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

20TH
ANNUAL REPORT
2082/83

STABILITY TO SCALE



FUTURE READY

EMBRACING TECHNOLOGY, BUILDING TOMORROW

ANNUAL REPORT 2025-26

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

Annual Report 2025-26 provides a detailed overview of the Bank's financial performance, operating highlights, strategic initiatives and stakeholder's engagement efforts along with the Audited Financial Statements which include the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity. The Notes to the Financial Statements are also provided for additional clarity and detail.



MOMENTUM

KSBBL AT A GLANCE

From Foundation to Scale:
The journey of Kamana Sewa Bikas Bank Limited began with a commitment to make reliable banking services more accessible to individuals, businesses and communities across Nepal. Registered with the Office of the Company Registrar under registration number 997/063/64, the former Kamana Bikas Bank Limited received its operating licence from Nepal Rastra Bank on 2064/06/24 BS as a Class "B" financial institution. It commenced banking operations on 2064/07/27 BS-a date the Bank continues to commemorate as its Establishment Day.

As the Bank grew, consolidation became an important part of its journey. On 2073/03/06 BS, Kamana Bikas Bank Limited merged with the former Kaski Finance Limited, based in Pokhara. The merger strengthened the institution's foundation and enabled it to continue its operations as a national-level development bank.

A new chapter began on 2074/04/20 BS, when Kamana Bikas Bank Limited merged with the former Sewa Bikas Bank Limited. Headquartered in Butwal, Rupandehi, Sewa Bikas Bank had an established presence across 10 districts. Bringing together the strengths, experience and regional reach of both institutions, the merged entity adopted the name Kamana Sewa Bikas Bank Limited following the completion of all requisite regulatory approvals.

From its Corporate office at Kathmandu-30, Gyaneshwor, Anand Bhairab Marg KSBBL has continued to expand its reach, strengthen its capabilities and respond to the evolving financial needs of its customers. As of the reporting date, the Bank serves individuals, businesses and communities across all seven provinces through 122 branches and one extension counter.

Built on a foundation of stability and strengthened through institutional consolidation, KSBBL now enters its next phase of growth-focused on becoming future-ready and progressing from stability to scale.

APPLICABLE REPORTING FRAMEWORK, PRINCIPLES AND GUIDELINES

i. Nepal Rastra Bank Act, 2058 (2002)
ii. Banking and Financial Institution Act, 2073 (2017)
iii. Banking Offence and Punishment Act, 2064 (2008)
iv. Companies Act, 2063 (2006)
v. Securities Act, 2063 (2006)
vi. Income Tax Act, 2058 (2002)
vii. Guidelines, Regulations, Directives, and Circulars issued by Nepal Rastra Bank
viii. Nepal Financial Reporting Standards
ix. 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 2082-83. The Board acknowledges that the information provided in the Report has been reviewed and approved by respective business unit heads and the top management and further ensures that all material aspects of the Report have been presented truly and fairly so that our stakeholders can make prudent decisions based on a holistic view of performance, risks, and sustainability across all operations.

ASSURANCE

N.B.S.M. & Associates was appointed as independent auditor for FY 2082-83. The auditors are independent to the Bank in accordance with the code of ethics for professional accountants issued by the Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to audit of the financial statements under the provisions of the Companies Act, 2063. The auditors have conducted the audit in accordance with Nepal Standards on Auditing (NSAs). As per opinion of independent auditor, the accompanying financial statements give a true and fair view, in all material respects and therefore, have provided unmodified opinion in respect of Financial Statements pertaining to current financial year. Full auditor's report is available on Financial Statements section of this report.

Further, Kapadia Global Actuaries was appointed for the actuarial valuation of annual leave and sick leave benefits for FY 2082-83. The actuary has conducted the valuation based on International Accounting Standard 19 Revised (IAS19R) and Nepal Accounting Standards 19 (NAS 19).

FEEDBACK

KSBBL cordially welcomes your feedback and suggestions on this Report, which may be communicated to us at customercare@kamanasewabank.com.



APPROACH AND PREPARATION

Annual Report is the Bank's primary publication for its stakeholders, potential investors, and the public at large. It encapsulates the communication of all financial and non-financial activities of the Bank in the form of a detailed qualitative, quantitative, and visual presentation.

The Bank's annual report is an approach to combine financial and non-financial information to provide a holistic view of bank`s performance and value creation over time. This approach reflects a growing global trend towards recognizing the interconnectedness of these information in creating long-term value for stakeholders. It aims to demonstrate how an organization's strategy, governance, performance, and prospects create, preserve, or erode value in the short, medium, and long term.

The Bank has identified key material topics that represent its most significant impacts on the economy, environment, and the society. The Report provides a comprehensive overview of Bank's journey in fulfilling its purpose outlining our business model, strategic objectives, resource allocation, and future outlook. Beyond financial metrics, the report also delves into non-financial performance, risks, opportunities, strategic priorities and stakeholders' engagement. It further underscores the Bank's commitment to sustainable value creation through sound financial management and strong emphasis on Environmental, Social, and Governance (ESG) considerations.



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Moving from Stability to Scale:

Transitioning from stability- focused operations to scalable and sustainable growth.



ORGANIZATIONAL OVERVIEW



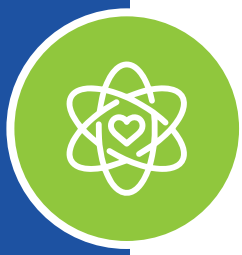
VISION

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



MISSION

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



CORE VALUES

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

CUSTOMER FOCUS:
The Bank shall always place 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 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 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
Head-Integrated Risk Management	Member
Head-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.

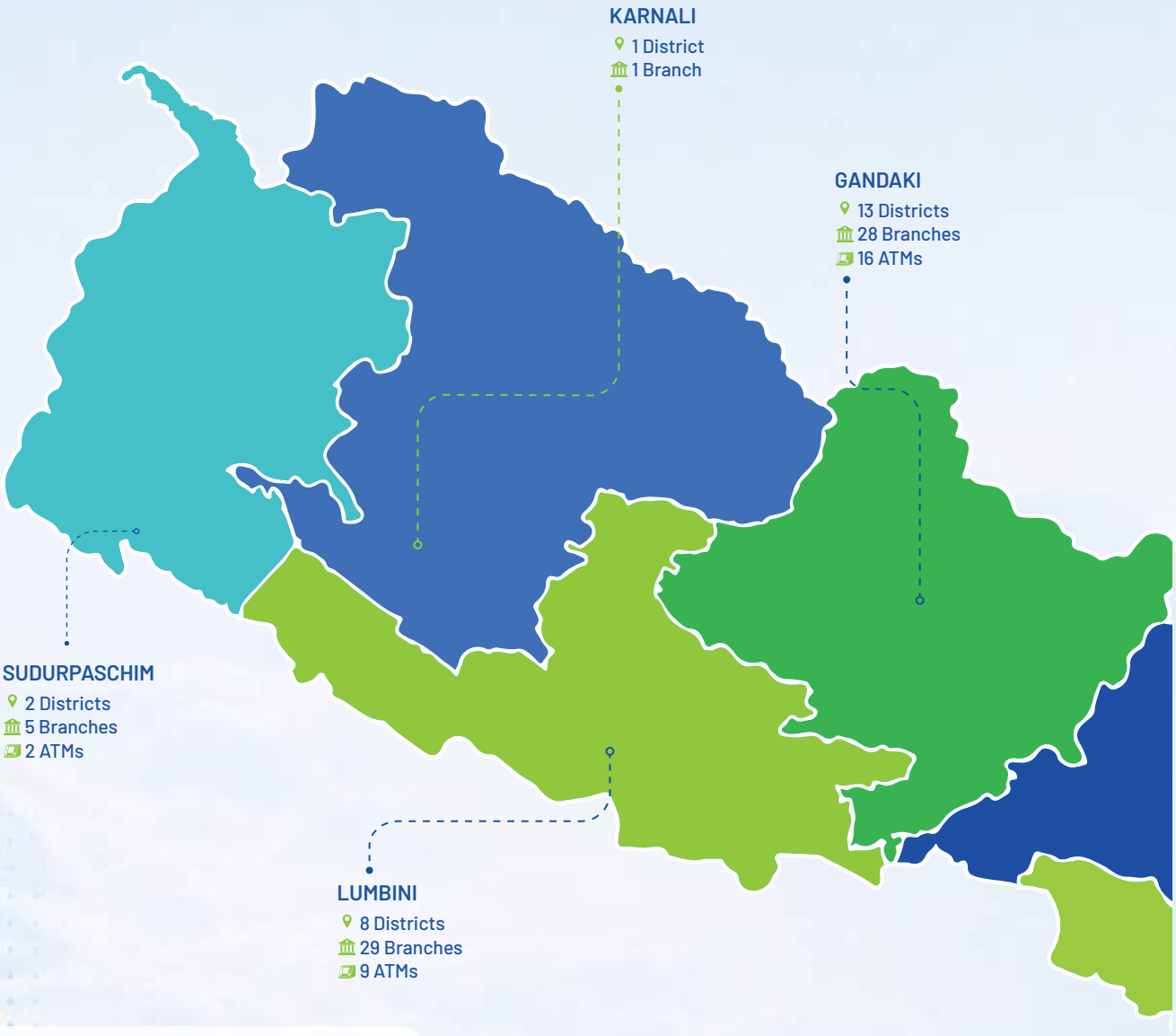
WHISTLE BLOWING MECHANISM

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:

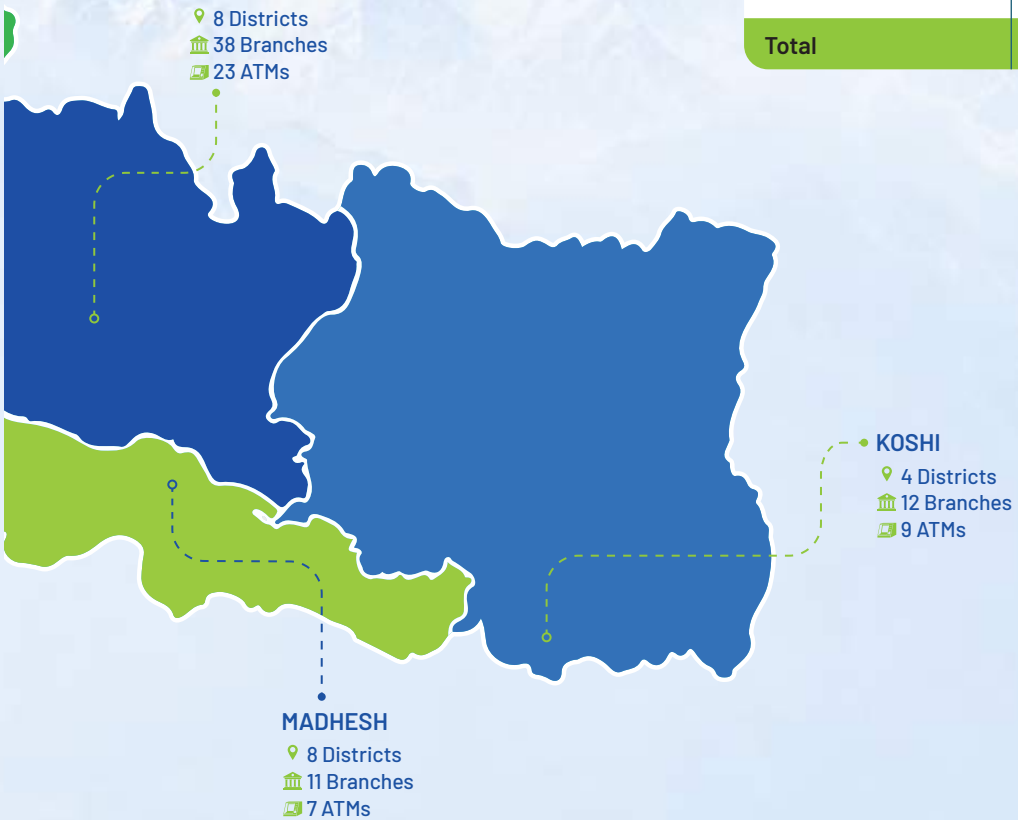
Head-Human Resource	Coordinator
Chief Operating Officer	Member
Head-Integrated Risk Management	Member
Head-Strategy	Member Secretary

Geographical Presence



NATIONAL PRESENCE	7 Provinces
SERVICE NETWORK	122 Branches
EXTENSION COUNTER	1
CORPORATE OFFICE	Gyaneshwor, Kathmandu

PROVINCE	NO OF DISTRICTS	NO OF BRANCHES	NO OF ATMS
Koshi	4	12	9
Madhesh	8	11	7
Bagmati	8	38	23
Gandaki	13	28	16
Lumbini	8	29	9
Karnali	1	1	0
Sudurpaschim	2	5	2
Total	**44**	**123**	**66**



Key Milestones

2018

- Kamana Bikas Bank and Sewa Bikas Bank merged and named Kamana Sewa Bikas Bank
- Shifted to Corporate Office in Gyaneshwor, Kathmandu in its own building

2019

- The bank initiated its own remit as Kamana Sewa Remit
- Expansion of footprint in Kathmandu Valley
- Strategy 2080 has been formulated and approved with the motto to be the top development bank

2020

- Bank has crossed its Portfolio above 50 billion
- Awarded with Highest Taxpayer for the first time
- Appointed Independent & Female Director as Board Member
- Huge investment in IT Infrastructure

2021

- Bank has crossed its Portfolio Size above 100 billion
- Depository Participants License obtained
- Awarded as Highest Taxpayer for the second time
- Issued 1 Arab Debenture (First Development Bank to issue Debenture)
- Market Maker License obtained
- KSBBL share has been listed as A Class Script

2022

- 1st Development Bank to Launch Credit Card in Nepal
- Bank Launched KS Sports Saving Account
- Became the 1st ISO Certified Development Bank in Nepal
- Awarded as 3rd Best Managed Development Bank by 7th Newbiz Business Conclave
- Bank launched Swabhiman Bachat Khata for visually impaired people for the 1st time in Nepal

2023

- Crossed 6 lakhs Deposit Customer Base
- Launched Timrai Lagi Fixed Deposit Account
- Formulated Strategy 2084
- First Development Bank to implement Robotic Process Automation (RPA)
- Launch of KSBBL Auction Hub, new practice in Non-Performing Assets Management.

2024

- Crossed 7 lakhs Customer Base
- Surpassed 50 billion RA portfolio size
- Double digit returns to shareholders
- RPA added in additional business process
- Honored with Silver Award for the prestigious National Best Presented Annual Report Award 2023
- Launched AI (Artificial Intelligence) Integrated Learning Portal for employees
- Launched Green Financing Product Paper to promote Sustainable Financing
- Online Account Opening with feature of Video KYC

2025

- Crossed 8 lakhs Deposit Customer Base
- Crossed 1 billion Operating Profit
- Honored with Certificate of Merit for SAFA Award for the prestigious Best Presented Annual Report Award 2023
- Honored with Gold Award for the prestigious National Best Presented Annual Report Award 2024
- Surpassed half a billion dollar balance sheet size.

2026

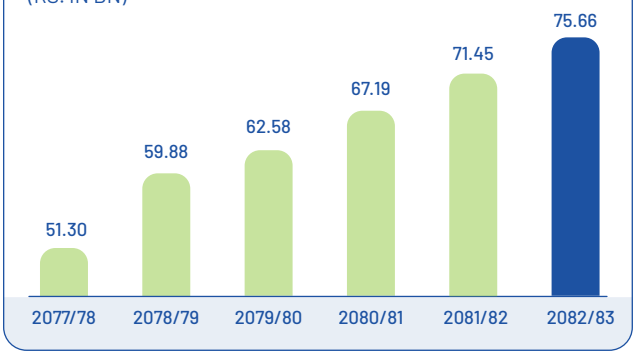
- 1st Development Bank to issue Preference Share
- Reached 58 Arab in Risk Assets Portfolio
- Launched two products: Bishista Bachat Khata and Alpha Grow Saving Account
- Launched AI Department
- Honored with Certificate of Merit for SAFA Award for the prestigious Best Presented Annual Report Award 2024
- Honored with Gold Award for the prestigious National Best Presented Annual Report Award 2025

FINANCIAL HIGHLIGHTS

Financial Position

TOTAL ASSETS

(RS. IN BN)

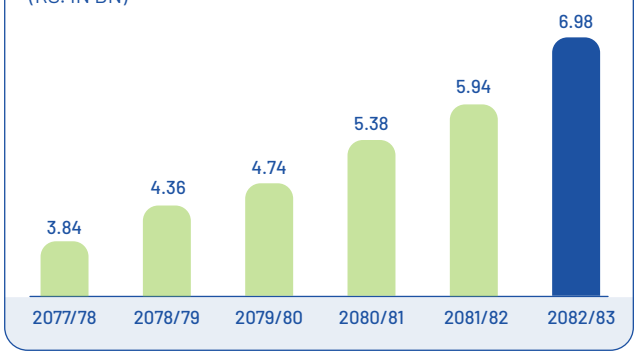


Growth in FY 2082-83: 5.88%
CAGR of five years: 8.08%

Total Assets include all assets of the bank including cash and bank balances, loans and advances, investments, fixed assets and other assets. Over the period from 2077/78 to 2082/83, total assets showed continuous growth, rising from Rs. 51.30 Bn to Rs. 75.66 Bn. The graph indicates that the organization is financially healthy, effectively transitioning into a stable and sustainable upward trajectory.

NET WORTH

(RS. IN BN)

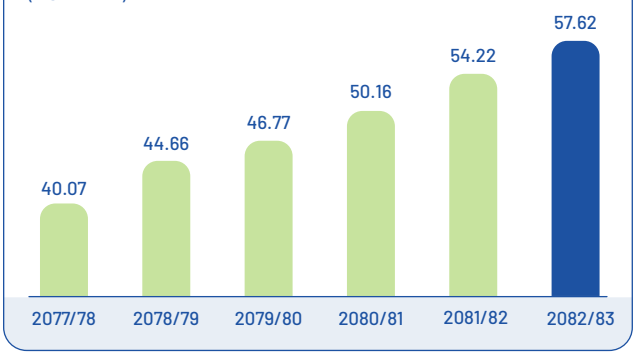


Growth in FY 2082-83: 17.58%
CAGR of five years: 12.71%

The bank's net worth represents the total value of its assets minus its total liabilities. It serves as the ultimate financial cushion to absorb loan losses, protects depositors' funds, and determines the bank's regulatory capacity to expand its lending operations. Over the period from 2077/78 to 2082/83, the bank's net worth grew consistently every year, expanding significantly from Rs. 3,838.24 million to Rs. 6,981.22 million. This indicates that the bank has strengthened its capital adequacy, drastically improved its risk-absorption capacity, and built a highly resilient foundation for future lending.

LOANS AND ADVANCES

(RS. IN BN)

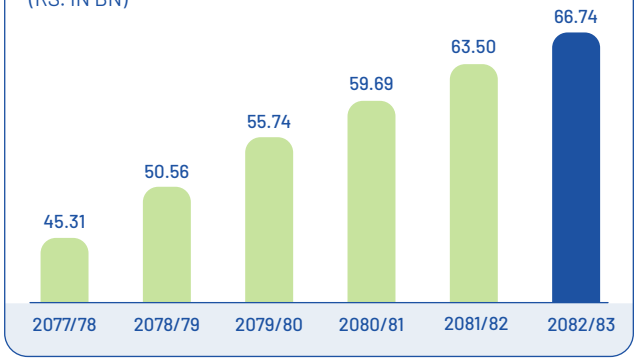


Growth in FY 2082-83: 6.29%
CAGR of five years: 7.54%

Loans and advances include loans provided by the bank to various outside customers. Over the from 2077/78 to 2082/83, the bank's loans and advances grew consistently every single year, expanding from Rs. 40.07 billion to Rs. 57.62 billion. With the growth rate of 6.29% in 2082-83, the bank has been able to maintain the growth rate on par with the banking industry.

DEPOSIT

(RS. IN BN)



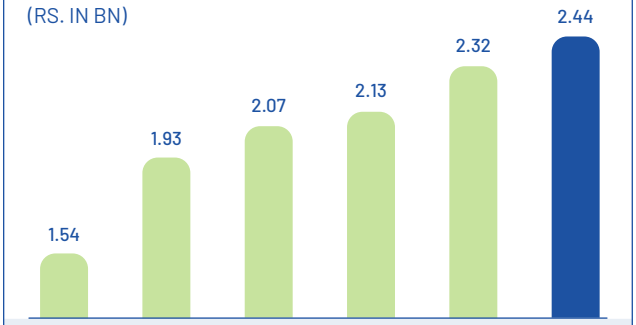
Growth in FY 2082-83: 5.11%
CAGR of five years: 8.05%

Deposit includes the deposit maintained by various customers with the bank in the form of current, call saving and fixed deposits. Over the period from 2077/78 to 2082/83, the bank's deposit grew consistently every single year, expanding from Rs. 45.31 billion to Rs. 66.74 billion.

Financial Performance

NET INTEREST INCOME

(RS. IN BN)

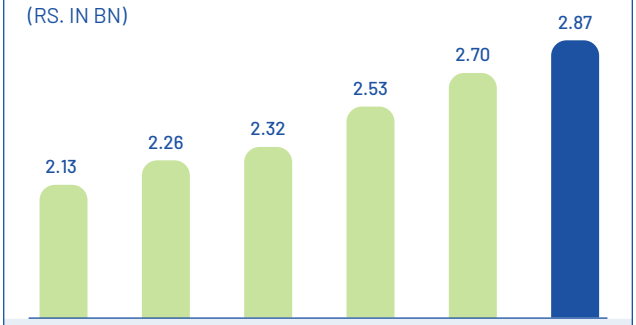


Growth in FY 2082-83: 5.20%
CAGR of five years: 9.69%

Net interest income represents excess total interest income minus total interest expense. Total interest income includes interest income from loans and advances, investment and nostro balances. Total interest expense includes interest expense on deposit and debenture and finance cost on lease liability.

TOTAL OPERATING INCOME

(RS. IN BN)

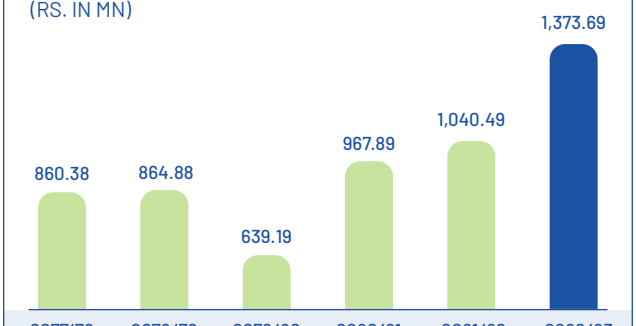


Growth in FY 2082-83: 6.24%
CAGR of five years: 6.10%

Total Operating Income includes net interest income, net fee and commission income, net trading income and other operating income. Other operating income includes forex revaluation gain, dividend income, gain on sale of PPE, investment, NBA and other miscellaneous income.

OPERATING PROFIT

(RS. IN MN)

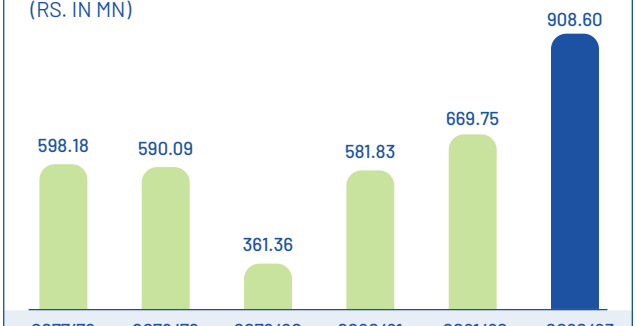


Growth in FY 2082-83: 32.02%
CAGR of five years: 9.81%

Operating Profit indicates Total Operating Income minus impairment charge and operating expenses. Operating expenses include personnel expense, other operating expenses and depreciation and amortization.

NET PROFIT

(RS. IN MN)



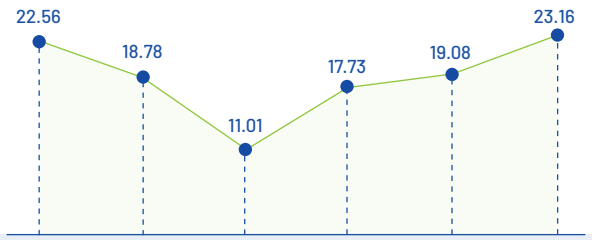
Growth in FY 2082-83: 35.66%
CAGR of five years: 8.72%

Net Profit indicates Operating profit + Non Operating Income - Non Operating expenses - Tax expenses

Profitability Ratios

EARNING PER SHARE

(RS.)

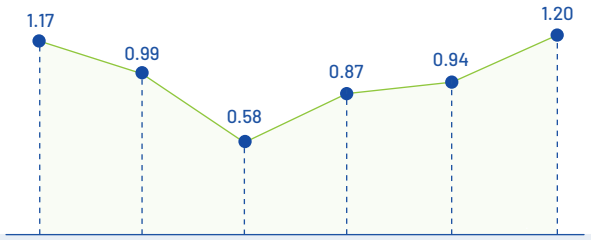


EPS (Equity Shareholders)= (Net profit after tax - PNCPS Dividend)/Number of Equity Shares

A rising EPS indicates that the bank is growing its net income and efficiently managing its share capital, making each share more valuable to stakeholders.

RETURN ON ASSETS

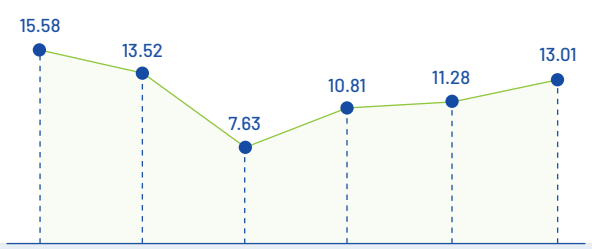
(IN %)



Return on Assets (ROA) indicates how efficiently a bank uses its total assets to generate net profit. The 6-year trajectory reveals a classic "V-shaped" recovery. While the bank faced a profitability squeeze in FY 2079/80, the bank successfully turned operations around, transforming the bank into a highly efficient, asset-sweating institution by FY 2082/83.

RETURN ON EQUITY

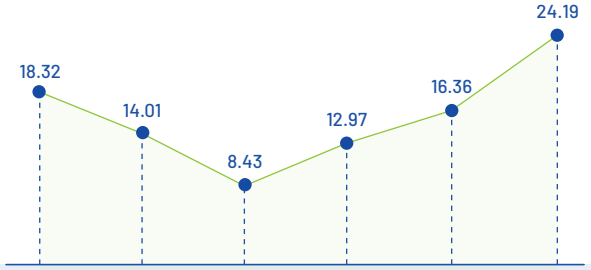
(IN %)



Return on Equity (ROE) measures a bank's capital efficiency by showing how much profit it generates with the money shareholders have invested. The graph followed a sharp V-shaped recovery path. While the financial year 2079/80 temporarily eroded investor value, the bank successfully stabilized its operations, concluding as a highly lucrative, fundamentally strong investment for its equity holders.

OPERATING PROFIT MARGIN

(IN %)

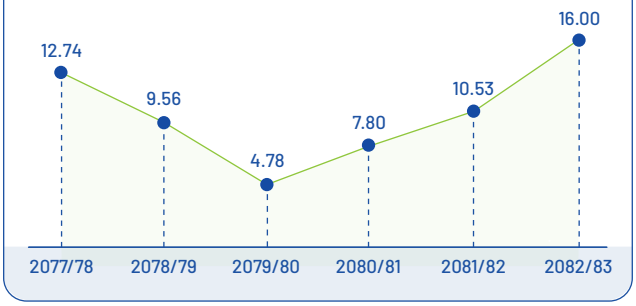


Operating Profit Margin indicates the percentage of total revenue a bank retains after covering its operational expenses. While the bank faced a operational efficiency bottleneck in FY 2079/80, it completely re-engineered its cost structures and income streams over the next three years transforming into a profitable banking institution.

Profitability Ratios

NET PROFIT MARGIN

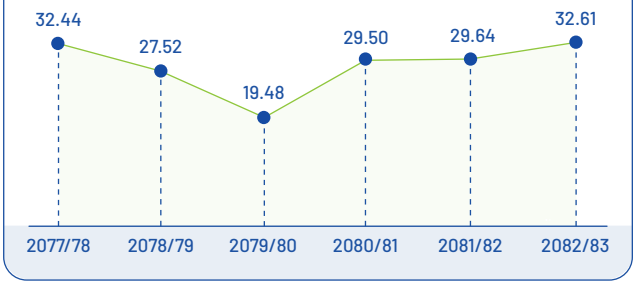
(IN %)



Net Profit Margin indicates the percentage of total revenue a bank keeps as pure profit after subtracting all operating expenses, provisions for bad loans, and corporate taxes. The 6-year trend maps a textbook financial turnaround, moving from a low in FY 2079/80 to a high in FY 2082/83. This consistent recovery across both operating and net margins proves that the bank successfully rebuilt its fundamental revenue streams and permanently improved its long-term earning power.

OPERATING PROFIT TO PAID UP CAPITAL RATIO

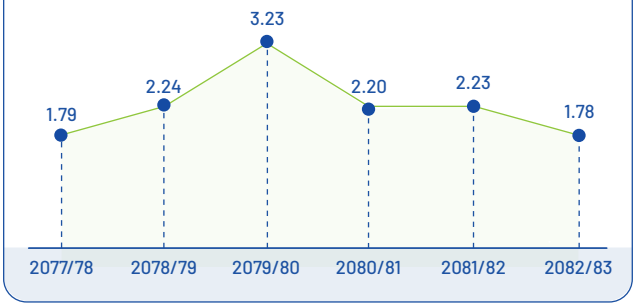
(IN %)



The Operating Profit to Paid-up Capital Ratio is a key profitability metric that measures how efficiently a company uses its core equity funding to generate operational earnings. The ratio follows a U-shaped recovery, dropping from 32.44% in 2077/78 to a low of 19.48% in 2079/80, before staging a strong comeback to peak at 32.61% in 2082/83. This turnaround highlights a successful shift back to high operational efficiency and stronger earnings relative to its capital base.

NET INTEREST INCOME TO OPERATING PROFIT

(TIMES)

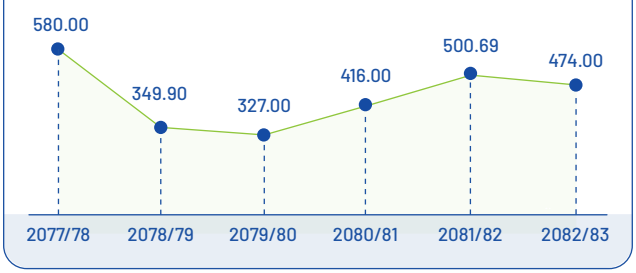


The Net Interest Income (NII) to Operating Profit Ratio is a crucial structural efficiency metric, used for banks and financial institutions, that measures the portion of core operating profits derived purely from lending and borrowing activities. The graph follows an inverted U-shaped trajectory, where the ratio rises from 1.79 in 2077/78 to a clear peak of 3.23 in 2079/80, before sliding back down to end at its lowest level of 1.78 in 2082/83. This brief spike indicates that the business became heavily reliant on interest-driven earnings in 2079/80, but successfully corrected course in the subsequent years to return to its more diversified baseline.

Stock Performance

MARKET PRICE PER SHARE

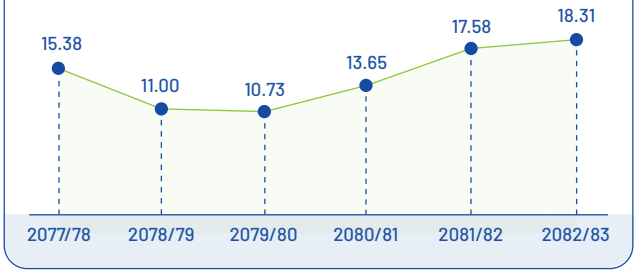
(IN Rs.)



Market price per share indicates the last traded price in stock exchange.

MARKET CAPITALIZATION

(Rs. IN BN)

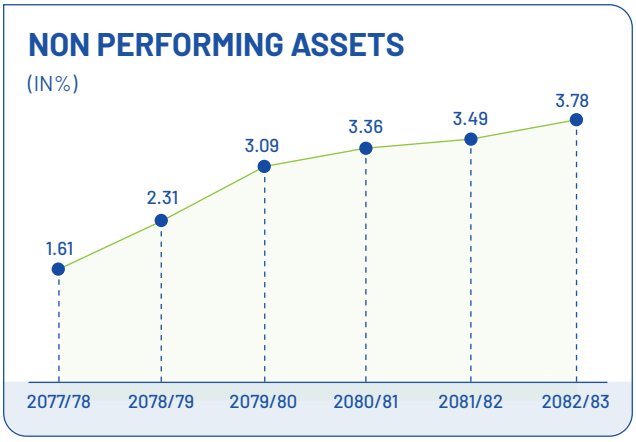


Market capitalization (market cap) is the total value of a company in the stock market. It is calculated by multiplying the share price by the total number of shares.

Assets Quality

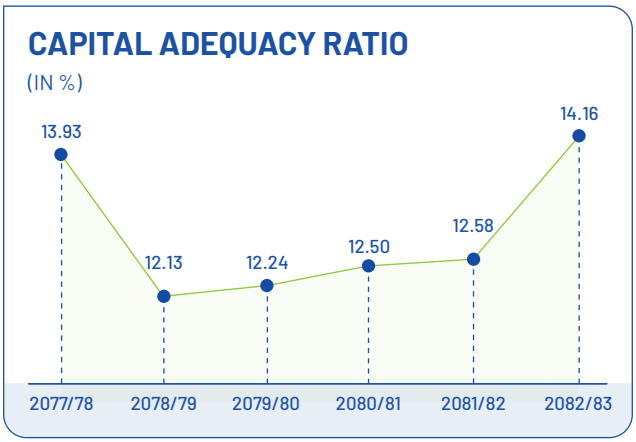
NON PERFORMING ASSETS

(IN%)



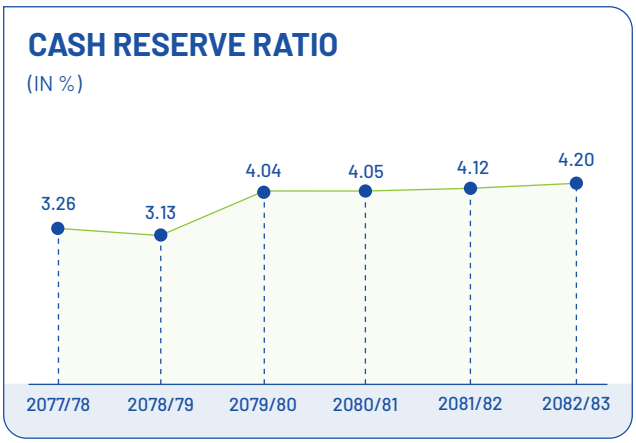
Non Performing Assets ratio represents the percentage of a bank's total loans that are default-risk because borrowers have stopped making timely interest or principal repayments. The graph shows the upward trend which is also the trend of banking industry in Nepal. Although average NPL of banking industry is 5.66%, the bank has been able to maintain the ratio of 3.78%.

Capital Fund to Risk Weighted Exposure

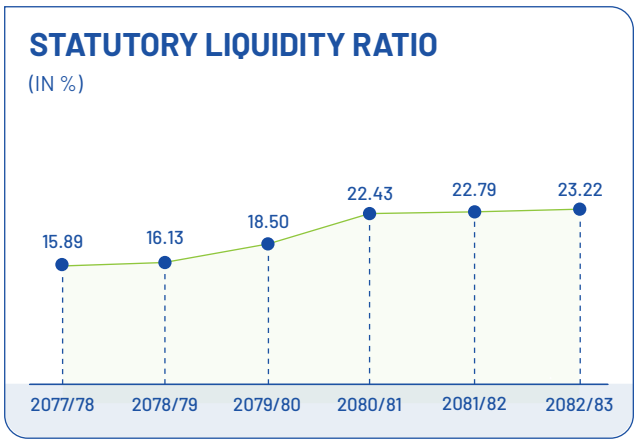


Capital Adequacy Ratio (CAR) is a financial metric used to measure a bank's financial strength and stability. It ensures that a bank has enough capital to absorb a reasonable amount of losses before it becomes insolvent and loses depositors' funds. In simple terms, it acts as a financial safety cushion for banks. Nepal Rastra Bank (NRB) mandates a minimum Capital Adequacy Ratio of 11%, for which the bank has maintained 14.16%.

Regulatory Ratios



Cash Reserve Ratio (CRR) is a mandatory financial regulation that requires banks to hold a specific minimum percentage of their total customer deposits as liquid cash. The bank is required to maintain 4% of their total domestic deposit liabilities with NRB over a fortnightly (14-day) monitoring cycle,

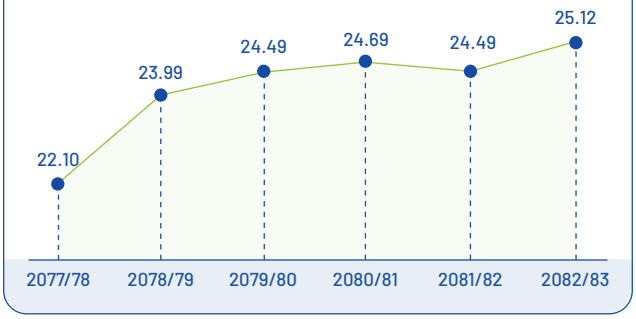


Statutory Liquidity Ratio (SLR) is a mandatory reserve requirement set by Nepal Rastra Bank (NRB) that requires banks to maintain a specific percentage of their total domestic deposit liabilities in highly liquid, safe assets within their own vaults. Under current NRB provisions, the mandatory SLR is fixed at 10% for Development Banks. SLR assets can be held in the form of physical gold, excess unencumbered cash, or interest-earning government securities like Treasury Bills and Development Bonds.

Regulatory Ratios

LIQUIDITY RATIO

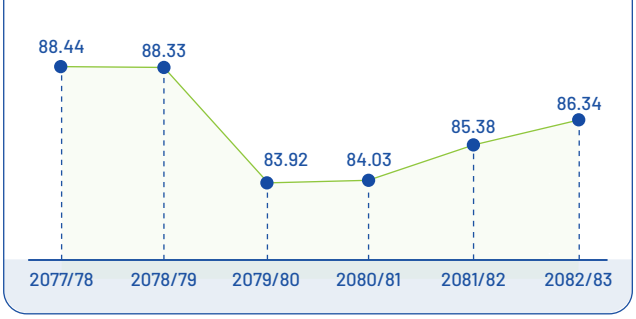
(IN %)



Net Liquidity Ratio is a mandatory short-term financial indicator to evaluate a bank's ability to clear sudden customer withdrawal rushes using its cash piles. Under strict NRB provisions, all banks must maintain a minimum Net Liquidity Ratio of 20% at all times. Calculated as the ratio of Net Liquid Assets (including direct cash in vaults, bank balances, and easily sellable government bonds) against the bank's Total Customer Deposits, this buffer guarantees the industry survives unpredicted market strains without freezing operations.

CD RATIO

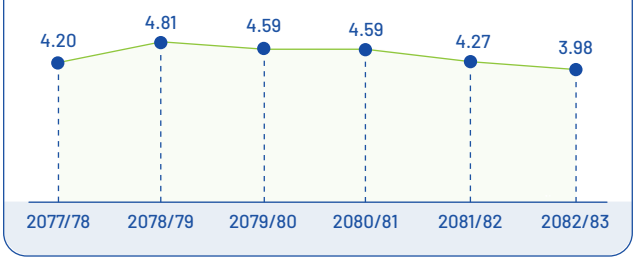
(IN %)



Credit-to-Deposit (CD) Ratio is a regulatory framework enforced by Nepal Rastra Bank (NRB) to control the lending capacity of banks and prevent reckless credit expansion. Under current NRB provisions, all banks must strictly maintain a maximum CD Ratio of 90%. This means that for every Rs. 100 a bank collects in customer deposits, it can deploy a maximum of Rs. 90 as loans, leaving the remaining Rs. 10 to cover liquidity buffers, CRR, and SLR mandates.

INTEREST SPREAD

(IN %)

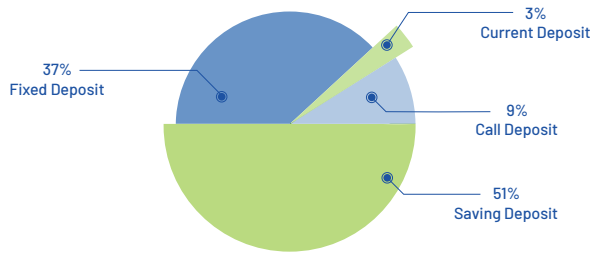


Interest rate spread refers to the difference between the average weighted interest rate a bank charges on loans and the average weighted interest rate it pays on deposits. It serves as a primary metric for determining a bank's core net interest margin and profitability. For national-level development banks (Class 'B' financial institutions) in Nepal, Nepal Rastra Bank (NRB) mandates a maximum interest rate spread cap of 4.6%.

Deposit and Loan Composition

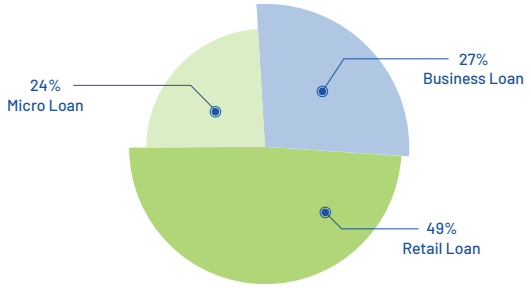
DEPOSIT COMPOSITION

(IN %)



LOAN COMPOSITION

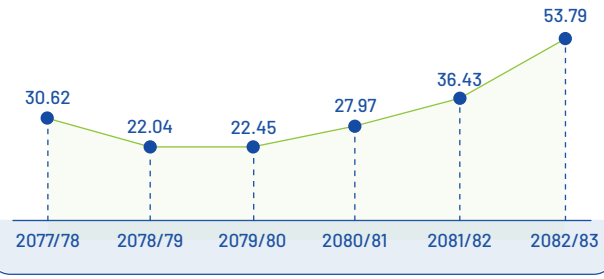
(IN %)



Other Ratios

CASA DEPOSIT

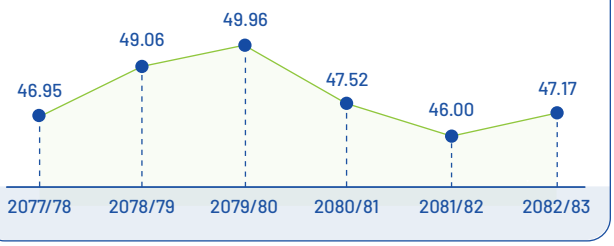
(IN %)



CASA (Current Account and Saving Account) Deposit Ratio is a key metric to evaluate the stability, cost effectiveness, and overall deposit structure of financial institutions. A higher CASA ratio indicates that a bank has a large share of low-cost or interest-free deposits (current and savings accounts) relative to expensive fixed deposits.

OPERATING EXPENSE TO OPERATING INCOME

(IN %)

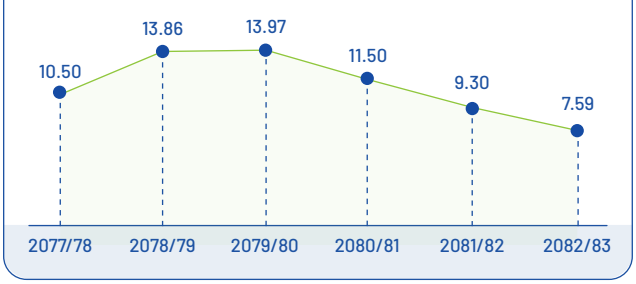


The Operating Expense to Operating Income Ratio (often referred to as the Cost-to-Income Ratio or Operating Ratio) is an efficiency metric that measures how much money a business spends to generate its revenue. It tells investors exactly how expensive it is to run the company's daily operations. The graph shows that the ratio remained stable between 46.00% and 49.96% from FY 2077/78 to FY 2082/83, indicating consistent cost management where less than half of the income goes to operations. The ratio peaked at 49.96% in FY 2079/80, reflecting slightly lower efficiency, but improved to its lowest point of 46.00% in FY 2081/82 before slightly rising to 47.17% in the final year (FY 2082/83).

Other Ratios

YIELD ON LOAN

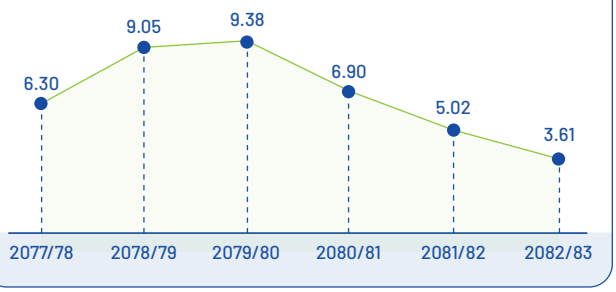
(IN %)



Yield on Loan represents the actual rate of return a bank earns on its outstanding loan portfolio over a specific period. The graph shows the decreasing trend as the whole banking industry. It is because record-high remittance inflows have created a massive liquidity surplus in the banking system and at the same time, sluggish domestic economic growth and low business confidence have severely weakened the demand for new loans, forcing banks to slash interest rates to attract borrowers.

COST OF DEPOSIT

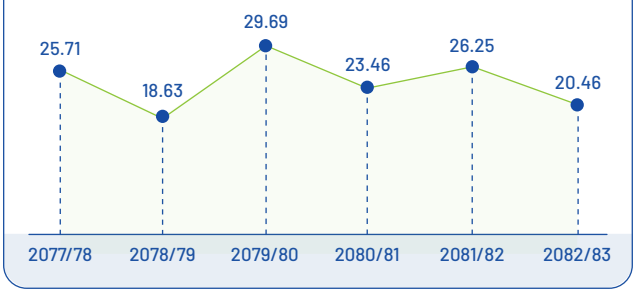
(IN %)



Cost of Deposit is the total interest expense a bank pays to its depositors for holding their money, expressed as a percentage of total deposits. The graph shows the downward trend as the whole banking industry in Nepal. It is because banks are flooded with excess liquidity from record remittance inflows, reducing their need to compete for funds. Consequently, the central bank has slashed policy rates, allowing banks to aggressively lower the interest rates they offer on savings and fixed deposits.

PE RATIO

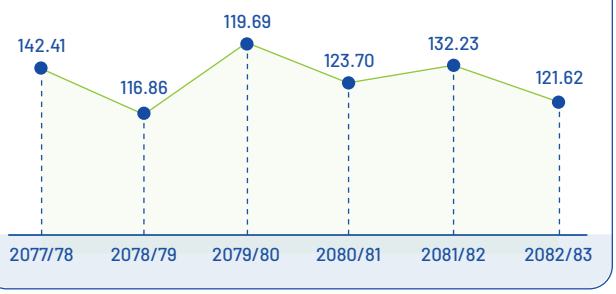
(TIMES)



The Price-to-Earnings (PE) Ratio is a financial metric that measures a company's current share price relative to its per-share earnings. It shows how much investors are willing to pay for every rupee of a company's profit, helping determine if a stock is overvalued or undervalued. The graph reveals a fluctuating trend in the PE Ratio over the 6-year period, reaching its highest valuation at 29.69 in FY 2079/80 and its lowest at 18.63 in FY 2078/79. In the final two years, the ratio decreased from 26.25 to 20.46, indicating that the stock's valuation has become more affordable and realistically priced relative to its earnings.

TOTAL PROVISION COVERAGE ON NPA

(IN %)

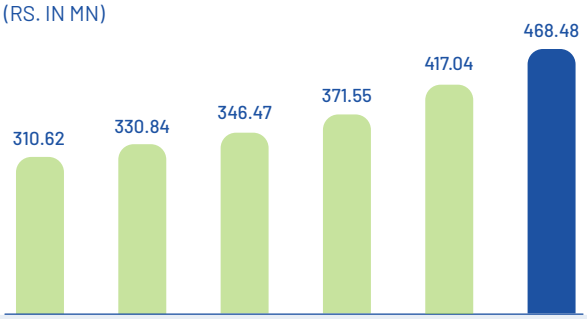


Total Provision Coverage on NPA—more commonly referred to as the Provision Coverage Ratio (PCR)—is a financial metric that measures the percentage of funds a bank has set aside from its profits to cover potential losses from its bad loans. A higher percentage means the bank has protected its capital against future shocks making it safer for depositors and investors.

Other Ratios

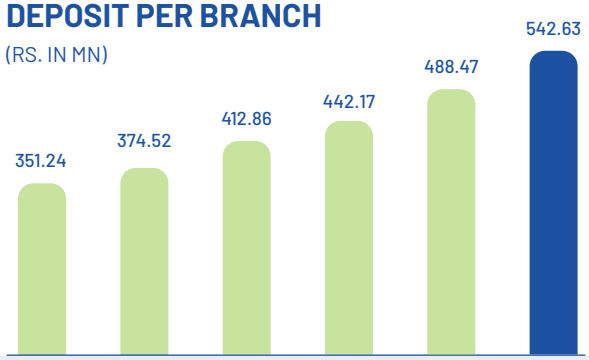
LOAN PER BRANCH

(RS. IN MN)



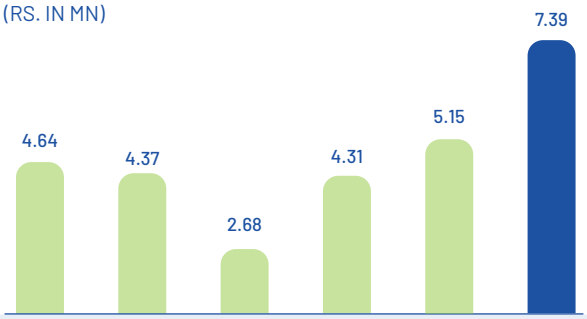
DEPOSIT PER BRANCH

(RS. IN MN)



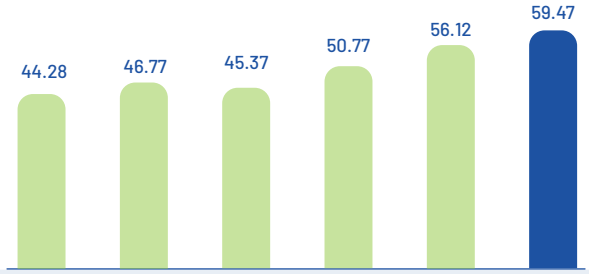
PROFIT PER BRANCH

(RS. IN MN)



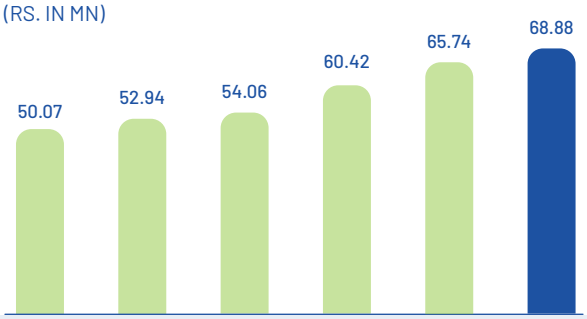
LOAN PER STAFF

(RS. IN MN)



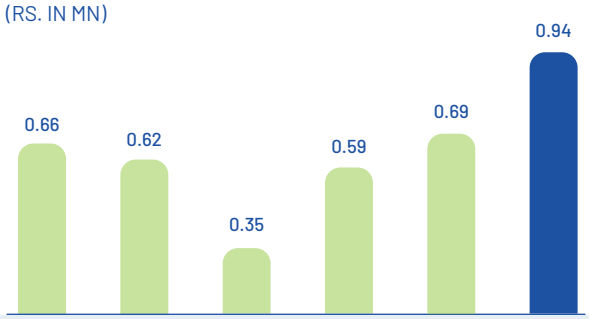
DEPOSIT PER STAFF

(RS. IN MN)



PROFIT PER STAFF

(RS. IN MN)



NON-FINANCIAL HIGHLIGHTS

LAST YEAR		THIS YEAR
769,854	NUMBER OF CUSTOMERS	820,543
130	NUMBER OF BRANCH OUTLETS	123
72	NUMBER OF ATM MACHINES	66
966	NUMBER OF STAFF	969
827,788	TOTAL DEPOSIT ACCOUNTS	876,556
30,356	TOTAL LOAN ACCOUNTS	30,713
206,821	MOBILE BANKING USERS (ACTIVE)	224,045
103,590	DEBIT CARD (ACTIVE)	113,408
24,904	QR	27,565
4	NUMBER OF BLB AGENTS	3
4	NUMBER OF DOOR STEP BANKING OUTLETS	4
7	PROVINCE COVERED	7
-	ONLINE ACCOUNTS OPENED	35
-	NO. OF VIDEO KYC CONDUCTED	15



Awards & Accolades



Highest Taxpayer in FY 2076-77



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



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



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



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



Certificate of Merit for the prestigious National Best Presented Annual Report Award 2024



Gold Award for the prestigious National Best Presented Annual Report Award 2025

Kamana Sewa Bikas Bank Limited

Rating

Facilities	Amount (Rs. in Million)	Rating[1]	Rating Action
Issuer Rating	**NA**	**CARE-NP BB+ (Is) [Double B Plus (Issuer Rating)]**	**Reaffirmed**

CARE Ratings Nepal Limited (CRNL) has reaffirmed the issuer rating of 'CARE-NP BB+ (Is)' assigned to Kamana Sewa Bikas Bank Limited (KSBBL). Issuers with this rating are considered to offer moderate risk of default regarding timely servicing of financial obligations, in Nepal.

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to KSBBL factors in sustained uptick, albeit relatively controlled vis-à-vis the industry, in the bank's Gross Non-Performing Loans (GNPL) in FY25 (FY refers to the twelve-month period ending mid-July). The banking industry of Nepal has been reporting sequentially higher GNPLs over the past three fiscals amid a myriad of factors notwithstanding the lingering impact of relaxations provided during the pandemic era coupled with the relatively sluggish pace of economic growth over this period. The persistence of a challenging macroeconomic and operating environment for the banking sector amid a turbulent political scenario further heightens concerns regarding the sector's incremental asset quality trajectory, exerting further pressure on profitability and capitalization levels. Nonetheless, KSBBL's performance over the past three years has been relatively steady and satisfactory factoring industry headwinds. Consequently, the bank's return indicators, albeit moderated as compared to historical trend, remain favorable as compared to industry peers. KSBBL's relatively higher operating expenses ratio also offsets the advantages of relatively low cost of funds to an extent. The rating is further inhibited by modest liquidity profile, and moderate concentration over top 20 depositors. The rating also factors in the bank's exposure to the regulatory risk. Subdued scope for credit growth over the near-term could add to the margin pressure of the bank over the near term, which remains a monitorable for the sector. The rating, however, continues to derive strength from KSBBL's long track record of operations with experienced board and management team, diversified and expanding advances portfolio, and a growing investment book, which collectively underpin its business stability and resilience. The rating also takes note of improvement in capitalization profile, despite the deteriorating asset quality, supported by increased profitability and also, in part, owing to rebalancing of portfolio towards lower risk segments. Furthermore, the rating also draws strength from the bank's moderate Current Account Saving Account (CASA) deposits level and relatively steady financial performance during FY25.

Going forward, the bank's ability to control incremental slippages while improving asset quality and capital adequacy ratio and its ability to manage the impact of any regulatory changes will be the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Weaknesses

Declining trend in assets quality amid industry headwinds

KSBBL continues to maintain better asset quality indicators vis-à-vis the industry average. However, the asset quality indicators continue to moderate on a year-on-year basis amid challenging industry scenario. KSBBL's Gross Non-Performing Loan (GNPL) increased to 3.49% as on mid-July 2025, slightly up from 3.36% as on mid-July 2024. It nonetheless remained lower than the industry average of 5.03% at the end of FY25. GNPL levels of the Nepalese banking industry have observed sharp uptick from FY23 onwards following expiration of COVID related relaxations by the central bank from

[1]Complete definitions of the ratings assigned are available at https://www.careratingsnepal.com/ and in other CRNL publications

mid-July 2022. The surge in GNPL ratios since is also reflective, to some extent, of the aggressive credit growth during the pandemic era. Asset quality further deteriorated in FY25 amid lower-than-expected economic growth and government expenditure, despite sequential revival of economy as compared to previous periods. SME and retail sector continue to face major challenges in terms of repayment ability. Amid likely slowdown in economy in FY26 following the recent political upheaval in September 2025, the banking sector might continue to report further uptick in GNPLs over the near term.

Modest liquidity profile

KSBBL has a modest liquidity profile with negative cumulative balances over 1-90 days, 91-180 days, 181-270 days and 271-365 days bucket as of mid-July 2025. It has maintained SLR of 22.79% as on July 16, 2025 and 22.43% as on July 16, 2024 vis-à-vis regulatory requirement of 10%; CRR of 4.12% and 4.05% at the last reporting week of FY25 and FY24 vis-à-vis regulatory requirement of 4%. Likewise, its Net Liquidity Ratio stood at 24.29% at the end of FY25, as compared to 24.69% in FY24 vis-à-vis regulatory requirement of 20%.

Moderate CASA ratio

KSBBL's CASA mix as on mid-July 2025 remains moderate with increment to 36.43% (industry average: 42.43%) from 28.26% as on mid-July 2024 (industry average of 30.85%). Due to increase in CASA proportion coupled with declining trend in the overall interest rates in the industry in FY25, the average cost of deposit has decreased to 5.70% during FY25 as compared to 8.46% during FY24. The ability of the company to maintain lower cost of funds will be critical as it would continue to provide a competitive advantage in the "base rate plus" lending rate regime.

Competition from other banks and finance companies

Currently there are 17 Development Banks, operating with total 1,132 branches all over Nepal (based on monthly statistics published by NRB for mid-July 2025). KSBBL has 179 branches along with head office as on same date. Industry (Class B Development Banks) had achieved total interest income of Rs. 56,897 Mn during FY25 with Rs. 22,305 Mn net interest income; KSBBL's share on interest income is 10.46% and 10.49% share on net interest income for the same period. KSBBL's share on interest income and net interest income has increased from around 10% and 9.86%, respectively, in FY24. Despite being established national development bank in the industry, it is challenging for KSBBL to maintain current market share and expand its business, due to high competition among bank and finance companies, existence of large number of Development banks along with Commercial banks conducting similar kind of businesses and they lend at lower interest rate as well as they offer wider banking services than development banks.

Exposure to regulatory risk related to industry

The Banking and Finance industry in Nepal is exposed to changes in the various regulatory measures issued by NRB from time to time. In past, finance companies faced pressure from NRB for capital increment to Rs. 800 Mn from Rs. 200 Mn. NRB had changed the minimum regulatory capital of national level development banks from FY24 end onwards. National levels development banks are required to maintain tier 1 capital adequacy ratio of 8.5% and overall CAR of 11% from mid-July 2024 onwards, which is in line with the requirement for Class A commercial banks in Nepal. Furthermore, NRB had changed to CD ratio mechanism from existing Credit to Core Capital plus Deposit (CCD) ratio measures. CD ratio needs to maintain below 90% from mid-July 2022 from earlier provision of 85% for CCD. Risk weights of certain loans including personal overdrafts, TR loans, hire purchase loans for personal purpose, margin lending, etc. have been fluctuating between 100% to 150% via interim changes in monetary policies by the NRB. Unfavourable changes depending on the bank's exposures are likely to put downward pressure on capital adequacy ratios of the MFIs and limit their ability for significant credit expansion, at least over the near term. Furthermore, subdued growth in loans and advances, reduced

interest rate spread and increase in credit cost due to rising NPL levels and tightening of provisioning requirements by NRB is likely to put downward pressure on the bank's profitability indicators.

Key Rating Strengths

Experienced board members and management team supported by moderate geographical coverage

KSBBL is a national level class "B" Development bank formed after the merger of Kamana Bikas Bank and Sewa Bikas Bank on August 4, 2017 (Pre-merger, both entities operating since 2007). KSBBL has a reasonable geographic presence in Nepal with 130 branches, one extension counter and 72 ATMs covering all 7 provinces as on mid-July 2025. It is a professionally managed bank under the overall guidance of the Board of Directors (BoD) led by Chairman Mr. Sudeep Acharya, who has worked in the banking sector for four decades. The senior management team is also composed of seasoned bankers and is led by Mr. Dinesh Thakali, CEO, who has more than three decades of banking experience.

Moderate growth in loans & advances and deposits with decent market share and diversified credit portfolio

KSBBL's loan grew by 8.09% year-on-year in FY25 to Rs. 54,215 Mn (FY24: Rs. 50,160 Mn), whereas overall Class-B banks' loan portfolio grew by 5.02% year-on-year. Similarly, KSBBL's deposit grew by 7.51% y-o-y in FY25 as compared to industry's growth in deposits by 3.32% year-on-year in FY25.

KSBBL has 10.03% and 10.34% market share in terms of deposit base and loan portfolio respectively of Class-B financial industry at the end of FY25 (9.69% and 10.00% respectively in FY24), based on monthly data published by NRB. KSBBL has a diversified loans portfolio across various industries/ sectors with highest lending of 34.72% at the end of FY25 for Consumable Loans (PY: 31.65%) followed by 12.60% towards Wholesaler and Retailer category loan (PY: 15.54%). Diversification helps bank to maintain the bank's assets quality and mitigate volatility risk in case of unexpected swings in the economy.

Steady financial performance in FY25

During FY25, KSBBL's total income declined by 14.77% year-on-year to Rs. 6,361 Mn on account of decrease in interest income by 15.49% to Rs. 5,949 Mn as a result of decrease in interest rate this year amid excess liquidity in market. Its yield on advances decreased to 10.28% during FY25 from 12.98% during FY24, and cost of deposits also decreased to 5.70% from 8.46%. Lower cost of funds was in part on account of increase in proportion of CASA as compared to the previous year. However, the Net Interest Margin (NIM) of KSBBL slightly increased to 3.34% in FY25 from 3.29% in FY24. On the other hand, KSBBL's non-interest income declined marginally by 2.46% to Rs. 413 Mn during FY25. There was substantial growth in non-interest income in FY24 from gain on sale of investment securities and properties. Overall, PAT improved to Rs. 670 Mn in FY25 from Rs. 582 Mn in FY24. Consequently, KSBBL reported improvement in its Return on Total Assets (ROTA) to 0.97% in FY25 from 0.90% in FY24.

Moderate capitalization level

KSBBL's capital buffers improved slightly year-on-year in FY25. The overall Capital Adequacy Ratio (CAR) increased to 12.58% at the end of FY25 from 12.50% at the end of FY24, which was below the industry average of 13.34% (based on monthly report published by NRB). However, it was above the regulatory requirement of 11%. Likewise, CET I ratio stood at 9.91% at the end of FY25, up from 9.61% PY (minimum requirement of 7% for national level Class-B Banks and Financial Institutions). The bank's capitalization remains adequate, supported by internal capital generation and prudent management of risk-weighted assets. Additionally, its adequate loan loss provisioning has enhanced solvency metrics, with the Net NPL to Net Worth ratio stood below 3% at FY25 end, down from around 7% at FY24 end.

Likewise, KSBBL has maintained CD ratio of 86.30% in FY25 (FY24: 82.26%), which follows regulatory requirement of CD ratio of maximum 90%, providing sufficient cushion to the bank to further increase its loan portfolio. The bank's leverage (assets/equity) remains moderate and capital is expected to support its planned growth, but any significant expansion or shocks may necessitate further capital strengthening given the only moderate buffer over regulatory requirements.

Growing investment portfolio in FY25 and low portfolio concentration among top borrowers

KSBBL's total investment recorded a growth of 5.09% to Rs. 12,291 Mn at the end of mid-July FY25 from 11,696 Mn in FY24. Total investments include investment in government bills/ bonds of Rs. 151 Mn (PY: 2,347 Mn), NRB bonds of 10,891 Mn (PY: 8,261 Mn), and corporate shares of Rs. 1,248 Mn (PY: Rs. 1,089 Mn). KSBBL's lending to top 20 group and individual borrowers was 8.30% (PY: 4.99%) and 7.82% (PY: 7%), respectively. Low concentration over top borrowers helps banks to avoid significant impact on their asset quality if any big borrower defaults on their loan.

Industry Outlook

The major challenges currently faced by the banking sector in Nepal is centered around declining asset quality. High and rising GNPLs are leading to stressed profitability and adding downward pressure on banks' capitalization. Muted GDP growth in the country (real GDP growth of 2% and 3.67% in FY23 and FY24 as compared to 4.8% and 5.60% in FY21 and FY22 respectively) and lower than expected government expenditures has prolonged the difficult road to recovery for various sectors including construction, steel, cement, automobiles, retail and SME sectors. The revival in economic growth, with estimated GDP growth rate of 4.61% in FY25, coupled with softened interest rates, has supported borrowers' repayment capacity to some extent. However, the positive impact at the grassroots level, particularly among retail and SME segments is yet to fully materialize, as indicated by the rising Gross Non-Performing Loan (GNPL) ratio. Net Interest Margin (NIM) of the banking sector has contracted owing to credit check amid reduced cushion in capitalization levels and rise in interest suspense accounts. Additionally, deposit growth has outpaced credit growth, leading to excess liquidity being parked in lower-yielding Treasury bills and government securities. Credit costs have also trended upward, reflected in higher impairment charges and loan write-offs with a growing share of Non-Banking Assets. These factors have collectively dampened profitability and reduced distributable earnings, thereby constraining internal capital generation. Furthermore, the recent political upheaval in the country has likely cut short the revival trend observed in FY25. With likely slowdown in the economy, at least for FY26, the near-term outlook for the industry remains filled with caution.

Applicable Criteria

Rating Methodology - Banks

Rating Methodology - Issuer Rating

About the Company

Kamana Sewa Bikas Bank Limited (KSBBL) is a national level class "B" Development bank formed after the merger of Kamana Bikas Bank Limited (established in FY07) (National level development bank) and Sewa Bikas Bank Limited (established in FY07) (10 district level development bank) on August 04, 2017. At the end of FY25, KSBBL has Rs. 3,511 Mn paid up capital, which is distributed among promoters and public shareholders in the ratio of 51:49.

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In case of partnership/proprietary concerns, the rating assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Products, Services and Innovations

KSBBL offers a diversified portfolio of deposit, lending, payment, remittance and digital banking solutions designed to address the evolving financial needs of individuals, businesses and communities. The Bank regularly reviews its products and services to ensure their continued relevance, accessibility and alignment with changing customer expectations, market conditions and regulatory requirements.



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:

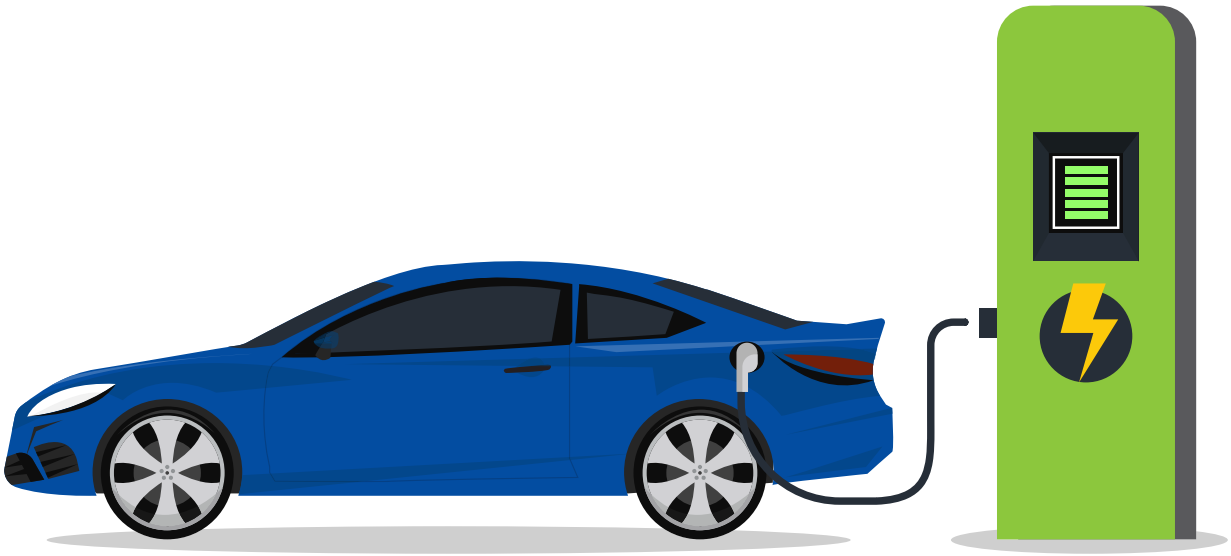
- Purchase/Construction for residential building.
- Purchase of Plot for construction of residential house/ apartment in future subject to receipt of declaration of same from the borrower to build the residential house/ apartment within 2 years.
- Refinance/Swap of existing home loan.

PARTICULARS	PARAMETERS
Facility Type	Term Loan
Loan Amount	Minimum: N/A 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
Loan Amount	**For PEL/Land Purchase Loan:** Minimum: N/A 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. **For Easy OD:** Minimum: N/A Maximum: Up to NPR 5M in all BFIs or within the limit prescribed by NRB from time to time.
LTV	50% of FMV
Loan Tenure	**For PEL:** Minimum: 3 years Maximum: 25 years **For Easy OD:** 1-year subject to renewal



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 Borrowers: NPR 250 million for individual SOL For Institutional 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 decided by Assets Liabilities Management Committee (ALCO) not exceeding the maximum LTV permitted by NRB
Loan Tenure	1 year



RETAIL LOAN	ASHADH 2082	ASHADH 2083
No. of Files	12, 966	15,305
Total RA	23,740,840,868	28,363,341,429.64

MAJOR PRODUCT OF RETAIL LOAN

RETAIL LOAN	ASHADH 2082	ASHADH 2083
PURE HOME LOAN/RESIDENTIAL HOME LOAN	6,402,161,230.03	8,560,431,040.52
PERSONAL EQUITY LOAN AND LAND PURCHASE LOAN	10,307,311,471.93	12,670,850,112.52

NAME OF PRODUCT	YOY NO. OF CUSTOMER GROWTH	YOY RA GROWTH AMOUNT
PURE HOME LOAN/RESIDENTIAL HOME LOAN	404	2,158,269,810.49
PERSONAL EQUITY LOAN AND LAND PURCHASE LOAN	1,501	2,363,538,640.59



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.

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

SAJILO BYABASAYA KARJA

Sajilo Byabasaya 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





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. It 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

SAJILO UDDYAMI KARJA

Sajilo Uddhyami Karja is a micro-segment loan product designed to finance individual entrepreneurs engaged in small-scale business or agriculture related activities and is structured to meet genuine productive financing needs. The primary objective of this product is to scientifically segregate productive sector loans utilized by individuals from consumption-based loans, promote productive sector lending.

Features

- Loan Limit: Maximum NPR 2.5 Million
- Loan Tenure: Term Loan- Maximum up to 20 years
- OD Loan- Maximum up to 1 year (Subject to Renewal)
- Loan to Value (LTV): Maximum up to 50% of Fair Market Value (FMV) of collateral security proposed to be mortgaged in Banks' favor.

During FY 2025/26, the Bank continued to strengthen its customer-centric product portfolio through targeted product innovation, improved digital accessibility and an expanding physical service network. The Bank introduced two new savings products - Bishista Bachat Khata and Alpha Grow Savings Account during the review year.





BISHISTA BACHAT KHATA

Bishista Bachat Khata is a premium savings product distinguished by its doorstep banking facility, designed to bring selected banking services directly to customers. The product caters to high-net-worth individuals, elite professionals, senior citizens and customers seeking a more personalized and convenient banking experience. Customers can request doorstep banking through the KS iMobile application. In addition to personalized service delivery, the account provides a range of complimentary banking facilities intended to enhance customer convenience and value.

Features

- Minimum Balance: NPR 50,000
- Deposits/Withdrawals
- Fixed Deposit Slip Delivery
- Cheque Book Delivery
- Balance Certificate Delivery
- Statement Delivery
- ATM Card Request and Delivery

The doorstep banking services are provided without any additional cost.

No. of Customers:	No. of Requests:	Deposit Amount:
579	189	1,869,341,210.13

By combining personalized service with digital convenience, Bishista Bachat Khata strengthens the Bank's value proposition within the premium banking segment and supports deeper, long-term customer relationships.

ALPHA GROW SAVING ACCOUNT

"Building the Habit of Saving from an Early Age"

AlphaGrow Savings Account is a child-focused savings product designed to encourage children to begin saving from an early age. The product combines disciplined saving with financial protection and supports the development of responsible financial habits among the next generation.

A specially numbered piggy bank is provided to eligible account holders, making the saving experience engaging and encouraging children to participate actively in building their financial future.



Features

- Minimum Balance: NPR 5,000
- Eligibility: Children/Minors under 18 years of age can open this account

No. of Customers:	Deposit Amount:	Age Group:
1,346	85,878,986.96	0-5: 602; 6-10: 434, 11-15: 269, 16-18: 41

Through AlphaGrow Savings Account, the Bank seeks to build long-term relationships with young customers and their families while promoting financial awareness, responsible saving behaviour and financial security from an early age.



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 10,000
- Top-up Facility: Can be topped up in any amount in multiple of 25K before 3 months from maturity

YOY No. of Customers Growth	YOY Deposit Amount
4,578	7,969,616,418.61

KAMANA SEWA PRAGATI BACHATKHATA -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
- Mobile Banking/Internet Banking: Free for first year
- Locker Fee: Free for first year
- Locker Security deposit: 50% waiver 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

YOY No. of Customers Growth
218

YOY Deposit Amount
1,238,522,699.07



YOY No. of Customers Growth
3,256

YOY Deposit Amount
1,559,379,537.48

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% waiver on STC
- Balance Certificate: Free
- Good for payment: Free
- Cheque Book: Free
- Account Statement: Free

INCLUSIVE AND ACCESSIBLE BANKING PRODUCTS

BANKING WITH DIGNITY, INDEPENDENCE AND EQUAL ACCESS

Kamana Sewa Bikas Bank Limited believes that access to formal financial services should not be limited by physical, sensory or other barriers. The Bank has therefore continued to strengthen inclusive banking arrangements for persons with disabilities, with a particular focus on visually impaired customers.

Through purpose-designed products, assisted branch services and accessible service-delivery arrangements, the Bank seeks to enable customers to access and use banking services with greater dignity, confidence and independence.

SWABHIMAN BACHAT KHATA:

Swabhiman Bachat Khata is a specialised savings product designed to support the banking needs of visually impaired individuals. Introduced as an industry-first initiative among development banks in Nepal, the product seeks to reduce barriers to formal banking and promote greater financial independence. The account provides eligible customers with access to essential banking facilities under preferential terms, together with service assistance based on individual requirements.





ACCESSIBLE DIGITAL AND COMMUNICATION CHANNELS:

The Bank recognizes the importance of ensuring that customers with different accessibility and communication requirements can obtain product information and use banking services effectively.

The Bank has continued to strengthen the accessibility of its digital and communication channels through:

- Compatibility of the Bank's website and mobile banking application with screen-reading software
- Assisted guidance for the use of digital banking services
- Telephone and branch-based support for customers requiring additional assistance

These arrangements are intended to enable visually impaired customers to obtain information, navigate available banking channels and conduct transactions with greater independence.

ACCESSIBLE BRANCH SERVICES

The Bank continues to strengthen inclusive access to banking by improving branch infrastructure for persons with disabilities. Wheelchair-accessible arrangements, including ramps and accessible entry points, have been incorporated across the branch network to facilitate safer and more convenient access for customers with mobility limitations.

In addition to physical accessibility, branch personnel provide necessary assistance to customers requiring additional support in accessing banking services, completing documentation and understanding relevant products and service channels. Such support is provided with due consideration to customers' privacy, dignity, consent and independence.

As of the reporting date, the Bank had 19 wheelchair-accessible branches, reflecting its continued commitment to enhancing inclusive and equitable access to banking services.



INCLUSIVE BRANCH BANKING AND PRIORITY SERVICE

KSBBL provides priority and assisted banking services to old aged, illiterate people & people with disabilities and helping them access branch-based services with greater convenience, dignity and independence.

Old aged, illiterate people & people with disabilities are given priority at branch counters, reducing waiting time and enabling them to receive timely assistance. Upon request, branch personnel provide support in understanding product features, completing account-opening and transaction documents, fulfilling customer-verification requirements and accessing suitable banking channels.



Digital Service Innovation and Customer Convenience

During the year, the Bank continued to strengthen its digital banking ecosystem with a focus on making banking services simpler, faster and more accessible. By expanding digital service channels, simplifying customer journeys and introducing technology-enabled banking solutions, the Bank has continued to enhance convenience while reducing customers' dependency on physical branch visits.

The Bank's digital initiatives are designed to provide customers with greater flexibility in accessing banking services, completing transactions and managing their financial needs securely and conveniently.

Digital Account Opening and Customer Onboarding

The Bank continued to simplify the customer onboarding process through online account-opening facilities. Customers can initiate account-opening applications online via banks' website, complete the required verification process and submit necessary information through digital channels, thereby reducing documentation requirements and the need for repeated branch visits. During FY 2082/83, the Bank successfully opened 35 accounts through its online account-opening facility.

A key component of the digital onboarding journey is Video KYC, which enables eligible customers to complete identity verification remotely through a video-based interaction. During the year, 15 Video KYC verifications were successfully completed, supporting a more seamless account-opening experience and reducing the need for customers to visit a branch solely for identity verification and completion of onboarding formalities.

The Bank has also incorporated Nagarik App-enabled onboarding into the digital account-opening journey, allowing customers to use verified information available through the Nagarik App during the application process. This further simplifies data submission, reduces manual entry and supports a more convenient and efficient onboarding experience.

Banking Convenience through KS iMobile

KS iMobile remains one of the Bank's key digital service channels, providing customers with convenient access to banking and payment services through their mobile devices. Customers can manage routine banking requirements, transfer funds, make payments and access various digital services without the need for frequent branch visits.

During the year, the Bank continued to enhance the reach and utilisation of its mobile banking services, supporting the broader shift towards convenient and digitally enabled banking.

KSBBL Auction Hub

The Bank operates the KSBBL Auction Hub as a dedicated digital platform for providing convenient access to auction-related information and notices. The platform enables interested customers and stakeholders to access relevant auction details through an online channel, improving accessibility, transparency and ease of information dissemination.

24x7 Account Block Facility

The Bank provides a 24x7 Account Block facility through its website, enabling customers to initiate account blocking at any time when immediate action is required. The facility enhances customer convenience and account security by providing round-the-clock access to an essential self-service function without the need for an immediate branch visit.

Technology-Enabled Doorstep Banking

As part of its focus on enhancing convenience for priority customer segments, the Bank provides doorstep banking facilities under Bishista Bachat Khata *"Nepal ko pahilo doorstep banking suvidha"* The service combines digital service requests with personalised banking support, allowing eligible customers to access selected banking services from their preferred location.



Rojina Pokhrel

CUSTOMER RESPONSE ON PRODUCT

"As a visually impaired individual, finding a bank that genuinely understands my needs has always been a challenge. However, Kamana Sewa Bikas Bank's **Swabhiman Bachat Khata** has completely changed my perception of banking. This account is specifically designed for visually impaired people like me, and it's the only bank in Nepal that offers such a tailored scheme. From my first interaction with the bank, I felt understood and supported.

Opening the account was straightforward, thanks to the staff's helpfulness and the provision of a **Braille document** that explained all the necessary terms and conditions. This made it easier for me to go through the details independently without relying on someone else to read them for me. The zero-balance feature also relieved a lot of pressure, as I don't have to worry about maintaining a minimum amount.

The bank also offers additional services like **Debit Card, Mobile and Internet Banking, Demat and MeroShare** upon request. Once I confirmed in writing that I could use these services, I gained full access to them, allowing me to handle my financial transactions smoothly. This gave me a sense of independence.

In addition to the banking services, the customer service I've experienced has been truly remarkable. The staff are friendly and patient. They take their time to explain everything clearly, which has made my overall banking experience completely hassle-free."

Artificial Intelligence: Advancing Innovation, Efficiency and Responsible Banking

Artificial Intelligence (AI) is rapidly transforming the financial services industry, moving from an emerging technology into an important enabler of operational efficiency, customer service, analytics, innovation and informed decision-making. For the banking sector, AI presents significant opportunities to simplify processes, improve service delivery, strengthen controls, generate actionable insights and support employees in performing their responsibilities more effectively.

Recognizing this transformation, the Bank has been progressively exploring and adopting AI capabilities as part of its broader digital transformation and process improvement agenda. The Bank's approach is focused not merely on adopting AI tools, but on identifying practical business use cases where technology can create measurable value while maintaining appropriate standards of security, confidentiality, governance and regulatory compliance.

THE BANK'S AI JOURNEY

During the last financial year, the Bank initiated several activities to establish the foundation for broader AI adoption. These initiatives included strengthening internal AI capabilities, exploring AI-assisted customer service, initiating AI-based analytics, providing access to enterprise AI tools, developing computing capacity and promoting AI awareness and creativity among employees.

While AI adoption is still at an evolving stage, these initiatives have helped the Bank move from experimentation toward a more structured approach to AI adoption. The Bank has also recognized that successful AI transformation requires more than technology alone. It requires appropriate data, infrastructure, skilled human resources, process redesign, governance and a culture that encourages responsible innovation.

In line with this direction, the Bank envisioned a dedicated Innovation, AI & Business Process Re-engineering (BPR) Department, which became operational during the current financial year. The establishment of this dedicated function reflects the Bank's commitment to integrating innovation, AI and process transformation into its long-term business strategy.



KEY AI INITIATIVES UNDERTAKEN

Internal AI Chatbot

The Bank has continued to strengthen the capabilities and output quality of its internal AI-powered chatbot and knowledge-based assistance mechanisms. The objective is to make institutional knowledge more accessible to employees and facilitate faster access to relevant policies, procedures, circulars and operational information.

The experience gained through these initiatives is also helping the Bank understand the practical requirements of enterprise AI deployment, including knowledge management, response accuracy, user experience, information security and appropriate human oversight.

AI-Assisted Customer Inquiry and Grievance Management

One of the significant AI initiatives undertaken by the Bank is the development of an AI-assisted Customer Inquiry and Grievance Management solution.

The platform is intended to support the handling of customer inquiries and grievances by providing faster and more consistent responses, assisting in categorizing and routing inquiries, and reducing dependency on manual handling of repetitive queries.

The solution is in the final stage of implementation and is expected to be brought into operation during the current financial year. Before wider deployment, appropriate testing, validation and operational controls will be emphasized to ensure that customer-facing AI provides reliable and appropriate responses while enabling human intervention wherever necessary.

This initiative is expected to contribute toward improving customer experience, reducing response time and establishing a more centralized and structured approach to customer inquiry and grievance management.

AI-Driven Analytics and Decision Support

The Bank has also initiated preliminary work on the application of AI and advanced analytics for internal purposes, particularly in the areas of financial data analysis, business performance monitoring and generation of management insights.

The longer-term objective is to move beyond conventional reporting toward systems capable of identifying trends, exceptions, unusual patterns and areas requiring management attention.

Such capabilities can support management and business units in making more timely, evidence-based decisions. Potential applications include business performance analysis, operational monitoring, exception identification, customer and transaction analytics, risk monitoring and predictive insights, subject to appropriate data governance and regulatory requirements.

AI Computing and Infrastructure

Recognizing that AI applications require appropriate computing resources, the Bank has acquired GPU computing capacity on a rental basis for AI-related processing and model execution.

This provides the Bank with an opportunity to evaluate different AI models and use cases without immediately committing to significant permanent infrastructure investments. The experience gained through such experimentation will help inform future decisions regarding the appropriate combination of on-premises, private infrastructure, cloud and other computing capabilities based on business requirements, information security, scalability and cost considerations.

Enterprise AI Tools for Employee

To facilitate responsible experimentation and improve employee productivity, the Bank has procured enterprise-level subscriptions to AI tools such as ChatGPT and Claude, with access provided to selected officials.

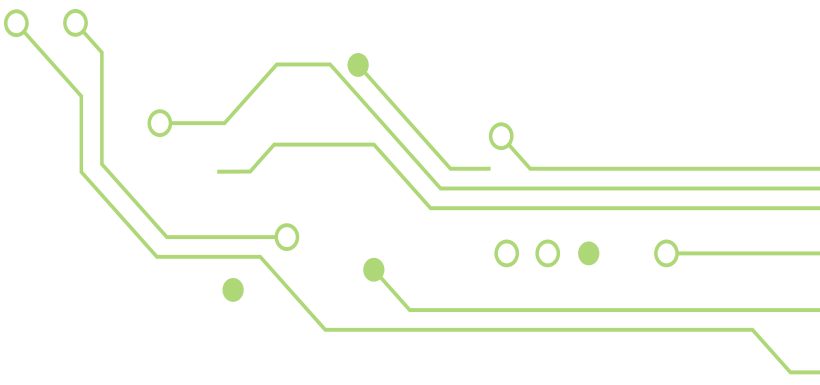
The initiative is intended to help employees explore practical applications of AI in areas such as drafting and summarization, information analysis, document preparation, research assistance, communication, productivity enhancement and other suitable business activities.

The Bank's focus is progressively shifting from simply providing access to AI tools toward identifying measurable business use cases and developing AI literacy among employees so that AI is used as a productivity and decision-support tool rather than merely as a general-purpose technology.

AI Creativity and Employee Engagement

To promote awareness, creativity and employee engagement around emerging technologies, the Bank conducted a nationwide AI Creativity Campaign, encouraging employees to create AI-generated images based on predefined themes and criteria.

Outstanding submissions were recognized and awarded. Beyond the creative aspect, the initiative provided employees with an opportunity to interact with generative AI technologies and contributed toward building awareness of the potential of AI across the organization.



AI AS AN ENABLER OF BANKING TRANSFORMATION

The Bank recognizes that the application of AI in banking extends considerably beyond chatbots and content generation. As the Bank's AI maturity develops, there is potential to apply AI across several areas of banking operations.

These include:

Customer Service: AI-assisted inquiry handling, grievance classification, response generation, knowledge assistance and personalized service support.

Document and Information Processing: Optical Character Recognition (OCR), document classification, information extraction and automated processing of structured and unstructured documents.

Operational Efficiency: Automation of repetitive activities, workflow assistance, reconciliation support, exception identification and process monitoring.

Risk and Compliance: Identification of unusual patterns, monitoring of exceptions, KYC and AML-related analytical support, regulatory information management and risk monitoring, subject to applicable regulatory requirements and appropriate human oversight.

Business and Financial Analytics: Trend analysis, performance monitoring, forecasting, segmentation and management decision support.

Credit and Risk Assessment: Potential application of advanced analytics and AI-assisted assessment of credit and risk information, subject to regulatory approval, model validation, explainability, fairness and appropriate governance.

Process Transformation: Identification of process bottlenecks and opportunities for simplification, digitization and automation through the Bank's Business Process Re-engineering initiatives.

These applications represent areas of opportunity rather than claims of current implementation. The Bank intends to evaluate them progressively based on business value, feasibility, data availability, information security, regulatory requirements and risk.

RESPONSIBLE AND GOVERNED AI ADOPTION

The Bank recognizes that AI adoption in financial services must be accompanied by strong governance. AI can generate significant benefits, but inappropriate use can create risks relating to data confidentiality, privacy, cybersecurity, inaccurate outputs, bias, regulatory compliance, accountability and operational resilience.

Accordingly, the Bank is developing its AI adoption within an appropriate governance and risk management framework, with emphasis on responsible use of AI, protection of confidential information, human oversight, accountability, security and compliance with applicable regulatory and organizational requirements.

The Bank's AI governance approach emphasizes that AI should augment human capability rather than eliminate human accountability. AI-generated outputs are therefore expected to be appropriately reviewed and validated, particularly where decisions may have material implications for customers, employees, risk or regulatory compliance.

The Bank also recognizes that not every AI use case should be implemented simply because the technology is available. Each potential use case needs to be evaluated against factors such as business value, feasibility, data requirements, information security, regulatory considerations, ethical implications and implementation risk.

DATA AND INFRASTRUCTURE: THE FOUNDATION FOR AI

The effectiveness of AI is fundamentally dependent on the quality, availability and governance of data. As the Bank progresses toward more advanced AI applications, strengthening its data capabilities will therefore remain a key priority.

The Bank's future AI ecosystem will require appropriate capabilities for data integration, data quality management, secure storage, access control, data governance and analytical processing.

Information originating from different banking systems and business functions may need to be appropriately integrated to support reliable analytics and AI applications.

At the same time, banking data requires a particularly high standard of confidentiality and security. The Bank will therefore continue to emphasize controlled access, secure processing environments, appropriate data classification, privacy protection and cybersecurity controls while exploring AI-based applications.

BUILDING AN AI-READY WORKFORCE

Technology alone cannot deliver an AI transformation. The Bank recognizes that employee capability and organizational culture are equally important.

Accordingly, the Bank intends to progressively strengthen AI literacy and practical skills among employees through structured training, awareness programs, practical use cases and knowledge-sharing initiatives.

The objective is not to turn every employee into a technical AI specialist. Rather, employees should understand where AI can add value, how to use AI tools effectively, what information should not be shared with AI systems, how to validate AI-generated outputs and when human judgment must remain decisive.

The Bank also intends to encourage employees and departments to identify practical opportunities for AI-assisted productivity, process improvement and service enhancement. This bottom-up approach will complement the Bank's strategic AI initiatives and help develop an organization-wide culture of responsible innovation.

FUTURE DIRECTION

Going forward, the Bank's AI journey will focus on moving from experimentation and individual use cases toward a more integrated and scalable AI ecosystem.

Key areas of future focus include:

- Expansion of the AI-powered Customer Inquiry and Grievance Management platform and enhancement of customer service capabilities.
- Development of AI-assisted analytics and management decision-support systems.
- Increased adoption of enterprise AI tools across departments and business functions, supported by appropriate governance and user awareness.
- Expansion of OCR and intelligent document processing capabilities for suitable banking processes.
- Identification and redesign of manual and fragmented processes through BPR before applying automation or AI.
- Development of predictive and advanced analytics capabilities for business, operational and risk-related applications.
- Exploration of AI-assisted compliance, KYC, AML and monitoring use cases where appropriate controls can be established.
- Progressive exploration of AI agents and agentic workflows for selected business processes after adequate process mapping, control assessment and governance.
- Strengthening of data architecture, computing infrastructure and AI experimentation capabilities.
- Continuous employee training and development of AI-related competencies.
- Further strengthening of AI governance, model risk management, information security, privacy and responsible-use practices.

The Bank will adopt a phased and value-driven approach, prioritizing use cases that offer meaningful business benefits while maintaining appropriate standards of security, control and accountability.

LOOKING AHEAD

The Bank views Artificial Intelligence not as a standalone technology initiative, but as an important component of its broader transformation journey. The combination of AI, data, process re-engineering and digital capabilities can enable the Bank to simplify operations, improve customer experience, strengthen decision-making and create greater organizational efficiency.

The Bank's objective is therefore not to pursue AI adoption for technology's sake. Instead, it is to identify where AI can solve real business problems, improve the way employees and customers interact with the Bank, create sustainable value and be future ready.

As the Bank progresses toward a more digitally enabled and data-driven organization, AI will increasingly become an important enabler of innovation, operational excellence and responsible growth.

The Bank remains committed to exploring AI with ambition, adopting it with discipline, and governing it with responsibility.



Your Journey to a Secure Financial Future.

with Kamana Sewa

Pragati Bachat Khata Platinum



Medical Insurance upto
NPR 1 Lakh*

Accidental Insurance upto
NPR 7 Lakh*

Free
Mobile Banking*

Free
Locker Charge*

MOMENTUM

Operational Excellence

Strengthening efficiency, discipline and consistency across all processes.





THE LEADERSHIP

BOARD OF DIRECTORS



DR. PAWAN KUMAR SHARMA
DIRECTOR

MR. CHATURAKHAR ADHIKARI
DIRECTOR

MS. SRIJANA DANGAL
INDEPENDENT DIRECTOR

MR. SUDEEP ACHARYA
CHAIRPERSON



MR. BHIM PRASAD TULACHAN
DIRECTOR

MR. BISHWESHAR SUBEDI
DIRECTOR

MR. BALARAM BARAL
DIRECTOR

BOD Profile



MR. SUDEEP ACHARYA
Director

Academic Qualification
Postgraduate – University of Arkansas (Industrial Engineering)

Associated Organizations
- Chairperson, Digital Home International Private Limited
- Chairperson, Multiple Television Private Limited
- Chairperson, Pick and Drop Private Limited
- Chairperson, Optima Holdings Limited
- Chairperson, Bindhyabasini Hydropower Company Limited
- Managing Director, Rupumardeni Private Limited
- Director, DishHome
- Director, Multi Energy Development Private Limited
- Director, Orvion Electrical Vehicle Private Limited
- Founder, Prabhu Bank Limited
- Former President, Rotary Club of Nagarjun
- Member, Teach For Nepal
- Member, Nepal Israel Chamber of Commerce
- Director, Former Kaski Finance Limited
- Chairman/Director, Former Kamana Bikas Bank Limited, along with involvement in various other organizations.



MR. BHIM PRASAD TULACHAN
Director

Academic Qualification
Bachelor's Degree – Tribhuvan University (Economics)

Associated Organizations
- Chairperson, Association of Private Health Institutions of Nepal (APHIN) - Lumbini Province
- Coordinator, Audit Supervision Committee, National Cooperative Federation of Nepal
- Chairperson, Shree District Cooperative Union Limited, Rupandehi
- Managing Director, Lumbini Hospital and Technical College Private Limited
- Chairperson, Lumbini Resort and Hill Development Private Limited
- Promoter Chairperson, Chandranagar Drinking Water and Sanitation Committee
- Chairperson, Thakali Sewa Samiti, Butwal Area
- Chairperson, Butwal Hill Park Council
- Chairperson, Former Sewa Bikas Bank Limited
- Chartered President, Tilottama Secondary School, Butwal
- Former Ward Chairman, Butwal-8 (2054-2055 B.S.)
- President, Rotary Club of Butwal Downtown – 2005
- Founding Treasurer, Nepal Cancer Relief Society, Rupandehi
- Promoter, Mani Mukunda Sen Park
- Lifetime Member, Nepal Red Cross Society
- Promoter Chairman, Rupandehi Savings and Credit Cooperative Union Limited, Rupandehi
- Promoter Chairman, Butwal C.T. and Imaging Center Private Limited
- Promoter Chairman, Lumbini Sports Club, Rupandehi



MR. CHATURAKHAR ADHIKARI
Director

Academic Qualification
Bachelor's Degree – Tribhuvan University (Science)
Honorary Doctorate – Integrated Global University (Honoris Causa)

Associated Organizations
- Past President, Lekhnath Chamber of Commerce and Industry
- Promoter Chairman, Laxmi Adarsha Multipurpose Campus
- Past President, Lekhnath Community Lions
- Former Senator, Pokhara University
- Honorary Member, Office of the Abhyusthaman, Philippines
- Promoter Chairperson, Lekhnath Lions Club
- Chairperson/Director, Former Kamana Bikas Bank Limited
- Past Central VicePresident, Brahman Society Nepal
- Involved in various social organizations, and active in literary publication, knowledge creation and pilgrimage-related activities.



MR. BISHWESHAR SUBEDI
Director

Academic Qualification
Post Graduate – Tribhuvan University (Management)

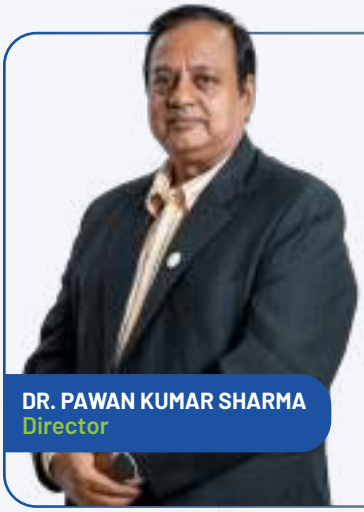
Associated Organizations
- Director, National Hydro Power Company Limited
- Director, Lower Indrawati Hydropower Project
- Managing Director, Lower Irkhuwa Hydropower Company Limited
- Secretary, Nepal Investors Forum
- Director, Former Sewa Bikas Bank Limited
- Chairperson, Ujyalo Energy Private Limited
- Involved in various other associations and organizations.



MR. BALARAM BARAL
Director

Academic Qualification
Bachelor's Degree – Tribhuvan University (Economics)

Associated Organizations
- Director, Rambha General Food Industries Private Limited
- Director, Pokhara Foods Private Limited
- Managing Director, Bakeland Marketing Private Limited
- Treasurer, Pokhara Industrial State Federation
- Director, Bhadrakali Multiple Campus, Pokhara
- Director, Former Kaski Finance Limited
- Director, Former Kamana Bikas Bank Limited
- Involved in various other associations and organizations.



DR. PAWAN KUMAR SHARMA
Director

Academic Qualification
PhD – Singhania University (Computer Science Engineering)
Master's Degree – Sikkim Manipal University (Management / Computer Applications)

Associated Organizations
- Acting Chairperson, Envision Tech Private Limited
- Co-founder & Chair, Three Monks Private Limited
- Chairperson, Dewan Soft Private Limited
- Chairperson / Editor-in-Chief, N Tech Media Private Limited
- Faculty Lecturer, Texas College of Management and IT
- Program Director, Virinchi College
- Ambassador, Agora Speakers International
- Associated with Nepal Open University and various other organizations.



MS. SRIJANA DANGAL
Independent Director

Academic Qualification
Masters' Degree – Pokhara University (Business Administration)

Associated Organizations
- Chairperson, Surge Investment Company Private Limited
- Director, Alphabed Holding Company Private Limited
- Former Deputy Chief Executive Officer / Former Company Secretary, Akash Capital Limited
- Former Company Secretary / Former Head: Share Department, Api Power Company Limited
- Former Investment Advisor, People's Investment Company Limited



SUDEEP ACHARYA
CHAIRPERSON

On the Occasion of the 20th Annual General Meeting

Distinguished Shareholders, Respected Representatives of the Regulatory Authorities, Respected Directors, the Bank's External Auditor, Chief Executive Officer, Senior Management, Employees, and all other distinguished guests present at this august gathering.

On behalf of the Board of Directors and on my own behalf, I extend my warmest welcome to all of you and express my sincere gratitude for your gracious presence at the 20th Annual General Meeting of Kamana Sewa Bikas Bank Limited.

It is a matter of great pride and satisfaction for me to present before this esteemed meeting of shareholders and other stakeholders a review of the Bank's major achievements during the fiscal year 2082/83.

During the review period, liquidity in the overall banking system increased significantly, resulting in a decline in lending interest rates. However, despite the relatively favorable interest-rate environment, the demand for credit did not improve as expected. Since the core function of the banking sector is to mobilize deposits and extend credit, the subdued demand for loans has had a direct impact on the overall financial sector.

Nevertheless, the Bank has been successful in achieving satisfactory growth in its business during the review period. While the overall credit portfolio of the banking sector increased by 6.32% and the credit portfolio of national level development banks increased by 5.57%, Kamana Sewa Bikas Bank Limited successfully expanded its credit portfolio by 6.29%.

The matters required to be presented at the Annual General Meeting as directed by the regulatory authorities, along with the Bank's significant activities and other relevant information concerning its stakeholders, have been appropriately incorporated into the Annual Report.

The Bank has been providing prudent, quality-oriented, and result-driven banking services by setting its annual course of action on the foundation of Strategy 2084, as approved by the Board of Directors.

In accordance with the said strategy and annual course of action, and within the framework of applicable laws, regulations, and directives issued by the regulatory authorities, the Bank has continued to provide banking services to more than 800,000 valued customers.

Based on the strategy approved by the Board of Directors and the annual course of action, the Bank has placed particular emphasis on enhancing transparency, strengthening institutional governance, and giving high priority to financial compliance.

Accordingly, the Bank has continued to publish its financial statements on time, conduct its Annual General Meeting within the first quarter, and present its Annual Report in a more transparent and comprehensible manner. As a result of these initiatives, the Bank has successfully continued to receive the Gold Award under the Best Presented Annual Report (BPA) Awards presented by the Institute of Chartered Accountants of Nepal (ICAN), as well as the prestigious SAFA Award of South Asia.

The Bank has also changed its approach to business expansion with a strong focus on improving the quality of its business rather than merely increasing its overall size. Accordingly, greater emphasis has been placed on the quality of business, and branch offices have been assigned targets for credit disbursement and deposit mobilization accordingly.

The Bank has given particular priority to sustainable and prudent business practices, strict compliance with regulatory directives, and financial discipline. As a result, while the non-performing loan ratio of the overall financial market stood at 5.66%, Kamana Sewa Bikas Bank Limited has successfully maintained its non-performing loan ratio at 3.78%.

As a result of the strategic initiatives adopted by the Bank, we have been able to provide our valued shareholders with balanced, sustainable, and attractive returns.

During the review period, as part of its institutional social responsibility and in accordance with the areas prescribed by Nepal Rastra Bank, the Bank contributed Rs. 71,01,001.74 towards sustainable development and corporate social responsibility initiatives. In addition, the Bank contributed Rs. 68,73,29,121.99 to the Government Revenue Fund through taxes and other contributions arising from its income.

Based on the distributable profit generated during FY 2082/83, the Board of Directors has resolved to distribute 9% dividend to the preference shareholders in proportion to their shareholding as of the end of Ashadh 2083, and 15% cash dividend, including tax, to other shareholders. As the proposed dividend has been approved by Nepal Rastra Bank, I respectfully request this esteemed Annual General Meeting to approve the proposal accordingly.

I would also like to express my sincere appreciation to our Past Chairpersons, Former and Existing Directors, all valued shareholders, Nepal Rastra Bank, Nepal Securities Board, the Office of the Company Registrar, Nepal Stock Exchange, and all other regulatory authorities, for their invaluable guidance and continued support to the Bank.

I extend my heartfelt gratitude to our valued customers, Share Registrar Prabhu Capital Limited, Credit Information Centre Limited, various banks and financial institutions, the Bank and Financial Institution Association, Development Bankers Association, the communication sector, and all other stakeholders for their continued cooperation and support.

Finally, I would like to express my special appreciation and sincere thanks to all employees of Kamana Sewa Bikas Bank Limited for their dedication, commitment, and continuous efforts in carrying out their respective responsibilities with a strong sense of ownership and professionalism, thereby contributing to strengthening the Bank from an operational and performance perspective.

In conclusion, on the auspicious occasion of this 20th Annual General Meeting, I once again extend my warm welcome and sincere gratitude to all distinguished shareholders and guests for your gracious presence.

I wish the Bank, its shareholders, customers, employees, and all stakeholders continued success, prosperity, and progress in the years ahead.

Thank you with warm regards.

Sudeep Acharya

Chairperson

Jay Kamana Sewa Bikas Bank Limited

KAMANA SEWA BIKAS BANK LIMITED
BOARD OF DIRECTORS' ANNUAL REPORT FY 2082/83
Presented at the 20th Annual General Meeting

Dear Esteemed Shareholders,

On behalf of the Board of Directors and on my own behalf, I extend a warm welcome to all esteemed shareholders present at the Bank's prestigious 20th Annual General Meeting; representatives of the regulatory authorities who have graciously accepted our invitation and attended this meeting; members of the Board of Directors; the Bank's external auditor; the Chief Executive Officer; senior management and employees; and all distinguished guests present at this august gathering.

As Kamana Sewa Bikas Bank has completed its proud 19 years and entered its 20th year of journey, I, on behalf of the Board of Directors and personally, would like to express our sincere gratitude to all stakeholders who have provided appropriate guidance to the Board and offered valuable advice and suggestions.

During the review period, the liquidity position of banks and financial institutions was affected as the demand for credit did not increase in proportion to deposits across the overall financial system. Although banks had adequate investible funds and lending interest rates remained low, pressure on credit expansion was observed. Nevertheless, compared with other banks and financial institutions, the Bank's credit growth remained satisfactory. Despite various economic challenges observed at the national and international levels, the Bank has been successful in achieving better results in FY 2082/83 than in the preceding fiscal years.

The Bank has been providing prudent, quality and result-oriented banking services by placing its Mission, Vision and Core Values at the forefront and setting annual directions based on Strategy 2084 approved by the Board of Directors to provide technology-enabled services to its customer segments. In accordance with the Roadmap approved by the Board of Directors, the Bank has continued to provide prudent, quality and result-oriented banking services while fully complying with the policies and regulations of the regulatory authorities. Some of the tangible achievements made during the review period are as follows:

- As of the end of Ashadh 2083, the Bank collected deposits of Rs. 66.74 billion, representing 10.03% of the total deposits of development banks. During the same period, the Bank extended loans of Rs. 57.62 billion, representing a 10.44% market share among development banks.
- During the review period, 186,189 customers used debit cards, 514,844 customers used mobile banking, and 38,993 customers used QR services provided by the Bank.
- While fully complying with the policies and directives of the regulatory authorities, the Bank has always upheld a zero-tolerance approach. To safeguard and enhance the interests of shareholders and stakeholders and to prioritize institutional governance, the Bank has also implemented its policies and procedures transparently.

In line with the plan to provide customers with fast and convenient services, the following services have been automated:

- Online Account Opening
- Online DEMAT Account Opening
- Online Account Block/Close Module
- Document Validation for: Balance Certificate, Bank Guarantee, Fixed Deposit and Good for Payment
- Fixed Deposit Account Opening
- Loan Against Fixed Deposit
- NID and KYC Update

The Bank has moved strongly toward achieving its long-term objectives by implementing appropriate tools and formulating strategies for the implementation of long-term priorities specified in its strategy, such as increasing the number of current and savings deposit customers, increasing the share of non-interest income, and prioritizing small and medium-sized loans.

In this context, I seek permission to present before this august General Meeting, on behalf of the Board of Directors, this report prepared under the Companies Act, 2063, the Bank and Financial Institutions Act, 2073, and the Securities Registration and Issuance Regulations, 2073, covering the Bank's progress and achievements during FY 2082/83, challenges observed in banking operations, and a review and reassessment of the overall banking business.

1. INDICATORS OF THE INTERNATIONAL AND NATIONAL ECONOMIC AND FINANCIAL SECTORS

(A) INTERNATIONAL ECONOMIC SITUATION AND OUTLOOK:

Following the COVID-19 pandemic, the global economy has been gradually recovering; however, it has been affected by rising geopolitical tensions and the shadow of war. Recent projections of the International Monetary Fund indicate that economic growth may slow and inflation may increase due to disruptions in global energy supply. Although the agreement between the United States and Iran has raised hopes for restoration of peace in West Asia, recent developments indicate that the uncertainty has not yet been fully resolved. If the conflict in West Asia subsides, oil prices are expected to return toward pre-war levels and pressure on inflation is expected to ease. Accordingly, most central banks have either maintained or initiated reductions in policy interest rates,

while some central banks have also begun raising interest rates.

The global economy is currently experiencing repeated external shocks arising from the continuing Russia–Ukraine conflict and the recent tensions in West Asia. Although this unprecedented level of uncertainty and disruption has adversely affected global output, productivity gains generated through Artificial Intelligence have mitigated some of the impact. The International Monetary Fund revised its projection for global economic growth in 2026 from 3.30% in January 2026 to 3.10% in April 2026.

The Global Uncertainty Index, which had reached a high level in September 2025 due to significantly increased tariff rates between the United States and its major trading partners and the intensification of the trade war, subsequently declined gradually. However, following the outbreak of conflict in the Middle East, the index increased again, indicating a resurgence of global uncertainty.

The International Monetary Fund increased its January 2026 estimate of global inflation for 2026 from 3.80% to 4.40%. This indicates a contraction in consumers' real purchasing power. In 2026, inflation in advanced and emerging economies is estimated to remain at approximately 2.80% and 5.50%, respectively.

(B) REVIEW AND OUTLOOK OF THE NATIONAL ECONOMIC SITUATION:

a. Real Sector:

According to the National Statistics Office, economic growth in FY 2082/83 is estimated at 3.85%. Growth in the agricultural sector is estimated at 1.58%, the industrial sector at 5.67%, and the services sector at 4.21%. In FY 2082/83, the shares of agriculture, industry and services in Gross Domestic Product were 24.03%, 14.16% and 61.81%, respectively. Gross domestic saving stood at 9.71% of GDP. The ratios of gross fixed capital formation and gross national saving to GDP were 26.26% and 44.77%, respectively. Total installed electricity generation capacity increased to 4,120 MW in FY 2082/83, of which 3,905 MW was hydropower capacity. Total tourist arrivals increased by 0.95% to 1,158,459 during FY 2082/83.

Sectoral Contribution to Gross Domestic Product (GDP) IN %

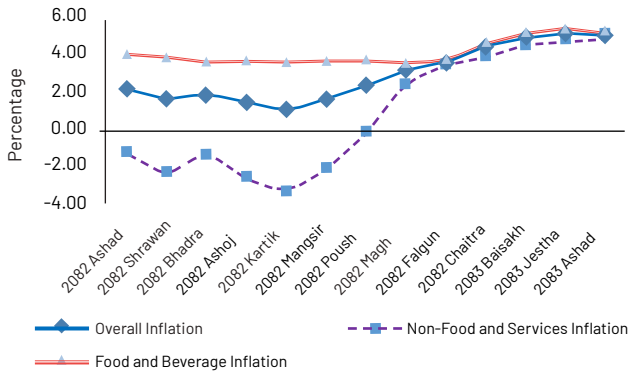
Sector	2080/81	2081/82 Revised Estimate	2082/83 Preliminary Estimate
Agriculture*	24.46	24.50	24.03
Industry	13.60	13.70	14.16
Service	61.94	61.80	61.81
Real GDP Growth Rate			
Economic Growth Rate	**3.68**	**4.43**	**3.85**
Agriculture*	3.10	3.05	1.58
Industry	0.21	3.31	5.67
Service	4.49	4.49	4.21

*Agriculture, Forestry and Fishing

b. Inflation:

Year-on-year consumer inflation stood at 5.14% in Ashadh 2083, compared with 2.20% in Ashadh 2082. The annual average consumer inflation during FY 2082/83 stood at 3.08%, compared with 4.06% in the previous fiscal year. Compared with the previous fiscal year, within the Food and Beverage group, prices of the ghee and oil sub-group increased by 10.05%, fruits by 7.09%, and non-alcoholic beverages by 3.28%, while the price index of vegetables, spices, and pulses and legumes declined by 3.95%, 3.66% and 3.41%, respectively. Within the Non-Food and Services group, price index of miscellaneous goods and services sub-category increased by 17.61%, education by 7.04%, transportation by 5.80%, and clothing and footwear by 5.56%, while the index for insurance and financial services declined by 0.01%.

Annual Point-to-Point Consumer Inflation

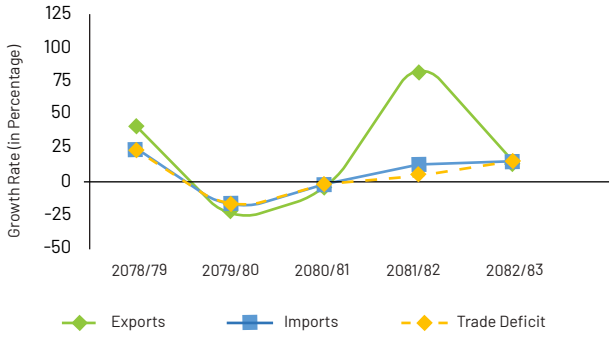


During FY 2082/83, annual average consumer inflation in the Food and Beverage group stood at 1.04%, compared with 4.69% in the previous fiscal year. Year-on-year consumer inflation in the Food and Beverage group stood at 5.25% in Ashadh 2083, compared with negative 1.19% in Ashadh 2082. Annual average consumer inflation in the Non-Food and Services group stood at 4.21% during FY 2082/83, compared with 3.71% in the previous fiscal year. Year-on-year inflation in the Non-Food and Services group stood at 5.08% in Ashadh 2083, compared with 4.12% in Ashadh 2082. During FY 2082/83, annual average consumer inflation was 3.16% in Kathmandu Valley, 3.28% in the Terai, 2.81% in the Hills and 2.73% in the Mountains. In Ashadh 2083, year-on-year consumer inflation was 4.80% in Kathmandu Valley, 5.63% in the Terai, 4.97% in the Hills and 4.04% in the Mountains. By province, annual average consumer inflation during FY 2082/83 was 3.77% in Koshi Province, 3.65% in Madhesh Province, 2.79% in Bagmati Province, 2.59% in Gandaki Province, 3.29% in Lumbini Province, 2.60% in Karnali Province and 2.05% in Sudurpashchim Province. In Ashadh 2083, year-on-year consumer inflation was 5.61% in Koshi, 5.94% in Madhesh, 4.68% in Bagmati, 5.12% in Gandaki, 5.25% in Lumbini, 5.01% in Karnali and 4.27% in Sudurpashchim Province.

c. Foreign Trade:

During FY 2082/83, total merchandise exports increased by 13.8% to Rs. 315.29 billion, compared with an 81.8% increase in the previous year. By destination, exports to India and other countries increased by 15.1% and 10.1%, respectively, while exports to China decreased by 28.0%. On a commodity basis, exports of soybean oil, palm oil, cardamom, jute products, noodles and other products increased, while exports of zinc sheets, particle boards, tea, woollen carpets, handicraft products and other handicrafts declined. Total merchandise imports increased by 16.2% to Rs. 2,096.38 billion, compared with a 13.3% increase in the previous year. Imports from India, China and other countries increased by 13.0%, 24.7% and 17.5%, respectively. Imports of petroleum products, silver, transport equipment, vehicles and spare parts, chemical fertilizers, other machinery and parts increased, while imports of edible oil, hot-rolled sheets in coil, garlic, bitumen, M.S. billets and other products declined. Total merchandise trade deficit increased by 16.6% to Rs. 1,781.09 billion, compared with a 6.0% increase in the previous year. The export-import ratio stood at 15.0% during the review year, compared with 15.4% in the previous year. During the review year, goods equivalent to Rs. 197.25 billion were imported from India against payment in convertible foreign currency, compared with Rs. 181.15 billion in the previous year.

Annual Foreign Trade



d. Remittance Inflows:

During FY 2082/83, remittance inflows increased by 37.1% to Rs. 2,363.13 billion, compared with a 19.2% increase in the previous year. Remittance inflows stood at Rs. 242.33 billion in Ashadh 2083, compared with Rs. 189.11 billion in the corresponding month of the previous year. In US dollar terms, remittance inflows increased by 28.1% to USD 16.19 billion during the review year, compared with a 16.3% increase in the previous year. Net secondary income (net transfers) amounted to Rs. 2,581.53 billion during the review year, compared with Rs. 1,874.30 billion in the previous year. During the review year, 406,519 Nepali citizens obtained final labour approval for foreign employment (institutional and individual – new), while 385,783 obtained renewed labour approval. In the previous year, the corresponding numbers were 505,957 and 333,309, respectively.

e. Current Account and Balance of Payments Position:

During the review period, the current account remained in surplus by Rs. 823.59 billion, compared with a surplus of Rs. 409.84 billion in the corresponding period of the previous year. In US dollar terms, the current account surplus increased from USD 3.01 billion in the corresponding period of the previous year to USD 6.33 billion during the review period. Net capital transfer amounted to Rs. 18.50 billion, compared with Rs. 9.84 billion in the corresponding period of the previous year. Likewise, direct foreign investment (equity only) amounted to Rs. 28.49 billion during the review period, compared with Rs. 12.02 billion in the corresponding period of the previous year. The balance of payments remained in surplus by Rs. 1027.04 billion during the review period, compared with a surplus of Rs. 594.54 billion in the corresponding period of the previous year. In US dollar terms, the balance of payments surplus increased from USD 4.37 billion to USD 7.05 billion.

f. Monetary Situation:

Broad money supply increased by 13.4% during FY 2082/83, compared with 12.5% growth in the previous year. During the review year, net foreign assets (adjusted for foreign exchange valuation gains/losses) increased by Rs. 1,027.04 billion (38.5%), compared with an increase of Rs. 594.54 billion (29.9%) in the previous year. Due to liquidity absorption through open market operations and the issuance of Nepal Rastra Bank bonds, reserve money increased by only 5.6% during the review year, compared with 16.1% in the previous year. Total domestic claims of the monetary sector increased by 2.1%, compared with 6.1% growth in the previous year. Net claims of the monetary sector on the Government declined by 25.1%, compared with a 4.1% decline in the previous year. Claims of the monetary sector on the private sector increased by 6.6%, compared with 8.1% growth in the previous year. Deposits with banks and financial institutions increased by 13.9% (Rs. 1,013.05 billion) to Rs. 8,276.93 billion, compared with 12.6% growth (Rs. 811.49 billion) in the previous year. As of Ashadh 2083, the shares of current, savings and fixed deposits in total deposits of banks and financial institutions were 8.1%, 47.0% and 35.3%, respectively, compared with 7.1%, 36.8% and 48.3% in the previous year. Institutional deposits accounted for 33.9% of total deposits as of Ashadh 2083, compared with 36.1% as of Ashadh 2082.

During the review year, credit extended to the private sector by banks and financial institutions increased by 6.5% (Rs. 359.36 billion) to Rs. 5,857.06 billion, compared with 8.4% growth (Rs. 423.73 billion) in the previous year. As of Ashadh 2083, of the credit extended to the private sector by banks and financial institutions, 62.1% was directed to the non-financial institutional sector and 37.9% to the individual and household sector, compared with 62.8% and 37.2%, respectively, in the previous year. During the review year, credit to the private sector increased by 6.5% from commercial banks, 7.0% from development banks and 5.4% from finance companies. As of Ashadh 2083, of the credit held by banks and financial institutions, 15.1% was secured by current assets (agricultural and non-agricultural commodities), while 62.9% was secured

by real estate collateral, compared with 14.5% and 64.7%, respectively, in Ashadh 2082. During FY 2082/83, credit extended by banks and financial institutions increased by 18.6% to the construction sector, 17.8% to the consumable sector, 15.0% to transportation, communications and public services, 5.2% to industrial production, 5.0% to finance, insurance and real estate, and 4.4% to service industries, while credit to the agricultural sector declined by 1.8%.

g. Financial Access and Capital Market:

As of Ashadh 2083, a total of 105 banks and financial institutions were in operation, comprising 20 commercial banks, 17 development banks, 16 finance companies, 51 microfinance financial institutions and 1 infrastructure development bank. The number of branches of banks and financial institutions, including microfinance institutions, decreased from 11,526 as of Ashadh 2082 to 11,332 as of Ashadh 2083. As of Ashadh 2083, the number of deposit accounts held with Class 'A', 'B' and 'C' banks and financial institutions stood at 63,425,296, while the number of loan accounts stood at 2,031,364. According to preliminary data received from Class 'A', 'B' and 'C' banks and financial institutions in Ashadh 2083, the average ratio of primary capital and capital fund to risk-weighted assets was 9.95% and 12.76%, respectively. Similarly, the ratio of net liquid assets to deposits of banks and financial institutions was 37.91%. The non-performing loan ratio of banks and financial institutions stood at 5.66% in Ashadh 2083. During the month of Ashadh 2083, debit card users conducted approximately 10.6 million transactions amounting to Rs. 80.81 billion. Similarly, mobile banking recorded 82.6 million transactions amounting to Rs. 696.94 billion, while QR code payments recorded 69.6 million transactions amounting to Rs. 189.91 billion. The NEPSE Index, which stood at 2,794.79 at the end of Ashadh 2082, stood at 2,597.80 at the end of Ashadh 2083. Securities market capitalization stood at Rs. 4,463.55 billion at the end of Ashadh 2083, compared with Rs. 4,656.99 billion at the end of Ashadh 2082. Market capitalization represented 67.63% of GDP in Ashadh 2083, compared with 75.11% in Ashadh 2082. As of Ashadh 2083, 302 companies were listed on the Nepal Stock Exchange Limited, comprising 133 banks and financial institutions and insurance companies, 110 hydropower companies, 29 manufacturing and processing companies, 9 hotels, 7 investment companies, 4 trading companies and 10 companies in other sectors. There were 272 listed companies in Ashadh 2082. Banks and financial institutions and insurance companies accounted for 51.8% of securities market capitalization, followed by hydropower companies at 17.5%, manufacturing and processing companies at 8.4%, investment companies at 6.7%, trading companies at 4.2%, hotels at 3.2% and other companies at 8.3%.

Number of Banks and Financial Institutions and Their Branches

BANK/FINANCIAL INSTITUTION	NUMBER OF INSTITUTIONS			NUMBER OF BRANCHES		
	END OF ASHADH 2081	END OF ASHADH 2082	END OF ASHADH 2083	END OF ASHADH 2081	END OF ASHADH 2082	END OF ASHADH 2083
Commercial Banks	20	20	20	5,056	5,099	4,941
Development Banks	17	17	17	1,135	1,132	1,112
Finance Companies	17	17	16	288	291	294
Microfinance Financial Institutions	52	52	51	5,051	5,004	4,985
Infrastructure Development Bank	1	1	1	-	-	-
Total	**107**	**107**	**105**	**11,530**	**11,526**	**11,332**

Number of Deposit and Loan Accounts of Banks and Financial Institutions

BANK/ FINANCIAL INSTITUTION	NUMBER OF DEPOSIT ACCOUNTS		NUMBER OF LOAN ACCOUNTS	
	END OF ASHADH 2082	END OF ASHADH 2083	END OF ASHADH 2082	END OF ASHADH 2083
Commercial Banks	50,986,171	54,449,539	1,644,545	1,700,934
Development Banks	7,475,347	7,883,672	271,027	261,447
Finance Companies	967,849	1,092,085	50,986	68,983
Total	**59,429,367**	**63,425,296**	**1,966,558**	**2,031,364**

3. ANALYSIS OF THE BANK'S BUSINESS PERFORMANCE IN PREVIOUS YEARS

The major financial indicators for FY 2082/83 and several preceding fiscal years are as follows:

Details	Unit	2078/79	2079/80	2080/81	2081/82	2082/83
Net Profit / Total Income	%	9.62	4.78	7.80	10.52	16.00
Earnings per Share	Rs.	18.78	11.01	17.73	19.08	23.16
Market Price per Share	Rs.	349.90	327.00	416.00	500.69	474 .00
Price-Earnings Ratio	Ratio	18.63	29.69	23.46	26.25	20.46
Dividend on Share Capital (including Bonus)	%	4.64	0.00	12.00	15.79	15
Cash Dividend on Share Capital	%	0.23	0.00	5.00	5.79	15
Interest Income / Interest-Earning Assets	%	13.22	15.86	14.34	11.31	9.36
Employee Expenses / Total Operating Expenses	%	59.96	62.20	63.39	64.16	66.02
Interest Expense on Total Deposits and Borrowings	%	8.31	9.79	8.09	5.63	4.11
Employee Bonus / Total Employee Expenses	%	15.58	8.90	15.10	16.06	19.63
Net Profit / Loans and Advances	%	1.34	0.78	1.18	1.27	1.63
Net Profit / Total Assets	%	0.99	0.58	0.87	0.94	1.20
Total Loans / Deposits	%	88.33	83.92	84.03	85.38	86.34
Total Operating Expenses / Total Assets	%	1.95	1.85	1.79	1.74	1.79
Capital Adequacy on Risk-Weighted Assets						
(a) Tier I Capital	%	8.59	8.62	9.61	9.91	11.68
(b) Supplementary Capital	%	3.54	3.62	2.89	2.67	2.49
(c) Capital Adequacy Ratio	%	12.13	12.24	12.50	12.58	14.17
Liquidity	%	23.99	24.49	24.69	24.49	25.12
NPL / Total Loans	%	2.31	3.09	3.36	3.49	3.78
Base Rate	%	11.05	11.93	9.20	7.07	5.53
Average Interest Rate Spread	%	4.81	4.59	4.59	4.27	3.98
Total Ordinary Shares	Number	31,425,770	32,811,647	32,811,647	35,108,462	38,619,308
Book Value per Share	Rs.	138.89	144.33	164.10	169.12	171.71
Total Employees	Number	955	1,031	988	966	969

(a) Paid-up Capital:

During the review period, the Bank's paid-up capital stood at Rs. 4,21,19,30,814.94, comprising ordinary share capital of Rs. 3,86,19,30,814.94 and preference share capital of Rs. 35,00,00,000.

(b) Capital Adequacy:

The capital adequacy ratio has been calculated in accordance with the Capital Adequacy Framework 2015 prescribed by Nepal Rastra Bank. At the end of FY 2082/83, the capital adequacy ratio stood at 14.16%, which was above the minimum capital requirement prescribed by Nepal Rastra Bank.

(c) Deposit Mobilization:

During the current fiscal year, the Bank's total deposits reached Rs. 66.74 billion, of which current deposits accounted for 2.84%, savings deposits 50.94%, fixed deposits 37.46% and call deposits 8.76%. Institutional deposits accounted for 29.03% of total deposits. The Bank's institutional deposits remained within the limit prescribed by Nepal Rastra Bank.

(d) Loans and Advances:

Loans and advances increased by 6.29% from Rs. 54.22 billion at the beginning of the fiscal year to Rs. 57.62 billion. The Bank aims to continue expanding its services by introducing other effective and timely plans in the coming days.

(e) Investments:

At the end of the fiscal year, the Bank's investments stood at Rs. 13.75 billion, comprising Rs. 12.63 billion invested in Government securities and Rs. 1.12 billion in shares of other organized institutions.

(f) Operating Expenses:

During the fiscal year, the Bank incurred Rs. 893.7 million in employee expenses and Rs. 460.0 million in other operating expenses, totaling Rs. 1,353.7 million.

(g) Income:

The Bank's income has been classified into operating and non-operating income. Operating income includes interest income, commission and discount income, and other operating income. During the fiscal year, the Bank earned Rs. 5,221.02 Million, Rs. 373.74 Million and Rs. 81.66 Million under interest income, commission and discount income, and other operating income, respectively.

(h) Liquidity Management:

Based on the size and complexity of the Bank's business and transactions, a liquidity risk management policy has been approved and implemented. Since insufficient liquidity may constrain business operations while excess liquidity can directly affect profitability, an Asset-Liability Management Committee (ALCO) has been formed for overall liquidity management. The Committee meets at regular intervals and manages liquidity so that liquidity risk remains within appropriate limits.

(i) Non-Performing Loans:

The Bank's total non-performing loans stood at 3.78% during the fiscal year.

4. MAJOR FACTORS AFFECTING THE BANK'S BUSINESS

The major risks and challenges that may affect the Bank's business are as follows:

- Impact of inflation.
- Potential risks arising from loans extended by the Bank and off-balance-sheet services.
- Potential risks arising from deposit and lending banking services.
- Potential risks arising from changes in exchange rates in foreign exchange transactions.
- Risks arising from a narrowing scope of deposit mobilization, investment, and loans and advances.
- Risks arising from increasing competition and shortage of skilled human resources.
- Challenges related to risks associated with digital products introduced in line with changing times.
- Adverse impacts of climate change on the hydropower and agricultural sectors.
- Risks arising from negative comments and activities affecting the banking sector.
- Failure to maintain harmony between inflation and interest rates.
- Risks arising from delays in loan repayment.
- Increasing operational risk.
- Increasing information and cyber security risks.

To manage the above challenges and risks, a robust risk framework has been developed and implemented for risk identification, measurement, monitoring, control and reporting. For risks arising from deterioration of the Bank's loans and advances and investments, as well as foreign exchange rate movements, the Bank makes provisions in accordance with Nepal Rastra Bank directives and its own analysis, including loan loss provisions, provisions for possible investment losses and foreign exchange fluctuation reserves. The Bank has also given due attention to enhancing the knowledge and skills of its human resources in order to face market competition.

5. VARIOUS PLANS, PROGRAMS AND ACHIEVEMENTS IMPLEMENTED BY THE BANK

In the coming year, the Bank has made business growth with risk management its major strategy and has prioritized the following programs:

- Develop Artificial Intelligence as a strategic companion.
- Take necessary steps to make the Bank future-ready.
- Introduce innovative banking services for loans, deposits and other facilities.
- Expand the infrastructure and services developed by the Bank extensively among the majority of service users.
- Improve the quality of modern banking services through digital banking and introduce new services.
- Adopt cost-efficiency measures and necessary controls to contain operating expenses.
- Continue employee development programs to enhance employee competency.
- Identify potential dimensions for further expansion and diversification of the Bank's business.
- Identify new sources of non-interest income and continuously enhance the Bank's profitability.
- Further strengthen the Bank's internal control system and corporate governance.
- Give top priority to effective loan recovery and focus on reducing non-performing loans.
- Automate internal workflows to make the Bank's operations and customer service more efficient and effective.
- The Bank will identify new areas of business, manage fluctuations in the foreign exchange market and interest rates more effectively, and develop and implement action plans necessary to create a positive impact on the Bank's profitability.

(a) Branch Network:

By the end of FY 2082/83, the Bank had 122 branches, 1 extension counter and 66 ATMs providing financial services. The Bank has also been affiliated with the NEPS network since FY 2075/76 and has been providing customers with services through the related Chip Based ATM Card. With the objective of providing more effective services, the Bank has also been issuing SCT Network cards and, from this year, has commenced the service of NepPay cards.

In the coming years, rather than focusing on increasing the number of branches, the Bank intends to operate existing branches more effectively and analyze the capacity and

potential of existing branch offices for consolidation. With approval from Nepal Rastra Bank, seven branch offices were merged into nearby convenient branches during the previous fiscal year.

(b) Remittance:

With the objective of bringing remittances into Nepal through formal channels by Nepali brothers and sisters working abroad, the Bank has been providing fast and secure remittance services in partnership with various remittance service provider companies. The Bank has adopted a policy of working with other reputed remittance service providers as required. In line with the policy of the Government of Nepal and directives remittance inflows by operating remittance fixed deposit accounts at attractive interest rates.

(c) Information Technology:

The Bank holds a leading position in the information technology sector and has consistently been at the forefront in providing technology-based services. To automate banking processes, the Bank has implemented robotic process automation (RPA), online account closure and account blocking, online account opening, online DEMAT account opening, digital processing of internal notes and approvals, and a digital signature system. To make banking services more effective, the Bank has also established a separate department for Artificial Intelligence and aims to expand its application.

The Bank's policy is to upgrade its information systems in line with technological developments and customer convenience. As information technology risk has emerged as a major risk in the banking sector, the Bank continuously conducts regular information system audits and VAPT testing to mitigate such risks and uses the CrowdStrike-type antivirus solution as part of its security measures.

(d) Other Services and Facilities:

The Bank has introduced a facility enabling customers to submit applications for shares of any company online, eliminating the need to stand in long queues as in the past. Customers can also open DEMAT accounts online for dematerialization of shares. The Bank is a member of Nepal Clearing House and continues to provide services such as Clearing Service, RTGS and ConnectIPS, among others.

The Bank has been providing locker facilities through various branch offices. Considering customer needs and demand, the Bank aims to further expand locker facilities. As of Ashadh 2083, 2,507 customers were using locker services at various branches of the Bank.

6. HUMAN RESOURCES

The Bank has consistently recognized that skilled employees are the most important factor for success in the competitive banking environment. Due to increasing overseas study and employment, the shortage of skilled employees in the banking sector continues. Recognizing the important role of human resources in achieving business objectives, appropriate human resource management is essential to achieving the highest level of customer satisfaction. The Bank has been creating a suitable environment for employee capacity development and promoting and implementing integrity, professional competence, mutual harmony, creativity and teamwork. To support career development and enhance employee competency, employees are periodically included in various internal and external trainings, workshops and seminars. Technology is utilized to the maximum extent to reduce employees' workload.

7. INDUSTRIAL AND BUSINESS RELATIONS

The Bank remains firmly committed to placing customers at the highest priority. In the course of business, the Bank has entered into agreements with various banks, financial institutions and other organizations to provide diverse financial services to customers and facilitate each other's customers, with necessary arrangements made accordingly. Our success is attributable to the immense trust and support of our customers, and on this occasion we reaffirm our commitment to enhancing the quality of customer service. The Bank maintains cordial and professional relationships with its customers, business and industrial establishments, associations, organizations and various authorities. The Bank has also been collaborating with various governmental and non-governmental organizations, businesses, industries, social groups, Nepal Rastra Bank, the Office of the Company Registrar, the Securities Board of Nepal, Nepal Stock Exchange, CDS and Clearing, Nepal Clearing House and other relevant bodies as necessary, while maintaining friendly and professional relationships and expanding the scope of its business. The Bank is a member of the Confederation of Banks and Financial Institutions Nepal (CBFIN), Development Bankers Association Nepal, and Federation of Nepalese Chambers of Commerce and Industry.

8. ANTI-MONEY LAUNDERING AND CUSTOMER IDENTIFICATION (KYC)

The Bank updates customer identification details and submits reports on various types of transactions through electronic means in accordance with the requirements prescribed by Nepal Rastra Bank for the prevention of money laundering and terrorist financing. The Bank's Anti-Money Laundering Committee also submits prescribed details and reports within the required time and discusses matters relating to compliance with the Asset (Money) Laundering Prevention Act, 2064 and its amendments, providing necessary recommendations to the Board of Directors. The major activities carried out by the Committee during the review period are summarized below:

- The Bank studies internal risks relating to anti-money laundering, countering terrorist financing and proliferation financing; conducts separate risk-based inspections of branch offices; thoroughly discusses the submitted reports; and directs management to strengthen implementation.

- Risk reports prepared based on studies of the Bank's internal risks are received by the Committee from the relevant departments. The Committee monitors risks identified as high risk in such reports and provides recommendations to the Board of Directors and directions to management to keep the Bank's AML/CFT risk within its risk-bearing capacity.
- In accordance with international standards and values, the Bank has reviewed the necessary policies, procedures and guidelines required for compliance with provisions relating to anti-money laundering and prevention of terrorist financing.
- The Bank periodically reviews activities undertaken for the prevention of money laundering and terrorist financing and submits reports to the Board of Directors.
- The Bank reviews reports on the implementation of policy provisions prescribed by the relevant laws and regulations on anti-money laundering and by the regulatory authorities.
- The Bank regularly reviews reports relating to the prevention of money laundering and terrorist financing and takes necessary measures to mitigate related risks. A committee on prevention of money laundering and terrorist financing, chaired by a non-executive director, has been formed. The Committee provides management with necessary policies and directives for implementing instructions received from the relevant AML/CFT regulatory authorities, monitors the status of compliance and submits reports to the Board of Directors. I would like to inform this august meeting that the Committee met eight times during FY 2082/83.

Similarly, the Bank has continuously organized training programs to keep employees updated on Customer Identification (KYC) and anti-money laundering matters. In addition, all employees are required to participate in these subjects as part of the annual Skill Assessment Test, and the arrangement has been effectively implemented. As an overall result of these measures, compliance with the Bank's policies and procedures relating to KYC and anti-money laundering has remained satisfactory.

9. CORPORATE GOVERNANCE AND COMPLIANCE

The Board of Directors and management remain committed and firm in maintaining good corporate governance. The Bank has fully complied with applicable corporate governance guidelines. All members of the Board and employees have fully complied with the code of conduct prescribed by Nepal Rastra Bank. The Bank is committed to fully complying with its own policies and procedures and the policies and directives issued by the relevant regulatory authorities. The Bank places corporate governance among its highest priorities not only for regulatory and legal compliance but also for transparency, and regards it as a core duty and responsibility to ensure the fundamental aspects of good governance. In accordance with the provisions of Nepal Rastra Bank, a Governance Unit has been established at the Bank to monitor the governance status on a monthly basis. The Bank's Internal Audit Department further ensures compliance with corporate governance requirements issued by Nepal Rastra Bank and other applicable policies and directives.

10. CORPORATE SOCIAL RESPONSIBILITY

To contribute to the goals set by the Sustainable Development Goals and in accordance with policies and regulations prescribed by Nepal Rastra Bank, the Bank has been spending at least 1% of its net profit through various corporate social responsibility programs. The Bank conducts financial literacy programs through various branches and the Central Office to promote financial inclusion and financial knowledge and experience in areas with a high concentration of poor and disadvantaged communities; provides scholarships for students' educational advancement; and provides research grants for research undertaken in pursuit of higher education. In accordance with the Unified Directive of Nepal Rastra Bank, the Bank allocated 1% of its net profit during the review period for CSR activities. An amount of Rs. 90,85,950, equivalent to 1% of net profit for the review period, was allocated to the CSR Fund, compared with Rs. 66,97,513 in the previous year.

11. RELATIONSHIP WITH SHAREHOLDERS AND PROVISION OF INFORMATION TO SHAREHOLDERS

As of the end of Ashadh 2083, the Bank had 414 promoter shareholders and 49,349 general shareholders (physical and dematerialized shareholders). The Bank has accorded high priority to providing information to shareholders. The Bank receives direct guidance from shareholders through the Annual General Meeting. The Bank's website and other media outlets facilitate access to the Bank's press releases, quarterly reports, annual reports and other information. Accordingly, the Bank has always prioritized maintaining the highest standards of corporate governance and compliance while safeguarding the rights and interests of shareholders.

12. BOARD'S RESPONSE TO ANY SIGNIFICANT REMARKS IN THE AUDIT REPORT

Except for ordinary deficiencies identified during the Bank's regular operations, there were no significant qualifications or remarks in the audit report for FY 2082/83. Management has already been instructed to implement the recommendations received from the auditors within the stipulated time. In addition, the balance sheet as of Ashadh 2083, the profit and loss account, profit and loss appropriation account, cash flow statement, relevant schedules and the auditor's report for FY 2082/83 prepared in accordance with Nepal Financial Reporting Standards (NFRS) have been incorporated as part of this report.

13. INTERNAL CONTROL SYSTEM

The Bank has strengthened its internal control system by effectively managing risks and internal controls through a risk management committee at the non-executive director level and a dedicated risk management unit. In addition, internal audit activities have been continued through the Internal Audit Department under the Audit Committee chaired by a non-executive director. Separate departments have been established for operational risk, credit risk, information technology risk and security, market risk, compliance and AML/CFT, with adequate policy arrangements for risk management.

14. PROFIT AND LOSS APPROPRIATION AND AMOUNT RECOMMENDED FOR DIVIDEND DISTRIBUTION

From the distributable amount of Rs. 61,26,83,080 for FY 2082/83 (including accumulated profit up to the previous fiscal year after deduction of reserves and other funds), out of the current total paid-up capital of Rs. 4,21,19,30,814.94, an amount of Rs. 1,40,67,123.29 representing a proportionate 9% on preference share capital of Rs. 35,00,00,000 from the date of allotment up to the end of Ashadh 2083, and an amount of Rs. 57,92,89,622.24 representing 15% of ordinary share capital of Rs. 3,86,19,30,814.94, have been proposed for distribution as cash dividend (including tax). The proposal was submitted to Nepal Rastra Bank for approval pursuant to the decision of the 419th meeting of the Board of Directors, and approval was received accordingly. Therefore, pursuant to the decision of the 421st meeting of the Board, the proposal is presented to this august General Meeting for approval.

15. CHANGES IN THE BOARD OF DIRECTORS AND DETAILS THEREOF

The current composition of the Bank's Board of Directors is as follows:

S.No.	Name	Position	Representation Group	
1	Mr. Sudeep Acharya	Chairperson	Promoter	:Elected
2	Mr. Bhim Prasad Tulachan	Director	Promoter	:Elected
3	Mr. Chaturakhar Adhikari	Director	Promoter	:Elected
4	Mr. Bishweshwar Subedi	Director	Public	:Elected
5	Mr. Balaram Baral	Director	Public	:Elected
6	Dr. Pawan Kumar Sharma	Director	Public	:Elected
7	Ms. Srijana Dangal	Director	Independent	:Appointed

16. DETAILS OF SHARES FORFEITED, IF ANY

No shares of the Company were forfeited during FY 2082/83.

17. PROGRESS MADE BY THE COMPANY AND ITS SUBSIDIARY DURING THE PREVIOUS FISCAL YEAR

The Company currently has no subsidiary company. However, for the purpose of operating Kamana Sewa Capital Limited as a merchant banking business, approval has been obtained from Nepal Rastra Bank to complete the share purchase process of the existing Akash Capital Limited, and an application has already been submitted to the Securities Board of Nepal for approval to commence the business.

18. MAJOR TRANSACTIONS COMPLETED BY THE COMPANY AND ITS SUBSIDIARY DURING THE FISCAL YEAR AND SIGNIFICANT CHANGES THEREIN

None.

19. INFORMATION PROVIDED BY THE PRINCIPAL SHAREHOLDERS OF THE FINANCIAL INSTITUTION DURING THE PREVIOUS FISCAL YEAR AND INFORMATION RECEIVED FROM THEM REGARDING THEIR INVOLVEMENT IN SHARE TRANSACTIONS

None.

20. DETAILS OF SHARE OWNERSHIP ACQUIRED BY DIRECTORS AND OFFICERS OF THE FINANCIAL INSTITUTION DURING PREVIOUS FISCAL YEARS

None.

21. INFORMATION ON PERSONAL INTERESTS OF DIRECTORS OR THEIR CLOSE RELATIVES IN AGREEMENTS RELATED TO THE DEVELOPMENT BANK DURING THE PREVIOUS FISCAL YEAR

None.

22. DETAILS OF PURCHASE OF THE COMPANY'S OWN SHARES, IF ANY

The Company has not purchased its own shares.

23. DETAILS OF TOTAL MANAGEMENT EXPENSES FOR FY 2082/83

S.No.	Name	Amount (Rs.)
1	Employee expenses (including employee bonus provision)	893,716,152
2	Office operating expenses	310,692,662
3	Depreciation expense	149,332,245
	Total Management Expenses	1,353,741,059

24. NAMES OF AUDIT COMMITTEE MEMBERS AND THEIR REMUNERATION, ALLOWANCES AND FACILITIES

The Audit Committee of the Development Bank comprises the following members:

Audit Committee

Mr. Bhim Prasad Tulachan	:	Coordinator (Director)
Mr. Balaram Baral	:	Member (Director)
Mr. Madhab Gautam	:	Member Secretary

No remuneration or facilities other than meeting allowance have been provided to the Audit Committee Coordinator and Director members. Except for the employee member, the Coordinator and Member are provided a meeting allowance of Rs. 11,000 per meeting. During FY 2082/83, the Audit Committee held 12 meetings and Rs. 246,000 was paid as meeting allowance.

25. AMOUNTS PAYABLE TO THE COMPANY BY DIRECTORS, THE CHIEF EXECUTIVE OFFICER, PROMOTER SHAREHOLDERS OR THEIR CLOSE RELATIVES

None.

26. REMUNERATION, ALLOWANCES AND FACILITIES PAID TO DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

a) Remuneration, Allowances and Facilities Provided to Directors:

S.No.	Name	Position	Meeting Allowance (Rs.)
1	Mr. Sudeep Acharya	Chairman	12,000.00
2	Mr. Bhim Prasad Tulachan	Director	11,000.00
3	Mr. Chaturakhar Adhikari	Director	11,000.00
4	Mr. Bishweshwar Subedi	Director	11,000.00
5	Mr. Balaram Baral	Director	11,000.00
6	Dr. Pawan Kumar Sharma	Director	11,000.00
7	Ms. Srijana Dangal	Director	11,000.00

During FY 2082/83, total meeting allowances of Rs. 2,109,000 and transportation, travel, telephone and newspaper expenses of Rs. 2,637,212 were paid to the Directors.

b) Remuneration, Allowances and Facilities Provided to the Chief Executive Officer:

S.No.	Salary and Benefits	Monthly Amount (NPR)	Annual Amount (NPR) (FY 2082/83)
1	Fixed Salary and Allowances	921,106	12,411,356
2	Performance-Based Remuneration	-	2,188,142
3	Employee Bonus Provision	-	2,417,309
4	Other Benefits	-	-
5	**Total**		**17,016,807**

27. UNCLAIMED DIVIDEND AMOUNT

Rs. 880,858

28. DETAILS OF ACQUISITION OR DISPOSAL OF PROPERTY PURSUANT TO SECTION 141

The Bank did not purchase or sell any land or buildings during the review period pursuant to Section 141.

29. DETAILS OF TRANSACTIONS BETWEEN RELATED COMPANIES PURSUANT TO SECTION 175

None

30. OTHER DETAILS

Other details required to be disclosed in the Board of Directors' Report pursuant to this Act and prevailing laws have been included in this report.

ACKNOWLEDGEMENT

I extend my sincere gratitude to the shareholders and guests present at this General Meeting and express my appreciation for their continued support and goodwill. I also extend special thanks, with sincere appreciation, to Nepal Rastra Bank, the Securities Board of Nepal, the Office of the Company Registrar, Nepal Stock Exchange and all other regulatory authorities; esteemed shareholders; valued customers; the Bank's share registrar, Prabhu Capital Limited; Credit Information Bureau Limited; various banks and financial institutions; the Confederation of Banks and Financial Institutions Nepal; Development Bankers Association Nepal; the media; and all employees who have consistently and diligently performed their respective roles to strengthen the Bank's operational excellence.

On behalf of the Board of Directors,

Sudeep Acharya
Chairperson
Jay Kamana Sewa Bikas Bank Limited

BOARD LEVEL COMMITTEE OVERVIEW

The Board of Directors serves as the apex governing authority of the Bank and plays a leading role in establishing and promoting a strong risk management culture. Together with senior management, the Board is responsible for fostering a corporate culture that supports sound risk management practices, sets appropriate standards of conduct, and encourages professional, accountable and responsible behaviour across the Bank.

In this regard, the Board of Directors is responsible for ensuring that a strong risk management culture is embedded throughout the Bank. The Board holds overall responsibility for approving and overseeing the implementation of the Bank's risk strategy, risk management framework and related policies. It also provides effective oversight of the Bank's risk management function to ensure that key risks are appropriately identified, assessed, monitored and managed.

The Board is further responsible for establishing and overseeing robust governance, compliance and control frameworks to ensure adherence to applicable laws, regulations, directives and guidelines issued by relevant regulatory authorities. The key roles and responsibilities of the Board in relation to this Policy include, but are not limited to, the following:

- Approval, timely review and necessary amendment of the policy as per regulatory requirement.
- Ensure that the Policy Framework is comprehensive for key business and support functions and establish a method for monitoring compliance of the same.
- 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.
- Setting up risk management structure and scope of activities.
- Any amendments/ cancellation or revision in this policy shall be at the sole discretion of the Board.
- To review and provide feedback on a report on risk management forwarded to board through RMC by the Risk Management Department.
- 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
- Define the Bank's overall risk tolerance
- Ensure current and future capital needs of the Bank in relation to strategic objectives.
- Issue appropriate instructions to the senior management regarding ICAAP that it deems appropriate.



The Bank has established the following Board-level committees to oversee the enterprise-wide risk management framework:

1. Risk Management Committee

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

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

Currently the risk management committee consist of:

Mr. Chaturakhar Adhikari :Coordinator (Director)

Mr. Bhim Prasad Tulachan :Member (Director)

Dr. Pawan Kumar Sharma :Member (Director)

Mr. Raghunath Tripathee :Member (Acting Chief Operating Officer)

Mr. Niranjan Bhandari :Member Secretary (IRMD)

To this regard, 8 risk management committee meetings have been conducted during the FY 2082/83. The details of the meeting of Risk Management Committee are presented below:

S.N.	Meeting Number	Date of Meeting
1.	Meeting Number 73, FY 2082/83	2082.04.22
2.	Meeting Number 74, FY 2082/83	2082.05.11
3.	Meeting Number 75, FY 2082/83	2082.06.20
4.	Meeting Number 76, FY 2082/83	2082.09.05
5.	Meeting Number 77, FY 2082/83	2082.10.22
6.	Meeting Number 78, FY 2082/83	2082.12.04
7.	Meeting Number 79, FY 2082/83	2083.01.23
8.	Meeting Number 80, FY 2082/83	2083.02.13

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 guidelines 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. Bhim Prasad Tulachan :Co-ordinator (Director)

Ms. Srijana Dangal :Member (Director)

Mr. Madhab Gautam :Member Secretary

To this regard, 12 Audit committee meetings have been conducted during the FY 2082/83. The details of the meeting of Audit Committee are presented below:

S.N.	Meeting Number	Date of Meeting
1	Meeting Number 86, FY 2082/83	4/1/2082
2	Meeting Number 87, FY 2082/83	4/8/2082
3	Meeting Number 88, FY 2082/83	6/2/2082
4	Meeting Number 89, FY 2082/83	6/20/2082
5	Meeting Number 90, FY 2082/83	7/14/2082
6	Meeting Number 91, FY 2082/83	8/7/2082
7	Meeting Number 92, FY 2082/83	10/4/2082
8	Meeting Number 93, FY 2082/83	11/15/2082
9	Meeting Number 94, FY 2082/83	12/4/2082
10	Meeting Number 95, FY 2082/83	1/4/2083
11	Meeting Number 96, FY 2082/83	1/23/2083
12	Meeting Number 97, FY 2082/83	2/12/2083

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, 2081, 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.
  - Detailed 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
- 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 are directly and regularly involved in AML/CFT work.
- Conduct periodic review of internal AML/CFT Policy/ Guideline and recommend for change if any is required.
- Make necessary arrangements to discuss in the BOD meeting regarding the 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. Bishweshwar Subedi	:Co – Ordinator (Director)
Ms. Srijana Dangal	:Member (Director)
Mr. Niranjan Bhandari	:Member (Head: IRMD)
Ms. Archana Mulmi	:Member (Compliance)
Mr. Khum Nath Bhusal	:Member Secretary

To this regard, 7 AML/ CFT Committee meetings were conducted during FY 2082/83. The meetings discussed 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 requirements.

The details of the meeting of AML/ CFT Committee are presented below:

S.N.	Meeting Number	Date of Meeting
1.	Meeting Number 48 FY 2082/83	26/04/2082
2.	Meeting Number 49 FY 2082/83	22/05/2082
3.	Meeting Number 50 FY 2082/83	25/07/2082
4.	Meeting Number 51 FY 2082/83	04/10/2082
5.	Meeting Number 52 FY 2082/83	14/11/2082
6.	Meeting Number 53 FY 2082/83	25/02/2083
7.	Meeting Number 54 FY 2082/83	14/03/2083

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 the course of the 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 visa-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. Balaram Baral :Co-ordinator (Director)
Mr. Bishweshwar Subedi :Member (Director)
Mr. Dinesh Thakali :Member (Chief Executive Officer)
Mr. Hem Bahadur K.C. :Member (Head: Finance & Treasury)
Mr. Bikash Adhikari :Member Secretary

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 61 FY 2082/83	03/10/2082
2.	Meeting Number 62 FY 2082/83	05/12/2082
3.	Meeting Number 63 FY 2082/83	13/02/2083





DINESH THAKALI
Chief Executive Officer

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Esteemed Stakeholders,

Namaste and Greetings!
It is with sincere gratitude and great respect that I extend my warm greetings and welcome to the chairman of the Bank, existing members of the Board of Directors, former chairman, former Board Members, esteemed shareholders, representative of regulatory authorities, external auditors, member of the press, our employees, and all distinguished attendees of 20th Annual General Meeting of Kamana Sewa Bikas Bank Limited.

As we present this Annual Report for Fiscal Year 2082/83 and move ahead into Fiscal Year 2083/84, I would like to express my heartfelt appreciation for the continued trust, confidence and support extended to the Bank. Your faith in our bank has remained the foundation of our progress, resilience, and long-term growth.

Over the past few years, the Bank has remained focused on strengthening financial stability, improving the quality of business, enhancing risk management practices, maintaining operational discipline, and delivering sustainable value to all stakeholders. Guided by our commitment - "प्रतिबद्ध हामी" - and our core philosophy of PQR: Prudence, Quality Business, and Return, we have continued our journey toward building a responsible, well-governed, customer-centric, and future-ready institution.

This fiscal year also marks the completion of my third year as the Chief Executive Officer of the Bank. Despite a challenging and competitive economic environment, we have achieved steady and resilient growth through disciplined execution, stronger governance, operational excellence, and the collective dedication of our employees and stakeholders. These achievements reflect the strength of our institution and our shared commitment to excellence.

During Fiscal Year 2082/83, the Bank implemented several initiatives to enhance customer experience, improve operational efficiency, and support sustainable growth. These include:

- Launching personalized doorstep banking through Bishista Bachat Khata.
- Launching Alpha Grow Saving Account targeting youth and children, along with insurance benefits.
- Maintaining the Bank's NPL ratio below the industry average through effective recovery and portfolio management.
- Introducing 24×7 account-blocking support for urgent fraud-related cases.
- Implementing secure digital archiving and online Video KYC for customer onboarding.
- Increasing the use of government platforms such as NAPI and Malpot in loan processing.
- Initiating AI-powered customer assistance to improve service quality and response efficiency.
- Maintaining healthy CASA and CD ratios through prudent liquidity and resource management.

These initiatives are clear reflections of our commitment to gradually strengthening the Bank while enhancing customer confidence, improving service delivery and building a more efficient and future-ready institution.

Moving ahead, our strategic theme for Fiscal Year 2083/84 is "Momentum 2027: From Stability to Scale, Developing a Future-Ready Bank." This theme reflects our aspiration to transform the stability achieved over the past years into scalable, sustainable, and long-term growth.

Our strategic priorities for the coming year will focus on:

- Asset quality and recovery management.
- Digital transformation and AI integration.
- Customer trust and brand reinforcement.
- Operational excellence and a Kaizen culture.
- People productivity and performance management.
- Liquidity and profitability management.
- Regulatory compliance and responsible banking.

Building customer trust will remain at the heart of our business. We will continue to enhance transparency, strengthen customer engagement, reinforce our brand and promote fair and responsible banking practices. Through a Kaizen-driven culture, we aim to simplify processes, strengthen internal controls, improve turnaround time, and create a culture of continuous improvement across the institution.

The banking industry continues to face challenges arising from market competition, abundant liquidity, pressure on spreads, asset quality concerns, changing customer expectations, and evolving regulatory requirements. However, we view these challenges as

opportunities to strengthen our fundamentals, enhance our capabilities, and reinforce our commitment to prudent growth. The Bank remains committed to regulatory compliance, AML/CFT requirements, customer protection, good governance and readiness for evolving frameworks such as Expected Credit Loss.

Banking today is not limited to financial products and services. It is built on trust, responsibility, innovation, and the ability to create meaningful impact for customers, communities, and the economy. As we move forward, our focus shall remain on strengthening resilience, embracing digital innovation, upholding good governance, enhancing customer value, and creating sustainable long-term returns for all stakeholders.

I would like to express my sincere gratitude to the Board of Directors for their guidance, our regulators for their continued oversight and support, our shareholders for their confidence, our customers for their trust, our business partners for their collaboration, and our employees for their dedication and hard work.

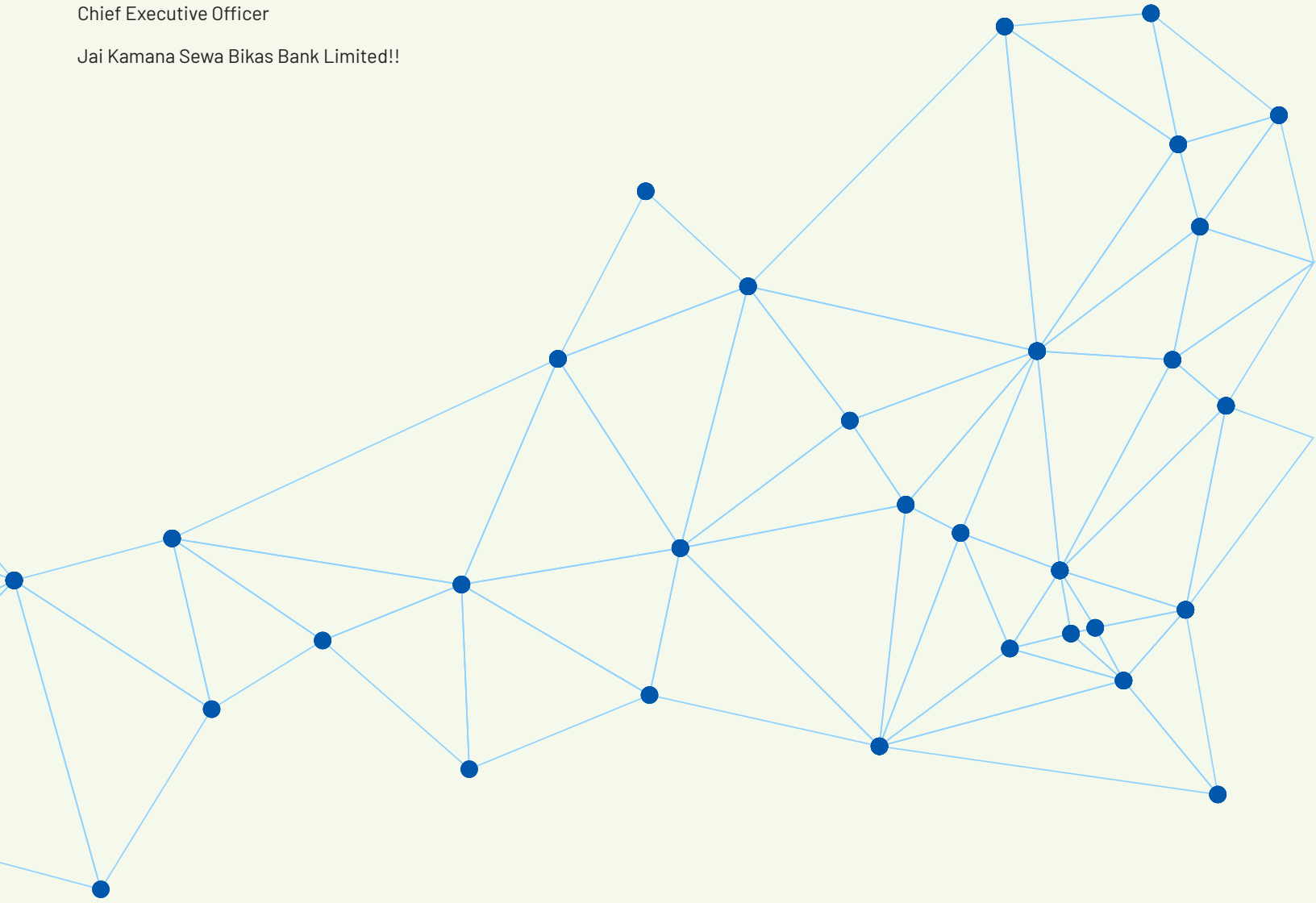
With your continued support and the unwavering commitment of our team, I am confident that Kamana Sewa Bikas Bank will move ahead with renewed momentum toward becoming a future-ready and top-ranked development bank.

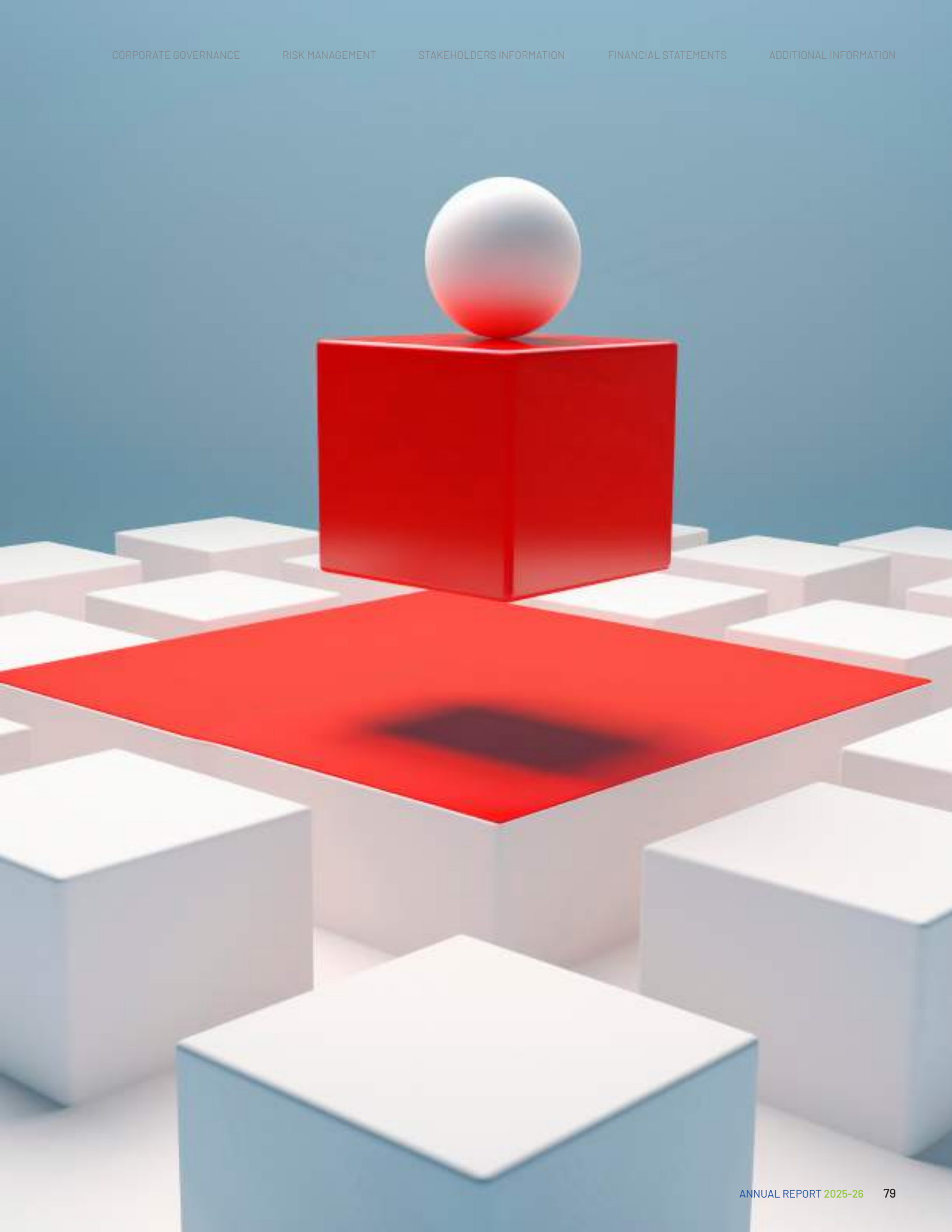
Thank You

Dinesh Thakali

Chief Executive Officer

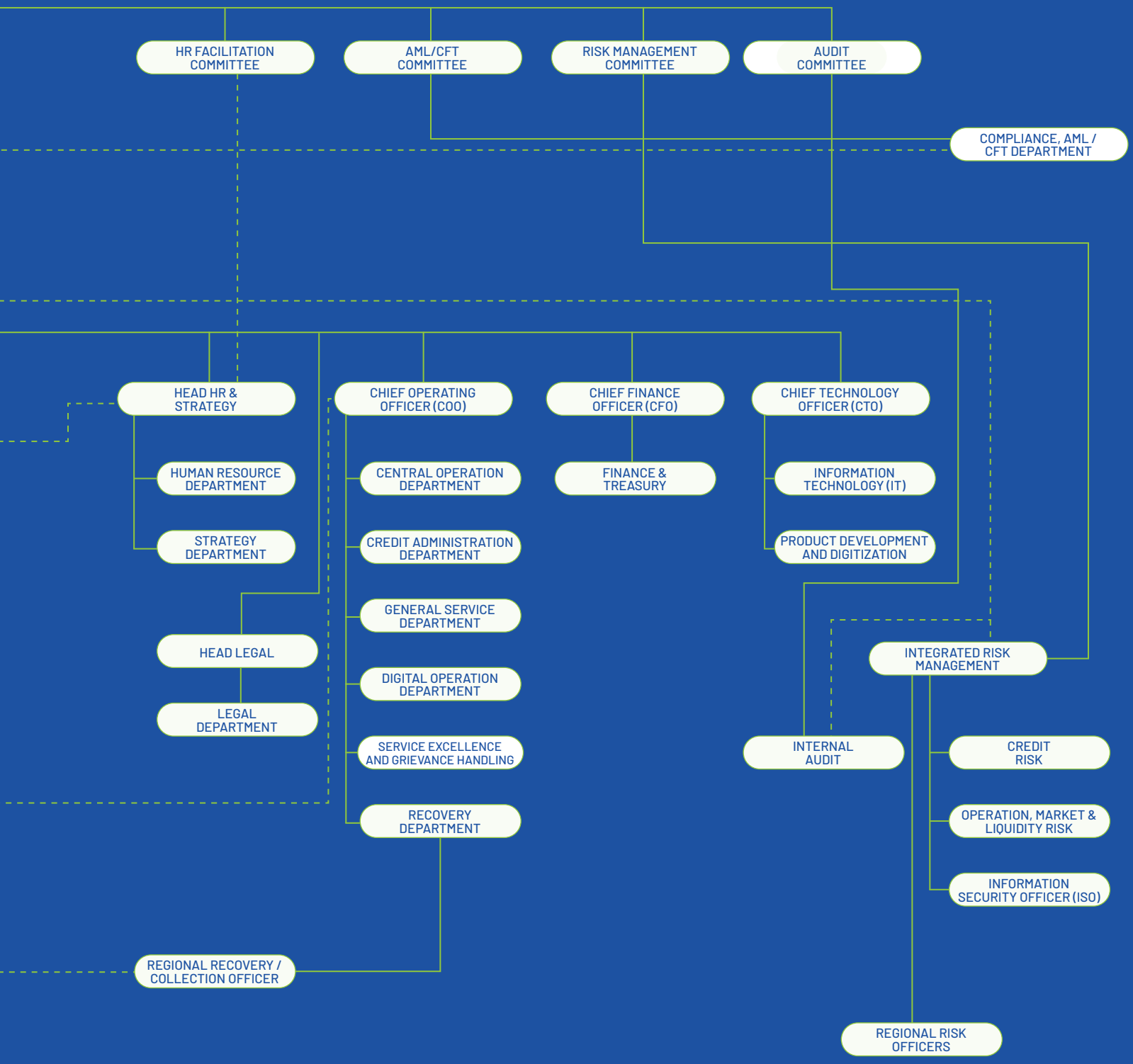
Jai Kamana Sewa Bikas Bank Limited!!





Organizational Structure




HR FACILITATION COMMITTEE
AML/CFT COMMITTEE
RISK MANAGEMENT COMMITTEE
AUDIT COMMITTEE
COMPLIANCE, AML / CFT DEPARTMENT
HEAD HR & STRATEGY
CHIEF OPERATING OFFICER (COO)
CHIEF FINANCE OFFICER (CFO)
CHIEF TECHNOLOGY OFFICER (CTO)
HUMAN RESOURCE DEPARTMENT
STRATEGY DEPARTMENT
CENTRAL OPERATION DEPARTMENT
CREDIT ADMINISTRATION DEPARTMENT
GENERAL SERVICE DEPARTMENT
DIGITAL OPERATION DEPARTMENT
SERVICE EXCELLENCE AND GRIEVANCE HANDLING
RECOVERY DEPARTMENT
FINANCE & TREASURY
INFORMATION TECHNOLOGY (IT)
PRODUCT DEVELOPMENT AND DIGITIZATION
HEAD LEGAL
LEGAL DEPARTMENT
INTEGRATED RISK MANAGEMENT
INTERNAL AUDIT
CREDIT RISK
OPERATION, MARKET & LIQUIDITY RISK
INFORMATION SECURITY OFFICER (ISO)
REGIONAL RECOVERY / COLLECTION OFFICER
REGIONAL RISK OFFICERS
SUPPORT FUNCTIONS
CONTROL FUNCTIONS

BRIEF PROFILE OF SENIOR MANAGEMENT



Mr. DINESH THAKALI
Chief Executive Officer

Academic Qualification

- 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



Mr. BINAY DAHAL
Deputy Chief Executive Officer

Academic Qualification

- 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



Mr. DIPENDRA SUBEDI
CBO: Risk Assets

Academic Qualification
- 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



Mr. RAGHUNATH TRIPATHEE
Act. Chief Operating Officer

Academic Qualification
- Executive Master's of Business Administration (EMBA) Degree from Purbanchal University

Experience
- Chief Business Officer, Kamana Sewa Bikas Bank Limited
- Different Roles, Kamana Sewa Bikas Bank Limited
- Branch Manager, Siddhartha Bank Limited
- Different Roles, NIC Asia Bank Limited

DEPARTMENT HEADS



DANDAPANI BHATTARAI
Head: Legal



NITESH ARYAL
Head: Credit Administration



NIRANJAN BHANDARI
Head: Integrated Risk Management



BIKAS ADHIKARI
Head: HR, Strategy & SE



JINUSHA PALIKHEY SHRESTHA
Head: Digital Operation



PARMA DHUNGEL
Head: Central Operations



BINOD KHANAL
Head: Risk Assets (Retail/Micro)



KSHITIZ BAHADUR SHERCHAN
Head: Recovery



BIDHAN KOIRALA
Head: IT / Product Development and Digitization



KESHAV SAPKOTA
Head: Risk Assets (SME/Business)



HEM BAHADUR K.C.
Head: Finance and Treasury



SUSHIL POUDEL
Head: GSD,BCC/CSR & Marketing



KHUM NATH BHUSAL
Head: Compliance



RAHUL KUMAR
Head: Innovation, AI & BPR



MADHAB GAUTAM
Head: Internal Audit



SUMAN DUWADI
Incharge: Deposit & Transaction Banking

REGIONAL HEADS



KHIMLAL BHUSAL
Head: Koshi Pradesh



SHYAM CHUWAI
Head: Madhesh Pradhesh



KEDAR NATH SHARMA
Head: Kathmandu Region



SURENDRA BHANDARI
Head: Narayanghat Region



SHIBA KUMAR DHAKAL
Head: Pokhara Region



HEMANTA BABU ACHARYA
Head : Butwal Region



MAHENDRA KHANAL
Head: Western Region

MAJOR MANAGEMENT LEVEL COMMITTEE

MANAGEMENT COMMITTEE

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

S.N.	Title	Role
1.	Chief Executive Officer	Co-ordinator
2.	Deputy Chief Executive Officer	Member
3.	Chief Operating Officer	Member
4.	Chief Technology Officer	Member
5.	Chief Business Officer - Risk Assets	Member
6.	Head: Integrated Risk Management	Member
7.	Head - Finance & Treasury	Member Secretary

The meeting is held on the 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	Co-ordinator
2.	Deputy Chief Executive Officer	Member
3.	Chief Operating Officer	Member
4.	Chief Business Officer - Risk Assets	Member
5.	Head: Integrated Risk Management	Member
6.	Head - Finance & Treasury	Member Secretary

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

FINANCIAL DIRECTION COMMITTEE

The 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	Co-ordinator
2.	Deputy Chief Executive Officer	Member
3.	Chief Operating Officer	Member
4.	Head - Finance & Treasury	Member
5.	Head - General Service Department	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 matters related to recruitment.

S.N.	Title	Role
1.	Deputy Chief Executive Officer	Co-ordinator
2.	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	Co-ordinator
2.	Deputy Chief Executive Officer	Member
3.	Chief Operating Officer	Member
4.	Chief Business Officer - Risk Assets	Member
5.	Head- Recovery	Member
6.	Head- Integrated Risk Management	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	Co-ordinator
2.	Chief Operating Officer	Member
3.	Chief Business Officer - Risk Assets	Member
4.	Head - General Service Department	Member
5.	Head - Finance & Treasury	Member
6.	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 COMMITTEE

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

S.N.	Title	Role
1.	Deputy Chief Executive Officer	Co-ordinator
2.	Head - Integrated Risk Management	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 Resources	Co-ordinator
2.	Chief Operating Officer	Member
3.	Head - Integrated Risk Management	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.

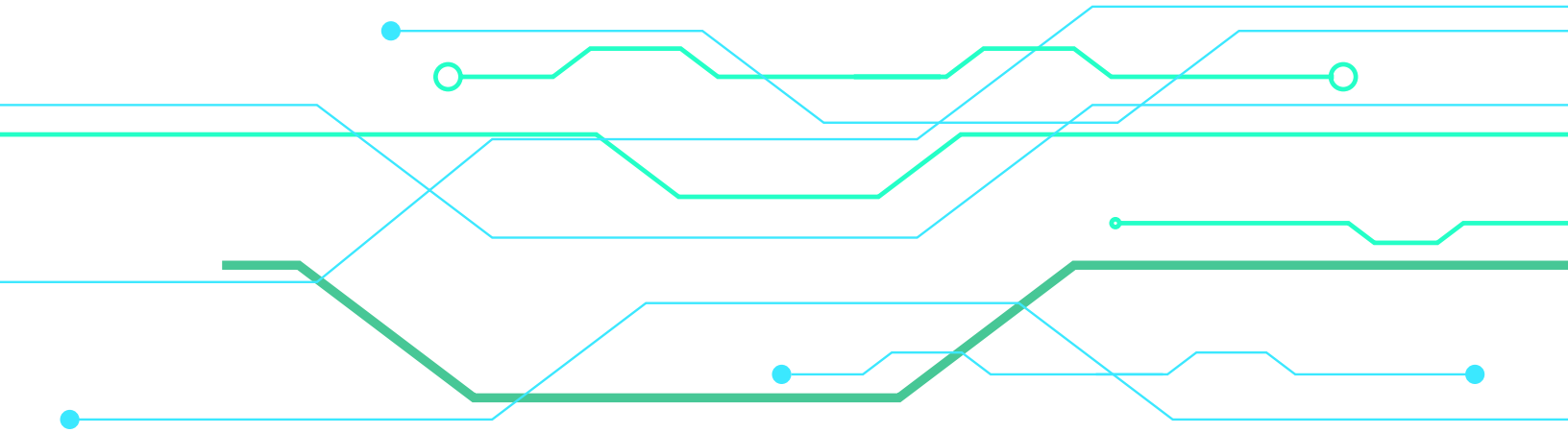
S.N.	Title	Role
1.	Chief Executive Officer	Co-ordinator
2.	Deputy Chief Executive Officer	Member
3.	Chief Operating Officer	Member
4.	Chief Marketing Officer	Member
5.	Chief Business Officer - Risk Assets	Member
6.	Head - Strategy	Member Secretary

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	Co-ordinator
2.	Deputy Chief Executive Officer	Member
3.	Chief Technology Officer	Member
4.	Head - Information Technology (IT)	Member
5.	Head- Digitization and Process Automation	Member Secretary




Kamana Sewa
SME LOAN
Your Business Growth Starts Here
Flexible
Interest Rate
Flexible Tenure
3
DAYS
Loan Approval
within 3 days!

MOMENTUM



Market Expansion

Enhancing business growth through deeper penetration and customer acquisition.



MANAGEMENT REVIEW AND ANALYSIS

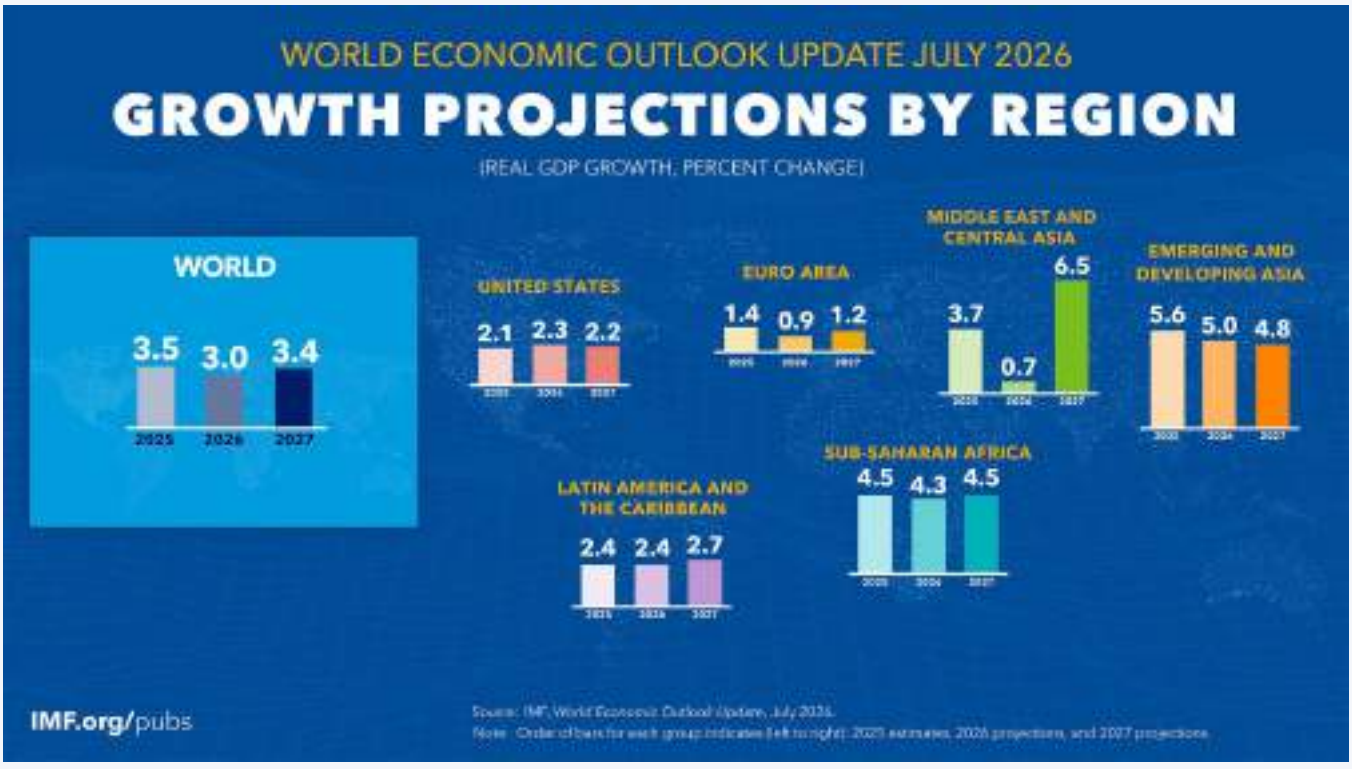
Global and National Economic Outlook

Global Economic Outlook

Global growth is projected to be 3.0 percent in 2026 and 3.4 percent in 2027, down from the average of 3.5 percent observed in 2024–25 and broadly unchanged on a cumulative basis compared with the forecasts in the April 2026 World Economic Outlook (WEO). The modest slowdown reflects the effects of the war in the Middle East being partly offset by accelerated demand-driven momentum in the global technology cycle thanks to advances in artificial intelligence (AI) and its adoption. The impact varies widely based on countries' exposure to the war and position in the technology value chain. Energy exporters outside the conflict zone benefit from favorable terms of trade, whereas economies plugged into the technology-led upturn experience stronger activity even if they are energy importers. In contrast, activity weakens for energy importers with limited participation in the technology value chain, a group that includes many low-income countries. Global headline inflation is expected to increase from 4.1 percent in 2025 to 4.7 percent in 2026 before declining to 3.9 percent in 2027. Slightly revised upward from April, these projections indicate that the disinflation trend in place since the beginning of 2024 has stalled.

Risks to the outlook are more balanced than in April but still tilted to the downside. The possibility of renewed Middle East conflict looms large and could extend commodity price volatility, further threaten supply chains, raise prices, and weigh on financial conditions. Trade fragmentation could accelerate, possibly hurting output and increasing prices. A possible correction in technology-driven expectations adds to the downside risks, whereas eroded policy buffers can amplify those risks.

Upside risks stem from a swifter-than-expected normalization in energy markets, stronger-than-expected technology investment, a revival of durable cooperation that lowers trade barriers, and structural reform that raises medium-term growth. Policy priorities are restoring price stability, supported by clear communication, central bank independence, and strong financial oversight, while rebuilding fiscal buffers and using fiscal tools sparingly through temporary, targeted support that preserves price signals. Structural reforms are needed to promote energy security, AI readiness, domestic rebalancing, and international cooperation should be strengthened to relieve the strain of ongoing tensions.



Global economic activity and the outlook are being shaped by two major forces, pushing in opposite directions with asymmetric effects across countries. First is the negative supply shock induced by the war in the Middle East. Second is the ongoing positive technology shock manifesting in accelerated momentum of the global technology cycle, in no small part driven by advances in and deployment of artificial intelligence (AI) tools.

The global economy as a whole has, so far, weathered the shock from the war better than feared. Movements in and repercussions from the main channels of transmission—commodity prices, inflation expectations, and financial conditions—have been relatively limited. However, transmission is still in the early stages—commercial and strategic destocking have provided temporary relief from reduced energy flows, whereas forward-looking indicators such as supplychain pressure and manufacturing purchasing managers' indices point to softer momentum ahead—and some countries are experiencing more strain than others.

The most imminent risk to the baseline forecast stems from developments in the Middle East. Reescalation of geopolitical tensions would hurt growth and compound inflationary pressures. That said, if the reopening of the Strait of Hormuz goes more smoothly than assumed and commodity prices turn out to be lower than in the baseline, growth could be higher and inflation lower. Activity could also surprise on the upside in the short term if AI-related capital spending remains exceptionally strong or financial conditions ease more, continuing to offset the headwinds from geopolitical tensions, trade fragmentation, and weak policy buffers. But AI hype and exuberant financial markets could, at the same time, sow the seeds of macrofinancial instability.

The war confronts policymakers with difficult trade-offs among containing inflation, supporting activity, and protecting vulnerable households. Meanwhile, strong AI-driven activity exerts additional upward pressure on prices but sustains consumption in the short term, while exposing the financial system to greater risk of instability. The policy task is to manage the immediate impact of the current shocks while building robustness to the different ways these and future shocks may unfold. This calls for country-specific responses—reflecting differences in inflation dynamics, fiscal space, and financial vulnerabilities—alongside renewed international cooperation.

Monetary policy should continue to remain focused on preserving price stability. Appropriate responses depend on the varying effects across countries of higher commodity prices, as well as technology-driven demand, and the spillovers to inflation expectations. Where inflationary pressures are visible but judged to be temporary and inflation expectations remain anchored, central banks should keep real rates broadly constant over a reasonable horizon, which may imply raising nominal policy rates. If higher inflation is paired with higher demand pressures from the technology-led upturn, central banks may need to do more to avoid overheating. Where inflation was still above target when the war started, credibility is weaker, exchange rate pass-through is greater, or second-round effects appear more likely, policy may need to remain tighter for longer—or be tightened further—to prevent de-anchoring. If negative demand shocks surface such that growth weakens materially and inflationary pressures recede, scope for easing could emerge but would have to remain consistent with restoring price stability.

International cooperation remains critical to manage spillovers, including commodity market pressures, refugee flows, and debt vulnerabilities. Export bans should be avoided, because they not only exacerbate the strain trading partners feel, by triggering supply shortages and increasing global price volatility, but also distort domestic resource allocation by artificially depressing prices at home. IMF lending can provide an important backstop to liquidity strains, but countries facing debt distress may also require timely and orderly debt resolution, supported by continued progress under the Group of Twenty Common Framework and the Global Sovereign Debt Roundtable.



Overview of the World Economic Outlook Projections

(Percent change, unless noted otherwise)

Particulars			Projections	
	2024	2025	2026	2027
World Output	**3.5**	**3.5**	**3.0**	**3.4**
Advanced Economies	**1.9**	**1.9**	**1.7**	**1.8**
United States	2.8	2.1	2.3	2.2
Euro Area	1.0	1.4	0.9	1.2
Germany	–0.5	0.2	0.7	1.0
France	1.4	0.9	0.6	0.9
Italy	0.8	0.5	0.5	0.5
Spain	3.5	2.8	2.1	1.8
Japan	–0.2	1.1	0.6	0.7
United Kingdom	1.0	1.4	1.0	1.3
Canada	2.0	1.9	1.1	1.7
Other Advanced Economies	2.5	3.0	2.8	2.3
Emerging Market and Developing Economies	**4.5**	**4.5**	**3.8**	**4.5**
Emerging and Developing Asia	5.5	5.6	5.0	4.8
China	5.0	5.0	4.6	4.1
India	7.1	7.7	6.4	6.7
Emerging and Developing Europe	3.8	2.0	1.9	2.1
Russia	4.9	1.0	1.1	1.1
Latin America and the Caribbean	2.4	2.4	2.4	2.7
Brazil	3.4	2.3	2.4	2.2
Mexico	1.5	0.5	1.2	1.9
Middle East and Central Asia	3.1	3.7	0.7	6.5
Saudi Arabia	2.6	4.6	1.7	5.5
Sub-Saharan Africa	4.2	4.5	4.3	4.5
Nigeria	4.1	4.0	4.1	4.3
South Africa	0.5	1.1	1.1	1.3
Memorandum				
World Growth Based on Market Exchange Rates	2.9	2.9	2.4	2.8
European Union	1.2	1.6	1.2	1.4
ASEAN-5 6/	4.8	4.5	4.1	4.3
Middle East and North Africa	2.7	3.3	–0.5	7.3
Emerging Market and Middle-Income Economies	4.5	4.4	3.7	4.4
Low-Income Developing Countries	4.3	4.8	4.8	4.9
World Trade Volume (goods and services)	**3.7**	**5.0**	**3.5**	**4.3**
Advanced Economies	2.3	4.2	3.4	3.3
Emerging Market and Developing Economies	6.1	6.4	3.6	5.8
Commodity Prices				
Oil	–1.8	–14.4	31.8	–11.8
Nonfuel (average based on world commodity import weights)	3.7	9.9	18.6	1.3
World Consumer Prices	**5.8**	**4.1**	**4.7**	**3.9**
Advanced Economies	2.6	2.5	3.0	2.4
Emerging Market and Developing Economies	8.0	5.2	5.8	4.8

Gold prices posted continuous gains to kick off 2026, peaking in late January before cooling off in late March, and recently reaching an intra-year floor of $4,170/oz. Overall, the spot price has traded mostly sideways. The 2026 and 2027 outlook for gold prices remains ahead of current levels, with J.P. Morgan Global Research analysts expecting gold to push $6,000/oz by year end, and $6,300/oz a possibility for 2027. However, future demand and price stability seem to depend on the resolution of ongoing geopolitical conflicts and on Fed policy — neither of which are certain at this time. Central bank demand for gold, which drove much of the precious metal's rise over the past year, appears to have cooled — though a closer look at the data tells a more complex story.

The Federal Reserve left the federal funds rate unchanged at 3.50%–3.75% for a fifth consecutive meeting in July 2026, in line with expectations, despite markets assigning roughly a one-in-three probability to a rate hike. The central bank noted that economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Productivity growth and capital investment are strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little. Inflation remains elevated relative to the 2% goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The central bank reiterated its commitment to deliver price stability. Policymakers continue to navigate heightened uncertainty driven by renewed tensions between the US and Iran and elevated oil prices. Further, policymakers remained concerned about persistent inflation and the possibility that further rate increases could be required if price pressures fail to ease.

The Reserve Bank of India (RBI) left its key repo rate unchanged at 5.25% for the fourth consecutive meeting in September and maintained a neutral stance amid a weakening rupee. The decision was in line with expectations, as the Middle East conflict and global uncertainty threatened GDP growth and fueled inflationary pressures. The annual inflation rate surged to 4.38% in June 2026, marking the highest level since December 2024 and rising above the RBI's 4% target for the first time in 17 months, though it remained within the central bank's 2%–6% tolerance band. On the economic outlook, the RBI raised its GDP growth forecast for FY2026/27 to 6.7% from its previous estimate of 6.6%. Meanwhile, inflation is projected to average 5.0%, down from the previous estimate of 5.1%. Inflation is forecast at 4.7% in Q2, 5.9% in Q3, and 5.5% in Q4. Meanwhile, core inflation is projected to average 4.3%, down from 4.7%. The central bank also held the SDF rate at 5.0% and the MSF rate at 5.50%.

Major Macro Economics Indicators of Nepal

According to the World Bank, Nepal's economic growth is projected to slow to 2.3% in FY26 from 4.6% in FY25, reflecting the impact of the ongoing conflict in the Middle East and the lingering effects of the September 2025 unrest. Looking ahead, reconstruction activities, continued hydropower expansion, and consumption linked to the 2027 subnational elections are expected to support a pickup in growth to an average of 4.4% over FY27–FY28. The Nepal Development Update, Growth Under Pressure: Navigating Domestic and Global Shocks, says that the services sector is expected to be most affected in FY26, due to slower tourism activity, higher transport costs, and potential supply chain disruptions. The outlook remains highly uncertain. A prolonged conflict in the Middle East could dampen tourist arrivals, reduce remittance inflows, weaken consumption, and slow overall economic activity. On the upside, improved political stability following the elections in March, sound macroeconomic management, the availability of ample buffers, and continued structural reforms could strengthen investor confidence, boosting private investment and growth.

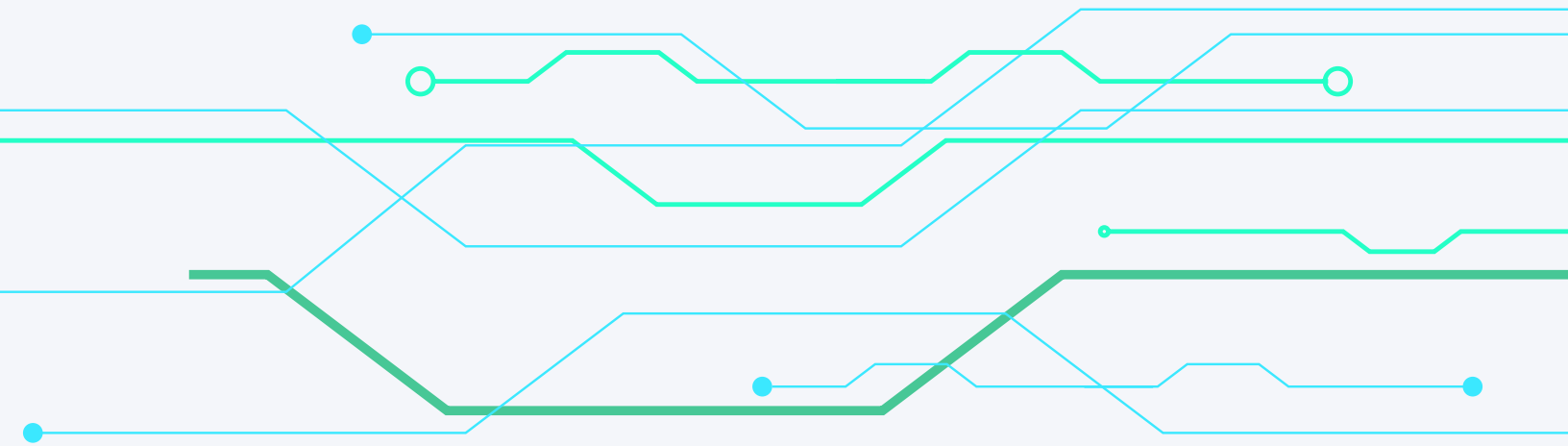
"Boosting private sector-led growth will be critical to strengthening economic resilience and creating more jobs in Nepal," said David Sislen, World Bank Division Director for Maldives, Nepal, and Sri Lanka. "To achieve this, Nepal must improve the business environment, develop foundational infrastructure, mobilize private finance, and support priority sectors such as tourism, the IT sector, and agribusiness.

Further, Nepal's economy is forecast to grow by 2.7% in fiscal year (FY) 2026, down from 4.6% in FY2025, according to the Asian Development Outlook (ADO) April 2026, Asian Development Bank's (ADB) flagship economic publication. "The country's economic growth will significantly slow in FY2026 amid political uncertainties, including last year's civil unrest and the conflict in the Middle East," said ADB Country Director for Nepal Arnaud Cauchois. "While renewed political stability is expected to support reforms, and bolster economic confidence, substantial downside risks remain, particularly from the Middle East conflict, which is affecting oil prices, tourism, and remittance flows." Gross domestic product (GDP) growth is expected to climb to 5.0% in FY2027 as the effects of recent shocks fade, leading to stronger domestic demand, hydropower exports, and tourism. The forecasts are informed by assumptions finalized on 10 March under exceptionally high uncertainty, envisaging an early stabilization scenario for the conflict in the Middle East. Evidence since then points to a higher likelihood of more persistent disruptions. Inflation is projected at 3.7% in FY2026 and to further rise to 4.5% in FY2027, driven by expected stronger domestic activities under the early stabilization scenario.

The Middle East conflict is expected to hamper the expansion of Nepal's current account surplus. It is projected to widen to 7.2% of GDP in FY2026 from 6.7% in FY2025, supported by moderate growth in remittance inflows and exports. This will be partly offset by a temporary halt in out-migration, a rising import bill driven by higher oil prices, and potential losses in tourism receipts during the peak spring season. The current account surplus is then expected to moderate to 5.3% in FY2027. The outlook remains subject to very high uncertainty and substantial downside risks. These include a prolonged Middle East conflict, weak capital budget execution, financial sector vulnerabilities, and climate-related hazards. There are elevated risks from global oil price volatility and potential weakness in Gulf Cooperation Council (GCC) countries-linked remittances in case of a prolonged conflict.

Major Highlights of Current Macroeconomic and Financial Situation in Nepal, Based on Annual Data for F.Y. 2025/26:

- The economic growth rate for 2025/26 has been estimated to be 3.85 percent. In the previous year the economic growth rate was 4.43 percent.
- CPI-based inflation stood at 5.14 percent in mid-July 2026. The average CPI-based inflation over a twelve month in fiscal year 2025/26 remained at 3.08 percent.
- Gross foreign exchange reserve was recorded at Rs.3897.67 billion, equivalent to 25.31 billion USD. This reserve is sufficient to cover prospective imports of merchandise and services for 19.6 months.
- Current account and balance of payments remained at a surplus of Rs.923.56 billion and Rs.1027.04 billion, respectively.
- During FY 2025/26 remittances increased 37.1 percent in NPR terms and 28.1 percent in USD terms. During mid-June to mid-July, remittance inflows amounted Rs. 242.33 billion.
- Exports increased 13.8 percent and imports increased 16.2 percent.
- Nepal Government's total expenditure reached Rs. 1582.17 billion, with revenue mobilization amounting to Rs. 1241.32 billion.
- Broad money (M2) increased 13.4 percent in 2025/26. In the prvious year, M2 increased 12.5 percent.
- Deposits at the BFIs increased by 13.9 percent amounting to Rs.8276.93 billion, and credit to the private sector increased by 6.5 percent amounting to Rs.5857.06 billion in 2025/26.
- The weighted average interbank rate among the BFIs at the end of mid-July remained at 2.75 percent, while the weighted average rate for 91-days Treasury bills stands at 2.32 percent.
- The weighted average deposit rate and lending rate of commercial banks are 3.21 percent and 6.55 percent respectively.



(Amount in Billion unless otherwise specified)

Particulars	Ashad 2081	Ashad 2082	Ashad 2083	YOY Change (2081-82)	YOY Change (2082-83)
1.Inflation					
Consumer Price Inflation (%) YoY	3.57	2.20	5.14	-1.37	2.94
2.1 External Sector-Marchandise Trade					
Merchandise Import	1,529.99	1,804.12	2,096.38	274.13	292.26
Merchandise Exports	152.38	277.03	315.29	124.65	38.26
Total Trade Deficit	1,440.60	1,527.09	1,781.09	86.49	254.00
2.2 External Sector-Service					
Payment for Education	125.13	138.48	141.92	13.35	3.44
2.3 External Sector- Remittance					
Remittance Inflows	1,445.32	1,723.27	2,363.13	277.95	639.86
Remittance Inflows ($)	10.86	12.64	16.19	1.78	3.55
2.4 External Sector -Current Account & Balance of Payments					
Balance of Payments	502.49	594.54	1,027.04	92.05	432.50
Gross Foreign Reserves	2,041.10	2,677.68	3,897.67	636.58	1,219.99
Gross Foreign Reserves ($)	15.27	19.50	25.31	4.23	5.81
Current Account	221.71	409.20	923.56	187.49	514.36
Import Capacity (Months)	15.60	18.20	19.60	2.60	1.40
2.5 External Sector-FDI & Oil Price					
Crude Oil per Barrel ($)	86.42	69.67	81.23	-16.75	11.56
Nepalese Currency with ($) (%) YTD	-1.64	-2.66	-10.90	-1.02	-8.24
Direct Investment Inflows (Equity)	8.47	12.02	28.49	3.55	16.47
3.1 Fiscal Situation – Expenditure					
Recurrent Expenditure	951.64	980.38	1,043.99	28.74	63.61
Capital Expenditure	191.75	222.68	190.84	30.93	-31.84
Financial Expenditure	264.63	320.04	347.33	55.41	27.29
3.2 Fiscal Situation-Annual Budget					
Recurrent Expenditure	1,141.78	1,140.66	1,180.98	-1.12	40.32
Capital Expenditure	302.07	352.35	407.89	50.28	55.54
Financial Expenditure	307.45	367.28	375.24	59.83	7.96
3.3 Fiscal Situation-Budget Achievement (%)					
Recurrent Expenditure	83.35	85.95	88.40	2.60	2.45
Capital Expenditure	63.48	63.20	46.79	-0.28	-16.41
Financial Expenditure	86.07	87.14	92.56	1.07	5.43
3.4 Fiscal Situation-Revenue Collection					
Tax Revenue	1,049.88	944.55	1,121.08	-105.33	176.53
Non-Tax Revenue	128.94	114.34	120.24	-14.60	5.90
3.5 Fiscal Situation-Debt Mobilization					
External	1,180.90	1,401.42	1,599.48	220.52	198.06
Internal	1,252.34	1,268.22	1,375.42	15.89	107.20
Total	2,433.24	2,669.64	2,974.90	236.40	305.26
4. GDP	**5,709.10**	**6,107.22**	**6,600.10**	**398.12**	**492.88**
5. No. of tourist arrival					
Tourist Arrival - Monthly	79,991	70,193	71,775	-9,798.00	1,582
Tourist Arrival - Till Date	579,943	1,147,834	1,202,805	567,891.00	54,971

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.

Financial Access in terms of number and branches of BFIs

Bank and Financial Institution	Number of BFIs			Branches of BFIs		
	Mid-July 2024	Mid-July 2025	Mid-July 2026	Mid-July 2024	Mid-July 2025	Mid-July 2026
Commercial Banks	20	20	20	5,056	5,099	4,941
Development Banks	17	17	17	1,135	1,132	1,112
Finance Companies	17	17	16	288	291	294
Microfinance Financial Institutions	52	52	51	5,051	5,004	4,985
Infrastructure Development Bank	1	1	1	-	-	-
Total	**107**	**107**	**105**	**11,530**	**11,526**	**11,332**

The total number of BFIs licensed by NRB has been reducted to 105 from 107 as of mid-July 2026. As of mid-July 2026, 20 commercial banks, 17 development banks, 16 finance companies, 51 microfinance financial institutions and 1 infrastructure development bank are in operation.

Financial Access in terms of number of deposit and loan accounts

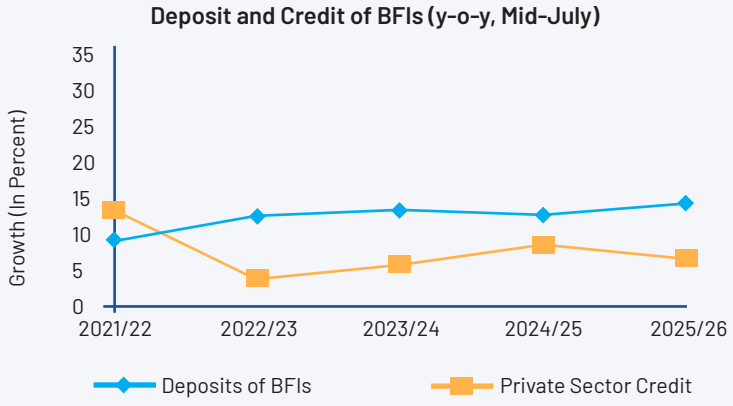
Bank and Financial Institution	Number of Deposit accounts		Number of Loan accounts	
	Mid-July 2025	Mid-July 2026	Mid-July 2025	Mid-July 2026
Commercial Banks	50,986,171	54,449,539	1,644,545	1,700,934
Development Banks	7,475,347	7,883,672	271,027	261,447
Finance Companies	967,849	1,092,085	50,986	68,983
Total	**59,429,367**	**63,425,296**	**1,966,558**	**2,031,364**

Financial Situation in Nepal

Deposit Mobilization and Credit Disbursement

Deposits at Banks and Financial Institutions (BFIs) increased by 13.9 percent (Rs.1,013.05 billion) reaching Rs.8,276.93 billion in the fiscal year compared to an increase of 12.6 percent (Rs.811.49 billion) in the previous year. The share of demand, saving, and fixed deposits in total deposits stood at 8.1 percent, 47.0 percent and 35.3 percent, respectively, in mid-July 2026. Such shares were 7.1 percent, 36.8 percent, and 48.3 percent, respectively, a year ago.

Private sector credit from BFIs increased by 6.5 percent (Rs.359.36 billion) to Rs. 5,857.06 billion in the fiscal year compared to an increase of 8.4 percent (Rs.423.73 billion) in the previous year. Private sector credit from commercial banks, development banks, and finance companies increased by 6.5 percent, 7.0 percent, and 5.4 percent, respectively.



Liquidity Management

In FY 2082-83, the NRB absorbed, on a transaction basis, a total liquidity of Rs.42,516.25 billion, including Rs.3,620.30 billion through deposit collection auctions, Rs.38,495.95 billion through Standing Deposit Facility (SDF) and Rs.400.00 billion through the NRB bond. Meanwhile, the NRB injected Rs.12.50 billion (on a turnover basis) through Overnight Liquidity Facility (OLF). Consequently, Rs.42,503.75 billion net liquidity was absorbed through the various monetary instruments in the fiscal year. In the previous year, Rs.24,648.45 billion net liquidity was absorbed through various monetary instruments on a transaction basis.

Interest Rates

Weighted Average Interest Rate (percent)

Types	Mid-July 2025	Mid-July 2026
91-days Treasury bills rate	2.95	2.32
Inter-bank rate of BFIs	2.96	2.75
Base Rate		
Commercial banks	6.02	4.83
Development banks	8.03	6.58
Finance companies	8.97	7.09
Deposit Rate		
Commercial banks	4.19	3.21
Development banks	4.88	3.56
Finance companies	6.01	4.31
Lending Rate		
Commercial banks	7.85	6.55
Development banks	8.95	7.7
Finance companies	10.22	8.55

Electronic Transactions

From mid-June to mid-July 2026, debit card users conducted 10.56 million transactions amounting to Rs.80.81 billion. Similarly, 82.61 million transactions worth Rs.696.94 billion was conducted through mobile banking, and 69.59 million transactions worth Rs.189.91 billion was conducted through QR code payments.

Capital Market

NEPSE index stood at 2597.80 in mid-July 2026 compared to 2794.79 in mid-July 2025. Stock market capitalization in midJuly 2026 stood at Rs. 4463.55 billion compared to Rs. 4656.99 billion in mid-July 2025. The ratio of market capitalization to GDP stood at 67.63 percent in mid-July 2026 compared to 75.11 percent in mid-July 2025. Share of BFIs and insurance companies in stock market capitalization is 51.8 percent in mid-July 2026. Such a share for hydropower companies is 17.5 percent, manufacturing and processing industries 8.4 percent, investment companies 6.7 percent, trading companies 4.2 percent, hotels 3.2 percent and the share of other companies is 8.3 percent. Securities Board of Nepal approved the total public issuance of securities worth Rs. 56.03 billion in the review period, which includes mutual fund worth Rs. 39.33 billion, ordinary shares worth Rs. 9.12 billion, right share worth Rs. 4.94 billion, debenture worth Rs. 2.60 billion, and FPO worth Rs. 47 million.

FISCAL POLICY HIGHLIGHTS FY 2026-27

Nepal's Budget 2026–27, with a total outlay of NPR 2,124.34 billion, focuses on moving the economy away from heavy dependence on imports and consumption and toward greater domestic production, investment, and technology. The budget introduces major tax reforms, including higher personal income tax exemptions and lower tax rates. The government has also reduced duties on many industrial raw materials and removed excise duties from a wide range of items to support businesses and industries.

More spending is planned for important areas such as roads, energy, health, and education. Several government institutions will also be merged, restructured, or removed to reduce unnecessary costs. The budget introduces new initiatives such as an AI Computing Centre, Diaspora Bond, Sovereign Wealth Fund, and easier investment services.

Objectives

- Shift the economy from consumption and imports toward production, exports and value addition.
- Expand private and foreign investment through simpler, predictable tax and regulatory regimes
- Embed technology and AI across public service delivery and the wider economy
- Create domestic jobs and reduce dependence on foreign employment
- Right-size the state and improve the quality of public spending
- Widen the tax base while lowering rates, and formalize transactions through digital payments

Priorities

- Production, productivity and entrepreneurship, with agriculture and industry at the center
- Result-oriented capital spending on highways, energy and urban infrastructure
- Technology-friendly transformation — AI, digital government and IT exports
- Quality and access in health and education, anchored by universal health insurance
- Good governance, institutional restructuring and control of revenue leakage
- Macroeconomic stability through disciplined debt management and revenue mobilisation

MONETARY POLICY

The monetary policy stance for FY 2082/83 (2025/26) remained accommodative, as Nepal Rastra Bank (NRB) gradually reduced key policy rates to support economic activity in the face of weak credit demand and excess liquidity in the banking system. During the year, the fixed repo rate was lowered from 5.00% to 4.25%, while the Standing Liquidity Facility rate and Bank Rate were reduced from 6.50% to 5.75%. Similarly, the deposit collection rate declined from 3.00% to 2.75%.

The easing of monetary conditions was also reflected in commercial bank interest rates. By mid-May 2026, the average lending rate had fallen from 7.85% to 6.73%, while the average deposit rate declined from 4.19% to 3.35%. Despite lower borrowing costs and ample liquidity in the banking system, private-sector credit growth remained relatively weak. As a result, NRB continued with a cautiously accommodative monetary policy stance heading into FY 2083/84 (2026/27), while remaining mindful of possible inflationary pressures.

Particulars	Mid-July 2025	Mid-May 2026	Change (pp)
Policy Rates			
Fixed Repo Rate (Corridor)	5.00	4.25	**-0.75**
Fixed Deposit Collection Rate (Corridor)	3.00	2.75	**-0.25**
Standing Liquidity Facility (SLF) Rate	6.50	5.75	**-0.75**
Bank Rate	6.50	5.75	**-0.75**
Government Securities			
T-bills (28 days)*	2.89	0.00	**-2.89**
T-bills (91 days)*	2.95	2.63	**-0.32**
T-bills (182 days)*	2.95	2.63	**-0.32**
T-bills (364 days)*	2.98	2.67	**-0.31**

STRATEGIC DIRECTIONS AND INITIATIVES

The Bank continues to build on its established PQR (Prudent, Quality and Return) philosophy, which has been the guiding foundation for strengthening resilience, improving business quality, and enhancing stakeholder returns over the past years. With the successful embedding of prudent practices across functions and decision-making processes, the Bank now moves into a new phase focused on scaling its achievements and preparing for future readiness.

For the fiscal year 2083–84, the Bank has adopted the theme " MOMENTUM 2027, "From Stability to Scale, Developing Future Ready Bank".

The concept of "Momentum 2027" reflects the Bank's intent to build sustained forward movement by converting stability into scalable and consistent growth. It emphasizes accelerating performance across all Bank's verticals through disciplined execution, timely decision-making and stronger alignment between strategy and implementation. This momentum will be driven by improved operational efficiency, deeper market penetration, enhanced customer focus, and continuous innovation in products and processes. By maintaining this positive curve, the Bank aims to create a compounding effect of growth, where each achievement strengthens the foundation for the next year, ultimately positioning KSBBL as a more dynamic, competitive and future-ready institution.

KSBBL MOMENTUM that drives us further

Moving from Stability to Scale: Transitioning from stability-focused operations to scalable and sustainable growth.

Operational Excellence: Strengthening efficiency, discipline and consistency across all processes.

Market Expansion: Enhancing business growth through deeper penetration and customer acquisition.

Embedded Risk & Compliance Culture: Ensuring strong governance, AML/CFT adherence, and risk-aware decision-making.

Nurturing Digital & AI Capability: Accelerating digital transformation and AI adoption across banking functions.

Talent & Workforce Strengthening: Building a productive, skilled, motivated and future-ready workforce.

Unified Customer Focus: Delivering consistent, trust-based, and customer-centric banking experience.

Momentum for Sustainable Growth: Creating a future ready bank through long-term value creation.

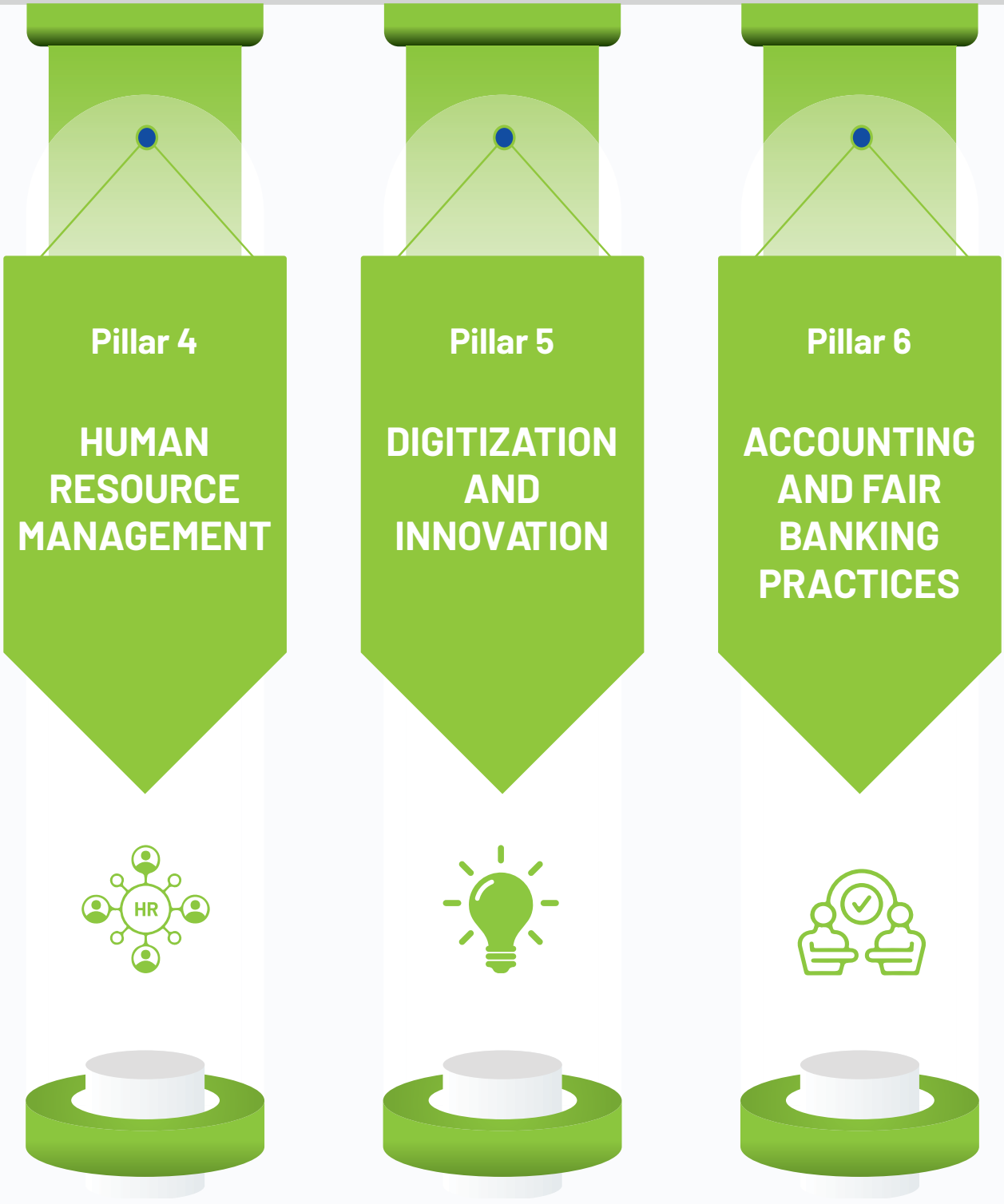
Our main focus for upcoming fiscal year will be towards value optimization, promoting good working culture and delivering high return to our valued shareholders.

> "Delivering High Returns to the shareholders, promoting healthy work culture through optimum utilization of available resources by promoting value driven banking across all the segments."



STRATEGIC PILLARS OF THE BANK




Pillar 4
HUMAN RESOURCE MANAGEMENT
HR
Pillar 5
DIGITIZATION AND INNOVATION
Pillar 6
ACCOUNTING AND FAIR BANKING PRACTICES



PILLAR 1:

BRAND RECOGNITION

MOMENTUM:
"STAND OUT, STAY SEEN, MEET VALUE"

Brand Positioning & Identity	• Establish the bank's brand narrative as stable, future ready and innovation driven bank. • Shift brand perception from regional identity to strong national recognition. • Ensure matured and stable media management and press releases. • Roll out localized branding strategy to cater the sentiment of local people. • Continue influencer marketing and partnerships with credible/reputed media houses.
Digital Branding	• Strengthen the Bank's digital presence with targeted, customer centric, interesting contents via effective channels and mediums. • Drive customer acquisition and engagement through data-driven digital marketing. • Position Bank as a trusted financial partner through market insights and awareness content. • Roll-out customer experience, success stories across various mediums.
Customer Trust & Reputation	• Build customer trust and reputation through impactful CSR and community initiatives



PILLAR 2:

SUSTAINABLE BANKING

MOMENTUM:
"SUSTAINABLE CHOICES. RESPONSIBLE BANKING"

Deposit Mobilization	• Refine and simplify existing deposit products with customer centric, innovative and feature-rich offerings. • Increase CASA with proper due diligence and quality control practices. • Increase digital channel adoption. • Increase quality deposit customers while maintaining optimal CD ratio and liquidity risk profile, supporting loan growth without impacting bottom lines.
Alternate Delivery Channels	• Eliminate redundant and cost-inefficient services to improve operational efficiency.
Lending Business	• Strengthen prudent, purpose-based lending practices while minimizing unnecessary processes. • Continue "Business With-in Reach" modality to capture nearby branch business. • Position Bank as a Strategic Prudent Business focused bank with Hassle-free service offering. • Minimize business process TAT. • Prioritize SME/Business lending with higher budget allocation and reduced consumption loans exposure.
Network Management	• Optimize performance and efficiency of existing branches

NPA Management	• Maintain NPL ratio below industry average through proactive recovery measures.
Customer Service Excellence	• Establish a fully enabled single-window grievance redressal system for one-stop resolution and proper post-action reporting. • Aim for zero unresolved grievances through effective resolution mechanisms. • Periodic monitoring of TAT to remove redundant process layers across all functions.
Operational Efficiency	• Equip branches with sufficient logistics, assets, resources and information. • Implement Uniform Filing System across all branches, departments and regions for credit and operation activity.
Resource optimization and security enhancement	• Further strengthening Central surveillance CCTV Monitoring system.
CSR and Social Initiatives	• Run engaging financial literacy campaigns.



PILLAR 3:

RISK MANAGEMENT AND GOOD GOVERNANCE

MOMENTUM:

"GOVERNANCE THAT SECURES, RISKS THAT ARE MANAGED"

Control Vertical	• Control Verticals to be guided by philosophy of Sample to Population on Critical areas.
Integrated Risk Management Function	• Conduct periodic reviews of CAD holders to ensure optimal utilization. • Conduct portfolio reviews (sector-wise, province-wise, year-wise) to identify EWS of NPLs. • Further enhance the borrower internal risk rating mechanism to enable individual level credit scoring. • Conduct CRR and ORR on risk need basis, with focused review of blind spots, new slippages and effectiveness of ground level delegation without duplication of scope with other control vertical. • Periodic assessment of credit appraisal process, portfolio impact assessment, CAD utilization and AMR.
Compliance Function	• Upgrade existing AML monitoring systems (e.g. Account Monitoring System) with better features. • Expand the coverage of post disbursement monitoring practices. • Enhance the compliance review /monitoring process through automation. • Perform onsite AML/CFT and Compliance review of risk identified branches without duplication of scope with other control vertical.
Audit Function	• Focus on Risk Based Internal audit for Blind Spot Monitoring. • Use of Computer Assisted Audit Tools to improve audit efficiency, coverage and early detection of anomalies.
Information Security	• Continue regular VAPT to identify and assess security weaknesses in systems and infrastructure. • Regular phishing simulation and staff awareness training across all level.



PILLAR 4:

HUMAN RESOURCE MANAGEMENT

MOMENTUM:

"GREAT PEOPLE. GREAT PLACE. GREAT PURPOSE"

Staff Motivation and Structural reform	• Enforce structured office hours, promote a task- and KPI-based performance culture, focusing on output rather than long working hours. • Align staff work distribution with diversification in existing business verticals, avoiding overlap, redundancy and workload imbalance. • Implement need-based hiring to ensure efficient and targeted resource fulfillment. • Support for flexible working arrangements, particularly in IT and CAD functions, to enhance productivity.
Employee Engagement, Motivation & Recognition	• Allow limited, policy-based overtime only where justified by business needs and bank's approval framework. • Create a supportive and motivating work environment with small incentives and employee-friendly practices.
Learning Driven Culture with Continuous Development	• Continue structured onboarding training for new employees. • Sponsor national and international courses offered by credible institutions to strengthen staff's skill.
Modernize HR Process and System	• Adopt theme of "Discipline in Time, Excellence in Output" by encouraging staffs to utilize working hours effectively and enhance productivity within office hours.



PILLAR 5:

DIGITIZATION AND INNOVATION

MOMENTUM:

"POWERING PROGRESS THROUGH INNOVATION"

Further strengthening the Foundation for Artificial Intelligence (AI)	• Ensure effective implementation of existing AI projects, including Grievance Management and MIS systems. • Explore AI-enabled credit scoring models so as to be a foundation for further digital lending products • Geo-mapping of all KSBBL locations/branches for easy discovery via Google and Apple Maps.
Continuing the digitization journey	• Consolidate and expand RPA use cases by eliminating duplication and implementing automation. • Align mobile banking features and services with the Bank's strategic objectives.

PILLAR 6:

ACCOUNTING AND FAIR BANKING PRACTICES

MOMENTUM:

"FAIR PRACTICES. SOUND ACCOUNTING. STRONGER TRUST."

Stakeholders Relations	• Align with the government, Niti Tatha Karyakram objective, Budget and NRB Monetary Policy • Provide 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. • Improve shareholder engagement and communication with proactive outreach initiatives. • 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.
Transparency	• To virtualize presence of independent person in official meetings to develop the culture of accountability and sensibility. • Ensure up-to-date policy documents review and roll-out. • 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.



COMPARISON OF QUARTERLY UNAUDITED FINANCIAL STATEMENT

Every Bank and financial institution is required to publish interim financial statements within 15 days from the end of each quarter in prescribed format in any national level daily newspaper. However, interim financial statement of fourth quarter can be published within 30 days from the end of the quarter. KSBBL prepares quarterly financial statements in accordance with Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting, as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with BAFIA 2073, Unified Directives 2082 issued by Nepal Rastra Bank and all other applicable laws and regulations.

UNAUDITED STATEMENT OF FINANCIAL POSITION

NPR in million unless stated otherwise

PARTICULARS	Q1	Q2	Q3	Q4
Assets				
Cash and Cash Equivalent	1,573.53	1,949.11	1,621.36	1,492.91
Due from Nepal Rastra Bank	2,551.73	3,085.98	2,651.64	2,644.11
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Trading Assets	-	-	-	-
Loans and Advances to BFIs	1,996.57	1,626.75	1,594.37	1,584.46
Loans and Advances to Customers	51,449.03	52,108.24	53,538.69	54,210.17
Investment Securities	12,189.30	11,404.88	12,734.62	13,743.67
Current Tax Assets	-	-	27.54	-
Investment in Subsidiaries	-	-	-	-
Investment in Associates	-	-	-	-
Investment Property	340.47	314.52	329.19	364.06
Property and Equipment	921.03	912.62	903.02	826.33
Goodwill and Intangible Assets	11.86	10.73	12.66	12.32
Deferred Tax Assets	53.19	41.62	32.99	39.71
Other Assets	547.73	571.91	509.11	718.67
Total Assets	**71,634.45**	**72,026.36**	**73,955.20**	**75,636.41**
Liabilities				
Due to Bank and Financial Institutions	741.02	360.57	365.77	566.11
Due to Nepal Rastra Bank	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Deposits from Customers	63,040.70	63,624.32	64,950.73	66,177.52
Borrowings	-	-	-	-
Current Tax Liabilities	72.70	9.57	-	7.49
Provisions	26.35	28.26	32.07	28.21
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	874.28	902.02	942.67	904.19
Debt Securities Issued	997.11	997.11	997.11	998.54
Subordinated Liabilities	-	-	-	-
Total Liabilities	**65,752.15**	**65,921.85**	**67,288.35**	**68,682.06**
Equity				
Share Capital	3,861.93	3,861.93	4,211.93	4,211.93
Share Premium	-	-	-	-
Retained Earnings	135.22	295.77	417.60	601.11
Reserves	1,885.15	1,946.81	2,037.32	2,141.31
Total Equity Attributable to Equity Holders	**5,882.30**	**6,104.51**	**6,666.85**	**6,954.35**
Non Controlling Interest	-	-	-	-
Total Equity	**5,882.30**	**6,104.51**	**6,666.85**	**6,954.35**
Total Liabilities and Equity	**71,634.45**	**72,026.36**	**73,955.20**	**75,636.41**

UNAUDITED STATEMENT OF PROFIT OR LOSS

PARTICULARS	Q1	Q2	Q3	Q4
Interest Income	1,393.63	2,667.98	3,911.20	5,192.76
Interest Expense	776.00	1,456.51	2,092.85	2,781.96
Net Interest Income	**617.64**	**1,211.47**	**1,818.35**	**2,410.80**
Fee and Commission Income	90.63	170.05	264.30	373.74
Fee and Commission Expense	6.21	11.39	17.52	25.30
Net Fee and Commission Income	**84.42**	**158.65**	**246.79**	**348.44**
Net Interest, Fee and Commission Income	**702.06**	**1,370.12**	**2,065.13**	**2,759.24**
Net Trading Income	0.23	0.38	0.55	0.71
Other Operating Income	52.14	59.18	61.55	79.60
Total Operating Income	**754.44**	**1,429.68**	**2,127.23**	**2,839.55**
Impairment Charge/ (Reversal) for Loans and Other Losses	110.69	187.13	286.25	136.55
Net Operating Income	**643.74**	**1,242.55**	**1,840.98**	**2,703.00**
Operating Expense				
Personnel Expenses	242.81	439.89	639.25	867.08
Other Operating Expenses	98.31	198.36	298.19	304.09
Depreciation & Amortization	17.99	37.03	56.13	149.33
Operating Profit	**284.63**	**567.28**	**847.41**	**1,382.50**
Non Operating Income	0.15	1.42	1.58	2.55
Non Operating Expense	2.52	5.05	6.22	56.59
Profit Before Income Tax	**282.26**	**563.64**	**842.78**	**1,328.46**
Income Tax Expense				
Current Tax	84.68	169.09	254.08	434.28
Deferred Tax	-	-	-	-
Profit for the Period	**197.58**	**394.55**	**588.70**	**894.18**
Annualised Earnings per Share	20.46	20.43	20.05	22.75
Annualised Distributable Profit/Loss per share	14.01	15.32	14.15	15.16

RATIOS

PARTICULARS	Q1	Q2	Q3	Q4
Capital Fund to RWE	12.26%	12.57%	13.47%	14.16%
Tier 1 Capital to RWA	9.61%	10.02%	10.97%	11.66%
CET 1 Capital to RWA	9.61%	10.02%	10.30%	11.00%
Annualized Return on Equity	13.37%	13.11%	12.45%	13.87%
Annualized Return on Assets	1.10%	1.10%	1.08%	1.22%
Non-Performing Loan (NPL) to Total Loan	4.41%	4.10%	4.40%	3.77%
Net Non-Performing Loan (NPL) to Total Loan	1.24%	0.77%	1.00%	0.55%
Total Loan Loss Provision to Total NPL	107.69%	118.20%	111.12%	121.54%
Cost of Funds	4.59%	4.25%	3.90%	3.69%
Credit to Deposit Ratio (CD)	86.35%	86.77%	87.33%	86.34%
Base Rate	6.55%	6.17%	5.76%	5.53%
Interest Rate Spread	4.32%	4.17%	4.11%	3.98%

The interim statement is approved by the Audit Committee of the Bank before publishing. The report is also available in the Bank's official website at www.kamanasewabank.com.

COMPARATIVE FINANCIAL HIGHLIGHTS

NPR in million unless stated otherwise

PARTICULARS	2082-83	2081-82	INCREASE/ DECREASE	CHANGE %
Statement of Financial Position				
Total assets	75,656.63	71,454.57	4,202.05	5.88%
Total loans and advances	57,623.16	54,215.27	3,407.89	6.29%
Investment securities	13,751.32	12,290.94	1,460.38	11.88%
Total deposit	66,743.63	63,501.74	3,241.89	5.11%
Share capital	4,211.93	3,510.85	701.08	19.97%
Equity Share Capital	3,861.93	3,510.85	351.08	10.00%
Preference Share Capital	350.00	-	350.00	100.00%
Total equity	6,981.22	5,937.46	1,043.76	17.58%
Profit or Loss				
Net interest income (NII)	2,439.07	2,318.49	120.58	5.20%
Total operating income	2,869.88	2,701.30	168.57	6.24%
Impairment charge/ (reversal)	142.45	418.13	(275.68)	-65.93%
Total operating expenses	1,353.74	1,242.69	111.06	8.94%
Operating profit	1,373.69	1,040.49	333.20	32.02%
Profit before income tax	1,319.65	992.93	326.72	32.90%
Profit after tax	908.60	669.75	238.84	35.66%
Other information				
Earning per share (For Equity shareholders only)(Rs.)	23.16	19.08	4.08	21.42%
Net assets value per share (Equity shareholders only)(Rs.)	171.71	169.12	2.59	1.53%
Numbers of equity shares (in numbers)	38,619,308	35,108,462	3,510,846	10.00%
Regulatory Ratio				
Cash reserve ratio (CRR)(%)	4.20	4.12	0.08	1.94%
Statutory liquidity ratio (SLR)(%)	23.22	22.79	0.43	1.89%
Liquidity Ratio (%)	25.12	24.49	0.63	2.57%
Capital adequacy ratio (%)	14.16	12.58	1.58	12.56%
Tier -I (%)	11.68	9.91	1.77	17.86%
Tier - II (%)	2.49	2.67	(0.18)	-6.74%
CD ratio (%)	86.34	85.38	0.96	1.12%
Assets Quality				
Performing assets	55,446.85	52,321.33	3,125.52	5.97%
Non performing assets	2,176.31	1,893.94	282.38	14.91%
NPL%	3.78	3.49	0.29	8.31%
Loan loss provision fund to Non performing assets (%)	121.62	132.23	(10.61)	-8.03%

BRIEF EXPLANATIONS ON ACCOUNTS HEAD OF THE STATEMENT OF FINANCIAL POSITION

PARTICULARS	BRIEF EXPLANATIONS
Assets	
Cash and Cash Equivalent	Total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date.
Due from Nepal Rastra Bank	Statutory balances held with NRB for compulsory cash reserve, securities purchased from NRB under resale agreement and other deposits with and receivables from NRB
Placement with Bank and Financial Institutions	Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date.
Derivative Financial Instruments	Instruments like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes.
Other Trading Assets	Those assets that the licensed institution acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit . The other trading asset includes non derivative financial assets. It includes Government bonds, NRB Bonds, Domestic Corporate bonds, Treasury bills, Equities etc held primarily for the trading purpose.
Loans and Advances to BFIs	Loan and advances given to microfinance financial institutions as well as other bank and financial institutions. Specific impairment on loan and advance to bank and financial institutions shall be deducted.
Loans and Advances to Customers	The outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances. Loan to employees provided according to the Employees Bylaws of the licensed institution shall also be presented under this head.
Investment Securities	Investments made by the licensed institutions in financial instruments in three categories i.e. investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income.
Current Tax Assets	Advance payment made by the licensed institution towards income tax liabilities or other tax liabilities to the taxing authorities.
Investment in Subsidiaries	Subsidiaries are the entities that are controlled by the bank. Investment made by the bank in its subsidiaries shall be presented in this head under separate financial statements.
Investment in Associates	Associates are those entities in which the bank has significant influence but not control over the financial and operating policies. Investment made by the bank in its associates shall be presented in this head under this account head.
Investment Property	Land or land and building other than those classified as property and equipment; and non current assets held for sale under relevant accounting standard. This shall include land, land and building acquired as non banking assets by the Bank but not sold.
Property and Equipment	All assets of long-term nature (fixed) like land, building, IT equipment, fixtures and fittings, office equipment and appliances, vehicles, machinery, leasehold developments and capital work in progress owned by the licensed institution.
Goodwill and Intangible Assets	Goodwill and intangible assets like computer software both purchased and internally generated, trade mark etc.
Deferred Tax Assets	Deferred tax assets recognized as per NFRSs on temporary deductible differences, carry forward of unused tax losses, changes in tax rate etc.
Other Assets	Any other tangible or intangible asset not mentioned above. Assets held for sale, non banking assets (other than land or land and building), restricted deposits with central banks, accounts receivable, interest receivable, accrued income, prepayments and deposit are some of the items to be included under this head.

PARTICULARS	BRIEF EXPLANATIONS
Liabilities	
Due to Bank and Financial Institutions	The balances in accounts maintained with the institution by other local and foreign banks and financial institution. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution shall also be presented under this account head.
Due to Nepal Rastra Bank	Amount of payable to Nepal Rastra Bank including amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.
Derivative Financial Instruments	Derivative instruments like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes.
Deposits from Customers	All deposit accounts other than deposit from BFIs (local and foreign) and NRB.
Borrowings	All domestic as well as foreign borrowing other than interbank borrowing and borrowing from Nepal Rastra Bank.
Current Tax Liabilities	The liabilities recognized for the purpose of current income tax, including fees, penalties.
Provisions	A provision is recognized when as a result of a past event, the licensed institution 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. Provision for redundancy, provision for onerous contracts, provision for restructuring, pending legal issues and tax litigation, credit commitments and guarantees etc. shall be presented under this account head.
Deferred Tax Liabilities	Amounts of income taxes payable in future periods in respect of taxable temporary differencesas per requirement of NFRS.
Other Liabilities	Any residual liabilities not captured above including liabilities relating to employees benefits like liabilities for defined benefit obligation gratuity and pension fund, liabilities for long-service leave, cash settled share based payment liabilities, short-term employee benefits etc., Creditors and accruals, Interest payable on deposit and borrowing, unearned income, unpaid dividend etc.
Debt Securities Issued	Debenture, bond or other debt securities issued by bank
Subordinated Liabilities	Liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.
Equity	
Share Capital	The amount of paid up share capital of the licensed institution. This shall include paid up amount of ordinary share capital and equity component of preference share capital.
Share Premium	The amount of money collected on issue of shares in excess of its face value. The outstanding amount in this account shall not be considered eligible for distribution of cash dividend.
Retained Earnings	The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institution's operations and is free for distribution of dividend to the shareholders.
Reserves	Includes the amounts received from allocation of profits or retained earnings in connection with maintaining reserves or created from any other process. General Reserve, Exchange Equalization reserve, Fair Value Reserves, Assets Revaluation Reserve, Capital Reserve, Special Reserve ,Capital Redemption Reserve, Dividend Equalization Fund, Capital Adjustment/Equalization Fund, Corporate Social Responsibility Fund, Investment Adjustment Reserve, Actuarial Gain/Loss Reserve, Regulatory Reserve, etc

BRIEF EXPLANATIONS ON ACCOUNTING HEADS OF THE STATEMENT OF PROFIT OR LOSS ACCOUNT

PARTICULARS	BRIEF EXPLANATIONS
Interest Income	Interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and and cash equivalent, due from Nepal Rastra Bank, due from BFIs, loan and advances to staff etc.
Interest Expense	Interest accrued on deposits collected, debt securities issued, borrowings obtained, subordinated liabilities, amount due to bank and financial institutions, due to NRB etc.
Fee and Commission Income	Fee income arising on the execution of a significant act completed or from provision of services like asset management, portfolio management, management advisory and service fees etc. Loan documentation fee, loan management fee, consortium fee, commitment fee, card issuance and renewal fees, prepayment and swap fee, remittance fee, investment banking fee, asset management fee, brokerage, commission on letter of credit, commission on guarantee, locker rental income, etc.
Fee and Commission Expense	Payouts on account of fee and commission for services obtained by the bank including card related fees, guarantee commission, brokerage expenses etc.
Net Trading Income	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.
Other Operating Income	Receipt of all other operating income not specifically provided under the income heads above. This includes 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 Loans and Other Losses	Impairment loss recognized as per NFRSs on loan and other losses shall be presented under this account head. It shall includes impairment charge/reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties etc.
Personnel Expenses	Expenses related to employees of a bank like employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRSs, cash-settled share based payments etc.
Other Operating Expenses	All operating expense other than those relating to personnel expense. The expenses covered under this account head shall include office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, eexpense of restructuring, impairment of non financial assets, expense of corporate social responsibility, onerous lease provisions etc.
Depreciation & Amortization	Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRSs on property and equipment, and investment properties, and amortization of intangible assets shall be presented under this account head.
Non Operating Income / Expense	The income and expenses that have no direct relationship with the operation of transactions shall be presented under this head. The income/expense covered under this account head shall include loan written off, recovery of loan, redundancy provision, expense of restructuring etc
Income Tax Expense	The amount of income tax on net taxable profit shall be recognized and presented under this account head. This account head shall include current tax expense and deferred tax expense/deferred tax income.

LAST SIX YEAR'S PERFORMANCE HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION

NPR in million unless stated otherwise

PARTICULARS	2082-83	2081-82	2080-81	2079-80	2078-79	2077-78
Assets						
Cash and Cash Equivalent	1,492.92	1,786.65	1,774.37	4,193.07	6,299.34	4,401.24
Due from Nepal Rastra Bank	2,644.11	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	1,584.46	2,537.88	3,121.68	2,195.09	1,798.62	952.70
Loans and Advances to Customers	54,203.87	50,077.50	45,979.61	43,851.34	42,362.43	38,580.55
Investment Securities	13,751.32	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	364.06	354.18	352.14	374.30	237.68	34.81
Property and Equipment	826.33	932.12	991.49	1,135.49	1,200.77	613.08
Goodwill and Intangible Assets	12.32	13.30	13.64	14.16	14.79	100.53
Deferred Tax Assets	58.16	32.46	54.01	82.51	75.19	28.38
Other Assets	719.08	705.51	808.92	608.53	362.79	633.51
Total Assets	**75,656.63**	**71,454.57**	**67,189.03**	**62,581.15**	**59,881.70**	**51,304.90**
Liabilities						
Due to Bank and Financial Institutions	566.11	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	66,177.52	62,834.30	59,066.71	53,472.41	46,256.07	44,200.61
Borrowings	-	-	-	-	-	-
Current Tax Liabilities	5.02	11.70	24.76	-	-	-
Provisions	28.19	26.95	16.49	17.94	16.05	25.82
Deferred Tax Liabilities	-	-	-	-	-	-
Other Liabilities	902.70	979.61	1,073.80	1,096.50	1,137.73	541.44
Debt Securities Issued	995.87	997.11	996.23	995.16	994.14	992.98
Subordinated Liabilities	-	-	-	-	-	-
Total Liabilities	**68,675.40**	**65,517.11**	**61,804.68**	**57,845.45**	**55,517.12**	**47,466.66**
Equity						
Share Capital	4,211.93	3,510.85	3,281.16	3,281.16	3,142.58	2,651.96
Share Premium	-	-	-	-	-	-
Retained Earnings	612.68	587.58	411.20	52.76	146.72	527.52
Reserves	2,156.61	1,839.04	1,691.98	1,401.78	1,075.28	658.76
Total Equity Attributable to Equity Holders	**6,981.22**	**5,937.46**	**5,384.34**	**4,735.70**	**4,364.58**	**3,838.24**
Non Controlling Interest	-	-	-	-	-	-
Total Equity	**6,981.22**	**5,937.46**	**5,384.34**	**4,735.70**	**4,364.58**	**3,838.24**
Total Liabilities and Equity	**75,656.63**	**71,454.57**	**67,189.03**	**62,581.15**	**59,881.70**	**51,304.90**
Contingent Liabilities and Commitments	2,246.43	2,310.15	2,653.10	2,389.88	2,192.24	170.36

LAST SIX YEAR'S FINANCIAL HIGHLIGHTS

STATEMENT OF PROFIT OR LOSS

NPR in million unless stated otherwise

PARTICULARS	2082-83	2081-82	2080-81	2079-80	2078-79	2077-78
Interest Income	5,221.02	5,948.66	7,040.45	7,302.57	5,836.29	4,090.31
Interest Expense	2,781.96	3,630.17	4,907.91	5,234.90	3,902.19	2,554.04
Net Interest Income	**2,439.07**	**2,318.49**	**2,132.54**	**2,067.66**	**1,934.10**	**1,536.27**
Fee and Commission Income	373.74	335.73	298.47	264.27	295.33	338.37
Fee and Commission Expense	25.30	25.50	28.98	22.62	13.52	7.37
Net Fee and Commission Income	**348.44**	**310.23**	**269.49**	**241.65**	**281.81**	**331.00**
Net Interest, Fee and Commission Income	**2,787.51**	**2,628.72**	**2,402.03**	**2,309.32**	**2,215.91**	**1,867.27**
Net Trading Income	0.71	0.76	0.49	0.05	0.10	0.04
Other Operating Income	81.66	71.83	124.31	12.67	39.59	267.33
Total Operating Income	**2,869.88**	**2,701.30**	**2,526.83**	**2,322.04**	**2,255.60**	**2,134.64**
Impairment Charge/ (Reversal) for Loans and Other Losses	142.45	418.13	358.20	522.69	284.13	272.11
Net Operating Income	**2,727.43**	**2,283.17**	**2,168.63**	**1,799.35**	**1,971.47**	**1,862.53**
Operating Expense						
Personnel Expenses	893.72	797.36	761.18	721.63	698.61	623.46
Other Operating Expenses	310.69	287.06	266.93	253.91	218.24	262.56
Depreciation & Amortization	149.33	158.26	172.64	184.61	189.75	116.12
Operating Profit	**1,373.69**	**1,040.49**	**967.89**	**639.19**	**864.88**	**860.38**
Non Operating Income	2.55	3.79	0.70	-	-	-
Non Operating Expense	56.59	51.35	69.99	108.39	17.13	2.14
Profit Before Income Tax	**1,319.65**	**992.93**	**898.60**	**530.81**	**847.74**	**858.24**
Income Tax Expense						
Current Tax	431.80	323.96	317.70	186.89	279.44	269.56
Deferred Tax	(20.74)	(0.78)	(0.93)	(17.44)	(21.78)	(9.50)
Profit for the Period	**908.60**	**669.75**	**581.83**	**361.36**	**590.09**	**598.18**
Profit Attributable to:						
Equity-holders of the Bank	894.53	669.75	581.83	361.36	590.09	598.18
Non-Controlling Interest	-	-	-	-	-	-
Profit for the Period	**894.53**	**669.75**	**581.83**	**361.36**	**590.09**	**598.18**
Earnings per Share						
Basic Earnings per Share	23.16	19.08	17.73	11.01	18.78	22.56
Diluted Earnings per Share	23.16	19.08	17.73	11.01	18.78	22.56

HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

PARTICULARS	2082-83	2081-82	2080-81	2079-80	2078-79	2077-78
Assets						
Cash and Cash Equivalent	34%	41%	40%	95%	143%	100%
Due from Nepal Rastra Bank	281%	290%	255%	230%	131%	100%
Loans and Advances to BFIs	166%	266%	328%	230%	189%	100%
Loans and Advances to Customers	140%	130%	119%	114%	110%	100%
Investment Securities	277%	247%	235%	159%	126%	100%
Current Tax Assets	0%	0%	0%	83%	73%	100%
Investment Property	1046%	1017%	1012%	1075%	683%	100%
Property and Equipment	135%	152%	162%	185%	196%	100%
Goodwill and Intangible Assets	12%	13%	14%	14%	15%	100%
Deferred Tax Assets	205%	114%	190%	291%	265%	100%
Other Assets	114%	111%	128%	96%	57%	100%
Total Assets	**147%**	**139%**	**131%**	**122%**	**117%**	**100%**
Liabilities						
Due to Bank and Financial Institutions	51%	60%	57%	205%	389%	100%
Due to Nepal Rastra Bank	0%	0%	0%	0%	468%	100%
Deposits from Customers	150%	142%	134%	121%	105%	100%
Current Tax Liabilities	100%	100%	100%	0%	0%	100%
Provisions	109%	104%	64%	69%	62%	100%
Other Liabilities	167%	181%	198%	203%	210%	100%
Debt Securities Issued	100%	100%	100%	100%	100%	100%
Total Liabilities	**145%**	**138%**	**130%**	**122%**	**117%**	**100%**
Equity						
Share Capital	159%	132%	124%	124%	118%	100%
Retained Earnings	116%	111%	78%	10%	28%	100%
Reserves	327%	279%	257%	213%	163%	100%
Total Equity Attributable to Equity Holders	**182%**	**155%**	**140%**	**123%**	**114%**	**100%**
Total Liabilities and Equity	**147%**	**139%**	**131%**	**122%**	**117%**	**100%**

HORIZONTAL ANALYSIS (BALANCE SHEET)

Horizontal Analysis on Balance Sheet refers to the analysis of growth of each component of balance sheet items from the base period.

Growth of each component of Balance Sheet of every year calculated based on the amount of 2077-78 (base year) which is representing the value 100%. The value above 100% means positive growth and below 100% means negative growth compared to base year. Consistent growth of Assets, Liabilities and Shareholders' Equity represents sustainable balance sheet growth of the bank as a whole.

HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS

PARTICULARS	2082-83	2081-82	2080-81	2079-80	2078-79	2077-78
Interest Income	128%	145%	172%	179%	143%	100%
Interest Expense	109%	142%	192%	205%	153%	100%
Net Interest Income	**159%**	**151%**	**139%**	**135%**	**126%**	**100%**
Fee and Commission Income	110%	99%	88%	78%	87%	100%
Fee and Commission Expense	343%	346%	393%	307%	183%	100%
Net Fee and Commission Income	**105%**	**94%**	**81%**	**73%**	**85%**	**100%**
Net Interest, Fee and Commission Income	**149%**	**141%**	**129%**	**124%**	**119%**	**100%**
Net Trading Income	1579%	1686%	1093%	117%	212%	100%
Other Operating Income	31%	27%	47%	5%	15%	100%
Total Operating Income	**134%**	**127%**	**118%**	**109%**	**106%**	**100%**
Impairment Charge/ (Reversal) for Loans and Other Losses	52%	154%	132%	192%	104%	100%
Net Operating Income	**146%**	**123%**	**116%**	**97%**	**106%**	**100%**
Operating Expense						
Personnel Expenses	143%	128%	122%	116%	112%	100%
Other Operating Expenses	118%	109%	102%	97%	83%	100%
Depreciation & Amortization	129%	136%	149%	159%	163%	100%
Operating Profit	**160%**	**121%**	**112%**	**74%**	**101%**	**100%**
Non Operating Income	100%	100%	100%	0%	0%	100%
Non Operating Expense	2640%	2396%	3265%	5057%	799%	100%
Profit Before Income Tax	**154%**	**116%**	**105%**	**62%**	**99%**	**100%**
Income Tax Expense						
Current Tax	160%	120%	118%	69%	104%	100%
Deferred Tax	218%	8%	10%	184%	229%	100%
Profit for the Period	**152%**	**112%**	**97%**	**60%**	**99%**	**100%**
Earnings per Share						
Basic Earnings per Share	103%	85%	79%	49%	83%	100%
Diluted Earnings per Share	103%	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.

Growth of each component of the Profit and Loss Account has been calculated by taking the amounts of 2077-78 as the base year (indexed to 100%). Values exceeding 100% indicate positive growth, while values below 100% reflect a decline relative to the base year. Operating profit, net profit and EPS are showing consistent growth after a setback in 2079-80 indicating improved earning power of the bank.

VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

PARTICULARS	2082-83	2081-82	2080-81	2079-80	2078-79	2077-78
Assets						
Cash and Cash Equivalent	1.97%	2.50%	2.64%	6.70%	10.52%	8.58%
Due from Nepal Rastra Bank	3.49%	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%	0.00%
Derivative Financial Instruments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Trading Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loans and Advances to BFIs	2.09%	3.55%	4.65%	3.51%	3.00%	1.86%
Loans and Advances to Customers	71.64%	70.08%	68.43%	70.07%	70.74%	75.20%
Investment Securities	18.18%	17.20%	17.41%	12.66%	10.46%	9.69%
Current Tax Assets	0.00%	0.00%	0.00%	0.06%	0.06%	0.09%
Investment in Subsidiaries	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment in Associates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property	0.48%	0.50%	0.52%	0.60%	0.40%	0.07%
Property and Equipment	1.09%	1.30%	1.48%	1.81%	2.01%	1.19%
Goodwill and Intangible Assets	0.02%	0.02%	0.02%	0.02%	0.02%	0.20%
Deferred Tax Assets	0.08%	0.05%	0.08%	0.13%	0.13%	0.06%
Other Assets	0.95%	0.99%	1.20%	0.97%	0.61%	1.23%
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Liabilities						
Due to Bank and Financial Institutions	0.75%	0.93%	0.93%	3.62%	7.19%	2.16%
Due to Nepal Rastra Bank	0.00%	0.00%	0.00%	0.00%	4.69%	1.17%
Derivative Financial Instruments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits from Customers	87.47%	87.94%	87.91%	85.44%	77.25%	86.15%
Borrowings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Tax Liabilities	0.01%	0.02%	0.04%	0.00%	0.00%	0.00%
Provisions	0.04%	0.04%	0.02%	0.03%	0.03%	0.05%
Deferred Tax Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Liabilities	1.19%	1.37%	1.60%	1.75%	1.90%	1.06%
Debt Securities Issued	1.32%	1.40%	1.48%	1.59%	1.66%	1.94%
Subordinated Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Liabilities	**90.77%**	**91.69%**	**91.99%**	**92.43%**	**92.71%**	**92.52%**
Equity						
Share Capital	5.57%	4.91%	4.88%	5.24%	5.25%	5.17%
Share Premium	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Retained Earnings	0.81%	0.82%	0.61%	0.08%	0.25%	1.03%
Reserves	2.85%	2.57%	2.52%	2.24%	1.80%	1.28%
Total Equity Attributable to Equity Holders	**9.23%**	**8.31%**	**8.01%**	**7.57%**	**7.29%**	**7.48%**
Non Controlling Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	**9.23%**	**8.31%**	**8.01%**	**7.57%**	**7.29%**	**7.48%**
Total Liabilities and Equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

VERTICAL ANALYSIS (BALANCE SHEET)

Vertical Analysis on Balance Sheet refers to the components of balance sheet items as a percentage of total Assets over the periods which would be termed as common sizing of balance sheet. Loans and advances to BFIs, customers and investment securities comprises maximum weight of total assets in 2082-83 which is in total 91% of total asset while on liabilities side deposit from customers comprises maximum weight which is 87% ot total liabilities and equity.

VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS

PARTICULARS	2082-83	2081-82	2080-81	2079-80	2078-79	2077-78
Interest Income	91.92%	93.52%	94.32%	96.35%	94.57%	87.10%
Interest Expense	48.98%	57.07%	65.75%	69.07%	63.23%	54.39%
Net Interest Income	**42.94%**	**36.45%**	**28.57%**	**27.28%**	**31.34%**	**32.71%**
Fee and Commission Income	6.58%	5.28%	4.00%	3.49%	4.79%	7.21%
Fee and Commission Expense	0.45%	0.40%	0.39%	0.30%	0.22%	0.16%
Net Fee and Commission Income	**6.13%**	**4.88%**	**3.61%**	**3.19%**	**4.57%**	**7.05%**
Net Interest, Fee and Commission Income	**49.08%**	**41.33%**	**32.18%**	**30.47%**	**35.91%**	**39.76%**
Net Trading Income	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%
Other Operating Income	1.44%	1.13%	1.67%	0.17%	0.64%	5.69%
Total Operating Income	**50.53%**	**42.47%**	**33.85%**	**30.64%**	**36.55%**	**45.46%**
Impairment Charge/ (Reversal) for Loans and Other Losses	2.51%	6.57%	4.80%	6.90%	4.60%	5.79%
Net Operating Income	**48.02%**	**35.89%**	**29.05%**	**23.74%**	**31.95%**	**39.66%**
Operating Expense						
Personnel Expenses	15.74%	12.54%	10.20%	9.52%	11.32%	13.28%
Other Operating Expenses	5.47%	4.51%	3.58%	3.35%	3.54%	5.59%
Depreciation & Amortization	2.63%	2.49%	2.31%	2.44%	3.07%	2.47%
Operating Profit	**24.19%**	**16.36%**	**12.97%**	**8.43%**	**14.01%**	**18.32%**
Non Operating Income	0.04%	0.06%	0.01%	0.00%	0.00%	0.00%
Non Operating Expense	1.00%	0.81%	0.94%	1.43%	0.28%	0.05%
Profit Before Income Tax	**23.23%**	**15.61%**	**12.04%**	**7.00%**	**13.74%**	**18.28%**
Income Tax Expense						
Current Tax	7.60%	5.09%	4.26%	2.47%	4.53%	5.74%
Deferred Tax	-0.37%	-0.01%	-0.01%	-0.23%	-0.35%	-0.20%
Profit for the Period	**16.00%**	**10.53%**	**7.79%**	**4.77%**	**9.56%**	**12.74%**

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. Interest income comprises the maximum weight of total income in 2082-83 which is 91% of total income and in terms of expenses interest expenses comprises maximum weight which is 49% of total income.

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	2082-83	2081-82	CHANGES
Interest Earned	5,221.02	5,948.66	-12.23%
Other Income	433.35	386.61	12.09%
Interest Expense	2,781.96	3,630.17	-23.37%
Other Operating Expenses	367.28	338.41	8.53%
Value Added by Banking Services	**2,505.14**	**2,366.69**	**5.85%**
Impairment	142.45	418.13	-65.93%
Gross Value Added	**2,362.70**	**1,948.55**	**21.25%**
Application Statement			
To Employees			
Salaries and other benefits	893.72	797.36	12.08%
To Government			
Income Taxes	431.80	323.96	33.29%
To Community			
Corporate Social Responsibility	9.09	6.70	35.66%
To Share Holders			
Dividend and Bonus Share	591.50	555.36	6.51%
To Expansion and Growth			
Reserve and Surplus	308.01	107.69	186.00%
Depreciation and Amortization	149.33	158.26	-5.64%
Deferred Tax	(20.74)	(0.78)	2544.19%
Total Value Added - Allocation	**2,362.70**	**1,948.55**	**21.25%**

MARKET VALUE ADDED

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

NPR in million unless stated otherwise

PARTICULARS	2082-83	2081-82
Market Price per share	474.00	500.69
Number of equity shares	38.62	35.11
Total Market Value	18,305.55	17,578.46
Book Value per Share	171.71	169.12
Number of equity shares	38.62	35.11
Total Book Value	6,631.22	5,937.46
Market Value Added	**11,674.33**	**11,641.00**

ECONOMIC VALUE ADDED

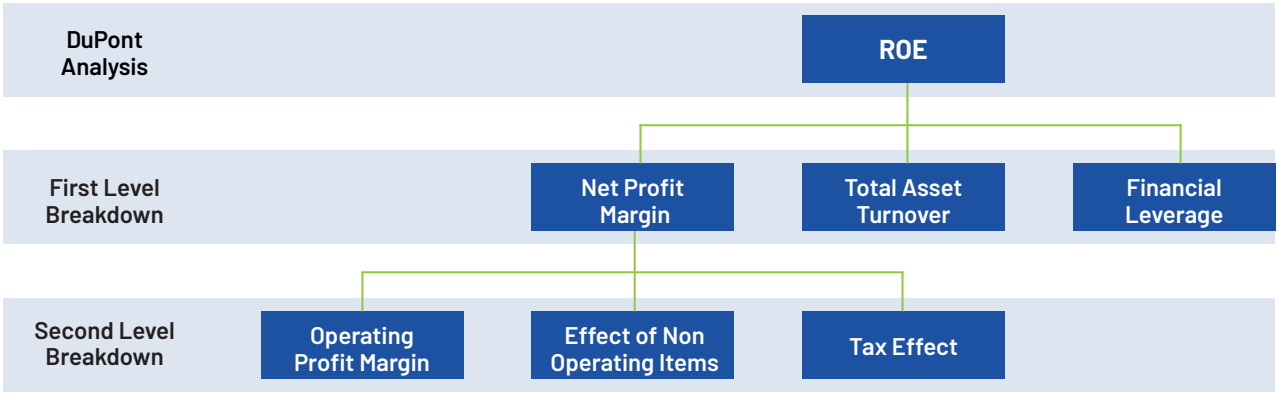
Economic Value Added (EVA) is a financial performance measurment tool which is an estimate of a Bank's economic profit, or the value created in excess of the required return of the Bank's shareholders. EVA is the profit earned by the Bank less the cost of financing the Bank's capital.

NPR in million unless stated otherwise

PARTICULARS	2082-83	2081-82
Net Profit after tax	908.60	669.75
Average Shareholder Fund	6,459.34	5,660.90
Cost of Capital Employed	581.34	509.48
Economic Value Added	327.25	160.27

DU PONT ANALYSIS

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



PARTICULARS	2082-83	2081-82
ROE	13.01%	11.28%
Net Profit Margin	16.00%	10.53%
Total Asset Turnover	0.0751	0.0890
Financial Leverage	10.8372	12.0345
Operating Profit Margin	24.19%	16.36%
Effect of non operating items	0.9607	0.9543
Tax Effect	0.6885	0.6745

ROE measures the profitability in terms of equity. Net profit margin consists of three important components namely operating profit margin, effects on non-operating items and tax effects as mentioned in second level break down. There is an increment of operating profit margin from 16.36% to 24.19% due to increase in net interest, fee & commission income and reduction in impairment charge for the financial year.

Effect on non-operating items slightly increased to 0.9607 due to increase in loan written off expenses. Tax effect has been increased from 0.6745 to 0.6885. Increase in operating profit margin, effect of non operating items and tax effect in combined caused to increase net profit margin from 10.53% to 16% eventually.

FAIR VALUE HIERARCHY

All financial assets and financial liabilities for which fair value is measured or disclosed in the financial statements are categorized within the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement, ranging from Level 1 inputs to Level 3 inputs.

Level 1: Fair value measurements are derived based on the input of unadjusted quoted market prices in an active market, for identical instruments. These could be stock exchanges or dealer price quotations (assets and long positions are measured at a bid price, liabilities and short positions are measured at an asking price), without any deduction for transaction costs.

Level 2: Fair value measurements are derived based on observable inputs, which are either observed directly such as in terms of prices or observed indirectly such as in terms of factors that are derived from prices. Such observable inputs include:

- quoted prices for similar instruments in active markets;
- quoted prices for identical or similar instruments in inactive markets;
- financial instruments are valued using models where all significant inputs are observable.

Level 3: Fair value measurements are derived using valuation techniques in which current market transactions or observable market data are not available. Under this, instruments are fair valued using valuation models which have been tested against prices or inputs to actual market transactions and make use of the Banks's best estimate of the most appropriate model assumptions.

PARTICULARS	FAIR VALUE HIERARCHY LEVEL	AS ON ASHADH 2083		AS ON ASHADH 2082	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets					
Through FVTOCI					
Quoted Equity Securities	1	1,001,500,467	1,055,043,711	1,063,452,483	1,177,795,617
Unquoted Equity Securities	3	66,004,600	66,004,600	69,004,600	70,823,700
At Amortised Cost					
Cash & Cash Equivalents	3	1,492,916,101	1,492,916,101	1,786,654,797	1,786,654,797
Due from Nepal Rastra Bank	3	2,644,109,552	2,644,109,552	2,724,031,338	2,724,031,338
Loan and Advances to B/FIs	3	1,584,461,749	1,584,461,749	2,537,879,119	2,537,879,119
Loans & Advances to Customers	3	54,203,871,013	54,203,871,013	50,077,497,277	50,077,497,277
Investment Securities	3	12,630,273,000	12,630,273,000	11,042,323,204	11,042,323,204
Other Financial Assets	3	662,460,342	662,460,342	640,210,875	640,210,875
Total Financial Assets		**74,285,596,823**	**74,339,140,068**	**69,941,053,693**	**70,057,215,927**
Financial Liabilities					
At Amortised Cost					
Due to Bank and Financial Institutions	3	566,106,644	566,106,644	667,439,221	667,439,221
Deposit from Customers	3	66,177,524,639	66,177,524,639	62,834,301,164	62,834,301,164
Other Liabilities	3	930,887,408	930,887,408	1,006,564,801	1,006,564,801
Debt Securities Issued	3	995,865,317	995,865,317	997,108,939	997,108,939
Total Financial Liabilities		**68,670,384,008**	**68,670,384,008**	**65,505,414,124**	**65,505,414,124**

SECTOR WISE CONCENTRATION OF LOANS AND ADVANCES

S.NO.	INDUSTRY/SECTOR	ASHADH END 2083	ASHADH END 2082	CHANGE (RS.)	CHANGES(%)
1	Agricultural and Forest Related	5,413.47	5,385.48	27.99	0.52%
2	Fishery Related	99.06	105.82	(6.76)	-6.39%
3	Mining Related	-	-	-	0.00%
4	Agriculture, Forestry & Bevarage Production Related	1,081.41	1,210.92	(129.51)	-10.70%
5	Non-food Production Related	1,315.76	1,105.10	210.66	19.06%
6	Construction	2,435.03	658.50	1,776.52	269.78%
7	Power, Gas and Water	1,683.99	1,316.60	367.38	27.90%
8	Metal Products, Machinary & Electronic Equipment & Assemblage	226.88	178.74	48.14	26.93%
9	Transport, Communication and Public Utilities	752.09	841.84	(89.75)	-10.66%
10	Wholesaler & Retailer	6,621.27	6,832.12	(210.85)	-3.09%
11	Finance, Insurance and Real Estate	4,757.83	4,803.09	(45.25)	-0.94%
12	Tourism Service	2,484.60	1,603.88	880.71	54.91%
13	Other Services	2,527.00	2,118.68	408.32	19.27%
14	Consumption Loans	21,370.16	18,823.55	2,546.61	13.53%
15	Local Government	0.35	0.35	-	0.00%
16	Others	6,854.26	9,230.59	(2,376.32)	-25.74%
	TOTAL	**57,623.16**	**54,215.27**	**3,407.89**	**6.29%**

NON PERFORMING LOAN DISCLOSURE

PARTICULARS	2082-83	2081-82	CHANGE	
			AMOUNT	%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-	-	0%
Substandard	385,125,036	105,261,638	279,863,398	266%
Doubtful	308,141,113	118,808,870	189,332,243	159%
Loss	1,483,047,139	1,669,866,113	(186,818,974)	-11%
Total Non Performing Loans	**2,176,313,289**	**1,893,936,621**	**282,376,668**	**15%**
Provision of NPL				
Restructured/rescheduled	-	-	-	0%
Substandard	101,465,345	25,519,161	75,946,184	298%
Doubtful	263,384,598	57,210,583	206,174,015	360%
Loss	1,479,940,331	1,663,975,958	(184,035,627)	-11%
Total Provision for NPL	**1,844,790,275**	**1,746,705,702**	**98,084,573**	**6%**

SECTOR WISE NPL

S.NO	INDUSTRY/SECTOR	LOAN OUTSTANDING	NPA BALANCE	NPA (%)
1	Agricultural and Forest Related	5,413.47	308.07	5.69%
2	Fishery Related	99.06	7.70	7.77%
3	Mining Related	0.00	0.00	0.00%
4	Agriculture, Forestry & Bevarage Production Related	1,081.41	110.67	10.23%
5	Non-food Production Related	1,315.76	124.74	9.48%
6	Construction	2,435.03	106.41	4.37%
7	Power, Gas and Water	1,683.99	0.00	0.00%
8	Metal Products, Machinary & Electronic Equipment & Assemblage	226.88	4.56	2.01%
9	Transport, Communication and Public Utilities	752.09	119.94	15.95%
10	Wholesaler & Retailer	6,621.27	646.90	9.77%
11	Finance, Insurance and Real Estate	4,757.83	47.54	1.00%
12	Hotel or Restaurant	2,484.60	98.09	3.95%
13	Other Service	2,527.00	86.38	3.42%
14	Consumption Loans	21,370.16	300.67	1.41%
15	Local Government	0.35	0.35	100.00%
16	Others	6,854.26	214.29	3.13%
	Total	**57,623.16**	**2,176.31**	**3.78%**

COMPLIANCE WITH PRIORITY SECTOR LENDING

The Nepal Rastra Bank (NRB) mandates priority sector lending to 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	5,515.34	9.93
Hydropower/Energy	2,683.99	4.83
Tourism	2,686.74	4.84
Micro,Cottage, Small and Medium Industries	2,079.14	3.74
Total	**12,965.20**	**23.35**

As per regulatory provision, B Class Financial institutions are required to disburse 17% of total loans and advances in priority sectors by Ashadh 2083. Our bank has complied the said provision and have an exposure in priority sector lending of 23.35% as on Ashadh 2083.

DIGITAL COVERAGE

DEBIT CARD

FISCAL YEAR	DEBIT CARD USERS
2080-81	161,536
2081-82	171,955
2082-83	186,189

CREDIT CARD

FISCAL YEAR	CREDIT CARD USERS
2080-81	113
2081-82	91
2082-83	77

MOBILE BANKING

FISCAL YEAR	MOBILE BANKING USERS
2080-81	483,188
2081-82	487,227
2082-83	514,844

ATM NETWORKS

FISCAL YEAR	ATM NETWORK
2080-81	74
2081-82	72
2082-83	66

QR ENROLLMENT

FISCAL YEAR	QR ENROLLMENT
2080-81	22,692
2081-82	24,904
2082-83	27,382

NEW CUSTOMER ENROLLMENT DURING THE FISCAL YEAR

FISCAL YEAR	MOBILE BANKING	CARD
2080-81	79,647	40,833
2081-82	43,083	19,514
2082-83	31,939	13,737

WOMEN ACCESS IN DIGITAL CHANNEL TILL FY 2025-26

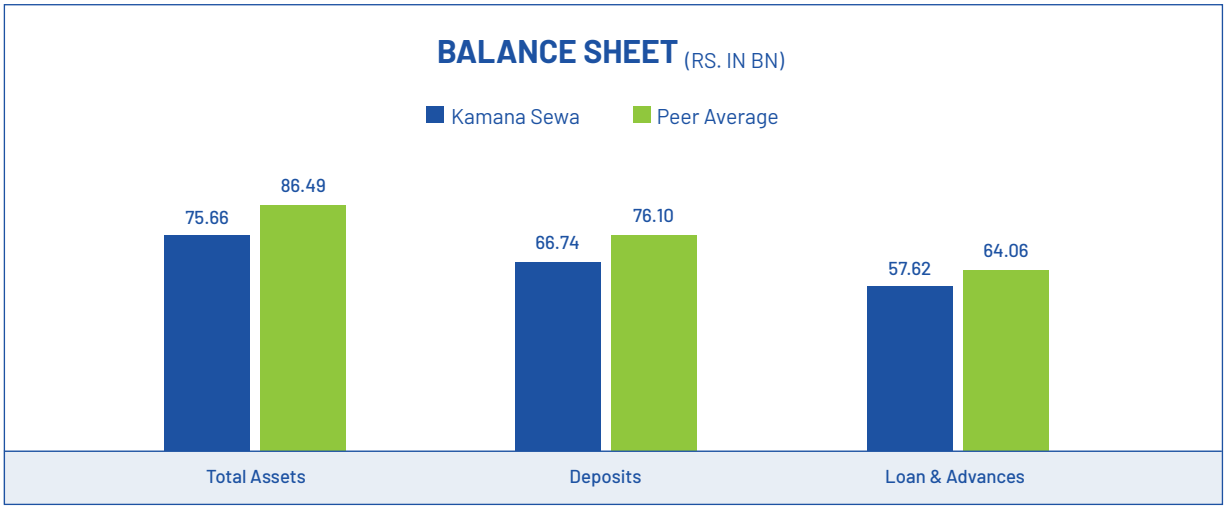
FISCAL YEAR	MOBILE BANKING	CARD
2080-81	182,096	48,567
2081-82	216,573	65,667
2082-83	234,627	78,014

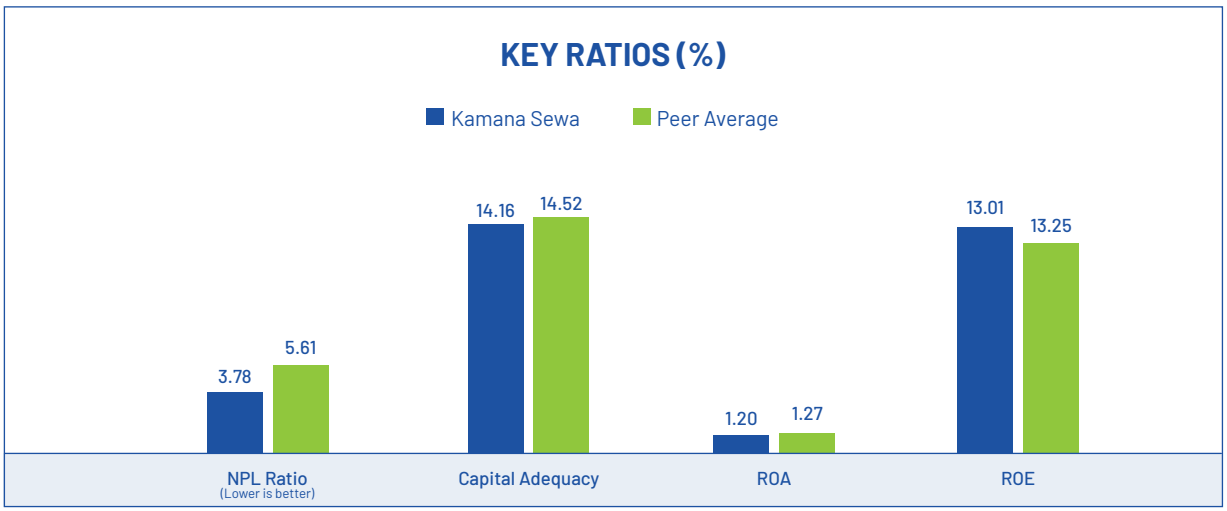


COMPETITIVE POSITIONING WITH PEER BANKS

To provide a clear perspective on our competitive standing, we have benchmarked the Bank's performance against eight comparable national-level development banks as of Ashar-end 2083. The analysis covers key indicators relating to balance sheet size, asset quality, capital adequacy, and profitability, enabling a balanced assessment of our relative position within the peer group.

INDICATOR	KAMANA SEWA ASHAR END 2083	PEER AVERAGE ASHAR END 2083	GAP
Total Assets (Rs. Bn)	75.66	86.49	-10.83
Deposits (Rs. Bn)	66.74	76.10	-9.36
Loans & Advances (Rs. Bn)	57.62	64.06	-6.44
NPL Ratio	3.78%	5.61%	-1.83 pp
Capital Adequacy Ratio	14.16%	14.52%	-0.36 pp
Return on Assets	1.20%	1.27%	-0.07 pp
Return on Equity	13.01%	13.25%	-0.24 pp





As of Ashar-end 2083, our total assets, deposits, and loans & advances remain below the peer average. However, our asset quality remains a key strength, with an NPL ratio of 3.78% compared to the peer average of 5.61%, indicating stronger credit quality and prudent portfolio management.

Our capital adequacy ratio stands at 14.16% against the peer average of 14.52%, while our ROA and ROE are 1.20% and 13.01%, respectively, compared to peer averages of 1.27% and 13.25%.The bank is committed towards sustainable growth, maintaining strong asset quality, and improving profitability and capital efficiency.



MOMENTUM

Embedded Risk & Compliance Culture

Ensuring strong governance, AML/CFT adherence, and risk-aware decision making.





SUSTAINABILITY & INTEGRATED REPORTING



BUSINESS MODEL

Kamana Sewa Bikas Bank Limited (KSBBL) is a national-level Class "B" Development Bank licensed and supervised by Nepal Rastra Bank. Our business model describes how the Bank mobilises the resources entrusted to it by depositors and shareholders, deploys them responsibly through lending, investment and payment services, and converts these activities into sustainable value for customers, shareholders, employees, regulators and the wider Nepalese economy.

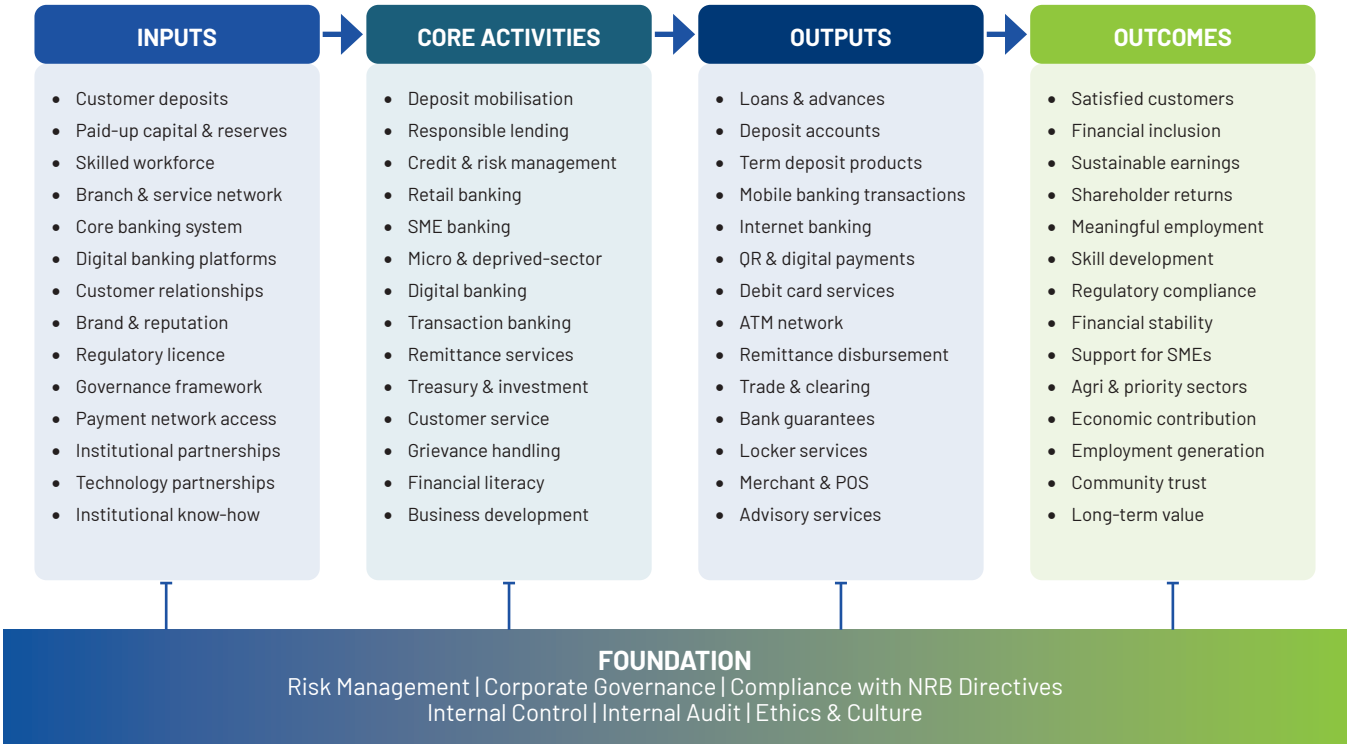
The model is anchored in the Integrated Reporting Framework and adapted to the operating context of a development bank in Nepal. It brings together six forms of capital — financial, manufactured, intellectual, human, social and relationship, & natural — and channels them through our core banking activities to deliver relevant products, dependable service and long-term stakeholder outcomes. Risk management, corporate governance and regulatory compliance sit as the foundation on which every element of the model rests.



The value creation cycle repeats and compounds over time

BUSINESS MODEL AT A GLANCE

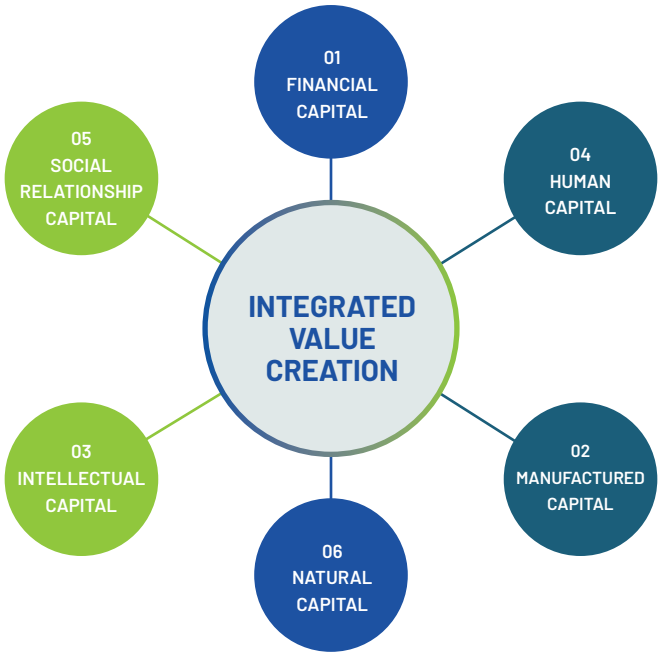
The following framework summarises the resources we draw upon, the activities we perform, the outputs we deliver and the outcomes we create for our stakeholders. Sound risk management and governance form the foundation on which the entire model operates.



Every element of the business model rests on our risk, governance and compliance foundation

OUR CAPITAL INPUTS – THE SIX CAPITALS

KSBBL applies six interrelated forms of capital to create long-term value. Each capital reinforces the others: financial resources fund infrastructure and technology, our people bring these to life for customers, and the trust we earn in return sustains and grows our deposit base and franchise.



CUSTOMER SEGMENTS

As a Class "B" Development Bank, KSBBL serves a broad customer base that spans individual savers and borrowers, micro and small entrepreneurs, growing SMEs and institutional clients — with particular focus on segments that drive local economic activity in our operating geographies.

INDIVIDUALS & HOUSEHOLDS	MICRO, SMALL & MEDIUM ENTERPRISES	INSTITUTIONS & CORPORATES
• Salaried professionals	• Traders and retailers	• Corporate borrowers
• Self-employed individuals	• Manufacturers and workshops	• Cooperative and NGO clients
• Housing finance customers	• Service-sector SMEs	• Educational institutions
• Vehicle finance customers	• Women entrepreneurs	• Hospitals and clinics
• Remittance beneficiaries	• Agriculture-linked businesses	• Merchant network partners
• Youth and women savers	• Micro and cottage industries	• Government and semi-government

PRODUCTS AND SERVICES

The Bank offers a comprehensive suite of banking products designed for the needs of Nepalese individuals and businesses. Our product range is regularly reviewed to ensure competitiveness, regulatory alignment and relevance to evolving customer expectations.

DEPOSIT PRODUCTS	CREDIT PRODUCTS	DIGITAL & TRANSACTION	OTHER SERVICES
• Savings accounts	• SME and business loans	• Mobile banking	• Inward remittance
• Current accounts	• Working capital facilities	• Internet banking	• Locker services
• Fixed / term deposits	• Home loans	• QR code payments	• Merchant services
• Recurring deposits	• Auto / vehicle loans	• Debit cards	• Standing instructions
• Call deposits	• Personal / consumer loans	• ATM services	• Cheque clearing (ECC)
• Targeted savings schemes (women, youth, senior citizens)	• Agriculture financing	• Fund transfers (RTGS, IPS, connectIPS)	• Bank guarantees
	• Deprived-sector lending	• Utility bill payments	• Demand drafts
	• Hire purchase and term loans	• E-statement services	• Balance certificates

OUR VALUE PROPOSITION

Our value proposition articulates the promise we make to customers and other stakeholders — combining accessibility, dependable service and responsible banking to meet the diverse financial needs of our markets.

Accessible Banking
A conveniently located branch and service network complemented by 24×7 digital channels.

Relationship-Driven
Personalised service, local market understanding and long-term relationships with our customers.

Timely Credit Solutions
Efficient credit appraisal and responsive lending, particularly for SMEs and productive-sector borrowers.

Digital Convenience
Mobile and internet banking, QR payments and card services that make everyday banking simple.

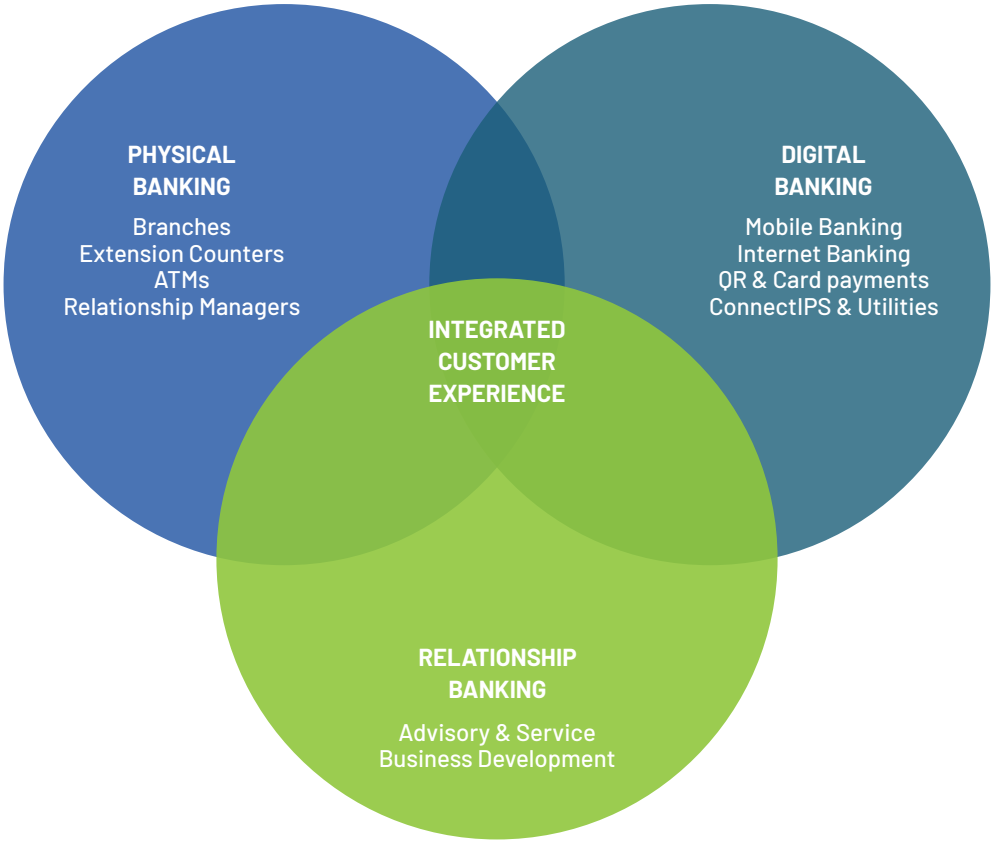
Financial Inclusion
Reaching underserved customers, women entrepreneurs and micro businesses through targeted products.

Responsible & Secure
Prudent risk management, strong governance and safeguarding of customer deposits.

DISTRIBUTION AND SERVICE CHANNELS

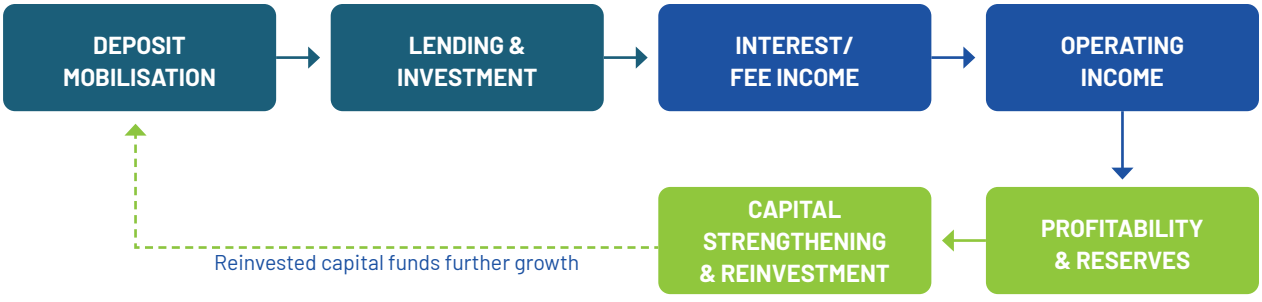
KSBBL reaches customers through an integrated network of physical branches, digital platforms and relationship-based service. Our physical footprint provides trust and proximity, while our digital channels deliver convenience and speed — together forming a seamless customer experience.

122	1	66	224,045	113,408
Branches	Extension Counter	ATMs	Mobile Banking Users	Debit Cards Issued



REVENUE GENERATION MODEL

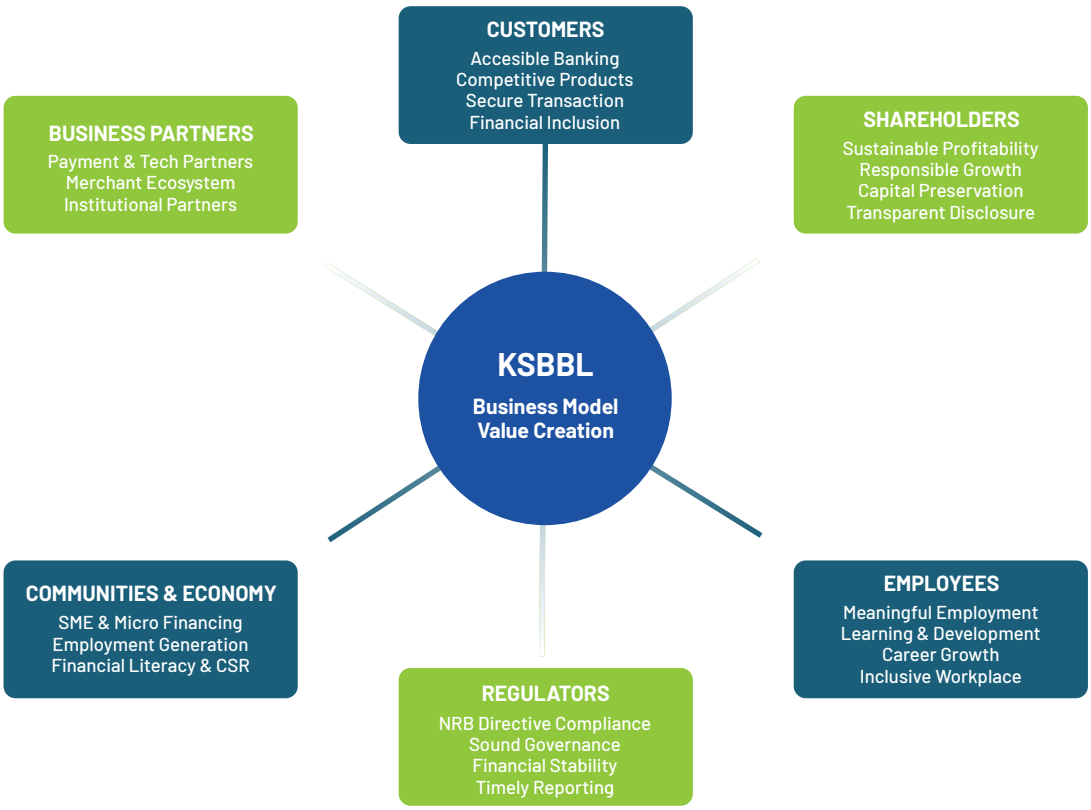
The Bank generates income primarily through the classical banking cycle of intermediation — mobilising low-cost, stable deposits and deploying them prudently into productive lending and investments. Fee-based income from digital transactions, remittance, cards and guarantees provides an increasingly important complementary stream.



REVENUE SOURCE	DESCRIPTION
Interest Income — Loans & Advances	Interest earned on lending across retail, SME, corporate and priority sectors — the principal revenue driver of the Bank.
Interest Income — Investments	Returns from placements with NRB, government securities, interbank lending and other approved instruments.
Fees and Commissions	Charges for loan processing, guarantees, remittance disbursement, account services, cheque books and related banking activities.
Card, ATM and Digital Fees	Card issuance fees, ATM interchange, QR merchant discount and digital transaction charges.
Remittance-Related Income	Commission from inward remittance disbursement through partner networks.
Other Operating Income	Foreign exchange gains, dividend income from investments and other miscellaneous banking income.

HOW WE CREATE STAKEHOLDER VALUE

The Bank's business model is designed to generate balanced outcomes across all our stakeholder groups. Value creation is a mutual process — the trust and support extended by each stakeholder enables us to deliver in return.



RISK AND GOVERNANCE FOUNDATION

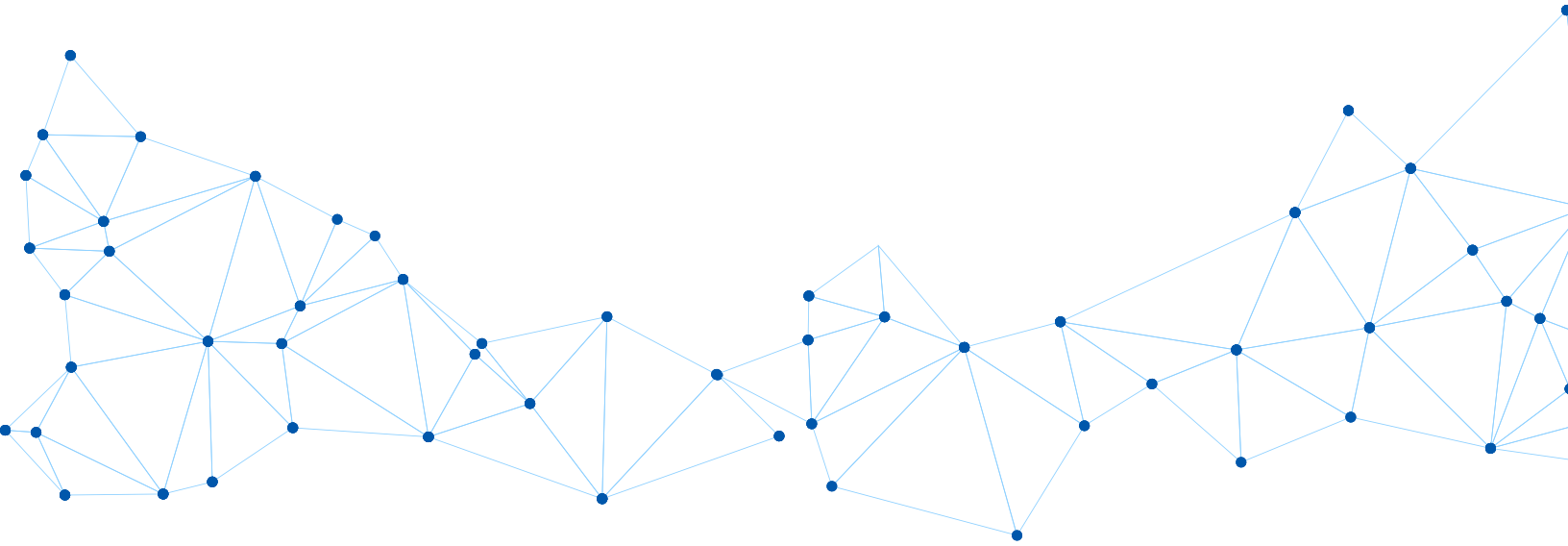
The entire business model rests on a robust foundation of risk management, compliance and corporate governance. As a licensed development bank, KSBBL operates within the regulatory framework prescribed by Nepal Rastra Bank and the Bank and Financial Institutions Act (BAFIA), and holds itself to internal standards that go beyond minimum requirements.

RISK MANAGEMENT	COMPLIANCE & CONTROL	CORPORATE GOVERNANCE
• Credit risk management • Liquidity risk management • Market and interest-rate risk • Operational risk • Cybersecurity and IT risk • Reputational risk • Enterprise risk management framework	• Compliance with NRB directives • AML / CFT framework • KYC and customer due diligence • Internal control system • Internal audit function • Whistleblowing mechanism • Statutory and regulatory reporting	• Board oversight and committees • Independent director • Code of ethics and conduct • Risk and audit committees • Related-party transaction controls • Disclosure and transparency • Shareholder engagement

STRATEGIC ENABLERS

Our strategic enablers are the capabilities that make the business model work and give us the ability to adapt as the operating environment evolves. Investing consistently in these areas is central to how we sustain performance over the long term.

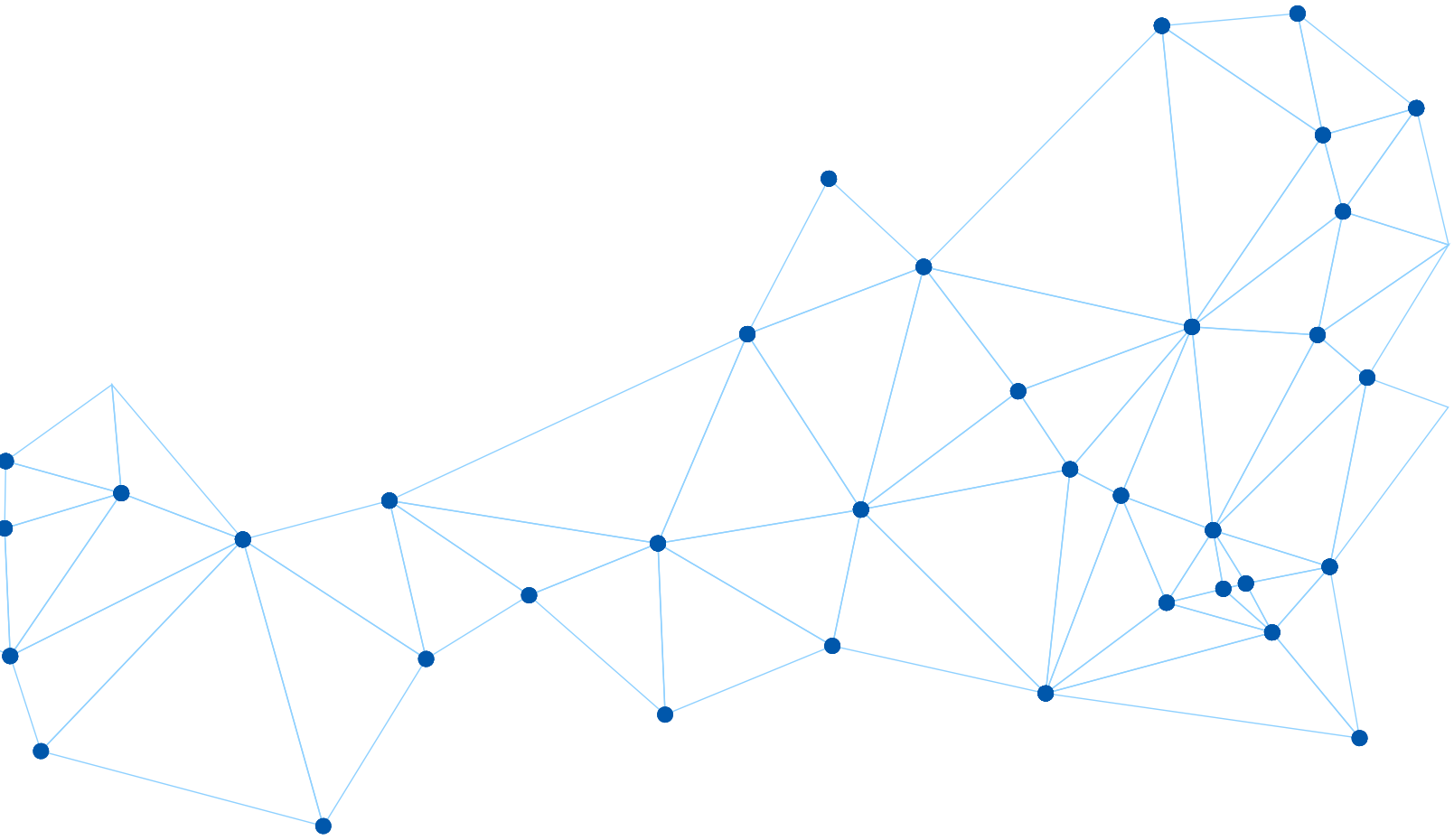
PEOPLE A skilled, motivated workforce and strong leadership pipeline.	**TECHNOLOGY** Modern core banking, digital platforms and cybersecurity.	**CUSTOMER RELATIONSHIPS** Deep local knowledge and trusted customer bonds.	**BRAND & REPUTATION** Institutional credibility built over years of operation.
DIGITAL TRANSFORMATION Continuous digitization of processes and services.	**DATA & ANALYTICS** Better decisions through data-driven insight.	**GOVERNANCE & RISK** Sound oversight and disciplined risk practices.	**PARTNERSHIPS** Domestic payment networks, technology vendors and institutional partners.



SELECTED OPERATIONAL AND FINANCIAL INDICATORS

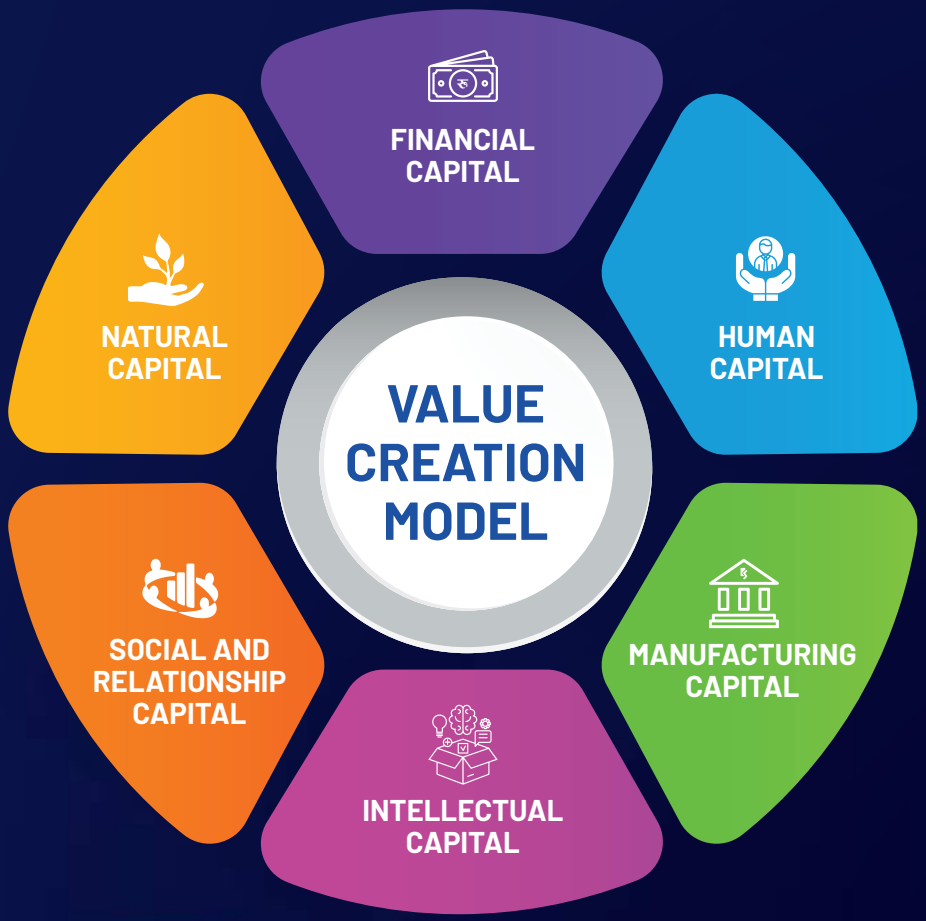
The table below summarizes the principal operational and financial indicators that reflect the outcomes of our business model over the three most recent fiscal years.

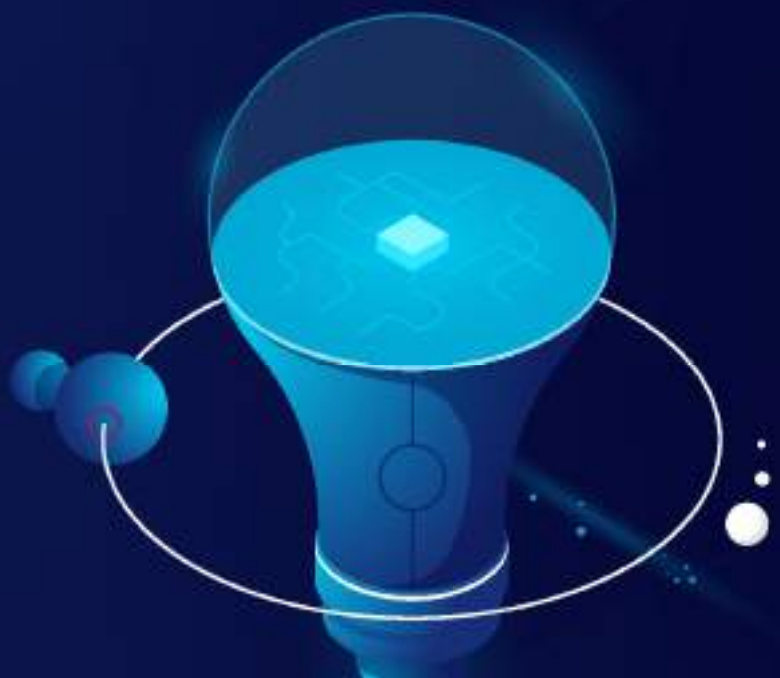
INDICATOR (NPR IN BILLION UNLESS STATED)	FY 2080/81	FY 2081/82	FY 2082/83
Total Deposits	59.69	63.50	66.74
Loans and Advances	50.16	54.22	57.62
Total Assets	67.19	71.45	75.66
Shareholders' Equity	5.38	5.94	6.98
Net Interest Income (Rs. In Mn)	2,132.54	2,318.49	2,439.07
Fee and Commission Income (Rs. In Mn)	298.47	335.73	373.74
Net Profit (Rs. In Mn)	581.83	669.75	908.60
Number of Branches	135	130	123
Number of ATMs	74	72	66
Mobile Banking Users	241,234	206,821	224,045
Number of Customers	746,073	769,854	820,543
Number of Employees	988	966	969
Capital Adequacy Ratio (%)	12.50%	12.58%	14.16%
NPL Ratio (%)	3.36 %	3.49%	3.78%
Return on Assets (%)	0.87%	0.94%	1.20%
Return on Equity (%)	10.81%	11.28%	13.01%



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. Through these capitals, we drive strategic core activities, including sustainable product innovation, responsible financing practices, climate risk-embedded credit evaluation, employee and community development, and ethical governance across our business operations.





FINANCIAL CAPITAL

Our Financial Capital is the pool of funds that is available for the provision of its services. A robust capital base as well as diversified sources of deposits are used to support clients through investment facilities and to facilitate payments & transactions. The Bank's financial resources include customer deposits, shareholder equity, retained earnings and external borrowings amongst others.

Our financial resilience drives growth, supports responsible lending, and fosters customer-centric initiatives, ensuring sustainable profitability and long-term value creation.

Objectives/Plan

- Maintaining Balance Sheet Growth
- Focus on sustainable growth in business
- Expand low-cost deposit base
- Increasing deposits and customer services with conversion of conventional banking customers to digital channels.

Input

- Equity
- Reserves
- Deposits & borrowings
- Refinance and subsidy scheme by government

Value Created

- Balance Sheet Growth- 5.88%
- YOY Loan Growth- 6.29%
- Return of Equity of 13%
- Operating Profit of NPR 1,374 million
- Net Profit of NPR 909 million
- Capital adequacy ratio of 14.16%"

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. It is considered the bank's most strategic asset, as the quality of customer service depends heavily on the ethical conduct and technical expertise of its employees.

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 helps 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.

Objectives/Plan

- Conduct multiple training courses
- Recognize and reward to high achievers
- Dedicated Training Infrastructure and opportunities
- Enhance diversity, inclusion, and workplace well-being
- Competent Leadership and Organizational Synergy
- Focus on the concept of One Bank One Team

Input

- Training programs and knowledge platforms
- Technical and managerial skills
- Diversity and equality
- Learning and Development
- Initiatives for the health, safety & wellbeing of employees

Value Created

- Traning program number: 107
- Involved total number of staffs- 5215
- No. of employees: 969 (55% of male employees and 45% of female employees
- Amount of employee related expenditure: NPR 894 million

MANUFACTURING CAPITAL

Our Manufacturing Capital includes all infrastructure created and utilized within our integrated business model. Our bank places strategic importance on optimizing and leveraging its physical and digital infrastructure to produce stakeholders' value, recognizing the vital role that manufactured capital plays in boosting consumer accessibility, satisfaction, and process efficiency.

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.

Objectives/Plan

- Expanded Physical Presence and customer base
- Strengthening digital banking infrastructure
- Sustain Customer Satisfaction
- Continuous operational, infrastructural and technological development

Input

- Physical and online touch points
- IT infrastructures
- Digital banking applications and channels

Value Created

- 122 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. Software upgrades, process reengineering, bringing technological solutions to meet customers' needs, secure channels, and digitisation are at the core of the Bank's progress and sustainability.

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

Objectives/Plan

- Adopting and integrating cutting edge digital solutions
- Enhance internal capacity to adopt technological adjustments
- Prioritise customer satisfaction through constant innovation in products and processes.

Input

- Digital Assets (Website and App)
- Efficiency and expertise of employees
- The bank's image, reputation, and brand value
- Risk management tools and models
- Organizational knowledge and best practices

Value Created

- ICAN: Best Presented Annual Report Award 2024 & 2025.
- KSBBL mobile app, with features like biometric authentication, QR code payments, and real-time account management.
- Standard Operating Procedures (SOPs) and Internal policies and circulars are digitized and accessible across all branches to ensure uniform service quality.
- 200k+ active mobile banking users
- 20k+ active QR Customers



SOCIAL AND RELATIONSHIP CAPITAL

Our Social and Relationship Capital refers to the long-term relationships we have created with our stakeholders which helps to build and maintain a strong social reputation and trust. It is the collective value of the trust and partnerships built with customers, regulators, shareholders, and the community. This capital is essential to sustaining customer confidence, brand value, stakeholder engagement, and long-term growth.

Our bank fosters financial inclusion, community engagement, meaningful partnerships, and strengthening trust with customers, investors, regulators, and society. The more positively engaged people are with the Bank, the greater the mutual benefits.

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.

Objectives/Plan

- Expanding customer base in the physical and digital service channel
- Engage in outcome-based community investments
- Expanded Financial inclusion
- Branding Initiatives

Input

- CSR programs and community initiatives
- Strategic partnerships and correspondent banking relationships
- Relationship with regulators
- Trade partners and merchants
- Brand identity and communication channels

Value Created

- Rs 7.10 million spent on CSR activities
- NPR 432 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.**

Management of natural capital is rooted in a strategic and integrated framework, moving beyond compliance to active value creation. The core of this approach is a commitment to integrating Environmental, Social, and Governance (ESG) factors into investment decisions, proactively identifying and managing climate-related risks, and targeting a gradual transition to net-zero emissions. 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.

Objectives/Plan

- Increase Green and sustainable Financing.
- Reduce carbon footprint in operations.
- Support environmentally responsible investments
- Reduced paper consumption and improved digital adoption
- Conduct environmental risk assessment in financing decisions
- Positive contribution to the environment through plantation and cleanliness drives.

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
- Green Initiatives

Value Created

- Disbursement of Rs. 5.41 billion in agricultural and forest related sector
- Saving through paperless transactions
- Environmental CSR Rs. 2 million

SWOT Analysis

STRENGTHS

- Extensive network to provide nationwide coverage: 122 branches, 1 extension counter and 66 ATM outlet
- A skilled and well-balanced leadership team provides strategic direction and navigate challenges.
- Market Leader in Automation
- Strong corporate governance practices and commitment to regulatory compliance
- Trust and Confidence among public
- Extensive Stakeholder Partnerships
- Robust capital base with CAR of 14.16%

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
- Expected debt restructuring and economic revival
- Enhance Process Efficiency through use of AI algorithms & AI Business Analytics
- Investment in renewable energy and green technologies as part of sustainability efforts

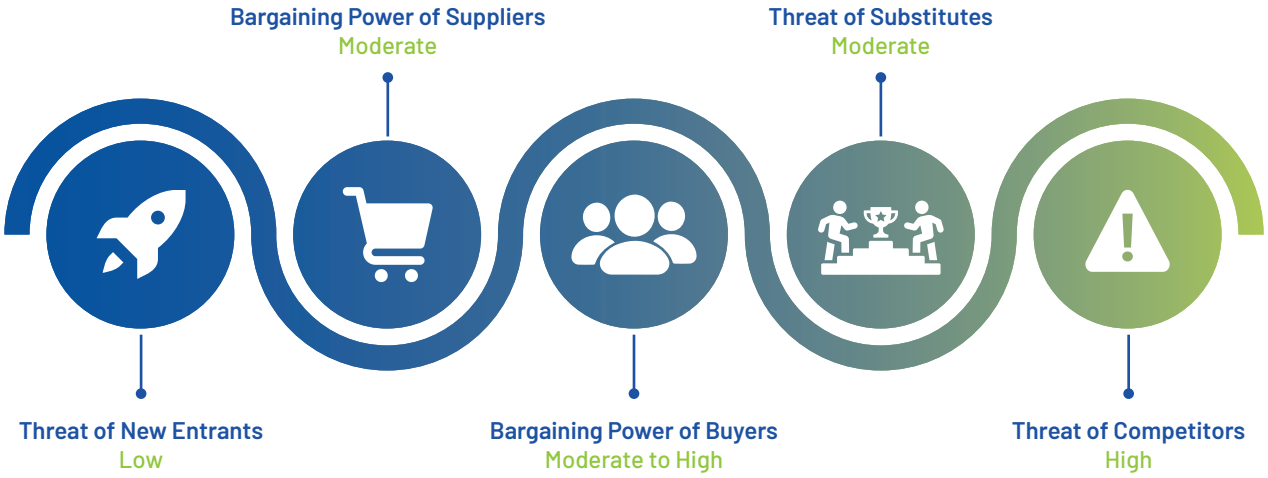
WEAKNESS

- Limited appeal to younger demographics
- Challenges to hire and retain quality manpower
- 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
- Addressing the rising trend of operational costs is crucial for long-term profitability
- Concentration Risk
- Surplus Liquidity with limited Investment opportunities

THREATS

- Intense Competition form Fintech and Digital Wallets
- Regulatory Changes and Compliance Burdens
- The impact of global trade and tariff war along with domestic political and economic uncertainties impacts on investment growth
- 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
- Negative implications from climate changes

PORTER'S FIVE FORCES MODEL ANALYSIS



1. Threat of New Entrants

Low

The threat of new banks and financial institutions is low. However, the threat from fintech companies and digital financial-service providers is moderate and increasing.

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.New entrants must also invest heavily in branches, employees, technology, cybersecurity and compliance systems.

Strict government policy: The NRB imposes tight policies and stringent regulations related to capital, governance, liquidity, reporting and risk management for entering the market, adding complexity and cost for any potential new competitor.

Steep Learning Curve & Brand Equity: Existing banks have built decades of brand trust, nationwide branch footprints, and digital ecosystems. A new entrant would face massive customer acquisition costs to pry sticky retail deposits away from established giants

Entry of Fintech Companies: Although establishing a new commercial bank is difficult, fintech companies and digital-wallet providers can enter specific financial-service areas more easily. These firms mainly compete in payments, fund transfers and digital transactions.

2. Bargaining Power of Suppliers

Moderate

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

Power of Large Depositors: Large institutional and corporate depositors can demand higher interest rates. Their bargaining power becomes stronger when banks face a shortage of liquidity.

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.

Payment and Network Providers: Banks depend on card networks, payment-system operators, telecommunications companies and internet-service providers. Disruptions or price increases from these providers may affect banking operations

3.Bargaining Power of Buyers

Moderate to 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.

Power of Corporate Borrowers: Large and financially strong borrowers can negotiate lower lending rates, longer repayment periods and reduced service charges. Banks compete to maintain relationships with reliable corporate clients.

4.Threat of Substitutes

Moderate

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

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. However, because they must route funds through bank nodes, they act more as partners than complete substitutes.

Cooperatives and Microfinance Institutions: Cooperatives historically acted as a strong substitute for rural and micro-saving populations. However, recent systemic stress and high-profile cooperative failures have caused a migration of trust back banks.

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. Insurance policies, pension products and investment schemes may compete with long-term bank deposits.

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.

In conclusion, Nepal's banking industry is highly competitive, with strong rivalry among existing banks and growing pressure from fintech companies, digital wallets and other financial institutions. Although strict regulatory and capital requirements make it difficult for new commercial banks to enter the market, customers have considerable bargaining power because they can compare interest rates, service charges and digital facilities across different banks. Suppliers such as large depositors, skilled employees and technology providers also influence banking operations. Therefore, Nepalese banks must strengthen customer service, digital innovation, risk management, operational efficiency and low-cost deposit mobilisation to maintain profitability and achieve sustainable growth.

PESTEL ANALYSIS

P POLITICAL FACTORS

Political stability: Changes in government, ministers and senior officials can lead to changes in fiscal priorities, taxation, public spending and financial-sector policies. Greater political stability can improve investor confidence and demand for business loans, while uncertainty may delay investment and reduce credit demand. Recent World Bank and IMF assessments identify political uncertainty and policy predictability as important influences on Nepal's economic and financial outlook.

Government economic and development policy: Government priorities in hydropower, tourism, agriculture, infrastructure, small businesses and housing affect where banks find lending opportunities. Subsidised lending programmes and sector-specific credit requirements may support priority sectors but can also increase administrative and monitoring costs.

Coordination between the government and Nepal Rastra Bank: Monetary policy is managed by Nepal Rastra Bank, while fiscal policy is controlled by the government. Weak coordination can create uncertainty regarding interest rates, liquidity, government borrowing and private-sector credit availability.

Remittance Diplomacy and Geopolitics: Over a quarter of Nepal's GDP relies on remittances from the Gulf Cooperation Council (GCC) countries, Malaysia, and India. Political relationships, labor bilateral agreements, and international flight routes heavily impact banking inflows. Any diplomatic friction or labor law changes in destination countries immediately threatens the core liquidity of Nepali banks.

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.

Bank Response

Align business strategy according to political scenario considering of the ongoing reform process in different sectors. Despite the situation we manage to do good in respect of business and profitability.

E ECONOMIC FACTORS

High Liquidity but Low Credit Demand (The Liquidity Trap): Nepali banks are currently facing a unique structural paradox. Remittance inflows remain at record highs, flooding the banking system with cheap deposits. However, local business confidence is low due to sluggish post-pandemic domestic demand. Banks are struggling to find creditworthy borrowers, causing private sector credit growth to slow to single digits.

Remittances: Remittances are a major source of household income, deposits, foreign exchange and consumption in Nepal. They support bank liquidity and retail deposits, but excessive dependence exposes banks to changes in overseas employment, migration policies and economic conditions in destination countries.

Dropping Interest Rates and Compressing Spreads: Due to the system's cash surplus, deposit rates have hit historic lows . Consequently, the Base Rate of banks has plummeted, making loans cheaper. However, the NRB enforces a strict interest rate spread cap (maximum 4%). This restriction heavily squeezes net interest margins (NIMs), forcing banks to look for alternative non-interest fee income

Inflation: Higher inflation increases household expenses and business operating costs, which may weaken borrowers' repayment capacity. Lower inflation can support monetary easing, but it may also reflect weak demand and limited business activity.

Rising non-performing loans: Economic slowdown, real estate corrections, and localized ""loan boycott"" protests have caused NPLs to spike past 5% for many banks—levels not seen in a decade. Banks are forced to write off bad debts or allocate massive amounts of cash to loan loss provisions, directly draining their distributable profits.

Bank Response

- ✦ Healthy deposit and Investment growth over the years
- ✦ Taking in account of Risk appetite strategy
- ✦ Persistent financial performance over the years
- ✦ Maintain Adequate provision to enhance asset quality.
- ✦ Emphasize more on write-off recovery.

S SOCIAL FACTORS

The Hollowing Out of Youth Demographics: Every day, thousands of young Nepalis leave the country for foreign employment and higher education (specifically to Australia, the US, UK, and Japan). This massive brain drain and youth migration has two major negative socio-economic effects on local banking: it shrinks the local consumer base for retail loans (auto loans, home loans, personal cards) and it reduces the number of young, high-potential domestic entrepreneurs looking for capital.

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.

Growing digitally active population: Younger customers expect fast account opening, mobile payments, instant transfers and convenient customer service. Banks that continue to rely heavily on branch-based processes may lose customers to more digitally efficient banks and payment-service providers.

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. Banks need simple product information, responsible lending practices and regular financial-literacy programmes.

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.

Bank Response

- ✦ Diversified products and services offer value to customers
- ✦ Community and Environment perspective CSR investment
- ✦ Increasing our social media interaction and communication to attract the customers with our newly launched products

T TECHNOLOGICAL FACTORS

The QR Code Ecosystem Explosion: The integration of interoperable payment networks, primarily led by Fonepay, has revolutionized banking transaction volume. Millions of monthly transactions occur digitally via QR codes. While this reduces the cost of printing and managing physical currency for the central bank, it requires banks to scale up high-capacity cloud processing servers to handle high volumes of low-value data.

Fintech companies and digital wallets: Fintech companies can provide faster and more convenient payment services than traditional banks. Banks may need to collaborate with fintech firms, improve application programming interfaces and develop more innovative digital products.

Regulatory support for innovation: NRB introduced regulatory sandbox guidelines in June 2026, allowing eligible financial institutions and fintech companies to test innovative products in a controlled environment. This creates opportunities for digital lending, alternative credit scoring and new payment solutions, although innovations remain subject to regulatory supervision.

Cybersecurity Vulnerability: As banks move online, they become primary targets for international hacking syndicates. Nepal has experienced notable ATM card-cloning scams, swift system breaches, and ransomware attacks on corporate servers. Phishing, account takeover, data theft, fraudulent QR codes and unauthorised transactions represent major operational and reputational risks

Use of data analytics and automation: Banks can use analytics for credit scoring, fraud detection, customer segmentation and early identification of problem loans. Poor data quality and fragmented databases may limit the effectiveness of these technologies.

Bank Response

- ✦ Ensuring strict cybersecurity measures
- ✦ Time to time upgradation of Banking Software to ensure uninterrupted services
- ✦ Use of AI in various internal reportings

E ENVIRONMENTAL FACTORS

Infrastructure Vulnerability to Climate Change: Nepal is highly prone to earthquakes, flash floods, and landslides. Nepali banks have billions of rupees invested in infrastructure loans, specifically run-of-the-river hydropower projects. A single major landslide or glacial lake outburst flood (GLOF) can wash away a hydro plant, instantly turning a performing corporate loan into a massive bad debt. Droughts, floods and changing weather patterns can reduce agricultural income and weaken repayment capacity.

Environmental and Social Risk Management (ESRM): 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.

Green Finance: Banks can develop green loans for renewable energy, electric vehicles, energy-efficient buildings and climate-resilient agriculture. Green finance can create new income sources while helping banks diversify away from traditional real-estate and trading loans.

Operational sustainability: Digital statements, paperless services, energy-efficient branches and responsible waste management can reduce costs and environmental impact. Sustainability reporting may also become increasingly important for regulators, investors and international funding institutions

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

Bank Response

- ✦ Disbursement of Green Finance
- ✦ Expenditure on Trees Plantation

L LEGAL FACTORS

Strong regulation by Nepal Rastra Bank: Banks must comply with NRB requirements covering capital adequacy, liquidity, credit classification, loan-loss provisioning, corporate governance, interest rates and risk concentration. Frequent amendments to unified directives require continuous system updates, staff training and compliance monitoring.

AML/CFT Compliance and FATF Surveillance: Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) are under intense scrutiny. Nepal faces the ongoing risk of being placed on the Financial Action Task Force (FATF) "Grey List" if its legal frameworks against financial crimes are deemed weak. Consequently, local banks must enforce strict Know Your Customer (KYC) guidelines and automated transaction monitoring, driving up compliance costs.

The Great Merger Consolidation: To reduce systemic risk and eliminate cutthroat competition, the NRB forced a historic consolidation wave through tax incentives and regulatory pressure. The legal challenge has now shifted to post-merger integration: aligning different corporate cultures, merging duplicate IT infrastructures, and handling staff union disputes

Implementation of NFRS 9: Expected-credit-loss requirements require banks to estimate future losses rather than recognise losses only after default. This increases the need for reliable historical data, economic forecasts, credit models and professional judgement. NRB continues to issue guidance related to NFRS 9 and interest-income recognition.

Bank Response

- ✦ Endeavor to maintain compliance in respect of regulations.
- ✦ Strict in-house measures against the money laundering & terrorist financing
- ✦ Strong legal team formation to deal with the write off recovery process.

HUMAN CAPITAL HR DISCLOSURE & TRAINING & DEVELOPMENT



HUMAN CAPITAL OVERVIEW:

KSBBL recognises its employees as an important driver of institutional performance, service quality and sustainable growth. The Bank's workforce supports its operations across the corporate office, regional offices and branch network, contributing to customer service, operational efficiency, risk management and the execution of its strategic priorities.

During FY 2025/26, the Bank continued to strengthen its human capital through workforce development, employee promotion, learning opportunities, employee welfare, recognition and engagement initiatives. The Bank maintained a workforce of 969 employees, representing different levels, age groups, genders and geographical locations.

Through the human-resource policies and practices, KSBBL seeks to build a capable, inclusive, engaged and performance-oriented workforce. The Bank's human capital approach focuses on attracting and retaining suitable talent, developing employee capabilities, recognising performance, promoting employee well-being and fostering a positive organisational culture.

HR MANAGEMENT AT KSBBL

The Bank's human-resource management practices are designed to support effective workforce planning and align employee capabilities with organisational requirements. The Human Resources function oversees key areas including recruitment and placement, employee performance promotion and career development, learning and development, employee relations, welfare, policy administration and regulatory compliance.

The Bank manages its human resources in accordance with its approved policies, bylaws and guidelines. These include the **Employee Service Bylaws, 2080 (First Amendment), Human Resource Management Policy, 2024, Karmachari Sewa Suvidha tatha Parishramik Nirdharan Niti, 2083, Whistleblowing Policy, 2019, and the Guidelines on Disciplinary Card System, 2023.**

During the reporting period, the Bank continued to invest in employee capabilities through internal, external and international training programmes. It also implemented employee promotion, recognition, welfare and engagement initiatives to support professional growth, employee motivation and a stronger organisational culture.

Staff Details

DETAILS	NUMBER OF STAFF
Permanent	969
Total Staff	**969**

Staff Count Based on Designation

Of the Bank's 969 employees, 690 were at the assistant level, representing 71.21% of the total workforce. Officer-level employees accounted for 18.06%, while managerial and executive-level employees together represented 3.10% of the workforce.

LEVEL	NUMBER OF STAFFS	PERCENTAGE
Executive Level	3	0.31%
Managerial Level	27	2.79%
Officer Level	175	18.06%
Assistant Level	690	71.21%
Support Level	74	7.64%
Total	**969**	**100%**

Diversity and Inclusion

A diverse workforce can support broader perspectives, stronger employee participation and a better understanding of customers across different markets. The Bank's available workforce information demonstrates diversity across age groups, genders and geographical regions.

AGE RANGE (YEAR)	NUMBER OF STAFFS
20-30	343
30-40	511
40-50	99
50+	16
Total	**969**

Genderwise Workforce

The Bank had 532 male and 437 female employees during FY 2025/26. Female employees represented 45% of the workforce, while male employees represented 55%.

GENDER	NUMBER OF STAFFS	PERCENTAGE
Male	532	55%
Female	437	45%
Total	**969**	**100%**

Province-wise Staff Details

The Bank's workforce was distributed across eight operational regions. The Central Region had the largest workforce, with 185 employees, followed by Kathmandu Region with 159 employees and Pokhara Region with 145 employees.

REGION	NUMBER OF STAFFS	PERCENTAGE
Koshi Province	76	7.84%
Madhesh Province	77	7.5%
Kathmandu Region	159	16.41%
Central Office	185	19.09%
Narayanghat Region	108	11.15%
Pokhara Region	145	14.96%
Butwal Region	141	14.55%
Western Region	78	8.05%
Total	**969**	**100.00%**

Employee Promotion

Employee promotion supports career progression and enables the Bank to fill positions through internal talent. During FY 2025/26, KSBBL promoted 114 employees across different organisational levels.

PROMOTED LEVEL	NUMBER OF STAFFS
Deputy General Manager (DGM)	1
Manager	3
Deputy Manager	1
Assistant Manager	2
Senior Officer	11
Officer	11
Junior Officer	13
Supervisor	19
Senior Assistant	17
Assistant	36
Total	**114**

HR Policies and Compliance

The Bank has established policies, bylaws and guidelines to support the consistent administration of human-resource matters. The documents reported by the Human Resources Department cover employee services, HR management, remuneration and benefits, whistleblowing and disciplinary practices.

The following HR-related policies and guidelines were reported:

1. Employee Service Bylaws, 2080 (First Amendment)
2. Human Resource Management Policy, 2024
3. Karmachari Sewa Suvidha tatha Parishramik Nirdharan Niti, 2083
4. Whistle Blowing Policy, 2019
5. Guidelines on Disciplinary Card System, 2023

These documents collectively provide a framework for managing employment conditions and addressing employee-related matters.

Employee Welfare

Employee welfare forms an important part of the Bank's support for employees and their families, particularly during periods of bereavement, accidents and critical health conditions.

During FY 2025/26, financial assistance of NPR 50,000 each was provided to the families of two staff members who passed away prematurely. The total assistance provided to the two families amounted to NPR 100,000.

The Bank also covered medical expenses amounting to NPR 34,552.40 for staff members who sustained accidents while performing official duties during office hours.

In addition, financial assistance totalling NPR 100,000 was provided to staff members experiencing financial hardship and undergoing treatment for critical health conditions involving themselves or their family members.

WELFARE INITIATIVE	AMOUNT (NPR)
Assistance to Families of Deceased Employees	100,000.00
Medical Support for Accidents during Official Duties	34,552.40
Critical Health and Financial Hardship Assistance	100,000.00
Total	**234,552.40**



Learning and Performance

Learning Approach

The Bank uses learning and development to strengthen employee knowledge and support the capabilities required across its operations. During FY 2025/26, employees participated in internal, external and international learning programmes.

Category and Number of Trainings

During FY 2025/26, the Bank conducted 107 training programmes, comprising 61 internal, 45 external and one international programme. These programmes recorded 5,215 training participation.

TRAINING TYPE	NO. OF TRAININGS	NO. OF PARTICIPANTS
Internal	61	5,105
External	45	104
International	1	6
Total	**107**	**5,215**

Internal training accounted for 57.01% of the programmes conducted and 97.89% of total training participation.



Region-wise Staff Training Participation

Training participation was recorded across all eight operational regions. Kathmandu Region recorded the highest participation, with 1,043 instances, followed by Butwal Region with 776 and Pokhara Region with 731.

REGION/PROVINCE	NUMBER OF STAFFS TRAINED	PERCENTAGE
Koshi Province	435	8.34%
Madhesh Province	538	10.32%
Kathmandu Region	1043	20.00%
Central Office	608	11.66%
Narayanghat Region	696	13.35%
Pokhara Region	731	14.02%
Butwal Region	776	14.88%
Western Region	388	7.44%

Employee Engagement and Organisational Culture

Staff Engagement

Employee-engagement initiatives provide opportunities for interaction beyond employees' regular work responsibilities and can contribute to stronger internal relationships and organisational participation.

During FY 2025/26, the Bank conducted 14 staff-engagement initiatives covering cultural celebrations, recreational activities, competitions, employee wellness and environmental awareness.

Employee Recognition

Employee recognition acknowledges employees' contribution and continued association with the Bank. During FY 2082/83, KSBBL recognised 167 employees through its Employee Felicitation Programme based on completed years of service.

Of those recognised, 146 employees completed five years of service, 14 completed 10 years and seven completed 15 years.

SERVICE PERIOD	EMPLOYEES RECOGNIZED	PERCENTAGE
5 Years	146	87.43%
10 Years	14	8.38%
15 Years	7	4.19%
Total	**167**	**100.00%**

Region-wise Employee Felicitation

REGION	15 YEARS	10 YEARS	5 YEARS	GRAND TOTAL
Koshi Province	-	-	10	10
Madhesh Province	-	-	13	13
Kathmandu Region	-	1	29	30
Central Office	-	-	26	26
Narayanghat Region	-	3	10	13
Pokhara Region	6	5	28	39
Butwal Region	1	5	17	23
Western Region	-	-	13	13

Cultural Dress Initiative

The Cultural Dress Initiative is intended to provide employees with an opportunity to represent and celebrate Nepal's cultural diversity within the workplace. To celebrate Nepal's cultural diversity and encourage employees to express pride in their heritage, the Bank observed the first Monday of every Nepali Calendar as Traditional Attire Day.

As communicated through Country Circular No. 103, employees across the Bank were encouraged to attend the office wearing traditional, cultural or ethnic attire. The initiative provided employees with an opportunity to represent the traditions and cultural backgrounds with which they identify while also learning about the diverse cultures represented across the Bank's workforce.

The observance contributed to employee interaction and cultural appreciation within the workplace, supporting the Bank's broader efforts to foster an inclusive and engaging organisational culture.

SUSTAINABILITY APPROACH

KSBBL recognises sustainability as an important part of responsible and long-term value creation. The Bank seeks to balance financial performance with its responsibilities towards customers, employees, communities and the environment.

Its sustainability efforts are reflected through inclusive banking, employee development, responsible use of resources, community investment, financial literacy, customer protection and sound governance practices. These initiatives support the Bank's broader commitment to responsible growth and positive stakeholder outcomes.

INFORMATION SECURITY RISK

Kamana Sewa Bikas Bank Limited treats the confidentiality, integrity and availability of its information assets as a core operating obligation. During the review year the Bank strengthened its information security posture through independent certification of its management system, completion of independent assurance exercises, and continuous investment in security technology and staff capability. The Information Security Officer is responsible for the security of the Bank's data and IT infrastructure, enforcement of Bank-wide policy, and alignment with NRB IT Guidelines, NRB Cyber Resilience Guidelines 2023, and ISO/IEC 27001:2022.

The principal achievement of the year was the award of ISO/IEC 27001:2022 certification to the Bank's Information Security Management System by MQA Certification UK Ltd, accredited by International Accreditation Forum (IAF) and International Accreditation Services (IAS) covering the scope of ISMS application to the secure and reliable banking services to customers through the deployment of robust and secure IT infrastructure. Certification confirms that the Bank's security policies, risk assessment methodology, control selection, monitoring and improvement arrangements have been independently examined against the requirements of the standard. The certification will be maintained through annual surveillance audits and recertification in the third year.

INFORMATION TECHNOLOGY SYSTEMS, RISK MANAGEMENT AND SECURITY CONTROLS

The Bank's Information Security Policy forms part of the Integrated Risk Management Policy and is framed on ISO/IEC 27001, NRB IT Guidelines and NRB Cyber Resilience Guidelines.

The following governance arrangements and controls were in operation during the year:

- The Cyber Resilience Committee, constituted through the reform of the former Corporate Information Security Committee, provides strategic direction to the Bank's information security function and oversees reduction of IT risk across the Bank. Four meetings of the Committee were held during the year.
- A Cyber Resilience Framework, developed in accordance with the NRB Cyber Resilience Guidelines 2023, was approved by the Board and placed under implementation.
- Security technologies in operation include Web Application Firewall, Privileged Access Management, Email Security Gateway, Next-Generation Antivirus, Endpoint Detection and Response, and a Data Leak Prevention system deployed during the year.
- Security Information and Event Management is integrated with an outsourced Security Operations Centre providing 24x7 monitoring.
- An independent information systems security risk assessment is performed and reported monthly.
- Access rights are reviewed periodically, and two-factor or OTP-based authentication is enforced on applicable platforms.
- Business continuity and disaster recovery plans are tested periodically, and internal and external vulnerability assessments are performed on a defined cycle.



INFORMATION SYSTEMS AUDIT AND CYBERSECURITY GOVERNANCE

The Bank completed its annual Information Systems Audit in accordance with NRB IT Guidelines, examining people, process and technology, together with an independent Vulnerability Assessment and Penetration Testing of internet-facing and internal systems.

Observations arising from both exercises were assigned to responsible units with defined remediation timelines, tracked centrally, and verified through retesting by the Information Security function. All observations raised have been closed. Closure status was reported to the Cyber Resilience Committee and to the Risk Management Committee of the Board.

The assurance exercises confirmed the operating effectiveness of the Bank's technical controls, including multi-factor authentication, network segmentation, privileged access management and encrypted remote access. Remediation during the year addressed documentation consistency, the frequency of vulnerability assessment, secure development practice, and structured staff training.

MITIGATING MEASURES AND KEY CYBERSECURITY CONTROLS

System and process controls. Role-based access is reviewed on a defined cycle; two-factor or OTP authentication is enforced on applicable systems; annual information systems audit is mandatory; SSL/TLS is enforced on internet-facing applications; transaction limits are configured for mobile banking, internet banking, card and ATM services; user acceptance testing is completed before any migration to production; and all changes follow a formal Request for Change process.

Vendor and third-party governance. A third-party information security risk assessment was completed for 18 vendors during the year. Requests for Proposal are reviewed by all concerned departments before release, third-party applications must submit a security plan and VAPT report before going live, non-disclosure agreements are executed and renewed periodically, and vendor personnel with access to Bank systems are subject to the same monitoring and control requirements as employees.

Employee and customer awareness. Awareness is operated as a continuous program rather than an annual event. Six simulated phishing campaigns were conducted during the year, with results analyzed and followed up through targeted communication to the staff concerned. These were supplemented by periodic advisories on password practice, credential exposure, safe use of official email addresses and self-verification of breach exposure, together with awareness sessions for staff. Customers were educated on secure use of ATM, POS, card and digital banking channels, and on protection of PIN, passwords and personal data.

Monitoring and incident response. Security event logs, including failed access attempts and anomalous activity, are monitored daily through the Security Operations Centre, and external threat trends are tracked for early warning.

Key Risk Indicators monitored. Number of transactional systems lacking maker-checker control; number of data breaches or security incidents; number of critical services unable to meet the two-hour Recovery Time Objective; number of non-compliant endpoints; number of critical services without tested backup restoration; and number of attempted cyber-attacks detected by the Security Operations Center.

The certification of the Bank's Information Security Management System to ISO/IEC 27001:2022, the closure of all observations arising from independent audit and penetration testing, and the continuous operation of the staff awareness program together demonstrate that information security at the Bank is governed, measured and independently verified. The Bank regards information security as a continuing obligation rather than a completed project, and will sustain investment in security technology, independent assurance and staff capability to protect customer trust and operational resilience.



PAPER REDUCTION AND ENVIRONMENTALLY RESPONSIBLE WASTE MANAGEMENT

The Bank considers efficient resource use and responsible waste management essential components of its environmental sustainability approach. Although banking has a comparatively limited direct environmental footprint, the use of paper across a broad operating network creates cumulative impacts through the consumption of forest resources, water and energy, as well as waste generation. The Bank is therefore working to reduce paper dependency and strengthen environmentally responsible disposal practices across its operations.



During FY 2082/83, paper consumption decreased by 12.23% at branch level and 32.96% at the Central Office. The reduction was supported by the growing adoption of digital processes, electronic documentation and measures to minimise unnecessary printing. These efforts help conserve resources, reduce operational waste and support the Bank's transition towards more sustainable and digitally enabled operations.

The Bank also strengthened the secure handling of paper waste. During the reporting period, 2,212 kg of paper was securely shredded within the Kathmandu region in coordination with Doko Recyclers. Paper-shredding activities were also undertaken across branches outside Kathmandu Valley, extending responsible document-disposal practices throughout the Bank's operating network.

Through paper reduction, secure shredding and responsible waste handling, the Bank contributes to SDG 12: Responsible Consumption and Production while supporting circular-resource practices and reducing the amount of paper waste requiring disposal. These initiatives also demonstrate the connection between environmental responsibility and information security by protecting confidential customer and institutional information throughout the document lifecycle.



COMMITTED FOR ENVIRONMENTAL IMPACT (ESG)

Environment and Social Obligations, Initiatives and Practices

All life on Earth, including humanity, is facing an unprecedented threat, represented by the convergence of human-induced global environmental crises: the crisis of climate change, the crisis of biodiversity loss, land degradation and desertification, and the crisis of pollution and waste. These crises are interlinked and mutually reinforcing, pushing planetary systems towards uncharted territory where there is a growing likelihood that several tipping points may soon be irreversibly crossed. Despite numerous political commitments and repeated calls for action, the world is still not on track to meet internationally agreed objectives for responding to these crises. A growing economy, increasing population and changing lifestyles are driving the demand for goods and services, such as materials, energy, and food. However, the current systems for producing and consuming these resources are unsustainable. They are shaped by poor governance structures and policies, particularly in the areas of economics and finance, and policies particularly in the areas of economics and finance, as well as behaviours and technologies that promote land-use change, resource exploitation, greenhouse gas emissions, pollution, and the spread of invasive alien species. These pressures contribute to the interconnected global environmental crises of climate change, biodiversity loss, land degradation and desertification and pollution and waste. Addressing these challenges and achieving internationally agreed goals requires a deep understanding of how these drivers interact and how to transform the economic and financial, material resources, energy and food systems to manage their environmental consequences effectively.



In March 2024, the United Nations Environment Assembly called for urgent collaborative action to address the global environmental crises defined as the crisis of climate change, the crisis of biodiversity loss, land degradation and desertification, and the crisis of pollution and waste (UNEP/EA.6/HLS.1). These environmental crises risk catastrophic consequences for human well-being and may therefore also be regarded as social, economic, safety and security crises. More than 40 per cent of the global population lives in areas that have experienced significant biodiversity decline (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services [IPBES] 2024a), while 71 per cent of the working population – 2.4 billion people – are exposed to excessive heat at work (International Labour Organization [ILO] 2019), seven million deaths annually are attributed to pollution (Fuller et al. 2022), and land degradation is increasing by 100 million hectares every year (United Nations Convention to Combat Desertification [UNCCD] n.d.; Tomalka et al. 2024). Rapid and irreversible environmental shifts, exacerbated by interactions and feedback between and among the crises that may precipitate environmental tipping points, are of increasing concern (10.5). For example, rising temperatures have the potential to accelerate land degradation and ecosystem disruption, both of which may feed back to exacerbate the climate and biodiversity crises (Pörtner et al. 2021).

Nepal has an extremely varied and complex climate, driven by uneven terrain and regional weather systems. Due to varied socio-economic, physical, geographical, and political conditions, Nepal is ranked as one of the most vulnerable countries to the impacts of climate change. In Nepal, the loss and damage resulting from climate change are unprecedented. Impacts of climate change are observed in the form of heavy rainfall, resulting in floods, frequent and severe droughts, and heat waves. 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 improved, but it consistently ranks low globally, highlighting significant environmental challenges. The country has shown some noticeable improvements in forest and biodiversity preservation but struggles significantly with environmental health indicators, especially air quality and pollution. Nepal has been ranked 128th out of 177 countries for Environment Performance Index with a score of 33.99, indicating a significant improvement from its 2024 score, 163 out of 177 countries for air quality with a score of 15.28 indicating severe air pollution, 82 out of 177 countries for biodiversity showing stronger environmental management practices related to species and habitat protection, 138 out of 177 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.

Nepal has demonstrated a strong commitment to achieving the 2030 Agenda for Sustainable Development since its adoption in 2015. As a member state of the United Nations, Nepal has actively participated in the global efforts to create a more sustainable, equitable, and prosperous future for all. With its diverse geographical landscape, rich cultural heritage, and aspiring population, Nepal recognizes the importance of implementing the SDGs in a holistic and integrated manner. The country has made concerted efforts to localize the SDGs, adapting them to its national context and ensuring their relevance to the needs and priorities of its people.

The country has embraced the transformative agenda of the SDGs, aligning its national policies, plans, and programs with the global goals to ensure inclusive and sustainable development. Nepal's commitment to the SDGs is rooted in its constitution, which envisions a prosperous, egalitarian, and pluralistic society. The country's periodic plans, including the Fourteenth National Development Plan (2016/17-2018/19) and the Fifteenth National Development Plan (2019/20-2023/24), mainstreamed the SDGs into the country's development strategies. These plans outlined Nepal's approach to achieving the SDGs, focusing on key areas such as poverty alleviation, health, education, gender equality, infrastructure development environmental sustainability, and good governance. The Sixteenth Development Plan (2024/25-2028/29) focuses on accelerating implementation of the SDGs, further demonstrating Nepal's commitment to the 2030 Agenda.

Our Bank is committed to creating a better and sustainable world, and as such, our vision and strategies prioritize long-term sustainability to ensure a better planet for future generations. The bank's commitments, considerations, and priorities concerning environmental, social, and governance (ESG) issues are embedded in its business model and lie at the central its mission. The bank has embedded Environmental, Social, and Governance (ESG) factors into its core banking strategy. We believe that effective management of our ESG priorities helps to enhance business resilience, risk mitigation and value creation. The same is true for our clients, with whom we partner to support and finance key ESG objectives We are determined to integrate ESG objectives into how we build and operate our business, and to solidify our position in the banking industry of Nepal.

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

- The Bank's Mobile Banking application KS iMobile enables customers to obtain required information and carry transactions from the applicant. It prevents frequent traveling or the use of paper vouchers.
- The Bank 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 vide 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, Human Resource Management System for eliminating paper-based HR processes and manual administrative tasks within the Bank's operations 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, 148 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, bio gas, robotics and agriculture farming.

KSBBL has been focusing on promotion of sustainable development and we believe green financing is an essential aspect of it. Our loan facility aims to promote sustainable economic growth while preserving the environment. Green financing has gained popularity among investors and consumers who are aware of the need to transition to a more sustainable future. KSBBL'S green financing loan facility is designed to provide funding to businesses and individuals to finance environmentally friendly projects.

- **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. KSBBL offers financial support for projects utilizing hydropower. We provide loan facility to assist in the development, construction and operation of water-based energy projects.
- **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. KSBBL offers financing solutions for projects focused on agroforestry and reforestation initiatives. It also supports farmers who want to adopt sustainable agriculture practices, such as organic farming and regenerative agriculture.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

KSBBL continued to support community development through corporate social responsibility initiatives implemented across all seven provinces during FY 2082/83. The Bank directed its CSR resources towards education, financial literacy, health and other community-focused activities aligned with relevant Sustainable Development Goals.

In FY 2082/83, the Bank allocated NPR 7,818,304.00 for CSR, in compliance with NRB guidelines. During the reporting period, the Bank reported total CSR expenditure of NPR 7,101,001.74. Education remained the largest area of expenditure, accounting for 52.79% of the total CSR amount.

The Bank's geographical coverage across all seven provinces reflects its effort to extend community support across different parts of the country.

Province wise

PROVINCE	TOTAL EXPENSES
Koshi Province	1,055,679.26
Madhesh Province	919,554.27
Bagmati Province	1,467,760.27
Gandaki Province	1,289,527.41
Lumbini Province	1,082,396.14
Karnali Province	761,293.41
Sudurpaschim Province	524,790.99
Total	**7,101,001.74**

Sector wise

SECTOR	TOTAL EXPENSES
Education	3,748,905.28
Financial Literacy	534,942.88
Health	814,152.86
Sustainable Development Goals	2,003,000.72
Total	**7,101,001.74**

Governance and Transparency

1. CSR Fund Allocation

In accordance with Nepal Rastra Bank (NRB) guidelines, the Bank allocates at least 1% of the net profit of the immediate preceding fiscal year towards Corporate Social Responsibility activities.

2. Planned vs. Actual

Out of the total CSR allocation of NPR 7,818,304.00, NPR 7,101,001.74 was spent in line with NRB regulations. The balance of NPR 717,302.26 has been rolled over for future CSR efforts in FY 2083/84.

The Bank shall arrange to spend at least 60% of the amount accumulated in the CSR Fund from profits within the same fiscal year, following approval of the financial statements of each fiscal year.

3. Quarterly Disclosure

In line with NRB guidelines, the Bank publishes CSR-related information on its website every quarter. The disclosure includes details of CSR activities performed during the respective quarter, along with province-wise and sector-wise CSR expenses, promoting transparency and accountability in the utilization of CSR funds.

4. Monitoring & Evaluation

CSR activities are monitored to assess their progress and effectiveness. Outcomes are tracked against relevant indicators and aligned with the Bank's CSR objectives and applicable Sustainable Development Goals (SDGs).

5. Audit & Reporting

CSR activities are monitored to assess their progress and effectiveness. Outcomes are tracked against relevant indicators and aligned with the Bank's CSR objectives and applicable Sustainable Development Goals (SDGs).

CSR Committee

The Bank has formed a CSR Committee to oversee and monitor the implementation of CSR activities. The CSR Committee shall review the progress of CSR activities at least half-yearly and provide appropriate guidance to ensure effective implementation and utilization of CSR resources.

COMMITTEE MEMBER	ROLE
Chief Executive Officer	Coordinator
Deputy Chief Executive Officer	Member
Chief Operating Officer	Member
Head - BCC/CSR	Member Secretary

CSR Governance Framework

The Banks' CSR governance framework is designed to ensure that CSR resources are allocated responsibly, utilized effectively, monitored periodically, and disclosed transparently, in accordance with NRM guidelines and the Banks' commitment to sustainable community development.



IMPACT STORIES

Supporting Dreams Through Education

Bimal Bogati



Grade 12 - Science
College: Brooklyn Academy Secondary School, Sukedhara, Kathmandu

I am currently studying in Grade 12 at Brooklyn Academy Secondary School, Sukedhara. Receiving this scholarship has been a meaningful support in continuing my education and has encouraged me to remain focused on my studies and future goals.

I would like to sincerely thank Kamana Sewa Bikas Bank for providing me with this opportunity through its scholarship support. This assistance has not only helped ease the financial burden associated with my education but has also motivated me to work harder, learn with greater dedication, and make the most of the opportunities available to me.

I am truly grateful for this support and encouragement. I will continue to give my best in my studies and work towards building a better future for myself and my family.

Thank you, Kamana Sewa Bikas Bank, for believing in and supporting students like me.



Debendra Bhandara

Grade 12 - Science
College: Brooklyn Academy Secondary School, Sukedhara, Kathmandu

Studying in Grade 12 has been an important stage in my academic journey, as I prepare to take the next step toward my future goals. The scholarship support I received has given me greater confidence to continue my studies with dedication and a positive outlook.

I am thankful to Kamana Sewa Bikas Bank Ltd. for investing in the education of students like me. More than financial assistance, this scholarship has made me feel encouraged and valued, and it has reminded me that there are institutions willing to support young people in pursuing their dreams.

This opportunity has inspired me to be more responsible toward my studies and to make the best use of the education I am receiving. I hope to continue learning, grow into a capable individual, and one day contribute positively to my family and society.

I remain sincerely grateful for this opportunity and the encouragement it has given me to move forward with confidence.

TOGETHER FOR IMPACT



Restoration of Malpot office, Biratnagar

The bank extended timely support to Malpot Office, Biratnagar on its restoration which was damaged during the Gen Z protest period, reflecting its commitment to social responsibility and community care during times of public disruption. The initiative focused on providing essential support and relief assistance to those affected, demonstrating solidarity, responsiveness, and institutional compassion. Through this effort, the bank contributed to community wellbeing while reinforcing the importance of peaceful civic space, social stability, and inclusive support mechanisms during challenging circumstances.



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 food, strengthening healthy systems and promoting medical partnerships. The Bank has collected 429 pints of blood during the period.



Handover of Computer & Printer to Area Police Office, Kaski

Following the damage caused during the Gen Z protest, the Bank provided computer and printer to the Area Police Office, Kaski, to support restoration if essential administrative and public service functions contributing in strengthening institutional capacity and continuity of public services by helping the police office restore basic operational and administrative functions following the protest-related damage.



Handover of School uniforms and study materials

The Bank provided school uniforms and study materials to over 60 students at Rambhadevi Primary School. This initiative aims to remove learning barriers, promote inclusive and equitable access to education, and encourage regular school attendance for students from underprivileged backgrounds.





Financial Literacy through Music

The Bank conducted the "Kutumba School to School Program" across five government schools in association with the music band "Kutumba," combining Nepali folk music with interactive sessions on saving habits, banking systems, financial discipline, and digital transactions for students. Additionally, financial literacy storybooks were distributed to 2,000 students from Grade 3 to Grade 5. This initiative aims to foster early financial awareness, promote quality education by equipping young learners with essential money management skills, and support long-term economic empowerment through financial inclusion and responsible saving habits.





Distribution of White Cane sticks to Visually-Impaired Individuals

The Bank distributed 25 white canes to visually impaired individuals, particularly those from economically disadvantaged communities. This initiative aims to support safer, more independent, and dignified mobility while promoting accessibility, self-reliance, and social inclusion.



TOGETHER FOR IMPACT



Support to Blood Donation Services

The Bank handed over 10 donor beds to Nepal Red Cross Society, Morang District. The support aims to facilitate blood donation programs, improve the blood collection process, and provide a comfortable environment for blood donors. The initiative contributes to the timely availability of blood for patients in need and reflects the Bank's continued commitment to health and humanitarian causes.



Distribution of Warm Materials to Lamki Manav Sewa Ashram

The Bank, distributed warm materials including blankets, mattresses, quilts, and essential winter items to helpless, homeless, and unprotected elderly citizens as well as orphaned children residing at Lamki Manav Sewa Ashram in Kailali. This initiative aimed to bring warmth, safety, and renewed morale to the residents during the harsh winter season.



Handover of Water Dispenser to Helping Hands Children's Home

The Bank handed over a water dispenser to Helping Hands Children's Home, located in Sitapaila, Nagarjun. This initiative aimed to improve access to clean and safe drinking water for the residing children, positively impacting their daily health and well-being.



Distribution of Food and Educational Materials to Children's Home

The Bank, distributed essential food supplies and educational materials to Breathe of Life Children's Home (Bal Ashram). The initiative aims to support the basic daily needs and educational activities of children from poor and underprivileged backgrounds, furthering social development and fostering a brighter future.



Handover of Printer to Area Police Office, Butwal

The Bank handed over a printer to the Area Police Office in Butwal which was deployed in the Women, Children, and Senior Citizens Support Unit of the police office to significantly enhance administrative efficiency and streamline public service delivery for vulnerable groups in the community.



Handover of Water Purifiers and Mobile Charging Stations to Mechi Eye Hospital, Jhapa

The bank handed over 2 water purifiers and 4 mobile charging stations to Mechi Eye Hospital in Birtamod, Jhapa. This initiative aimed to improve healthcare infrastructure, enhance visitor convenience, and support access to clean drinking water and essential services for patients from all walks of life.

FINANCIAL LITERACY PROGRAMS

KSBBL continued to promote financial awareness and practical banking knowledge through financial-literacy and banking-awareness activities conducted across its operating areas during FY 2082/83.

During the reporting period, the Bank reported 31 financial-literacy and banking-awareness activities, reaching 2,411 participants across six provinces. The activities included financial-literacy programmes, a dedicated programme for visually impaired participants, and practical sessions designed to provide participants with an understanding of banking operations and processes.

The programmes covered topics such as savings, household budgeting, financial discipline, financial planning, digital transactions, smart-money practices and the responsible use of banking services. PowerPoint presentations, branch visits and practical learning sessions were used to support programme delivery.

PROVINCE	NO. OF PARTICIPANTS
Koshi Province	419
Madhesh Province	223
Bagmati Province	565
Gandaki Province	205
Lumbini Province	969
Sudurpaschim Province	30

Financial Literacy Storybooks

To make financial education more engaging and accessible to younger audiences, the Bank developed financial-literacy storybooks covering the themes for saving and budgeting. The storybooks use age-appropriate narratives, characters and practical situations to explain financial concepts in a form that children can understand and relate to. The materials were designed to complement the Bank's school-level financial-literacy activities and support learning beyond a one-time classroom session.

During FY 2082/83, the Bank developed/distributed 2000 storybooks, reaching 2000 students from various schools.



AI-based Video Adaptation of Financial Literacy Storybooks

During FY 2082/83, the Bank expanded the use of its financial-literacy storybooks by adapting selected stories into video format using artificial-intelligence-enabled production tools. The adaptation was intended to transform static learning material into audio-visual content that could be shared through digital channels and used during financial-literacy programmes.







A total of 20 stories were adapted into 20 videos during the reporting period. The videos were published through banks' social media pages including Facebook, Instagram and YouTube channels.

Local-language OTP Scam-awareness Videos

As digital financial services continue to expand, OTP-related fraud has emerged as a growing risk for customers. Fraudsters may use deceptive calls, messages and links to persuade individuals to disclose their OTPs, potentially resulting in unauthorised transactions, financial loss and the misuse of personal information.

Most financial-safety content is commonly communicated in Nepali or English, which may not be equally accessible to customers from different linguistic communities. Recognising the need for more inclusive and locally relevant communication, KSBBL produced OTP scam-awareness videos in six local languages during FY 2082/83.

The videos were developed in Bhojpuri, Tamang, Maithali, Tharu, Nepal Bhasa (Newari) and Doteli. Each version communicated a consistent message on keeping OTPs confidential, identifying fraudulent attempts to obtain sensitive banking information and avoiding the disclosure of OTPs through calls, messages or links.

By delivering essential fraud-prevention guidance in languages familiar to different communities, the initiative sought to make digital-financial-safety information easier to understand and more widely accessible. The videos were communicated through banks' social media channels including Facebook, Instagram and YouTube during the reporting period.



Bhojpuri



Maithali



Newari



Sudur Doteli



Tamang



Tharu

SUCCESS STORIES

KOSHI PROVINCE

Business Name: **Leos Café**

Proprietor/Owner's Name: **Indra Narayan Shrestha**
Type of Loan: **Business Loan**





Story Background and Details:

Leos Café, operated by Indra Narayan Shrestha, started with limited capital funded through household savings and support from close family members. Recognizing the potential for expansion, Kamana Sewa Bikas Bank, Ittabhatta Branch, provided financing of NPR 49 lakh. With the Bank's support, the café expanded its operations and diversified into bakery products. The business is now managed by Mausam Tamang Shrestha, who left her salaried job to lead the café full-time, together with five supporting staff.

Partnership Impact:

- Bank financing enabled the café to expand its business capacity and diversify into bakery items.
- The business has grown steadily and strengthened its position in the Ittabhatta area.
- The café now supports five staff members, contributing to local employment.
- The proprietor has expressed satisfaction with the Bank's support and continued business growth.
- Leos Café has developed into one of the preferred café choices among customers in the Ittabhatta area.





Business Name: **Kids House**

Proprietor/Owner's Name: **Prem Bahadur Adhikari**
Type of Loan: **Business Loan**

Story Background and Details:

Kids House, operated by Prem Bahadur Adhikari, is engaged in the retail business of children's clothing, shoes, slippers, toys, and other daily-use items in Pathari. The business initially operated with limited capital and stock, which restricted its ability to meet growing customer demand. Kamana Sewa Bikas Bank, Pathari Branch, supported the business through Saral Byapar Karja (OD and Term Loan) totaling NPR 50 Lakh, enabling it to increase stock, improve product variety, and expand operations.

Partnership Impact:

- Bank financing helped the business maintain adequate stock of children's clothing, footwear, toys, and related products.
- The business recorded growth in sales turnover, customer base, and income.
- Increased working capital improved product availability and strengthened the business's presence in the local market.
- Business expansion has contributed to employment generation and supported the local economy.
- The partnership with Kamana Sewa Bikas Bank has helped Kids House become a more organized, stable, and growing retail business.

MADHESH PROVINCE

Business Name: **Kitchen and Gift Center**

Proprietor/Owner's Name: **Saroja Kumari Shrestha**
Type of Loan: **Business Loan**





Story Background and Details:

Kitchen and Gift Center, operated by Saroj Kumari Shrestha, is an established distribution business in Hariwan dealing in kitchen and gift items. The business initially operated on a small scale and gradually expanded its reach to major markets including Khudra Pasal and wholesale channels. To strengthen working capital and improve distribution capacity, Kamana Sewa Bikas Bank provided a Saral Byapar Karja of NPR 15 Lakh. The financing was utilized for business expansion, warehouse management, transportation, and improving the overall distribution system.

Partnership Impact:

- Bank financing helped increase the business's distribution capacity nearly fivefold.
- The business expanded its market reach from local retail outlets to wider distribution channels.
- The firm is now able to supply products directly to more than 100 retail shops.
- Improved stock availability and regular supply strengthened customer trust and market presence.
- Business expansion has also contributed to local employment generation and created a stronger foundation for further growth.





Business Name: **Baba Ganinath Traders**

Proprietor/Owner's Name: **Bindeshwor Sah Halwai**
Type of Loan: **Business Loan**

Story Background and Details:

Baba Ganinath Traders, operated by Bindeshwor Sah Haluwai, is an established business dealing in motorcycle spare parts, helmets, and related accessories. Starting on a small scale, the business gradually expanded by responding to growing market demand and building customer trust. To strengthen working capital and maintain adequate stock, Kamana Sewa Bikas Bank provided a Saral Byapar Karja of NPR 41 lakh, enabling the business to expand its operations and serve a wider customer base.

Partnership Impact:

- Bank financing helped the business maintain sufficient stock and meet growing customer demand.
- The business expanded from a small retail operation to a stronger market presence across Madhesh Province.
- Improved financial capacity supported regular supply, smoother operations, and stronger customer relationships.
- Business growth has contributed to local employment generation and increased market competitiveness.
- The partnership with Kamana Sewa Bikas Bank has provided a strong foundation for continued expansion and long-term business stability.

NARAYANGHAT REGION





Business Name: **Thapaliya Baje Suppliers**

Proprietor/Owner's Name: **Mrs. Susan Poudel/ Mr. Krishna Thapaliya**

Type of Loan: **Business Loan**

Story Background and Details:

Thapaliya Baje Suppliers, operated by Krishna Thapaliya, has been engaged in the hardware and construction materials business since 2077 BS. The business started by supplying cement, rods, and other construction materials, gradually expanding its services in response to growing market demand. To strengthen working capital and support further expansion, Kamana Sewa Bikas Bank provided financing through Saral Byapar Karja-OD and Saral Byapar Karja-Term Loan facilities totaling NPR 20 lakh.

Partnership Impact:

- Bank financing helped the business maintain adequate stock of construction materials and respond to customer demand more efficiently.
- The business was able to expand its product range and improve overall service capacity.
- Easier access to working capital helped improve business continuity and day-to-day financial management.
- The growth of the business has contributed to income generation and local employment opportunities.
- The partnership with Kamana Sewa Bikas Bank has supported Thapaliya Baje Suppliers in becoming a more stable and established business in the local market.

Business Name: **R.J. Electrical Suppliers**

Proprietor/Owner's Name: **Shyam Kumar Pande**

Type of Loan: **Business Loan**

Story Background and Details:

R.J. Electrical Suppliers, operated by Shyam Kumar Pandey, was established to meet the growing demand for electrical materials driven by expanding construction and electrification activities. The business gradually built its market presence by focusing on quality products, fair pricing, timely supply, and customer trust. As operations expanded, additional working capital became necessary to maintain sufficient stock and support day-to-day business activities. Kamana Sewa Bikas Bank provided a Saral Byapar Adhikars Karja of NPR 45.80 lakh, helping the business strengthen its working capital and continue its growth journey.

KATHMANDU REGION



Partnership Impact:

- Bank financing helped the business maintain adequate stock of electrical materials and meet customer demand more efficiently.
- Improved working capital supported smoother day-to-day operations and better inventory management.
- The business has been able to strengthen customer relationships and expand its market reach.
- Financial support from the Bank has helped the enterprise operate in a more organized and stable manner.
- The partnership has also supported continued business expansion, employment generation, and contribution to the local economy.

KATHMANDU REGION

Business Name: **Adhikar Furnishing**

Proprietor/Owner's Name: **Nirmala Patel**
Type of Loan: **Business Loan**



Story Background and Details:

Adhikar Furnishing, operated by Nirmala Patel, has been serving customers in the local market for several years with products such as carpets, curtains, cushions, mattresses, and other furnishing materials. With growing customer demand, maintaining adequate stock and expanding the business became increasingly important. Kamana Sewa Bikas Bank supported the business through a Saral Byapar Karja - Working Capital Term Loan of NPR 49 Lakh, helping strengthen working capital and support further business growth.



Partnership Impact:

- Bank financing enabled the business to significantly increase its stock capacity and maintain regular market supply.
- The business recorded growth in turnover and more stable annual income.
- Expansion of operations has created direct and indirect local employment opportunities.
- Improved financial capacity has helped the business manage customer demand more effectively and operate in a more organized manner.
- The partnership with Kamana Sewa Bikas Bank has supported Adhikar Furnishing in strengthening its position as a reliable furnishing business in the local market.

BUTWAL REGION



Business Name: **A to Z Mobile Center**

Proprietor/Owner's Name: **Sunny Pandey**
Type of Loan: **Business Loan**

Story Background and Details:

A to Z Mobile Center was established in 2070 BS by Sunny Pandey, starting with limited resources and a focus on mobile phones, accessories, and repair services. As customer demand and the business gradually grew, additional working capital became necessary to maintain stock and expand operations. Kamana Sewa Bikas Bank supported this growth through Saral Byapar Karja-Term and Small Business Loan-OD facilities totaling NPR 69.37 Lakh, helping the business strengthen its operations and move toward further expansion.

Partnership Impact:

- Bank financing helped the business maintain adequate stock of mobile phones and accessories and meet customer demand more effectively.
- The business, which initially operated with the proprietor handling activities largely on his own, now involves the proprietor, his wife, and two skilled employees.
- Improved working capital has supported business continuity, customer trust, and stronger competitiveness in the local market.
- The partnership with Kamana Sewa Bikas Bank has provided a strong financial foundation for the continued growth and stability of A to Z Mobile Center.

BUTWAL REGION

Business Name: **Belbase Nasta Pasal**

Proprietor/Owner's Name: **Parbata Belbase**
Type of Loan: **Mahila Udhyamsil Karja**



Story Background and Details:

Belbase Nasta Pasal, operated by Parbata Belbase, has been serving quality snacks and refreshments to customers in the local market for several years. Starting on a small scale with limited capital, the business gradually earned customer trust through consistent quality, cleanliness, and friendly service. As demand increased, additional investment became necessary to purchase food supplies, improve storage, and expand service capacity. Kamana Sewa Bikas Bank supported the business through a Mahila Udyamshil Karja of NPR 15 lakh, enabling the proprietor to strengthen the shop's infrastructure and operations.

Partnership Impact:

- Bank financing helped the business purchase necessary food materials, utensils, and other operational infrastructure.
- The shop has been able to handle higher customer demand and maintain greater service continuity.
- Business turnover and income have improved with the expansion of operations.
- The business has contributed to the proprietor's family income while also supporting direct and indirect local employment.
- The partnership with Kamana Sewa Bikas Bank has helped Belbase Nasta Pasal grow from a small-scale venture into a more organized and competitive local business.

WESTERN REGION





Business Name: **New City Mini Resort**

Proprietor/Owner's Name: **Nirak Bahadur Rawat**
Type of Loan: **Business Loan**

Story Background and Details:

New City Mini Resort began with a vision to turn local potential in Baijanath Rural Municipality–5, Banke into a sustainable business. As the resort started to grow, the proprietor needed financial support to strengthen its infrastructure and expand its services. This led to a partnership with Kamana Sewa Bikas Bank Limited, Kohalpur Branch, which provided an initial loan of NPR 20 lakh and later an additional NPR 20 lakh for further expansion.

Partnership Impact:

- Bank financing helped the resort expand its infrastructure and business capacity.
- The resort is now developing a larger event and function hall to serve social and business gatherings.
- The business currently provides direct employment to five local individuals.
- The journey reflects how timely financial support, combined with entrepreneurial effort, can help a local business grow and create wider economic value.

WESTERN REGION



Business Name: **Rajan Galla Tatha Kirana Store**

Proprietor/Owner's Name: **Rajman Yadav**
Type of Loan: **Business Loan**

Story Background and Details:

Rajan Galla Tatha Kirana Store began as a small grocery business in Gadhawa Rural Municipality with limited investment and a strong ambition to build a better future. Access to finance was initially a major challenge, as several financial institutions were reluctant to support a small and growing enterprise. The turning point came when Rajman Yadav approached Kamana Sewa Bikas Bank, where the Bank recognized his business potential and provided the required financial support. With this support, he expanded his stock, diversified into the dealership and distribution of gas, noodles and soft drinks, and gradually strengthened his business. He is currently availing a Small Business Loan of NPR 10 lakh from KSBBL.

Partnership Impact:

- Timely financing helped the business expand its stock and diversify its operations.
- Business growth has increased income and created employment opportunities.
- The expansion has strengthened the family's financial position and supported better education and opportunities for his children.



MOMENTUM

Nurturing Digital & AI Capability

Accelerating digital transformation and AI adoption across banking functions.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

KSBBL's corporate governance framework provides the foundation for responsible decision-making, accountability, transparency and regulatory compliance. It defines the respective roles and responsibilities of the Board of Directors, Board Committees, management and relevant functions in overseeing the Bank's strategic direction, performance, risk management and operational effectiveness.

The framework is supported by a structured body of policies, by-laws, guidelines, manuals and standard operating procedures that provide clear direction for governance, business operations, risk management, internal controls and compliance. These instruments help ensure consistency in decision-making, clearly establish authorities and responsibilities, and promote effective oversight across the Bank.

The Bank maintains appropriate internal control and reporting mechanisms to support effective monitoring, timely identification of risks and issues, and appropriate corrective action. The governance structure also facilitates regular review of the Bank's performance, risk profile, compliance position and strategic priorities, enabling the Board and management to make informed and accountable decisions.

KSBBL remains committed to continuously strengthening its governance practices in line with applicable laws, regulatory directives and evolving industry standards. Through a well-defined governance structure and systematic control environment, the Bank seeks to uphold stakeholder interests, strengthen institutional resilience and support sustainable long-term growth.

Ethics, Compliance and Integrity

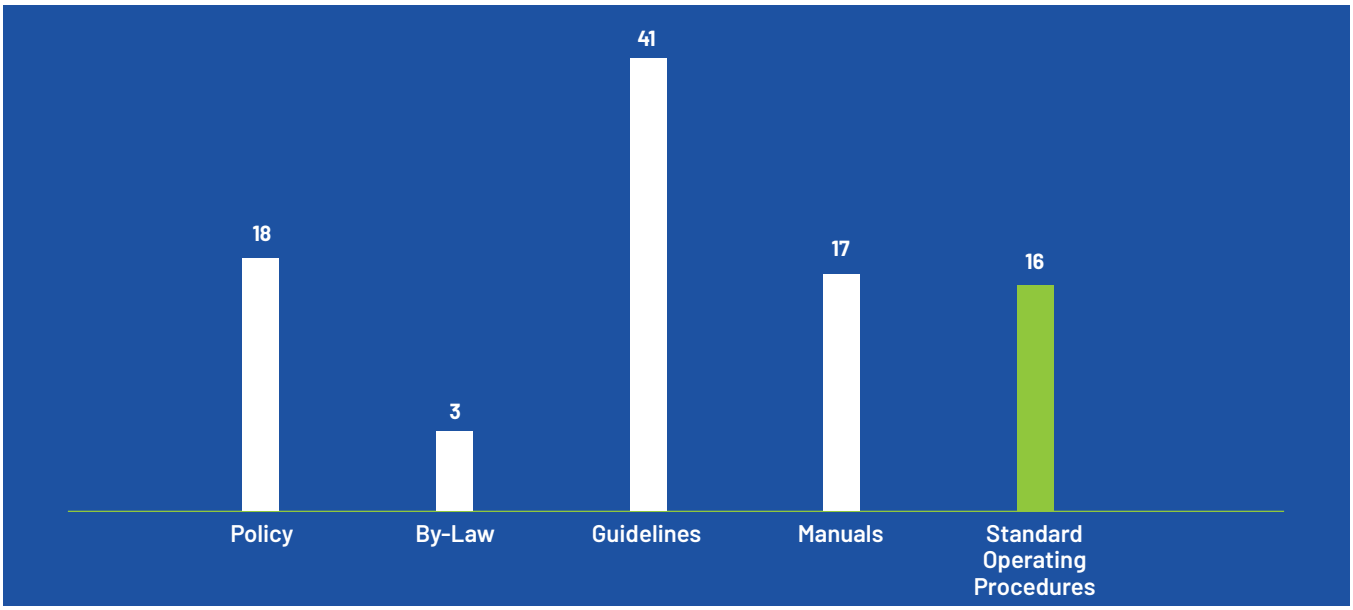
Ethics, integrity and compliance are integral to KSBBL's corporate governance culture. The Bank expects its Directors, management and employees to uphold high standards of professional conduct, accountability, fairness and integrity in the discharge of their responsibilities.

The Bank's compliance framework supports adherence to applicable laws, regulations, regulatory directives and internal requirements. Established policies, procedures, monitoring mechanisms and reporting channels help identify and address compliance risks while promoting consistent application of regulatory and internal standards across the organization.

KSBBL places particular emphasis on responsible conduct, protection of stakeholder interests, confidentiality, avoidance and appropriate management of conflicts of interest, and adherence to ethical standards. Employees are expected to exercise sound judgment and conduct business in a manner that safeguards the Bank's reputation and maintains the trust of customers, shareholders, regulators and other stakeholders.

The Bank continues to strengthen its compliance and ethical culture through regular monitoring, internal controls, awareness and accountability mechanisms. These efforts reinforce the principle that sound governance, ethical conduct and regulatory compliance are fundamental to building a responsible, resilient and sustainable financial institution. The Bank remains committed to prudent practices, recognizing that sustainable growth requires a balance between responsible risk-taking, quality business and sustainable returns. Guided by our commitment -"प्रतिबद्धता" and our core philosophy of PQR: Prudent-Quality-Return, KSBBL continues to strengthen its governance, compliance and ethical culture towards building a responsible and future-ready bank.

Corporate Governance Disclosure:



ANNUAL COMPLIANCE REPORT ON INSTITUTIONAL GOVERNANCE

(Prepared pursuant to the Corporate Governance Directive, 2074, for Listed Organized Institutions)

Name of Listed Organized Institution	Kamana Sewa Bikas Bank Limited
Address	Kathmandu-30, Gyaneshwor, Anand Bhairav Marg
Email	customercare@kamanasewabank.com
Website	www.kamanasewabank.com
Telephone	01-5970030, 9801571101, 16600113000
Reporting Fiscal Year	FY 2082/083 (based on the year-end Ashadh 2083)

1. Details Relating to the Board of Directors

1.1 Chairperson of the Board

Name of Chairperson and date of appointment: **Mr. Sudeep Acharya,** appointed on 2082/06/24.

1.2 Shareholding Structure

SHARE CATEGORY	NUMBER OF SHARES
Ordinary Shares: Promoter	19,695,847.16
Ordinary Shares: General Public	18,923,460.99
Total Ordinary Shares	38,619,308.15
Preference Shares	3,500,000.00

1.3 Details of Directors

S.N.	DIRECTOR / ADDRESS	REPRESENTING GROUP	SHAREHOLDING	APPOINTMENT DATE	OATH DATE	MODE
1	Mr. Sudeep Acharya, Kathmandu-10, New Baneshwor	Promoter	Promoter: 63,723.00; Public: 4,065.73	2082/06/24	2082/06/28	Elected
2	Mr. Bhim Prasad Tulachan, Butwal-6, Rupandehi	Promoter	Promoter: 250,177.24; Public: 65,136.51	2082/06/24	2082/06/29	Elected
3	Mr. Chaturakhar Adhikari, Pokhara-27, Kaski	Promoter	Promoter: 118,387.50; Public: 32,498.40	2082/06/24	2082/06/29	Elected
4	Mr. Bishweshwar Subedi, Thulipokhari-4, Parbat	General Public	Public: 950.87	2082/06/24	2082/06/29	Elected
5	Mr. Balaram Baral, Pokhara-13, Kaski	General Public	Public: 4,516.88	2082/06/24	2082/06/29	Elected
6	Dr. Pawan Kumar Sharma, Gaurighat-7, Kathmandu	General Public	Public: 117.70	2082/06/24	2082/06/29	Elected
7	Ms. Srijana Dangal, New Baneshwor-31, Kathmandu	Independent Director	None	2081/11/22	2081/11/22	Appointed

1.4 Meetings of the Board of Directors

The following meetings of the Board of Directors were held during the fiscal year. No director recorded a dissenting opinion in the meeting decisions. None of the meeting was adjourned due to non-availability of required quorum.

S.N.	MEETING DATE (BS)	DIRECTORS PRESENT	DISSENTING SIGNATURES	PRIOR FY MEETING DATE
1	2082/04/26	6	No	2081/04/14
2	2082/05/11	7	No	2081/05/23
3	2082/05/22	7	No	2081/05/28
4	2082/05/31	7	No	2081/06/07
5	2082/06/23	7	No	2081/06/20
6	2082/06/24	7	No	2081/07/09
7	2082/06/29	7	No	2081/08/21
8	2082/07/25	7	No	2081/10/10
9	2082/08/07	7	No	2081/11/04
10	2082/09/06	7	No	2081/11/21
11	2082/09/18	7	No	2081/12/12
12	2082/10/04	7	No	2081/12/23
13	2082/10/23	7	No	2082/01/12
14	2082/11/14	7	No	2082/01/31
15	2082/12/05	7	No	2082/02/23
16	2082/12/26	7	No	2082/03/04
17	2083/01/24	7	No	2082/03/21
18	2083/02/14	7	No	-
19	2083/02/25	7	No	-
20	2083/03/14	7	No	-
21	2083/03/26	7	No	-

Alternate Directors	There were no alternate directors on the Board.
Separate record of attendance, deliberations and decisions	A separate record/minute of decisions is maintained.
Maximum interval between two consecutive Board meetings	30 days (from 2082/08/07 to 2082/09/06).
Annual General Meeting date for determining Board meeting allowance	2082/06/24
Meeting allowance per Board meeting	Chairperson: NPR 12,000; Director: NPR 11,000
Total Board meeting expenses during the FY	NPR 1,462,000

2. Directors' Conduct and Other Disclosures

DISCLOSURE	STATUS / DETAILS
Code of Conduct for Directors	Code of Conduct for Directors
More than one director from the same household	More than one director from the same household
Annual learning and refresher programmes for directors	Annual learning and refresher programmes for directors

Each director shall, within fifteen days of being appointed or nominated to the position of director, provide written information regarding the matters mentioned below, stating whether or not such information has been provided. If the information has not been provided, the details thereof shall be disclosed.

All directors have provided with written information regarding the matters mentioned below within fifteen days of their appointment or nomination, and based on such information:

Shares/debentures held by a director or immediate family in the institution or its parent/subsidiary	Disclosed by the directors.
Details of any contract or agreement entered into, or proposed to be entered into, with the institution by the director or any member of the director's immediate family.	Disclosed by the directors.
Director as a substantial shareholder/director of another organized institution	Disclosed by the directors.
Immediate family member working as an officer/employee of the institution	Disclosed by the directors.
Director working as director, salaried officer, CEO or employee of a listed institution with similar objectives	Directors reported that they had not done so.
Regulatory or other action against directors	No such action was taken

2.1 Director Learning and Refresher Programs

S.N.	PROGRAMME	DATE	PARTICIPANTS	VENUE / MODE
1	The Leader's Mindset	04/09/2025	2	Hotel Yak & Yeti, Kathmandu
2	Orientation & Director's Refresher Program	10/10/2025	7	Aloft Hotel
3	Annual Conference, 2025 on Anti-Money Laundering	20/10/2025	2	Kathmandu Marriott Hotel
4	Aligning Board's Oversight with Nepal's Economic & AML Regulatory Priorities to Support FATF Grey List Removal	06/02/2026	7	Mercure Hotel
5	Strengthening Cyber Resilience in Banking	28/06/2026	7	Hotel Lemon Tree
6	Artificial Intelligence (AI) Strategy &	2082/12/05 to	7	Virtual & Physical Classes
7	Fundamentals Training	2083/03/32		

3. Risk Management and Internal Control System

3.1 Risk Management Committee

A Risk Management Committee has been established, comprising the following members:

S.NO	NAME	POSITION
1	Mr. Chaturakhar Adhikari	Coordinator
2	Mr. Bhim Prasad Tulachan	Member
3	Mr. Pawan Kumar Sharma	Member
4	Mr. Raghunath Tripathee	Member
5	Mr. Niranjan Bhandari	Member Secretary

Number of meetings: 8

Key functions: As per Nepal Rastra Bank Directive No. 6, the Committee has been conducting quarterly internal analyses of the Bank's capital adequacy, determining sectoral limits and compliance, monitoring stress testing and other related activities, and submitting reports to the Board of Directors on a quarterly basis. In addition, the Committee also carries out activities such as obtaining information regarding the Bank's risks and presenting its opinions, suggestions, and recommendations on such matters to the Board of Directors.

3.2 Internal Control Procedures

The Bank has developed and implemented various procedures to systematize its internal control framework. Various Board- and management-level committees have also been established to strengthen the internal control system.

3.3 Internal Control / Board-Level Committees

Audit Committee (Board Level)

S.NO	NAME	POSITION
1	Mr. Bhim Prasad Tulachan	Coordinator
2	Ms. Srijana Dangal	Member
3	Mr. Madhab Gautam	Member Secretary

Number of meetings: 12

Functions: The Committee reviews and discusses the internal audit plan approved in accordance with Nepal Rastra Bank Directive No. 6, the internal audit reports received from the branches and departments through the Internal Audit Department, the audit reports received from the external auditors, and the inspection reports received from Nepal Rastra Bank, along with the responses provided by management thereto. Based on such review and discussion, the Committee provides necessary directions and suggestions to management and also presents its opinions, suggestions, and recommendations to the Board of Directors on these matters.

Employee Service Benefits Committee (Board Level)

S.NO	NAME	POSITION
1	Mr. Balaram Baral	Coordinator
2	Mr. Bishweshwar Subedi	Member
3	Mr. Dinesh Thakali	Member
4	Mr. Hem Bahadur K.C.	Member
5	Mr. Bikash Adhikari	Member Secretary

Number of meetings: 3

Functions: The Committee has been conducting activities in accordance with Nepal Rastra Bank Directive No. 6, including studying and analyzing the remuneration and employee benefits structure to determine appropriate remuneration, defining the scope of employees' duties and reviewing the performance appraisal system, preparing various procedures and policies related to employee management, and presenting its opinions, suggestions, and recommendations on such matters to the Board of Directors. In addition, the Committee prepares the Bank's annual Human Resources Plan and submits it to the Board of Directors.

AML/CFT Committee (Board Level)

S.NO	NAME	POSITION
1	Mr. Bishweshwar Subedi	Coordinator
2	Ms. Srijana Dangal	Member
3	Mr. Niranjan Bhandari	Member
4	Ms. Archana Mulmi	Member
5	Mr. Khum Nath Bhusal	Member Secretary

Number of meetings: 8

Functions: The Committee, in accordance with Nepal Rastra Bank Directive No. 6, identifies and assesses risks related to financial investment in money laundering and terrorist financing activities based on factors such as geographical area, business or profession, area of operation, customers, services or products, transactions, and distribution channels. It also reviews the ongoing monitoring of customers, beneficial owners, and transactions. In addition, the Committee prepares various policies, procedures, and other measures related to the prevention and management of money laundering and terrorist financing risks and presents its opinions, suggestions, and recommendations on such matters to the Board of Directors.

Recruitment Committee (Management Level)

S.NO	NAME	POSITION
1	Mr. Binay Dahal	Coordinator
2	Mr. Dipendra Subedi	Member
3	Mr. Bikash Adhikari	Member Secretary

Number of meetings: 24

Functions: The Committee has been carrying out activities related to recruitment, vacancy planning, review of candidates, conducting interviews/written examinations, selection of qualified employees, employee recruitment, and management of employee performance appraisal.

Asset and Liability Management Committee (ALCO) (Management Level)

S.NO	NAME	POSITION
1	Mr. Dinesh Thakali	Coordinator
2	Mr. Binay Dahal	Member
3	Mr. Raghunath Tripathee	Member
4	Mr. Dipendra Subedi	Member
5	Mr. Niranjan Bhandari	Member
6	Mr. Hem Bahadur K.C.	Member Secretary

Number of meetings: 12

Functions: The Committee has been carrying out activities related to the proper management of assets and liabilities, liquidity management, interest rate assessment, and the study and necessary management of changes in loans and deposits. Similarly, the Committee has also been reviewing investments, making appropriate decisions related to investments, conducting gap analysis, and reviewing liquidity plans.

Procurement Committee (Management Level)

S.NO	NAME	POSITION
1	Mr. Bikash Adhikari	Coordinator
2	Mr. Hem Bahadur K.C.	Member
3	Mr. Sushil Poudel	Member Secretary

Number of meetings: 114

Functions: Carries out procurement-related activities in accordance with the applicable provisions on asset quality, value and financial administration.

Financial Directive Committee (Management Level)

S.NO	NAME	POSITION
1	Mr. Dinesh Thakali	Coordinator
2	Mr. Binay Dahal	Member
3	Mr. Raghunath Tripathee	Member
4	Mr. Hem Bahadur K.C.	Member
5	Mr. Sushil Poudel	Member Secretary

Number of meetings: 34

Functions: The Committee evaluates the quality, cost-effectiveness, efficiency, level of risk, and reliability of goods or services provided by various suppliers or service providers identified by the General Services Department and recommends the most suitable supplier or service provider. The Committee remains actively involved in ensuring that purchases are made in compliance with the prescribed standards relating to the effectiveness, efficiency, and cost-effectiveness of the goods or services.

Financial Administration Regulation: In place.

4. Information and Disclosure

4.1 Public Disclosure of Information

SUBJECT	MEDIUM	DATE/ DETAILS
Notice of Annual General Meeting	National daily newspaper	2082/06/01
Notice of Special General Meeting	N/A	No Special General Meeting was held in FY 2082/83.
Annual Report	Bank website	2082/06/01
Quarterly Reports	National daily newspapers	Q1 : 2082/07/15, Naya Patrika;
		Q2 : 2082/10/05, Karobar Daily;
		Q3 : 2083/01/05, Naya Patrika;
		Q4 : 2083/04/02, Annapurna
Price-sensitive information affecting securities price		Regulatory authorities were informed by letter.
Other	N/A	N/A

The Bank had not been subject to action by the Securities Board or other authorities for failure to disclose information.

The latest Annual General Meeting / Special General Meeting was completed on 2082/06/24.

5. Institutional Structure and Employees

PARTICULAR	STATUS/ DETAILS
Employee service terms/regulations covering structure, recruitment, career development, training,	In place.
salary, allowances, benefits, attendance, leave and code of conduct	
Organizational structure	Attached to the report.
Management-level employees	30
Total employees	969
Succession plan	In place.
Training programs during the FY	107
Employees participating in training	5,215
Employee training expenditure	NPR 11,664,201.30
Employee cost as a percentage of total expenditure	66.02%
Training cost as a percentage of total employee cost	1.31%

5.1 Senior Management

S.NO	NAME	POSITION	ACADEMIC QUALIFICATION	EXPERIENCE
1	Mr. Dinesh Thakali	Chief Executive Officer	Chartered Accountant / Master's (Management / Information Technology) / LL.B.	23 years
2	Mr. Binay Dahal	Deputy Chief Executive Officer	Master's (Management)	31 years
3	Mr. Dipendra Subedi	Chief Business Officer	Master's (Management)	20 years
4	Mr. Raghunath Tripathee	Acting Chief Operating Officer	Master's (Management)	18 years

Staff positions are filled in accordance with the approved organizational structure. Recruitment of new employees is carried out as prescribed by the Bank's Employee Service Regulations.

6. Accounting and Audit

PARTICULAR	DETAILS
Basis of preparation of latest financial statements	Prepared in accordance with NFRS.
Board approval date of latest financial statements	Financial statements for FY 2082/83 approved on 2083/04/22.
Quarterly financial statement publication dates	2082/07/15; 2082/10/05; 2083/01/05; 2083/04/02
Completion of final audit	Financial statements for FY 2082/83 audited/completed on 2083/04/22.
Approval of financial statements by General Meeting	Financial statements for FY 2081/82 approved on 2082/06/24.
Internal audit	Internal audit is conducted by the Bank internally.
External expert appointed for internal audit	No.
Frequency of internal audit	Quarterly.

6.1 Audit Committee

S.NO	NAME	POSITION	QUALIFICATION
1	Mr. Bhim Prasad Tulachan	Coordinator	Bachelor's / Tribhuvan University (Economics)
2	Mr. Balaram Baral	Member	Bachelor's / Tribhuvan University (Economics)
3	Mr. Madhab Gautam	Member Secretary	Chartered Accountancy; Master's / Tribhuvan University (Management)

The Audit Committee held 12 meetings. Attendance was three members at each of the meetings listed in the source report.

S.NO	MEETING DATE (BS)	MEMBERS PRESENT
1	2082.04.01	3
2	2082.04.08	3
3	2082.06.02	3
4	2082.06.20	3
5	2082.07.14	3
6	2082.08.07	3
7	2082.10.04	3
8	2082.11.15	3
9	2082.12.04	3
10	2083.01.04	3
11	2083.01.23	3
12	2083.02.12	3

Meeting allowance: Coordinator: NPR 11,000; Member: NPR 11,000; Member Secretary: NPR 1,000 per meeting. The Audit Committee submitted its report on its activities to the Board of Directors.

7. Other Disclosures

DISCLOSURE	STATUS / DETAILS
Whether a director of the institution or a person with a financial interest in the director's immediate family has received or not received any loan, facility, or other form of financial assistance from a bank or financial institution.	No such loan/borrowing was taken.
Whether any person, firm, company, employee, advisor, or consultant having a financial interest in a listed public institution has, in any manner, used or not used any asset of the institution, other than the benefits or facilities received in their capacity as a director, shareholder, employee, advisor, or consultant of the company, as permitted under prevailing laws.	No
Compliance with conditions specified by regulatory authorities when issuing licences	Complied.
Compliance with directions issued by regulatory authorities during regulation, inspection or supervision	Complied.

7.1 Legal Proceedings

No information was available regarding any case against the Bank's directors in matters unrelated to the Bank's official activities. As of 2083/03/32, the Bank is involved as a party in various cases before the following courts:

S.NO	COURT	NUMBER OF CASES
1	Supreme Court	5
2	High Court	11
3	Various District Courts	38
4	Debt Recovery Tribunal	33

Certification and Sign-off

PARTICULAR	DETAILS
Compliance Officer	Mr. Khum Nath Bhusal
Designation	Assistant Manager
Date	2083/04/22
Signature	
Date of approval by the Board of Directors	2083/04/22
Company Secretary	Mr. Pranay Tuladhar
Company Secretary's Signature	
Seal	
Date certified by the Auditor	2083/04/22
Auditor's Name	CA Durga Prasad Gnawali, FCA
Auditor's Signature	
Auditor's Seal	

DISCLOSURE RELATED TO SUB-RULE (2) OF RULE 26 OF SECURITIES REGISTRATION AND ISSUANCE REGULATION 2016:

1. Report of the Board of Directors

The Report of the Board of Directors is attached herewith.

2. Auditor's Report:

The Auditor's Report is attached herewith.

3. Audited Financial Statements

The audited financial statements are attached herewith.

4. Details of Legal Proceedings

(a) Whether any case was filed by or against the institution or its promoters/directors during FY 2082/83:

During the review period, no case was filed against the institution, its promoters, directors, or former promoters/directors. However, cases have been filed by the institution and/or against the institution in connection with loan recovery.

(b) Whether any promoter/director or former promoter/director has violated applicable laws, committed a criminal offence, or has been subject to or involved in any related case:

The institution has not received any information regarding any such matter.

(c) Whether any case has been filed against any promoter/director in connection with an economic offence:

The institution has not filed any such case, nor has it received any information from any concerned court or authority regarding any case filed elsewhere.

5. Details of Share Trading and Performance of the Listed Institution

(a) Management's view on trading of the institution's shares in the securities market:

The shares of Kamana Sewa Bikas Bank Limited are listed on the Nepal Stock Exchange and are being traded in the open market at prices determined by market forces under the supervision of the Securities Board of Nepal.

(b) Quarterly share-trading details during the previous year:

The share-trading details for the review period, as published on the website of Nepal Stock Exchange Limited (www.nepalstock.com.np), are as follows:

QUARTER (MONTH)	HIGHEST SHARE PRICE (RS.)	LOWEST SHARE PRICE (RS.)	CLOSING SHARE PRICE (RS.)	TOTAL TURNOVER (RS.)	TOTAL SHARES TRADED	TOTAL TRADING DAYS
First Quarter (Ashoj-end 2082)	578	413	413	3,94,25,29,503	74,06,740	51
Second Quarter (Poush-end 2082)	455	414	453	52,83,02,532	12,12,454	55
Third Quarter (Chaitra-end 2082)	517	448	485	1,74,39,11,606	36,01,385	53
Fourth Quarter (Ashadh-end 2083)	494	468	474	85,95,47,811	17,80,938	64

6. Problems and Challenges

(a) Internal Problems and Challenges

- Increasing competition has created challenges in retaining and maintaining the availability of skilled and competitive employees.
- Limited availability of investible projects.
- Changes in deposit, lending, and investment interest rates.
- Increasing operating expenses.
- Adverse impact on profitability due to a narrowing spread.
- Increasing non-performing loans.

(b) External Problems and Challenges

- Risks that may arise from unstable liquidity conditions.
- Difficulty in maintaining a balance between inflation and interest rates.
- Limited investment opportunities.
- Risks that may arise from frequent policy changes introduced by regulatory authorities.

(c) Strategies

The Bank's strategy is to continuously enhance the capacity of its branches, improve employee efficiency, and ensure employee commitment to the Bank by involving employees in various external and internal training programs. The Bank remains vigilant regarding factors that may affect deposits, credit, liquidity, and profitability and has adopted policies to minimize their potential impact.

Amid intense competition, the Bank's strategy is to maintain a strong market identity by expanding customer-focused products and services while remaining quality-oriented. In addition, the Bank's management is committed to minimizing or preventing potential losses arising from external factors.

7. Corporate Governance

Details of the measures undertaken by management to enhance corporate governance:

a. The institution has been fully complying with the corporate governance directives issued by Nepal Rastra Bank and other regulatory authorities. To strengthen the internal control system, an independent internal auditor has been appointed. The Audit Committee remains active in ensuring that recommendations identified through quarterly audit reports are implemented by management.
b. Various internal policies, rules, directives, and procedures have been formulated and implemented to reduce operational risks and ensure systematic operations. Regular monitoring and inspection arrangements have also been established.
c. To maintain corporate governance, the Bank has been giving high priority to directives received from Nepal Rastra Bank and other regulatory authorities from time to time. The Board of Directors, Audit Committee, Risk Management Committee, Employee Service and Benefits Committee, Bank Management, and various other sub-committees remain active to enhance corporate governance and ensure transparency and regulatory compliance in the Bank's activities.

8. Details in case of 20% or More Deviation in Projected and Audited Financial Statements

Details are attached with this report.

9. Details of Special Events or Circumstances under Sub-regulation (5) of Regulation 26

9.1 Amendment to the Articles of Association

The Articles of Association have been amended as required.

9.2 Changes in Directors or Senior Management Officials

a. Expiry of directors' tenure: The tenure of the previous Board of Directors expired following the formation of a new Board of Directors by the 19th Annual General Meeting held on Ashoj 24, 2082.
b. Resignation from the Board of Directors: None.
c. Appointment of new directors: A new Board of Directors was formed by the 19th Annual General Meeting held on Ashoj 24, 2082, as follows:

S.NO	NAME	POSITION
1	Mr. Sudeep Acharya	Chairperson
2	Mr. Bhim Prasad Tulachan	Director
3	Mr. Chaturadhar Adhikari	Director
4	Mr. Balaram Baral	Director
5	Mr. Bishweshwar Subedi	Director
6	Dr. Pawan Kumar Sharma	Director

In accordance with the decision of the 388th meeting of the Board of Directors held on Magh 21, 2081, Ms. Srijana Dangal was appointed as an Independent Director with effect from Magh 22, 2081.

d. Resignation from senior management: During FY 2082/83, Mr. Bikash Dhungana resigned from the positions of Chief Operating Officer / Chief Technology Officer.
e. Appointment to senior management: During FY 2082/83, Mr. Raghunath Tripathee was appointed as Acting Chief Operating Officer.

9.3 Dividend Declaration or Change in Share Structure

a. The Bank has proposed a cash dividend of 15% to shareholders, including applicable tax, for FY 2082/83. As no bonus shares has been proposed, there shall be no change in the shareholding structure on account of bonus shares.

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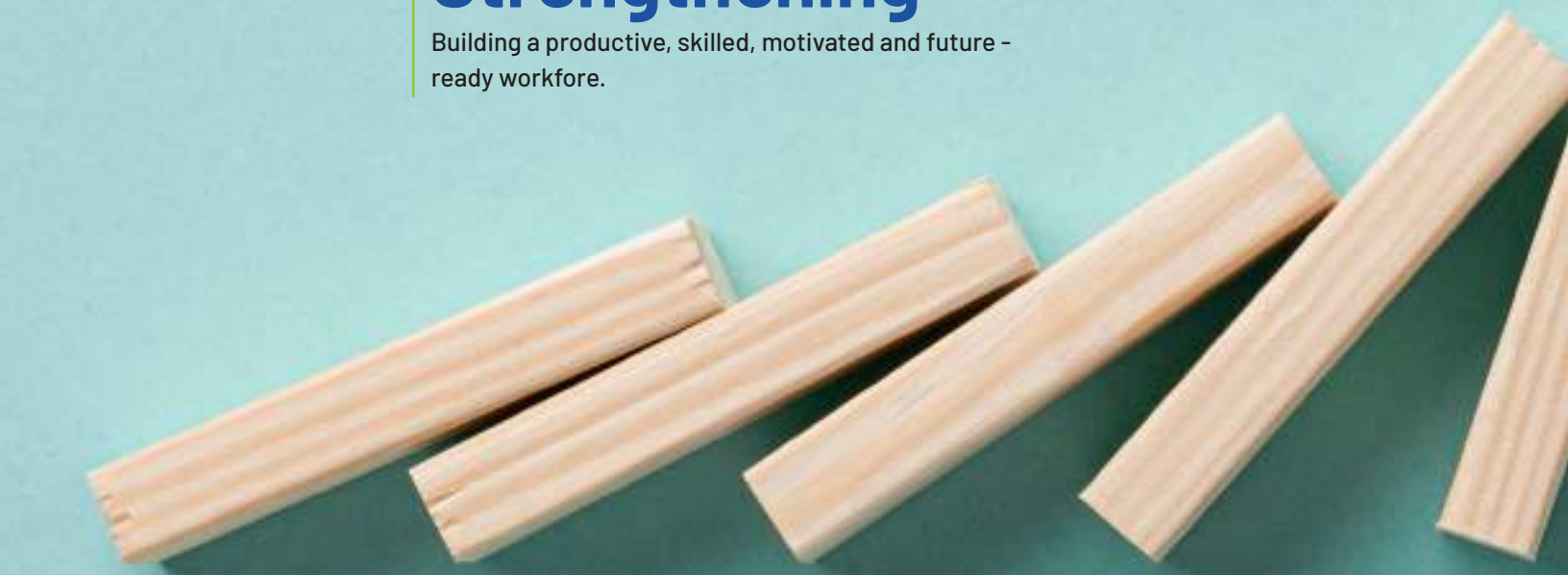
Eligibility: under 18 years of age



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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. Head- Integrated Risk Management Department, 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, Head – Integrated Risk 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 major decisions from Risk Management Committee during F/Y 2082/83 are as:

A. Review of external factors that can expose the bank to risk.
   - Review of current domestic and global economic scenarios
   - impact of Gen-Z protest,
   - impact of road expansion on various parts of the country,
   - recovery related man-handling incident to employees of BFIs, etc.
B. Review of policy
C. Review of Risk reports; Credit Risk Assessment Report, Operation and Human Risk Assessment Report, Environment and Social Risk Assessment Report, Market and Liquidity Risk Assessment Report, Legal Risk Assessment Report, Stress Testing Report, Internal Capital Adequacy Assessment Report.
D. Information security risk assessment and management
E. Others as deemed necessary

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.

3) Core Risk Areas

A) CREDIT RISK

Credit risk is the likelihood that a debtor or financial instrument issuer is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement. Credit risk also refers the risk of negative effects on the financial result and capital of the bank caused by borrower's default on its obligations to the bank. Settlement risk is the potential that completion of a financial transaction will fail to occur as intended and will be considered as a subcomponent of credit risk, where appropriate. While financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management, or a lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a Bank's counterparties. This has led to financial institutions being more aware of the need to identify measure, monitor and control credit risk. Credit risk can simply be defined as the actual, contingent or potential that a Bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. The goal of credit risk management is to maximize a Bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits. Banks should also consider the relationships between credit risks and other risks. In order to minimize the credit risk, appropriate diversification of the loan portfolio and appropriate monitoring and control of the same is vital.

i. Credit Risk Management: Credit Risk Management for banking is a robust and flexible solution for measuring and reporting regulatory credit risk measures of a bank portfolio. Credit Risk Management for banking also helps to optimize the allocation of credit risk mitigates, while computing such credit risk measures. It lets 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	(ASHAD 2083)
SOL (Fund Based and NonFund Based)	Up to 25% of Core Capital	12.76%
SOL (Fund Based and Non-Fund Based) in Productive Sector	Up to 30% of Core Capital	2.96%
Pure Hydropower Project, Transmission Line and Cable Car Construction Project (Funded and Non-Funded)	Up to 50% of Core Capital	10.15%
Residential Real Estate Loan except Residential Personal Home Loan up to Rs. 30 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	4.98%
Other Real estate (Land Purchase and plotting)	Upto 10% of Total Loans and Advance	4.12%
Margin Lending	Up to 40% of Core Capital of the bank	32.63%
Deprive Sector Loan	A. Minimum 5% of Total loans and advance	5.67% Institutional – 2.77% Individual - 2.90%
Loan on the basis of personal guarantee	Up to 5% of Total loans and advance	0.49% Personal - 0.48% Collective - 0.01%

Top Borrower Concentration

Bank's exposure to top 50 borrowers is 13.36% of the total loans and advances of the bank. The exposure has increased from 12.37 % in previous year to 13.36% in current year.

PARTICULARS	THIS QUARTER (ASHAR 2083)
Total Exposure to Top 50 Borrowers	7,875,434,738.81
Percentage Covered by top 50 loans	13.36%

Bank's exposure to top 10 microfinance institutions is 2.37% of the total loans and advances of the bank. The exposure has decreased from 3.37% in previous year to 2.37% in current year.

PARTICULARS	THIS QUARTER (ASHAR 2083)
Total Exposure to Top 10 MFIs	1,366,243,484.51
Percentage Covered by top 10 Microfinance Institutions	2.37%

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.

	AS OF ASHAD 2083		
INDUSTRY	**LOAN AMOUNT**	**% TO TOTAL LOAN**	**% TO CORE CAPITAL**
Agricultural and Forest Related	5,413.47	9.39%	94.25%
Fishery Related	99.06	0.17%	1.72%
Mining Related	-	0.00%	0.00%
Agriculture, Forestry & Beverage Production Related	1,081.41	1.88%	18.83%
Non-food Production Related	1,315.76	2.28%	22.91%
Construction	2,435.03	4.23%	42.39%
Power, Gas and Water	1,683.99	2.92%	29.32%
Metal Products, Machinery & Electronic Equipment & Assemblage	226.88	0.39%	3.95%
Transport, Communication and Public Utilities	752.09	1.31%	13.09%
Wholesaler & Retailer	6,621.27	11.49%	115.28%
Finance, Insurance and Real Estate	4,757.83	8.26%	82.84%
Tourism Service	2,484.60	4.31%	43.26%
Other Services	2,527.00	4.39%	44.00%
Consumption Loans	21,370.16	37.09%	372.06%
Local Government	0.35	0.00%	0.01%
Others	6,854.26	11.89%	119.34%
Total	**57,623.16**	**100.00%**	**1003.24%**

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 Loan of 59.55 %, followed by Residential Personal Home Loan (up to 30 million) at 11.09%.

Amount in Million

		THIS QUARTER (ASHAD 2083)	
S.N	**INDUSTRY/SECTOR**	**LOAN AMOUNT**	**PERCENTAGE**
1	Term Loan	34,312.75	59.55%
2	Overdraft	2,282.76	3.96%
3	Cash Credit Loan	3,486.56	6.05%
4	Trust Receipt Loan / Import Loan	-	0.00%
5	Short Term Working Capital/Demand Loan	400.08	0.69%
6	Residential Personal Home Loan (Up to Rs. 30 million)	6,388.56	11.09%
7	Real Estate Loan	2,866.87	4.98%
	a. Residential Real Estate (except Residential Personal Home Loan upto Rs. 30 million)	-	0.00%
	b. Commercial Complex & Residential Apartment Construction Loan	-	0.00%
	c. Lending on Income Generated Commercial Complex	-	0.00%
	d. Other Real Estate (Including Land Purchase & Plotting)	2,371.77	4.12%
8	Margin Nature Loan	1,874.29	3.25%
9	Hire Purchase Loan	872.84	1.51%
10	Deprived Sector Loan	3,267.81	5.67%
11	Bills Purchased	-	0.00%
12	Other Product	1,870.64	3.25%
	a. Education Loan	-	0.00%
	b. Gold Loan	1,625.31	2.82%
	c. Loan against FDR	245.33	0.43%
	Total Loans & Advances	**57,623.16**	**100.00%**

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 91.91% of the total NPL loans.

SECURITY	NO. OF FILES IN NPL	NPL AMOUNT	SHARE IN TOTAL
Real Estate (Land and Building)	1343	2,004.92	91.91%
Personal Guarantee	259	57.39	2.63%
Vehicles	240	110.57	5.07%
Government Guarantee	1	0.35	0.02%
Collective Guarantee	102	8.08	0.37%
Others	1	0.01	0.00%
Total	**1946**	**2,181.31**	**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 Head-Integrated Risk in line with the Bank's Corporate Governance Policy, shall act as the second line of defense in Operational risk management of the Bank. Key activities carried out by the Integrated Risk Management Department related to management of operational risk are as under:

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

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

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

i) People: Mitigating Measures

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

ii) Process: Mitigating Measures

- Formulation of sound policies, guidelines and manuals with clear work procedures.
- Effective segregation of roles and responsibilities.
- Updated delegation of authority in commensurate with the Bank's Policies.
- Performance of security guard service companies shall be reviewed by taking the feedback from the branches by security officer/GSD.

iii) Systems: Mitigating Measures

- System access control shall be reviewed on timely basis.
- One-time Password (OTP)/ Two Factors Authentication (TFA) mechanism shall be established into all applicable software.
- Information system audit shall be conducted at least on annual basis.
- Coordinate with training experts for the development and delivery of awareness training program on information security and privacy matters for the staff members of the bank.
- Contingency Plans 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.

C) Information Security Risk

Kamana Sewa Bikas Bank Limited treats the confidentiality, integrity and availability of its information assets as a core operating obligation. During the review year the Bank strengthened its information security posture through independent certification of its management system, completion of independent assurance exercises, and continuous investment in security technology and staff capability. The Information Security Officer is responsible for the security of the Bank's data and IT infrastructure, enforcement of Bank-wide policy, and alignment with NRB IT Guidelines, NRB Cyber Resilience Guidelines 2023, and ISO/IEC 27001:2022.

The principal achievement of the year was the award of ISO/IEC 27001:2022 certification to the Bank's Information Security Management System by MQA Certification UK Ltd, accredited by International Accreditation Forum (IAF) and International Accreditation Services (IAS) covering the scope of ISMS application to the secure and reliable banking services to customers through the deployment of robust and secure IT infrastructure. Certification confirms that the Bank's security policies, risk assessment methodology, control selection, monitoring and improvement arrangements have been independently examined against the requirements of the standard. The certification will be maintained through annual surveillance audits and recertification in the third year.

Information Technology Systems, Risk Management and Security Controls

The following governance arrangements and controls were in operation during the year:

- The Cyber Resilience Committee, constituted through the reform of the former Corporate Information Security Committee, provides strategic direction to the Bank's information security function and oversees reduction of IT risk across the Bank. Four meetings of the Committee were held during the year.
- A Cyber Resilience Framework, developed in accordance with the NRB Cyber Resilience Guidelines 2023, was approved by the Board and placed under implementation.
- Security technologies in operation include Web Application Firewall, Privileged Access Management, Email Security Gateway, Next-Generation Antivirus, Endpoint Detection and Response, and a Data Leak Prevention system deployed during the year.
- Security Information and Event Management is integrated with an outsourced Security Operations Centre providing 24x7 monitoring.
- An independent information systems security risk assessment is performed and reported monthly.
- Access rights are reviewed periodically, and two-factor or OTP-based authentication is enforced on applicable platforms.
- Business continuity and disaster recovery plans are tested periodically, and internal and external vulnerability assessments are performed on a defined cycle.

Information Systems Audit and Cybersecurity Governance

The Bank completed its annual Information Systems Audit in accordance with NRB IT Guidelines, examining people, process and technology, together with an independent Vulnerability Assessment and Penetration Testing of internet-facing and internal systems.

Observations arising from both exercises were assigned to responsible units with defined remediation timelines, tracked centrally, and verified through retesting by the Information Security function. All observations raised have been closed. Closure status was reported to the Cyber Resilience Committee and to the Risk Management Committee of the Board.

The assurance exercises confirmed the operating effectiveness of the Bank's technical controls, including multi-factor authentication, network segmentation, privileged access management and encrypted remote access. Remediation during the year addressed documentation consistency, the frequency of vulnerability assessment, secure development practice, and structured staff training.

Mitigating Measures and Key Cybersecurity Controls

System and process controls. Role-based access is reviewed on a defined cycle; two-factor or OTP authentication is enforced on applicable systems; annual information systems audit is mandatory; SSL/TLS is enforced on internet-facing applications; transaction limits are configured for mobile banking, internet banking, card and ATM services; user acceptance testing is completed before any migration to production; and all changes follow a formal Request for Change process.

Vendor and third-party governance. A third-party information security risk assessment was completed for 18 vendors during the year. Requests for Proposal are reviewed by all concerned departments before release, third-party applications must submit a security plan and VAPT report before going live, non-disclosure agreements are executed and renewed periodically, and vendor personnel with access to Bank systems are subject to the same monitoring and control requirements as employees.

Employee and customer awareness. Awareness is operated as a continuous program rather than an annual event. Six simulated phishing campaigns were conducted during the year, with results analyzed and followed up through targeted communication to the staff concerned. These were supplemented by periodic advisories on password practice, credential exposure, safe use of official email addresses and self-verification of breach exposure, together with awareness sessions for staff. Customers were educated on secure use of ATM, POS, card and digital banking channels, and on protection of PIN, passwords and personal data.

Monitoring and incident response. Security event logs, including failed access attempts and anomalous activity, are monitored daily through the Security Operations Centre, and external threat trends are tracked for early warning.

Key Risk Indicators monitored. Number of transactional systems lacking maker-checker control; number of data breaches or security incidents; number of critical services unable to meet the two-hour Recovery Time Objective; number of non-compliant endpoints; number of critical services without tested backup restoration; and number of attempted cyber-attacks detected by the Security Operations Center.

Conclusion

The certification of the Bank's Information Security Management System to ISO/IEC 27001:2022, the closure of all observations arising from independent audit and penetration testing, and the continuous operation of the staff awareness program together demonstrate that information security at the Bank is governed, measured and independently verified. The Bank regards information security as a continuing obligation rather than a completed project, and will sustain investment in security technology, independent assurance and staff capability to protect customer trust and operational resilience.

D) 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 2082/83 is provided as under:

PARTICULARS	NUMBER/ AMOUNT		
No. of loan requests rejected due to Exclusion list	-		
No. of transactions subject to ESDD	148		
Total No. and Amount of disbursed transactions by E & S Risk Rating	**E & S RISK RATING**	**NO. OF DISBURSEMENT**	**DISBURSEMENT AMOUNT (IN 'NPR')**
	Low	148	5,929,436,616
	Medium	-	-
	High	-	-

E) 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	ASHAR 2083	COMPLIANT STATUS
% of Top Single Depositor to Total Deposit	10%	3.07%	Within Regulator requirement
% of Retail deposit	50%	1.97%	Within Regulator requirement
% of Institutional Deposit	50%	15.42%	Within Regulator requirement

Interest Rate Risk

PARTICULARS	REGULATORY REQUIREMENT	ASHAR 2083	COMPLIANT STATUS
Maximum Interest Rate in year-end month (Individual FD for 2 years and above)	10% deviation	3.92%	Compliant
Difference in interest rate of savings	2% difference among saving account	Minimum 2.75% Maximum 3.00%	Compliant
Remittance related savings account	Minimum 1% above Compliant saving product having minimum interest rate	4.00%	Compliant
Call Deposit	50% of minimum saving	Up to 1.375%	Compliant
Maximum difference between LCY deposit products	Max 5%	1.25% (including remittance) 0.25% (Excluding remittance)	Compliant

Structured Liquidity Statement as on Ashad 2083

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 Profile of the Bank as of Ashad end 2083 can be shown as follows:

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
	Assets										
1	Cash Balance	481.88	-	-	-	-	-	-	-	-	481.88
2	Balance with Banks & FIs	4,142.29	-	-	-	-	-	-	-	-	4,142.29
5	Government Securities	-	-	-	-	577.00	400.00	2,350.00	3,531.38	3,121.89	9,980.27
8	Loans & Advances	1,315.76	1,236.14	2,632.50	3,179.22	3,834.55	3,192.55	5,185.12	14,797.89	22,249.43	57,623.16
9	Interest Receivable	453.03	104.95	269.25	125.86	9.39	7.02	24.79	65.28	17.61	1,077.17
13	Others	43.37	101.20	216.87	361.44	361.44	361.44	3.67	79.85	472.80	2,002.09
	Total Assets (A)	**6,436.32**	**1,442.30**	**3,118.62**	**3,666.52**	**4,782.38**	**3,961.01**	**7,563.58**	**18,474.40**	**25,861.73**	**75,306.86**
	Liabilities										
14	Current Deposits	42.29	98.67	211.44	352.40	352.40	352.40	131.13	131.13	226.98	1,898.85
15	Saving Deposits	775.64	1,809.83	3,878.20	6,463.67	6,463.67	6,463.67	2,655.08	2,655.08	2,836.77	34,001.62
16	Fixed Deposits	127.23	924.71	2,317.95	4,575.52	5,223.55	3,083.51	4,805.56	2,982.72	958.98	24,999.74
17	Debentures	-	-	-	-	-	-	-	-	997.11	997.11
18	Borrowings:	5,842.62	-	-	-	-	-	-	-	0.80	5,843.42
	(a) Call/Short Notice	5,842.62	-	-	-	-	-	-	-	0.80	5,843.42
19	Other Liabilities and Provisions	18.62	43.49	89.21	155.29	155.20	155.11	0.67	0.91	0.07	618.57
	(a) Sundry Creditors	17.65	41.17	88.23	147.05	147.05	147.05	-	-	-	588.19
	(c) Interest Payable	0.98	2.31	0.98	8.24	8.15	8.07	0.67	0.91	0.07	30.37
	Total Liabilities (B)	**6,806.41**	**2,876.70**	**6,496.80**	**11,546.88**	**12,194.82**	**10,054.70**	**7,592.44**	**5,769.84**	**5,020.72**	**68,359.31**
	Net Financial Assets (A-B)	**(370.09)**	**(1,434.40)**	**(3,378.19)**	**(7,880.36)**	**(7,412.44)**	**(6,093.69)**	**(28.85)**	**12,704.56**	**20,841.02**	**6,947.55**
	Cumulative Net Financial Assets	**(370.09)**	**(1,804.49)**	**(5,182.68)**	**(13,063.04)**	**(20,475.48)**	**(26,569.17)**	**(26,598.03)**	**(13,893.47)**	**6,947.55**	

Foreign Exchange Risk

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

Foreign Currency Approach /Net Open Position Approach

Net open foreign currency position is the difference between the total open long (receivable) and open short (payable) position in a given currency held by the Bank. The Net Open position is the base to identify the market risk exposure of the bank. For this the equivalent open position is converted into the Nepalese currency equivalent to identify the overall market risk exposure as follows:

CORE CAPITAL OF PREVIOUS QUARTER	**5.74 ARBA**	**5,743,694,080.87**	**-**	**5,743,694.08**

S.NO	CURRENCY	ASSETS	LIABILITIES	NET POSITION(NPR)	TOTAL NET POSITION TO CORE CAPITAL
1	INR	89,322	-	89,322	0.001555%
2	USD	10,426,680	-	10,426,680	0.181533%
3	GBP	298,284	-	298,284	0.005193%
4	EUR	3,097,726	-	3,097,726	0.053933%
5	THB	364,219	-	364,219	0.006341%
6	CHF	19,149	-	19,149	0.000333%
7	AUD	3,176,953	-	3,176,953	0.055312%
8	CAD	1,418,066	-	1,418,066	0.024689%
9	SGD	619,030	-	619,030	0.010778%
10	JPY	412,263	-	412,263	0.007178%
11	HKD	117,644	-	117,644	0.002048%
12	DKK	-	-	-	
13	SEK	-	-	-	
14	SAR	850,408	-	850,408	0.014806%
15	QAR	902,846	-	902,846	0.015719%
16	AED	92,092	-	92,092	0.001603%
17	MYR	1,238,718	-	1,238,718	0.021567%
18	KRW	1,449,925	-	1,449,925	0.025244%
19	CNY	311,063		311,063	0.005416%
20	KWD	-		-	
21	BHD	78,076		78,076	0.001359%
	Total	**-**		**24,962,464**	**0.4346%**

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 ("KSBBL" 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:

CAPITAL		CURRENT MONTH END
(A) Tier 1 Capital [Core Capital (CET 1 + AT 1)]		**6,190,952.58**
	(A) Core Capital (Tier 1)	6,190,952.58
a	Paid up Equity Share Capital	3,861,930.81
b	Irredeemable Non-cumulative preference shares	350,000.00
c	Statutory General Reserves	1,170,131.94
d	Retained Earnings	33,230.74
e	Un-audited current year cumulative profit/(loss)	579,452.34
f	Debenture Redemption Reserve	428,571.43
g	Less: Intangible Assets	12,318.29
h	Less: Investment in equity of institutions in excess of limits	210,000.00
	Less: Purchase of land & building in excess of limit and unutilized	10,046.40
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

(B) Supplementary Capital (Tier 2)		**1,318,088.94**
a	Subordinated Term Debt	567,293.89
b	General loan loss provision	600,254.63
c	Exchange Equalization Reserve	2,088.26
d	Accrued Interest Receivable on pass loan included in Regulatory Reserve	49,856.35
e	Regulatory reserve for non-banking assets recorded within the last 24 months.	42,763.54
f	Interest Capitalized Reserve included in Regulatory Reserve	5,832.27
Total Capital Fund (Tier I and Tier II)		**7,509,041.52**

Total Qualifying Capital

PARTICULARS	AMOUNT
Core Capital (Tier 1)	6,190,952.58
Supplementary Capital (Tier 2)	1,318,088.94
Total Capital Fund	**7,509,041.52**

Capital Adequacy of the Bank

Banks capital adequacy stands as follows:

CAPITAL ADEQUACY RATIO (CAR)	AMOUNT
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.68%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	14.16%

Overview of the exposure of the Bank

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

Basic Indicator Approach is used for the purpose of calculating the Operation Risk. The operational risk is equal 9.09 times of the 15% of average of Gross Profit of preceding three years as per Basel III requirement. Adjustment under Pillar II includes the adjustment in the risk weighted assets suggested by the regulator under supervisory review process (SRP). The exposure of the Bank as on Asar End 2083 is as under:

Summary of current Risk Weighted Exposure

1. 1 RISK WEIGHTED EXPOSURES		CURRENT PERIOD
a	Risk Weighted Exposure for Credit Risk	48,020,370.18
b	Risk Weighted Exposure for Operational Risk	3,466,598.69
c	Risk Weighted Exposure for Market Risk	11,345.44
Total Risk Weighted Exposures (Before adjustments of Pillar II)		**51,498,314.31**
Adjustments under Pillar II		
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)	495,732.42
SRP 6.4a (9)	Adjustment as per SRP 6.4a (9)	1,029,966.29
SRP 6.4a (10)	Adjustment as per SRP 6.4a (10)	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		**53,024,013.02**

Total Risk Weight Exposure Table

A. BALANCE SHEET EXPOSURES	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE D=A-B-C	RISK WEIGHT	RISK WEIGHTED EXPOSURES
	A	B	C	D=A-B-C	E	F=D*E
Cash Balance	502,108.91	-	-	502,109	0%	-
Balance With Nepal Rastra Bank	2,644,109.55	-	-	2,644,110	0%	-
Investment in Nepalese Government Securities	12,630,273.00	-	-	12,630,273	0%	-
Claims on domestic banks that meet capital adequacy requirements	1,958,933.50	-	-	1,958,933.50	20%	391,786.70
Claims on domestic banks that do not meet capital adequacy requirements	630,654.98	-	-	630,654.98	100%	630,654.98
Claims on Domestic Corporates (Unrated)	6,819,188.90	-	-	6,819,188.90	100%	6,819,188.90
Regulatory Retail Portfolio (Not Overdue)	32,410,450.82	-	1,757,993.22	30,644,023.02	75%	22,983,017.27
Claims secured by residential properties	7,806,436.11	-	-	7,806,436.11	60%	4,683,861.67
Claims secured by residential properties (Overdue)	106,209.13	55,236.23	-	50,972.90	100%	50,972.90
Past due claims (except for claims secured by residential properties)	2,844,759.31	1,789,554.04	-	1,055,205.27	150%	1,582,807.90
High Risk claims	2,894,101.31	-	66,819.58	2,827,281.73	150%	4,240,922.59
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	985,437.45	-	-	985,437.45	125%	1,231,796.81
Lending against Shares	1,874,286.91	-	-	1,874,286.91	100%	1,874,286.91
Personal Hirepurchase/Personal AutoLoans	291,945.52	-	-	291,945.52	100%	291,945.52
Investments in equity and other capital instruments of institutions listed in stock exchange	845,043.71	-	-	845,043.71	100%	845,043.71
Investments in equity and other capital instruments of institutions not listed in the stock exchange	66,004.60	-	-	66,004.60	150%	99,006.90
Staff loan secured by residential property	330,142.97	-	-	330,142.97	50%	165,071.48
Interest Receivable/claim on government securities	146,492.43	-	-	146,492.43	0%	-
Other Assets (as per attachment)	2,010,724.59	278,137.84	-	1,732,586.75	100%	1,732,586.75
TOTAL (A)	**77,788,869.11**	**2,122,928.11**	**1,824,812.80**	**73,841,128.19**		**47,622,950.98**
B. Off Balance Sheet Exposures						
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	310,343.45		-	310,343.45	40%	124,137.38
Irrevocable Credit commitments (short term)	1,366,409.12		-	1,366,409.12	20%	273,281.82
TOTAL (B)	**1,676,752.57**	**-**	**-**	**1,676,752.57**		**397,419.20**
Total RWE for credit Risk Before Adjustment (A)+(B)	**79,465,621.68**	**2,122,928.11**	**1,824,812.80**	**75,517,880.76**		**48,020,370.18**
Adjustments under Pillar II						
Total RWE for Credit Risk after Bank's adjustments under Pillar II	**79,465,621.68**	**2,122,928.11**	**1,824,812.80**	**75,517,880.76**		**48,020,370.18**



Unified Customer Focus

Delivering consistent, trust-based, and customer-centric banking experience.



STAKEHOLDERS INFORMATION

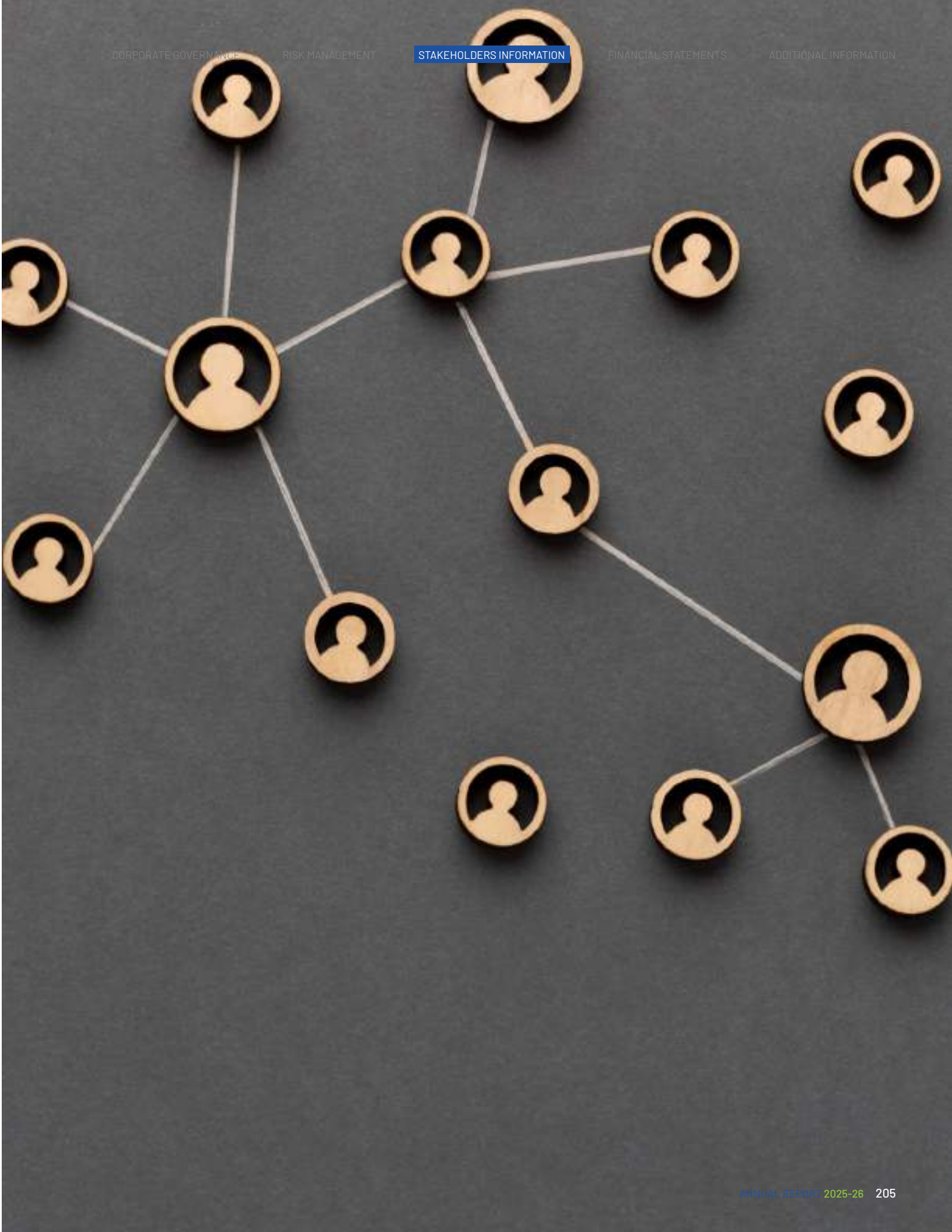
ENGAGEMENT WITH STAKEHOLDERS

While financial services is our commodity, people are our business. As such, KSBBL takes a stakeholder-inclusive approach to creating and sustaining value. This means that stakeholder engagement is integrated into every step of our value-creation process.

Understanding stakeholder expectations and aligning business objectives are critical to the bank's growth. We recognize that our success relies on the value generation for all the stakeholders involved in our mission- employees, customers, suppliers, and the wider community. We aim to build long-term relationships, fulfill expectations and create sustainable growth prioritizing the needs and interests of all our stakeholders.

To maximize stakeholder value, we focus on creating a culture of transparency, accountability, and collaboration. This means engaging with stakeholders, investing in employee development, promoting diversity and inclusion, and adopting sustainable business practices. Our commitment to our stakeholders extends beyond the external pressures we face, remaining steadfast as we navigate unexpected challenges. Ultimately, we remain committed to driving digital and financial inclusion by deploying solutions that reduces the digital divide and uplift those living in the most vulnerable communities.





STAKEHOLDERS	STAKEHOLDER'S EXPECTATION ADDRESSED
Shareholders: Our shareholders provide the financial capital we need for long-term growth and they expect good returns based on sustainable and ethical business practices. We aim to provide sustained growth in capital and dividends to meet the needs of our shareholders.	• Consistent dividend payouts • Sustainable revenue and profit growth • Strong asset quality • Prudent risk management • Effective corporate governance and internal compliance • Positive brand reputation
Customers: Our customers are our primary source of revenue and fund. Retaining their satisfaction and brand loyalty are critical to our ability to create and preserve value in the long term. Through our efficient practices and innovative use of data and technology we aim improve their business continuity.	• Diverse and accessible financial products and services • Competitive rates and transparency • Quality customer service • Data security and privacy • Digital solutions and innovation"
Regulators and Government: Our business management own all risks assumed throughout the company and are responsible for continuous and active management. We aim to ensure sound business operations, regulatory compliance, and a transparent legal environment.	• Full regulatory compliance • Transparent reporting and governance • Contribution to national economic goals • Tax compliance • Achieve global best practices
Business Partners and Service Providers: We engage with and support our business partners and service providers for oppurtunistic and smooth business operation. They provide cost-effective, quality products and lucrative business services to support our value proposition to customers, employees and other stakeholders.	• Timely transaction and fair contracts • Transparent procurement practices • Long-term business relationships • Joint opportunities for business expansion • Collaborative innovation and problem-solving
Employees: Our employees drive our strategy with their ideas, skills, experience and productivity. In a competitive resource environment, we value on retaining employees, ensuring ongoing professional development, and reskilling to sustain our human capital, which, in turn, is critical to our operational efficiency and social and relationship capital.	• Fair compensation and benefits • Career growth and skill development • Safe, inclusive, and engaging work environment
Community: Our Bank emphasizes on "The more positively engaged people are with the Bank, the greater the mutual benefits." Through CSR activities we aim to work closely with various communities to improve their lives and livelihood opportunities	• CSR and community support • Financial literacy and empowerment • Financial Inclusion to marginalized population • Implementing programs for education, healthcare, skill development and poverty alleviation for the marginalized and underprivileged communities
Environment: The environment both affects, and is affected by, business decisions in a substantial way. We believe it to be our moral obligation to contribute to the environment and planet as a whole through operations and services	• Responsible environmental practices • Green financing and Sustainable products • Climate risk awareness • Reduced Carbon Footprint • Promotion of Green practices in society

HOW WE ENGAGE WITH STAKEHOLDERS	VALUE GENERATED FOR STAKEHOLDER	SUSTAINABLE VALUE GENERATED FOR KSBBL
• Regular board meetings and annual general meetings (AGMs) • Timely disclosures of statutory reporting and disclosures • Media Briefings • Annual Reports	EPS- 23.16 Proposed Dividend- 15% Return on Equity- 13.01%	• Diverse base of equity and debt holders to support growth plans • Positive investor confidence • Enhanced brand loyalty and reputation
• Regular customer feedback and surveys • Dedicated service channels and contact centers • Digital Platform • 122 branches and 1 extension counter • Financial literacy programs • Media, SMS and Email • Door Step Banking	• Tailored solutions to meet needs • Convenience • Quality and innovative products	• Customer loyalty and retention • Increased market share and business growth • Enhanced brand loyalty and reputation
• Regular reporting and disclosures • Participation in regulatory forums • Regulatory Filings • Audits	• Compliance Assurance • Contribution to national economic goal • Compliance with legal and regulatory requirements • Timely reporting	• Operational continuity and stability through guidance • Effective risk reduction through regulatory relationship • Enhanced public trust
• Clear contract terms and service level agreements • Regular partnership meetings and strategy sessions • Shared resources for business development • Updated policy books and SLAs	• Business stability and growth • Reputation boost through association • Enhanced business opportunities and market reach	• Reliable and efficient service delivery • Collaborative innovation and product development • Strengthened competitive advantage through partnerships • Access to new markets and networks
• Performance reviews and feedback mechanisms • Training and development programs • Appraisal Process • Engagement Activities	• Career Growth • Engagement and Motivation • Salary and other benefit	• High employee productivity • Strong organizational culture • Innovation and service excellence • Developed human capital to ensure sustainable business development
• Volunteering and CSR Initiatives • Local partnerships and sponsorships • Awareness campaigns • Financial Inclusion and Financial Literacy Programs • Interactive Marketing and Seminars	• Contribution in CSR Rs. 7 million • Financial inclusion • Support for local cause	• Positive investor confidence • Enhanced brand loyalty and reputation
• Investment in Green and Sustainable Financing Projects • Environmental awareness initiatives"	• Increase of Green Financing • Environmental protection through CSR activities • Reduction of paper usage	• Access to Green finance refinance schemes and Climate funds • Enhanced investor appeal • Future-proofing against Climate risks

DISCLOSURES RELATING TO SHAREHOLDERS

Equity Shareholder Structure

CATEGORY	OWNERSHIP BY	NUMBER OF SHARES	TOTAL AMOUNT	% OF SHAREHOLDING
Public	Individuals	15,855,479	1,585,547,935	41.06%
Public	Other Financial Corporations	2,468,730	246,873,024	6.39%
Public	Other Institutions	599,252	59,925,141	1.55%
Total Public		**18,923,461**	**1,892,346,099**	**49.00%**
Promoter	Individuals	17,989,292	1,798,929,207	46.58%
Promoter	Other Financial Corporations	543,793	54,379,283	1.41%
Promoter	Other Institutions	1,162,762	116,276,225	3.01%
Total Promoter		**19,695,847**	**1,969,584,716**	**51.00%**
Grand Total		**38,619,308**	**3,861,930,815**	**100.00%**

Representation in Board of Directors

Representation of the promotor group

- Mr. Sudeep Acharya
- Mr. Bhim Prasad Tulachan
- Mr. Chaturakhar Adhikari

Representation of the public shareholder group

- Mr. Bishweshwar Subedi
- Mr. Balaram Baral
- Mr. Pawan Kumar Sharma

Independent Director

- Ms. Srijana Dangal

Market Value Per Share

FISCAL YEAR	MARKET VALUE PER SHARE (RS.)	MARKET CAPITALIZATION (RS. IN BN)
2078-79	349.90	11.00
2079-80	327.00	10.73
2080-81	416.00	13.65
2081-82	500.69	17.58
2082-83	474.00	18.31

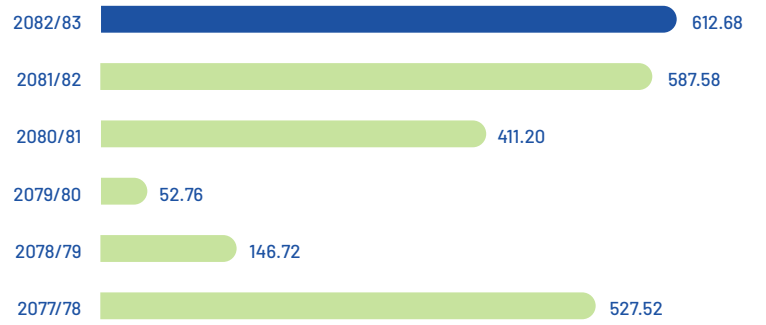
Share Trading Information

FISCAL YEAR	MAXIMUM PRICE	MINIMUM PRICE	CLOSING PRICE	NUMBER OF SHARE TRADED DURING THE YEAR	TOTAL TRANSACTION
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
2082-83	578	413	474	14,001,517	7,074,291,452

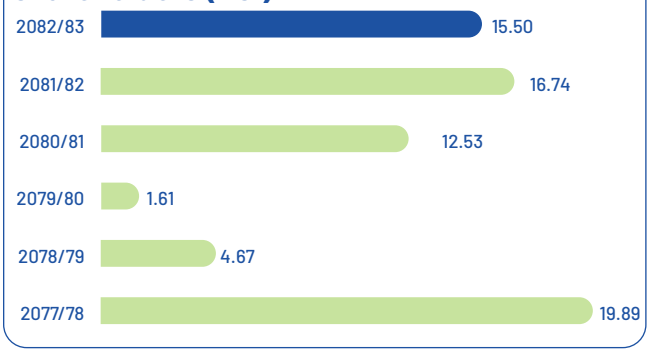
TREND OF DISTRIBUTABLE PROFIT

Distributable Profit

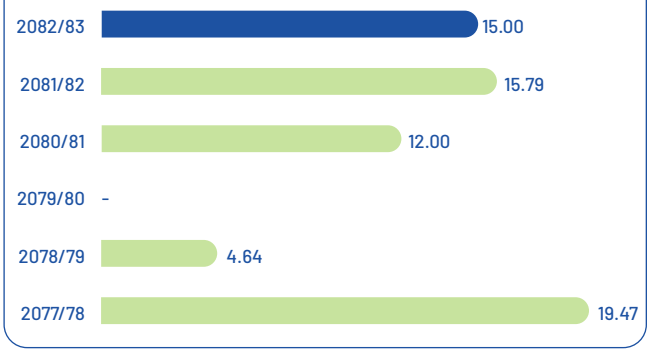
(RS. IN MN)



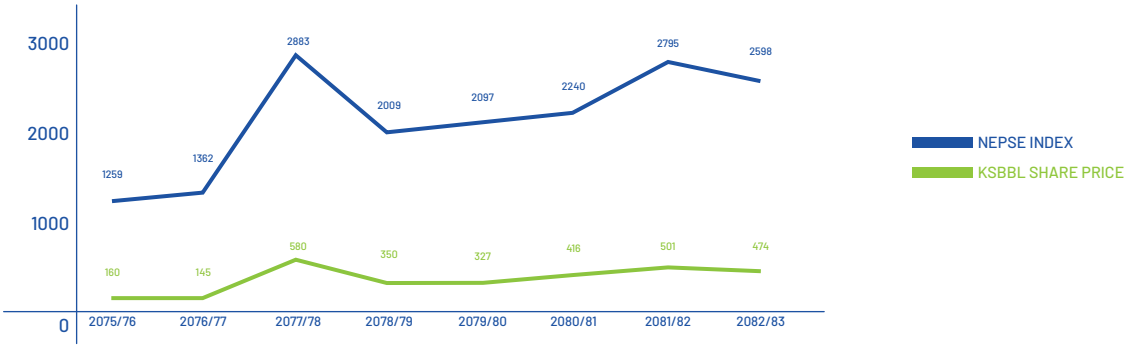
Distributable Profit per share for equity shareholders (Rs.)



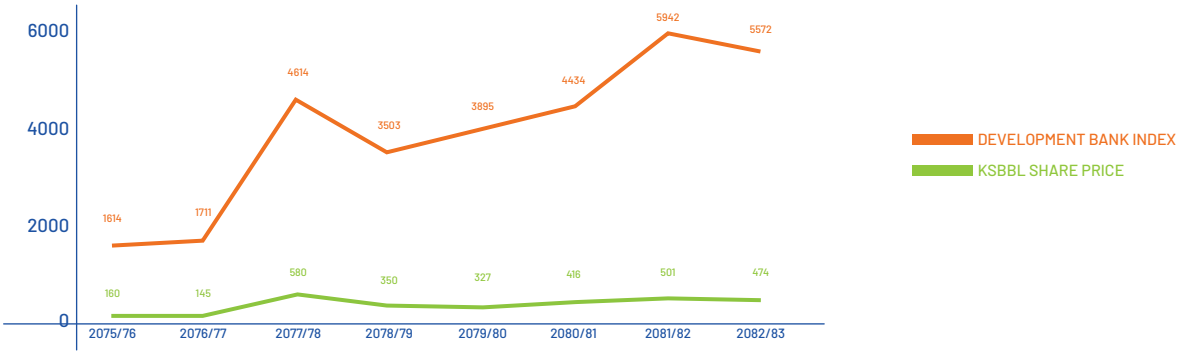
Dividend Payout Ratio (%)



KSBBL VS NEPSE



KSBBL VS DEVELOPMENT BANK INDEX

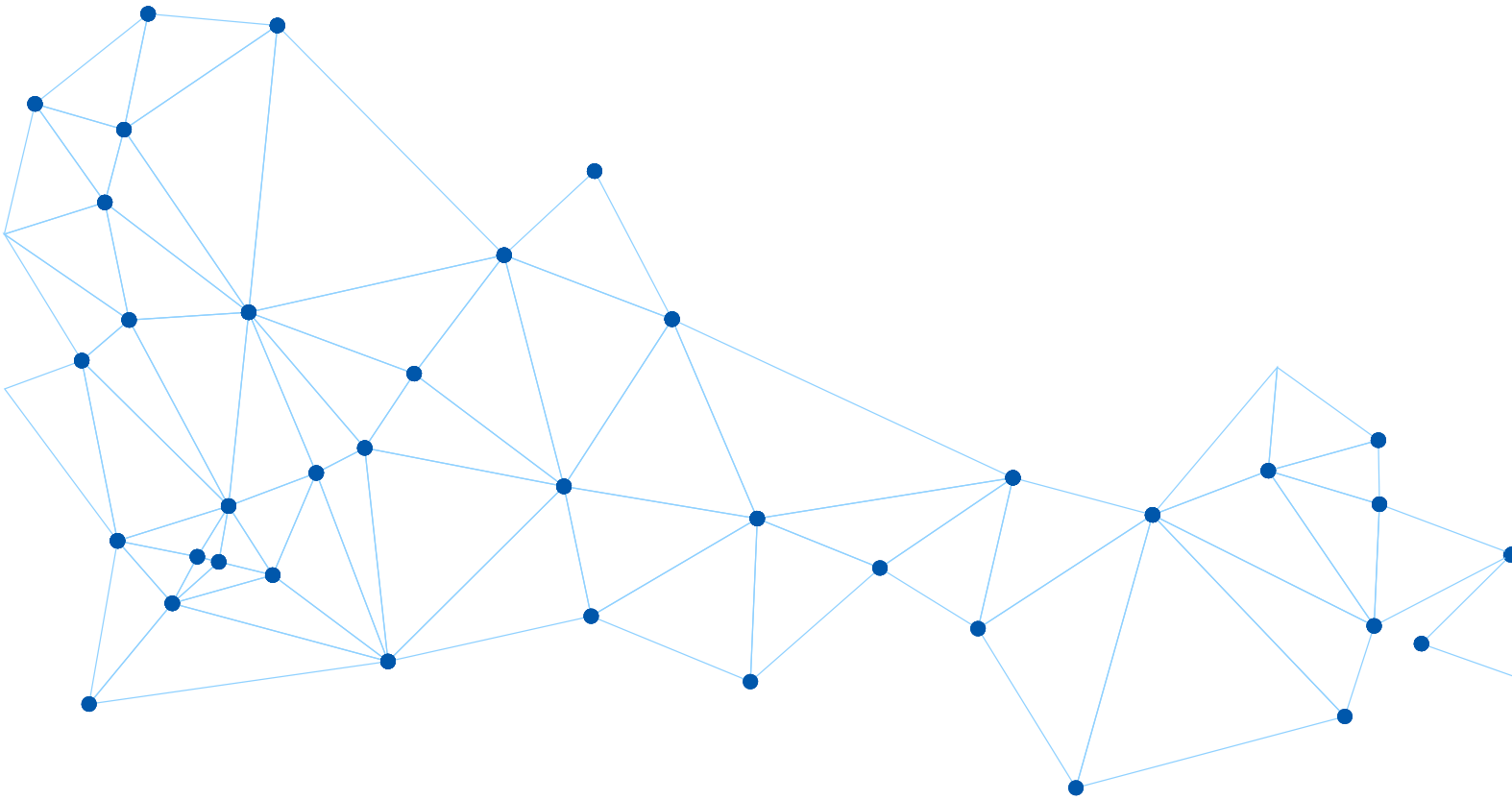


PREFERENCE SHARE CAPITAL

The bank has issued 'KSBBL 9% Perpetual Non-Cumulative Preference Share' amounting to Rs. 350 Million (35,00,000 Kitta @ NPR 100 Each) during the fiscal year. The Capital instrument has been reflected under Share Capital in the Bank's Statement of Financial Position. With the issuance of Preference Share, Bank's Capital Adequacy position is expected to strengthen further.

DETAILS	OWNERSHIP BY
Name of the Instrument	KSBBL 9% Perpetual Non-Cumulative Preference Share
Type of Instrument	Perpetual Non-Cumulative Preference Share
Number of Right Share to be issued	35,00,000 units
Par value per share and Issue Price	Rs. 100
Time period	Perpetual
Dividend Rate/Dividend Payment Process	a. 9% annual Cash Dividend (inclusive of tax) (payable only if the distributable profit is available in the respective fiscal year) b. Distributable Profit as mentioned in point (a.) shall be the fund available after allocating funds for all regulatory provisions as well as funds set aside for financial instruments counted as additional/ supplementary capital c. Dividend for Perpetual Non-Cumulative Preference Share shall not be distributed from the retained earnings or any other reserve funds of the Bank. d. If Distributable Profit as mentioned in point (a.) is less than the dividend amount required for Perpetual Non-Cumulative Preference Share, the dividend shall be distributed on proportionate basis from the available Distributable Profit. e. Time of Book Closure: Before the Annual General Meeting, the Shareholder register for Preference shareholders shall be closed as same as for ordinary shareholders (preference shareholders who are updated in preference shareholder's register till the book close date will be eligible for cash dividend). f. Payment Period: • Annually, after the approval from Annual General Meeting. • In the first year of the issuance of preference shares, cash dividend will be distributed on a proportionate basis for the remaining period of the fiscal year, starting from the date of share allocation. g. If the condition occurs where the bank needs to exercise a Call Option (the bank's ability to return the investor's investment), it can be done with prior approval from Nepal Rastra Bank. In the case where the bank exercises the call option, the redemption for the preference shares including the proportionate dividend amount shall be paid up to the date of holding the shares during the fiscal year
Interim Dividend	Not applicable
Provisions regarding Put/Call Option	Since the Preference shares issued are of Perpetual nature, a Put option (where the investor can request the return of their investment) is not available. However, if a situation arises where the bank needs to exercise a Call Option (the bank's ability to return the investor's investment), it can be done with prior approval in accordance to the direction of Nepal Rastra Bank.

DETAILS	OWNERSHIP BY
Priority in payment in the event of liquidation or dissolution.	In the event of the bank's liquidation or dissolution, the payment of Perpetual Non-Cumulative Preference shares will be claimed before Ordinary shares but after other instruments and debtors counted as supplementary capital.
Convertible/Non-Convertible into Ordinary Shares	Non-Convertible; However, if it reaches the trigger point defined by Nepal Rastra Bank, then it can be converted into ordinary shares for the purpose of absorbing losses.
If the ordinary shares are less than 5.125% of the core capital or total risk-weighted assets (the trigger point), they may be converted into ordinary shares for the purpose of loss absorption.	1. Converted to Promoters Category under Ordinary Shares. 2. The conversion ratio shall be based on the ratio of prevalent market price of ordinary shares and par value of preference shares. (For example: if the market price per unit of promoter share at the time of conversion is Rs. 200 per share, then the conversion ratio shall be 1 unit preference share equals to 0.50 units of promoter share)
Voting Rights	No Voting Rights
Non-Cumulative and Cumulative	Non-Cumulative: Incase in any year the bank's distributable profit is insufficient to pay the cash dividend for preference shares due to which the dividend is paid at a lower rate, the shortfall dividend will not be distributed/ paid due to the availability of distributable profit in previous fiscal year or any other reasons.
Listing	The Perpetual Non-Cumulative Preference Shares will be listed in Nepal Stock Exchange only after receiving approval from the regulatory bodies. Trading of these Perpetual Non-Cumulative Preference Shares will be limited to Institutional Investors only.



CUSTOMER EXPERIENCE AND RESPONSIBLE BANKING

KSBBL seeks to maintain a responsive and customer-focused banking environment by providing customers with access to information, service-support channels and mechanisms for submitting queries and grievances. Customer feedback and service-related concerns also provide the Bank with information that can be used to identify recurring issues and improve service delivery.

Customer Engagement and Accessibility

The Bank engages with customers through branches, telephone, email, digital banking platforms, its corporate website and official social-media channels. These channels enable customers to request information, raise service-related concerns and communicate their banking requirements.

Suggestion boxes are also maintained at branches to collect feedback from customers and employees. The Bank additionally supports customers with different accessibility requirements through priority service, assisted branch banking and selected accessible banking facilities.

Customer Protection and Financial Safety Awareness

The Bank continued to strengthen customer protection by promoting transparent banking practices, safeguarding customer information and raising awareness of emerging financial-fraud risks. These initiatives were designed to help customers use banking services safely and make informed financial decisions.

Customer Protection Framework

The Bank's customer-protection approach focuses on fair and transparent communication, responsible service delivery, data confidentiality, secure banking channels and accessible complaint-resolution mechanisms. Customer feedback and emerging fraud trends are regularly reviewed to strengthen preventive measures and customer awareness.

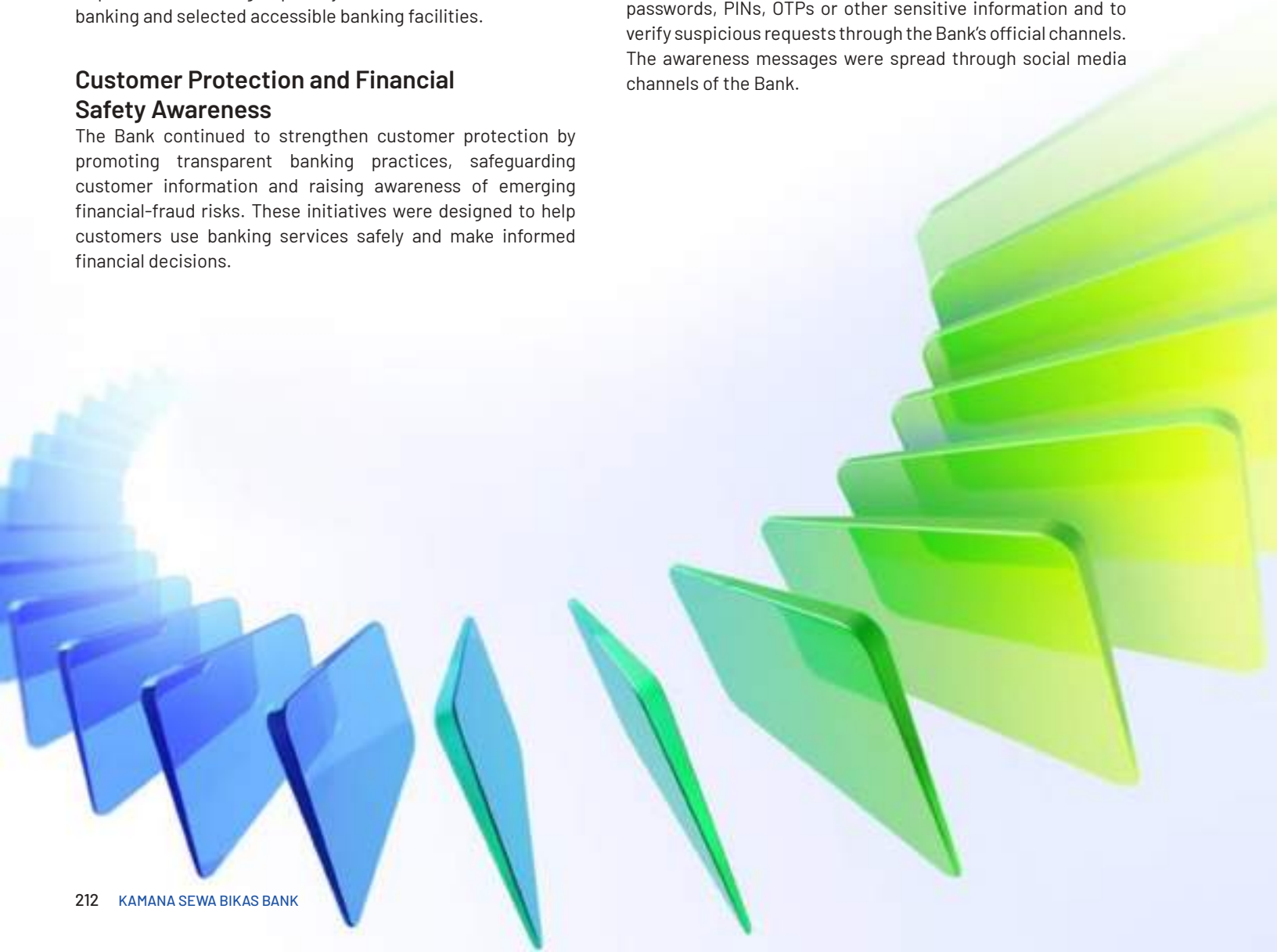
Local-Language Customer OTP Awareness

To make financial-safety information accessible to customers across different linguistic communities, the Bank produced six OTP scam-awareness videos in six local languages: Bhojpuri, Tamang, Maithili, Tharu, Nepal Bhasa (Newari) and Doteli.

The videos highlighted the risks of sharing OTPs through fraudulent calls, messages and links and reminded customers that OTPs must always remain confidential.

KYC and Video Call-Scam Awareness

During FY 2082/83, the Bank communicated safety messages concerning fraudulent KYC-update requests and deceptive video calls. Customers were reminded not to disclose passwords, PINs, OTPs or other sensitive information and to verify suspicious requests through the Bank's official channels. The awareness messages were spread through social media channels of the Bank.



RIGHT TO INFORMATION AND GRIEVANCE HANDLING

KSBBL is committed to promoting openness, transparency and accountability across its operations. The Bank recognises the right of customers and other stakeholders to receive relevant information regarding its activities, products, services and service processes. It therefore seeks to ensure that information requests and grievances are addressed through appropriate and accessible channels.

To support effective information disclosure and grievance management, the Bank has designated a Chief Information Officer and a Grievance Handling Officer. These officers facilitate the disclosure of information, coordinate the handling of grievances and help ensure that matters received from customers and other stakeholders are communicated to the appropriate departments for review and response.

At the branch level, notices displaying the contact details of the Chief Information Officer, Grievance Handling Officer and respective Branch Manager are placed in visible locations. This arrangement enables customers to identify the appropriate official and escalate their concerns when necessary, thereby supporting greater accessibility and accountability in customer service.

The Bank receives information requests, queries, grievances and feedback through multiple channels, including branches, telephone, email, digital banking platforms and official social-media channels. Suggestion boxes are also maintained at branches to collect observations and recommendations from customers and employees. Feedback received through these channels provides the Bank with insight into customer expectations, recurring service difficulties and areas requiring improved communication or operational attention.

Strategy department coordinates with branches and business units to review the nature of queries received and communicate appropriate responses. Customer feedback is also used to identify service gaps, improve internal processes and strengthen the quality and consistency of service delivery across the Bank's network.



Binay Dahal
Chief Information Officer
Email: info@kamanasewabank.com
Contact No.: 01-5970030



Raghunath Tripathee
Grievance Handling Officer
Email: customercare@kamanasewabank.com
Contact No.: 9851366310/ 01-5970030

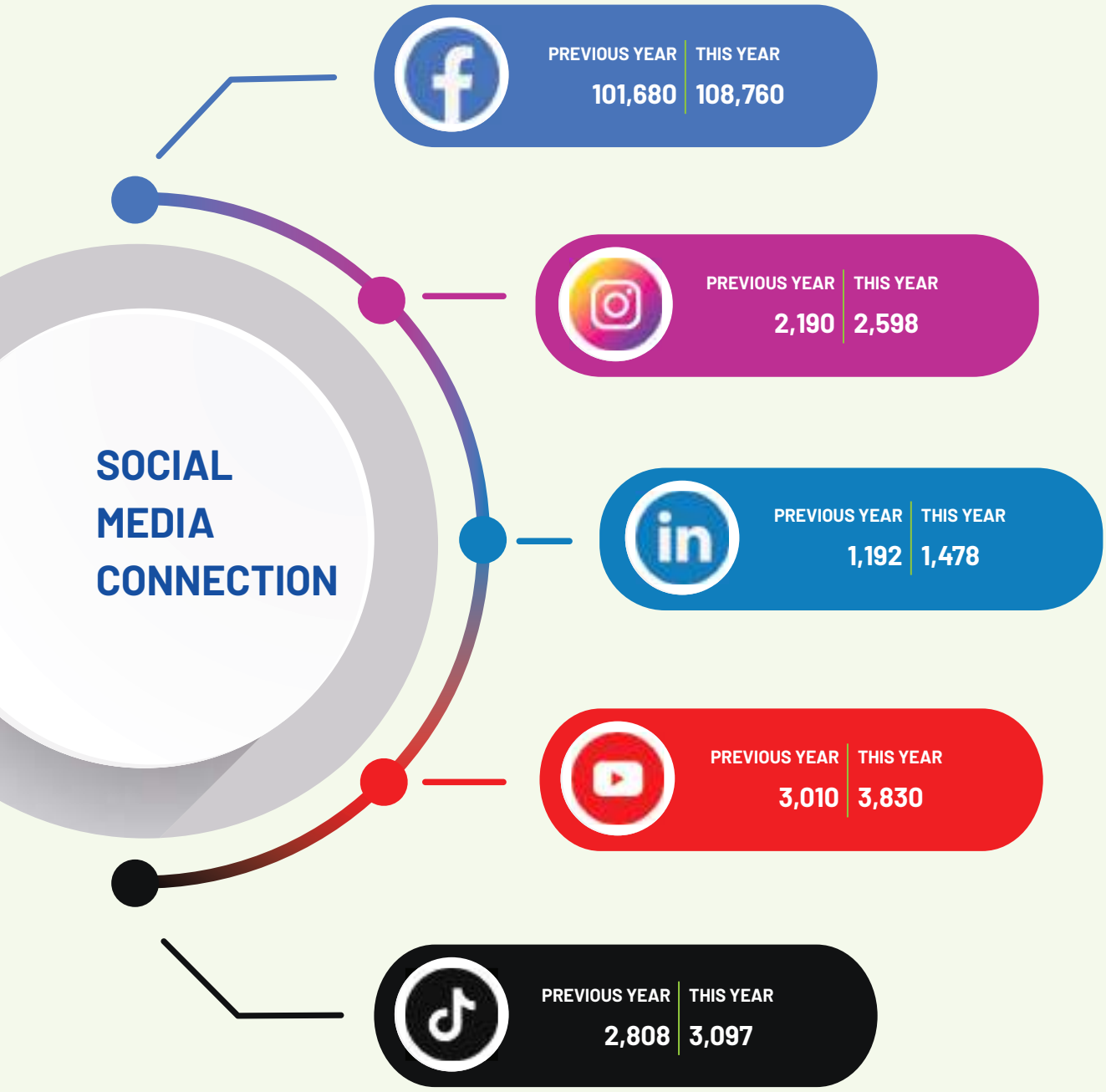


Pranay Tuladhar
Company Secretary
Contact No.: 9851380110

During FY 2082/83, the Bank recorded 3,069 customer queries across nine major service categories. Internet and mobile banking represented the largest category, with 1,947 queries. This was followed by 527 queries relating to account operations and 381 transaction-related issues.

S.N.	PARTICULARS	NO. OF QUERIES
1.	Internet/Mobile Banking Related	1947
2.	Account Operations Related	527
3.	ATM Related	52
4.	Loan Related	68
5.	Cheque Bounce/Blacklisting Related	5
6.	NRB Grievance Related	47
7.	Fraudulent	18
8.	Service Related	24
9.	Transaction Issue	381
	Total	**3069**

KSBBL SOCIAL MEDIA FOLLOWERS

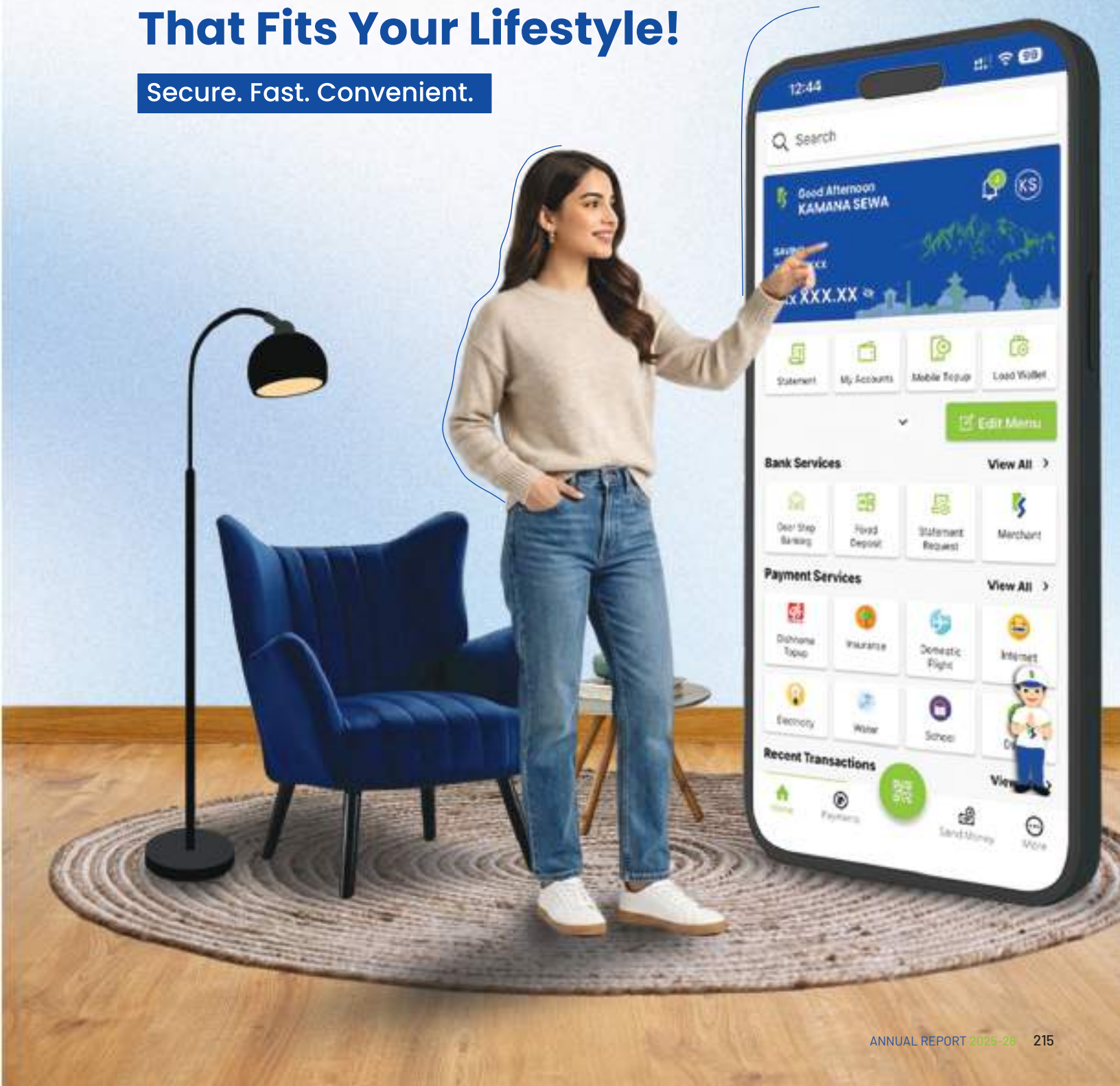


कामना सेवा
विकास बैंक लि.
Kamana Sewa Bikas Bank Ltd.

Mobile Banking

That Fits Your Lifestyle!

Secure. Fast. Convenient.



NOTICE FOR 20TH ANNUAL GENERAL MEETING KAMANA SEWA BIKAS BANK LIMITED

First Published Date: Bhadra 09, 2083 (August 25, 2026)
Published in: Arthik Abhiyan National Daily

Dear Shareholders,

As per the decision made by the 421st Board of Directors meeting of the Kamana Sewa Bikas Bank Limited held on Bhadra 08, 2083; the 20th Annual General Meeting of the Bank is hereby scheduled to be held at the following date, venue and time to discuss and decide upon the following agendas. All esteemed shareholders are cordially requested to attend the meeting.

Date, Venue and Time of the Meeting

Date: Wednesday, Bhadra 31, 2083 (September 16, 2026)
Venue: Amrapali Banquet, Bhatbhateni, Baluwatar Road, Kathmandu
Time: 11:00 A.M.

Agenda of the Meeting:

A. General Proposals

1. To discuss and approve the Annual Report of the Board of Directors for Fiscal Year 2082/83.
2. To discuss and approve the Annual Financial Statements for Fiscal Year 2082/83, including the Balance Sheet, Statement of Cash Flows, Profit and Loss Account, Statement of Changes in Equity, together with the related schedules and the Auditor's Report as of Ashad end, 2083.
3. To discuss and approve the proposal of the Board of Directors regarding the distribution of dividend from the distributable profit of Fiscal Year 2082/83, as follows: From the Bank's existing total paid-up capital of NPR 4,21,19,30,814.94, preference shareholders with share capital of NPR 35,00,00,000 shall receive cash dividend at the rate of 9%, amounting NPR 1,40,67,123.29 (In words: One Crore Forty Lakh Sixty-Seven Thousand One Hundred Twenty-Three Rupees and Twenty-Nine Paisa only) on prorate basis from the date of share allotment and ordinary shareholders with paid up capital of NPR 3,86,19,30,814.94 shall receive cash dividend at the rate of 15% amounting NPR 57,92,89,622.24 (In words: Fifty-Seven Crore Ninety-Two Lakh Eighty-Nine Thousand Six Hundred Twenty-Two Rupees and Twenty-Four Paisa only) inclusive of all taxes.
4. In accordance with Section 63 of the Bank and Financial Institution Act, 2073 and Section 111 of the Companies Act, 2063, to appoint the auditor for Fiscal Year 2083/84 and determine the auditor's remuneration.

B. Special Proposals

1. To approve the proposal regarding necessary amendments to the Memorandum of Association and Articles of Association of the Bank.
2. To approve the proposal to authorize the Board of Directors to make necessary additions, modifications, amendments, corrections, language-related changes and other improvements to the proposed amendments to the Memorandum of Association and Articles of Association, if any regulatory authority issues any direction regarding the proposed amendments, including any matters or conditions.

C. Miscellaneous

1. The shareholder register of Kamana Sewa Bikas Bank Limited shall remain closed for one day on Bhadra 18, 2083 for the purpose of this Annual General Meeting. Only those shareholders whose shares were traded on the Nepal Stock Exchange Limited up to Bhadra 17, 2083, and whose names are registered in the records received from the Bank's Share Registrar, Prabhu Capital Limited, Kamaladi, Kathmandu, and whose shares are maintained in their respective beneficiary accounts, shall be entitled to participate and vote at the Annual General Meeting. Shareholders whose shares are held in the Pool Account of a Securities Businessperson (Member Broker) and whose names are therefore not registered as shareholders are requested to arrange for the inclusion/registration of their shares in their respective beneficiary accounts within the stated period.

2. The Annual Report shall be sent to the shareholders at the address recorded in the Bank's shareholder register. Shareholders who do not receive the Annual Report may obtain it through the Bank's official website.
3. In the case of minor shareholders or shareholders who do not reside at their registered address, their guardian may attend the meeting, participate in discussions or appoint a representative on their behalf. Only the person whose name is recorded as guardian in the shareholder register shall be recognized as the guardian. In the case of jointly purchased shares, only the person whose name appears first in the shareholder register, or a person appointed by the unanimous consent of the joint shareholders, shall be entitled to participate in the meeting, discuss, appoint a representative and vote.
4. Shareholders wishing to appoint a representative (Proxy) to participate in the Annual General Meeting must complete the Proxy Form in the prescribed format under the prevailing Companies Act and register it at the Central Office of Kamana Sewa Bikas Bank Limited, Kathmandu-30, Gyaneshwor, at least 48 hours before commencement of the meeting. A shareholder may not appoint a person other than a shareholder of Kamana Sewa Bikas Bank Limited as a proxy, nor may a shareholder divide his/her shares and appoint more than one person as proxy or appoint proxies by separating the shares in any manner. Any such proxy shall be invalid. However, a shareholder who has appointed a proxy may clearly state in writing that the previously submitted proxy has been cancelled and appoint another shareholder as proxy. In such case, the newly appointed proxy shall be entitled to participate in the meeting and vote, and the earlier proxy shall be deemed automatically cancelled.
5. If a shareholder who has appointed a proxy is personally present at the Annual General Meeting and signs the attendance register within the prescribed time, the previously submitted Proxy Form shall automatically be deemed cancelled.
6. An institutional shareholder or company that has purchased shares of Kamana Sewa Bikas Bank Limited may appoint another shareholder of the Bank as its representative (Proxy). If such representative is not appointed, the person nominated by such institution or company shall be entitled to participate in the meeting in the capacity of the shareholder.
7. Every shareholder wishing to participate in the Annual General Meeting must be physically present at the meeting venue and sign the attendance register. The attendance register shall remain open from 10:30 A.M. on the same day. Shareholders wishing to participate are requested to bring their official identity document along with their shareholder number, or, for dematerialized shares, their BOID (Beneficiary Owner Identification Number).
8. Under the Miscellaneous agenda, if any shareholder wishes to discuss, comment, provide an opinion or make a suggestion on any matter other than the proposals specified in this notice concerning Kamana Sewa Bikas Bank Limited, such matter must be submitted in writing to the Central Office of Kamana Sewa Bikas Bank Limited at least seven (7) days before the Annual General Meeting, during office hours. No discussion or decision shall be made at the meeting on matters that have not been notified to the Bank in advance.
9. Shareholders residing in Nepal or abroad who are unable to attend the Annual General Meeting may download the Proxy Form available on the Bank's official website, duly sign it and send the completed Proxy Form to the Bank's official email address: agm@kamanasewabank.com.
10. For further information regarding the Annual General Meeting and the Annual Report, shareholders may contact the Central Office of Kamana Sewa Bikas Bank Limited at Toll-Free No. 16600113000 or Phone No. 01-5970030. If the Annual Report is not received, shareholders may visit the Bank's official website or contact the Central Office of Kamana Sewa Bikas Bank Limited, Kathmandu-30, Gyaneshwor, during office hours.

By Order of the Board of Directors

Company Secretary



MOMENTUM

Momentum for Sustainable Growth

Creating a Future Ready Bank through long term value creation.



FINANCIAL STATEMENTS

REPORTING FRAMEWORK

The audited financial statements of the Bank have been prepared in line with the prevailing regulations and guidelines issued by Nepal Rastra Bank (NRB), the banking regulator, and comply with the applicable financial reporting standards prescribed by the Institute of Chartered Accountants of Nepal (ICAN) and the Accounting Standards Board Nepal. The reporting framework used to prepare the financial statements is set out below.

01

NRB Unified Directives

Unified Directives issued by Nepal Rastra Bank for "A", "B" and "C" class licensed institutions, together with the Capital Adequacy Framework applicable to national- level development banks.

02

Nepal Rastra Bank Act, 2002

The governing statute of the banking regulator, setting out supervisory authority, monetary policy powers and the reporting obligations of licensed institutions.

03

Nepal Financial Reporting Standards

NFRS and NAS pronounced by the Accounting Standards Board Nepal, as the primary basis of recognition, measurement, presentation and disclosure.

04

Companies Act, 2006

Requirements on the form and content of financial statements, directors' reporting, audit, and presentation to the Annual General Meeting.

05

Bank and Financial Institution Act, 2017

The principal licensing law (BAFIA) prescribing capital, governance, related-party and disclosure requirements for banks and financial institutions.

06

Income Tax Act, 2002

Basis for the determination of current tax, deferred tax and the related disclosures presented within the financial statements.

Process of Preparation of Financial Statements

The financial statements pass through six successive layers of independent review and approval before they are published, ensuring accuracy, regulatory compliance and accountability to shareholders. Responsibility moves progressively outward — from preparation within the Bank, to independent assurance, and finally to regulatory, Board and shareholder approval.

01 **Preparation under national standards** — PREPARATION

Financial statements are compiled in compliance with NFRS / NAS and the NRB Unified Directives.

02 **Internal Audit review** — ASSURANCE

Compliance check by the Internal Audit Department of the Bank, reporting to the Audit Committee.

03 **Statutory (external) audit** — ASSURANCE

Compliance check by the statutory auditor, NBSM & Associates, Chartered Accountants, in accordance with Nepal Standards on Auditing (NSAs) and other technical standards and guidelines issued by ICAN.

04 **Regulatory review** — APPROVAL

Compliance check and approval by Nepal Rastra Bank prior to publication.

05 **Board approval** APPROVAL
Adoption of the audited financial statements by the Board of Directors.

06 **Shareholder approval** APPROVAL
Presentation to, and approval by, the Annual General Meeting.

Reports Pertaining to Corporate Governance

The Bank makes the following governance disclosures as part of its annual reporting obligations. Each disclosure is presented in full in the relevant part of this Annual Report.

Board Committees
Functions and agendas of Board-level committees.

Companies Act, 2006
Disclosure of information under Section 109(4).

Securities regulation
Securities Registration and Issuance Regulation, 2016.

Governance directive
Directive Related to Corporate Governance for Listed Companies, 2017.

Risk management
The Risk Management Framework of the Bank.

Disclosure of Other Financial and Non-Financial Aspects

The Bank publishes its results on a fixed quarterly rhythm and communicates with shareholders through the Annual General Meeting. The reporting cycle for a single fiscal year is set out below.



PUBLICATION MILESTONES

1. **First Quarter Report**
   Published in Kartik
2. **Second Quarter Report**
   Published in Magh
3. **Third Quarter Report**
   Published in Baisakh
4. **Fourth Quarter Report**
   Published in Shrawan
5. **Annual General Meeting**
   Held in Bhadra

Financial Calendar

Key reporting and shareholder communication dates over the last three fiscal years:

EVENT	FY 2025/26	FY 2024/25	FY 2023/24
Notice of Annual General Meeting	25-08-2026	17-09-2025	24-09-2024
Annual General Meeting	16-09-2026	10-10-2025	16-10-2024
Quarterly report — first quarter	01-11-2025	23-10-2024	20-10-2023
Quarterly report — second quarter	19-01-2026	20-01-2025	18-01-2024
Quarterly report — third quarter	18-04-2026	20-04-2025	19-04-2024
Quarterly report — fourth quarter	18-07-2026	18-07-2025	24-07-2024

Disclosure of Accounting Policies

Compliance statement of applicable reporting standard

The table below serves as a comprehensive guide to the Nepal Financial Reporting Standards (NFRS) and Nepal Accounting Standards (NAS) applicable to the various accounting policies outlined in these financial statements. It includes cross-references to the additional notes, offering a more detailed breakdown and facilitating a better understanding of the standards in practice.

The note reference in the first column corresponds to the numbering used in the notes to the financial statements the final column points to the additional note in which the underlying balances and movements are disclosed.

Applicable reporting standards

NOTE REF.	ACCOUNTING POLICY TOPIC	NAS/ NFRS	ADDITIONAL NOTE TO FINANCIAL STATEMENTS
3	Significant Accounting Policies		
3.1	Basis of measurement	NFRS 9, NAS 40, NAS 19	—
3.2	Basis of consolidation	NFRS 3, NFRS 10, NAS 28	—
3.3	Cash and cash equivalents	—	4.1
3.4	Financial assets and financial liabilities	NFRS 9	5.3
3.5	Trading assets	NFRS 9	4.5
3.6	Derivative assets and derivative liabilities	NFRS 9	4.4, 4.19
3.7	Property and equipment	NAS 16	4.13
3.8	Goodwill and intangible assets	NAS 38	4.14
3.9	Investment property	NAS 40	4.12
3.10	Income tax	NAS 12	4.41
3.11	Deposits, debt securities issued and subordinated liabilities	—	4.17, 4.20, 4.24, 4.25
3.12	Provisions	NAS 37	4.22
3.13	Contingent liabilities and commitments	NAS 37	—
3.14	Revenue recognition	NFRS 9 / NFRS 15	4.29, 4.31, 4.33, 4.34, 4.39
3.15	Interest expense	—	4.30
3.16	Employee benefits	NAS 19	4.23.1 to 4.23.7
3.17	Other expenses		3.17
3.18	Finance and operating leases	NFRS 16	4.28.4

NOTE REF.	ACCOUNTING POLICY TOPIC	NAS/ NFRS	NAS/ NFRS
3.19	Foreign currency transactions, translation and balances	NAS 21	–
3.20	Financial guarantees and loan commitments	–	4.28.1, 4.28.2
3.21	Share capital and reserves	–	4.26, 4.27
3.22	Earnings per share	NAS 33	–
3.23	Segment reporting	NFRS 8	5.4
3.24	Dividend on ordinary shares	NAS 10, NAS 1	–
3.25	Statement of cash flows	NAS 7	–



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INDEPENDENT AUDITOR'S REPORT
To The Shareholders of M/s 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 Ashadh 32, 2083 (*July 16, 2026*), and the Statement of Profit or Loss, Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view, in all material respects, the Financial Position of the Bank as at Ashadh 32, 2083 (*July 16, 2026*), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

Basis for Opinion

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

Key Audit Matters

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

S. No.	Key Audit Matters	Auditor's Response
a)	**Interest Income:** The Bank has implemented NRB's Guidance Note on Interest Income Recognition, 2025. The guidelines require staging of loans (Stage 1, 2, 3) with different recognition methods - accrual basis for Stage 1 & 2 based on coupon interest rate and cash basis (incremental) for Stage 3 assets. The transitional arrangement involves complex quarterly tracking at account level and reconciliation between interest suspense, accrued interest, and actual collections. Given the significant system changes, manual interventions during transition, and risk of misstatement in interest income, we considered this as a key audit matter.	Our audit approach included: a. Obtained understanding of the Bank's implementation framework and tested quarterly interest computation processes at account level. b. Verified staging classification (Stage 1, 2, 3) for sample loans based on ECL guidelines and tested stage migration reports. c. For Stage 3 assets, tested cash basis approach by tracing collections to bank statements, recalculating interest suspense movements, and verifying that suspense doesn't exceed accrued interest.

		d. Performed reconciliation between CBS interest calculations and GL entries and verified quarterly interest income aggregation.
b)	**Investment valuation, identification and impairment:** Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted securities. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive number 8. The investment in the government and NRB bonds and T-bills has been done on Amortized cost and rest have been valued through Fair Value through Other Comprehensive Income. The valuation of the investment requires special attention and further in view of the significance of the amount of the investment in the financial statement the same has been considered as Key Audit Matters in our audit.	Our audit approach regarding investment of the bank is based on the NRB Directive and NFRS issued by the Accounting Standard Board of Nepal. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis. For the investment valued through OCI i.e. for quoted investment, we relied on the Last transaction price in NEPSE as on 16.07.2026. And for the unquoted investment the fair value has been determined based on latest available Net Assets Value (NAV), i.e., Level 3 valuation. Further the income and bonus have been cross verified from Demat statement of the bank wherever applicable.
c)	**Impairment of Loans and Advances:** Requirement under NFRS 9 read with [carve-out on NFRS-9 issued by ICAN dated 2082/05/09 and opted by Bank], bank shall measure impairment loss on loans and advances at the higher of: a) Amount derived as per norms prescribed by NRB for loan loss provisioning or; b) Amount determined as per para 5.5 of NFRS adopting the expected credit loss model As per the norms prescribed by the NRB, provision at the prescribed rate shall be created on the loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security etc. Hence, assessment of availability and accuracy of data for impairment under NRB provisioning norms is regarded as key audit matters. Expected credit losses of loans and advances measured at amortized cost as disclosed in Note 3.4.7 (Notes to the Financial Statements) This was a key audit matter due to • The involvement of significant management judgements, assumptions and level of uncertainty associated with	Our audit approach included: a. Reviewing the overdue status of loans and advances by obtaining data from the system and matching the same with NRB 2.2 report. b. Sample credit files were reviewed for the purpose of assuring the utilization of loan & advances for the intended purpose, account movement and account turnover. c. Assessed the alignment of the Bank's impairment for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. d. Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of impairment for expected credit losses, policies and procedures by the Board and management. e. Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to

	estimating future cash flows to recover such loans and advances; and • The materiality of the reported amount of expected credit losses. Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty. Information of such key estimates, assumptions and judgements are disclosed in Note 3.4.7.	relevant source documents and accounting records of the Bank. f. Evaluated the reasonableness of credit quality assessments and related stage classifications. In addition to the above, the following procedures were performed: g. For loans and advances assessed on an individual basis for impairment: ➢ Tested the arithmetical accuracy of the underlying individual impairment calculations. ➢ Evaluated the reasonableness of key inputs used in the impairment for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals. h. For loans and advances assessed on a collective basis for impairment: ➢ Tested the key inputs and the calculations used in the impairment for expected credit losses. ➢ Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. i. Assessed the adequacy of the related financial statement disclosures set out in Disclosure 5.8 (*Notes to Financial Statements*)
d)	**Information Technology:** IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.	Our audit approach regarding Information Technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it also included: a. Understanding of IT process, mapping of application and control measures adopted by the bank such as users' access and authority across operating systems. b. Verification of the interest income and expense booking regarding loan and

We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators.	deposit on test basis with the CBS of the bank. c. Reliance on the IT audit conducted by the bank. d. Verification of the provisioning of the loan and advances based on ageing on the test check basis

Other Information

Management is responsible for the preparation of 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 Statement 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 statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance whether the Financial Statements as a whole are free from material misstatement, whether caused 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.

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, international 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 the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on company'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 related disclosures in the financial statements or, if such disclosure is inadequate, to modify our audit opinion. Our conclusions are based on the audit evidences obtained up to date of our auditor's report. However, future events or conditions may cause the Bank to cease as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Bank's Activities to express an opinion on Financial Statements.

We communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the statement of financial position as at 16 July 2026 (32 Ashadh 2083), the statement of profit or loss, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies have been prepared in the format prescribed by the Nepal Rastra Bank Unified Directives No. 4 and in accordance with the requirements of the Companies Act, 2063 and Section 59 of the Banks and Financial Institution Act, 2073 and are in agreement with the books of account maintained by the Bank; and proper books of account as required by law including relevant records relating to the preparation of the aforesaid financial statements have been kept so far as it appears from our examination of those books and records of the Bank.

In our opinion, the returns received from the branches were sufficient for the purpose of the audit though these statements were independently not audited.

In our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.

To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Bank, we have not come across cases where the Board of Directors or any employees of the Bank have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.

For NBSM & Associates
Chartered Accountants

CA. Durga Prasad Gnawali, FCA
Senior Partner
Date: 07 August 2026
Place: Naxal, Kathmandu, Nepal
UDIN: 260810CA00461QbBcg

STATEMENT OF FINANCIAL POSITION

As on 32 Ashadh 2083

Amount in Rs.

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
Assets			
Cash and Cash Equivalent	4.1	1,492,916,101	1,786,654,797
Due from Nepal Rastra Bank	4.2	2,644,109,552	2,724,031,338
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and Advances to BFIs	4.6	1,584,461,749	2,537,879,119
Loans and Advances to Customers	4.7	54,203,871,013	50,077,497,277
Investment Securities	4.8	13,751,321,311	12,290,942,521
Current Tax Assets	4.9	-	-
Investment in Subsidiaries	4.10	-	-
Investment in Associates	4.11	-	-
Investment Property	4.12	364,060,168	354,180,029
Property and Equipment	4.13	826,326,286	932,123,307
Goodwill and Intangible Assets	4.14	12,318,291	13,304,569
Deferred Tax Assets	4.15	58,158,540	32,455,525
Other Assets	4.16	719,083,659	705,505,466
Total Assets		**75,656,626,669**	**71,454,573,948**
Liabilities			
Due to Bank and Financial Institutions	4.17	566,106,644	667,439,221
Due to Nepal Rastra Bank	4.18	-	-
Derivative Financial Instruments	4.19	-	-
Deposits from Customers	4.20	66,177,524,639	62,834,301,164
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	5,020,453	11,699,214
Provisions	4.22	28,186,617	26,950,201
Deferred Tax Liabilities	4.15	-	-
Other Liabilities	4.23	902,700,791	979,614,600
Debt Securities Issued	4.24	995,865,317	997,108,939
Subordinated Liabilities	4.25	-	-
Total Liabilities		**68,675,404,461**	**65,517,113,338**
Equity			
Share Capital	4.26	4,211,930,815	3,510,846,195
Share Premium		-	-
Retained Earnings		612,683,080	587,575,801
Reserves	4.27	2,156,608,314	1,839,038,613
Total Equity Attributable to Equity Holders		**6,981,222,208**	**5,937,460,610**
Non Controlling Interest		-	-
Total Equity		**6,981,222,208**	**5,937,460,610**
Total Liabilities and Equity		**75,656,626,669**	**71,454,573,948**
Contingent Liabilities and Commitments	4.28	2,246,431,938	2,310,147,397
Net Assets Value per share		171.71	169.12

SUDEEP ACHARYA
CHAIRMAN

HEM BAHADUR KC
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
PAWAN KUMAR SHARMA
SRIJANA DANGAL
DIRECTORS

As per our report of even date
CA. DURGA PRASAD GNAWALI, FCA
SENIOR PARTNER
N.B.S.M. & ASSOCIATES
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE: 07 AUGUST, 2026
PLACE: KATHMANDU

STATEMENT OF PROFIT OR LOSS

For the year ended 32 Ashadh 2083

Amount in Rs.

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
Interest Income	4.29	5,221,024,645	5,948,664,602
Interest Expense	4.30	2,781,955,475	3,630,170,436
Net Interest Income		**2,439,069,170**	**2,318,494,165**
Fee and Commission Income	4.31	373,743,997	335,726,086
Fee and Commission Expense	4.32	25,303,943	25,496,010
Net Fee and Commission Income		**348,440,054**	**310,230,076**
Net Interest, Fee and Commission Income		**2,787,509,224**	**2,628,724,241**
Net Trading Income	4.33	707,675	755,484
Other Operating Income	4.34	81,659,283	71,825,247
Total Operating Income		**2,869,876,182**	**2,701,304,972**
Impairment Charge/ (Reversal) for Loans and Other Losses	4.35	142,447,482	418,131,595
Net Operating Income		**2,727,428,700**	**2,283,173,377**
Operating Expense			
Personnel Expenses	4.36	893,716,152	797,361,610
Other Operating Expenses	4.37	310,692,662	287,060,947
Depreciation & Amortization	4.38	149,332,245	158,263,160
Operating Profit		**1,373,687,641**	**1,040,487,660**
Non Operating Income	4.39	2,547,142	3,794,945
Non Operating Expense	4.40	56,587,129	51,353,617
Profit Before Income Tax		**1,319,647,655**	**992,928,988**
Income Tax Expense			
Current Tax	4.41	431,795,768	323,962,147
Deferred Tax		(20,743,156)	(784,482)
Profit for the Period		**908,595,043**	**669,751,323**
Preference Dividend		14,067,123	-
Profit for the Period after preference dividend		**894,527,920**	**669,751,323**
Profit Attributable to:			
Equity-holders of the Bank		894,527,920	669,751,323
Non-Controlling Interest		-	-
Profit for the Period		**894,527,920**	**669,751,323**
Earnings per Share			
Basic Earnings per Share		23.16	19.08
Diluted Earnings per Share		23.16	19.08

SUDEEP ACHARYA
CHAIRMAN

HEM BAHADUR KC
HEAD - FINANCE & TREASURY

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DIRECTORS

As per our report of even date
CA. DURGA PRASAD GNAWALI, FCA
SENIOR PARTNER
N.B.S.M. & ASSOCIATES
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE: 07 AUGUST, 2026
PLACE: KATHMANDU

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 32 Ashadh 2083

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Profit for the year	**908,595,043**	**669,751,323**
Other Comprehensive Income, Net of Income Tax	**-**	**-**
a) Items that will not be reclassified to profit or loss	**-**	**-**
Gains/(losses) from investment in equity instruments measured at fair value	(16,532,863)	74,474,869
Gains/(losses) on revaluation	-	-
Actuarial gains/(losses) on defined benefit plans	-	-
Income tax relating to above items	4,959,859	(22,342,461)
Net other comprehensive income that will not be reclassified to profit or loss	**(11,573,004)**	**52,132,409**
b) Items that are or may be reclassified to profit or loss	**-**	**-**
Gains/(losses) on cash flow hedge	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-
Income tax relating to above items	-	-
Reclassify to profit or loss	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	**-**	**-**
c) Share of other comprehensive income of associate accounted as per equity method	**-**	**-**
Other Comprehensive Income for the year, Net of Income Tax	**(11,573,004)**	**52,132,409**
Total Comprehensive Income for the Period	**897,022,039**	**721,883,731**
Total Comprehensive Income attributable to:		
Equity-Holders of the Bank	897,022,039	721,883,731
Non-Controlling Interest	-	-
Total Comprehensive Income for the Period	**897,022,039**	**721,883,731**

SUDEEP ACHARYA
CHAIRMAN

HEM BAHADUR KC
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
PAWAN KUMAR SHARMA
SRIJANA DANGAL
DIRECTORS

As per our report of even date
CA. DURGA PRASAD GNAWALI, FCA
SENIOR PARTNER
N.B.S.M. & ASSOCIATES
CHARTERED ACCOUNTANTS

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE: 07 AUGUST, 2026
PLACE: KATHMANDU

STATEMENT OF CHANGES IN EQUITY

For the year ended 32 Ashadh 2083

PARTICULARS	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALIZATION RESERVE
Balance at Shrawan 1, 2081	**3,281,164,669**	**-**	**845,877,892**	**1,110,974**
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance as on Shrawan 1,2081	**3,281,164,669**	**-**	**845,877,892**	**1,110,974**
Comprehensive Income for the year	-	-	-	-
Profit for the year	-	-	-	-
Other Comprehensive Income, Net of Tax	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)	-	-	-	-
(arising from translating financial assets of foreign operation)				
Total Comprehensive Income for the year	**-**	**-**	-	-
Transfer to Reserves during the year	-	-	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	-	-	-	-
Total Contributions by and Distributions	229,681,527	-	136,082,985	275,527
Balance at Ashadh 31, 2082	**3,510,846,195**	**-**	**981,960,877**	**1,386,501**
Balance at Shrawan 1, 2082	**3,510,846,195**	**-**	**981,960,877**	**1,386,501**
Adjustment/Restatement	-	-	-	-
Adjusted/Restated balance as on Shrawan 1,2082	**3,510,846,195**	**-**	**981,960,877**	**1,386,501**
Comprehensive Income for the year	**-**	**-**	**-**	**-**
Profit for the year	-	-	-	-
Other Comprehensive Income, Net of Tax	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)	-	-	-	-
(arising from translating financial assets of foreign operation)	-	-	-	-
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**
Transfer to Reserves during the year	-	-	188,171,066	701,760
Transfer from Reserves during the year	-	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-
Share Issued	350,000,000	-	-	-
Share Based Payments	-	-	-	-
Dividend to Equity-Holders	-	-	-	-
Bonus Shares Issued	351,084,620	-	-	-
Cash Dividend Paid	-	-	-	-
Other	-	-	-	-
Total Contributions by and Distributions	**701,084,620**	**-**	**188,171,066**	**701,760**
Balance at Ashadh 32, 2083	**4,211,930,815**	**-**	**1,170,131,943**	**2,088,261**

SUDEEP ACHARYA
CHAIRMAN

HEM BAHADUR KC
HEAD - FINANCE & TREASURY

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE: 07 AUGUST, 2026
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
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**
477,845,082	**81,313,563**	**-**	**587,575,801**	**7,818,304**	**288,714,285**	**5,937,460,610**	**5,937,460,610**
-	-	-	-	-	-	-	-
477,845,082	**81,313,563**	**-**	**587,575,801**	**7,818,304**	**288,714,285**	**5,937,460,610**	**5,937,460,610**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	-	-	908,595,043	-	-	908,595,043	908,595,043
-	-	-	-	-	-	-	-
-	(11,573,004)	-	-	-	-	(11,573,004)	(11,573,004)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	**(11,573,004)**	**-**	**908,595,043**	**-**	**-**	**897,022,039**	**897,022,039**
(23,719,992)	(32,260,289)	-	(329,142,704)	9,085,950	194,265,210	7,101,002	7,101,002
-	-	-	-	(7,101,002)	-	(7,101,002)	(7,101,002)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	350,000,000	350,000,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(351,084,620)	-	-	-	-
-	-	-	(203,260,440)	-	-	(203,260,440)	(203,260,440)
-	-	-	-	-	-	-	-
(23,719,992)	**(43,833,293)**	**-**	**25,107,279**	**1,984,949**	**194,265,210**	**1,043,761,598**	**1,043,761,598**
454,125,090	**37,480,271**	**-**	**612,683,080**	**9,803,253**	**482,979,495**	**6,981,222,208**	**6,981,222,208**

BHIM PRASAD TULACHAN CHATURAKHAR ADHIKARI
DIRECTORS

BALARAM BARAL BISHWESHWAR SUBEDI
DIRECTORS

PAWAN KUMAR SHARMA SRIJANA DANGAL
DIRECTORS

As per our report of even date
CA. DURGA PRASAD GNAWALI, FCA
SENIOR PARTNER
N.B.S.M. & ASSOCIATES
CHARTERED ACCOUNTANTS

STATEMENT OF CASH FLOWS

For the year ended 32 Ashadh 2083

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	4,686,901,658	5,416,831,917
Fee and Other Income Received	373,743,997	335,726,086
Dividend Received	-	-
Receipts from Other Operating Activities	33,595,921	44,345,928
Interest Paid	(2,646,639,014)	(3,492,846,224)
Commissions and Fees Paid	(25,303,943)	(25,496,010)
Cash Payment to Employees	(803,334,155)	(739,322,954)
Other Expenses Paid	(411,662,211)	(385,086,210)
Operating Cash Flows before Changes in Operating Assets and Liabilities	**1,207,302,253**	**1,154,152,533**
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	79,921,786	(327,079,151)
Placement with Banks and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	953,417,370	583,801,291
Loans and Advances to Customers	(4,126,373,737)	(4,097,889,573)
Other Assets	(39,281,208)	124,971,985
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financials Institutions	(101,332,577)	40,748,506
Due to Nepal Rastra Bank	-	-
Deposit from Customers	3,343,223,475	3,767,589,436
Borrowings	-	-
Other Liabilities	(82,356,154)	(96,787,503)
Net Cash Flow from Operating Activities before Tax Paid	**1,234,521,208**	**1,149,507,523**
Income Tax Paid	(411,052,612)	(323,177,665)
Net Cash Flow from Operating Activities	**823,468,597**	**826,329,857**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(1,460,378,790)	(594,728,635)
Receipts from Sale of Investment Securities	-	-
Purchase of Property and Equipment	(47,638,508)	(90,695,899)
Receipts from Sale of Property and Equipment	6,212,079	5,681,097
Purchase of Intangible Assets	(4,895,070)	(4,138,570)
Purchase of Investment Properties	(9,880,139)	(2,040,209)
Receipts from Sale of Investment Properties	-	-
Interest Received	534,122,987	531,832,685
Dividend Received	48,771,037	28,234,803
Net Cash Used in Investing Activities	**(933,686,403)**	**(125,854,729)**

Contd... *Amount in Rs.*

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	350,000,000	-
Dividends Paid	(203,260,440)	(164,058,233)
Interest Paid	(90,934,040)	(90,652,566)
Other Receipts/Payments	(239,326,409)	(433,477,496)
Net Cash from Financing Activities	**(183,520,890)**	**(688,188,296)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(293,738,696)**	**12,286,832**
Cash and Cash Equivalents at Shrawan 01, 2082	1,786,654,797	1,774,367,964
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Ashadh 32, 2083	**1,492,916,101**	**1,786,654,797**

SUDEEP ACHARYA
CHAIRMAN

DINESH THAKALI
CHIEF EXECUTIVE OFFICER

DATE: **07 AUGUST, 2026**
PLACE: **KATHMANDU**

HEM BAHADUR KC
HEAD - FINANCE & TREASURY

BHIM PRASAD TULACHAN
CHATURAKHAR ADHIKARI
BALARAM BARAL
BISHWESHWAR SUBEDI
PAWAN KUMAR SHARMA
SRIJANA DANGAL
DIRECTORS

As per our report of even date
CA. DURGA PRASAD GNAWALI, FCA
SENIOR PARTNER
N.B.S.M. & ASSOCIATES
CHARTERED ACCOUNTANTS

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended 32 Ashadh 2083
(As per NRB Regulation)

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Net profit or (loss) as per statement of profit or loss	**908,595,043**	**669,751,323**
Appropriations:		
a. General reserve	(188,171,066)	(136,082,985)
b. Foreign exchange fluctuation fund	(701,760)	(275,527)
c. Capital redemption reserve	(142,857,143)	(142,857,143)
d. Corporate social responsibility fund	(9,085,950)	(6,697,513)
e. Employees' training fund	(4,408,067)	4,091,428
f. Other		
>Investment Adjustment Reserve	(47,000,000)	-
>Corporate Social Responsibility Fund Utilization	7,101,002	-
>Fair Value Reserve	32,260,289	10,663,602
Profit or (loss) before regulatory adjustment	**555,732,347**	**398,593,184**
Regulatory adjustment:		
a. Interest receivable (-)/previous accrued interest received (+)	35,554,655	139,238,844
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 (+)	(4,917,345)	45,572,686
e. Deferred tax assets recognized (-)/ reversal (+)	(6,917,318)	(13,290,691)
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	-
i. Fair value Loss on investment	-	-
j. Other (+/-)	-	-
Distributable profit or (loss)	**579,452,339**	**570,114,023**
Opening Retained Earnings	**587,575,801**	**411,201,538**
Adjustment (+/-)*	-	-
Distribution:		
Bonus Shares Issued	(351,084,620)	(229,681,527)
Cash dividend Paid	(203,260,440)	(164,058,233)
Total Distributable profit or (loss) as on year end date	**612,683,080**	**587,575,801**
Preference Dividend	14,067,123	-
Total Distributable profit or (loss) after preference dividend	**598,615,956**	**587,575,801**
Annualised Distributable Profit/Loss per share (For Equity shareholders)	15.50	16.74

SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO THE FINANCIAL STATEMENTS

Year ended 32nd Ashadh 2083

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 Prepraration

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, 2082. The Bank has opted for certain carve outs which are briefly described in Notes to Accounts. The Financial Statement comprise of:

- Statement of Financial Position (SOFP) stating the financial position of the Bank as at the end of reporting period;
- Statement of Profit and Loss (SOPL) and Statement of Other Comprehensive Income (SOCI) 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, 2082. 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 2082/83, 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 DATE
Reporting Period	17 July 2025	1 Shrawan 2082
	16 July 2026	32 Ashadh 2083
Comparatives	16 July 2024	1 Shrawan 2081
	16 July 2025	32 Ashadh 2082

The Board of Directors of the bank has authorized the financial statement vide its resolution dated 07 August 2026 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 Polices

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

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 though 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 though 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.

3.4.6 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 if 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/renegotiated 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/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

BFIs 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 BFIs 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
- BFIs consider that the borrower is unlikely to pay its credit obligations to the bank in full, without realizing security (if held). The indicators of unlikeliness 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 though 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 contacts 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:

Rate of Depreciation per annum (%)

ASSET CATEGORY	FOR THE YEAR ENDED 16 JULY 2026	FOR THE YEAR ENDED 16 JULY 2025
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 2026	FOR THE YEAR ENDED 16 JULY 2025
Computer Software	5 Years	5 Years
Licences	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 Deffered 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 wells 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'.

✦ **Providient 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. 21,146,813/- for gratuity expense in CIT for FY 2082-83.

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 binds that have maturity dates approximating to the terms of Bank's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

3.17 Other expense

Other Expense have been recognized in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at profit for the year. Provisions in respect of other expenses are recognized when there is present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.18 Finance and Operating Leases

NFRS 16 Leases was adopted from 1st Shrawan 2078 as per pronouncement by ICAN. NFRS 16 requires to assesses whether a contract is, or contains, a lease, at inception of the contract. The bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). Lease payments included in the measurement of the lease liability comprise of fixed lease payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date, the amount expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise the options; payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. the lessee shall use the lessee's incremental borrowing rate.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The bank has considered rate of 10% as incremental borrowing rate for discounting of remaining lease payments.

All operating lease contracts were recognized on the balance sheet by recognizing right-of-use assets and corresponding lease liabilities at the transition date. The lease liability is presented as a separate line item under other liabilities in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

3.19 Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.
Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss.

3.20 Financial guarantee and loan commitment

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc. Where the bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, etc. whether cancellable or not and the bank had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.21 Share Capital and Reserves

Share Capital Includes Ordinary Shares and Preference Shares Capital of the Bank. Ordinary shares and preference shares in the Bank are recognized at the amount paid per ordinary share. Ordinary shares are listed at Nepal Stock Exchange Ltd. The holders of ordinary shares are entitled to one vote per share at general meetings of the bank and are entitled to receive the annual dividend payments. The Bank does not have any other form of share capital (convertible instruments, share based payments, etc.) apart from the ordinary shares and preference shares.

The bank has issued 'KSBBL 9% Perpetual Non-Cumulative Preference Share' amounting to Rs. 350 Millions (35,00,000 Kitta @ NPR 100 Each) during the financial year. The Capital instrument has been reflected under Share Capital in the Bank's Statement of Financial Position. With the issuance of Preference Share, Bank's Capital Adequacy position is expected to strengthen further.

The Bank has maintained reserves under various headings in order to comply with regulatory framework and other operational requirements:

i. General Reserve:
The Bank is required to maintain general reserve as per the regulatory requirements of Bank and Financial Institutions Act, 2073. The regulatory requirement is to set aside 20% of net profit until the reserve is twice the paid up capital and thereafter minimum 10% of the net profit. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading. The Bank has consistently appropriated the required amount from each year's profit into this heading. There is also an additional requirement of 20% of the income recognized as distributable profit from other comprehensive income to be appropriated to General Reserve.

ii. Exchange Equalization Reserve:
The Bank Is required to maintain 25% of the foreign exchange revaluation gain on the translation of foreign currency to the reporting currency as exchange equalization reserve under the requirement of BAFIA.

iii. Fair Value Reserve:
NFRS 9 requires that cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading until the fair valued asset is de-recognized. Any realized fair value changes upon disposal of the re-valued asset are reclassified from this reserve heading to retained earnings.

iv. Asset Revaluation Reserve:
The Bank is required to create asset revaluation reserve for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a re-valuation model. Revaluation reserve often serves as a cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market values and tax consequences of revaluation.

v. Capital Reserve:

This reserve represents the amount of all capital nature reserves such as the amounts arising from share forfeiture, capital grants, capital reserve arising out of business combinations and other reserve created as per the regulatory instructions of the central Bank.

vi. Special Reserve:

This reserve is created as per the specific requirement of NRB directive or special instruction of NRB. The amount allocated to this reserve by debiting retained earning account are presented under this heading.

vii. Debenture Redemption Reserve:

The Bank is required to maintain a redemption reserve against the borrowing raised through debenture issuance. The bank is required to transfer proportionate amount to the reserve annually except the financial year in which debenture is issued and repaid.

viii. Corporate Social Responsibility Fund:

The Bank is required to appropriate an amount equivalent to 1% of net profit into this fund annually. The fund is created towards funding the Bank's corporate social responsibility expenditure during the subsequent year. 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

ix. Investment Adjustment Reserve:

Investment adjustment reserve is created against the unquoted share investment if they did not get listed within 3 years of investment date. However, in case of holding of more than 50% in entities which don't require to get listed and investment in Karja Suchana Kendra, Nepal Clearing House Ltd, National Banking Institute, Nepal Electronic Payment System(NEPS), Nepal Stock Exchange, such adjustment reserve need not to be created. Changes in this reserve requirement are reclassified to retained earnings.

x. Regulatory Reserve:

This is a requirement as prescribed in NRB directive. The amount reclassified to this reserve includes re-measurement adjustments such as interest income recognized against interest receivables; short provision in Non-Banking Assets (investment properties), amount of deferred tax assets, actuarial loss recognized in other comprehensive income, amount of goodwill recognized under NFRS, etc. Balance in this reserve is not regarded as free for distribution of dividend.

xi. Actuarial Gain/(Loss) Reserve:

NAS 19 requires that actuarial gain or loss resultant of the change in actuarial assumptions used to value defined benefit obligations be presented under this reserve heading. Any change in this reserve heading is recognized through other comprehensive income and is not an appropriation of net profit.

xii. Employee Training Fund:

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

3.22 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% in the form of cash dividend only (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	502,108,907	529,926,128
Balances with BFIs	990,807,194	1,256,728,670
Money at Call and Short Notice	-	-
Other	-	-
Total	**1,492,916,101**	**1,786,654,797**

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	2,644,109,552	2,724,031,338
Securities purchased under Resale Agreement	-	-
Other Deposit and Receivable from NRB	-	-
Total	**2,644,109,552**	**2,724,031,338**

Statutory balance with NRB represents the balance maintained for regulatory cash reserve ratio required by the NRB. Other deposit and receivable from NRB includes the Foreign currency deposit due from NRB.

PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

4.3
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Placement with Domestic BFIs	-	-
Placement with Foreign BFIs	-	-
Less: Allowances for Impairment	-	-
Total	**-**	**-**

Bank does not have any Placement related to Domestic and Foreign bank and financial institutions.

DERIVATIVE FINANCIAL INSTRUMENTS

4.4
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Cash in Hand		
Interest Rate Swap.	-	-
Currency Swap.	-	-
Forward Echange Contracts	-	-
Others	-	-
Held for Risk Management		
Interest Rate Swap	-	-
Currency Swap.	-	-
Forward Echange Contracts	-	-
Others	-	-
Total	**-**	**-**

OTHER TRADING ASSETS

4.5

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Others	-	-
Total	**-**	**-**

Trading assets are those assets that the bank has acquired for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit are presented under this head.

LOANS AND ADVANCES TO BFIS

4.6

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loans to Micro-Finance Institutions	1,600,449,562	2,563,478,672
Other	-	-
Less: Allowances for Impairment	(15,987,813)	(25,599,553)
Total	**1,584,461,749**	**2,537,879,119**

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. 1,668,277/- in current year (PY Rs. 3,523,332/-).

ALLOWANCES FOR IMPAIRMENT

4.6.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 01	25,599,553	37,852,248
Impairment Loss for the year:		
Charge for the year	(9,611,741)	(12,252,695)
(Recoveries)/Reversal	-	-
Amount Written Off	-	-
Balance at Asar End	**15,987,813**	**25,599,553**

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	56,834,740,335	52,556,307,377
Less: Impairment Allowances		
Collective Impairment	(786,079,048)	(732,104,398)
Individual Impairment	(1,844,790,275)	(1,746,705,702)
Net Amount	**54,203,871,013**	**50,077,497,277**
Loans and Advances measured at FVTPL	-	-
Total	**54,203,871,013**	**50,077,497,277**

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 2,646,857,135/- which is higher than total impairment as per NFRS 9 NPR 2,389,903,429/-.

ANALYSIS OF LOANS AND ADVANCES - BY PRODUCT

4.7.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Term Loans	34,312,751,418	32,073,591,737
Overdraft	2,282,759,683	2,890,316,032
Cash Credit Loan	3,421,969,210	3,721,413,278
Trust Receipt/ Import Loans	-	-
Demand and other Working Capital Loans	400,083,621	383,903,926
Personal Residental Loans	6,388,562,337	5,348,873,368
Real Estate Loans	2,866,874,459	1,987,606,839
Margin Lending Loans	1,874,286,908	1,840,266,115
Hire Purchase Loans	872,839,439	1,001,733,358
Deprived Sector Loans	1,733,613,042	1,059,545,284
Bills Purchased	-	-
Staffs Loans	424,487,940	445,422,455
Other	1,870,640,754	1,348,064,116
Sub-Total	**56,448,868,812**	**52,100,736,507**
Interest Receivable	385,871,523	455,570,870
Grand Total	**56,834,740,335**	**52,556,307,377**

ANALYSIS OF LOANS AND ADVANCES - BY CURRENCY

4.7.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	56,834,740,335	52,556,307,377
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
Grand Total	**56,834,740,335**	**52,556,307,377**

ANALYSIS OF LOANS AND ADVANCES - BY COLLATERAL

4.7.3

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Secured		
Moveable/Immoveable Assets	51,996,405,957	48,056,106,004
Gold and Silver	1,625,314,762	911,185,884
Guarantee of Domestic BFIs	-	-
Government Guarantee	353,888	353,888
Guarantee of International Rated Bank	-	-
Collateral of Export Document	-	-
Collateral of Fixed Deposit Receipt	245,325,992	436,878,232
Collateral of Government Securities	-	-
Counter Guarantee	-	-
Personal Guarantee	274,608,414	392,018,423
Other Collateral	2,692,731,322	2,759,764,945
Grand Total	**56,834,740,335**	**52,556,307,377**

ALLOWANCE FOR IMPAIRMENT

4.7.4
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Specific Allowance for Impairment		
Balance at Shrawan 01	1,746,705,702	1,250,110,323
Impairment Loss for the year		
Charge for the year	154,671,701	547,948,996
Recoveries/Reversals during the year	-	-
Write-Offs	56,587,129	51,353,617
Exchange Rate Variance on Foreign Currency - Individual	-	-
Other Movement	-	-
Balance at Asar End	**1,844,790,275**	**1,746,705,702**
Collective Allowances for Impairment		
Balance at Shrawan 01	732,104,398	798,315,487
Impairment Loss for the year		
Charge/(Reversal) for the year	53,974,650	(66,211,089)
Exchange Rate Variance on Foreign Currency - Foreign	-	-
Other Movement-From Merger	-	-
Balance at Asar End	786,079,048	732,104,398
Total Allowances for Impairment	**2,630,869,322**	**2,478,810,100**

INVESTMENT SECURITIES

4.8
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment Securities measured at Amortized Cost	12,630,273,000	11,042,323,204
Investment in Equity measured at FVTOCI	1,121,048,311	1,248,619,317
Total	**13,751,321,311**	**12,290,942,521**

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	9,503,273,000	9,541,052,000
Government Treasury Bills	-	151,271,204
Nepal Rastra Bank Bonds	477,000,000	-
Nepal Rastra Bank Deposit Instruments	2,650,000,000	1,350,000,000
Other Investments	-	-
Less: Specific Allowances for Impairment	-	-
Total	**12,630,273,000**	**11,042,323,204**

INVESTMENT IN EQUITY MEASURED AT FVTOCI

4.8.2
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Equity Instruments		
Quoted Equity Securities	1,055,043,711	1,177,795,617
Unquoted Equity Securities	66,004,600	70,823,700
Total	**1,121,048,311**	**1,248,619,317**

INVESTMENT IN EQUITY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

4.8.3

Amount in Rs.

PARTICULARS	AS AT 32 ASHADH 2083		AS AT 32 ASHADH 2082	
	COST	FAIR VALUE	COST	FAIR VALUE
Aarambha Chautari Laghubitta Sanstha Ltd Promoter				
125389 Shares of Rs. 100 Each with Bonus	9,000,000	38,431,729	9,000,000	30,105,791
Sanima GIC Insurance Limited (Promoter)				
15663 Share of Rs.100 Each with Bonus	1,457,100	2,020,527	1,457,100	1,566,300
Sanima GIC Insurance Limited (Public)				
14223 Share of Rs. 376.78 Each	5,358,979	6,670,587	392,900	2,575,988
Neco Insurance Company Limited				
66930 shares of Rs. 704.65 Each	47,162,507	40,827,372	37,736,935	33,353,617
NLG Insurance Company Limited				
8662 Shares of Rs. 507.14 Each	4,392,823	4,833,396	7,304,530	10,365,203
National Life Insurance Company Limited				
71112 shares of Rs. 612.66 Each	43,567,251	41,173,848	33,462,448	30,900,073
Life Insurance Corporation Nepal Limited				
21078 Shares of Rs 861.44 Each	18,157,449	16,647,404	14,031,751	12,998,764
Asian Life Insurance Company Limited				
80561 Shares Rs. 501.28 Each	40,383,283	33,755,059	31,536,433	20,911,521
Suryajyoti Life Insurance Company Limited				
56399 shares of Rs. 549.30 Each	30,979,706	23,292,787	24,252,373	18,496,540
Nepal Reinsurance Company Limited				
0 shares	-	-	27,957,309	36,120,191
Siddhartha Premier Insurance Company Limited				
15521 shares of Rs. 786.27 Each	12,203,748	11,501,156	8,706,703	8,841,430
Nepal Life Insurance Company Limited				
0 shares	-	-	2,896,210	3,826,974
Prabhu Insurance Limited				
30602 shares of Rs 722.53 Each	22,110,851	20,445,196	4,606,364	5,154,450
Sagarmatha Lumbini Insurance Company Limited				
5500 shares of Rs 705.64 Each	3,881,026	3,327,500	3,258,862	3,267,405
Shivam Cement Limited				
10000 shares of Rs 660.14 Each	6,601,432	6,210,000	1,799,447	2,032,617
Himalayan Reinsurance Limited				
0 shares	-	-	1,468,401	2,306,950
Sarbottam Cement Limited				
87422 shares of Rs 356.92 Each	31,203,045	67,489,784	56,119,212	129,649,853
IGI Prudential insurance Limited Promoter				
80000 shares of Rs 185.47 Each	14,837,765	13,600,000	14,837,765	14,837,765
Hydroelectricity Investment and Development Company Limited				
0 shares	-	-	-	585
Nepal Doorsanchar Company Limited				
17500 shares of Rs 886.76 Each	15,518,311	15,006,250	15,518,311	15,352,225
Butwal Power Company Limited				
54000 shares of Rs 702.85 Each	37,954,161	36,072,000	34,254,500	47,385,855
Sun Nepal Life Insurance Company Limited "				
10500 shares of Rs 443.81 Each	4,660,000	4,432,050	-	-
Citizen Life Insurance Company Limited				
13000 shares of Rs 482.89 Each	6,277,630	5,656,300	-	-
Mountain Energy Nepal Limited				
5000 shares of Rs 629.29 Each	3,146,431	2,844,500	-	-
Singati Hydro Energy Limited				
37884 shares of Rs 311.78 Each	11,811,652	11,475,064	-	-
Chandragiri Hills Limited				
10000 shares of Rs 862.76 Each	8,627,594	7,552,000	-	-
NRN Infrastructure and Development Limited				
13000 shares of Rs 1370.60 Each	17,817,793	17,472,000	-	-
NIBL Sahabhagita Fund				
250000 units	2,500,000	2,510,000	2,500,000	2,855,000
Laxmi Unnati Kosh				
1187694 Units	11,439,669	11,758,171	11,439,669	12,340,141

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PARTICULARS	AS AT 32 ASHADH 2083		AS AT 32 ASHADH 2082	
	COST	FAIR VALUE	COST	FAIR VALUE
NIC Asia Dynamic Debt Fund (Open-Ended)				
664820 Units	6,648,200	6,608,311	6,648,200	7,086,981
Sanima Large Cap Fund				
1152050 Units	11,163,867	12,154,128	11,163,867	11,785,472
Kumari Equity Fund				
1253505 Units	12,202,784	12,735,611	12,202,784	12,472,375
Sunrise Blue Chip Fund				
1149000 Units	11,103,171	11,202,750	11,103,171	11,490,000
NIBL Samridhi Fund2				
4040623 Units	39,439,227	36,769,669	39,439,227	35,678,701
Prabhu Select Fund				
1768100 Units	17,143,705	20,863,580	17,143,705	19,961,849
NIC SELECT 30				
1100000 Units	10,779,392	10,010,000	10,779,392	10,219,000
RBB Mutual Fund 1				
1100900 Units	10,762,605	11,064,045	10,762,605	10,964,964
NABIL BALANCED FUND III				
216670 Units	1,631,723	2,151,533	1,631,723	2,164,533
Global IME Balance fund-1				
1000000 Units	10,000,000	10,500,000	10,000,000	10,910,000
Shubha Laxmi Kosh				
1000000 Units	10,000,000	10,000,000	10,000,000	12,380,000
NMB Sulav Investment Fund - II				
170038 Units	1,682,451	1,739,489	1,682,451	1,919,729
Nabil Flexi Cap Fund				
1000000 Units	10,000,000	10,210,000	10,000,000	11,670,000
Sanima Growth Fund				
2686475 Units	26,468,563	28,073,664	26,468,563	27,724,422
NIBL Growth Fund				
5250680 Units	51,900,726	57,284,919	51,900,726	51,771,705
Sunrise Focused Equity Fund				
2190270 Units	21,485,376	22,318,851	21,485,376	21,990,311
Prabhu Smart Fund				
2956675 Units	29,552,635	36,514,936	30,017,635	34,446,417
Siddhartha Investment Growth Scheme 3				
2000000 Units	20,000,000	21,000,000	20,000,000	20,880,000
RBB Mutual Fund 2				
1000900 Units	10,007,847	10,009,000	10,007,847	10,089,072
Himalayan 80-20				
511000 Units	5,099,059	5,953,150	5,099,059	5,927,600
NIC Asia Growth Fund- 2				
271770 Units	2,678,931	2,579,097	2,678,931	2,587,250
NIBL Stable Fund				
500000 Units	5,000,000	4,520,000	5,000,000	4,945,000
Alpha Plus Vision Fund				
0 Units	-	-	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	2,500,000	2,475,000
Garima Samriddhi Yojana				
1000000 Units	10,000,000	10,300,000	10,000,000	9,950,000
Reliable Samriddhi Yojana				
2000000 Units	20,000,000	20,480,000	20,000,000	19,860,000
Prabhu Systematic Investment Scheme				
120000 Units	1,200,000	1,258,800	1,200,000	1,200,000
Reliable Private Equity Fund				
60000 Units	60,000,000	60,000,000	60,000,000	60,000,000
NIBL Equity Partners				
50000 Units	50,000,000	50,000,000	50,000,000	50,000,000

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PARTICULARS	AS AT 32 ASHADH 2083		AS AT 32 ASHADH 2082	
	COST	FAIR VALUE	COST	FAIR VALUE
NIC ASIA Equity Linked Investment Scheme				
200000 Units	2,000,000	1,916,000	-	-
Garima Subarna Yojan				
150000 Units	1,500,000	1,447,500	-	-
Global IME Samunnat Yojana -II				
100000 Units	1,000,000	998,000	-	-
HLI Large Cap Fund				
250000 units	2,500,000	2,175,000	-	-
Nepal Life Samriddhi Lagani Yojana				
1000000 Units	10,000,000	9,750,000	-	-
Siddhartha Equity Fund 2				
100000 Units	1,000,000	988,000	-	-
Reliable Samriddhi Yojana-2				
400000 Units	4,000,000	3,988,000	-	-
Total	**1,001,500,467**	**1,055,043,711**	**1,063,452,483**	**1,177,795,617**
Investment in Unquoted Equity				
Nepal Clearing House Ltd.				
56260 Shares	612,600	612,600	612,600	1,679,900
Prabhu Capital Ltd.				
0 Shares	-	-	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				
520000 shares of Rs 100 Each	50,000,000	50,000,000	50,000,000	50,000,000
Total	**66,004,600**	**66,004,600**	**69,004,600**	**70,823,700**
Grand Total	**1,067,505,067**	**1,121,048,311**	**1,132,457,083**	**1,248,619,317**

CURRENT TAX ASSETS/(LIABILITIES)

4.9

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current Tax Assets		
Current year Income Tax Assets	425,526,409	310,783,481
Tax Assets of Prior Periods	-	-
Current Tax Liabilities		
Current year Income Tax Liabilities	430,546,862	322,482,695
Tax Liabilities of Prior Periods	-	-
Total	**(5,020,453)**	**(11,699,214)**

Current Tax Assets includes advance income tax paid by the Bank under self assessment tax returns filed as per the Income Tax Act 2058 and tax deducted at source (TDS) by several parties on behalf of the Bank. Similarly, current income tax liabilities includes the tax payable to the Government computed as per the provision of the Income Tax Act 2058.

INVESTMENT IN SUBSIDIARIES

4.10

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	-	-
Total Investment		
Less: Impairment Allowances	-	-
Net Carrying Amount	**-**	**-**

INVESTMENT IN QUOTED SUBSIDIARIES

4.10.1
Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. ..... Each				
.....Ltd.				
.....Shares of Rs. ..... Each				
Total				

INVESTMENT IN UNQUOTED SUBSIDIARIES

4.10.2
Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. ..... Each				
.....Ltd.				
.....Shares of Rs. ..... Each				
Total				

INFORMATION RELATING TO SUBSIDIARIES OF THE BANK

4.10.3
Amount in Rs.

PARTICULARS	PERCENTAGE OF OWNERSHIP HELD BY BANK	
	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
Total		

NON CONTROLLING INTEREST OF THE SUBSIDIARIES

4.10.4
Amount in Rs.

	....LTD	....LTD
Equity Interest held by NCI (%)		
Profit (Loss) allocated during the year		
Accumulated Balances of NCI as on Ashadh End		
Dividend Paid to NCI		
Equity Interest held by NCI (%)		
Profit (Loss) allocated during the year		
Accumulated Balances of NCI as on Ashadh End		
Dividend Paid to NCI		

INVESTMENT IN ASSOCIATES

4.11
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Associates	-	-
Investment in Unquoted Associates	-	-
Total Investment		
Less: Impairment Allowances - Associates	-	-
Net Carrying Amount	-	-

INVESTMENT IN QUOTED ASSOCIATES

4.11.1
Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. ..... Each				
.....Ltd.				
.....Shares of Rs. ..... Each				
Total				

INVESTMENT IN UNQUOTED ASSOCIATES

4.11.2
Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....Shares of Rs. ..... Each				
.....Ltd.				
.....Shares of Rs. ..... Each				
Total				

INFORMATION RELATING TO ASSOCIATES OF THE BANK

4.11.3
Amount in Rs.

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY BANK	
	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		

EQUITY VALUE OF ASSOCIATES

4.11.4
Amount in Rs.

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY BANK	
	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		

INVESTMENT PROPERTIES

4.12
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Investment Properties measured at Fair Value		
Balance as on Shrawan 01	**-**	**-**
Addition/(Disposal) during the year.	-	-
Net Changes in fair value during the year.	-	-
Adjustment/Transfer - Fair Value	-	-
Closing Balance of NBA	**-**	**-**
Investment Properties measured at Cost		
Balance as on Shrawan 01.	354,180,029	352,139,820
Addition/(Disposal) during the year	9,880,139	2,040,209
Net Changes in fair value during the year	-	-
Adjustment/Transfer - At Cost	-	-
Closing Balance of NBA	**364,060,168**	**354,180,029**
Total	364,060,168	354,180,029

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 2083	TOTAL ASAR END 2082
Cost											
Balance as on Shrawan 1 2081	**154,268,802**	**65,553,672**	**147,611,012**	**111,386,516**	**130,096,170**	**193,171,467**	**-**	**320,537,002**	**648,467,534**	**1,771,092,175**	**1,784,730,910**
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)	(93,422,470)	(68,915,099)
Adjustments			(37)	(5,959,178)	(55)	1,199,797		4,759,474		-	-
Balance as on Ashadh End 2082	**182,868,802**	**81,042,391**	**152,282,906**	**104,280,496**	**121,203,315**	**195,570,180**	**-**	**322,717,773**	**666,252,860**	**1,826,218,724**	**1,771,092,175**
Addition during the Year	-	2,635,546	8,515,825	13,470,800	1,314,200	4,642,787	-	17,059,350	3,678,781	51,317,289	148,549,020
Acquisition		2,635,546	8,515,825	13,470,800	1,314,200	4,642,787	-	17,059,350	3,678,781	51,317,289	148,549,020
Capitalization	-	-							-	-	-
Disposal during the year			(6,860,293)	(4,978,878)	(11,586,050)	(5,941,379)	-	(18,319,620)	(7,793,003)	(55,479,223)	(93,422,470)
Adjustments			331,508	(1,418,521)	-	46,624	-	1,040,388		-	-
Balance as on Ashadh End 2083	**182,868,802**	**83,677,937**	**154,269,946**	**111,353,897**	**110,931,465**	**194,318,212**	**-**	**322,497,892**	**662,138,638**	**1,822,056,789**	**1,826,218,724**
Depreciation and Impairment											
As on Shrawan 1 2081	-	19,034,489	74,208,689	75,478,249	77,216,098	139,350,047	-	171,235,868	224,728,119	781,251,558	649,740,465
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	-	-	-	-	-	-	-	-		-	-
As on Ashadh end 2082	**-**	**21,361,340**	**81,910,468**	**78,257,310**	**80,730,039**	**149,700,917**	**-**	**183,882,380**	**298,252,963**	**894,095,417**	**781,251,558**
Impairment for the year	-	-	-	-	-	-	-	-		-	-
Depreciation charge for the year		3,056,108	13,768,931	6,737,939	8,077,337	11,853,387	-	29,521,429	71,589,267	144,604,397	153,596,972
Disposals			(5,245,641)	(4,402,984)	(7,345,060)	(4,864,849)		(13,370,574)	-	(35,229,108)	(40,753,113)
Adjustments	-	-	-	-	-	-	-	-		-	-
As on Ashadh End 2083	**-**	**24,417,447**	**90,433,758**	**80,592,265**	**81,462,317**	**156,689,455**	**-**	**200,033,235**	**369,842,230**	**1,003,470,706**	**894,095,417**
Capital Work in Progress	**-**	**7,740,202**	**-**		**-**	**-**	**-**	**-**	**-**	**7,740,202**	**-**
Net Book Value	**182,868,802**	**67,000,692**	**63,836,189**	**30,761,632**	**29,469,148**	**37,628,757**	**-**	**122,464,657**	**292,296,409**	**826,326,286**	**932,123,307**
As on Ashadh End 2081	**154,268,802**	**46,519,183**	**74,512,313**	**35,908,267**	**52,880,072**	**53,821,420**	**-**	**149,842,522**	**423,739,415**	**991,491,994**	**1,135,491,003**
As on Ashadh End 2082	**182,868,802**	**59,681,051**	**70,372,438**	**26,023,186**	**40,473,275**	**45,869,263**	**-**	**138,835,394**	**367,999,897**	**932,123,307**	**991,491,994**
As on Ashadh End 2083	**182,868,802**	**67,000,692**	**63,836,189**	**30,761,632**	**29,469,148**	**37,628,757**	**-**	**122,464,657**	**292,296,409**	**826,326,286**	**932,123,307**

GOODWILL AND INTANGIBLE ASSETS

4.14
Amount in Rs.

PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASAR END 2083	TOTAL ASAR END 2082
		PURCHASED	DEVELOPED			
Cost						
Balance as on Shrawan 1 2081	-	**36,166,176**	**-**	**-**	**36,166,176**	**31,478,176**
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	-	-	-	-	-	-
Balance as on Ashadh end 2082	-	**40,301,746**	**-**	**-**	**40,301,746**	**36,166,176**
Addition during the Year						
Acquisition	-	4,895,070	-	-	4,895,070	4,138,570
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	(3,000)
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashadh end 2083	-	**45,196,816**	**-**	**-**	**45,196,816**	**40,301,746**
Amortization and Impairment						
As on Shrawan 1 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)
Amortisation charge for the year	-	-	-	-	-	-
Disposals	-	1,055	-	-	1,055	-
Adjustment	-	-	-	-	-	-
As on Ashadh end 2082	-	(28,150,677)	-	-	(28,150,677)	(23,485,544)
Impairment for the year	-					
Depreciation for the year		(4,727,848)	-	-	(4,727,848)	(4,666,188)
Amortization charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	1,055
Adjustment	-	-	-	-	-	-
As on Ashadh end 2083	-	**(32,878,525)**	**-**	**-**	**(32,878,525)**	**(28,150,677)**
Capital Work in Progress	-	**-**			**-**	**1,153,500**
Net Book Value		**12,318,291**	**-**	**-**	**12,318,291**	**13,304,569**
As on Ashadh end 2081	-	**13,641,132**	**-**	**-**	**13,641,132**	**14,161,348**
As on Ashadh end 2082	-	**13,304,569**	**-**	**-**	**13,304,569**	**13,641,132**
As on Ashadh end 2083	-	**12,318,291**	**-**	**-**	**12,318,291**	**13,304,569**

DEFERRED TAX

4.15

Amount in Rs.

PARTICULARS	CURRENT YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS / (LIABILITIES)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	16,062,973	(16,062,973)
Property and Equipment	-	79,767,166	(79,767,166)
Employees' Defined Benefit Plan	35,906,889	-	35,906,889
Lease Liabilities	119,322,194	-	119,322,194
Provisions	-	-	-
Debentures	-	1,240,405	(1,240,405)
Other Temporary Differences	-	-	-
Deferred tax on temporary differences			58,158,540
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 2083			**58,158,540**
Recognised in profit or loss			74,221,513
Recognised in other comprehensive income			(16,062,973)
Recognised directly in equity			-
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2082			(32,455,525)
Origination/(Reversal) during the year			25,703,015
Deferred Tax expense (income) recognized in profit or loss			20,743,156
Deferred Tax expense (income) recognized in OCI			4,959,859
Deferred Tax expense (income) recognized directly in Equity			-

PARTICULARS	PREVIOUS YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS /(LIABILITIES)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	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			-

OTHER ASSETS

4.16
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Accounts Receivable	243,971,797	69,191,970
Accrued Income	146,492,431	148,111,882
Prepayments and Deposits	32,381,134	40,929,019
Deferred Employee Expenditure	179,412,801	179,012,181
Other		
Stationery Stock	24,242,183	23,842,189
Insurance Tie Up Home Loans - Interest Receivable	72,628,199	60,911,543
Staff Advances	1,293,837	1,522,707
Deferred Revenue Expenditure	-	523,382
Paid In Advance	711,992	1,782,801
NRB - Interest Subsidy	-	176,213,560
Clearing Accounts	6,800,063	951,696
Other Assets	11,149,220	2,512,537
Total	**719,083,659**	**705,505,466**

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	566,106,644	667,439,221
Settlement and Clearing Accounts	-	-
Total	**566,106,644**	**667,439,221**

DUE TO NEPAL RASTRA BANK

4.18
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of Last Resort facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other Payable to NRB	-	-
Total	**-**	**-**

DERIVATIVE FINANCIAL INSTRUMENTS

4.19
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Held for Trading	-	-
Interest Rate Swap - Held for Trading	-	-
Currency Swap - Held for Trading	-	-
Forward Exchange Contracts - Held for Trading	-	-
Others - Held for Trading	-	-
Held for Risk Management	-	-
Interest Rate Swap - Risk Management	-	-
Currency Swap - Risk Management	-	-
Forward Exchange Contracts - Risk Management	-	-
Others - Risk Management	-	-
Total	**-**	**-**

DEPOSITS FROM CUSTOMERS

4.20
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Institutional Customers:		
Term Deposits.	10,039,162,261	13,508,156,482
Call Deposits	5,404,739,849	3,815,284,617
Current Deposits.	3,368,409,626	1,894,855,202
Others.	-	-
Individual Customers:		
Term Deposits.	14,836,033,423	22,395,688,516
Call Deposits	32,096,314,531	20,880,127,374
Current Deposits.	432,132,657	335,962,100
Others.	732,293	4,226,873
Total	**66,177,524,639**	**62,834,301,164**

CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

4.20.1
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	66,177,524,639	62,834,301,164
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
Total	**66,177,524,639**	**62,834,301,164**

BORROWINGS

4.21
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Domestic Borrowings		
Nepal Government	-	-
Other Institutions.	-	-
Other	-	-
Sub Total	-	-
Foreign Borrowings		
Foreign Banks and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub Total	-	-
Total	**-**	**-**

PROVISIONS

4.22
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Provisions for Redundancy	-	-
Provisions for Restructuring	-	-
Pending Legal Issues and Tax Litigation	-	-
Onerous Contracts	-	-
Other		
Provision for Expenses	14,535,652	15,769,227
Provision for rebate and refund	-	-
Provision on Assets for Probable Loss	12,880,665	10,410,326
Provision for NBA	-	-
Other Provisions	770,300	770,648
Total	**28,186,617**	**26,950,201**

MOVEMENT IN PROVISION

4.22.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 01	26,950,201	16,494,486
Provisions made during the year	1,236,416	10,455,715
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of Discount	-	-
Balance at Asar end	**28,186,617**	**26,950,201**

OTHER LIABILITIES

4.23

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	-	-
Liabilities for long service leave	119,689,631	99,595,973
Short term employee benefits	-	-
Creditors and accruals	4,747,691	115,486
Interest payable on deposits	31,316,018	44,567,497
Unpaid Dividend	880,858	2,133,702
Employee bonus payable	148,257,776	111,955,701
Other		
Lease Liability	397,740,648	468,764,771
Gratuity Payable (Net of Plan Assets)	14,838	-
Employee Provident Fund Payable	322,872	390,085
ATM/CARD Payables	17,363,367	19,545,978
TDS Payable	37,608,997	44,572,269
Managers Cheque	190,955	521,926
Deposit Account Payable	-	-
Fee\Commission Payable	3,326,875	1,486,990
CIT Payable	44,000	50,000
Social Security Fund Payable	12,000	435,000
Retention Money	43,096,835	42,537,880
Other Liabilities	52,698,706	97,084,427
Interest payable on debentures	45,123,287	45,369,863
Clearing Accounts	-	-
CIB Payable	265,437	487,054
Total	**902,700,791**	**979,614,600**

DEFINED BENEFIT OBLIGATION

4.23.1

The amounts recognized in the statements of financials 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	-	-
Recognized liability for defined benefit obligations	-	-

PLAN ASSETS

4.23.2

Plan assets comprise

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
Total	**-**	**-**
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	-	-
Actuarial losses	-	-
Benefits paid by the plan	-	-
Current service costs and interest	-	-
Defined benefit obligations at Ashad end	**-**	**-**

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

4.23.4

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Fair value of plan assets at Shawan 1	-	-
Contributions paid into the plan	-	-
Benefits paid during the year	-	-
Actuarial (losses) gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at Asadh end	**-**	**-**

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	-	-
Total	**-**	**-**

AMOUNT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

4.23.6

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	-	-
Total	**-**	**-**

ACTUARIAL ASSUMPTIONS

4.23.7

Amount in Rs.

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	995,865,317	997,108,939
Total	**995,865,317**	**997,108,939**

SUBORDINATED LIABILITIES

4.25
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component	-	-
Other - Subordinated Liabilities	-	-
Total	**-**	**-**

SHARE CAPITAL

4.26
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	3,861,930,815	3,510,846,195
Convertible preference shares (equity component only)	-	-
Irredeemable preference shares (equity component only)	350,000,000	-
Perpetual debt (equity component only)	-	-
Total	**4,211,930,815**	**3,510,846,195**

SHARE CAPITAL

4.26.1
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital		
46,500,000 Ordinary share of Rs. 100 each	5,000,000,000	5,000,000,000
35,00,000 Preference share of Rs. 100 each		
Issued capital		
38,619,308.15 Ordinary share of Rs. 100 each	4,211,930,815	3,510,846,195
35,00,000 Preference share of Rs. 100 each		
Subscribed and paid up capital		
38,619,308.15 Ordinary share of Rs. 100 each	4,211,930,815	3,510,846,195
35,00,000 Preference share of Rs. 100 each		
Total	**4,211,930,815**	**3,510,846,195**

ORDINARY SHARE OWNERSHIP

4.26.2
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Domestic ownership		
Nepal Government	-	-
"A" class licensed institutions	-	-
Other licensed institutions	-	-
Other Institutions	12.36%	477,453,673
Public	87.64%	3,384,477,142
Other	-	-
Foreign Borrowings	-	-
Total	**100%**	**3,861,930,815**

Share Capital Structure

Promoter Shareholder: 51%

Ordinary Shareholder: 49%

DETAILS OF SHAREHOLDERS HOLDING 0.5% OR MORE OF TOTAL SHARES

4.26.3
Amount in Rs.

NAME OF SHAREHOLDERS	TOTAL KITTA	PERCENTAGE (%)
1. Tulasa Pandey	939,723	2.4333%
2. Entegra Sources Pvt.Ltd	770,761	1.9958%
3. Sita Acharya	678,959	1.7581%
4. Shri Ram Pandey	534,992	1.3853%
5. Sitaram Upreti	527,395	1.3656%
6. NMB Saral Bachat Fund	487,095	1.2613%
7. NIBL Sahabhagita Fund	446,238	1.1555%
8. Madan Khanal	413,668	1.0711%
9. Janardan Dev Pant	375,658	0.9727%
10. Ram Prasad Pokherel	365,042	0.9452%
11. Rib Bahadur Thapa	359,523	0.9309%
12. Bharat Regmi	339,703	0.8796%
13. Govinda Raj Adhikari	335,820	0.8696%
14. Chakrapani Bastola	318,017	0.8235%
15. Bhim Prasad Tulachan	315,314	0.8165%
16. Babu Ram Pant	303,765	0.7866%
17. Prakash Chhetri	287,630	0.7448%
18. Maya Hold Pvt.Ltd.	278,266	0.7205%
19. Kamal Raj Uday	275,351	0.7130%
20. Lila Gauchan	269,339	0.6974%
21. Raj Kumar Amatya	253,961	0.6576%
22. Priya Raj Regmi	253,019	0.6552%
23. Dewan Singh Thapa	247,306	0.6404%
24. Bharatraj Koirala	218,356	0.5654%
25. Gau Mata Investment Company Pvt.Ltd	215,508	0.5580%
26. Deepak Kharel	214,237	0.5547%
27. Caliber Investment Company Pvt Ltd	201,519	0.5218%
28. Bhaktaram Gyawali	197,279	0.5108%

RESERVES

4.27
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Statutory General Reserve	1,170,131,943	981,960,877
Exchange Equalization Reserve	2,088,261	1,386,501
Corporate Social Responsibility Reserve	9,803,253	7,818,304
Capital Redemption Reserve	-	-
Regulatory Reserve	454,125,090	477,845,082
Investment Adjustment Reserve	50,000,000	3,000,000
Capital Reserve	-	-
Assets Revaluation Reserve	-	-
Fair Value Reserve	37,480,271	81,313,563
Dividend Equalization Reserve	-	-
Debenture Redemption Reserve	428,571,429	285,714,286
Actuarial Gain	-	-
Special Reserve	-	-
Other Reserve	4,408,067	-
Total	**2,156,608,314**	**1,839,038,613**

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	310,343,455	246,547,016
Undrawn and undisbursed facilities	1,366,409,115	1,407,163,870
Capital commitment	30,212,898	612,260
Lease Commitment	539,466,469	655,824,251
Litigation	-	-
Total	**2,246,431,938**	**2,310,147,397**

CONTINGENT LIABILITIES

4.28.1

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	310,343,455	246,547,016
Underwriting commitment	-	-
Other commitments	-	-
Total	**310,343,455**	**246,547,016**

UNDRAWN AND UNDISBURSED FACILITIES

4.28.2

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	1,366,409,115	1,407,163,870
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	**1,366,409,115**	**1,407,163,870**

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	29,878,000	-
Approved but not contracted for	334,898	612,260
Sub total	**30,212,898**	**612,260**
Capital commitments in relation to Intangible assets		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	**-**	**-**
Total	**30,212,898**	**211,199**

LEASE COMMITMENTS

4.28.4

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Operating lease commitments	-	-
Future minimum lease payments under non cancellable operating lease, where the bank is lessee	-	-
Not later than 1 year	110,742,859	109,136,630
Later than 1 year but not later than 5 years	293,622,628	364,641,460
Later than 5 years	135,100,982	182,046,161
Sub total	**539,466,469**	**655,824,251**
Finance lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	**-**	**-**
Grand Total	**539,466,469**	**655,824,251**

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.

INTEREST INCOME

4.29
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	4,734,848	12,008,538
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	116,049,166	256,780,260
Loans and advances to customers	4,503,962,799	5,052,752,315
Investment securities	534,122,987	531,832,685
Loan and advances to staff	62,154,846	56,940,684
Other Interest Income	-	38,350,120
Total interest income	**5,221,024,645**	**5,948,664,602**

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 Guidance 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	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	2,646,639,014	3,492,846,224
Borrowing	-	27,397
Debt securities issued	90,934,040	90,625,169
Subordinated liabilities	-	-
Other	44,382,421	46,671,646
Total Interest expense	**2,781,955,475**	**3,630,170,436**

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	182,388,809	169,442,377
Service Fees	39,830,704	30,645,533
Consortium fees	-	-
Commitment fees	644,812	639,285
DD/TT/Swift fees	-	-
Credit Card/ATM issuance and renewal fees	24,143,001	18,085,500
Prepayment and swap fees	12,039,096	6,901,620
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	1,755,136	2,046,606
Remittance fees	1,925,486	3,316,846
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	5,170,190	4,809,356
Other fees and commission income		
Agency Commission	16,722,118	11,856,176
Service Charges - Cards	6,644,120	7,403,650
Mobile banking	71,784,462	66,258,938
Other Fee and Commission - Cards	7,329,104	8,407,766
Other Fees and Commission - Loan	3,366,959	5,912,432
Total Fees and Commission Income	**373,743,997**	**335,726,086**

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	25,303,943	25,496,010
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees.	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
Total Fees and Commission Expense	**25,303,943**	**25,496,010**

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	707,675	755,484
Other	-	-
Net trading income	**707,675**	**755,484**

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	2,807,039	1,102,109
Gain/loss on sale of investment securities	22,442,716	35,354,221
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	48,771,037	28,234,803
Gain/loss on sale of property and equipment	(6,245,034)	(6,922,410)
Gain/loss on sale of investment property	1,311,499	1,086,806
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Other Operating Income	12,572,025	12,969,719
Total	**81,659,283**	**71,825,247**

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	(9,611,741)	(12,252,695)
Impairment charge/(reversal) on loan and advances to customers	152,059,222	430,384,290
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with BFIs	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	**142,447,482**	**418,131,595**

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.

PERSONNEL EXPENSES

4.36
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Salary	290,859,528	276,139,893
Allowances	276,975,177	259,602,381
Gratuity Expense	21,146,813	20,433,413
Provident Fund	29,109,982	27,651,003
Uniform	7,240,076	672,978
Training & development expense	11,664,201	19,807,346
Leave encashment	62,117,139	47,581,855
Medical	-	-
Insurance - Staff	4,706,058	4,447,275
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	28,264,858	10,456,801
Other expenses related to staff		
Staff Tiffin Expenses	-	-
Voluntary Retirement Scheme (VRS) Expenses	6,488,037	11,432,945
Other expenses related to staff	8,516,766	8,810,277
Subtotal	**747,088,635**	**687,036,167**
Employees Bonus	146,627,517	110,325,443
Grand total	**893,716,152**	**797,361,610**

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2074. All expenses related to employees of a bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, etc. Staff Loans are fair valued using the market rates.

OTHER OPERATING EXPENSE

4.37
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	2,109,000	1,361,000
Directors' expense	2,637,212	4,016,498
Auditors' remuneration	2,260,000	2,260,000
Other audit related expense	-	-
Professional and legal expense	2,254,065	1,865,805
Office administration expense	245,670,116	234,862,776
Operating lease expense	-	-
Corporate social responsibility expense	7,101,002	-
Other Expenses	48,661,266	42,694,869
Finance Expense- Lease	-	-
Share Issue Expenses	2,681,412	1,014,817
Deposit Product Insurance	1,933,393	859,828
Bank Charges	121,027	151,181
Mobile Banking Expenses	18,767,007	14,274,968
Registration and Renewals	7,059,504	7,007,902
Clearing Expenses	333,940	411,034
Software Licensing and Related Costs	10,938,893	10,325,856
DC Colocation Rent	3,796,800	3,796,800
Debenture & Other Related Expenses	382,750	882,339
Commission Expenses	-	-
Onerous lease provisions	-	-
Tax Related Expenses	-	-
Operating expense of investment properties	-	-
Other Operating Expenses	2,646,540	3,970,144
Total	**310,692,662**	**287,060,947**

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	22,770,575	23,859,263
Repair and maintenance		
(a) Building	2,829,179	3,076,153
(b) Vehicle	3,948,087	4,280,730
(c) Computer and accessories	2,427,991	534,176
(d) Office equipment and furniture	4,736,175	4,194,750
(e) Other	3,048,515	2,597,388
Insurance	9,524,370	6,274,385
Postage, telex, telephone, fax	6,970,101	5,334,110
Printing and stationery	14,288,629	14,196,437
News paper, books and journals	57,717	52,664
Advertisement	12,830,169	9,193,370
Security expense	52,099,975	50,672,469
Deposit and loan guarantee premium	26,983,884	26,031,524
Travel allowance and expense	12,700,925	12,735,605
Annual/special general meeting expenses	1,187,157	1,127,698
Other		
Fuel Expenses	9,377,977	10,072,520
Business Promotion Expenses	7,637,699	6,372,928
Technical/Consultancy Services Fee	2,686,407	2,089,874
Office Expenses	32,576,100	36,314,271
Annual Maintenance	8,774,304	7,336,222
Meeting Expenses	364,517	175,206
Branch Opening Expenses	-	-
Donation	-	-
Internet Expenses	7,849,663	8,341,035
Total	**245,670,116**	**234,862,776**

DEPRECIATION AND AMORTIZATION

4.38
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	73,015,129	80,072,128
Depreciation on Right of use Assets	71,589,267	73,524,844
Depreciation on investment property	-	-
Amortization of intangible assets	4,727,848	4,666,188
Net trading income	**149,332,245**	**158,263,160**

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	2,547,142	3,794,945
Other income	-	-
Net trading income	**2,547,142**	**3,794,945**

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 EXPENSES

4.40
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Loan written off	56,587,129	51,353,617
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Net trading income	**56,587,129**	**51,353,617**

INCOME TAX EXPENSES

4.41
Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Current tax expense		
Current year	431,795,768	323,962,147
Adjustments for prior years	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(20,743,156)	(784,482)
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
Net trading income	**411,052,612**	**323,177,665**

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	1,319,647,655	992,928,988
Tax amount at tax rate of 30%	395,894,296	297,878,696
Add: Tax effect of expenses that are not deductible for tax purpose	35,901,471	26,083,451
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
Total income tax expense	**431,795,768**	**323,962,147**
Effective tax rate	**32.72%**	**32.63%**

5. Disclosures & Additional Information

5.1 Financial Rish Management

Introduction and Overview

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

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. 4.20% 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 2083 23.22%

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. 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 provides 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 Components:

PARTICULARS	AMOUNT (RS)
Paid up Equity Share Capital	3,861,930,815
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	1,170,131,943
Retained Earnings	612,683,080
Un-audited current year cumulative profit/(loss)	-
Capital Redemption Reserve	-
Capital Adjustment Reserve	-
Debenture Redemption Reserve	428,571,429
Dividend Equalization Reserves	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible Assets	(12,318,291)
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	(210,000,000)
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	-
Total Common Equity Tier 1 Capital	**5,840,952,575**
Perpetual Non Cumulative Preference Share Capital	350,000,000
Total Tier 1 Capital	**6,190,952,575**

Tier 2 Capital and Breakdown of its Components:

PARTICULARS	AMOUNT (RS)
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	567,293,889
Hybrid Capital Instruments	-
General loan loss provision	600,254,627
Exchange Equalization Reserves	2,088,261
Investments Adjustment Reserves	50,000,000
Accrued Interest Receivable on pass loan included in Regulatory Reserve	49,856,353
Regulatory reserve for non-banking assets recorded within the last 24 months.	42,763,543
Interest Capitalized Reserve included in Regulatory Reserve	5,832,272
Other Reserve	-
Total Tier 2 Capital	**1,318,088,944**

Deduction from Capital:

The bank has invested in below metioned private equity funds, which have been deducted from Core Capital.

PARTICULARS	AMOUNT (RS)
National Equity Fund	100,000,000
Reliable Private Equity Fund	60,000,000
NIBL Equity Partners	50,000,000
Total Capital Fund	**210,000,000**

Total Qualifying Capital:

PARTICULARS	AMOUNT (RS)
Common Equity Tier 1 (CET 1)	5,840,952,575
Core Capital (Tier 1)	6,190,952,575
Supplementary Capital (Tier 2)	1,318,088,944
Total Capital Fund	**7,509,041,519**

CET 1 Capital to RWA	**11.02%**
Tier 1 Capital to RWE:	**11.68%**
Capital Fund to RWE:	**14.16%**

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	48,020,370,181
Risk Weighted Exposure for Operational Risk	3,466,598,687
Risk Weighted Exposure for Market Risk	11,345,439
Total Risk Weighted Exposures (Before Bank's adjustment of Pillar II)	**51,498,314,307**

Risk Weighted exposures under each 11 categories of Credit Risk:

PARTICULARS	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES
A. Balance Sheet Exposures						
Cash Balance	502,108,907	-	-	502,108,907	0%	-
Balance With Nepal Rastra Bank	2,644,109,552	-	-	2,644,109,552	0%	-
Investment in Nepalese Government Securities	12,630,273,000	-	-	12,630,273,000	0%	-
Claims on domestic banks that meet capital adequacy requirements	1,958,933,497	-	-	1,958,933,497	20%	391,786,699
Claims on domestic banks that do not meet capital adequacy requirements	630,654,981	-	-	630,654,981	100%	630,654,981
Claims on Domestic Corporates (Unrated)	6,819,188,895	-	-	6,819,188,895	100%	6,819,188,895
Regulatory Retail Portfolio (Not Overdue)	32,402,016,242	-	1,757,993,217	30,644,023,025	75%	22,983,017,269
Claims secured by residential properties	7,806,436,112	-	-	7,806,436,112	60%	4,683,861,667
Claims secured by residential properties (Overdue)	106,209,132	55,236,234	-	50,972,898	100%	50,972,898
Past due claims (except for claims secured by residential properties)	2,844,759,310	1,789,554,041	-	1,055,205,269	150%	1,582,807,904
High Risk claims	2,894,101,309	-	66,819,584	2,827,281,725	150%	4,240,922,588
Real Estate loans for land acquisition and development	985,437,448	-	-	985,437,448	125%	1,231,796,810
Lending against shares	1,874,286,908	-	-	1,874,286,908	100%	1,874,286,908
Personal Hirepurchase/Personal Auto Loans	291,945,516	-	-	291,945,516	100%	291,945,516
Investments in equity and other capital instruments of institutions listed in stock exchange	845,043,711	-	-	845,043,711	100%	845,043,711
Investments in equity and other capital instruments of institutions not listed in the stock exchange	66,004,600	-	-	66,004,600	150%	66,004,600
Staff loan secured by residential property	330,142,967	-	-	330,142,967	50%	330,142,967
Interest Receivable/claim on government securities	146,492,431	-	-	146,492,431	50%	146,492,431
Other Assets	2,010,724,586	278,137,840	-	1,732,586,746	100%	1,732,586,746
TOTAL (A)	**77,788,869,105**	**2,122,928,115**	**1,824,812,801**	**73,841,128,189**		**47,622,950,976**
B. Off Balance Sheet Exposures						
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	310,343,455	-	-	310,343,455	40%	124,137,382
Irrevocable Credit commitments (short term)	1,366,409,115	-	-	1,366,409,115	20%	273,281,823
TOTAL (B)	**1,676,752,570**	**-**	**-**	**1,676,752,570**		**397,419,205**
Total RWE for credit Risk (A)+(B)	**79,465,621,675**	**2,122,928,115**	**1,824,812,801**	**75,517,880,759**		**48,020,370,181**

Total Risk Weight Exposures calculation Table:

RISK WEIGHTED EXPOSURES	AMOUNT (RS)
Risk Weighted Exposure for Credit Risk	48,020,370,181
Risk Weighted Exposure for Operational Risk	3,466,598,687
Risk Weighted Exposure for Market Risk	11,345,439
Add: 2% of the total RWE added by Supervisory Review	1,029,966,286
Add: 2% of gross income added by Supervisory Review	495,732,422
Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	**53,024,013,015**
Total Core Capital	**6,190,952,575**
Total Capital	**7,509,041,519**

Amount of Non-Performing Assets (both Gross and Net):

PARTICULARS	GROSS AMOUNT (RS)	LOAN LOSS PROVISION (RS)	NET NPL (RS)
Restructured	-	-	-
Sub-Standard	385,125,036	101,465,345	283,659,691
Doubtful	308,141,113	263,384,598	44,756,515
Loss	1,483,047,139	1,479,940,331	3,106,808
Total Capital	**2,176,313,289**	**1,844,790,275**	**331,523,014**

5.2.3 Compliance with External Requirement

Bank has complied with externally imposed capital requirements to which it is subject and there are no such consequence where the institution has not complied with those requirement.

5.3 Classification of Financial Assets and Financial Liabilities

Analysis of financial instruments by measurement basis.

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in NFRS 9 and by headings of the Statement of Financial Position.

PARTICULARS	FAIR VALUE THROUGH PL	AMORTIZED COST	MEASURED AT FVTOCI	TOTAL
Financial Assets				
Cash & Cash Equivalents	-	1,492,916,101	-	1,492,916,101
Due from Nepal Rastra Bank	-	2,644,109,552	-	2,644,109,552
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Assets	-	-	-	-
Loan and Advances to B/FIs	-	1,584,461,749	-	1,584,461,749
Loans & Advances to Customers	-	54,203,871,013	-	54,203,871,013
Financial Investments - Measured at Fair Value through PL	-	-	-	-
Financial Investments - Measured at Fair Value through OCI	-	-	1,121,048,311	1,121,048,311
Financial Investments - Measured at Amortized cost	-	12,630,273,000	-	12,630,273,000
Other Financial Assets	-	662,460,342	-	662,460,342
Total Financial Assets	**-**	**73,218,091,756**	**1,121,048,311**	**74,339,140,068**
Financial Liabilities				
Due to Bank and Financial Institutions	-	566,106,644	-	566,106,644
Deposit from Customers	-	66,177,524,639	-	66,177,524,639
Other Liabilities	-	930,887,408	-	930,887,408
Debt Securities Issued	-	995,865,317	-	995,865,317
Total Financial Liabilities	**-**	**68,670,384,008**	**-**	**68,670,384,008**

5.4 Segment Reporting

PARTICULARS	PROVINCE 1	PROVINCE 2	PROVINCE 3	PROVINCE 4	PROVINCE 5	PROVINCE 6	PROVINCE 7	TOTAL
(a) Revenue from external customers	565,568,672.02	425,473,649.72	2,465,809,318.99	890,716,005.54	1,112,753,685.01	34,942,415.50	184,418,995.66	**5,679,682,742**
(b) Intersegment revenues	-	-	-	-	-	-	-	
(c) Net Revenue	-	-	-	-	-	-	-	
(d) Interest Revenue	534,225,180.62	401,030,971.49	2,220,852,792.23	818,749,674.24	1,040,651,757.73	32,866,490.15	172,647,778.56	**5,221,024,645**
(e) Interest Expense	84,385,937.01	67,161,154.56	1,172,834,964.95	770,675,886.95	642,728,344.47	7,648,984.51	36,520,202.70	**2,781,955,475**
(f) Net interest revenue (d-e)	449,839,244	333,869,817	1,048,017,827	48,073,787	397,923,413	25,217,506	136,127,576	**2,439,069,170**
(g) Depreciation and Amortization	13,139,123.11	12,048,871.67	70,176,454.07	24,108,046.15	23,961,933.76	812,501.93	5,085,314.31	**149,332,245**
(h) Segment profit/(loss)	132,506,391	96,401,689	228,555,836	211,201,077	187,866,195	8,709,754	43,354,101	**908,595,043**
(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	8,148,307,957	5,683,943,382	30,647,469,703	12,554,214,180	15,442,070,304	506,850,023	2,673,771,120	**75,656,626,669**
(m)Segment liabilities	2,363,849,030	2,060,254,884	23,967,680,820	21,491,781,685	17,557,428,760	208,261,852	1,026,147,430	**68,675,404,461**

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	Chairperson, 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	1,462,000
Audit Committee Meeting	246,000
Risk Management Committee Meeting	213,000
Staff Service and Facilities Committee Meeting	69,000
AML/CFT Committee Meeting	119,000
Total	**2,109,000**

In addition to above meeting allowance, following amount have been paid to director.

PARTICULARS	AMOUNT (RS.)
Newspaper and Periodical Facility (Rs. 5,000 per month)	392,000
Total	**392,000**

d) Transaction with other Key Managerial Personnel

Amount in Rs.

PARTICULARS	DEPUTY CHIEF EXECUTIVE OFFICER	CHIEF EXECUTIVE OFFICER
Salary and Allowances	12,212,012	14,203,008
Provident Fund	503,118	625,657
Other Perks	-	2,188,142
Total	**12,715,130**	**17,016,807**

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.

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 188,171,066/- of the net profits to General Reserve in the current year.

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening General Reserve	**981,960,877**	**845,877,892**
20% of Profit to be transferred	188,171,066	136,082,985
Closing General Reserve	**1,170,131,943**	**981,960,877**

ii. Exchange Equalization Reserve

Section 45 Bank and Financial Institutions Act 2073 requires, 25% of revaluation gain from foreign currency exchange rate differences to be transferred to Exchange Equalization Reserve and revaluation loss is charged to profit and loss account. 25% of Revaluation profit of foreign currency accounts during the current period amounting NPR 701,760/- been transferred to exchange fluctuation fund maintained by the Bank.

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening Exchange Equalization Reserve	**1,386,501**	**1,110,974**
25% of Revaluation gain	701,760	275,527
Closing Exchange Equalization Reserve	**2,088,261**	**1,386,501**

iii. Fair Value Reserve

The net change in fair value of financial assets that are measured at fair value and change in fair value is recognized in other comprehensive income until assets are derecognized. The amount transferred to this reserve during the year is:

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening Fair Value Reserve	**81,313,563**	**39,844,756**
Transfer/ Adjustment in Reserve	(43,833,293)	41,468,807
Closing Fair Value Reserve	**37,480,271**	**81,313,563**

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:

Amount in Rs.

PARTICULARS	32ND ASHADH 2083 (RS.)	32ND ASHADH 2082 (RS.)	31ST ASHADH 2081 (RS.)
Opening Balance of Regulatory reserve	477,845,082	649,365,921	700,767,867
Addition:			
Interest receivable on Loans and advances	(35,554,655)	(139,238,844)	31,107,340
Change in fair value of equity instrument	-	-	(31,099,538)
Deferred Tax Assets	6,917,318	13,290,691	(28,497,184)
Non-Banking Assets	4,917,345	(45,572,686)	(13,959,778)
Actuarial Gain/Loss	-	-	(8,952,786)
Closing Balance of Regulatory Reserve	**454,125,090**	**477,845,082**	**649,365,921**

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 LOSS RECOGNIZED IN OCI	TOTAL
Balance as on Ashad 31st 2076	**74,027,705**	**-**	**31,673,888**	**9,519,451**	**58,567,078**	**173,788,123**
Addition during the FY 2076-77	(1,163,841)	6,054,300	4,888,216	(2,937,602)	(18,631,389)	(11,790,316)
Balance as on Ashad 31st 2077	**72,863,864**	**6,054,300**	**36,562,104**	**6,581,849**	**39,935,689**	**161,997,807**
Addition during the FY 2077-78	(20,059,524)	15,876,000	(8,182,778)	1,951,066	(39,935,689)	(50,350,926)
Balance as on Ashad 31st 2078	**52,804,341**	**21,930,300**	**28,379,326**	**8,532,915**	**-**	**111,646,881**
Addition during the FY 2078-79	116,166,879	133,862,534	46,809,978	(4,907,673)	63,318,994	355,250,713
Balance as on Ashad 32nd 2079	**168,971,220**	**155,792,834**	**75,189,304**	**3,625,242**	**63,318,994**	**466,897,594**
Addition during the FY 2079-80	173,425,770	80,015,031	7,321,385	5,327,544	(32,219,456)	233,870,273
Balance as on Ashad 31st 2080	**342,396,990**	**235,807,865**	**82,510,689**	**8,952,786**	**31,099,538**	**700,767,867**
Addition during the FY 2080-81	31,107,340	(13,959,778)	(28,497,184)	(8,952,786)	(31,099,538)	(51,401,946)
Balance as on Ashad 31st 2081	**373,504,330**	**221,848,087**	**54,013,505**	**-**	**-**	**649,365,921**
Addition during the FY 2081-82	(139,238,844)	(45,572,686)	13,290,691	-	-	(171,520,839)
Balance as on Ashad 32nd 2082	**234,265,486**	**176,275,401**	**67,304,195**	**-**	**-**	**477,845,082**
Addition during the FY 2082-83	(35,554,655)	4,917,345	6,917,318	-	-	(23,719,992)
Balance as on Ashad 32nd 2083	**198,710,831**	**181,192,746**	**74,221,513**	**-**	**-**	**454,125,090**

Movement of AIR and ICTL

Amount in Rs.

PARTICULARS	AIR	ICTL	TOTAL
Opening balance	**459,094,202**	**11,601,970**	**470,696,172**
Adjustment during the year	(69,670,814)	116,478	(69,554,336)
Interest derecognized as per Interest Income recognition Guidelines	(1,883,587)	-	(1,883,587)
Closing balance	**387,539,800**	**11,718,448**	**399,258,248**
Balance of AIR and ICTL in Regulatory Reserve			**198,710,831**

vi. Investment Adjustment Reserve (IAR)

The Bank has maintained adequate reserve in compliance with NRB Directives 08/2082 for unlisted investments according to which 100% reserve to be created for investments not being listed.

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening IAR	**3,000,000**	**3,000,000**
Add: Additional Reserve during this year	50,000,000	-
Less: Adjustment in Reserve	(3,000,000)	-
Closing IAR	**50,000,000**	**3,000,000**

vii.Corporate Social Responsibility Reserve

Clause 17 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:

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening CSR Reserve	**7,818,304**	**5,829,036**
Add: Amount allocated to CSR reserve	9,085,950	6,697,513
Less: Expenses incurred from CSR Fund	(7,101,002)	(4,708,245)
Closing CSR Reserve	**9,803,253**	**7,818,304**

Sector wise bifurcation of CSR expenses is as follows;

Amount in Rs.

SECTOR	AMOUNT (RS.)
Education	3,748,905
Health	814,153
Financial Literacy	534,943
SDG	2,003,001
Total	**7,101,002**

Province wise bifurcation of CSR expenses is as follows;

Amount in Rs.

PROVINCE	AMOUNT (RS.)
Koshi Province	1,055,679
Madhesh Province	919,554
Bagmati Province	1,467,760
Gandaki Province	1,289,527
Lumbini Province	1,082,396
Karnali Province	761,293
Sudurpashchim Province	524,791
Total	**7,101,002**

viii. Staff Skill Development Fund

The Bank and Financial Institution are required to allocate and spent at least 3% of the previous year salary and allowances for the staff skill development as per Directive 6 of the Nepal Rastra Bank Directives. In case the allocated amount isn't spent, the same has to be carried forward to the next financial year in a Staff Skill Development Fund. In line of this requirement, the movement on the Skill Development Fund is as follows:

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening Balance	-	**4,091,428**
3% of the previous year salary and allowances	16,072,268	15,515,983
Total amount incurred for employee training and skill development program	11,664,201	19,807,346
Excess/(Deficit) amount incurred for employee training and skill development program	(4,408,067)	4,291,363
Staff Skill Development Fund carried forward to next year	**4,408,067**	**-**

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 2082-83, the bank has transferred Rs. 142,857,143/- to Debenture Redemption Reserve. Hence, the bank has allocated total of Rs. 428,571,429/- to Debenture redemption Reserve till this FY.

Amount in Rs.

SECTOR	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:

Amount in Rs.

PARTICULARS	AMOUNT (RS.)
1. Performing Loans and advances	**55,446,848,869**
1.1 Pass Loan	50,047,375,516
1.2 Watch List	5,399,473,353
2 Non-Performing Loan and Advances	**2,176,313,289**
2.1 Restructured / Rescheduled	-
2.2 Sub-standard	385,125,036
2.3 Doubtful	308,141,113
2.4 Loss	1,483,047,139
3 Total Loan and Advances (1+2)	**57,623,162,157**

The reconciliation of loans as per above and financials are as follows:

Amount in Rs.

PARTICULARS	AMOUNT (RS.)
Loan as per financial	58,435,189,897
Staff Loan Included	(603,900,740)
AIR on Loan	(387,539,800)
Staff Loan NFRS Adjustment	179,412,801
Total Loans (NRB)	**57,623,162,157**

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:

Amount in Rs.

PARTICULARS	THIS YEAR	PREVIOUS YEAR	P\L IMPACT
Loan Loss as per NRB	2,646,857,135	2,504,409,653	142,447,482
Good	504,716,147	467,025,575	37,690,573
Watch list	297,350,713	290,678,376	6,672,337
Substandard	101,465,345	25,519,161	75,946,184
Doubtful	263,384,598	57,210,583	206,174,015
Bad	1,479,940,331	1,663,975,958	(184,035,627)
Impairment as per ECL Guidelines	**2,389,903,429**	**1,808,010,449**	
Impairment to be considered (Higher of above two)	**2,646,857,135**	**2,504,409,653**	**142,447,482**

Loan Loss Provision as per Unified Directive 2082

Amount in Rs.

PARTICULARS	2082-83		2081-82	
	LOANS AND ADVANCES	LOAN LOSS PROVISION	LOANS AND ADVANCES	LOAN LOSS PROVISION
Pass	50,047,375,516	504,716,147	46,639,318,734	467,025,575
Watch list	5,399,473,353	297,350,713	5,682,014,036	290,678,376
Restructure	-	-	-	-
Substandard	385,125,036	101,465,345	105,261,638	25,519,161
Doubtful	308,141,113	263,384,598	118,808,870	57,210,583
Bad	1,483,047,139	1,479,940,331	1,669,866,113	1,663,975,958
Total	**57,623,162,157**	**2,646,857,135**	**54,215,269,392**	**2,504,409,653**

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 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 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 30 days past dues
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	Performing	12 months
Stage 2	Performing but has exhibited Significant increase in credit risk	Lifetime
Stage 3	Non-Performing Credit Impaired	Lifetime
Purchased or Originated Credit Impaired (POCI) financial assets		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.

The parameters are defined as follows:

S.N.	COMPONENT	DEFINITION
1.	Probability of Default (PD)	The Probability of Default (PD) represents the likelihood that the counterparty will not be able to meet its contractual obligation. 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). 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.
2.	Loss Given Default (LGD)	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. 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.
3.	Exposure At Default (EAD)	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. 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. The bank has utilized the CCF ratio and Utilization ratio provided by Nepal Rastra Bank in its Expected Credit Losses (ECL) Guideline, 2024. 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.

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

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 unutilized 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.

c. Individual Assessment Approach

Loans and Advance meeting the Bank's criteria for individual significance criteria are assessed individually, given their materiality and distinct risk characteristics. The Probability of Default (PD) for such borrowers is estimated using a logistic regression-based framework, combining a systematic risk component reflecting sensitivity to macroeconomic and sectoral conditions with behaviors adjustment based on borrower's days-past due history. Loss Given Default (LGD) is determined on an industry/sector basis. Exposure at Default (EAD) is assessed case-by-case basis, reflecting facility-level outstanding balances and accrued interest. Where an exposure doesn't meet the individual assessment threshold, or borrower-specific data is insufficient, it reverts to the General Approach.

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	FINANCIAL INSTRUMENT
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	UNITS	Q1	Q2	Q3	Q4
General government total expenditure (diff_B2)	Percent of GDP	0.575	0.717	0.699	0.521
Gross national savings (lag2_Z1)	Percent of GDP	41.154	41.790	42.270	42.571
Gross national savings (diff_Z1)	Percent of GDP	0.480	0.300	0.095	-0.137
General government net lending/borrowing (diff_B3)	Percent of GDP	-0.236	-0.247	-0.216	-0.143
Gross Capital Formation (diff_Y1)	Percent of GDP	1.469	1.595	1.469	1.089
General government net lending/borrowing (lag2_B3)	Percent of GDP	-2.285	-2.478	-2.714	-2.961

Upturn

VARIABLES	UNITS	Q1	Q2	Q3	Q4
General government total expenditure (diff_B2)	Percent of GDP	0.997	1.139	1.121	0.944
Gross national savings (lag2_Z1)	Percent of GDP	1.201	1.352	1.466	1.537
Gross national savings (diff_Z1)	Percent of GDP	1.283	1.097	0.885	0.646
General government net lending/borrowing (diff_B3)	Percent of GDP	0.527	0.510	0.557	0.669
Gross Capital Formation (diff_Y1)	Percent of GDP	2.834	2.960	2.834	2.455
General government net lending/borrowing (lag2_B3)	Percent of GDP	-0.617	-0.809	-1.045	-1.292

Downturn

VARIABLES	UNITS	Q1	Q2	Q3	Q4
General government total expenditure (diff_B2)	Percent of GDP	0.1527	0.2945	0.2766	0.0992
Gross national savings (lag2_Z1)	Percent of GDP	3.2011	3.3518	3.4657	3.5369
Gross national savings (diff_Z1)	Percent of GDP	-0.7173	-0.9028	-1.115	-1.3541
General government net lending/borrowing (diff_B3)	Percent of GDP	-1.4734	-1.4904	-1.4428	-1.3309
Gross Capital Formation (diff_Y1)	Percent of GDP	0.1042	0.2303	0.1037	-0.2756
General government net lending/borrowing (lag2_B3)	Percent of GDP	0.1527	0.2945	0.2766	0.0992

Probability Weighted

VARIABLES	UNITS	Q1	Q2	Q3	Q4
General government total expenditure (diff_B2)	Percent of GDP	0.5749	0.7167	0.6989	0.5215
Gross national savings (lag2_Z1)	Percent of GDP	17.782	18.127	18.388	18.55
Gross national savings (diff_Z1)	Percent of GDP	0.3617	0.1785	-0.0312	-0.2674
General government net lending/borrowing (diff_B3)	Percent of GDP	-0.3784	-0.393	-0.3521	-0.2557
Gross Capital Formation (diff_Y1)	Percent of GDP	1.4693	1.5954	1.4688	1.0895
General government net lending/borrowing (lag2_B3)	Percent of GDP	-1.0533	-1.1457	-1.3162	-1.5423

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.

Collateral Valuation

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.

Collateral values are excluded from the loss allowance calculation for loans that have defaulted and where the collateral has not been realized within 5 years of default.

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 & Building	5%	25%
2.	Vehicle	0%	50%
3.	Guarantees	0%	0%
4.	Fixed Assets	5%	25%
5.	Gold & Silver	5%	10%
6.	Non-Governmental Securities	5%	10%
7.	Others	0%	25%
8.	Insurance Policy	5%	25%
9.	Governmental Securities	2%	0%
10.	Share Securities	5%	10%
11.	Gold	10%	0%
12.	Other Fixed Assets	5%	25%

Quantitative Information

Impairment Charges

The following table shows the total Impairment Allowance of the Bank for the year ending.

PARTICULARS	PREVIOUS YEAR 2081/82	CURRENT YEAR 2082/83
Loans and Advances (A)	1,806,577,642	2,386,123,825
Loans to Staffs (B)	1,290,966	3,435,498
Off- Balance sheet Items (C)	141,840	344,106
Total Impairment (A+B+C)	**1,808,010,449**	**2,389,903,429**

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 2083			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loans & Advances (A)	358,021,864	619,469,049	1,408,632,913	2,386,123,825
Loans to Staffs (B)	3,435,498	-	-	3,435,498
Off Balance Sheet Items (C)	344,106	-	-	344,106
Total (A+B+C)	**361,801,468**	**619,469,049**	**1,408,632,913**	**2,389,903,429**

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	2,646,857,135
Total Impairment as per ECL	2,389,903,429

The higher of two above, i.e. 2,646,857,135/- 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. 21,146,813/- for gratuity expense in CIT for FY 2082-83.

Leave

The Bank has recognized an additional provision of NPR 20,093,658/- for accumulated leave liability in the current year. Being non-funded arrangement, total amount is booked as liability for bank. Moreover, leave encashment paid in excess of accumulated leave exceeding 60 days each of sick and annual leave is also charged in profit and loss account.

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Defined Benefit Obligations	119,689,631	99,595,973
Fair Value of Planned Assets	-	-
Net Liability	**119,689,631**	**99,595,973**

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;

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Lease Liabilities		
Current	74,248,085	65,147,728
Non-Current	323,492,563	403,617,043
Total Lease Liability	**397,740,648**	**468,764,771**
Reconciliation of Right of Use (ROU) Asset		
ROU Asset as of 1st Shrawan	367,999,897	423,739,415
Addition during the year	3,678,781	57,853,120
Depreciation	71,589,267	73,524,844
ROU Asset derecognized	7,793,002	40,067,794
Closing Balance	**292,296,409**	**367,999,897**
Reconciliation of Lease Liabilities		
Lease Liability as of 1st Shrawan	468,764,771	513,399,367
Addition during the year	3,678,781	57,853,120
Interest	44,382,421	46,671,646
Lease Payments	108,733,429	104,996,903
Lease Liability derecognized	10,351,896	44,162,459
Closing Balance	**397,740,648**	**468,764,771**

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)
Deferred tax on temporary differences on following items			
Investment Securities	-	16,062,973	(16,062,973)
Property and Equipment	-	79,767,166	(79,767,166)
Employees' Defined Benefit Plan	35,906,889	-	35,906,889
Lease Liabilities	119,322,194	-	119,322,194
Debentures	-	1,240,405	(1,240,405)
Deferred tax on temporary differences			58,158,540
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 2083			58,158,540
Recognised in profit or loss			74,221,513
Recognised in other comprehensive income			(16,062,973)
Recognised directly in equity			-
Deferred Tax (Asset)/ Liabilities as on Shrawan 01, 2082			(32,455,525)
Origination/(Reversal) during the year			25,703,015
Deferred Tax expense (income) recognized in profit or loss			20,743,156
Deferred Tax expense (income) recognized in OCI			4,959,859
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 32 Ashad, 2083 was NPR 603.90 Million. The difference between the fair value and NAS carrying amount was NPR 179.41 Million has been netted off against staff loans & recognized as deferred employee expenditure.

l. Weighted Average Interest Rate Spread

The interest rate spread between Loan and Deposit are shown as below;

PARTICULARS	ANNUAL AVERAGE %
Average Interest Rate of Loan	7.59%
Average Interest Rate of Deposit	3.61%
Average Interest Rate Spread	3.98%

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.

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Opening Balance	354,180,029	352,139,820
Addition during the year.	81,934,000	99,278,791
Disposal during the year	(72,053,861)	(97,238,582)
Closing Balance	**364,060,168**	**354,180,029**

List of Non-Banking Assets

Amount in Rs.

S.N.	NAME OF BORROWER	DATE OF ASSUMING NBA	TOTAL AMOUNT OF NBA
1	Mathagadhi Furniture Udhyog	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	Shree Pathivara Trade	15/07/2022	38,957,000
6	Grace Paper Mills Pvt Ltd	06/07/2022	16,719,295
7	Sabin & Brothers Pvt. Ltd.	14/07/2022	39,142,430
8	R.K Supplier and Traders	14/07/2022	20,281,141
9	Nawadurga Traders & Suppliers	09/10/2022	6,930,000
10	Parbat Alina Cosmetic Pasal	09/10/2022	5,780,000
11	Evergreen Drinking Water & Nitan Shrestha	14/01/2023	19,622,000
12	Namuna Mart Department Store Pvt. Ltd.	24/01/2023	23,776,895
13	Simon Business Pvt. Ltd.	20/02/2023	25,778,362
14	Threepage Collection & Rabindra Titung	18/01/2024	9,000,000
15	Jamir Suppliers&Jamir Ahamad	14/05/2024	5,408,000
16	Sonamai Saw Mill & Furniture Udhog&Mangal Mahato Sudi&Anil Kumar Sah	07/07/2024	13,946,375
17	Maa Rajdevi Saw Mill	07/07/2024	13,325,625
18	Kopila Krisi Tatha Pasupalan Farm	09/07/2024	7,066,000
19	Salok Suppliers	23/05/2025	8,669,700
20	Laxmi Trade & Suppliers	02/07/2025	13,068,628
21	M.K Shikhar Dhatu Udhyog Pvt. Ltd.	24/02/2026	11,567,000
22	Sitala Ekikrit Krishi Farm	11/06/2026	6,158,000
23	Tara Sunchadi Pasal	26/06/2026	11,000,000
24	Supadeurali Almunium & Steel Udhy, Chintamandi Subedi	30/06/2026	7,940,000
25	Lime Leaf Agro Pvt. Ltd	02/07/2026	27,519,000
	Total		**364,060,168**

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 shares as required under NAS 33 Earnings per share.

Amount in Rs.

PARTICULARS	UNITS	CURRENT YEAR	PREVIOUS YEAR
Profit attributable to equity shareholders	NPR	894,527,920	669,751,323
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	38,619,308	35,108,462
Earnings Per Share (EPS)	NPR	23.16	19.08
Diluted Earnings Per Share (DPS)	NPR	23.16	19.08

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. 880,858/- (Previous year Rs. 2,133,702). Details have been presented as under:

PARTICULARS	AMOUNT (RS.)
Dividend Payable FY 080/081	640,688
Dividend Payable FY 081/082	240,170
Total	**880,858**

r. Non-performing assets

The Banks' non-performing assets ratio stood at 3.78% as at balance sheet date. The total non-performing assets is as below:

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	CHANGE	
			AMOUNT	%
Performing Loan				
Pass	50,047,375,516	46,639,318,734	3,408,056,782	7%
Watch List	5,399,473,353	5,682,014,036	(282,540,684)	-5%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-		
Substandard	385,125,036	105,261,638	279,863,398	266%
Doubtful	308,141,113	118,808,870	189,332,243	159%
Loss	1,483,047,139	1,669,866,113	(186,818,974)	-11%
Gross Loans & Advances	**57,623,162,157**	**54,215,269,392**	**3,407,892,766**	**6%**

s. Interest Capitalization

The Bank has capitalized interest outstanding of Rs. 20,627,333/- as on Ashadh end 2083. 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.	11,718,448
Total	**20,627,333**

t. Loan write off

During the fiscal year following loans had been written off:

BORROWER NAME	AMOUNT WRITTEN OFF (RS.)
Aaiti Maya Gurung	74,065
Aarati Harijan	159,424
Ali Husen Dhuniya	4,226
Alisha Trading	567,128
Ambika Dewan Fakir	107,268
Ambika Fresh Aata Udhog	981,815
Anita Sunar	134,582
Anju Malla	102,792
Archana Shrestha	96,129
Arpana And Antara Traders	7,835
Bhumika Tiwari	116,647
Bipin Paudel	2,515,428
Bobby Bishowkarma Parts	170,653
Chandra Devi Kanauje	154,327
Chintamani Subedi	2,950,995
D and B Suppliers	614,721
Dhanisara Gharti	89,103
Dhanusha Fish House	1,000,000
Dharma Raj Sanjyal	1,016,702
Dil Kumari Khattri Chhetri	44,287
Dilmaya Rana	78,040
Durga Basnet	61,421
Gagan Bahadur B.K.	239,186
Gaura Devi Adhikari	153,846
Gena Kumari Ram	6,102
Gotame Auto Parts	6,486
Gulab Kali Tharu	102,783
Hari Kala Oli	212,736
Hema Kumari Rana Magar	181,137
Hemanti Nau	19,016
Hi Mart	704,791
Hiralal Kushawaha Hardware	748,685
Hotel Parsa	620,308
Jamuna Kumari Mahto	103,042
Jamuna Lama	49,561
Janaka Paudel	153,368
Janaki Kumari Bhandari	79,796
Kabita Karki	99,267
Kabita Nagarkoti	43,779
Kamala B.K	82,546
Kamala Shrestha	82,216
Karuna Tamang	38,549
Laxmi Acharya	78,219
Lime Leaf Agro Pvt. Ltd	554,226
M.K. Shikhar Dhatu Udhyog	10,740,687
Madhukar Thapa Chhetri	334,521
Mamta Mishra	102,588
Man Maya Gurung	162,465
Man Sari Thapa	126,450
Manisha Mallaha	87,377
Manju Malla	84,311
Manju Thapa	18,355
Maya Kumari Gupta	122,857
Maya Pun	36,368
Meena Devi Yadav	833,006
Megh Bahadur Basnet	818,123
Mina Thapa	156,725
Mina Gurung (Tamang)	135,395
Mina Karki	113,358
Mina Kumari Pun	219,039
Mojahir Bhaisi Suppliers	4,226
Momina Khatun	101,753
Muwarakhi Nesa	107,773
Nikita Cold Stores	943,039
Nilam B.K	58,735
Paima Devi Gurung	86,686
Panalal Sahani Malah	503,000
Parbati Bishokarma	18,668
Parbati Pariyar	111,211
Pima Kumari Khatri	70,379
Prashant Chaudhary	335,137
Priyashi Bk Shramkoti	68,222
Purna Shris Pun	60,818
Rajdevi Sabun Tatha Saref Udhyog	544,756
Rakshya Devi Bhusal	125,285
Ramila Bishowkarma	104,749
Ratna Sunkhari	94,442
Rekha B.K.	202,218
Rekha Harijan	50,507
Renshree Hamro Krishi Udhyog Pvt.Lt	2,356,699
Renuka Tharu	70,297
Rita Mijar	74,265
Sabita B.K	39,538
Sabita Gurung	34,846
Santu Rana	166,832
Sarada Nepali	23,701
Saraswati Joshi	30,858
Saraswati Sarki	28,822
Sarifun Nisha	126,377
Sarita Gurung	191,336
Sarita Sahi	89,396
Sarita Pariyar	255,334
Sati Tharu	69,271
Satyadevi Gurung	112,577
Shanta Sunar	59,534
Shiva Kumari Kewat	151,346
Shova Chand (Singh Thakuri)	116,559
Shree Maya Gurung	18,016
Sita B.K.	237,995
Sita Devi Gurung	72,934
Sita Kunwar	167,641
Sita Nepali	217,074
Sitala Akikrit Krishi Farm	974,278
Soni Bahumulya Krishi Farm	1,210,830
Srijana Ale Magar	28,772
Sun Kumari Gurung	57,289
Supadeurali Almunium And Steel Udhy	1,881,901
Tak Maya Pun	29,241
Tara Sunchadi Pasal	5,592,915
Tatribas Pasu Bikash Farm Tatha Kri	8,112,139
Tulasi Pathak (Shrestha)	166,094
Tulasi Sharki Nepali	30,970
Uma Kumari Chaudhary	27,669
V2 Collection	575,349
Yanu Gurung	97,976
Total	**56,587,129**

u. Subsidized Loan

The details of subsidized loan is as below:

PARTICULARS	NO. OF CUSTOMERS	AMOUNT (RS.)
Subsidized Loan	362	250,183,027

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 2026 till the signing of this financial statement on 07 August 2026.

PRINCIPAL INDICATORS

As on 32 Ashadh 2083

Amount in Rs.

S.N.	PARTICULARS	INDICATORS	2078/2079	2079/2080	2080/2081	2081/82	2082/83
1	Net Profit/Gross Income	%	9.62	4.78	7.80	10.53	16.00
2	Earnings Per Share	Rs	18.78	11.01	17.73	19.08	23.16
3	Market Value per Share	Rs	349.90	327.00	416.00	500.69	474.00
4	Price Earning Ratio	Ratio	18.63	29.69	23.46	26.25	20.46
5	Dividend (including bonus) on share capital	%	4.64	-	12.00	15.79	15.00
6	Cash Dividend on share Capital	%	0.23	-	5.00	5.79	15.00
7	Interest Income/Loans & Advances	%	13.22	15.86	14.34	11.31	9.36
8	Employee Expenses/Total Operating Exps	%	59.96	62.20	63.39	64.16	66.02
9	Interest Exps on Total Deposit and Borrowings	%	8.31	9.79	8.09	5.63	4.11
10	Exchange Fluctuation Gain/Total Income	%	0.001540	0.000691	0.006564	0.011884	0.012460
11	Staff Bonus/ Total Employee Expenses	%	15.58	8.90	15.10	16.06	19.63
12	Net Profit/Loans & Advances	%	1.34	0.78	1.18	1.27	1.63
13	Net Profit/ Total Assets	%	0.99	0.58	0.87	0.94	1.20
14	Total Credit/Deposit	%	88.33	83.92	84.03	85.38	86.34
15	Total Operating Expenses/Total Assets	%	1.95	1.85	1.79	1.74	1.79
16	Adequacy of Capital Fund on Risk Weighted Assets						
a.	Core Capital	%	8.59	8.62	9.61	9.91	11.68
b.	Supplementary Capital	%	3.54	3.62	2.89	2.67	2.49
c.	Total Capital Fund	%	12.13	12.24	12.50	12.58	14.16
17	Liquidity	%	23.99	24.49	24.69	24.49	25.12
18	Non Performing Loans/Total Loans	%	2.31	3.09	3.36	3.49	3.78
19	Weighted Average Interest Rate Spread	%	4.81	4.59	4.59	4.27	3.98
20	Book Net worth	Rs	4,364,579,329	4,735,703,257	5,384,343,357	5,937,460,610	6,981,222,208
21	Return on Equity	%	13.52%	7.63%	10.81%	11.28%	13.01%
22	Total Ordinary Shares	Number	31,425,770	32,811,647	32,811,647	35,108,462	38,619,308
23	Book Net Worth Per Share (Equity Shareholders)	Rs.	139	144	164	169	172
24	Reserve & Surplus	Rs	1,222,002,307	1,454,538,589	2,103,178,688	2,426,614,414	2,769,291,393
25	Total Employees	Number	955	1,031	988	966	969

COMPARISON OF PROJECTED FINANCIAL STATEMENTS PUBLISHED FOR THE ISSUANCE OF 9% KSBBL DEBENTURE 2087 AND AUDITED FINANCIAL STATEMENTS AS OF FY 2082-83

STATEMENT OF FINANCIAL POSITION	AS PER PROJECTED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
Assets					
Cash and Cash Equivalent	13,161,481,732	1,492,916,101	(11,668,565,631)	-88.66%	Cash is maintained as per necessity and NRB requirement.
Due from Nepal Rastra Bank	5,490,331,382	2,644,109,552	(2,846,221,830)	-51.84%	NRB balance is maintained as per NRB requirement.
Placement with Bank and Financial Institutions	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	0.00%	
Other Trading Assets	-	-	-	0.00%	
Loans and Advances to BFIs	1,551,110,980	1,584,461,749	33,350,769	2.15%	DSL loan was disbursed more than projected.
Loans and Advances to Customers	85,486,972,762	54,203,871,013	(31,283,101,749)	-36.59%	Credit growth has been affected due to low credit demand in market
Investment Securities	10,180,204,374	13,751,321,311	3,571,116,937	35.08%	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	-	364,060,168	364,060,168	0.00%	Investment property was created due to takeover of collateral from bad loans which was not expected.
Property and Equipment	873,043,753	826,326,286	(46,717,467)	-5.35%	Assets are purchased and disposed off according to actual
Goodwill and Intangible Assets	14,248,202	12,318,291	(1,929,911)	-13.54%	requirement of bank
Deferred Tax Assets	-	58,158,540	58,158,540	0.00%	Deferred tax asset is calculated on actual basis.
Other Assets	477,527,055	719,083,659	241,556,604	50.58%	Due to increase in deferred revenue expenditure and other bills receivable.
Total Assets	**117,349,381,852**	**75,656,626,669**	**(41,692,755,183)**	**-35.53%**	

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STATEMENT OF FINANCIAL POSITION	AS PER PROJECTED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
Liabilities					
Due to Bank and Financial Institutions	1,880,590,831	566,106,644	(1,314,484,187)	-69.90%	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	105,113,372,150	66,177,524,639	(38,935,847,511)	-37.04%	Deposit has been planned to maintain CD ratio at higher level.
Borrowings	-	-	-	0.00%	
Current Tax Liabilities	-	5,020,453	5,020,453	0.00%	Advance tax was planned effectively
Provisions	-	28,186,617	28,186,617	0.00%	Provisions were created as per actual requirement.
Deferred Tax Liabilities	-	-	-	0.00%	
Other Liabilities	1,228,840,301	902,700,791	(326,139,510)	-26.54%	Provisions were created as per actual requirement.
Debt Securities Issued	1,000,000,000	995,865,317	(4,134,683)	-0.41%	The difference is due to amortization of debenture as per NFRS.
Subordinated Liabilities	-	-	-	0.00%	
Total Liabilities	**109,222,803,281**	**68,675,404,461**	**(40,547,398,820)**	**-37.12%**	
Equity					
Share Capital	3,792,919,007	4,211,930,815	419,011,808	11.05%	Due to issuance of bonus shares which is more than projected and preference shares.
Share Premium	-	-	-	0.00%	
Retained Earnings	2,011,997,884	612,683,080	(1,399,314,804)	-69.55%	Impact in earning due to low credit demand in market
Reserves	2,321,661,679	2,156,608,314	(165,053,365)	-7.11%	Reserves are created on the basis of actual profit and as per regulatory requirement.
Total Equity Attributable to Equity Holders	8,126,578,571	6,981,222,208	(1,145,356,363)	-14.09%	
Non Controlling Interest		-			
Total Equity	**8,126,578,571**	**6,981,222,208**	**(1,145,356,363)**	**-14.09%**	
Total Liabilities and Equity	**117,349,381,852**	**75,656,626,669**	**(41,692,755,183)**	**-35.53%**	

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STATEMENT OF PROFIT OR LOSS	AS PER PROJECTED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
Interest income	10,192,706,051	5,221,024,645	(4,971,681,406)	-48.78%	Impact in interest income due to low credit demand in market
Interest expense	7,118,738,968	2,781,955,475	(4,336,783,493)	-60.92%	The difference in interest expense is due to fluctuation of interest rate which is published in monthly basis.
Net interest income	**3,073,967,082**	**2,439,069,170**	**(634,897,912)**	**-20.65%**	
Fee and commission income	445,066,552	373,743,997	(71,322,555)	-16.03%	Business growth has impactedthe fee and commission income
Fee and commission expense	3,399,395	25,303,943	21,904,548	644.37%	The increment is due to increment in VISA card related expenses which is more than projected.
Net fee and commission income	**441,667,158**	**348,440,054**	**(93,227,104)**	**-21.11%**	
Net interest, fee and commission income	**3,515,634,240**	**2,787,509,224**	**(728,125,016)**	**-20.71%**	
Net trading income	119,795	707,675	587,880	490.74%	Foreign exchange transaction is more than projected.
Other operating income	81,038,071	81,659,283	621,212	0.77%	Investment and NBAs are sold as per current market scenario
Total operating income	**3,596,792,107**	**2,869,876,182**	**(726,915,925)**	**-20.21%**	
Impairment charge/(reversal) for loans and other losses	158,628,588	142,447,482	(16,181,106)	-10.20%	Bank is able to maintain the LLP expenses lower than projected
Net operating income	**3,438,163,519**	**2,727,428,700**	**(710,734,819)**	**-20.67%**	
Operating expense		-		0.00%	
Personnel expenses	996,914,330	893,716,152	(103,198,178)	-10.35%	Personnel expenses is less than expected
Other operating expenses	555,528,378	310,692,662	(244,835,716)	-44.07%	Operating expenses have incurred less than expected.
Depreciation & Amortization	158,321,740	149,332,245	(8,989,495)	-5.68%	Actual purchase and sale of fixed assets have affected the depreciation.
Operating profit	**1,727,399,071**	**1,373,687,641**	**(353,711,430)**	**-20.48%**	
Non operating income	-	2,547,142	2,547,142	0.00%	Recovery of written off loans was not projected during preparation of projected report
Non operating expense	-	56,587,129	56,587,129	0.00%	Loan write off was not projected during preparation of projected report.
Profit before income tax	**1,727,399,071**	**1,319,647,655**	**(407,751,416)**	**-23.60%**	
Income tax expense		-	-	0.00%	
Current Tax	518,219,721	431,795,768	(86,423,953)	-16.68%	Tax expense is calculated on actual basis
Deferred Tax	-	(20,743,156)	(20,743,156)	0.00%	Deferred tax expense is calculated on actual basis.
Profit /(loss) for the period	**1,209,179,350**	**908,595,043**	**(300,584,307)**	**-24.86%**	Projected profit could not be achieved due to lower net interest income.

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2082-83

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
Assets					
Cash and Cash Equivalent	1,492,914,603	1,492,916,101	1,498	0.00%	Adjustment of interest on nostro accounts.
Due from Nepal Rastra Bank	2,644,109,552	2,644,109,552	-	0.00%	
Placement with Bank and Financial Institutions	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	-	
Other Trading Assets	-	-	-	-	
Loans and Advances to BFIs	1,584,461,749	1,584,461,749	-	0.00%	
Loans and Advances to Customers	54,210,170,989	54,203,871,013	(6,299,976)	-0.01%	Adjustment of final loan loss provision.
Investment Securities	13,743,674,130	13,751,321,311	7,647,181	0.06%	Adjustment of fair value of promoter shares and open ended mutual funds
Current Tax Assets	-	-	-	0.00%	
Investment in Subsidiaries	-	-	-	-	
Investment in Associates	-	-	-	-	
Investment Property	364,060,168	364,060,168	-	0.00%	
Property and Equipment	826,326,799	826,326,286	(513)	0.00%	Reclassification and adjustments
Goodwill and Intangible Assets	12,318,291	12,318,291	(0)	0.00%	Reclassification and adjustments
Deferred Tax Assets	39,709,538	58,158,540	18,449,002	46.46%	Final calculation of deferred tax assets.
Other Assets	718,668,513	719,083,659	415,146	0.06%	Adjustment of staff loan and receivables.
Total Assets	**75,636,414,333**	**75,656,626,669**	**20,212,336**	**0.03%**	

Contd...

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
Liabilities					
Due to Bank and Financial Institutions	566,106,644	566,106,644	-	0.00%	
Due to Nepal Rastra Bank	-	-	-	0.00%	
Derivative Financial Instruments	-	-	-	-	
Deposits from Customers	66,177,524,639	66,177,524,639	(0)	0.00%	
Borrowings	-	-	-	-	
Current Tax Liabilities	7,492,606	5,020,453	(2,472,153)	-32.99%	Actual tax is less due to adjustment in allowable expenses
Provisions	28,206,119	28,186,617	(19,502)	-0.07%	Minor adjustment
Deferred Tax Liabilities	-	-	-	-	
Other Liabilities	904,189,124	902,700,791	(1,488,333)	-0.16%	Reclassification of accounts and leave adjustment
Debt Securities Issued	998,543,938	995,865,317	(2,678,620)	-0.27%	Adjustment of amortization cost of debenture
Subordinated Liabilities	-	-	-	-	
Total Liabilities	**68,682,063,070**	**68,675,404,461**	**(6,658,608)**	**-0.01%**	
Equity		-	-	-	
Share Capital	4,211,930,815	4,211,930,815	-	0.00%	
Share Premium	-	-	-	-	
Retained Earnings	601,110,032	612,683,080	11,573,048	1.93%	Changes due to change in Profit figure after final audit.
Reserves	2,141,310,416	2,156,608,314	15,297,897	0.71%	Changes due to change in Profit figure after final audit.
Total Equity Attributable to Equity Holders	**6,954,351,263**	**6,981,222,208**	**26,870,945**	**0.39%**	
Non Controlling Interest	-	-			
Total Equity	**6,954,351,263**	**6,981,222,208**	**26,870,945**	**0.39%**	
Total Liabilities and Equity	**75,636,414,333**	**75,656,626,669**	**20,212,336**	**0.03%**	

Contd...

STATEMENT OF PROFIT OR LOSS	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
Interest income	5,192,758,289	5,221,024,645	28,266,356	0.54%	NFRS adjustment of staff loans
Interest expense	2,781,955,475	2,781,955,475	-	0.00%	
Net interest income	**2,410,802,814**	**2,439,069,170**	**28,266,356**	**1.17%**	
Fee and commission income	373,743,997	373,743,997	-	0.00%	
Fee and commission expense	25,303,943	25,303,943	-	0.00%	
Net fee and commission income	**348,440,054**	**348,440,054**	**-**	**0.00%**	
Net interest, fee and commission income	**2,759,242,868**	**2,787,509,224**	**28,266,356**	**1.02%**	
Net trading income	707,675	707,675	-	0.00%	
Other operating income	79,601,624	81,659,283	2,057,659	2.58%	Adjustment of amortization cost of debenture and other minor adjustments
Total operating income	**2,839,552,167**	**2,869,876,182**	**30,324,015**	**1.07%**	
Impairment charge/(reversal) for loans and other losses	136,548,126	142,447,482	5,899,356	4.32%	Adjustment of final loan loss provision
Net operating income	**2,703,004,041**	**2,727,428,700**	**24,424,659**	**0.90%**	
Operating expense		-			
Personnel expenses	867,079,129	893,716,152	26,637,023	3.07%	NFRS adjustment of staff loan, leave and bonus
Other operating expenses	304,092,108	310,692,662	6,600,554	2.17%	CSR expenses have been routed though Profit and Loss Account in audited financial, which was adjusted through reserve in unaudited. Adjustment of amortization cost of debenture
Depreciation & Amortization	149,332,245	149,332,245	-	0.00%	
Operating profit	**1,382,500,559**	**1,373,687,641**	**(8,812,918)**	**-0.64%**	
Non operating income	2,547,142	2,547,142	-	0.00%	
Non operating expense	56,587,129	56,587,129	-	0.00%	
Profit before income tax	**1,328,460,573**	**1,319,647,655**	**(8,812,918)**	**-0.66%**	
Income tax expense		-	-	0.00%	
Current Tax	434,282,447	431,795,768	(2,486,679)	-0.57%	Change in tax figure after audit.
Deferred Tax	-	(20,743,156)	(20,743,156)	0.00%	Change in tax figure after audit.
Profit /(loss) for the period	**894,178,126**	**908,595,043**	**14,416,917**	**1.61%**	
Preference Dividend	15,750,000	14,067,123	(1,682,877)	-10.68%	Preference dividend is calculated on actual number of days, which was calculated on monthly basis in unaudited financial
Profit for the Period after preference dividend	**878,428,126**	**894,527,920**	**16,099,793**	**1.83%**	





ADDITIONAL INFORMATION

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन नं.: ०१-४४१२३०७
Site: www.nrb.org.np
Email: nrbfisd@nrb.org.np
पोष्ट बक्स:७३

नेपाल राष्ट्र बैंक
वित्तीय संस्था सुपरिवेक्षण विभाग

पत्रसंख्या : वि.सं.सु.वि./गैर-स्थलगत/कामना सेवा/०८३/८४ मिति : २०८३/०५/०८
च.नं. ७८

श्री कामना सेवा विकास बैंक लिमिटेड,
ज्ञानेश्वर, काठमाण्डौं ।

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

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०८२/८३ को लेखापरीक्षण भएको वित्तीय विवरण तथा अन्य प्रतिवेदनहरुका आधारमा गैर-स्थलगत सुपरिवेक्षण गर्दा देखिएका कैफियतहरुका सम्बन्धमा देहाय बमोजिमका निर्देशनहरु शेयरधनीहरुको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्ने गरी संस्थाको आर्थिक वर्ष २०८२/८३ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा अनुरोध छ । साथै, संस्थाले प्रस्ताव गरे अनुसार आर्थिक वर्ष २०८२/८३ को नियमनकारी समायोजन पछिको वितरणयोग्य मुनाफा रु.६१,२६,८३,०८०।- बाट शेयरधनीहरुलाई २०८३ असार मसान्तको चुक्ता पुँजी रु.४,२१,१९,३०,८१४।९४ मध्ये अग्राधिकार शेयर पुँजी रु. ३५,००,००,०००।- बाँडफाँड भएको मितिबाट २०८३ असार मसान्त सम्म आनुपातिक रुपमा ९ प्रतिशतका दरले हुन आउने रकम रु.१,४०,६७,१२३।२९ (अक्षरेपी रु. एक करोड चालिस लाख सतसट्ठी हजार एक सय तेईस र पैसा उनन्तिस मात्र) र साधारण शेयर पुँजी रु.३,८६,१९,३०,८१४।९४ को १५ प्रतिशतले हुन आउने रकम रु.५७,९२,८९,६२२।२४ (अक्षरेपी रु. सन्ताउन्न करोड बयान्नबे लाख उनान्नबे हजार छ सय बाईस र पैसा चौबिस मात्र) नगद लाभांश (कर प्रयोजनको लागि समेत) 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 रुपमा कर्जा सदुपयोगिताको सुनिश्चितता गर्नुहुन ।
२. आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याएका कैफियतहरु 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-२ ।
श्री IBS (Individual Bank Supervisor) Officer

कामना सेवा
विकास बैक लि.
Kamana Sewa Bikas Bank Ltd.

चलानी नं.७३/२०८३/८४
मिति : ०८/०५/२०८३

श्री नेपाल राष्ट्र बैक
वित्तीय संस्था सुपरिवेक्षण विभाग
बालुवाटार, काठमाडौं ।

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महोदय,

उपरोक्त सम्बन्धमा तहाँको मिति २०८३/०५/०८ को पत्रसंख्या: वि.सं.सु.वि./गैर-स्थलगत/कामना सेवा/०८३/८४ चलानी नं. ७८ को पत्र प्राप्त भई व्यहोरा अवगत भयो । यस बैकको वार्षिक साधारणसभा प्रयोजनको लागि वित्तीय विवरण प्रकाशन गर्न स्वीकृति प्रदान गर्नु भएकोमा विशेष धन्यवाद सहित आभार प्रकट गर्दछौं । साथै, तहाँबाट प्राप्त निर्देशनको सम्बन्धमा मिति २०८३/०५/०८ गते बसेको सञ्चालक समितिको ४२१ औं बैठकको निर्णय बमोजिम निम्नानुसार प्रष्ट पारिएको व्यहोरा जानकारीको लागी अनुरोध छ ।

१. तहाँबाट प्राप्त निर्देशन बमोजिम कर्जा प्रवाह पश्चात अनिवार्य रुपमा कर्जा सदुपयोगिताको सुनिश्चितताको लागि छुट्टै इकाई स्थापना गरी बैकद्वारा प्रवाहित कर्जाहरुको नियमित रुपमा अनुगमन गर्ने कार्य निरन्तर भईरहेको तथा सो कार्यलाई थप प्रभावकारी बनाउनको निमित्त आवश्यक कामकार्यबाहीहरु अघि बढाईने व्यहोरा जानकारीको लागि अनुरोध छ ।
२. आन्तरिक लेखापरीक्षण, बाह्य लेखापरिक्षक तथा तहाँ बैंकबाट औल्याएका कैफियतहरु पुन: दोहोरिन नदिने गरी कार्यान्वयन गरिरहेको र सो कार्यलाई आगामी दिनमा थप प्रभावकारी बनाइने व्यहोरा जानकारीको लागि अनुरोध छ ।

भवदीय,

कामना सेवा विकास बैक 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

Central Office, Kathmandu-30, Gyaneshwor
Tel: 01-5970030
Toll Free: 16600113000 (NTC), 9801571101 (NCELL)
Email: customercare@kamanasewabank.com
Website: www.kamanasewabank.com

'प्रगतिको आधार, कामना सेवा सँग कारोबार'
846532
PHOTOCOPY PHOTOCOPY PHOTOCOPY

As certain provisions of the Memorandum of Association of Kamana Sewa Bikas Bank Limited need to be amended in line with prevailing requirements, the following clauses are hereby proposed for amendment.

KAMANA SEWA BIKAS BANK LIMITED

Three Tier Details regarding Amendments in Memorandum of Association

Clause	Existing Provisions	Proposed Provisions	Reason for Amendments
4 (Nga)	To carry out merchant banking business in accordance with the directives issued by Nepal Rastra Bank	To carry out merchant banking-related activities through a Subsidiary Company, after obtaining the requisite approval from the Securities Board of Nepal, in accordance with prevailing laws, regulations, and applicable policy provisions.	The amendment is proposed to further clarify and specifically incorporate the merchant banking-related activities to be undertaken by the Bank.
4 (Cha)	N/A	To establish a Collective Investment Fund (Mutual Fund) and operate as the Fund Sponsor/Promoter of such fund.	As the Bank has initiated the process of establishing a Subsidiary Company to undertake merchant banking activities, it is considered appropriate to establish a Collective Investment Fund and act as its Fund Sponsor/ Promoter.
4 (Chha)	N/A	To undertake activities as a securities broker, securities dealer/trader, and member of the securities exchange through a Subsidiary Company, after obtaining the requisite approval from Securities Board of Nepal and in accordance with prevailing laws, regulations, and applicable policy provisions.	In view of the prevailing regulatory framework, it is considered appropriate for the Bank to undertake securities-related activities through its Subsidiary Company, subject to the required regulatory approvals and applicable laws.


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Some Glimpses from the 19th Annual General Meeting



Dignitaries Seated on the Stage of the Annual General Meeting



Chairperson inagurating the general meeting by lighting the ceremonial lamp



Chairperson presenting the BOD Report



Shareholder expressing his queries



Coordinator of the Audit Committee presenting the Audit Committee Report



Chairperson addressing the queries of Shareholders

FLAGSHIP EVENT

KAMANA SEWA FUTSAL CUP

"Building Connections Beyond Banking"

Kamana Sewa Futsal Cup is one of the Bank's flagship annual events, organized as part of its anniversary celebrations to bring together professionals from across the banking sector through sports, teamwork and healthy competition.

Beyond the tournament, the initiative serves as a platform for strengthening inter-bank relationships, encouraging professional networking and fostering camaraderie among employees across the industry. Participation in sports also supports physical and mental well-being, stress management, teamwork, coordination and strategic thinking, contributing to enhanced employee engagement and a collaborative culture.
As part of its 19th Anniversary celebrations, Kamana Sewa Bikas Bank successfully organized the fifth season of the Kamana Sewa Futsal Cup on 10 and 11 August 2025, continuing one of the Bank's flagship annual initiatives.

The fifth season witnessed participation from a total of 26 teams, comprising 17 men's teams and 9 women's teams. After a series of competitive matches, Siddhartha Bank Limited emerged as the Men's Champion, while Lumbini Bikas Bank Limited secured the Women's Champion.

Category	Position	Champion
Men's	17	Siddhartha Bank Limited
Women's	9	Lumbini Bikas Bank Limited
Total	**26**	

Having successfully completed five seasons, the Kamana Sewa Futsal Cup has developed into a recurring platform that goes beyond sporting competition. It promotes teamwork, employee well-being and camaraderie while enabling professionals across the banking industry to connect beyond their regular workplace environment.

Through the continued organization of the tournament, the Bank seeks to strengthen industry engagement, encourage a culture of collaboration and healthy competition, and enhance its institutional presence within Nepal's banking community.



Champions Male:
Siddhartha Bank Limited



Champions Female:
Lumbini Bikas Bank Limited



ATM Locations

S.NO	ATM	DISTRICT	LOCATION
1	Amarsingh ATM	Kaski	Pokhara Metropolitan City-10, Kaski
2	Baglung ATM	Baglung	Baglung Municipality-3, Baglung
3	Bardibas ATM	Mahottari	Bardibas Municipality-1, Mahottari
4	Bashabasahi	Parasi	Sarawal Rural Municipality-1, Nawalparasi
5	Beni ATM	Myagdi	Beni Municipality-8, Myagdi
6	Bhairahawa ATM	Rupandehi	Siddarthanagar Municipality-12, Rupandehi
7	Bhangal ATM	Kathmandu	Budhanilkantha Municipality-8, Kathmandu
8	Bhimsengola ATM	Kathmandu	Kathmandu Metropolitan City-31, Kathmandu
9	Bikash Chowk ATM	Chitwan	Bharatpur Metropolitan City-5, Chitwan
10	Biratchowk ATM	Morang	Sundarharaicha Municipality-12, Morang
11	Biratnagar	Morang	Biratnagar Metropolitan City-7, Morang
12	Birauta ATM	Kaski	Pokhata Metropolitan City-17, Kaski
13	Birgunj ATM	Parsa	Birgunj Metropolitan City-10, Parsa
14	Birtamod ATM	Jhapa	Birtamod Metropolitan City-4,Jhapa
15	Butwal ATM	Rupandehi	Butwal Sub-Metropolitan City-6, Rupandehi
16	Chapali ATM	Kathmandu	Budhanilkhantha Municipality-2, Kathmandu
17	Chhinedanda branch	Kaski	Pokhara Metropolitan City-14, kaski
18	Daldale ATM	Parasi District	Devchuli Municipality-1, Nawalparasi
19	Damak ATM	Jhapa	Damak Municipality-6, Jhapa
20	Damauli ATM	Tanahu	Byas Municipality-3, Tahahun
21	Deep Branch ATM	Kaski	Pokhara Metropolitan City-16, Kaski
22	Dhading ATM	Dhading	Nilkantha Municipality-3, Dhading
23	Dhangadhi ATM	Kailali	Dhangadi Sub-Metropolitan City-4, Kailali
24	Dharan ATM	Sunsari	Dharan Sub-Metropolitan City-12, Sunsari
25	Dhungepatan ATM	Kaski	Pokhara Metropolitan City-30, kaski
26	Dumkibas ATM	Parasi District	Binayi Tribeni Rural Municipality-1, Nawalparasi East
27	Dumre ATM	Tanahu	Bandipur Rural Municipality-1, Tanahun
28	Gaighat ATM	Udayapur	Triyuga Municipality-11, Udayapur
29	Golbazar ATM	Siraha	Golbazar Municipality-4, Siraha
30	Gongabu ATM	Kathmandu	Tokha Municipality-9, Kathmandu
31	Gorusinge ATM	Kapilvastu	Buddhabhumi Municipality-2, Kapilvastu
32	Gwarko ATM	Kathmandu	Lalitpur Metropolitian City-17, Lalitpur
33	Hakim chowk ATM	Chitwan	Bharatpur Metropolitian City-10, Chitwan
34	Hariwon ATM	Sarlahi	Hariwon Municipality-11, Sarlahi
35	Hattiban ATM	Lalitpur	Mahalaxmi Municipality-4,Lalitpur

ATM Locations

S.NO	ATM	DISTRICT	LOCATION
36	Horizonchowk ATM	Rupandehi	Butwal Sub-Metropolitian City-11, Rupandehi
37	Itahari ATM	Sunsari	Itahari Sub-Metropolitian City-9, Sunsari
38	Jagati ATM	Bhaktapur	Bhaktapur Municipality-7, Bhaktapur
39	Jhalunge ATM	Syangja	Waling Municipality-13, Syangja
40	Khaireni ATM	Rupandehi	Devdaha Municipality-7, Rupandehi
41	Khurkhure ATM	Chitwan	Rapti Municipality-3, Chitwan
42	Kotihawa ATM	Rupandehi	Tilottama Municipality-15, Rupandehi
43	Kumaripati ATM	Lalitpur	Lalitpur Metropolitian City-20, Lalitpur
44	Lahan ATM	Siraha	Lahan Municipality-6, Siraha
45	Lekhnath ATM	Kaski	Pokhara Metropolitian City-27, Kaski
46	Lokanthali ATM	Bhaktapur	Madhyapur Thimi Municipality-1, Bhaktapur
47	Mahendranagar ATM	Kanchanpur	Bhimdatta Municipality-18, Kanchanpur
48	Mahuli ATM	Saptari	Agnisair Krishna Sabaran Rural Municipality-6, Saptari
49	Main branch ATM	Kathmandu	Kathmandu Metropolitian City-30, Kathmandu
50	Manamaiju ATM	Kathmandu	Tarakeshwor Municipality-10, Kathmandu
51	Nakkhu branch	Lalitpur	Lalitpur Metropolitian City-13, Lalitpur
52	Narayanghat ATM	Chitwan	Bharatpur Metropolitian City-8, Chitwan
53	Nepalgunj ATM	Banke	Nepalganj Sub-Metropolitian City-1, Banke
54	New Baneshwor ATM	Kathmandu	Kathmandu Metropolitian City-10, Kathmandu
55	Newroad Kathmandu ATM	Kathmandu	Kathmandu Metropolitian City-22, Kathmandu
56	Parsyang ATM	Kaski	Pokhara Metropolitian City-5, Kaski
57	Pathari ATM	Morang	Pathari Shanishchare Municipality-1, Morang
58	Radhe Radhe ATM	Bhaktapur	Madhyapur Thimi Municipality-5, Bhaktapur
59	Rajbiraj ATM	Saptari	Rajbiraj Municipality-4, Saptari
60	Saljhandi ATM	Rupandehi	Sainamaina Municipality-10, Rupandehi
61	Sanagaun ATM	Lalitpur	Mahalaxmi Municipality-5, Lalitpur
62	Sharadanagar ATM	Chitwan	Bharatpur Metropolitian City-2, Chitwan
63	Srijana chowk ATM	Kaski	Pokhara Metropolitian City-8, Kaski
64	Swayambu ATM	Kathmandu	Kathmandu Metropolitian City-15, Kathmandu
65	Tandi ATM	Chitwan	Ratnanagar Municipality-1, Chitwan
66	Urlabari ATM	Morang	Urlabari Municipality-7, Morang

Differently Abled Friendly Branches

S.NO	BRANCH	PROVINCE	DISTRICT	CONTACT NO.
1	Mahendranagar	Sudur Paschim	Kanchanpur	9851366273
2	Mainabagar	Lumbini	Rupandehi	9851366288
3	Sukkhad	Sudur Paschim	Kailali	9851366276
4	Shantinagar Ext. Counter	Bagmati	Kathmandu	9851366220
5	Newroad Ktm	Bagmati	Kathmandu	9851366215
6	Dhungepatan	Gandaki	Kaski	9851366261
7	Amarsingh	Gandaki	Kaski	9851366262
8	Bhairahawa	Lumbini	Rupandehi	9851366331
9	Waling	Gandaki	Syangja	9851366231
10	Bardaghat	Lumbini	Nawalparasi West	9851366299
11	Beni	Gandaki	Myagdi	9851366240
12	Galchhi	Bagmati	Dhading	9851366218
13	Boudha	Bagmati	Kathmandu	9851366212
14	Kusma	Gandaki	Parbat	9851366239
15	Duipiple	Gandaki	Lamjung	9851366227
16	Nepalgunj	Lumbini	Banke	9851366344
17	Chhinedanda	Gandaki	Kaski	9851366263
18	Dulegauda	Gandaki	Tanahun	9851366226
19	Horizonchowk	Lumbini	Rupandehi	9851366291

Branch Networks

Koshi Province

Biratchowk Branch Morang 9851366173	Budhabare Branch Jhapa 9851366179	Inaruwa Branch Sunsari 9851366175	Pathari Branch Morang 9851366176
Biratnagar Branch Morang 9851366177	Damak Branch Jhapa 9851366327	Itahari Branch Sunsari 9851366174	Urlabari Branch Morang 9851366178
Birtamod Branch Jhapa 9851366180	Dharan Branch Sunsari 9851366172	Ittabhatta Branch Jhapa 9851366183	

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	Bhimsengola Branch Kathmandu 9851366307	Bouddha Branch Kathmandu 9851366212	Chapali Branch Kathmandu 9851366208
Bhangal Branch Kathmandu 9851366209	Bhotahity Branch Kathmandu 9851366214	Chabahil Branch Kathmandu 9851366216	Dhading Branch Dhading 9851366219

Galchhi Branch
Dhading
9851366218

Kalanki Branch
Kathmandu
9851366213

Manamaiju Branch
Kathmandu
9851366210

Sanagau Branch
Lalitpur
9851366202

Gongabu Branch
Kathmandu
9851366207

Kuleshwor Branch
Kathmandu
9851366200

Nakhhu Branch
Lalitpur
9851366201

Swoyambhu Branch
Kathmandu
9851366205

Gwarko Branch
Lalitpur
9851366197

Kumaripati Branch
Lalitpur
9851366313

New Baneshwor Branch
Kathmandu
9851366211

Thamel
Kathmandu
9851366217

Hattiban Branch
Lalitpur
9851366142

Lokanthali Branch
Bhaktapur
9851366203

New Road KTM Branch
Kathmandu
9851366215

Shantinagar Branch
Kathmandu
9851366220

Jagati Branch
Bhaktapur
9851366204

Main Branch
Kathmandu
9851366334

Radhe Radhe Branch
Bhaktapur
9851366328

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

Kawasoti Branch
Nawalparasi
9851366242

Pragatinagar Branch
Nawalparasi
9851366247

Pokhara Region

Amarsingh Branch
Kaski
9851366262

Baglung Branch
Baglung
9851366237

Baisjagar Branch
Tanahun
9851366224

Beni Branch
Myagdi
9851366240

Besisahar Branch
Lamjung
9851366222

Birauta Branch
Kaski
9851366234

Chhinedanda Branch
Kaski
9851366263

Damauli Branch
Tanahun
9851366221

Deep Branch
Kaski
9851366232

Dhungepatan Branch
Kaski
9851366261

Duipiple Branch
Lamjung
9851366227

Dulegauda Branch
Tanahun
9851366226

Dumre Branch
Tanahun
9851366223

Galkot Branch
Baglung
9851366241

Jhalunge Branch
Syangja
9851366236

Kusma Branch
Parbat
9851366239

Lekhnath
Kaski
9851366260

Newroad Pokhara Branch
Kaski
9851366229

Parsyang Branch
Kaski
9851366348

Srijanachowk Branch
Kaski
9851366233

Sundarbazar Branch
Lamjung
9851366228

Waling Branch
Syangja
9851366231

Butwal Region

Bardaghat Branch
Nawalparasi
9851366299

Bashabasahi Branch
Nawalparasi
9851366296

Bethari Branch
Rupandehi
9861366284

Bhairahawa Branch
Rupandehi
9851366331

Butwal Branch
Rupandehi
9851366329

Chandrauta Branch
Kapilvastu
9851366282

Gargare Branch
Rupandehi
9851366283

Gorusinge Branch
Kapilvastu
9851366280

Horizonchowk Branch
Rupandehi
9851366291

Mainiya Branch
Rupandehi
9851366293

Pharsatikar Branch
Rupandehi
9851366289

Taulihawa Branch
Kapilvastu
9851366281

Khaireni Branch
Rupandehi
9851366286

Manigram Branch
Rupandehi
9851366292

Rampur Branch
Palpa
9851366287

Thada Branch
Arghakhanchi
9851366293

Kotihawa Branch
Rupandehi
9851366294

Palpa Branch
Palpa
9851366290

Saljhandi Branch
Rupandehi
9851366279

Mainabagar Branch
Rupandehi
9851366288

Parasi Branch
Nawalparasi
9851366295

Susta Branch
Nawalparasi
9851366300

Western Region

Attariya Branch
Kailali
9851366275

Ghorahi Branch
Dang
9851366305

Lamki Branch
Kailali
9851366277

Sukkhad Branch
Kailali
9851366276

Baijanath Branch
Banke
9851366266

Kohalpur
Banke
9851366265

Mahendranagar Branch
Kanchanpur
9851366273

Surkhet Branch
Surkhet
9851366267

Dhangadhi Branch
Kailali
9851349706

Lamahi Branch
Dang
9851366269

Nepalgunj Branch
Banke
9851366344

Tulsipur Branch
Dang
9851366270

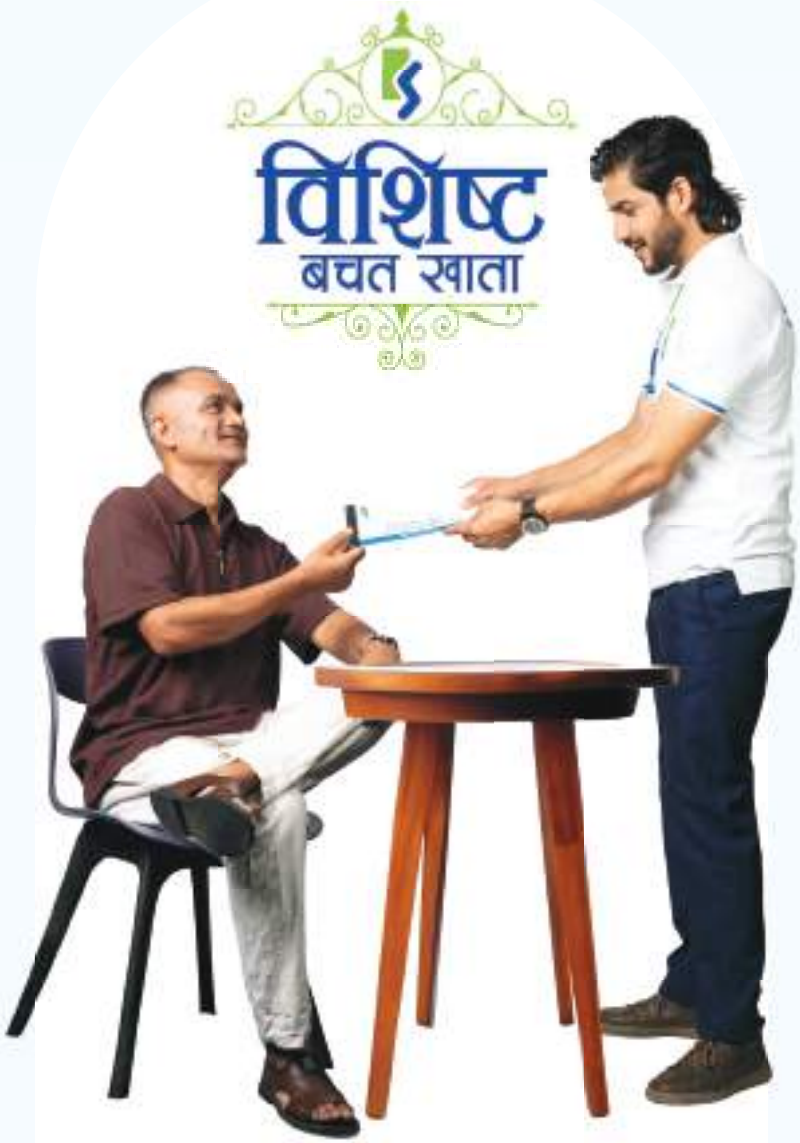
NOTES

NOTES

NOTES

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

DOORSTEP BANKING



- Deposits/ Withdrawals
- Fixed Deposit Slip Delivery
- Cheque Book Delivery
- Balance Certificate Delivery
- Bank Statement Delivery
- ATM Card Request & Delivery

* Doorstep banking service is currently available within the Kathmandu Valley!

FREE SERVICES

- Debit Card
- Mobile Banking Services
- Locker Facilit y
- Demat & Meroshare Services

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

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EMAIL: customercare@kamanasewabank.com

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