b>	<b>42.47%</b>	<b>33.85%</b>	<b>30.64%</b>	<b>36.55%</b>	<b>45.46%</b>
Impairment Charge/ (Reversal) for Loans and Other Losses	6.57%	4.80%	6.90%	4.60%	5.79%
<b>Net Operating Income</b>	<b>35.89%</b>	<b>29.05%</b>	<b>23.74%</b>	<b>31.95%</b>	<b>39.66%</b>
<b>Operating Expense</b>					
Personnel Expenses	12.54%	10.20%	9.52%	11.32%	13.28%
Other Operating Expenses	4.51%	3.58%	3.35%	3.54%	5.59%
Depreciation & Amortization	2.49%	2.31%	2.44%	3.07%	2.47%
<b>Operating Profit</b>	<b>16.36%</b>	<b>12.97%</b>	<b>8.43%</b>	<b>14.01%</b>	<b>18.32%</b>
Non Operating Income	0.06%	0.01%	0.00%	0.00%	0.00%
Non Operating Expense	0.81%	0.94%	1.43%	0.28%	0.05%
<b>Profit Before Income Tax</b>	<b>15.61%</b>	<b>12.04%</b>	<b>7.00%</b>	<b>13.74%</b>	<b>18.28%</b>
Income Tax Expense					
Current Tax	5.09%	4.26%	2.47%	4.53%	5.74%
Deferred Tax	-0.01%	-0.01%	-0.23%	-0.35%	-0.20%
<b>Profit for the Period</b>	<b>10.53%</b>	<b>7.79%</b>	<b>4.77%</b>	<b>9.56%</b>	<b>12.74%</b>

### 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 and growth of the Bank.

NPR in million unless stated otherwise

Particulars	2081/82	2080/81	Changes
Interest Earned	5,948.66	7,040.45	-15.51%
Other Income	386.61	394.99	-2.12%
Interest Expense	3,630.17	4,907.91	-26.03%
Other Operating Expenses	338.41	336.91	0.45%
<b>Value Added by Banking Services</b>	<b>2,366.69</b>	<b>2,190.62</b>	<b>8.04%</b>
Impairment	418.13	358.20	16.73%
<b>Gross Value Added</b>	<b>1,948.55</b>	<b>1,832.42</b>	<b>6.34%</b>
<b>Application Statement</b>			
<b>To Employees</b>			
Salaries and other benefits	797.36	761.18	4.75%
<b>To Government</b>			
Income Taxes	323.96	317.70	1.97%
<b>To Community</b>			
Corporate Social Responsibility	6.70	5.82	15.11%
<b>To Share Holders</b>			
Dividend and Bonus Share	570.11	356.30	60.01%
<b>To Expansion and Growth</b>			
Reserve and Surplus	92.94	219.71	-57.70%
Depreciation and Amortization	158.26	172.64	-8.33%
Deferred Tax	(0.78)	(0.93)	-15.67%
<b>Total Value Added – Allocation</b>	<b>1,948.55</b>	<b>1,832.42</b>	<b>6.34%</b>

## 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/No. in million unless stated otherwise

Particulars	2081-82	2080-81
Market Price per share (NPR)	500.69	416.00
Number of shares	35.11	32.81
Total Market Value	17,578.46	13,649.65
Book Value per Share	169.12	164.10
Number of shares	35.11	32.81
Total Book Value	5,937.46	5,384.34
Market Value Added	11,641.00	8,265.30

## 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	2081-82	2080-81
Net Operating Profit after tax	669.75	581.83
Average Shareholder Fund	5,660.90	5,060.02
Cost of Capital	9%	11%
Cost of Capital Employed	509.48	556.60
Economic Value Added	160.27	25.23

## SECTOR WISE CONCENTRATION OF LOANS AND ADVANCES

S.No.	Industry/Sector	Ashadh end 2082	Ashadh end 2081	Change (Rs.)	Change (%)
1.	Agricultural and Forest Related	5,385.48	2,717.15	2,668.33	98.20%
2.	Fishery Related	105.82	129.61	(23.79)	-18.35%
3.	Mining Related	-	-	-	0.00%
4.	"Agriculture, Forestry & Beverage Production Related"	1,210.92	831.38	379.54	45.65%
5.	Non-food Production Related	1,105.10	836.33	268.77	32.14%
6.	Construction	658.50	424.84	233.66	55.00%
7.	Power, Gas and Water	1,316.60	811.25	505.36	62.29%
8.	Metal Products, Machinery & Electronic Equipment & Assemblage	178.74	69.50	109.24	157.17%
9.	Transport, Communication and Public Utilities	841.84	1,005.88	(164.05)	-16.31%
10.	Wholesaler & Retailer	6,832.12	7,795.00	(962.88)	-12.35%
11.	Finance, Insurance and Real Estate	4,803.09	5,271.38	(468.29)	-8.88%
12.	Tourism Service	1,603.88	1,798.84	(194.96)	-10.84%
13.	Other Services	2,118.68	1,981.16	137.52	6.94%
14.	Consumption Loans	18,823.55	15,875.48	2,948.07	18.57%
15.	Local Government	0.35	-	0.35	0.00%
16.	Others	9,230.59	10,612.00	(1,381.41)	-13.02%
<b>Total</b>		<b>54,215.27</b>	<b>50,159.81</b>	<b>4,055.46</b>	

## COMPLIANCE WITH PRIORITY SECTOR LENDING

The Nepal Rastra Bank (NRB) mandates priority sector lending to support specific sectors deemed crucial for economic development, poverty reduction and financial inclusion. This policy requires banks and financial institutions to allocate a set percentage of their loans to sectors deemed crucial for national development, such as agriculture, hydropower/energy, tourism and micro, cottage small, and medium enterprises (MSMEs). By directing credit to these areas, the NRB aims to ensure financial inclusion for deprived communities and balance economic development across all sectors.

Priority Sector Lending Sector	Exposure Amount (Rs. In Mn)	Percentage (%)
Agriculture	6,614.60	12.43
Hydropower/Energy	1,316.60	2.48
Tourism	1,939.49	3.65
Micro, Cottage, Small and Medium Industries	3,301.26	6.21
<b>Total</b>	<b>13,171.96</b>	<b>24.77</b>

As per regulatory provision, B Class Financial institutions are required to disburse 17% of total loans and advances in priority sectors by Ashadh 2082. Our bank has complied the said provision and have an exposure in priority sector lending of 24.77% as on Ashadh 2082.

## MARKET SHARE INFORMATION

### Market Value Per Share

Fiscal Year	Market Value per share (Rs.)	Market Capitalization (Rs. In Bn)
2077-78	580	15.38
2078-79	350	11.00
2079-80	327	10.73
2080-81	416	13.65
2081-82	501	17.58

# Non-Financial Highlights

	LAST YEAR	THIS YEAR
NUMBER OF CUSTOMERS	746,073	769,854
NUMBER OF BANKING OUTLETS	135	130
NUMBER OF ATM MACHINES	74	72
NUMBER OF STAFFS	988	966
TOTAL DEPOSIT ACCOUNTS	802,778	8,27,788
TOTAL LOAN ACCOUNTS	30,490	30,356
MOBILE BANKING USERS (ACTIVE)	241,234	206,821
DEBIT CARD (ACTIVE)	82,234	103,590
QR	22,692	24,904
NUMBER OF BLB AGENTS	17	4
NO. OF DOORSTEP BANKING OUTLETS	2	4
PROVINCE COVERED	7	7

## Share Trading Information

Fiscal Year	Maximum Price	Minimum Price	Closing Price	Number of share traded during the year	Total Transaction
2077-78	663	137	580	29,031,020	10,532,745,543
2078-79	867	296	350	23,548,419	14,584,015,295
2079-80	424	277	327	7,244,848	2,541,001,295
2080-81	420	288	416	11,379,044	4,064,485,030
2081-82	546	422	501	14,726,478	7,080,524,382

## DIGITAL COVERAGE

### Debit Card

Fiscal Year	Debit Card Users*
2079-80	122,605
2080-81	161,536
2081-82	171,995

\*Registered users

### QR Enrollment

Fiscal Year	QR Enrollment
2079-80	7,659
2080-81	6,514
2081-82	2,932

### Credit Card

Fiscal Year	Credit Card Users*
2079-80	143
2080-81	113
2081-82	91

\*Registered users

### New Customer Enrollment During Current Fiscal Year

Fiscal Year	Mobile Banking	Card
2079-80	77,138	49,270
2080-81	79,647	40,833
2081-82	43,083	19,514

### Mobile Banking

Fiscal Year	Mobile Banking Users*
2079-80	415,990
2080-81	483,188
2081-82	487,230

\*Registered users

### Women Access in Digital Channel till FY 2024-25

Fiscal Year	Mobile Banking	Card
2079-80	182,096	48,567
2080-81	216,573	65,667
2081-82	218,306	71,363

### ATM Networks

Fiscal Year	ATM Network
2079-80	77
2080-81	74
2081-82	72

\*Registered users

# व्यवसाय | सहयोग तपाईंको | हाम्रो

तपाईंको व्यवसायलाई कामनाको वित्तीय सहयोग



# Digitization and Innovations IT & Digital Banking (IT)

At KSBBL, we continuously embrace digitization and innovation to strengthen our services and enhance customer experiences. By adopting advanced technologies, we streamline our processes, improve operational efficiency, and deliver convenient, secure and accessible banking solutions to our clients.

To ensure efficiency in high-volume, repetitive tasks, the Bank implemented multiple RPA-driven solutions:

## 1. LOAN REPAYMENT AUTOMATION:

The introduction of automated loan repayment processing and reconciliation has significantly reduced turnaround time and human error. This initiative highlights the Bank's focus on improving efficiency and ensuring timely, error-free service delivery.

## 2. CICL (CLIENT SEARCH WITH LOAN SCORE - CREDIT INFORMATION BUREAU):

RPA bots were integrated to seamlessly fetch and process client credit scores and histories from the Credit Information Bureau (CIB). This automation has strengthened credit risk evaluation, accelerated loan decision-making, and enhanced accuracy in customer assessment.

## 3. CUSTOMER SEARCH AND BLOCK:

The Bank automated customer profile searches and system-based blocking procedures, ensuring faster responses in compliance and fraud-related scenarios. This reflects the Bank's proactive stance in safeguarding customers and maintaining regulatory compliance.

## 4. ONLINE CUSTOMER BLOCK REQUEST:

Customers are now empowered to initiate online block requests in cases of lost credentials or suspicious activity. Following parameter validation, accounts are automatically blocked in real time. This innovation reinforces customer protection, while also enhancing trust and convenience.

## 5. OTHER INTERNAL RPA PROCESSES:

Overall, 20 process have been developed and 15 plus processes are under process of development. These processes are developed to support internal banking operations.





# Artificial Intelligence (AI) Initiatives and Machine Learning

In today's rapidly evolving digital landscape, Artificial Intelligence (AI) and Machine Learning (ML) have emerged as key enablers of innovation and operational excellence. Our commitment to integrating AI and ML into our processes reflects our focus on digital transformation, customer-centricity, and sustainable growth. From automating routine tasks to optimizing predictive analysis, these technologies empower us to innovate, reduce operational risks and create value for all stakeholders.

## STAFF FACING CHATBOTS

The Bank successfully developed and deployed an AI-powered chatbot for exclusive internal use by staff. This initiative underscores the Bank's commitment to leveraging artificial intelligence to strengthen operational efficiency. The chatbot enables employees to access information swiftly, enhances productivity, and provides real-time assistance across banking functions. By reducing dependency on manual support, it ensures consistency, accuracy, and agility in internal operations.



## Du Pont Analysis

ROE

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	2081-82	2080-81
ROE	11.28%	10.81%
Net Profit Margin	10.53%	7.79%
Total Asset Turnover	0.0890	0.1111
Financial Leverage	12.0345	12.4786
Operating Profit Margin	16.36%	12.97%
Effect of non operating items	0.9543	0.9284
Tax Effect	0.6745	0.6475

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

First Level Breakdown

Net Profit Margin  
Total Asset Turnover  
Financial Leverage

Second Level Breakdown

Operating Profit Margin  
Effect of Non Operating Items  
Tax Effect

mentioned in second level break down. There is an increment of operating profit margin from 12.97% to 16.36% due to increase in net interest income & fee and commission income for the financial year.

Effect on non-operating items increased to 0.9543 due to decrease in loan written off expenses and increase in recovery of loan written off. Tax effect has been increased from 0.6475 to 0.6745. Increase in operating profit margin, effect of non operating items and tax effect in combined caused to increase net profit margin from 7.79% to 10.53% eventually.



## Awards and Accolades



Gold Award for the prestigious National Best Presented Annual Report Award 2024



Certificate of Merit for the prestigious National Best Presented Annual Report Award 2023



Highest Taxpayer in FY 2076-77



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



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

## 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.



**CARE Ratings**  
NEPAL

# Products and their Features



## 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 to build the residential house/ apartment within 2 years.
- Refinance/Swap of existing home loan.

Particulars	Parameters
Facility Type	Term loan
Loan Amount	Minimum: NA Maximum: Up to 30M or as specified by NRB (Loan above NPR. 30M to be booked under Residential Home Loan)
LTV	70% of FMV (80% 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	<b>For PEL/ Land Purchase Loan:</b> Minimum: NA Maximum: Up to 50M or as decided by management from time to time. For loans above 5M, purpose of loan and end use of fund shall be disclosed/obtained with appropriate documents. <b>For Easy OD:</b> Minimum: NA 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	<b>For PEL:</b> Minimum: 3 years Maximum: 25 years <b>For Easy OD:</b> 1-year subject to renewal



Join the **GREEN REVOLUTION !**  
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### AUTO LOAN – PRIVATE

The purpose of this loan is for the purchase of a new/used vehicle which is used solely for personal purposes (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 60% of VAT bill (For EV- Up to 60% of VAT bill)
Loan Tenure	7 years (For EV- 5 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	Minimum: NPR 5 Lakhs Maximum: For Individual Borrower: NPR 250 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	Ashadh 2081	Ashadh 2082
No. Of Files	11,759	12,966
Total RA	19,997,099,514.09	23,740,840,868



**कामना सेवा**  
विकास बैंक लि.  
Kamana Sewa Bikas Bank Ltd.

**३ दिन भित्रै कर्जा**

यो योजना निम्नलिखित अवस्थामा लागू गर्न हुनेछ।

**सानो लगानी भए पनि, सोच ठुलो हुनुपर्छ**  
**कामना सेवा, सरल व्यापार कर्जा**

समृद्धीको सम्बन्ध स्थापना गर्दै वित्तीय सबलताको लागि सरल ब्यापार कर्जा लिनुहोस्।

**विशेषताहरू**  
कर्जा सीमा : कुल धितोको ८०% सम्म । कर्जा भुक्तानी : किस्ताबन्दी र ओभरड्राफ्ट रिमिडिङ

## MAJOR PRODUCT OF MICRO LOAN

Retail Loan	Ashadh 2081	Ashadh 2082	Progress
SAJILO LAGHU KARJA-TERM/OD	9,377,978,911.87	10,394,435,597.44	1,016,456,685.57
SAJILO BYABASAYA KARJA-TERM/OD	2,332,339,619.42	2,695,278,868.52	362,939,249.10
NYUNA LAGAT AWASH KARJA	97,330,132.34	73,253,659.11	24,076,473.23

Name of Product	YOY No. of Customers Growth	YOY RA Growth Amount
SAJILO LAGHU KARJA-TERM/OD	641	1017M
SAJILO BYABASAYA KARJA-TERM/OD	491	363M
NYUNA LAGAT AWASH KARJA	(37)	(24M)

## SAJILO LAGHU KARJA-TERM

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.

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

**641** ▲

YOY No. of  
Customers Growth

**1,017** MILLION

YOY RA  
Growth Amount



## SAJILLO BYABASAYA KARJA

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
- 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

**491 ▲**

YOY No. of  
Customers Growth

**363 MILLION**

YOY RA  
Growth Amount



## NYUNA LAGAT AAWASH KARJA

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

**37 ▼**

YOY No. of  
Customers Growth

**24 MILLION ▼**

YOY RA  
Growth Amount





## TIMRAI LAGI MUDATI KHATA

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
- Top-up Facility: Can be topped up in any amount in multiple of 25K before 3 months from maturity

**2,412 ▲**

YOY No. of  
Customers Growth

**11,349 MILLION**

Deposit Amount



## KAMANA SEWA PRAGATI BACHAT KHATA-PLATINUM

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 the 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

**2,916 ▲**

YOY No. of  
Customers Growth

**1,906.92 MILLION**

Deposit Amount



## TIMRAI LAGI SAVING ACCOUNT

Timrai Lagi saving product is a special saving product designed for gift-giving purposes 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



**10,292 ▲**

YOY No. of  
Customers Growth

**4,469.33 MILLION**

Deposit Amount

### CUSTOMER CENTRIC PRODUCTS AND SERVICES:

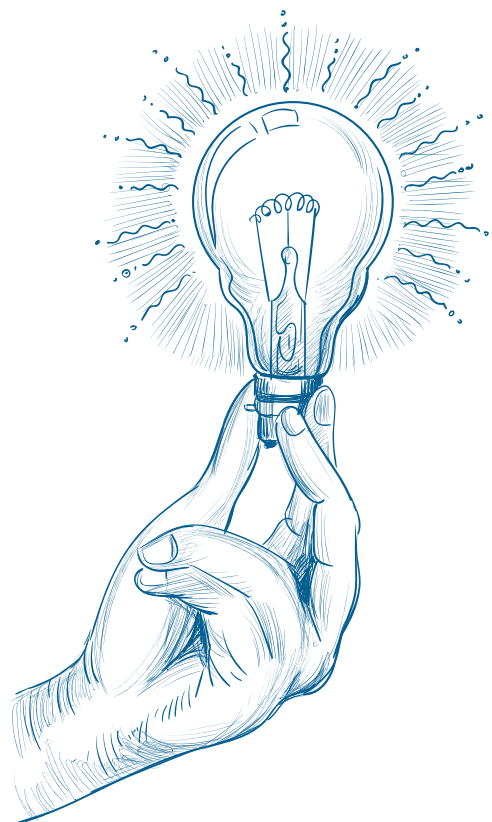
In line with its commitment to innovation and inclusivity, KSBBL has continued to introduce customer-focused products and services that address diverse needs.

The Bank has already launched “Swabhiman Bachat Khata”, a specialized savings product designed to empower visually impaired individuals in their journey towards financial independence—free of any charges.

Further, the Bank introduced Five-in-One Services, a comprehensive solution that brings together multiple facilities under a single savings account. This account integrates MeroShare, Demat, CRN, and TMS services, along with an attractive interest rate, catering specifically to customers interested in stock market investments.

### INNOVATING CUSTOMER EXPERIENCE:

Moving forward, KSBBL is set to launch a Special Privileged Savings Account tailored for elite individuals seeking exceptional service and exclusive benefits. This product will combine personalized banking, door-to-door services, and innovative digital solutions, enabling customers to access essential banking services conveniently from their preferred location.



## CUSTOMER RESPONSE ON PRODUCT



Jiwan Baniya

I often say that being visually impaired doesn't stop me from dreaming big, but sometimes the world around us makes even simple things feel out of reach. For me, one of those challenges was banking. Every time I had to depend on someone else to help with my finances, I felt like a part of my independence was missing. But Kamana Sewa Bikas Bank's **Swabhiman Bachat Khata** has truly changed that experience for me.

This is the first bank in Nepal to introduce a savings product dedicated to blind and visually impaired individuals, and it has given me the confidence to handle my finances independently. The account opening process was seamless, and what impressed me most was the bank's thoughtful approach—providing Braille documents that clearly explained the terms and conditions. For the first time, I felt fully informed and empowered in making a financial decision.

With this account, I now have access to all essential banking services—Debit Card, Mobile and Internet Banking, Demat, and MeroShare—without the hassle of additional paperwork. I can carry out transactions, check my balance, and manage my banking needs with ease, just like anyone else.

As someone working in the media, I often share stories of inclusivity and empowerment. Experiencing this initiative firsthand has been truly inspiring. Kamana Sewa Bikas Bank has set an example by ensuring that banking is not just a service but also a right accessible to all. Their staff has been consistently supportive, patient, and kind, making sure that I never feel left out of the process.

For me, **Swabhiman Bachat Khata** is not just an account—it is a step towards independence, dignity, and equal opportunity."





# Success Stories

## KOSHI PROVINCE

Business Name:

**Mata Pathivara Hardware**

Proprietor/Owner Name: **Mr. Uttam Joshi**

Type of Loan: **Working Capital Loan**

**Story Background and Details:** In 2023, Mr. Joshi aimed to start a small-scale trading business for construction goods, beginning from a rented, old building. Through careful planning and dedicated effort, the business grew steadily and eventually moved to a prime location. The main challenge was securing financing, which was addressed through bank support.

**Partnership Impact:** The bank provided both financial support (loan and equity investment of NPR 2 million), enabling smooth operations, stock purchases, gradual expansion, and eventual success. Today, the business achieves annual sales of NPR 11 million with a profit margin of ~7%, demonstrating how strategic financial guidance can turn small beginnings into a thriving enterprise.



Business Name:

**Top Shop Fashion Wear**

Proprietor/Owner Name: **Biplav Shrestha**

Type of Loan: **Business Loan** (for startup and expansion)

**Story Background and Details:**

- Started branded ready-made clothing store during college in Pathari Chowk.
- Initial challenges, but family support helped sustain.
- Expanded business by importing goods from India and China.
- Grew from one rented shutter to multiple outlets.
- Later decided to import directly from China (third country).

**Partnership Impact:**

- Kamana Sewa Bikas Bank Pathari Branch provided crucial financial support.
- Loans enabled expansion, imports from abroad, and income growth.
- Improved standard of living.
- Strong trust and partnership with the bank played a key role in success.



## MADHESH PROVINCE

Business Name:

**D.K. Cottage**

Proprietor/Owner's Name: **Dhirendra Kumar Chaudhary**

Type of Loan: **Business Loan**

**Story Background and Details:** D.K. Cottage, started by Dhirendra Kumar Chaudhary, initially operated on a small scale but has gradually expanded. The business provides breakfast, snacks, lunch, and dinner. Due to cleanliness, delicious food, and a family-friendly environment, customer demand has been growing steadily. Mr. Chaudhary has a family consisting of his wife, one son, and one daughter.

### Partnership Impact:

- Bank loan fulfilled capital requirements for modern equipment, infrastructure improvement, and service enhancement.
- Business transitioned from small-scale to a reputable restaurant in Lahan and Siraha.
- Customer trust and local reputation improved significantly.
- Created local employment and contributed to skill development for youth.
- Bank support, guidance, and encouragement played a key role in business success.
- Overall, the partnership strengthened the business foundation and enabled sustainable growth.



Business Name:

**Nausad Motorcycle Workshop** (Small Industry)

Proprietor/Owner Name: **Imran Ahmed**

Type of Loan: **Business Loan**

### Story Background and Details:

- Originally started by Nausad Ahmed; now operated by his son, Imran Ahmed.
- Family includes wife and children.
- Started on a small scale, gradually expanded.
- Provides full motorcycle services, including repairs and parts supply.
- Built a strong local reputation through quality service and good conduct.

### Partnership Impact:

- Loan fulfilled capital needs, enabling purchase of modern equipment, infrastructure improvement, and service enhancement.
- Attracted more customers and strengthened business foundation.
- Continuous guidance and support from bank staff contributed to success.
- Enabled local employment and skill development.
- Achieved significant income, customer trust, and positive impact on family and community.



## NARAYANGHAT REGION

Business Name:

### Bhandari Krishi Farm

Proprietor/Owner's Name: **Yadu Prasad Bhandari**

Type of Loan: **Business Loan**

**Story Background and Details:** Bhandari Krishi Farm initially had low production due to drip irrigation and seed shortages. Started on a small scale, Mr. Yadu Prasad Bhandari decided to expand the business using his experience and dedication. Significant investment was required to establish modern infrastructure for vegetable production, including an irrigation system, tractor, greenhouse, and processing center.

#### Partnership Impact:

- The loan helped expand the business and doubled production capacity.
- Monthly income became stable, and high-quality vegetables are now supplied to the market on time.
- Vegetables are supplied to major markets in Chitwan, Kathmandu, and Pokhara.
- Created direct employment for 10-12 people.
- Enabled the business to compete at a larger scale while ensuring transparency, financial discipline, and sustainable growth.



Business Name:

### Susma Suit & Sari House

Proprietor/Owner Name: **Sushma Ranabhat**

Type of Loan: **Business Loan**

#### Story Background and Details:

- Established relationship with Kamana Sewa Bikas Bank in 2018 to grow the business.
- Provides affordable, high-quality fashion and designer clothes for various age groups and seasons.
- Operates a well-equipped showroom in the main market area of Pragatinagar.
- Offers seasonal and age-appropriate items like saris, kurta-pajamas, pants, and inner garments.

#### Partnership Impact:

- Bank loan fulfilled capital needs, allowing equipment purchase, improved operations, and quality service.
- Helped attract and retain customers, strengthening trust.
- Encouragement and guidance from bank staff contributed to business success.
- Created employment for three individuals and increased women's participation in business.
- Contributed to local community development and positioned the business as reliable and quality-focused.





## POKHARA REGION

Business Name:

### Tindobato Dudh Dairy Industry

Proprietor/Owner's Name: **Bhupendra Adhikari**

Type of Loan: **Business Loan**

#### Story Background and Details:

Tindobato Dudh Dairy Industry, located in Karadi, Ward No. 8, Galyang Municipality, Syangja District, produces high-quality ice cream, paneer, milk, and yogurt. After studying dairy products, Mr. Adhikari left his teaching profession to connect with farmers, involve them in production, generate income, and help them become self-reliant. Initially criticized by others, he remained determined and focused on growing the industry. The industry has an investment of approximately NPR 30 million, employs around 25 people directly, and partners with about 300 farmers. Daily, the industry sells around 1,000 liters of milk and other dairy products.

#### Partnership Impact:

- Financial support from Kamana Sewa Bikas Bank Limited enabled capital investment and business operations.
- Helped farmers become self-reliant and generate income.
- Provided direct employment to about 25 people.
- Expanded market reach to Syangja, Palpa, Butwal, and Kaski.
- Strengthened business sustainability and growth.



## WESTERN REGION

Business Name:

### S.K. Salyani Shoes Industries

Proprietor/Owner's Name: **Krishna Sarki**

Type of Loan: **Business Loan**

**Story Background and Details:** Krishna Sarki has been involved in the shoe industry for the past 20 years. He started by working in a local uncle's shoe shop in his village. After six months, he began his own small business repairing and making shoes and sandals with an initial investment of NPR 20,000 near Jajarkot market. With guidance from a friend, he tried to expand the business and moved to Nepalgunj around 2017 BS. However, due to lack of capital and limited support, he struggled to operate and considered closing the business.



#### Partnership Impact:

- A friend introduced Krishna Sarki to Kamana Sewa Bikas Bank, which became a turning point in his business.
- The bank provided a loan, enabling him to establish a shoe production factory, expand to two retail shops, and employ eight people directly.
- Since joining the bank, the business has grown significantly, improving operations and overall sustainability.
- Krishna Sarki expresses deep gratitude to Kamana Sewa Bikas Bank for its support and partnership in transforming his business.

## BUTWAL REGION

Business Name:

### Bir Diesel Pump Repair Service

Proprietor/Owner's Name: **Bir Bahadur Basnet**

Type of Loan: **Business Loan**

**Story Background and Details:** Bir Bahadur Basnet, residing in Shivraj Municipality, Ward No. 5, Kapilvastu, had a dream of starting his own business. Although he had the skills, ideas, and determination, he faced a major challenge due to a lack of capital. In 2024, he presented his business plan to Kamana Sewa Bikas Bank, which carefully reviewed it and provided the necessary loan at a convenient interest rate.

#### Partnership Impact:

- The financial support enabled Basnet to establish his business firm and run daily operations.
- The firm now generates an annual profit of approximately NPR 10–12 lakh.
- The bank's support and trust turned his dream into reality, which otherwise would have remained only on paper.



Business Name:

### Aditya Kirana Store & Dudh Dairy

Proprietor/Owner's Name: **Dolraj Chalise**

Type of Loan: **Term Loan**

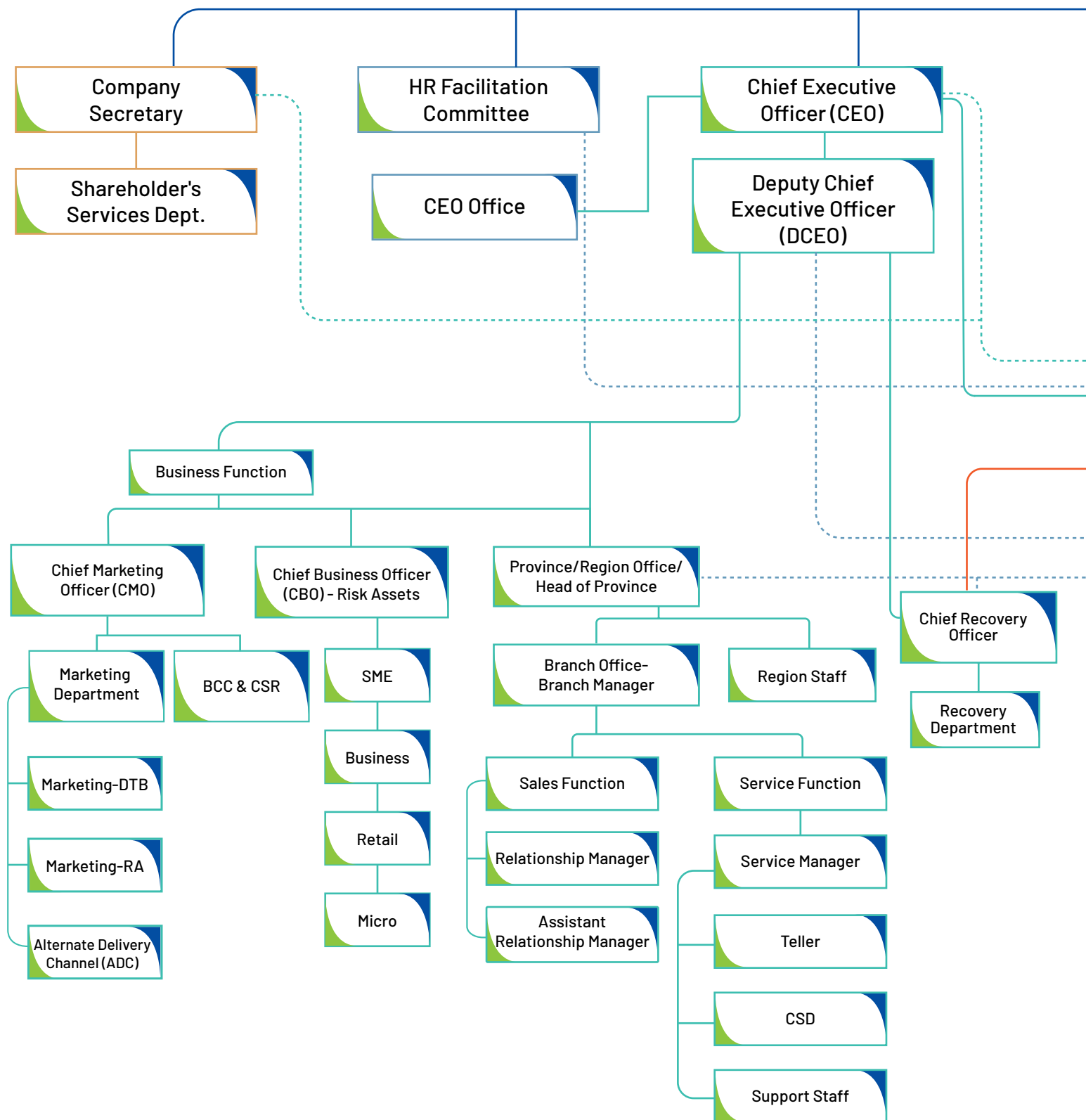
**Story Background and Details:** Dolraj Chalise, residing in Shivraj Municipality, Ward No. 1, Kapilvastu, had a dream of starting his own business. Although he had the skills, ideas, and determination, he faced a major challenge due to lack of capital. In 2024, he presented his business plan to Kamana Sewa Bikas Bank, which carefully reviewed it and provided the necessary loan at a convenient interest rate.

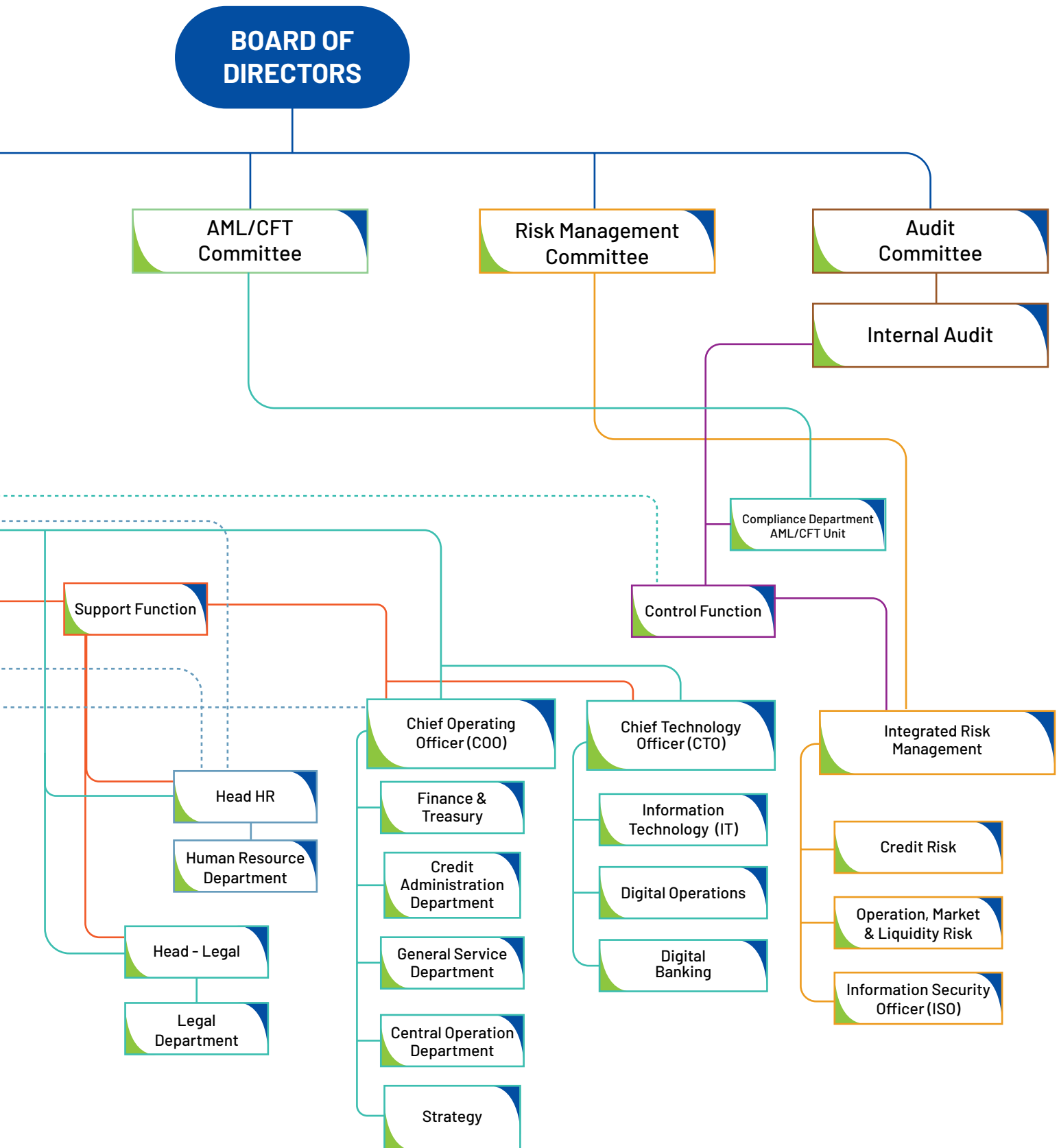
#### Partnership Impact:

- The financial support enabled Dolraj Chalise and his family to establish the business and operate daily.
- The firm now achieves an annual profit of approximately NPR 7–8 lakh.
- The bank's support and trust helped turn his dream into reality, which otherwise would have remained only on paper.



# Organizational Structure









## CHAIRPERSON'S SPEECH

### Remarks by **Mr. Sudeep Acharya**, Chairperson of the Board of Directors, at the 19th Annual General Meeting of Kamana Sewa Bikas Bank

*Distinguished Shareholders, Esteemed Guests, and Valued Stakeholders,*

*It is with great honor and deep appreciation that I welcome you all to the prestigious 19th Annual General Meeting of Kamana Sewa Bikas Bank. On behalf of the Board of Directors and myself, I extend a heartfelt welcome to our respected shareholders, the esteemed representatives of regulatory bodies, our external auditors, our Chief Executive Officer, senior management, dedicated employees, and all dignitaries present here today.*

It gives me immense pride to stand before this esteemed gathering to present a comprehensive review of the Bank's performance for the fiscal year 2081/82. Despite favorable liquidity conditions and declining interest rates in the banking sector, credit demand remained sluggish—a reflection of broader macroeconomic challenges. Given that lending is at the core of banking operations, subdued credit uptake has inevitably impacted the financial landscape. Nevertheless, I am pleased to report that our Bank has successfully navigated these headwinds and achieved commendable growth during the review period.

The annual report you have before you, encapsulate all key directives mandated by regulatory authorities, along with noteworthy achievements, strategic initiatives, and relevant information for all stakeholders.

This year, our strategic blueprint, Strategy 2084, endorsed by the Board, has served as our guiding pillar. Under this vision, we have adopted a forward-looking, principled, and performance-driven approach to banking-focused not just on expansion, but on excellence. Operating fully within the legal and regulatory framework, Kamana Sewa Bikas Bank now proudly serves over 800,000 customers across Nepal, a milestone that reflects the trust we've built and the impact we continue to create.

I am delighted to share with you the key achievements of the fiscal year, categorized under our core strategic pillars:

#### **(A) Prudence :**

- Complete implementation of the Expected Credit Loss (ECL) Model
- Strict adherence to a zero-tolerance compliance policy

- Deployment of a robust three-tier risk management framework
- Empowerment of a highly capable and experienced senior leadership team
- Honored with the “BPA Gold” Award for Best Financial Report by the Institute of Chartered Accountants of Nepal (ICAN)

#### **(B) Quality:**

- Delivery of services through cutting-edge, technology-driven platforms
- Maintained a Non-Performing Loan (NPL) ratio of just 3.49%, outperforming the market average of 4.62%
- Ongoing investment in employee development through targeted training, seminars, and workshops
- Expansion of user-friendly, tech-integrated banking services
- Sustained a well-balanced and resilient deposit portfolio

#### **(C) Result:**

- Continued distribution of double-digit dividends to shareholders
- Enhancement of employee benefits based on the recommendations of the Staff Welfare Committee
- Meaningful contributions to the community with over NPR 4.7 million invested in impactful CSR programs
- A substantial contribution of NPR 637.13 million (Income Tax and TDS) in government taxes and revenue.

Based on our strong performance, the Board of Directors has proposed a total dividend payout of 15.7895% from the Bank's net profit for FY 2081/82.

This includes 10% bonus shares and 5.7895% cash dividend (including tax)-a proposal already approved by Nepal Rastra Bank and now presented before this honorable assembly for endorsement.

While in previous years we may not have consistently met dividend expectations, I am proud to note that we resumed double-digit payouts last year, and we reaffirm our commitment to sustainable and rewarding returns for our shareholders moving forward.

Before concluding, I would like to sincerely thank our former Chairpersons, past and present Board members, our valued shareholders, Nepal Rastra Bank, Securities Board of Nepal, Office of the Company Registrar, Nepal Stock Exchange, and all other regulatory bodies. I also wish to recognize our customers, Our share registrar Prabhu Capital Ltd, Credit Information Bureau Nepal, fellow banks and financial institutions, the Development Bankers' Association, the media, and most importantly; our dedicated employees, for their unwavering commitment to excellence and innovation.

In closing, I once again thank you all for your valued presence at this milestone event. Your continued support, trust, and partnership remain the cornerstone of our journey. I look forward to working together to achieve even greater heights in the years to come.

Thank you with warm regards.

#### **SUDEEP ACHARYA**

*CHAIRPERSON*

Jaya Kamana Sewa Bikas Bank





## Presented in the 19th Annual General Meeting of Kamana Sewa Bikas Bank

### Respected Shareholders,

On behalf of the Board of Directors and myself personally, I extend a warm and heartfelt welcome to all the distinguished shareholders present at this glorious 19th Annual General Meeting of this Development Bank. I also extend a sincere welcome to the representatives of regulatory authorities, the Bank's external auditors, the Chief Executive Officer, senior management team, all staff members, journalists, and other esteemed guests.

Having completed 18 glorious years of operation and entering its 19th year, the Bank is deeply grateful to all stakeholders who have provided valuable guidance and constructive suggestions to the Board of Directors throughout its journey. The Board expresses its sincere appreciation on their behalf.

Due to a slower growth in loan demand relative to deposit accumulation during the review period, the liquidity ratio of banks and financial institutions has been affected. Even though the Bank holds sufficient investible funds and offers loans at single-digit interest rates, pressure has been observed in credit expansion. Nevertheless, our Bank's credit growth remains satisfactory compared to other banks and financial institutions.

Despite economic challenges at both national and international levels, we have achieved better results in fiscal year 2081/82 compared to previous years. The Bank has remained committed to its Mission, Vision, and Core Values, providing clients with services based on modern technologies.

Aligned with the Strategic Roadmap approved by the Board of Directors, the Bank has implemented prudent, quality-driven, and result-oriented banking services while ensuring full compliance with all regulatory policies and guidelines. Some key achievements during the review period include:

- As of the end of Ashad 2082, the Bank has collected NPR 63.50 billion in deposits, which constitutes 10.96% of the total deposits of all development banks at the national level.
- During the same period, the Bank has disbursed NPR 54.22

billion in loans, representing 11.13% of the total market share among development banks.

- As of the end of the review period:
  - 171,995 customers are using debit cards,
  - 487,230 are using mobile banking, and
  - 24,904 customers are using QR payment services.

The Bank upholds a zero-tolerance policy and strictly adheres to regulatory guidelines issued by oversight bodies. It prioritizes institutional governance, transparency in compliance with internal policies and regulations, and aims to safeguard the interests of its shareholders and stakeholders. In alignment with the new guidelines issued by Nepal Rastra Bank titled NFRS 9 – Expected Credit Loss Related Guidelines, 2024, the Bank has selected a consultant and successfully implemented the Expected Credit Loss (ECL) model as per Nepal Accounting Standards.

To enhance service delivery efficiency and speed, the following services have been automated:

- Online Account Opening
- Mobile Banking Activation
- Online Account Block Module
- Document Verification for Balance Certificate, Bank Guarantee, Fixed Deposit, and Good for Payment
- Fixed Deposit Account Opening
- Loan Against Fixed Deposit

In line with the Bank's long-term strategy, we've focused on four key areas: promoting enterprise, increasing our customer base, expanding digital services, and enhancing non-interest income. We continue to use appropriate strategies to effectively implement these goals. At this meeting, we want to inform you of our firm commitment to achieving them. In this context, we request your permission to present the Board of Directors' Report. The report was prepared under the provisions of the Companies Act, 2063, the Bank and Financial Institutions Act (BAFIA), 2073, and the Securities Registration and Issuance Regulation, 2073. It covers our progress and achievements in the 2081/82 fiscal year, the operational challenges we faced, and a comprehensive review of our overall banking business.



## 1. NATIONAL AND INTERNATIONAL ECONOMIC AND FINANCIAL INDICATORS

### (A) INTERNATIONAL ECONOMIC CONDITIONS AND OUTLOOK

According to the International Monetary Fund (IMF), although the global economy has been gradually recovering from the effects of COVID-19, escalating geopolitical tensions and stringent trade policies among major economies have once again begun to dampen global growth prospects. Global economic growth is projected to slow from 3.3% in 2024 to 2.8% in 2025, with advanced economies expected to expand by only 1.4% in 2025, down from 1.8% in 2024. Similarly, emerging and developing economies are projected to grow by 3.7% in 2025 compared to 4.3% in the previous year. Among major economies, India's growth is anticipated to moderate from 6.5% in 2024 to 6.2% in 2025, while China's economy is forecast to decelerate from 5.0% to 4.0% over the same period. On the inflation front, global inflation is on a declining trend, falling from 5.7% in 2024 to a projected 4.3% in 2025. In advanced economies, inflation is expected to ease slightly from 2.6% to 2.5%, while in developing economies, it is projected to decline more significantly from 7.7% to 5.5%. Despite this decline, risks from ongoing geopolitical tensions and protectionist trade policies remain a concern. In response, major central banks have shifted toward accommodative monetary policies to support growth. The European Central Bank (ECB) has reduced deposit facility rates eight times since June 2024, while the Reserve Bank of India lowered its policy rate from 6.5% to 5.5% between February and June 2025. Similarly, the People's Bank of China cut its one-year loan prime rate from 3.55% in June 2023 to 3.00% by June 2025, and the U.S. Federal Reserve reduced the Federal Funds Rate from 5.25–5.50% in September 2024 to 4.25–4.50% in December 2024.

### (B) NATIONAL ECONOMIC REVIEW AND OUTLOOK

#### a. Real Sector

According to the National Statistics Office, economic growth is estimated to be 4.61% in the fiscal year 2081/82. The growth is estimated to be 3.28% in the agricultural sector, 4.53% in the industrial sector, and 4.21% in the services sector. In the fiscal year 2081/82, the share of the agriculture, industrial, and services sectors in the total gross domestic product was 25.16%, 12.83%, and 62.01%, respectively.

Gross domestic savings in the fiscal year 2081/82 were 6.55% of the total gross domestic product. The ratio of gross fixed capital formation and gross national savings to the gross

domestic product was 24.07% and 36.24%, respectively. In the fiscal year 2081/82, the total installed electricity capacity increased to 3,591 MW, of which 3,390.0 MW was hydropower. Total tourist arrivals in the fiscal year 2081/82 increased by 1.7%, reaching 1,147,834.

#### (ii) Inflation

The annual average consumer inflation rate for the fiscal year 2081/82 was 4.06%, a decrease from 5.44% in the previous fiscal year. As of mid-June 2082, the year-on-year consumer inflation was 2.20%, down from 3.57% in mid-June 2081. Within the food and beverages group, significant price increases were seen in vegetables (10.71%), ghee and oil (8.72%), pulses and legumes (7.90%), and general food products (6.13%). However, prices for spices and fish and meat decreased by 2.62% and 0.34%, respectively. In the non-food and services category, there was a 9.39% price increase in miscellaneous goods and services, 6.09% in clothing and footwear, 5.65% in alcoholic beverages, 4.78% in furnishings and household equipment, and 4.37% in tobacco products. As of mid-June 2082, Nepal's annual point-to-point consumer inflation was 2.20%, while India's was 1.55% in July 2025.

#### (iii) Foreign Trade

In the fiscal year 2081/82, Nepal's total merchandise exports increased significantly by 81.8% to reach NPR 277.03 billion, a strong recovery from the 3.0% decrease in the previous year. Exports to India, China, and other countries grew by 117.8%, 1.6%, and 6.7%, respectively. Export growth was primarily driven by items such as soybean oil, polyester yarn, jute goods, tea, and footwear, while exports of palm oil, zinc sheets, juice, ginger, and readymade garments declined.

At the same time, total merchandise imports also grew by 13.3% to NPR 1,804.12 billion, reversing the 1.2% decrease of the previous year. Imports from India, China, and other countries increased by 7.5%, 14.2%, and 31.7%, respectively. The rise in imports was fueled by raw soybean oil, transport equipment, vehicles and spare parts, rice, cooking oil, and sponge iron. However, imports of petroleum products, aircraft spare parts, gold, chemical fertilizers, and electrical equipment decreased.

The increase in exports was concentrated at specific customs points, with exports from major border points like Bhairahawa, Biratnagar, Birgunj, Dry Port, Kailali, Mechi, Nepalgunj, Rasuwa, and Tribhuvan International Airport

customs offices decreasing. Conversely, imports increased at most major customs points, with the exception of Jaleshwar and Tribhuvan International Airport.

Consequently, the total merchandise trade deficit widened by 6.0% to NPR 1,527.09 billion, compared to a 1.0% decline in the previous year. Despite this, the export-to-import ratio improved to 15.4% from 9.6% in the prior year. Additionally, imports from India paid for in convertible foreign currency reached NPR 181.15 billion, up from NPR 151.76 billion the year before.

#### **(iv) Remittance Inflow :**

In the fiscal year 2081/82, remittance inflows saw a significant increase, growing by 19.2% to reach NPR 1,723.27 billion. This follows a 16.5% increase in the previous year. In mid-June 2082 (Ashar), the monthly remittance inflow was NPR 189.11 billion, a substantial jump from NPR 117.78 billion in the same month the year before.

When measured in US dollars, remittance inflows increased by 16.3% to reach \$12.64 billion, compared to a 14.5% increase in the prior year. The net secondary income (net transfers) for the review period amounted to NPR 1,874.30 billion, up from NPR 1,571.24 billion.

The number of Nepalis seeking foreign employment also grew. During the review period, 505,957 Nepalis received final labor permits (institutional and individual, new), while 333,309 renewed their permits. These numbers are higher than the previous year's figures of 460,102 and 281,195, respectively.

#### **(v) Balance of Payments and Current Account**

In the fiscal year 2081/82, Nepal's current account registered a surplus of NPR 409.20 billion, a notable increase from the NPR 221.71 billion surplus of the previous year. In U.S. dollar terms, the surplus grew from \$1.67 billion to \$3.01 billion.

During the review period, net capital transfers stood at NPR 9.84 billion, up from NPR 5.81 billion in the previous year. Similarly, foreign direct investment (FDI), specifically in equity, reached NPR 12.02 billion, compared to NPR 8.47 billion in the last fiscal year.

The overall balance of payments (BOP) also saw a significant surplus of NPR 594.54 billion, building on the NPR 502.49 billion surplus from the year before. In U.S. dollar terms, the BOP surplus increased from \$3.77 billion to \$4.37 billion.

#### **(vi) Monetary Sector :**

In the fiscal year 2081/82, Nepal's broad money supply grew by 12.5%, a slight decrease from the 12.9% growth of the previous year. Net foreign assets, adjusted for foreign exchange valuation gains/losses, increased by NPR 594.54 billion, compared to a NPR 502.49 billion increase the year before. Additionally, the monetary base expanded by 16.1%, a significant acceleration from the 7.7% growth in the previous year.

The total domestic credit of the monetary sector grew by 6.2% in the fiscal year 2081/82, a modest increase from 6.1% in the prior year. The net claims on the government by the monetary sector decreased by 3.4%, a reversal from the 3.8% increase of the previous year. However, claims on the private sector grew by 8.1%, up from 6.1% in the last fiscal year.

Total deposits in banks and financial institutions (BFIs) increased by 12.6% (NPR 811.49 billion), a slight dip from the 13% (NPR 742.37 billion) growth in the previous year. As of mid-June 2082, the share of current, savings, and fixed deposits in total deposits was 7.1%, 36.8%, and 48.3%, respectively. This shows a shift from the previous year's composition of 5.8%, 30.3%, and 56.4%. The share of institutional deposits in total BFI deposits was 36.1% as of mid-June 2082, a minor change from 36.2% a year earlier.

Lending to the private sector also showed varied growth across different BFI types: commercial banks' loan flow increased by 8.6%, development banks by 6.1%, and finance companies by 8.4%. By mid-June 2082, 64.7% of BFI loans were secured by real estate, while 14.5% were backed by current assets (agricultural and non-agricultural goods). This compares to 66.5% and 13.2%, respectively, in mid-June 2081.

In terms of sectoral lending, loans to the industrial production sector grew by 7.9%, transportation, communication, and public services by 15.5%, wholesale and retail trade by 3.4%, and services by 12.8%. However, loans to the agricultural sector declined by 0.2%.

Finally, specific loan types also showed a mixed performance: term loans grew by 7.1%, real estate loans (including individual residential home loans) by 5.9%, margin loans by 56.2%, trust receipt (import) loans by 51.1%, hire purchase loans by 3.7%, and demand and working capital loans by 13.2%. On the other hand, overdraft loans decreased by 10.4%.



### (vii) Financial Access & Capital Market

As of mid-June 2082, the number of banks and financial institutions (BFIs) licensed by Nepal Rastra Bank stood at 107. This total includes 20 commercial banks, 17 development banks, 17 finance companies, 52 microfinance institutions, and 1 infrastructure development bank. The total number of BFI branches was 11,530, resulting in a population-to-branch ratio of 2,530 people per branch, a slight increase from 2,529 in mid-June 2081.

The NEPSE index grew to 2794.79 by mid-June 2082, a significant rise from 2240.41 in mid-June 2081. The market capitalization of the securities market reached NPR 4656.99 billion, up from NPR 3553.68 billion in the previous year. As a percentage of GDP, market capitalization increased to 76.25% from 62.25%.

The number of companies listed on the Nepal Stock Exchange (NEPSE) reached 272, up from 270 in mid-June 2081. The listed companies include 132 banks, financial institutions, and insurance companies; 91 hydropower companies; 23 manufacturing and processing industries; 7 hotels; 7 investment companies; 4 trading firms; and 8 from other sectors.

In terms of market capitalization share, banks, financial institutions, and insurance companies hold the largest portion at 54.1%. This is followed by hydropower companies at 15.3%, investment companies at 7.7%, manufacturing and processing industries at 5.4%, trading firms at 5.0%, hotels at 2.7%, and other companies at 9.8%.

## 3. MAJOR FINANCIAL INDICATORS

Details	Unit	2077/78	2078/79	2079/80	2080/81	2081/82
1. Gross Profit/Total Income	Percentage	13.52	9.62	4.78	7.8	10.53
2. Earning per Share	Rs.	22.56	18.78	11.01	17.73	19.08
3. Market Price per share	Rs.	580	349.90	327	416	500.69
4. Price Earning Ratio	Ratio	25.71	18.63	29.69	23.46	26.25
5. Dividend ratio (including bonus)	Percentage	19.47	4.64	0	12	15.79
6. Cash Dividend	Percentage	0.97	0.23	0	5	5.79
7. Interest Income/Interest Bearing Assets	Percentage	10.35	13.22	15.86	14.34	11.31
8. Staff Expenses/Total Operating Expenses	Percentage	62.21	59.96	62.20	63.39	64.16
9. Composition of Interest Expenses in Total Deposit and Liabilities	Percentage	5.78	8.31	9.79	8.09	5.63
10. Staff Bonus/Total Staff Expenses	Percentage	18.06	15.58	8.90	15.10	16.06
11. Net Profit/Total Loans and Advance	Percentage	1.51	1.34	0.78	1.18	1.27
12. Net Profit/Total Assets	Percentage	1.17	0.99	0.58	0.87	0.94
13. Total Credit/Deposit	Percentage	88.44	88.33	83.92	84.03	85.38
14. Total Operating Expenses/Total Assets	Percentage	1.95	1.95	1.85	1.79	1.74
15. Capital Adequacy to Risk Weighted Assets						
a. Primary Capital	Percentage	10.02	8.59	8.62	9.61	9.91
b. Supplementary Capital	Percentage	3.91	3.54	3.62	2.89	2.67
c. Capital Adequacy	Percentage	13.93	12.13	12.24	12.50	12.58
16. Liquidity	Percentage	22.10	23.99	24.49	24.69	24.49
17. Non Performing Loan/Total Loan	Percentage	1.61	2.31	3.09	3.36	3.49
18. Base Rate	Percentage	8.38	11.05	11.93	9.45	7.07
19. Average Interest Rate Spread	Percentage	4.20	4.81	4.59	4.59	4.27
20. Total Shares	Number	26,519,637	31,425,770	32,811,647	32,811,647	35,108,462
21. Book Value per Share	Rs.	144.73	138.89	144.33	164.10	169.11
22. Total Staff	Number	905	955	1031	988	966
23. Total Branches/Outlets	Number	129	134	135	135	130

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

During the review period, the bank's paid-up capital stood at NPR 3,510,846,195.40.

#### b. Capital Adequacy

The capital adequacy ratio has been calculated according to the Capital Adequacy Framework 2015, as mandated by Nepal Rastra Bank. At the end of the fiscal year 2081/82, the capital adequacy ratio stood at 12.58%, which is above the minimum capital requirement set by Nepal Rastra Bank.

#### c. Deposit Collection

The bank's deposit collection grew by 6.38% during the fiscal year, increasing from an initial NPR 59.69 billion to NPR 63.50 billion. The majority of these deposits were held in fixed accounts, which contributed 57.12% of the total. Savings accounts made up 33.94%, while call accounts and current accounts represented 6.45% and 2.49%, respectively. Furthermore, institutional deposits accounted for 31.32% of the total, a share that remained within the limits set by Nepal Rastra Bank.

#### d. Loans and Advances

At the beginning of the fiscal year, the bank's loans and advances stood at NPR 50.16 billion. This amount increased by 8.09% to reach NPR 54.22 billion. The bank aims to expand its services in the future by introducing timely and effective new plans.

#### e. Investments

By the end of the fiscal year, the bank's total investments amounted to NPR 12.29 billion. This includes NPR 11.04 billion invested in government bonds, treasury bills, and Nepal Rastra Bank's deposit instruments. The remaining NPR 1.25 billion was invested in shares of other organized institutions.

#### f. Operating Expenses

In this fiscal year, the bank's total operating expenses were NPR 1,242.69 million. This amount includes NPR 797.36 million spent on staff expenses and NPR 445.32 million on other operating expenses.

#### g. Income

The bank's total income is divided into two categories: operating and non-operating. The operating income includes interest income, commission and discounts, and other operating income. In the last fiscal year, the bank's earnings from these sources were Rs. 5,948.66 million from interest income, Rs. 335.73 million from commission and discounts, and Rs. 71.83 million from other operating income.

#### h. Liquidity Management

Based on the size of its business and the complexity of its transactions, this development bank has approved and implemented a liquidity risk management policy. Low liquidity presents the problem of business contraction, while excessive liquidity directly impacts profitability. Therefore, an Asset-Liabilities Committee (ALCO) has been formed to manage the bank's overall liquidity. The committee holds regular meetings to manage liquidity risk, ensuring it remains within appropriate limits.

#### i. Non Performing Loans

During the review period of this fiscal year, the bank's total non-performing loans stood at 3.49%.

### 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:

- Contraction in credit demand for productive sectors.
- Potential risks from loans and non-fund-based services provided by the bank.
- Increase in operational risk.
- Potential risks from changes in the nation's economic, monetary, and financial policies.
- Potential risk from changes in foreign exchange rates when conducting foreign exchange transactions.
- Risk from increasing competition and the shortage of skilled personnel.
- Potential risks from deposit and loan banking services.
- Adverse effects on sectors like hydropower and agriculture due to climate change.
- Potential risks from negative comments and activities directed at the banking sector.
- Risks arising from delays in loan recovery.
- Information and technology-based risks.

To manage the challenges and risks outlined above, a robust risk framework has been prepared and implemented for the identification, measurement, monitoring, control, and reporting of risk.

To address potential risks from non-performing loans, investments, and foreign exchange rate changes, the bank makes provisions for funds such as loan loss provision, provision for potential loss on investments, and a foreign exchange fluctuation fund. These provisions are made in accordance with Nepal Rastra Bank's directives and the bank's own analysis.

The bank also pays due attention to enhancing the knowledge and skills of its staff to effectively compete in the market.

Furthermore, a Risk Management Committee has been formed under the chairmanship of a non-executive director. Its role is to inform the Board of Directors about the adequacy and suitability of the current risk management system and to provide suggestions for developing a more appropriate system. This committee performs its duties as prescribed by Nepal Rastra Bank and provides timely advice to the Board of Directors.

## 5. PLANS, PROGRAMS, AND ACHIEVEMENTS

The bank has made business growth with risk management its main strategy for the coming year and has prioritized the following programs:

- Introducing innovative banking services for loans, deposits, and other facilities.
- Launching the latest banking products prevalent in the global banking system.
- Broadly expanding the bank's existing infrastructure and services to most customers.
- Providing quality banking facilities to customers through digital technology.
- Making performance high-quality, efficient, and precise through AI and Machine Learning.
- Adopting necessary measures to control costs by being economical with operational expenses.
- Continuously running employee capacity-building programs to enhance staff efficiency.
- Identifying potential areas to further expand and diversify the bank's business.
- Formulating and implementing new deposit schemes to reduce the cost of deposits.

- Continuing to increase sources of non-interest income.
- Further strengthening the bank's internal control system and governance.
- Prioritizing and making loan recovery more effective while continuing to reduce non-performing loans.
- Identifying new business areas, better managing foreign exchange market and interest rate fluctuations, and developing and implementing necessary action plans to positively impact the bank's profitability.
- As part of providing modern services, the bank will study the effectiveness of its current branch network and ATMs and make necessary decisions regarding their expansion, relocation, or merger.

### (a) Branch Network :

As of the end of the fiscal year 2081/82, the bank has been providing its financial services through 129 branches, 1 extension counter, and 72 ATMs. We would also like to inform this esteemed assembly that the bank has been offering services to its customers with Chip-based ATM Cards associated with the VISA network since the fiscal year 2075/76.

For the coming years, the bank's strategy is to operate its existing branches more effectively rather than focusing on increasing their number. In line with this, after analyzing the capacity and potential of its current branches and obtaining approval from Nepal Rastra Bank, the bank merged five branch offices into nearby, more convenient branches during the last fiscal year.

### (b) Remittance :

To bring in remittances from Nepalis working abroad through formal channels, we have signed agreements with various remittance service providers. This has allowed us to offer fast, reliable, and secure remittance services. Going forward, we plan to expand our services by partnering with other reputable remittance service providers as needed. In line with the policies of the Government of Nepal and the directives issued by Nepal Rastra Bank, the bank has been offering remittance accounts with high interest rates to encourage and facilitate remittances.

### (c) Information Technology

The bank is a leader in the field of information technology and has consistently been a pioneer in offering tech-based services. The bank was the first development bank to offer

credit card services and has already implemented a range of other tech-friendly systems, including 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, and an Online Account Block/Release Module.

In its ongoing effort to provide customers with more modern banking facilities, the bank also offers technology-based services like ATMs, Debit Cards, Mobile Banking, Internet Banking, and Credit Cards. Furthermore, through agreements with various service providers, arrangements have been made to allow customers to withdraw funds from any bank's account at this development bank's teller counter.

The bank's policy is to periodically upgrade its information system to ensure it remains effective and agile, taking into account the state of IT development and customer convenience. As IT risk has emerged as a major concern in the banking sector, the bank continuously audits its information systems, conducts regular Vulnerability Assessment and Penetration Testing (VAPT), and uses the CrowdStrike antivirus to mitigate these risks.

#### **(d) Other Services:**

The bank has implemented a system for online share applications for IPOs, FPOs, and Right Issues. This tech-friendly service liberates customers from the need to wait in long lines for hours. Furthermore, with the goal of providing share dematerialization services, the bank has entered into a depository membership agreement with CDS and Clearing Limited (CDSC) to make its technology more agile and robust.

Similarly, an arrangement has been made for customers with an account at the bank to be able to clear checks and transfer funds to other banks and financial institutions that are members of Nepal Clearing House Ltd. (NCHL). The bank also continues to offer the Connect IPS service for paying government revenue and various taxes, as well as the RTGS (Real-Time Gross Settlement) system for real-time account settlements.

The bank also offers locker facilities at its various branch offices. Considering customer needs and demand, the

bank aims to further expand this service. As of mid-July 2025, the bank had a total of 3,179 lockers, with 2,328 customers currently using the service.

## **6. HUMAN RESOURCES**

The bank recognizes that skilled employees are the most crucial factor for achieving success in today's competitive banking environment. However, there's a growing trend of experienced banking professionals leaving the country for studies or employment abroad, which has led to an increase in staff turnover. This has resulted in a persistent shortage of skilled and experienced employees across the entire banking sector.

Acknowledging the vital role of human resources in achieving its business objectives and the need for effective human resource management to ensure a high level of customer satisfaction, the bank regularly promotes employees to support their career development. To enhance their skills, the bank also provides continuous opportunities for participation in various internal and external training sessions, workshops, and seminars. The bank has also successfully increased the business contribution per employee by reducing its overall staff count.

## **7. INDUSTRIAL AND BUSINESS RELATIONSHIPS:**

The bank is firmly committed to making its services effective and easily accessible to its valued customers. In the course of its business, the bank has entered into agreements and collaborated with various banks, financial institutions, and other organizations to provide a wide range of financial services and convenience to each other's customers.

The bank is continuously striving to provide high-quality services that meet customer needs by introducing various new types of loan and deposit services. Our success is a testament to the immense trust of our customers, and we, therefore, pledge to make the services we provide high-quality and easily accessible.

The bank maintains cordial and professional relationships with its customers, commercial and industrial establishments, associations, and various other bodies. The bank also collaborates with various government and non-government organizations, businesses, industries, social groups, Nepal Rastra Bank, the Office of the Company Registrar, Securities

Board of Nepal (SEBON), Nepal Stock Exchange (NEPSE), CDS and Clearing, and Nepal Clearing House, among others, to expand its business and maintain friendly, professional relations. The development bank is a proud member of the Confederation of Banks and Financial Institutions, Nepal (CBFIN), the Development Bankers Association, Nepal, and the Nepal Federation of Chambers of Commerce and Industry.

## 8. ANTI-MONEY LAUNDERING REGULATION AND KNOW YOUR CUSTOMER (KYC)

The bank is in full compliance with Nepal Rastra Bank's directives regarding anti-money laundering and the prevention of financial investments in terrorist activities. This includes updating customer identification details, submitting various transaction reports electronically, and following all established protocols.

The bank's Anti-Money Laundering Committee, in accordance with the mandates of Nepal Rastra Bank and the Anti-Money Laundering Act, 2064 (including amendments), discusses relevant issues and provides necessary recommendations to the Board of Directors. The committee's key activities during the review period were as follows:

- In accordance with international standards, the bank has reviewed its policies, rules, and guidelines to ensure compliance with regulations on preventing money laundering and financial investment in terrorist activities.
- The bank's actions related to preventing money laundering and financing terrorism are periodically reviewed, and reports are submitted to the Board of Directors.
- The bank also submits reports on the assessment of potential risks related to money laundering and the financing of terrorism.
- Reports on the implementation of the Anti-Money Laundering Act, its regulations, and policy provisions set by regulatory bodies are also reviewed.
- Reports on the prevention of money laundering and financial investment in terrorist activities are regularly reviewed, and the necessary steps have been taken to mitigate related risks. I would like to inform this esteemed assembly that, as per the integrated directives of Nepal Rastra Bank, an Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Committee has been formed under the chairmanship of a non-executive director. This committee provides necessary policy directives to management for implementing instructions from regulatory bodies, monitors

the state of compliance, and submits reports to the Board of Directors. The committee held a total of eight meetings during the fiscal year 2081/82.

To keep its employees updated on Know Your Customer (KYC) and anti-money laundering matters, the bank continuously organizes relevant training sessions. It has also made it mandatory for all employees to participate in an annual Skill Assessment Test on this subject and has effectively implemented this provision. As a result of all these measures, the bank's compliance with KYC and anti-money laundering policies and regulations is satisfactory.

## 9. CORPORATE GOVERNANCE AND COMPLIANCE

The Board of Directors and management have always been committed to maintaining corporate governance within the bank. The bank has fully complied with all corporate governance guidelines, and all members of the Board and staff have fully adhered to the code of conduct specified by Nepal Rastra Bank. The bank is committed to fully following its own policies and rules, as well as the directives issued by all relevant regulatory bodies. The bank has placed corporate governance as a top priority, viewing it as a duty and responsibility to ensure transparency, not just legal compliance. A dedicated Corporate Governance Unit has been formed in line with Nepal Rastra Bank's directives, which monitors the status of governance on a monthly basis. Additionally, the bank's Internal Audit Department ensures that all policies and directives related to corporate governance issued by Nepal Rastra Bank and other prevailing regulations are being fully complied with.

## 10. CORPORATE SOCIAL RESPONSIBILITY

To contribute to the Sustainable Development Goals and comply with policies set by Nepal Rastra Bank, the bank has been spending at least 1% of its net profit on various Corporate Social Responsibility (CSR) programs. Financial literacy programs are being conducted through various branches and the central office to promote financial inclusion and develop financial knowledge. In accordance with Nepal Rastra Bank's Directive No. 6, the bank has allocated 1% of its net profit from the review period for CSR activities. An amount of Rs. 6,697,513 was allocated to the CSR fund, representing 1% of the net profit for the review period, which is an increase from the Rs. 5,818,318 allocated in the previous year.

## 11. RELATIONSHIP WITH SHAREHOLDERS AND INFORMATION SYSTEM

would like to inform this esteemed assembly that as of mid-July 2025, the bank has a total of 405 founding shareholders and 54,927 public shareholders (including both physical and dematerialized shares). The bank places a high priority on providing information to its shareholders and receives direct guidance from them at its annual general meetings. The bank's website, along with other media outlets, helps provide access to its press releases, quarterly reports, annual reports, and other information. In this way, while prioritizing the rights and interests of its shareholders, the bank has always prioritized maintaining the highest standards of corporate governance and compliance.

## 12. RESPONSE FROM THE BOARD OF DIRECTORS ON THE AUDIT REPORT

Aside from minor weaknesses identified during the course of regular operations, there were no significant issues noted in the audit report for the fiscal year 2081/82.

Management has been instructed to implement the suggestions received from the auditors in a timely manner. The balance sheet as of mid-July 2025, the profit and loss account for the fiscal year 2081/82, the profit distribution account, cash flow statement, related schedules, and the auditor's report, all prepared in accordance with Nepal Financial Reporting Standards (NFRS), are included as part of this report.

## 13. INTERNAL CONTROL SYSTEM

To strengthen its internal control system, the bank has effectively enhanced its risk management mechanisms through a non-executive director-level Risk Management Committee and a Risk Management Unit. In addition, the bank has continued its internal auditing activities through the Internal Audit Department, which operates under the Audit Committee chaired by a non-executive director. Similarly, the bank has been managing various risks-including operational risk, credit risk, information technology risk and security, market risk, and compliance and AML/CTF-by establishing separate departments for each, supported by sufficient policy provisions.

## 14. PROFIT AND LOSS APPROPRIATION AND RECOMMENDED DIVIDEND DISTRIBUTION

The bank's distributable profit for the fiscal year 2081/82, totaling Rs. 587,575,801 (including accumulated profit up to the last fiscal year, after deducting reserves and other funds), is

subject to appropriation. Based on a decision from the 398th meeting of the Board of Directors, a proposal was submitted to Nepal Rastra Bank to distribute a 10% bonus share, amounting to Rs. 351,084,619.54, and a 5.7895% cash dividend, amounting to Rs. 203,260,440.48. These amounts are calculated from the current paid-up capital of Rs. 3,510,846,195.40. Following the approval received from Nepal Rastra Bank, this proposal, as decided at the 399th meeting of the Board of Directors, is now presented to this esteemed general meeting for approval.

## 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 Baral	Director	Public
6.	Mr. Pawan Kumar Sharma	Director	Public
7.	Ms. Srijana Dangal	Director	Independent

Based on the decision of the 388th meeting of the bank's Board of Directors held on 2081/11/21 BS, Ms. Sirjana Dangal has been appointed as an independent director to fill the vacant position on the Board.

## 16. DETAILS REGARDING SEIZURE OF THE BANK'S SHARES:

No such seizure of shares in the FY 2081/82.

## 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 2081/81:

S.N.	Details	Amount (in Rs.)
1.	Staff Expenses (including bonus)	797,361,610
2.	Operating Expenses	287,060,987
3.	Depreciation & Amortization	158,263,160
4.	Total Operating Expenses	1,242,685,717

## 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. Madhab Gautam	Member Secretary

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 13 meetings conducted in the FY 2081/82 and a total of Rs. 221,000 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.	Mr. Pawan Kumar Sharma	Director	8,000
7.	Ms. Srijana Dangal	Director	8,000

A total of Rs. 13,61,000 had been paid to the Directors as Meeting Allowance and Rs. 40,16,498 has been expensed under the headings of transportation, Travel, Telephone Expenses and Newspaper expenses in the FY 2081/082.

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

S.N.	Details	Amount (Rs.)
1.	Salary, Allowance, Bonus (excluding tax)	1,37,53,666
2.	Other benefits	15,99,360

## 27. DETAILS REGARDING UNCLAIMED DIVIDEND: Rs. 21,33,702.00

## 28. DETAILS REGARDING PURCHASE OR SALES OF ASSETS AS PER CLAUSE 14i:

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. REGARDING RATING:

The development bank has received a CARE-NP BB+ rating from CARE Ratings Nepal Ltd.

## 31. 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:

I would like to express my heartfelt gratitude to the esteemed shareholders and guests present at this assembly and offer my sincere thanks for your continuous support and goodwill. I also extend my special thanks for the invaluable guidance provided to the bank by all regulatory bodies, including the Nepal Rastra Bank, Securities Board of Nepal, the Office of the Company Registrar, and the Nepal Stock Exchange. Additionally, I would like to thank our valued customers, the Share Registrar Prabhu Capital Ltd., Credit Information Bureau Ltd., various banks and financial institutions, the Confederation of Banks and Financial Institutions, the Development Bankers Association, and the media. A special thank you to our dedicated employees who have consistently and diligently performed their roles to make this development bank excellent in every aspect of its operations.

On behalf of the Board of Directors,

**Sudeep Acharya**

*Chairperson*

# तिम्नै लागि मुद्दती खाता

## कुनै खुशी, दिदैन् हिरा मोतीले पनि

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



### विशेषताहरू:

- न्युनतम मौज्दात रकम रु. १०,०००/-
- मासिक व्याज पाइने
- खातामा रकम थप गर्दै जान सकिने
- मुद्दती रकमको ८० प्रतिशत सम्म कर्जा लिन सकिने



निःशुल्क  
डेबिट / क्रेडिट  
कार्ड



निःशुल्क  
मोबाईल बैंकिङ्ग,  
इन्टरनेट बैंकिङ्ग



निःशुल्क  
लकर सुविधा





## MESSAGE FROM CEO

*Dear Esteemed Stakeholders,*

*Namaste.*

*It is with profound respect and sincere gratitude that I extend a warm welcome to the Chairman of the Bank, existing members of the Board, former Board Members, esteemed shareholders, representatives of regulatory authorities, external auditors, members of the press, our valued employees, and all distinguished attendees of the 19th Annual General Meeting of Kamana Sewa Bikas Bank Limited.*

The Annual Report presented today not only summarizes the Bank's financial performance but also reflects our collective resilience, discipline, innovative spirit, steadfast commitment towards sustainable development, and our unwavering dedication. Despite a challenging economic landscape, we are proud to report satisfactory profits for the second consecutive year in a row, enabling us to declare double-digit dividends of 12% and 15.79%, respectively for FY 2080/81 and FY 2081/82, marking a successful conclusion of the second year under my leadership as a CEO of the Bank.

Guided by the strategic framework captured in the Board approved "Strategy 2084" and the "Annual Road Map 2081/82", the Bank has diligently implemented initiatives aimed at fostering growth and operational excellence. Anchored in the principles of PQR-Prudence, Quality, and Return, we have consistently prioritized prudent decision-making through delivery of quality service by providing sustainable returns, all of which are

manifest in our robust financial results. We shall continue to carry the principles of PQR in coming years also with the theme of "प्रतिबद्ध हामी".

I would like to bring to the notice of all the attendees that Bank's operational activities have been accurately aligned with the Bank's strategic objectives, ensuring efficiency and effectiveness across all our functions. We have been organizing regular employee conferences and workshops which have been instrumental in evaluating performance vis-à-vis set targets, enabling the timely adoption of corrective measures and fostering continuous improvement. These actions are a testament to the Board's visionary guidance, the trust and confidence reposed in us by our esteemed customers, and the dedicated efforts of our senior management and motivated workforce. The synergistic collaboration among all stakeholders has been pivotal in enhancing operational efficiencies, driving business growth, and achieving significant recovery of non-performing loans. I extend my

heartfelt appreciation to all contributors for their unwavering commitment.

The fiscal year 2081/82 posed significant competitive and operational challenges not only our Bank but to overall banking industry as well. Nevertheless, our steadfast focus on establishing Kamana Sewa Bikas Bank as a premier financial institution in Nepal has yielded steady growth in deposits and lending portfolios, improved operational efficiency through robust risk management practices, and accelerated digital transformation initiatives. A highlight of the year was the Bank's recognition with the Gold Award for the "Best Annual Report in the Financial Services Sector" by the Institute of Chartered Accountants of Nepal (ICAN), a testament to our excellence in institutional reporting and transparency, further enhancing the Bank's brand equity.

Looking forward, the fiscal year 2082/83 is anticipated to be more challenging due to political unpredictability and its impact on overall economy including its chain effect on banking sector. Nonetheless, we regard these challenges as opportunities to reinforce our determination and uplift our responsibilities. Commencing this year's operations, the Bank convened a national-level conference comprising Senior Management, Regional Heads, Departmental Heads, Branch Managers, and other staffs, united under the

guiding motto "प्रतिबद्ध हामी" (Our Commitment to Excellence). This conference is believed to have set a foundation for coming year.

Besides, we remain determined in advancing financial inclusion, fostering quality client relationships, investing in digital modernization, and upholding our commitments towards sustainable environment through our Corporate Social Responsibility principles, which continue to define our organizational ethos.

Last but not the least, I express my deepest gratitude to our shareholders, regulators, and the esteemed Board of Directors for their continued support, insightful guidance, and confidence in our leadership. Your unwavering faith remains foundational to our growth and institutional resilience. I also sincerely thank our valued customers and business partners; whose trust and loyalty underpin our sustained success.

Together, let us remain determined in our commitment towards sustainable growth with focus not only on strengthening financial performance but also on making a meaningful and positive impact on the communities we serve.

**DINESH THAKALI**

*CHIEF EXECUTIVE OFFICER*

Jai Kamana Sewa Bikas Bank!!



# Executive Profile >>>



**DINESH THAKALI**

CHIEF EXECUTIVE OFFICER

**Education:**

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

**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 Master's of Business Administration (EMBA) Degree from Kathmandu University

**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



**BIKASH DHUNGANA**

CHIEF OPERATING OFFICER & CTO

**Education:**

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

**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**

CBO: RISK ASSETS & CMO

**Education:**

- ❖ Master's in Business Studies from Tribhuvan University

**Experience:**

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

## Head of Departments >>>



**DANDAPANI BHATTARAI**  
HEAD - LEGAL



**RAGHUNATH TRIPATHEE**  
HEAD - RECOVERY



**NITESH ARYAL**  
HEAD - CREDIT ADMINISTRATION



**NIRANJAN BHANDARI**  
HEAD - INTEGRATED RISK  
MANAGEMENT



**BIKASH ADHIKARI**  
HEAD - HR AND STRATEGY



**JINUSHA PALIKHEY SHRESTHA**  
HEAD - DIGITAL OPERATION



**PARMA DHUNGEL**  
HEAD - MARKETING



**BINOD KHANAL**  
HEAD - RISK ASSETS  
(RETAIL/MICRO)



**BIDHAN KOIRALA**  
HEAD- IT / DIGITAL BANKING



**KESHAV SAPKOTA**  
HEAD- RISK ASSETS  
(SME/BUSINESS)



**HEM BAHADUR K.C.**  
HEAD- FINANCE AND TREASURY



**SUSHIL POUDEL**  
HEAD- GSD, BCC/CSR



**KHUM NATH BHUSAL**  
HEAD- COMPLIANCE



**RAHUL KUMAR**  
HEAD- CENTRAL OPERATION



**BHAWANA KHANAL**  
INCHARGE- CREDIT RISK



**MADHAB GAUTAM**  
INCHARGE- INTERNAL AUDIT

## Regional Heads >>>



**KHIMLAL BHUSAL**  
HEAD - KOSHI PRADESH



**SHYAM CHUWAI**  
HEAD - MADHESH PRADESH



**KEDAR NATH SHARMA**  
HEAD - KATHMANDU REGION



**SURENDRA BHANDARI**  
HEAD - NARAYANGADH REGION



**SHIBA KUMAR DHAKAL**  
HEAD - POKHARA REGION



**HEMANTA BABU ACHARYA**  
HEAD - BUTWAL REGION



**MAHENDRA KHANAL**  
HEAD - WESTERN REGION



# Strategic Directions and Initiatives

Bank has been carrying out “PQR- Prudent, Quality and Return” theme since last fiscal year 2081/82. The theme of PQR is carried out with objective to make our bank more resilient, strong and effective. Bank has been successfully implementing Prudent practices across all the verticals may it be at departmental levels or at customer touchpoints. Our prudence practices, quality in business and return to stakeholders is reflected in various decision-making process. Bank has decided to carry on theme of “प्रतिबद्ध हाजी” – Driven by commitment for a Will and Skill with holistic motto of “PQR”. The theme is carried to achieve the sustainable and growth goals outlined in the Bank’s Strategy 2084. We believe that, it is essential to align the commitment with Will and Skill of all stakeholders involved in PQR delivery process to achieve a collective success. Here, “Will” represents the intrinsic motivation, ownership, and commitment of our staffs who work as a team to drive the Bank forward. “Skill” reflects the capability, knowledge and competencies necessary to execute

our motto of PQR effectively. The implementation of this year roadmap and accomplishment of Strategy 2084 objectives requires enthusiastic participation with Will and Skill with good work culture, staff upliftment, process refinement, and support systems. Through this we aim to ensure that every team member is both ready and equipped to contribute meaningfully to the objective of PQR, translating Bank’s vision into measurable outcomes.

Our main focus for upcoming fiscal year will be to create long-term stakeholder wealth through the will to excel and the skill to perform, guided by principles of prudence, commitment to quality and the pursuit of sustainable returns.

“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.”





## STRATEGIC PILLARS OF THE BANK



### PILLAR-1

## BRAND RECOGNITION

**"STAND OUT, STAY SEEN, MEET VALUE"**

- Ensure consistent branding across all the platforms.
- Expand Bank's branding reach via partnerships with renowned/prominent personalities in various events
- Collaborate and Partner with high reach/credible media for advertisements
- Align Branding with social cause.
- Host Youth centric events to engage youths and make aware youths about our products and services
- Increase Brand visibility through informative branding activities and make branch prominently visible through improvised branding tools.



### PILLAR-2

## SUSTAINABLE BANKING

**"SUSTAINABLE CHOICES. RESPONSIBLE BANKING"**

- Maintain deposit volume by maintaining optimum CD ratio to achieve optimum NII with due consideration to Liquidity Risk. Increase Risk Assets portfolio while maintaining credit risk standards and credit quality.
- Design and roll out tailored savings products for youth and children and run campaigns to build buzz and awareness to drive early financial inclusion and brand loyalty among next-gen customers. Launch Niche Loan Products for startups / professionals
- Maintain NPL ratio below industry average through proactive measures such as effective staff mobilization, strong recovery, identifying EWS and timely settlement. Implement a robust Early Warning Signal (EWS) System and conduct regular portfolio reviews to identify and address root causes of NPLs.
- Implement practice of developing Customer Satisfaction Score (CSAT) on calls, emails, and branch visits through online/physical forms.
- Expand & Upgrade Doorstep Banking by adding auxiliary features along with Deposit and Withdrawal facility
- Continue paper usage reduction, stationery consumption reduction, electricity consumption reduction initiatives and increase security, safety and disaster preparedness standards of all the locations of the Bank
- Conduct CSR and FLP activities and events focusing majorly on environmental action, financial literacy, youth awareness and community wellness.



### PILLAR-3

## RISK MANAGEMENT AND GOOD GOVERNANCE

**"GOVERNANCE THAT SECURES, RISKS THAT ARE MANAGED"**

- Enhancing competencies of Risk Officers by providing risk related training to all the risk staffs
- Enhance physical security of branches/outlets by increasing the resources for CCTV monitoring
- Install Threat Intel system at the Bank to detect, mitigate and prevent cyberattacks
- Implement ISO 270001 standards and regularly make aware staffs about cybersecurity controls and compliance.



## PILLAR- 4

## HUMAN RESOURCE MANAGEMENT

**"GREAT PEOPLE. GREAT PLACE. GREAT PURPOSE"**

- Revise organizational structure to introduce new strategic verticals i.e. Marketing to promote overall deposit and risk assets products and portfolio of the Bank.
- Launch Toastmaster sessions at Central Office to promote and uplift staffs through leadership, confidence building, enhancing public speaking and self-development.
- Provide role-based trainings or certification courses to departmental staffs fostering knowledge and capacity building
- Foster a positive culture by discouraging workplace negativity and reinforcing "Repulse Effect" leadership.



## PILLAR- 5

## DIGITIZATION AND INNOVATION

**"POWERING PROGRESS THROUGH INNOVATION"**

- Research on possible areas for adaptation of AI to modernize existing system, process and operations related to
  - Customer Interaction
  - Risk and Compliance with adherence to Cybersecurity
  - Integrating AI in various inhouse/ external modules in usage to assist users
  - Marketing and Sales
  - Objective based MIS from existing Database
- Equip branches with information system through dedicated folders/ access



## PILLAR- 6

## ACCOUNTING AND FAIR BANKING PRACTICES

**"FAIR PRACTICES. SOUND ACCOUNTING. STRONGER TRUST."**

- 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.
- Continuing the whistleblower platform to facilitate employees to report concerns or unethical behavior anonymously, ensuring transparency in addressing issues and maintaining a culture of integrity and accountability.

# Value Creation Model

Six interconnected capitals shape our approach to value creation and define our unique approach to banking—one that is 'open' to possibilities, partnerships, and progress. Capitals not only contribute to other capitals but can also enhance

themselves through internal reinvestment, development, or transformation. This dynamic synergy strengthens our ability to serve stakeholders, adapt, grow inclusively, and stay ahead in an evolving financial ecosystem.



## 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 used for making loans, advances and investment. **Our financial resilience drives growth, supports responsible lending, and fosters customer-centric initiatives, ensuring sustainable profitability and long-term value creation.**

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. Financial Capital is also a protective buffer that absorbs losses and ensures solvency, making it a cornerstone for banking regulation and financial stability."

### Input

- Equity
- Reserves
- Deposits & borrowings
- Capital adequacy

### Value Created

- Return of Equity of 12.28%
- Operating Profit of NPR 1,040 million
- Net Profit of NPR 669 million
- Capital adequacy ratio of 12.58%



## HUMAN CAPITAL

"Our Human Capital refers to the collective knowledge, skills, competencies, capabilities and experience of our employees which enable us to implement our strategies and deliver better services that create value to our stakeholders. **Our bank invests in nurturing talent, fostering inclusivity, and empowering employees to build a future-ready workforce driven by collaboration, agility, and excellence.**

Our Bank sees the human capital as an investment to drive sustainable growth, to deepen customer trust and to help the Bank to innovate. 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: 966
- 55% of male employees and 45% of female employees
- Amount of employee related expenditure: NPR 798 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 branch network, digital banking ecosystem, and omni-channel platforms offer a convenient, secure and accessible banking experience anytime, anywhere.** 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

- 129 branches and 1 extension counters
- 100K 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 harness technology, automation, and intellectual expertise to enhance efficiency, security, and customer experience—staying ahead in the digital era.** 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

- 209K mobile banking users
- 25K 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. **Our bank fosters financial inclusion, community engagement, meaningful partnerships, and strengthening trust with customers, investors, regulators, and society.** 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 4.71 million spent on CSR activities
- NPR 324 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 are committed to building a greener, more resilient financial ecosystem through green financing, responsible resource management, and climate action.** 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. 5.39 billion in agricultural and forest related sector.
- Saved trees with paperless transactions.



## STRENGTHS

- Extensive network to provide nationwide coverage: 129 branches, 1 extension counter and 72 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
- High Operational Cost
- Concentration Risk



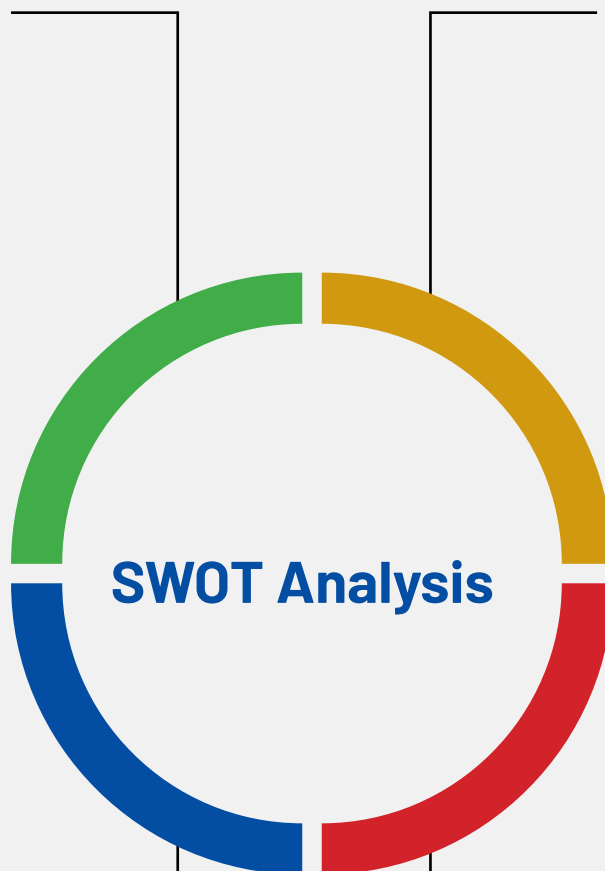
## OPPORTUNITIES

- Digital Transformation and increasing tech-savvy population
- Increasing digital literacy in the population
- Leveraging High Remittance Inflows
- Strategic Partnerships with Fintech Companies
- 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



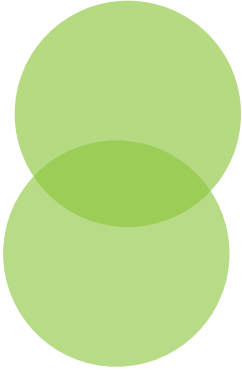
## THREATS

- Intense Competition from Fintech and Digital Wallets
- Regulatory Changes and Compliance Burdens
- 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.
- 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





# Porter's Five Forces Model Analysis



## 1. Threat of New Entrants

Moderate to Low

The threat of new entrants in the Nepali banking sector is currently moderate to low, primarily due to recent tightening by the regulator.

**High capital requirements:** The central bank, Nepal Rastra Bank (NRB), has consistently raised the minimum paid-up capital requirements for banks, which serves as a significant barrier for new players. Mergers and acquisitions have been encouraged to meet these capital requirements, further consolidating the industry.

**Strict government policy:** The NRB imposes tight policies and stringent regulations for entering the market, adding complexity and cost for any potential new competitor.

**Need for trust:** The banking industry relies heavily on public trust and reputation. New banks find it difficult to compete with established, major banks that have built a reputation over decades.

**Regional entry is easier:** While entering as a major commercial bank is challenging, opening smaller, regional banks or other financial institutions like microfinance is comparatively easier, though still subject to regulation.

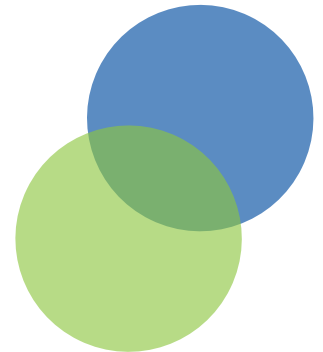
## 2. Bargaining Power of Suppliers

High

The bargaining power of suppliers, who provide the raw materials (capital and technology) for banks, is considered high in Nepal.

**Depositors:** The increasing number of banks has given depositors more choices. They can bargain for higher interest rates and better facilities. If unsatisfied, they can easily switch to another bank, raising their bargaining power.

**Technology providers:** As the Nepali banking sector rapidly digitizes, technology vendors (such as software developers and IT specialists) have gained significant leverage. They provide the crucial technology needed to enhance the banking system, and as a result, they can command higher prices.



### 3. Bargaining Power of Buyers

High

Borrowers and customers have significant power in the Nepali banking industry due to intense competition.

**Low switching costs:** It is relatively easy for customers to switch banks, especially as digital banking becomes more prevalent. Banks often offer incentives and lower interest rates to attract customers away from competitors.

**Homogenous services:** Most banks offer very similar products and services, such as loans, ATMs, and digital banking options. This lack of differentiation increases buyers' power, as they can freely choose based on interest rates or convenience.

**Information availability:** The internet and transparent central bank policies mean customers have access to a wide range of information on interest rates and services. This transparency enables them to make informed decisions and compare offers, further strengthening their bargaining position.

Borrowers and customers have significant power in the Nepali banking industry due to intense competition.

### 4 Threat of Substitutes

High

The threat of substitutes for traditional bank services is high, as technology and other non-bank financial institutions offer viable alternatives.

**Non-bank financial institutions:**

Development banks, finance companies, cooperatives, and micro-credit institutions compete directly with commercial banks for specific customer segments, particularly for loans and deposits.

**Investment alternatives:** For depositing surplus money, substitutes include stocks, mutual funds, government bonds, real estate, and gold. The returns from these alternative investments can sometimes be more attractive than bank deposit rates.

**Fintech and digital wallets:** Digital wallets and other fintech innovations provide convenient substitutes for cash transactions and traditional payment methods, challenging the banks' established business models.

## 5. Threat of Competitors

High

The rivalry among existing banks in Nepal is intense, driven by market saturation, similar offerings, and aggressive strategies.

**Numerous competitors:** Despite consolidation efforts, the market still has a large number of banks and financial institutions competing for a limited customer base.

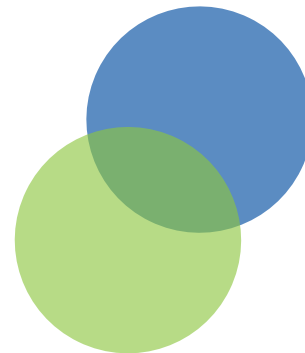
**Commoditized services:** The homogeneity of banking products means that competition often revolves around minor variations in interest rates, promotions, and service convenience rather than fundamentally unique offerings.

**Merger and Acquisition (M&A) activities:**

The NRB's policy of increasing paid-up capital has driven a wave of mergers and acquisitions. This consolidation reshapes the competitive landscape, as banks grow in size and market power to compete more effectively.

**Aggressive strategies:** Banks use strong promotional strategies and competitive pricing to attract customers. There is a constant push to innovate and improve services to gain a competitive edge, though true product differentiation is limited.

The overall analysis shows that the Nepalese banking industry is highly competitive, primarily due to intense rivalry among existing players, significant bargaining power of both customers and suppliers (depositors), and a high threat from substitutes, particularly fintech and other financial institutions. While the threat of new entrants has been reduced by regulatory actions like increased capital requirements, the other forces create a challenging environment where banks must continuously innovate and adapt to maintain profitability and market share.



## PESTEL ANALYSIS

# P

### POLITICAL FACTORS

**Political Stability:** Nepal's banking sector has been significantly impacted by the country's history of political instability, which leads to policy uncertainty and can discourage long-term investment. Frequent government changes can disrupt the implementation of long-term economic strategies and policies.

**Government Policy and Fiscal Discipline:** The government's fiscal policies, including expenditure and debt management, have a direct impact on the money supply and liquidity in the market, affecting banks' lending capacity and interest rates. A loose fiscal policy can lead to increased inflation, reducing the real value of deposits.

**Regulatory Environment:** Nepal Rastra Bank (NRB), the central bank, has a powerful influence over the banking sector. Its monetary policy, directives, and supervision shape the competitive landscape and bank operations. Recent moves to increase minimum capital requirements and encourage mergers have dramatically reshaped the industry.

**Foreign Investment Policy:** Government regulations on foreign direct investment (FDI) in the banking sector can influence the entry of new, technologically advanced foreign players, increasing competition.



# E

### ECONOMIC FACTORS

**Remittances:** Nepal's economy is heavily reliant on remittances from abroad. These inflows of foreign currency boost the country's foreign exchange reserves and provide a stable source of liquidity for the banking system.

**Inflation and Interest Rates:** The central bank's control over interest rates and management of inflation directly impacts banks' profitability and customers' borrowing power. High inflation reduces the purchasing power of money, while interest rate fluctuations affect loan demand and deposit rates.

**Credit Growth vs. Economic Growth:** Historically, credit growth in Nepal has outpaced Gross Domestic Product (GDP) growth. While this indicates high financial inclusion, it also poses a risk to asset quality and could signal systemic credit risk.

**COVID-19 Pandemic Effects:** The pandemic caused an economic slowdown that led to a reversal of the strong growth seen in preceding years. This impacted banks by increasing the risk of non-performing loans (NPLs).

**Liquidity crunch:** The banking sector periodically experiences liquidity crunches where banks lend more than they receive in deposits. This can put significant pressure on the stability of the financial system.



# S

### SOCIAL FACTORS

**Financial Inclusion:** Nepal has a diverse population spread across urban and rural areas, leading to disparities in banking access. While digital banking is growing, a large percentage of the population, especially in rural areas, remains unbanked or underbanked.

**Demographics:** As Nepal's population shifts and becomes more tech-savvy, demand for modern, convenient banking services increases. Educated, middle-aged urban populations are the most common users of digital banking.

**Financial Literacy and Awareness:** A lack of financial awareness among the general public can hinder the adoption of advanced banking products and services. It requires banks to invest more in customer education and awareness campaigns.

**Corporate Social Responsibility (CSR):** NRB directives mandate that banks allocate a portion of their profits to CSR activities. This influences banks' branding and social license to operate.



# T

### TECHNOLOGICAL FACTORS

**Digitalization and Fintech:** The rapid growth of fintech startups and digital wallets (like eSewa and Khalti) is challenging traditional banks by providing convenient alternative payment methods.

**Mobile and Internet Banking:** The adoption of mobile and internet banking is steadily increasing, driven by rising mobile phone penetration. This allows banks to reduce operational costs and reach customers more efficiently.

**Security Risks:** The increasing reliance on digital technology also exposes banks to cyber security threats, including hacking and phishing attacks, which can erode customer trust.

**Technological Lag:** While private and joint-venture banks have quickly adopted new technologies, state-owned banks have sometimes lagged behind, impacting their efficiency and competitiveness.





## ENVIRONMENTAL FACTORS

### Green Banking and Sustainability:

The NRB has introduced guidelines on Environmental and Social Risk Management (ESRM) for banks and financial institutions. This requires banks to integrate environmental and social issues into their credit risk assessment and promote green financing.

### Climate Change and Disaster Risk:

Nepal is susceptible to natural disasters like floods and earthquakes. These events can damage physical infrastructure, disrupt business, and negatively impact the financial health of borrowers, increasing banks' credit risk.

### Reputation and Social License:

Banks involved in funding environmentally harmful projects may face reputational damage. As social consciousness rises, there is increasing pressure on banks to adopt sustainable and ethical practices



## LEGAL FACTORS

### Banking and Financial Institution Regulations:

The Banks and Financial Institution (BFIs) Act provides the core legal framework for banks in Nepal, and the NRB is responsible for issuing various directives to govern banking operations.

### Anti-money Laundering (AML) Laws:

Banks must adhere to strict AML regulations, which have significant implications for their operational procedures and compliance costs.

### New Banking Laws:

Recent amendments, such as the Banking Offences and Punishment (Second Amendment) Act, 2082, have tightened regulations on cooperative banks and introduced stricter penalties for offenses like cheque dishonor, enhancing accountability.





# Human Capital, HR Disclosure & Training & Development

## HUMAN CAPITAL OVERVIEW

Human capital represents the collective knowledge, skills, abilities, and personal attributes of an organization's employees. Effective management of this capital involves identifying, nurturing, and leveraging these assets to foster innovation, enhance productivity, and ensure sustainable organizational success. KSBBL considers its people the cornerstone of its growth strategy and remains committed to building an empowered, engaged, and future-ready workforce.

## HUMAN RESOURCES MANAGEMENT AT KSBBL

KSBBL acknowledges the invaluable dedication and contributions of its workforce in achieving the Bank's overarching goals. In a service-driven sector where expertise and knowledge are paramount, the Bank places the highest importance on its employees. Accordingly, KSBBL actively attracts top talent through competitive recruitment processes and is equally focused on retaining its human assets by fostering their growth and equipping them with essential skills.

The management of human resources is guided by the Bank's HR Policy, formulated by the Board, and aligned with the provisions of the Labour Act and the Bank's Bylaws. Clearly defined job descriptions set out the roles and responsibilities of each employee, while performance is periodically reviewed by immediate supervisors and endorsed by the Chief Executive Officer to ensure accountability and continuous improvement.

## HR DISCLOSURE:

Workforce Strength: As of FY 2081/82, KSBBL employed 966 staff members spread across all operating provinces.

## Staff Details

Details	Number of Staff
Permanent	773
Total Staff	966



**Staff Count based on Designation**

Designation	Number of Staff
CEO	1
DCEO	1
DGM	1
AGM	2
Senior Manager	2
Manager	4
Dy. Manager	6
Asst. Manager	12
Senior Officer	42
Officer	57
Junior Officer	58
Supervisor	93
Senior Assistant	121
Assistant	134
Junior Assistant	207
Trainee Assistant	121
Gold Tester	9
Contract	25
Sr. Driver	1
Sr. Messenger	1
Driver	11
Messenger	55
Cleaner	2
<b>Grand Total</b>	<b>966</b>

**Diversity & Inclusion:**

The workforce demonstrates a healthy mix of genders, age groups, and geographical representation, supported by policies that encourage participation from diverse backgrounds.

**Age Mix**

Age Details	Total Employee
46 and Above	31
Between 41-45	44
Between 36-40	136
Between 31-35	285
Between 25-30	363
Less than 25	107
<b>Total</b>	<b>966</b>

**Gender Wise**

Gender	Number of Staff
Female	438
Male	528
<b>Total</b>	<b>966</b>

**Province Wise Staff Data**

Region	Number of Staff
Butwal Region	142
Central Region	170
Kathmandu Region	158
Narayanghat Region	113
Pokhara Region	146
Province 1	77
Province 2	77
Western Region	83
<b>Grand Total</b>	<b>966</b>

**Employee Promotions:**

A total of 86 employees were promoted during the reporting year, reflecting a transparent and merit-based career growth approach.

**Promotion Details**

Particulars	2081/82
<b>Total</b>	<b>86</b>

**HR Policies & Compliance:**

Recruitment and promotion processes follow equal opportunity and non-discrimination principles. KSBBL ensures full compliance with labour laws, minimum wage standards, and workplace safety norms.

**Employee Welfare:**

Benefits such as provident fund, gratuity, health insurance, and leave facilities enhance employee security and work-life balance. Cultural and engagement activities further support workplace morale.

**Training and Development:**

During the year, the Bank organized 124 structured training sessions aimed at building technical and behavioural competencies:

- Business: 38 sessions (credit appraisal, branch operations, customer service)
- Control: 29 sessions (compliance, audit, risk management)
- Support: 57 sessions (IT skills, HR policies, workplace wellness, soft skills)

Category	No. Of Trainings
Business	38
Control	29
Support	57
<b>Total Training</b>	<b>124</b>

## Region Wise Staff Training Participation Data

Region	Female	Male	Region Wise Participants
Koshi Province	88	106	194
Madhesh Province	44	168	212
Central Region	159	253	412
Narayanghat Region	197	174	371
Kathmandu Region	305	186	491
Pokhara Region	219	303	522
Butwal Region	274	174	448
Western Region	73	184	257
<b>Grand Total</b>	<b>1359</b>	<b>1548</b>	<b>2907</b>

## Learning Approach:

Blended learning (online and in-person) enabled flexibility and accessibility. Programs were designed to align with industry standards and organizational goals.

## Mode of Training

Training Mode	Count of Mode
Physical	106
Virtual	18
<b>Grand Total</b>	<b>124</b>

## Type of Training

Training Type	Total No. of Participants
External	119
Inhouse	2162
Inhouse- External Trainer	626
<b>Grand Total</b>	<b>2907</b>

## Impact:

Ongoing development initiatives improved service quality, enhanced technology adoption, and prepared employees for leadership positions, reinforcing the Bank's succession

## Our Social Connections



PREVIOUS YEAR 90,000

THIS YEAR 101,680



PREVIOUS YEAR 1,795

THIS YEAR 2,190



PREVIOUS YEAR 818

THIS YEAR 1,192



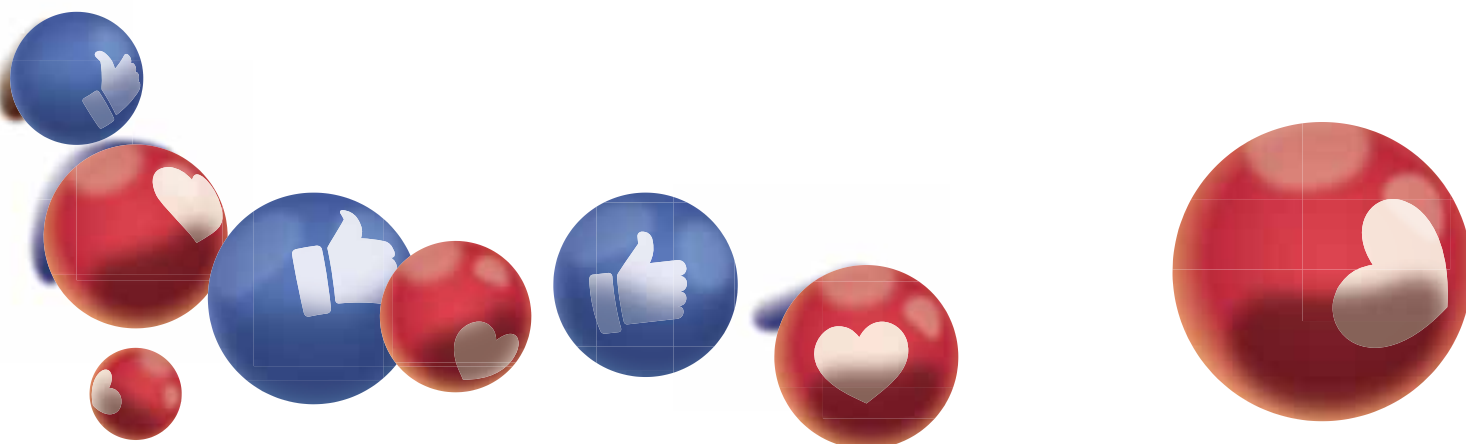
PREVIOUS YEAR 2,350

THIS YEAR 3,010



PREVIOUS YEAR 2,800

THIS YEAR 2,808



# Pure Home Loan

आफ्नो घर अब,  
तपाईंको आफ्नै बैंकबाट



घर निर्माण

घर मर्मत सम्भार

घर/अपाटमेन्ट खरिद







# SUSTAINABILITY REPORT

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# Information Security Risk

Kamana Sewa Bikas Bank (KSBBBL) is committed to safeguarding the confidentiality, integrity, and availability (CIA) of its information assets through a robust framework of IT systems and controls that effectively mitigate information security risks. In response to the evolving sophistication of cyber threats, the Bank has strategically invested in advanced software solutions and network security technologies to enhance its cyber resilience. The Information Security Officer (ISO) is responsible for protecting the Bank's data and IT infrastructure, implementing organization-wide security policies, and ensuring adherence to regulatory requirements and industry best practices, including NRB IT Guidelines, ISO/IEC 27001:2022, and ISACA's COBIT 5 framework.

## Information Technology Systems, Risk Management and Security Controls

The Bank has formulated a robust Information Security Policy within the framework of Integrated Risk Management, in accordance with ISO/IEC 27001 standards, NRB IT Guidelines, Cyber Resilience Guidelines, and other applicable security standards. To ensure effective management of IT risks, the Bank has implemented a comprehensive suite of information security controls. Corporate Information Security Committee (CISC) provides insights to the overall information security governance and directions:

- Development and implementation of NRB Cyber Resilience Guidelines by formulating Cyber Resilience Framework.
- Deployment of multiple security technologies including:
  - Web Application Firewall (WAF)
  - Privileged Access Management (PAM)
  - Email Security Gateway (ESG)
  - Security Information and Event Management (SIEM) integrated with a Managed Security Operations Center (SOC)
  - Next-Generation Antivirus (NGAV)
  - Endpoint Detection and Response (EDR)
  - Data Leak Prevention (DLP) System
- Implementation of regular risk assessments and gap analyses, with close collaboration between Information Security, IT, and business units.
- Periodic phishing simulations, internal/external vulnerability assessments, and disaster recovery drills to test preparedness and promote awareness.
- System access control is regularly reviewed, with mandatory Two-Factor Authentication (2FA) or OTP-based login mechanisms integrated into applicable platforms.
- Contingency and business continuity plans are periodically tested to maintain operational resilience and data integrity in case of disruptions.

The Bank maintains comprehensive logs of security events, including failed access attempts and unusual system activities,



and actively promotes customer awareness on secure transaction practices, with particular emphasis on safeguarding PINs, passwords, and personal information.

## Information Systems Audit and Cybersecurity Governance

As part of its ongoing commitment to governance and continuous improvement, KSBBBL conducted a comprehensive Information Systems (IS) Audit in alignment with ISO/IEC 27001 and NRB IT Guidelines, with a focus on the triad of People, Process, and Technology.

### Key Findings and Observations:

- Strong technical controls were in place, such as Multi-Factor Authentication, VPN tunneling, firewalls, and PAM.
- Gaps identified included:
  - Inconsistent documentation practices
  - Need for employee cybersecurity training
  - Limited frequency of Vulnerability Assessment and Penetration Testing (VAPT)
- Recommendations include:
  - Secure coding practices during software development
  - Regular security and breach assessments

KSBBBL has initiated the implementation of these recommendations, revised its Information Security Policy, and strengthened continuous monitoring, incident response, and security governance practices. These actions reflect KSBBBL's dedication to preserving data privacy, building digital trust, and ensuring sustainability in its IT operations.

### Mitigating Measures and Key Cybersecurity Controls

To address identified gaps and ensure proactive security management, the Bank has adopted the following mitigating measures across its systems, operations, and third-party engagements:

#### System and Process Controls:

- System access controls are reviewed regularly for role-based access.
- 2FA/OTP authentication mechanisms are enforced across applicable systems.
- Annual Information System Audits are mandated for compliance verification.
- Secure Socket Layer (SSL) protocols are enforced for internet-facing applications.
- Transaction limits are configured for mobile banking, e-banking, and ATM services.
- Full User Acceptance Testing (UAT) is required before moving any system to production.
- All internal system changes must follow a formal RFC (Request for Change) process.
- All third-party vendors are required to sign and periodically renew NDA agreements.

#### Vendor and Third-Party Governance:

- RFPs are reviewed thoroughly by all concerned departments prior to release.
- Any third-party application must have a clear security plan and submit a VAPT report before going live.
- Vendors and consultants with access to the Bank's systems are subject to the same monitoring and control protocols as internal staff.

### Employee and Customer Awareness:

- Cybersecurity awareness training programs are conducted for employees.
- Customers are educated about secure usage of ATM, POS, and digital channels.

#### Monitoring and Incident Response:

- Daily log monitoring for intrusion attempts and abnormal activity.
- Close monitoring of external network threats and incident trends.

#### Key Risk Indicators (KRIs) Being Monitored:

- Number of transactional systems lacking maker-checker controls
- Number of data breaches or security incidents
- Number of critical services that cannot meet a Recovery Time Objective (RTO) of 2 hours
- Number of non-compliant endpoints (workstations and servers)
- Number of critical services without tested backup restoration
- Number of attempted cyber-attacks detected by the SOC

KSBBL is steadfast in its dedication to maintaining top-tier standards in Information Security and Cyber Governance. With a forward-looking strategy, the Bank seeks to stay ahead of emerging threats by investing in cutting-edge security technologies, strengthening employee training, and following global best practices. These initiatives are essential for preserving customer trust, securing vital assets, and ensuring operational resilience in a rapidly digitalizing banking landscape.





# Committed for Environmental Impact (ESG)

## Environment and Social Obligations, Initiatives and Practices

Climate change and global warming, driven by the burning of fossil fuels and deforestation, are causing a cascade of global effects that threaten ecosystems and human societies. Rising average temperatures lead to more intense heatwaves, droughts, and severe storms, disrupting agriculture and threatening food and water security. Melting glaciers and ice sheets cause sea levels to rise, increasing the risk of coastal flooding and displacing millions. Oceans are also warming and becoming more acidic, endangering marine life like coral reefs. These environmental changes disrupt habitats, accelerating biodiversity loss and increasing health risks from heat stress, poor air quality, and the spread of infectious diseases. The economic toll is immense, with extreme weather damaging infrastructure and fueling resource conflicts. The poorest nations, who contribute least to emissions, bear the heaviest burden.

Environmental changes, primarily driven by climate change and localized degradation, have a profound and disproportionate effect on Nepal's economy, ecosystems, and vulnerable populations. Despite having one of the lowest greenhouse gas emissions in the world, Nepal is ranked among the most vulnerable countries to climate change impacts. Globally, Nepal is ranked fourth in terms of vulnerability to climate change. Floods spread across the foothills of the Himalayas and bring landslides, leaving tens of thousands of houses and vast areas of farmland and roads destroyed. In the 2020 edition of Germanwatch's Climate Risk Index, it was judged to be the ninth hardest-hit nation by climate calamities during the period 1999 to 2018. A climate trend analysis of Nepal (1971-2014) shows that the annual maximum temperature trend is significantly positive (0.056oC/yr). All Nepal annual minimum temperature trend is also positive (0.002oC/yr) but it is insignificant. The effects of greenhouse gases (GHGs) on both drought and flooding events have been found, including severe winter drought and excessive monsoon flooding. Climate change has been alarming in the context of global warming. In Nepal, 95% of greenhouse gas emissions are from agriculture and forestry sectors; of this, 77% was from the forestry sector only. The consequences of global warming have had the most impact in developing and mountainous countries like Nepal, which has high intensity rainfall during rainy season. It has resulted in heavy floods, landslides and soil erosion. It is also common to find drought in many parts of Nepal that comes from the impacts of climate change and it impacts sectors like forest, water resources, agriculture, human health and biodiversity.

Nepal's performance on the Environmental Performance Index (EPI) has fluctuated, but it consistently ranks low globally, highlighting significant environmental challenges. The country

has shown some positive trends in ecosystem vitality but struggles significantly with environmental health indicators, especially air quality and pollution. Nepal has been ranked 165th out of 180 countries for Environment Performance Index with a score of 33.1, indicating a marginal improvement from its 2022 score, 180 out of 180 countries for air quality with a score of 6.1 indicating severe air pollution, 67 out of 180 countries for biodiversity showing stronger environmental management practices related to species and habitat protection, 162 out of 180 countries reflecting the country's high vulnerability to the impacts of climate change. Overall, Nepal's EPI ranking reveals a nation of stark environmental contrasts: a rich biodiversity heritage maintained through community conservation efforts juxtaposed with rapidly deteriorating urban environmental health and acute vulnerability to external climate threats.

Despite facing numerous challenges, Nepal has demonstrated a strong commitment to achieving the Sustainable Development Goals (SDGs) by 2030. This commitment is rooted in the country's aspiration for a prosperous, egalitarian, and pluralistic society, as reflected in its constitution and national development plans. Nepal has actively integrated the SDGs into its national planning and budgeting systems. Nepal has set specific targets for each SDG, indicating its determination to make significant progress across social, economic, and environmental dimensions. Recognizing the importance of local context, Nepal is actively promoting the localization of SDGs, ensuring that planning and budgeting processes at the provincial and local levels are aligned with the global goals. Guidance notes and capacity-building initiatives are supporting local governments in this effort. In essence, Nepal's commitment to the SDGs is evident in its policy frameworks, institutional structures, and targeted initiatives. However, addressing the underlying challenges and accelerating the pace of implementation will be crucial to realizing the vision of sustainable development by 2030.

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 consciences 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 out transactions from the applicant. It prevents frequent traveling or the use of paper vouchers.



- The Bank has Smart teller QR Code facility for executing cash withdrawals via mobile banking applications, preventing 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 already adopted paperless PIN for its ATM cards whereby customers are provided with PIN cards on their authorized mobile numbers via OTP notifications instead of individual sealed paper PIN cards
- 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 has a digital platform for the loan approval process known as a Smart Credit Approval System and a General Approval System for the digital processing of internal memorandum, Digital Library for recording policies, procedures and other documents digitally and various other digital mediums. All these digital mediums help in achieving environmental sustainability
- 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 has been financing hydropower projects through consortium agreements, a source of renewable energy, which is an important portion of green financing.
- 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.

The Bank is committed to investing more in the form of green financing, climate change, and digitization to minimize the carbon footprint of the Bank's operations.

### 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. The bank has nominated a dedicated Environment & Social Risk Officer to handle all issues pertaining to ESRM.

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, 128 number of loans have been disbursed through Environment and Social Risk Rating.

The Bank has been proactively working to integrate its ESRM into the organizational culture. The Bank is committed to:

- Recognize Environmental & Social responsibility as one of the key components of the Bank's business strategies;
- Train and develop respective employees to be ESRM compliant on each business loan file with clearly defined E & S roles and responsibilities
- Comply with NRB's ESRM guidelines adhering to all relevant national legislation and regulations related to Environmental and Social Sustainability
- Disclose and report required information as per the regulatory requirement to ensure public accountability at the same time ensure confidentiality of customers' information
- Maintain an up-to-date E&S Exclusion List and ensure the Bank does not finance or limit our exposure to the extent allowed in any project/activity as per the Exclusion List
- Review clients E&S performance and managing gaps & noncompliance through effective monitoring.

### 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.

- **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.

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

## 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 prudency on global most important agenda.

## THE SUMMARY OF ESRM REPORT FOR FY 2081/82 IS PROVIDED AS UNDER:

1	Policy Formulation and Governance				Yes/No	Date	Remarks
1.1	Formulation and Board approval of an ESRM Policy (or similar policy document)				Yes	23/02/2082	393th BOD meeting
1.2	Nomination of an E&S Officer				Yes		
2	Incorporation of Environmental & Social Risk in Core Risks Management	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
2.1	No. of loan requests rejected due to the Exclusion List			-		-	
2.2	No. of transactions subject to Environmental & Social Due Diligence (ESDD)	25	38	28	37	128	
2.3	Share (% total loan value) of the transactions subject to ESDD in the total disbursed commercial (business purpose) loan portfolio	11%	19%	6%	11%	11.56%	
2.4	Total No. of disbursed transactions by E&S Risk Rating:						
	Low	25	38	28	37	128	
	Medium					-	
	High					-	
2.5	Total amount in disbursed transactions by E&S Risk Rating:						
	Low	669,700,000.00	1,335,533,782.82	481,916,926.00	839,270,000.00	3,326,420,709	Approved Limit
	Medium	-	-	-	-	-	
	High	-	-	-	-	-	
2.6	No. transactions with specific E&S Action Plan:	-	-	-	-	-	
2.7	No. of transactions rejected on the E&S risk management grounds:	-	-	-	-	-	
2.8	No. of transactions beneficial to E&S improvements:	-	1.00	1.00	-	2	

# Corporate Social Responsibility (CSR)

## KSBBL IS COMMITTED TO DRIVING POSITIVE CHANGE AND LONG-TERM IMPACT IN COMMUNITIES ACROSS NEPAL THROUGH CSR.

Our CSR is not just compliance; it is a strategic investment in social development, environmental protection, and inclusive growth, aligned with the United Nations Sustainable Development Goals (SDGs). In FY 2081/82, Kamana Sewa Bikas Bank allocated NPR 5,818,318 for CSR, in compliance with NRB guidelines. During the year, NPR 4,708,244.85 was utilized for CSR initiatives across Nepal. The remaining amount of NPR 1,110,073.15 will be carried forward and deployed in upcoming fiscal periods to ensure maximal social impact.

The Bank adopted a bottom-up strategy, ensuring every province benefit. By prioritizing all seven provinces, we promoted fairness, reduced regional disparities, and empowered communities through targeted interventions.

Province Wise	
Province	Total Expenses
Koshi Province	332,883.06
Madhesh Province	211,429.11
Bagmati Province	1,545,052.40
Gandaki Province	885,352.35
Lumbini Province	1,122,039.68
Karnali Province	338,134.11
Sudurpashchim Province	273,354.11
<b>Total</b>	<b>4,708,244.85</b>

Sector	Total Expenses
Direct Donation and Social Project	34,980.00
Education	1,053,643.40
Environment	211,189.95
Financial Literacy	1,441,543.16
Health	411,299.80
Others	378,428.00
Sustainability Development Goals (SDG)	1,177,160.54
<b>Total</b>	<b>4,708,244.85</b>



## Stories of Change

### 1. Empowering Future Leaders

In FY 2080/81, the Bank provided scholarships to 4 deserving students from Karnali Region, enabling them to continue their education and pursue their dreams. These scholarships are not just financial support; they represent hope, opportunity, and social mobility for students in remote and underserved areas. By supporting these students, the Bank is contributing to SDG 4 – Quality Education, helping build a foundation for a more educated, empowered, and self-reliant generation in one of Nepal's most remote regions.

### 2. Building Financial Confidence

Through our financial literacy workshops, 2,235 participants gained knowledge and skills to manage their money responsibly, save for the future, and make informed financial decisions. This training has empowered individuals with the knowledge and confidence to manage their resources wisely. By promoting responsible financial behavior, we are enabling participants to improve their livelihoods, invest in their futures, and contribute to their local economies. Financial literacy is more than numbers; it builds confidence, independence, and economic inclusion, directly contributing to SDG 4 (Quality Education) and SDG 8 (Decent Work & Economic Growth).

### 3. Nurturing Spiritual and Environmental Well-being

We actively participated in cleanliness drives in temple areas across the country. This initiative transformed sacred spaces into clean, safe, and welcoming environments, demonstrating the Bank's commitment to social responsibility and cultural preservation. The Bank demonstrated how employee commitment can translate into meaningful social and environmental impact, supporting SDG 6, SDG 11, and SDG 15.

## Financial Literacy Programs

KSBBL has been conducting various financial literacy programs through its CSR initiatives, in alignment with the NRB vision of spreading knowledge and awareness for financial well-being. Our workshops empowered 2,235 individuals to master their finances, secure their future, and make informed money decisions. The program was targeted to various groups of people including Salaried workers and Students of various provinces.



Province	Number of Participants
Koshi Province	582
Madhesh Province	159
Bagmati Province	300
Gandaki Province	605
Lumbini Province	398
Sudurpaschim Province	191
<b>Total</b>	<b>2,235</b>

### Looking Forward Kamana Sewa Bikas Bank will:

- Deploy remaining unspent funds strategically in FY 2082/83.
- Expand CSR to reach underserved communities.
- Scale innovative, outcome-driven projects linked to SDGs.
- Deepen community engagement to maximize sustainable social and environmental impact.

## Governance and Transparency

### 1. Planned vs. Actual:

Out of the total CSR allocation of NPR 5,818,318, NPR 4,708,244.85 was spent in line with NRB regulations. The balance of NPR 1,110,073.15 has been rolled over for future CSR efforts.

### 2. Audit & Reporting:

Province-wise and sector-wise allocation fully documented.

### 3. Monitoring & Evaluation:

Outcomes tracked against SDG indicators to measure effectiveness and impact.



# Together for Impact



Banking and Business Conclave for Youth Entrepreneurs in Chitwan

The bank has organized Banking and Business Conclave 2024 in association with NYEF Chitwan aiming to bridge the gap between entrepreneurial needs and banking services. The conclave served as a platform for open dialogue where NYEF entrepreneurs and KSBBL key banking personnel can discuss key issues, challenges, and opportunities in the banking sector.



Blood Donation program across several regions

The bank aims to ensure the 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 393 Pint Blood from different region during its Anniversary and other occasions.



Installation of Traffic Lights in Kathmandu Valley

The absence of prominent traffic signage in high-traffic zones has contributed to confusion among road users. To improve safety and streamline traffic flow, it has become essential to install traffic lights at critical locations. These installations are aimed at reducing accidents, enhancing compliance with traffic rules, and providing better direction to commuters.



To address these issues, traffic light boards has been placed at specific locations identifying as high-priority based on traffic density and accident rates.





Banking and Business Conclave for Chamber of Commerce & Industries Member in Kailali

The bank, in collaboration with the Kailali Chamber of Commerce and Industry, organized the Banking and Business Conclave 2024. The event aimed to address the challenges faced by entrepreneurs in the banking sector and to bridge the gap between entrepreneurial needs and banking services.



Financial Literacy Programs targeting different sectors for inclusive banking

The bank is actively promoting financial literacy through various programs to encourage safe banking practices, support inclusive and equitable education, and foster lifelong learning opportunities for all. Additionally, the bank has extended its financial literacy initiatives to include visually impaired individuals, ensuring that financial knowledge is accessible to everyone.



The bank has organized Financial literacy programs and educated more than 2000 individuals.



Handover of Shoe bags to Pashupati Area Development Trust

Since devotees visiting Pashupatinath Temple are required to walk barefoot as part of the temple's religious practice, the management of shoes of the visitors had become a challenge. In order to address this issue and improve the management, the bank has supported the trust by providing shoe carry bags for storing the shoes.



The support from bank has helped to organize the footwear deposit process where we aim to enhance the overall cleanliness, safety, and visitor experience within the temple premises





# GOVERNANCE

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## BOD Profile »



**MR. SUDEEP ACHARYA**  
Director

### Educational Qualification:

Postgraduate – University  
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 (Honoris Causa)

### Associated Organizations:

Past President, Lekhnath  
Chamber of Commerce;  
Promoter Chairman, Shree  
Laxmi Adarsha Multiple  
Campus; Past President,  
Lekhnath Community  
Lions Ex.Senator, Pokhara  
University; Honorary Member,  
Office of the Abhyusthaman,  
Philippines; Promoter  
Chairman, Lekhnath Lions  
Club; Chairman/Director,  
Former Kamana Bikas Bank  
Ltd.; Past Central Vice-  
President, Brahman Society  
Nepal; Author of books  
Gyanapunja 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 Federation; Industry 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. SRIJANA DANGAL**  
Independent Director

**Educational Qualification:**

Masters' Degree – Pokhara University (Business Administration)

**Associated Organizations:**

Former DCEO/Company Secretary – Aakash Capital Limited; Former Company Secretary/Formal Head Share Department – API Power Company Ltd.; Former Investment Advisor – Peoples Investment Company Ltd.



# Major Management Level Committee

## MANAGEMENT COMMITTEE

Management Committee is the apex committee of the bank to focus on Bank's overall strategy, system, competent opportunity and market strategy.

S.N.	Title	Role
1	Chief Executive Officer	Coordinator
2	Deputy Chief Executive Officer	Member
3	Chief Marketing Officer	Member
4	Chief Business Officer-RA	Member
5	Chief Recovery Officer	Member
6	Chief Technology Officer	Member
7	Chief Risk Officer	Member
8	Chief Operating Officer	Member
9	Head-Strategy	Member
10	Head-Finance	Member Secretary

The meeting is held First Monday of every week. (Next following working day in case it falls to be on Holiday). The decision implementation is done by Head-Finance.

## ASSETS LIABILITY MANAGEMENT COMMITTEE (ALCO)

The Assets Liability Management Committee (ALCO) is formed to discuss major assets liabilities related decisions of the bank.

S.N.	Title	Role
1	Chief Executive Officer	Coordinator
2	Deputy Chief Executive Officer	Member
3	Chief Operating Officer	Member
4	Chief Risk Officer	Member
5	Chief Business Officer-RA	Member
6	Chief Marketing Officer	Member
7	Head-Finance	Member Secretary

The meeting is held at least on a monthly basis. The decision implementation is done by Head-Finance.

## FINANCIAL DIRECTION COMMITTEE

Financial Direction Committee is formed to discuss finance related issues of the overall bank in order to formulate the strategy to be implemented.

S.N.	Title	Role
1	Chief Executive Officer	Coordinator
2	Deputy Chief Executive Officer	Member
3	Chief Operating Officer	Member
4	Head-Finance	Member
5	Head-GSD	Member Secretary

The meeting is held as per need basis. The decision implementation is done by Head-GSD.

## RECRUITMENT COMMITTEE

Recruitment Committee is formed to discuss in matters related to recruitment.

S.N.	Title	Role
1	Deputy Chief Executive Officer	Member
2	Chief Operating Officer	Member
3	Head- Human Resources	Member Secretary

The meeting is held as per need basis. The decision implementation is done by Head-Human Resources.

## CORPORATE RISK MANAGEMENT COMMITTEE

The Corporate Risk Management Committee is formed to overview the effective management of credit risk of the bank.

S.N.	Title	Role
1	Chief Executive Officer	Member
2	Deputy Chief Executive Officer	Member
3	Chief Business Officer-Risk Assets	Member
4	Chief Operating Officer	Member
5	Chief Recovery Officer	Member
6	Chief Risk Officer	Member Secretary

The meeting is held on a monthly basis. The implementation of the decision is done by the Chief Risk Officer.

## COST AND BUDGET STEERING COMMITTEE

The Cost and Budget Steering Committee is formed to discuss designing and implementing effective tools, forms and formats with respect to efficient cost management.

S.N.	Title	Role
1	Deputy Chief Executive Officer	Coordinator
2	Chief Business Officer-Risk Assets	Member
3	Chief Marketing Officer	Member
4	Chief Operating Officer	Member
5	Head-GSD	Member
6	Head-Finance	Member
7	Head-Strategy	Member Secretary

The meeting is held on a monthly basis. The implementation of the decision is done by the Head-Strategy.

### CORPORATE GOVERNANCE UNIT

The Corporate Governance Unit is formed to review and monitor overall the corporate governance status of the bank with regards principle of good governance.

S.N.	Title	Role
1	Deputy Chief Executive Officer	Coordinator
2	Chief Risk Officer	Member
3	Head-Internal Audit	Member Secretary

The meeting is held as per need basis. The implementation of the decision is done by the Head-Internal Audit.

### WHISTLE BLOW COMMITTEE

The Whistle Blow Committee is formed to develop a culture of openness, accountability and integrity for organization's betterment and strengthen corporate governance.

S.N.	Title	Role
1	Head-Human Resource Department	Coordinator
2	Chief Risk Officer	Member
3	Chief Operating Officer	Member
4	Head-Strategy	Member Secretary

A meeting is held at least once a month or within three days of receipt of complaint on the basis of urgency of complaint. The implementation of the decision is done by the Chief Operating Officer.

### SERVICE EXCELLENCE COMMITTEE

The Service Excellence Committee is formed to improve the standards of service in Banks and to bring in a transparent and fair system for dealing with customers.

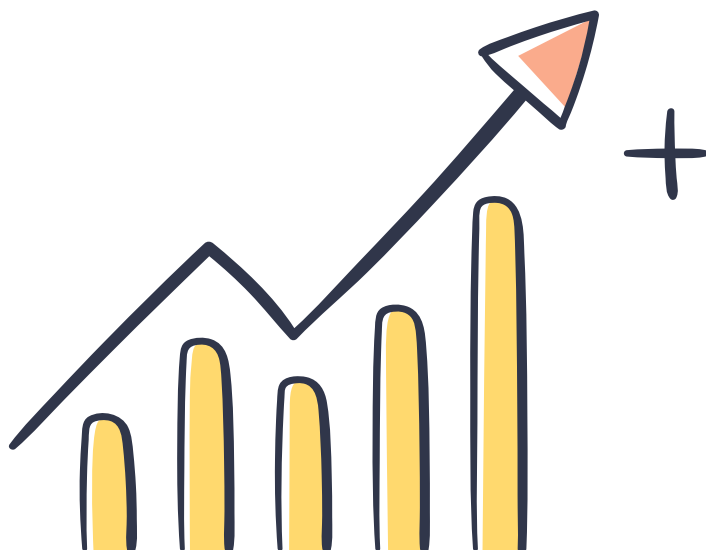
S.N.	Title	Role
1	Chief Executive Officer	Coordinator
2	Deputy Chief Executive Officer	Member
3	Chief Business Officer-RA	Member
4	Chief Marketing Officer	Member
5	Chief Operating Officer	Member
6	Head-Service Excellence	Member Secretary

A meeting is held quarterly or as required. The implementation of the decision is done by the Head- Service Excellence.

### IT STEERING COMMITTEE

The IT Steering Committee is formed to discuss the adequacy and competency of existing resources to carry out the activities for control of information security risk.

S.N.	Title	Role
1	Chief Executive Officer	Coordinator
2	Deputy Chief Executive Officer	Member
3	Chief Technology Officer	Member
4	Head-IT	Member
5	Head-Digitization and Process Automation	Member Secretary



# 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.

- a. To review the risk appetite set by the Board of Directors.
- b. To review the risk report prepared by the Risk Management Department.
- c. To review the bank's process and instruct risk department for appropriate actions.
- d. To ensure that the regulatory capital is aligned with the risk profile of the Bank.
- e. Ensure that all the material risks are identified, measured, monitored and controlled.
- f. Periodically review the process to ensure its capital adequacy, risk positions, resulting capital levels and quality of capital held by the Bank.
- g. Periodically review the risk management process to ensure its integrity, accuracy and reasonableness.
- h. Review whether the internal control and risk management system is adequate or not to ensure well-ordered and prudent conduct of business.
- i. Review of risk appetite and tolerance level of the Bank and make recommendation/ instructions as appropriate.

- j. 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.
- k. 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.
- l. Ensure that the organization is complying with relevant laws, regulations, and industry standards, and assess the impact of regulatory changes on the risk profile.
- m. 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. Nirajan Bhandari	: Member Secretary (IRMD)

To this regard, 8 risk management committee meetings have been conducted during the FY 2081/82. The details of the meeting of Risk Management Committee are presented below:

S. N	Meeting Number	Date of Meeting
1.	Meeting Number 65 FY 2081/82	04/04/2081
2.	Meeting Number 66 FY 2081/82	04/05/2081
3.	Meeting Number 67 FY 2081/82	23/05/2081
4.	Meeting Number 68 FY 2081/82	07/07/2081
5.	Meeting Number 69 FY 2081/82	20/08/2081
6.	Meeting Number 70 FY 2081/82	03/11/2081
7.	Meeting Number 71 FY 2081/82	22/12/2081
8.	Meeting Number 72 FY 2081/82	22/02/2082

## 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. Madhab Gautam	: Member Secretary

#### Audit Committee meeting detail

S. N	Meeting Number	Date of Meeting
1.	Meeting Number 73, FY 2081/82	08/04/2081
2.	Meeting Number 74, FY 2081/82	13/04/2081
3.	Meeting Number 75, FY 2081/82	08/05/2081
4.	Meeting Number 76, FY 2081/82	09/06/2081
5.	Meeting Number 77, FY 2081/82	22/06/2081
6.	Meeting Number 78, FY 2081/82	06/07/2081
7.	Meeting Number 79, FY 2081/82	09/08/2081
8.	Meeting Number 80, FY 2081/82	13/08/2081
9.	Meeting Number 81, FY 2081/82	06/10/2081
10.	Meeting Number 82, FY 2081/82	03/11/2081
11.	Meeting Number 83, FY 2081/82	16/11/2081
12.	Meeting Number 84, FY 2081/82	06/01/2082
13.	Meeting Number 85, FY 2081/82	01/02/2082

### 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. Niranjana Bhandari	: Member
Mr. Khum Nath Bhusal	: Member Secretary



To this regard, 8 AML/ CFT Committee meetings were conducted during the FY 2081/82. 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 40, FY 2081/82	11/04/2081
2.	Meeting Number 41, FY 2081/82	07/05/2081
3.	Meeting Number 42, FY 2081/82	17/06/2081
4.	Meeting Number 43, FY 2081/82	12/08/2081
5.	Meeting Number 44, FY 2081/82	14/10/2081
6.	Meeting Number 45, FY 2081/82	15/11/2081
7.	Meeting Number 46, FY 2081/82	11/02/2082
8.	Meeting Number 47, FY 2081/82	22/02/2082

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 (HR 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)
Mr. Bikash Adhikari	: Member Secretary (Head- HR & Strategy)

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

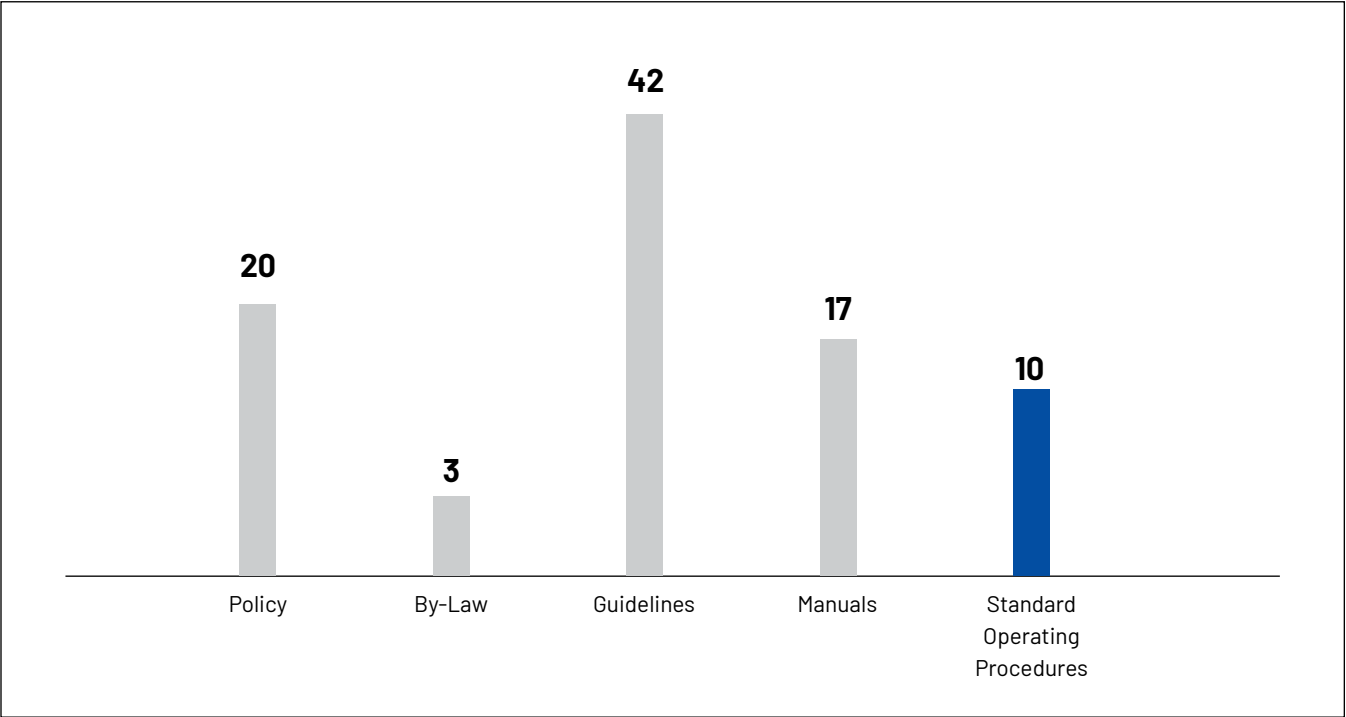
S. N	Meeting Number	Date of Meeting
1.	Meeting Number 57, FY 2081/82	06/04/2081
2.	Meeting Number 58, FY 2081/82	11/10/2081
3.	Meeting Number 59, FY 2081/82	15/11/2081
4.	Meeting Number 60, FY 2081/82	22/02/2082

# BOD Training Details

As part of our commitment to good corporate governance and continuous professional development, the Board of Directors (BOD) has actively participated in relevant training programs throughout the year. These initiatives are designed to enhance the Board's effectiveness, ensure compliance with regulatory requirements, and keep members informed of emerging trends, risks, and best practices in governance, strategy, and industry-related matters. The following table summarizes the training sessions attended by the Board during the financial year:

Subject	Date	No. of Participating Directors	Training Venue/Location
Cyber Security Awareness & Cyber Security Resilience Guidelines	17/02/2025	6	Hilton, Kathmandu
Director Refresher Program	29/06/2025	7	Kotbari Hotel, Nuwakot
Executive Leadership for Corporate Governance and Sustainability	24/08/2024 to 27/08/2024	2	University of Western Macedonia, Greece

# Corporate Governance Disclosure



# Annual Corporate Governance Report

(as per Corporate Governance 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.)

2081.082 ( based on data and information as on  
Asadh end 2082)

## 1. Report on Board of Directors:

### 1.1 Name of the Chairman and Appointment Date:

Mr. Sudeep Acharya, 2078/07/23 B.S.

### 1.2 Share Structure (Promoter, Ordinary and Others):

S.N.	Share Structure	No. of Shares
1.	Promoters	1,79,05,315.59
2.	Public	1,72,03,146.36
3.	Others	-
<b>Total</b>		<b>3,51,08,461.95</b>

### 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	Promoters	Promoter: 57,930 Public: 3,696.12	2078/07/23	2078/07/28	Elected
2.	Mr. Bhim Prasad Tualchan, Butwal- 6, Rupandehi	Promoters	Promoter: 2,27,433.86 Public: 59,215	2078/07/23	2078/07/29	Elected
3.	Mr. Chaturakhar Adhikari, Pokhara – 27, Kaski	Promoters	Promoter: 1,07,625 Public: 29,544	2078/07/23	2078/07/29	Elected
4.	Mr. Bishweshwar Subedi, Thulipokhari – 4, Parbat	Public	Public: 864.43	2078/07/23	2075/07/29	Elected
5.	Mr. Balaram Baral, Pokhara – 13, Kaski	Public	Public: 4,106.25	2078/07/23	2078/07/29	Elected
6.	Dr. Pawan Kumar Sharma Gaurighat – 7, Kathmandu	Public	Public: 107	2081/04/15	2081/04/15	Appointed
7.	Ms. Srijana Dangal New Baneshwor – 31, Kathmandu	Independent Director	N/A	2081/11/21	2081/11/22	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.	2081/04/14	6	None	2079/04/15
2.	2081/05/23	7	None	2079/04/16
3.	2081/05/28	7	None	2079/05/17
4.	2081/06/07	6	None	2079/06/11
5.	2081/06/20	5	None	2079/07/18
6.	2081/07/09	6	None	2079/07/30
7.	2081/08/21	6	None	2079/05/01
8.	2081/10/10	5	None	2079/08/20
9.	2081/11/04	6	None	2079/09/13
10.	2081/11/21	6	None	2079/10/07
11.	2081/12/12	6	None	2079/10/13
12.	2081/12/23	7	None	2079/10/26
13.	2082/01/12	7	None	2079/10/24
14.	2082/01/31	7	None	2079/12/13
15.	2082/02/23	7	None	2079/12/16
16.	2082/03/04	7	None	2079/12/25
17.	2082/03/21	7	None	2080/01/04
18.	-	-	-	2081/01/20
19.	-	-	-	2081/01/28
20.	-	-	-	2081/31/02
21.	-	-	-	2081/03/17
22.	-	-	-	2081/03/27

- 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
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 2081/08/21 to 2081/10/10 , 50 days
Date of Annual General Meeting to determine Meeting Allowance for the Board of Directors	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. 8,97,000/-

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

Availability of Code of Conduct of related institutions for the Board of Directors	Available
Presence of one or more Board of Directors belonging to same immediate family	N/A

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

S.N.	Subject	Date	No. of Participating Directors	Training Venue/Location
1.	Cyber Resilience Guidelines & Cyber Security	17/02/2025	6	Hilton, Kathmandu
2.	Director's Refresher Program	29/06/2025	7	Kotbari Hotel, Nuwakot
3.	Executive Leadership for Corporate Governance and Sustainability Program	24/08/2024 to 27/08/2024	2	University of Western Macedonia, Greece

Details regarding information presented by the Board of Directors within 15 days of their appointment or nomination as Director:  
All of the Board of Directors have informed in written form within 15 days of their appointment

- Any kind of contract done or to be done between the Director or their immediate family members and the Bank	N/A
- Details regarding Share or Debenture of the Bank or its holding or associate companies, owned by the Director or their immediate family members	Yes

S.N.	Director Name	Family Member Name	Company's Name/No. of Share	Relation
1.	Pawan Kumar Sharma	Bimala Dahal	Kamana Sewa Bikas Bank, 418 units, Public Share	Wife
- Details if the Director holds Promoter 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				N/A
- Details if the Director has worked as Director, salaried official, Chief Executive Officer or employee in any other organizations of similar objectives				N/A
- Any disciplinary action taken by regulatory bodies or other authorities against the Board of Directors				N/A

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

- Any committee established or not established for risk management of the Bank: Established
- 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. Niranjana Bhandari	Member Secretary



ii. Number of meeting of the Committee: 8

iii. 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):

Audit Committee (Board Level):

S.N.	Name	Designation
1.	Mr. Chaturakhar Adhikari	Coordinator
2.	Mr. Balam Baral	Member
3.	Mr. Madhab Gautam	Member Secretary

ii. Number of meetings of the Committee: 13

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.	Mr. Bikash Adhikari	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. Niranjana Bhandari	Member
3.	Mr. Khum Nath Bhusal	Member Secretary

## ii. Number of meetings of the Committee: 8

## 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.	Mr. Bikash Adhikari	Member Secretary

## ii. Number of meetings of the Committee: 49

## 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. Niranjana Bhandari	Member
7.	Mr. Hem Bahadur K.C	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.	Mr. Bikash Adhikari	Coordinator
2.	Mr. Hem Bahadur K.C	Member
3.	Mr. Sushil Poudel	Member Secretary

### ii. Number of meetings of the Committee: 117

### 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. Availability of Economic Management Policy: Available

## l. Financial Direction 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. Hem Bahadur K.C	Member
5.	Mr. Sushil Poudel	Member Secretary

### ii. Number of meetings of the Committee: 34

### 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.

#### 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	2081/06/08
Notice regarding Annual General Meeting		No Special General Meeting in the F.Y 2081/82
Annual Report	Bank's website	2081/06/09
Quarterly Report	National Newspaper	1st Quarter: 2081/07/07, Karobar Daily 2nd Quarter: 2081/10/07, Abhiyan Daily 3rd Quarter: 2082/01/07, Karobar Daily 4th Quarter: 2082/04/02, Karobar Daily
Notice related with Price Sensitivity affecting price of the Bank's		The Board of Directors' resolution to issue Preference Shares has been formally conveyed to the Securities Board of Nepal, Nepal Stock Exchange Limited, and CDS and Clearing Limited, and presently under approval with the respective authorities.
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: 2081/6/30

#### 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 and 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	22 years
2.	Mr. Binay Dahal	Deputy Chief Executive Officer	Masters (Management)	30 years
3.	Mr. Hari Prasad Lamsal	Deputy General Manager	Masters (Management/L.L.B.)	25 years
4.	Mr. Bikash Dhungana	Assistant General Manager	Chartered Accountant/B.Com.	17 years
5.	Mr. Dipendra Subedi	Assistant General Manager	Masters (Management)	19 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	29
Total No. of employees	966
Succession Plan of employees	Available
No. of employee trainings and no. of participants in the fiscal year	No. of trainings: 124 No. of participants: 2,907
Training Cost for the fiscal year	Rs. 1,98,07,346
Percentage of Employee Cost to Total Cost	64.16% (Based on total operational expenses)
Percentage of Employee Training Cost to Total Employee Cost	2.48%

## 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 2081/082 approved on 2082/05/22
Date of publication of quarterly financial reports	2081/07/07, 2081/10/07, 2082/01/07, 2082/04/02
Date of Final Audit Completion	Financial Report of the FY 2081/082 was completed on 2082/05/22
Financial Report approved by Annual General Meeting	Financial Report of the FY 2080/081 was approved on 2081/06/30
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. Madhab Gautam	Member Secretary	Chartered Accountant/Postgraduate (Economics)
				Undergraduate/Tribhuvan University (Law, Management)
Meeting Date and No. of Attendees	S.N.	Date		No. of Attendees
	1.	2081/04/08		3
	2.	2081/04/13		3
	3.	2081/05/08		3
	4.	2081/06/09		3
	5.	2081/06/22		3
	6.	20801/07/06		3
	7.	2081/08/09		3
	8.	2081/08/13		3
	9.	2081/10/06		3
	10.	2081/11/03		3
	11.	2081/11/16		3
	12.	2082/01/06		3
	13.	2082/02/01		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	N/A
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	2
2.	High Court	5
3.	Various District Courts	47
4.	Debt Recovery Tribunal	21

Name of the Compliance Officer : Mr. Khum Nath Bhusal  
Designation : Acting Assistant Manager  
Date : 2082/05/22  
Signature :

Approval Date for the Report by the Board of Directors : 2082/05/22

**Verified By**

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

Verified by Auditor on : 2082/05/22  
Name of the Auditor : CA Gyanendra Bahadur Bhari  
Signature :

Stamp :

## Right to Information and Grievance Handling

Kamana Sewa Bikas Bank Limited is committed to fostering openness and transparency in all its operations. We firmly believe that our customers have the right to be fully informed about their bank's activities. Upholding the principles of transparency, accountability, and citizen empowerment, KSBBL ensures timely and adequate disclosure of information to all stakeholders.

Our bank is dedicated to maintaining the highest standards of excellence in financial services, driven by sustainable growth and development. To enhance the efficiency of handling customer information requests, disclosures, and public grievances, we have introduced a dedicated department at our central office. This initiative aims to streamline processes and establish a more effective mechanism for managing customer inquiries and concerns.

With the support of the Strategy Department, KSBBL actively gathers and analyzes customer feedback, promptly resolves complaints, and continuously monitors service quality to ensure full regulatory compliance. The Strategy Department collects queries from multiple channels, including telephone, email, and social media platforms such as Facebook and Instagram, with a commitment to minimizing turnaround times and fostering customer satisfaction, loyalty, and positive perceptions of the bank.

Additionally, KSBBL has installed Suggestion Boxes at all its branches to encourage feedback from both customers and employees. This valuable input is instrumental in identifying issues, enhancing various operational aspects, improving service delivery, optimizing internal processes, and promoting continuous improvement and customer satisfaction.

In each branch of the bank, a notice is prominently displayed specifying the contact details of the Right to Information Officer, Grievance Handling Officer, and the Branch Manager. This ensures that customers have easy access to the appropriate officials responsible for addressing information requests and grievances, thereby reinforcing the bank's commitment to transparency and responsive customer service.

Through these efforts, Kamana Sewa Bikas Bank Limited strives to uphold its reputation as a transparent, responsive, and customer-centric financial institution.



**BINAY DAHAL**

CHIEF INFORMATION OFFICER

EMAIL:  
**info@kamanasewabank.com**  
CONTACT NO: **01-5970030**

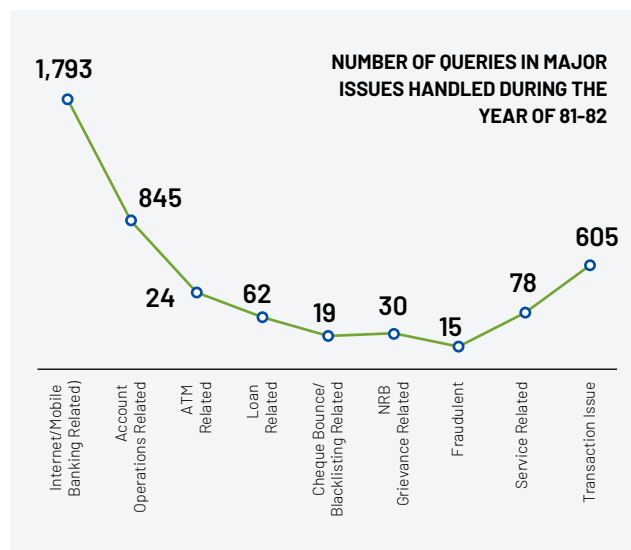


**BIKASH DHUNGANA**

GRIEVANCE HANDLING OFFICER

EMAIL:  
**customercare@kamanasewabank.com**  
CONTACT NO:  
**9851366310 / 01-5970030**

In FY 2081-82, the Bank managed a diverse range of customer queries across multiple service areas. The majority of concerns were associated with digital banking platforms, account operations, and transaction-related issues, reflecting the growing reliance on technology-driven services. In addition, customers sought support on matters relating to ATM services, loan processing, cheque bounce and blacklisting cases, and grievances reported through Nepal Rastra Bank. Queries also included instances of fraudulent activities and broader service-related concerns. Each of these issues was systematically addressed, demonstrating the Bank's commitment to ensuring efficient service delivery, safeguarding customer interests, and maintaining trust.



# Regarding Annexure 15, Clause 26, Sub Clause 2 of Registration and issues of securities Bylaws

## 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 2081/82: 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](http://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)	546	429.90	473.40	3,777,847,910	7,554,625	57
Second Quarter (Mid January 2024)	498	423	433	873,966,974	1,876,070	55
Third Quarter (Mid April 2024)	469	424.90	437.27	1,010,808,007	2,243,491	56
Fourth Quarter (Mid July 2024)	505	422	501	1,417,901,491	3,052,292	63

## 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 tenure of the Bank's Independent Director Ms. Sita Ghimire has been completed on 2081/05/29
- b) Resignation by any Director: None
- c) New Appointment in Board of Directors:  
Dr. Pawan Kumar Sharma has been appointed as the Bank's Director with effect from 2081/04/15.  
Ms. Srijana Dangal has been appointed as the Bank's Director as Independent Director with effect from 2081/11/22.
- d) Resignation in Senior Management Team: Mr. Bishnu Prasad Wosti resigned from the position of Chief Manager.
- e) New Appointment in Senior Management Team: None

9.3. Dividend Declaration or changes in Share Structure:

In the FY 2081/82, the Bank has proposed 10 percent bonus share and 5.7895 percent cash dividend for its shareholders. After approval of the 10 percent bonus share amounting Rs. 3,51,08,46,195.40 from the existing paid-up capital of Rs. 35,10,84,619.54, the Bank's total paid capital shall be equal to Rs. 3,86,19,30,814.94.





The image features a row of four wooden dominoes on a white surface against a light blue background. A large, abstract graphic overlay in shades of blue and green occupies the right side of the frame. The text 'RISK MANAGEMENT' is written in white, bold, uppercase letters within the green section of this overlay, underlined with a thin blue line that ends in a small blue dot.

# **RISK MANAGEMENT**

# 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 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, 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:

- a. 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
- b. 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.

- c. 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.

## Management and Audit Committee/Auditor Comments/Assurance on Internal Controls of the Organization

Kamana Sewa Bikash Bank has established a robust internal control system aimed to ensure the integrity of financial reporting operational efficiency, and maintaining regulatory compliance. The system aims to safeguard assets, detect fraud, and ensure that all operations align with the Bank's strategic objectives. The bank's internal control framework includes comprehensive procedures for risk management, compliance, financial reporting, and operational efficiency

The management of Kamana Sewa Bikash Bank is committed to maintaining an effective internal control system it is responsible for:

- Designing, implementing and monitoring internal controls that align with industry best practices.
- Ensuring that the controls are working effectively to mitigate financial and operational risks.
- Regularly reviewing and enhancing controls to address new risks and improve overall efficiency.
- Reporting any material weaknesses or deviations from the established protocols.



The Audit Committee plays a vital role in overseeing the effectiveness of internal controls at Kamana Sewa Bikash Bank.

### Key Responsibilities of the Audit Committee

**Oversight of Financial Reporting:** Reviewing financial statements and ensuring the accuracy and completeness of financial reporting.

**Internal Audit Oversight:** Regularly reviewing the internal audit reports to assess the robustness of internal control system.

**Risk Management:** Ensuring that bank has placed appropriate risk management practices to mitigate both operational and financial risks.

**Independent Review:** Evaluating the findings of the external auditors and ensuring that any corrective actions are timely implemented by management.

The Audit Committee conducts regular review of the internal control system to ensure the Bank remains compliant with regulatory requirements and that risk is managed effectively. The committee meets periodically to review audit findings and monitor the implementation of corrective actions.

### Assurance on Risk Management

Kamana Sewa Bikash Bank has a well-defined risk management framework in place, which was reviewed as part of the internal control audit. Both the management and Audit Committee are confident that the Bank has appropriate mechanisms to identify, assess and mitigate risks effectively. Regular risk assessments are conducted to address emerging threats including cyber security threats credit risk and market risk.

### Key Areas of Focus and Recommendations

Based on the audit and internal control review, the following key areas have been highlighted for ongoing attention

- **Fraud Prevention:** Although the fraud prevention systems are largely effective, the Bank should implement regular staff training programs to ensure intensified vigilance.
- **Operational Efficiency:** Management shall ensure credit files shall be properly stored in organized manner. Management shall ensure that the transfer of legal documents shall be properly documented, monitored and controlled to maintain the accountability and protect the interest of the organization.
- **Regulatory Compliance:** Periodic compliance audits are essential to identify and resolve any regulatory gaps proactively.
- **Technology and Cyber security.** With the growing dependence on digital platforms, the Bank should strengthen cyber security measures and carry out frequent IT risk assessments to mitigate evolving threats.

Overall, Kamana Sewa Bikash Bank's internal control system is effective in managing risks and ensuring compliance with applicable regulatory requirements. The management and

Audit Committee are committed to addressing any identified deficiencies and strengthening internal controls where necessary. The unqualified opinion of the external auditor further affirms the soundness of the Bank's financial reporting and internal control environment.

The Audit Committee will continue its oversight of the internal control framework, ensuring that corrective actions are implemented promptly. Ongoing improvements in fraud prevention, operational processes, and IT controls will position the Bank to manage risks effectively and achieve its strategic objectives.

## IT Systems and Control including Data Privacy and Cyber Security

At KSBBL, our Information Technology (IT) systems form the backbone of our operations, enabling efficient, secure and seamless banking services. We continuously invest in robust IT infrastructure, advanced software solutions, and innovative technologies to ensure that our banking operations remain reliable, scalable, and future-ready.

- The Bank has continued to strengthen its IT infrastructure to ensure resilience, stability, and compliance with global standards. Enhanced system controls and monitoring mechanisms safeguard sensitive customer and organizational data, underscoring the Bank's commitment to data integrity.
- Cyber security remains a strategic priority. The Bank has advanced its threat detection capabilities, reinforced incident response frameworks, and introduced continuous staff awareness programs to mitigate risks associated with evolving cyber threats.
- Data privacy practices have been aligned with international best practices, ensuring the responsible use and protection of customer information.
- Regular security audits, penetration testing, and compliance reviews are conducted to proactively identify vulnerabilities and maintain a robust defense against emerging risks. These measures reflect the Bank's dedication to secure, sustainable, and customer-centric digital transformation.

# Disclosure of Risk Reporting

## 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:

##### **a. 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.

##### **b. 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.

##### **c. 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 2082	
SOL (Fund Based and Non Fund Based)	Upto 25% of Core Capital	10.51%	
SOL (Fund Based and Non Fund Based) in Productive Sector	Upto 30% of Core Capital	1.04%	
Pure Hydropower Project, Transmission Line and Cable Car Construction Project (Funded and Non Funded)	Upto 50% of Core Capital	12.54%	
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	3.67%	
Other Real estate (Land Purchase and plotting)	Upto 10% of Total Loans and Advance	3.43%	
Margin Lending	Upto 40% of Core Capital of the bank	35.50%	
Deprive Sector Loan	Minimum 5% of Total loans and advance	6.72%	
Loan on the basis of personal guarantee	Upto 5% of Total loans and advance	0.72%	

### Top Borrower Concentration

Bank's exposure to top 50 borrowers is 13.56% of the total loans and advances of the bank. The exposure has decreased from 13.56 % in previous year to 12.37% in current year

Particulars	This Quarter (Ashar 2082)
Total Exposure to Top 50 Borrowers	6,705,647,625.18
Percentage Covered by top 50 loans	12.37%

Bank's exposure to top 10 microfinance institutions is 3.37% of the total loans and advances of the bank. The exposure has increased from 4.59% in previous year to 3.37% in current year.

Particulars	This Quarter (Ashar 2082)
Total Exposure to Top 10 MFIs	1,826,741,244.65
Percentage Covered by top 10 Microfinance Institutions	3.37%

### 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.

INDUSTRY/SECTOR	LOAN AMOUNT%	AS OF ASHAR END 2082	
		TO TOTAL LOAN%	TO CORE CAPITAL
Agricultural and Forest Related	5,385.48	9.93%	103.89%
Fishery Related	105.82	0.20%	2.04%
Mining Related	0	0.00%	0.00%
Agriculture, Forestry & Beverage Production Related	1,210.92	2.23%	23.36%
Non-food Production Related	1,105.10	2.04%	21.32%
Construction	658.5	1.21%	12.70%
Power, Gas and Water	1,316.60	2.43%	25.40%
Metal Products, Machinery & Electronic Equipment & Assemblage	178.74	0.33%	3.45%
Transport, Communication and Public Utilities	841.84	1.55%	16.24%
Wholesaler & Retailer	6,832.12	12.60%	131.80%
Finance, Insurance and Real Estate	4,803.09	8.86%	92.66%
Tourism Service	1,603.88	2.96%	30.94%
Other Services	2,118.68	3.91%	40.87%
Consumption Loans	18,823.55	34.72%	363.14%
Local Government	0.35	0.00%	0.01%
Others	9,230.59	17.03%	178.07%
<b>Total</b>	<b>54,215.27</b>	<b>100.00%</b>	<b>1045.90%</b>

### 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 59.16 %, followed by residential personal home loan at 9.87%.

Amount in Million

S.N	INDUSTRY/SECTOR	LAST YEAR (ASHAR 2081)		THIS YEAR (ASHAR 2082)		INCREASE/ DECREASE
		LOAN AMOUNT	PERCENTAGE	LOAN AMOUNT	PERCENTAGE	
1.	Term Loan	27,643.27	55.11%	32,073.59	59.16%	4.05%
2.	Overdraft	3,493.58	6.96%	2,890.32	5.33%	-1.63%
3.	Cash Credit Loan	4,507.00	8.99%	3,767.48	6.95%	-2.04%
4.	Trust Receipt Loan / Import Loan	-	0.00%	-	0.00%	0.00%
5.	Short Term Working Capital/Demand Loan	422.33	0.84%	383.90	0.71%	-0.13%
6.	Residential Personal Home Loan (Up to Rs. 20 million)	3,355.45	6.69%	5,348.87	9.87%	3.18%
7.	Real Estate Loan	1,848.53	3.69%	1,987.61	3.67%	-0.02%
	a. Residential Real Estate	253.52	0.51%	-	0.00%	-0.51%
	(except Residential Personal Home Loan upto Rs. 20 million)					
	b. Commercial Complex & Residential Apartment Construction Loan	-	0.00%	-	0.00%	0.00%
	c. Lending on Income Generated Commercial Complex	-	0.00%	-	0.00%	0.00%
	d. Other Real Estate (Including Land Purchase & Plotting)	1,595.00	3.18%	1,987.61	3.67%	0.49%
8.	Margin Nature Loan	1,606.23	3.20%	1,840.27	3.39%	0.19%
9.	Hire Purchase Loan	1,228.24	2.45%	1,001.73	1.85%	-0.60%
10.	Deprived Sector Loan	4,758.64	9.49%	3,573.43	6.59%	-2.90%
11.	Bills Purchased	-	0.00%	-	0.00%	0.00%
12.	Other Product	1,296.55	2.58%	1,348.06	2.49%	-0.10%
	a. Education Loan	-	0.00%	-	0.00%	0.00%
	b. Gold Loan	753.64	1.50%	911.19	1.68%	0.18%
	c. Loan against FDR	542.91	1.08%	436.88	0.81%	-0.28%
<b>Total Loans &amp; Advances</b>		<b>50,159.81</b>	<b>100.00%</b>	<b>54,215.27</b>	<b>100.00%</b>	



## 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 89.05% of the total NPL loans.

COLLATERAL	NO OF FILES	Amount in Million	
		NPL	SHARE IN TOTAL
Real Estate (Land and Building)	996.00	1,630.79	89.05%
Vehicles	237.00	109.85	6.00%
Personal Guarantee	244.00	71.66	3.91%
Collective Guarantee	235.00	18.07	0.99%
Government Guarantee	1.00	0.35	0.02%
Gold and Silver	1.00	0.19	0.01%
Others	4.00	0.43	0.02%
<b>Total</b>	<b>1,718.00</b>	<b>1,831.34</b>	<b>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	v. No back up	v. Natural Disaster
vi. Unauthorized trading	defined process	vi. No segregation of Duties	(earthquake/flood/
vii. Lack of due diligence	vi. Product Failure	in system level	landslide, etc.)
viii. Involve in illegal activities		vii. Fraudulent activities	
ix. Violation of internal /		in electronic transaction	
external rules		viii. Vendor/Suppliers	
		related risk	

#### 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 n 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. n 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 n 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.

### 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 2081/82 is provided as under:

PARTICULARS	NUMBER/ AMOUNT		
No. of loan requests rejected due to Exclusion list	-		
No. of transactions subject to ESDD	128		
Total No. and Amount of disbursed transactions by E & S Risk Rating	<b>E &amp; S Risk Rating</b>	<b>No. ofdisbursement</b>	<b>Disbursement Amount (In 'NPR')</b>
	Low	128	3,3326,420,709
	Medium	-	-
	High	-	-

## 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	ASADH 2082	COMPLIANT STATUS
% of Top Single Depositor to Total Deposit	10%	3.22%	Within Regulator requirement
% of Institutional Deposit	50%	31.32%	Within Regulator requirement

## Interest Rate Risk

PARTICULARS	REGULATORY REQUIREMENT	ASADH 2082	COMPLIANT STATUS
Maximum Interest Rate in year-end month (Individual FD for 2 years and above)	10% deviation	6.50%	Compliant
Difference in interest rate of savings	2% difference among saving account	Minimum 3.0% Maximum 4.5%	Compliant
Call Deposit	50% of minimum saving interest rate rate	1.5%	Compliant
Maximum difference between LCY deposit products	Max 5%	3.5%	Compliant

## Structured Liquidity Statement as on Asar 2082

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 2082 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
<b>Assets</b>											
1	Cash Balance	529.93	-	-	-	-	-	-	-	-	529.93
2	Balance with Banks & FIs	3,980.73	-	-	-	-	-	-	-	-	3,980.73
5	Government Securities	-	49.89	-	150.00	469.00	32.38	500.00	5,280.00	3,211.05	9,692.32
8	Loans & Advances	1,295.71	1,399.09	2,689.51	3,085.94	3,861.04	3,219.57	4,378.64	12,696.91	21,588.87	54,215.27
9	Interest Receivable	52.31	60.91	315.91	113.66	9.48	1.95	3.40	9.07	7.60	574.29
13	Others	40.33	94.09	201.63	336.05	336.05	336.05	2.42	89.88	498.51	1,934.99
	Total Assets (A)	5,899.00	1,603.99	3,207.05	3,685.65	4,675.56	3,589.94	4,884.45	18,075.85	25,306.03	70,927.52
<b>Liabilities</b>											
14	Current Deposits	33.51	78.20	167.57	279.28	279.28	279.28	128.57	128.57	204.19	1,578.43
15	Saving Deposits	375.65	876.52	1,878.25	3,130.42	3,130.42	3,130.42	2,965.25	2,965.25	3,101.62	21,553.81
16	Fixed Deposits	988.69	3,192.77	6,533.57	8,072.95	4,944.67	4,103.65	4,772.79	2,712.30	950.14	36,271.54
17	Debentures	-	-	-	-	-	-	-	-	996.23	996.23
18	Borrowings:	4,097.25	-	-	-	-	-	-	-	0.83	4,098.08
	(a) Call/Short Notice	4,097.25	-	-	-	-	-	-	-	0.83	4,098.08
19	Other Liabilities and Provisions	21.56	50.35	102.23	179.71	179.55	179.47	0.66	0.88	0.08	714.49
	(a) Sundry Creditors	20.17	47.06	100.84	168.07	168.07	168.07	-	-	-	672.28
	(c) Interest Payable	1.39	3.29	1.39	11.64	11.48	11.40	0.66	0.88	0.08	42.21
	Total Liabilities (B)	5,516.66	4,197.84	8,681.63	11,662.36	8,533.92	7,692.82	7,867.27	5,806.99	5,253.09	65,212.58
	Net Financial Assets (A-B)	382.34	(2,593.86)	(5,474.58)	(7,976.71)	(3,858.36)	(4,102.88)	(2,982.82)	12,268.86	20,052.94	5,714.94
	Cumulative Net Financial Assets	382.34	(2,211.51)	(7,686.09)	(15,662.80)	(19,521.15)	(23,624.03)	(26,606.85)	(14,337.99)	5,714.94	-



## 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 QUARTER - 5.23 ARBA (5,233,800,490.00)

S.	N CURRENCY	ASSETS	LIABILITIES	NET POSITION(NPR)	TOTAL NET POSITION TO CORE CAPITAL
1	INR	153,191.78	-	153,191.78	0.0029%
2	USD	22,484,748.30	-	22,484,748.30	0.4296%
3	GBP	292,137.75	-	292,137.75	0.0056%
4	EUR	2,298,328.18	-	2,298,328.18	0.0439%
5	THB	93,060.00	-	93,060.00	0.0018%
6	AUD	18,236.00	-	18,236.00	0.0003%
7	CAD	1,307,039.30	-	1,307,039.30	0.0250%
8	SGD	377,783.69	-	377,783.69	0.0072%
9	JPY	633,625.00	-	633,625.00	0.0121%
10	HKD	17,445.00	-	17,445.00	0.0003%
11	QAR	57,443.85	-	57,443.85	0.0011%
12	AED	213,208.50	-	213,208.50	0.0041%
13	MYR	4,613.18	-	4,613.18	0.0001%
14	CNY	987,150.82	-	987,150.82	0.0189%
15	KWD	44,847.00	-	44,847.00	0.0009%
<b>Total</b>		<b>28,982,858.35</b>		<b>28,982,858.35</b>	<b>0.5538%</b>

## 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:

*Rs. in '000*

CAPITAL	CURRENT MONTH END
<b>(A) Tier 1 Capital [Core Capital (CET 1 + AT 1)]</b>	<b>5,354,697.61</b>
Common Equity Tier 1 (CET 1)	5,354,697.61
a Paid up Equity Share Capital	3,510,846.20
b Statutory General Reserves	972,937.31
c Retained Earnings	17,461.78
d Unaudited current year cumulative profit/(loss)	589,940.06
e Debenture Redemption Reserve	285,714.29
f Less: Intangible Assets	12,155.62
g Less: Purchase of land & building in excess of limit and unutilized	10,046.40
h Less: Other Deductions	
Adjustments under Pillar II	
SRP 6.4a(1) Less: Shortfall in Provision (6.4 a 1)	-
SRP 6.4a(2) Less: Loans and Facilities extended to related parties and restricted lending	-

#### Tier II capital and a breakdown of its components

*Rs. in '000*

<b>(B) Supplementary Capital (Tier 2)</b>	<b>1,349,218.81</b>
a Cumulative and/or Redeemable Preference Share	
b Subordinated Term Debt	711,394.65
c General loan loss provision	566,795.67
d Exchange Equalization Reserve	1,386.50
e Investment Adjustment Reserve	3,000.00
f Accrued Interest Receivable on pass loan included in Regulatory Reserve	60,867.69
g Interest Capitalized Reserve included in Regulatory Reserve	5,774.30
h Other Reserves	
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>6,703,916.43</b>

#### Total Qualifying Capital

*Rs. in '000*

PARTICULARS	AMOUNT
Core Capital (Tier 1)	5,354,697.61
Supplementary Capital (Tier 2)	1,349,218.81
<b>Total Capital Fund</b>	<b>6,703,916.43</b>

## 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)	10.55%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.20%

### 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 Operational 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 2082 is as under:

### Summary of current Risk Weighted Exposure

Figure in '000

1. 1 RISK WEIGHTED EXPOSURES		CURRENT PERIOD
a	Risk Weighted Exposure for Credit Risk	45,343,653.74
b	Risk Weighted Exposure for Operational Risk	3,258,580.16
c	Risk Weighted Exposure for Market Risk	13,172.71
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>48,615,406.61</b>
<b>Adjustments under Pillar II</b>		
SRP 6.4a(5)	Adjustment as per SRP 6.4a(5)	-
SRP 6.4a(6)	Adjustment as per SRP 6.4a(6)	-
SRP 6.4a(7)	Adjustment as per SRP 6.4a(7)	696,971.75
SRP 6.4a(9)	Adjustment as per SRP 6.4a(9)	1,458,462.20
SRP 6.4a(10)	Adjustment as per SRP 6.4a(10)	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>50,770,840.56</b>

### Total Risk Weight Exposure Table

#### On Balance Sheet Exposure and OFF Balance Sheet Exposure

Figure in '000

A. BALANCE SHEET EXPOSURES	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES
	A	B	C	D=A-B-C	E	F=D*E
Cash Balance	529,926.13			529,926.13	0%	-
Balance With Nepal Rastra Bank	2,724,031.34			2,724,031.34	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities	11,042,323.20			11,042,323.20	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank	176,213.56			176,213.56	0%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-

Continue

Continue

## Total Risk Weight Exposure Table

### On Balance Sheet Exposure and OFF Balance Sheet Exposure

Figure in '000

A. BALANCE SHEET EXPOSURES	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES
	A	B	C	D=A-B-C	E	F=D*E
Claims on domestic banks that meet capital adequacy requirements	3,816,650.62		-	3,816,650.62	20%	763,330.12
Claims on Domestic Corporates (Unrated)	4,642,794.06		45,000.00	4,597,794.06	100%	4,597,794.06
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	32,347,100.33		1,217,153.13	31,129,947.19	75%	23,347,460.40
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties	5,416,777.84		-	5,416,777.84	60%	3,250,066.71
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	53,653.94	23,616.63	-	30,037.31	100%	30,037.31
Claims secured by Commercial real estate			-	-	100%	-
Past due claims (except for claims secured by residential properties)	2,750,042.06	1,707,281.24	547.89	1,042,212.93	150%	1,563,319.40
High Risk claims	3,555,682.58		85,716.98	3,469,965.60	150%	5,204,948.39
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	739,966.57		-	739,966.57	125%	924,958.21
Lending against securities (bonds)			-	-	100%	-
Lending against Shares	1,840,266.11		-	1,840,266.11	100%	1,840,266.11
Trust Receipt Loans for Trading Firms			-	-	120%	-
Personal Hirepurchase/ Personal Auto Loans	309,030.56		-	309,030.56	100%	309,030.56
Investments in equity and other capital instruments of institutions listed in stock exchange	817,380.78		-	817,380.78	100%	817,380.78
Investments in equity and other capital instruments of institutions not listed in the stock exchange	430,823.70		-	430,823.70	150%	646,235.55
Staff loan secured by residential property	316,774.50			316,774.50	50%	158,387.25

Continue

Continue

## Total Risk Weight Exposure Table

## On Balance Sheet Exposure and OFF Balance Sheet Exposure

Figure in '000

A. BALANCE SHEET EXPOSURES	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES
	A	B	C	D=A-B-C	E	F=D*E
Interest Receivable/claim on government securities	148,111.88			148,111.88	0%	-
Other Assets (as per attachment)	1,864,567.34	354,180.03	-	1,510,387.31	100%	1,510,387.31
<b>TOTAL (A)</b>	<b>73,522,117.11</b>	<b>2,085,077.91</b>	<b>1,348,418.00</b>	<b>70,088,621.20</b>		<b>44,963,602.16</b>
<b>B. Off Balance Sheet Exposures</b>						
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	246,547.02		-	246,547.02	40%	98,618.81
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)	1,407,163.87		-	1,407,163.87	20%	281,432.77
<b>TOTAL (B)</b>	<b>1,653,710.89</b>	<b>-</b>	<b>-</b>	<b>1,653,710.89</b>		<b>380,051.58</b>
<b>Total RWE for credit Risk Before Adjustment (A)+(B)</b>	<b>75,175,827.99</b>	<b>2,085,077.91</b>	<b>1,348,418.00</b>	<b>71,742,332.08</b>		<b>45,343,653.74</b>
<b>Adjustments under Pillar II</b>						
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE						-
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE						-
<b>Total RWE for Credit Risk after Bank's adjustments under Pillar II</b>	<b>75,175,827.99</b>	<b>2,085,077.91</b>	<b>1,348,418.00</b>	<b>71,742,332.08</b>		<b>45,343,653.74</b>



## Information Security Risk

Kamana Sewa Bikas Bank (KSBBB) continues to prioritize the confidentiality, integrity, and availability (CIA) of its information assets through a robust framework of information technology (IT) systems and controls to counter information security risk. Recognizing the growing sophistication of cyber threats, the Bank has invested in cutting-edge software solutions and network security devices aimed at enhancing its cyber resilience. The Information Security Officer (ISO) is entrusted with ensuring the security of the Bank's data and IT infrastructure, enforcing organization-wide policies, and aligning with regulatory requirements and best practices, including NRB IT Guidelines, ISO/IEC 27001:2022 standards, and ISACA's COBIT 5 framework.

## Information Technology Systems, Risk Management and Security Controls

The bank has developed robust Information Security policy under Integrated Risk Management Policy as per the ISO 27001 Framework, NRB IT Guidelines/ Cyber Resilience Guidelines and other security standards. For the effective IT risk management, the bank has applied various information security controls.:

- Corporate Information Security Committee (CISC) provides insights to the overall information security governance and directions
- Deployment of multiple security technologies including:
  - Web Application Firewall (WAF)
  - Privileged Access Management (PAM)
  - Email Security Gateway (ESG)
  - Security Information and Event Management (SIEM) integrated with a Managed Security Operations Center (SOC)
  - Next-Generation Antivirus (NGAV)
  - Endpoint Detection and Response (EDR)
  - Data Leak Prevention (DLP) System
- Implementation of regular risk assessments and gap analyses, with close collaboration between Information Security, IT, and business units.
- Periodic phishing simulations, internal/external vulnerability assessments, and disaster recovery drills to test preparedness and promote awareness.
- System access control is regularly reviewed, with mandatory Two-Factor Authentication (2FA) or OTP-based login mechanisms integrated into applicable platforms.
- Contingency and business continuity plans are periodically tested to maintain operational resilience and data integrity in case of disruptions.

The Bank maintains detailed logs of security events, including unsuccessful access attempts and anomalous system activities, and proactively works to educate customers on secure transaction practices, especially around PIN, passwords, and personal data protection.

## Information Systems Audit and Cybersecurity Governance

As part of its continuous improvement and commitment to governance, KSBBB conducted a comprehensive Information Systems (IS) Audit, in alignment with ISO/IEC 27001, NRB IT Guidelines, and focusing on the triad of People, Process, and Technology.

## Key Findings and Observations:

- Strong technical controls were in place, such as Multi-Factor Authentication, VPN tunneling, firewalls, and PAM.
- Gaps identified included:
  - Need for employee cybersecurity training
  - Limited frequency of Vulnerability Assessment and Penetration Testing (VAPT)
- Recommendations include:
  - Enforcement of strong password policies
  - Secure coding practices during software development
  - Regular security and breach assessments

KSBBB has initiated the implementation of these recommendations, revised its Information Security Policy, and strengthened continuous monitoring, incident response, and security governance practices. These actions reflect KSBBB's dedication to preserving data privacy, building digital trust, and ensuring sustainability in its IT operations.

## Mitigating Measures and Key Cybersecurity Controls

To address identified gaps and ensure proactive security management, the Bank has adopted the following mitigating measures across its systems, operations, and third-party engagements:

## System and Process Controls:

- System access controls are reviewed regularly for role-based access.
- 2FA/OTP authentication mechanisms are enforced across applicable systems.
- Annual Information System Audits are mandated for compliance verification.
- Secure Socket Layer (SSL) protocols are enforced for internet-facing applications.
- Transaction limits are configured for mobile banking, e-banking, and ATM services.

- Full User Acceptance Testing (UAT) is required before moving any system to production.
- All internal system changes must follow a formal RFC (Request for Change) process.
- All third-party vendors are required to sign and periodically renew NDA agreements.

#### **Vendor and Third-Party Governance:**

- RFPs are reviewed thoroughly by all concerned departments prior to release.
- Any third-party application must have a clear security plan and submit a VAPT report before going live.
- Vendors and consultants with access to the Bank's systems are subject to the same monitoring and control protocols as internal staff.

#### **Employee and Customer Awareness:**

- Cybersecurity awareness training programs are conducted for employees.
- Customers are educated about secure usage of ATM, POS, and digital channels.

#### **Monitoring and Incident Response:**

- Daily log monitoring for intrusion attempts and abnormal activity.
- Close monitoring of external network threats and incident

trends.

#### **Key Risk Indicators (KRIs) Being Monitored:**

- Number of transactional systems lacking maker-checker controls
- Number of data breaches or security incidents
- Number of critical services that cannot meet a Recovery Time Objective (RTO) of 2 hours
- Number of non-compliant endpoints (workstations and servers)
- Number of critical services without tested backup restoration
- Number of attempted cyber-attacks detected by the SOC

#### **Conclusion**

KSBBL remains persistent in its commitment to upholding the highest standards in Information Security and Cyber Governance. With a future-ready approach, the Bank aims to continually adapt to the evolving threat landscape through investments in advanced security technologies, enhanced employee training, and adherence to global best practices. These efforts are crucial to safeguarding customer trust, protecting critical assets, and ensuring operational resilience in an increasingly digital banking environment.



# Some Glimpses from the 18th Annual General Meeting



» Tribute through National Anthem



» Chairperson inaugurating the general meeting by lighting the ceremonial lamp



» Director extending a warm welcome to the distinguished attendees



» Chairperson presenting the BOD Report





» Shareholders reviewing the Annual Report



» Shareholder expressing his queries



» Shareholder expressing his queries



» Chairperson addressing the queries of shareholders





A close-up photograph of a person's hand holding a black pen, positioned over a calculator and some papers on a desk. The hand is wearing a dark grey sleeve. The background is slightly blurred, showing more papers and a pen. A large, semi-circular graphic overlay in shades of blue and green is on the right side of the image, containing the text 'FINANCIAL STATEMENTS'.

# FINANCIAL STATEMENTS

**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 32<sup>nd</sup> Ashadh 2082 (16<sup>th</sup> July 2025), 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 32<sup>nd</sup> Ashadh 2082 (16<sup>th</sup> July 2025) 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.	<p><b>Interest Recognition</b></p> <p>Interest income of the Bank is recognized in accordance with the Guidance Note on Interest Income Recognition, 2025, issued by Nepal Rastra Bank (NRB). As per the guideline, the interest recognition is based on the stage (Stage 1, 2, or 3) of each financial asset as determined at the previous quarter's end. As per the guideline, for stage 3 financial assets, interest income recognized on an accrual basis (coupon rate or effective rate) shall be adjusted against the movement in accrued interest receivable during the current quarter, and interest suspense at the beginning of the quarter, and only cash-based interest income during the current quarter shall</p>	<p>Our audit procedures for interest income recognition included:</p> <ul style="list-style-type: none"> <li>▪ We obtained a clear understanding of the process of accrual of interest income on loans and advances in the Core Banking System of the Bank.</li> <li>▪ We obtained an understanding of the Bank's process for classifying loans into Stages 1-3 per NRB ECL guidelines.</li> </ul>

	<p>be recognized. Similarly, for Stage 1 and 2 financial assets, interest income is recognized on accrual basis (coupon rate or effective rate) and any interest suspense at the beginning of quarter is also recognized as interest income.</p> <p>The manual intervention is required for the interest recognition process. Hence, it creates risk of improper application of guidelines, in staging financial assets and determination of interest income. 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>	<ul style="list-style-type: none"> <li>▪ We tested the accuracy of the loan and advances staging classifications based on the previous quarter end and if new loan and advances are added during the quarter, based on stage at initial recognition.</li> <li>▪ We verified, on a sample basis, the recognition of interest income based on staging of loan and advances.</li> <li>▪ We also performed manual recalculations of interest for selected of loans and advance from each stage.</li> </ul>																		
2.	<p><b>Impairment of Loans and Advances</b></p> <p>The impairment of loans and advances is a Key Audit Matter as the Bank has significant credit exposure to a large number of borrowers, and there is a high degree of complexity, judgment, and estimation involved in the determination of Expected Credit Loss (ECL). The same resulted in a significant audit effort to address the risk around loan recoverability and the determination of ECL.</p> <p>As per the NFRS 9- Expected Credit Loss Related Guidelines, 2024, BFIs are required to recognize impairment on credit exposures as the higher of</p> <ul style="list-style-type: none"> <li>▪ ECL calculated as per NFRS 9 and</li> <li>▪ Existing regulatory provisions in Unified Directives.</li> </ul> <p>Accordingly, the higher of the above is taken as impairment loss for loans and advances. The Bank's Portfolio of loans and advances amounts to NPR. 54,215,269,392, on which the Bank has reported the following impairments following the above provision:</p> <table border="1" data-bbox="310 1144 976 1409"> <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>25,599,553</td><td>37,852,249</td></tr> <tr> <td>Loans and advances to Customer</td><td></td><td></td></tr> <tr> <td>Collective Impairment</td><td>732,104,398</td><td>798,315,487</td></tr> <tr> <td>Individual Impairment</td><td>1,746,705,702</td><td>1,250,110,323</td></tr> <tr> <td><b>Total</b></td><td><b>2,504,409,653</b></td><td><b>2,086,278,059</b></td></tr> </tbody> </table> <p>The Bank's portfolio of loans and advances is material to the financial statements. Determination of impairment as per NRB ECL guideline involves significant management judgment in assessing staging (Stage 1, Stage 2 and Stage 3), estimation of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and consideration of forward-looking macroeconomic assumptions.</p> <p>Considering the regulatory requirement, existing business environment, and judgments involved in the ECL calculation, it is a matter of higher importance for the intended users of financial statements. Hence, we have determined this as a Key Audit Matter.</p> <p><i>(Refer Note 4.6, 4.7 &amp; 5.8 (c) read with 3.4 of Notes to Financial Statements)</i></p>	Impairment	Current Year	Previous Year	Loans and advances to BFIs	25,599,553	37,852,249	Loans and advances to Customer			Collective Impairment	732,104,398	798,315,487	Individual Impairment	1,746,705,702	1,250,110,323	<b>Total</b>	<b>2,504,409,653</b>	<b>2,086,278,059</b>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▪ We tested, on a 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.</li> <li>▪ We evaluated the Bank's policies and procedures relating to staging of loans and recognition of impairment under NFRS 9 and NRB Guidelines 2024.</li> <li>▪ We assessed the methodologies, assumptions, and data used by management in developing PD, LGD, and EAD models, including the incorporation of forward-looking macroeconomic information and collateral valuation practices.</li> <li>▪ We engaged in discussions with credit risk and finance officials to understand judgments applied in ECL estimates, including recoverability of exposures.</li> <li>▪ We tested the design and operating effectiveness of periodic internal reviews of asset quality and collateral values.</li> <li>▪ We evaluated the adequacy and transparency of related disclosures in the financial statements in line with NFRS 9 and NRB requirements</li> <li>▪ We tested on sample basis the provisions for loan and advances as per NRB Directives requirement.</li> </ul>
Impairment	Current Year	Previous Year																		
Loans and advances to BFIs	25,599,553	37,852,249																		
Loans and advances to Customer																				
Collective Impairment	732,104,398	798,315,487																		
Individual Impairment	1,746,705,702	1,250,110,323																		
<b>Total</b>	<b>2,504,409,653</b>	<b>2,086,278,059</b>																		

  
 Chartered Accountant

3.	<p><b>Information Technology System and Controls Impacting Financial Reporting</b></p> <p>The IT environment of the Bank is complex and uses a large number of independent and interdependent IT systems. The Bank's 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>Our audit approach regarding Information Technology of the Bank is based upon the Information Technology Guidelines issued by NRB and it also included:</p> <ul style="list-style-type: none"> <li>▪ Verification of the interest income and expense booking regarding loan and deposits on test check basis with the CBS of the Bank.</li> <li>▪ Reliance on the IT audit conducted by the Bank.</li> <li>▪ Verification of the provisioning of the loan and advances based on ageing on test check basis.</li> </ul>
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### **Information other than the Financial Statements and Auditors Report thereon**

The Banks' 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 is responsible for overseeing the Bank's financial reporting process.



The image shows a handwritten signature in black ink over a circular official stamp. The stamp contains the text "Kathmandu, Nepal" and "Chartered Accountants" around the perimeter.

## **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 the 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 have been maintained as required by the law, and the Financial Statements are



The block contains a handwritten signature in black ink, which appears to read 'J. S. Khar'. Below the signature is a circular stamp. The text within the stamp is partially legible but includes 'Chartered Accountant' and 'Firm Name'.



in agreement with the books of account maintained by the Bank. In our opinion, so far as appears 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.



Gyanendra B. Bhari, FCA  
Partner



COP No.: 7

UDIN: 250915CA00070M4NRS

Place: Kathmandu, Nepal

Date: September 07, 2025

# STATEMENT OF FINANCIAL POSITION

As on 32 Ashadh 2082

Amount in Rs.

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
<b>Assets</b>			
Cash and Cash Equivalent	4.1	1,786,654,797	1,774,367,964
Due from Nepal Rastra Bank	4.2	2,724,031,338	2,396,952,186
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and Advances to BFI	4.6	2,537,879,119	3,121,680,410
Loans and Advances to Customers	4.7	50,077,497,277	45,979,607,704
Investment Securities	4.8	12,290,942,521	11,696,213,887
Current Tax Assets	4.9	-	-
Investment in Subsidiaries	4.10	-	-
Investment in Associates	4.11	-	-
Investment Property	4.12	354,180,029	352,139,820
Property and Equipment	4.13	932,123,307	991,491,994
Goodwill and Intangible Assets	4.14	13,304,569	13,641,132
Deferred Tax Assets	4.15	32,455,525	54,013,504
Other Assets	4.16	705,505,466	808,919,471
<b>Total Assets</b>		<b>71,454,573,948</b>	<b>67,189,028,073</b>
<b>Liabilities</b>			
Due to Bank and Financial Institutions	4.17	667,439,221	626,690,715
Due to Nepal Rastra Bank	4.18	-	-
Derivative Financial Instruments	4.19	-	-
Deposits from Customers	4.20	62,834,301,164	59,066,711,728
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	11,699,214	24,761,859
Provisions	4.22	26,950,201	16,494,486
Deferred Tax Liabilities	4.15	-	-
Other Liabilities	4.23	979,614,600	1,073,795,173
Debt Securities Issued	4.24	997,108,939	996,230,755
Subordinated Liabilities	4.25	-	-
<b>Total Liabilities</b>		<b>65,517,113,338</b>	<b>61,804,684,716</b>
<b>Equity</b>			
Share Capital	4.26	3,510,846,195	3,281,164,669
Share Premium		-	-
Retained Earnings		587,575,801	411,201,538
Reserves	4.27	1,839,038,613	1,691,977,150
<b>Total Equity Attributable to Equity Holders</b>		<b>5,937,460,610</b>	<b>5,384,343,357</b>
Non Controlling Interest		-	-
<b>Total Equity</b>		<b>5,937,460,610</b>	<b>5,384,343,357</b>
<b>Total Liabilities and Equity</b>		<b>71,454,573,948</b>	<b>67,189,028,073</b>
Contingent Liabilities and Commitments	4.28	2,310,147,397	2,653,096,963
Net Assets Value per share		169.12	164.10

**SUDEEP ACHARYA**  
CHAIRMAN

**HEM BAHADUR KC**  
HEAD - FINANCE & TREASURY

**BHIM PRASAD TULACHAN**  
**CHATURAKHAR ADHIKARI**  
**BALARAM BARAL**  
**BISHWESHWAR SUBEDI**  
**SRIJANA DANGAL**  
**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 : **07 SEPTEMBER 2025**  
PLACE : **KATHMANDU**

## STATEMENT OF PROFIT OR LOSS

For the year ended 32 Ashadh 2082

Amount in Rs.

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
Interest Income	4.29	5,948,664,602	7,040,454,206
Interest Expense	4.30	3,630,170,436	4,907,911,294
<b>Net Interest Income</b>		<b>2,318,494,165</b>	<b>2,132,542,912</b>
Fee and Commission Income	4.31	335,726,086	298,473,799
Fee and Commission Expense	4.32	25,496,010	28,983,983
<b>Net Fee and Commission Income</b>		<b>310,230,076</b>	<b>269,489,816</b>
<b>Net Interest, Fee and Commission Income</b>		<b>2,628,724,241</b>	<b>2,402,032,728</b>
Net Trading Income	4.33	755,484	489,908
Other Operating Income	4.34	71,825,247	124,312,147
<b>Total Operating Income</b>		<b>2,701,304,972</b>	<b>2,526,834,784</b>
Impairment Charge/ (Reversal) for Loans and Other Losses	4.35	418,131,595	358,202,048
<b>Net Operating Income</b>		<b>2,283,173,377</b>	<b>2,168,632,737</b>
<b>Operating Expense</b>			
Personnel Expenses	4.36	797,361,610	761,180,563
Other Operating Expenses	4.37	287,060,947	266,925,030
Depreciation & Amortization	4.38	158,263,160	172,640,675
<b>Operating Profit</b>		<b>1,040,487,660</b>	<b>967,886,469</b>
Non Operating Income	4.39	3,794,945	700,000
Non Operating Expense	4.40	51,353,617	69,987,244
<b>Profit Before Income Tax</b>		<b>992,928,988</b>	<b>898,599,225</b>
Income Tax Expense			
Current Tax	4.41	323,962,147	317,697,683
Deferred Tax		(784,482)	(930,281)
<b>Profit for the Period</b>		<b>669,751,323</b>	<b>581,831,823</b>
<b>Profit Attributable to:</b>			
Equity-holders of the Bank		669,751,323	581,831,823
Non-Controlling Interest		-	-
<b>Profit for the Period</b>		<b>669,751,323</b>	<b>581,831,823</b>
<b>Earnings per Share</b>			
Basic Earnings per Share		19.08	17.73
Diluted Earnings per Share		19.08	17.73

**SUDEEP ACHARYA**  
CHAIRMAN

**HEM BAHADUR KC**  
HEAD - FINANCE & TREASURY

**BHIM PRASAD TULACHAN**  
**CHATURAKHAR ADHIKARI**  
**BALARAM BARAL**  
**BISHWESHWAR SUBEDI**  
**SRIJANA DANGAL**  
**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 : **07 SEPTEMBER 2025**  
PLACE : **KATHMANDU**

# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 32 Ashadh 2082

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Profit for the year</b>	<b>669,751,323</b>	<b>581,831,823</b>
<b>Other Comprehensive Income, Net of Income Tax</b>	-	-
<b>a) Items that will not be reclassified to profit or loss</b>	-	-
Gains/(losses) from investment in equity instruments measured at fair value	74,474,869	85,301,857
Gains/(losses) on revaluation	-	-
Actuarial gains/(losses) on defined benefit plans	-	12,789,694
Income tax relating to above items	(22,342,461)	(29,427,465)
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>52,132,409</b>	<b>68,664,086</b>
<b>b) Items that are or may be reclassified to profit or loss</b>	-	-
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	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	-	-
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>	-	-
<b>Other Comprehensive Income for the year, Net of Income Tax</b>	<b>52,132,409</b>	<b>68,664,086</b>
<b>Total Comprehensive Income for the Period</b>	<b>721,883,731</b>	<b>650,495,909</b>
<b>Total Comprehensive Income attributable to:</b>		
Equity-Holders of the Bank	721,883,731	650,495,909
Non-Controlling Interest	-	-
<b>Total Comprehensive Income for the Period</b>	<b>721,883,731</b>	<b>650,495,909</b>

**SUDEEP ACHARYA**  
CHAIRMAN

**HEM BAHADUR KC**  
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**DINESH THAKALI**  
CHIEF EXECUTIVE OFFICER

DATE : **07 SEPTEMBER 2025**  
PLACE : **KATHMANDU**

# STATEMENT OF CHANGE IN EQUITY

For the year ended 32 Ashadh 2082

PARTICULARS				
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALIZATION RESERVE
<b>Balance at Shrawan 1, 2080</b>	<b>3,281,164,669</b>	<b>-</b>	<b>729,511,527</b>	<b>1,043,435</b>
Adjustment/Restatement	-	-	-	-
<b>Adjusted/Restated balance as on Shrawan 1,2080</b>	<b>3,281,164,669</b>	<b>-</b>	<b>729,511,527</b>	<b>1,043,435</b>
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)	-	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to Reserves during the year	-	-	116,366,365	67,539
Transfer from Reserves during the year	-	-	-	-
<b>Transactions with Owners, directly recognized in Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share Issued	-	-	-	-
Share Based Payments	-	-	-	-
Dividend to Equity-Holders	-	-	-	-
Bonus Shares Issued	-	-	-	-
Cash Dividend Paid	-	-	-	-
Other	-	-	-	-
<b>Total Contributions by and Distributions</b>	<b>-</b>	<b>-</b>	<b>116,366,365</b>	<b>67,539</b>
<b>Balance at Ashadh 31, 2081</b>	<b>3,281,164,669</b>	<b>-</b>	<b>845,877,892</b>	<b>1,110,974</b>
<b>Balance at Shrawan 1, 2081</b>	<b>3,281,164,669</b>	<b>-</b>	<b>845,877,892</b>	<b>1,110,974</b>
Adjustment/Restatement	-	-	-	-
<b>Adjusted/Restated balance as on Shrawan 1,2081</b>	<b>3,281,164,669</b>	<b>-</b>	<b>845,877,892</b>	<b>1,110,974</b>
<b>Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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)	-	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to Reserves during the year	-	-	136,082,985	275,527
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	229,681,527	-	-	-
Cash Dividend Paid	-	-	-	-
Other	-	-	-	-
<b>Total Contributions by and Distributions</b>	<b>229,681,527</b>	<b>-</b>	<b>136,082,985</b>	<b>275,527</b>
<b>Balance at Ashadh 32, 2082</b>	<b>3,510,846,195</b>	<b>-</b>	<b>981,960,877</b>	<b>1,386,501</b>

**SUDEEP ACHARYA**  
CHAIRMAN

**HEM BAHADUR KC**  
HEAD - FINANCE & TREASURY

**DINESH THAKALI**  
CHIEF EXECUTIVE OFFICER

DATE : **07 SEPTEMBER 2025**  
PLACE : **KATHMANDU**



Amount in Rs.

ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK							
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	CORPORATE SOCIAL RESPONSIBILITY	OTHER RESERVE	TOTAL	TOTAL EQUITY
700,767,867	(31,099,538)	-	52,756,328	4,011,000	(2,452,033)	4,735,703,257	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)	4,737,847,730	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
649,365,921	39,844,756	-	411,201,538	5,829,036	149,948,570	5,384,343,357	5,384,343,357
-	-	-	-	-	-	-	-
649,365,921	39,844,756	-	411,201,538	5,829,036	149,948,570	5,384,343,357	5,384,343,357
-	-	-	-	-	-	-	-
-	-	-	669,751,323	-	-	669,751,323	669,751,323
-	-	-	-	-	-	-	-
-	52,132,409	-	-	-	-	52,132,409	52,132,409
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	52,132,409	-	669,751,323	-	-	721,883,731	721,883,731
(171,520,839)	(10,663,602)	-	(99,637,300)	6,697,513	138,765,715	-	-
-	-	-	-	(4,708,245)	-	(4,708,245)	(4,708,245)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(229,681,527)	-	-	-	-
-	-	-	(164,058,233)	-	-	(164,058,233)	(164,058,233)
-	-	-	-	-	-	-	-
(171,520,839)	41,468,807	-	176,374,263	1,989,269	138,765,715	553,117,253	553,117,253
477,845,082	81,313,563	-	587,575,801	7,818,304	288,714,285	5,937,460,610	5,937,460,610

**BHIM PRASAD TULACHAN**  
**CHATURAKHAR ADHIKARI**  
DIRECTORS

**BALARAM BARAL**  
**BISHWESHWAR SUBEDI**  
DIRECTORS

**SRIJANA DANGAL**  
**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 32 Ashadh 2082

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest Received	5,416,831,917	6,470,354,318
Fee and Other Income Received	335,726,086	298,473,799
Dividend Received	-	-
Receipts from Other Operating Activities	44,345,928	114,004,266
Interest Paid	(3,492,846,224)	(4,763,049,039)
Commissions and Fees Paid	(25,496,010)	(28,983,983)
Cash Payment to Employees	(739,322,954)	(684,457,483)
Other Expenses Paid	(385,086,210)	(391,167,949)
<b>Operating Cash Flows before Changes in Operating Assets and Liabilities</b>	<b>1,154,152,533</b>	<b>1,015,173,930</b>
<b>(Increase) Decrease in Operating Assets</b>		
Due from Nepal Rastra Bank	(327,079,151)	(229,557,857)
Placement with Banks and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	583,801,291	(926,593,725)
Loans and Advances to Customers	(4,097,889,573)	(2,128,270,359)
Other Assets	124,971,985	(133,112,230)
<b>Increase (Decrease) in Operating Liabilities</b>		
Due to Banks and Financial Institutions	40,748,506	(1,636,753,591)
Due to Nepal Rastra Bank	-	-
Deposit from Customers	3,767,589,436	5,594,301,171
Borrowings	-	-
Other Liabilities	(96,787,503)	615,519
<b>Net Cash Flow from Operating Activities before Tax Paid</b>	<b>1,149,507,523</b>	<b>1,555,802,857</b>
Income Tax Paid	(323,177,665)	(316,767,402)
<b>Net Cash Flow from Operating Activities</b>	<b>826,329,857</b>	<b>1,239,035,455</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(594,728,635)	(3,775,721,724)
Receipts from Sale of Investment Securities	-	-
Purchase of Property and Equipment	(90,695,899)	(44,268,866)
Receipts from Sale of Property and Equipment	5,681,097	11,249,146
Purchase of Intangible Assets	(4,138,570)	(4,688,000)
Purchase of Investment Properties	(2,040,209)	22,158,378
Receipts from Sale of Investment Properties	-	-
Interest Received	531,832,685	570,099,888
Dividend Received	28,234,803	10,797,790
<b>Net Cash Used in Investing Activities</b>	<b>(125,854,729)</b>	<b>(3,210,373,387)</b>

Contd...

Contd...

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	(164,058,233)	-
Interest Paid	(90,652,566)	(90,606,580)
Other Receipts/Payments	(433,477,496)	(356,760,028)
<b>Net Cash from Financing Activities</b>	<b>(688,188,296)</b>	<b>(447,366,608)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>12,286,832</b>	<b>(2,418,704,540)</b>
Cash and Cash Equivalents at Shrawan 01, 2081	1,774,367,964	4,193,072,505
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
<b>Cash and Cash Equivalents at Ashadh 32, 2082</b>	<b>1,786,654,797</b>	<b>1,774,367,964</b>

**SUDEEP ACHARYA**  
CHAIRMAN

**HEM BAHADUR KC**  
HEAD - FINANCE & TREASURY

**BHIM PRASAD TULACHAN**  
**CHATURAKHAR ADHIKARI**  
**BALARAM BARAL**  
**BISHWESHWAR SUBEDI**  
**SRIJANA DANGAL**  
**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 : **07 SEPTEMBER 2025**  
PLACE : **KATHMANDU**

## STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 32 Ashadh 2082

(As per NRB Regulation)

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>669,751,323</b>	<b>581,831,823</b>
Appropriations:		
a. General reserve	(136,082,985)	(116,366,365)
b. Foreign exchange fluctuation fund	(275,527)	(67,539)
c. Capital redemption reserve	(142,857,143)	(142,857,143)
d. Corporate social responsibility fund	(6,697,513)	(5,818,318)
e. Employees' training fund	4,091,428	(590,674)
f. Other		
>Training expense	-	-
>Fair Value Reserve	10,663,602	(11,232,995)
<b>Profit or (loss) before regulatory adjustment</b>	<b>398,593,184</b>	<b>304,898,789</b>
<b>Regulatory adjustment :</b>		
a. Interest receivable (-)/previous accrued interest received (+)	139,238,844	(31,107,340)
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 (+)	45,572,686	13,959,778
e. Deferred tax assets recognized (-)/ reversal (+)	(13,290,691)	28,497,184
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	8,952,786
i. Fair value Loss on investment	-	31,099,538
j. Other (+/-)	-	-
<b>Distributable profit or (loss)</b>	<b>570,114,023</b>	<b>356,300,736</b>
<b>Opening Retained Earnings</b>	<b>411,201,538</b>	<b>52,756,328</b>
Adjustment (+/-) *	-	2,144,474
<b>Distribution:</b>		
Bonus Shares Issued	(229,681,527)	-
Cash dividend Paid	(164,058,233)	-
<b>Total Distributable profit or (loss) as on year end date</b>	<b>587,575,801</b>	<b>411,201,538</b>
<b>Annualised Distributable Profit/Loss per share</b>	<b>16.74</b>	<b>12.53</b>

\* Adjustment is on account of Income Tax Provision and other

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNT

Year ended 32nd Ashadh 2082

## 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, 2074.

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, 2081. 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 (SOFPI) 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 (SOOCI) 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, 2081. 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 2081/82, 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
Reporting Period	16 July 2024	1 Shrawan 2081
	16 July 2025	32 Ashadh 2082
Comparatives	17 July 2023	1 Shrawan 2080
	15 July 2024	31 Ashadh 2081

The Board of Directors of the bank has authorized the financial statement vide its resolution dated 07 September 2025 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, in order to address the issues faced by Banks and Financial Institution in the course of effective

implementation of Nepal Financial Reporting Standard-9 (NFRS-9): Financial Instruments, the 354th Meeting of Council of Institute of Chartered Accountants of Nepal (ICAN) dated 2082/05/02; has issued the carve-outs on the recommendation of the Accounting Standards Board as per section 11 (da) of Nepal Chartered Accountants Act, 2053 (First Amendment 2059). The carve-out in force as on date are as follows:

2.9.1 As per Appendix A: Defined terms relating to Amortised Cost, Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

For the purpose of interest income recognition only, loss allowance shall be the allowance as per paragraph 5.5 without considering loan loss provision as per the prescribed regulatory norms of respective industry.

This carve out is not optional and is applicable till FY 2082-83.

2.9.2 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 to the amortised cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial 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 between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1-B5.4.3), transaction costs, and all other premiums or discounts, unless it is impracticable to determine reliably between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1- B5.4.3), transaction costs, and all over 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).

As per Appendix A (Defined Terms) relating to credit-adjusted effective interest rate, Credit adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1- B5.4.3), transaction costs, and all other premiums or discounts, unless it is impracticable to determine reliably for financial assets recognized before end of fiscal year 2082.83 and/ or the amount is immaterial. 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 remaining 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).

The carve-out is optional. If an entity opts to use this carve-out, it should be disclosed in the financial statements, including its monetary impact, to the extent practicable. The carve-out is applicable till FY 2082-83.

2.9.3 As per Para 5.4 Amortised Cost Measurement, Interest revenue shall be calculated by using the effective interest method (see Appendix A and paragraphs B5.4.1- B5.4.7). This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become creditimpaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

For bank or other financial institutions established / licensed by appropriate government bodies, interest revenue can be recognized as per the Guidance Note issued by respective regulators.

This carve out is not optional and is applicable till FY 2082-83

2.9.4 As per Para 5.5 Impairment read together with appendix A (Defined Terms) relating to loss allowance, Loss allowance is the allowance for expected credit losses on financial assets measured in accordance with paragraph 4.1.2, lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 4.1.2A and the provision for expected credit losses on loan commitments and financial guarantee contracts unless the entity is bank or other financial institutions established /licensed by appropriate government bodies. For such entities, loss allowance shall be higher of total amount derived as per the respective regulatory norms for loan loss provision or measured as per paragraph 5.5.

This carve out is not optional and is applicable till FY 2082-83.

2.9.5 As per Para 5.5 Impairment (Recognition of expected credit losses- General approach), If an entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that paragraph 5.5.3 is no longer met, the entity shall measure the loss allowance at an amount equal to 12- month expected credit losses at the current reporting date, unless the entity is bank or other financial institution established / licensed by appropriate government bodies. Such entity shall measure loss allowance in line with the Guidance Note issued by respective regulators.

As per Para 5.5 Impairment (Determining significant increases in credit risk), If reasonable and supportable forwardlooking information is available without undue cost or effort, an entity cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forwardlooking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, an entity may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are

more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply. However, for bank or other financial institution established /licensed by appropriate government bodies, such presumption cannot be rebutted.

This carve out is not optional and is applicable till FY 2082-83.

2.9.6 As per Application Guideline Definition of Default, B5.5.36 Paragraph 5.5.9 requires that when determining whether the credit risk on a financial instrument has increased significantly, an entity shall consider the change in the risk of a default occurring since initial recognition. B5.5.37 When defining default for the purposes of determining the risk of a default occurring, an entity shall apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. However, such rebuttable presumption does not apply for bank or other financial institution established /licensed by appropriate government bodies.

This carve out is not optional and is applicable till FY 2082-83

## 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 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.

## 2.12 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.

## 2.13 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.

## 2.14 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.

## 2.15 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.

## 2.16 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 financial assets as below on the basis

of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets

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

**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 assets measured at fair value through other comprehensive income**

The Bank classifies a financial asset measured at fair value through other comprehensive income if both of the following conditions are met:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

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

**iii. Financial assets at fair value through profit or loss**

The Bank classifies a financial asset measured at fair value through profit or loss unless it is measured at amortized cost or fair value through other comprehensive income.

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.

**b) Financial Liabilities**

The Bank classifies its financial liabilities, other than financial guarantee contracts 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 analysis. 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

The Bank recognizes a loss allowance for expected credit losses on a financial asset. At each reporting date, the bank measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance of that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with the standard.

While determining significant increase in credit risk, the bank uses the change in the risk of a default occurring over the expected life of financial asset instead of the change in the amount of expected credit losses. The Bank compares the risk of default occurring on a financial instrument as at the reporting date with the risk of default occurring on a financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increase in credit risk since initial recognition. If such reasonable and supportable forward looking information is not available without undue cost or effort, the bank uses past due information.

The Bank measures expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about

past events, current conditions and forecast of future economic conditions.

Further, Bank has followed Expected Credit Loss Related Guidelines, 2024 issued by Nepal Rastra Bank, within the requirements of NFRS 9.

#### **NFRS 9- Expected Credit Loss Related Guidelines, 2024**

Expected Credit Losses are a probability weighted estimate of credit losses (i.e present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between cash flows that are due to an entity in accordance with the contract and cash flows that the entity expects to receive.

#### **12 month expected credit losses:**

Twelve month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after reporting date. An amount equal to 12 month ECL is not only losses expected in next 12 months rather, it is the expected cash shortfalls over the life of the lending exposure or group of lending exposures due to loss events that could occur in the next 12 months.

Twelve month expected credit losses are to be recognized for financial instruments with low credit risk or no significant change in credit risk since initial recognition, at the reporting date. A nil allowance is rare as ECL estimates are probability weighted amount

#### **Lifetime Expected Credit Losses**

Lifetime Expected Credit Losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit losses are to be recognized for financial instruments with significant increase in credit risk since initial recognition, whether assessed on individual or collective basis, considering all reasonable and supportable information, including that which is forward looking.

It is the change in risk of default rather than change in amount of expected credit losses that is of concern for assessment of changes in credit risk (before consideration of effects of credit risk mitigants such as collateral or guarantees).

In the case of modified/restructured/renewed exposures, the assessment of increase in credit risk by comparing risk of default occurring at the reporting date based on modified contractual terms with risk of default

occurring upon initial recognition based on original, unmodified contractual terms. BFIs should not move back to 12 month ECL unless there is sufficient evidence.

For purchased or originated credit impaired financial assets, only cumulative changes in lifetime expected credit losses since initial recognition are recognized.

#### Indicators of significant increase in credit risk

The recognition of lifetime or 12 month expected credit losses requires assessment of significant increase in credit risk since initial recognition. Therefore, the following conditions (non-exhaustive list) can be deemed as indicators of significant increase in credit risk.

- i. More than one month past due
- ii. Absolute Lifetime PD is 5% or more
- iii. Relative Lifetime PD is increased by 100% or more
- iv. Risk rating (internal or external) downgraded by 2 notches since initial recognition
- v. Risk rating downgraded to non-investment grade by external credit rating agency (BB+ or below) or by bank's internal credit rating system
- vi. Deterioration of relevant determinants of credit risk (eg future cash flows) for an individual obligor (or pool of obligors)
- vii. Expectation of forbearance or restructuring due to financial difficulties
- viii. Deterioration of prospects for sector or industries within which a borrower operates
- ix. Borrowers affected by macroeconomic conditions based on reasonable and supportable forecasts.
- x. Modification of terms resulting in restructuring/ rescheduling
- xi. Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition
- xii. Management decision to strengthen collateral and/or covenant requirements for credit exposures because of changes in the credit risk of those exposures since initial recognition.

Both qualitative and quantitative factors are encouraged to be considered while assessing whether there has been significant increases in credit risk. Accurate identification of drivers of credit risk and reliable demonstration of linkage between those drivers and level of credit risk is also critical.

Internal risk rating systems of banks and financial institutions should include sufficient number of grades to appropriately distinguish credit risk whilst change in credit risk can occur prior to a movement in a credit grade.

For the purpose of determining significant increases in credit risk and recognizing loss allowance on a collective basis, banks and financial institutions can group financial instruments on the basis of shared risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to, the:

- instrument/product type
- credit risk ratings
- collateral type
- date of initial recognition
- remaining term to maturity
- industry/sector
- geographical location of borrower
- value of collateral relative to financial asset only if it has an impact on probability of default occurring.

Assessment of significant increase in credit risk on a collective basis may be needed, for example: on group or sub group of financial instruments, even if evidence of such significant increases in credit risk at individual instrument level is not yet available.

In order to assess changes in credit risk since initial recognition, at each reporting date, it is recommended to:

- measure risk of default of retail or other exposures that have less borrower-specific information via collective or group assessment (based on shared risk characteristics) and of exposures classified under Stage 3 and large exposures via individual assessment. However, if additional information becomes available that is considered to have impact on repayment capacity of individual borrower falling within a group assessed via collective assessment, additional adjustment should be made in measurement of risk of default factoring in such information. To measure ECL on collective basis, among different shared credit risk characteristics considered, BFIs should at least include credit risk rating to group or segment exposures.
- assess significant increase in credit risk at counterparty level and obligor level, if counterparties under same obligor have business interconnection.

#### Guidance for computation of Expected Credit Loss (based on PD, LGD and EAD)

In view of the fact that most ECL models require the determination of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), BFIs are required to take following factors into account:

$$ECL = PD * LGD * EAD$$

**a. Probability of Default (PD)**

PD is an estimate of the likelihood of a default over a given time horizon. With regards to PD estimation, the following measures are to be considered by BFIs:

- i. Derive PD based on historical default migration rates and/or other data, internal and external credit rating etc.
- ii. Incorporate forward looking PD information as well by adjusting PD to its sensitivity to changes in certain macroeconomic factors.
- iii. Use at least five-year historical data, where available, for calculating PDs and validate any smoothing of data or inputs by the Risk Management Department.
- iv. Can link their internal rating scale to external credit rating for the determination of PD. However, BFIs should avoid using proxies to compute PDs.
- v. Compute PDs by using a sovereign PD which is linked to the external credit rating scale, with respect to exposures denominated in foreign currencies issued by the foreign sovereigns.

Irrespective of results derived by the model of BFIs, prudential floor of 2.5% for credit exposures PD has been prescribed as a regulatory backstop measure. Based on experience of 5 years post implementation period of this guideline, NRB shall review above prudential floor.

**b. Loss Given Default (LGD)**

LGD is the percentage of exposure that is not expected to be recovered in the event of a default.

**Factors to consider for LGD**

- i. The BFIs are advised to initiate development of LGD models based on historical data, historical experience of cash recovery from defaults (including settlements), cost and time of recoveries and all other relevant and supportable information (including forward looking information).
- ii. It is recommended to pursue computation of LGD in the following order:
  - Use historical actual recovery rates in first place.
  - If historical rates are unavailable, use valuation (prudential floors) for ECL calculation as outlined in this guideline taking into account disposal time and costs until expected disposal of collateral or assets. However, value of collateral or assets for loans that have defaulted and BFIs have also not been able to realize within 5 years of default, cannot be used for determining loss or recovery rates.
  - If such net realizable value of collateral or other sources are reliably undeterminable and BFIs are unable to compute LGDs due to lack of data or inputs, they are required to obtain approval of the same from the board of directors. Such BFIs are required to use a minimum LGD

of 45 per cent for such credit exposures.

(Note: BFIs should demonstrate via sound back-testing that the assumptions used are reasonable and grounded in observed experience. In this context, BFIs should regularly back-test their valuation history (last valuation before the asset was classified as a NPL or Stage 3) vs. their sales history (net sales price of collateral).

- iii. BFIs shall use LGD of 0 per cent for same currency denominated cash backed loans with a haircut of over 10 per cent subject to meeting following conditions:
  - BFIs shall have the right to take legal possession of such cash deposit, in the event of default, or insolvency or bankruptcy of borrower.
  - All documentation used in cash collateralized transactions shall be binding on all parties and legally enforceable.
- iv. Exposures backed by Government of Nepal guarantees shall have minimum LGD of 0 percent.
- v. All subordinated claims on corporates, banks and foreign sovereigns will be assigned a minimum of 75% LGD. A subordinated loan is a facility that is expressly subordinated to another facility.
- vi. BFIs should avoid using proxies to compute LGDs.

**c. Exposure at Default (EAD)**

EAD refers to the expected exposure to a borrower in the event of default. The methodology for EAD varies according to the nature of product. BFIs are required to consider the following factors, in relation to EAD.

- i. Since ECL is a forward-looking measure, EAD input will be forward-looking as well as based on the time period when the default is likely to occur.
- ii. Model to be developed for computing credit conversion factor on off balance sheet exposures based on past experience and forward looking information, which is required for EAD.
- iii. EAD to include all outstanding exposure and off-balance sheet exposure after adjustment with contractual cash flows to reflect expected exposure when default occurs.
- iv. For closed end loans, EAD to be capped at maximum contractual period over which entity is exposed to credit risk.
- v. BFIs are not permitted to use the legally enforceable contractual period for revolving credit facilities unless analysis of historical data shows that, in practice, management action consistently limits the period of exposure to the contractual period. BFIs are expected to consider all relevant historical information that is available without undue cost and effort when determining the exposure period of a revolving credit facility.

- vi. For revolving products (such as overdraft, credit cards), period longer than actual contractual period may be required based on past experience and forward looking information.

#### **Guidance on staging for expected credit losses**

Bank and financial institutions are required to segregate their financial instruments in three stages for the purpose of measurement of expected credit loss. 12 months expected credit loss shall be recognized for stage 1 whereas life time expected credit loss shall be recognized for stage 2 and stage 3.

#### **a) Stage 1**

Includes the following:

- Initially recognized financial instruments, unless it is purchased or originated credit-impaired financial assets
- Financial instruments that do not have significant increase in credit risk since initial recognition
- Financial instruments that have low credit risk at the reporting date

#### **For this purpose, instruments with low credit risk includes:**

- All exposures on Nepal Government/Province/Local Level or Nepal Rastra Bank
- Exposures fully guaranteed by Nepal Government/Province/Local Level
- Foreign Sovereign exposures having rating BBB- and above from an external rating agency at the reporting date.
- All exposures on BIS, IMF, EC, ECB and multilateral development banks with risk weight of 0% as defined in Capital Adequacy Framework 2015
- Debenture/bonds having rating of AA or above at reporting date from external credit rating agency.

BFI's are required to determine at each reporting date as whether the financial instruments meet the requirement of low credit risk. If the instrument does not meet the requirement of low credit risk, the BFI's shall determine whether the risk of default on financial instrument has been increased significantly or not after the initial recognition. If the risk has been increased, the instrument shall be classified under stage 2 and accordingly life time ECL shall be recognized.

- Financial assets in which contractual payments are not overdue or is overdue for up to one month.

#### **b) Stage 2**

Includes the following:

- Financial instruments having significant increase in credit risk since initial recognition
- Financial instruments having contractual payments overdue for more than one month but not exceeding three months

- Loans classified under 'Watchlist' as per NRB Directive on prudential provisioning
- Loans without approved credit line or with credit line revoked by the bank
- Loan that has been restructured/rescheduled but not classified as non-performing loan as per existing provisions of NRB directives. However, rescheduling of instalment/EMI based loans resulting reduction in number of instalments due to prepayments or change in number of instalments due to change in interest rates under floating interest rate are not applicable.
- Claims on non-investment grade financial instruments i.e. with credit rating of BB+ or below

#### **c) Stage 3**

Includes the following:

- Financial instruments having contractual payments overdue for more than three months
- BFI's consider that the borrower is unlikely to pay its credit obligations to the bank in full, without realizing security (if held). The indicators of unlikelihood to pay includes:
  - Bank puts credit obligation on non-accrued status
  - Bank consents to distressed restructuring of credit obligation resulting in reduction in financial obligation due to material forgiveness, postponement of principal, interest
  - Bank has filed for debtor's bankruptcy or a similar order in respect of the borrower's credit obligation
  - The bank sells a part of the credit obligation at a material credit-related economic loss.
  - The debtor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation.
  - There is evidence that full repayment based on contractual terms is unlikely without bank's realization of collateral regardless of whether the exposure is current or past due by few days
- Loan is classified as non-performing as per the NRB prudential provisioning directive.
- Credit impaired financial instruments with objective evidence of impairment

A financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred. Evidence that a financial instrument is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial



difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial instrument because of financial difficulties; or
- The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses.

Credit impaired financial instrument shall also include credit impaired defined by BFIs as per their risk management practices.

- The financial assets classified as purchased or originated credit impaired (POCI) assets as per NFRS 9. POCI assets also refer to new loans disbursed during the current reporting period for accounts that were classified under Stage 3 at previous reporting date.

#### **Transfer criteria between stages**

**Transfer from Stage 2 to Stage 1:** Where there is evidence of significant reduction in credit risk, BFIs can upgrade such exposure from Stage 2 to Stage 1.

**Transfer Out of Stage 3:** Though the conditions for an exposure to be classified in Stage 3 no longer exist, BFIs should continue to monitor for a minimum probationary period of three months to upgrade from Stage 3.

**For restructured/rescheduled exposures:** BFIs need to monitor restructured/ rescheduled exposures classified under Stage 3 for a minimum probationary period of 24 months before upgradation.

Upgrading of stages for exposures should be executed by Risk Management department in line with policies approved by the Board of Directors of BFIs.

#### **Forward Looking Information**

BFIs should have board approved policies to specify the sources and methodologies to be used for economic analysis and forecasting. Wider range of forward looking information including macroeconomic factors, for measurement of expected credit loss need to be considered for formulating such policies. Information should not be excluded from that process simply because an event has a low likelihood of occurring or the effect of that event on the credit risk or the amount of expected credit losses is uncertain. BFIs need to employ sound judgment consistent with generally accepted methods for economic analysis and forecasting supported by sufficient and reliable data. Appropriate oversight and an effective internal control system should be in place to ensure periodic sensitivity assessment of ECL to

each forward-looking parameter applied and to ensure that bias is not introduced in the ECL assessment and measurement process.

BFIs may consider a minimum of three economic scenarios for ECL forecasting: normal, best and worst case scenarios. For weightages of the economic scenarios, BFIs may use recognized statistical methodologies.

BFIs should use the forecasts and projections published by authentic sources (such as Central Bureau of Statistics, Nepal Rastra Bank, International Monetary Fund, World Bank, Asian Development Bank etc) where available and also other alternative credible sources when adjusting ECL models to reflect the economic conditions and forecasts and maintain documentary evidence for such data.

#### **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% to 100 % on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

#### **Policies Adopted**

The bank has considered the impairment on loans and advances as the higher of total impairment charge calculated under ECL provision as per NFRS 9 and as per existing regulatory provisions as per NRB directive, in accordance to ECL guidelines 2024 issued by NRB.

#### **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 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:

ASSET CATEGORY	Rate of Depreciation per annum (%)	
	FOR THE YEAR ENDED 16 JULY 2025	FOR THE YEAR ENDED 15 JULY 2024
Freehold Buildings	5%	5%
Motor Vehicles	20%	20%
Computer Equipment	25%	25%
Furniture and Fixtures	25%	25%
Office Equipment	25%	25%
Machinery and Others	15%	15%
Leasehold Properties	10%	10%

Other disclosures regarding the depreciation;

- a) Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.
- b) Assets with a unit value of NPR 5,000 or less are expensed-off during the year of purchase irrespective of its useful life.
- c) 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 16 JULY 2025	FOR THE YEAR ENDED 15 JULY 2024
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

Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. These are financial liabilities of the bank as there is an obligation to deliver cash or financial asset back to the depositors and are measured at amortized cost.

### 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 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.

#### 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 Guidance Note on Interest Income Recognition, 2025.

#### **Guideline on Recognition of Interest Income, 2025 by NRB.**

This guidance note has been prepared for interest income recognition of financial assets measured at amortized cost within the context of NFRS 9 Expected Credit Loss Related Guidelines, 2024 (ECL Guidelines).

Interest Income recognition shall be as below:

**Stage 1 Financial Assets**-Based on coupon interest rate on principal outstanding for all financial assets (Accrual Basis)

**Stage 2 Financial Assets**-Based on coupon interest rate on principal outstanding for all financial assets (Accrual Basis)

**Stage 3 Financial Assets**-Based on cash basis approach (incremental) and coupon interest rate applied on principal outstanding

For stage 3 financial assets, interest income recognized on accrual basis shall be adjusted against the movement in accrued interest receivable during the current quarter and interest suspense at beginning of quarter and only cash based interest income during the current quarter shall be recognized. Similarly, for Stage 1 and 2 financial assets, interest income is recognized on accrual basis (coupon rate or effective rate) and any interest suspense at the beginning of quarter is also recognized as interest income.

### **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

The bank has followed Defined Contribution Plan from 2024/07/11. Provision for gratuity has been deposited in CIT as per Employee Service Bylaws.

Under the newly implemented policy, Bank has provided gratuity at 8.33% of basic salary of each month for all employees. Further, if the employee has completed 10 years of service as on date of approval of employee service bylaws from NRB, Bank shall provide gratuity at 12.5% and 16.67% of basic salary of every month after the completion of 15 years and 20 years of service respectively.

Accordingly, the bank has deposited Rs. 20,433,413/- for gratuity expense in CIT for FY 2081-82.

#### 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 assess 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 15.7895% in the form of bonus share of 10% and cash dividend of 5.7895% (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	529,926,128	561,116,459
Balances with BFIs	1,256,728,670	1,213,251,506
Money at Call and Short Notice	-	-
Other	-	-
<b>Total</b>	<b>1,786,654,797</b>	<b>1,774,367,964</b>

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. Money at call and short notice includes the amount deposited in call account of various bank and financial institution.

## DUE FROM NEPAL RASTRA BANK

4.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Statutory Balances with NRB	2,724,031,338	2,396,952,186
Securities purchased under Resale Agreement	-	-
Other Deposit and Receivable from NRB	-	-
<b>Total</b>	<b>2,724,031,338</b>	<b>2,396,952,186</b>

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

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
<b>Held for Trading</b>		
Interest Rate Swap.	-	-
Currency Swap.	-	-
Forward Exchange Contracts	-	-
Others	-	-
<b>Held for Risk Management</b>		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts.	-	-
Others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## OTHER TRADING ASSETS

4.5

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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	2,563,478,672	3,159,532,658
Other	-	-
Less: Allowances for Impairment	(25,599,553)	(37,852,248)
<b>Total</b>	<b>2,537,879,119</b>	<b>3,121,680,410</b>

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. 3,523,332/- in current year (PY Rs. 5,178,616).

## ALLOWANCES FOR IMPAIRMENT

4.6.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 01	37,852,248	32,597,089
Impairment Loss for the year:		
Charge for the year	(12,252,695)	5,255,159
(Recoveries)/Reversal	-	-
Amount Written Off	-	-
<b>Balance at Asar End</b>	<b>25,599,553</b>	<b>37,852,248</b>

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	52,556,307,377	48,028,033,514
Less: Impairment Allowances		
Collective Impairment	(732,104,398)	(798,315,487)
Individual Impairment	(1,746,705,702)	(1,250,110,323)
<b>Net Amount</b>	<b>50,077,497,277</b>	<b>45,979,607,704</b>
Loans and Advances measured at FVTPL	-	-
<b>Total</b>	<b>50,077,497,277</b>	<b>45,979,607,704</b>

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 ECL guidelines 2024 issued by Nepal Rastra Bank. Impairment allowance is considered higher of total impairment charge calculated under ECL provision as per NFRS 9 and as per existing regulatory provisions as per NRB directive. Impairment in loans and advances to BFIs and loans and advances to customer as per NRB directive no.2 is NPR 2,504,409,653/- which is higher than total impairment as per NFRS 9 NPR 1,808,010,449/-.

## ANALYSIS OF LOANS AND ADVANCES - BY PRODUCT

4.7.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Product		
Term Loans	32,073,591,737	27,643,271,606
Overdraft	2,890,316,032	3,493,578,693
Cash Credit Loan	3,721,413,278	4,504,320,103
Trust Receipt/Import Loans	-	-
Demand and other Working Capital Loans	383,903,926	422,328,690
Personal Residential Loans	5,348,873,368	3,355,447,288
Real Estate Loans	1,987,606,839	1,848,526,728
Margin Lending Loans	1,840,266,115	1,606,226,620
Hire Purchase Loans	1,001,733,358	1,228,236,568
Deprived Sector Loans	1,059,545,284	1,606,967,337
Bills Purchased	-	-
Staffs Loans	445,422,455	440,449,000
Other	1,348,064,116	1,296,548,819
<b>Sub-Total</b>	<b>52,100,736,507</b>	<b>47,445,901,452</b>
Interest Receivable	455,570,870	582,132,062
<b>Grand Total</b>	<b>52,556,307,377</b>	<b>48,028,033,514</b>

## ANALYSIS OF LOANS AND ADVANCES - BY CURRENCY

4.7.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	52,556,307,377	48,028,033,514
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
<b>Grand Total</b>	<b>52,556,307,377</b>	<b>48,028,033,514</b>

## ANALYSIS OF LOANS AND ADVANCES - BY COLLATERAL

4.7.3

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Secured</b>		
Moveable/Immoveable Assets	48,056,106,004	43,545,878,918
Gold and Silver	911,185,884	731,960,365
Guarantee of Domestic BFIs	-	-
Government Guarantee	353,888	353,888
Guarantee of International Rated Bank	-	-
Collateral of Export Document	-	-
Collateral of Fixed Deposit Receipt	436,878,232	542,905,453
Collateral of Government Securities	-	-
Counter Guarantee	-	-
Personal Guarantee	392,018,423	577,287,829
Other Collateral	2,759,764,945	2,629,647,060
<b>Subtotal</b>	<b>52,556,307,377</b>	<b>48,028,033,514</b>

## ALLOWANCE FOR IMPAIRMENT

4.7.4

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Specific Allowance for Impairment</b>		
Balance at Shrawan 01	1,250,110,323	971,114,858
Impairment Loss for the year		
Charge for the year	547,948,996	348,982,709
Recoveries/Reversals during the year	-	-
Write-Offs	51,353,617	69,987,244
Exchange Rate Variance on Foreign Currency - Individual	-	-
Other Movement	-	-
<b>Balance at Asar End</b>	<b>1,746,705,702</b>	<b>1,250,110,323</b>
<b>Collective Allowances for Impairment</b>		
Balance at Shrawan 01	798,315,487	724,364,063
Impairment Loss for the year		
Charge/(Reversal) for the year	(66,211,089)	73,951,423
Exchange Rate Variance on Foreign Currency - Foreign	-	-
Other Movement-From Merger	-	-
<b>Balance at Asar End</b>	<b>732,104,398</b>	<b>798,315,487</b>
<b>Total Allowances for Impairment</b>	<b>2,478,810,100</b>	<b>2,048,425,810</b>

## INVESTMENT SECURITIES

4.8

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment Securities measured at Amortized Cost	11,042,323,204	10,607,565,263
Investment in Equity measured at FVTOCI	1,248,619,317	1,088,648,624
<b>Total</b>	<b>12,290,942,521</b>	<b>11,696,213,887</b>

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	9,541,052,000	8,260,800,000
Government Treasury Bills	151,271,204	1,346,765,263
Nepal Rastra Bank Bonds	-	-
Nepal Rastra Bank Deposit Instruments	1,350,000,000	1,000,000,000
Other Investments	-	-
Less: Specific Allowances for Impairment	-	-
<b>Total</b>	<b>11,042,323,204</b>	<b>10,607,565,263</b>

### INVESTMENT IN EQUITY MEASURED AT FVTOCI

4.8.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Equity Instruments		
Quoted Equity Securities	1,177,795,617	1,017,824,924
Unquoted Equity Securities	70,823,700	70,823,700
<b>Total</b>	<b>1,248,619,317</b>	<b>1,088,648,624</b>

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

4.8.3

Amount in Rs.

PARTICULARS	AS AT 32 ASHADH 2082		AS AT 31 ASHADH 2081	
	COST	FAIR VALUE	COST	FAIR VALUE
Aarambha Chautari Laghubitta Sanstha Ltd Promoter				
125389 Shares of Rs. 100 Each with Bonus	9,000,000	30,105,791	9,000,000	30,105,791
Sanima GIC Insurance Limited (Promoter)				
15663 Share of Rs.100 Each with Bonus	1,457,100	1,566,300	1,457,100	1,457,100
Sanima GIC Insurance Limited (Public)				
4223 Share of Rs.100 Each with Bonus	392,900	2,575,988	542,900	3,132,533
Neco Insurance Company Limited				
46953 shares of Rs. 803.72 Each	37,736,935	33,353,617	35,066,028	29,689,802
NLG Insurance Company Limited				
13301 Shares of Rs. 549.17 Each	7,304,530	10,365,203	20,693,267	19,811,293
National Life Insurance Company Limited				
49553 shares of Rs. 675.29 Each	33,462,448	30,900,073	21,211,702	17,193,537
Life Insurance Corporation Nepal Limited				
14618 Shares of Rs 959.90 Each	14,031,751	12,998,764	48,177,305	40,262,562
Asian Life Insurance Company Limited				
41961 Shares 751.57 Each	31,536,433	20,911,521	24,437,849	20,223,000
Suryajyoti Life Insurance Company Limited				
41408 shares of Rs. 585.69 Each	24,252,373	18,496,540	19,124,493	13,502,299
Nepal Reinsurance Company Limited				
28664 Shares of Rs. 975.33 Each	27,957,309	36,120,191	32,796,238	21,575,400
Siddhartha Premier Insurance Company Limited				
10521 shares of Rs. 827.54 Each	8,706,703	8,841,430	19,050,953	19,795,868
Nepal Life Insurance Company Limited				
4951 shares of Rs 584.97 Each	2,896,210	3,826,974	2,896,210	2,786,119
Prabhu Insurance Limited				
5595 shares of Rs 823.30 Each	4,606,364	5,154,450	4,606,364	4,543,000
Sagarmatha Lumbini Insurance Company Limited				
4500 shares of Rs 724.19 Each	3,258,862	3,267,405	3,258,862	3,271,500
Shivam Cement Limited				
3799 shares of Rs 473.66 Each	1,799,447	2,032,617	1,799,447	1,758,050
Himalayan Reinsurance Limited				
2500 shares of Rs 587.36 Each	1,468,401	2,306,950	1,468,401	1,450,000
Sarbottam Cement Limited				
149744 shares of Rs 374.77 Each	56,119,212	129,649,853	80,200,000	161,300,000
IGI Prudential insurance Limited Promoter				
80000 shares of Rs 185.47 Each	14,837,765	14,837,765	-	-
Hydroelectricity Investment and Development Company Limited				
2 shares of Rs 100 Each	-	585	-	-
Nepal Doorsanchar Company Limited				
17500 shares of Rs 886.76 Each	15,518,311	15,352,225	-	-
Butwal Power Company Limited				
49500 shares of Rs 692.01 Each	34,254,500	47,385,855	-	-
NIBL Sahabhagita Fund				
250000 units	2,500,000	2,855,000	2,500,000	2,635,000
Laxmi Unnati Kosh				
1187694 Units	11,439,669	12,340,141	11,439,669	10,689,246
NIC Asia Dynamic Debt Fund (Open-Ended)				
664820 Units	6,648,200	7,086,981	6,648,200	7,372,854
Sanima Large Cap Fund				
1152050 Units	11,163,867	11,785,472	11,163,867	10,702,545
Kumari Equity Fund				
1253505 Units	12,202,784	12,472,375	12,202,784	12,108,858
Sunrise Blue Chip Fund				
1149000 Units	11,103,171	11,490,000	11,103,171	9,502,230
NIBL Samridhi Fund2				
4040623 Units	39,439,227	35,678,701	39,439,227	33,335,140
Prabhu Select Fund				
1768100 Units	17,143,705	19,961,849	17,143,705	17,309,699

Contd...



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PARTICULARS	AS AT 32 ASHADH 2082		AS AT 31 ASHADH 2081	
	COST	FAIR VALUE	COST	FAIR VALUE
NIC SELECT 30				
1100000 Units	10,779,392	10,219,000	10,779,392	10,560,000
RBB Mutual Fund 1				
1100900 Units	10,762,605	10,964,964	10,762,605	8,983,344
NABIL BALANCED FUND III				
216670 Units	1,631,723	2,164,533	1,631,723	1,690,026
Global IME Balance fund-1				
1000000 Units	10,000,000	10,910,000	10,000,000	9,100,000
Shubha Laxmi Kosh				
1000000 Units	10,000,000	12,380,000	10,000,000	10,570,000
NMB Sulav Investment Fund - II				
170038 Units	1,682,451	1,919,729	49,264,346	49,818,508
Nabil Flexi Cap Fund				
1000000 Units	10,000,000	11,670,000	10,000,000	10,640,000
Sanima Growth Fund				
2686475 Units	26,468,563	27,724,422	26,468,563	27,240,857
NIBL Growth Fund				
5250680 Units	51,900,726	51,771,705	51,900,726	55,867,235
Sunrise Focused Equity Fund				
2190270 Units	21,485,376	21,990,311	21,485,376	18,047,825
Prabhu Smart Fund				
3003175 Units	30,017,635	34,446,417	30,216,635	29,051,751
Siddhartha Investment Growth Scheme 3				
2000000 Units	20,000,000	20,880,000	20,000,000	18,900,000
RBB Mutual Fund 2				
1000900 Units	10,007,847	10,089,072	10,007,847	9,508,550
Himalayan 80-20				
511000 Units	5,099,059	5,927,600	5,099,059	5,104,890
NIC Asia Growth Fund- 2				
271770 Units	2,678,931	2,587,250	2,678,931	2,228,514
NIBL Stable Fund				
500000 Units	5,000,000	4,945,000	5,000,000	5,000,000
Alpha Plus Vision Fund				
150000 Units	150,000,000	150,000,000	150,000,000	150,000,000
National Equity Fund				
100000 Units	100,000,000	100,000,000	100,000,000	100,000,000
Muktinath Mutual Fund - 1				
250000 Units	2,500,000	2,475,000	-	-
Garima Samriddhi Yojana				
1000000 Units	10,000,000	9,950,000	-	-
Reliable Samriddhi Yojana				
2000000 Units	20,000,000	19,860,000	-	-
Prabhu Systematic Investment Scheme				
120000 Units	1,200,000	1,200,000	-	-
Reliable Private Equity Fund				
60000 Units	60,000,000	60,000,000	-	-
NIBL Equity Partners				
50000 Units	50,000,000	50,000,000	-	-
<b>Total</b>	<b>1,063,452,483</b>	<b>1,177,795,617</b>	<b>962,722,943</b>	<b>1,017,824,924</b>
Investment in Unquoted Equity				
Nepal Clearing House Ltd.				
48922 Shares	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				
1000000 shares of Rs 50 Each	50,000,000	50,000,000	50,000,000	50,000,000
<b>Total</b>	<b>69,004,600</b>	<b>70,823,700</b>	<b>69,004,600</b>	<b>70,823,700</b>
<b>Grand Total</b>	<b>1,132,457,083</b>	<b>1,248,619,317</b>	<b>1,031,727,543</b>	<b>1,088,648,624</b>

## CURRENT TAX ASSETS/(LIABILITIES)

4.9

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Current Tax Assets</b>		
Current year Income Tax Assets	310,783,481	260,229,721
Tax Assets of Prior Periods	-	-
<b>Current Tax Liabilities</b>		
Current year Income Tax Liabilities	322,482,695	284,991,580
Tax Liabilities of Prior Periods	-	-
<b>Total</b>	<b>(11,699,214)</b>	<b>(24,761,859)</b>

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	-	-
<b>Total Investment</b>		
Less: Impairment Allowances	-	-
<b>Net Carrying Amount</b>	<b>-</b>	<b>-</b>

## 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				
<b>Total</b>				

## 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				
<b>Total</b>				

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

## 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	-	-
<b>Total Investment</b>	-	-
Less: Impairment Allowances - Associates	-	-
<b>Net Carrying Amount</b>	-	-

## 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				
<b>Total</b>				

## 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				
<b>Total</b>				

## 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
<b>Investment Properties measured at Fair Value</b>		
<b>Balance as on Shrawan 01</b>	-	-
Addition/(Disposal) during the year.	-	-
Net Changes in fair value during the year.	-	-
Adjustment/Transfer - Fair Value	-	-
<b>Closing Balance of NBA</b>	-	-
<b>Investment Properties measured at Cost</b>		
Balance as on Shrawan 01.	352,139,820	374,298,199
Addition/(Disposal) during the year	2,040,209	(22,158,378)
Net Changes in fair value during the year	-	-
Adjustment/Transfer - At Cost	-	-
<b>Closing Balance of NBA</b>	<b>354,180,029</b>	<b>352,139,820</b>
<b>Total</b>	<b>354,180,029</b>	<b>352,139,820</b>

## PROPERTY AND EQUIPMENTS

4.13

Amount in Rs.

PARTICULARS	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURES	MACHINERY	EQUIPMENT & OTHERS	RIGHT OF USE ASSET	TOTAL ASAR END 2082	TOTAL ASAR END 2081
<b>Cost</b>											
<b>Balance as on Shrawan 12080</b>	<b>154,268,802</b>	<b>64,052,184</b>	<b>141,289,864</b>	<b>115,434,730</b>	<b>137,528,690</b>	<b>190,552,259</b>	-	<b>326,596,816</b>	<b>655,007,565</b>	<b>1,784,730,910</b>	<b>1,696,203,341</b>
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)	(17,547,529)	(68,915,099)	(53,716,201)
Adjustments	-	(203,231)	(104,194)	-	-	104,194	203,231	-	-	-	3,800,709
<b>Balance as on Ashadh End 2081</b>	<b>154,268,802</b>	<b>65,553,672</b>	<b>147,611,012</b>	<b>111,386,516</b>	<b>130,096,170</b>	<b>193,171,467</b>	-	<b>320,537,002</b>	<b>648,467,534</b>	<b>1,771,092,175</b>	<b>1,784,730,910</b>
Addition during the Year	28,600,000	15,518,664	13,437,722	4,522,660	1,128,600	5,811,692	-	21,676,562	57,853,120	148,549,020	55,276,364
Acquisition	28,600,000	15,518,664	13,437,722	4,522,660	1,128,600	5,811,692	-	21,676,562	57,853,120	148,549,020	55,276,364
Capitalization	-	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	(29,945)	(8,765,790)	(5,669,501)	(10,021,400)	(4,612,776)	(24,255,264)	(40,067,794)	(40,067,794)	(93,422,470)	(68,915,099)
Adjustments	-	-	(37)	(5,959,178)	(55)	1,199,797	4,759,474	-	(0)	-	-
<b>Balance as on Ashadh End 2082</b>	<b>182,868,802</b>	<b>81,042,391</b>	<b>152,282,906</b>	<b>104,280,496</b>	<b>121,203,315</b>	<b>195,570,180</b>	-	<b>322,717,773</b>	<b>666,252,860</b>	<b>1,826,218,724</b>	<b>1,771,092,175</b>
Depreciation and Impairment											
As on Shrawan 12080	-	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	-	-	-	-	-	-	-	-	-	-	-
<b>As on Ashadh end 2081</b>	<b>-</b>	<b>19,034,489</b>	<b>74,208,689</b>	<b>75,478,249</b>	<b>77,216,098</b>	<b>139,350,047</b>	-	<b>171,235,868</b>	<b>224,728,119</b>	<b>781,251,558</b>	<b>649,740,465</b>
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	2,338,847	13,227,452	8,215,245	10,490,560	14,255,443	-	31,544,582	73,524,844	153,596,972	167,851,960
Disposals	-	(11,996)	(5,525,672)	(5,436,184)	(6,976,618)	(3,904,572)	-	(18,898,070)	-	(40,753,113)	(36,340,867)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>As on Ashadh End 2082</b>	<b>-</b>	<b>21,361,340</b>	<b>81,910,468</b>	<b>78,257,310</b>	<b>80,730,039</b>	<b>149,700,917</b>	-	<b>183,882,360</b>	<b>298,252,963</b>	<b>894,095,417</b>	<b>781,251,558</b>
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	1,651,377
<b>Net Book Value</b>	<b>182,868,802</b>	<b>59,681,051</b>	<b>70,372,438</b>	<b>26,023,186</b>	<b>40,473,275</b>	<b>45,869,263</b>	-	<b>138,835,394</b>	<b>367,999,897</b>	<b>932,123,307</b>	<b>991,491,994</b>
<b>As on Ashadh End 2080</b>	<b>154,268,802</b>	<b>47,398,396</b>	<b>77,783,054</b>	<b>45,916,804</b>	<b>66,872,692</b>	<b>65,970,216</b>	-	<b>171,084,159</b>	<b>506,196,879</b>	<b>1,135,491,003</b>	<b>1,200,766,701</b>
<b>As on Ashadh End 2081</b>	<b>154,268,802</b>	<b>46,519,183</b>	<b>74,512,313</b>	<b>35,908,267</b>	<b>52,880,072</b>	<b>53,821,420</b>	-	<b>149,842,522</b>	<b>423,739,415</b>	<b>991,491,994</b>	<b>1,135,491,003</b>
<b>As on Ashadh End 2082</b>	<b>182,868,802</b>	<b>59,681,051</b>	<b>70,372,438</b>	<b>26,023,186</b>	<b>40,473,275</b>	<b>45,869,263</b>	-	<b>138,835,394</b>	<b>367,999,897</b>	<b>932,123,307</b>	<b>991,491,994</b>



## GOODWILL AND INTANGIBLE ASSETS

4.14

Amount in Rs.

PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASAR END 2082	TOTAL ASAR END 2081
		PURCHASED	DEVELOPED			
<b>Cost</b>						
<b>Balance as on Shrawan 1 2080</b>	-	<b>31,478,176</b>	-	-	<b>31,478,176</b>	<b>28,966,329</b>
Addition during the Year						
Acquisition	-	4,688,000	-	-	4,688,000	6,603,119
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	(3,841,272)
<b>Balance as on Ashadh end 2081</b>	-	<b>36,166,176</b>	-	-	<b>36,166,176</b>	<b>31,478,176</b>
Addition during the Year						
Acquisition	-	4,138,570	-	-	4,138,570	4,688,000
Capitalization	-	-	-	-	-	-
Disposal during the year	-	(3,000)	-	-	(3,000)	-
Adjustment/Revaluation	-	-	-	-	-	-
<b>Balance as on Ashadh end 2082</b>	-	<b>40,301,746</b>	-	-	<b>40,301,746</b>	<b>36,166,176</b>
<b>Amortization and Impairment</b>						
<b>As on Shrawan 1 2080</b>	-	<b>(18,696,828)</b>	-	-	<b>(18,696,828)</b>	<b>(14,181,278)</b>
Impairment for the year						
Depreciation for the year	-	(4,788,716)	-	-	(4,788,716)	(4,515,550)
Amortisation charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2081	-	(23,485,544)	-	-	(23,485,544)	(18,696,828)
Impairment for the year						
Depreciation for the year	-	(4,666,188)	-	-	(4,666,188)	(4,788,716)
Amortization charge for the year	-	-	-	-	-	-
Disposals	-	1,055	-	-	1,055	-
Adjustment	-	-	-	-	-	-
<b>As on Ashadh end 2082</b>	-	<b>(28,150,677)</b>	-	-	<b>(28,150,677)</b>	<b>(23,485,544)</b>
<b>Capital Work in Progress</b>		<b>1,153,500</b>			<b>1,153,500</b>	<b>960,500</b>
<b>Net Book Value</b>	-	<b>13,304,569</b>	-	-	<b>13,304,569</b>	<b>13,641,132</b>
<b>As on Ashadh End 2080</b>	-	<b>14,161,348</b>	-	-	<b>14,161,348</b>	<b>14,785,051</b>
<b>As on Ashadh end 2081</b>	-	<b>13,641,132</b>	-	-	<b>13,641,132</b>	<b>14,161,348</b>
<b>As on Ashadh end 2082</b>	-	<b>13,304,569</b>	-	-	<b>13,304,569</b>	<b>13,641,132</b>

## DEFERRED TAX

4.15

Amount in Rs.

PARTICULARS	CURRENT YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
<b>Deferred tax on temporary differences on following items</b>			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	34,848,670	(34,848,670)
Property and Equipment	-	104,071,346	(104,071,346)
Employees' Defined Benefit Plan	29,878,792	-	29,878,792
Lease Liabilities	140,629,431	-	140,629,431
Provisions	-	-	-
Debentures	867,318	-	867,318
Other Temporary Differences	-	-	-
Deferred tax on temporary differences			32,455,525
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 Ashadh 2082			32,455,525
Recognised in profit or loss			67,304,195
Recognised in other comprehensive income			(34,848,670)
Recognised directly in equity			-
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2081			(54,013,504)
Origination/(Reversal) during the year			(21,557,979)
Deferred Tax expense (income) recognized in profit or loss			784,482
Deferred Tax expense (income) recognized in OCI			(22,342,461)
Deferred Tax expense (income) recognized directly in Equity			-
PARTICULARS	PREVIOUS YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
<b>Deferred tax on temporary differences on following items</b>			
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 Ashadh 2081			54,013,504
Recognised in profit or loss			66,519,714
Recognised in other comprehensive income			(12,506,209)
Recognised directly in equity			-
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			-

## OTHER ASSETS

4.16

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Accounts Receivable	69,191,970	77,173,593
Accrued Income	148,111,882	182,593,972
Prepayments and Deposits	40,929,019	29,567,749
Deferred Employee Expenditure	179,012,181	175,143,617
<b>Other</b>		
Stationery Stock	23,842,189	29,354,204
Insurance Tie Up Home Loans - Interest Receivable	60,911,543	53,703,422
Staff Advances	1,522,707	2,420,074
Deferred Revenue Expenditure	523,382	4,674,545
Paid In Advance	1,782,801	1,957,689
NRB - Interest Subsidy	176,213,560	223,918,965
Clearing Accounts	951,696	7,489,364
Other Assets	2,512,537	20,922,279
<b>Total</b>	<b>705,505,466</b>	<b>808,919,471</b>

## 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	667,439,221	626,690,715
Settlement and Clearing Accounts	-	-
<b>Total</b>	<b>667,439,221</b>	<b>626,690,715</b>

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

## 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	-	-
<b>Held for Risk Management</b>		
Interest Rate Swap - Risk Management	-	-
Currency Swap - Risk Management	-	-
Forward Exchange Contracts - Risk Management	-	-
Others - Risk Management	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## DEPOSITS FROM CUSTOMERS

4.20

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Institutional Customers:</b>		
Term Deposits.	13,180,703,225	13,029,433,245
Call Deposits	3,819,511,490	3,518,058,295
Current Deposits.	1,557,134,020	943,728,456
Others.	-	-
<b>Individual Customers:</b>		
Term Deposits	22,723,139,753	25,824,799,564
Saving Deposits	21,553,812,676	15,750,692,168
Current Deposits	-	-
Call Deposits.	-	-
<b>Total</b>	<b>62,834,301,164</b>	<b>59,066,711,728</b>

## CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	62,834,301,164	59,066,711,728
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
<b>Total</b>	<b>62,834,301,164</b>	<b>59,066,711,728</b>

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

## 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	-	-
<b>Other</b>		
Provision for Expenses	15,769,227	9,207,054
Provision for rebate and refund	-	-
Provision on Assets for Probable Loss	10,410,326	6,699,985
Provision for NBA	-	-
Other Provisions	770,648	587,447
<b>Total</b>	<b>26,950,201</b>	<b>16,494,486</b>

## MOVEMENT IN PROVISION

4.22.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 01	16,494,486	17,936,287
Provisions made during the year	10,455,715	-
Provisions used during the year	-	(1,441,801)
Provisions reversed during the year	-	-
Unwind of Discount	-	-
<b>Balance at Asar end</b>	<b>26,950,201</b>	<b>16,494,486</b>

## OTHER LIABILITIES

**4.23**
*Amount in Rs.*

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	-	-
Liabilities for long service leave	99,595,973	89,481,462
Short term employee benefits	-	-
Creditors and accruals	115,486	76,824
Interest payable on deposits	44,567,497	64,109,243
Unpaid Dividend	2,133,702	121,816
Employee bonus payable	111,955,701	101,474,616
<b>Other</b>		
Lease Liability	468,764,771	513,399,367
Gratuity Payable (Net of Plan Assets)	-	47,144,684
Employee Provident Fund Payable	390,085	32,220
ATM/CARD Payables	19,545,978	19,899,691
TDS Payable	44,572,269	49,079,014
Managers Cheque	521,926	1,145,968
Deposit Account Payable	-	40,014,527
Fee\Commission Payable	1,486,990	6,865,712
CIT Payable	50,000	50,000
Social Security Fund Payable	435,000	5,219,106
Retention Money	42,537,880	68,292,059
Payable for Remittance	-	-
Other Liabilities	97,084,427	21,667,239
Interest payable on debentures	45,369,863	45,123,287
Clearing Accounts	-	-
CIB Payable	487,054	598,340
<b>Total</b>	<b>979,614,600</b>	<b>1,073,795,173</b>

## 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	-	-
Present value of funded obligations	-	-
Total present value of obligations	-	-
Fair value of plan assets	-	-
Present value of net obligations	-	-
<b>Recognized liability for defined benefit obligations</b>	<b>-</b>	<b>-</b>

## PLAN ASSETS

**4.23.2**

Plan assets comprise

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	921,356
<b>Total</b>	<b>-</b>	<b>921,356</b>
Actual return on plan assets	-	-



## 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
Actuarial losses	-	(12,789,694)
Benefits paid by the plan	-	(69,615,777)
Current service costs and interest	-	-
<b>Defined benefit obligations at Asar end</b>	<b>-</b>	<b>-</b>

## 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 Shrawan 1	921,356	4,220,768
Contributions paid into the plan	-	637,388
Benefits paid during the year	(921,356)	(3,936,800)
Actuarial (losses) gains	-	-
Expected return on plan assets	-	-
<b>Fair value of plan assets at Asar end</b>	<b>-</b>	<b>921,356</b>

## AMOUNT RECOGNIZED IN PROFIT OR LOSS

4.23.5

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current service costs	-	-
Interest on obligation	-	-
Expected return on plan assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## AMOUNT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

4.23.6

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	-	(12,789,694)
<b>Total</b>	<b>-</b>	<b>(12,789,694)</b>

## ACTUARIAL ASSUMPTIONS

4.23.7

In %

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Discount rate	0%	0%
Expected return on plan asset	0%	0%
Future salary increase	0%	0%
Withdrawal rate	0%	0%

## 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	997,108,939	996,230,755
<b>Total</b>	<b>997,108,939</b>	<b>996,230,755</b>

## SUBORDINATED LIABILITIES

4.25

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other - Subordinated Liabilities	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## SHARE CAPITAL

4.26

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	3,510,846,195	3,281,164,669
Convertible preference shares (equity component only)	-	-
Irredeemable preference shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
<b>Total</b>	<b>3,510,846,195</b>	<b>3,281,164,669</b>

## ORDINARY SHARES

4.26.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital		
50,000,000 Ordinary share of Rs. 100 each	5,000,000,000	5,000,000,000
Issued capital		
35,108,461.95 Ordinary share of Rs. 100 each	3,510,846,195	3,281,164,669
Subscribed and paid up capital		
35,108,461.95 Ordinary share of Rs. 100 each	3,510,846,195	3,281,164,669
<b>Total</b>	<b>3,510,846,195</b>	<b>3,281,164,669</b>

## ORDINARY SHARE OWNERSHIP

4.26.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	CURRENT YEAR
<b>Domestic ownership</b>		
Nepal Government	-	-
"A" class licensed institutions	-	-
Other licensed institutions	-	-
Other Institutions	10.60%	372,128,045
Public	89.40%	3,138,718,150
Other	-	-
<b>Foreign ownership</b>	-	-
<b>Total</b>	<b>100%</b>	<b>3,510,846,195</b>

## 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. Tulasa Pandey	854,294	2.433%
2. Entegra Sources Pvt.Ltd	700,692	1.996%
3. Sita Acharya	617,236	1.758%
4. Shri Ram Pandey	486,356	1.385%
5. Sitaram Upreti	479,450	1.366%
6. Madan Khanal	376,062	1.071%
7. Nepal Life Insurance Company Ltd	371,940	1.059%
8. Janardan Dev Pant	341,508	0.973%
9. Ram Prasad Pokherel	331,856	0.945%
10. Rib Bahadur Thapa	326,840	0.931%
11. Chakrapani Bastola	289,107	0.823%
12. Bhim Prasad Tulachan	286,649	0.816%
13. Babu Ram Pant	276,150	0.787%
14. Bhim Raj Adhikari	266,513	0.759%
15. Prakash Chhetri	261,482	0.745%
16. Maya Hold Pvt.Ltd.	252,969	0.721%
17. Kamal Raj Uday	252,459	0.719%
18. Dewan Singh Thapa	251,848	0.717%
19. Lila Gauchan	244,853	0.697%
20. Raj Kumar Amatya	230,874	0.658%
21. Bharatraj Koirala	198,506	0.565%
22. Gau Mata Investment Company Pvt.Ltd	195,916	0.558%
23. Deepak Kharel	191,125	0.544%
24. Caliber Investment Company Pvt Ltd	183,199	0.522%
25. Bhaktaram Gyawali	179,344	0.511%

## RESERVES 4.27

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Statutory General Reserve	981,960,877	845,877,892
Exchange Equalization Reserve	1,386,501	1,110,974
Corporate Social Responsibility Reserve	7,818,304	5,829,036
Capital Redemption Reserve	-	-
Regulatory Reserve	477,845,082	649,365,921
Investment Adjustment Reserve	3,000,000	3,000,000
Capital Reserve	-	-
Assets Revaluation Reserve	-	-
Fair Value Reserve	81,313,563	39,844,756
Dividend Equalization Reserve	-	-
Debenture Redemption Reserve	285,714,286	142,857,143
Actuarial Gain	-	-
Special Reserve	-	-
Other Reserve	-	4,091,428
<b>Total</b>	<b>1,839,038,613</b>	<b>1,691,977,150</b>

## 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	246,547,016	275,864,611
Undrawn and undisbursed facilities	1,407,163,870	1,644,169,819
Capital commitment	612,260	211,199
Lease Commitment	655,824,251	732,851,333
Litigation	-	-
<b>Total</b>	<b>2,310,147,397</b>	<b>2,653,096,963</b>

## CONTINGENT LIABILITIES

4.28.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	246,547,016	275,864,611
Underwriting commitment	-	-
Other commitments	-	-
<b>Total</b>	<b>246,547,016</b>	<b>275,864,611</b>

## UNDRAWN AND UNDISBURSED FACILITIES

4.28.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	1,407,163,870	1,644,169,819
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
<b>Total</b>	<b>1,407,163,870</b>	<b>1,644,169,819</b>

## 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
Approved but not contracted for	612,260	19,210
<b>Sub total</b>	<b>612,260</b>	<b>211,199</b>
Capital commitments in relation to Intangible assets		
Approved and contracted for	-	-
Approved but not contracted for	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>612,260</b>	<b>211,199</b>

## LEASE COMMITMENTS

4.28.4

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Operating lease commitments</b>	<b>-</b>	<b>-</b>
Future minimum lease payments under non cancellable operating lease, where the bank is lessee	-	-
Not later than 1 year	109,136,630	107,854,676
Later than 1 year but not later than 5 years	364,641,460	422,509,389
Later than 5 years	182,046,161	202,487,268
<b>Sub total</b>	<b>655,824,251</b>	<b>732,851,333</b>
<b>Finance lease commitments</b>		
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	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>655,824,251</b>	<b>732,851,333</b>

## 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/-. LTO has disputed the said assessment and the case is under the Supreme Court.

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/-. Supreme Court has rejected the appeal from the LTO. The bank is in the process of settlement on the disputed issues against LTO as per the Revenue Tribunal order.

## INTEREST INCOME

**4.29**
*Amount in Rs.*

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	12,008,538	29,212,194
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	256,780,260	321,037,946
Loans and advances to customers	5,052,752,315	5,897,207,711
Investment securities	531,832,685	570,099,888
Loan and advances to staff	56,940,684	73,788,660
Other Interest Income	38,350,120	149,107,807
<b>Total interest income</b>	<b>5,948,664,602</b>	<b>7,040,454,206</b>

Notes:

Interest income is recognized for all items on accrual basis as per the fair presentation framework of NFRS. Interest income on loans and advances has been recognized as per Guidnace Note on Interest Income Recognition, 2025 issued by Nepal Rastra Bank.

## INTEREST EXPENSES

**4.30**
*Amount in Rs.*

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	-	269,110
Due to Nepal Rastra Bank	-	-
Deposits from customers	3,492,846,224	4,762,779,929
Borrowing	27,397	35,616
Debt securities issued	90,625,169	90,570,964
Subordinated liabilities	-	-
Other	46,671,646	54,255,675
<b>Total Interest expense</b>	<b>3,630,170,436</b>	<b>4,907,911,294</b>

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	169,442,377	146,700,842
Service Fees	30,645,533	28,545,923
Consortium fees	-	-
Commitment fees	639,285	1,014,933
DD/TT/Swift fees	-	-
Credit Card/ATM issuance and renewal fees	18,085,500	16,720,118
Prepayment and swap fees	6,901,620	6,138,396
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	2,046,606	1,687,673
Remittance fees	3,316,846	4,375,471
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	4,809,356	3,072,753
<b>Other fees and commission income</b>		
Agency Commission	11,856,176	8,389,067
Service Charges - Cards	7,403,650	8,037,292
Mobile banking	66,258,938	61,546,329
Other Fee and Commission - Cards	8,407,766	7,117,985
Other Fees and Commission - Loan	5,912,432	5,127,017
<b>Total Fees and Commission Income</b>	<b>335,726,086</b>	<b>298,473,799</b>

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.

## FEES AND COMMISSION EXPENSE

4.32

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	25,496,010	28,983,983
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees.	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
<b>Total Fees and Commission Expense</b>	<b>25,496,010</b>	<b>28,983,983</b>

## 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	755,484	489,908
Other	-	-
<b>Net trading income</b>	<b>755,484</b>	<b>489,908</b>

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	1,102,109	270,155
Gain/loss on sale of investment securities	35,354,221	54,116,112
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	28,234,803	10,797,790
Gain/loss on sale of property and equipment	(6,922,410)	(3,777,555)
Gain/loss on sale of investment property	1,086,806	18,240,494
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Other Operating Income	12,969,719	44,665,152
<b>Total</b>	<b>71,825,247</b>	<b>124,312,147</b>

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	(12,252,695)	5,255,159
Impairment charge/(reversal) on loan and advances to customers	430,384,290	352,946,888
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	-	-
<b>Total</b>	<b>418,131,595</b>	<b>358,202,048</b>

Loans and advances are assessed individually and collectively under ECL provision as per NFRS 9 which is compared with the loss provision prescribed by NRB directive no. 2. Higher of the loss as per NFRS 9 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	276,139,893	273,921,837
Allowances	237,666,853	220,724,853
Gratuity Expense	20,433,413	14,832,996
Provident Fund	27,651,003	24,123,055
Uniform	672,978	6,943,446
Training & development expense	19,807,346	14,852,069
Leave encashment	47,581,855	49,484,212
Medical	-	-
Insurance - Staff	4,447,275	3,292,753
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	10,456,801	12,405,872
<b>Other expenses related to staff</b>		
Staff Tiffin Expenses	21,935,529	22,552,742
Voluntary Retirement Scheme (VRS) Expenses	11,432,945	11,023,379
Other expenses related to staff	8,810,277	7,178,991
<b>Subtotal</b>	<b>687,036,167</b>	<b>661,336,204</b>
Employees Bonus	110,325,443	99,844,358
<b>Grand total</b>	<b>797,361,610</b>	<b>761,180,563</b>

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	1,361,000	1,476,000
Directors' expense	4,016,498	3,680,115
Auditors' remuneration	2,260,000	800,000
Other audit related expense	-	-
Professional and legal expense	1,865,805	1,477,804
Office administration expense	234,862,776	225,064,294
Operating lease expense	-	-
Corporate social responsibility expense	-	-
<b>Other Expenses</b>	<b>42,694,869</b>	<b>34,426,817</b>
Finance Expense- Lease	-	-
Share Issue Expenses	1,014,817	-
Deposit Product Insurance	859,828	931,799
Bank Charges	151,181	139,717
Mobile Banking Expenses	14,274,968	10,719,236
Registration and Renewals	7,007,902	6,857,870
Clearing Expenses	411,034	430,368
Software Licensing and Related Costs	10,325,856	9,333,251
DC Colocation Rent	3,796,800	1,962,774
Debenture & Other Related Expenses	882,339	882,339
Commission Expenses	-	-
Onerous lease provisions	-	-
Tax Related Expenses	-	-
Operating expense of investment properties	-	-
Other Operating Expenses	3,970,144	3,169,463
<b>Total</b>	<b>287,060,947</b>	<b>266,925,030</b>

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	23,859,263	24,203,512
<b>Repair and maintenance</b>		
(a) Building	3,076,153	2,222,622
(b) Vehicle	4,280,730	3,383,401
(c) Computer and accessories	534,176	982,327
(d) Office equipment and furniture	4,194,750	3,848,991
(e) Other	2,597,388	1,785,036
Insurance	6,274,385	7,477,533
Postage, telex, telephone, fax	5,334,110	5,056,145
Printing and stationery	14,196,437	19,039,472
News paper, books and journals	52,664	107,366
Advertisement	9,193,370	10,985,516
Security expense	50,672,469	47,244,610
Deposit and loan guarantee premium	26,031,524	26,392,637
Travel allowance and expense	12,735,605	14,408,564
Annual/special general meeting expenses	1,127,698	1,056,269
<b>Other</b>		
Fuel Expenses	10,072,520	10,276,036
Business Promotion Expenses	6,372,928	7,048,082
Technical/Consultancy Services Fee	2,089,874	1,167,887
Office Expenses	36,314,271	23,691,478
Annual Maintenance	7,336,222	5,410,255
Meeting Expenses	175,206	179,040
Branch Opening Expenses	-	-
Donation	-	-
Internet Expenses	8,341,035	9,097,516
<b>Total</b>	<b>234,862,776</b>	<b>225,064,294</b>

## DEPRECIATION AND AMORTIZATION

**4.38**

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	80,072,128	91,934,526
Depreciation on Right of use Assets	73,524,844	75,917,433
Depreciation on investment property	-	-
Amortization of intangible assets	4,666,188	4,788,716
<b>Total</b>	<b>158,263,160</b>	<b>172,640,675</b>

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	3,794,945	700,000
Other income	-	-
<b>Total</b>	<b>3,794,945</b>	<b>700,000</b>

## NON OPERATING EXPENSES

4.40

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loan written off	51,353,617	69,987,244
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense.	-	-
<b>Total</b>	<b>51,353,617</b>	<b>69,987,244</b>

## INCOME TAX EXPENSES

4.41

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current tax expense		
Current year	323,962,147	317,697,683
Adjustments for prior years	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(784,482)	(930,281)
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
<b>Total income tax expense</b>	<b>323,177,665</b>	<b>316,767,402</b>

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	992,928,988	898,599,225
Tax amount at tax rate of 30%	297,878,696	269,579,768
Add: Tax effect of expenses that are not deductible for tax purpose	26,083,451	48,117,916
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
<b>Total income tax expense</b>	<b>323,962,147</b>	<b>317,697,683</b>
<b>Effective tax rate</b>	<b>32.63%</b>	<b>35.35%</b>

## 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. Integrated Risk Management Department (IRMD) 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, IRMD 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 H-IRMD acts as member secretary. IRMD 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 Head- Finance & Treasury and exposure accounting including booking of income/expense is done from Treasury Back Office which reports to the Head- Central Operation Department. 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 2082      22.79%

### 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	3,510,846,195
Irredeemable Non-cumulative preference shares	-
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	981,960,877
Retained Earnings	587,575,801

Particulars	Amount (Rs.)
Un-audited current year cumulative profit/(loss)	-
Capital Redemption Reserve	-
Capital Adjustment Reserve	-
Debenture Redemption Reserve	285,714,286
Dividend Equalization Reserves	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible Assets	(13,304,569)
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	(360,000,000)
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	-
<b>Total Tier 1 Capital</b>	<b>4,982,746,190</b>

### Tier 2 Capital and Breakdown of its Components:

Particulars	Amount (Rs.)
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	711,394,653
Hybrid Capital Instruments	-
General loan loss provision	561,026,124
Exchange Equalization Reserves	1,386,501
Investments Adjustment Reserves	3,000,000
Accrued Interest Receivable on pass loan included in Regulatory Reserve	60,725,292
Interest Capitalized Reserve included in Regulatory Reserve	5,774,300
Other Reserve	-
<b>Total Tier 2 Capital</b>	<b>1,343,306,870</b>

### Deduction from Capital:

The bank has invested in below mentioned private equity funds, which have been deducted from Core Capital.

Particulars	Amount (Rs.)
Alpha Plus Vision Fund	150,000,000
National Equity Fund	100,000,000
Reliable Private Equity Fund	60,000,000
NIBL Equity Partners	50,000,000
<b>Total Capital Fund</b>	<b>360,000,000</b>

### Total Qualifying Capital:

Particulars	Amount (Rs.)
Core Capital (Tier 1)	4,982,746,190
Supplementary Capital (Tier 2)	1,343,306,870
<b>Total Capital Fund</b>	<b>6,326,053,060</b>

**Core Capital Ratio: 9.91%**

**Capital Adequacy Ratio: 12.58%**

### 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	44,882,089,936
Risk Weighted Exposure for Operational Risk	3,258,580,163
Risk Weighted Exposure for Market Risk	13,172,709
<b>Total Risk Weighted Exposures (Before Bank's adjustment of Pillar II)</b>	<b>48,153,842,808</b>

## Risk Weighted exposures under each categories of Credit Risk:

	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
<b>A. Balance Sheet Exposures</b>						
Cash Balance	529,926,128	-	-	529,926,128	0%	-
Balance With Nepal Rastra Bank	2,724,031,338	-	-	2,724,031,338	0%	-
Investment in Nepalese Government Securities	11,042,323,204	-	-	11,042,323,204	0%	-
All Claims on Nepal Rastra Bank	176,213,560	-	-	176,213,560	0%	-
Claims on domestic banks that meet capital adequacy requirements	3,816,684,010	-	-	3,816,684,010	20%	763,336,802
Claims on Domestic Corporates (Unrated)	4,634,474,522	-	45,000,000	4,589,474,522	100%	4,589,474,522
Regulatory Retail Portfolio (Not Overdue)	32,290,496,525	-	1,217,153,134	31,073,343,391	75%	23,305,007,543
Claims secured by residential properties	5,416,777,844	-	-	5,416,777,844	60%	3,250,066,706
Claims secured by residential properties (Overdue)	53,653,942	23,616,633	-	30,037,309	100%	30,037,309
Past due claims (except for claims secured by residential properties)	2,814,965,400	1,723,089,069	547,888	1,091,328,443	150%	1,636,992,664
High Risk claims	3,555,682,579	-	85,716,982	3,469,965,597	150%	5,204,948,395
Real Estate loans for land acquisition and development	739,966,570	-	-	739,966,570	125%	924,958,213
Lending against shares	1,840,266,115	-	-	1,840,266,115	100%	1,840,266,115
Personal Hirepurchase/Personal Auto Loans	309,030,555	-	-	309,030,555	100%	309,030,555
Investments in equity and other capital instruments of institutions listed in stock exchange	817,795,617	-	-	817,795,617	100%	817,795,617
Investments in equity and other capital instruments of institutions not listed in the stock exchange	70,823,700	-	-	70,823,700	150%	106,235,550
Staff loan secured by residential property	316,774,501	-	-	316,774,501	50%	158,387,251
Interest Receivable/claim on government securities	148,111,882	-	-	148,111,882	0%	-
Other Assets (as per attachment)	1,919,681,144	354,180,029	-	1,565,501,115	100%	1,565,501,115
<b>TOTAL (A)</b>	<b>73,217,679,135</b>	<b>2,100,885,732</b>	<b>1,348,418,004</b>	<b>69,768,375,399</b>		<b>44,502,038,356</b>
<b>B. Off Balance Sheet Exposures</b>						
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	246,547,016	-	-	246,547,016	40%	98,618,806
Irrevocable Credit commitments (short term)	1,407,163,870	-	-	1,407,163,870	20%	281,432,774
<b>TOTAL (B)</b>	<b>1,653,710,886</b>	<b>-</b>	<b>-</b>	<b>1,653,710,886</b>		<b>380,051,580</b>
<b>Total RWE for Credit Risk (A) + (B)</b>	<b>74,871,390,021</b>	<b>2,100,885,732</b>	<b>1,348,418,004</b>	<b>71,422,086,285</b>		<b>44,882,089,936</b>

## Total Risk Weight Exposures Calculation Table:

RISK WEIGHTED EXPOSURES	Amount (Rs.)
Risk Weighted Exposure for Credit Risk	44,882,089,936
Risk Weighted Exposure for Operational Risk	3,258,580,163
Risk Weighted Exposure for Market Risk	13,172,709
Add: 3% of the total RWE added by Supervisory Review	1,444,615,284
Add: 3 % of gross income added by Supervisory Review	696,971,750
<b>Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)</b>	<b>50,295,429,843</b>
<b>Total Core Capital</b>	<b>4,982,746,190</b>
<b>Total Capital</b>	<b>6,326,053,060</b>

## Amount of Non-Performing Assets (Both Gross and Net):

Particulars	Gross Amount (Rs)	Loan Loss Provision (Rs)	Net NPL (Rs)
Restructured	-	-	-
Sub-Standard	105,261,638	25,519,161	79,742,477
Doubtful	118,808,870	57,210,583	61,598,286
Loss	1,669,866,113	1,663,975,958	5,890,155
<b>Total</b>	<b>1,893,936,621</b>	<b>1,746,705,702</b>	<b>147,230,919</b>

### 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
<b>Financial Assets</b>				
Cash & Cash Equivalents	-	1,786,654,797	-	1,786,654,797
Due from Nepal Rastra Bank	-	2,724,031,338	-	2,724,031,338
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Assets	-	-	-	-
Loan and Advances to B/FIs	-	2,537,879,119	-	2,537,879,119
Loans & Advances to Customers	-	50,077,497,277	-	50,077,497,277
Financial Investments - Measured at Fair Value through PL	-	-	-	-
Financial Investments - Measured at Fair Value through OCI	-	-	1,248,619,317	1,248,619,317
Financial Investments - Measured at Amortized cost	-	11,042,323,204	-	11,042,323,204
Other Financial Assets	-	640,210,875	-	640,210,875
<b>Total Financial Assets</b>	<b>-</b>	<b>68,808,596,610</b>	<b>1,248,619,317</b>	<b>70,057,215,927</b>
<b>Financial Liabilities</b>				
Due to Bank and Financial Institutions	-	667,439,221	-	667,439,221
Deposit from Customers	-	62,834,301,164	-	62,834,301,164
Other Liabilities	-	1,006,564,801	-	1,006,564,801
Debt Securities Issued	-	997,108,939	-	997,108,939
<b>Total Financial Liabilities</b>	<b>-</b>	<b>65,505,414,124</b>	<b>-</b>	<b>65,505,414,124</b>

### 5.4 Segment Reporting

Particulars	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpashchim	Total
(a) Revenue from external customers	401,267,396.02	295,744,940.88	2,664,178,431.02	1,465,893,417.76	1,373,143,167.98	26,480,682.91	134,058,327.19	<b>6,360,766,364</b>
(b) Intersegment revenues	-	-	-	-	-	-	-	-
(c) Net Revenue	-	-	-	-	-	-	-	-
(d) Interest Revenue	618,699,955.64	468,450,197.22	2,499,116,011.52	962,228,077.30	1,181,558,867.15	35,876,624.15	182,734,868.62	<b>5,948,664,602</b>
(e) Interest Expense	128,919,230.34	88,528,670.47	1,551,337,496.86	1,003,695,513.35	805,293,457.83	8,927,846.25	43,468,221.39	<b>3,630,170,436</b>
(f) Net interest revenue (d-e)	489,780,725	379,921,527	947,778,515	(41,467,436)	376,265,409	26,948,778	139,266,647	<b>2,318,494,165</b>
(g) Depreciation and Amortization	13,096,281.05	12,397,145.08	76,804,488.35	24,549,437.28	24,927,304.16	818,586.87	5,669,917.12	<b>158,263,160</b>
(h) Segment profit/(loss)	(105,639,813)	77,440,932	209,294,363	281,310,412	146,890,762	10,468,798	49,985,869	<b>669,751,323</b>
(i) Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-
(j) Other material non-cash items:	-	-	-	-	-	-	-	-
(k) Impairment of assets	-	-	-	-	-	-	-	-
(l) Segment assets	7,735,228,595	5,673,755,159	28,012,107,591	12,325,465,558	14,916,103,497	446,562,706	2,345,350,843	<b>71,454,573,948</b>
(m) Segment liabilities	2,266,892,418	1,842,236,353	23,600,065,501	20,217,190,299	16,454,843,095	195,617,378	940,268,294	<b>65,517,113,338</b>



## 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

- 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
- 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
- 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.	Mr. Pawan Kumar Sharma	Member, Board of Directors
7.	Mrs. Srijana Dangal	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

Particulars	Sitting Fees (Rs.)
Board Meeting	897,000
Audit Committee Meeting	221,000
Risk Management Committee Meeting	136,000
Staff Service and Facilities Committee Meeting	35,000
AML/CFT Committee Meeting	72,000
<b>Total</b>	<b>1,361,000</b>

In addition to above meeting allowance, following amount have been paid to director:

Particulars	Amount (Rs.)
Newspaper and Periodical Facility (Rs. 4,000 per month)	308,000
<b>Total</b>	<b>308,000</b>

**d) Transaction with other Key Managerial Personnel**

Amount in Rs.

Particulars	Deputy Chief Executive Officer	Chief Executive Officer
Salary and Allowances	10,768,187	13,174,354
Provident Fund	457,380	579,312
Other Perks	-	1,599,360
<b>Total</b>	<b>11,225,567</b>	<b>15,353,026</b>

**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.

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 275,527/- been transferred to exchange fluctuation fund maintained by the Bank.

Amount in Rs.

Particulars	Current Year	Previous Year
<b>Opening Exchange Equalization Reserve</b>	<b>1,110,974</b>	<b>1,043,435</b>
25% of Revaluation gain	275,527	67,539
<b>Closing Exchange Equalization Reserve</b>	<b>1,386,501</b>	<b>1,110,974</b>

**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 136,082,985 of the net profits to General Reserve in the current year.

Amount in Rs.

Particulars	Current Year	Previous Year
<b>Opening General Reserve</b>	<b>845,877,892</b>	<b>729,511,527</b>
20% of Profit to be transferred	136,082,985	116,366,365
<b>Closing General Reserve</b>	<b>981,960,877</b>	<b>845,877,892</b>

**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

**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
<b>Opening Fair Value Reserve</b>	<b>39,844,756</b>	<b>(31,099,538)</b>
Transfer/ Adjustment in Reserve	41,468,807	70,944,295
<b>Closing Fair Value Reserve</b>	<b>81,313,563</b>	<b>39,844,756</b>

**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	32nd Ashadh 2082 (Rs.)	31st Ashadh 2081 (Rs.)	31st Ashadh 2080 (Rs.)
Opening Balance of Regulatory reserve	649,365,921	700,767,867	466,897,594
<b>Addition:</b>			
Interest receivable on Loans and advances	(139,238,844)	31,107,340	173,425,770
Change in fair value of equity instrument	-	(31,099,538)	(32,219,456)
Deferred Tax Assets	13,290,691	(28,497,184)	7,321,384
Non-Banking Assets	(45,572,686)	(13,959,778)	80,015,031
Actuarial Gain/Loss	-	(8,952,786)	5,327,544
<b>Closing Balance of Regulatory Reserve</b>	<b>477,845,082</b>	<b>649,365,921</b>	<b>700,767,867</b>

**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
<b>Balance as on Ashad 31st 2076</b>	<b>74,027,705</b>	<b>-</b>	<b>31,673,888</b>	<b>9,519,451</b>	<b>58,567,078</b>	<b>173,788,123</b>
Addition during the FY 2076-77	(1,163,841)	6,054,300	4,888,216	(2,937,602)	(18,631,389)	(11,790,316)
<b>Balance as on Ashad 31st 2077</b>	<b>72,863,864</b>	<b>6,054,300</b>	<b>36,562,104</b>	<b>6,581,849</b>	<b>39,935,689</b>	<b>161,997,807</b>
Addition during the FY 2077-78	(20,059,524)	15,876,000	(8,182,778)	1,951,066	(39,935,689)	(50,350,926)
<b>Balance as on Ashad 31st 2078</b>	<b>52,804,341</b>	<b>21,930,300</b>	<b>28,379,326</b>	<b>8,532,915</b>	<b>-</b>	<b>111,646,881</b>
Addition during the FY 2078-79	116,166,879	133,862,534	46,809,978	(4,907,673)	63,318,994	355,250,713
<b>Balance as on Ashad 32nd 2079</b>	<b>168,971,220</b>	<b>155,792,834</b>	<b>75,189,304</b>	<b>3,625,242</b>	<b>63,318,994</b>	<b>466,897,594</b>
Addition during the FY 2079-80	173,425,770	80,015,031	7,321,385	5,327,544	(32,219,456)	233,870,273
<b>Balance as on Ashad 31st 2080</b>	<b>342,396,990</b>	<b>235,807,865</b>	<b>82,510,689</b>	<b>8,952,786</b>	<b>31,099,538</b>	<b>700,767,867</b>
Addition during the FY 2080-81	31,107,340	(13,959,778)	(28,497,184)	(8,952,786)	(31,099,538)	(51,401,946)
<b>Balance as on Ashad 31st 2081</b>	<b>373,504,330</b>	<b>221,848,087</b>	<b>54,013,505</b>	<b>-</b>	<b>-</b>	<b>649,365,921</b>
Addition during the FY 2081-82	(139,238,844)	(45,572,686)	13,290,691	-	-	(171,520,839)
<b>Balance as on Ashad 32nd 2082</b>	<b>234,265,486</b>	<b>176,275,401</b>	<b>67,304,195</b>	<b>-</b>	<b>-</b>	<b>477,845,082</b>

**Movement of AIR and ICTL**

Particulars	AIR	ICTL	Total
Opening balance	587,310,679	5,553,335	592,864,014
Add: Adjustment during the year	(85,680,242)	6,048,635	(79,631,607)
Less: Interest derecognized as per Interest Income Recognition Guidelines	42,536,235	-	42,536,235
Closing balance	459,094,202	11,601,970	470,696,172
<b>Balance of AIR and ICTL in Regulatory Reserve</b>			<b>234,265,486</b>

**vi. Investment Adjustment Reserve (IAR)**

The Bank has maintained adequate reserve in compliance with NRB Directives 08/2081 for unlisted investments according to which 100% reserve to be created for investments not being listed.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
<b>Opening IAR</b>	<b>3,000,000</b>	<b>3,000,000</b>
Add: Additional Reserve during this year	-	-
Less: Adjustment in Reserve	-	-
<b>Closing IAR</b>	<b>3,000,000</b>	<b>3,000,000</b>

## vii. Corporate Social Responsibility Reserve

Clause 16 of the NRB Directive No.6. 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.)
<b>Opening CSR Reserve</b>	<b>5,829,036</b>	<b>4,011,000</b>
Add: Amount allocated to CSR reserve	6,697,513	5,818,318
Less: Expenses incurred from CSR Fund	(4,708,245)	(4,000,283)
<b>Closing CSR Reserve</b>	<b>7,818,304</b>	<b>5,829,036</b>

Sector wise bifurcation of CSR expenses is as follows;

Sector	Amount Rs.
Education	1,053,643
Health	411,300
Direct Donation and Social Project	34,980
Environment	211,190
Financial Literacy	1,441,543
SDG	1,177,161
Others	378,428
<b>Total</b>	<b>4,708,245</b>

Province wise bifurcation of CSR expenses is as follows;

Sector	Amount (Rs.)
Koshi Province	332,883
Madhesh Province	211,429
Bagmati Province	1,545,052
Gandaki Province	885,352
Lumbini Province	1,122,040
Karnali Province	338,134
Sudurpashchim Province	273,354
<b>Total</b>	<b>4,708,245</b>

## 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
<b>Opening Balance</b>	<b>4,091,428</b>	<b>3,500,754</b>
3% of the previous year salary and allowances	15,515,983	15,442,743
Total amount incurred for employee training and skill development program	19,807,346	14,852,069
Excess/(Deficit) amount incurred for employee training and skill development program	4,291,363	590,674
<b>Staff Skill Development Fund carried forward to next year</b>	<b>-</b>	<b>4,091,428</b>

## 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 2081-82, the bank has transferred Rs. 142,857,143/- to Debenture Redemption Reserve. Hence, the bank has allocated total of Rs. 285,714,286/- to Debenture redemption Reserve till this FY.

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.)
<b>1. Performing Loans and advances</b>	
1.1 Pass Loan	46,639,318,734
1.1.1 Pass Loan (other than Restructured/Related Rescheduled COVID	46,639,318,734
1.1.2 Pass Loan (Restructured/Rescheduled COVID Related)	-
1.2 Watch List	5,682,014,036
<b>2 Non-Performing Loan and Advances</b>	
2.1 Restructured / Rescheduled	-
2.2 Sub-standard	105,261,638
2.3 Doubtful	118,808,870
2.4 Loss	1,669,866,113
<b>3 Total Loan and Advances (1+2)</b>	<b>54,215,269,392</b>

The reconciliation of loans as per above and financials are as follows:

Particulars	Amount (Rs.)
Loan as per financial	55,119,786,049
Staff Loan Included	(624,434,636)
AIR on Loan	(459,094,202)
Staff Loan NFRS Adjustment	179,012,181
<b>Total Loans (NRB)</b>	<b>54,215,269,392</b>

The bank has considered the impairment on loans and advances as the higher of total impairment charge calculated under ECL provision as per NFRS 9 and as per existing regulatory provisions as per NRB directive, in accordance to ECL guidelines 2024 issued by NRB. Details of such impairment is as mentioned below:

Particulars	This Year	Previous Year	P/L Impact
<b>Loan Loss as per NRB</b>	<b>2,504,409,653</b>	<b>2,086,278,059</b>	<b>418,131,595</b>
Good	467,025,575	493,457,677	(26,432,102)
Watch list	290,678,376	342,710,058	(52,031,682)
Substandard	25,519,161	91,963,210	(66,444,049)
Doubtful	57,210,583	115,787,614	(58,577,031)
Bad	1,663,975,958	1,042,359,499	621,616,459
<b>Impairment as per ECL Guidelines</b>	<b>1,808,010,449</b>	<b>1,414,237,714</b>	<b>393,772,735</b>
<b>Impairment to be considered (Higher of above two)</b>	<b>2,504,409,653</b>	<b>2,086,278,059</b>	<b>418,131,595</b>

### Loan Loss Provision as per Unified Directive 2081

Amount in Rs.

Particulars	2081-82		2080-81	
	Loans and Advances	Loan Loss Provision	Loans and Advances	Loan Loss Provision
Pass	46,639,318,734	467,025,575	41,682,811,146	493,457,677
Watch list	5,682,014,036	290,678,376	6,790,379,980	342,710,058
Restructure	-	-	-	-
Substandard	105,261,638	25,519,161	378,394,600	91,963,210
Doubtful	118,808,870	57,210,583	239,951,958	115,787,614
Bad	1,669,866,113	1,663,975,958	1,068,268,810	1,042,359,499
<b>Total</b>	<b>54,215,269,392</b>	<b>2,504,409,653</b>	<b>50,159,806,494</b>	<b>2,086,278,059</b>

## d) Disclosure under Expected Credit Loss (ECL) Model

### Credit Risk Management Practice

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The bank's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

### Impairment of Financial Assets – Adoption of NFRS 9- Financial Instruments

The Bank has adopted NFRS 9: Financial Instruments, which introduces a forward-looking Expected Credit Loss (ECL) model for the recognition of impairment on financial assets. NFRS 9 replaces the previous incurred loss model under NAS 39, and requires recognition of credit losses based on a three-stage model, reflecting changes in credit risk since initial recognition.

NFRS 9 mandates an impairment model that requires the recognition of Expected Credit Losses (ECL) on all financial debt instruments held at Amortised cost, Fair Value through Other Comprehensive Income (FVOCI), undrawn loan commitments and financial guarantees.

Although NFRS 9 was originally announced by the Institute of Chartered Accountants of Nepal (ICAN) to be effective from 16 July 2021 (Shrawan 1, 2078), full implementation—particularly of the ECL framework—was deferred for banks and financial institutions until fiscal year 2080/81, due to various operational and technical challenges including the impact of COVID-19, limited model readiness, and resource constraints.

Accordingly, the provisions of NFRS 9, including the ECL impairment model, have been made fully applicable from fiscal year 2081/82 for licensed banks and financial institutions.

To facilitate a consistent and robust implementation of the ECL framework, the Nepal Rastra Bank (NRB) has issued detailed ECL Implementation Guidelines, developed in alignment with international practices and regulatory frameworks of comparable jurisdictions. These guidelines are intended to support institutions in applying NFRS 9 requirements prudently and uniformly across the banking sector.

### Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and

supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure. The bank has defined the criteria for Significant increase in credit risk in its ECL Policy 2024 which are in consistent with the NFRS 9 – Expected Credit Loss Related Guidelines, 2024 issued by Nepal Rastra Bank. The criteria are as follow:

1. More than one month past due
2. Absolute lifetime PD is 5% or more
3. Relative lifetime PD is increased by 100% or more.
4. Risk rating downgraded by 2 notches since initial recognition.
5. Risk rating downgraded to non-investment grade by external credit rating agency.
6. Deterioration of relevant determinant of credit risk
7. Expectation of forbearance or restructuring due to financial difficulties
8. Deterioration of prospects for sector or industries within which a borrower operates
9. Borrower affected by macroeconomic conditions based on reasonable and supportable forecasts.
10. Modification of terms resulting in restructuring/rescheduling.
11. Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition.

The bank is determined to develop mechanisms for implementation of all SICR criteria in near future, however for this period, the bank has used following criteria for determining whether there has been a significant increase in credit risk:

#### 1. Qualitative Factor

The bank uses the Asset Classification as per the Directive issued by Nepal Rastra Bank for determining the increase in Credit Risk. Eg: Loan which was in Pass Category in previous quarter has been moved to Watchlist Category then such loan is deemed to have significant increase in credit risk as a result the loan is categorized under stage 2 from stage 1.

#### 2. Quantitative Factor

The bank uses the backstop measure for determining the quantitative factor for determining the Increase in credit risk. The bank uses NFRS 9- Expected Credit Loss Related Guidelines, 2024 for determining the SICR criteria which is more than one month past due. Eg: Loans which are one month past due are categorized under stage 2 from stage 1.



### Default Definition

- The bank considers loan to be in default when it is unlikely that the borrower will repay its credit obligations in full without recourse to actions such as realizing security, or when the borrower is past due on any material credit obligation by more than 3 months.
- The bank may consider other qualitative factors, such as management's assessment of the borrower's creditworthiness, which could indicate a significant deterioration in the ability to meet obligations. The bank may use their own definitions of default if they are consistent with this principle and applied in a manner aligned with their credit risk management practices. Default definitions play a critical role in determining expected credit losses (ECL) and the bank has applied it consistently across the ECL measurement process.

### Portfolio Segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the bank considers product types, customer types, industry and customer size. The bank retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

### Staging of Financial Instruments

NFRS 9: Financial Instruments, the bank classifies financial assets into three stages based on the change in credit risk since the initial recognition. This staging framework forms the basis for calculating Expected Credit Losses (ECL) and reflects the level of credit deterioration.

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12 month expected credit losses provisions is recognized.

Instrument will remain in stage 1 until they experience significant credit deterioration (Stage 2) or they become credit impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision is recognized when there has been a significant change in Credit risk compared to what was expected at origination.

The framework used to determine a significant increase in credit risk is set out below:

Particulars	Financial Instrument	ECL
Stage 1	Pass Category	12 months
Stage 2	Performing but has exhibited Significant increase in credit risk	Lifetime
Stage 3	- Non-Performing - Credit Impaired	Lifetime

## Parameters for Estimating Expected Credit Losses

Expected credit losses are a probability weighted estimate of credit losses (i.e. Present Value of all cash shortfalls) over the expected life of the financial instruments. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that an entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

The relevant parameters of ECL measurement include Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The bank establishes its PD models, LGD models and EAD models on the basis of the historical information available with the bank along with the incorporation of forward-looking information.

S.N.	Component	Definition
1.	Probability of Default (PD)	<p>The Probability of Default (PD) represents the likelihood that the counterparty will not be able to meet its contractual obligation.</p> <p>For Stage 1 assets, PD is calculated over the next 12 months; for Stage 2, PD reflects the lifetime of the asset. Stage 3 exposures are assumed to have a PD of 100% (Since already in default).</p> <p>PD estimates incorporate forward-looking macroeconomic assumptions (e.g., GDP growth, inflation) and are updated periodically based on statistical models calibrated to historical defaults and adjusted for the current and expected economic environment.</p>
2.	Loss Given Default (LGD)	<p>Loss Given Default (LGD) represents the proportion of exposure not expected to be recovered in the event of default, after considering the present value of expected cash flows from recoveries and collateral realizations, net of costs.</p> <p>The LGD is determined based on the historical recovery rates and takes into accounts the recovery of any collateral (applying haircuts) that is integral to the financial assets.</p>
3.	Exposure At Default (EAD)	<p>The Exposure at Default (EAD) represents the potential exposure to the lender in the event of a default by the borrower. It reflects the total amount the lender is at risk of losing if the borrower defaults, considering both the outstanding balance and any potential increases in exposure due to undrawn commitments or principal repayments.</p> <p>For revolving loans, the EAD is calculated as the outstanding balance of the loan, plus any additional undrawn amounts that may be utilized, adjusted for the Credit Conversion Factor (CCF). The CCF reflects the likelihood that the undrawn portions of the loan will be utilized before the default occurs. This adjustment is important as it accounts for the potential increase in exposure if the borrower draws on the available credit.</p> <p>The bank has utilized the CCF ratio and Utilization ratio provided by Nepal Rastra Bank in its Expected Credit Losses (ECL) Guideline, 2024</p> <p>For term loans, the EAD is based on the outstanding balance of the loan, adjusted for any principal repayments made by the borrower. Since term loans are typically repaid over time according to a fixed amortization schedule, the EAD decreases as principal is repaid, reducing the exposure in the event of default. Therefore, the EAD for term loans reflects the amount remaining after accounting for any principal recoveries, as per the amortization plan.</p>

The parameters are defined as follows:

To determine the expected credit loss, these components are multiplied together. PD for the reference period (up to 12 months or lifetime) \* LGD \* EAD and discounted to the balance sheet dates using the Coupon Rate of the reporting date as the discount rate.

For stage 3 loans, the Probability of Default is already 100% (since already defaulted) so the Expected Credit Loss is calculated as LGD \* EAD.

### Credit Impaired Financial Instrument

A financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred. Evidence that a financial instrument is credit-impaired include observable data about the following events:

- i. Significant financial difficulty of the issuer or the borrower.
- ii. A breach of contract, such as a default or past due event
- iii. The lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider.
- iv. It is becoming probable that the borrower will enter bankruptcy or other financial re-organization.
- v. The disappearance of an active market for that financial instrument because of financial difficulties
- vi. The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses.
- vii. The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the bank.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

### Estimation of Expected Credit loss for Credit Impaired Financial Assets

For credit-impaired exposures, the Probability of Default (PD) is assumed to be 100%, as these loans have already met the default criteria under the Bank's credit risk policy.

The recovery horizon for such exposures is determined based on Plateau Analysis, which assesses historical recovery trends over time. For exposures where the recovery period has lapsed, LGD of 100% is applied to reflect full loss recognition. Recovery period of 1 year has been considered as per the definition of bad loans of NRB Directive, which is subject to change in future as per the Bank's recovery model and international best practices. Though majority of loan

seems to have recovered within the period of 2 years, more conservative approach has been taken by the bank based on current distress on economic scenario. As the economic scenario improves, the recovery period to be considered for LGD shall also change accordingly.

The Exposure at Default (EAD) for credit-impaired exposures is measured as the total outstanding balance of the loan, including accrued interest and fees, as at the reporting date.

Purchased or originated credit impaired financial assets are those financial assets that are credit-impaired on initial recognition.

### Investment

The bank applies the NFRS 9 Expected Credit Loss (ECL) model on investments in debt instruments measured at amortised cost and FVOCI. The Vasicek single-factor credit risk model is used to estimate probability of default (PD), incorporating both systematic and idiosyncratic risk. The model is calibrated using S&P Global historical default and transition data, adjusted for the Bank's portfolio and forward-looking macroeconomic scenarios. Loss Given Default (LGD) is estimated based on recovery experience and external benchmarks, while Exposure at Default (EAD) represents the amortised cost carrying amount including accrued interest.

### Staff Loans

Staff loans are classified at amortised cost in accordance with NFRS 9. In the absence of historical default events, the Bank has adopted the regulatory floor Probability of Default (PD) of 2.5% as prescribed by NFRS 9, ECL Guideline issued by Nepal Rastra Bank, together with an average Loss Given Default (LGD) derived from Bank's recovery experience. The Exposure at Default (EAD) is represented by the outstanding loan balance, including accrued interest. Although staff loans are generally considered low risk due to repayment through salary deductions and end-of-service benefits, an Expected Credit Loss (ECL) is recognized to ensure compliance with NFRS 9 and regulatory requirements. The staff loans are assessed under stage 1 unless objective evidence of impairment exists. This conservative approach ensures prudence in financial reporting and alignment with sound risk management practices.

### Off Balance Sheet items

Off-balance sheet items such as letters of credit, guarantees, and unutilised loan commitments are not recognized as financial assets or liabilities in the statement of financial position. However, these exposures are subject to Expected Credit Loss (ECL) under NFRS 9. For estimating ECL, the Bank applies the Probability of Default (PD) and Loss Given Default (LGD) derived from its business portfolio, and utilises the credit conversion factors (CCF) / utilization ratios as prescribed in the NFRS 9 ECL Guideline issued by Nepal Rastra Bank (NRB). This approach ensures that ECL reflects

both the likelihood of default and the expected drawdown of off-balance sheet exposures. All off-balance sheet exposures are recognised under Stage 1 (12-month ECL) unless there is objective evidence of impairment. This approach ensures that ECL reflects both the likelihood of default and the expected drawdown, maintaining prudence and compliance with NFRS 9 and NRB requirements.

#### Transfer between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on bank's assessments. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the ECL Policy.

#### Transfer from Stage 2 to Stage 1:

If all due contractual payments associated with such credit facility as at the date of upgrading are fully settled.

#### Transfer Out of Stage 3:

Though the conditions for an exposure to be classified in Stage 3 no longer exist, the Bank continues to monitor for a minimum probationary period of 3 months to upgrade from Stage 3.

#### For Restructured/Rescheduled Exposures:

Restructured and rescheduled facilities are gradually upgraded upon satisfactory repayment for a stipulated period according to the policy while exercising prudence principles. The Bank monitor restructured/rescheduled exposures classified under Stage 3 for a minimum probationary period of 24 months before upgradation.

### Key Inputs, Assumptions and Estimation Techniques

#### Recognition of Expected Credit Losses – Approaches

##### a. General Approach

The bank applies the general approach for recognition of Expected Credit Losses loans and advances to customers, loans to banks and financial institutions, investment securities measured at amortised cost or FVOCI, and loan commitments and financial guarantees and staff loans. Under this approach, exposures are classified into Stage 1, Stage 2, or Stage 3 based on changes in credit risk since initial recognition, with a 12-month ECL recognized for Stage 1 and lifetime ECL for Stages 2 and 3. Interest income is calculated on the gross carrying amount for Stages 1 and 2, and on the actual receipt basis for Stage 3.

##### b. Simplified Approach

The Bank's policy is to apply the simplified approach to trade receivables without a significant financing component, lease

receivables, contract assets under NFRS 15, and certain short-term staff or retail loans. Under this approach, lifetime ECL is recognized from initial recognition without staging assessment, typically using a provision matrix or simplified statistical model adjusted for forward-looking information. However, no ECL has been calculated for these items during the reporting period.

#### Methodology and Data Source

The Bank's Expected Credit Loss (ECL) estimates are based on a combination of internal historical data, regulatory guidance and forward-looking macroeconomic information. Historical default rates are derived from the bank's internal portfolio performance records, covering default rates actually observed by the bank in past. Historical loss rates are derived from the banks internal portfolio covering default, recoveries and write offs over the past years. This includes portfolio level default histories, Days Past Due (DPD) migration trends, collateral recovery rates and cure rates.

Where internal history is insufficient to produce statistically reliable estimates- particularly for certain loan products or off-balance sheet exposures – the bank supplements its analysis with:

- Parameters and indicative ratios provided in the Nepal Rastra Bank's ECL Implementation Guidelines (eg, Credit Conversion Factor [CCF], utilization ratios.
- Floor rates prescribed by Nepal Rastra Bank for Probability of Default (PD)

Forward looking adjustments are applied to historical rates to reflect expected changes in the economic environment. These adjustments are informed by macroeconomic forecasts sourced from the International Monetary Fund (IMF). The Bank uses scenario-weighted projections (baseline, upturn, downturn) to modify Probability of Default (PD) estimates, ensuring that the ECL reflects both past performance and anticipated future conditions.

#### Incorporation of Forward-Looking Information

It is a fundamental principal of NFRS 9 that the provisions bank hold against the potential future Credit Risk losses should depend, not just on the health of the economy today, but should also take into account potential changes to the economic environment.

To capture the effect of changes to the economic environment, the Probability of Default (PD) used to calculate ECL incorporate the forward- looking information in the form of forecasts of the values of economic variable.

#### Variable Selection

The bank initially considered a broad range of macroeconomic variables sourced from the International Monetary Fund (IMF).

Through statistical testing – including correlation analysis, regression significant testing and model fit evaluation– only those variables with a consistent and statistically significant relationship with default rates for the Bank's portfolios were retained in the final model.

Different portfolios may use different subsets of these variables, depending on their relevance to the credit behavior.

### Macroeconomic Scenario

Para 5.5.17(a) requires the estimate of expected credit losses to reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes. The three possible scenarios are taken into account i.e. Baseline, Upturn and downturn. The base line forecasts are used to create the upturn and downturn scenarios. The bank determines the upturn and downturn of the macroeconomic variable using +/- Standard Deviation of the baseline. The bank uses the following probability weights:

Particulars	Probability Weights
Base Line	40%
Upturn	30%
Downturn	30%

These weights reflect management's assessment of the relative likelihood of each scenario over the forecast horizon.

### Macro Economic Variables used in the model

The table below presents the variables incorporated in the ECL model for the next 12 months. These variables are applied at a portfolio level, with relevance determined by the statistical significance and predictive power for each product segment.

### Baseline

Variables	Q1	Q2	Q3	Q4
General Government Total Expenditure (Diff)	0.1483	0.1749	0.1524	0.0923
DR Lag 1	2.3365	2.3608	1.4518	0.7925
Gross domestic product based on purchasing-power-parity (PPP) share of world total (Scaled)	0.7112	0.7164	0.7201	0.7207
DR Lag 1	0.5907	0.2934	0.0477	-0.1436
General government total expenditure (Scaled)	-1.5511	-1.4111	-1.2892	-1.2150
Lag Gross national savings (Scaled)	0.9985	1.1401	1.1927	1.1824

### Upturn

Variables	Q1	Q2	Q3	Q4
General Government Total Expenditure (Diff)	-0.1583	-0.0386	-0.0017	-0.0531
DR Lag 1	1.4790	0.5198	-0.1280	-0.5326
Gross domestic product based on purchasing-power-parity (PPP) share of world total (Scaled)	0.8273	0.8325	0.8362	0.8368
DR Lag 1	-0.4060	-0.7033	-0.9490	-1.1404
General government total expenditure (Scaled)	-0.5511	-0.4111	-0.2892	-0.2150
Lag Gross national savings (Scaled)	1.9985	2.1401	2.1927	2.1824

### Downturn

Variables	Q1	Q2	Q3	Q4
General Government Total Expenditure (Diff)	0.4548	0.4144	0.3690	0.3226
DR Lag 1	3.2427	2.5422	1.9671	1.5498
Gross domestic product based on purchasing-power-parity (PPP) share of world total (Scaled)	0.5952	0.6003	0.6040	0.6046
DR Lag 1	1.5875	1.2902	1.0445	0.8531
General government total expenditure (Scaled)	-2.5511	-2.4111	-2.2892	-2.2150
Lag Gross national savings (Scaled)	-0.0015	0.1401	0.1927	0.1824

### Probability Weighted

Variables	Q1	Q2	Q3	Q4
General Government Total Expenditure (Diff)	0.1483	0.1827	0.1711	0.1179
DR Lag 1	2.3608	1.4993	0.8688	0.4480
Gross domestic product based on purchasing-power-parity (PPP) share of world total (Scaled)	0.3405	0.3611	0.3764	0.3785
DR Lag 1	0.5808	0.2854	0.0413	-0.1488
General government total expenditure (Scaled)	-1.5511	-1.411	-1.2892	-1.2150
Lag Gross national savings (Scaled)	0.9985	1.1401	1.1927	1.1824

The above quarterly macroeconomic forecasts are applied in the bank's ECL models to adjust Probability of Default (PD) estimates for each quarter within the forecast horizon. For lifetime ECL calculations, these quarterly forecasts are extended beyond 12 months using econometric models.

### Net Realizable value and Haircuts

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets etc.,

The Bank determines the Net Realizable value of collateral as the current fair value reduced by estimated realization costs and the applicable haircut, in accordance with the Nepal Rastra Bank's NFRS 9 – Expected Credit Loss Related Guidelines, 2024.

The realization cost and haircuts used are as follows:

S.N.	Collateral Details	Realization Cost	Haircut
1.	Land or Land & Building	5%	25%
2.	Inventories and Fixed Assets (Excluding land/building)	5%	25% (or 50% if no fair value)
3.	Debtors/Receivables (Non due and due for 3 months, debtors due more than 3 months excluded)	5%	25%
4.	Gold & Silver	10%	N/A
5.	Non-Governmental Securities	5%	10%
6.	Other Collateral	N/A	25%

### Quantitative Information

#### Impairment Charges

The following table shows the total Impairment Allowance of the Bank for the year ending.

Particulars	Previous Year 2080/81	Current Year 2081/82
Loans and Advances (A)	1,413,005,939	1,806,577,642
Loans to Staffs (B)	918,826	1,290,966
Off- Balance sheet Items (C)	312,949	141,840
<b>Total Impairment (A+B+C)</b>	<b>1,414,237,714</b>	<b>1,808,010,449</b>



### Impairment Charges as per Staging

The following table shows the total impairment allowance of the bank as per the staging.

PARTICULARS	EXPECTED CREDIT LOSS (ECL) FOR THE YEAR ENDING ON 2082			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loans & Advances (A)	114,967,894	224,122,795	1,467,486,953	1,806,557,642
Loans to Staffs (B)	1,290,966	-	-	1,290,966
Off Balance Sheet Items (C)	141,840	-	-	141,840
<b>Total (A+B+C)</b>	<b>116,400,701</b>	<b>224,122,795</b>	<b>1,467,486,953</b>	<b>1,808,010,449</b>

### Recognition of Impairment Charges on Loans and Advances

The Bank, following regulatory backstop as mentioned in Clause 16 of "NFRS 9- Expected Credit Loss Related Guidelines, 2024" has recognized impairment on credit exposures as the Higher of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02.

Following is the details of impairment under both methods:

Particulars	Amount
Total Impairment as per NRB	2,504,409,653
Total Impairment as per ECL	1,808,010,449

The higher of two above, i.e. 2,504,409,653 has been taken in account for impairment loss on loan and advances for the reporting period

### Interest Income Recognition

Interest income on Loans and Advances is recognized as per Guidance Note on Interest Income Recognition, 2025.

Stage 1 Financial Assets- Based on coupon interest rate on principal outstanding for all financial assets (Accrual Basis)

Stage 2 Financial Assets- Based on coupon interest rate on principal outstanding for all financial assets (Accrual Basis)

Stage 3 Financial Assets- Based on cash basis approach (incremental) and coupon interest rate applied on principal outstanding

For stage 3 financial assets, interest income recognized on accrual basis shall be adjusted against the movement in accrued interest receivable during the current quarter and interest suspense at beginning of quarter and only cash based interest income during the current quarter shall be recognized. Similarly, for Stage 1 and 2 financial assets, interest income is recognized on accrual basis (coupon rate or effective rate) and any interest suspense at the beginning of quarter is also recognized as interest income.

### e) 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.

### f) Staff Bonus

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

### g) 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.

### h) Gratuity and Accumulated Leave Provision:

#### Gratuity

The bank has followed Defined Contribution Plan from 2024/07/11. Provision for gratuity has been deposited in CIT as per Employee Service Bylaws.

Under the newly implemented policy, Bank has provided gratuity at 8.33% of basic salary of each month for all employees. Further, if the employee has completed 10 years of service as on date of approval of employee service bylaws from NRB, Bank shall provide gratuity at 12.5% and 16.67% of basic salary of every month after the completion of 15 years and 20 years of service respectively.

Accordingly, the bank has deposited Rs. 20,433,413/- for gratuity expense in CIT for FY 2081-82.

#### Leave

The Bank has recognized an additional provision of NPR 10,114,511/- 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.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Defined Benefit Obligations	99,595,973	89,481,462
Fair Value of Planned Assets	-	-
<b>Net Liability</b>	<b>99,595,973</b>	<b>89,481,462</b>

#### i) 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.)
<b>Lease Liabilities</b>		
Current	65,147,728	59,157,173
Non-Current	403,617,043	454,242,194
<b>Total Lease Liability</b>	<b>468,764,771</b>	<b>513,399,367</b>
<b>Reconciliation of Right of Use (ROU) Asset</b>		
ROU Asset as of 1st Shrawan	423,739,415	506,196,879
Addition during the year	57,853,120	11,007,498
Depreciation	73,524,844	75,917,433
ROU Asset derecognized	40,067,794	17,547,529
<b>Closing Balance</b>	<b>367,999,897</b>	<b>423,739,415</b>
<b>Reconciliation of Lease Liabilities</b>		
Lease Liability as of 1st Shrawan	513,399,367	573,108,955
Addition during the year	57,853,120	11,007,498
Interest	46,671,646	54,255,675
Lease Payments	104,996,903	107,112,235
Lease Liability derecognized	44,162,459	17,860,525
<b>Closing Balance</b>	<b>468,764,771</b>	<b>513,399,367</b>

**j) 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)
<b>Deferred tax on temporary differences on following items</b>			
Investment Securities	-	34,848,670	(34,848,670)
Property and Equipment	-	104,071,346	(104,071,346)
Employees' Defined Benefit Plan	29,878,792	-	29,878,792
Lease Liabilities	140,629,431	-	140,629,431
Debentures	867,318	-	867,318
Deferred tax on temporary differences			32,455,525
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 Ashadh 2082			32,455,525
Recognised in profit or loss			67,304,195
Recognised in other comprehensive income			(34,848,670)
Recognised directly in equity			-
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2081			(54,013,504)
Origination/(Reversal) during the year			(21,557,979)
Deferred Tax expense (income) recognized in profit or loss			784,482
Deferred Tax expense (income) recognized in OCI			(22,342,461)
Deferred Tax expense (income) recognized directly in Equity			-

**k) 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 32 2082 was NPR 624.44 Million. The difference between the fair value and NAS carrying amount was NPR 179.01 Million has been netted off against staff loans & recognized as deferred employee expenditure.

**l) 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	9.30%
Average Interest Rate of Deposit and Borrowing	5.02%
Average Interest Rate Spread	4.27%

**m) Loans and Advances extended to Promoters**

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

**n) 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.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Opening Balance	352,139,820	374,298,199
Addition during the year.	99,278,791	48,746,000
Disposal during the year	(97,238,582)	(70,904,379)
<b>Closing Balance</b>	<b>354,180,029</b>	<b>352,139,820</b>

#### List of Non-Banking Assets

S.N.	Name of Borrower	Date of assuming NBA	Total amount of NBA (Rs.)
1	Mathagadhi Furniture Udhog	13/04/2021	6,800,000
2	Palhi Bhagwati Traders	13/04/2022	13,646,718
3	Tshiring Enterprises	13/04/2022	9,958,000
4	S and A Construction and Suppliers	13/04/2022	2,000,000
5	Platinum Publication Pvt. Ltd.	09/05/2022	14,075,788
6	Shree Pathivara Trade	15/07/2022	38,957,000
7	Grace Paper Mills Pvt Ltd	06/07/2022	22,906,905
8	Sabin & Brothers Pvt. Ltd.	14/07/2022	39,142,430
9	R.K Supplier and Traders	14/07/2022	20,281,141
10	Nawadurga Traders & Suppliers	09/10/2022	6,930,000
11	Parbat Alina Cosmetic Pasal	09/10/2022	5,780,000
12	Evergreen Drinking Water & Nitin Shrestha	14/01/2023	19,622,000
13	Namuna Mart Department Store Pvt. Ltd.	24/01/2023	23,776,895
14	Simon Business Pvt. Ltd.	20/02/2023	25,778,362
15	Threepage Collection & Rabindra Titung	18/01/2024	9,000,000
16	Jamir Suppliers&Jamir Ahamad	14/05/2024	5,408,000
17	Sonamai Saw Mill & Furniture Udhog & Mangal Mahato Sudi & Anil Kumar Sah	07/07/2024	13,946,375
18	Maa Rajdevi Saw Mill	07/07/2024	13,325,625
19	Kopila Krishi Tatha pashupalan Farm	09/07/2024	7,066,000
20	Salok Suppliers	23/05/2025	22,377,000
21	Siddhartha Pasu Farm & Indira Kumari Bishwokarma	02/07/2025	8,459,163
22	Piyuskha Cold Drinks Center, Puspa Devi Magar & Uttam Situng	02/07/2025	11,874,000
23	Laxmi Trade & Suppliers	02/07/2025	13,068,628
<b>Total</b>			<b>354,180,029</b>

#### o) Contingent Liabilities

Contingent liabilities related details have been presented under Schedule 4.28.

#### p) Earnings per Share

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

Particulars	Units	Current Year (Rs.)	Previous Year (Rs.)
Profit attributable to equity shareholders	NPR	669,751,323	581,831,823
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	35,108,462	32,811,647
Earnings Per Share (EPS)	NPR	19.08	17.73
Diluted Earnings Per Share (DPS)	NPR	19.08	17.73

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.

#### q) Unpaid Dividend

As on balance sheet date, total dividend payable amounts to Rs. 2,133,702/- (Previous year Rs. 121,816). Details have been presented as under:

Particulars	Amount
Dividend Payable FY 080/081	2,133,702
Total	2,133,702

#### r) Non-performing assets

The Banks' non-performing assets ratio stood at 3.49% as at balance sheet date. The total non-performing assets is as below:

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan				
Pass	46,639,318,734	41,682,811,146	4,956,507,588	12%
Watch List	5,682,014,036	6,790,379,980	(1,108,365,944)	-16%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-	-	0%
Substandard	105,261,638	378,394,600	(273,132,962)	-72%
Doubtful	118,808,870	239,951,958	(121,143,088)	-50%
Loss	1,669,866,113	1,068,268,810	601,597,303	56%
<b>Gross Loans &amp; Advances</b>	<b>54,215,269,392</b>	<b>50,159,806,494</b>	<b>4,055,462,898</b>	<b>8%</b>

#### s) Interest Capitalization

The Bank has capitalized interest outstanding of Rs. 11,601,970/- as on Ashadh end 2082. The borrower wise detail of interest capitalized during the year is as follows:

Borrower Name	Interest Capitalization (Rs.)
LC Energy Limited	8,908,885
Upper Myagdi Hydropower Ltd.	2,693,085
<b>Total</b>	<b>11,601,970</b>

#### t) Loan write off

During the fiscal year following loans had been written off:

Borrower Name	Amount written off (Rs.)
Narayan Prasad Lamsal	904,548
Jit Bahadur Khatri	1,173,999
Krom Sing Rana	457,498
Bishnu Pariyar	11,522
Narayan Prasad Aryal	2,835,623
Purni Maya Kuwar	34,964
Laxmi Pariyar	9,523
Rana Maya Pariyar	25,129
Rita Kunwar	18,136
Anita Gurung	19,338
Laxmi Rai	14,016
Usha Pun Magar	11,307
Hemant Giri	1,426,926
Alpana Kandu Singh	39,911
Anupama Kandu Baniya	91,450
Samana Sahi Thapa	51,079
Sarita Tilija	59,931
Mina Kafle	49,891
Gita Garbuja Magar	64,881
Amrita Shrish	84,306
Sarita Thapa	60,221
Chandeshwari Yadav	26,887
Parbati Thapa	73,759
Bimala Gharti Magar	35,572
Lekh Maya Bohora Chhetri	93,369
Nar Maya Gurung	95,711
Maya Nepali Sarki	83,212
Sangita Balal Thapa	78,098
Tulsi Rana	57,036
Rita Kumari Darlami	69,779
Pabisara Suryabansi	27,323
Tapaiko Palpali Sunchadi Pasal	1,006,908
Suk Maya Gurung	63,101
Pampha Kumari Damai	37,230
Sanu Damai	95,442
Narmada Saru	136,222
Dipa K.C	41,566
Punam Joshi	41,812
Bhawana Thapa	60,456
Punam Chhetri	27,436
Bishnu Bahadur Khadka	2,967,874
Krishna Ghalan	98,680
Sangita Thapa	131,420
Menuka Devi Pradhan	131,642
Anu Bishwokarma	14,119
Salok Suppliers	9,267,584
Sanjay Bahadur Singh	767,136
Matapita Traders	2,383,796
Ranjit Kumar Jha	21,436
Mina Kumari Uchai Thakuri	724,818
Piyushka Cold Drinks Centre	530,424
Nibha Akikrit Krishi Farm	3,287
Ram Sah Teli	563,320
Sheetal Khaja Ghar	709,983

Borrower Name	Amount written off (Rs.)
Bhuwan Prasad	508,528
Arun Kumar Sharma	2,823,895
Ayush Shrivastav	225,246
Ram Bahadur Bishwakarma	755,374
Kumkum Cosmetic	57,928
Ayush Trading House	3,143,904
Two Brothers Multipurpose Pvt. Ltd.	1,475,610
Shankar Baba Auto Workshop	431,919
New Shashi Traders	305,582
Om Kirana Pasal	57,757
Santakumari Sunchadi Byabasaya Udhy	5,424
Rajat Matsay Yewam Poultry Farm	782,005
Laxmi Trade & Suppliers	8,640,936
Siddhartha Pashu Farm	1,688,541
Rakesh Kumar Raut	96,739
Udit Narayan Shah	648,433
Saroj Yadav	1,001,723
Barewa Pharmacy	793,434
<b>Total</b>	<b>51,353,617</b>

#### u) Subsidized Loan

The details of subsidized loan is as below:

Particulars	No. of customers	Amount (Rs.)
Subsidized Loan	999	910,316,192

## 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 16 July 2025 till the signing of this financial statement on 07 September 2025.



## PRINCIPAL INDICATORS

S.N.	PARTICULARS	INDICATORS	2077/2078	2078/2079	2079/2080	2080/2081	2081/82
1	Net Profit/Gross Income	%	13.51	9.62	4.78	7.80	10.53
2	Earnings Per Share	Rs	22.56	18.78	11.01	17.73	19.08
3	Market Value per Share	Rs	580.00	349.90	327.00	416.00	500.69
4	Price Earning Ratio	Ratio	25.71	18.63	29.69	23.46	26.25
5	Dividend (including bonus) on share capital	%	19.47	4.64	-	12.00	15.79
6	Cash Dividend on share Capital	%	0.97	0.23	-	5.00	5.79
7	Interest Income/Loans & Advances	%	10.35	13.22	15.86	14.34	11.31
8	Employee Expenses/Total Operating Exps	%	62.21	59.96	62.20	63.39	64.16
9	Interest Exps on Total Deposit and Borrowings	%	5.78	8.31	9.79	8.09	5.63
10	Exchange Fluctuation Gain/Total Income	%	0.000954	0.001540	0.000691	0.006564	0.01884
11	Staff Bonus/ Total Employee Expenses	%	18.06	15.58	8.90	15.10	16.06
12	Net Profit/Loans & Advances	%	1.51	1.34	0.78	1.18	1.27
13	Net Profit/ Total Assets	%	1.17	0.99	0.58	0.87	0.94
14	Total Credit/Deposit	%	88.44	88.33	83.92	84.03	85.38
15	Total Operating Expenses/Total Assets	%	1.95	1.95	1.95	1.79	1.74
16	Adequacy of Capital Fund on Risk Weighted Assets						
a.	Core Capital	%	10.02	8.59	8.62	9.61	9.91
b.	Supplementary Capital	%	3.91	3.54	3.62	2.89	2.67
c.	Total Capital Fund	%	13.93	12.13	12.24	12.50	12.58
17	Liquidity	%	22.10	23.99	24.49	24.69	24.49
18	Non Performing Loans/Total Loans	%	1.61	2.31	3.09	3.36	3.49
19	Weighted Average Interest Rate Spread	%	4.20	4.81	4.59	4.59	4.27
20	Book Net worth	Rs	3,838,240,300	4,364,579,329	4,735,703,257	5,384,343,357	5,937,460,610
21	Return on Equity	%	15.58%	13.52%	7.63%	10.81%	11.28%
22	Total Shares	Number	26,519,637	31,425,770	32,811,647	32,811,647	35,108,462
23	Book Net Worth Per Share	Rs.	145	139	144	164	169
24	Reserve & Surplus	Rs	1,186,276,568	1,222,002,307	1,454,538,589	2,103,178,888	2,426,614,414
25	Total Employees	Number	905	955	1,031	988	966

## COMPARISON OF PROJECTED FINANCIAL STATEMENTS PUBLISHED FOR THE ISSUANCE OF 9% KSBBL DEBENTURE 2087 AND AUDITED FINANCIAL STATEMENTS AS OF FY 2081-82

Statement of Financial Position	As per Projected Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
<b>Assets</b>					
Cash and Cash Equivalent	11,063,097,550	1,786,654,797	(9,276,442,753)	-83.85%	Cash is maintained as per necessity and NRB requirement.
Due from Nepal Rastra Bank	4,575,276,151	2,724,031,338	(1,851,244,813)	-40.46%	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 BFI's	1,410,100,891	2,537,879,119	1,127,778,228	79.98%	DSL loan was disbursed more than projected.
Loans and Advances to Customers	74,336,498,054	50,077,497,277	(24,259,000,777)	-32.63%	Credit growth has been affected due to low credit demand in market.
Investment Securities	9,254,731,249	12,290,942,521	3,036,211,272	32.81%	More focus to increase non interest income.
Current Tax Assets	114,461,612	-	(114,461,612)	-100.00%	Advance tax was planned effectively.
Investment in Subsidiaries	-	-	-	0.00%	
Investment in Associates	-	-	-	0.00%	
Investment Property	-	354,180,029	354,180,029	0.00%	Investment property was created due to takeover of collateral from bad loans which was not expected.
Property and Equipment	831,470,241	932,123,307	100,653,066	12.11%	Right of use Asset is created as per NFRS requirement.
Goodwill and Intangible Assets	13,569,716	13,304,569	(265,147)	-1.95%	Intangible assets are purchased as per actual requirement.
Deferred Tax Assets	-	32,455,525	32,455,525	0.00%	Deferred tax asset is calculated on actual basis.
Other Assets	454,787,672	705,505,466	250,717,794	55.13%	Due to increase in deferred revenue expenditure and NRB subsidy receivable.
<b>Total Assets</b>	<b>102,053,993,136</b>	<b>71,454,573,948</b>	<b>(30,599,419,188)</b>	<b>-29.98%</b>	

Contd...

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Statement of Financial Position	As per Projected Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
<b>Liabilities</b>					
Due to Bank and Financial Institutions	1,709,628,028	667,439,221	(1,042,188,807)	-60.36%	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	91,402,932,304	62,834,301,164	(28,568,631,140)	-31.26%	In order to keep CD ratio in higher level, deposit has been planned accordingly
Borrowings	-	-	-	0.00%	
Current Tax Liabilities	-	11,699,214	11,699,214	0.00%	Advance tax was planned effectively.
Provisions	-	26,950,201	26,950,201	0.00%	Provisions were created as per actual requirement.
Deferred Tax Liabilities	-	-	-	0.00%	
Other Liabilities	1,024,033,585	979,614,600	(44,418,985)	-4.34%	Provisions were created as per actual requirement.
Debt Securities Issued	1,000,000,000	997,108,939	(2,891,061)	-0.29%	The difference is due to amortization of debenture as per NFRS.
Subordinated Liabilities	-	-	-	0.00%	
Total Liabilities	95,136,593,916	65,517,113,338	(29,619,480,578)	-31.13%	
Equity					
Share Capital	3,472,311,620	3,510,846,195	38,534,575	1.11%	Due to issuance of bonus shares which is more than projected.
Share Premium	-	-	-	0.00%	
Retained Earnings	1,502,373,843	587,575,801	(914,798,042)	-60.89%	Impact in earning due to adverse impact in business growth.
Reserves	1,942,713,756	1,839,038,613	(103,675,143)	-5.34%	Reserves are created on the basis of actual profit and as per regulatory requirement.
Total Equity Attributable to Equity Holders	6,917,399,220	5,937,460,610	(979,938,610)	-14.17%	
Non Controlling Interest	-	-	-		
<b>Total Equity</b>	<b>6,917,399,220</b>	<b>5,937,460,610</b>	<b>(979,938,610)</b>	<b>-14.17%</b>	
<b>Total Liabilities and Equity</b>	<b>102,053,993,136</b>	<b>71,454,573,948</b>	<b>(30,599,419,189)</b>	<b>-29.98%</b>	

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Statement of Profit or Loss	As per Projected Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	8,887,068,416	5,948,664,602	(2,938,403,814)	-33.06%	Impact in interest income due to adverse impact in business growth.
Interest expense	6,198,872,620	3,630,170,436	(2,568,702,184)	-41.44%	The difference in interest expense is due to fluctuation of interest rate which is published in monthly basis.
<b>Net interest income</b>	<b>2,688,195,795</b>	<b>2,318,494,165</b>	<b>(369,701,630)</b>	<b>-13.75%</b>	
Fee and commission income	387,014,393	335,726,086	(51,288,307)	-13.25%	Adverse impact in business growth has affected the fee and commission income
Fee and commission expense	3,090,359	25,496,010	22,405,651	725.02%	The increment is due to increment in VISA card related expenses which is more than projected.
<b>Net fee and commission income</b>	<b>383,924,035</b>	<b>310,230,076</b>	<b>(73,693,959)</b>	<b>-19.19%</b>	
<b>Net interest, fee and commission income</b>	<b>3,072,119,830</b>	<b>2,628,724,241</b>	<b>(443,395,589)</b>	<b>-14.43%</b>	
Net trading income	104,170	755,484	651,314	625.24%	Foreign exchange transaction is more than projected.
Other operating income	70,467,888	71,825,247	1,357,359	1.93%	Sale of investment is more than expected.
<b>Total operating income</b>	<b>3,142,691,889</b>	<b>2,701,304,972</b>	<b>(441,386,917)</b>	<b>-14.04%</b>	
Impairment charge/(reversal) for loans and other losses	137,006,739	418,131,595	281,124,856	205.19%	Loan Loss provision is higher than expected
<b>Net operating income</b>	<b>3,005,685,150</b>	<b>2,283,173,377</b>	<b>(722,511,773)</b>	<b>-24.04%</b>	
<b>Operating expense</b>		<b>-</b>		<b>0.00%</b>	
Personnel expenses	894,293,949	797,361,610	(96,932,339)	-10.84%	Personnel expenses is less than expected
Other operating expenses	505,025,798	287,060,947	(217,964,851)	-43.16%	Operating expenses have incurred less than expected.
Depreciation & Amortization	143,928,854	158,263,160	14,334,306	9.96%	Depreciation of ROU asset is considered which was not projected.
<b>Operating profit</b>	<b>1,462,436,549</b>	<b>1,040,487,660</b>	<b>(421,948,889)</b>	<b>-28.85%</b>	
Non operating income	-	3,794,945	3,794,945	0.00%	Recovery of written off loans was not projected during preparation of projected report
Non operating expense	-	51,353,617	51,353,617	0.00%	Loan write off was not projected during preparation of projected report.
<b>Profit before income tax</b>	<b>1,462,436,549</b>	<b>992,928,988</b>	<b>(469,507,561)</b>	<b>-32.10%</b>	
Income tax expense		-	-	0.00%	
Current Tax	438,730,964	323,962,147	(114,768,817)	-26.16%	Tax expense is calculated on actual basis
Deferred Tax	-	(784,482)	(784,482)	0.00%	Deferred tax expense is calculated on actual basis.
<b>Profit /(loss) for the period</b>	<b>1,023,705,585</b>	<b>669,751,323</b>	<b>(353,954,262)</b>	<b>-34.58%</b>	<b>Projected profit could not be achieved due to higher impairment charge and lower net interest income.</b>

# COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2081-82

Statement of Financial Position	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
<b>Assets</b>					
Cash and Cash Equivalent	1,786,621,404	1,786,654,797	33,394	0.00 %	Adjustment of interest on nostro accounts.
Due from Nepal Rastra Bank	2,724,031,338	2,724,031,338	-	0.00 %	
Placement with Bank and Financial Institutions	-	-	-	0.00 %	
Derivative Financial Instruments	-	-	-	-	
Other Trading Assets	-	-	-	-	
Loans and Advances to BFIs	2,589,078,226	2,537,879,119	(51,199,107)	-1.98 %	Final adjustments of AIR as per ECL Guidelines and adjustment of final loan loss provision.
Loans and Advances to Customers	49,967,284,128	50,077,497,277	110,213,149	0.22 %	
Investment Securities	12,290,527,688	12,290,942,521	414,834	0.00 %	Adjustment of fair value of open ended mutual funds
Current Tax Assets	8,131,691	-	(8,131,691)	-100.00 %	Actual tax is more due to increase in profit
Investment in Subsidiaries	-	-	-	-	
Investment in Associates	-	-	-	-	
Investment Property	354,180,029	354,180,029	-	0.00 %	
Property and Equipment	937,737,752	932,123,307	(5,614,445)	-0.60 %	Reclassification and adjustment of ROU Asset.
Goodwill and Intangible Assets	12,155,621	13,304,569	1,148,949	9.45 %	Reclassification and adjustments
Deferred Tax Assets	31,795,494	32,455,525	660,031	2.08 %	Final calculation of deferred tax assets.
Other Assets	701,433,167	705,505,466	4,072,299	0.58 %	Adjustment of staff loan and receivables.
<b>Total Assets</b>	<b>71,402,976,536</b>	<b>71,454,573,948</b>	<b>51,597,412</b>	<b>0.07 %</b>	

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Statement of Financial Position	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
<b>Liabilities</b>					
Due to Bank and Financial Institutions	667,439,221	667,439,221	-	0.00%	
Due to Nepal Rastra Bank	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	-	
Deposits from Customers	62,834,301,164	62,834,301,164	-	0.00%	
Borrowings	-	-	-	-	
Current Tax Liabilities	-	11,699,214	11,699,214	0.00%	Actual tax is more due to increase in profit
Provisions	27,468,525	26,950,201	(518,324)	-1.89%	Minor adjustment
Deferred Tax Liabilities	-	-	-	-	
Other Liabilities	973,942,705	979,614,600	5,671,895	0.58%	Reclassification of accounts and leave adjustment
Debt Securities Issued	997,108,939	997,108,939	-	0.00%	
Subordinated Liabilities	-	-	-	-	
<b>Total Liabilities</b>	<b>65,500,260,553</b>	<b>65,517,113,338</b>	<b>16,852,784</b>	<b>0.03%</b>	
<b>Equity</b>					
Share Capital	3,510,846,195	3,510,846,195	-	0.00%	
Share Premium	-	-	-	-	
Retained Earnings	607,401,843	587,575,801	(19,826,042)	-3.26%	Changes due to change in Profit figure after final audit.
Reserves	1,784,467,945	1,839,038,613	54,570,668	3.06%	Changes due to change in Profit figure after final audit.
<b>Total Equity Attributable to Equity Holders</b>	<b>5,902,715,983</b>	<b>5,937,460,610</b>	<b>34,744,627</b>	<b>0.59%</b>	
Non Controlling Interest	-	-	-	-	
<b>Total Equity</b>	<b>5,902,715,983</b>	<b>5,937,460,610</b>	<b>34,744,627</b>	<b>0.59%</b>	
<b>Total Liabilities and Equity</b>	<b>71,402,976,536</b>	<b>71,454,573,947</b>	<b>51,597,411</b>	<b>0.07%</b>	

Contd....



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Statement of Profit or Loss	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	5,874,639,181	5,948,664,602	74,025,421	1.26%	Adjustments of interest income as per ECL Guideline and NFRS adjustment of Staff Loan.
Interest expense	3,630,170,436	3,630,170,436	-	0.00%	
<b>Net interest income</b>	<b>2,244,468,744</b>	<b>2,318,494,165</b>	<b>74,025,421</b>	<b>3.30%</b>	
Fee and commission income	335,521,209	335,726,086	204,877	0.06%	Effect of income pertaining to the fiscal year accounted after year end
Fee and commission expense	25,496,010	25,496,010	-	0.00%	
<b>Net fee and commission income</b>	<b>310,025,199</b>	<b>310,230,076</b>	<b>204,877</b>	<b>0.07%</b>	
<b>Net interest, fee and commission income</b>	<b>2,554,493,943</b>	<b>2,628,724,241</b>	<b>74,230,298</b>	<b>2.91%</b>	
Net trading income	755,484	755,484	-	0.00%	
Other operating income	77,423,623	71,825,247	(5,598,376)	-7.23%	Adjustment of derecognition of ROU Asset and lease liability.
<b>Total operating income</b>	<b>2,632,673,050</b>	<b>2,701,304,972</b>	<b>68,631,922</b>	<b>2.61%</b>	
Impairment charge/(reversal) for loans and other losses	417,478,974	418,131,595	652,620	0.16%	Adjustment for provision as suggested by external auditors/regulators.
<b>Net operating income</b>	<b>2,215,194,075</b>	<b>2,283,173,377</b>	<b>67,979,301</b>	<b>3.07%</b>	
<b>Operating expense</b>		-			
Personnel expenses	781,796,238	797,361,610	15,565,372	1.99%	NFRS adjustment of staff loan, leave and bonus
Other operating expenses	287,013,817	287,060,947	47,130	0.02%	Expense booked after year end
Depreciation & Amortization	159,397,969	158,263,160	(1,134,809)	-0.71%	Adjustment in Depreciation on ROU Asset as per NFRS.
<b>Operating profit</b>	<b>986,986,051</b>	<b>1,040,487,660</b>	<b>53,501,608</b>	<b>5.42%</b>	
Non operating income	3,794,945	3,794,945	-	0.00%	
Non operating expense	51,353,617	51,353,617	-	0.00%	
<b>Profit before income tax</b>	<b>939,427,380</b>	<b>992,928,988</b>	<b>53,501,608</b>	<b>5.70%</b>	
Income tax expense	-	-	-	0.00%	
Current Tax	304,130,300	323,962,147	19,831,847	6.52%	Change in tax figure after audit.
Deferred Tax	-	(784,482)	(784,482)	0.00%	Change in tax figure after audit.
<b>Profit/(loss) for the period</b>	<b>635,297,080</b>	<b>669,751,323</b>	<b>34,454,243</b>	<b>5.42%</b>	

# Notice Regarding the 19<sup>th</sup> Annual General Meeting

(First published on: September 17, 2025, Aarthik Abhiyan National Daily Newspaper)

## Dear Valued Shareholders,

In accordance with the decision made on 399th meeting of the Board of Directors of Kamana Sewa Bikas Bank Ltd., held on 2082/05/31, September 16, 2025), the 19th 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: 2082/06/24 (Friday, October 10, 2025)

Venue: Lisara Reception, Bhagwati Bahal, Naxal, Kathmandu

Time: 11:00 AM

## Agenda for Discussion:

### A. General Proposals:

1. To discuss and approve the Annual Report of the Board of Directors for the fiscal year 2081/82.
2. To discuss and approve the Annual Financial Statement (Balance Sheet as on Ashadh end 2082, Statement of Profit and Loss for 2081/82, 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 5.7895% Cash Dividend (equivalent to NPR 203,260,440.48) to the current paid-up capital of NPR 3,510,846,195.40 (Three billion, five hundred and ten million, eight hundred forty-six thousand, one hundred ninety-five and forty Paise only), from the distributable profit of FY 2081/82, 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 2082/83 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 elect total of 6 (six) directors, with 3 (three) representing the promoter shareholders and 3 (three) representing the public shareholders.

### B. Special Proposals:

1. To discuss and approve the distribution of 10% Bonus Share (equivalent to NPR 351,084,619.54) from the current Paid-Up Capital of NPR 3,510,846,195.40, as proposed by the Board of Directors, from the distributable profit of FY 2081/82.
2. To approve a proposal for amending the development bank's Memorandum of Association as needed to raise the issued and paid-up capital in accordance with Special Resolution No. 1.
3. To approve the revised directors' meeting allowances and other related benefits as proposed by the Board of Directors, and if approved, to make the necessary amendments to the Bank's Articles of Association.
4. To approve a proposal giving the Board of Directors the authority to make any necessary changes or improvements to the development bank's Memorandum of Association and Article of Association if required by any regulatory body.

### C. Miscellaneous:

#### Brief Information on Annual General Meeting (AGM)

1. For the purpose of this 19th Annual General Meeting, the Shareholder Register of this Development Bank will remain closed for one day on 2082/06/08. This notice hereby informs that only shareholders whose shares have been traded on the Nepal Stock Exchange Limited up to 2082/06/07 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. As the shares traded on the Nepal Stock Exchange are held in the securities dealer's (member broker's) pool account and cannot be directly recorded, the concerned securities dealers are requested to ensure that the shares are credited to the shareholder's account within the specified date.

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 10:30 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. For the purpose of the directors' election, it is requested that the office of the Election Officer be kept at the bank's Central office located in Kathmandu-30, Gyaneshwor.
10. A shareholder who wishes to be a candidate for the position of director must meet the following requirements: they must hold at least 100 shares in their name from the bank's issued shares that are free from any pledge or encumbrance, belong to the group (general or founder) they intend to represent, and must also meet the eligibility criteria under the Banks and Financial Institutions Act, 2073, the Companies Act, 2063, other applicable laws, and the Bank's Director Election Procedures Directive, 2075. However, if an organized institution holds the bank's shares, a candidate representing such a shareholder does not need to personally own the bank's shares. But the candidate must have written authorization from the institution they are representing.
11. All other election-related processes shall be carried out in full compliance with the Bank's sanctioned Director Election Directive – 2082, the Banks and Financial Institutions Act, 2073, the Companies Act, 2063, and all other prevailing laws and regulations.
12. 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.



## 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/०८२/८३  
च.नं. ३९

मिति : २०८२/०५/३१

श्री कामना सेवा विकास बैंक लिमिटेड,  
ज्ञानेश्वर, काठमाण्डौ ।

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

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०८१/८२ को लेखापरीक्षण भएको वित्तीय विवरण तथा अन्य प्रतिवेदनहरूका आधारमा गैर-स्थलगत सुपरिवेक्षण गर्दा देखिएका कैफियतहरूका सम्बन्धमा देहाय बमोजिमका निर्देशनहरू शेयरधनीहरूको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्ने गरी संस्थाको आर्थिक वर्ष २०८१/८२ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा अनुरोध छ । साथै, संस्थाले प्रस्ताव गरे अनुसार आ.व. २०८१/८२ सम्मको सञ्चित मुनाफाबाट २०८२ असार मसान्तमा कायम रहेको चुक्ता पूँजी रु.३,५१,०८,४६,१९५।- को १० प्रतिशतले हुन आउने रकम रु. ३५,१०,८४,६१९.५४ (अक्षरेपी पैतिस करोड दश लाख चौरासी हजार छ सय उन्नाइस रुपैयाँ र पैसा चौवन्न मात्र) बोनस शेयर र रु. ७८९५ प्रतिशतले हुन आउने रु. २०,३२,६०,४४०.४८ ( अक्षरेपी बीस करोड बत्तिस लाख साठी हजार चार सय चालिस रुपैयाँ र पैसा अड्चालिस मात्र) बराबरको नगद लाभांश (लाभांशमा लाग्ने कर प्रयोजनको लागि समेत) गरी कुल रु.५५,७८९५ प्रतिशतले हुने लाभांश (बोनस शेयर तथा नगद) रु.५५,४३,४५,०६०.०२ (अक्षरेपी पचपन्न करोड त्रिचालिस लाख पैतालिस हजार साठी रुपैयाँ र पैसा दुई मात्र) वितरण गर्ने प्रस्ताव 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 रूपमा कर्जा सदुपयोगिताको सुनिश्चितता गरी प्रवाहित कर्जाको नियमित रूपमा अनुगमन गर्ने कार्यलाई प्रभावकारी रूपमा कार्यान्वयन गर्नुहुन ।
२. यस बैंकबाट जारी एकीकृत निर्देशन नं १९/०८१ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाको पूर्णरूपमा पालना गर्नुहुन ।
३. 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,  
  
(अमृत बहादुर बुढाथोकी)  
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. ०५५/२०८२/८३

मिति : ३१/०५/२०८२

श्री नेपाल राष्ट्र बैंक

वित्तीय संस्था सुपरिवेक्षण विभाग

बालुवाटार, काठमाडौं ।

**विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।**

महोदय,

उपरोक्त सम्बन्धमा तहाँको मिति २०८२/०५/३१ को पत्रसंख्या: वि.सं.सु.वि./गैर-स्थलगत/कामना सेवा/०८२/८३ चलानी नं. ३३ 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 २०८२/०५/३१ गते बसेको सञ्चालक समितिको ३९९ 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. १९/०८१ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवकारण सम्बन्धी व्यवस्थाको पूर्ण पालना गर्न बैंक कटिबद्ध रहेको व्यहोरा जानकारीको लागि अनुरोध छ ।
३. कर्जा व्यवस्थापन, ग्राहक पहिचान (KYC), सूचना प्रविधि, सञ्चालन जोखिम लगायतका विषयमा आन्तरिक लेखापरीक्षण, बाह्य लेखापरिक्षक तथा तहाँ बैंकबाट औल्याएका कैफियतहरु 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



**Amendments in the Memorandum of Association of this Development Bank are necessary due to the passage of time and the issuance of Bonus Shares, and the following provisions are presented for amendment**

**Kamana Sewa Bikas Bank Limited**

**Three Tier Details regarding Amendments in Memorandum of Association**

Section	Existing Provisions	Proposed Provisions	Reason for Amendments
5(B)	The Issued Capital of the Development Bank shall be Rs. NPR 3,86,08,46,195.40/- (In words: Three billion eight hundred sixty million eight hundred forty-six thousand one hundred ninety-five and forty paise only) which has been divided into 3,51,08,461.954 ordinary shares at the rate of Rs. 100 per share and 35,00,000 units preference shares at the rate of NPR 100 per share.	The Issued Capital of the Development Bank shall be Rs. 4,211,930,814.94 (In words: Four Billion Two Hundred Eleven Million Nine Hundred Thirty Thousand Eight Hundred Fourteen and Ninety-Four Paise only) which shall be divided into 38,619,308.15 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 2081/082 will result in change in the bank's existing capital structure.
5(C)	The Paid-up Capital of the Development Bank shall be 3,86,08,46,195.40 (In words: Three billion eight hundred sixty million eight hundred forty-six thousand one hundred ninety-five and forty paise only) which has been divided into 3,51,08,461.954 units of ordinary shares at the rate of Rs. 100 per share and 35,00,000 units preference shares at the rate of NPR 100 per share.	The Paid-up Capital of the Development Bank shall be Rs. 4,211,930,814.94 (In words: Four Billion Two Hundred Eleven Million Nine Hundred Thirty Thousand Eight Hundred Fourteen and Ninety-Four Paise only) which shall be divided into 38,619,308.15 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 2081/082 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 Paise only) which has been divided into 32,811,646.686 units of ordinary shares at the rate of Rs. 100 per share.		



**Amendments to the Article of Association of this Development Bank are necessary due to the passage of time and the issuance of Bonus shares, and the following provisions are presented for amendment**

**Three Tier Details regarding Amendments in Article of Association**

Rule	Existing Provisions	Proposed Provisions	Reason for Amendments																								
30(1)	Provision relating to the remuneration, allowances, and facilities of the directors: (b) The meeting allowance for the Chairperson and Directors for attending the Board of Directors’ meetings shall be as follows: Meeting Allowance Chairperson: Rs. 9,000/- Meeting Allowance Director: Rs. 8,000/-	Provision relating to the remuneration, allowances, and facilities of the directors: (b)The meeting allowance for the Chairperson and Directors for attending the Board of Directors’ meetings shall be as specified below: Meeting Allowance Chairperson: Rs. 12,000/- Meeting Allowance Director: Rs. 11,000/-	As it is deemed desirable to make timely amendments in accordance with the provisions of Section 91(1) of the Companies Act, 2063.																								
31(1)(C)	Daily travel allowance for the Chairperson and Directors shall be as follows: (a) Daily allowance within the country: NPR 5,000/- (b) Daily allowance in India: INR 5,000/- (c) Daily allowance in foreign countries other than India: USD 150/- (d) Travel allowance as per the bill.	<p>The daily travel allowance to be provided to the Chairperson and Directors in connection with the official work of the Development Bank shall be as follows:</p> <p><b>a. While traveling within the country:</b></p> <table><thead><tr><th>Details</th><th>Chairperson/Director</th></tr></thead><tbody><tr><td>Daily travel allowance (including meal expenses)</td><td>Rs. 5,000/-</td></tr><tr><td>Hotel and Accommodation Allowance</td><td>NPR 7,500/- or the actual amount incurred, whichever is lower.</td></tr><tr><td>Transportation facility</td><td>As per bill.</td></tr></tbody></table> <p><b>b. While traveling in India:</b></p> <table><thead><tr><th>Details</th><th>Chairperson/Director</th></tr></thead><tbody><tr><td>Daily travel allowance (including meal expenses)</td><td>INR 5,000/-</td></tr><tr><td>Hotel and Accommodation Allowance</td><td>INR 7,500/- or the actual amount incurred, whichever is lower.</td></tr><tr><td>Transportation facility</td><td>As per bill.</td></tr></tbody></table> <p><b>c. In countries other than India:</b></p> <table><thead><tr><th>Details</th><th>Chairperson/Director</th></tr></thead><tbody><tr><td>Daily travel allowance (including meal expenses)</td><td>USD 150/-</td></tr><tr><td>Hotel and Accommodation Allowance</td><td>USD 200/- or the actual amount incurred, whichever is lower.</td></tr><tr><td>Transportation facility</td><td>As per bill.</td></tr></tbody></table>	Details	Chairperson/Director	Daily travel allowance (including meal expenses)	Rs. 5,000/-	Hotel and Accommodation Allowance	NPR 7,500/- or the actual amount incurred, whichever is lower.	Transportation facility	As per bill.	Details	Chairperson/Director	Daily travel allowance (including meal expenses)	INR 5,000/-	Hotel and Accommodation Allowance	INR 7,500/- or the actual amount incurred, whichever is lower.	Transportation facility	As per bill.	Details	Chairperson/Director	Daily travel allowance (including meal expenses)	USD 150/-	Hotel and Accommodation Allowance	USD 200/- or the actual amount incurred, whichever is lower.	Transportation facility	As per bill.	As it is deemed desirable to make timely amendments.
Details	Chairperson/Director																										
Daily travel allowance (including meal expenses)	Rs. 5,000/-																										
Hotel and Accommodation Allowance	NPR 7,500/- or the actual amount incurred, whichever is lower.																										
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Hotel and Accommodation Allowance	USD 200/- or the actual amount incurred, whichever is lower.																										
Transportation facility	As per bill.																										

Rule	Existing Provisions	Proposed Provisions	Reason for Amendments
		<b>Note:</b> If the organizer covers all expenses for training, workshops, seminars, or other trips: - Only 50% of the daily travel allowance (including meal expenses) will be provided. However, if only accommodation is arranged, the full daily travel allowance will be given. - Transportation facility will be provided as per the bill.	
31(1)(D)	The Chairperson and Directors will receive NPR 4,000/- per month for newspapers and communication expenses (telephone/mobile/internet/data).	The Chairperson and Directors will receive a monthly lump sum of NPR 5,000/- for newspapers and communication (telephone/mobile/internet/data) expenses.	As it is considered desirable to make timely amendments.

## Branch Networks

### Koshi Province

Biratchowk Branch Morang 9851366173	Budhabare Branch Jhapa 9851366179	Inaruwa Branch Sunsari 9851366175	Kerabari Branch Morang 9851366184
Biratnagar Branch Morang 9851366177	Damak Branch Jhapa 9851366327	Itahari Branch Sunsari 9851366174	Pathari Branch Morang 9851366176
Birtamod Branch Jhapa 9851366180	Dharan Branch Sunsari 9851366172	Ittabhatta Branch Jhapa 9851366183	Urlabari Branch Morang 9851366178

### Madhesh Province

Bardibas Branch Mahottari 9851366191	Gaighat Branch Udayapur 9851366190	Janakpur Branch Dhanusa 9851366196	Mirchaiya Branch Siraha 9851366189
Birgunj Branch Parsa 9851366194	Golbazar Branch Siraha 9851366186	Lahan Branch Siraha 9851366185	Nijgadh Branch Bara 9851366192
Chandrapur Branch Rautahat 9851366193	Hariwon Branch Sarlahi 9851366195	Mahuli Branch Saptari 9851366188	Rajbiraj Branch Saptari 9851366187

### Kathmandu Region

Balaju Branch Kathmandu 9851366206	Bhotahity Branch Kathmandu 9851366214	Chapali Branch Kathmandu 9851366208	Gongabu Branch Kathmandu 9851366207
Bhagal Branch Kathmandu 9851366208	Bouddha Branch Kathmandu 9851366212	Dhading Branch Dhading 9851366219	Gwarko Branch Lalitpur 9851366197
Bhimsengola Branch Kathmandu 9851366307	Chabahil Branch Kathmandu 9851366209	Galchhi Branch Dhading 9851366218	Hattiban Branch Lalitpur 9851366142

Jagati Branch Bhaktapur 9851366204	Lokanthali Branch Bhaktapur 9851366203	New Baneshwor Branch Kathmandu 9851366211	Shantinagar Branch Kathmandu 9851366220
Kalanki Branch Kathmandu 9851366213	Main Branch Kathmandu 9851366334	New Road KTM Branch Kathmandu 9851366215	Swoyambhu Branch Kathmandu 9851366203
Kuleshwor Branch Kathmandu 9851366200	Manamaiju Branch Kathmandu 9851366210	Radhe Radhe Branch Bhaktapur 9851366328	Thamel Kathmandu 9851366217
Kumaripati Branch Lalitpur 9851366313	Nakhhu Branch Lalitpur 9851366201	Sanagau Branch Lalitpur 9851366254	

### **Narayanghat Region**

Amritchowk Branch Chitwan 9851366250	Dumkibas Branch Nawalparasi 9851366244	Khairhani Parsa Branch Chitwan 9851366257	Sardi Branch Nawalparasi 9851366245
Beldiha Branch Nawalparasi 9851366246	Hakimchowk Branch Chitwan 9851366341	Khurkhure Branch Chitwan 9851366259	Sharadanagar Branch Chitwan 9851366254
Bikaschowk Branch Chitwan 9851366253	Hetauda Branch Makwanpur 9851366258	Narayanghat Branch Chitwan 9851366255	Tandi Chitwan 9851366252
Daldale Branch Nawalparasi 9851366243	Jyotinagar Branch Chitwan 9851366251	Padampur Branch Padampur 9851366256	
Danda Branch Nawalparasi 9851366248	Kawasoti Branch Nawalparasi 9851366242	Pragatinagar Branch Nawalparasi 9851366247	

## **Pokhara Region**

Amarsingh Branch Kaski 9851366262	Chhinedanda Branch Kaski 9851366263	Dumre Branch Tanahun 9851366223	Newroad Pokhara Branch Kaski 9851366229
Baglung Branch Baglung 9851366237	Damauli Branch Tanahun 9851366221	Galkot Branch Baglung 9851366241	Parsyang Branch Kaski 9851366348
Baisjagar Branch Tanahun 9851366224	Deep Branch Kaski 9851366232	Jhalunge Branch Syangja 9851366236	Srijanachowk Branch Kaski 9851366233
Beni Branch Myagdi 9851366240	Dhungepatan Branch Kaski 9851366261	Khairenitar Branch Tanahun 9851366225	Sundarbazar Branch Lamjung 9851366228
Besisahar Branch Lamjung 9851366222	Duipiple Branch Lamjung 9851366227	Kusma Branch Parbat 9851366239	Waling Branch Syangja 9851366231
Birauta Branch Kaski 9851366234	Dulegauda Branch Tanahun 9851366226	Lekhnath Kaski 9851366260	

## **Butwal Region**

Bardaghat Branch Nawalparasi 9851366299	Gargare Branch Rupandehi 9851366283	Mainabagar Branch Tanahun 9851366223	Rampur Branch Palpa 9851366287
Bashabasahi Branch Nawalparasi 9851366296	Gorusinge Branch Kapilvastu 9851366280	Mainiya Branch Rupandehi 9851366293	Saljhandi Branch Rupandehi 9851366279
Bethari Branch Rupandehi 9861366284	Horizonchowk Branch Rupandehi 9851366291	Manigram Branch Rupandehi 9851366236	Susta Branch Nawalparasi 9851366300
Bhairahawa Branch Rupandehi 9851366331	Kailashnagar Branch Rupandehi 9851366298	Palpa Branch Palpa 9851366290	Taulihawa Branch Kapilvastu 9851366281
Butwal Branch Rupandehi 9851366329	Khaireni Branch Rupandehi 9851366286	Parasi Branch Nawalparasi 9851366295	Thada Branch Arghakhanchi 9851366293
Chandrauta Branch Kapilvastu 9851366193	Kotihawa Branch Rupandehi 9851366294	Pharsatikar Branch Rupandehi 9851366289	

**Western Region**

Attariya Branch  
Kailali  
9851366275

Holeri Branch  
Rolpa  
9851366271

Mahendranagar Branch  
Kanchanpur  
9851366273

Surkhet Branch  
Surkhet  
9851366267

Baijanath Branch  
Banke  
9851366266

Jaspur Branch  
Pyuthan  
9851366272

Motichowk Branch  
Kailali  
9851366278

Tulsipur Branch  
Dang  
9851366270

Dhangadhi Branch  
Kailali  
9851349706

Kohalpur  
Banke  
9851366265

Nepalgunj Branch  
Banke  
9851366344

Ghorahi Branch  
Dang  
9851366305

Lamki Branch  
Kailali  
9851366277

Sukkhad Branch  
Kailali  
9851366276



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[illegible]

[illegible]









प्रगतिको आधार,  
कामना सेवा सँग कारोबार



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