

you
only
need
one


Personalised Profile


Security


Bank Statement


Shop Online


Spend Analysis


QR Payment


Book Tickets


Transfer Funds


Instant Loans


YONO Cash

yono
Nepal SBI Bank

Banking for
Tomorrow



Serving you since 1993



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

THE MOST PREFERRED BANK FOR A TRANSFORMING NEPAL

Glimpses of 27th Annual General Meeting



Ongoing construction of Corporate Office of Nepal SBI Bank Ltd.



नेपाल एसबिआई बैंक लिमिटेडका शेयरधनी महानुभावहरूलाई अट्टाइसौं वार्षिक साधारण सभा सम्बन्धी सूचना

शेयरधनी महानुभावहरू,

यस बैंक संचालक समितिको मिति २०७८ मंसिर ०७ गते बसेको ४७७औं बैठकको निर्णय बमोजिम यस बैंकको अट्टाइसौं वार्षिक साधारण सभा देहायको मिति, स्थान र समयमा निम्न प्रस्ताव उपर छलफल गर्न बस्ने भएकोले बैंकका शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने मिति : २०७८ साल पौष २० गते मंगलवार, तदनुसार ४ जनवरी, २०२२

स्थान : त्रिभुवन आर्मी अफिसर्स क्लब, भद्रकाली, काठमाडौं ।

समय : बिहान ११ बजे ।

बैंकको २८औं वार्षिक साधारण सभाको छलफलको विषयसूची :

क) सामान्य प्रस्ताव :

१. आ.व. २०७७/७८ का लागि संचालक समितिको प्रतिवेदन उपर छलफल गरी पारित गर्ने ।
२. लेखापरीक्षकको प्रतिवेदनसहितको आ.व. २०७७/७८ को वार्षिक आर्थिक विवरण (आषाढ मसान्त २०७८ को वासलात, आ.व. २०७७/७८ को नाफानोक्सान हिसाब र सोही अवधिको नगदप्रवाह विवरणलगायत वार्षिक आर्थिक विवरणसँग सम्बन्धित अनुसूचीहरू समेत) छलफल गरी पारित गर्ने ।
३. यस बैंकको सहायक कम्पनी "नेपाल एसबिआई मर्चेण्ट बैकिङ्ग लि." को आ.व. २०७७/७८ को वित्तीय विवरण सहितको एकीकृत (Consolidated) वित्तीय विवरण स्वीकृत गर्ने ।
४. संचालक समितिले प्रस्ताव गरे अनुसार शेयरधनीहरूलाई रु. १७,१८,३३,७५९.७५ बराबर (चुक्ता पूँजीमा १.८१ प्रतिशतका दरले) नगद लाभांश (बोनस शेयर तथा नगद लाभांशमा लाग्ने कर सहित) वितरण गर्ने प्रस्ताव पारित गर्ने ।
५. बैंकको लेखापरीक्षण समितिले सिफारिस गरे अनुसार आ.व.२०७८/७९ को लागि लेखापरीक्षकको नियुक्ति र निजको पारिश्रमिक निर्धारण गर्ने ।
६. सर्वसाधारण शेयरधनी समूहको तर्फबाट संचालक समितिमा प्रतिनिधित्व गर्ने एक जना संचालकको निर्वाचन गर्ने ।
७. विविध (अध्यक्षज्यूको अनुमतिमा) ।

ख) विशेष प्रस्ताव:

१. बैंकको संचालक समितिले प्रस्ताव गरे अनुसार शेयरधनीहरूलाई रु.३३,२२,७५,२२६.०३ बराबर (चुक्ता पूँजीमा ३.५० प्रतिशतका दरले) बोनस शेयर वितरण गर्ने प्रस्ताव पारित गर्ने ।
२. विशेष प्रस्ताव नं. १ बमोजिम कम्पनीको जारी तथा चुक्ता पूँजीमा परिवर्तन गर्नुपर्ने भएका कारण तथा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ र कम्पनी ऐन, २०६३ मा भएको व्यवस्थाको अनुपालना गर्नका लागि बैंकको प्रबन्धपत्र तथा नियमावलीको विभिन्न दफा/नियममा संशोधन गर्ने सम्बन्धी प्रस्ताव पारित गर्ने ।
३. बैंकले आ.व. २०७७/७८ मा संस्थागत सामाजिक उत्तरदायित्व वहन गर्ने क्रममा विभिन्न संस्थागत सामाजिक उत्तरदायित्व कार्यक्रम संचालन गर्न गरिएको खर्च रु. १,२१,१३,९२२.१७ कम्पनी ऐन, २०६३ को दफा १०५ को उपदफा १ को खण्ड (ग) ले निर्धारण गरेको सीमा नाघेको हुँदा सो अन्तर्गत भएको खर्च रु. १,२१,१३,९२२.१७ लाई अनुमोदन गर्ने ।
४. बैंकले अन्य उपयुक्त बैंक तथा वित्तीय संस्थाहरू गाभ्ने/गाभिने (मर्जर) वा प्राप्ति (एक्विजिसन) गर्न आवश्यक सहमति र सम्झौता गर्ने लगायत बैंक तथा वित्तीय संस्थाहरू गाभ्ने/गाभिने (मर्जर) वा प्राप्ति (एक्विजिसन) गर्ने/गराउने सम्बन्धमा प्रचलित नियम, कानून बमोजिम बैंकको तर्फबाट गर्नुपर्ने सम्पूर्ण आवश्यक कार्यहरू गर्ने/गराउने अख्तियारी संचालक समितिलाई प्रत्यायोजन गर्ने ।
५. नियामक निकायहरूको निर्देशन बमोजिम प्रबन्धपत्र तथा नियमावलीका प्रस्तावित संशोधनहरूमा परिमार्जन गर्न आवश्यक र उपयुक्त भएमा सो कार्यका लागि संचालक समितिलाई अधिकार प्रदान गर्ने ।
६. विविध (अध्यक्षज्यूको अनुमतिमा) ।

संचालक समितिको आज्ञाले,
कम्पनी सचिव

TABLE OF CONTENTS

STRATEGIC REPORT

| | |
|------------------------|----|
| About Us | 1 |
| Financial Highlights | 5 |
| Key Events of the Year | 9 |
| Tech Initiatives | 11 |
| Products and Services | 12 |
| Our Esteemed Customers | 15 |

CORPORATE GOVERNANCE

| | |
|---|----|
| Message from the Chairman | 16 |
| Message from the Managing Director | 16 |
| Organizational Structure | 17 |
| Board of Directors | 18 |
| Management Team | 19 |
| Senior Management and Head of Departments | 20 |
| Province Head | 21 |
| Risk Governance Structure | 22 |
| Report of the Board of Directors | 24 |
| Additional Information | 31 |
| Shareholder Information | 42 |

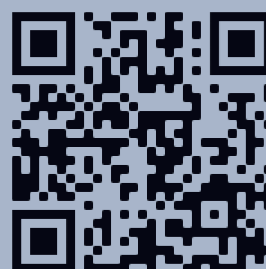
CONTRIBUTION TO SOCIETY

| | |
|---------------------------------|----|
| Corporate Social Responsibility | 44 |
| Human Resource Information | 47 |

FINANCIAL STATEMENTS

| | |
|---|-----|
| Independent Auditors' Report | 48 |
| Consolidated Financial Statements as per NFRS | 58 |
| Subsidiary's Financial Statements | 143 |

Scan to view our Annual Report,
Financial Statements and Other
Information or
Visit our website @
nsbl.statebank



ABOUT US

Nepal SBI Bank Ltd. (NSBL), subsidiary of State Bank of India (SBI) established in July 1993 is one of the leading banks of Nepal, serving individual customers, small and middle-market businesses and large corporations with spectrum of financial services. SBI holds 55% of ownership, Nepal Employee Provident Fund (Karmachari Sanchaya Kosh) holds 15% and the balance 30% shares are held with the general public. The Bank has completed 28 years of successful operation in Nepal. A big thank you and sincere gratitude to our regulators, customers and shareholders for all their support.

Your bank provides unmatched convenience across Nepal, serving more than 1.1 million customers with its 123 outlets that includes 88 full-fledged Branches, 19 Extension Counters, 7 Province Offices, 8 Branchless Banking and Corporate Office with almost 1000 skilled and dedicated employees. Your bank has network of 125 ATMs (including 1 Mobile ATMs and 4 CRMs), more than 1400 POS machines and 2800+ QR Merchants.

Nepal SBI Bank enjoys network of its parent bank, State Bank of India across 31 countries with 229 offices to provide the financial solution across the globe. With a legacy of over 200 years, State Bank of India is an Indian multinational, public sector banking and financial services statutory body. For SBI, the interests of the common man have always

remained at the core of its business. The Bank has a strong portfolio of distinctive products & services and leverages technology to deliver and manage them in a personalised and customer centric way.

Your bank also has a wholly owned subsidiary, Nepal SBI Merchant Banking Ltd (NSMBL), which commenced its operations since December 2016, with license from Securities Board of Nepal (SEBON). Nepal SBI Merchant Banking Ltd. (NSMBL) with a vision to be the trusted Merchant Banking and Capital Market service provider in Nepal. NSMBL offers services like Portfolio Management Service, Financial Advisor, Registrar to Share, Issue and Sales Management, Security Underwriting, Depository Participant and many more.

Your bank is first ever bank in Nepal rated “AA” by ICRA Nepal and has been the pioneer in introducing value added services to customers of all segment both in the world class digital banking environment as well as in traditional way. Nepal SBI Bank Ltd. is committed to its customers to provide them world class services in an affordable manner. Towards this, NSBL has been continuously upgrading its existing technological initiatives as well as introducing new technologies. As we completed 28 years of operations, we rededicate ourselves to continue to contribute even more to the society and towards nation building.



VISION

**BE THE MOST
PREFERRED
BANK FOR A
TRANSFORMING
NEPAL**



MISSION

**TO PROVIDE HIGH
QUALITY, RELIABLE
AND INNOVATIVE
FINANCIAL
SOLUTIONS**



VALUES

**SERVICE |
TRANSPARENCY |
ETHICS | POLITENESS
| SUSTAINABILITY**

ACHIEVEMENTS AND ACCOLADES OF NEPAL SBI BANK LTD



Best Corporate Banking
Solution Nepal 2021 by
Capital Finance International
(CFI.co), London

Nepal Domestic Initiative of the
Year under Wholesale Banking
Awards 2021 by Asian Banking
& Finance, Singapore





Nepal Domestic COVID
Management of the Year under
Wholesale Banking Awards 2021
by Asian Banking & Finance,
Singapore

Best Presented Annual Report
Runner up Award -2020 by
The Institution of Chartered
Accountants Nepal (ICAN)



- ▶ Rated AA by ICRA (Nepal).
- ▶ Highest Rating by SBI Management Audit-Rated A+

A SNAPSHOT OF THE BANK'S PERFORMANCE

Profitability

Rs. 96.35 Cr.
Profit After Taxation

2077/78 – Rs. 96.35 Cr.

2076/77 – Rs. 154.33 Cr.

Rs. 10.15

Earnings Per Share (Basic/Diluted)

2077/78 – Rs. 10.15

2076/77 – Rs. 16.26

0.70%

Return on Assets

2077/78 – 0.70%

2076/77 – 1.17%

6.26%

Return on Equity

2077/78 – 6.26%

2076/77 – 10.44%

Credit Quality

0.23%

Gross NPL Ratio

2077/78 – 0.23%

2076/77 – 0.23%

742.70%

Total loan Provision by NPL Ratio

2077/78 – 724.70%

2076/77 – 647.16%

Stability

11.02%

Tier 1 Ratio

2077/78 – 11.02%

2076/77 – 12.39%

13.86%

Total Capital Ratio

2077/78 – 13.86%

2076/77 – 15.55%

7.00%

Leverage Ratio

2077/78 – 7.00%

2076/77 – 7.88%

Rs. 10,623.85 Cr.

Customer Deposit

(2076/77 – Rs. 11,044.59 Cr.)

Rs. 10,154.88 Cr.

Gross Loan and Advances

(2076/77 – Rs. 9,431.34 Cr.)

1
Subsidiary
(2076/77 – 1)

88
Branches
(2076/77 – 88)

122
ATMs
(2076/77 – 124)



2
E-corner
(2076/77 – 3)

1,395
POS
(2076/77 – 1,513)

967
Employee
(2076/77 – 1,004)

(Proposed Corporate Office Building at Kamaladi, Kathmandu)

Share Valuation

Rs. 162.22

Net Assets Value Per Share

2077/78 – Rs. 162.22

2076/77 – Rs. 165.05

Rs. 5.31

Dividends Per Share

2077/78 – Rs. 5.31

2076/77 – Rs. 9.47

Rs. 3,882.87 Cr.

Market Capitalization

2077/78 – Rs. 3,882.87 Cr.

2076/77 – Rs. 3,895.95 Cr.

Rs. 409

Market Value of Per Share

2077/78 – 409

2076/77 – 435

Liquidity

24.97%

Net Liquid Assets to Total Deposit Ratio

2077/78 – 24.97%

2076/77 – 29.70%

24.63%

SLR

2077/78 – 24.63%

2076/77 – 29.09%

FINANCIAL HIGHLIGHTS

Bank

| Particular | 2077/78 | 2076/77 | Change % |
|---|-----------|-----------|----------|
| Results for the year – (Rs. Cr.) | | | |
| Gross income | 1,045.39 | 1,264.18 | -17.31 |
| Operating profit | 135.14 | 220.76 | -38.78 |
| Income tax expenses | 39.70 | 68.84 | -42.33 |
| Profit after taxation (PAT) | 96.35 | 154.33 | -37.57 |
| Net Interest Income | 286.73 | 404.46 | -29.11 |
| Position at the year end – (Rs. Cr.) | | | |
| Shareholders' funds (stated capital and reserves) | 1,540.01 | 1,478.19 | 4.18 |
| Financial liabilities at amortised cost – due to depositors | 10,623.85 | 11,044.59 | -3.81 |
| Gross loans and advances | 10,154.88 | 9,431.33 | 7.70 |
| Total assets | 13,780.88 | 13,240.19 | 4.08 |
| Information per ordinary share (Rs.) | | | |
| Earnings (Basic/ Diluted) | 10.15 | 16.26 | -37.57 |
| Dividends – Cash (%) | 1.81 | 3.47 | -47.84 |
| Dividends – Shares (%) | 3.5 | 6 | -41.67 |
| Net assets value | 162.22 | 165.05 | -1.71 |
| Market value at the year end | 409.00 | 435.00 | -5.98 |
| Ratios | | | |
| Return on average shareholders' funds – (ROE) (%) | 6.26 | 10.44 | -40.04 |
| Return on average assets – (ROA) (%) | 0.70 | 1.17 | -40.17 |
| Interest Spread (%) | 3.18 | 3.87 | -17.83 |
| Total impairment provision as a % of gross loans and advances (%) | 1.73 | 1.47 | 17.69 |
| Cost of Fund (%) | 5.27 | 6.85 | -23.07 |
| Non-performing loans ratio – Gross (%) | 0.23 | 0.23 | 0.00 |
| Non-performing loans ratio – Net (%) | - | - | 0.00 |
| Price earnings (times) | 40.30 | 25.24 | 59.67 |
| Statutory ratios (%) | | | |
| Statutory Liquity Ratio | 24.63 | 29.09 | -15.33 |
| Compulsory Reserve Ratio | 3.22 | 8.89 | -63.78 |
| Credit to Core Capital & Deposit Ratio (As per NRB) | 74.86 | 66.33 | 12.86 |
| Capital Adequacy Ratios (under Basel III) (%) | | | |
| Common Equity Tier (CET) I capital ratio | 11.02 | 12.39 | -11.06 |
| Tier I capital ratio (minimum requirement – 2076/77 - 6%) | 11.02 | 12.39 | -11.06 |
| Total capital ratio (minimum requirement – 2076/77 - 11%) | 13.86 | 15.55 | -10.87 |
| Liquidity coverage ratio (%) | | | |
| Net Liquid Assets to Total Assets Ratio | 24.97 | 29.70 | -15.93 |
| Leverage Ratio | 7.00 | 7.88 | -11.17 |

VALUE ADDED STATEMENT

Rs. In Crore

| Value Added | 2077/78 | 2076/77 | Change (%) |
|---|---------------|---------------|----------------|
| Income earned by providing banking services | 1,041.14 | 1,262.61 | -17.54% |
| Cost of services | (591.73) | (731.71) | -19.13% |
| Value added by banking services | 449.41 | 530.90 | -15.35% |
| Non - banking income | 0.91 | 2.42 | -62.21% |
| Impairment charges for loans and other losses | (37.96) | (27.23) | 39.39% |
| Operating expenses | (74.09) | (79.30) | -6.57% |
| Value addition | 338.27 | 426.78 | -20.74% |
| Value Allocation | | | |
| To Employees | | | |
| Salaries, wages and other benefits | 156.71 | 167.73 | -6.57% |
| To Government | | | |
| Income tax | 45.20 | 72.10 | -37.31% |
| To Community | | | |
| Social responsibility projects | 1.21 | 4.39 | -72.42% |
| To Providers of External Funds | | | |
| Interest on debt issued | 30.15 | 16.68 | 80.76% |
| To Provider of Capital | | | |
| Dividend | 53.74 | 50.70 | 6.00% |
| Bonus Share and other Related expenses | 31.11 | 91.61 | -66.04% |
| To Expansion and Growth | | | |
| Retained profit | 7.02 | 8.82 | -20.42% |
| Depreciation and amortisation | 18.63 | 18.01 | 3.47% |
| Deferred taxation | (5.49) | (3.26) | 68.67% |
| Total of Value added allocation | 338.27 | 426.78 | |

ECONOMIC VALUE ADDED (EVA)

Rs. In Crore

| Invested Capital | 2077/78 | 2076/77 | Change (%) |
|---|----------|----------|------------|
| Average Shareholders' funds | 1,509.10 | 1,446.82 | 4.30% |
| Add: Cumulative impairment Provision for loan losses and other losses | 176.09 | 138.81 | 26.85% |
| | 1,685.18 | 1,564.18 | 7.74% |
| Return on Invested Capital | | | |
| Profit after taxation | 96.35 | 154.33 | -37.57% |
| Add: Impairment provision for loan losses and other losses | 37.96 | 27.23 | 39.39% |
| Less: Loans written off | - | 0.33 | |
| Total return on invested capital | 134.31 | 181.90 | -26.16% |
| Opportunity cost of invested capital* | 80.21 | 94.01 | -14.67% |
| Economic Value Added | 54.10 | 87.89 | -38.45% |

* calculated based on weighted average deposit rate as per NRB site Mid July 2021 - 4.76% and Mid July 2020 - 6.01%

Nepal SBI Bank Ltd.

Statement of Financial Position

As on Ashadh 31, 2078 (15.07.2021)

| | Vertical Analysis | | | | | |
|--|-------------------|----------------|----------------|----------------|----------------|----------------|
| | Note | 2078 | 2077 | 2076 | 2075 | 2074 |
| Assets | | | | | | |
| Cash and cash equivalent | 4.1 | 6.11% | 11.41% | 6.97% | 10.22% | 8.81% |
| Due from Nepal Rastra Bank | 4.2 | 2.38% | 5.73% | 7.87% | 5.51% | 7.32% |
| Placement with Bank and Financial Institutions | 4.3 | 0.00% | 0.00% | 0.00% | 0.00% | 10.37% |
| Other trading assets | 4.5 | 0.07% | 0.04% | 0.02% | 0.02% | 0.02% |
| Loan and advances to B/FIs | 4.6 | 3.33% | 3.64% | 4.00% | 2.80% | 2.30% |
| Loans and advances to customers | 4.7 | 70.35% | 67.68% | 70.92% | 70.57% | 61.85% |
| Investment securities | 4.8 | 15.42% | 9.33% | 7.83% | 8.52% | 7.84% |
| Current tax assets | 4.9 | 0.30% | 0.22% | 0.22% | 0.21% | 0.17% |
| Investment in subsidiaries | 4.10 | 0.14% | 0.14% | 0.16% | 0.18% | 0.10% |
| Property and equipment, Goodwill and Intangible assets | 4.13 | 0.63% | 0.69% | 0.80% | 0.82% | 0.74% |
| Deferred tax assets | 4.15 | 0.28% | 0.25% | 0.27% | 0.23% | 0.10% |
| Other assets | 4.16 | 0.99% | 0.87% | 0.84% | 0.90% | 0.38% |
| Total Assets | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Liabilities | | | | | | |
| Due to Bank and Financial Institutions | 4.17 | 4.42% | 1.41% | 1.92% | 2.64% | 6.16% |
| Deposits from customers | 4.20 | 77.09% | 83.42% | 82.77% | 82.18% | 80.86% |
| Other liabilities | 4.23 | 2.00% | 1.71% | 1.86% | 1.71% | 1.44% |
| Debt securities issued | 4.24 | 2.20% | 2.29% | 0.85% | 0.98% | 1.00% |
| Total liabilities | | 88.83% | 88.84% | 88.04% | 87.52% | 89.46% |
| Equity | | | | | | |
| Share capital | 4.26 | 6.89% | 6.76% | 7.14% | 7.85% | 6.93% |
| Retained earnings | | 0.65% | 1.07% | 1.57% | 1.19% | 1.15% |
| Reserves | 4.27 | 3.64% | 3.33% | 3.26% | 3.08% | 2.47% |
| Total equity attributable to equity holders | | 11.17% | 11.16% | 11.96% | 12.48% | 10.54% |
| Non-controlling interest | | | | | | |
| Total equity | | 11.17% | 11.16% | 11.96% | 12.48% | 10.54% |
| Total liabilities and equity | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| | Horizontal Analysis | | | | | |
|--|---------------------|----------------|----------------|----------------|----------------|----------------|
| | Note | 2078 | 2077 | 2076 | 2075 | 2074 |
| Assets | | | | | | |
| Cash and cash equivalent | 4.1 | 95.72% | 171.65% | 93.64% | 119.05% | 100.00% |
| Due from Nepal Rastra Bank | 4.2 | 44.76% | 103.66% | 127.30% | 77.22% | 100.00% |
| Placement with Bank and Financial Institutions | 4.3 | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| Other trading assets | 4.5 | 393.61% | 221.57% | 103.32% | 88.69% | 100.00% |
| Loan and advances to B/FIs | 4.6 | 199.55% | 209.69% | 205.91% | 124.96% | 100.00% |
| Loans and advances to customers | 4.7 | 156.82% | 144.96% | 135.73% | 117.05% | 100.00% |
| Investment securities | 4.8 | 271.11% | 157.58% | 118.28% | 111.46% | 100.00% |
| Current tax assets | 4.9 | 238.60% | 171.31% | 152.29% | 127.73% | 100.00% |
| Investment in subsidiaries | 4.10 | 0.00% | 0.00% | 0.00% | 188.89% | 100.00% |
| Property and equipment, Goodwill and Intangible assets | 4.13 | 118.11% | 123.50% | 127.25% | 114.13% | 100.00% |
| Deferred tax assets | 4.15 | 400.73% | 334.59% | 323.78% | 242.72% | 100.00% |
| Other assets | 4.16 | 358.16% | 301.14% | 259.43% | 242.94% | 100.00% |
| Total Assets | | 137.88% | 132.47% | 118.37% | 102.59% | 100.00% |
| Liabilities | | | | | | |
| Due to Bank and Financial Institutions | 4.17 | 99.00% | 30.31% | 36.88% | 44.02% | 100.00% |
| Deposits from customers | 4.20 | 131.45% | 136.66% | 121.17% | 104.27% | 100.00% |
| Other liabilities | 4.23 | 192.23% | 157.24% | 153.38% | 121.92% | 100.00% |
| Debt securities issued | 4.24 | 302.87% | 302.83% | 100.00% | 100.00% | 100.00% |
| Total liabilities | | 136.91% | 131.55% | 116.50% | 100.37% | 100.00% |
| Equity | | | | | | |
| Share capital | 4.26 | 137.09% | 129.33% | 122.01% | 116.20% | 100.00% |
| Retained earnings | | 77.70% | 123.63% | 161.90% | 106.44% | 100.00% |
| Reserves | 4.27 | 203.12% | 178.56% | 155.94% | 127.69% | 100.00% |
| Total equity attributable to equity holders | | 146.11% | 140.25% | 134.30% | 121.46% | 100.00% |
| Non-controlling interest | | | | | | |
| Total equity | | 146.11% | 140.25% | 134.30% | 121.46% | 100.00% |
| Total liabilities and equity | | 137.88% | 132.47% | 118.37% | 102.59% | 100.00% |

Nepal SBI Bank Ltd.

Statement of Profit or Loss

For the year ended Ashadh 31, 2078 (15.07.2021)

| | Vertical Analysis | | | | | |
|---|-------------------|---------------|---------------|---------------|---------------|---------------|
| | Note | 2078 | 2077 | 2076 | 2075 | 2074 |
| Interest income | 4.29 | 86.11% | 90.40% | 88.15% | 88.07% | 84.54% |
| Interest expense | 4.30 | 58.68% | 58.41% | 51.37% | 47.82% | 42.25% |
| Net interest income | | 27.43% | 31.99% | 36.78% | 40.25% | 42.29% |
| Fee and commission income | 4.31 | 10.31% | 7.00% | 7.77% | 8.86% | 12.00% |
| Net fee and commission income | | 9.51% | 6.21% | 7.06% | 8.04% | 10.95% |
| Net interest, fee and commission income | | 36.94% | 38.20% | 43.85% | 48.29% | 53.24% |
| Net trading income | 4.33 | 3.29% | 2.13% | 2.39% | 2.27% | 2.86% |
| Other operating income | 4.34 | 0.19% | 0.25% | 0.15% | 0.42% | 0.31% |
| Total operating income | | 40.42% | 40.58% | 46.39% | 50.98% | 56.41% |
| Impairment charge/(reversal) for loans and other losses | 4.35 | 3.63% | 2.15% | 1.15% | 2.64% | 1.83% |
| Net operating income | | 36.79% | 38.43% | 45.24% | 48.33% | 54.59% |
| Operating expense | | | | | | |
| Personnel expenses | 4.36 | 14.99% | 13.27% | 12.65% | 13.36% | 13.51% |
| Other operating expenses | 4.37 | 7.09% | 6.27% | 6.88% | 6.83% | 8.15% |
| Depreciation & amortisation | 4.38 | 1.78% | 1.42% | 1.29% | 1.33% | 1.61% |
| Operating Profit | | 12.93% | 17.46% | 24.42% | 26.82% | 31.32% |
| Non operating income | 4.39 | 0.09% | 0.22% | 1.53% | 0.38% | 0.29% |
| Net Operating Income/(expenses) | | 0.09% | 0.19% | 1.50% | 0.37% | 0.20% |
| Profit before income tax | | 13.01% | 17.65% | 25.92% | 27.20% | 31.62% |
| Income tax expense | 4.41 | | | | | |
| Current Tax | | 4.32% | 5.70% | 8.38% | 9.15% | 9.69% |
| Deferred Tax Income/ (Expenses) | | 0.53% | 0.26% | 0.38% | 1.60% | 0.15% |
| Profit for the period | | 9.22% | 12.21% | 17.92% | 19.65% | 22.08% |
| Profit attributable to: | | | | | | |
| Equity holders of the Bank | | 9.22% | 12.21% | 17.92% | 19.65% | 22.08% |
| Non-controlling interest | | | | | | |
| Profit for the period | | 9.22% | 12.21% | 17.92% | 19.65% | 22.08% |

| | Horizontal Analysis | | | | | |
|---|---------------------|----------------|----------------|----------------|----------------|----------------|
| | Note | 2078 | 2077 | 2076 | 2075 | 2074 |
| Interest income | 4.29 | 150.24% | 190.74% | 188.21% | 151.37% | 100.00% |
| Interest expense | 4.30 | 204.86% | 246.58% | 219.46% | 164.46% | 100.00% |
| Net interest income | | 95.67% | 134.95% | 156.99% | 138.30% | 100.00% |
| Fee and commission income | 4.31 | 126.81% | 104.03% | 116.85% | 107.36% | 100.00% |
| Net fee and commission income | | 128.03% | 101.04% | 116.39% | 106.67% | 100.00% |
| Net interest, fee and commission income | | 102.33% | 127.97% | 148.63% | 131.79% | 100.00% |
| Net trading income | 4.33 | 169.48% | 133.02% | 151.02% | 115.14% | 100.00% |
| Other operating income | 4.34 | 92.43% | 144.08% | 88.07% | 195.89% | 100.00% |
| Total operating income | | 105.68% | 128.32% | 148.42% | 131.30% | 100.00% |
| Impairment charge/(reversal) for loans and other losses | 4.35 | 293.23% | 210.36% | 113.25% | 210.31% | 100.00% |
| Net operating income | | 99.40% | 125.57% | 149.60% | 128.65% | 100.00% |
| Operating expense | | | | | | |
| Personnel expenses | 4.36 | 163.64% | 175.16% | 169.03% | 143.63% | 100.00% |
| Other operating expenses | 4.37 | 128.34% | 137.37% | 152.55% | 121.79% | 100.00% |
| Depreciation & amortisation | 4.38 | 163.42% | 157.94% | 144.39% | 120.26% | 100.00% |
| Operating Profit | | 60.88% | 99.45% | 140.72% | 124.41% | 100.00% |
| Non operating income | 4.39 | 46.78% | 131.61% | 937.80% | 186.05% | 100.00% |
| Net Operating Income/(expenses) | | 43.71% | 115.69% | 919.85% | 186.05% | 100.00% |
| Profit before income tax | | 60.72% | 99.60% | 147.99% | 124.98% | 100.00% |
| Income tax expense | 4.41 | | | | | |
| Current Tax | | 65.79% | 104.95% | 156.07% | 137.13% | 100.00% |
| Deferred Tax Income/ (Expenses) | | 503.87% | 298.73% | 444.95% | 1513.76% | 100.00% |
| Profit for the period | | 61.58% | 98.64% | 146.51% | 129.32% | 100.00% |
| Profit attributable to: | | | | | | |
| Equity holders of the Bank | | 61.58% | 98.64% | 146.51% | 129.32% | 100.00% |
| Non-controlling interest | | | | | | |
| Profit for the period | | 61.58% | 98.64% | 146.51% | 129.32% | 100.00% |

KEY EVENTS OF THE YEAR

This year, the Bank had launched various new services for sustainable growth of the Bank and had performed various other activities.



Virtual Inauguration of Branchless Banking

This year the Bank virtually inaugurated Branchless Banking outlet at Beni, Myagdi and Khairanitar, Tanahu. The BLBs were jointly inaugurated by Mr. B.R.S. Satyanarayana, the then Chairman, NSBL, Mr. Rajeev Arora, Chairman, NSBL and Mr. Rajay Kumar Sinha, Director, NSBL in the presence of Mr. Biranchi Narayan Rath, DGM, R&S, IBG, State Bank of India, Mr. Dipak Kumar De, MD & CEO, NSBL, Mr. Md. Rizwan Alam, Dy. CEO & CFO, NSBL, Mr. Yadvender Kant, COO, NSBL, Mr. Chhapi Raj Pant, Advisor, NSBL and Mr. Dhawal Bharat Dave, CTO, NSBL.



Initiation of Non-deliverable forward (NDF)

The Bank has initiated non-deliverable forward (NDF) trading. NDF is inaugurated to boost up treasury revenue, gaining arbitrage income due to fixed peg nature of NPR. NDF will also enhance hedging procedure for bank and can efficiently manage USD according to business demand. The Non-Deliverable Forward (NDF) transaction was inaugurated by Shri Venkat Nageswar Chalasaini, Deputy Managing Director - International Banking Group, State Bank of India in presence of Mr. B.R.S. Satyanarayana, the then Chairman, Nepal SBI Bank, Mr. Rajay Kumar Sinha, Chief General Manager – Global Markets, State Bank of India & Director Nepal SBI Bank, Mr. Biranchi Narayan Rath, Dy. General Manager (Retail & Subsidiaries), International Banking Group, State Bank of India, Mr. Dipak Kumar De, MD & CEO, Nepal SBI Bank Ltd., Md. Rizwan Alam, Dy. CEO & Chief Financial Officer, Nepal SBI Bank Ltd., Mr. Yadvender Kant, Chief Operating Officer, Nepal SBI Bank Ltd. and other officials of Nepal SBI Bank Ltd.



Memorandum of Understanding signed with SBI, Australia and SBI, Tokyo

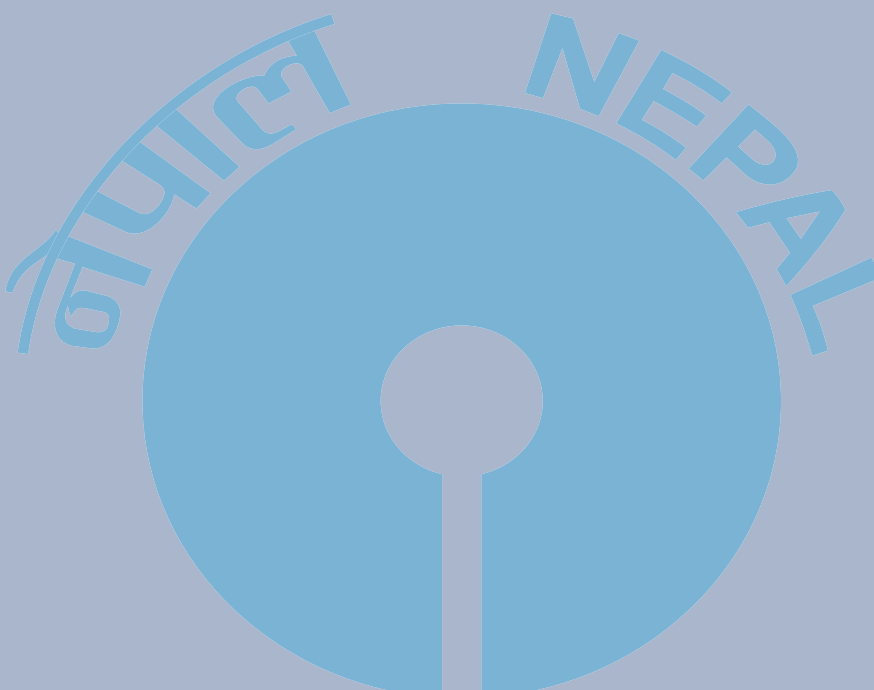
Your Bank had tied-up with SBI, Australia and SBI, Tokyo for inward remittance to facilitate the Nepalese residing in Australia and Japan. MOU was signed by Mr. Dipak Kumar De, MD & CEO, NSBL with SBI, Australia and SBI, Tokyo in presence of Shri Venkat Nageswar Chalasani, Deputy Managing Director - International Banking Group, State Bank of India, Mr. B.R.S. Satyanarayana, Chairman, Nepal SBI Bank, Mr. Rajay Kumar Sinha, Chief General Manager – Global Markets, State Bank of India & Director - Nepal SBI Bank, Mr. Biranchi Narayan Rath, Dy. General Manager (Retail & Subsidiaries) - International Banking Group, State Bank of India, Md. Rizwan Alam, Dy. CEO & Chief Financial Officer, Nepal SBI Bank Ltd., Mr. Yadvender Kant, Chief Operating Officer, Nepal SBI Bank Ltd. and other officials of Nepal SBI Bank Ltd.

Business arrangement with various organization

This year the Bank has expanded its horizon with various business entity to cater its customers in best possible way. The Bank has signed an MoU with Nepal Clearing House Limited to onboard connectIPS and Corporatepay services to NSBL customers as one of the steps toward cashless economy which has also act as a value-added service to customers.

Similarly, the Bank has entered into agreement with Jyoti Bikas Bank Ltd., ICFC Finance Limited, Pokhara Finance Limited to provide non-fund-based banking facilities to the customers of respective organization.

Likewise, the Bank has tied-up with various hospital, hotel namely; Hotel Barahi, Siddhartha Group of Hospitality, Aagantuk Resort to facilitate its customer with discount on various services in the respective organization.



TECH INITIATIVES

Branchless Banking (BLB)

Branchless Banking (BLB) is an alternative banking channel for providing basic banking services in rural areas of Nepal through authorized Agents of the Bank and reliable state of the art technology. BLB offers a significantly economic alternative to conventional branch based banking that enables Bank to reach to large customer bases through correspondents' network. The BLB system at Agent's end include a BLB POS device and fingerprint scanner through which the following services are offered:

- Enrollment of customer in BLB system
- Account Balance Enquiry/ Mini statement
- Cash Deposit and Withdrawal
- Account to account transfer

Nepal SBI Digital Village

Your Bank is the first bank in Nepal to roll out the Digital Village initiative on 7th July 2017 with an aim to transform the selected village into cashless ecosystem by adopting safe, healthy and vibrant digital channels for financial transactions. Nepal SBI Digital Village at Jaharsingh Pauwa, we have been able to add 2500 people to the financial system. Your Bank is constantly engaged with the local population there and conducting various CSR activities and financial literacy programs for the benefit of local population. NSBL supported the Birthing Centre at Lapsipedi Health Post by providing medical and other equipments like baby warm heater, Baby resuscitation Table which has helped increase the number of safe delivery of babies in the Health Post.

Mero Saathi –Mobile Banking

Mero Saathi is premium mobile banking service that can be operated through mobile phone which runs in both GPRS as well as SMS channel for connecting with Bank's server. It offers convenient, simple, secure, anytime and anywhere banking to the customer. The service runs on a mobile phone application for convenient operation. Customers can upload images and generate personal QRs to enable easy Fund Transfer Facility in their profile, as well as manage their list of quick payments and favorite merchants, in the upgraded "Mero Saathi." Similarly, the Mobile Banking App also displays graphic advertisement where customer can view various products and offerings placed by the Bank. 'Mero Saathi' can navigate the customer to the Bank's branches and ATMs, transaction hours and contact details. The service has shown to be useful not only in bringing previously unbanked people into the formal banking system, but also to add convenience to serving existing customers. Additionally, customers can use Mobile banking to pay utility payments such as phone bills and ADSL bills.

We have integrated our Mobile banking "Mero Saathi" with payment gateway eSewa-Fonepay. This has facilitated our customers to avail fund

transfer facility on real time to any other Fonepay member banks. These services are available at customer's finger tips, beyond regular banking hours. Also, with Fonepay integration, our customers have now access to QR merchant payment and other payments such as flight booking, NEA bill payment, School and college fee payments and so on.

The main features of NSBL Mobile Banking "Mero Saathi" are:

- Dual channel - Internet based (GPRS) and SMS based
- Fund Transfer within NSBL accounts
- Fund Transfer to other banks (Fonepay member Banks)
- Biometric security mechanism
- Personalized QR codes
- QR code-based merchant payments
- Topup/Recharge of NT Prepaid Mobile
- Payment of NT Postpaid Mobile
- Payment of NT Landline & ADSL bill payment
- Payment for Ncell Pro
- Recharge cards for Dish Home & Broadlink
- Merchant payment (Fonepay member Merchants)

E-Corner

Nepal SBI Bank has established E-corner in busy part of the capital, in New Road and Kesharmahal. E-Corner consists of ATM, CDM and Internet Desk through which customers can deposit and withdraw cash. Further, Internet Banking can also be accessed from the e-corner.

Internet Banking



Nepal SBI bank has also been providing Internet Banking services for both retail and corporate customers of the Bank. With the launch of Internet Banking through FEBA (Finacle E-banking Application) new possibility of wide range of services have opened up. This online banking channel provides access to real time banking services 24x7 from anywhere in the world. E-statement, Fund transfer, Debit card blocking and PIN change, Indian railway ticket booking etc. are now available directly on the internet banking platform. Similarly, Corporate users can now perform bulk transactions (salary

distribution) within the Bank as well as remit funds to India using Internet banking portal. Furthermore, owing to our integration with Khalti, customers can now avail all Khalti services via Internet banking.

IRCTC Ticket Online Booking Utility

Nepal SBI Bank, with the intent to facilitate hassle-free booking of tickets of Indian Railways, launched IRCTC ticket booking utility on February 2014. NSBL is the first and the only Bank outside India to offer this facility. With this utility, NSBL Internet Banking users can book tickets through IRCTC's Online Passenger Reservation System and can make payment through Nepal SBI Internet Banking.

Automated Teller Machine (ATMs) and POS

Nepal SBI Bank has one of the largest networks of ATM terminals. Presently, the bank has installed 125 ATMs (including 4 CRMs) around the country. Any customer having a valid VISA/ Mastercard/ RuPay (international cards only for ATM) can withdraw cash using our ATM terminal. For card holders of State Bank of India, we are providing the cheapest transactions facility in Nepal.

Point of Sale (POS) Machines

Nepal SBI Bank has also been providing POS service in different places of the country. With the addition of MasterCard and RuPay acquiring in POS machines, now, any customer with a valid VISA/ MasterCard/ RuPay card can make payments to the merchants through NSBL POS terminal. Till date the bank has already installed more than 1400 POS terminals in Nepal. The plan is to further expand the same in coming years as the demand for this service by various corporate institution and retail trading units of Nepal is increasing.

PRODUCTS AND SERVICES

REMITTANCE



Your bank has vast global network through its group which enables it to provide remittance services to its customer in a fastest and safer manner. As India being one of the major sources of remittance to Nepal your bank has following India centric products;

NSBL Payment Gateway

NSBL Payment gateway facilitates transfer of funds/payments between Nepal & India. It is a cost-effective electronic remittance channel and it is the fastest, convenient and hassle-free money transfer system through the banking channel.

SBI Nepal Express Remit

Remittance through Electronic Fund Transfer (EFT) mechanism provides money transfer facility at minimal cost to Nepali migrant population residing and working in India. Remittance can be originated through more than 22,000 branches of State Bank of India located in various parts of India. We receive more than 450 remittances on an average per working day.

Indo-Nepal Remit

The product was introduced by Reserve Bank of India in consultation with Nepal Rastra Bank on Electronic Fund Transfer (EFT) platform for smooth and speedy remittance from India to Nepal, State Bank of India in India and Nepal SBI Bank Ltd. in Nepal are the nodal point for this remittance. Remittance can be originated through all NEFT enabled branches of various Banks in India.

RTGS/NEFT

RTGS are specialized fund transfer system where transfer of money takes place from NSBL to State Bank of India and its associates on a "real time" and on "gross" basis. Transactions are settled as soon as they are processed.

The NEFT system facilitates to transfer the fund electronically to any bank in India (other than SBI and its Associate Bank's Branches) who is in NEFT system of RBI. Fund remitted through

NEFT gets credited in beneficiary's account depending upon batch settlement time.

For domestic remittance service your bank has tied up with Prabhu Money Transfer which allows customer to send and receive money to and from across the country. We have also tied up with Western Union Money transfer and Prabhu Money Transfer for inward remittances from across the globe.

For remittance from Gulf we have our own platform;

SBI Express Remit Gulf-Nepal (GLS)

SBI Express Remit Gulf-Nepal (GLS) provides easy, convenient and safe international money transfer service from Exchange Houses in gulf countries to our customer's account on Straight Through Process (STP) enabled model.

CARD PRODUCTS

Your bank has been providing 3D Secure EMV chip-based cards. These cards provide extra fraud protection as customers are required to enter OTP to complete payment for e-commerce transaction which is sent to their registered mobile number with the bank.

Nepal SBI Debit Card

With a view of catering various segments of customers, NSBL commenced the issuance of 'VISA' Brand debit cards on 14th March 2007. These cards by default are enabled for online transactions. Since then, NSBL has already issued around 8.98 Lacs Debit Cards to its valuable customers. Nepal SBI VISA Debit card can be used for cash withdrawal as well as for merchandise payments at more than 600,000 merchant outlets in Nepal and India. NSBL Debit Card users have access to 125 ATMs (including 4 CRMs) of Nepal SBI Bank and other VISA enabled ATMs all over Nepal and India. The debit card can be used at other domestic VISA terminal at nominal charge with the first two transaction (every month) with no additional charge.

Nepal SBI Insta Card



The bank launched its newest card product 'Nepal SBI Insta Card' on October 2020 amidst

COVID-19 pandemic to provide debit card to the customers instantly, enabling them to transact using their debit cards in a matter of minutes of applying for a card. The Insta Card can be used at ATM terminals, POS machines and perform E-commerce transactions in Nepal and India.

E-Commerce Transaction

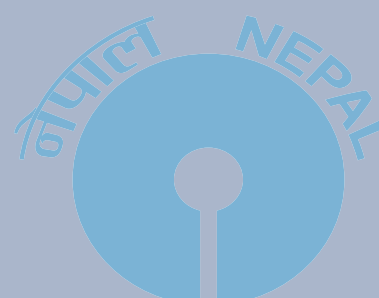
All Nepal SBI bank issued Debit cards are enabled by default for E-commerce transaction. This feature facilitates the cardholders to securely make online payment with 2FA security through various websites verified by VISA in Nepal and India. E-Com transactions done within Nepal is free since September 2021 while nominal charge is taken on transactions in India e-commerce sites.

Bharat Yatra Card

Popularly known as BYC, this is a Nepalese Rupee denominated debit card suited for Nepalese visiting India for medical treatment, pilgrimage, education, tours etc. The card can be used for cash withdrawal at all State Bank ATMs and VISA enabled ATMs in India as well as in VISA enabled POS terminals for merchant payment. BYC was launched in November 2008 and is popular among customers.

Vishwa Yatra Card

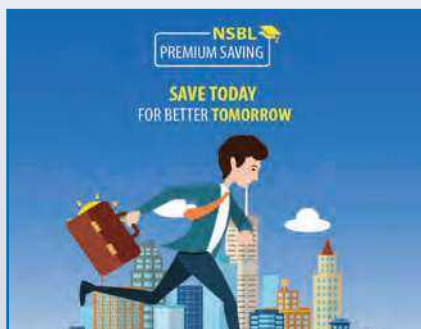
The bank has been providing this dollar denominated international cards to the customers since October 2011. As the name itself suggests Vishwa Yatra Card, can be used for cash withdrawal in all the ATM and POS terminals under VISA network in any part of the world (except Nepal and India) for Cash withdrawal and merchandise payments. It provides safe, secured and convenient way to meet financial requirement of travellers overseas.



DEPOSIT PRODUCTS

Your Bank has tailored deposit and loan products to cater the requirement of customers.

Nepal SBI Premium Saving Scheme



The saving scheme especially targeted to High Net worth Individual customers to take care of their banking and saving requirements. This scheme provides various concession and free facilities to the customer including Mobile Banking, Internet Banking, Locker facility etc. In addition, the scheme offers the benefit of medical and accidental insurance coverage of account holder.

Nepal SBI Corporate Salary Package



The bank has had a focused approach towards opening salary account of Corporates/MNCs/ Institutions/Establishments. This saving scheme facilitates the corporate for easy disbursement of salaries to their employees account. The added benefit of medical and accidental insurance coverage has been provided in this scheme.

Social Security Account

In line with the Social Security programme of Government of Nepal, this scheme is introduced to Nepalese citizen who fall under the targeted group of social security programme of Government of Nepal. The main motive of introducing this scheme is to provide banking reach to the individual/beneficiary who gets the social security allowance from the government such as senior citizens, single women, widowed women, person with disability, endangered indigenous community and others specified by the government as per the Social Security Programme Operation Procedure, 2075.

Sambriddha Nagarik Bachat Khata

Sambriddha Nagarik Bachat Khata was introduced with an intention to increase financial inclusion and to bring all Nepalese into banking fold. An individual who have not opened a bank account till date is eligible to open under this scheme, in which the Bank contributes the initial fund of Rs. 100.

Karmachari Bachat Khata

We have come with a special zero balance deposit scheme—Karmachari Bachat Khata—with special focus on salaried employees from government and/or non-government organizations with added benefit of medical and accidental insurance coverage.

NSBL Nari Bachat Khata

This saving scheme is targeted to the Nepalese female above 18 years of age with the objective to enhance self – determination and their own choices to develop saving habits.

Saral Bachat Khata

This scheme was introduced with motive of banking to all and to facilitate easy and regular deposit of funds as and when required and simultaneously earning of income on the balance that is kept in the account.

Ujjwal Bhavisya Bachat Khata (Recurring Account Deposit)

Recurring Deposit is designed with a unique feature of semi fixed deposit in nature. Under this scheme, an account holder can choose to invest/ deposit fixed amount each month and withdraw lumpsum amount on maturity, interest credited

quarterly in principal account and interest capitalization in every 3 month.



NSBL Baal Bachat Khata

This saving scheme is especially designed to develop saving habits of the minors to make them financially literate. The account can be opened and operated by the parents or guardians to secure the future of their children.

Varistha Nagarik Bachat Khata

Varistha Nagarik Bachat Khata is targeted to all the senior citizen aged above 50 with an objective to provide a privileged banking facility to the senior citizen. The account can be opened with a minimum balance of Rs. 500/- only.

Students Account

This scheme has been introduced with an objective to inculcate saving habits of the students. Under this scheme, any student can open this savings account.

Chhori Bachat Khata

The scheme is mainly focused to encourage the daughter's care, education and security within the Karnali state. For the same, the state government is providing some financial support to the daughters till the age of 20 years through the bank account under monitoring/controlling of the local government entity (Municipality and Gaunpalika office). The state government provides assistance of Rs. 1,000/- for the first month and Rs 500/- every month till the daughter reaches 20 years and completes her secondary level education.



CORPORATE AND BUSINESS LOANS

LOANS AND ADVANCES

The Bank offers corporate and business loans to mid-sized and large corporate customers including public sector entities. The Bank offers wide range of loan products to meet project financing, operational funding, trade finance requirements to almost all types of business including manufacturing, trading, service, hospitality and agricultural sector.

Corporate Loan customers also enjoy value-added facilities like fund management in accounts, disbursement of employee salary, demand loans to employees against corporate guarantee, retail loans to the employees, access to digital banking etc.

Retail and SME Loans

A. MSME and SME Loans



Micro, Small & Medium Enterprises (MSME) is vital to economic development of the country. Besides, creating employment opportunities to a vast number of skilled and semi-skilled workers, this sector also complements large industries and corporate houses in demand & supply value chain.

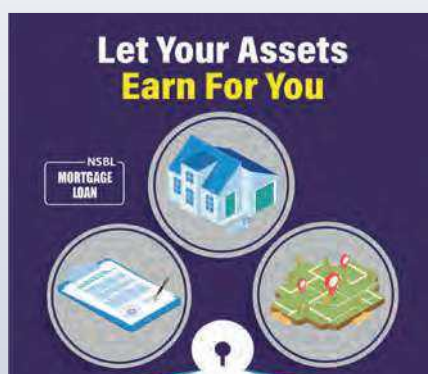
Our SME & MSME loan products offer customized financing options to meet wide array of financial needs of small businesses and self-employed professionals.

B. Retail Loans

Retail loans comprise of auto finance, education loans, home loan, Bhu Puu Loan (loan to retired Nepalese Indian Army), Gold Loan, Share Loans. Other personal loans viz. Mortgage Loan and Mortgage Plus are personal credit provided to

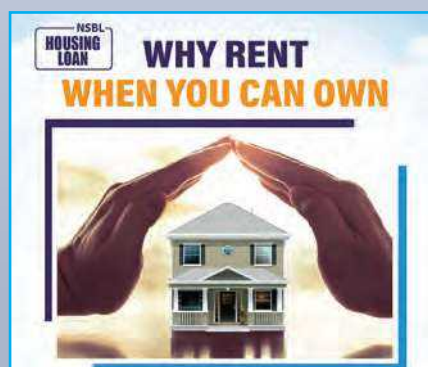
individuals based on their income and value of collateral security.

a. Mortgage and Mortgage Plus Loans



Mortgage Loan products offer personal credit on easy terms to individuals based on their income and value of collateral security. These loans are generally preferred by the customers to meet their general financial needs such as purchase of assets, consumable goods and social expenditures among others. Convenient loan process and quick turnaround time, ensure smooth service delivery to the customers.

b. Housing Loan



The Bank provides Housing loan facilities for purchase or construction of building/flat, extension/renovation /completion of interior or reimbursement facility for recently constructed building/flat on the basis of cost of purchase or construction cost. In Housing Loans, customers can choose repayment tenure upto thirty years suited to their income and repayment capacity.

c. Education Loan



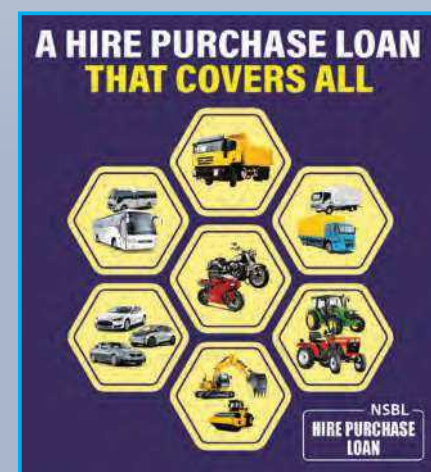
Under this scheme, the Bank extends financial assistance to students for pursuing Diploma, Bachelors, Masters or vocational studies in Nepal, Australia, New Zealand, UK and other countries.

d. Other Retail Loans

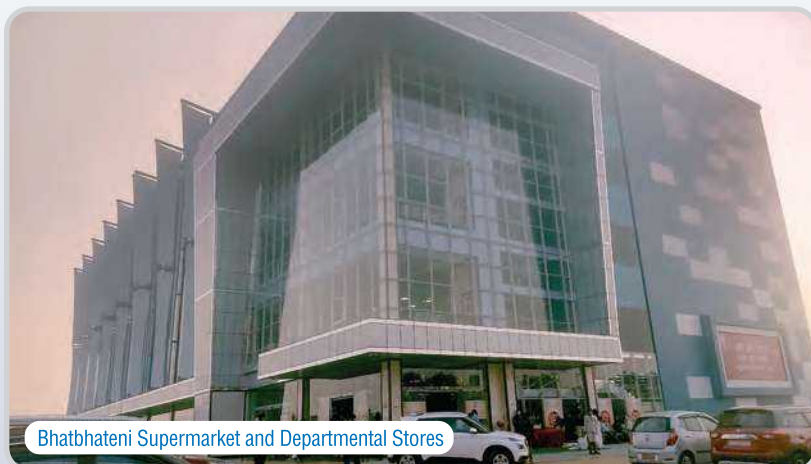
Other retail loans largely comprise of auto finance, loan to retired Nepalese Indian Army, Subsidized Loans, Deprived Sector Loans, Gold Loan, Share Loan etc.

Besides these, the Bank also provides Trust Receipt loans, Pre-shipment and Post-shipment loan and non-fund-based facilities like Letter of Credit and Bank Guarantees etc.

**Detailed features are available in our website.



OUR ESTEEMED CUSTOMERS



Bhatbhateni Supermarket and Departmental Stores



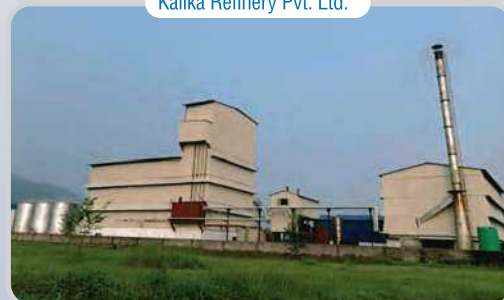
Kalika Refinery Pvt. Ltd.



Maruti Print and Pack Pvt. Ltd.



Samling Power Company Ltd.



Galaxy Packaging Pvt. Ltd.



Nutra Foods & Beverages Pvt. Ltd.



Mist Valley Tea Industries Pvt. Ltd.



Sun Feeds Pvt. Ltd.

Message from the Chairman

Dear Shareholders,

It gives me immense pleasure to welcome you all on behalf of the esteemed members of the Board on the 28th Annual General Meeting of your Bank for the financial year 2020-21. I am delighted to chair the 28th Annual General Meeting of this esteemed Bank that has a remarkable history and lineage of 28 years. I hope you all are keeping safe and are in good health as COVID-19 pandemic has not completely rooted out. Also, I am thankful to all of you for making this Annual General Meeting possible at this juncture of time.

The Financial Year 2020-21 has been quite challenging for all of us in many ways. I am addressing you all at such a time when the nation is demonstrating a positive upturn from the unprecedented adversities caused by the various waves of COVID-19. By the second quarter of the financial year 2020-21, the nation had just started to recover from the impact of the 1st wave of COVID-19 when the emergence of the second wave of the pandemic again hit the economy hard, pulling it further backward. The poorly affected economy created severe challenges to your Bank's operations. Your Bank had to go through various challenges viz., lockdown, regulatory requirements, volatility in market etc. However, the management team, with unwavering commitment and untiring efforts of the employees have helped the Bank to face the crisis with great courage and grit.

Despite the challenges faced, your bank has always strived to live by the values embedded within. In FY 2020-21, your bank has maintained a sizable balance sheet and healthy liquidity. For FY 2020-21, your Bank has booked net profit after tax of Rs. 96.35 crore. Balance sheet size has grown from NPR 13,240.19 crore as on Ashadh 2077 to 13,780.88 crore as on Ashadh 2078.

In a positive light, COVID-19 has provided your Bank with the opportunities to contemplate on the importance of digitalization and it has been successful to carve its path towards a more dedicated digitalized Banking. Your Bank has instituted a digitalized approach to Banking processes and offerings made to its customers. Your bank has tied up with NCHL for IPS and connectIPS services in FY 2019-20 and in FY 2020-21 respectively. Corporate pay has also been launched. The Bank has executed Memorandum of Understanding (MoU) with SBI Sydney, SBI Tokyo and with Exchange Companies in Gulf countries for inward remittance. In addition, your bank has initiated and operated "Nepal Desk" in Chandigarh for providing priority services to the Nepalese citizens in India. Similarly, Bank has also launched Non-Deliverable Forwards (NDF) in FY 2020-21 to enhance the forex earning. Further, Bank is also in the process of introducing various digital products like YONO Nepal,

Online Account Opening etc.

Your bank is also committed toward social wellbeing of the nation. As a part of the efforts to combat COVID-19, your Bank has contributed Rs. 8,883,499.87 under Corporate Social Responsibilities in FY 2020-21. An amount of Rs 3,230,422.30 has also been contributed to Corona Virus Infection, Prevention and Control Fund of Government of Nepal in order to support the nation to fight strongly against the pandemic.

It is praiseworthy to say that the Bank has managed the pandemic well and had to face minimum health issues concerning its employee. During the year, 372 employees were tested positive for COVID-19 with zero mortality. The employees of the Bank sincerely participated in the COVID-19 vaccine drive of the government and almost entire staff are vaccinated against COVID-19. Considering the selfless contribution of your Bank towards the pandemic, your Bank has been awarded with "Nepal Domestic COVID Management Initiatives of the year 2020-21", by Asian Banking & Finance, Singapore. I would like to wholeheartedly thank all the employees for their unstinting efforts and dedication for putting the Bank above their personal travails.

At present, Nepalese economy is showing visible signs of revival and with the supportive government policies and regulatory prescriptions, we expect to have a favorable business scenario in the near future. Going forward, I would say that your Bank has stood strong and taken the pandemic as an opportunity towards strengthening digital capabilities of the Bank. The Bank's strong policy frameworks and clearly defined procedures have offered solid foundation for navigating the complexities of the year. The Board of the Bank will continue to oversee the task of striking the right balance between maximization of opportunities and maintaining appropriate risk control. I am convinced that this will allow us to improve our returns in a strong, safe and sustainable manner.

Finally, I would like to acknowledge the strong support received from shareholders, employees, customers and auditors during these challenging times. With your whole-hearted support, capable management team and dedicated staff members, we expect to overcome the current challenges and deliver exceptional performance.



Message from the Managing Director

Dear Shareholders,

Namaste and warm welcome to everyone on 28th Annual General Meeting of the Bank.

Since the first incident of COVID-19 in December 2019, communities, businesses and government across the world have been impacted severely. The review period is a clear repercussion of a battered economy affected by the COVID-19 pandemic. The measures adopted by government to revive the economy through comprehensive and coordinated support measures along with vaccination drive have accelerated business recovery. However, the second wave of COVID-19 pandemic in 3rd quarter of FY 2020-21 had a devastating effect which also impacted the recovery of economy.

During the review period, trade deficit widened and the balance of payment remained in surplus by Rs. 1.23 billion compared to a surplus of Rs. 282.41 billion in FY 2019-20. These figures indicated decline in the economic activity of the country.

In the review year, balance sheet size of the Bank increased from Rs. 13,240.19 crore as on Ashadh 2077 to Rs. 13,780.88 crore as on Ashadh 2078, increased by Rs. 540.69 crore (4.08%). Loans & advances portfolio have reached Rs. 10,153.80 crore (net of provision and including staff loans) as on Ashadh 2078 from Rs. 9,443.52 crore as on Ashadh 2077, a growth of Rs. 710.28 crore (7.52%). Similarly, Deposit mobilization decreased to Rs. 10,623.85 crore as on Ashadh 2078 to Rs. 11,044.59 crore as on Ashadh 2077, decreased by Rs. 420.74 crore (3.81%). The share of low-cost deposit stands at 52.28% as on Ashadh 2078. Despite the unfavorable circumstances amid COVID-19 pandemic and lockdowns, the Bank is able to contain the NPA to 0.23% with Net NPA being NIL.

In the review year, your Bank is able to earn Net profit after tax of Rs. 96.35 crore in FY 2020-21. Various circumstances amid COVID-19 pandemic had impacted the profitability of the Bank in FY 2020-21. Our Subsidiary, Nepal SBI Merchant Bank Limited, has earned net profit after tax of Rs. 2.16 crore in FY 2020-21 which is 110.6% growth over the last year's Net profit after tax of Rs. 1.02 crores.

Banking had been shifting towards digitalization and the pandemic further pushed the digitalization and innovative products and services drive. At present, every business and venture have to adopt to the new normal to sail through

these turbulent times. Your bank is also geared up for digitalization and innovative products to deliver services to meet customers expectations. We have launched Corporate Pay, QR payment system and we are in the process of launching YONO Nepal and online account opening system. In review year, we have also launched Non-Deliverable Forwards (NDFs) for enhancing forex incomes.

During the review year, your Bank has been awarded with Nepal Domestic COVID Management Initiative of the Year in 2020-21 and Nepal Domestic Initiative of the year in 2020-21 by Asian Banking & Finance, Singapore. Your bank was also awarded with Best Corporate banking Solutions-Nepal 2021 under Banking Awards 2021 by Capital Finance International, London. These awards are the recognition of your Bank for effective management during these difficult times.

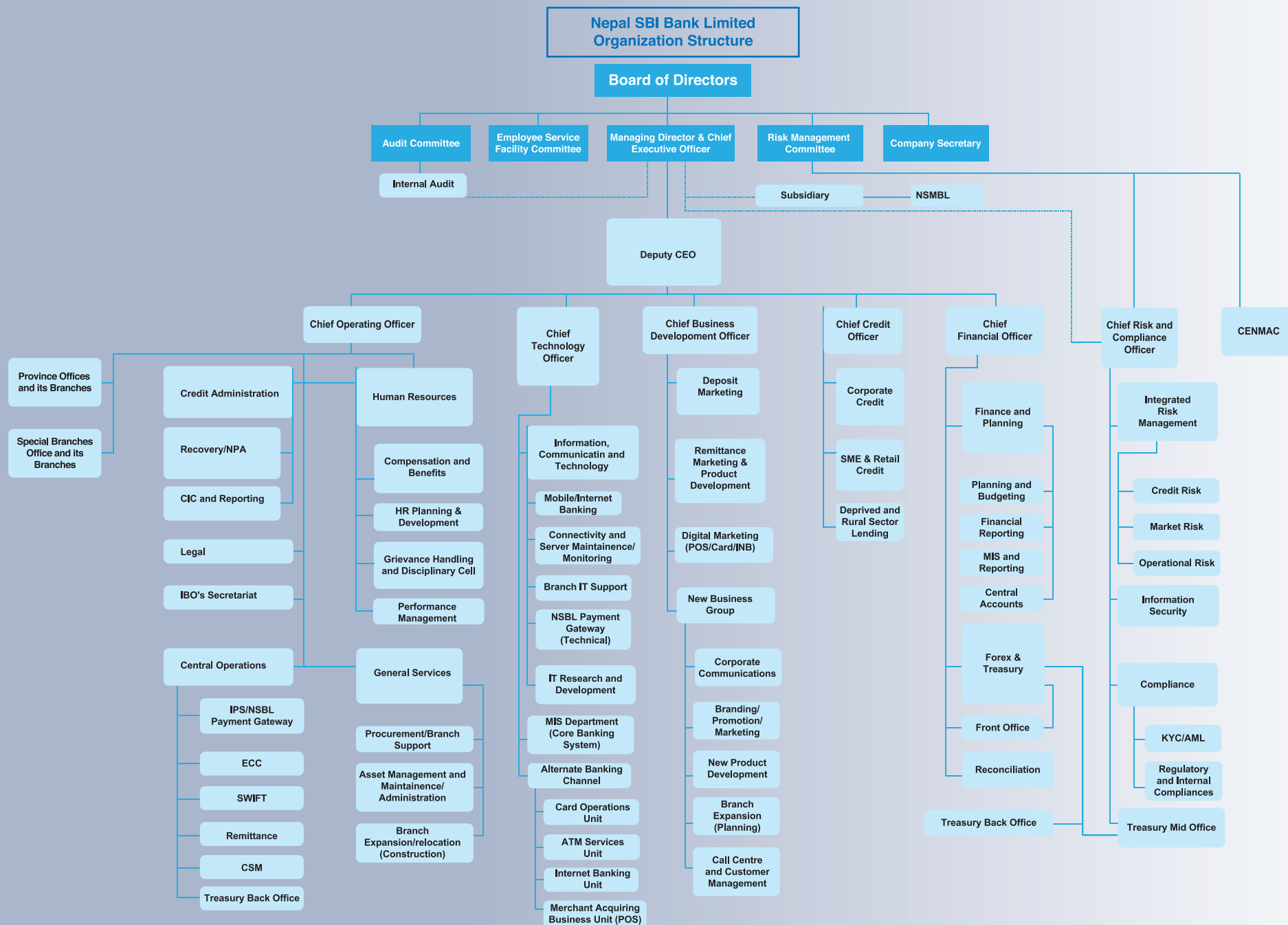
From the beginning of FY 2021-22, the economy of Nepal is reviving from the impact of COVID-19. Though some recovery is there, it is very difficult to predict when these sectors will bounce back to normal phase. It seems that the businesses and lives have to be subsisted with COVID-19. However, the development of vaccines and medicines to minimize the spread of virus is expected to restrict the wide spread of the COVID-19. In the given situation, your bank will try to adopt to the new normal and sail through it with sustainable growth.

I am thankful to all the dedicated employees for their dedication and work during these difficult times. Even in such health crisis, the employees have delivered for the growth of Bank and hence we are firmly moving ahead.

I would like to thank all our valued shareholders, stakeholders and customers who have trusted us in these crises and have given us the strength to move ahead. In coming years, we will continue to execute our strategy and adapt to the changes in the market for marching ahead and for the betterment of your Bank.

As a Managing Director of your Bank, my endeavor is to continue our focus on the growth of your Bank and seek the support of all shareholders, stakeholders, customers as well as our employees to take your Bank to new height.





THE BOARD OF DIRECTORS



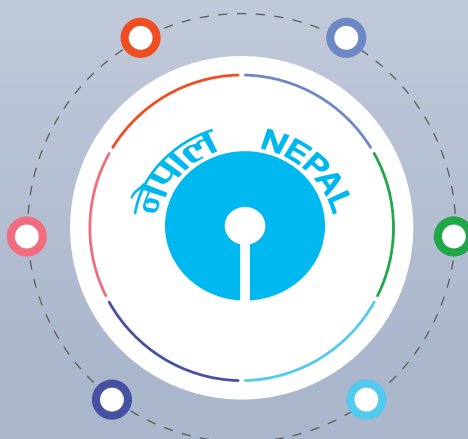
Mr. Rajeev Arora
Chairman
(Nominated by SBI)



Mr. Rajay Kumar Sinha
Director
(Nominated by SBI)



Mr. Bala Krishna Shrestha
Director
(Elected by General Public Shareholders)



Mr. Bharat Raj Wasti
Director
(Nominated by EPF)



Ms. Bimala Subedi
Independent Director
(Appointed by Board)



Mr. Dipak Kumar De
Managing Director & CEO
(Nominated by SBI)

Statutory Auditor
S.A.R Associates., Chartered Accountants

Company Secretary
Mr. Shreedhar Adhikari

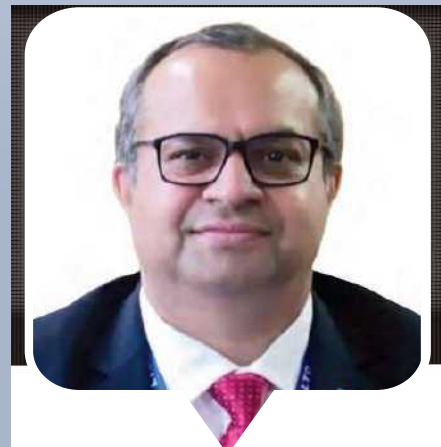
MANAGEMENT TEAM



Mr. Dipak Kumar De
Managing Director & CEO



Mr. Mohammad Rizwan Alam
Dy. CEO & Chief Financial Officer



Mr. Yadvender Kant
Chief Operating Officer

SENIOR MANAGEMENT AND HEAD OF DEPARTMENTS



Mr. Dhawal Bharat Dave
Chief Technology Officer



Mr. Chhapi Raj Pant
Advisor New Business



Mr. Dev Raj Adhikari
Assistant General Manager
Deputation to NSMBL as MD & CEO



Mr. Bishnu Dev Yadav
Chief Risk &
Compliance Officer



Mr. Arjun Nepal
Assistant General Manager
& Head Bagmati Province



Mr. Binod Kumar Dhungel
Chief Manager
(Chief Credit Officer)



Mr. Suraj Manandhar
HoD-Corporate Credit



Ms. Roshani Bharati
HoD-Central Operation



Mr. Badri Lal Amatya
HoD-SME & Retail Credit



Mr. Ritwik Guha Thakurta
Head - Forex & Treasury



Ms. Damayanthi Joshi
HoD-Compliance



Mr. Shreedhar Adhikari
CS & HoD-Internal Audit



Mr. Pawan Ghimire
HoD-TFCPC



Mr. Min Bahadur Gurung
HoD-General Services



Mr. Harish Rana
HoD-NBG



Mr. Monish Kumar Shrestha
HoD-ICT



Ms. Shristhee Bhatta
HoD-Human Resource



Mr. Robert Shrestha
HoD-Finance & Planning



Mr. Narendra Chaudhary
HoD-Credit Administration



Mr. Kalash Joshi
HoD-Alternate Banking Channel



Mr. Bishnu Hari Koirala
HoD-IRM



Mr. Shishir Kumar Pradhan
HoD-Reconciliation



Mr. Pradeep Nath Pandey
HoD-MIS



Ms. Srijana Bista
HoD-Legal

PROVINCE HEAD



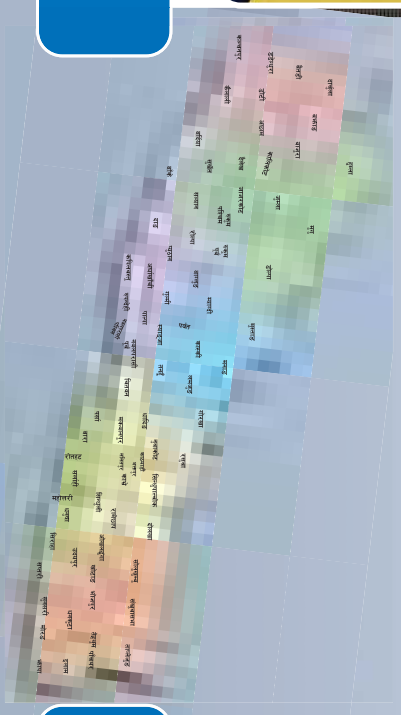
Mr. Arjun Nepal
Head-Bagmati Province



Mr. Umesh Bdr Karki
Head-Province 1



Mr. Lekha Nath Pokharel
Head-Province 2



Mr. Prabhin Bhattarai
Head-Lumbini Province



Mr. Sushil Chandra Mahat
Head-Gandaki Province



Mr. Sudeep Khadka
Head-Karnali Province



Mr. Manoj Kumar Sharma
Head-Sudurpashchim Province

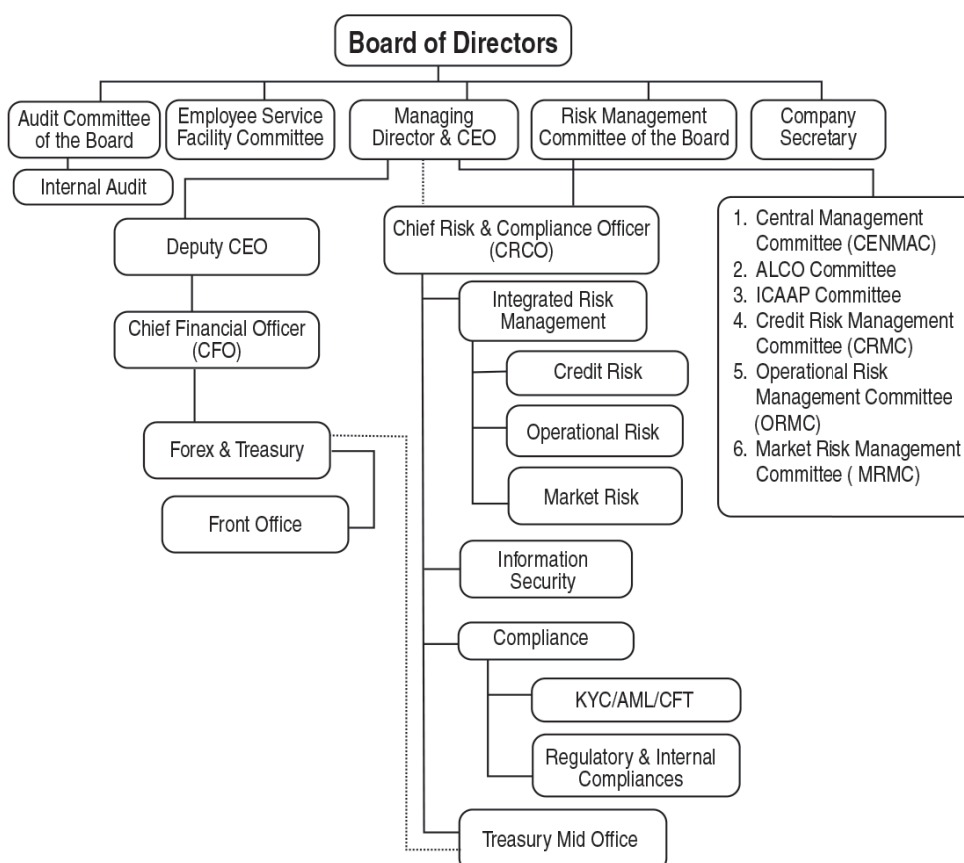
RISK GOVERNANCE STRUCTURE

RISK MANAGEMENT

Risk management in the bank includes risk identification, measurement, monitoring and controlling and its objective is to minimize negative effects that risks can have on the financial result and capital of the bank. Risk management strategies include the transfer of risk, avoidance of risk, reduction of the negative effect of the risk and acceptance of the consequences of a particular risk. The design of a risk management system depends among other things, on its size, capital structure, complexity of functions, technical expertise and quality of Management Information System (MIS) and is structured to address both banking as well as non-banking risks to maximize shareholders' value.

Risk Governance Structure

The Bank has a separate and independent Risk Governance Structure:



The Bank's risk management framework has following components:

Active Board and Senior Management Oversight

The Board has the ultimate responsibility for monitoring and managing the risk profile of the Bank. Bank has a Risk Management Committee of the Board (RMCB) comprising of one non-executive director of the Bank as Coordinator, Coordinator of Audit Committee of the Board (ACB) as Ex-Officio member, Dy. CEO & Chief Financial Officer as a member, Chief Operating Officer as a member and Chief Risk & Compliance Officer as member secretary. The RMCB meets at least once in a quarter.

Risk committees at executive level for Credit, Market and Operational Risks have been formed for the management of various risks in the Bank in their areas. They ensure the effective implementation of policies and procedures. They also review the policies, process, reports for making relevant decisions. Liquidity Risk is overseen by the Asset Liability Management Committee (ALCO) which is headed by the Managing Director. The decisions of all the management level committees are reviewed by Risk Management Committee of the Board. Chief Risk and Compliance Officer (CRCO) shall be the Member Secretary and convener of Credit/Operational/ Market Risk Management Committee of the Bank.

Chief Risk & Compliance Officer (CRCO) independently looks after overall risk and compliance of the Bank with solid line reporting to the Risk Management Committee of the Board. Under Chief Risk and Compliance Officer, Integrated Risk Management Department, Compliance Department, Information Security Department and Treasury Mid-Office take their charges.

Policies, Procedures and Limits

All policies and manuals are reviewed, updated and approved by the Board on annual basis to reflect any changes in the nature of our business and external regulations, law, corporate governance and industry best practice. This helps us to ensure we continue to meet our responsibilities to our customers, shareholders and regulators.

The Bank has defined risk appetite levels which are expression of the amount of risk that the Bank is willing to accept to achieve its objective. Similarly, the policies provide framework for identification, assessment, measurement, monitoring and reporting of the risk.

Appropriate Management Information System

In view of the growing information requirements of regulators, departments and operational units, MIS in the Bank is being constantly

assessed, upgraded and fine-tuned. All Branches of the Bank are networked on Core Banking Solution (CBS). The system regularly generates separate reports for Branches / Controllers to analyze various risks faced by the Operating Units.

Effective Internal Controls

The Bank has robust internal control systems with well-defined responsibilities at each level. The Internal Audit Department (IAD) of the Bank carries different types of audits covering different facets of the Bank's activities. Bank has fixed limits on exposure, substantial exposure, delegation of financial power, internal communication system etc. and implementation of four/six eyes system. Bank has adopted three-line defense system (i.e. First Line of defense, Second line of defense & Third Line defense).

Product Development and Vetting Committee (PDVC) assesses the risk in new products/services prior to the launch of such products/services and mitigation measures are adopted accordingly.

Internal Audit Department (IAD) is headed by senior level staff and is functionally independent. It reports directly to the Audit Committee of the Bank's Board (ACB). Internal Controls in place for identified risks are detailed in the 'Internal Controls' Section of individual Risk Reviews.

Stress Testing Practices

Stress testing is considered as a key and integral components of risk management by the Bank. The stress testing is performed in order to assess the impact of severe economic downturn on financial position & capital. It covers the assessment of material risk (i.e. Credit Risk, Market Risk, Operational Risks, Interest Rate Risk in Banking Book and Liquidity Risks) as realized by the senior management and the Bank's Board as well as guided by the regulatory requirement of NRB.

The most significant risks which could impact the delivery of our long-term strategic objectives and our response, are detailed below:

| Principal Risks | Key Mitigating Actions |
|--|--|
| Credit risk Credit Risk The risk that customers and/or other counterparties whom we have either lent money to or entered into a financial contract with, or other counterparties with whom we have contracted, fail to meet their financial obligations, resulting in loss to the Bank. Adverse changes in the economic and market environment we operate in or the credit quality and/or behavior of our customers and counterparties could reduce the value of our assets and potentially increase our write downs and allowances for impairment losses, adversely impacting profitability. | <ul style="list-style-type: none"> - Robust risk assessment and credit sanctioning to ensure we lend appropriately and responsibly. - Extensive and thorough credit processes and controls to ensure effective risk identification, management and oversight. - Monitoring of quality of credit portfolio on a periodical basis, identify problems and correcting deficiencies. - Risk rating of borrower through Credit Risk Assessment scoring model/ Retail Scoring Model - Delegation of financial power for sanctioning of loans and arrangement for submission of control report to higher level authority at regular interval. - Monitoring of sector wise credit concentration. |
| Operational risk Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. We face significant operational risks which may result in financial loss, disruption of services to customers and damage to our reputation. These include the availability, resilience and security of our core IT systems and the potential for failings in our customer processes. | <ul style="list-style-type: none"> - Implementation of Business Continuity Plan (BCP) to ensure the Bank's continued operability in the face of any emergency, disaster, crisis. - Continual review of our IT environment to ensure that systems and processes can effectively support customers' requirements. - Enhancing the resilience of systems that support critical business processes with independent verification of progress on an annual basis. - Each desktop is implemented with Active Directory System (ADS) for end user management of computers - Implementation of Loss Data Management Policy to record the loss. - Improving early warning information through implementation of Key Risk Indicators (KRIs). |
| Market risk Market risk the risk that our capital or earnings profile is affected by adverse market rates, in particular, changes in interest rates, foreign exchange rate, equity and commodity prices. | <ul style="list-style-type: none"> - Equity and interest spread risks are closely monitored and, where appropriate, asset liability matching is undertaken to mitigate risk. - Stress testing of risk exposures. - Ensure that there is clear accountability, responsibility and adherence to the regulatory guidelines including best practices for management and mitigation of market risk. - Monitoring of mark-to-market positions of trading book, Net Open Position, counterparty exposure limits, breaches, if any, by Treasury Mid Office and reporting to the Chief Risk & Compliance Officer. |

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

On behalf of the Board of Directors of Nepal SBI Bank Limited (NSBL), I cordially welcome all the shareholders on the 28th Annual General Meeting of the Bank. We are grateful and thankful to all the shareholders for their continuous support and contribution in the growth of the Bank. Your directors have pleasure in presenting the 28th Annual Report of the Bank along with the audited financial statement for the year ended 15 July 2021 (31st Ashad, 2078).

I would like to share the highlights of NSBL's performance during fiscal year 2077-78, the business environment, challenges faced and outlook of the Bank which will give insights of the Bank's performance during the year under review.

1. GENERAL INFORMATION

Nepal SBI Bank Limited was established in July 1993 as first Indo-Nepal joint venture in financial sector sponsored by three institutional promoters, namely State Bank of India, Employees Provident Fund and Agricultural Development Bank of Nepal through a Memorandum of Understanding signed on 17th July 1992. Now, Nepal SBI Bank Ltd. (NSBL) is a subsidiary of State Bank of India (SBI) having 55 percent of ownership. The local partner viz. Employee Provident Fund holds 15% equity and General Public 30%.

Since its inception in July 1993, the Bank has emerged as one of the leading banks of Nepal, with 967 skilled and dedicated Nepalese employees working in total 116 outlets, which includes 88 branches,

19 extension counters, 7 Province Offices, 1 Special Branch Office and a Corporate Office. With presence in 51 districts in Nepal, the Bank is providing value added services to its customers through its wide network of 122 ATMs (including 2 Mobile ATMs and 4 CRMs), 3 branchless banking outlets, internet banking, mobile banking, 2 e-Corners etc. Nepal SBI Bank Ltd. is one of the fastest growing commercial banks of Nepal with more than 1 million satisfied deposit customers and over 8.50 lakhs ATM/Debit cardholders. The bank enjoys respectful position in the country in terms of penetration of technology products, viz. Mobile Banking, Internet Banking and Card Services.

2. FINANCIAL HIGHLIGHTS OF FY 2077-78:

In the last quarter of FY 2077-78, second wave of COVID-19 pandemic impacted the world once again, including Nepal. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. Aftermath COVID-19, the economic situation has experienced unprecedented contractions impacting businesses and financial institutions including NSBL.

The Bank prepares its financial statements in accordance with the applicable accounting standards, NRB guidelines and other applicable laws/regulation.

Financial performance of fiscal year 2077-78 is summarized in the following table:

| Amount in Crore | | | | |
|---|------------------|------------------|---------------|--------------|
| Particulars | FY 2077-78 | FY 2076-77 | Amount Change | % Change |
| Paid up capital | 949.36 | 895.62 | 53.74 | 6.00% |
| Reserve & Surplus | 590.40 | 582.56 | 8.08 | 1.39% |
| Debenture | 302.87 | 302.83 | 0.04 | 0.01% |
| Deposits | 10,623.85 | 11,044.59 | (420.74) | (3.81%) |
| Loan and Advances (Excluding Staff loans) | 10,019.78 | 9,431.34 | 588.44 | 6.24% |
| Investments & Placements | 2,124.70 | 1,235.01 | 889.69 | 72.04% |
| Total Assets | 13,780.88 | 13,240.19 | 540.69 | 4.08% |
| Return on Assets % | 0.70 | 1.77 | (-) 107 bps | |
| Return on Equity % | 6.26 | 10.44 | (-) 418 bps | |
| Loan Loss Provision% (as per NRB) | 0.23 | 0.23 | 0 bps | |
| Earnings per Share (Rs) | 10.12 | 17.23 | (-) 708 bps | |

Share Capital

During the year under review, Bank had issued 6% Bonus share as a result of which the share capital of bank increased by 6%. Detail presented in schedule 4.26.

Deposits of Bank

Due to the stiff competition in credit market, the Bank reduced the high-cost deposits and focused on low-cost deposit. Thus, in review year, fixed deposits have been reduced by Rs. 1,178.95 crore and low-cost deposits have been increased by Rs. 758.21 crore. Hence, during the year under review, deposits of the bank have been reduced from Rs. 11,044.59 crore as on 15.07.2020 to Rs. 10,623.85 crore on 15.07.2021. i.e., decrease by Rs. 420.74 crore (3.81%).

Loans and advances (excluding staff loan and advances)

The stringent lockdowns/restriction imposed due to COVID-19 pandemic has deeply impacted business and jobs for about a year. These economic situations have resulted in decline in the utilization of sanctioned loans & advances and reduced the demand for new retail and corporate loans & advances. However, the economy has shown some improvements in the 3rd and 4th quarter of FY 2077-78. Thus, despite the pandemic, loans and advances of the Bank have increased from Rs. 9,431.34 to Rs. 10,019.78 crore i.e., grown by

6.24% in FY 2077-78.

Investment and Placement

During the year under review, investment and placement has increased by 72.04% from Rs. 1,235.01 crore as on Ashadh End 2077 to Rs. 2,124.70 crore as on Ashadh End 2078. Detail of investment is presented in schedule 4.8.

Return on Assets (%)

Return on assets has declined due to higher growth in assets size of the Bank than the net profit of the Bank. The net profit of the Bank has been impacted due to the economic condition of Nepal amid COVID-19 pandemic. Further, due to regulatory prescriptions of increasing loan loss provision for pass category from 1% to 1.30%; it has impacted the net profit of the Bank.

Return on Equity (%)

Return on equity has declined due to increase in the equity amid distribution of 6% bonus share in the FY 2077-78. The net profit of the Bank has been impacted due to the economic condition of Nepal amid COVID-19 pandemic. Further, due to regulatory prescriptions of increasing loan loss provision for pass category from 1% to 1.30%; this has impacted the net profit of the Bank.

Non-Performing Loan Provision

Bank has maintained one of the lowest NPAs in the industry. While sanctioning loans & advances, quality of portfolio was ensured and this has enabled us to maintain one of the lowest NPA ratios in the industry.

Earnings Per share

Earnings per share has been impacted by the decrease in the profit amid COVID-19 pandemic and regulatory prescriptions.

3. CORE BUSINESS REVIEW

3.1 CORPORATE FINANCIAL SERVICES

During the year under review, the corporate finance of the Bank has increased from Rs. 6,832.96 crore as on 15.07.2020 to Rs. 7,257.04 crore as on 15.07.2021.

3.2 RETAIL FINANCIAL SERVICES

During the year under review, the Bank has continued to concentrate more on the retail segment by offering various retail services to customers. During review period of FY 2077-78, low-cost deposits i.e., current and savings and call has recorded a growth of Rs. 758.21 Crore and reached at level of Rs. 5,554.49 crore. During the year, we have opened 85,646 (net) new savings deposit accounts and 4,634 (net) new current accounts. The factors that contributed to the growth

were marketing effort, launching of various campaigns, revising existing products and better customer service resulting in excellent performance in account opening during the year.

During the year retail segment of loans and advances increased by Rs. 302.42 (YoY 16.64%) Crore and reached at level of Rs. 2,900.80 Crore. Bank has introduced new products and revamped existing products for increasing retail loan segment. Retail campaigns launched by the Bank from September 2020 resulted growth in retail loans and advances such as Hire Purchase loans, loans to ex-servicemen (Indian Army), education loans, etc.

3.3 TREASURY OPERATION

Treasury operation plays a crucial role in understanding the market, taking advantage of arbitrage opportunities and fund management. It is responsible for deployment of surplus funds to achieve desired risk adjusted returns. Treasury investments cover placement with other banks and financial institutions, investment in government securities, Publicly traded equities and Strategic Investments. Additionally, it offers multiple products and services that cater to the foreign exchange requirements of the customer. Bank has launched Non-Deliverable Forwards (NDF) in November 2020 to contribute toward forex earnings.

3.4 FINANCIAL RESULTS & PROFITABILITY

Nepal SBI Bank Ltd.'s financial result was impacted by current economic condition amid COVID-19 pandemic and changes in guidelines which in turn led to decline in operating profit before tax and profit after tax by 39.04% and 37.57% respectively during the year.

The Bank has recorded a net profit after tax of Rs. 96.35 crore in FY 2077-78. Similarly, group profit of Rs. 98.51 crore was recorded in FY 2077-78.

Amount in Crore

| Particular | FY 2077/78 | FY 2076/77 | Amount Change | % Change |
|---|------------|------------|---------------|----------|
| Net Interest Income | 286.73 | 404.46 | (117.73) | -29.11% |
| Non-Interest Income | 145.20 | 121.34 | 23.86 | 19.66% |
| Total Expenses (other than Impairment and Tax expenses) | 871.37 | 1,013.77 | (142.39) | -14.05% |
| Operating Profits | 135.14 | 220.76 | (85.62) | -38.78% |
| Provision and Contingencies (Impairment charges) | 37.96 | 27.23 | 10.73 | 39.39% |
| Profit Before Tax | 136.05 | 223.18 | (87.13) | -39.04% |
| Profit After Tax | 96.35 | 154.33 | (57.99) | -37.57% |

The major factors affecting the current year profitability of Bank are as under:

- Sluggishness in the economy and banking business amid COVID-19 Pandemic.
- Sizable fiscal and financial measures countermeasures deployed as regulatory prescription in the country since the start of crisis. For example, deferment of installment and interest payment, waiver of charges, additional loan loss provisioning etc.

4. ASSET LIABILITY MANAGEMENT

Efficient Management of Assets and liabilities (ALM) is vital for sustainable and qualitative growth of Banks. ALM aims to strengthen Balance Sheet by pro-actively reviewing the market dynamics, capturing the signals emanating, there from, assessing the regulatory requirements to ensure value creation. Your bank is efficient in ensuring asset liability management and is undertaking timely review of the ALM positions of the bank. The bank has implemented a comprehensive Asset Liability Management (ALM) System for effective management of Market Risk covering Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk.

Liquidity and Interest Rate Risks are measured through Structural Liquidity Report. Both the risks on Foreign Assets & Liabilities are being monitored through Maturity & Position (MAP) and Sensitivity to Interest Rate (SIR) reports. The monitoring of liquidity on a dynamic basis over a time horizon spanning 1-90 days and more is put in place.

The ALCO of the bank holds responsibility of managing liquidity risks and consistently monitors the Bank's liquidity position to ensure compliance with regulatory requirements and internal targets. Reporting requirements including regular updates to the Board enables

the Board to ensure that liquidity indicators are maintained within the defined parameters. Further, contingency liquidity plan is developed in order to assist in bridging liquidity shortfalls.

The Asset Liability Management Policy coupled with Investment Policy of the Bank specifies various prudential limits for management of Liquidity and Interest Rate Risks. A system of daily monitoring of inflows and outflows of deposits is in place for managing Liquidity on a day-to-day basis. Stress Testing on Liquidity, Interest rate and Foreign Exchange positions have also been undertaken during the year. The structural liquidity report is being prepared and reviewed regularly. Scenario analysis on market risk, as prescribed by Nepal Rastra Bank is also being ensured.

5. DEPRIVED SECTOR LENDING

The total exposure in deprived sector lending reached at Rs 615.96 crore (Ashadh End 2078) i.e., 6.63% of total loans and advance prior to six months, which is more than minimum level prescribed by NRB, i.e. 5%.

6. PRODUCTIVE SECTOR LENDING

In accordance with the prescription of regulator, the Bank has

exposure of Rs. 2,318.05 crore as on Ashadh End 2078 toward productive sector lending (Agriculture, Hydropower/Energy and Small and Medium Enterprises).

7. CREDIT MANAGEMENT

Our primary objective in credit management was to support customers in weathering the crisis and contribute towards their revival. As such, your Bank has implemented robust credit assessment system to ensure booking of high-quality assets. Continuous monitoring and follow up for recovery of impaired asset has resulted in lowest level of non-performing assets (NPA) in the industry since many years. Bank is pursuing both preventive and curative management strategies for controlling NPAs. Strong credit risk assessment mechanism is in place to filter out likely NPAs. The non-performing loan ratio to total loan is 0.23% and Net NPA ratio is zero.

8. CAPITAL ADEQUACY

In the review year 2077-78, Bank's Tier 1 and Tier 2 Capital Adequacy Ratios (CAR) were 11.02% and 2.84% respectively and overall CAR was 13.86%. Capital position is adequate to meet our expected current year business growth and exceeds the capital adequacy requirement under Basel III capital accord norm i.e., 11% implemented by Nepal Rastra Bank. Our Internal Capital Adequacy Assessment Process (ICAAP) prescribed minimum 12% of CAR in line with Group ICAAP.

9. SHARE CAPITAL AND BONDS

9.1 Equity Capital

The paid-up capital of the Bank has increased in review year from Rs. 895.62 crore as on Ashadh End 2077 to Rs. 949.36 crore as on Ashadh End 2078. During the year, Bank has issued 6% bonus shares/capital of Rs. 53.74 crore which has resulted in the increment of capital.

9.2 Debt Capital

The Bank has all together Rs. 302.87 crore Debt capital as on Ashadh End 2078. In the review year, Bank has not raised Debt Capital as it suffices the regulatory requirement and capital requirement under Basel III norms.

10. CORPORATE GOVERNANCE

Nepal SBI Bank Ltd. is committed to the best practices and maintains an effective Corporate Governance structure and process. In the management of the company, the Directors have emphasized on assuring best corporate governance practices and procedures. This ensures that the businesses have appropriate decision-making processes and controls put in place so that the interest of all stakeholders (shareholders, employee, customer and the community) are taken care of. Good governance facilitates effective management and control of business, enables the bank to maintain a high level of business ethics and optimize the value for all its stakeholders. Ethical and qualitative decision-making builds sustainable businesses and enables them to create long-term value more effectively. Corporate governance practices and ethical business conduct resides at the core of NSBL's value system. Being fully committed to adopt and implement the best practices on Corporate Governance, NSBL ensures transparency in its activities with special emphasis on accountability, financial prudence, ensuring stake-holders satisfaction and safeguarding investor's interest. Accordingly, systems and structures have been introduced and timely improved to enhance risk management measures ultimately improving accountability and transparency. A detail report on corporate governance is separately presented in annual report.

11. RISK MANAGEMENT & INTERNAL CONTROL

11.1 Material Foreseeable Risk Factor

Your Bank has an ongoing process in place to identify, evaluate and manage the contingent risk. The process is detailed in the Risk Management Report. The directors review the above-mentioned processes on a regular basis.

11.2 Internal Control, Inspection and Audit

Internal control is fundamental in successful operation and day-to-day running of the business. It assists the company in achieving its business objectives. Therefore, the Directors have taken reasonable steps to have instituted effective and comprehensive system of internal control for identifying, recording, evaluating and managing risk faced by Bank throughout the year. It is being regularly reviewed

by the Board of Directors and the committee formed under regulatory guidelines. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

The Audit Committee of the Bank under chairmanship of a non-executive director reviews the financial position of the Bank, adequacy of its internal control systems and issues appropriate guidelines based on the feedback received from the internal audit reports to the board as appropriate. The Audit Committee, from time to time, reviews its policy and circulates instructions and guidelines to operative level for further improvement, control and compliance of extant rules, regulation and instructions.

The Bank has independent Internal Audit Department headed by Manager designated staff with enough qualified officials, which is an independent activity and has sufficient standing and authority within the bank. Internal Audit Department works under the guidance and supervision of the Audit Committee of the Board. The Internal Audit monitors compliance on policies/standards and effectiveness of internal control structures across the bank through its program of business/unit audits. The internal audit function is focused on the areas of greatest risk as determined by a risk-based approach methodology.

The bank implemented Risk Focused Internal Audit (RFIA) from year 2013 and has provision of 12 different types of Audits (Like concurrent audit, Compliance audit etc.) Self-Audit of operating units has also been introduced, under which audit of a branch is carried out by the branch itself providing greater insight and controlling tools for the Province Heads and the Management for effective supervision of qualitative parameters of operations. Further, to overcome the hindrance on auditing, created by the lockdowns amid COVID-19 pandemic, the bank has formulated Remote Audit Guidelines, 2021.

Your bank is also subject to Information System Audit to assess the IT related risk as a part of audit program.

12. ETHICS AND BUSINESS CONDUCTS

For smooth operation of day-to-day banking, policy level decision and strategies to be initiated by the bank, the Bank has devised and implemented its own 'Code of Ethics' to be followed meticulously by all the members of its Board of Directors, Management Team and staff at all levels. The primary idea behind the implementation of own code of ethics was to further strengthen and integrate ethics in the operational fabric of the bank in a more overt and structured manner. The Code provides staff-members with behavioral guidelines and a moral compass for conducting a collective journey towards realization of your Bank's vision. The Code of Ethics implemented by your bank is consistent with the spirit of Good Governance Act and is fully compliant with Nepal Rastra Bank's guidelines on maintaining good corporate governance in the bank. All the members of the Board have observed the code of conduct/ethics prescribed under NRB Directives.

13. CREDIT RATING OF NSBL

Credit rating is an evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency. For the purpose, ICRA Nepal Limited has assigned and reaffirmed issuer rating of "[ICRANP-IR] AA" (pronounced ICRA NP Issuer Rating Double A) to Nepal SBI Bank Limited in October 2020. "[ICRANP-IR] AA" rating is considered as high credit quality rating assigned by ICRA Nepal and the rated entity carries low credit risk.

As per ICRA Nepal, the rating assignment/reaffirmation factors the bank's strong promoter profile, existence of Technical Service Agreement (TSA) with State Bank of India. ICRA Nepal's Rating Certificate further states that the rating was assigned to the Bank by taking into consideration bank's established underwriting norms, experienced board/management, comfortable credit to deposit ratio adjusted for core capital and comfortable liquidity augur well for growth prospects.

14. DIGITIZATION INITIATIVES

A steady stream of technology driven innovations necessitated by changing customer preferences is transforming the retail banking

landscape. The contours of banking sector are changing in line with the aspirations of technology oriented Nepalese people. NSBL is a strong proponent of leveraging information technology to deliver convenience to its customers. We are also committed towards transforming ourselves into a digitized organization. Your Bank has aptly been able to embrace and adapt to new technologies in a customer-centric manner driving enhanced customer experiences, thereby sharpening the competitive edge. Advanced digital capabilities also pave for increased agility and efficiency of processes, reducing the cost to serve and enabling better optimization of resources over time.

14.1 E-CORNER

The bank has been providing services through number of alternative channels such as ATM, E-Banking, Mobile banking, CDM, Kiosks etc. All these utilities create a unique experience for the customers of the bank wherein the customers will be able to enjoy services offered by the bank without any manual intervention at any time preferred by the customer. Our e-Corner outlet at Durbar Marg Main Branch, Kesharmahal and Newroad Branch provides easy and hassle-free services through various technology products such as Cash Recycler Machine (CRM), ATMs and Self-Service Kiosk (SSK) etc. for valued NSBL customers.

14.2 CORE BANKING SOLUTION (CBS)

Nepal SBI Bank Ltd. has been using Finacle Core Banking Solution software which is a real time 24x7 account processing platform which has a layered Service Oriented Architecture (SOA), Straight through Processing capabilities and web enabled technology. On this core platform, various value-added services like SMS/Mobile Banking and Internet Banking in addition to ATM cards (which is superior in terms of security features and speed of processing data) are integrated.

14.3 CARD PRODUCTS

Nepal SBI Bank Ltd. has offered various Visa branded debit card services to its customers and subsequently upgraded the security features over the time. ATM cum Debit Card, Bharat Yatra Card, Vishwa Yatra Card and Insta Debit Card are the debit card products offered by the Bank and are VBV (Verified by Visa) enabled, an extra layer of security that helps to prevent unauthorized use of the cards while online shopping.

Bank has also taken steps for Green PIN which facilitates to generate pin for debit card issued by the bank and the facility has also been added in our Internet Banking (FEBA). With addition of this facility, card holders of the bank can now generate PIN using Internet Banking as and when required as per their convenience.

14.4 AUTOMATED TELLER MACHINES (ATMs)

With a view to provide hassle free banking services, the Bank has installed 122 ATMs (including 4 CRMs and 2 mobile ATMs) all over the country including 2 mobile ATMs for Kathmandu valley and Pokhara Valley to provide 365 days banking services to its customers. Your bank is planning to add more ATM in different places of Nepal in coming days. Further, the Bank has already added modern features in its ATMs viz. fund transfer, request for SMS/Mobile banking registration, Donation utility etc. Various international cardholders can also transact easily from our ATMs at nominal charges.

14.5 INTERNET BANKING

Internet Banking continues to provide seamless online experience offering diverse Banking services to customer. Your bank is providing highly secured internet banking service to its valued customer. In order to develop awareness and encourage customers to use e-Banking facility for quick and hassle-free banking experience, the Bank, from time to time, has been launching e-Banking mobilization campaign. The number of e-Banking users as at the end of Ashad 2078 has reached to 94,852 against 83,313 last year.

14.6 CONNECT IPS (Real Time)

Nepal SBI Bank Limited is providing connect IPS facility to its valued customers. Through this facility, the savings account holder of the Bank can transfer fund at real time from their deposits account maintained at Bank.

14.7 Corporate Pay (Connect IPS & NCHL IPS)

In FY 2077-78, Nepal SBI Bank limited has also tied up with NCHL for Corporate Pay to facilitate corporate customer to use Connect IPS

(a real time settlement process) and NCHL IPS (a batch settlement process) for fund transfer from account maintained at the bank.

14.8 MOBILE BANKING (MERO SATHI)

The modern technology-based banking products and services like Mobile/SMS Banking has been adequately made available to our valued customer, which has been upgraded to application-based system currently. Further, we have upgraded our mobile banking platform to App Based system with a host of value-added services. This service of the Bank allows our customers to view account balance, inquiry of exchange rates, banking hours, check mini statement, transaction alert, fund transfer, utility bill payment, book airlines ticket, etc. Integration of E-Sewa-Fonepay payment gateway with mobile banking system facilitates fund transfer within NSBL Account as well as Fonepay member Bank (46 BFIs), generate Personalized QR code from app for easy favorite account addition as well as fund transfer and to make Fonepay merchant payments such as Airlines ticket booking, insurance payment, school payments, Nepal Electricity bill payments and insurance premium payments. Bank is planning to add more features and make mobile banking more convenient, secure and popular amongst its customers through launching of YONO app in Nepal. Bank's Mobile Banking App is available for free download from Bank's website as well as Google Play store. The total number of active customers availing Mobile banking service up to Ashad end 2078 has reached to 260,402 with highest mobile banking penetration in the country i.e 24.35%.

15. INFORMATION TECHNOLOGY & SYSTEMS SECURITY

Digital excellence is a key pillar of Nepal SBI Bank's strategic agenda and will play an increasingly important role in the Bank's transformation over the next few years. Nepal SBI Bank Ltd. is having a comprehensive IT and Information Systems (IS) Security systems to control the threat and risk associated with IT enabled services which address all the concerns including maintenance of customers' confidentiality, security and integrity of data. Bank's data center where the Bank's CBS database resides (both Primary and Disaster Recovery Site) has acquired the accreditation for the international standard for Information Security Management Systems. All the Banking applications of the bank are highly secured and have built-in security features like access control, data encryption and transmission through secured channels as per the requirement of the application. The threat of virus is minimized by having a centralized anti-virus solution. Adequate Firewalls and Intrusion Detection Systems are in place to prevent unauthorized access to the network.

A state of art, highly secured Disaster Recovery Plan (DRP) for all the operations is in place. The Bank has taken steps to increase security awareness amongst its staff as well as customers and to ensure compliance of IT security. All the branches and operating units have been provided a detailed booklet for guidelines on IT Policy containing IS Security related matters etc. for day to day operation.

16. POS TERMINAL SERVICES

The bank has deployed POS terminals at different strategic business location to facilitate the valued customers. The total number of POS terminals of Nepal SBI Bank Ltd. has reached to 1,395 by end of Fiscal year 2077-78.

17. QR MERCHANT

The bank has launched and installed Quick Response (QR) Codes at different merchant business location to facilitate the valued customers in FY 2077-78. Since inception, your bank has been able to cater the merchant business and hence the total number of merchants acquiring through QR of Nepal SBI Bank Ltd. has reached to 2,525 by the end of this review year.

18. CUSTOMER CONVENIENCE

Customer convenience is an element of customer experience that saves the customer time and effort. At Nepal SBI Bank Ltd., we understand that we must ensure customer convenience for delivering our services and products. The customers wish to transact more quickly, accurately and efficiently than ever before. Keeping customers in its first priority, the Bank continues to render better customer service by devising simplified processes and innovative delivery channels accordingly over the years. Providing value added services, leveraging core Banking technology and re-designing key business processes in

line with the requirements of the customers have helped the Bank in providing customers a satisfying banking experience with international standards. To the extent possible, customers do not prefer to invest more time to get their cash deposited, cheque paid, statement printed, queries addressed etc. In order to provide hassle free service, our Bank has installed technology driven products like ATMs, SMS/Mobile Banking, Internet Banking and CRM (Cash Recycler Machine), Mobile ATM services etc. Offering customer-centric digital solutions enabled the Bank to pursue targeted acquisition of younger customers, thereby increasing its overall penetration. Installation of these technologies, significant progress was made in enhancing the customer experience as we focused on convenience, accessibility and safety, factors which offered an avenue for differentiation given the conditions that prevailed this year.

19. SOCIAL RESPONSIBILITY INITIATIVES

Nepal SBI Bank Ltd has been executing various social banking initiatives under Corporate Social Responsibility (CSR). NSBL Tech Learning Centers (to increase awareness of bank's Technology products among the people), launched at three various centers, with observations meeting on the third Thursday of every month. This has drawn a lot of interest and in due course will be extended to more centers.

Nepal SBI Bank Ltd. always remains conscious about its responsibility towards the society as a whole. Every year, the bank is allocating minimum 1% of Last Year's Net Profit for the progress of the community and country through several CSR initiatives. NSBL supported directly or in partnership with other organizations, to various individuals, groups or institutions in wider area of social life including healthcare, natural calamities, education, sports, culture, protection of national heritage etc. During the year, the Bank incurred expenses of Rs. 8,883,499.87 (Rupees Eight Million Eight Hundred Eighty-Three Thousand Four Hundred Ninety-Nine and Paise Eighty-Seven only) in connection with various CSR activities. Similarly, Rs. 3,230,422.30, the balance of CSR fund during the FY 2076/77 has been transferred to Corona Virus Infection, Prevention and Control Fund (As per NRB Directive No. 06/2077 (16 JA). The details for CSR activities have been presented separately in this annual report.

20. INDUSTRIAL AND BUSINESS RELATIONS OF THE BANK

Like in the previous years, the industrial relations in the Bank remained cordial during the review year. The Bank has devised permanent industrial relations architectures (IRA) to address and redress IR issues in the Bank.

Nepal SBI Bank Ltd. has maintained a good and cohesive professional relationship with its customers, people and regulators. The Bank is a member of various industrial and business organizations, which has helped in exploring the business opportunities and maintaining wellbeing in the industry and community. The Bank has taken membership and engaged with Nepal Bankers' Association, Nepal India Chamber of Commerce & Industry, Federation of Nepalese Chamber of Commerce & Industry, Confederation of Nepalese Industry, Foreign Exchange Money Dealers Association, Nepal Banking Institute, Credit Information Center Ltd., Deposit and Credit Guarantee Fund, CDS and Clearing Ltd.

21. THE BANK'S SUBSIDIARY: Nepal SBI Merchant Banking Ltd. (NSMBL)

The bank has its wholly owned subsidiary company Nepal SBI Merchant Banking Ltd (NSMBL) with a view to provide merchant banking and capital market related services to our valued customers. The Bank has appointed its subsidiary as its Registrar to Shares (RTS). The subsidiary is providing various products & services namely, Portfolio Management, Registrar to Share, Financial Advisory, Issue and Sales Management, Securities Underwriting etc. The progress of the subsidiary has been presented separately in the Annual Report.

22. THE BOARD OF DIRECTORS

The Board of Directors of the Bank consist of 6 directors, 4 representing promoter group State Bank of India and Employee Provident Fund, 1 director representing general shareholder and 1 independent director.

During the review year on 20th May 2021, Mr. Bharat Raj Wasti has been inducted in the Bank's Board as a director, nominated by

Employees Provident Fund (EPF), one of the promoters of Nepal SBI Bank Ltd. Mr. Bharat Raj Wasti was nominated as director representing EPF in place of Mr. Arjun Kumar Gautam.

On behalf of the Board of Directors, we place on record our appreciation for the contribution made by Mr. Arjun Kumar Gautam and welcome Mr. Bharat Raj Wasti as new member in the Board of Directors of the Bank.

23. FURTHER INFORMATION AND DISCLOSURES

All the statutory requirements on disclosure of information, including under Section 109(4) of the Companies Act, 2063 and report under Rule 26(2) of Securities Registration and Issuance Regulation 2073 have been embodied as annexure to this report. Similarly, information regarding the Bank's Corporate Social Responsibility initiatives, Corporate Governance and Risk Management and useful information for Shareholders can be found in their respective sections. Financial Statements including Balance Sheet, Profit and Loss Account and Cash Flow Statement followed by the schedules prepared as prescribed by Nepal Rastra Bank and The Institute of Chartered Accountants of Nepal and notes to accounts thereto can be found subsequently.

24. WORLD ECONOMIC OUTLOOK (WEO)

Economic prospects have diverged further across countries since the April 2021 World Economic Outlook (WEO) forecast. Vaccine access has emerged as the principal fault line along which the global recovery splits into two blocs: those that can look forward to further normalization of activity later this year (almost all advanced economies) and those who will still face resurgent infections and rising COVID death tolls. The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere.

The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast is unchanged from the April 2021 WEO, but with offsetting revisions. Prospects for emerging market and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

Recent price pressures for the most part reflect unusual pandemic-related developments and transitory supply-demand mismatches. Inflation is expected to return to its pre-pandemic ranges in most countries in 2022 once these disturbances work their way through prices, though uncertainty remains high. Elevated inflation is also expected in some emerging market and developing economies, related in part to high food prices. Central banks should generally look through transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics. Clear communication from central banks on the outlook for monetary policy will be key to shaping inflation expectations and safeguarding against premature tightening of financial conditions. However, there is a risk that transitory pressures could become more persistent and central banks may need to take preemptive action.

Risks around the global baseline are to the downside. Slower-than-anticipated vaccine rollout would allow the virus to mutate further. Financial conditions could tighten rapidly, for instance from a reassessment of the monetary policy outlook in advanced economies if inflation expectations increase more rapidly than anticipated. A double hit to emerging market and developing economies from worsening pandemic dynamics and tighter external financial conditions would severely set back their recovery and drag global growth below this outlook's baseline.

Multilateral action has a vital role to play in diminishing divergences and strengthening global prospects. The immediate priority is to deploy vaccines equitably worldwide. A \$50 billion IMF staff proposal, jointly endorsed by the World Health Organization, World Trade Organization and World Bank, provides clear targets and pragmatic actions at a feasible cost to end the pandemic. Financially constrained economies also need unimpeded access to international liquidity. The

proposed \$650 billion General Allocation of Special Drawing Rights at the IMF is set to boost reserve assets of all economies and help ease liquidity constraints. Countries also need to redouble collective efforts to reduce greenhouse gas emissions. These multilateral actions can be reinforced by national-level policies tailored to the stage of the crisis that help catalyze a sustainable, inclusive recovery. Concerted, well-directed policies can make the difference between a future of durable recoveries for all economies or one with widening fault lines—as many struggles with the health crisis while a handful see conditions normalize, albeit with the constant threat of renewed flare-ups.

Source: World Economic Outlook updated July 2021, International Monetary Fund (IMF)

25. NEPALESE ECONOMIC OUTLOOK

25.1 Gross Domestic Product and Inflation

The COVID-19 pandemic has impacted the economic growth and development of Nepal for more than a year. Tourism, Transportation, Manufacturing industry and Construction related are the sectors which are majorly impacted by the ongoing COVID-19 pandemic. Also, the measures taken by the government i.e., prohibitory orders issued to control the spread of the virus also impacted the economic growth and development of the country. The government has started vaccinating its people and with the vaccination drive picking up the economy is also reviving but it is still uncertain to predict the full recovery yet.

Growth rate of GDP at basic price was -2.09% in FY 2076-77 and it is estimated to be at 4.01% in FY 2077-78. Agriculture, industry and service sectors estimated to grow 2.64%, 5.05% and 4.43% respectively. Share of agriculture, industry and service sectors in GDP stands 25.83%, 13.11% and 61.06% respectively in FY 2077-78.

Similarly, the Annual inflation remained at 3.60% in FY 2077-78 compared to 6.15% in FY 2076-77.

25.2 Financial Sector Outlook

As per the policy of extending the coverage of commercial banks in local levels, 750 local levels have the presence of the branch of commercial bank as of Ashadh, 2078. Such number was 747 in Ashadh 2077. The total number of BFIs licensed by NRB decreased to 133 in Ashadh 2078 from 155 as on Ashadh 2077. As of Ashadh 2078, 27 commercial banks, 18 development banks, 17 finance companies, 70 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches reached 10683 in Ashadh 2078 from 9765 in Ashadh 2077.

25.3 Transfers

Remittance inflows increased 9.8% percent to Rs. 96,105.00 crore in the review year against a decrease of 0.5% in the previous year. In US Dollar terms, such inflows increased 8.15% in the review year against a decrease of 3.3% in the previous year.

25.4 Credit Disbursement

Credit extended by the BFIs to the private sector increased by 27.3% in the review period as compared to an increase of 12% in the corresponding period previous fiscal year. In the review year, private sector credit from commercial banks and development bank increased 27.8% and 30.5% respectively while that of finance companies decreased 6.3%. Out of the total outstanding credit to BFIs, 66.1% is against the collateral of land and building and 12.7% is against the collateral of current assets such as agricultural and nonagricultural products.

25.5 Deposit Collection

In the review period, the deposits at Banks and Financial Institutions (BFIs) increased by 21.4% compared to 18.7% in previous year. Out of the total deposits, the share of demand deposits, savings deposit and fixed deposits stands at 10.4%, 34.2% and 47% respectively as compared to 10%, 31.9% and 48.6% respectively in the previous year. The institutional deposits stood at 42.7% in Ashadh 2078, while its share was 44.3% a year ago.

25.6 Balance of Payment (BOP)

In terms of BOP, the current account deficit stood at NPR 33,367.00 crore as compared to NPR 3,376.00 crore of deficit in the previous year. The overall BOP remained at a surplus of NPR 123 crore in the review period against a surplus of NPR 28,241.00 crore in the same period of the previous year.

25.7 Foreign Exchange Reserve

As of Ashadh 2078, the gross foreign exchange reserve stood at NPR 1,39,903.00 crore, decreasing by 0.2% as compared to NPR 1,40,184.00 crore in Ashadh 2077. Out of the total foreign exchange reserves, reserves held by NRB increased to NPR 1,24,463.00 crore in Ashadh 2078 from NPR 1,22,612.00 crore in Ashadh 2077.

25.8 Secondary Market

During the review period, the Nepal Stock Exchange (NEPSE) index went up to 2,883.4 in Ashadh 2078 in comparison to 1,362.4 in Ashadh 2077. The total market capitalization reached NPR 4,01,096 crore compared to NPR 1,79,276.00 crore in Ashadh 2077.

(Source: Monetary Policy for FY2021/22 and Current Macro Economic and Financial Situations of Nepal (Based on annual data FY2020/21 issued by NRB, Nepal Economic Forum (September 2021))

26. RECENT DEVELOPMENTS IMPACTING BANK'S BUSINESS

26.1 Accommodative monetary policy introduced by the central bank

Nepal Rastra Bank (NRB) introduced a balanced monetary policy for the fiscal year 2021-22, catering to the banking sector which was severely affected by the pandemic. It provided relief packages to businesses distressed by the pandemic. The following major policies have been introduced by the monetary policy to help the banks:

- Relaxation of the bank provisioning rules in case the loans having net loss or negative net-worth for last 3 years.
- Change in liquidity measurement parameter from Credit to core capital plus deposit ratio (CCD 85%) to credit to deposit ratio (CD ratio 90.00%).
- Increase in the grace period for loan repayments.
- Nepal Rastra Bank has increased the loan loss provision requirement for pass category loan from 1% to 1.30%.
- Increase in the threshold limit of credit rating and consortium financing.

27. OUR STRATEGIES FOR THE CURRENT YEAR (2078-79)

COVID-19 pandemic and the subsequent lockdown created unprecedented crisis in economy in the review year.

The start of the current FY also had the COVID-19 pandemic impact. However, with the increase in vaccination drive and reduction in identification of COVID-19 patients the central/provincial government has ease out the prohibitory orders. With some relaxation in the prohibitory orders across the country the economy has taken a positive path of recovery. However, it is still difficult to predict with precision the full recovery of the economy.

Given the present situation and expectation in coming days the Bank has formed a strategy with the objective of cautious growth and consolidation.

- The bank is focused on increasing the income and containing the overheads in current fiscal year.
- The Bank has introduced digital banking initiatives thereby launching various products. The Bank has plan to launch new digital initiatives in the current fiscal year like, YONO global, increasing POS and QR Code etc.
- The Bank has launched official social media account and will be extensively used to populate digital products of the Bank among customers.
- The Bank is also expected to make tie ups with SBI foreign offices for remittances business. Recently Bank had made an agreement with SBI Australia for remittance business.
- Focus on retail loan through launching and revamping of products.
- Online sanction of Loan against FD.
- Online application and in-principal sanction for Retail/SME loans.
- Increasing branchless banking outlets across Nepal with high number of pensioners.

Our strategies will continue on focusing stable and long term low-cost deposits, expansion of retail advances to improve efficiency parameters and the market share, maintaining asset quality of high standard, developing innovative/competitive products and improving delivery channels, restructuring business processes in the techno-driven environment, further strengthening the sophisticated risk management systems, ensuring high quality of customer service and adopting best Corporate Governance practices, would continue to remain guiding factors and strategy for your Bank. Bank's main focus remains in revenue growth while improving our efficiency through cost management process and exploring digital solutions for providing our services.

Further the bank is also planning to add another 11 branches/extension counters within in FY 2078-79. The Bank has also planned for 5 ATM/CRM (including replacement) and 10,000 QR merchant at various prominent locations. The Bank also has the plan to open 20 Branchless Banking to save staff cost and increase low-cost deposits. The Bank is also focusing to provide extant banking services in underserved and un-served areas on the country through technology i.e. Digital Banking. Further, your bank is also in progress of initiating of Master Card issuing project.

28. OUTLOOK

Bank is supporting the campaign of Government of Nepal financial access to all Nepalese people by expanding its branches in rural areas. Further, Bank is also making policies taking into account sustainable Development Goals to be attained by Nepal by 2030. Similarly, our objective will be to expand the customer base meanwhile maintaining strong customer relationship. Digitized and modern technology-based banking service and innovative tools will be adopted in order to enhance the efficiency and to provide international standard customer service.

Competition among Commercial banks and financial institutions is in increasing trend and NSBL has to keep up with the challenges in the current market scenario and continue to grow its business to retain its position.

29. IMPACT OF COVID-19

The incident of COVID-19 pandemic continued to impact the economy in the FY 2077-78. Even the second wave of COVID-19 had greater impact of the medical and human life. With the incident of second wave of COVID-19 in 3rd quarter of FY 2077-78 the reviving economy was again pushed backward. However, the vaccination drive and compliance with the safety guidelines the spread of COVID-19 was timely pacified in Nepal. Thus, in the 4th quarter there were some positive signs of escalation in economy.

The Nepal Rastra Bank (NRB) has also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan payments for borrowers, assets classification benefit to overdue accounts, rescheduling and restructuring of loan, promoting alternate channel through waiver of charges etc.

Despite interruptions, we were successful in continuing our operations without disruptions which was only possible due to our values, conduct, culture, robust processes and risk framework. Our operational resilience has helped us maintain continuity in services without compromising health and safety protocols through alternative ways of working including split operations and work from home models. In the challenging times, the Bank's employees have shown strong resilience and the ability to adopt to changing circumstances. The health and well-being of employees and customers and business continuity is of utmost importance to the Bank. Branches were opened complying with the Government and regulatory prescriptions.

Even in this challenging time, the Bank is seeing opportunities to grow and strengthen its franchise and it is using these opportunities to further accelerate the digital journey of the Bank and its customers. Bank expanded the QR code and tied with NCHL for online transaction through bank account to facilitate the retail and corporate customers and all.

In its effort to support the nation in combating COVID-19 pandemic, the Bank had contributed through various CSR activities.

Amid COVID-19 pandemic and series of lockdown/prohibitory orders the Nepalese economy has been severely impacted. The COVID-19 pandemic and regulatory prescription brought to provide relief measure for affected economy had impacted the Bank's result for FY 2077-78. It is primitive to forecast with precision the exact time when the economy will be fully recovered as a result it will be difficult to be sure when its impact on banking will be normalized. The Bank's capital and liquidity position are strong and would continue to be the focus area for the Bank.

30. PROGRESS FOR THE CURRENT YEAR

Current year's first quarter performance and achievement in comparison with previous year's corresponding period is as follows:

Amount in NPR Crore

| Particulars | Ashwin End 2078 | Corresponding Previous Year | Growth/(Decrease-) |
|------------------|-----------------|-----------------------------|--------------------|
| Loans & Advances | 10,979.71 | 9,094.81 | 1,884.90 (+20.73%) |
| Deposits | 10,872.82 | 11,232.99 | (360.16) (-3.21%) |
| Net Profit | 37.29 | 20.05 | 17.24 (+85.99%) |

31. CONCLUSION

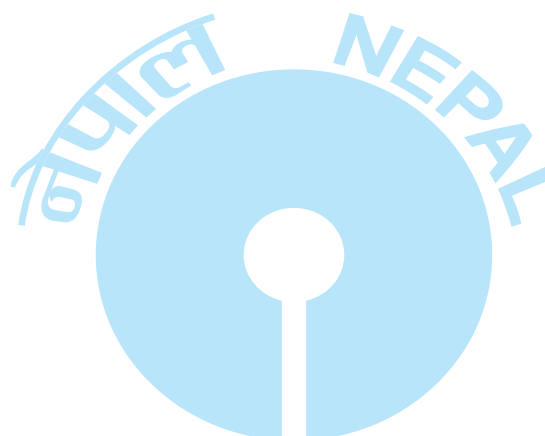
The FY 2077-78 ended with second wave of COVID-19 Pandemic and lockdown/prohibitory orders posing challenges for both the global and Nepalese economy. The first half of the current financial year had seen some recovery after 1st wave of COVID-19. However, the second wave of COVID-19 again impacted the society and economy of Nepal. During later half of 4th quarter, the economy is seen taking the path of recovery and the businesses and trade have started to lift up. But the persistence of the shock remains uncertain and relates to factors inherently difficult to predict, including the path of the pandemic, the adjustment cost it imposes on the economy, the effectiveness of the economic policy response and the evolution of financial sentiments. I believe that when this crisis is over, we will reminiscence with pride and resolutely move ahead to build strong foundation for our organization.

32. ACKNOWLEDGMENTS

On behalf of the Board of Directors, I am indeed grateful for the cooperation, guidance and support extended by the Government of Nepal, Nepal Rastra Bank, Office of the Company Registrar, Securities Board of Nepal and other regulatory bodies. I also place on record my special thanks to all Board members, shareholders, valued customers, employees and stakeholders of the Bank for extending their valuable support and cooperation.

Thank you for your kind support.

For and on behalf of the Board of Directors
Chairman
Place: Kathmandu
Date: 23.11.2021



ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED AS PER SECTION 109 (4) OF THE COMPANIES ACT, 2063

- (i) No shares have been forfeited by the Bank during the fiscal year 2077/78.
- (ii) Main transactions carried out by the Bank and its subsidiary during the financial year 2077/78 and any important change in the business of the Bank during the period:
Bank and its subsidiary carried out transactions as per objectives/functions detailed in the Memorandum of Association and Articles of Association. The highlights of the business have been detailed in the Directors' Report/Annual Report. There was no significant change in the nature of the business performed by the Bank and its subsidiary during the year.
- (iii) No information has been received by the Bank from its basic shareholders as none of the general shareholders holds requisite number of shares to be considered as basic shareholders per the provisions of the Companies Act, 2063.
- (iv) No shares were taken up by the Directors and key office-bearers of the Bank during the year nor were they found to have engaged in the share transactions of the Bank's shares in contravention of the prevailing laws.
- (v) No information was received from any Director or any of his/her close relatives about his/her personal interest in any agreement connected with the Bank signed during the financial year 2077/78.
- (vi) The Bank has not so far purchased any of its own shares.
- (vii) Particulars of the Total Management expenses of the financial year

| S. N. | Particulars | Amount in Rupees |
|-------|--|----------------------|
| 1 | Staff Expenses (Including Bonus and finance expenses under NFRS) | Rs.1,567,059,857.32 |
| 2 | Other Operating Expenses | Rs. 927,210,183.39 |
| Total | | Rs. 2,494,270,040.71 |

- (viii) The Bank has an Audit Committee comprising of the following members

| S. N. | Name of the Members | Position |
|-------|--|------------------|
| i. | Mr. Bharat Raj Wasti, Director representing EPF | Chairperson |
| ii. | Mr. R. K. Sinha, Director representing SBI, India | Member |
| iii. | Mr. Shreedhar Adhikari, Head-Internal Audit Department | Member Secretary |

Recently, Bank's Board at its 474th meeting held on 29th September, 2021 has reconstituted the Audit Committee, wherein the board resolved for formation/reconstitution of audit committee as follows;

| S. N. | Name of the Members | Position |
|-------|--|------------------|
| i. | Ms. Bimala Subedi, Independent Director | Chairperson |
| ii. | Ms. Damayanthi Joshi, Head-Compliance Department | Member |
| iii. | Mr. Shreedhar Adhikari, Head-Internal Audit Department | Member Secretary |

- Number of audit committee meetings held during 2077/78: Six (6) Meetings
- Meeting Allowances paid to the members : Rs 60,000.00

ROLE PLAYED BY THE AUDIT COMMITTEE:

- Review and approval of Internal Audit Program.
- Review of Audit Policy/ Manual.
- Review of quarterly financial performance of the Bank.
- Review of the Bank's internal controls in different areas of Bank's operations.
- Review of statutory audit plan and process.
- Reviewing the implementation of recommendations made by the Statutory Auditor.
- Recommending the appointment of Statutory Auditors to the AGM.
- Ensuring that the Financial Statements are being prepared as per approved accounting policies and estimates are reasonable and being prepared as per related Accounting Standard.
- Review of activities of the Bank's Internal Audit Department.
- Performance evaluation of Head-Internal Audit

SUGGESTIONS GIVEN BY THE AUDIT COMMITTEE:

- KYC non-compliant accounts are to be updated rigorously and gap areas of KYC/ AML are to be improved.
- Digitization of KYC documents of customers should be expedited for old accounts as well.
- Independent credit review mechanism for credit files is to be strengthened.
- Credit process automation and centralization of credit administration function is to be worked out diligently.
- Feasibility of automation of service charges/ income heads is to be explored and recovery of all feasible service charges/ income heads are to be automated.
- Business Process Re-engineering being worked out should be concluded at the earliest with concrete action plan.
- Control mechanism is to be improved for avoiding recurrence of similar audit observations.
- Mechanism for periodic review of compliance status of observations/ suggestions of various audit/ inspection is to be put in place.
- Residual issues of Risk Focused Internal Audit (RFIA) shall have to be monitored till full compliance.
- Necessary initiatives/ measures are to be adopted for resolution/ compliance of observations/ suggestions of Information System Audit, Statutory Audit, AML-CFT targeted special inspection of Nepal Rastra Bank.

- (ix) The under noted amounts were paid as remunerations, allowances and facilities to the Directors, the Managing Director and other office bearers.

1. Allowances/facilities to the Members of the Board:

A total of Rs. 950,000.00 was paid to the Board members as Meeting fees during 2077/78 (@ Rs. 12,500.00 per meeting for the Chairman and @ Rs.10,000.00 per meeting for other Directors) for attending the meetings of the Board as well as the meetings of sub-committee(s) of the Board. It includes Rs 240,000.00 paid to Directors for attending the meeting of Risk Management Committee of the Board, Rs 60,000.00 for attending Audit Committee of the Board and Rs 50,000.00 for attending the meeting of Employee Service Facility Committee of the Board.

However, no meeting fees paid to the Chairman/Directors representing State Bank of India during FY 2077/78.

2. Managing Director & Other Office Bearers:

- a) No remuneration was paid to the Managing Director & other India Based Officers during the year (Management team seconded by SBI) except the payment of Rs 13,292,961.27 towards rent for their residence and payment of permissible allowances and expenses. Their salary and allowances are paid by SBI under Technical Services Agreement.
- b) Other Office Bearers: A total of Rs 27,059,299.90 (In Words Twenty Seven Million Fifty Nine Thousands Two Hundred Ninety Nine and 90/100) was paid to other office bearers of Assistant General Managers cadre and Company Secretary of the bank as their remuneration, allowances and facilities, whereas, total staff expenses (Including Bonus and finance expenses under NFRS) was Rs. 1,567,059,857.32.

- (x) Dividends yet to be collected by the shareholders:

Dividends pertaining to the following financial years are yet to be collected by the shareholders as on 31st Ashad 2077:

| S. N. | Fiscal Year | Amount Rs. |
|-------|-------------|---------------|
| 1. | FY2052/53 | 252,200.00 |
| 2. | FY2053/54 | 236,600.00 |
| 3. | FY2054/55 | 268,800.00 |
| 4. | FY2055/56 | 159,100.00 |
| 5. | FY2056/57 | 238,650.00 |
| 6. | FY2059/60 | 518,753.20 |
| 7. | FY2062/63 | 411,103.00 |
| 8. | FY2063/64 | 594,415.00 |
| 9. | FY2066/67 | 696,438.97 |
| 10. | FY2067/68 | 776,695.98 |
| 11. | FY2068/69 | 980,572.59 |
| 12. | FY2069/70 | 1,932,095.73 |
| 13. | FY2070/71 | 2,911,902.59 |
| 14. | FY2074/75 | 43,150,618.80 |
| 15. | FY2075/76 | 47,050,841.93 |
| 16. | FY2076/77 | 20,689,176.05 |

The above mentioned amount of the dividend includes the dividend warrants collected by the shareholders and unclaimed dividend. Uncollected/unclaimed, unclaimed dividend upto FY 2070/71 has been transferred to Investors Protection Fund (IPF) as per the provisions of the Companies Act, 2063.

- (xi) No property was purchased or sold by the Bank during the year as stipulated under Section 141 of the Companies Act, 2063.
- (xii) Transaction held between the Bank and its associate companies during the year as stipulated under Section 175 of the Companies Act, 2063: Transaction including those related to regular business held between the Bank and its associate companies during the year has been disclosed in the Financial Statements under related party transactions.
- (xiii) Other required information:
- a) Amount of penalty paid by the Directors, office bearers and shareholder as per section 81 of the Companies Act, 2063: None of the directors, office bearers and shareholders of the Bank paid any penalty to the Office of the Company Registrar.
- b) Information in regard to close relative of the Directors or office Bearers working at the office (Office of the Company Registrar), Securities Board of Nepal or any other regulators in an officer or above level as required under Directives no. 45 of the Company Directives, 2072:

| S.N. | Name of the Directors/Office bearers | Details of relative | | | |
|------|--------------------------------------|---------------------|---------------|---------------------------|---------------|
| | | Name | Relation | Regulatory Organ | Position held |
| A. | Directors | Nil | | | |
| B. | Office Bearers | | | | |
| 1. | Mr. Kishor Rijal | Jagdish Rijal | Brother | Nepal Stock Exchange Ltd. | Officer |
| | | Sanju Kandel | Sister-in-Law | | Officer |

.....

Chairman
Date: 23.11.2021
Place: Kathmandu

DISCLOSURE RELATED TO SUB RULE (2) OF RULE 26 OF SECURITIES REGISTRATION AND ISSUANCE REGULATION, 2073

1. **Report of Board of Directors:** Enclosed
2. **Report of the Auditors:** Enclosed
3. **Audited Financial Details:** Enclosed
4. **Details relating to Legal Action:**
 - A. Law Suits filed by/against the Bank: 1 lawsuit has been filed by the Bank and 7 lawsuits have been filed against the Bank in respect of general matters.
 - B. Lawsuits filed by the Bank against different defaulting borrowers/guarantors for recovery of its dues: 3 lawsuits have been filed by the Bank against defaulting borrowers/guarantors for recovery of its dues during the period.
 - C. Law Suits filed by/against the promoters/directors involving charge of regulatory violations or criminal offences: No information received by the Bank till date.
 - D. Case filed against any promoters/directors for financial fraud: No information received by the Bank till date.
5. **Analysis of share transaction and progress of Organized Institution:**
 - a. Management view on share transactions of the Bank on Nepal Stock Exchange:
As the Nepal Stock Exchange is operating under the supervision of Securities Board of Nepal, management has no comment on the same.
 - b. Maximum, minimum and closing share price of organized institution including total transacted number of shares and transacted days during the Year 2077-78 (as per the table):

| Quarter (Months) | Maximum Share Price (Rs.) | Minimum Share Price (Rs.) | Closing Share Price (Rs.) | Total Transacted Number of Shares | Total Number of Trading Days |
|----------------------------------|---------------------------|---------------------------|---------------------------|-----------------------------------|------------------------------|
| First Quarter (Ashwin End 2077) | 506 | 403 | 413 | 1024233 | 64 |
| Second Quarter (Poush End 2077) | 491 | 385 | 466 | 2832539 | 58 |
| Third Quarter (Chaitra End 2077) | 470 | 401 | 421 | 2656300 | 59 |
| Fourth Quarter (Ashadh End 2078) | 452 | 390 | 409 | 3247691 | 65 |

6. **Problems and Challenges**
 - a. Problems and Challenges Faced:
 - i. Internal:
 - Maintaining consistency in Return on Equity with increase in Capital.
 - Rationalization of cost of operation.
 - Challenges for timely recovery of loans and advances.
 - ii. External:
 - Challenges to attract low cost deposit.
 - Limited avenue for long term Lending and Investment.
 - Adverse impact of global pandemic COVID-19 on various sectors of economy resulting into problem in recovery. Due to this, the default in credit portfolio may increase.
 - Cut-throat competition on ROI in Banking industry.
 - b. Strategy followed by the management in solving such problems and challenges:
 - Increased focus on Retail loan portfolio.
 - Augmentation in liability products by way of more focus on low-cost deposit and reducing high cost fixed deposit.
 - Introduction of Alternate Channels/technological platforms to reduce cost.
 - Regular In-House/External training to staff to enhance work performance.
 - Good Industrial relations.
 - Focus on minimizing the adverse impact due to COVID-19 pandemic.
 - Rationalization of Branch/ATM Networks.
7. **Corporate Governance**
 - i. The Bank has been complying with the directions, guidelines issued by NRB regarding Corporate Governance.
 - ii. Central Management Committee (CENMAC) and Good Governance Committee reviews progress in various areas of operations and is conducted on regular basis.
 - iii. Board of Directors and its Committees' meetings are conducted on a regular basis.
 - iv. Assets and Liabilities Committee (ALCO) and Risk Management Committees (Operation, Credit and Market) meetings are conducted on regular basis.
8. **Declaration of Chairman/Chief Executive on truthfulness, correctness:**
I, as on date, personally take responsibility on the truthfulness of the information and description presented in this report. Further, I declare that as far as I know and understand, the descriptions in this report are true, fair and complete and have not concealed any necessary particulars, notices and information to the investors to take informed decision.

Dipak Kumar De
Managing Director
Nepal SBI Bank Ltd.
Date: 23.11.2021

SUMMARY OF ANNUAL COMPLIANCE REPORT OF NEPAL SBI BANK LTD. REGARDING CORPORATE GOOD GOVERNANCE (Pursuant to Corporate Governance Directives issued for Listed Institution, 2074)

| | |
|---------------------------------------|--|
| Name of the listed Institution | Nepal SBI Bank Ltd. |
| Address (Including email and website) | Kesharmahal, Lainchour, Ward No.- 29, Kathmandu Metropolitan City, Province No. 3, Nepal Email: corporate@nsbl.com.np Website: https://nsbl.statebank/home |
| Phone No. | 977-1-4435613/4435516 |
| Report for the Fiscal Year | 2077/78 (2020-21) |

1. Details relating to the Board of Directors:

a. Chairman of the Board of Directors :

Name of Chairman : **Mr. B.R.S. Satyanarayana**
Date of Appointment : 4th July 2019

b. Shareholding pattern:

| Name of Shareholder | Shareholding Percentage |
|--------------------------------|-------------------------|
| State Bank of India (SBI) | 55% |
| Employees Provident Fund (EPF) | 15% |
| General Public | 30% |

c. Details of Board of Directors:

| S.N. | Name of Directors | Group Represented | No. of shares | Date of Appointment | Date of Oath of office and secrecy | Procedure of appointment |
|------|---------------------------|--------------------------|---------------|---------------------|------------------------------------|-------------------------------------|
| 1 | Mr. B.R.S. Satyanarayana | Promoter (SBI) | | 04-07-2019 | 04-07-2019 | Nominated by SBI |
| 2 | Mr. Rajay Kumar Sinha | Promoter (SBI) | | 15-11-2019 | 15-11-2019 | Nominated by SBI |
| 3 | Mr. Bharat Raj Wasti | Promoter (EPF) | | 20-05-2021 | 20-05-2021 | Nominated by EPF |
| 4 | Mr. Bala Krishna Shrestha | Public | 466,204 | 03-01-2018 | 03-01-2018 | Elected by AGM (General Public) |
| 5 | Ms. Bimala Subedi | Independent | - | 09-08-2019 | 12-08-2019 | Appointed by the Board of Directors |
| 6 | Mr. Dipak Kumar De | Promoter (SBI) | | 17-09-2020 | 17-09-2020 | Nominated by SBI |
| 7 | Mr. Mahesh Prasad Khanal | Alternate (Promoter EPF) | 4,418 | 28-08-2019 | 28-08-2019 | Nominated by EPF |

- Note:
- Mr. Bharat Raj Wasti was inducted in the Board of Directors on 20th May 2021 in place of Mr. Arjun Kumar Gautam nominated by EPF.
 - Mr. Rajeev Arora nominated by SBI has been appointed as the new Chairman of Nepal SBI Bank Limited (NSBL) on 24th October 2021.
 - All the appointments/ changes of directors were intimated to Securities Board of Nepal (SEBON)/ regulars as required under the prevailing laws.

d. Meeting of the Board of Directors:

| S.N. | Date of the meeting | No. of Directors present | Remarks |
|------|-----------------------------|--------------------------|---|
| 1. | 12-08-2020 | 6 | <ul style="list-style-type: none"> 20 meetings of Board of Directors were held during the fiscal year. None of the directors were absent in the meeting of Board of Directors without leave of absence. All the incumbent Directors were present in 19 meetings. All of six directors were present in 19 meetings. One director had taken leave of absence on the meeting dated 20th August 2020. None of the directors signed minutes of the meetings with dissenting opinion. None of the meeting of Board of Directors was cancelled due to lack of quorum. Maximum interval in between two consecutive meetings of the Board of Directors was 50 days. Meeting allowance of Chairman was Rs 12,500.00 and that of director was Rs 10,000.00 per meeting. |
| 2. | 25-08-2020 (by circulation) | 6 | |
| 3. | 04-09-2020 | 6 | |
| 4. | 17-09-2020 | 6 | |
| 5. | 25-09-2020 (by circulation) | 6 | |
| 6. | 20-08-2020 | 5# | |
| 7. | 19-09-2020 | 6 | |
| 8. | 03-12-2020 | 6 | |
| 9. | 05-01-2021 | 6 | |
| 10. | 11-01-2021 | 6 | |
| 11. | 12-01-2021 | 6 | |
| 12. | 28-01-2021 (by circulation) | 6 | |
| 13. | 10-02-2021 | 6 | |
| 14. | 20-02-2021 | 6 | |
| 15. | 21-02-2021 | 6 | |
| 16. | 09-04-2021 | 6 | |
| 17. | 25-04-2021 | 6 | |
| 18. | 30-05-2021 | 6 | |
| 19. | 09-07-2021 | 6 | |
| 20. | 14-07-2021 | 6 | |

Note:

- i) Total expenditure on meeting of Board of Directors and Board-level committees was Rs. 20,71,979.93 including sitting fees, trainings, travelling, lodging, halting and related expenses etc.

2. Details related to Conduct of Directors and other details

- Code of Ethics of Director in relation to conduct of the Directors is in place in the Bank.
- More than one director has not been appointed/ nominated in the Board from undivided family of the director.
- Under annual education and refreshment programme of directors, 2 no. of programmes have been held during the fiscal year through virtual medium.
- Each of the directors has submitted written declaration to be furnished by him/her as per the prevailing laws within 15 days from the date of appointment/ nomination.
- None of the Directors has held the position of director, salaried official, chief executive or employee of any other listed institution with the objective of similar nature.
- No information has been received in regard to action on director by regulatory body or any other bodies.

3. Details related to risk management and internal control system of the institution

For the purpose of overall risk management in the Bank, Risk Management Committee of the Board (RMCB) is in place. In addition to Board level committee, management level committees viz. Operational Risk Management Committee (ORMC), Credit Risk Management Committee (CRMC) and Market Risk Management Committee (MRMC) are also functioning for management of operation risk, credit risk and market risk respectively. Accordingly, Asset Liability Management Committee (ALCO), Internal Capital Adequacy Assessment Process (ICAAP) Committee and IT Steering Committee, IT Security Committee, BCP Governance Committee, Good Governance Committee are in function for management of market risk (specifically interest and liquidity risk), capital assessment, IT related issues, IS security, monitoring the status of good governance in the Bank and overseeing the various aspects of Business Continuity Planning at Bank level respectively.

Meeting details of those committees is as below:

| S.N. | Name of Committee | No. of Meeting | Major Function |
|------|--|----------------|--|
| 1. | Risk Management Committee of the Board (RMCB) | 8 | Oversight on overall risk management process |
| 2. | Operational Risk Management Committee (ORMC) | 4 | Management of Operational risk |
| 3. | Credit Risk Management Committee (CRMC) | 4 | Management of Credit risk |
| 4. | Market Risk Management Committee (MRMC) | 4 | Management of Market risk |
| 5. | Asset Liability Management Committee (ALCO) | 29 | Management of Asset-liability |
| 6. | Internal Capital Adequacy Assessment Process (ICAAP) Committee | 4 | Oversight and review of ICAAP process |
| 7. | IT Steering Committee | 4 | Management of IT related issues |
| 8. | IT Security Committee | 1 | Management of IS security. |
| 9. | BCP Governance Committee (BCPGC) | 1 | Oversees the various aspects of Business Continuity Planning at Bank level |
| 10. | Good Governance Committee (GGC) | 12 | Monitors the status of good governance in the Bank. |

Board of Directors of the Bank (BOD) ensures proper internal control mechanism through organizational structure, line of authority, policies, procedures, risk appetite and delegation of official powers etc. The Central Management Committee (CENMAC) is in place in the Bank as an executive level apex body to take enterprise-level decisions. The committee is primarily responsible for ensuring implementation of decisions, compliance with applicable statutes, regulations, internal policies & guidelines and ethical standards at/by respective business units/groups.

Bank has deployed three levels of defense mechanism for internal control.

First Line of defense:

First line of Defense is the primary role of the Business Groups (Province Offices/ Special Branches Office, Branches, Trade Finance Central Processing Cells etc.) and Support Groups (Central Operations Department, ICT Department, MIS Department, Human Resources Department, Legal Department etc.) to which have effective process to identify, assess, measure, monitor, mitigate and report on their risk.

Second line of defense:

Second line of Defense comprises various risk management and compliance functions such as Compliance Department, Integrated Risk Management Department and Treasury Mid-Office, whose key duties are to monitor and report risk-related practices and information and to oversee all types of compliance issues. The second line of defense defines preventive and detective control requirements and ensures that such requirements are embedded in the policies and procedures of the first line. The second line must be independent of the first line and apply controls either on an ongoing or periodic basis, further the first line will implement and maintain the ORMF and ORMS as approved by the Board, ensuring that the framework is consistently implemented throughout the Bank.

Third line of defense:

Third Line of Defense is the Internal Audit Department that would ascertain the effectiveness of the Bank's operational risk management processes, measurement systems and to verify and ensure the compliance with the Basel/NRB/RBI Guidelines. The third line of defense performs independent periodic review of the first two lines of defense, provides assurance and informs the first two lines of strengths and potential weakness.

4. Details regarding dissemination of notice and information

- Annual Report, quarterly reports, information/ notice requiring timely disclosure/ dissemination as well as price sensitive notice affecting price of securities have been duly published through newspaper and/or website and notified to regulators as required under prevailing laws.
- Notice regarding 27th Annual General Meeting (AGM) was published on 22-12-2020, 27-12-2020 & 10-01-2021.
- 27th Annual General Meeting (AGM) was held on 12-01-2021. No Special General Meeting (SGM) was held during the fiscal year.
- Quarterly Financial Reports of last fiscal year were published on 13-11-2020, 28-01-2021, 28-04-2021 and 16-08-2021 respectively.
- No action has been taken against the Bank for not disclosing information or any other reason by Securities Board of Nepal or other bodies.

5. Details related to organizational structure and employees

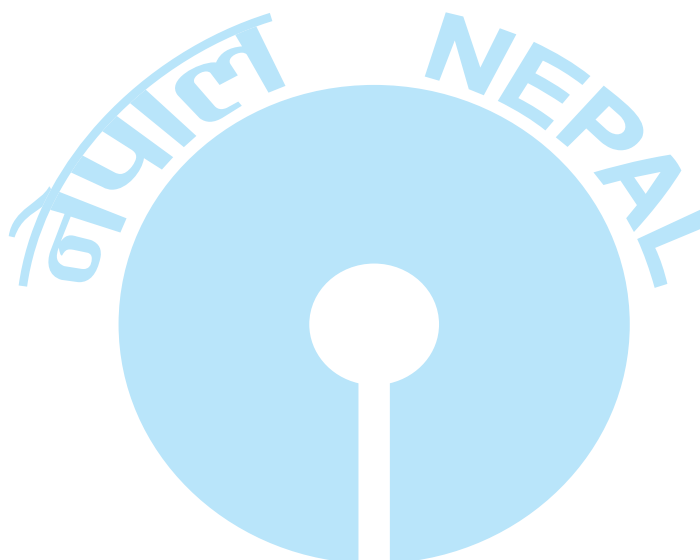
- The Bank has formulated and implemented its Staff Service By-laws.
- The Bank has its organizational structure which is enclosed in the Annual Report.
- The Bank has formed 5-member Central Management Committee (CENMAC), which comprises Managing Director & CEO, Deputy CEO & Chief Financial Officer, Chief Operating Officer & and two Vertical Heads as decided by Managing Director of the Bank.
- The Bank has 75 staff at managerial level out of total 967 number of employees.
- The Bank has formulated succession plan of Employees.
- Total number of participating employees in 93 trainings conducted during the fiscal year was 886. Percentage of training expenses in total staff expenses was 0.42%.

6. Details related to Accounting, Auditing and other Details:

- The Bank has prepared its financial statements as per NFRS.
- In-house Internal Audit Department is in place in the Bank for conducting internal audit, which carries out its functions as per the prevailing regulations as well as Bank's Audit Policy and Manual.
- 6 number of meetings were conducted during the fiscal year by Audit Committee of the Board. Reports of the activities undertaken by the Audit Committee were subsequently submitted to the Board of Directors.
- The Bank has not availed any loan or borrowing or fund in any other form from any person, bank or financial institution with whom director or his/her undivided family has financial interest.
- Bank's assets have not been possessed by persons, firm, company, employee, advisor or consultant of the Bank who has financial interest on the Bank except the facilities and benefits derived in the capacity of director, shareholder, employee, advisor, consultant as per the prevailing laws.
- The Bank has complied with the terms and conditions of license issued to it by regulatory body.
- The Bank has taken necessary initiatives/ action on directions issued by regulatory body during regulatory inspection or supervision and submitted the status of compliance to the regular issuing such directions.
- No information has been received in regard to any suit/case subjudiced against director.
- 4 lawsuits have been filed by the Bank in the fiscal year against its defaulting borrowers/ guarantors for recovery of its dues.
- 7 lawsuits have been filed against the Bank in the fiscal year in respect of Credit/ NPA and general matters.

(Note: This is the summary of the Compliance Report prepared as per the Corporate Governance Directives Issued for Listed Institution, 2074 issued by Securities Board of Nepal.)

Name of Compliance Officer : Bishnu Dev Yadav
Designation : Chief Risk and Compliance Officer
Date : 17.11.2021



SUMMARY STATEMENT IN REGARD TO COMPLIANCE OF ASSETS (MONEY) LAUNDERING PREVENTION ACT, RULES, DIRECTIVES, ORDERS AND POLICIES:

The Bank has formulated and implemented a comprehensive policy-Policy and Procedural Guidelines-2011 on Know Your Customer (KYC), Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) to lay down policy framework of the Bank for abiding by KYC norms, AML/CFT measures set out by Nepal Rastra Bank, based on the provisions of Asset (Money) Laundering Prevention Act, its rules and international guidelines. The policy and Procedural Guidelines aim at preventing the Bank from being used, intentionally or unintentionally for money laundering or terrorist financing activities.

Customer Acceptance Policy (CAP), Customer Identification Procedure (CIP), monitoring arrangement and risk management measures have been well stipulated. Role and responsibilities of employees, heads of the operating units/departments and various authorities in the Bank has been well defined. A dedicated Compliance Department headed by Manager level under the control of Chief Risk and Compliance Officer (CRCO) of Assistant General Manager level has been established in the Bank to look after overall matters relating to AML/CFT measures. The Bank has designated KYC Compliance Officer/Money Laundering Reporting Officer (MLRO) in each of its operating units to ensure compliance of AML/CFT policy, procedures and guidelines at the relationship points.

The Bank has put in place the process, procedure and mechanism for compliance to AML/CFT norms/guidelines. Customers as well as their beneficial owners are identified during establishment of relationship and in due course of relation. Customers are categorized under lowest, low, medium and high risk based on the perception of AML/CFT risk associated with them. Customer Due Diligence is conducted for all customers with Enhanced Due Diligence for high risk customers and politically exposed persons (PEPs). Business relations with the high-risk customers are established upon approval of higher authorities. Such approval of higher authority is obtained for continuation of business relation even if existing customer of lower risk category moves to high-risk category. Screening mechanism against terrorist lists for customers and cross-border SWIFT transactions is in place

in the Bank for which automated application Ace Pelican OFAC is being used. Anti-Money laundering solution, AMLOCK is being used for the purpose of monitoring customer transactions including staff transaction on ongoing basis. Various alert scenarios have been set in AMLOCK and revised from time to time for generation of transaction alerts. Also, few alerts have been devised in Bank's Core Banking System (CBS) for monitoring of transactions. Alerts so generated are monitored and analyzed. Suspicious transactions concluded based on the AMLOCK alerts and manual monitoring is being reported to Financial Information Unit. Accordingly, threshold transactions as per the prevailing NRB Directives are being reported to Financial Information Unit. The applications/solutions used by the bank for screening and monitoring of transactions are integrated with Bank's Core Banking System.

Freezing/unfreezing action on customers/accounts/lockers/shares are being taken as per the order of competent authorities and information/details sought by NRB, FIU, law enforcement agencies/investigative authorities as per the prevailing laws are being furnished. Correspondent banking relationships have been managed keeping in view a risk-based approach. The Bank has submitted requisite AML/CFT reports to the concerned regulatory bodies within the specified timelines as per the prevailing laws, rules, regulations and directives. The Bank has maintained proper recording of the transactions as per the prevailing laws. Regular training/orientation/refreshment programmes on AML/CFT have been conducted in the Bank for employees/management/Board members for achieving higher level of compliance status.

During audit of the Bank's Departments/Branches/Offices/Extension Counters by Internal Audit, compliance status with respect to the provisions of the AML/CFT laws, rules and directives are tested. Remedial actions have been taken as per the observation/suggestions of the reports of internal audit, statutory audit and regulatory inspection. Status of AML/CFT compliance is reviewed on quarterly basis by Risk Management Committee of the Board (RMCB) and further reported to the Board of the Bank for review.

GRIEVANCE HANDLING

The Bank has put in place system and procedures for handling grievance of customers and general public. Head - Central operations has been designated as grievance handling officer as the department handles all operational issues of the Bank. During the review period the Bank has received 47 complaint/grievance of the customer and general public, the detail of which has been presented below:

| S.No. | Complaints received (in numbers) | Complaints resolved (in numbers) | No. of Unresolved/ Outstanding complaints as on 15.07.2021 |
|-------|----------------------------------|----------------------------------|--|
| 1 | 47 | 47 | 0 |



REMARKS/ OBSERVATION IN STATUTORY AUDIT REPORT FOR THE FY 2077/78 (2020-21)

VIS-A-VIS STATUS OF COMPLIANCE

| S.N. | Observations/ Comments | Management Response | | | | | | | | | | |
|-------------------------|---|---|-----------------------|-------------------------|-----|--------|-----------------------|----------|-------|-------|-----|--|
| 1 | <p>As per para 17(1) of NRB directive 17/2077, commercial banks shall maintain loan ratio on different sectors by the end of Ashad 2078 as prescribed below:</p> <table><tr><th>Sector</th><th>Prescribed loan ratio</th></tr><tr><td>SME's (loan below 1cr.)</td><td>11%</td></tr></table> <p>However, we have noted that such ratio has not been maintained by the bank as on Ashad end 2078. Details of the same has been as follows:</p> <table><tr><th>Sector</th><th>Percentage Maintained</th><th>Required</th></tr><tr><td>SME's</td><td>5.43%</td><td>11%</td></tr></table> | Sector | Prescribed loan ratio | SME's (loan below 1cr.) | 11% | Sector | Percentage Maintained | Required | SME's | 5.43% | 11% | <p>With resumption of various business activities, Government's steps to control the spread of corona virus and NRB circular dated 2078/05/08 B.S. widening the scopes of lending, our exposure under MSME sector is expected to grow in coming days.</p> <p>Moreover, aforementioned NRB Circular has further extended monitoring and assessment date regarding compliance status of the provision to Poush End, 2079 considering impact of Covid-19.</p> |
| Sector | Prescribed loan ratio | | | | | | | | | | | |
| SME's (loan below 1cr.) | 11% | | | | | | | | | | | |
| Sector | Percentage Maintained | Required | | | | | | | | | | |
| SME's | 5.43% | 11% | | | | | | | | | | |
| 2 | <p>As per the provision regarding legal action under Management of non-performing assets of Loan Policy of the Bank,</p> <p>In case of Vehicle loan, if at least 3 EMIs are overdue or there are prevalence of situation of the financed vehicle's condition being deteriorated if the vehicle is left in the possession of the borrower/ operator, the concerned branch shall capture the vehicle and proceed with loan call back / vehicle auction steps as mentioned.</p> <p>However, instances have been noted where custody of vehicle has not been taken even after having 3 and more no. of installments overdue (5 instance noted)</p> | <p>Vehicles for 2 instances are not traceable. Out of those two, case for one is under DRT and the case for other shall be filed with DRT if not settled by 2nd quarter of current FY 2078/79.</p> <p>For 3rd instance, the unit is enjoying other credit facility as well for which we have mortgaged property for entire credit facilities availed by the unit. No bid was received for the auction notice already published. Hence, another auction notice will be published and recovery process will be initiated accordingly.</p> <p>For rest 2 borrowers, pandemic situation and lockdown affected their income source. However, they have been gradually depositing amount. One of them has committed to settle entire loan once the situation is eased and the account of other is likely to be upgraded within first quarter of FY 2078-79.</p> | | | | | | | | | | |
| 3 | <p>As per Clause 8.2 of NRB Directive-21/2077, Licensed bank and financial institution can write off the loan if it fulfills the following criteria:</p> <p>Ka) Loan has been categorized under 100% provisioning.</p> <p>Kha) Auction process for the mortgaged collateral under such loan has been completed in regard to the prevailing laws and regulations.</p> <p>Ga) In case the mortgage is not sold through auction, it shall be accepted as a Non-banking Assets.</p> <p>However, for 3 instances noted, though the loans are 100% provisioned and the mortgaged vehicles (collateral) has been sold through auction and recovery seems impossible as per bank's assessment, process for loan write-off has not been initiated.</p> | <p>Although the auction process has been completed, full recovery of loan has not been made from the borrowers.</p> <p>For further recovery, Bank has identified other property details of the borrowers and it has been marked "Rokka" by DRT. DRT is in the process of valuation of the property for putting the property into auction.</p> <p>As per the provision mentioned in NRB directives no. 21/077, Clause No. 8, either the property has to be auctioned/disposed off or should be converted into NBA to write off the loan. In the above cases, the auction process has not been completed. Hence, process to write off the loans has not been initiated till date.</p> | | | | | | | | | | |
| 4 | <p>As per Clause 32 of NRB Directives 2/2077, banks are required to take into cognizance the ratings done by Credit Rating Agency as one of the bases for credit analysis for sanction/renewal of loans amounting to NPR 50 crore and above.</p> <p>However, we have noted 27 instances in 6 branches (1 instance each in Bhairahawa & Durbarimarg branch, 6 instances in Birgunj, 7 instances in Commercial and 12 instances in Biratnagar branch) where External Credit Rating of the borrower availing the facility more than NPR 50 crore has not been obtained as required by NRB directive.</p> | <p>Among 27 units, 2 units have entered into agreement with rating agencies for credit rating and one other unit is in process of negotiation for reaffirmation of the credit rating. Remaining units are in process of negotiation with rating agencies.</p> <p>We are continuously in communication and coordination with concerned borrowers for external credit rating. Situation created by pandemic of Covid-19 has also impacted for the arrangement and it has been expected to expedite along with ease in the situation.</p> | | | | | | | | | | |
| 5 | <p>As per Clause 10(Ga) of NRB directive 11/2077, consortium meetings should be mandatorily carried out at least once in six months.</p> <p>However, we have noted that the consortium meeting was not held as required by NRB directive in 14 instances in 3 branches (2 instances in Biratnagar branch, 3 instances in Newroad branch and 9 instances in Commercial branch).</p> | <p>For 1 unit, minute of two consortium meetings held on 02.07.2020 and 08.02.2021 are in place in branch's record. For one other unit, the key persons of the unit were at the project site, during the period, where no internet was accessible and hence, the scheduled meeting was postponed.</p> <p>As regard to other borrowers, we shall arrange for timely meeting where our bank is lead bank and have requested lead bank for arrangement of the same where we are member bank.</p> | | | | | | | | | | |
| 6 | <p>As per Bank's circular dated 28.08.2019, although the details of company registration are mentioned in the proposals, the date of updated shareholding pattern is being omitted in the proposals time and again. The borrowers should update latest shareholding pattern of the company at least once in every three years or every time the pattern changes. Hence, the branches should obtain the updated latest shareholding pattern of the company prior to processing of loan and the confirmation of the same should be provided in the proposals before forwarding them to sanctioning authority.</p> <p>However, we have noted that latest update of shareholding pattern is being omitted in the proposals submitted by branch (4 instances of 2 branches).</p> | <p>For mentioned instances, we have advised the borrower as well as lead bank for submission of latest share lagat certificate. We shall further make necessary follow-up and coordination for the same.</p> | | | | | | | | | | |

| | | |
|----|---|--|
| 7 | <p>As per Clause 34(2) of NRB Directive 2/2077, in case of borrowers availing working capital facilities, bank should obtain stock and receivables details with ageing analysis from the borrower on a quarterly basis. However, ageing-wise details of receivables not obtained.</p> <p>We have noted 17 instances in Biratnagar branch, 4 instances each in Newroad & Commercial branch, 3 instances in Birgunj branch and 1 instance each in Bouddha & Birtamod branch where such details of receivables have not been obtained.</p> | <p>Stock statement with receivable details is submitted by borrowers on a timely basis and unit inspection is carried out at stipulated intervals. We also validate the receivables amount presented on receivable statement with the ledgers and other books of accounts of the borrower during our inspection and consider only receivables below 90 days for the calculation of drawing power.</p> |
| 8 | <p>As per Unified Directive No.17/2077, Loan to be provided to class D financial institutions on the basis of institutional capacity and corporate guarantee on the condition to provide such loans to deprived people or Sana Kisan Sahakari Sanstha or similar institutions.</p> <p>However, for one such borrower, we have noted that such Corporate Guarantee has not been obtained.</p> | <p>For the observed instance, other legal documents (Loan Deed, Power of Attorney, DP Notes and LSL) have already been obtained. The Corporate Guarantee will be obtained within Ashwin End 2078. As on date, utilization on the account is nil and debit transaction shall be allowed upon receipt of Corporate Guarantee.</p> |
| 9 | <p>As mentioned in Bank's circulars, saving/current cheques books and ATM Cards/PINS which are not handed over to the concerned account holder for more than 6 months and 1 year respectively should be physically damaged.</p> <p>Furthermore, as per mail from central operation as on May 28, 2021, as per approval from appropriate authority, branches are instructed to hold the procedure of destroying such undelivered cheque and ATM cards/ Pins till Ashwin end 2078, however during our observation we noticed that the cheque and ATM/PINs which were expired before receipt of the mail are not destroyed till date.</p> <p>We have noted 36 instances in New Baneshwor, 15 in Bouddha, 7 in Commercial, 47 in Durbarmarg, 34 in Nepalgunj and 42 instances in Biratnagar where uncollected ATM Cards/PIN Mailers and Cheques are not destroyed after expiry.</p> | <p>Undelivered cheques and ATM card/pins are monitored and destroyed in regular basis in the presence of the respective controller. However, in the context of global pandemic limiting visit of province office, cheque destroy as per earlier circular was not possible and customers also were not able to visit bank. Considering these situations and request from few customers, the Bank had decided not to destroy undelivered cheques and ATM card/ pins issued at those times for the time being and accordingly the branches were instructed.</p> <p>However, all the undelivered cheques and ATM card/pins will be dealt with by the Ashwin end 2078 as per circular.</p> <p>The Controlling office has also been instructed to monitor such list for minimizing the risk.</p> <p>System destroy will be done immediately, however; physical destruction will be done at the time of branch visit by controlling Province office.</p> |
| 10 | <p>In Biratnagar Branch, we have noted that the branch has marked different cheque as GFP cheque other than the requested cheque in the 4 circumstances.</p> | <p>The cheques, as presented by the customer, have been marked "Good for payment" and same cheque numbers have been entered in system. However, cheque no. mentioned in the request form was erroneous. Necessary rectification of cheque no. has been made in the application.</p> <p>Branches have been made aware for due verification of the instrument with the application form.</p> |
| 11 | <p>The bank has not formulated accounting manual with detailed accounting policies and procedures for effective management of accounting function.</p> | <p>Financial Accounting Manual has been drafted and is in process of finalization along with preparation of Bill Processing Manual for incorporation of the inputs/ feedback received in the course of review. The Manual shall soon be finalized and put up to the Bank's Board for approval.</p> |
| 12 | <p>Due from NRB include NPR 34,00,000.00 which is receivables against demonetized Indian Currency transferred to NRB as deadline provided by Government of India for exchange of such currency is already expired and realization of same is still pending.</p> | <p>Follow ups have been made with Nepal Rastra Bank for realization of demonetized Indian currency (NPR 34.00 Lakh) deposited to NRB. Till date, no adverse advice from NRB has been received and hence we are sanguine that the reimbursement will be made to us.</p> |
| 13 | <p>As per Clause 1.1 of NRB IT Guidelines, 2012, Bank should have a board approved IT related strategy and policy and IT policy should be reviewed at least annually. IT strategy can be long term and short term and long-term strategy should be mapped to short term strategy periodically. There should be detail operational procedures and guidelines to manage all IT operations.</p> <p>We have noted that, IT policy has not been updated since Feb-2018.</p> | <p>We have IS Policy approved by Board of the Bank in place.</p> <p>IT Policy & Standards version 1.0 for NSBL crafted in line with SBI's baseline IT Policy has been reviewed/ approved by Risk Management Committee of the Board (RMCB) on 21st September 2021, which shall further be put up to subsequent meeting of the Board of the Bank for approval.</p> |
| 14 | <p>As per clause no. 68 of Labor Act 2074, the employer should implement the policy of security and health of employees and other people in the workplace in line with the act, rules, regulation and directives. However, such policy has not yet been formulated by the management and approved from board of directors.</p> | <p>As provisioned under Working procedure and Rules, 2076 of Labour Relation Committee, the Committee has been assigned the function to work in the capacity of Occupational Safety and Health Committee until it is formed.</p> <p>Moreover, the Bank has COVID – 19 Safety Management Team (C-SMT), COVID – 19 Emergency Response Team (C-ERT) and Quick Response Team (QRT) which is formed with defined guidelines, roles and responsibilities for any health and safety precautions related to COVID – 19. In case of instances such as global pandemic, the Bank has been responsive to these issues concerned with health and safety of staff. Further, the team responsible for developing management strategies as and when required. Accordingly, the Bank has been ensuring the security and health safety of staff at workplace at times of health hazards.</p> <p>However, it is noted for compliance. OHS policy will be formulated in the Bank.</p> |

| | | |
|----|--|---|
| 15 | As per clause 8(1) of NRB Directives 19/2077, the bank shall keep the record in electronic medium of customer and beneficial owner and if necessary, can test and analyze it and shall update it so that if required by compliance officer it shall provide to it in desired format. However, same has not been complied yet. | With issuance of internal circular dated 07.03.2021, bank has already started to maintain documents electronically by implementing KYC document digitization since Chaitra 2077. Pilot testing for the project of KYC digitization of old accounts along with KYC update is ongoing. After successful completion of pilot testing, full-fledged project will be launched for completing KYC digitization. |
| 16 | The Trade Finance Operation Manual 2020 is formulated to provide for basic principles/procedures & guidelines for handling trade finance transactions. It is prepared to address and guide the transaction processing and the operating procedures applicable for Trade Transactions such as Letter of Credit (Import and Export), Import Documents under Collections (DAP/DAA), Exporting goods under Cash against Documents, Advance Payment Certificate, Advance Payment Import and Bank Guarantees. However, we have noted that the detailed instructions or guidelines were not in place in the case of local LCs to be opened (NPR LCs). This somewhere might create obscurity in the operation of Local LCs. | In case of LC transaction, there is no such variance in operation either it is local or cross boarder LC. However, we will incorporate the required provisions, if any, in the next revision of Trade Finance Operation Manual. |
| 17 | As per Investment Certification as on 29 th July, 2021 Security certificate of the following investment has not yet been received by the Bank and hence such certificate could not be physically verified: 1 unit of shares of Credit Information Centre Ltd. 38588 units of shares of Nepal Clearing House Ltd. | We had corresponded with Credit Information Centre via email and official letter. They have responded that they are engaged with the rounding figure adjustments on their records which may take some time. NCHL had corresponded that they were unable to publish certificates due to COVID 19 scenario. |
| 18 | Deal tickets which are generated in excel sheet are sent to back office manually which needs to be automatically transferred to back office by system itself in order to minimize operational risk. However, System for automation of deal slips has not been established. | Under our Core Banking Software viz. Finacle, we have Finacle Treasury module which would facilitate this. We are currently using this software to book Bonds and Treasury Bills data. We are also testing the software under User Acceptance Testing (UAT) for using other Treasury product modules before entering the final production release. As this is a major migration job undertaking and due to COVID 19, UAT frequency has slowed down thus extending the duration of project completion. |
| 19 | As per the clause 7.5 of NRB Directives no 06/2077, AML/CFT committee shall be formed comprising of head of Compliance department, head of Risk management department and compliance officer as member secretary appointed as per 7TA of Anti money laundering act, 2064. However, we have noted that the AML/CFT Unit/committee in the bank is not in place and currently the same function is reviewed by RMCB. | The committee has been formed by 474 th meeting of the Board of Directors held on 29 th September 2021. |
| 20 | As per Policy and Procedural Guidelines-2011 on Know Your Customer (KYC) Anti Money Laundering (AML) & Combating of Financing of Terrorism (CFT), "Know Your Customer (KYC)" is a process of identifying the customer, verifying their identity, monitoring their transactions and reviewing their profiles based on risk-based approach and adopting necessary measures to protect the Bank from being the vehicle of money laundering. In this regard, it is absolutely imperative to know clearly the customer identity, source of fund/assets and nature of transaction. Proper documentation for the KYC should be a pre-condition. However, we have noted that there are 1,80,346 accounts where KYC is not compliant as on Ashad end 2078. | Most of the accounts pending for KYC update are dormant (Out of 180,346 accounts 163,994 are dormant accounts) and debit transactions in such non-compliant accounts is restricted and are frozen. However, branches are regularly contacting customer for updating accounts. Further, bank has taken up project on KYC digitization and update during which these account holders will be again approached for updating KYC. |
| 21 | As per clause 8(1) of NRB Directives 19/2077, the bank shall keep the record in electronic medium of customer and beneficial owner and if necessary, can test and analyze it and shall update it so that if required by compliance officer it shall provide to it in desired format. However, we have noted that Digitization of accounts is not completed. The bank has digitalized the accounts opened from 1st Chaitra 2077, however accounts opened before 1 st Chaitra 2077 is not being digitalized. | A project for digitization has been taken up for accounts opened before 1 st Chaitra 2077. Pilot testing has already been initiated. However, digitization is in place for new accounts. |
| 22 | As per para 13 of Unified directive 20/2077, Bank and financial institution should update all their old information and detail in their website in Nepali language till 2076 Poush end and new information should be published in Nepali language. However, we have noted the bank has not updated its old information and detail, they are still in English Language. | Concerned departments are preparing the notice/ documents pertaining to their department in Nepali language. Initiation for the same is on-going and provision of NRB Directives shall be complied. |

THREE COLUMN FORMAT (TIN-MAHALE) OF THE AMENDMENTS IN THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF NEPAL SBI BANK LIMITED. (Proposed to the 28th Annual General Meeting)

| Section/ Article | Existing Provision | Proposed Amendment | Reason for change |
|--------------------------------------|---|--|---|
| 1. Memorandum of Association: | | | |
| 5(1) (b) | The Issued Capital of the Bank shall be Rs. 9,493,577,887.00 (Rupees Nine Billion Four Hundred Ninety-Three Million Five Hundred Seventy-Seven Thousand Eight Hundred Eighty-Seven only) which shall be divided into 94,935,778.87 (Ninety-Four Million Nine Hundred Thirty Five Thousand Seven Hundred Seventy-Eight and 87/100) ordinary shares of NPR 100 (Rupees One Hundred) each. | The Issued Capital of the Bank shall be Rs. 9,825,853,113.00 (Rupees Nine Billion Eight Hundred Twenty Five Million Eight Hundred Fifty Three Thousand One Hundred Thirteen only) which shall be divided into 98,258,531.13 (Ninety Eight Million Two Hundred Fifty Eight Thousand Five Hundred Thirty One and 13/100) ordinary shares of NPR 100 (Rupees One Hundred) each. | To augment the issued capital for issuance of bonus shares as proposed by the Board. |
| 5(1)(c) | The Paid-up Capital of the Bank shall be Rs. 9,493,577,887.00 (Rupees Nine Billion Four Hundred Ninety-Three Million Five Hundred Seventy-Seven Thousand Eight Hundred Eighty-Seven only) | The Paid-up Capital of the Bank shall be Rs. 9,825,853,113.00 (Rupees Nine Billion Eight Hundred Twenty Five Million Eight Hundred Fifty Three Thousand One Hundred Thirteen only) . | To augment the Paid-up capital for issuance of bonus shares as proposed by the Board. |
| 2. Articles of Association: | | | |
| 19(3) | The Managing Director shall hold office on such terms and conditions as may be determined by the Board and have tenure of maximum four years. He/she may be reappointed by the Board of Directors. | The Managing Director shall hold office on such terms and conditions as may be determined by the Board and have tenure of maximum four years. He/she may be reappointed by the Board of Directors. However, he/she shall not be appointed to hold the office of Managing Director for more than two consecutive tenures. | To comply with the BAFIA and NRB Directives. |



GENERAL SHAREHOLDER INFORMATION

Our shares are listed and traded through Nepal Stock Exchange under symbol "SBI".

Shareholding by members of the Board and CENMAC

| | |
|--|---|
| The Annual General meeting of the Shareholders | Date : 20/09/2078, Time 11:00 am, Venue: Tribhuvan Army officers Club, Bhadrakali, Kathmandu [Last AGM: Date: 2077.09.28 B.S., Venue: Tribhuvan Army Officers Club, Bhadrakali, Kathmandu] |
| Financial Calendar | 2077/04/01 B.S. (16.07.2020 A.D.) to 2078/03/31 (15.07.2021 A.D.) |
| Listing of Securities on Stock Exchanges | "Nepal Stock Exchange Ltd. (NEPSE). Bank's Securities (Shares and Debentures) listed with NEPSE" |
| Stock Code/Ticker Symbol | Stock Code: SBI |
| Share Transfer System | Share Transfer are processed under stipulated time pursuant to the Securities CDS Byelaws, 2068 (Third Amendment, 2075) |
| Registrar to Share (RTS) (Existing) | M/s Nepal SBI Merchant Banking Ltd. |
| RTA Address | Hatisar, Kathmandu |
| Phone Numbers | 01-4412743 and 01-4441780 |
| E-mail Address | sharedpt@nsbl.com.np |
| Name of the Debenture Trustee with Full Contact Details | Nabil Investment Banking Ltd., 3rd Floor, Central Plaza, Narayanchaur, Naxal, Kathmandu, Phone : +977-01-4411604, 4411733 for "12.5% Nepal SBI Bank Debenture 2078 " Sunrise Capital Ltd. (then NCM Merchant Banking Ltd.), Kamalpokhari, Kathmandu, Phone No.: +977-01-4428550 / 01-4428660 for "8% Nepal SBI Bank Debenture 2079 ". NMB Capital Ltd., Nagpokhari-1, Naxal, Kathmandu, Phone No. : +977-01-4437963 for "7.9% Nepal SBI Bank Debenture 2080 ". Kumari Capital Ltd., Naryanchaur, Naxal, Kathmandu, Phone No.:+977-01-4445495, 96 For "10 % Nepal SBI Bank Debenture 2086" |
| "E-initiative/Go Green: We are also issuing annual report in electronic form to those shareholders whose e-mail addresses are available and communicated to us." | |

SHARE HOLDING PATTERN AS ON 15TH JULY 2021

| S.No. | Description | % of shares in Paid-up Capital |
|--------------|---------------------------------|--------------------------------|
| 1 | State Bank of India(SBI), India | 55% |
| 2 | Employees Provident Fund | 15% |
| 3 | General Public | 30% |
| TOTAL | | 100% |

DISTRIBUTION SCHEDULE AS ON 15TH JULY, 2021 (Face Value Of NPR 100)

| Range No. of Shares | Shareholders | | Number of ordinary shares | |
|--------------------------|---------------|--------------------|---------------------------|----------------------------|
| | Total Holders | % to Total Holders | Total Holdings in NPR | % to Total Paid-up Capital |
| Public Shareholders | 61,511.00 | 99.9967% | 2,848,073,366.10 | 30.00% |
| up to 100 | 38041 | 61.84% | 62,636,279.42 | 0.6598% |
| 101 to 500 | 11763 | 19.12% | 293,082,683.77 | 3.0872% |
| 501 to 1000 | 7249 | 11.78% | 522,070,806.19 | 5.4992% |
| 1001 to 5000 | 3796 | 6.17% | 804,846,223.57 | 8.4778% |
| 5001 to 10000 | 407 | 0.66% | 285,124,650.04 | 3.0033% |
| 10001 to 50000 | 219 | 0.36% | 421,459,492.29 | 4.4394% |
| 50001 and Above | 36 | 0.06% | 458,853,164.13 | 4.8333% |
| Promoter Shareholder | 2 | 0.0033% | 6,645,504,520.90 | 70.0000% |
| State Bank of India | 1 | 0.0016% | 5,221,467,837.85 | 55.0000% |
| Employees Provident Fund | 1 | 0.0016% | 1,424,036,683.05 | 15.0000% |
| Total* | 61513 | 100.0000% | 9,493,577,887.00 | 100.0000% |

*Total Shareholders includes 14,309 Shareholders holding only fraction shares (physical and D-mat) below one. The total number of shareholders excluding shareholders holding only fraction shares as on 15.07.2021 is 47,204.

DEMATERIALIZATION OF SHARES AND LIQUIDITY

Bank's equity shares are compulsorily traded in electronic form. As on 15th July 2021, 3,98,24,421.96 shares representing 41.94 % of total equity/paid-up capital held in electronic form.

| Description | No. Share Holders | No. Shares | Shares % |
|--------------|-------------------|----------------------|----------------|
| CDS and CL * | 39579 | 39,824,421.96 | 41.949% |
| Physical ** | 21934 | 55,111,356.91 | 58.051% |
| Total | 61513 | 94,935,778.87 | 100.00% |

* Includes promoters shares of EPF ** Includes promoters shares of SBI, India, **Note: No of Shareholders holding only Fraction Shares in Physical and D-mat are 7769 and 6540 respectively.**

MARKET PRICE DATA

| MONTHS | NEPSE | | |
|----------------|-------|-----|---------|
| | MAX | MIN | CLOSING |
| Shrawan, 2077 | 506 | 408 | 415 |
| Bhadra, 2077 | 456 | 403 | 422 |
| Ashwin, 2077 | 460 | 412 | 413 |
| Kartik, 2077 | 460 | 410 | 428 |
| Mangsir, 2077 | 488 | 392 | 429 |
| Poush, 2077 | 491 | 385 | 466 |
| Magh, 2077 | 470 | 418 | 435 |
| Falgun, 2077 | 465 | 408 | 409 |
| Chaitra, 2077 | 431 | 401 | 421 |
| Baishakh, 2078 | 435 | 390 | 397 |
| Jestha, 2078 | 442 | 395 | 433 |
| Ashadh, 2078 | 452 | 403 | 409 |

DETAILS OF SHAREHOLDING OF DIRECTORS, CENMAC MEMBERS, AGMS AND COMPANY SECRETARY OF THE BANK

| S.No. | Name of Director | Position | No. of Shares |
|-------|---------------------------|--|---------------|
| 1 | Mr. Rajeev Arora | Chairman | NIL |
| 2 | Mr. R.K. Sinha | Director | NIL |
| 3 | Mr. Bharat Raj Wasti | Director | NIL |
| 4 | Mr. Bala Krishna Shrestha | Director | 466,204 |
| 5 | Ms. Bimala Subedi | Independent Director | NIL |
| 6 | Mr. Dipak Kumar De | Managing Director and CEO | NIL |
| 7 | Mr. Mahesh Prasad Khanal | Alternate Director | 4,418 |
| 8 | Mr. Md. Rizwan Alam | Deputy CEO & Chief Financial Officer (CFO) | NIL |
| 9 | Mr. Yadvender Kant | Chief Operating Officer (COO) | NIL |
| 10 | Mr. Dhawal Bharat Dave | Chief Technology Officer | NIL |
| 11 | Mr. Dev Raj Adhikari | AGM, MD-NSMBL | 6,477 |
| 12 | Mr. Bishnu Dev Yadav | AGM, Chief Risk & Compliance Officer | 1 |
| 13 | Mr. Arjun Nepal | AGM, Head- Controlling Office- Special Branches and Province 3 | 6,080 |
| 14 | Mr. Shreedhar Adhikari | Company Secretary | 2,203 |

TOP TEN SHAREHOLDERS AS ON 15TH JULY 2021

| S.No. | NAME |
|-------|---|
| 1 | State Bank Of India, Mumbai, India |
| 2 | Employees Provident Fund, Pulchowk, Lalitpur, Nepal |
| 3 | Bala Krishna Shrestha |
| 4 | Prime Life Insurance Company Limited |
| 5 | Amir Shrestha |
| 6 | Rajendra Kumar Khetan |
| 7 | Krishna Gopal Shrestha |
| 8 | Jagdamba Steels Pvt. Ltd. |
| 9 | Asian Life Insurance Co. Ltd. |
| 10 | Pradip Kumar Roongta |

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF NEPAL SBI BANK LTD.

Social Responsibility is deeply ingrained in the culture of your Bank. In line with the same, the Bank has shown great commitment towards society since its inception. Consequently, the Bank has been undertaking various social welfare initiatives for creating lasting social impact. The primary purpose of the Bank's CSR philosophy is to:

- Participate in activities that make a meaningful and measurable impact to the lives of economically, physically and socially challenged communities of the country.

The Bank's CSR activities touch the lives of millions of the poor and needy across the length and breadth of the country.

Every year, your bank is contributing certain portion of its earnings for the progress of the community and country through several initiatives. The focus areas of your Bank's CSR activities for this year include healthcare, education, skill development, environment protection and sustainability, protection of National Heritage, welfare of senior citizens.

NSBL's Fight against COVID-19 – Supporting Health Care

Your Bank has spent almost Rs. 70.00 lakh towards the Bank's support in fight against the COVID -19 pandemic which includes addressing health challenges of the society as well as maintaining good health of employees. Your bank provides basic infrastructure/ medical equipment/support to various hospital, organization working for society to deliver quality healthcare and other services. Your Bank has supported to the cause by taking some of the initiatives in Health sector,

- Financial contribution for construction of Maternity Ward at Kailash Gaunpalika of Makwanpur District.
- Supported for construction of health care center at Nagarik Care Centre, Biratnagar.

- Donated hospital beds to Office of Health, Tansen Palpa
- Financial contribution to Bhim Hospital, Bhim Aspatal Bipad Byawasthapan Kosh, Bhairahawa
- Financial support to establish medical oxygen plant at Gandaki Regional Hospital.

Supporting Education and empowering/skill development

Your Bank values education sector as one of the most essential sectors and has always contributed to provide quality education to marginalized communities across Nepal. Some of the areas covered by the Bank in providing quality education this year are given below:

- Supported sports equipment to Shree Madan Bhandari Smriti Basic School, Mahendranagar.
- Installation of RO water purifier at Shree Upallo Tamghas Secondary School, Gulmi.
- Provided metal bench and dustbins to Ugratara Ved Vidhyalaya, Dadeldhura
- Provided scholarship to 5 girl students studying AWS (Amazon Web Services) Cloud Practitioner Training.

Social Welfare

Your Bank has supported welfare of senior citizens at various old age home who has been living a miserable life. This year the Bank has contributed various essential home appliance and other equipment for the use by the senior citizens.

Financial Literacy

Your Bank has conducted various financial literacy program across Nepal during Global Money Week (GMW) with the aim to inspire children and young people to learn about money matters and to bring them into financial eco-system.

The list of major CSR activities conducted by bank during the year is listed below:

| S.N. | CSR Activities Conducted | Amount (Rs.) |
|------|---|--------------|
| 1 | Financial support for construction of Maternity Ward at Kailash Gaunpalika of Makwanpur District | 100,000.00 |
| 2 | Provided various home appliances to Shree Paropakar Tatha Anusandhan Kendra, Birtamod. | 118,734.83 |
| 3 | Financial assistance to Nagarik Care Center, Biratnagar. | 100,000.00 |
| 4 | Supported to place information boards raising traffic awareness | 40,680.00 |
| 5 | Provided scholarship to girl students in Province 2 regarding technical skill for generating employment | 125,000.00 |
| 6 | Financial assistance for maintenance of CCTV System to District Police Office, Nuwakot | 10,000.00 |
| 7 | Provided necessary essential equipment to Manav Sewa Asharm, Pokhara | 246,100.00 |
| 8 | Provided sports equipment to Shree Madan Bhandari Smriti Basic School, Mahendranagar | 90,400.00 |
| 9 | Installed RO water purifier to Shree Upallo Tamghas Secondary School, Gulmi | 90,000.00 |
| 10 | Support Ugratara Ved Vidyalaya, Dadeldhura by providing metal bench | 75,080.00 |
| 11 | Conducted Financial literacy program across Nepal | 92,728.84 |
| 12 | Contributed towards installation of information board for raising social awareness, Ganyapdhura | 16,000.00 |
| 13 | Provided desktop computer to Nepal Red Cross Society, Ilam | 9,501.00 |
| 14 | Provided 3 seater bench to Manipal Hospital, Pokhara | 52,500.00 |
| 15 | Support of hospital bed to Office of Health, Tansen, Palpa | 157,790.00 |
| 16 | Financial contribution for establishing medical oxygen plant at Gandaki Regional Hospital | 100,000.00 |
| 17 | Financial support to Bhim Hospital, Bhim Aspatal Bipad Baywasthapan Kosh, Bhairahawa | 100,000.00 |
| 18 | Financial assistance to Saptari Chamber of Commerce & Industry | 75,000.00 |
| 19 | Financial support to Chamunda Bindrasaini Municipality, Chamunda | 15,000.00 |
| 20 | Support of medical equipment to Bir Hospital, Kathmandu | 285,890.00 |
| 21 | Contribution towards raising financial awareness on financial fraud | 746,313.80 |
| 22 | Support of medical items to DAO, Sunsari | 93,000.00 |
| 23 | Provided desktop and printer to Shree Janajyoti Primary School, Abu Khairani | 36,202.00 |
| 24 | Staff expenses related to treatment and prevention of COVID-19 | 5,905,865.15 |
| 25 | Account opened under Sambriddha Nagarik Bachat Khata | 33,500.00 |

GLIMPSES OF CSR ACTIVITIES OF THE BANK



Handed over solar panel and medical items to officials of Manav Sewa Ashram.



Handed over of Cheque to Nagarik Care Hospital, Biratnagar.



Handed over medical equipment to Bir Hospital, Kathmandu



Handed over Medical Supplies to Armed Police Force, Sunsari.



Handed over hospital bed to Office of Health, Tansen, Palpa.



Handed over of Rs. 1.00 lakh cheque to Officials of Bhim Hospital, Bhairahawa.



Financial Literacy Program conducted at Shree Bibhuti Shiksha Sadan, Pokhara.



Financial Literacy Program at Upallo Tamghas Secondary School, Gulmi.



Financial Literacy Program held at Shree Balbatika School, Sakela.



Financial Literacy Program conducted at Navajyoti School, Surkhet.



Financial Literacy Program conducted at Green Tara College of Health Science, Bhainsepati.

HUMAN RESOURCE INFORMATION

Human Resources is an indispensable aspect for sustainability and growth of an organization. It plays an instrumental role in success of the Bank. The Human Resources Management function is directed by the long-term vision of creating conducive work culture where the employees are empowered with job responsibilities, training and development, remuneration benefits etc. which encourages them to deliver better organizational performance. The long-term strategic priorities of HR are identified as under:

1. To apply human capital expertise more assertively to support business verticals in order to deliver results.
2. To strengthen human capital role as a control function and minimize organizational risks pertaining to human capital.
3. To build the capabilities of human resources who can lead the organization.
4. To develop strategic human resources plan and its apt implementation.

In FY 2020/21, our HR activities were in line with these priorities, which have come into particular focus with Bank's Strategy and its execution over the coming years.

The details of staff count as on FY 2020/21 is mentioned as under:

| Staff Category | Male | Female | Total |
|----------------|------------|------------|------------|
| Managerial | 67 | 8 | 75 |
| Officer | 229 | 93 | 322 |
| Assistant | 289 | 196 | 485 |
| Support | 83 | 2 | 85 |
| Total | 668 | 299 | 967 |

1. Building the Capabilities of Staff

The development of skilled human resources is inevitable for interminable success of the Bank. Investment in skills and accelerating employees' professional and personal development are essential components of the Bank's HR function. Our Bank is committed in strengthening the capability of staff through enhanced training programs. The job based comprehensive training programs imparted to staff members not only help them develop and nurture as future leaders but also empowers them to meet their full potential.

These are the summary of the staff learning and development program conducted during FY 2077-78.

| Trainings | Number of Trainings |
|----------------------|---------------------|
| In-House/Internal | 64 |
| Outsourcing/External | 29 |
| Total | 93 |

Total no. of participants= 886

The Bank highly focuses on job satisfaction of employees. Hence, the bank seeks to retain, develop and encourage attractive workforce with the requisite skills to maximize the job satisfaction ultimately aiding the achievement of organizational objectives.

Due to COVID – 19 impact since December 2019, the employee engagement and trainings programs have been conducted through virtual medium. We have ensured that the employees are provided with adequate learning opportunities despite the challenging times of pandemic. The department has incorporated several effective training programs with professional trainers in the yearly plan with a focus to provide full fledged training programs to employee.

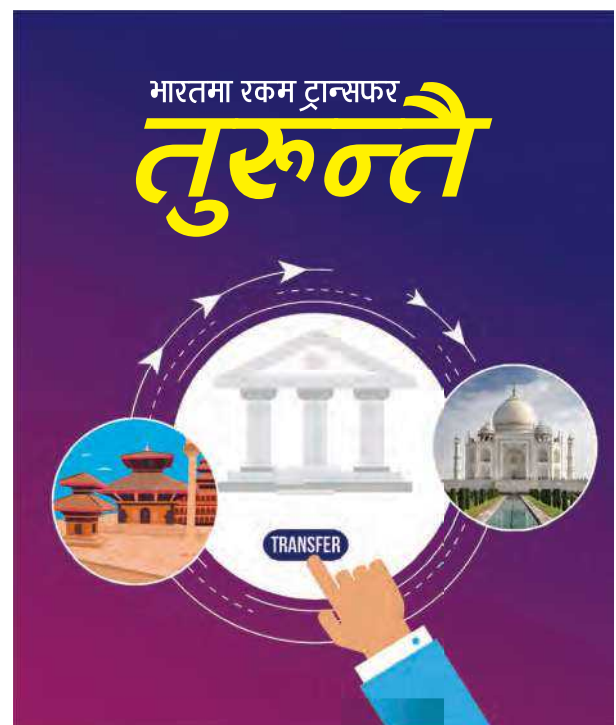
2. Staff Composition and Diversity

Diversity is a key enabler for unending success of an organization. The combined effort and teamwork of people with different backgrounds, education, skills and experience has built the sustainable stance and value across the Bank. The Bank has always valued the diverse background in education, language, culture, etc. which creates the sense of belongingness among the staff.

3. Health and Wellbeing of the staff

The bank has been providing life insurance facility, medical insurance facility, accidental insurance facility and COVID insurance facility for its staff. The staff who are willing to opt for the insurance facilities provided by the bank are covered under the policy within the limit applicable to their cadre. The bank has Medical Insurance Policy provided to the confirmed staff and covers medical expenses for staff along with dependents, which covers two types of expenses i.e. OPD and Hospitalization. Similarly, the bank has Group Accidental Insurance Policy for staff, which provides assurance of financial support to the staff and his/her family in case of death or disability of the staff during the service tenure in the bank. All the staff (Including probationary staff) are covered under this scheme within the limit applicable to their cadre.

In order to create conducive work environment, the Bank has always prioritized the wellbeing and development of staff from holistic perspective. Hence, Human Resources Management has an essential role in the sustainable organizational growth of the Bank.



नेपाल एसबिआई बैंकबाट भारतको कुनै बैंकको खातामा रकम पठाउँदा, सो रकम तुरुन्तै खातामा ट्रान्सफर हुन्छ । अब हरेक ट्रान्सफर सरल र सुरक्षित ।



ICRA नेपाली दाय "AA"
रेटिंग प्राप्त नेपालको पहिलो बैंक
nsbl.statebank





Independent Auditor's Report

To the Shareholders of Nepal SBI Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Nepal SBI Bank Limited (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 31, 2078 (July 15, 2021), and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at Ashadh 31, 2078 (15 July 2021), and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Consolidated Financial Statements* section of our Report. We are independent of the Group in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

| S.N | Key Audit Matters | Auditor's Response |
|-----|--|---|
| 1. | Interest Recognition The interest income of the bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines require suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have effect on recognition of interest income the bank. Thus, we have considered it as key audit matter. | Our audit approach regarding verification of process of interest recognition included: <ol style="list-style-type: none"> Obtaining clear understanding of the process of accrual of interest income on loans and advances in the Core Banking Software of the bank. For fair valuation of collateral, we relied on the latest available engineer's valuation of the collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019. Test check of the interest income booking with manual computation. |

T +977 1 4420807 / 08 / 10 F +977 1 4440528 E info@sar.com.np
Address 64 Bishal Basti "Ka", Bishal Nagar, GPO Box 4585, Kathmandu, Nepal



| | | |
|----|--|--|
| 2. | <p>Investment Valuation, Identification, and Impairment</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter in our audit.</p> | <p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidences/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment. 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 for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 15.07.2021 and for the unquoted investment the fair value has been taken as the NPR 100. |
| 3. | <p>Impairment of Loans and Advances</p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NAS 39 read with NFRS 9, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical</p> | <p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate. Grouping of homogeneous groups of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past. |



| | | |
|----|---|--|
| | <p>experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p> | |
| 4. | <p>Information Technology General Controls</p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p> | <p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ol style="list-style-type: none"> Understanding the coding system adopted by the bank for various categories of customers Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank Checking of the user requirements for any changes in the regulations/ policy of the bank Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank. We relied on the IT audit conducted by the bank. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 15.07 2021 |

Information Other than Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management Report, Report of the Director's Report and Chairman's Statement but does not include the consolidated financial statements and our auditor's report thereon. Such information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

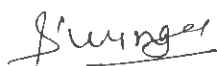


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the consolidated financial statements including the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of bank



Sunir Kumar Dhungel
Managing Partner



Place: Kathmandu, Nepal
Date: November 23, 2021

UDIN No.: 211125CA00109ZXyso



Independent Auditor's Report

To the Shareholders of Nepal SBI Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the Standalone financial statements of the Nepal SBI Bank Limited (the "Bank"), which comprise the statement of financial position as at Ashadh 31, 2078 (July 15, 2021), and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Standalone financial statements presents fairly, in all material respects, the financial position of the bank as at Ashadh 31, 2078 (15 July 2021), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Standalone 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 the Standalone financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

| S.N | Key Audit Matters | Auditor's Response |
|-----|--|---|
| 1. | Interest Recognition The interest income of the bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines require suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have effect on recognition of interest income the bank. Thus, we have considered it as key audit matter. | Our audit approach regarding verification of process of interest recognition included: <ol style="list-style-type: none"> Obtaining clear understanding of the process of accrual of interest income on loans and advances in the Core Banking Software of the bank. For fair valuation of collateral, we relied on the latest available engineer's valuation of the collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019. Test check of the interest income booking with manual computation. |

T +9771 4420807 / 08 / 10 F +9771 4440528 E info@sar.com.np
 Address 64 Bishal Basti "Ka", Bishal Nagar, GPO Box 4585, Kathmandu, Nepal



| | | |
|-----------|--|--|
| <p>2.</p> | <p>Investment Valuation, Identification, and Impairment</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter in our audit.</p> | <p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidences/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment. 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 for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 15.07.2021 and for the unquoted investment the fair value has been taken as the NPR 100. |
| <p>3.</p> | <p>Impairment of Loans and Advances</p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NAS 39 read with NFRS 9, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> | <p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate. Grouping of homogeneous groups of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past. |



| | | |
|----|--|--|
| | Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters. | |
| 4. | <p>Information Technology General Controls</p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p> | <p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ol style="list-style-type: none"> Understanding the coding system adopted by the bank for various categories of customers Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank Checking of the user requirements for any changes in the regulations/ policy of the bank Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank. We relied on the IT audit conducted by the bank. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 15.07 2021 |

Information Other than Standalone Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management Report, Report of the Director's Report and Chairman's Statement but does not include the Standalone financial statements and our auditor's report thereon. Such information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the Standalone 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 Standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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



In preparing the Standalone 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 the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone financial statements.

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

- Identify and assess the risk of material misstatement of the Standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Standalone financial statements, including the disclosures, and whether the Standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

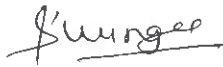
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the Standalone financial statements including the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of bank



Sunir Kumar Dhungel
Managing Partner



Place: Kathmandu, Nepal
Date: November 23, 2021

UDIN No.: 211126CA00109Lsoin

Nepal SBI Bank Ltd.

Consolidated Statement of Financial Position

As on Ashadh 31, 2078 (15.07.2021)

| | Note | Group | | Bank | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | Current Year | Previous Year | Current Year | Previous Year |
| Assets | | | | | |
| Cash and cash equivalent | 4.1 | 8,428,279,768 | 15,112,408,814 | 8,426,345,170 | 15,111,519,666 |
| Due from Nepal Rastra Bank | 4.2 | 3,272,981,241 | 7,580,527,039 | 3,272,981,241 | 7,580,527,039 |
| Placement with Bank and Financial Institutions | 4.3 | 41,500,000 | 11,000,000 | - | - |
| Derivative financial instruments | 4.4 | - | - | - | - |
| Other trading assets | 4.5 | 110,766,816 | 57,585,020 | 90,559,068 | 50,977,020 |
| Loan and advances to B/FIs | 4.6 | 4,586,766,483 | 4,819,693,163 | 4,586,766,483 | 4,819,693,163 |
| Loans and advances to customers | 4.7 | 96,951,274,535 | 89,615,499,851 | 96,951,274,535 | 89,615,499,851 |
| Investment securities | 4.8 | 21,246,986,872 | 12,350,069,980 | 21,246,986,872 | 12,350,069,980 |
| Current tax assets | 4.9 | 413,116,098 | 296,490,702 | 410,019,445 | 294,387,897 |
| Investment in subsidiaries | 4.10 | - | - | 188,888,889 | 188,888,889 |
| Investment in associates | 4.11 | - | - | - | - |
| Investment property | 4.12 | - | - | - | - |
| Property and equipment | 4.13 | 877,005,675 | 917,705,204 | 873,429,824 | 913,292,767 |
| Goodwill and Intangible assets | 4.14 | 6,173,141 | 3,668,181 | 5,260,995 | 2,678,280 |
| Deferred tax assets | 4.15 | 390,010,365 | 325,753,055 | 389,987,707 | 325,622,179 |
| Other assets | 4.16 | 1,370,388,620 | 1,149,283,783 | 1,366,274,492 | 1,148,757,240 |
| Total Assets | | 137,695,249,613 | 132,239,684,793 | 137,808,774,721 | 132,401,913,971 |
| Liabilities | | | | | |
| Due to Bank and Financial Institutions | 4.17 | 6,093,675,000 | 1,865,898,878 | 6,093,675,000 | 1,865,898,878 |
| Due to Nepal Rastra Bank | 4.18 | 4,265,513,428 | - | 4,265,513,428 | - |
| Derivative financial instruments | 4.19 | 20,179,685 | 20,610,248 | 20,179,685 | 20,610,248 |
| Deposits from customers | 4.20 | 106,053,881,963 | 110,236,203,169 | 106,238,466,851 | 110,445,872,817 |
| Borrowing | 4.21 | - | - | - | - |
| Current tax liabilities | 4.9 | - | - | - | - |
| Provisions | 4.22 | - | - | - | - |
| Deferred tax liabilities | 4.15 | - | - | - | - |
| Other liabilities | 4.23 | 2,767,886,379 | 2,263,079,301 | 2,762,169,244 | 2,259,339,137 |
| Debt securities issued | 4.24 | 3,028,699,402 | 3,028,341,567 | 3,028,699,402 | 3,028,341,567 |
| Subordinated liabilities | 4.25 | - | - | - | - |
| Total liabilities | | 122,229,835,857 | 117,414,133,162 | 122,408,703,610 | 117,620,062,647 |
| Equity | | | | | |
| Share capital | 4.26 | 9,493,577,887 | 8,956,205,554 | 9,493,577,887 | 8,956,205,554 |
| Share premium | | - | - | - | - |
| Retained earnings | | 943,888,290 | 1,448,149,558 | 889,622,669 | 1,415,526,276 |
| Reserves | 4.27 | 5,027,947,580 | 4,421,196,519 | 5,016,870,555 | 4,410,119,494 |
| Total equity attributable to equity holders | | 15,465,413,756 | 14,825,551,630 | 15,400,071,110 | 14,781,851,324 |
| Non-controlling interest | | - | - | - | - |
| Total equity | | 15,465,413,756 | 14,825,551,630 | 15,400,071,110 | 14,781,851,324 |
| Total liabilities and equity | | 137,695,249,613 | 132,239,684,793 | 137,808,774,721 | 132,401,913,971 |
| | | | | | |
| Contingent liabilities and commitment | 4.28 | 66,075,423,033 | 41,841,600,822 | 66,075,423,033 | 41,841,600,822 |
| Net assets/Net Worth value per share | | 163 | 166 | 162 | 165 |
| Per Share Total Assets Value | | 1,450 | 1,477 | 1,452 | 1,478 |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Kumar Dhungel),
Managing Partner
S.A.R. Associates, Chartered Accountants

Date: 23.11.2021
Place: Kathmandu

Nepal SBI Bank Ltd.

Consolidated Statement of Profit or Loss

For the year ended Ashadh 31, 2078 (15.07.2021)

| | Note | Group | | Bank | |
|---|------|---------------|----------------|---------------|----------------|
| | | Current Year | Previous Year | Current Year | Previous Year |
| Interest income | 4.29 | 9,003,906,322 | 11,429,571,364 | 9,001,882,831 | 11,428,379,246 |
| Interest expense | 4.30 | 6,117,556,524 | 7,364,245,617 | 6,134,546,892 | 7,383,776,484 |
| Net interest income | | 2,886,349,798 | 4,065,325,748 | 2,867,335,938 | 4,044,602,762 |
| Fee and commission income | 4.31 | 1,097,349,261 | 891,080,374 | 1,078,284,129 | 884,594,665 |
| Fee and commission expense | 4.32 | 81,546,600 | 100,153,780 | 84,280,247 | 100,153,780 |
| Net fee and commission income | | 1,015,802,661 | 790,926,595 | 994,003,882 | 784,440,886 |
| Net interest, fee and commission income | | 3,902,152,459 | 4,856,252,342 | 3,861,339,820 | 4,829,043,648 |
| Net trading income | 4.33 | 348,801,101 | 269,861,509 | 343,699,217 | 269,771,501 |
| Other operating income | 4.34 | 20,241,182 | 31,552,842 | 20,241,182 | 31,552,842 |
| Total operating income | | 4,271,194,742 | 5,157,666,693 | 4,225,280,219 | 5,130,367,991 |
| Impairment charge/(reversal) for loans and other losses | 4.35 | 379,622,175 | 272,339,764 | 379,622,175 | 272,339,764 |
| Net operating income | | 3,891,572,568 | 4,885,326,929 | 3,845,658,044 | 4,858,028,226 |
| Operating expense | | | | | |
| Personnel expenses | 4.36 | 1,575,063,566 | 1,682,883,709 | 1,567,059,857 | 1,677,340,196 |
| Other operating expenses | 4.37 | 746,328,073 | 797,547,830 | 740,910,286 | 793,030,301 |
| Depreciation & amortisation | 4.38 | 187,875,297 | 181,409,077 | 186,299,897 | 180,050,488 |
| Operating Profit | | 1,382,305,632 | 2,223,486,313 | 1,351,388,003 | 2,207,607,242 |
| Non operating income | 4.39 | 9,780,875 | 26,316,723 | 9,780,875 | 27,516,723 |
| Non operating expense | 4.40 | 640,871 | 3,327,796 | 640,871 | 3,327,796 |
| Profit before income tax | | 1,391,445,636 | 2,246,475,239 | 1,360,528,007 | 2,231,796,168 |
| Income tax expense | 4.41 | 406,324,153 | 692,850,428 | 397,048,864 | 688,447,397 |
| Current Tax | | 461,137,832 | 725,576,094 | 451,970,762 | 721,009,285 |
| Deferred Tax | | (54,813,679) | (32,725,667) | (54,921,898) | (32,561,888) |
| Profit for the Year | | 985,121,483 | 1,553,624,811 | 963,479,143 | 1,543,348,770 |
| Profit attributable to: | | | | | |
| Equity holders of the Bank | | 985,121,483 | 1,553,624,811 | 963,479,143 | 1,543,348,770 |
| Non-controlling interest | | - | - | - | - |
| Profit for the year | | 985,121,483 | 1,553,624,811 | 963,479,143 | 1,543,348,770 |
| Earnings per share | | | | | |
| Basic earnings per share | | 10.38 | 16.37 | 10.15 | 16.26 |
| Diluted earnings per share | | 10.38 | 16.37 | 10.15 | 16.26 |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Kumar Dhungel),
Managing Partner
S.A.R. Associates, Chartered Accountants

Date: 23.11.2021
Place: Kathmandu

Nepal SBI Bank Ltd.

Consolidated Statement of Comprehensive Income

For the year ended Ashadh 31, 2078 (15.07.2021)

| | Note | Group | | Bank | |
|--|------|--------------------|----------------------|--------------------|----------------------|
| | | Current Year | Previous Year | Current Year | Previous Year |
| Profit for the year | | 985,121,483 | 1,553,624,811 | 963,479,143 | 1,543,348,770 |
| Other comprehensive income, net of income tax | | | | | |
| a) Items that will not be reclassified to profit or loss | | | | | |
| Gains/(losses) from investments in equity instruments measured at fair value | | (1,317,863) | 35,521,155 | (1,317,863) | 35,521,155 |
| Gains/(losses) on revaluation | | - | - | - | - |
| Actuarial gains/(losses) on defined benefit plans | | (30,160,904) | 33,237,680 | (30,160,904) | 33,237,680 |
| Income tax relating to above items | | 9,443,630 | (20,627,651) | 9,443,630 | (20,627,651) |
| Net other comprehensive income that will not be reclassified to profit or loss | | (22,035,137) | 48,131,185 | (22,035,137) | 48,131,185 |
| b) Items that are or may be reclassified to profit or loss | | | | | |
| Gains/(losses) on cash flow hedge | | - | - | - | - |
| Exchange gains/(losses) (arising from translating financial assets of foreign operation) | | - | - | - | - |
| Income tax relating to above items | | - | - | - | - |
| Reclassify to profit or loss | | - | - | - | - |
| Net other comprehensive income that are or may be reclassified to profit or loss | | - | - | - | - |
| c) Share of other comprehensive income of associate accounted as per equited method | | - | - | - | - |
| Other comprehensive income for the year, net of income tax | | (22,035,137) | 48,131,185 | (22,035,137) | 48,131,185 |
| Total comprehensive income for the year | | 963,086,346 | 1,601,755,996 | 941,444,007 | 1,591,479,955 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Bank | | 963,086,346 | 1,601,755,996 | 941,444,007 | 1,591,479,955 |
| Non-controlling interest | | - | - | - | - |
| Total comprehensive income for the year | | 963,086,346 | 1,601,755,996 | 941,444,007 | 1,591,479,955 |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Kumar Dhungel),
Managing Partner
S.A.R. Associates, Chartered Accountants

Date: 23.11.2021
Place: Kathmandu

Nepal SBI Bank Ltd.

Statement of Changes in Equity For the year ended Ashadh 31, 2078 (15.07.2021)

| | Bank | | | | | | | | | | | |
|--|--|---------------|-----------------|-------------------------------|--------------------|--------------------|---------------------|------------------|---------------|----------------|--------------------------|----------------|
| | Attributable to equity holders of the Bank | | | | | | | | | | Non-controlling interest | Total equity |
| | Share Capital | Share premium | General reserve | Exchange equalization reserve | Regulatory reserve | Fair value reserve | Revaluation reserve | Retained earning | Other reserve | Total | | |
| Balance at Ashadh end, 2077 | 8,956,205,554 | - | 2,866,681,342 | 35,642,676 | 632,371,030 | 97,396,141 | - | 1,415,526,277 | 778,028,304 | 14,781,851,324 | - | 14,781,851,324 |
| Adjustment/Restatement: | - | - | - | - | - | - | - | - | - | - | - | - |
| Transferred from Retained earning FY19/20 | - | - | - | - | - | - | - | - | - | - | - | - |
| Prev year Income Tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Accrued | - | - | - | - | - | - | - | - | - | - | - | - |
| Debenture Redemption | - | - | - | - | - | - | - | - | - | - | - | - |
| Acturial loss | - | - | - | - | - | - | - | - | - | - | - | - |
| Staff Training Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| CSR fund | - | - | - | - | - | - | - | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| Restatement of share premium | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjusted/Restated balance at Shrawan 1, 2077 | 8,956,205,554 | - | 2,866,681,342 | 35,642,676 | 632,371,030 | 97,396,141 | - | 1,415,526,277 | 778,028,304 | 14,781,851,324 | - | 14,781,851,324 |
| Comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | - | - | 963,479,143 | - | 963,479,143 | - | 963,479,143 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains/(losses) from investments in equity instruments measured at fair value | - | - | - | - | - | (922,504) | - | - | - | (922,504) | - | (922,504) |
| Gains/(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| Actuarial gains/(lose) on defined benefit plans | - | - | - | - | - | - | - | - | (21,112,633) | (21,112,633) | - | (21,112,633) |
| Gains/(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains/(losses) (arising from translating financial assets of foreign operation) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | (922,504) | - | 963,479,143 | (21,112,633) | 941,444,007 | - | 941,444,007 |
| Transfer to reserve during the year | - | - | 192,695,828 | 3,226,270 | 237,963,980 | - | - | (808,867,982) | 374,981,902 | - | - | - |
| Expenses Charged to fund directly | - | - | - | - | - | - | - | - | (12,113,922) | (12,113,922) | - | (12,113,922) |
| Transfer from reserve during the year | - | - | - | - | (167,967,863) | - | - | 167,967,862 | - | - | - | - |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Share issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - | - | - |
| Bonus shares issued | 537,372,333 | - | - | - | - | - | - | (537,372,333) | - | - | - | - |
| Cash dividend paid | - | - | - | - | - | - | - | (311,110,298) | - | (311,110,298) | - | (311,110,298) |
| Others (Share issue expenses) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | 537,372,333 | - | 192,695,829 | 3,226,271 | 69,996,118 | - | - | (1,489,382,751) | 362,867,980 | (323,224,220) | - | (323,224,220) |
| Balance at Ashadh end 2078 | 9,493,577,887 | - | 3,059,377,171 | 38,868,947 | 702,367,148 | 96,473,637 | - | 889,622,669 | 1,119,783,652 | 15,400,071,110 | - | 15,400,071,110 |

Nepal SBI Bank Ltd.

Statement of Changes in Equity

| | Bank | | | | | | | | | | | |
|--|--|---------------|-----------------|-------------------------------|--------------------|--------------------|---------------------|------------------|---------------|----------------|--------------------------|----------------|
| | Attributable to equity holders of the Bank | | | | | | | | | | Non-controlling interest | Total equity |
| | Share Capital | Share premium | General reserve | Exchange equalization reserve | Regulatory reserve | Fair value reserve | Revaluation reserve | Retained earning | Other reserve | Total | | |
| Balance at Ashadh end 2076 | 8,449,250,523 | - | 2,558,011,588 | 30,986,105 | 547,767,338 | 69,229,109 | - | 1,853,742,736 | 645,461,961 | 14,154,449,360 | - | 14,154,449,360 |
| Adjustment/Restatement: | - | - | - | - | (1,415,239) | 3,302,224 | - | (3,216,007) | - | (1,329,022) | - | (1,329,022) |
| Corporate Social Responsibility Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| Staff Training and Development Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| EIR adjustment on loan | - | - | - | - | - | - | - | - | - | - | - | - |
| Previous Year NFRS reserve | - | - | - | - | (1,415,239) | 3,302,224 | - | (3,216,007) | - | (1,329,022) | - | (1,329,022) |
| Deferred Tax adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| Restatement of share premium | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjusted/Restated balance at Shrawan 1, 2076 | 8,449,250,523 | - | 2,558,011,588 | 30,986,105 | 546,352,099 | 72,531,333 | - | 1,850,526,729 | 645,461,961 | 14,153,120,338 | - | 14,153,120,338 |
| Comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | - | - | 1,543,348,770 | - | 1,543,348,770 | - | 1,543,348,770 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains/(losses) from investments in equity instruments measured at fair value | - | - | - | - | - | 24,864,809 | - | - | - | 24,864,809 | - | 24,864,809 |
| Gains/(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| Actuarial gains/(lose) on defined benefit plans | - | - | - | - | - | - | - | - | 23,266,376 | 23,266,376 | - | 23,266,376 |
| Gains/(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains/(losses) (arising from translating financial assets of foreign operation) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 24,864,809 | - | 1,543,348,770 | 23,266,376 | 1,591,479,955 | - | 1,591,479,955 |
| Transfer from reserve during the year | - | - | - | - | (92,407,965) | - | - | 92,407,965 | - | - | - | - |
| Expenses Charged to fund directly | - | - | - | - | - | - | - | - | (46,672,332) | (46,672,333) | - | (46,672,333) |
| Transfer to reserve during the year | - | - | 308,669,754 | 4,656,571 | 178,426,897 | - | - | (647,725,521) | 155,972,300 | - | - | - |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Share issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - | - | - |
| Bonus shares issued | 506,955,031 | - | - | - | - | - | - | (506,955,031) | - | - | - | - |
| Cash dividend paid | - | - | - | - | - | - | - | (916,076,636) | - | (916,076,636) | - | (916,076,636) |
| Others (Share issue expenses) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | 506,955,031 | - | 308,669,754 | 4,656,571 | 86,018,931 | - | - | (1,978,349,223) | 109,299,967 | (962,748,969) | - | (962,748,969) |
| Balance at Ashadh end 2077 | 8,956,205,554 | - | 2,866,681,342 | 35,642,676 | 632,371,030 | 97,396,141 | - | 1,415,526,276 | 778,028,304 | 14,781,851,324 | - | 14,781,851,324 |

Nepal SBI Bank Ltd.

Statement of Changes in Equity For the year ended Ashadh 31, 2078 (15.07.2021)

| | Group | | | | | | | | | | | |
|--|--|---------------|-----------------|-------------------------------|--------------------|--------------------|---------------------|------------------|---------------|----------------|---|--------------------------|
| | Attributable to equity holders of the Bank | | | | | | | | | | | Non-controlling interest |
| | Share Capital | Share premium | General reserve | Exchange equalization reserve | Regulatory reserve | Fair value reserve | Revaluation reserve | Retained earning | Other reserve | Total | | |
| Balance at Ashadh end, 2077 | 8,956,205,554 | - | 2,866,681,342 | 35,642,676 | 632,336,943 | 97,396,142 | - | 1,448,149,558 | 789,139,415 | 14,825,551,630 | - | 14,825,551,630 |
| Adjustment/Restatement: | - | - | - | - | - | - | - | - | - | - | - | - |
| Transferred from Retained earning FY18/19 | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Accrued | - | - | - | - | - | - | - | - | - | - | - | - |
| Debtenture Redemption | - | - | - | - | - | - | - | - | - | - | - | - |
| Acturial loss | - | - | - | - | - | - | - | - | - | - | - | - |
| Staff Training Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| CSR fund | - | - | - | - | - | - | - | - | - | - | - | - |
| Prior period adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| Restatement of share premium | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjusted/Restated balance at Shrawan 1, 2077 | 8,956,205,554 | - | 2,866,681,342 | 35,642,676 | 632,336,943 | 97,396,142 | - | 1,448,149,558 | 789,139,415 | 14,825,551,630 | - | 14,825,551,630 |
| Comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | - | - | 985,121,483 | - | 985,121,483 | - | 985,121,483 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains/(losses) from investments in equity instruments measured at fair value | - | - | - | - | - | (922,504) | - | - | - | (922,504) | - | (922,504) |
| Gains/(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| Atuarial gains/(losse) on defined benefit plans | - | - | - | - | - | - | - | - | (21,112,633) | (21,112,633) | - | (21,112,633) |
| Gains/(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains/(losses) (arising from translating financial assets of foreign operation) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | (922,504) | - | 985,121,483 | (21,112,633) | 963,086,346 | - | 963,086,346 |
| Transfer to reserve during the year | - | - | 192,695,829 | 3,226,271 | 237,963,981 | - | - | (808,867,983) | 374,981,903 | - | - | - |
| Expenses Charged to fund directly | - | - | - | - | - | - | - | - | (12,113,922) | (12,113,922) | - | (12,113,922) |
| Transfer from reserve during the year | - | - | - | - | (167,967,863) | - | - | 167,967,863 | - | - | - | - |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Share issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - | - | - |
| Bonus shares issued | 537,372,333 | - | - | - | - | - | - | (537,372,333) | - | - | - | - |
| Cash dividend paid | - | - | - | - | - | - | - | (311,110,298) | - | (311,110,298) | - | (311,110,298) |
| Others (Share issue expenses) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | 537,372,333 | - | 192,695,829 | 3,226,271 | 69,996,118 | - | - | (1,489,382,751) | 362,867,980 | (323,224,220) | - | (323,224,220) |
| Balance at Ashadh end 2078 | 9,493,577,887 | - | 3,059,377,171 | 38,868,947 | 702,333,061 | 96,473,638 | - | 943,888,290 | 1,130,894,762 | 15,465,413,756 | - | 15,465,413,756 |

Nepal SBI Bank Ltd.

Statement of Changes in Equity



| | Group | | | | | | | | | | | |
|--|--|---------------|-----------------|-------------------------------|--------------------|--------------------|----------------------|------------------|---------------|----------------|--------------------------|----------------|
| | Attributable to equity holders of the Bank | | | | | | | | | | | |
| | Share Capital | Share premium | General reserve | Exchange equalization reserve | Regulatory reserve | Fair value reserve | Re-valuation reserve | Retained earning | Other reserve | Total | Non-controlling interest | Total equity |
| Balance at Ashadh end, 2076 | 8,449,250,523 | - | 2,558,011,588 | 30,986,105 | 547,733,251 | 69,229,110 | - | 1,875,294,849 | 656,573,072 | 14,187,078,498 | - | 14,187,078,498 |
| Adjustment/Restatement: | - | - | - | - | (1,415,239) | 3,302,224 | - | (2,420,880) | - | (533,895) | - | (533,895) |
| Corporate Social Responsibility Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| Staff Training and Development Fund | - | - | - | - | - | - | - | - | - | - | - | - |
| NSMBL adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| EIR adjustment on loan | - | - | - | - | - | - | - | - | - | - | - | - |
| Previous Year NFRS reserve | - | - | - | - | (1,415,239) | 3,302,224 | - | (3,216,007) | - | (1,329,022) | - | (1,329,022) |
| Deferred Tax Adjustment | - | - | - | - | - | - | - | 795,127 | - | 795,127 | - | 795,127 |
| Adjusted/Restated balance at Shrawan 1, 2076 | 8,449,250,523 | - | 2,558,011,588 | 30,986,105 | 546,318,012 | 72,531,334 | - | 1,872,873,969 | 656,573,072 | 14,186,544,603 | - | 14,186,544,603 |
| Comprehensive income for the year | | | | | | | | | | - | | - |
| Profit for the year | - | - | - | - | - | - | - | 1,553,624,811 | - | 1,553,624,811 | - | 1,553,624,811 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains/(losses) from investments in equity instruments measured at fair value | - | - | - | - | - | 24,864,809 | - | - | - | 24,864,809 | - | 24,864,809 |
| Gains/(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| Actuarial gains/(losses) on defined benefit plans | - | - | - | - | - | - | - | - | 23,266,376 | 23,266,376 | - | 23,266,376 |
| Gains/(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains/(losses) (arising from translating financial assets of foreign operation) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 24,864,809 | - | 1,553,624,811 | 23,266,376 | 1,601,755,996 | - | 1,601,755,996 |
| Transfer from reserve during the year | - | - | - | - | (92,407,965) | - | - | 92,407,965 | - | - | - | - |
| CSR Expenses Charged to fund directly | - | - | - | - | - | - | - | - | (46,672,333) | (46,672,333) | - | (46,672,333) |
| Transfer to reserve during the year | - | - | 308,669,754 | 4,656,571 | 178,426,897 | - | - | (647,725,521) | 155,972,300 | - | - | - |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | | | |
|--|---------------|---|---------------|------------|-------------|------------|---|-----------------|-------------|----------------|---|----------------|
| Share issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - | - | - |
| Bonus shares issued | 506,955,031 | - | - | - | - | - | - | (506,955,031) | - | - | - | - |
| Cash dividend paid | - | - | - | - | - | - | - | (916,076,636) | - | (916,076,636) | - | (916,076,636) |
| Others (Share issue expenses) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | 506,955,031 | - | 308,669,754 | 4,656,571 | 86,018,931 | - | - | (1,978,349,223) | 109,299,967 | (962,748,969) | - | (962,748,969) |
| Balance at Ashadh end 2077 | 8,956,205,554 | - | 2,866,681,342 | 35,642,676 | 632,336,943 | 97,396,142 | - | 1,448,149,558 | 789,139,415 | 14,825,551,630 | - | 14,825,551,630 |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Kumar Dhungel),
Managing Partner
S.A.R. Associates, Chartered Accountants

Date: 23.11.2021
Place: Kathmandu

Nepal SBI Bank Ltd.

Consolidated Statement of cash flows
For the year ended Ashadh 31, 2078 (15.07.2021)

| | Group | | Bank | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Interest received | 8,909,224,561 | 11,300,054,335 | 8,907,201,069 | 11,298,862,217 |
| Fees and other income received | 1,422,722,072 | 1,179,799,717 | 1,399,685,642 | 1,174,514,008 |
| Dividend received | 7,496,530 | 6,783,356 | 7,496,530 | 6,783,356 |
| Receipts from other operating activities | 20,401,612 | 25,409,640 | 20,401,612 | 25,409,640 |
| Interest paid | (5,815,652,054) | (7,197,327,099) | (5,832,642,422) | (7,216,857,967) |
| Commission and fees paid | (81,546,600) | (100,153,780) | (84,280,247) | (100,153,780) |
| Cash payment to employees | (1,480,381,804) | (1,556,114,033) | (1,472,378,095) | (1,550,570,520) |
| Other expense paid | (1,223,890,276) | (1,576,001,726) | (1,209,305,419) | (1,566,937,640) |
| Operating cash flows before changes in operating assets and liabilities | 1,758,374,041 | 2,082,450,411 | 1,736,178,669 | 2,071,049,316 |
| (Increase)/Decrease in operating assets | | | | |
| Due from Nepal Rastra Bank | 4,307,545,798 | 1,728,833,754 | 4,307,545,798 | 1,728,833,754 |
| Placement with bank and financial institutions | (30,500,000) | - | - | - |
| Other trading assets | (15,000,000) | (32,120,958) | (15,000,000) | (26,620,966) |
| Loan and advances to bank and financial institutions | 221,197,112 | (87,661,393) | 221,197,112 | (87,661,393) |
| Loans and advances to customers | (7,696,767,290) | (5,975,146,452) | (7,696,767,290) | (5,975,146,452) |
| Other assets | (337,730,232) | (70,124,200) | (333,148,800) | (68,919,631) |
| | (3,551,254,612) | (4,436,219,249) | (3,516,173,180) | (4,429,514,687) |
| Increase/(Decrease) in operating liabilities | | | | |
| Due to bank and financial institutions | 4,227,776,122 | (404,098,781) | 4,227,776,122 | (404,098,781) |
| Due to Nepal Rastra Bank | 4,265,513,428 | (761,421,088) | 4,265,513,428 | (761,421,088) |
| Deposit from customers | (4,182,321,206) | 12,514,356,947 | (4,207,405,966) | 12,521,428,814 |
| Borrowings | - | - | - | - |
| Other liabilities | 478,099,452 | 69,586,753 | 476,122,481 | 67,450,952 |
| Net cash flow from operating activities before tax paid | 4,789,067,796 | 11,418,423,832 | 4,762,006,065 | 11,423,359,898 |
| Income taxes paid | - | - | - | - |
| Net cash flow from operating activities | 2,996,187,225 | 9,064,654,994 | 2,982,011,554 | 9,064,894,527 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investment securities | (8,910,703,918) | (3,040,009,218) | (8,898,234,758) | (3,040,009,218) |
| Receipts from sale of investment securities | - | - | - | - |
| Purchase of property and equipment | (154,591,346) | (188,435,096) | (154,166,787) | (188,321,828) |
| Receipt from the sale of property and equipment | 9,529,287 | 43,406,794 | 9,529,287 | 43,406,794 |
| Purchase of intangible assets | (4,779,100) | (678,000) | (4,542,600) | - |
| Receipt from the sale of intangible assets | - | - | - | - |
| Purchase of investment properties | - | - | - | - |
| Receipt from the sale of investment properties | - | - | - | - |
| Interest received | - | - | - | - |
| Dividend received | - | - | - | - |
| Net cash used in investing activities | (9,060,545,076) | (3,185,715,520) | (9,047,414,857) | (3,184,924,252) |

| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| Receipt from issue of debt securities | - | 2,033,888,000 | - | 2,033,888,000 |
| Repayment of debt securities | - | - | - | - |
| Receipt from issue of subordinated liabilities | - | - | - | - |
| Repayment of subordinated liabilities | - | - | - | - |
| Receipt from issue of shares | - | - | - | - |
| Dividends paid | (314,994,137) | (874,254,271) | (314,994,135) | (874,254,273) |
| Interest paid | (301,546,635) | (166,819,675) | (301,546,635) | (166,819,674) |
| Other receipt/payment | (3,230,422) | (3,836,119) | (3,230,422) | (4,631,246) |
| Net cash from financing activities | (619,771,194) | 988,977,935 | (619,771,193) | 988,182,807 |
| Net increase (decrease) in cash and cash equivalents | (6,684,129,045) | 6,867,917,409 | (6,685,174,496) | 6,868,153,082 |
| Cash and cash equivalents at Shrawan 1, 2076 | 15,112,408,814 | 8,244,491,405 | 15,111,519,666 | 8,243,366,584 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | - | - | - | - |
| Cash and cash equivalents at Ashadh | 8,428,279,768 | 15,112,408,814 | 8,426,345,170 | 15,111,519,666 |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Kumar Dhungel),
Managing Partner
S.A.R. Associates, Chartered Accountants

Date: 23.11.2021
Place: Kathmandu

Nepal SBI Bank Ltd.

Notes to the Consolidated Financial Statements

For the year ended 31 Ashadh 2078 (15 July 2021)

1. Reporting Entity

Nepal SBI Bank Limited (NSBL or the Bank), is a limited liability publicly listed company registered with Office of Company Registrar in Nepal on 28 April 1993. Registered office of the Bank is situated at Kesharmahal, Kathmandu, Nepal. The Bank carries out commercial banking activities and other financial services in Nepal under the license from Nepal Rastra Bank (NRB), The Central Bank of Nepal as "Ka Class" (Class A) licensed financial institution.

It is a subsidiary of State Bank of India, incorporated in India, which holds 55% shares in the Bank.

NSBL offers a wide range of banking services in Nepal which includes deposits, loans and advances, trade finance, treasury services, remittance, e-banking, Indian railway ticket booking, mobile banking, ATM Services, cash deposit machines (CDMs) etc. NSBL payment gateway is provided for easy processing of trade / non-trade remittance to and from India which is in addition to SBI Nepal Express Remit for remitting funds from India to Nepal.

Subsidiaries

Nepal SBI Merchant Banking Ltd (NSMBL) is a wholly owned subsidiary of the bank established on 9 April 2016 and licensed by Securities Board of Nepal on 9 December 2016. The core activities of the NSMBL consists of issue management service, registrar to share, underwriting, portfolio management and corporate advisory services. The cost of investment in subsidiary as on Ashadh end 2078 is Rs. 188,888,889.

The financial year of the subsidiary is same as that of the Bank ending on 15th July 2021 (31st Ashadh 2078).

Group

The group represents the Bank and its full owned subsidiary.

2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2077.

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

2.1 Statement of Compliance

The financial statements have been prepared and approved by 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, 2077.

These policies have been consistently applied to all the years presented except otherwise stated.

2.2 Reporting Period and Approval of Financial Statements

The Bank follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

| Relevant Financial Statement | Nepalese Calendar Date / Period | English Calendar Date / Period |
|-------------------------------|---------------------------------|--------------------------------|
| Comparative SFP* Date | 31 Ashadh 2077 | 15 July 2020 |
| Comparative reporting period | 1 Shrawan 2076 - 31 Ashadh 2077 | 17 July 2019 - 15 July 2020 |
| First NFRS SFP Date | 31 Ashadh 2074 | 15 July 2017 |
| Current NFRS reporting period | 1 Shrawan 2077 - 31 Ashadh 2078 | 16 July 2020 - 15 July 2021 |

*SFP = statement of financial position

The Financial Statements for the year ended 31 Ashadh 2078 (15 July 2021) have been authorised for issue by the Board of Directors in its meeting held on 7th Mangsir 2078 (23rd November 2021) and have recommended for approval of shareholders in the Annual General Meeting.

2.3 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is also the Bank's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

2.4 Use of Estimates, Assumptions and Judgments

The Management of the Bank has made judgments, estimations and assumptions which affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses that is required for the preparation of financial statements in conformity with Nepal Financial Reporting Standards (NFRS). The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis. Necessary revisions to accounting estimates are recognized in the period in which such estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Any revision in accounting estimate is recognized prospectively in present and future periods as required under NAS 8 Accounting Policies, Changes in Accounting Estimates and Error.

Significant estimates, assumptions and judgments used in applying accounting policies which have material effect in financial statements are:

Impairment on loans and advances (Higher of provision for loan loss calculated as per NRB Guideline and Impairment loss calculated as per NFRS as per carve out issued by ICAN to be mandatorily implemented till carve out period)

2.5 Changes in Accounting Policies

The Bank is required to adopt and apply the accounting policies in conformity with NFRS. The accounting policies are applied consistently; changes, if any, are disclosed with the financial impact to the extent possible.

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.

2.6 New Standards Issued but not yet Effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition

and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been applied only for the classification of Financial Instruments.

A new Financial Reporting Standard (NFRS 2018) has been pronounced by the ICAN on 11th Ashadh 2077. The NFRS 2018 contains some new standards with amendments to the existing standards.

NFRS 2018 introduces the new standard as mentioned hereunder which will be applicable from the date mentioned below

| Standard | Applicable date |
|----------|-----------------|
| NFRS 9 | 16 July 2021 |
| NFRS 14 | 16 July 2021 |
| NFRS 15 | 16 July 2021 |
| NFRS 16 | 16 July 2021 |
| NFRS 17 | 16 July 2021 |

2.7 New Standards and Interpretation not Adopted

There have been and are expected to be, a number of significant changes to the Bank's financial reporting as a result of amended or new accounting standards, specifically IFRSs, that have been or will be issued by the IASB. These standards will be applicable when adopted in Nepal. The most significant of these are as follows:

2.7.1 IFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. ASB Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the impairment. Currently, Incurred Loss Model as specified in NAS 39 is used. The requirement of IFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

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

These have been issued under NFRS 2018 and are applicable from the next Fiscal Year

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

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

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

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

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

2.7.2 IFRS 15 – Revenue from Contracts with Customers

In 2014, the IASB issued IFRS15 Revenue from Contracts with Customers, which will replace IAS18 Revenue and IAS11 Construction Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. This standard will establish a more systematic approach for revenue measurement and recognition.

2.7.3 IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which will replace IAS 17 *Leases*. Under the new requirements, lessees would be required to recognize assets and liabilities arising from both operating and finance leases on the balance sheet.

2.8 Discounting

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

2.9 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on 13 September 2013. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 19 August 2020 and 10 November 2020 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of ASB. Details of carve outs provided are as follows.

2.9.1 NAS 39: Financial Instruments: Recognition and Measurement

a) Impairment

In para 58, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63; and shall apply paragraph 63 to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.

The carve out is not optional and has been provided for the FY 2020-21. Bank will measure the impairment of loan and advances to customers as higher of the impairment as assessed under NFRS or as per the norms prescribed by Nepal Rastra Bank. The provision is mandatory where impairment under NFRS and impairment under NRB norms has been disclosed for comparison and the higher of the two is charged as impairment and recognised in the financial statements.

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

In para 9, the effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments). This carve out is optional and has been provided for the FY 2020-21.

2.10 Going Concern

The financial statements are prepared on the assumption that the Bank

is a going concern as the directors are satisfied that the group and the bank have the resources to continue in operation for the foreseeable future. In making the assessment, the directors have considered a wide range of information related to present and future conditions including the impact of COVID-19 in the operations and the future projections of profitability, cash flows and capital resources.

2.11 Materiality

The Bank for the preparation of financial statements determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all the qualitative characteristics.

2.12 Comparative Figures

The Bank has regrouped/rearranged the previous year figures wherever necessary.

2.13 Limitation of NFRS Implementation

Wherever the information is not adequately available and/or it is impracticable to develop the, such exception to NFRS implementation has been noted and disclosed in respective sections.

3. Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been prepared under the historical cost convention modified to include the fair valuation to the extent required or permitted under NFRS as set out in the relevant accounting policies. Financial information recorded and reported to comply with Directive of Nepal Rastra Bank and relevant business practices followed by the Bank are disclosed separately, where there have been deviations with recognition and presentation criteria of NFRS.

3.2 Basis of Consolidation

a. Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Bank. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Bank measures goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquire, plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire, less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.
- Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

b. Non-Controlling Interest (NCI)

For each business combination, the Bank elects to measure any non-controlling interests in the acquire either:

- at fair value; or
- at their proportionate share of the acquire identifiable net assets, which are generally at fair value.

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

c. Subsidiaries

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

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. In preparing the consolidated financial statements, the financial statements are combined line by line by adding the like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. The carrying amount of the parent's investment in subsidiary and the parent's portion of equity of subsidiary are eliminated in full. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (such as interest income and technical fee) are eliminated in full while preparing the consolidated financial statements.

d. Loss of Control

Upon the loss of control, the Bank derecognises the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of components previously recognized in other comprehensive income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

e. Special Purpose Entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank and the SPE's risks and rewards, the Bank concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Bank controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Bank according to its specific business needs so that the Bank obtains benefits from the SPE's operation.
- The Bank has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism; the Bank has delegated these decision-making powers.
- The Bank has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Bank retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

f. Transaction Elimination on Consolidation

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

3.3 Cash and Cash Equivalent

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and cash equivalents comprising highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements and back to back foreign currency investment are not considered to be part of cash equivalents.

3.4 Financial Instruments: Financial Assets and Financial Liabilities

3.4.1 Recognition

The Bank recognizes financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

Financial assets and liabilities

The Bank applies NAS 39 Financial Instruments: Recognition and Measurement. The recognition and de-recognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. The Financial Instrument has been classified in line with the provision of NFRS 9 as mentioned in the point no. 3.5.2.

Financial asset is any asset that is:

- Cash.
- an equity instrument of another entity.
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

3.4.2 Classification and measurement

Financial assets are classified under below categories as required by NFRS 9, namely,

| | NFRS 9 classification - Financial Assets | Subsequent measurement |
|---|---|---|
| 1 | Held at fair value through Profit or Loss | At Fair Value – through Profit or Loss |
| 2 | Held at fair value through Other Comprehensive Income | Fair Value through Other Comprehensive Income |
| 3 | Held at amortised cost using effective interest rate | At Amortised cost using effective interest rate |

Financial Liabilities are classified under below categories as required by NFRS 9, namely,

| | NFRS 9 classification - Financial Liabilities | Subsequent measurement |
|---|--|---|
| 1 | Held at fair value through Profit or Loss | At fair value through Profit or Loss |
| 2 | Held at amortised cost using effective interest rate | At Amortised cost using effective interest rate |

At initial recognition, the Bank measures financial instruments (financial assets and liabilities) at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

3.4.3 De-recognition

The Bank derecognizes a financial asset, or a portion of a financial asset, from its financial statements where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are derecognized when the liability has been settled, has expired or has been extinguished.

3.4.4 Determination of fair value

The Bank applies NAS 39. All financial instruments are initially recognised at fair value on the date of initial recognition and depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Bank's financial assets and liabilities, quoted prices are not available and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value based on interest rate yields and volatility of currency rates.

- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any liability that is:

- contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The financial liabilities are measured at amortised cost using effective interest rate.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is not applicable to the Bank.

Critical accounting estimates and judgments

The valuation of financial instruments often involves a significant degree of judgment and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealized gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs and a sensitivity analysis.

Fair Value Hierarchy

NFRS 13 Fair Value Measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Level 1- Valuation Technique using quoted market prices

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2- Valuation technique using observable inputs

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs uses market standard pricing techniques and are commonly traded in markets where all the significant inputs are observable.

Level 3- Valuation technique using significant unobservable inputs

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques. These are financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

3.4.5 Impairment

(A) Impairment of financial assets held at amortised costs

Impairment of financial assets is considered when the carrying values of the assets are more than the recoverable amount from the assets. Impairment is tested for all financial assets except those measured at fair value.

Impairment of loans and advances to customers and bank and financial institutions

i) As per NAS 39

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances that are calculated on individual loans or on groups of loans assessed collectively are recorded as charges to the profit or loss and are recorded against the carrying amount of impaired loans on the statement of financial position. Losses, which may arise from future events, are not recognised.

Individually assessed loans and advances

Loans and advances to customers with significant value (Top 50 borrowers and borrowers classified as bad as per Nepal Rastra Bank Directive) are assessed for individual impairment test. The recoverable value of loan is estimated based on realizable value of collateral and the conduct of the borrower/past experience of the Bank. The factors considered in determining whether a loan is individually significant for the purposes of assessing impairment include the size of the loan, the number of loans in the portfolio and the importance of the individual loan relationship and how this is managed. Loans that are determined to be individually significant based on the above and other relevant factors are individually assessed for impairment, except when volumes of defaults and losses are sufficient to justify treatment under a collective methodology. Loans considered as individually significant are typically to corporate and commercial customers, are for larger amounts and are managed on an individual basis. For these loans, the group considers on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to make this assessment include:

- known cash flow difficulties experienced by the borrower
- contractual payments of either principal or interest being past due for more than 90 days
- the probability that the borrower will enter bankruptcy or other

financial realisation

- a concession granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty that results in forgiveness or postponement of principal, interest, or fees, where the concession is not insignificant; and
- there has been deterioration in the financial condition or outlook of the borrower such that its ability to repay is considered doubtful. For loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:
 - the group's aggregate exposure to the customer
 - the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations
 - the amount and timing of expected receipts and recoveries
 - the likely dividend available on liquidation or bankruptcy
 - the extent of other creditors' commitments ranking ahead of, or pari-passu with, the group and the likelihood of other creditors continuing to support the company
 - the complexity of determining the aggregate amount and ranking of all creditors' claims and the extent to which legal and insurance uncertainties are evident
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession
- the likely costs of obtaining and selling collateral as part of foreclosure
- the ability of the borrower to obtain and make payments in, the currency of the loan if not denominated in local currency; and
- When available, the secondary market price of the debt.

The determination of the realizable value of security is based on the market value at the time the impairment assessment is performed. The value is not adjusted for expected future changes in market prices, though adjustments are made to reflect local conditions such as forced sale discounts. Impairment losses are calculated by discounting the expected future cash flows of a loan, which includes expected future receipts of contractual interest, at the loan's original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require.

Collectively assessed loans and advances

Impairment is assessed collectively to cover losses, which have been incurred but have not yet been identified on loans subject to individual assessment or for homogeneous groups of loans that are not considered individually significant. Retail lending portfolios are generally assessed for impairment collectively as the portfolios are generally large homogeneous loan pools. Individually assessed loans for which no evidence of impairment has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for a collective impairment assessment. These credit risk characteristics may include type of business involved, type of products offered, security obtained or other relevant factors. This assessment captures impairment losses that the bank has incurred because of events occurring before the balance sheet date, which the bank is not able to identify on an individual loan basis and that can be reliably estimated. When information becomes, available which identifies losses on individual loans within the group, those loans are removed from the group and assessed individually. The collective impairment allowance is determined after considering:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between a loss occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience. The period between an impairment occurring and its identification is estimated by local management for each identified portfolio based on economic and market conditions, customer behaviour, portfolio management information, credit management techniques and collection and

recovery experiences in the market.

- Statistical methods are used to determine collective impairment losses for homogeneous groups of loans not considered individually significant.

For collective assessment of impairment bank has categorized assets into sixteen broad products as follows

1. Agricultural and Forest Related
2. Fishery Related
3. Mining Related
4. Agriculture, Forestry & Beverage Production Related
5. Non-food Production Related
6. Construction
7. Power, Gas and Water
8. Metal Products, Machinery & Electronic Equipment & Assemblage
9. Transport, Communication and Public Utilities
10. Wholesaler & Retailer
11. Finance, Insurance and Real Estate
12. Hotel or Restaurant
13. Other Services
14. Consumption Loans
15. Local Government
16. Others

ii. Impairment model under Nepal Rastra Bank Directives

Impairment in respect of loans and advances are based on management's assessment of the degree of possible losses of the loans and advances and subject to the minimum impairment prescribed in NRB Directives. Impairment is charged for possible losses on loans and advances including bills purchased at 1.30% to 100% based on classification of loans and advances, overdraft and bills purchased in accordance with NRB directives, which is principally based on the overdue criteria of the receivables.

iii. Policy adopted

As per the carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined under NFRS (paragraph 63 of NAS 39).

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or loss.

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(B) Available for sale financial instruments

- Available-for-sale debt securities. In assessing objective evidence of impairment at the reporting date, the bank considers all available evidence, including observable data or information about events specifically relating to the securities, which may result in a shortfall in the recovery of future cash flows. Financial difficulties of the issuer, as well as other factors such as information about the issuers' liquidity, business and financial risk exposures, levels of and trends in default for similar financial assets, national and local economic trends and conditions and the fair value of collateral and guarantees may be considered individually, or in combination, to determine if there is objective evidence of impairment. In addition, the performance of underlying collateral and the extent and depth of market price declines is relevant when assessing objective evidence of impairment of available-for-sale securities. The primary indicators of potential impairment are considered to be adverse fair value movements and the disappearance of an active market for a security, while changes in credit ratings are of secondary importance.
- Available-for-sale equity securities. Objective evidence of impairment may include specific information about the issuer as

detailed above but may also include information about significant changes in technology, markets, economics, or the law that provides evidence that the cost of the equity securities may not be recovered. A significant or prolonged decline in the fair value of the equity below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

Once an impairment loss has been recognised, the subsequent accounting treatment for changes in the fair value of that asset depends on the type of asset.

- For an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in profit or loss when there is objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised in other comprehensive income. If the fair value of a debt security increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, or the instrument is no longer impaired, the impairment loss is reversed through profit or loss;
- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through profit or loss. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in profit or loss to the extent that further cumulative impairment losses have been incurred.

3.4.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously ('the offset criteria').

3.5 Trading Assets (Derivative Financial Instrument)

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit-taking. They are recognized on trade date, when the group enters into contractual arrangements with counterparties and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss in 'Net trading income'.

3.6 Derivative Assets and Derivative Liabilities

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives are initially recognized and are subsequently re-measured, at fair value. Fair values of derivatives are obtained either from quoted market prices or by using valuation techniques.

Embedded derivatives are bifurcated from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host non-derivative contract, their contractual terms would otherwise meet the definition of a stand-alone derivative and the combined contract is not held for trading or designated at fair value. The bifurcated embedded derivatives are measured at fair value with changes therein recognized in the income statement.

3.7 Property and Equipment

a. Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and

- the cost of the item can be measured reliably.
- Cost includes purchase price including any non-refundable taxes after deducting volume rebates and trade discounts and such other costs that are incurred to bring asset to location and condition to be operating in a manner intended by management.

The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs for qualifying assets

The Bank adopts cost model for entire class of property and equipment. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less

c. Depreciation

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life as per management judgement as follows:

| Asset category | Sub-category | Useful life | Remarks |
|--------------------------------|---------------------------------------|-------------|---|
| Building & Leasehold Structure | Leasehold Structures | 12 | Based on average leasehold period and asset use |
| Furniture & Fixtures | Metal Furniture | 10 | |
| | Wooden Furniture | 5 | |
| | Other Furniture | 5 | |
| Machinery | Machinery | 5 | |
| Office Equipment | Computer & Accessories | 5 | |
| | Other Equipment | 5 | |
| | Battery | 3 | |
| | Mobile Phone | 3 | |
| | Small Equipment | 4 | |
| Vehicle | Vehicle | 7 | |
| | Vehicle under Own Your Vehicle Scheme | 6.67 | |

d. De-recognition

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment shall be included in profit or loss when the item is derecognized except for sales & lease back transaction. The gain shall not be classified as revenue.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

3.8 Goodwill and Intangible Assets

Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognised as goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Intangible Assets

Intangible assets other than goodwill are accounted for in accordance with NAS 38 Intangible Assets and NAS 36 Impairment of Assets.

Intangible assets include software and licenses. They are initially recognized when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Assets with a value of less than NPR 5,000 are charged off to revenue irrespective of their useful life in the year of purchase.

b. Capital Work in Progress

Fixed assets under construction and cost of assets not ready for use are shown as capital work in progress.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and impairment, if any. These are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Determining the estimated useful lives of intangible assets requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimation of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. If an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The

estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than Rs. 10,000 are charged off on purchases as revenue expenditure.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Government Grant

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

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

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

The agreement has been made between DFID funded Skills for Employment Programme in Nepal, through its consultant, The Louis Berger Group, Inc and the Bank. Under this arrangement Bank is obliged to provide banking facilities to migrant, their household and returnees. The agreement period for the project is from August 2019 to December 2020.

The total grant that Bank has received from Skilled for Employment Challenge Fund (SEP) Project is Rs. 4,558,051. Refer to Note 5.18 for reconciliation of Deferred Grant Income.

3.10 Investment Property/Non-Current Assets Held for Sale Investment Property

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

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

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

3.14 Credit Facility for COVID Impact borrower

To minimize the impact of Covid-19 NRB has issued various circular/notice on different date during this fiscal year. The Bank have been following the circular/notice issued by the NRB and the forbearance / relaxation provided by the bank as per such circular/notice has been presented in the table below

| Particular | As of Ashadh 2078 | |
|--|-------------------|---------------|
| | No. of Customers | Amount (NRs.) |
| Accrued Interest Received after Ashadh end 2078 till 15 Bhadra 2078 | – | Nil |
| Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio | 23,699 | 291,758,290 |
| Extension of moratorium period of loan provided to Industry or Project under construction | 24 | 4,163,260,818 |
| Restructured/Rescheduled Loan with 5% Loan Loss Provision | 9 | 1,930,634,889 |
| Enhancement of Working Capital Loan by 20% to COVID affected borrowers | 5 | 81,950,000 |
| Enhancement of Term Loan by 10% to COVID affected borrowers | 5 | 38,699,000 |
| Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for up-to 1 year with 5% provisioning | Nil | Nil |
| Expiry Date of Additional 10% Term Loan (COVID Loan) extended for up-to 1 year with 5% provisioning | Nil | Nil |
| Time Extension provided for repayment of Principal and Interest for up-to two years as per clause 41 of NRB Directives 2 | 6 | 94,519,586 |

3.11 Income Taxes

The Bank applies NAS 12 Income Taxes in accounting for taxes on income. Income tax payable on taxable profits (Current Tax) is recognised as an expense in the period in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is provided in full, using the assets and liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the statement of financial position date, which are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

Critical accounting estimates and judgments: The Bank is subject to corporate income taxes under the Income Tax Act 2058. There may be many transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. Liabilities relating to these matters are based on estimates of whether additional taxes will be due after taking into account external advice where appropriate.

Deferred tax assets have been recognised based on business profit forecasts. Further detail on the recognition of deferred tax assets is provided in the deferred tax assets and liabilities section of this tax note.

3.12 Deposits, Debt Security Issues and Subordinate Liabilities

Borrowings (which include deposits from banks, customer deposits, debt securities in issue and subordinated liabilities) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest method.

3.13 Provisions

The Bank applies NAS 37 Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated costs when an obligation exists.

The details of refinance facility and business continuity loan provided by the Bank as per NRB Direction is presented in the table below.

| Particulars | During FY 2077/78 | |
|--------------------------|-------------------|---------------|
| | No. of Customers | Amount (Rs.) |
| Refinance Loan | 360 | 4,264,319,719 |
| Business Continuity Loan | Nil | Nil |

| Particulars | As of Ashadh 2078 | |
|-----------------|-------------------|---------------|
| | No. of Customers | Amount (Rs.) |
| Subsidized Loan | 2,526 | 3,427,451,960 |

3.15 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.

3.15.1 Interest Income

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

a) Guideline on Recognition of Interest Income, 2019 by NRB.

Criteria for determining loans on which interest no longer be recognized to the profit or loss account but shall be suspended

Guideline issued by NRB on income recognition defines certain criteria for determining loans on which interest no longer be recognized to the profit or loss account but shall be suspended. These criteria are as follows

- Loans where there is reasonable doubt about the ultimate collectability of principal or interest
- Loans against which individual impairment as per NAS 39 or lifetime impairment as per NFRS 9 has been made
- Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest
- Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral
- Overdrafts and other short-term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry and where the net realizable value of security is insufficient to cover payment of principal and accrued interest
- Overdrafts and other short-term facilities which have not been settled after the expiry of the loan and even not renewed within 12 months of the expiry, irrespective of the net realizable value of collateral

Criteria to cease the accrual of interest

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

Based on the interest income recognition guidelines of NRB, bank recognised the Rs. 170,185,307 as Interest Income which is due to be collected on Ashadh end 2078.

b) Interest Capitalization in line with NRB Directive No. 2 (para 39)

During the current fiscal year bank has capitalized Rs. 186,675,999 and recognised as Interest Income. The capitalized amount is related

to the interest accrued on those loans and advances which has been utilized in the National Priority sector and the approval of NRB for the same has been obtained prior to the capitalization.

c) Interest Income considered for regulatory reserve

The total amount of Rs. 430,621,842 has been remains as accrued interest receivable at the Ashadh end 2078. Out of which the total amount of Rs. 234,459,634 related to the interest accrued and receivable on loan to customer other than staff and account other than that meet Criteria to cease the accrual of interest has been considered for while calculating the amount to be transferred regulatory reserve from retained earnings.

Similarly, Interest related to the account for which bank has booked as Non-Banking Assets during the year is also considered for the regulatory reserve. The interest income of such account considered for reserve during the fiscal year 2077/78 is Rs. 2,074,340.

3.15.2 Fee and Commission Income

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

3.15.3 Dividend Income

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

3.15.4 Net Trading Income

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

3.16 Interest Expense

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

3.17 Impairment of Non-Financial Assets:

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

3.18 Employee Benefit

Bank applies NAS 19 Employee benefits for accounting most of the components of staff costs.

Short-term employee benefits

Salaries, allowances, socials security expenses, performance bonuses

as provided in the law and other employee related expenses are recognised over the period in which the employees provide services to which the payments relate.

Post-retirement benefits - Defined Contribution Scheme

The Bank provides provident fund contribution as post-retirement benefits under defined contribution scheme. A percentage of basic salary is paid into the scheme on monthly basis. Bank recognizes contributions due in respect of the accounting period to profit and loss. Any contributions unpaid at the reporting date are included as a liability.

The Bank provides gratuity for the staff who have joined the bank on or after 4 September 2017 under defined contribution schemes at the rate of 8.33% of basic salary.

Post-retirement benefits - Defined Benefit Schemes

The Bank continues to operate gratuity (for employees who joined before 4 September 2017), accumulated annual leave payments and sick leave payments as post-retirement benefits as defined benefit schemes. For employees who joined the Bank before 4 September 2017, gratuity liability is based on number of completed years of service. Such scheme Liabilities under each of those schemes are valued at fair value using actuarial re-measurement. Bank presents obligation less the fair value of the assets after applying the asset ceiling test. Bank intends to fund the liabilities with scheme assets, though there are no scheme assets as at reporting date.

Changes in scheme liabilities or assets (re-measurements) that do not arise from regular service costs, net interest on net defined benefit liabilities or assets, settlements, or contributions to the scheme, are recognised in other comprehensive income, except for leave compensations that are taken directly to the profit or loss.

Re-measurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

3.19 Leases

Agreements which transfer substantially all the risks and rewards incidental to the ownership of assets are classified as finance leases. As a lessor under finance leases, the group presents the amounts due under the leases, after deduction of unearned charges, in 'Loans and advances to banks' or 'Loans and advances to customers. As a lessee under finance leases, the group presents the leased assets in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments.

All other leases are classified as operating leases. As a lessor, the group presents assets subject to operating leases in 'Property, plant and equipment'. Impairment losses are recognised to the extent that the carrying values are not fully recoverable. As a lessee, leased assets are not recognised on the balance sheet. The finance income or charges on finance leases are recognised in 'Net interest income' over the lease periods so as to give a constant rate of return. Rentals payable or receivable under operating leases are spread on a straight-line basis over the lease periods and are recognised in 'Other Operating expenses' or in 'Other operating income'.

3.20 Foreign Currency Translation

The Bank applies NAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions and balances in foreign currencies are translated into Nepalese Rupees at the rate ruling on the date of the transaction. Foreign currency balances are translated into Nepalese Rupees at the period end exchange rates. Exchange rate gains and losses on such balances are taken to profit or loss.

3.21 Financial Guarantee and Loan Commitments

Guarantee liabilities are possible obligations whose existence will be confirmed only by uncertain future events and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Guarantee liabilities are not classified as on-SFP

but are only disclosed unless the outflow of economic resources is probable.

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

3.22 Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity.

Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon. The reserves include retained earnings and other statutory reserves such as general reserve, bond redemption reserve, foreign exchange equalization reserve, regulatory reserve, investment adjustment reserve, CSR reserve etc.

3.23 Earnings per Share including diluted

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Bank and the basic weighted average number of shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held in respect of the Bank

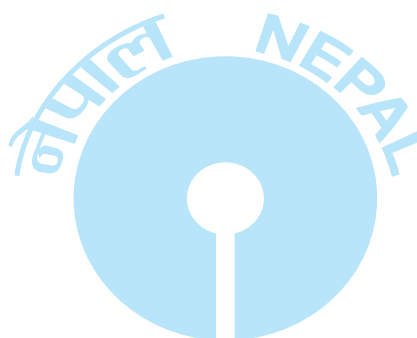
3.24 Segment Reporting

The Bank's segmental reporting is in accordance with NFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's central management committee, which is responsible for allocating resources and assessing performance of the operating segments. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

3.25 Investment in Associates and Joint Ventures

The Bank applies NAS 28 Investments in Associates and NFRS 11 Joint Arrangements. Associates are entities in which the Bank has significant influence, but not control, over the operating and financial policies. Generally, the Bank holds more than 20%, but less than 50%, of their voting shares. Joint ventures are arrangements where the Bank has joint control and rights to the net assets of the entity.

The Bank's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Bank's share of the post-acquisition profit/ (loss). The Bank ceases to recognize its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.



4.1 Cash and cash equivalent

Cash Balance and Balances with other Bank and Financial Institutions (B/FI's) are financial instruments that have been classified as Loans and Receivables, under Financial Assets in accordance with NAS 39 Financial Instruments – Recognition and Measurement. These have been recognised at amortised cost using effective interest rate. Though carried at amortised cost the carrying value of cash and balance with B/FI's represents the fair value. The bank maintains a level of liquidity in the form of cash and balances in nostro accounts for operational requirements. Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of liquidity and business requirements. Balance with B/FI's include balance maintained at various banks and financial institutions. Cash held in foreign currency is subject to risk of changes in foreign exchange rate. These are closely monitored & risks if identified are promptly managed. Other items on cash and cash equivalents includes interbank placements and treasury bills within maturity below 90 days.

| | Group | | Bank | |
|--------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Cash in hand | 1,910,254,794 | 2,673,038,605 | 1,910,254,794 | 2,673,038,605 |
| Balances with B/FI's | 2,951,561,464 | 3,958,027,765 | 2,949,626,865 | 3,957,138,617 |
| Money at call and short notice | - | - | - | - |
| Other | 3,566,463,511 | 8,481,342,443 | 3,566,463,511 | 8,481,342,443 |
| Total | 8,428,279,768 | 15,112,408,814 | 8,426,345,170 | 15,111,519,666 |

4.2 Due from Nepal Rastra Bank

The Bank, under regulatory requirement, is required to maintain a level of liquidity in the form of Cash Reserve Ratio, which includes current account balances maintained with the central bank. There is restriction for utilisation of these deposits within the set regulatory limits. These balances have been classified as Loans and Receivables under NAS 39 Financial Instruments – Recognition and Measurement. Though carried at amortised cost these balances are considered to represent be the fair value. The bank perceives insignificant risks with these balances except the changes in foreign exchange rates and time value of money, as these balances do not generate any returns. Other deposit and receivable from NRB includes foreign currency deposits and development bonds.

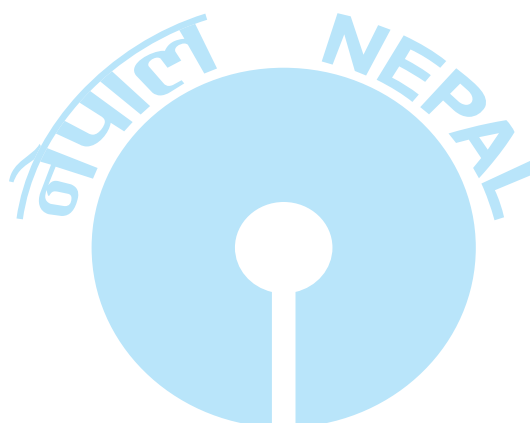
| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Statutory balances with NRB | 3,178,639,101 | 7,489,325,408 | 3,178,639,101 | 7,489,325,408 |
| Securities purchased under resale agreement | - | - | - | - |
| Other deposit and receivable from NRB | 94,342,140 | 91,201,631 | 94,342,140 | 91,201,631 |
| Total | 3,272,981,241 | 7,580,527,039 | 3,272,981,241 | 7,580,527,039 |

4.3 Placements with Bank and Financial Institutions

These balances have been classified as Loans and Receivables under NAS 39 Financial Instruments – Recognition and Measurement. The carrying values of these balances are measured at amortised costs using effective interest rates.

Risks associated with these balances are regularly monitored and managed. The bank considers that the returns on these instruments are sufficient to cover for associated risks, if any. Placement with domestic Bank includes deposit held by subsidiary in domestic bank with original maturities more than three months.

| | Group | | Bank | |
|---------------------------------|-------------------|-------------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Placement with domestic B/FIs | 41,500,000 | 11,000,000 | - | - |
| Placement with foreign B/FIs | - | - | - | - |
| Less: Allowances for impairment | - | - | - | - |
| Total | 41,500,000 | 11,000,000 | - | - |



4.4 Derivative Financial Instruments

| | Group | | Bank | |
|---------------------------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Held for trading | | | | |
| Interest rate swap | - | - | - | - |
| Currency swap | - | - | - | - |
| Forward exchange contract | - | - | - | - |
| Others | - | - | - | - |
| Held for risk management | | | | |
| Interest rate swap | - | - | - | - |
| Currency swap | - | - | - | - |
| Forward exchange contract | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | - | - |

4.5 Other trading assets

Equities: Investment in Mutual Fund has been classified as Held for trading and recognised at fair value through profit or Loss. Mutual Fund Units are listed in stock exchange and the movements in the market price of the units are adjusted at each reporting date through profit and loss.

| | Group | | Bank | |
|-----------------------------|--------------------|-------------------|-------------------|-------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Treasury bills | - | - | - | - |
| Government bonds | - | - | - | - |
| NRB Bonds | - | - | - | - |
| Domestic Corporate bonds | - | - | - | - |
| Equities/ Mutual Fund Units | 110,766,816 | 57,585,020 | 90,559,068 | 50,977,020 |
| Other | - | - | - | - |
| Total | 110,766,816 | 57,585,020 | 90,559,068 | 50,977,020 |
| Pledged | - | - | - | - |
| Non-pledged | 110,766,816 | 57,585,020 | 90,559,068 | 50,977,020 |

4.6 Loan and advances to B/FIs

These balances have been classified as financial assets at amortized cost as per NFRS 9, Financial Instruments.

Bank and Financial Institutions have been regulated by the Central Bank and the risks associated with these balances are considered nominal and no specific impairment has been identified. Bank regularly monitors and manages possible risks with these loans and advances under credit risk management framework. Bank measure the impairment of loan and advances to customers as higher of the impairment as assessed under NFRS or as per the norms prescribed by Nepal Rastra Bank. Since this provision is mandatory for application the impairment under NFRS and impairment under NRB norms has been disclosed for comparison in Para 5.16. For current year impairment under NRB norms has been taken accordingly.

| | Group | | Bank | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Loans to microfinance institutions | 4,647,179,821 | 4,868,376,932 | 4,647,179,821 | 4,868,376,932 |
| Other | - | - | - | - |
| Less: Allowances for impairment | (60,413,338) | (48,683,769) | (60,413,338) | (48,683,769) |
| Total | 4,586,766,483 | 4,819,693,163 | 4,586,766,483 | 4,819,693,163 |

4.6.1: Allowances for impairment

| | Group | | Bank | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Balance at Shrawan 1 | 48,683,769 | 47,807,155 | 48,683,769 | 47,807,155 |
| Impairment loss for the year: | | | | |
| Charge for the year | 11,729,568 | 876,614 | 11,729,568 | 876,614 |
| Recoveries/reversal | - | - | - | - |
| Amount written off | - | - | - | - |
| Balance at Ashadh end | 60,413,338 | 48,683,769 | 60,413,338 | 48,683,769 |

4.7 Loans and advances to customers

Loans and advances to customers are held at amortised cost. That is, the initial fair value (which is normally the amount advanced) and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset. Service cost charged on loans and advance to customers have been spread systematically as interest income over the loan tenure which may approximate the effective interest rate by appropriate adjustment to loans and advances. Risks associated with Loans and Advances to customers are regularly monitored and managed.

The impairment on these loans and advances to customers has been changed under the regulatory impairment model as per NRB directive no. 2 which stands slightly higher than total impairment as per NAS 39. Under regulatory impairment model good loans are charged with 1.30% portfolio impairment and specific impairments are to be charged on the overdue basis and identification of some risk triggers. Detailed comparison of impairment as per NRB directive and as per NFRS has been disclosed in Note no. 5.16

| | Group | | Bank | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Loan and advances measured at amortized cost | 98,651,720,827 | 90,954,953,537 | 98,651,720,827 | 90,954,953,537 |
| Less: Impairment allowances | | | | |
| Collective impairment | (1,463,357,858) | (1,124,956,358) | (1,463,357,858) | (1,124,956,358) |
| Individual impairment | (237,088,435) | (214,497,328) | (237,088,435) | (214,497,328) |
| Net amount | 96,951,274,535 | 89,615,499,851 | 96,951,274,535 | 89,615,499,851 |
| Loan and advances measured at FVTPL | - | - | - | - |
| Total | 96,951,274,535 | 89,615,499,851 | 96,951,274,535 | 89,615,499,851 |

4.7.1: Analysis of loan and advances - By Product

The bank has invested on various types of loan and advances. The product wise segregation of customer loan is as under:

| | Group | | Bank | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Product | | | | |
| Term loans | 22,059,486,232 | 18,886,315,616 | 22,059,486,232 | 18,886,315,616 |
| Overdraft | 845,382,758 | 854,005,268 | 845,382,758 | 854,005,268 |
| Trust receipt/Import loans | 13,031,625,231 | 8,240,671,705 | 13,031,625,231 | 8,240,671,705 |
| Demand and other working capital loans | 31,409,519,746 | 34,825,593,665 | 31,409,519,746 | 34,825,593,665 |
| Personal residential loans | 2,412,867,122 | 2,804,341,538 | 2,412,867,122 | 2,804,341,538 |
| Real estate loans | 4,839,228,125 | 4,177,162,550 | 4,839,228,125 | 4,177,162,550 |
| Margin lending loans | - | - | - | - |
| Hire purchase loans | 2,407,356,139 | 2,426,061,895 | 2,407,356,139 | 2,426,061,895 |
| Deprived sector loans | 1,903,455,689 | 807,299,347 | 1,903,455,689 | 807,299,347 |
| Bills purchased | 80,038 | 80,038 | 80,038 | 80,038 |
| Staff loans | 1,340,268,568 | 1,213,770,801 | 1,340,268,568 | 1,213,770,801 |
| Other | 17,992,605,687 | 16,423,465,782 | 17,992,605,687 | 16,423,465,782 |
| Sub total | 98,241,875,334 | 90,658,768,204 | 98,241,875,334 | 90,658,768,204 |
| Interest receivable | 409,845,493 | 296,185,333 | 409,845,493 | 296,185,333 |
| Grand total | 98,651,720,827 | 90,954,953,537 | 98,651,720,827 | 90,954,953,537 |

4.7.2: Analysis of loan and advances - By Currency

The bank has invested on various types of loan and advances. The currency wise segregation of customer loan is as under:

| | Group | | Bank | |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Nepalese rupee | 88,202,116,562 | 84,876,899,727 | 88,202,116,562 | 84,876,899,727 |
| Indian rupee | 80,038 | 80,038 | 80,038 | 80,038 |
| United State dollar | 10,449,524,228 | 6,077,973,772 | 10,449,524,228 | 6,077,973,772 |
| Great Britain pound | - | - | - | - |
| Euro | - | - | - | - |
| Japanese yen | - | - | - | - |
| Chinese yuan | - | - | - | - |
| Other | - | - | - | - |
| Total | 98,651,720,827 | 90,954,953,537 | 98,651,720,827 | 90,954,953,537 |

4.7.3: Analysis of loan and advances - By Collateral

The bank has invested on various types of loan and advances. The collateral wise segregation of gross loan included in schedule 4.6 and 4.7 is presented below:

| | Group | | Bank | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Secured | | | | |
| Movable/immovable assets | 83,460,893,892 | 73,262,693,509 | 83,460,893,892 | 73,262,693,509 |
| Gold and silver | - | - | - | - |
| Guarantee of domestic B/FIs | - | 120,000,000 | - | 120,000,000 |
| Government guarantee | 156,086,186 | 156,098,404 | 156,086,186 | 156,098,404 |
| Guarantee of international rated bank | 104,083,333 | 616,366,949 | 104,083,333 | 616,366,949 |
| Collateral of export document | 648,288,269 | 8,240,671,705 | 648,288,269 | 8,240,671,705 |
| Collateral of fixed deposit receipt | 860,058,519 | 830,502,807 | 860,058,519 | 830,502,807 |
| Collateral of Government securities | - | - | - | - |
| Counter guarantee | - | - | - | - |
| Personal guarantee | - | - | - | - |
| Other collateral | 13,031,625,231 | 7,286,020,494 | 13,031,625,231 | 7,286,020,494 |
| Subtotal | 98,261,035,430 | 90,512,353,868 | 98,261,035,430 | 90,512,353,868 |
| Unsecured* | 390,685,397 | 442,599,670 | 390,685,397 | 442,599,670 |
| Grant Total | 98,651,720,827 | 90,954,953,537 | 98,651,720,827 | 90,954,953,537 |

* Unsecured loan represent the staff overdraft and staff demand

4.7.4: Allowances for impairment

The impairment of loan mentioned in Schedule 4.7 is presented below:

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Specific allowances for impairment | | | | |
| Balance at Shrawan 1 | 214,497,328 | 177,871,046 | 214,497,328 | 177,871,046 |
| Impairment loss for the year: | | | | |
| Charge for the year | 22,591,107 | 36,626,282 | 22,591,107 | 36,626,282 |
| Recoveries/reversal during the year | - | - | - | - |
| Write-offs | - | - | - | - |
| Exchange rate variance on foreign currency impairment | - | - | - | - |
| Other movement | - | - | - | - |
| Balance at Ashadh end | 237,088,435 | 214,497,328 | 237,088,435 | 214,497,328 |
| Collective allowances for impairment | | | | |
| Balance at Shrawan 1 | 1,124,956,359 | 890,119,491 | 1,124,956,359 | 890,119,491 |
| Impairment loss for the year: | | | | |
| Charge/(reversal) for the year | 338,401,500 | 234,836,868 | 338,401,500 | 234,836,868 |
| Exchange rate variance on foreign currency impairment | - | - | - | - |
| Other movement | - | - | - | - |
| Balance at Ashadh end | 1,463,357,858 | 1,124,956,359 | 1,463,357,858 | 1,124,956,359 |
| Total allowances for impairment | 1,700,446,293 | 1,339,453,687 | 1,700,446,293 | 1,339,453,687 |

4.8 Investment securities

Investment securities measured at amortized cost:

Government Bonds:

Government Bonds are classified as held to maturity instruments, initially recognised at fair value and subsequently measured at amortised cost using effective interest rate. The bank has both intention and capacity to hold these instruments until their designated maturity. Since these are sovereign backed, the bank considers that these instruments pose insignificant risk to the bank and the intrinsic returns of these instruments adequately compensates for associated risk, if any. Treasury bill with maturity upto 90 days have been classified under cash and cash equivalents.

Investment in equity measured at FVTOCI:

Investments in corporate securities classified as Available for sale:

- a. Rural Microfinance Development Centre (RMDC) and Grameen Bikas

Laghubitta Bittiya Sanstha Ltd. (GBLBS) - These investments have been made as a part of regulatory compliances, as these qualify for mandatory priority / deprived sector lending that is to be made by the bank. The ordinary shares of these companies are actively traded in the stock market. The fair value of these instruments has been determined considering the transaction price in the stock market. The Bank does not have intention to dispose these investments in the short term.

- b. Credit Information Bureau (CIB), Nepal Clearing House Limited (NCHL), Nepal Banking Institute (NBI) – these investments have been made as a strategic investments along with other Banks and Financial Institutions. These securities are not listed and/or traded in the market. The face value of share of these investments are considered to represent the fair values supported by the book value of these shares.

| | Group | | Bank | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Investment securities measured at amortized cost | 21,073,936,534 | 12,175,701,776 | 21,073,936,534 | 12,175,701,776 |
| Investment in equity measured at FVTOCI | 173,050,338 | 174,368,204 | 173,050,338 | 174,368,204 |
| Total | 21,246,986,872 | 12,350,069,980 | 21,246,986,872 | 12,350,069,980 |

4.8.1: Investment securities measured at amortized cost

| | Group | | Bank | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Debt securities | - | - | - | - |
| Government bonds | 10,344,825,618 | 9,343,745,123 | 10,344,825,618 | 9,343,745,123 |
| Government treasury bills | 10,729,110,916 | 2,831,956,653 | 10,729,110,916 | 2,831,956,653 |
| Nepal Rastra Bank bonds | - | - | - | - |
| Nepal Rastra Bank deposits instruments | - | - | - | - |
| Other | - | - | - | - |
| Less: specific allowances for impairment | - | - | - | - |
| Total | 21,073,936,534 | 12,175,701,776 | 21,073,936,534 | 12,175,701,776 |

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

| | Group | | Bank | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Equity instruments | | | | |
| Quoted equity securities | 148,919,478 | 152,125,141 | 148,919,478 | 152,125,141 |
| Unquoted equity securities | 24,130,860 | 22,243,063 | 24,130,860 | 22,243,063 |
| Total | 173,050,338 | 174,368,204 | 173,050,338 | 174,368,204 |

Investment in quoted equity securities of RMDC Laghubitta Bittiya Sanstha Ltd. and Grameen Bikas Laghubitta Bittiya Sanstha Ltd. (Promoter share) have been valued as per the last share transaction price on Nepal Stock Exchange limited. Investment in unquoted equity securities have been valued at latest available book value per share.

4.8.3: Information relating to investment in equities

| | Group | | | | Bank | | | |
|---|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value |
| Investment in quoted equity | | | | | | | | |
| RMDC Laghubitta Bittiya Sanstha Ltd. 375,799 shares of Rs. 100 each | 18,895,000 | 122,886,273 | 18,895,000 | 114,537,091 | 18,895,000 | 122,886,273 | 18,895,000 | 114,537,091 |
| Grameen Bikas Laghubitta Bittiya Sanstha Ltd. 139,215 shares of Rs. 100 each | 10,765,500 | 26,033,205 | 10,765,500 | 37,588,050 | 10,765,500 | 26,033,205 | 10,765,500 | 37,588,050 |
| Subtotal | 29,660,500 | 148,919,478 | 29,660,500 | 152,125,141 | 29,660,500 | 148,919,478 | 29,660,500 | 152,125,141 |
| Investment in unquoted equity | | | | | | | | |
| Karja Suchana Kendra Ltd. 154,402 shares of Rs.100 each | 1,235,500 | 15,440,200 | 1,235,500 | 15,440,203 | 1,235,500 | 15,440,200 | 1,235,500 | 15,440,203 |
| Nepal Clearing House Ltd. 68,558 shares of Rs. 100 each | 2,500,000 | 6,855,800 | 2,500,000 | 4,968,000 | 2,500,000 | 6,855,800 | 2,500,000 | 4,968,000 |
| National Banking Institute 18,348.60 shares of Rs. 100 each | 1,834,860 | 1,834,860 | 1,834,860 | 1,834,860 | 1,834,860 | 1,834,860 | 1,834,860 | 1,834,860 |
| Subtotal | 5,570,360 | 24,130,860 | 5,570,360 | 22,243,063 | 5,570,360 | 24,130,860 | 5,570,360 | 22,243,063 |
| Total | 35,230,860 | 173,050,338 | 35,230,860 | 174,368,204 | 35,230,860 | 173,050,338 | 35,230,860 | 174,368,204 |

4.9 Current tax assets

| | Group | | Bank | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Current tax assets | | | | |
| Current year income tax assets | 570,985,837 | 755,979,378 | 567,602,310 | 753,673,710 |
| Tax assets of prior periods | 5,544,136,850 | 4,794,827,086 | 5,544,136,850 | 4,790,463,140 |
| Current tax liabilities | | | | |
| Current year income tax liabilities | (450,831,368) | (719,781,790) | (450,544,494) | (715,214,981) |
| Tax liabilities of prior periods | (5,251,175,222) | (4,534,533,972) | (5,251,175,222) | (4,534,533,972) |
| Total | 413,116,098 | 296,490,702 | 410,019,445 | 294,387,897 |

4.10 Investment in subsidiaries

The bank has invested in Nepal SBI Merchant Banking Ltd (NSMBL) as a wholly owned subsidiary of the bank. The equity of NSMBL is not quoted. The investment in the subsidiary is a strategic investment and bank intended to hold on its stake for foreseeable future. The investment has been recognised at cost in standalone financial statement of the bank and has been eliminated on consolidation.

| | Bank | |
|-------------------------------------|--------------------|--------------------|
| | Current Year | Previous Year |
| Investment in quoted subsidiaries | - | - |
| Investment in unquoted subsidiaries | 188,888,889 | 188,888,889 |
| Total investment | - | - |
| Less: Impairment allowances | - | - |
| Net carrying amount | 188,888,889 | 188,888,889 |

The book value of investment in wholly owned subsidiary, NSMBL is Rs. 254,231,534 at closing date .

4.10.1: Investment in quoted subsidiaries

| | Bank | | | |
|-----------------------------|--------------|------|---------------|------|
| | Current Year | | Previous Year | |
| | Cost | Fair | Cost | Fair |
|Ltd. | - | - | - | - |
|shares of Rs.each | - | - | - | - |
|Ltd. | - | - | - | - |
|shares of Rs.each | - | - | - | - |
| Total | | | | |

4.10.2: Investment in unquoted subsidiaries

| | Bank | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Current Year | | Previous Year | |
| | Cost | Fair | Cost | Fair |
| Nepal SBI Merchant Banking Ltd. 2,000,000 shares of Rs. 100 each | 188,888,889 | 254,231,534 | 188,888,889 | 232,589,194 |
|Ltd. | - | - | - | - |
|shares of Rs.each | - | - | - | - |
| Total | 188,888,889 | 254,231,534 | 188,888,889 | 232,589,194 |

The Fair value of Investment in subsidiary has been taken on the basis of net worth of subsidiary as on closing date i.e. Ashadh End 2078

4.10.3: Information relating to subsidiaries of the Bank

| | Bank | |
|---------------------------------|--|---------------|
| | Percentage of ownership held by the Bank | |
| | Current Year | Previous Year |
| Nepal SBI Merchant Banking Ltd. | 100% | 100% |
|Ltd. | - | - |
|Ltd. | - | - |
|Ltd. | - | - |

4.10.4: Non controlling interest of the subsidiaries

The bank has 100% control over its subsidiary and therefore has not calculated Non controlling interest as in the scope of NFRS-10 Consolidated Financial Statements

| | Bank | | | |
|---|--------------|---------|--------|---------|
| | Current Year | | | |
| | ...Ltd | ...Ltd. | ...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 | - | - | - | - |

| | Bank | | | |
|---|---------------|---------|--------|---------|
| | Previous Year | | | |
| | ...Ltd | ...Ltd. | ...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 | - | - | - | - |

4.11 Investment in associates

The bank has not made any investment with significant influence as in the scope of NAS 28-Investment in associates

| | Group | | Bank | |
|-----------------------------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Investment in quoted associates | - | - | - | - |
| Investment in unquoted associates | - | - | - | - |
| Total investment | - | - | - | - |
| Less: Impairment allowances | - | - | - | - |
| Net carrying amount | - | - | - | - |

4.11.1: Investment in quoted associates

| | Group | | | | Bank | | | |
|-----------------------------|--------------|------------|---------------|------------|--------------|------------|---------------|------------|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value |
|Ltd. | - | - | - | - | - | - | - | - |
|shares of Rs.each | - | - | - | - | - | - | - | - |
|Ltd. | - | - | - | - | - | - | - | - |
|shares of Rs.each | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

4.11.2: Investment in unquoted associates

| | Group | | | | Bank | | | |
|-----------------------------|--------------|------------|---------------|------------|--------------|------------|---------------|------------|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value | Cost | Fair Value |
|Ltd. | - | - | - | - | - | - | - | - |
|shares of Rs.each | - | - | - | - | - | - | - | - |
|Ltd. | - | - | - | - | - | - | - | - |
|shares of Rs.each | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

4.11.3: Information relating to associates of the Bank

| | Group | | Bank | |
|--------------|--|---------------|--|------------|
| | Percentage of ownership held by the Bank | | Percentage of ownership held by the Bank | |
| | Current Year | Previous Year | Cost | Fair Value |
|Ltd. | - | - | - | - |
|Ltd. | - | - | - | - |
|Ltd. | - | - | - | - |
|Ltd. | - | - | - | - |
| Total | - | - | - | - |

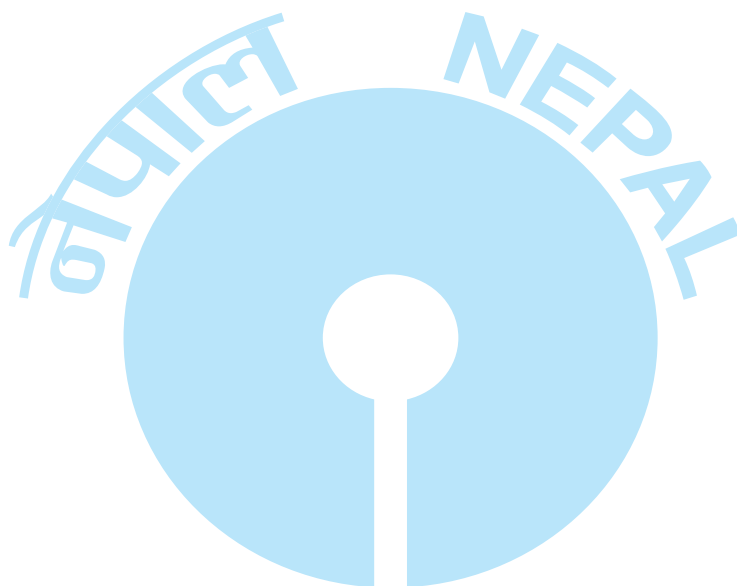
4.11.4: Equity value of associates

| | Group | |
|--------------|--------------|---------------|
| | Current Year | Previous Year |
|Ltd. | - | - |
|Ltd. | - | - |
| | - | - |
| Total | - | - |

4.12 Investment properties

The bank has not made any investment in investment properties with intention to earn through rentals or through capital appreciation (or both)

| | Group | | Bank | |
|---|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Investment properties measured at fair value | | | | |
| Balance as on Shrawan 1, | - | - | - | - |
| Addition/disposal during the year | - | - | - | - |
| Net changes in fair value during the year | - | - | - | - |
| Adjustment/transfer | - | - | - | - |
| Net amount | - | - | - | - |
| Investment properties measured at cost | | | | |
| Balance as on Shrawan 1, | - | - | - | - |
| Addition/disposal during the year | - | - | - | - |
| Adjustment/transfer | - | - | - | - |
| Accumulated depreciation | - | - | - | - |
| Accumulated impairment loss | - | - | - | - |
| Net amount | - | - | - | - |
| Total | - | - | - | - |



4.13 Property and Equipment

Bank owns a land property acquired for the purpose of construction of its corporate office which is under construction and the cost eligible for the capitalization under NFRS has been presented under Capital Work In Progress. Freehold land has been recognised at cost as the bank uses cost model for recognition of property plant and equipment. Considering the upward movement of the real estate values, the land if revalued, could have material increase in value. Low value assets costing less than NRs 5,000 each are charged as operational expenses in the year of purchase. Subsidiary's property plant and equipment has been adjusted for the common accounting policy of the group.

Group

| Particulars | Land | B u i l d i n g | Leasehold Properties | Computer & Accessories | Vehicles | Furniture & Fixture | Ma- chinery | Equipment & Others | Total Ashadh end 2078 | Total Ashadh End 2077 |
|--|--------------------|--------------------------------------|-------------------------|---------------------------|--------------------|------------------------|----------------|-----------------------|-----------------------------|-----------------------------|
| Cost | | | | | | | | | | |
| As on Shrawan 1, 2076 | 259,160,000 | - | 209,653,568 | 425,209,086 | 380,356,745 | 332,242,376 | - | 443,743,503 | 2,050,365,278 | 1,872,616,861 |
| Addition during the Year | | | | | | | | | | |
| Acquisition | - | - | 15,895,597 | 28,607,363 | 101,232,900 | 14,562,136 | | 22,240,158 | 182,538,154 | 267,017,837 |
| Capitalization | - | - | - | - | - | - | - | - | - | - |
| Disposal during the year | - | - | - | (3,155,277) | (126,422,911) | (1,529,267) | | (2,558,517) | (133,665,971) | (89,269,420) |
| Adjustment/Revaluation | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2077 | 259,160,000 | - | 225,549,165 | 450,661,171 | 355,166,735 | 345,275,245 | - | 463,425,144 | 2,099,237,460 | 2,050,365,278 |
| Addition during the Year | | | | | | | | | | |
| Acquisition | - | - | 5,325,973 | 40,830,243 | 35,894,000 | 7,667,785 | | 11,528,386 | 101,246,386 | 182,538,154 |
| Capitalization | - | - | - | - | - | - | - | - | - | - |
| Disposal during the year | - | - | (5,256,709) | (12,329,587) | (18,223,929) | (16,853,891) | | (24,040,150) | (76,704,266) | (133,665,971) |
| Adjustment/Revaluation | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2078 | 259,160,000 | - | 225,618,428 | 479,161,827 | 372,836,806 | 336,089,139 | - | 450,913,381 | 2,123,779,581 | 2,099,237,460 |
| Depreciation and Impairment | | | | | | | | | | |
| As on Shrawan 1, 2076 | - | - | 93,230,402 | 254,334,501 | 220,317,563 | 221,730,460 | - | 319,069,764 | 1,108,682,690 | 1,022,721,255 |
| Opening Adjustment for Shrawan 1 2076 | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the Year | - | - | 16,876,613 | 51,481,646 | 37,845,878 | 28,640,061 | - | 45,142,353 | 179,986,552 | 164,444,419 |
| Impairment for the year | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | (3,155,277) | (89,177,881) | (1,515,492) | - | (2,554,001) | (96,402,651) | (78,482,984) |
| Balance as on Ashadh end 2077 | - | - | 110,107,015 | 302,660,870 | 168,985,561 | 248,855,030 | - | 361,658,116 | 1,192,266,591 | 1,108,682,690 |
| Impairment for the year | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the Year | - | - | 16,704,928 | 55,883,342 | 41,367,097 | 27,127,180 | - | 44,518,610 | 185,601,157 | 179,986,552 |
| Disposals | - | - | (4,485,646) | (11,883,267) | (10,991,025) | (16,163,883) | - | (23,490,727) | (67,014,548) | (96,402,651) |
| Adjustment | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2078 | - | - | 122,326,297 | 346,660,945 | 199,361,632 | 259,818,327 | - | 382,685,999 | 1,310,853,200 | 1,192,266,591 |
| Capital Work in Progress | - | - | 64,079,295 | - | - | - | - | - | 64,079,295 | 10,734,335 |
| Net Book Value | | | | | | | | | | |
| Balance as on Ashadh end 2076 | 259,160,000 | - | 116,423,166 | 170,874,585 | 160,039,182 | 110,511,916 | - | 124,673,739 | 941,682,588 | 849,895,606 |
| Balance as on Ashadh end 2077 | 259,160,000 | - | 115,442,150 | 148,000,302 | 186,181,174 | 96,420,216 | - | 101,767,028 | 917,705,204 | 946,519,981 |
| Balance as on Ashadh end 2078 | 259,160,000 | - | 167,371,426 | 132,500,882 | 173,475,173 | 76,270,812 | - | 68,227,382 | 877,005,675 | 917,705,204 |

Bank

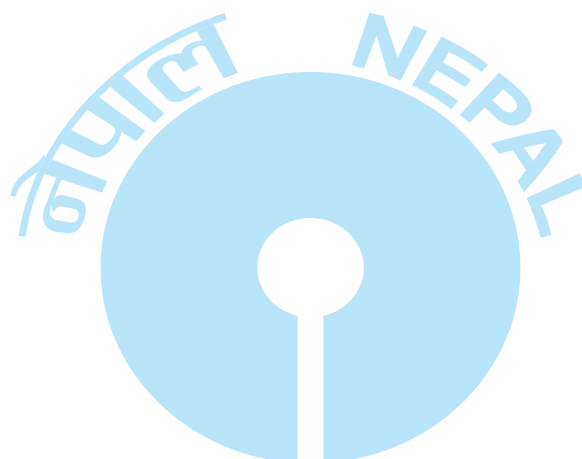
| Particulars | Land | B u i l d i n g | Leasehold Properties | Computer & Accessories | Vehicles | Furniture & Fixture | Ma- chinery | Equipment & Others | Total Ashadh end 2078 | Total Ashadh End 2077 |
|--|--------------------|--------------------------------------|-------------------------|---------------------------|--------------------|------------------------|----------------|-----------------------|--------------------------|--------------------------|
| Cost | | | | | | | | | | |
| As on Shrawan 1, 2076 | 259,160,000 | - | 208,231,123 | 424,447,783 | 376,641,026 | 331,213,552 | - | 442,815,250 | 2,042,508,734 | 1,865,472,522 |
| Addition during the Year | | | | | | | | | | |
| Acquisition | - | - | 15,895,597 | 28,543,363 | 101,232,900 | 14,562,136 | - | 22,190,890 | 182,424,886 | 266,305,363 |
| Capitalization | - | - | - | - | - | - | - | - | - | - |
| Disposal during the year | - | - | - | (3,155,277) | (126,422,911) | (1,529,267) | - | (2,558,517) | (133,665,971) | (89,269,151) |
| Adjustment/Revaluation | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2077 | 259,160,000 | - | 224,126,720 | 449,835,869 | 351,451,016 | 344,246,421 | - | 462,447,623 | 2,091,267,649 | 2,042,508,734 |
| Addition during the Year | | | | | | | | | | |
| Acquisition | - | - | 5,291,973 | 40,561,763 | 35,894,000 | 7,607,850 | - | 11,466,242 | 100,821,827 | 182,424,886 |
| Capitalization | - | - | - | - | - | - | - | - | - | - |
| Disposal during the year | - | - | (5,256,709) | (12,329,587) | (18,223,929) | (16,853,891) | - | (24,040,150) | (76,704,266) | (133,665,971) |
| Adjustment/Revaluation | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2078 | 259,160,000 | - | 224,161,983 | 478,068,044 | 369,121,087 | 335,000,380 | - | 449,873,716 | 2,115,385,210 | 2,091,267,649 |
| Depreciation and Impairment | | | | | | | | | | |
| As on Shrawan 1, 2076 | - | - | 92,956,627 | 254,125,855 | 218,912,225 | 221,579,461 | - | 318,741,265 | 1,106,315,433 | 1,021,505,412 |
| Depreciation charge for the Year | - | - | 16,769,930 | 51,320,961 | 37,288,520 | 28,521,527 | - | 44,895,495 | 178,796,434 | 163,293,005 |
| Impairment for the year | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | (3,155,277) | (89,177,881) | (1,515,492) | - | (2,554,001) | (96,402,651) | (78,482,984) |
| Adjustment | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2077 | - | - | 109,726,557 | 302,291,539 | 167,022,865 | 248,585,497 | - | 361,082,759 | 1,188,709,216 | 1,106,315,433 |
| Impairment for the year | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the Year | - | - | 16,593,723 | 55,676,449 | 40,809,738 | 26,997,875 | - | 44,262,225 | 184,340,013 | 178,796,434 |
| Disposals | - | - | (4,485,646) | (11,883,267) | (10,991,025) | (16,163,883) | - | (23,490,727) | (67,014,548) | (96,402,651) |
| Adjustment | - | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh end 2078 | - | - | 121,834,635 | 346,084,721 | 196,841,578 | 259,419,489 | - | 381,854,258 | 1,306,034,681 | 1,188,709,216 |
| Capital Work in Progress | - | - | 64,079,295 | - | - | - | - | - | 64,079,295 | 10,734,335 |
| Net Book Value | | | | | | | | | | |
| Balance as on Ashadh end 2076 | 259,160,000 | - | 115,274,496 | 170,321,928 | 157,728,801 | 109,634,091 | - | 124,073,985 | 936,193,301 | 843,967,110 |
| Balance as on Ashadh end 2077 | 259,160,000 | - | 114,400,163 | 147,544,330 | 184,428,151 | 95,660,925 | - | 101,364,864 | 913,292,767 | 941,030,694 |
| Balance as on Ashadh end 2078 | 259,160,000 | - | 166,406,643 | 131,983,324 | 172,279,508 | 75,580,891 | - | 68,019,458 | 873,429,824 | 913,292,767 |

4.14 Goodwill and Intangible Assets

Core banking software that the bank has been using is under support from the SBI group and the bank management, maintenance and upgradation fees. The system in use has been installed in the year 2008. Other software that the bank is using is recognised along with the office equipment, such as MICR and ATM software, as those software are necessary in operating those equipment. There are no other intangible assets of the bank.

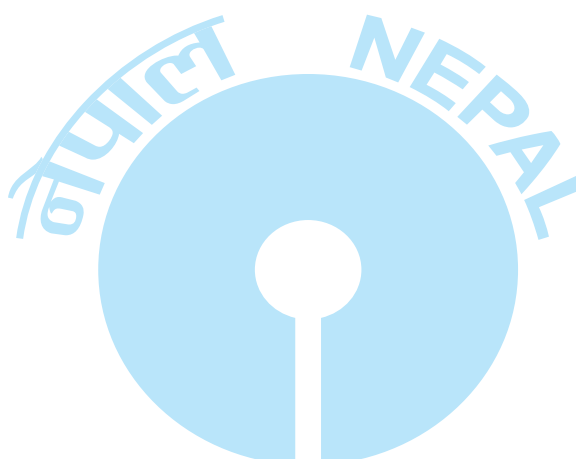
Group

| Particulars | Goodwill | Software | | Other | Total Ashadh end 2078 | Total Ashadh end 2077 |
|--------------------------------------|----------|-------------------|-----------|-------|-----------------------|-----------------------|
| | | Purchased | Developed | | | |
| Cost | | | | | | |
| As on Shrawan 1, 2076 | | 32,733,715 | | | 32,733,715 | 32,112,215 |
| Addition during the Year | | - | | | - | - |
| Acquisition | | - | | | - | 621,500 |
| Capitalization | | - | | | - | - |
| Disposal during the year | | (39,098) | | | (39,098) | - |
| Adjustment/Revaluation | | - | | | - | - |
| Balance as on Ashadh end 2077 | | 32,694,617 | | | 32,694,617 | 32,733,715 |
| Addition during the Year | | - | | | - | - |
| Acquisition | | 4,779,100 | | | 4,779,100 | - |
| Capitalization | | - | | | - | - |
| Disposal during the year | | - | | | - | (39,098) |
| Adjustment/Revaluation | | - | | | - | - |
| Balance as on Ashadh end 2078 | | 37,473,717 | | | 37,473,717 | 32,694,617 |
| Amortization and Impairment | | | | | | |
| As on Shrawan 1, 2076 | | 28,300,757 | | | 28,300,757 | 26,901,479 |
| Amortization charge for the Year | | 1,422,525 | | | 1,422,525 | 1,399,278 |
| Impairment for the year | | - | | | - | - |
| Disposals | | (18,846) | | | (18,846) | - |
| Adjustment | | - | | | - | - |
| Balance as on Ashadh end 2077 | | 29,704,436 | | | 29,704,436 | 28,300,757 |
| Amortization charge for the Year | | 2,274,140 | | | 2,274,140 | 1,422,525 |
| Impairment for the year | | - | | | - | - |
| Disposals | | - | | | - | (18,846) |
| Adjustment | | - | | | - | - |
| Balance as on Ashadh end 2078 | | 31,978,576 | | | 31,978,576 | 29,704,436 |
| Capital Work in Progress | | 678,000 | | | 678,000 | 678,000 |
| Net Book Value | | | | | | |
| Balance as on Ashadh end 2076 | | 4,432,958 | | | 4,432,958 | 5,210,736 |
| Balance as on Ashadh end 2077 | | 3,668,181 | | | 3,668,181 | 4,432,958 |
| Balance as on Ashadh end 2078 | | 6,173,141 | | | 6,173,141 | 3,668,181 |



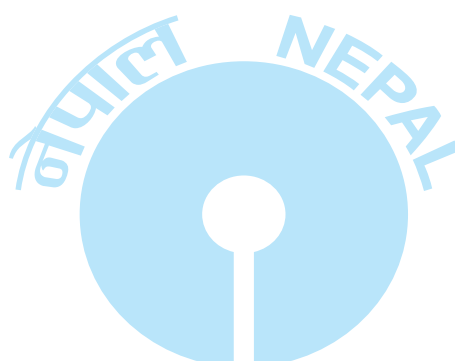
Bank

| Particulars | Goodwill | Software | | Other | Total Ashadh end 2078 | Total Ashadh end 2077 |
|--------------------------------------|----------|-------------------|-----------|-------|-----------------------|-----------------------|
| | | Purchased | Developed | | | |
| Cost | | | | | | |
| As on Shrawan 1, 2076 | | 31,852,262 | | | 31,852,262 | 31,230,762 |
| Addition during the Year | | - | | | - | - |
| Acquisition | | - | | | - | 621,500 |
| Capitalization | | - | | | - | - |
| Disposal during the year | | - | | | - | - |
| Adjustment/Revaluation | | - | | | - | - |
| Balance as on Ashadh end 2077 | | 31,852,262 | | | 31,852,262 | 31,852,262 |
| Addition during the Year | | | | | | |
| Acquisition | | 4,542,600 | | | 4,542,600 | - |
| Capitalization | | - | | | - | - |
| Disposal during the year | | - | | | - | - |
| Adjustment/Revaluation | | - | | | - | - |
| Balance as on Ashadh end 2078 | | 36,394,862 | | | 36,394,862 | 31,852,262 |
| Amortization and Impairment | | | | | | |
| As on Shrawan 1, 2076 | | 27,919,928 | | | 27,919,928 | 26,696,941 |
| Amortization charge for the Year | | 1,254,054 | | | 1,254,054 | 1,222,987 |
| Impairment for the year | | - | | | - | - |
| Disposals | | - | | | - | - |
| Adjustment | | - | | | - | - |
| Balance as on Ashadh end 2077 | | 29,173,982 | | | 29,173,982 | 27,919,928 |
| Amortization charge for the Year | | 1,959,884 | | | 1,959,884 | 1,254,054 |
| Impairment for the year | | - | | | - | - |
| Disposals | | - | | | - | - |
| Adjustment | | - | | | - | - |
| Balance as on Ashadh end 2078 | | 31,133,867 | | | 31,133,867 | 29,173,982 |
| Capital Work in Progress | | - | | | - | - |
| Net Book Value | | | | | | |
| Balance as on Ashadh end 2076 | | 3,932,334 | | | 3,932,334 | 4,533,821 |
| Balance as on Ashadh end 2077 | | 2,678,280 | | | 2,678,280 | 3,932,334 |
| Balance as on Ashadh end 2078 | | 5,260,995 | | | 5,260,995 | 2,678,280 |

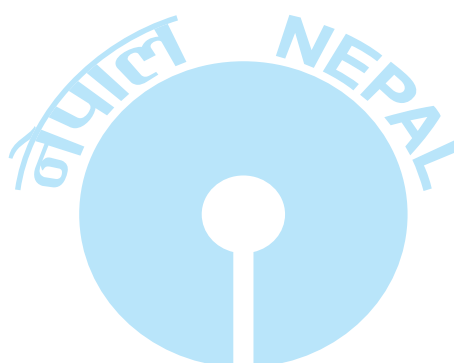


4.15 Deferred Tax

| Particulars | Group | | | Bank | | |
|---|---------------------|--------------------------|---------------------------------------|---------------------|--------------------------|---------------------------------------|
| | Current Year | | | Current Year | | |
| | Deferred Tax Assets | Deferred Tax Liabilities | Net Deferred Tax Assets/(Liabilities) | Deferred Tax Assets | Deferred Tax Liabilities | Net Deferred Tax Assets/(Liabilities) |
| Deferred tax on temporary differences on following items | | | | | | |
| Loan and Advance to B/FIs | | | | | | |
| Loans and advances to customers | | | | | | |
| Investment properties | | | | | | |
| Investment securities | | | | | | |
| Other trading assets (mutual fund) | - | 7,652,368 | (7,652,368) | | 7,280,790 | (7,280,790) |
| Investment in equity measured at FVTOCI | | 41,345,843 | (41,345,843) | | 41,345,843 | (41,345,843) |
| Property & equipment | 63,114,697 | | 63,114,697 | 63,036,189 | | 63,036,189 |
| Employees' defined benefit plan | 348,406,318 | | 348,406,318 | 348,090,590 | - | 348,090,590 |
| Lease liabilities | 20,752,245 | | 20,752,245 | 20,752,245 | - | 20,752,245 |
| Provisions | | | - | | | - |
| Debenture | 27,504 | - | 27,504 | 27,504 | - | 27,504 |
| Draft under litigation | 6,707,813 | | 6,707,813 | 6,707,813 | - | 6,707,813 |
| Staff Bonus | | | - | | | - |
| Interest Receivable | | | - | | | - |
| Other temporary differences | | | - | | | - |
| Deferred tax on temporary differences | 439,008,577 | 48,998,211 | 390,010,365 | 438,614,340 | 48,626,633 | 389,987,707 |
| 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 Ashad 31, 2078 | - | - | 390,010,365 | - | - | 389,987,707 |
| Deferred tax (asset)/liabilities as on shrawan 1, 2077 | | | 325,753,055 | | | 325,622,179 |
| Origination/(Reversal) during the year | - | - | 64,257,310 | - | - | 64,365,528 |
| Deferred tax expense/(income) recognised in profit or loss | - | - | (54,813,680) | - | - | (54,921,898) |
| Deferred tax expense/(income) recognised in other comprehensive income | - | - | (9,443,630) | - | - | (9,443,630) |
| Deferred tax expense/(income) recognised in directly in equity | - | - | - | - | - | - |



| Particulars | Group | | | Bank | | |
|---|---------------------|--------------------------|--|---------------------|--------------------------|--|
| | Previous Year | | | Previous Year | | |
| | Deferred Tax Assets | Deferred Tax Liabilities | Net Deferred Tax Assets/ (Liabilities) | Deferred Tax Assets | Deferred Tax Liabilities | Net Deferred Tax Assets/ (Liabilities) |
| Deferred tax on temporary differences on following items | | | | | | |
| Loan and Advance to B/FI's | | | | | | |
| Loans and advances to customers | | | | | | |
| Investment properties | | | | | | |
| Investment securities | | | | | | |
| Other trading assets (mutual fund) | 2,410,420 | | 2,410,420 | 2,442,822 | | 2,442,822 |
| Investment in equity measured at FVTOCI | | 38,154,631 | (38,154,631) | | 38,154,631 | (38,154,631) |
| Property & equipment | 28,749,759 | | 28,749,759 | 28,797,006 | | 28,797,006 |
| Employees' defined benefit plan | 306,521,067 | | 306,521,067 | 306,310,541 | | 306,310,541 |
| Lease liabilities | 19,598,475 | | 19,598,475 | 19,598,475 | | 19,598,475 |
| Provisions | | | - | | | - |
| Debenture | | 79,847 | (79,847) | | 79,847 | (79,847) |
| Draft under litigation | 6,707,813 | | 6,707,813 | 6,707,813 | | 6,707,813 |
| Staff Bonus | | | - | | | - |
| Interest Receivable | | | - | | | - |
| Other temporary differences | | | - | | | - |
| Deferred tax on temporary differences | | | - | | | - |
| Deferred tax on carry forward of unused tax losses | 363,987,533 | 38,234,478 | 325,753,055 | 363,856,657 | 36,819,239 | 325,622,179 |
| Deferred tax due to changes in tax rate | | | | - | - | - |
| Net Deferred tax asset/(liabilities) as on year end of Ashad 31, 2077 | | | 325,753,055 | - | - | 327,037,417 |
| Deferred tax (asset)/liabilities as on shrawan 1, 2076 | - | - | 315,070,279 | - | - | 315,103,180 |
| Origination/(Reversal) during the year | | | 12,098,015 | - | - | 11,934,237 |
| Deferred tax expense/ (income) recognised in profit or loss | | | (32,725,666) | | | (32,561,888) |
| Deferred tax expense/(income) recognised in other comprehensive income | - | - | 20,627,651 | - | - | (20,627,651) |
| Deferred tax expense/(income) recognised in directly in equity | - | - | | - | - | |



4.16 Other assets

Other assets comprises of both financial and non financial assets. The financial assets are carried at amortised costs and assets other than financial assets are carried at cost. These instruments are regularly monitored for risk and possible impairment.

| | Group | | Bank | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Assets held for sale | - | - | - | - |
| Other non banking assets | - | - | - | - |
| Bills receivable | - | - | - | - |
| Accounts receivable | 308,681,517 | 215,308,900 | 308,681,517 | 214,890,629 |
| Accrued income | - | - | - | - |
| Prepayments and deposit | 119,185,026 | 40,216,357 | 119,091,430 | 40,123,720 |
| Income tax deposit | - | - | - | - |
| Deferred employee expenditure | 859,828,213 | 817,871,599 | 859,828,213 | 817,871,599 |
| Other | 82,693,864 | 75,886,927 | 78,673,332 | 75,871,292 |
| Stationery stock | 9,624,490 | 8,377,848 | 9,613,085 | 8,362,213 |
| Receivables | 73,069,373 | 67,509,079 | 69,060,246 | 67,509,079 |
| Draft Under Litigation Receivable(Ref Note no. 5.16) | 22,359,375 | 22,359,375 | 22,359,375 | 22,359,375 |
| Provision for Draft Under Litigation | (22,359,375) | (22,359,375) | (22,359,375) | (22,359,375) |
| Total | 1,370,388,620 | 1,149,283,783 | 1,366,274,492 | 1,148,757,240 |

4.17 Due to Bank and Financial Institutions

These are short-term borrowings from other banks and financial institutions. These are recognised at amortised costs. Interbank borrowing, interbank deposit, balances on settlement & clearing amounts as well as other amount due to Bank & Financial institution is presented under due to Bank & Financial Institution.

| | Group | | Bank | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Money market deposits | - | - | - | - |
| Interbank borrowing | 6,093,675,000 | 1,143,798,878 | 6,093,675,000 | 1,143,798,878 |
| Other deposits from BFIs | - | 722,100,000 | - | 722,100,000 |
| Settlement and clearing accounts | - | - | - | - |
| Other deposits from BFIs | - | - | - | - |
| Total | 6,093,675,000 | 1,865,898,878 | 6,093,675,000 | 1,865,898,878 |

4.18 Due to Nepal Rastra Bank

| | Group | | Bank | |
|---|----------------------|---------------|----------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Refinance from NRB | 4,265,513,428 | - | 4,265,513,428 | - |
| Standing Liquidity Facility | - | - | - | - |
| Lender of last report facility from NRB | - | - | - | - |
| Securities sold under repurchase agreements | - | - | - | - |
| Other payable to NRB | - | - | - | - |
| Total | 4,265,513,428 | - | 4,265,513,428 | - |

4.19 Derivative financial instruments

A significant part of the derivatives in the portfolio are related to servicing corporate clients in their risk management to hedge e.g. foreign currency exposures. These products are used by Bank as part of its own treasury activities as well.

| | Group | | Bank | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Held for trading | | | | |
| Interest rate swap | - | - | - | - |
| Currency swap | - | - | - | - |
| Forward exchange contract | - | - | - | - |
| Others | - | - | - | - |
| Held for risk management | | | | |
| Interest rate swap | - | - | - | - |
| Currency swap | - | - | - | - |
| Forward exchange contract | 20,179,685 | 20,610,248 | 20,179,685 | 20,610,248 |
| Other | - | - | - | - |
| Total | 20,179,685 | 20,610,248 | 20,179,685 | 20,610,248 |

4.20 Deposits from customers

All customer deposits are accounted for at amortised costs. For interest bearing accounts the coupon rates represent the effective interest rate as there are no other incremental costs

| | Group | | Bank | |
|-------------------------|------------------------|------------------------|------------------------|------------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Institutions customers: | | | | |
| Term deposits | 34,983,031,250 | 43,915,544,060 | 35,159,031,250 | 44,120,044,060 |
| Call deposits | 3,522,490,535 | 5,692,027,800 | 3,522,490,535 | 5,697,197,448 |
| Current deposits | 6,656,279,639 | 4,948,902,119 | 6,664,864,527 | 4,948,902,119 |
| Other | 3,185,513,409 | 2,065,167,589 | 3,185,513,409 | 2,065,167,589 |
| Individual customers: | | | | |
| Term deposits | 15,534,539,986 | 18,363,001,320 | 15,534,539,986 | 18,363,001,320 |
| Saving deposits | 41,327,817,707 | 34,558,182,457 | 41,327,817,707 | 34,558,182,457 |
| Current deposits | 844,209,436 | 693,377,824 | 844,209,436 | 693,377,824 |
| Other | - | - | - | - |
| Total | 106,053,881,963 | 110,236,203,169 | 106,238,466,851 | 110,445,872,817 |

4.20.1: Currency wise analysis of deposit from customers

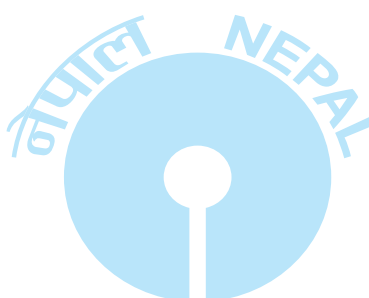
The bank holds various types of deposit from customer. The currency wise segregation of total deposit is presented as below:

| | Group | | Bank | |
|---------------------|------------------------|------------------------|------------------------|------------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Nepalese rupee | 104,078,205,978 | 107,805,710,288 | 104,262,790,866 | 108,015,379,936 |
| Indian rupee | 269,679,462 | 237,773,326 | 269,679,462 | 237,773,326 |
| United State dollar | 1,674,383,346 | 2,155,065,350 | 1,674,383,346 | 2,155,065,350 |
| Great Britain pound | 2,788,875 | - | 2,788,875 | - |
| Euro | 20,241,394 | 36,944,507 | 20,241,394 | 36,944,507 |
| Japanese yen | 8,575,587 | 702,742 | 8,575,587 | 702,742 |
| Australian Dollar | 7,321 | 6,955 | 7,321 | 6,955 |
| Other | - | - | - | - |
| Total | 106,053,881,963 | 110,236,203,169 | 106,238,466,851 | 110,445,872,817 |

4.21 Borrowing

The bank does not have any borrowings

| | Group | | Bank | |
|---|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Domestic Borrowing | | | | |
| Nepal Government | - | - | - | - |
| Other Institutions | - | - | - | - |
| Other | - | - | - | - |
| Sub total | - | - | - | - |
| Foreign Borrowing | | | | |
| Foreign Bank and Financial Institutions | - | - | - | - |
| Multilateral Development Banks | - | - | - | - |
| Other Institutions | - | - | - | - |
| Sub total | - | - | - | - |
| Total | - | - | - | - |



4.22 Provisions

The bank does not have any obligation that meets the definition of provision under NAS 37 Provisions, Contingent Liabilities and Contingent Assets.

| | Group | | Bank | |
|---|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Provisions for redundancy | - | - | - | - |
| Provision for restructuring | - | - | - | - |
| Pending legal issues and tax litigation | - | - | - | - |
| Onerous contracts | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | - | - |

4.22.1: Movement in provision

| | Group | | Bank | |
|-------------------------------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Balance at Shrawan 1 | | | | |
| Provisions made during the year | - | - | - | - |
| Provisions used during the year | - | - | - | - |
| Provisions reversed during the year | - | - | - | - |
| Unwind of discount | - | - | - | - |
| Balance at Ashadh end | - | - | - | - |

4.23 Other liabilities

These are financial liabilities carried at amortised cost.

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Liability for employees defined benefit obligations | 842,917,587 | 751,143,308 | 841,865,158 | 751,143,308 |
| Liability for long-service leave | 277,962,920 | 242,638,340 | 277,962,920 | 242,638,340 |
| Short-term employee benefits | 40,473,888 | 29,586,251 | 40,473,888 | 27,253,490 |
| Bills payable | 293,916,099 | 240,896,691 | 293,916,099 | 240,896,691 |
| Creditors and accruals | 295,528,423 | 150,703,618 | 295,433,282 | 150,703,618 |
| Interest payable on deposit | - | - | - | - |
| Interest payable on borrowing | 152,663,130 | 115,245,917 | 152,663,130 | 115,245,917 |
| Liabilities on deferred grant income | - | 2,468,769 | - | 2,468,769 |
| Unpaid Dividend | 110,964,527 | 114,848,368 | 110,964,527 | 114,848,368 |
| Liabilities under Finance Lease | - | - | - | - |
| Employee bonus payable | 154,605,071 | 247,977,352 | 151,169,779 | 247,977,352 |
| Other: | - | - | - | - |
| Payable to Subsidiary | - | - | - | - |
| TDS payable | 124,943,050 | 170,799,170 | 124,943,050 | 170,799,170 |
| Operating lease liability | 69,174,149 | 65,328,249 | 69,174,149 | 65,328,249 |
| Provision for Technical Service Fee | 6,097,814 | 7,002,251 | 6,097,814 | 7,002,251 |
| Other Payable | 9,956,666 | 4,857,689 | 8,822,394 | 4,857,689 |
| Sundry Deposit | 3,074,464 | 2,723,105 | 3,074,464 | 2,723,105 |
| Provision for Office Expenses | 164,275,989 | 100,415,920 | 164,275,989 | 100,415,920 |
| Miscellaneous liabilities | 221,332,601 | 16,444,304 | 221,332,601 | 15,036,900 |
| Total | 2,767,886,379 | 2,263,079,301 | 2,762,169,244 | 2,259,339,137 |

Liabilities relating to employees benefits like liabilities for defined benefit obligation, gratuity and pension fund, liabilities for long service leave, short term employees benefits, creditors & accruals, unearned income, unpaid dividend etc. are presented under the account head of other liabilities.

4.23.1: Defined benefit obligations

Defined Benefit Plans are not funded therefore there are no DBP assets and DBP Obligation represents the net DBP Obligation

| | Group | | Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Present value of unfunded obligations | 842,917,587 | 751,143,308 | 841,865,158 | 751,143,308 |
| Present value of funded obligations | - | - | - | - |
| Total present value of obligations | 842,917,587 | 751,143,308 | 841,865,158 | 751,143,308 |
| Fair value of plan assets | - | - | - | - |
| Present value of net obligations | 842,917,587 | 751,143,308 | 841,865,158 | 751,143,308 |
| Recognised liability for defined benefit obligations | 842,917,587 | 751,143,308 | 841,865,158 | 751,143,308 |

4.23.2: Plan assets

The bank does not have any plan assets

| | Group | | Bank | |
|-------------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Equity securities | - | - | - | - |
| Government bonds | - | - | - | - |
| Bank deposit | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | - | - |

Actual return on plan assets

4.23.3: Movement in the present value of defined benefit obligations

| | Group | | Bank | |
|---|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Defined benefit obligations at Shrawan 1 | 751,143,308 | 691,662,538 | 751,143,308 | 691,662,538 |
| Actuarial (gain)/Losses | 30,160,850 | (33,237,680) | 30,160,850 | (33,237,680) |
| Benefits paid by the plan | (63,101,000) | (25,817,550) | (63,101,000) | (25,817,550) |
| Current service costs and interest | 124,714,429 | 118,536,000 | 123,662,000 | 118,536,000 |
| Defined benefit obligations at Ashadh end | 842,917,587 | 751,143,308 | 841,865,158 | 751,143,308 |

4.23.4: Movement in the fair value of plan assets

| | Group | | Bank | |
|---|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Fair value of plan assets at Shrawan 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 Ashadh end | - | - | - | - |

4.23.5: Amount recognised in profit or loss

| | Group | | Bank | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Current service costs | 77,877,000 | 74,182,000 | 77,877,000 | 74,182,000 |
| Interest on obligation | 83,005,000 | 76,436,000 | 83,005,000 | 76,436,000 |
| Actuarial (gain)/loss on leave | 13,439,880 | (948,560) | 13,439,880 | (948,560) |
| Expected return on plan assets | - | - | - | - |
| Total | 174,321,880 | 149,669,440 | 174,321,880 | 149,669,440 |

4.23.6: Amount recognised in other comprehensive income

| | Group | | Bank | |
|-----------------------|-------------------|---------------------|-------------------|---------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Actuarial (gain)/loss | 30,160,904 | (33,237,680) | 30,160,904 | (33,237,680) |
| Total | 30,160,904 | (33,237,680) | 30,160,904 | (33,237,680) |

4.23.7: Actuarial assumptions

| | Group | | Bank | |
|---------------------------------|--|--|--|--|
| | Current Year | Previous Year | Current Year | Previous Year |
| Discount rate | 8.00% | 8.50% | 8.00% | 8.50% |
| Expected return on plan asset | - | - | - | - |
| Future salary increase | 5% (For 2021-22) And thereafter 6.50% | 5% (For 2021-22) And thereafter 6.50% | 5% (For 2021-22) And thereafter 6.50% | 5% (For 2021-22) And thereafter 6.50% |
| Withdrawal rate (20-34 years) | 6.00% | 6.00% | 6.00% | 6.00% |
| Withdrawal rate (35 - 58 years) | 1.00% | 1.00% | 1.00% | 1.00% |

4.24 Debt securities issued

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

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Debt securities issued designated as at fair value through profit or loss | - | - | - | - |
| Debt securities issued at amortised cost | 3,028,699,402 | 3,028,341,567 | 3,028,699,402 | 3,028,341,567 |
| Total | 3,028,699,402 | 3,028,341,567 | 3,028,699,402 | 3,028,341,567 |

The above debt securities comprises of four debt securities issued by the bank. The terms and condition of the same has been disclosed under Note no:5.2.2 a. iii. The debt securities issued are subordinated to the depositors.

4.25 Subordinated Liabilities

| | Group | | Bank | |
|---|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Redeemable preference shares | - | - | - | - |
| Irredeemable cumulative preference shares (liabilities component) | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | - | - |

4.26 Share capital

| | Group | | Bank | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Ordinary shares | 9,493,577,887 | 8,956,205,554 | 9,493,577,887 | 8,956,205,554 |
| Convertible preference shares (equity component only) | - | - | - | - |
| Irredeemable preference shares (equity component only) | - | - | - | - |
| Perpetual debt (equity component only) | - | - | - | - |
| Total | 9,493,577,887 | 8,956,205,554 | 9,493,577,887 | 8,956,205,554 |

4.26.1: Ordinary shares

| | Bank | |
|---|----------------------|----------------------|
| | Current Year | Previous Year |
| Authorized Capital | | |
| 150,000,000 Ordinary share of Rs. 100 each | 15,000,000,000 | 15,000,000,000 |
| Issued capital | | |
| 94,935,778.87 Ordinary share of Rs. 100 each (Previous year 89,562,055.54 of Rs. 100 each) | 9,493,577,887 | 8,956,205,554 |
| Subscribed and paid up capital | | |
| 94,935,778.87 Ordinary share of Rs. 100 each (Previous year 89,562,055.54 of Rs. 100 each) | 9,493,577,887 | 8,956,205,554 |
| Total | 9,493,577,887 | 8,956,205,554 |

4.26.2: Ordinary share ownership

| | Bank | | | |
|---------------------------------|----------------|----------------------|----------------|----------------------|
| | Current Year | | Previous Year | |
| | Percent | Amount | Percent | Amount |
| Domestic ownership | | | | |
| Nepal Government | | | | |
| "A" class licensed institutions | - | - | - | - |
| Other licensed institutions | - | - | - | - |
| Other Institutions | 15.00% | 1,424,036,683 | 15.00% | 1,343,430,833 |
| Public | 30.00% | 2,848,073,366 | 30.00% | 2,686,861,666 |
| Other | - | - | - | - |
| Foreign ownership | 55.00% | 5,221,467,838 | 55.00% | 4,925,913,054 |
| Total | 100.00% | 9,493,577,887 | 100.00% | 8,956,205,554 |

1) None of the General Public Shareholders hold 0.50% or more of the shares of the Bank individually.

2) Other institution reported is Karmachari Sanchaya Kosh (Employee Provident Fund)

3) Foreign ownership reported is State Bank of India

4.27 Reserves

Statutory General Reserve: There is a regulatory requirement by the central bank to set aside 20% of the net profit after tax every year as general reserve to build up the capital until the general reserve fund balance is twice the paid up share capital. This is the restricted reserve and cannot be freely used. The Bank appropriates 20% of the regulatory net profit every year and transfers to the general reserve fund.

Exchange Equalisation reserve: Central bank's regulatory directives requires the bank to transfer 25% of the translation gain as at the year end to this reserve account. The foreign currency balances as at the year-end are translated using the year-end rates and in case of gains on such translation, 25% of such gains are transferred to the foreign exchange reserve.

Fair value Reserve: Assets that are not classified as Fair Value Through Profit and Loss, Held To maturity and Loans and Receivables are categorised as Available for Sale financial instruments. The Bank has under regulatory provisions a requirement to appropriate the upward movements in fair value under AFS reserve. The accounting of gain or loss in the fair value movement of AFS Financial Assets is done through other comprehensive income under NAS 39.

Capital Redemption Reserve: The Bank sets aside a portion of its profit to create a reserve for repayment of debenture liabilities when they mature. On maturity and settlement of the debentures there reserves will be

available as free reserve.

Other Regulatory Reserves:

Corporate Social Responsibility Reserve: Bank has regulatory requirement to set aside 1% of the net profit for corporate social responsibility activities.

Regulatory reserve: Regulatory reserves includes any amount derived as results of NFRS conversion & adoption with effect in retained earning.

Staff Training Reserve: Bank has regulatory requirement to set aside 3% of the previous year's staff salary and allowances for staff training as such amount are set aside in the reserves. However, as per the NRB circular 01 of FY 2078/79, dated 26th July 2021 BFIS are not required to expense the 3% of Salary and allowance of last fiscal year in FY 2077/78. Accordingly, the bank has not created any fund as at 15 July 2021.

Deferred Tax Reserve: It is banks policy to appropriate the equivalent portion of the deferred tax assets when a net deferred tax asset arises. In event where deferred tax liability arises such amounts are reclassified within the equity to retained earning.

Accrued Income Reserve: Regulator requires to set aside amount equivalent to accrued interest receivables recognised during the year for loans and advances from customers.

| | Group | | Bank | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Statutory general reserve | 3,059,377,171 | 2,866,681,342 | 3,059,377,171 | 2,866,681,342 |
| Exchange equalisation reserve | 38,868,947 | 35,642,676 | 38,868,947 | 35,642,676 |
| Corporate social responsibility reserve | 16,184,779 | 18,663,910 | 16,184,779 | 18,663,910 |
| Capital redemption reserve | 1,165,347,111 | 800,000,000 | 1,165,347,111 | 800,000,000 |
| Regulatory reserve | 702,333,061 | 632,336,943 | 702,367,148 | 632,371,030 |
| Investment adjustment reserve | - | - | - | - |
| Capital reserve | 12,463,167 | 12,463,167 | 12,463,167 | 12,463,167 |
| Assets revaluation reserve | - | - | - | - |
| Fair value reserve | 96,473,638 | 97,396,142 | 96,473,637 | 97,396,141 |
| Dividend equalisation reserve | - | - | - | - |
| Actuarial gain/ (loss) | - | - | - | - |
| Special reserve | - | - | - | - |
| Other reserve | - | - | - | - |
| Bonus Share issued by NSMBL | 11,111,111 | 11,111,111 | - | - |
| Actuarial loss | (74,211,406) | (53,098,773) | (74,211,406) | (53,098,773) |
| Staff Training Fund | - | - | - | - |
| Total | 5,027,947,580 | 4,421,196,519 | 5,016,870,555 | 4,410,119,494 |

4.28 Contingent liabilities and commitments

| | Group | | Bank | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Contingent liabilities | 15,578,356,741 | 12,816,883,374 | 15,578,356,741 | 12,816,883,374 |
| Undrawn and undisbursed facilities | 49,338,593,640 | 28,182,759,040 | 49,338,593,640 | 28,182,759,040 |
| Capital commitment | 14,422,670 | 17,596,424 | 21,127,670 | 17,596,424 |
| Lease Commitment | 1,137,344,982 | 824,186,409 | 1,137,344,982 | 824,186,409 |
| Litigation | - | 175,575 | - | 175,575 |
| Total | 66,068,718,033 | 41,841,600,822 | 66,075,423,033 | 41,841,600,822 |

4.28.1: Contingent liabilities

| | Group | | Bank | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Acceptance and documentary credit | 1,720,194,677 | 1,330,292,213 | 1,720,194,677 | 1,330,292,213 |
| Bills for collection | 423,422,838 | 104,999,517 | 423,422,838 | 104,999,517 |
| Forward exchange contracts | - | - | - | - |
| Guarantees | 13,434,739,226 | 11,381,591,644 | 13,434,739,226 | 11,381,591,644 |
| Underwriting commitment | - | - | - | - |
| Other commitments | - | - | - | - |
| Other | - | - | - | - |
| Total | 15,578,356,741 | 12,816,883,374 | 15,578,356,741 | 12,816,883,374 |

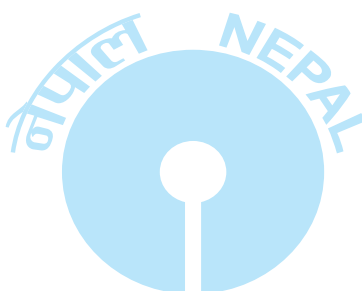
4.28.2: Undrawn and undisbursed facilities

| | Group | | Bank | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Undisbursed amount of loans (Long term) | 14,761,582,929 | 14,279,022,509 | 14,761,582,929 | 14,279,022,509 |
| Undrawn limits of overdrafts (Short term) | 21,090,857,872 | 5,157,642,437 | 21,090,857,872 | 5,157,642,437 |
| Undrawn limits of credit cards | - | - | - | - |
| Undrawn limits of letter of credit | 13,486,152,838.72 | 8,746,094,094 | 13,486,152,839 | 8,746,094,094 |
| Undrawn limits of guarantee | - | - | - | - |
| Total | 49,338,593,640 | 28,182,759,040 | 49,338,593,640 | 28,182,759,040 |

4.28.3: Capital commitments

Capital expenditure approved by relevant authority of the bank but provision has not been made in financial statements

| | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Capital commitments in relation to Property and Equipment for branch expansion | | | | |
| Approved and contracted for | 14,072,471 | 5,760,710 | 14,072,471 | 5,760,710 |
| Approved but not contracted for | 350,200 | 11,835,714 | 350,200 | 11,835,714 |
| Sub total | 14,422,670 | 17,596,424 | 14,422,670 | 17,596,424 |
| Capital commitments in relation to Intangible assets | | | | |
| Approved and contracted for | - | - | - | - |
| Approved but not contracted for | - | - | 6,705,000 | - |
| Sub total | | | 6,705,000 | - |
| Total | 14,422,670 | 17,596,424 | 21,127,670 | 17,596,424 |



4.28.4: Lease commitments

| | Group | | Bank | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Operating lease commitments | | | | |
| Future minimum lease payments under non cancellable operating lease, where the bank is lessee | | | | |
| Not later than 1 year | 175,033,286 | 153,876,780 | 175,033,286 | 153,876,780 |
| Later than 1 year but not later than 5 years | 566,408,135 | 425,880,729 | 566,408,135 | 425,880,729 |
| Later than 5 years | 395,903,561 | 244,428,900 | 395,903,561 | 244,428,900 |
| Sub total | 1,137,344,982 | 824,186,409 | 1,137,344,982 | 824,186,409 |
| Finance lease commitments | | | | |
| Future minimum lease payments under non cancellable operating lease, where the bank is lessee | | | | |
| Not later than 1 year | - | - | - | - |
| Later than 1 year but not later than 5 years | - | - | - | - |
| Later than 5 years | - | - | - | - |
| Sub total | | | | |
| Grand total | 1,137,344,982 | 824,186,409 | 1,137,344,982 | 824,186,409 |

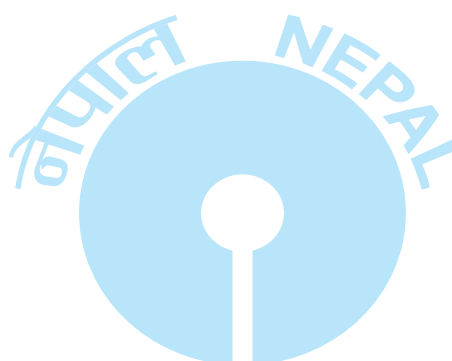
4.28.5: Litigation

There was no any writ petition filed against the bank at the end of Ashadh 2078 that create additional liability to the bank.

4.29 Interest income

| | Group | | Bank | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Cash and cash equivalent | 6,813,032 | 8,885,256 | 4,789,540 | 7,693,138 |
| Due from Nepal Rastra Bank | 235,068,640 | 130,666,628 | 235,068,640 | 130,666,628 |
| Placement with bank and financial institutions | 28,720,966 | 68,014,272 | 28,720,966 | 68,014,272 |
| Loan and advances to bank and financial institutions | 214,703,633 | 479,868,509 | 214,703,633 | 479,868,509 |
| Loans and advances to customers | 7,879,596,935 | 10,105,778,085 | 7,879,596,935 | 10,105,778,085 |
| Investment securities | 452,581,595 | 427,219,726 | 452,581,595 | 427,219,726 |
| Loan and advances to staff | 91,739,760 | 79,621,859 | 91,739,760 | 79,621,859 |
| Other (Notional interest on staff loan) | 94,681,762 | 129,517,029 | 94,681,762 | 129,517,029 |
| Total interest income | 9,003,906,322 | 11,429,571,364 | 9,001,882,831 | 11,428,379,246 |

Interest income from loans and advances to customers has been recognised applying recognition method that approximates the effective interest rate. Loans and advances to customers while recognising at amortised costs has multiple uncertain variables that include the repayment of principal amounts, the date of repayment, the period of the loan and advances and the actual interest charged and recovered. However these financial assets are held under SPPI (solely for the purpose of principal and interest) model. The only incremental costs that affects the EIR calculation is management / service fee charged while issuing and/or renewing the loans and advances. These incremental costs are nominal considering the bank's interest income. For the compliance of amortised cost recognition, such management / service fee has been systematically recognised as interest income over the loan tenure which may approximate the effective interest rate by appropriate adjustment to loans and advances.



4.30 Interest expense

| | Group | | Bank | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Due to bank and financial institutions | 33,970,064 | 60,787,171 | 33,970,064 | 60,787,171 |
| Due to Nepal Rastra Bank | 61,786,357 | 12,888,223 | 61,786,357 | 12,888,223 |
| Deposits from customers | 5,720,253,468 | 7,123,750,549 | 5,737,243,836 | 7,143,281,417 |
| Borrowing | - | - | - | - |
| Debt securities issued | 301,546,635 | 166,819,674 | 301,546,635 | 166,819,674 |
| Subordinated liabilities | - | - | - | - |
| Other | - | - | - | - |
| Total interest expense | 6,117,556,524 | 7,364,245,617 | 6,134,546,892 | 7,383,776,484 |

4.31 Fees and Commission Income

| | Group | | Bank | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Loan administration fees | 185,637,696 | 198,598,788 | 185,637,696 | 198,598,788 |
| Service fees | 19,065,132 | 6,485,709 | - | - |
| Consortium fees | 3,844,742 | 4,825,000 | 3,844,742 | 4,825,000 |
| Commitment fees | 3,739,451 | 7,935,226 | 3,739,451 | 7,935,226 |
| DD/TT/Swift fees | 27,251,235 | 20,087,927 | 27,251,235 | 20,087,927 |
| Credit card/ATM issuance and renewal fees | 44,365,838 | 38,778,337 | 44,365,838 | 38,778,337 |
| Prepayment and swap fees | 4,253,717 | 5,782,502 | 4,253,717 | 5,782,502 |
| Investment banking fees | - | - | - | - |
| Asset management fees | - | - | - | - |
| Brokerage fees | - | - | - | - |
| Remittance fees | 114,065,244 | 92,772,760 | 114,065,244 | 92,772,760 |
| Commission on letter of credit | 99,991,282 | 73,540,392 | 99,991,282 | 73,540,392 |
| Commission on guarantee contracts issued | 196,271,837 | 98,825,340 | 196,271,837 | 98,825,340 |
| Commission on share underwriting/issue | - | - | - | - |
| Locker rental | 11,707,628 | 10,615,728 | 11,707,628 | 10,615,728 |
| Other fees and commission income | 387,155,459 | 332,832,664 | 387,155,459 | 332,832,664 |
| Total fees and Commission Income | 1,097,349,261 | 891,080,374 | 1,078,284,129 | 884,594,665 |

Other Fees and commission income mainly comprises income from card business, POS, Mobile banking.

4.32 Fees and commission expense

Payouts on account of fees and commission for services obtained by the bank are presented under this account head. This account head includes card related fees, guarantee commission, brokerage expenses etc.

| | Group | | Bank | |
|--|-------------------|--------------------|-------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| ATM management fees | 924,577 | 1,215,605 | 924,577 | 1,215,605 |
| VISA/Master card fees | 60,212,345 | 79,884,537 | 60,212,345 | 79,884,537 |
| Guarantee commission | - | - | - | - |
| Brokerage | - | - | - | - |
| DD/TT/Swift fees | 3,896,426 | 2,792,838 | 3,896,426 | 2,792,838 |
| Remittance fees and commission | - | - | - | - |
| Other fees and commission expense | 16,513,251 | 16,260,800 | 19,246,898 | 16,260,800 |
| Total fees and Commission Expense | 81,546,600 | 100,153,780 | 84,280,247 | 100,153,780 |

4.33 Net trading income

| | Group | | Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Changes in fair value of trading assets | 25,712,636 | 768,547 | 24,582,049 | 678,539 |
| Gain/loss on disposal of trading assets | 3,971,298 | (93,015) | - | (93,015) |
| Interest income on trading assets | - | - | - | - |
| Dividend income on trading assets | - | - | - | - |
| Gain/loss foreign exchange transaction | 319,117,168 | 269,185,976 | 319,117,168 | 269,185,976 |
| Other | - | - | - | - |
| Net trading income | 348,801,101 | 269,861,509 | 343,699,217 | 269,771,501 |

Change in fair value of trading assets included change in fair value of mutual fund.

4.34 Other operating income

| | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Foreign exchange revaluation gain | 12,905,083 | 18,626,284 | 12,905,083 | 18,626,284 |
| Gain/loss on sale of investment securities | - | - | - | - |
| Fair value gain/loss on investment properties | - | - | - | - |
| Dividend on equity instruments | 7,496,530 | 6,783,356 | 7,496,530 | 6,783,356 |
| Gain/loss on sale of property and equipment | (160,431) | 6,143,201 | (160,431) | 6,143,201 |
| Gain/loss on sale of investment property | - | - | - | - |
| Operating lease income | - | - | - | - |
| Gain/loss on sale of gold and silver | - | - | - | - |
| Locker rent | - | - | - | - |
| Other | - | - | - | - |
| Total | 20,241,182 | 31,552,842 | 20,241,182 | 31,552,842 |

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

| | Group | | Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Impairment charge/(reversal) on loan and advances to B/FIs | 11,729,568 | 876,614 | 11,729,568 | 876,614 |
| Impairment charge/(reversal) on loan and advances to customer | 360,992,606 | 271,463,150 | 360,992,606.29 | 271,463,150 |
| Impairment charge/(reversal) on financial Investment | - | - | - | - |
| Impairment charge/(reversal) on placement with banks and financial institutions | - | - | - | - |
| Impairment charge/(reversal) on property and equipment | - | - | - | - |
| Impairment charge/(reversal) on goodwill and intangible assets | - | - | - | - |
| Impairment charge/(reversal) on investment properties | 6,900,000 | - | 6,900,000 | - |
| Total | 379,622,175 | 272,339,764 | 379,622,175 | 272,339,764 |

4.36 Personnel Expense

Provision for staff bonus is mandatory requirement under the requirement of Bonus Act, 2030. All expenses related to employees of a Bank has been included under this head. Expenses covered under this head include employee's salary, allowances, pension, gratuity, contribution to P.F., training expenses, uniform expenses, staff bonus, finance expenses under NFRS etc.

| | Group | | Bank | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Salary | 524,495,622 | 519,991,389 | 522,363,605 | 518,118,057 |
| Allowances | 471,336,632 | 465,497,771 | 469,868,519 | 464,281,477 |
| Gratuity expense | 134,143,209 | 128,752,840 | 133,982,863 | 128,596,791 |
| Provident fund | 52,462,760 | 52,083,359 | 52,228,849 | 51,896,219 |
| Uniform | 1,137,244 | 654,194 | 1,115,548 | 634,221 |
| Training & development expense | 6,249,445 | 17,493,291 | 6,239,845 | 17,477,570 |
| Leave encashment | 65,980,218 | 42,662,874 | 65,789,887 | 42,463,506 |
| Medical | 10,998,270 | 14,625,741 | 10,998,270 | 14,625,741 |
| Insurance | 27,026,475 | 30,681,386 | 27,026,475 | 30,681,386 |
| Employees incentive | - | - | - | - |
| Cash-settled share-based payments | - | - | - | - |
| Pension expense | - | - | - | - |
| Finance expense under NFRS | 94,681,762 | 129,517,029 | 94,681,762 | 129,517,029 |
| Other expenses related to staff | 31,946,859 | 31,315,475 | 31,594,456 | 31,070,847 |
| Subtotal | 1,420,458,495 | 1,433,275,349 | 1,415,890,079 | 1,429,362,844 |
| Employees bonus | 154,605,071 | 249,608,360 | 151,169,779 | 247,977,352 |
| Grand total | 1,575,063,566 | 1,682,883,709 | 1,567,059,857 | 1,677,340,196 |

4.37 Other operating expense

| | Group | | Bank | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Directors' fee | 1,086,000 | 810,000 | 950,000 | 690,000 |
| Directors' expense | 1,121,980 | 6,890,743 | 1,121,980 | 6,865,890 |
| Auditors' remuneration | 2,919,900 | 2,884,100 | 2,660,000 | 2,623,150 |
| Other audit related expense | - | - | - | - |
| Professional and legal expense | 41,314,159 | 38,899,739 | 41,314,159 | 38,899,739 |
| Office administration expense | 324,771,946 | 360,424,847 | 323,377,641 | 360,424,847 |
| Operating lease expense | 224,953,394 | 216,712,957 | 222,208,574 | 216,712,957 |
| Operating expense of investment properties | - | - | - | - |
| Corporate social responsibility expense* | - | - | - | - |
| Onerous lease provisions | - | - | - | - |
| Other | 150,160,695 | 170,925,444 | 149,277,933 | 166,813,718 |
| Total | 746,328,073 | 797,547,830 | 740,910,286 | 793,030,301 |

*The CSR related expenses has been charged to CSR Fund instead of recognised as an expenses in the Statement of Profit or Loss.

4.37.1 Office administration expense

| | Group | | Bank | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Water and Electricity | 30,217,966 | 31,365,885 | 29,982,873 | 31,365,885 |
| Repair and maintenance: | - | - | - | - |
| a) Building | 1,162,144 | 1,148,983 | 1,116,069 | 1,148,983 |
| b) Vehicle | 3,623,348 | 4,082,995 | 3,586,983 | 4,082,995 |
| c) Computer and accessories | 10,344,028 | 13,837,384 | 10,328,746 | 13,837,384 |
| d) Office Equipment | 6,792,789 | 5,576,843 | 6,744,514 | 5,576,843 |
| e) Other | 2,881,254 | 2,731,948 | 2,877,464 | 2,731,948 |
| Insurance | 7,012,093 | 8,630,660 | 6,944,357 | 8,630,660 |
| Postage, telex, telephone, fax | 9,637,049 | 10,881,950 | 9,522,215 | 10,881,950 |
| Printing and Stationary | 28,235,826 | 33,895,986 | 27,734,215 | 33,895,986 |
| Newspaper, books, Journal | 829,747 | 1,463,767 | 829,747 | 1,463,767 |
| Advertisement | 6,573,702 | 10,465,426 | 6,552,430 | 10,465,426 |
| Donation | - | - | - | - |
| Security Expenses | 107,328,808 | 121,023,955 | 107,328,808 | 121,023,955 |
| Deposit and loan guarantee premium | 41,969,593 | 34,174,686 | 41,969,593 | 34,174,686 |
| Travel allowance and expense | 10,130,722 | 15,231,962 | 10,103,022 | 15,231,962 |
| Entertainment | 2,181,011 | 2,453,703 | 2,181,011 | 2,453,703 |
| Annual/Special general meeting | 1,328,157 | 2,558,863 | 1,251,121 | 2,558,863 |
| Other: | - | - | - | - |
| a) Hiring of Vehicle and Fuel | 17,025,628 | 19,512,755 | 16,826,393 | 19,512,755 |
| b) Miscellaneous expenses | 37,498,081 | 41,387,096 | 37,498,081 | 41,387,096 |
| Total | 324,771,946 | 360,424,847 | 323,377,641 | 360,424,847 |

4.38 Depreciation & Amortisation

| | Group | | Bank | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Depreciation on property and equipment | 185,601,157 | 179,986,552 | 184,340,013 | 178,796,434 |
| Depreciation on investment property | - | - | - | - |
| Amortisation of intangible assets | 2,274,140 | 1,422,525 | 1,959,884 | 1,254,054 |
| Total | 187,875,297 | 181,409,077 | 186,299,897 | 180,050,488 |

4.39 Non operating income

| | Group | | Bank | |
|------------------------------|------------------|-------------------|------------------|-------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Recovery of loan written off | 181,898 | - | 181,898 | - |
| Other income | 9,598,977 | 26,316,723 | 9,598,977 | 27,516,723 |
| Total | 9,780,875 | 26,316,723 | 9,780,875 | 27,516,723 |

4.40 Non operating expense

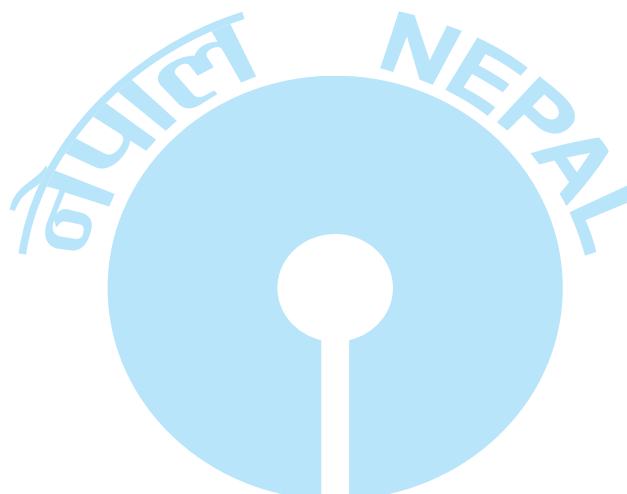
| | Group | | Bank | |
|--------------------------|----------------|------------------|----------------|------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Loan written off | - | 3,327,796 | - | 3,327,796 |
| Redundancy provision | - | - | - | - |
| Expense of restructuring | - | - | - | - |
| Other expense | 640,871 | - | 640,871 | - |
| Total | 640,871 | 3,327,796 | 640,871 | 3,327,796 |

4.41 Income tax expense

| | Group | | Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Current tax expense | | | | |
| Current year | 459,711,564 | 719,781,790 | 450,544,494 | 715,214,981 |
| Adjustments for prior years | 1,426,269 | 5,794,304 | 1,426,269 | 5,794,304 |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | (54,813,679) | (32,725,667) | (54,921,898) | (32,561,888) |
| Changes in tax rate | - | - | - | - |
| Recognition of previously unrecognised tax losses | - | - | - | - |
| Total income tax expense | 406,324,153 | 692,850,428 | 397,048,864 | 688,447,397 |

4.41.1: Reconciliation of tax expense and accounting profit

| | Group | | Bank | |
|---|---------------|---------------|---------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Profit before tax | 1,391,445,636 | 2,246,475,239 | 1,360,528,007 | 2,231,796,168 |
| Tax amount at tax rate of 30% | 417,433,691 | 673,942,572 | 408,158,402 | 669,538,850 |
| Add: Tax effect of expenses that are not deductible for tax purpose | 83,281,250 | 88,747,952 | 83,281,250 | 88,584,864 |
| Less: Tax effect on exempt income | (41,003,378) | (42,908,733) | (40,895,159) | (42,908,733) |
| Add/less: Tax effect on other items | - | - | - | - |
| Total income tax expense | 459,711,563 | 719,781,790 | 450,544,494 | 715,214,981 |
| Effective tax rate | 33% | 32% | 33% | 32% |



Nepal SBI Bank Ltd.

Statement of distributable profit or loss

For the year ended 31 Ashadh 2078

(As per NRB Regulation)

| Particulars | Bank | |
|---|--------------------|----------------------|
| | Current Year | Previous Year |
| Net profit or (loss) as per statement of profit or loss | 963,479,143 | 1,543,348,770 |
| Appropriations: | | |
| a. General reserve | (192,695,829) | (308,669,754) |
| b. Foreign exchange fluctuation fund | (3,226,271) | (4,656,571) |
| c. Capital redemption reserve | (365,347,111) | (140,538,812) |
| d. Corporate social responsibility fund | (9,634,791) | (15,433,488) |
| e. Employees' training fund | - | - |
| f. Other: | | |
| Profit or (loss) before regulatory adjustment | 392,575,142 | 1,074,050,146 |
| Regulatory adjustment : | | |
| a. Interest receivable (-)/previous accrued interest received (+) | 40,064,092 | (96,672,530) |
| 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 (+) | - | - |
| e. Deferred tax assets recognised (-)/ reversal (+) | (64,365,528) | (11,934,237) |
| f. Goodwill recognised (-)/ impairment of Goodwill (+) | - | - |
| g. Bargain purchase gain recognised (-)/reversal (+) | - | - |
| h. Actuarial loss recognised (-)/reversal (+) | (21,112,633) | 23,266,376 |
| i. Other (+/-) (Gain on changes in fair value of Trading assets) | (24,582,049) | (678,539) |
| NFRS adjustment | - | - |
| Distributable profit or (loss) | 322,579,024 | 988,031,214 |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Dhungel),
Managing Partner
S.A.R Associates., Chartered Accountants

Date: 23.11.2021
Place: Kathmandu

Nepal SBI Bank Ltd.

Unaudited Interim Financial Statement of FY2077/78

Condensed Consolidated Statement of Financial Position

As on Ashadh 31, 2078 (15.07.2021)

| Particulars | Group | | Bank | |
|--|-------------------------------------|--|-------------------------------------|--|
| | This Quarter ending Ashadh 31, 2078 | Immediate Previous Year Ending Ashadh 31, 2077 | This Quarter ending Ashadh 31, 2078 | Immediate Previous Year Ending Ashadh 31, 2077 |
| Assets | | | | |
| Cash and cash equivalent | 8,428,279,768 | 15,112,408,814 | 8,426,345,170 | 15,111,519,666 |
| Due from Nepal Rastra Bank | 3,272,981,241 | 7,580,527,039 | 3,272,981,241 | 7,580,527,039 |
| Placement with Bank and Financial Institutions | 41,500,000 | 11,000,000 | - | - |
| Derivative financial instruments | - | - | - | - |
| Other trading assets | 110,766,816 | 57,585,020 | 90,559,068 | 50,977,020 |
| Loan and advances to B/FIs | 4,586,766,483 | 4,819,693,163 | 4,586,766,483 | 4,819,693,163 |
| Loans and advances to customers | 96,830,602,623 | 89,615,499,851 | 96,830,602,623 | 89,615,499,851 |
| Investment securities | 21,246,986,872 | 12,350,069,980 | 21,246,986,872 | 12,350,069,980 |
| Current tax assets | 412,297,250 | 296,490,702 | 408,545,223 | 294,387,897 |
| Investment in subsidiaries | - | - | 188,888,889 | 188,888,889 |
| Investment in associates | - | - | - | - |
| Investment property | - | - | - | - |
| Property and equipment | 877,005,675 | 917,705,204 | 873,429,824 | 913,292,767 |
| Goodwill and Intangible assets | 6,173,141 | 3,668,181 | 5,260,995 | 2,678,280 |
| Deferred tax assets | 390,118,584 | 325,753,055 | 389,987,707 | 325,622,179 |
| Other assets | 1,368,758,785 | 1,149,283,783 | 1,366,274,492 | 1,148,757,240 |
| Total Assets | 137,572,237,238 | 132,239,684,793 | 137,686,628,588 | 132,401,913,971 |
| Liabilities | | | | |
| Due to Bank and Financial Institutions | 6,093,675,000 | 1,865,898,878 | 6,093,675,000 | 1,865,898,878 |
| Due to Nepal Rastra Bank | 4,265,513,428 | - | 4,265,513,428 | - |
| Derivative financial instruments | 20,179,685 | 20,610,248 | 20,179,685 | 20,610,248 |
| Deposits from customers | 106,053,881,963 | 110,236,203,169 | 106,238,466,851 | 110,445,872,817 |
| Borrowing | - | - | - | - |
| Current tax liabilities | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred tax liabilities | - | - | - | - |
| Other liabilities | 2,648,498,613 | 2,263,079,301 | 2,642,535,376 | 2,259,339,137 |
| Debt securities issued | 3,028,699,402 | 3,028,341,567 | 3,028,699,402 | 3,028,341,567 |
| Subordinated liabilities | - | - | - | - |
| Total liabilities | 122,110,448,091 | 117,414,133,162 | 122,289,069,742 | 117,620,062,647 |
| Equity | | | | |
| Share capital | 9,493,577,887 | 8,956,205,554 | 9,493,577,887 | 8,956,205,554 |
| Share premium | - | - | - | - |
| Retained earnings | 959,402,513 | 1,448,149,558 | 906,249,237 | 1,415,526,276 |
| Reserves | 5,008,808,748 | 4,421,196,519 | 4,997,731,723 | 4,410,119,494 |
| Total equity attributable to equity holders | 15,461,789,147 | 14,825,551,630 | 15,397,558,846 | 14,781,851,324 |
| Non-controlling interest | | | - | |
| Total equity | 15,461,789,147 | 14,825,551,630 | 15,397,558,846 | 14,781,851,324 |
| Total liabilities and equity | 137,572,237,238 | 132,239,684,793 | 137,686,628,588 | 132,401,913,971 |

Nepal SBI Bank Ltd.

Unaudited Interim Financial Statement of FY2077/78

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
For the fourth quarter ended Ashadh 31, 2078 (15.07.2021)

| Particulars | Group | | | | Bank | | | |
|---|--------------------|--|--|--|--------------------|--|--|--|
| | Current Year | | Previous Year | | Current Year | | Previous Year | |
| | This Quarter | Up to This Quarter (YTD) Ashadh 31, 2078 | Corresponding Previous Year This Quarter | Up to This Quarter (YTD) Ashadh 31, 2077 | This Quarter | Up to This Quarter (YTD) Ashadh 31, 2078 | Corresponding Previous Year This Quarter | Up to This Quarter (YTD) Ashadh 31, 2077 |
| Interest income | 2,373,434,073 | 9,002,743,330 | 2,862,707,627 | 11,429,571,364 | 2,372,831,473 | 9,000,719,839 | 2,862,316,766 | 11,428,379,246 |
| Interest expense | 1,460,465,749 | 6,117,556,524 | 1,952,644,280 | 7,364,245,617 | 1,464,471,053 | 6,134,546,892 | 1,957,606,833 | 7,383,776,484 |
| Net interest income | 912,968,324 | 2,885,186,806 | 910,063,346 | 4,065,325,748 | 908,360,420 | 2,866,172,946 | 904,709,934 | 4,044,602,762 |
| Fee and commission income | 278,164,979 | 1,095,790,956 | 170,472,821 | 891,080,374 | 278,667,927 | 1,078,284,129 | 167,379,771 | 884,594,665 |
| Fee and commission expense | 8,990,196 | 81,516,439 | 9,159,005 | 100,153,780 | 9,432,296 | 84,280,247 | 5,951,270 | 100,153,780 |
| Net fee and commission income | 269,174,783 | 1,014,274,516 | 161,313,816 | 790,926,595 | 269,235,632 | 994,003,882 | 161,428,501 | 784,440,886 |
| Net interest, fee and commission income | 1,182,143,107 | 3,899,461,322 | 1,071,377,162 | 4,856,252,342 | 1,177,596,052 | 3,860,176,828 | 1,066,138,435 | 4,829,043,648 |
| Net trading income | 85,243,487 | 348,801,101 | 55,703,166 | 269,861,509 | 85,210,821 | 343,699,217 | 55,495,158 | 269,771,501 |
| Other operating income | 2,915,932 | 20,241,182 | 5,984,813 | 31,552,842 | 3,103,192 | 20,241,182 | 5,984,813 | 31,552,842 |
| Total operating income | 1,270,302,526 | 4,268,503,605 | 1,133,065,141 | 5,157,666,693 | 1,265,910,066 | 4,224,117,227 | 1,127,618,405 | 5,130,367,991 |
| Impairment charge/(reversal) for loans and other losses | 406,695,735 | 372,722,175 | 177,034,786 | 272,339,764 | 406,695,735 | 372,722,175 | 177,034,786 | 272,339,764 |
| Net operating income | 863,606,791 | 3,895,781,431 | 956,030,355 | 4,885,326,929 | 859,214,331 | 3,851,395,052 | 950,583,619 | 4,858,028,226 |
| Operating expense | | | | | | | | |
| Personnel expenses | 465,878,111 | 1,574,842,747 | 492,188,650 | 1,682,883,709 | 464,380,693 | 1,566,943,908 | 490,450,540 | 1,677,340,196 |
| Other operating expenses | 238,032,412 | 746,490,361 | 247,835,722 | 797,547,830 | 237,293,707 | 740,906,786 | 247,854,257 | 793,030,301 |
| Depreciation & amortisation | 53,210,179 | 187,875,297 | 54,417,840 | 181,409,077 | 52,811,005 | 186,299,897 | 53,823,165 | 180,050,488 |
| Operating Profit | 106,486,090 | 1,386,573,025 | 161,588,144 | 2,223,486,313 | 104,728,926 | 1,357,244,461 | 158,455,657 | 2,207,607,242 |
| Non operating income | 5,950,271 | 9,780,875 | 10,176,216 | 26,316,723 | 5,050,271 | 9,780,875 | 10,476,216 | 27,516,723 |
| Non operating expense | 7,540,871 | 7,540,871 | - | 3,327,796 | 7,540,871 | 7,540,871 | - | 3,327,796 |
| Profit before income tax | 104,895,490 | 1,388,813,030 | 171,764,360 | 2,246,475,239 | 102,238,326 | 1,359,484,465 | 168,931,873 | 2,231,796,168 |
| Income tax expense | | | | | | | | |
| Current Tax | 75,642,023 | 462,243,553 | 97,388,477 | 725,576,094 | 74,844,873 | 453,444,983 | 96,355,693 | 721,009,285 |
| Deferred Tax Income (Expenses) | 54,921,898 | 54,921,898 | 32,725,667 | 32,725,667 | 54,921,898 | 54,921,898 | 32,561,888 | 32,561,888 |
| Profit/(loss) for the period | 84,175,365 | 981,491,374 | 107,101,550 | 1,553,624,811 | 82,315,351 | 960,961,379 | 105,138,068 | 1,543,348,770 |
| Earnings per share: | | | | | | | | |
| Basic earnings per share (Annualised) | - | 10.34 | - | 16.37 | - | 10.12 | - | 16.26 |
| Diluted earnings per share (Annualised) | - | 10.34 | - | 16.37 | - | 10.12 | - | 16.26 |
| Condensed Consolidated Statement of Comprehensive Income | | | | | | | | |
| Profit/(loss) for the period | 84,175,365 | 981,491,374 | 107,101,550 | 1,553,624,811 | 82,315,351 | 960,961,379 | 105,138,068 | 1,543,348,770 |
| Other Comprehensive Income/ (Expenses) | 3,394,059 | (22,035,137) | 45,707,719 | 48,131,185 | 3,394,059 | (22,035,137) | 45,707,719 | 48,131,185 |
| Total comprehensive Income | 87,569,424 | 959,456,237 | 152,809,269 | 1,601,755,996 | 85,709,410 | 938,926,243 | 150,845,787 | 1,591,479,955 |

| Ratios as per NRB Directives | Up to This Quarter (YTD) Ashadh 31, 2078 | | Up to This Quarter (YTD) Ashadh 31, 2077 | |
|---|--|---------|--|---------|
| | Group | Group | Bank | Bank |
| Capital fund to RWA | 13.93% | 15.55% | 13.93% | 15.55% |
| Non-Performing loan (NPL) to total loan | 0.23% | 0.23% | 0.23% | 0.23% |
| Total loan loss provision to Total NPL | 742.70% | 647.16% | 742.70% | 647.16% |
| Cost of Funds | 5.27% | 6.85% | 5.27% | 6.85% |
| Credit to Deposit Ratio (as per NRB) | 74.86% | 63.20% | 74.86% | 63.20% |
| Base Rate | 7.37% | 9.25% | 7.37% | 9.25% |
| Interest Rate Spread | 3.18% | 3.87% | 3.18% | 3.87% |

Nepal SBI Bank Ltd.

Comparison of Unaudited and Audited Financial Statement as of FY Ashadh end 2078

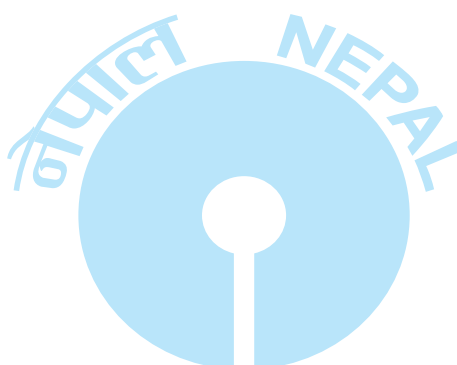
At the month end of Ashadh 2078

NPR in Crore

| 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 | 842.63 | 842.63 | - | | |
| Due from Nepal Rastra Bank | 327.30 | 327.30 | - | | |
| Placement with Bank and Financial Institutions | - | - | - | | |
| Derivative financial instruments | - | - | - | | |
| Other trading assets | 9.06 | 9.06 | - | | |
| Loan and advances to B/FIs | 458.68 | 458.68 | - | | |
| Loans and advances to customers | 9,683.06 | 9,695.13 | 12.07 | 0.1% | The reclassification of loan processing fees on term loan from loan and advances to unearned income as instructed by the NRB. |
| Investment securities | 2,124.70 | 2,124.70 | - | | |
| Current tax assets | 40.85 | 41.00 | 0.15 | 0.4% | Due to reassessment of tax. |
| Investment in subsidiaries | 18.89 | 18.89 | - | | |
| Investment in associates | - | - | - | | |
| Investment property | - | - | - | | |
| Property and equipment | 87.34 | 87.34 | - | | |
| Goodwill and Intangible assets | 0.53 | 0.53 | - | | |
| Deferred tax assets | 39.00 | 39.00 | - | | |
| Other assets | 136.63 | 136.63 | - | | |
| Total Assets | 13,768.66 | 13,780.88 | | | |
| Liabilities | | | | | |
| Due to Bank and Financial Institutions | 609.37 | 609.37 | - | | |
| Due to Nepal Rastra Bank | 426.55 | 426.55 | - | | |
| Derivative financial instruments | 2.02 | 2.02 | - | | |
| Deposits from customers | 10,623.85 | 10,623.85 | - | | |
| Borrowing | - | - | - | | |
| Current tax liabilities | - | - | - | | |
| Provisions | - | - | - | | |
| Deferred tax liabilities | - | - | - | | |
| Other liabilities | 264.25 | 276.22 | 11.96 | 4.5% | The reclassification of loan processing fees on term loan from loan and advances to unearned income as instructed by the NRB. |
| Debt securities issued | 302.87 | 302.87 | - | | |
| Subordinated liabilities | - | - | - | | |
| Total liabilities | 12,228.91 | 12,240.87 | | | |
| Equity | | | | | |
| Share capital | 949.36 | 949.36 | - | | |
| Share premium | - | - | - | | |
| Retained earnings | 90.62 | 88.96 | (1.66) | -1.8% | Change in Profit and additional amount transferred to regulatory reserve |
| Reserves | 499.77 | 501.69 | 1.91 | 0.4% | Additional amount transferred to regulatory reserve as instructed by the NRB. |
| Total equity attributable to equity holders | 1,539.76 | 1,540.01 | | | |
| Non-controlling interest | - | - | | | |
| Total equity | 1,539.76 | 1,540.01 | | | |
| Total liabilities and equity | 13,768.66 | 13,780.88 | | | |

NPR in Crore

| Statement of Profit or Loss | As per Unaudited Financial Statement | As per Audited Financial Statement | Variance | | Reasons for Variance |
|---|--------------------------------------|------------------------------------|-----------|--------|--|
| | | | In amount | In % | |
| Interest income | 900.07 | 900.19 | 0.12 | 0.01% | Overdue Interest income on pass category loan. |
| Interest expense | 613.45 | 613.45 | - | | |
| Net interest income | 286.62 | 286.73 | | | |
| Fee and commission income | 107.83 | 107.83 | - | | |
| Fee and commission expense | 8.43 | 8.43 | - | | |
| Net fee and commission income | 99.40 | 99.40 | | | |
| Net interest, fee and commission income | 386.02 | 386.13 | | | |
| Net trading income | 34.37 | 34.37 | - | | |
| Other operating income | 2.02 | 2.02 | - | | |
| Total operating income | 422.41 | 422.53 | | | |
| Impairment charge/(reversal) for loans and other losses | 37.27 | 37.96 | 0.69 | 1.85% | Reclassification of Provision on NBA from Non-operating expenses to Impairment Expenses. |
| Net operating income | 385.14 | 384.57 | | | |
| Operating expense | | | | | |
| Personnel expenses | 156.69 | 156.71 | 0.01 | 0.01% | Change in Staff bouns due to change in profit before tax. |
| Other operating expenses | 74.09 | 74.09 | - | | |
| Depreciation & amortisation | 18.63 | 18.63 | - | | |
| Operating Profit | 135.72 | 135.14 | | | |
| Non operating income | 0.98 | 0.98 | - | | |
| Non operating expense | 0.75 | 0.06 | (0.69) | -92% | Reclassification of Provision on NBA from Non-operating expenses to Impairment Expenses. |
| Profit before income tax | 135.95 | 136.05 | | | |
| Income tax expense | 39.85 | 39.70 | | | |
| Current Tax | 45.34 | 45.20 | (0.15) | -0.33% | Change in tax assessment |
| Deferred Tax | (5.49) | (5.49) | - | | |
| Profit for the Year | 96.10 | 96.35 | | | |
| Other Comprehensive Income | (2.20) | (2.20) | - | | |
| Total Comprehensive Income | 93.89 | 94.14 | | | |

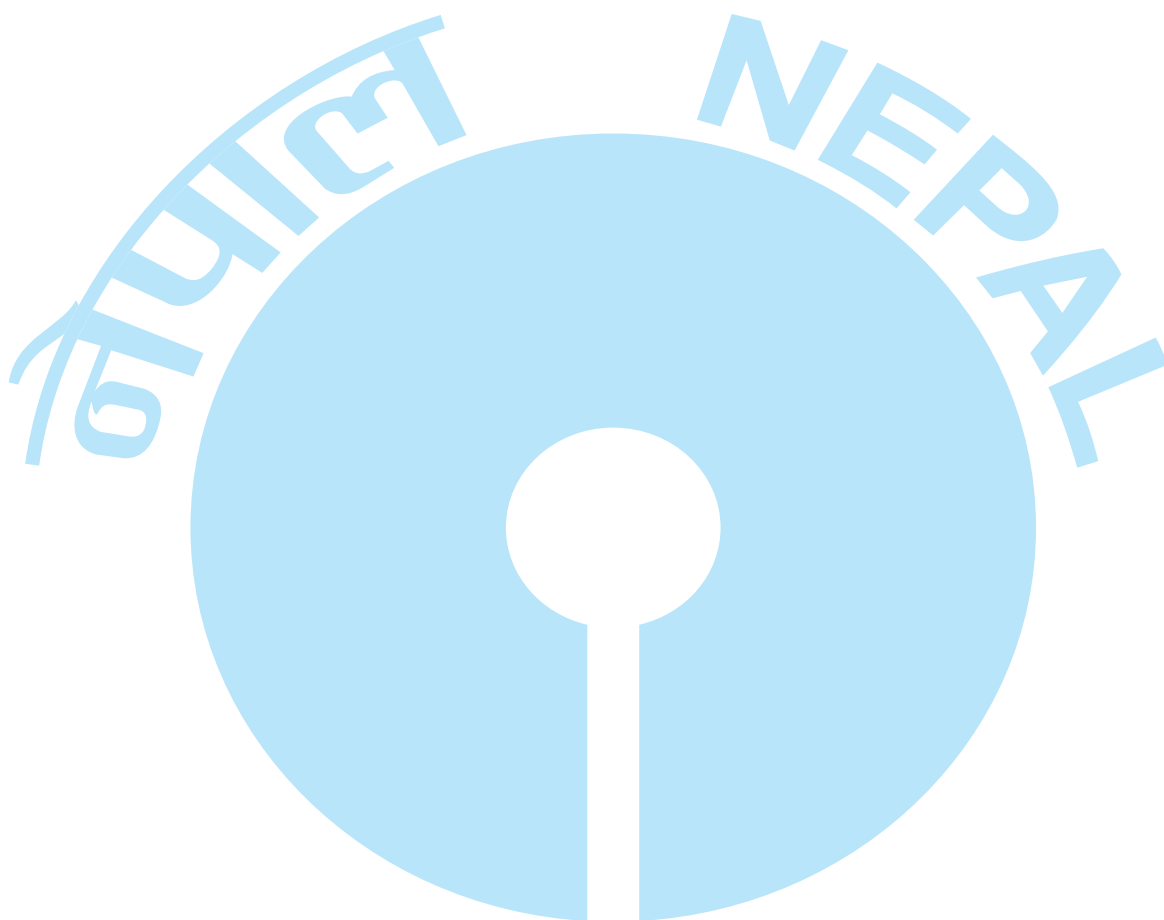


Nepal SBI Bank Ltd.

FORM NO. 1 CAPITAL ADEQUACY TABLE

At the month end of Ashadh 2078

| Particulars | | Current Year | Previous Year |
|--------------------------|--|-----------------|-----------------|
| a | Common Equity Tier 1 Capital | 14,426,238,120 | 13,859,309,170 |
| b | Tier 1 Capital | 14,426,238,120 | 13,859,309,170 |
| c | Tier 2 Capital | 3,710,132,045 | 3,534,388,502 |
| d | Total Capital | 18,136,370,165 | 17,393,697,673 |
| e | Risk Weighted Exposures | 130,888,891,296 | 111,826,323,256 |
| Regulatory Ratios | | | |
| a | Leverage Ratio (Regulatory Requirement $\geq 4\%$) | 7.00 | 7.88 |
| b | Common Equity Tier 1 to Risk Weighted Exposure Ratio | 11.02 | 12.39 |
| c | Tier 1 to Risk Weighted Exposure Ratio | 11.02 | 12.39 |
| d | Total Capital to Risk Weighted Exposure Ratio | 13.86 | 15.55 |



Nepal SBI Bank Ltd.

FORM NO. 1A CAPITAL ADEQUACY TABLE

At the month end of Ashadh 2078

| 1.1 | RISK WEIGHTED EXPOSURES | Current Year | Previous Year |
|-----|--|------------------------|------------------------|
| a | Risk Weighted Exposure for Credit Risk | 118,190,007,870 | 100,269,239,648 |
| b | Risk Weighted Exposure for Operational Risk | 7,550,007,008 | 7,052,591,669 |
| c | Risk Weighted Exposure for Market Risk | 1,649,282,369 | 1,231,920,341 |
| | Total Risk Weighted Exposures (a+b+c) | 127,389,297,246 | 108,553,751,658 |
| | Adjustments Under Pillar II | | |
| | Add RWE equivalent to reciprocal of capital charge of 2 % of gross income. | 951,808,105 | 1,101,496,565 |
| | Add: 2% of the total RWE as Supervisor is not satisfied with the overall risk Management Policies and Procedures (6.4 a 9) | 2,547,785,945 | 2,171,075,033 |
| | Add: .% of the total deposit due to insufficient Liquid Assets (6.4 a 6) | - | - |
| | Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II) | 130,888,891,296 | 111,826,323,256 |
| 1.2 | CAPITAL | Current Year | Previous Year |
| | Core Capital (Tier 1) | 14,426,238,120 | 13,859,309,170 |
| a | Paid up Equity Share Capital | 9,493,577,887 | 8,956,205,554 |
| b | Irredeemable Non-cumulative preference shares | - | - |
| c | Share Premium | - | - |
| d | Proposed Bonus Equity Shares | - | - |
| e | Statutory General Reserves | 3,059,377,171 | 2,866,681,342 |
| f | Retained Earnings | | |
| g | Unaudited current year cumulative profit | 889,622,669 | 1,415,526,276 |
| h | Capital Redemption Reserve | | |
| l | Capital Adjustment Reserve | 12,463,167 | 12,463,167 |
| j | Dividend Equalization Reserves | - | - |
| k1 | Other free Reserves - Debenture Redemption Reserve | 1,165,347,111 | 800,000,000 |
| k2 | Other free Reserves - Deferred Tax Reserve | - | - |
| l | Less: Goodwill(software in our case) | (5,260,995) | (2,678,280) |
| m | Less: Deferred Tax Assets | - | - |
| n | Less: Fictitious Assets | | |
| o | Less: Investment in equity in licensed Financial Institutions | | |
| p | Less: Investment in equity of institutions with financial interests | (188,888,889) | (188,888,889) |
| q | Less: Investment in equity of institutions in excess of limits | | |
| r | Less: Investments arising out of underwriting commitments | | |
| s | Less: Purchase of land & building in excess of limit and unutilized | | |
| t | Less: Other Deductions | | |
| | Adjustments Under Pillar II | | |
| | Less: Shortfall in Provision (6.4 a 1) | | |
| | Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2) | | |
| | Supplementary Capital (Tier 2) | 3,710,132,045 | 3,534,388,502 |
| a | Cumulative and/or Redeemable Preference Share | - | - |
| b | Subordinated Term Debt | 2,193,888,000 | 2,393,888,000 |
| c | Hybrid Capital Instruments | - | - |
| d | General loan loss provision | 1,477,375,098 | 1,104,857,826 |
| e | Investment Adjustment Reserve | - | - |
| f | Assets Revaluation Reserve | - | - |
| g | Exchange Equalization Reserve | 38,868,947 | 35,642,676 |
| h | Other Reserves | | |
| | Total Capital Fund (Tier I and Tier II) | 18,136,370,165 | 17,393,697,673 |
| 1.3 | CAPITAL ADEQUACY RATIOS | Current Year | Previous Year |
| | Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) | 11.02% | 12.39% |
| | Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) | 13.86% | 15.55% |

Nepal SBI Bank Ltd.

FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

At the month end of Ashadh 2078

| A. Balance Sheet Exposures | Ref | Book Value | Specific Provision | Eligible CRM | Net Value | Risk Weight | Risk Weighted Exposures |
|---|------|----------------|--------------------|--------------|----------------|-------------|-------------------------|
| | | a | b | c | d=a-b-c | e | f=d * e |
| Cash Balance | | 1,910,254,794 | | | 1,910,254,794 | 0% | - |
| Balance With Nepal Rastra Bank | | 3,274,075,250 | | | 3,274,075,250 | 0% | - |
| Gold | | | | | - | 0% | - |
| Investment in Nepalese Government Securities | | 20,911,508,000 | | | 20,911,508,000 | 0% | - |
| All Claims on Government of Nepal | | 156,086,186 | | | 156,086,186 | 0% | - |
| Investment in Nepal Rastra Bank securities | | | | | - | 0% | - |
| All claims on Nepal Rastra Bank | | 26,333,155 | | | 26,333,155 | 0% | - |
| Claims on Foreign Government and Central Bank (ECA 0-1) | | | | | - | 0% | - |
| Claims on Foreign Government and Central Bank (ECA -2) | | | | - | - | 20% | - |
| Claims on Foreign Government and Central Bank (ECA -3) | | | | - | - | 50% | - |
| Claims on Foreign Government and Central Bank (ECA-4-6) | | | | - | - | 100% | - |
| Claims on Foreign Government and Central Bank (ECA -7) | | | | - | - | 150% | - |
| Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework | | | | | - | 0% | - |
| Claims on Other Multilateral Development Banks | | | | - | - | 100% | - |
| Claims on Domestic Public Sector Entities | | | | | | 100% | - |
| Claims on Public Sector Entity (ECA 0-1) | | | | - | - | 20% | - |
| Claims on Public Sector Entity (ECA 2) | | | | - | - | 50% | - |
| Claims on Public Sector Entity (ECA 3-6) | | | | - | - | 100% | - |
| Claims on Public Sector Entity (ECA 7) | | | | - | - | 150% | - |
| Claims on domestic banks that meet capital adequacy requirements | | 6,302,342,764 | | - | 6,302,342,764 | 20% | 1,260,468,553 |
| Claims on domestic banks that do not meet capital adequacy requirements | | - | | - | - | 100% | - |
| Claims on foreign bank (ECA Rating 0-1) | | 322,431,771 | | - | 322,431,771 | 20% | 64,486,354 |
| Claims on foreign bank (ECA Rating 2) | | 15,538,980 | | - | 15,538,980 | 50% | 7,769,490 |
| Claims on foreign bank (ECA Rating 3-6) | | | | - | - | 100% | - |
| Claims on foreign bank (ECA Rating 7) | | | | - | - | 150% | - |
| Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement | | 4,522,412,771 | | - | 4,522,412,771 | 20% | 904,482,554 |
| Claims on Domestic Corporates (Credit rating score equivalent to AAA) | loan | - | | | - | 80% | - |
| Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-) | loan | - | | | - | 85% | - |
| Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-) | loan | - | | | - | 90% | - |
| Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below) | loan | 7,762,062,064 | | 443,412,412 | 7,318,649,652 | 100% | 7,318,649,652 |
| Claims on Domestic Corporates (Unrated) | loan | 61,662,632,226 | | 289,060,626 | 61,373,571,600 | 100% | 61,373,571,600 |
| Claims on Foreign Corporates (ECA 0-1) | | - | | - | - | 20% | - |
| Claims on Foreign Corporates (ECA 2) | | | | - | - | 50% | - |
| Claims on Foreign Corporates (ECA 3-6) | | | | - | - | 100% | - |
| Claims on Foreign Corporates (ECA 7) | | | | - | - | 150% | - |
| Regulatory Retail Portfolio (Not Overdue) | | 21,909,906,119 | - | 4,556,501 | 21,905,349,617 | 75% | 16,429,012,213 |
| Claims Fulfilling all criterion of regulatory retail except granularity | | - | | - | - | 100% | - |
| Claims secured by residential properties | | 2,537,313,561 | - | - | 2,537,313,561 | 60% | 1,522,388,136 |
| Claims not fully secured by residential properties | | - | - | - | - | 150% | - |
| Claims secured by residential properties (Overdue) | | 66,303,306 | 53,547,246 | - | 12,756,060 | 100% | 12,756,060 |
| Claims secured by Commercial real estate | | 849,263,862 | - | - | 849,263,862 | 100% | 849,263,862 |
| Past due claims (except for claim secured by residential properties) | | 221,898,715 | 183,541,189 | - | 38,357,527 | 150% | 57,536,290 |
| High Risk Claims | | 1,765,689,300 | - | 114,718,981 | 1,650,970,319 | 150% | 2,476,455,479 |
| Lending against securities (bonds & shares) | | - | | | | 100% | - |
| Investments in equity and other capital instruments of institutions listed in the stock exchange | | 239,478,546 | | - | 239,478,546 | 100% | 239,478,546 |
| Investments in equity and other capital instruments of institutions not listed in the stock exchange | | 22,243,063 | | - | 22,243,063 | 150% | 33,364,595 |

| | | | | | | |
|---|------------------------|----------------------|--------------------|------------------------|------|-----------------------|
| Staff loan secured by residential property | 1,772,187,149 | | | 1,772,187,149 | 50% | 886,093,574 |
| Interest Receivable / Claim on Govt. Securities | 162,428,534 | | | 162,428,534 | 0% | - |
| Cash in Transit and other cash Items in the process of collection | 80,038 | 80,038 | - | - | 20% | - |
| Other Assets (as per attachment) | 5,456,827,802 | 1,557,998,444 | - | 3,898,829,359 | 100% | 3,898,829,359 |
| TOTAL | 141,869,297,955 | 1,795,166,916 | 851,748,520 | 139,222,382,519 | | 97,334,606,318 |

| B. Off Balance Sheet Exposures | Gross Book Value | Specific Provision | Eligible CRM | Net Value | Risk Weight | Risk Weighted Exposures |
|---|-------------------------|---------------------------|----------------------|------------------------|--------------------|--------------------------------|
| | a | b | c | d=a-b-c | e | f=d*e |
| Revocable Commitments | | | | - | 0% | - |
| Bills Under Collection | 423,422,838 | | | 423,422,838 | 0% | - |
| Forward Foreign Exchange Contract Liabilities | - | | | - | 10% | - |
| LC Commitments With Original Maturity Up to 6 months Domestic Counterparty | 12,045,840,891 | | 388,487,010 | 11,657,353,882 | 20% | 2,331,470,776 |
| Foreign Counterparty (ECA Rating 0-1) | | | - | - | 20% | - |
| Foreign Counterparty (ECA Rating 2) | | | - | - | 50% | - |
| Foreign Counterparty (ECA Rating 3-6) | | | - | - | 100% | - |
| Foreign Counterparty (ECA Rating 7) | | | - | - | 150% | - |
| LC Commitments With Original Maturity Over 6 months Domestic Counterparty | 1,440,311,947 | | 27,695,531 | 1,412,616,416 | 50% | 706,308,208 |
| Foreign Counterparty (ECA Rating 0-1) | | | - | - | 20% | - |
| Foreign Counterparty (ECA Rating 2) | | | - | - | 50% | - |
| Foreign Counterparty (ECA Rating 3-6) | | | - | - | 100% | - |
| Foreign Counterparty (ECA Rating 7) | | | - | - | 150% | - |
| Bid Bond, Performance Bond and Counter guarantee Domestic Counterparty | 3,690,108,002 | | 298,963,853 | 3,391,144,149 | 40% | 1,356,457,660 |
| Foreign Counterparty (ECA Rating 0-1) | - | | - | - | 20% | - |
| Foreign Counterparty (ECA Rating 2) | - | | - | - | 50% | - |
| Foreign Counterparty (ECA Rating 3-6) | - | | - | - | 100% | - |
| Foreign Counterparty (ECA Rating 7) | - | | - | - | 150% | - |
| Underwriting commitments | | | - | - | 50% | - |
| Lending of Bank's Securities or Posting of Securities as collateral | | | - | - | 100% | - |
| Repurchase Agreements, Assets sale with recourse | | | - | - | 100% | - |
| Advance Payment Guarantee | 115,103,784 | | 6,329,000 | 108,774,784 | 100% | 108,774,784 |
| Financial Guarantee | 12,601,500 | | 1,287,000 | 11,314,500 | 100% | 11,314,500 |
| Acceptances and Endorsements | 1,720,194,677 | | 1,027,135 | 1,719,167,542 | 100% | 1,719,167,542 |
| Unpaid portion of Partly paid shares and Securities | - | | - | - | 100% | - |
| Irrevocable Credit commitments (Short Term) | 21,090,857,872 | | 295,753,982 | 20,795,103,890 | 20% | 4,159,020,778 |
| Irrevocable Credit commitments (Long Term) | 14,761,582,929 | | - | 14,761,582,929 | 50% | 7,380,791,465 |
| Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement | 9,616,585,940 | | - | 9,616,585,940 | 20% | 1,923,317,188 |
| Other Contingent Liabilities | 1,158,472,652 | | - | 1,158,472,652 | 100% | 1,158,472,652 |
| Unpaid Guarantee Claims | 170,000 | | 17,000 | 153,000 | 200% | 306,000 |
| TOTAL | 66,075,253,033 | | 1,019,560,511 | 65,055,692,522 | | 20,855,401,552 |
| Total RWE for credit Risk Before Adjustment (A) +(B) | 207,944,550,988 | 1,795,166,916 | 1,871,309,031 | 204,278,075,041 | | 118,190,007,870 |
| Adjustments under Pillar II | | | | | | |
| Add: 10% of the loan and facilities in excess of Single Obligor Limits (6.4 a 3) | | | | | | |
| Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4) | | | | | | |
| Total RWE for Credit Risk (After bank's Adjustments of Pillar II) | | | | | | |

Nepal SBI Bank Ltd.

FORM NO.3 ELIGIBLE CREDIT RISK MITIGANTS

At the month end of Ashadh 2078

| Credit Exposures | Deposits with Bank | Deposits with other banks/Fl | Gold | Govt. & NRB Securities | G'tee of Govt. of Nepal | Sec/G'tee of other Sovereigns | G'tee of domestic banks | G'tee of MDBs | Sec/G'tee of Foreign Banks | Total |
|---|--------------------|------------------------------|----------|------------------------|-------------------------|-------------------------------|-------------------------|---------------|----------------------------|--------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | |
| Balance Sheet Exposures | | | | | | | | | | |
| Claims on Foreign Government and Central Bank (ECA -2) | | | | | | | | | | - |
| Claims on Foreign Government and Central Bank (ECA -3) | | | | | | | | | | - |
| Claims on Foreign Government and Central Bank (ECA-4-6) | | | | | | | | | | - |
| Claims on Foreign Government and Central Bank (ECA -7) | | | | | | | | | | - |
| Claims on Other Multilateral Development Banks | | | | | | | | | | - |
| Claims on Domestic Public Sector Entities | | | | | | | | | | - |
| Claims on Public Sector Entity (ECA 0-1) | | | | | | | | | | - |
| Claims on Public Sector Entity (ECA 2) | | | | | | | | | | - |
| Claims on Public Sector Entity (ECA 3-6) | | | | | | | | | | - |
| Claims on Public Sector Entity (ECA 7) | | | | | | | | | | - |
| Claims on domestic banks that meet capital adequacy requirements | | | | | | | | | | - |
| Claims on domestic banks that do not meet capital adequacy requirements | | | | | | | | | | - |
| Claims on foreign bank (ECA Rating 0-1) | | | | | | | | | | - |
| Claims on foreign bank (ECA Rating 2) | | | | | | | | | | - |
| Claims on foreign bank (ECA Rating 3-6) | | | | | | | | | | - |
| Claims on foreign bank (ECA Rating 7) | | | | | | | | | | - |
| Claims on foreign bank incorporated in SAARC region and China operating with a buffer of 1% above their respective regulatory capital requirement | | | | | | | | | | - |
| Claims on Domestic Corporates | | | | | | | | | | - |
| Claims on Domestic Corporates (Credit rating score equivalent to AAA) | | | | | | | | | | - |
| Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-) | | | | | | | | | | - |
| Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-) | | | | | | | | | | - |
| Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below) | 443,412,412 | | | | | | | | | 443,412,412 |
| Claims on Domestic Corporates (Unrated) | 289,060,625 | | | | | | | | | 289,060,625 |
| Claims on Foreign Corporates (ECA 0-1) | | | | | | | | | | - |
| Claims on Foreign Corporates (ECA 2) | | | | | | | | | | - |
| Claims on Foreign Corporates (ECA 3-6) | | | | | | | | | | - |
| Claims on Foreign Corporates (ECA 7) | | | | | | | | | | - |
| Regulatory Retail Portfolio (Not Overdue) | 4,556,501 | | | | | | | | | 4,556,501 |
| Claims Fulfilling all criterion of regulatory retail except granularity | | | | | | | | | | - |
| Claims secured by residential properties | | | | | | | | | | - |
| Claims not fully secured by residential properties | | | | | | | | | | - |
| Claims secured by residential properties (Overdue) | | | | | | | | | | - |
| Claims secured by Commercial real estate | | | | | | | | | | - |
| Past due claims (except for claim secured by residential properties) | | | | | | | | | | - |
| High Risk Claims | 114,718,981 | | | | | | | | | 114,718,981 |
| Lending against securities (bonds & shares) | | | | | | | | | | - |
| Investments in equity and other capital instruments of institutions listed in the stock exchange | | | | | | | | | | - |
| Investments in equity and other capital instruments of institutions not listed in the stock exchange | | | | | | | | | | - |
| Other Assets (as per attachment) | | | | | | | | | | - |
| Total | 851,748,520 | - | - | - | - | - | - | - | - | 851,748,520 |

| Credit Exposures | Deposits with Bank | Deposits with other banks/FI | Gold | Govt. & NRB Securities | G'tee of Govt. of Nepal | Sec/G'tee of other Sovereigns | G'tee of domestic banks | G'tee of MDBs | Sec/G'tee of Foreign Banks | Total |
|---|----------------------|------------------------------|------|------------------------|-------------------------|-------------------------------|-------------------------|---------------|----------------------------|----------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | |
| Off Balance Sheet Exposures | | | | | | | | | | |
| Forward Foreign Exchange Contract | | | | | | | | | | - |
| LC Commitments With Original Maturity Up to 6 months (domestic) | 388,487,010 | | | | | | | | | 388,487,010 |
| ECA Rating 0-1 | | | | | | | | | | - |
| ECA Rating 2 | | | | | | | | | | - |
| ECA Rating 3-6 | | | | | | | | | | - |
| ECA Rating 7 | | | | | | | | | | - |
| LC Commitments With Original Maturity Over 6 months (domestic) | 27,695,531 | | | | | | | | | 27,695,531 |
| ECA Rating 0-1 | | | | | | | | | | - |
| ECA Rating 2 | | | | | | | | | | - |
| ECA Rating 3-6 | | | | | | | | | | - |
| ECA Rating 7 | | | | | | | | | | - |
| Bid Bond, Performance Bond and Counter Guarantee Domestic Counterparty | 273,363,853 | | | | | | | | 25,600,000 | 298,963,853 |
| ECA Rating 0-1 | | | | | | | | | | - |
| ECA Rating 2 | | | | | | | | | | - |
| ECA Rating 3-6 | | | | | | | | | | - |
| ECA Rating 7 | | | | | | | | | | - |
| Underwriting commitments | | | | | | | | | | - |
| Lending of Bank's Securities or Posting of Securities as collateral | | | | | | | | | | - |
| Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo) | | | | | | | | | | - |
| Advance Payment Guarantee | 6,329,000 | | | | | | | | | 6,329,000 |
| Financial Guarantee | 1,287,000 | | | | | | | | | 1,287,000 |
| Acceptances and Endorsements | 1,027,135 | | | | | | | | | 1,027,135 |
| Unpaid portion of Partly paid shares and Securities | | | | | | | | | | - |
| Irrevocable Credit commitments (Short Term) | 295,753,982 | | | | | | | | | 295,753,982 |
| Irrevocable Credit commitments (Long Term) | | | | | | | | | | - |
| Other Contingent Liabilities | | | | | | | | | | |
| Unpaid Guarantee Claims | 17,000 | | | | | | | | | 17,000 |
| Subtotal | 993,960,511 | - | - | - | - | - | - | - | 25,600,000 | 1,019,560,511 |
| Total | 1,845,709,031 | - | - | - | - | - | - | - | 25,600,000 | 1,871,309,031 |

Nepal SBI Bank Ltd.

FORM NO.5 OTHER ASSETS

At the month end of Ashadh 2078

| S.No. | Assets | Gross Amount | Specific Provision | Net Balance |
|--------------|---|----------------------|----------------------|----------------------|
| 1 | Fixed Assets | 2,215,859,367 | 1,337,168,548 | 878,690,819 |
| 2 | Interest Receivable on Other Investment | 543,911 | - | 543,911 |
| 3 | Interest Receivable on Loan | 275,180,321 | 190,961,631 | 84,218,689 |
| 4 | Non Banking Assets | - | - | - |
| 5 | Reconciliation Account | - | - | - |
| 6 | Draft Paid Without Notice | 22,359,375 | 22,359,375 | - |
| 7 | Sundry Debtors | 1,423,108,967 | - | 1,423,108,967 |
| 8 | Advance payment and Deposits | 27,126,165 | - | 27,126,165 |
| 9 | Staff Loan & Advance | 604,352,338 | - | 604,352,338 |
| 10 | Stationery | 9,613,085 | - | 9,613,085 |
| 11 | Other | 871,784,274 | 608,890 | 871,175,385 |
| TOTAL | | 5,456,827,802 | 1,557,998,444 | 3,898,829,359 |

Nepal SBI Bank Ltd.

FORM NO.6 RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

At the month end of Ashadh 2078

| Particulars | Year 1 (2074/75) | Year 2 (2075/76) | Year 3 (2076/77) |
|--|----------------------|----------------------|----------------------|
| Net Interest Income | 4,144,967,628 | 4,705,083,386 | 4,044,602,762 |
| Commission and Discount Income | 912,860,285 | 993,635,660 | 884,594,665 |
| Other Operating Income | 8,519,921 | 7,333,754 | 13,512,082 |
| Exchange Fluctuation Income | 270,480,890 | 318,228,661 | 287,812,261 |
| Addition / Deduction Interest Suspense during the period | 10,477,996 | 4,620,279 | 4,946,355 |
| Gross income (a) | 5,347,306,720 | 6,028,901,739 | 5,235,468,125 |
| Alfa (b) | 15% | 15% | 15% |
| Fixed Percentage of Gross Income [c=(a×b)] | 802,096,008 | 904,335,261 | 785,320,219 |
| Capital Requirement for operational risk (d) (average of c) | 830,583,829 | | |
| Risk Weight (reciprocal of capital requirement of 11%) in times (e) | 9.09 | | |
| Equivalent Risk Weight Exposure [f=(d×e)] | 7,550,007,008 | | |
| PILLAR-II ADJUSTMENTS | | | |
| If Gross Income for all the last three years is negative (6.4 a 8) | | | |
| Total Credit and Investment (net of Specific Provision) | | | |
| Capital Requirement for operational risk (5%) | | | |
| Risk Weight (reciprocal of capital requirement of 11%) in times | 9.09 | | |
| Equivalent Risk Weight Exposure [g] | | | |
| Equivalent Risk Weight Exposure [h=f+g] | | | |

Nepal SBI Bank Ltd.

FORM NO.7 RISK WEIGHTED EXPOSURE FOR MARKET RISK

At the month end of Ashadh 2078

| S. No. | Currency | Open Position (FCY) | Rate | Open Position (NPR) | Relevant Open Position |
|--------|----------|---------------------|--------|---------------------|------------------------|
| 1 | INR | 2,248,808,248 | 1.60 | 3,599,779,803 | 3,599,779,803 |
| 2 | USD | 134,553 | 119.25 | 16,045,442 | 16,045,442 |
| 3 | GBP | 8,527 | 164.90 | 1,406,099 | 1,406,099 |
| 4 | EUR | 43,700 | 140.85 | 6,155,075 | 6,155,075 |
| 5 | THB | 500 | 3.64 | 1,820 | 1,820 |
| 6 | CHF | - | 129.76 | - | - |

| | | | | | |
|--|-----|---------|-------|-----------|----------------------|
| 7 | AUD | 55,588 | 88.81 | 4,936,792 | 4,936,792 |
| 8 | CAD | - | - | - | - |
| 9 | SGD | - | 88.19 | - | - |
| 10 | JPY | 256,771 | 1.09 | 280,137 | 280,137 |
| 11 | HKD | - | 15.38 | - | - |
| 12 | DKK | 200 | 19.08 | 3,816 | 3,816 |
| 13 | SEK | 220 | 13.77 | 3,029 | 3,029 |
| 14 | SAR | - | - | - | - |
| 15 | QAR | - | 31.97 | - | - |
| 16 | AED | - | - | - | - |
| 17 | MYR | 200 | 28.40 | 5,680 | 5,680 |
| 18 | KRW | 4,000 | 0.10 | 414 | 414 |
| 19 | CNY | 8,996 | 18.45 | 165,982 | 165,982 |
| 20 | KWD | - | - | - | - |
| Total Open Position (a) | | | | | 3,628,784,089 |
| Fixed Percentage (b) | | | | | 5% |
| Capital Charge for Market Risk [c=(a×b)] | | | | | 181,439,204 |
| Risk Weight (reciprocal of capital requirement of 11%) in times (d) | | | | | 9.09 |
| Equivalent Risk Weight Exposure [e=(c×d)] | | | | | 1,649,282,369 |

Nepal SBI Bank Ltd.

FORM NO.8 NET LIQUID ASSETS TO TOTAL DEPOSIT RATIO

At the month end of Ashadh 2078

| Particulars | Current Year | Previous Year |
|--|------------------------|------------------------|
| Total Deposit and Borrowing (A) | 119,600,183,116 | 115,294,724,402 |
| Total Deposit (as per NRB Ni Fa. 9.1) | 106,207,106,688 | 110,400,483,958 |
| Total Borrowing (as per NRB Ni Fa. 9.1) | 13,393,076,428 | 4,894,240,445 |
| Liquid Assets (B) | 32,611,177,854 | 34,656,178,240 |
| Cash (9.1) | 1,910,254,794 | 2,673,038,605 |
| Bank Balance (9.1) | 6,223,495,460 | 11,493,120,085 |
| Money at Call and Short Notice (9.1) | 1,300,000,000 | - |
| Investment in Government Securities (9.1) | 20,911,508,000 | 19,767,919,550 |
| Placement upto 90 days | 2,265,919,600 | 722,100,000 |
| Borrowings payable upto 90 days (C) | 6,093,675,000 | 1,865,898,878 |
| Net Liquid Assets (D) = (B-C) | 26,517,502,854 | 32,790,279,362 |
| Net Liquid Assets to Total Deposit | 24.97% | 29.70% |
| Shortfall in Ratio | | |
| Amount to be added to Risk Weighted Exposures | 0% | 0% |

Nepal SBI Bank Ltd.

FORM NO.9 LEVERAGE RATIO

At the month end of Ashadh 2078

| Particulars | Current Year | Previous Year |
|--|------------------------|------------------------|
| Exposure Measure | 205,955,234,188 | 175,892,457,986 |
| 1. On Balance Sheet Assets (Net of Specific Provision) | 140,074,131,039 | 134,242,424,333 |
| 2. Repurchase Agreements and Securities Finance | | |
| 3. Derivatives | | |
| 4. Off Balance Sheet Exposure | 66,075,253,033 | 41,841,600,822 |
| Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b) | 194,149,884 | 191,567,169 |
| Capital Measure | 14,426,238,120 | 13,859,309,170 |
| 1. Common Equity Tier 1 Capital (After Regulatory Adjustment) | 14,426,238,120 | 13,859,309,170 |
| 2. Additional Tier 1 Capital | - | - |
| C Leverage Ratio in Percentage | 7.00% | 7.88% |

5. Disclosure of Additional Information

5.1 Risk Management Framework

The Bank has to deal with various risk associated with its business operations and it has a forward-looking approach in managing risks. The Bank has robust internal control system in place focused on extensive risk management framework for effective assessment, measurement and mitigation of risk. Primary goal of the risk management framework is long-term sustainability of the Bank and having appropriate balance between risk and return, in order to enhance shareholder value.

The Bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures. The Bank uses internal Credit Risk Assessment Models and scorecards for assessing credit risk under different exposure segments. Internal ratings of the Bank are subject to comprehensive rating validation framework. The Risk Management Committee of the Board (RMCB) oversees overall risk governance framework of the Bank. The Committee, on an on-going basis monitors the effectiveness of the risk management and internal control systems. The Board is apprised regularly by the RMCB regarding appropriateness and adequacy of the existing risk identification and measurement system put in place in the Bank and makes recommendation for devising appropriate system & procedures.

5.2 Credit Risk

Credit risk is the risk of financial loss that the Bank may face as a result of a borrower or counterparty not meeting its obligations in line with the original contract. Since majority of the Bank's assets are in the form of loans and advances, management of credit risk becomes the most crucial task. Bank's approach to Credit Risk Management is governed by following Board's approved policies and procedures. Through this policy, the Bank seeks to:

- Decide the policy and strategy for Integrated Risk Management

covering the various risk exposures of the Bank.

- Set up policies and guidelines for identification, measurement, monitoring and control and reporting of Credit Risks.
- Ensure that the Credit Risk Management Process is as per the guidelines given in the Bank's policy.
- Review and approve Credit Risk limits.
- Ensure robustness of financial models and effectiveness of systems used to calculate Credit Risk.

There is a well-defined credit risk management structure of the Bank, which comprises of

- Risk Management Committee of the Board (RMCB)
- Credit Risk Management Committee (CRMC) - The Credit Risk Management Committee (CRMC), monitors Credit Risk, ensuring compliance and implementations of Credit Risk policy/strategy approved by the Board and incorporation of Regulatory Compliance in Bank's Policies and Guidelines.

i) Maximum exposure to credit risk

The Bank has financial assets consisting mainly of loans & advances and investments at amortized cost. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

ii) Credit quality of neither past due nor impaired and past due or impaired

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system as of 31 Ashadh 2078.

Amount in NPR in Lakhs

| Particulars | Neither past due nor impaired | Past due less than 90 days | Past due 91 to 180 days | Past due More than 180 days | Individually impaired | Total |
|---|-------------------------------|----------------------------|-------------------------|-----------------------------|-----------------------|------------------|
| Financial Assets | | | | | | |
| Assets carried at Amortised Cost | | | | | | |
| Cash and cash equivalent | 84,263 | - | - | - | - | 84,263 |
| Due from Nepal Rastra Bank | 32,730 | - | - | - | - | 32,730 |
| Placement with Bank and Financial Institutions | - | - | - | - | - | - |
| Loan and advances to B/FIs | 45,868 | - | - | - | - | 45,868 |
| Loans and advances to customers | 949,527 | 17,615 | - | - | 2,371 | 969,513 |
| Investment securities | 210,739 | - | - | - | - | 210,739 |
| Fair Value through Profit and Loss (FVTPL) | - | - | - | - | - | - |
| Derivative financial instruments. | - | - | - | - | - | - |
| Trading Assets | 906 | - | - | - | - | 906 |
| Fair Value through Other | - | - | - | - | - | - |
| Comprehensive Income (FVTOCI) | - | - | - | - | - | - |
| Investment securities | 1,731 | - | - | - | - | 1,731 |
| Investment in subsidiaries | 1,889 | - | - | - | - | 1,889 |
| Total | 1,327,653 | 17,615 | - | - | 2,371 | 1,347,639 |

5.3. Market Risk

Market risk refers to the risk to a bank resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates and equity and commodity prices. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The risks subject to this requirement are:

- Interest Rate Risk:** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency Risk:** Foreign exchange risk is the potential for the Bank to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency.
- Equity Price Risk:** Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

One of the key challenges in market risk is quantification of risks. Appropriate models/measures need to be used based on the materiality of identified risks. Accurate assessment will help to reduce loss. There are many sensitivity measures available to quantify market risk. However, no single measure can reflect all aspects of market risk. The Bank utilizes various statistical and non-statistical risk measures to enhance the stability of risk measurement. Overall these risk measures provide a comprehensive view of market risk exposure more than any single measure by itself. Market risk is assessed and monitored using the measures such as: Net Open position, Gap Limits, Modified duration and Stop Loss calculation, VaR Model, Stress Testing, Approved Risk limits, etc. prescribed in the internal and regulatory policies for various products.

The Market Risk Management Committee (MRMC) has the overall responsibility to identify, monitor / manage various market risk exposures of the Bank through Market risk limits, stop loss limits, etc., at a more granular level. MRMC is headed by the Managing Director, CFO is functional head and CRCO is member secretary. The MRMC reviews structured liquidity, interest rate risk, open position of currencies and risk associated investment risk etc. MRMC meets at quarterly intervals. The Member secretary and functional head will ensure regulatory compliances.

Assets Liability committee (ALCO) is a senior management level committee responsible for supervision/management of Market Risk (mainly interest rate and liquidity risks). ALCO is the apex body for assets liabilities management, within the risk parameters laid down by the Bank's Board and it shall remain inter alia in charge of

- Asset Liability Management
- Structural Balance Sheet Risk and Policy

Bank is required to manage market risk and ensures that the capital requirements for market risk are being maintained on a continuous basis. Capital assessment is essential to limit risk and reduce the effect of potential and unexpected losses

5.4. Operational Risk

Operational Risk is risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Operational Risk Management Committee (ORMC) reviews the operational risk profile of the Bank at periodic intervals and recommends suitable controls/mitigation for managing operational risk in the Bank. The Committee anticipates changes and threats, concurs on areas of highest priority and related mitigation strategies and ensures that adequate resources are being assigned to mitigate risks as needed. The Operational Risk Management Committee (ORMC) is an executive Committee which is headed by the COO and CRO is member secretary. Its principal objective is the mitigation of operational risks within the

Bank by creation and maintenance of an operational risk management process.

All the staffs are well trained about risks and are guided on the areas of their operation. The Bank continues to strengthen its risk management system through various measures to address the risks posed by a multitude of factors, which ultimately helps the Bank to reaffirm its position as one of the best-managed banks in Nepal. For assessment of Pillar-I risks and Pillar-II risks such as liquidity risk and interest rate risk, as well as adequacy of capital and overall risk management practices under normal and stressed conditions, the Bank has comprehensive Internal Capital Adequacy Assessment Process (ICAAP) in place.

The Operational Risk Management Framework has been established with an explicit mandate to support the implementation of an effective Operational Risk Management process and to meet Basel, NRB and parent company (SBI) requirements. This will entail:

- Increasing Operational Risk & Loss transparency by incident reporting;
- Enhancing Operational Risk awareness through Risk and Control Self-assessment (RCSA) process;
- Improving early warning information through implementation of Key Risk Indicators (KRIs);
- Facilitate speedy resolution of risk issues by effectively tracking and follow-up of assessment outcomes; and
- Finally allocation of risk ownership and responsibilities.

Key Roles of ORMC:

- Review the risk profiles, understand future changes and threats and concur on areas of highest priority and related mitigation strategy.
- Assure that adequate resources are being assigned to mitigate risks as needed.
- Communicate with business units and staff about the importance of operational risk and assure adequate participation and cooperation.
- Review and approve the development and implementation of operational risk methodologies and tools including assessments, reporting, capital and loss event databases.
- Receive and review reports/presentations from various business groups, support departments (IT, HR etc.) and business units, processing cells about their risk profiles and mitigation programs.
- To discuss and recommend suitable controls/mitigations for managing operation risks
- Analyze frauds, potential losses, non-compliance, breaches etc. and recommend corrective measures to prevent recurrences.
- Discuss any issues arising / directions in any one business unit/product which may impact the risks of other business/products.
- Continually promote risk awareness across all business units so that complacency does not set in.
- Monitor and ensure that appropriate ORM frameworks are in place.
- Review the reports presented by Central Operations Department (COD) with respect to operational risk profile of the Bank. Approve policy-related mitigation plans.
- Review roll-out plans for implementation of ORM initiatives. Proactively review and manage potential risks which may arise from regulatory changes/or changes in economic /political environment in order to keep ahead.

5.5. Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk

arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency funding plans for managing

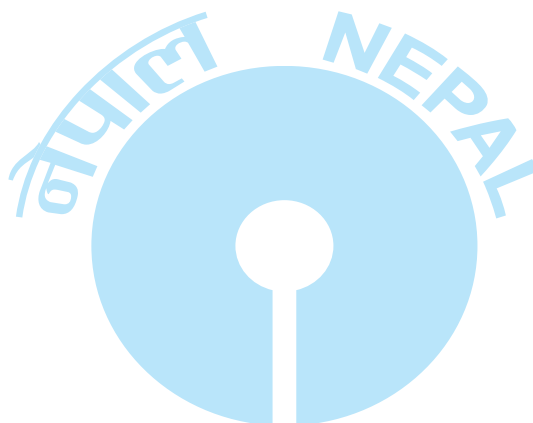
liquidity risk. The Bank always maintains liquid assets higher than regulatory prescription to mitigate the liquidity risk.

Assets Liability committee (ALCO) is a senior management level committee responsible for supervision/management of liquidity risks.

Maturity profile of financial assets and liabilities at closing date of financial year, which is used by the management to monitor and take necessary action for liquidity in the bank, is as under:

(NPR in Lakhs)

| As on Ashadh 2078 | | | | | | | | | |
|-------------------|---|----------|-----------|------------|-------------|--------------|--------------|------------------|---------|
| S.N. | Particulars | 1-7 Days | 8-30 Days | 31-90 Days | 91-180 Days | 181-270 Days | 271-365 Days | More than 1 year | Total |
| Assets | | | | | | | | | |
| 1 | Cash and cash equivalent | | | | | | | | |
| | Cash in hand | 19,103 | - | - | - | - | - | - | 19,103 |
| | Balances with B/FIs | 29,496 | - | - | - | - | - | - | 29,496 |
| | Money at call and short notice | - | - | - | - | - | - | - | - |
| | Others | - | - | 35,665 | - | - | - | - | 35,665 |
| 2 | Due from Nepal Rastra Bank | | | | | | | | - |
| | Statutory balances with NRB | 32,730 | - | - | - | - | - | - | 32,730 |
| | Securities purchased under resale agreement | - | - | - | - | - | - | - | - |
| | Other deposit and receivable from NRB | - | - | - | - | - | - | - | - |
| 3 | Placement with Bank and Financial Institutions | - | - | - | - | - | - | - | - |
| 4 | Derivative financial instruments | - | - | - | - | - | - | - | - |
| 5 | Other trading assets | | | | | | | | - |
| | Treasury bills | - | - | - | - | - | - | - | - |
| | Government bonds | - | - | - | - | - | - | - | - |
| | NRB Bonds | - | - | - | - | - | - | - | - |
| | Domestic Corporate bonds | - | - | - | - | - | - | - | - |
| | Equities/ Mutual Fund Units | - | - | - | - | - | - | 906 | 906 |
| 6 | Loan and advances to B/FIs | - | 42 | 1,729 | 2,488 | 4,004 | 37,605 | - | 45,868 |
| 7 | Loans and advances to customers | 15,097 | 45,519 | 171,502 | 179,879 | 98,051 | 27,102 | 432,363 | 969,513 |
| 8 | Investment securities | | | | | | | | - |
| | Investment securities measured at amortized cost | - | 25,017 | 39,750 | 33,909 | - | 8,616 | 103,448 | 210,739 |



| S.N. | Particulars | 1-7 Days | 8-30 Days | 31-90 Days | 91-180 Days | 181-270 Days | 271-365 Days | More than 1 year | Total |
|------------------------------|---|-----------------|-----------------|----------------|----------------|----------------|-----------------|------------------|------------------|
| Assets | | | | | | | | | |
| | Investment in equity measured at FVTOCI | - | - | - | - | - | - | 1,731 | 1,731 |
| 9 | Current tax assets | - | - | - | - | - | 4,100 | - | 4,100 |
| 10 | Investment in subsidiaries | - | - | - | - | - | - | 1,889 | 1,889 |
| 11 | Investment in associates | - | - | - | - | - | - | - | - |
| 12 | Investment property | - | - | - | - | - | - | - | - |
| 13 | Property and equipment | - | - | - | - | - | - | 8,734 | 8,734 |
| 14 | Goodwill and Intangible assets | - | - | - | - | - | - | 53 | 53 |
| 15 | Deferred tax assets | - | - | - | - | - | - | 3,900 | 3,900 |
| 16 | Other assets | 1,195 | - | - | - | - | 367 | - | 1,563 |
| Total (A) | | 97,620 | 70,577 | 248,646 | 216,276 | 102,054 | 77,793 | 553,023 | 1,365,988 |
| Liabilities | | | | | | | | | |
| 1 | Due to Bank and Financial Institutions | 12,283 | 24,804 | 23,850 | - | - | - | - | 60,937 |
| 2 | Due to Nepal Rastra Bank | - | - | 2,631 | 17,808 | 22,216 | - | - | 42,655 |
| 3 | Derivative financial instruments | - | - | 202 | - | - | - | - | 202 |
| 4 | Deposits from customers | 153,899 | 29,880 | 65,321 | 42,892 | 66,402 | 121,871 | 582,121 | 1,062,385 |
| 5 | Borrowing | - | - | - | - | - | - | - | - |
| 6 | Current tax liabilities | - | - | - | - | - | - | - | - |
| 7 | Provisions | - | - | - | - | - | - | - | - |
| 8 | Deferred tax liabilities | - | - | - | - | - | - | - | - |
| 9 | Other liabilities | 749 | 2,220 | 238 | 4,421 | 52 | 5,238 | 14,702 | 27,621 |
| 10 | Debt securities issued | - | - | - | - | 4,000 | - | 26,287 | 30,287 |
| 11 | Subordinated liabilities | - | - | - | - | - | - | - | - |
| Total (B) | | 166,931 | 56,904 | 92,241 | 65,121 | 92,670 | 127,109 | 623,111 | 1,224,086 |
| Net Assets (A-B) | | (69,311) | 13,674 | 156,405 | 151,156 | 9,385 | (49,319) | (70,089) | 141,901 |
| Cumulative Net Assets | | (69,311) | (55,637) | 100,768 | 251,923 | 261,308 | 211,989 | 141,901 | 283,801 |

5.6. Capital Management

5.6.1. Qualitative disclosures

The objective of capital management is to ensure that the Bank has adequate Capital to support material risks in the business and also to encourage the Bank to develop and use better Risk Management Techniques for monitoring and managing risks.

The Bank has devised ICAAP, which is intended to ensure that it has adequate capital to support all the risks in business, to improve upon the risk over time and achieve better risk management techniques in

monitoring and managing risks. ICAAP Committee meets at quarterly intervals to review the internal capital assessment commensurate with the risk profile and review the portfolios which require capital charge. ICAAP Committee also reviews strengthening of risk management, applying internal limits, strengthening the level of provisions and reserves and improving internal controls.

The bank has planned its Business and capital growth in such a way that the Capital Adequacy Ratio (CAR) does not fall below 12% in the next five years. The Business growth targets and capital plan is revised to align with changes in macro and micro economic situation in the country from time to time.

5.6.2. Quantitative disclosures

a) Capital structure and capital adequacy

i. Tier 1 capital and a breakdown of its components.

| 1.2 | CAPITAL | 31 Ashadh 2078 | 31 Ashadh 2077 |
|-----|---|-----------------------|-----------------------|
| | Core Capital (Tier 1) | 14,426,238,120 | 13,859,309,170 |
| a | Paid up Equity Share Capital | 9,493,577,887 | 8,956,205,554 |
| b | Irredeemable Non-cumulative preference shares | - | - |
| c | Share Premium | - | - |
| d | Proposed Bonus Equity Shares | - | - |
| e | Statutory General Reserves | 3,059,230,634 | 2,866,681,342 |
| f | Retained Earnings | | |
| g | Un-audited current year cumulative profit | 889,622,669 | 1,415,526,276 |
| h | Capital Redemption Reserve | | |
| l | Capital Adjustment Reserve | 12,463,167 | 12,463,167 |
| j | Dividend Equalization Reserves | - | - |
| k1 | Other free Reserves - Debenture Redemption Reserve | 1,165,347,111 | 800,000,000 |
| k2 | Other free Reserves - Deferred Tax Reserve | - | - |
| l | Less: Goodwill | - | - |
| m | Less: Intangible Assets | 5,260,995 | 2,678,280 |
| n | Less: Deferred Tax Assets | - | - |
| o | Less: Fictitious Assets | - | - |
| p | Less: Investment in equity in licensed Financial Institutions | - | - |
| q | Less: Investment in equity of institutions with financial interests | 188,888,889 | 188,888,889 |
| r | Less: Investment in equity of institutions in excess of limits | - | - |
| s | Less: Investments arising out of underwriting commitments | - | - |
| t | Less: Purchase of land & building in excess of limit and unutilized | - | - |
| U | Less: Other Deductions | - | - |
| | Adjustments Under Pillar II | - | - |
| | Less: Shortfall in Provision (6.4 a 1) | - | - |
| | Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2) | - | - |

ii. Tier 2 capital and a breakdown of its components

| S.No. | Particular | 31 Ashadh 2078 | 31 Ashadh 2077 |
|-------|---|----------------------|----------------------|
| | Supplementary Capital (Tier 2) | 3,710,132,045 | 3,534,388,502 |
| a | Cumulative and/or Redeemable Preference Share | - | - |
| b | Subordinated Term Debt | 2,193,888,000 | 2,393,888,000 |
| c | Hybrid Capital Instruments | - | - |
| d | General loan loss provision | 1,477,375,098 | 1,104,857,826 |
| e | Investment Adjustment Reserve | - | - |
| f | Assets Revaluation Reserve | - | - |
| g | Exchange Equalization Reserve | 38,868,947 | 35,642,676 |
| h | Other Reserves | - | - |

iii. Detailed information about the Subordinated Term Debts with information on the outstanding amount, at cost, maturity and amount eligible to be reckoned as capital funds.

| S.N. | Particulars | 31 Ashadh 2078 | 31 Ashadh 2078 (Amount eligible for capital fund) | 31 Ashadh 2077 (Amount eligible for capital fund) |
|------|--|----------------------|---|---|
| 1 | 12.5% Nepal SBI Bank Debentures 2078 of NPR 1,000 each (Unsecured) Issued on 12.02.2012 and maturing on 11.02.2022 (Outstanding balance of Redemption Reserve NPR (400,000,000)) | 400,000,000 | - | 80,000,000 |
| 2 | 8% Nepal SBI Bank Debentures 2079 of NPR 1,000 each (Unsecured) Issued on 03.02.2013 and maturing on 02.02.2023 (Outstanding balance of Redemption Reserve NPR 355,555,555) | 400,000,000 | 80,000,000 | 160,000,000 |
| 3 | 7.9% Nepal SBI Bank Debentures 2080 of NPR 1,000 each (Unsecured) Issued on 20.04.2014 and maturing on 19.04.2024 (Outstanding balance of Redemption Reserve NPR 155,555,555) | 200,000,000 | 80,000,000 | 120,000,000 |
| 4 | 10% Nepal SBI Bank Debentures 2086 of NPR 1,000 each (Unsecured) Issued on 18.03.2020 and maturing on 17.03.2030 (Outstanding Balance of Redemption Reserve NPR 254,236,000) | 2,033,888,000 | 2,033,888,000 | 2,033,888,000 |
| | Total (1+2+3) | 3,033,888,000 | 2,193,888,000 | 2,393,888,000 |

*Interest payable on half-yearly basis.

iv. Deductions from capital

The following particulars have been considered for deduction from core capital:

| Particulars | 31 Ashadh 2078 | 31 Ashadh 2077 |
|--|--------------------|--------------------|
| Intangible Assets (software in our case) | 5,260,995 | 2,678,280 |
| Investment in equity of institutions with financial interests (subsidiary NSMBL) | 188,888,889 | 188,888,889 |
| Total | 191,567,169 | 192,821,223 |

v. Total qualifying capital

| Particulars | 31 Ashadh 2078 | 31 Ashadh 2077 |
|----------------|-----------------------|-----------------------|
| Tier 1 Capital | 14,426,238,120 | 13,859,309,170 |
| Tier 2 Capital | 3,710,132,045 | 3,534,388,502 |
| Total | 18,136,370,165 | 17,393,697,672 |

Capital Adequacy Ratio

| CAPITAL ADEQUACY RATIOS | 31 Ashadh 2078 | 31 Ashadh 2077 |
|--|----------------|----------------|
| Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) | 11.02% | 12.39% |
| Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) | 13.86% | 15.55% |

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

Ordinary share capital: The Bank has only one class of equity shares having a par value of NPR 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Bank, holder of equity shares will be entitled to receive remaining assets of the Bank after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Bank has issued debentures as mentioned in Note iii. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the Bank.

b) Risk Exposures**i. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk**

| S.N | RISK WEIGHTED EXPOSURES | 31 Ashadh 2078 |
|-----|---|------------------------|
| 1 | Risk Weighted Exposure for Credit Risk | 118,190,007,870 |
| 2 | Risk Weighted Exposure for Operational Risk | 7,550,007,008 |
| 3 | Risk Weighted Exposure for Market Risk | 1,649,282,369 |
| 4 | Regulatory Adjustment | 3,499,594,050 |
| | Total Risk Weighted Exposures | 130,888,891,296 |

ii. Risk weighted exposure under each of 11 Categories of Credit Risk

| S.N | RISK WEIGHTED EXPOSURES | 31 Ashadh 2078 |
|-----|--|------------------------|
| 1 | Claims on government & central bank | - |
| 2 | Claims on other official entities | - |
| 3 | Claims on banks | 2,237,206,951 |
| 4 | Claims on corporate & securities firms | 68,692,221,252 |
| 5 | Claims on regulatory retail portfolio | 16,429,012,213 |
| 6 | Claims secured by residential properties | 1,535,144,196 |
| 7 | Claims secured by commercial real estate | 849,263,862 |
| 8 | Past due Claims | 57,536,290 |
| 9 | High risk claims | 2,476,455,479 |
| 10 | Other assets | 5,057,766,075 |
| 11 | Off balance sheet item | 20,855,401,552 |
| | Total | 118,190,007,870 |

iii. Total risk weighted exposure calculation table

| 1.1 | RISK WEIGHTED EXPOSURES | 31 Ashadh 2078 | 31 Ashadh 2077 |
|-----|--|------------------------|------------------------|
| a | Risk Weighted Exposure for Credit Risk | 118,190,007,870 | 100,269,239,648 |
| b | Risk Weighted Exposure for Operational Risk | 7,550,007,008 | 7,052,591,669 |
| c | Risk Weighted Exposure for Market Risk | 1,649,282,369 | 1,231,920,341 |
| | Total Risk Weighted Exposures (a+b+c) | 127,389,297,246 | 108,553,751,658 |
| | Adjustments Under Pillar II | | |
| | Add RWE equivalent to reciprocal of capital charge of 2% of gross income. | 951,808,105 | 1,101,496,565 |
| | Add: 2% of the total RWE as Supervisor is not satisfied with the overall Risk Management Policies and Procedures (6.4 a 9) | 2,547,785,945 | 2,171,075,033 |
| | Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II) | 130,888,891,296 | 111,826,323,256 |

iv. Amount of NPA (Gross and Net) as on 31 Ashadh 2078

| S.N | Particulars | Gross NPA | Net NPA |
|-----|------------------|--------------------|----------|
| 1 | Restructured | - | - |
| 2 | Substandard | - | - |
| 3 | Doubtful | - | - |
| 4 | Loss | 237,088,435 | - |
| | Gross NPA | 237,088,435 | - |

5.7 Classification of Financial Assets and Financial Liabilities

As on 31 Ashadh 2078

NPR

| Financial Assets | Notes | Assets at fair value | | | Assets at amortized costs | | Total |
|--|-------|----------------------|---------------------|--------------------|---------------------------|------------------------|------------------------|
| | | Trading | Designated at FVTPL | Available for sale | Held to Maturity | Loans and Receivables | |
| Cash and cash equivalent | 4.1 | - | - | - | - | 8,426,345,170 | 8,426,345,170 |
| Due from Nepal Rastra Bank | 4.2 | - | - | - | - | 3,272,981,241 | 3,272,981,241 |
| Placement with Bank and Financial Institutions | 4.3 | - | - | - | - | - | - |
| Derivative financial instruments | 4.4 | - | - | - | - | - | - |
| Other trading assets | 4.5 | 90,559,068 | - | - | - | - | 90,559,068 |
| Loan and advances to B/FIs | 4.6 | - | - | - | - | 4,586,766,483 | 4,586,766,483 |
| Loans and advances to customers | 4.7 | - | - | - | - | 96,951,274,535 | 96,951,274,535 |
| Investment securities | 4.8 | - | - | 173,050,338 | 21,073,936,534 | - | 21,246,986,872 |
| Current tax assets | 4.9 | - | - | - | - | 410,019,445 | 410,019,445 |
| Investment in subsidiaries | 4.1 | - | - | - | - | - | - |
| Investment in associates | 4.11 | - | - | - | - | - | - |
| Investment property | 4.12 | - | - | - | - | - | - |
| Property and equipment | 4.13 | - | - | - | - | - | - |
| Goodwill and Intangible assets | 4.14 | - | - | - | - | - | - |
| Deferred tax assets | 4.15 | - | - | - | - | - | - |
| Other assets | 4.16 | - | - | - | - | 308,681,517 | 308,681,517 |
| Total | | 90,559,068 | - | 173,050,338 | 21,073,936,534 | 113,956,068,391 | 135,293,614,331 |

As on 31 Ashadh 2077

NPR

| Financial Assets | Notes | Assets at fair value | | | Assets at amortized costs | | Total |
|--|-------|----------------------|---------------------|--------------------|---------------------------|------------------------|------------------------|
| | | Trading | Designated at FVTPL | Available for sale | Held to Maturity | Loans and Receivables | |
| Cash and cash equivalent | 4.1 | - | - | - | - | 15,111,519,666 | 15,111,519,666 |
| Due from Nepal Rastra Bank | 4.2 | - | - | - | - | 7,580,527,039 | 7,580,527,039 |
| Placement with Bank and Financial Institutions | 4.3 | - | - | - | - | - | - |
| Derivative financial instruments | 4.4 | - | - | - | - | - | - |
| Other trading assets | 4.5 | 50,977,020 | - | - | - | - | 50,977,020 |
| Loan and advances to B/FIs | 4.6 | - | - | - | - | 4,819,693,163 | 4,819,693,163 |
| Loans and advances to customers | 4.7 | - | - | - | - | 89,615,499,851 | 89,615,499,851 |
| Investment securities | 4.8 | - | - | 174,368,204 | 12,175,701,776 | - | 12,350,069,980 |
| Current tax assets | 4.9 | - | - | - | - | 294,387,897 | 294,387,897 |
| Investment in subsidiaries | 4.10 | - | - | - | - | - | - |
| Investment in associates | 4.11 | - | - | - | - | - | - |
| Investment property | 4.12 | - | - | - | - | - | - |
| Property and equipment | 4.13 | - | - | - | - | - | - |
| Goodwill and Intangible assets | 4.14 | - | - | - | - | - | - |
| Deferred tax assets | 4.15 | - | - | - | - | - | - |
| Other assets | 4.16 | - | - | - | - | 214,890,629 | 214,890,629 |
| Total | | 50,977,020 | - | 174,368,204 | 12,175,701,776 | 117,636,518,245 | 130,037,565,245 |

As on 31 Ashadh 2078

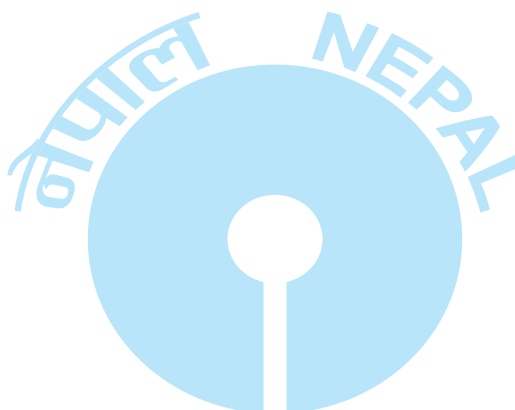
NPR

| Financial Liabilities | Notes | Liabilities at fair value | | Liabilities at amortized costs | Total |
|--|-------|---------------------------|---------------------|--------------------------------|------------------------|
| | | Trading | Designated at FVTPL | | |
| Due to Bank and Financial Institutions | 4.17 | - | - | 6,093,675,000 | 6,093,675,000 |
| Due to Nepal Rastra Bank | 4.18 | - | - | 4,265,513,428 | 4,265,513,428 |
| Derivative financial instruments | 4.19 | - | - | 20,179,685 | 20,179,685 |
| Deposits from customers | 4.2 | - | - | 106,238,466,851 | 106,238,466,851 |
| Borrowing | 4.21 | - | - | - | - |
| Current tax liabilities | 4.9 | - | - | - | - |
| Provisions | 4.22 | - | - | - | - |
| Deferred tax liabilities | 4.15 | - | - | - | - |
| Other liabilities | 4.23 | - | - | 893,450,926 | 893,450,926 |
| Debt securities issued | 4.24 | - | - | 3,028,699,402 | 3,028,699,402 |
| Subordinated liabilities | 4.25 | - | - | - | - |
| Total | | - | - | 120,539,985,292 | 120,539,985,292 |

As on 31 Ashadh 2077

NPR

| Financial Liabilities | Notes | Liabilities at fair value | | Liabilities at amortized costs | Total |
|--|-------|---------------------------|---------------------|--------------------------------|------------------------|
| | | Trading | Designated at FVTPL | | |
| Due to Bank and Financial Institutions | 4.17 | - | - | 1,865,898,878 | 1,865,898,878 |
| Due to Nepal Rastra Bank | 4.18 | - | - | - | - |
| Derivative financial instruments | 4.19 | - | - | 20,610,248 | 20,610,248 |
| Deposits from customers | 4.20 | - | - | 110,445,872,817 | 110,445,872,817 |
| Borrowing | 4.21 | - | - | - | - |
| Current tax liabilities | 4.9 | - | - | - | - |
| Provisions | 4.22 | - | - | - | - |
| Deferred tax liabilities | 4.15 | - | - | - | - |
| Other liabilities | 4.23 | - | - | 651,416,852 | 651,416,852 |
| Debt securities issued | 4.24 | - | - | 3,028,341,567 | 3,028,341,567 |
| Subordinated liabilities | 4.25 | - | - | - | - |
| Total | | - | - | 116,012,140,362 | 116,012,140,362 |

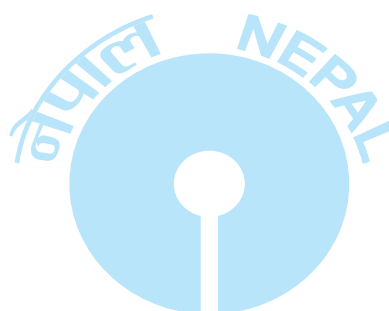


5.8 Fair Value of Financial Assets and Financial Liabilities

NPR

| Assets and Liabilities 31 Ashadh 2078 | Carrying amount | Fair Value | Quoted market prices (Level 1) | Observable Inputs (Level 2) | Unobservable inputs (Level 3) |
|--|-----------------|-----------------|--------------------------------|-----------------------------|-------------------------------|
| Assets | | | | | |
| Cash and cash equivalent | 8,426,345,170 | 8,426,345,170 | - | 8,426,345,170 | - |
| Due from Nepal Rastra Bank | 3,272,981,241 | 3,272,981,241 | - | 3,272,981,241 | - |
| Placement with Bank and Financial Institutions | - | - | - | - | - |
| Other trading assets | 90,559,068 | 90,559,068 | 90,559,068 | - | - |
| Loan and advances to B/FIs | 4,586,766,483 | 4,586,766,483 | - | - | 4,586,766,483 |
| Loans and advances to customers | 96,951,274,535 | 96,951,274,535 | - | - | 96,951,274,535 |
| Investment securities | 21,246,986,872 | 21,246,986,872 | - | - | 21,246,986,872 |
| Other assets | 1,366,274,492 | 1,366,274,492 | - | - | 1,366,274,492 |
| Liabilities | | | | | |
| Due to Bank and Financial Institutions | 6,093,675,000 | 6,093,675,000 | - | - | 6,093,675,000 |
| Deposits from customers | 106,238,466,851 | 106,238,466,851 | - | - | 106,238,466,851 |
| Other liabilities | 2,762,169,244 | 2,762,169,244 | - | - | 2,762,169,244 |
| Debt securities issued | 3,028,699,402 | 3,028,699,402 | - | 3,028,699,402 | - |

| Assets and Liabilities 31 Ashadh 2077 | Carrying amount | Fair Value | Quoted market prices (Level 1) | Observable Inputs (Level 2) | Unobservable inputs (Level 3) |
|--|-----------------|-----------------|--------------------------------|-----------------------------|-------------------------------|
| Assets | | | | | |
| Cash and cash equivalent | 15,111,519,666 | 15,111,519,666 | - | 15,111,519,666 | - |
| Due from Nepal Rastra Bank | 7,580,527,039 | 7,580,527,039 | - | 7,580,527,039 | - |
| Placement with Bank and Financial Institutions | - | - | - | - | - |
| Other trading assets | 50,977,020 | 50,977,020 | 50,977,020 | - | - |
| Loan and advances to B/FIs | 4,819,693,163 | 4,819,693,163 | - | - | 4,819,693,163 |
| Loans and advances to customers | 89,615,499,851 | 89,615,499,851 | - | - | 89,615,499,851 |
| Investment securities | 12,350,069,980 | 12,350,069,980 | - | - | 12,350,069,980 |
| Other assets | 1,148,757,240 | 1,148,757,240 | - | - | 1,148,757,240 |
| Liabilities | | | | | |
| Due to Bank and Financial Institutions | 1,865,898,878 | 1,865,898,878 | - | - | 1,865,898,878 |
| Deposits from customers | 110,445,872,817 | 110,445,872,817 | - | - | 110,445,872,817 |
| Other liabilities | 2,259,064,401 | 2,259,064,401 | - | - | 2,259,064,401 |
| Debt securities issued | 3,028,341,567 | 3,028,341,567 | - | 3,028,341,567 | - |



5.9. Operating Segmental Information

5.9.1. General Information

Reportable Segments

The Bank's segmental reporting is in accordance with NFRS 8, Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's central management committee, which is responsible for allocating resources and assessing performance of the operating segments. The Bank has identified different segment based on business portfolio taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system. All transactions between business segments are conducted on an arm length basis with intra-segment are included in determining business segment performance. The Bank operates in the following segments:

a) Corporate Banking

The loans provided to corporate customers valuing more than NPR Three Crores are classified under Corporate Banking. The interest income from corporate loans, fee incomes generated out of such loans, foreign exchange earned through LC/BG are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing corporate loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

b) Retail Banking

The loans provided to other than corporate customers i.e., individuals are classified under Retail Banking. The interest income, fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing Retail loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

c) Small and Medium Enterprises (SME) Banking

The loans provided to corporate customers valuing not more than NPR Three Crores are classified under SME Banking. The interest income, fee incomes generated out of such loans, foreign exchange earned through LC/BG are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for

providing SME loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

d) Deprived Sector lending (DSL) Banking

The loans provided to deprived sectors of the society directly (say to agricultural sectors) or indirectly (say to the organizations working for the upliftment of poor) are classified under DSL Banking. The interest income, fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing DSL loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

e) Treasury

The balance lying with the banks invested in governmental bonds, treasury bills, placements, forex trading and shares of other Organizations come under this segment. The interest income of bonds and bills, forex gains, dividend income are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for making investments, forex losses, personnel expenses and operating expenses as well as provision for loss created for such investments.

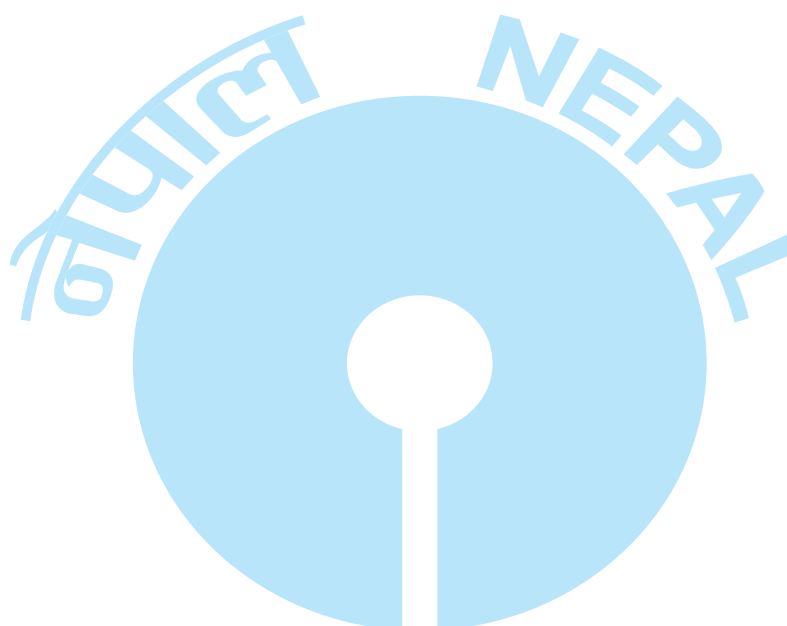
f) Transaction Banking

The income from Card (Debit card/Credit card) sales, income from sales of Mobile and SMS Banking, customer services fees, agency remittance commissions, locker fees, cheque processing fees are revenue items of this segment. Expenses of this segment comprises of personnel expenses and operating expenses.

g) Others

All other revenues and expenses which cannot be classified to the above-mentioned segments fall under this segment. The income from sale of assets, other fees and commission are revenue items of this segment. Un-attributable personnel expenses, operating expenses and written off assets are expense items of this segment.

Corporate Banking, Retail Banking, SME Banking, DSL Banking, Transaction banking and Treasury comprise of at least 95.23% of our total revenue. Hence, these operations are treated as reportable segments and the remaining are classified under other segments.



5.9.2 Information on profit or loss, assets and liabilities as on 31 Ashadh 2078

Rs. In Lakhs

| Particulars | | Province 1 | | Province 2 | | Province 3 | | Province 4 | | Province 5 | | Province 6 | | Province 7 | |
|-------------|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 |
| a | Revenues from external customer | 4,473 | 5,306 | 3,872 | 5,406 | 10,520 | 12,125 | 3,845 | 4,491 | 3,825 | 3,968 | 574 | 580 | 1,430 | 1,756 |
| b | Inter segment revenues | 957 | 829 | 133 | (468) | 1,956 | 2,419 | 1,375 | 1,531 | 2,135 | 2,367 | 200 | 244 | (1) | (165) |
| c | Net Revenue | 3,516 | 4,477 | 3,739 | 5,874 | 8,564 | 9,705 | 2,470 | 2,960 | 1,689 | 1,601 | 374 | 336 | 1,431 | 1,921 |
| d | Interest revenue | 3,667 | 4,817 | 3,313 | 4,878 | 8,960 | 10,969 | 3,207 | 4,056 | 3,124 | 3,553 | 426 | 508 | 1,194 | 1,644 |
| e | Interest expense | 1,675 | 1,991 | 1,074 | 1,494 | 4,950 | 6,293 | 1,827 | 2,086 | 2,307 | 2,573 | 193 | 230 | 385 | 440 |
| f | Net Interest revenue | 1,993 | 2,826 | 2,239 | 3,384 | 4,010 | 4,676 | 1,380 | 1,970 | 817 | 979 | 233 | 278 | 810 | 1,203 |
| g | Depreciation and amortization | 112 | 114 | 111 | 108 | 221 | 229 | 86 | 116 | 129 | 128 | 19 | 18 | 39 | 38 |
| h | Segment profit/(loss) Before Income tax | 2,428 | 2,743 | 1,920 | 2,258 | 4,962 | 5,422 | 2,431 | 2,871 | 2,609 | 2,578 | 383 | 382 | 634 | 694 |
| i | Entity's interest in the profit or loss of associates accounted for using equity method | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| j | Other material non-cash item | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| k | Impairment charges | 184 | (27) | 183 | 18 | 561 | (96) | 40 | 9 | 212 | 116 | 25 | 9 | (246) | 85 |
| l | Segment assets | 43,181 | 41,553 | 41,148 | 35,130 | 111,174 | 98,025 | 37,922 | 43,466 | 38,356 | 32,788 | 5,652 | 4,632 | 16,481 | 16,309 |
| m | Segment liabilities | 43,181 | 41,553 | 41,148 | 35,130 | 111,174 | 98,025 | 37,922 | 43,466 | 38,356 | 32,788 | 5,652 | 4,632 | 16,481 | 16,309 |

| Particulars | Special Branches | | Durbarmarg | | COMMERCIAL | | All Other | |
|---|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 | Ashadh end 2078 | Ashadh end 2077 |
| a Revenues from external customer | 47,497 | 58,785 | 2,936 | 3,966 | 15,864 | 18,703 | 9,692 | 11,016 |
| b Intersegment revenues | (8,392) | (10,569) | 29,802 | 36,582 | (7,260) | (8,413) | (20,906) | (24,358) |
| c Net Revenue | 55,890 | 69,354 | (26,866) | (32,617) | 23,124 | 27,116 | 30,597 | 35,374 |
| d Interest revenue | 41,128 | 53,953 | 2,227 | 3,369 | 12,983 | 16,979 | 9,777 | 9,559 |
| e Interest expense | 13,860 | 17,726 | 28,799 | 35,874 | 2,302 | 2,944 | (118,718) | (145,489) |
| f Net Interest revenue(b) | 27,268 | 36,227 | (26,572) | (32,506) | 10,680 | 14,035 | 128,495 | 155,049 |
| g Depreciation and amortization | 268 | 234 | 89 | 87 | 16 | 15 | 710 | 721 |
| h Segment profit/(loss) Before Income tax | 21,314 | 26,088 | 3,373 | 3,955 | 5,814 | 6,800 | (32,274) | (31,474) |
| i Entity's interest in the profit or loss of associates accounted for using equity method | - | - | - | - | - | - | - | - |
| j Other material non-cash item | - | - | - | - | - | - | - | - |
| k Impairment charges | 2,001 | 2,010 | 41 | 4 | 796 | 596 | - | - |
| l Segment assets | 597,246 | 577,035 | 45,405 | 45,696 | 183,011 | 158,746 | 257,289 | 118,648 |
| m Segment liabilities | 597,246 | 577,035 | 45,405 | 45,696 | 183,011 | 158,746 | 103,313 | (10,563) |

5.9.3 Disclosure on measurement of operating segment profit or loss, assets and liabilities

- Revenue from external customers includes gross interest revenue, gross fee and commission revenue, net trading revenue and other operating incomes (does not include intersegment revenue).
- Intersegment revenue is the transfer pricing charged by one segment to the other. This is nullified for the bank as a whole.
- Net Revenue includes net interest income, net fee and commission income, net trading revenue and net other operating incomes.
- Interest revenue includes gross interest revenue of the Bank.
- Interest expense includes gross interest expense of the Bank.
- Net Interest revenue is Interest revenue less interest expense (f=d-e).
- Depreciation and amortisation for the segments' identifiable assets has been allocated to the respective segments.
- Segment's profit has been as per the respective segment results. Income taxes are managed on a group basis and are not allocated to operating segments.
- Bank does not have investment in associates and / or joint venture.
- There are no material non-cash item.
- Impairment of assets has been specifically identified for each segment assets and disclosed accordingly.
- Segment Assets have been disclosed as identified for each segment.
- It is Bank's policy to keep segment's asset to be equal to segment liabilities under transfer pricing mechanism.

5.9.4. Reconciliation of reportable segments revenues, profit or loss, assets and liabilities as on 31 Ashadh 2078

a. Revenue

Amount in NPR

| | |
|--|-----------------|
| Total revenues for reportable segments | 11,574,102,448 |
| Other revenues | 970,340,115 |
| Elimination of intersegment revenues | (2,090,554,330) |
| Entity's revenue | 10,453,888,233 |

b. Profit or Loss

| | |
|--|-----------------|
| Total profit or loss for reportable segments | 4,586,899,018 |
| Other profit or loss | (3,226,371,010) |
| Elimination of intersegment profits | - |
| Unallocated amounts | - |
| Profit before income tax | 1,360,528,008 |

c. Assets

| | |
|---|------------------------|
| Total Assets for reportable segments | 111,957,736,282 |
| Other Assets | 25,851,038,439 |
| Unallocated amounts | - |
| Entity's Assets | 137,808,774,721 |

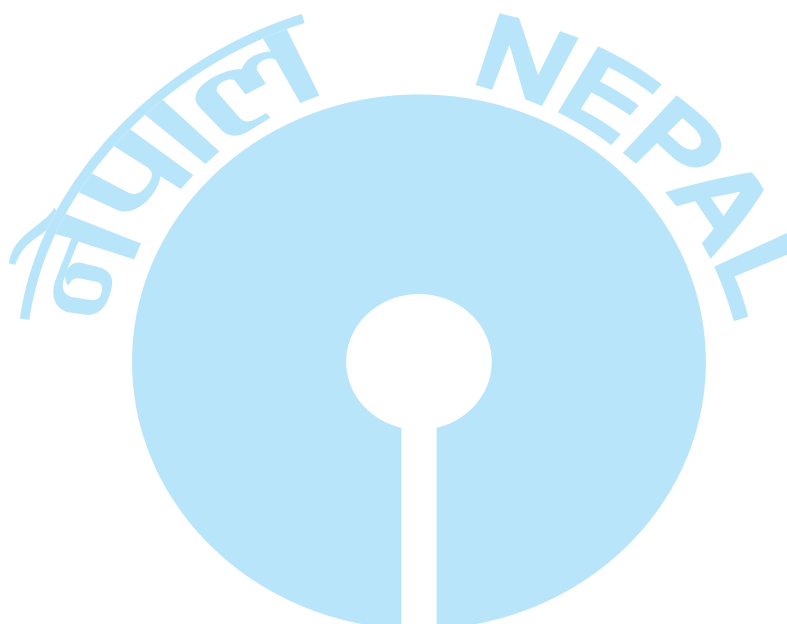
d. Liabilities

| | |
|--|------------------------|
| Total Liabilities for reportable segments | 111,957,736,282 |
| Other Liabilities | 10,450,851,029 |
| Unallocated liabilities | - |
| Entity's Liabilities | 122,408,587,311 |

5.9.5 Information about product and services as on 31 Ashadh 2078

Revenue from each type of product and services described in point no. 5.9.4a above:

| S.N | Particulars | Amount |
|-----|--------------------|-----------------------|
| 1 | Cash Credit | 2,045,253,392 |
| 2 | Overdraft | 1,136,164,922 |
| 3 | Term Loan | 3,548,887,576 |
| 4 | Bills Purchase | 1,561,587 |
| 5 | Packing Credit | 398,759,584 |
| 6 | Nostro Income | 4,789,540 |
| 7 | Demand Loan | 1,150,485,892 |
| 8 | NFB | 297,461,355 |
| 9 | Commission Others | 333,567,773 |
| 10 | Treasury Operation | 1,048,646,725 |
| 11 | Alternate channel | 327,775,152 |
| 12 | Locker | 11,707,628 |
| 13 | Remittance | 148,827,107 |
| | Total | 10,453,888,233 |



5.9.6. Information about geographical areas as on 31 Ashadh 2078

Province wise revenue from following geographical areas

| Particulars | Percentage(%) | Amount in NPR |
|--------------------|---------------|-----------------------|
| a. Domestic | | |
| Province 1 | 17.04% | 1,780,769,213 |
| Province 2 | 9.36% | 978,254,578 |
| Province 3 | 51.27% | 5,359,552,782 |
| Province 4 | 8.34% | 871,937,369 |
| Province 5 | 10.95% | 1,144,839,775 |
| Province 6 | 0.55% | 57,404,781 |
| Province 7 | 2.49% | 259,966,743 |
| Sub-total(a) | | 10,452,725,241 |
| b. Foreign | | - |
| Sub-total(b) | | - |
| Total (a+b) | | 10,452,725,241 |

5.9.7 Information about major customers

Revenue from a single external customer does not amount to 10 percent or more of the entity's revenue.

5.10 Share Options and Share Based Payments

There are no share options and employees and directors are not given any share-based payments whether equity settled or cash settled.

5.11 Contingent liabilities and commitments

Contingent liabilities include guarantees, irrevocable credit commitment and letter of credit and contingent liabilities related to the legal proceedings or regulatory matters are not recognized in the financial statements but are disclosed when the probability of settlement is remote.

Details of contingent liabilities and commitments are given in note 4.28 and summary presented hereunder:

| Particular | 31 Ashadh 2078 | 31 Ashadh 2077 |
|------------------------------------|-----------------------|-----------------------|
| Contingent liabilities | 15,578,356,741 | 12,816,883,374 |
| Undrawn and undisbursed facilities | 49,338,593,640 | 28,182,759,040 |
| Capital commitment | 21,127,670 | 17,596,424 |
| Lease Commitment | 1,137,344,982 | 824,186,409 |
| Litigation | - | 175,575 |
| Total | 66,075,423,033 | 41,841,600,822 |

5.12 Income Tax Liability

Income Tax Assessment

The Large Taxpayers Office (LTPO) can amend the tax returns submitted by the Bank within four years from the date of submission except for assessment that is inaccurate by reason of fraud. LTPO can amend the tax liability of the Bank and order to pay additional tax. However, if the Bank is of the view that the amended tax assessment by LTPO is not justifiable as per prevailing income tax act, it can appeal against the amended tax assessment by LTPO. The process of appeal is to be done gradually with Director General of Inland Revenue Department for Administrative Review, thereafter at the Revenue Tribunal and finally at the Supreme Court.

Till the date of Financial Statement, the Bank's corporate tax up to FY 2071/72 has been settled by the LTPO. The additional tax liability assessed by LTPO along with amount deposited for administrative review till 2071/72 has been presented in the table below.

| S.N | FY | Additional Income Tax Assessed (NPR) | Tax liability related to TDS and VAT | Additionally, Deposited Amount (NPR) | Authority where case is pending |
|-----|---------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| 1 | 2073/74 | 12,903,238 | - | - | Administrative review IRD |
| 2 | 2072/73 | 7,842,307 | 5,678,224 | 5,678,224 | Revenue Tribunal |
| 3 | 2071/72 | 26,195,072 | 14,197,711 | 14,197,711 | Revenue Tribunal |
| 4 | 2070/71 | 7,306,610 | 26,029,168 | 25,836,290 | Revenue Tribunal |
| 5 | 2069/70 | 9,275,868 | 20,415,204 | 20,415,204 | Revenue Tribunal |

The Bank has disputed the demand raised by the LTPO and filed appeals with the IRD and Revenue Tribunal for Administrative Review and writ petition, respectively. The disputed amount on which bank filed petition is related to depreciation on vehicle under Own Your Vehicle Scheme and TDS and Vat amount on transaction with Visa and Mastercard. Tax returns filed under self-assessments for the FY 2074-75, FY 2075-76 and FY 2076-77 are yet to be assessed by the LTPO.

5.13 Related Parties Disclosures

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, directors, key management personnel.

| Particulars | Relationship | Remarks |
|---|---|-----------------------------|
| State Bank of India | Parent Company | 55% holding in the Bank |
| Nepal SBI Merchant Banking Ltd. | Wholly owned subsidiary | |
| SBI Hong Kong | Subsidiaries of State Bank of India | Placement's transactions |
| Employee Provident Fund | Representing in the Board on institutional capacity | 15.00 % holding in the Bank |
| Mr. Arjun Kumar Gautam, Director (Terminated from director position on 20.05.2021) | Key Management Personnel | Directors nominated by EPF |
| Mr. B.R.S Satyanarayana, Chairman (Till 24.10.2021) | Key Management Personnel | Directors nominated by SBI |
| Mr. Rajeev Arora, Chairman (w.e.f 24.10.2021) | Key Management Personnel | Directors nominated by SBI |
| Mr. Anukool Bhatnagar, Managing Director & CEO (Till 04.09.2020) | Key Management Personnel | |
| Mr. Dipak Kumar De (w.e.f. 09.09.2020) | Key Management Personnel | Directors nominated by SBI |
| Mr. R.S. Ramesh, Director | Key Management Personnel | Directors nominated by SBI |
| Mr. Rajay Kumar Sinha (w.e.f 15.11.2019) | Key Management Personnel | Directors nominated by SBI |
| Mr. Bharat Raj Wasti, Director (w.e.f 20.05.2021) | Key Management Personnel | Directors nominated by EPF |
| Mr. Balakrishna Shrestha, Director | Key Management Personnel | Public Director |
| Ms. Bimala Subedi, Director | Key Management Personnel | Independent Director |
| Mr. Subhakanta Kanungo, Chief Operating Officer & Dy. CEO (till date 30.10.2020) | Key Management Personnel | |
| Mr. Mohammad Rizwan Aalam, Deputy CEO and Chief Financial Officer | Key Management Personnel | |
| Mr. Yadvender Kant, Chief Operating Officer | Key Management Personnel | |
| Mr. Binod Dhungel, Chief Credit Officer | Key Management Personnel | |

Transactions with Parent company

The parent company, which is also the ultimate parent company, is State Bank of India, which holds 55% of the issued ordinary shares of the Bank.

| State Bank of India (SBI) Group | 31 Ashadh 2078 (In NPR) | 31 Ashadh 2077 (In NPR) |
|------------------------------------|----------------------------|----------------------------|
| Transaction during the year | | |
| Technical Service Fees | 37,304,869 | 36,593,348 |
| Interest on placements | 20,732,884 | 50,780,287 |
| Write off of unreconciled entries | Nil | Nil |
| Year end Balance | | |
| Placements | 2,265,919 | 722,100,000 |
| Nostro Balances | 2,198,374 | 2,853,229,840 |
| Card Transaction Receivables | 119,926 | 132,427,290 |

Transactions with Subsidiary Company

Transactions between the Bank and its subsidiaries, Nepal SBI Merchant Banking Limited, also meet the definition of related party transactions. These transactions are eliminated on consolidation.

| Subsidiary-Nepal SBI Merchant Banking Company Ltd | 31 Ashadh 2078 (In NPR) | 31 Ashadh 2077 (In NPR) |
|--|----------------------------|----------------------------|
| Transaction during the year | | |
| Interest Paid on Deposit to NSMBL | 16,990,368 | 19,530,868 |
| Management fee accrued and receivable from NSMBL | 1,200,000 | 1,200,000 |
| RTS, D-Mat Service Charge accrued and payable to NSMBL | 5,469,238 | 1,608,466 |
| Year end Balance | | |
| Others payable to NSMBL | Nil | Nil |
| Others receivable from NSMBL | Nil | Nil |
| Deposit maintained with NSBL | 184,584 | 209,669,648 |

Other Principal Promoter Representing in the Board (s)

Employee Provident Fund, Nepal holds 15% shares in the Bank and has a representation to the Bank's Board is also considered to be the related party of the bank.

| Employee Provident Fund (EPF) Nepal | 31 Ashadh 2078 (In NPR) | 31 Ashadh 2077 (In NPR) |
|-------------------------------------|-------------------------|-------------------------|
| Year-end Balance | | |
| Deposits | 7,724,853,433 | 6,811,233,281 |

Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

Directors and other Key Management Personnel (KMP)

The Bank's Directors, Key Management Personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Personnel representing the Central Management Committee (CENMAC) are considered as KMP.

a. Directors related expenses

The details of expenses incurred by the Bank for the member of the Board of Director is as under.

| Particulars | Expenses (In NPR) | |
|--|-------------------|------------------|
| Transaction during the year | 31 Ashadh 2078 | 31 Ashadh 2077 |
| Board Meeting (20) | 950,000 | 690,000 |
| Audit Committee Meeting (6) | | |
| Risk Management Committee Meeting (8) | | |
| Employee Service Facility Committee Meeting (5) | | |
| Food, Lodging Expenses for Board level meetings | 1,017,535 | 5,280,460 |
| Travelling & Halting Expenses for Board level meetings | 104,445 | 1,585,429 |
| Total | 2,071,980 | 7,555,889 |

b. Key Management Personnel related expenses

There is no observation of the transactions between the Bank and key management personnel other than as prescribed under staff service byelaws and relating to remuneration.

Salary to the key management personnel deputed from SBI is borne by State Bank of India, the parent company under the Technical Service Agreement (TSA) entered with the Bank which is approved by the Nepal Rastra Bank. The key management personnel are also provided with living, medical and other related facilities as per TSA. The total expenses incurred for key management personnel deputed from SBI is NPR 17,459,153 and other CENMAC members are NPR 13,955,086.

5.14 Merger and Acquisition

The Bank has not undertaken any mergers and acquisition during the year.

5.15 Additional Disclosures of Non-Consolidated Entities

The Bank has one subsidiary as at 15 July 2021, Nepal SBI Merchant Banking Company Ltd, which is consolidated for the year ended 15 July 2021. There are no such entries which are required to be consolidated but not done during the year.

5.16 Events After Reporting Data

The Bank monitors and assesses events that may have potential impact to quality as adjusted / non-adjusted events after the end of reporting period. There are no material events that have occurred subsequent to 31st Ashadh, 2078 till signing of Financial Statement on 7th Mangsir, 2078 (23rd November, 2021).

5.17 Employee Bonus

The Bank has provided employee bonus at the rate 10% of profit before tax as per prevailing Bonus Act in Nepal.

5.18 Grant Received for SEP Project

During the year, the Bank has reclassified capital reserve booked on Government Grant to Deferred Grant Income applying the concept of Income Approach. Refer the point number 3.9 for the details about the agreement with SEP project.

Reconciliation of Deferred Grant Income

| Particulars | Amount in NPR |
|--|---------------|
| Opening Deferred Grant Income | 2,468,769 |
| Grant received during the year | - |
| Amount charged to Profit or Loss during the year | 2,468,769 |
| Closing Deferred Grant Income | - |

5.19 Reserves

5.19.1 Corporate Social Responsibility

As per the NRB directive no. 6.16 on the Corporate Social Responsibility, the Bank has allocated 1% of the net profit of current fiscal year for CSR activities. The amount allocated for corporate social responsibility reserve is NPR 9,609,592 and NPR 15,433,488, for current year and previous year respectively. Comparative table of CSR expenses and fund is as under:

| Particulars | Note | 31 Ashadh 2078 | 31 Ashadh 2077 |
|---|-------------|-------------------|-------------------|
| | | (In NPR) | (In NPR) |
| Net Profit during the year as per P/L account | P/L | 963,479,143 | 1,543,348,770 |
| Minimum 1% to be appropriated for CSR as per NRB to be expended next year of Net Profit (A) | | 9,634,791 | 15,433,488 |
| Additional fund appropriated to cover already committed projects in CSR | | - | - |
| Total fund appropriated in CSR fund during the year | | 9,634,791 | 15,433,488 |
| Opening balance in CSR fund | 4.27 | 18,663,910 | 47,155,402 |
| Less: Expenses incurred during the year in CSR | 4.37 | 8,883,500 | 43,924,980 |
| Less: Amount transferred to Corona Virus Infection, Prevention and Control Fund (As per NRB Directive No. 06/2077 (16 JA) | | 3,230,422 | - |
| Total balance outstanding in CSR fund as on Ashadh | 4.27 | 16,184,779 | 18,663,910 |

Summary of amount expended under the corporate social responsibility is presented in table below.

a. Province wise expenses details

| Province | Amount (Rs) |
|----------------------------|------------------|
| Province 1 | 922,748 |
| Province 2 | 443,145 |
| Province 3 | 4,932,822 |
| Province 4 | 917,337 |
| Province 5 | 1,300,222 |
| Province 6 | 58,780 |
| Province 7 | 308,446 |
| Province wise total | 8,883,500 |

b. Sector wise expenses details

| Particular | Amount |
|--|------------------|
| Social Project | 160,869 |
| Grant given to Orphanage, Kindergartens and Old age home | 415,203 |
| Open Account Campaign (Kholau Khata Aaviyan 2076) | 33,500 |
| Other Expenses | 979,743 |
| Staff COVID Expenses | 5,905,865 |
| Health Sector | 1,171,880 |
| Education Sector | 216,440 |
| Total | 8,883,500 |

5.19.2 Staff Skill Development 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.

However, pursuant to the circular no. 01/078/79 dated 2078/04/11, it is not mandatory for the bank to spend such 3% amount. Accordingly, the bank has spent all the balance in the training fund outstanding during the last fiscal year and has not created any fund as at 15 July 2021.

| Particulars | Note | 31 Ashadh 2078 (In NPR) | 31 Ashadh 2077 (In NPR) |
|--|-------------|-------------------------|-------------------------|
| Opening Staff Skill Development Fund | | - | 2,747,353 |
| Additions during the year (Minimum 3% to be expended in staff training and development as prescribed by NRB) | | - | - |
| Total | | - | 2,747,353 |
| Less: Expenses incurred in staff training and development during the year | | - | 2,747,353 |
| Remaining Balance (Unspent) as on Ashadh End | 4.27 | - | - |

5.19.3 Regulatory Reserve

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

- Re-measurement adjustments such as interest income recognized against interest receivables,
- Difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS,
- Amount equals to deferred tax assets,
- Actual loss recognized in other comprehensive income,
- Amount of goodwill recognized under NFRS.

Pursuant to the NRB Unified Directive no. 4/2077, regulatory reserve on Accrued Interest Receivable and Non-Banking Asset have been considered after taking effect of staff bonus and income tax.

| Particular | Fiscal Year | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2074/75 | 2075/76 | 2076/77 | 2077/78 |
| Opening Balance of Regulatory Reserve | 97,319,505 | 346,390,335 | 546,352,099 | 632,371,030 |
| Add: Amount transferred during year from retained earning | | | | |
| Interest Receivable | 105,878,946 | 19,535,409 | 189,080,496 | 149,016,404 |
| Short loan loss provision | - | - | - | - |
| Short provision for possible loss in investment | - | - | - | - |
| Short provision on NBA | - | - | - | - |
| Deferred Tax | 138,890,930 | 77,477,505 | 11,934,237 | 64,365,528 |
| Goodwill | - | - | - | - |
| Gain on Bargain Purchase | - | - | - | - |
| Actuarial Loss | 4,300,954 | 102,948,850 | - | 21,112,633 |
| Fair value loss recognised in OCI | - | - | - | - |
| Other (Fair value gain (unrealized gain) recognised in Profit or loss) | - | - | 678,539 | 24,582,049 |
| Less: Amount transferred to retained earnings during the year | | | | |
| Accrued interest previously recognised as income collected during the year | - | - | 92,407,965 | 189,080,496 |
| Actuarial Gain | - | - | 23,266,376 | - |
| Balance as on Ashadh end (Note 4.27) | 346,390,335 | 546,352,099 | 632,371,030 | 702,367,148 |

5.20 Reconciliation Status of Agency Account Outstanding at Year End

| Particulars | Total | | <3 months | | >3=< 9month | | >9 months | |
|----------------|----------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | No. of entries | Net Amount | No of entries | Net amount | No of entries | Net amount | No of entries | Net amount |
| 31 Ashadh 2078 | 3,580 | 131,088 | 2,573 | 92,575 | 564 | 15,975 | 443 | 22,538 |
| 31 Ashadh 2077 | 1,828 | 473,533 | 967 | 416,255 | 177 | 52,424 | 474 | 25,186 |

The outstanding balance is total of debit and credit balance. The difference has been identified, reconciled and are being reviewed on periodic basis.

5.21 Impairment of Loans and Advances

As per the carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

Loans and advances to customers with significant value (Top 50 group exposure and borrowers classified as Non-Performing as per Nepal Rastra Bank Directive) are assessed for individual impairment test.

The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets into sixteen broad categories as follows:

| | |
|----|---|
| 1 | Agricultural and Forest Related |
| 2 | Fishery Related |
| 3 | Mining Related |
| 4 | Agriculture, Forestry & Beverage Related |
| 5 | Non-food Production Related |
| 6 | Construction |
| 7 | Power, Gas and Water |
| 8 | Metal Products, Machinery & Electronic Equipment & Assemblage |
| 9 | Transport, Communication and Public Utilities |
| 10 | Wholesaler & Retailer |
| 11 | Finance, Insurance and Real Estate |
| 12 | Hotel or Restaurant |
| 13 | Other Services |
| 14 | Consumption Loans |
| 15 | Local Government |
| 16 | Others |

Since this provision is mandatory for application the impairment under NFRS and impairment under NRB norms has been disclosed for comparison.

| Particulars | 31 Ashadh 2078 (In NPR) | 31 Ashadh 2077 (In NPR) |
|--|----------------------------|----------------------------|
| Individual impairment of loans and advances | 287,413,357 | 77,770,032 |
| Collective impairment of loans and advances | 742,982,698 | 445,542,944 |
| Total impairment allowance under NFRS | 1,030,396,055 | 523,312,976 |
| Total impairment allowance under NRB norms | 1,760,859,630 | 1,388,137,456 |

5.22 Dividend Payable

| Fiscal Year | Asadh end 2078 (In NPR) | Asadh end 2077 (In NPR) |
|--------------|-------------------------|-------------------------|
| FY2052/53 | - | 224,400 |
| FY2053/54 | - | 203,200 |
| FY2054/55 | - | 215,200 |
| FY2055/56 | - | 113,500 |
| FY2056/57 | - | 170,750 |
| FY2059/60 | - | 286,512 |
| FY2062/63 | - | 133,917 |
| FY2063/64 | - | 287,860 |
| FY2066/67 | - | 177,015 |
| FY2067/68 | - | 188,963 |
| FY2068/69 | - | 252,644 |
| FY2069/70 | - | 395,958 |
| FY2070/71 | - | 3,061,294 |
| FY2074/75 | 43,150,619 | 51,083,510 |
| FY2075/76 | 47,050,842 | 58,053,644 |
| FY2076/77 | 20,689,176 | - |
| Total | 110,890,637 | 73,026,003 |

The Dividend uncollected for more than 5 years amounting Rs. 5,631,208 has been transferred to Investor Protection fund on 18.10.2020.

| Particulars | 31 Ashadh 2078 | 31 Ashadh 2077 |
|-------------------------------------|--------------------|--------------------|
| Not collected for more than 5 years | - | 2,649,920 |
| Not collected up to 5 years | 110,890,637 | 112,198,448 |
| Total | 110,890,637 | 114,848,368 |

5.23 Legal Cases

Draft Paid Without Notice (FY A.D. 1998/99 – B.S.2055/56)

The Bank had filed a case with the Kathmandu District Court for recovery of NPR 32,000,000 on account of loss incurred by the Bank due to the negligence of collecting Banks. Since the decision of the Kathmandu District Court and Appellate Court was not in favor of the Bank, a review petition was filed with the Supreme Court. Hearing on the Bank's petition is under process. The Bank has already received NPR 9,640,625 from an insurance company and collecting banks, for the balance, 100% provision has been made against possible loss for the balance amount of NPR 22,359,375 since 15.07.2005.

5.24 Weighted Average Interest Spread

| Particulars | Rate % |
|---|--------|
| Average Rate of return on Interest Earning Assets i.e., Loan and Advances (including staff loans), investments in Fixed Deposits and Shares | 7.25 |
| Average Cost of fund on Deposits, Borrowings, Debenture, Refinance and Inter-bank borrowing | 5.27 |
| Average Net Spread (Overall) | 1.99 |

5.25 Summary of Concentration Exposure as on 31 Ashadh 2078

| Particulars | Loans, Advances & Bills Purchased | Deposits | Contingent Liabilities |
|---|-----------------------------------|-----------------|------------------------|
| Total amount as on 15/07/2020 (as per NRB) | 101,578,335,159 | 106,217,324,308 | 49,338,593,640 |
| Highest exposure to a single unit (group) | 2,631,101,313 | 7,724,853,433 | 561,475,776 |
| Percentage of exposure to single unit/total | 2.59 | 7.27 | 1.14 |

5.26 Earnings per Share

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

| Particulars | Units | Year ended | Year ended |
|--|-------|----------------|----------------|
| | | 31 Ashadh 2078 | 31 Ashadh 2077 |
| Profit attributable to equity shareholders (a) | NPR | 963,479,143 | 1,543,348,770 |
| Weighted average of number of equity shares used in computing basic earnings per share (b) | | 94,935,779 | 89,562,056 |
| Basic and diluted earnings per equity share of NPR 100 each (a/b) | NPR | 10.15 | 16.26 |

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.

5.27 Proposed Distributions (Dividends and Bonus Shares)

The Board of directors in its meeting dated 7th Mangsir, 2078 (23rd November, 2021) has passed a resolution recommending for distribution of bonus shares (stock dividend) at 3.50% and cash dividend at 1.81% of paid up capital as at 5.31%.

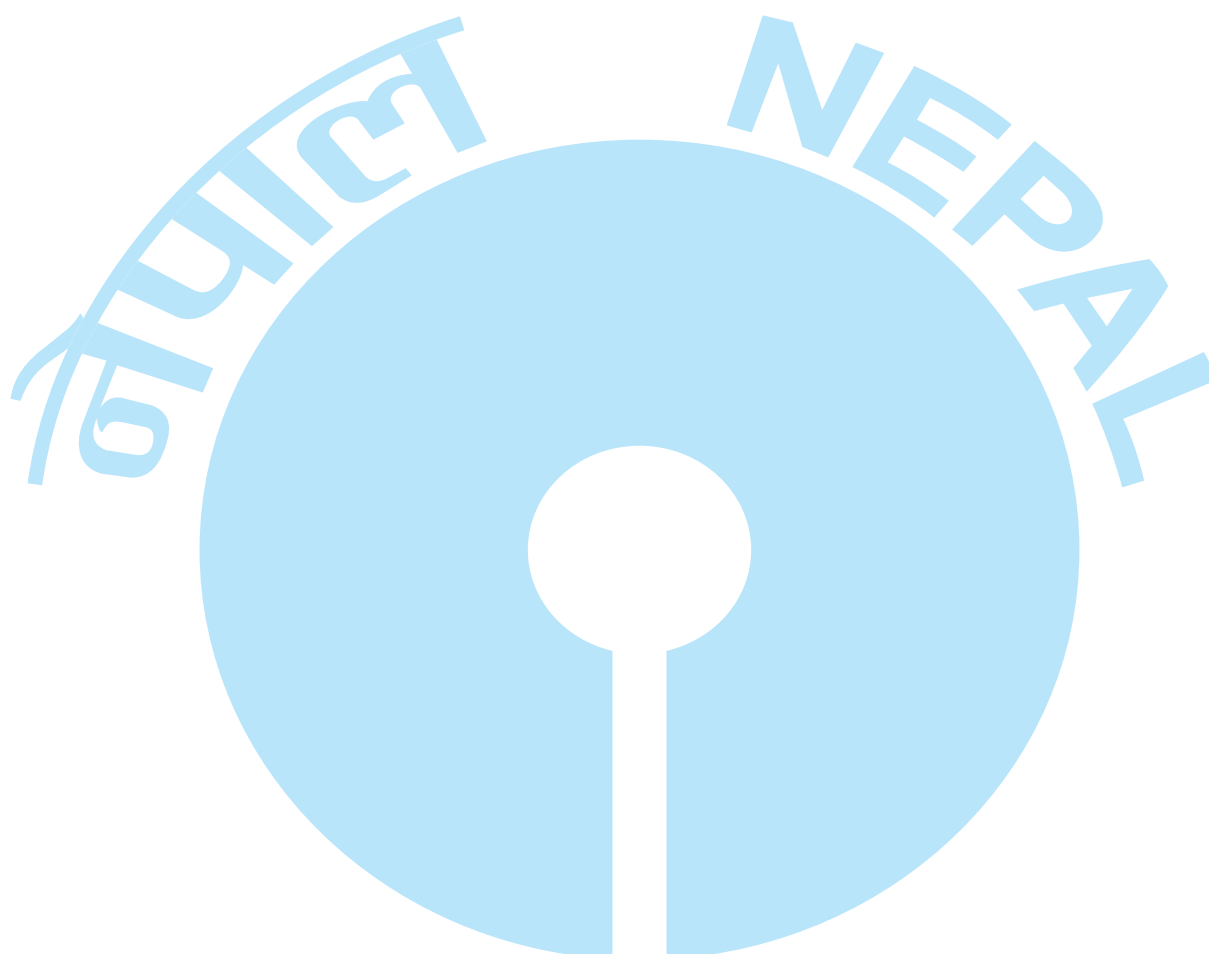
| Particulars | 31 Ashadh 2078 | 31 Ashadh 2077 |
|------------------------|----------------|----------------|
| Cash Dividend Declared | 171,834 | 311,110 |
| Bonus Shares | 332,275 | 537,372 |
| Total | 504,109 | 848,482 |

5.28 Write off during the year

The Bank has written off old unreconciled debit entries of various nostro account amounting NPR 3,751,950 from SBI during the previous fiscal year as per the decision made in its 437th board meeting dated 3rd July 2019. The Bank is in continuous follow up for recovery of those entries.

5.29 Write off loan recovered during the year

There is no any amount recovered during this fiscal year.



5.30 Principal Indicators

| Particulars | Indicators | Restated as per NFRS reporting | | | | |
|---|------------|--------------------------------|----------------|----------------|----------------|----------------|
| | | 2073/2074 | 2074/2075 | 2075/2076 | 2076/2077 | 2077/2078 |
| 1. Percent of Net Profit/Gross Income | % | 22.38 | 19.87 | 18.33 | 12.33 | 9.30 |
| 2. Earnings Per Share | Rs. | 33.46 | 25.16 | 27.13 | 17.23 | 10.15 |
| 3. Market Value per Share (as on Ashadh end) | Rs. | 925.00 | 499.00 | 469.00 | 435.00 | 409.00 |
| 4. Price Earnings Ratio | Times | 27.64 | 19.83 | 17.29 | 25.24 | 40.30 |
| 5. Dividend (including bonus) on share capital | % | 16.34 | 15.79 | 16.84 | 9.47 | 5.31 |
| 6. Cash Dividend on Share Capital | % | 0.82 | 10.79 | 10.84 | 3.47 | 1.81 |
| 7. Interest Income/Loans & Advances | % | 9.51 | 11.94 | 12.72 | 12.10 | 8.87 |
| 8. Staff Expenses (excluding staff bonus)/ Total Operating Expenses | % | 46.87 | 53.26 | 52.41 | 51.97 | 54.91 |
| 9. Interest Expenses/Total Deposit and Borrowings | % | 3.40 | 5.60 | 6.49 | 6.40 | 5.13 |
| 10. Exchange Gain/Total Income | % | 3.16 | 2.66 | 2.54 | 2.30 | 3.20 |
| 11. Staff (Statutory) Bonus/ Total Staff Expenses (excluding bonus) | % | 22.71 | 21.31 | 22.76 | 14.78 | 9.65 |
| 12. Net Profit/Loans & Advances | % | 2.48 | 2.67 | 2.59 | 1.63 | 0.95 |
| 13. Total Credit/Deposit | % | 78.07 | 89.60 | 90.52 | 85.50 | 95.58 |
| 14. Total Operating Expenses/Total Assets | % | 4.58 | 6.73 | 7.57 | 7.65 | 6.32 |
| 15. Adequacy of Capital Fund on Risk Weightage Assets | | | | | | |
| a. Core Capital | % | 13.53 | 13.38 | 12.72 | 12.39 | 11.02 |
| b. Supplementary Capital | % | 2.18 | 1.77 | 1.40 | 3.16 | 2.83 |
| c. Total Capital Fund | % | 15.71 | 15.15 | 14.12 | 15.55 | 13.86 |
| 16. Liquidity (CRR) | % | 10.04 | 7.18 | 6.65 | 8.89 | 3.22 |
| 17. Non-Performing Credit/Total Credit (as per NRB provision) | % | 0.10 | 0.20 | 0.20 | 0.23 | 0.23 |
| 18. Base Rate (For the month of Ashadh) | % | 8.98 | 10.12 | 9.72 | 9.25 | 7.37 |
| 19. Weighted Average Interest Rate Spread | % | 3.68 | 4.99 | 4.43 | 3.87 | 3.18 |
| 20. Book Net worth | Rs. | 10,539,742,841 | 12,801,103,793 | 14,154,449,362 | 14,781,851,324 | 15,400,071,110 |
| 21. Total Shares | No. | 69,248,930 | 80,469,053 | 84,492,505 | 89,562,056 | 94,935,779 |
| 22. Total Employees | No. | 768 | 871 | 1,029 | 1,004 | 967 |
| 23. Return on Shareholder's Equity (on outstanding figure) | % | 14.85 | 15.81 | 16.20 | 10.44 | 6.26 |
| 24. Return on Assets (on outstanding figure) | % | 1.57 | 1.97 | 1.94 | 1.17 | 0.70 |
| 25. Book Value Per Share | Rs. | 152.20 | 159.08 | 167.52 | 165.05 | 162.22 |
| 26. Cost to Income Ratio (for NFRS cost excludes staff bonus and impairment provisions) | % | 39.50 | 37.56 | 40.19 | 53.61 | 61.03 |
| 27. ATM/CDM/CRM Terminals | No. | 96 | 110 | 118 | 124 | 122 |
| 28. POS Terminals | No. | 175 | 680 | 1,060 | 1,513 | 1,395 |
| 29. Branches | No. | 62 | 72 | 88 | 88 | 88 |

5.31 Disclosure of Actuarial Valuation for Leave and Gratuity

| Particulars | 31 Ashadh 2078 | | | 31 Ashadh 2077 | | |
|---|-------------------------|-----------------------|---------------------|-------------------------|-----------------------|---------------------|
| | In NPR | | | | | |
| | Annual Leave (Unfunded) | Sick Leave (Unfunded) | Gratuity (Unfunded) | Annual Leave (Unfunded) | Sick Leave (Unfunded) | Gratuity (Unfunded) |
| Expenses Recognized In Income Statement | | | | | | |
| Current service cost | 11,801,000 | 5,307,000 | 60,769,000 | 9,551,000 | 4,204,000 | 60,427,000 |
| Interest cost | 10,922,000 | 9,190,000 | 62,893,000 | 9,905,000 | 8,422,000 | 58,109,000 |
| Expected Return on Plan Assets | - | - | - | - | - | - |
| Actuarial (Gain)/ Loss | 5,223,320 | 8,216,560 | | (2,233,980) | 1,285,420 | - |
| Past Service Cost | - | - | - | | | |
| Expenses recognized in the Profit & Loss A/c | 27,946,320 | 22,713,560 | 123,662,000 | 17,222,020 | 13,911,420 | 118,536,000 |
| Amount recognized in Other comprehensive Income | | | (30,160,850) | | | 33,237,680 |
| | | | | | | |
| Change in Present Value Obligations | | | | | | |
| PV of Obligation at beginning of the year | 131,886,290 | 110,752,050 | 751,143,610 | 119,396,720 | 101,353,150 | 691,662,840 |
| Interest cost | 10,922,000 | 9,190,000 | 62,893,000 | 9,905,000 | 8,422,000 | 58,109,000 |
| Current Service Cost | 11,801,000 | 5,307,000 | 60,769,000 | 9,551,000 | 4,204,000 | 60,427,000 |
| Benefit paid | (8,200,050) | (7,135,250) | (63,101,000) | (4,732,450) | (4,512,520) | (25,817,550) |
| Actuarial (Gain)/ Loss | 5,223,320 | 8,216,560 | 30,160,850 | (2,233,980) | 1,285,420 | (33,237,680) |
| Liability at the end of the year | 151,632,560 | 126,330,360 | 841,865,460 | 131,886,290 | 110,752,050 | 751,143,610 |
| | | | | | | |
| Change in Fair Value of Plan Assets | | | | | | |
| FV of Plan Asset at Beginning of the Year | | | | | | |
| Interest Income | | | | | | |
| Expected Return on Plan Assets | | | | | | |
| Contribution by Employer | | | | | | |
| Benefit paid | | | | | | |
| Actuarial (Gain)/ Loss on Plan Assets | | | | | | |
| Fair Value of Plan Asset at End of the Year | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Amount Recognized in SOFP | | | | | | |
| Present Value of Obligations at Year End | | | | | | |
| Fair Value of Plan Assets at Year End | 151,632,560 | 126,330,360 | 841,865,460 | 131,886,290 | 110,752,050 | 751,143,610 |
| Unfunded Status | 151,632,560 | 126,330,360 | 841,865,460 | 131,886,290 | 110,752,050 | 751,143,610 |

Actuarial assumption

Actuarial valuation of defined benefit plan obligation is done on the basis of the following assumption.

| | 31 Ashadh 2078 | 31 Ashadh 2077 |
|---------------------------|----------------------------------|----------------------------------|
| Discount Rate | 8.00% | 8.50% |
| Salary Escalation Rate | 2021/22: 5% And Thereafter 6.50% | 2021/22: 5% And Thereafter 6.50% |
| Expected Return on Assets | NA | NA |
| Mortality Rate | Nepal Assured Mortality 2009 | Nepal Assured Mortality 2009 |
| Withdrawal Rate 20-58 | | |
| 20-34 | 6.00% | 6.00% |
| 35-58 | 1.00% | 1.00% |

Sensitivity analysis

| | 31 Ashadh 2078 | 31 Ashadh 2077 |
|---|----------------|----------------|
| Discount Rate | | |
| Effect on DBO – increase of discount rate by 1% | -10.00% | -9.90% |
| Effect on DBO – decrease of discount rate by 1% | 11.70% | 11.50% |
| Salary Escalation Rate | | |
| Effect on DBO – increase of salary rate by 1% | 11.70% | 11.70% |
| Effect on DBO – decrease of salary rate by 1% | -10.20% | -10.10% |

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Bala Krishna Shrestha)
Director

(Rajay Kumar Sinha)
Director

(Bharat Raj Wasti)
Director

(Bimala Subedi)
Director

(FCA.Sunir Kumar Dhungel),
Managing Partner
S.A.R. Associates, Chartered Accountants

Date: 23.11.2021
Place: Kathmandu



नेपाल राष्ट्र बैंक बैंक सुपरिवेक्षण विभाग

प.सं:बै.सु.वि./अफसाइट/एजिएम/२०/२०७८-७९

नेपाल एसबिआई बैंक लिमिटेड
केशरमहल, काठमाडौं।


दरबारमार्ग, काठमाडौं।

फोन नं.: ४४९९८०५,७

फ्याक्स नं.: ४४९०९५९

Site: www.nrb.org.np

Email: bsd@nrb.org.np

पोष्ट बक्स:७३

मिति: २०७८/०८/२३

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

महाशय,

त्यस बैंकबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातहरूका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ४७ को उपदफा (२) को प्रावधान पालना गरेको देखिएको हुँदा, उक्त ऐनको उपदफा (१) बमोजिम त्यस बैंकले प्रस्ताव गरे बमोजिम रु.३३,२२,७५,२२६।०३ (अक्षरूपी तेत्तीस करोड बाइस लाख पचहत्तर हजार दुई सय छब्बीस र पैसा तीन मात्र) बराबरको बोनस शेयर र रु.१७,१८,३३,७५९।७५ (अक्षरूपी सत्र करोड अठार लाख तेत्तीस हजार सात सय उनान्साठ र पैसा पचहत्तर मात्र) नगद लाभांश (बोनस शेयर तथा नगद लाभांशमा लाग्ने कर समेत) गरी कूल रु.५०,४१,०८,९८५।७८ (अक्षरूपी पचास करोड एकचालीस लाख आठ हजार नौ सय पचासी र पैसा अठहत्तर मात्र) लाभांश घोषणा एवं वितरण गर्न अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट पारित भएको अवस्थामा मात्र वितरण गर्न स्वीकृति प्रदान गरिएको छ। साथै आ.व. २०७७/७८ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशनहरू सहित सार्वजनिक गर्न समेत सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार जानकारी गराउँदछु।

- लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका सम्पूर्ण कैफियतहरू पूर्ण रूपले सुधार गर्न तथा त्यस्ता कैफियतहरू पुनः दोहोरिन नदिने आवश्यक व्यवस्था मिलाउनु हुन।
- यस बैंकबाट जारी गरिएको निर्देशन नं. १० को वृद्धा नं. ७ बमोजिम इजाजतपत्र प्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेयरमा लगानी गर्दा चुक्ता पूँजीको बढीमा १५ प्रतिशत र अन्य बैंक तथा वित्तीय संस्थाहरूमा चुक्ता पूँजीको बढीमा १ प्रतिशतसम्ममात्र लगानी गर्न सकिने व्यवस्था रहेकोले उल्लिखित सीमाभन्दा बढी शेयर धारण गर्ने संस्थापक शेयरधनीहरूलाई सो सीमाभित्र नल्याएसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।
- बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३ को दफा ११ को उपदफा ३ मा बैंकको चुक्ता पूँजीको २ प्रतिशत वा सो भन्दा बढी शेयर धारण गरेका संस्थापकहरूले आफुले धारण गरेको शेयर बिक्री तथा धितो बन्धक राख्दा नेपाल राष्ट्र बैंकको स्वीकृति लिनु पर्ने व्यवस्था रहेकोले नेपाल राष्ट्र बैंकको स्वीकृति नलिई आफुले धारण गरेको शेयर धितो बन्धक राखी अन्य बैंक तथा वित्तीय संस्थाबाट कर्जा उपयोग गरेका संस्थापक शेयरधनीहरू रहेमा ती संस्थापक शेयरधनीहरूलाई सोको स्वीकृति नलिएसम्म वा शेयर धितो बन्धक राखी उपयोग गरेको कर्जा पूर्ण रूपमा चुक्ता गरी शेयर फुकुवा नगरेसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।
- विदेशी शेयरधनीलाई लाभांश प्रदान गर्ने सिलसिलामा सो रकम विदेश पठाउँदा (Repatriation) प्रचलित कानूनी व्यवस्था पालना गर्नु हुन।
- उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नुहुन।

भवदीय,

(पिताम्बर पोखरेल)

उप-निर्देशक

बोधार्थ

- नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग।
- बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, नेपाल एसबिआई बैंक लिमिटेड।
- नेपाल राष्ट्र बैंक, विदेशी विनिमय व्यवस्थापन विभाग।

SUBSIDIARY INFORMATION

NEPAL SBI MERCHANT BANKING LIMITED (NSMBL)

G.S. GAIRHE & ASSOCIATES

Chartered Accountants

P.O. Box No: 11904
Saibu, Bhaisepati, Lalitpur-25
Phone No: 977-01-5592286
E-mail: gobindasharma@gmail.com

Ref. No.-2078/79-023

07 Mangsir, 2078

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL SBI MERCHANT BANKING LTD.

Report on the Audit of Financial Statements

A. Opinion on the Financial Statements

1. We have audited the accompanying financial statements of Nepal SBI Merchant Banking Ltd. ("entity") which comprise the statement of financial position as at Asadh 31, 2078 (corresponding to July 15, 2021), the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the financial statements referred to above, present fairly, in all material respects, the financial position of the entity as of Asadh 31, 2078 (July 15, 2021), and its performances, changes in equity and its cash flows for the year ended on that date in conformity with Nepal Financial Reporting Standards (NFRS), and comply with Securities Act 2063, Security Board Regulation 2064 and other prevailing legislations.

B. Basis for Opinion

3. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
4. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

C. Independence

5. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

D. Key Audit Matters

6. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate report on these matters.
- 6.1 There are no key audit matters to communicate.



1/4

www.gsg.com.np

E. Other information

7. The directors are responsible for the other information presented in the NSMBL's annual report. Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. We have nothing to report in this respect.

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

8. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the management is responsible for assessing the entity'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 entity or to cease operations or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the entity's financial reporting process.

G. Auditors Responsibilities for the Audit of Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken based on these financial statements.
12. As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We are also:
 - 12.1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control. Evaluate appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the management.
 - 12.2 Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a

2/4



material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up-to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- 12.3 Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicated 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.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the financial statement of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

H. Report on Other Legal and Regulatory Requirements

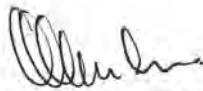
16. On examination of the financial. Statements as aforesaid, we report that:
 - 16.1 We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit as per NSA.
 - 16.2 The statement of financial position as at Ashadh 31, 2078 (July 15, 2021), the statement of profit or loss, other comprehensive income, statement of changes in equity and statement of Cash flow for the year then ended on that date, and the attached summary of significant accounting policies and notes to accounts dealt and other explanatory information (thereafter referred to as "the financial statements") dealt with by this report are prepared in accordance with Securities Act 2063, Security Board Regulation 2064, comply with Securities Act 2063, Security Board Regulation 2064 and other prevailing legislations.
 - 16.3 In our opinion, proper books of account as required by law have been kept by the entity, in so far as appears from our examination of those books of account and the financial statements dealt with by this report, are in agreement with the books of accounts.



3/4

- 16.4 In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the entity, we have not come across the cases where the Board of Directors or the representative or any employee of the entity has acted deliberately contrary to the provisions of the law relating to accounts or caused loss or damage to the entity nor have we been informed of any such case by the management.

For and on behalf of,
G.S. Gairhe & Associates
Chartered Accountants
Lalitpur, Nepal



Gobinda Sharma Garihe, FCA
Principal
Date: 07 Mangsir, 2078
UDIN: 211123CA0050756o7e



Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu
Statement of Financial Position
As at 31st Ashadh 2078 (15th July 2021)

Figures in NPR

| Particulars | Schedule No. | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|--------------------------------------|--------------|--|--|
| ASSETS | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 1 | 10,519,487 | 6,058,796 |
| Trade & Other Receivables | 2 | 4,009,128 | 418,272 |
| Investment in Fixed Deposits & Bonds | 3 | 217,500,000 | 215,500,000 |
| Financial Assets held for trading | 4 | 20,207,747 | 6,608,000 |
| Inventories-Stock of Stationary | | 11,405 | 15,635 |
| Property, Plant and Equipment | 5 | 3,575,850 | 4,412,435 |
| Intangible Assets | 6 | 912,145 | 989,901 |
| Prepayment & other advances | 7 | 93,595 | 92,637 |
| Current Tax Assets | 14 B | 3,383,527 | 2,102,805 |
| Deferred Tax Assets | 14 A | 22,658 | 130,877 |
| Total Assets | | 260,235,542 | 236,329,358 |
| EQUITY AND LIABILITIES | | | |
| Liabilities | | | |
| Financial Liabilities | | | |
| Loans and Borrowings | | - | - |
| Trade & Other Payables | 8 | 575,364 | 908,309 |
| Employee Benefits Liabilities | 9 | 4,582,862 | 2,332,761 |
| Other Liabilities & Payables | 10 | 845,782 | 499,094 |
| Current Tax Liabilities | | - | - |
| Deferred Tax Liabilities | | - | - |
| Total Liabilities | | 6,004,008 | 3,740,164 |
| Equity | | | |
| Share Capital | 11 | 200,000,000 | 200,000,000 |
| Other Reserves | 12 | 3,511,022 | 1,130,365 |
| Retained Earnings | 13 | 50,720,512 | 31,458,831 |
| Total Equity | | 254,231,534 | 232,589,196 |
| Total Equity and Liabilities | | 260,235,542 | 236,329,358 |

The accompanying notes form an integral part of the financial statements.

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

CA. Gobinda Sharma Gairhe
Principal
G.S. Gairhe & Associates,
Chartered Accountants

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 21/11/2021
Place : Kathmandu, Nepal

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu

Statement of Profit or Loss and Other Comprehensive Income

For the period from 1st Sharwan 2077 to 31st Ashadh 2078 (16th July 2020 to 15th July 2021)

Figures in NPR

| Particulars | Schedule No | 2077-78 | 2076-77 |
|---|-------------|-------------------|-------------------|
| Interest from bank | 15 | 19,013,860 | 20,722,986 |
| Interest from Others | 15 | - | - |
| Fees, Commission & Other Income | 16 | 28,505,668 | 8,094,175 |
| Fair Value Gain/(Losses) on Financial Assets held for trading | 4 | 1,130,587 | 90,008 |
| Gross Income | | 48,650,115 | 28,907,169 |
| Direct Expenses | 17 | 2,735,591 | 2,184,423 |
| Depreciation & Amortization | 18 | 1,575,400 | 1,358,589 |
| Employee Benefit Expenses | 19 | 4,568,416 | 3,912,505 |
| Impairment Loss on Financial Assets at amortized cost | 4 | - | - |
| Other Operating Expenses | 21 | 5,417,787 | 5,141,573 |
| Operating Profit | | 34,352,921 | 16,310,079 |
| Finance Cost | | - | - |
| Staff Bonus Provisions | | 3,435,292 | 1,631,008 |
| Profit Before Tax | | 30,917,629 | 14,679,071 |
| Income Tax (Expenses)/Income: | | | |
| - Current Tax | | 9,167,070 | 4,566,809 |
| - Deferred Tax | | 108,219 | (163,779) |
| Profit From Continuing Operations | | 21,642,340 | 10,276,041 |
| Profit/ (Loss) on Discontinued Operations (net of tax) | | - | - |
| Net Profit for the Year | | 21,642,340 | 10,276,041 |
| Other Comprehensive Income: | | | |
| Other Comprehensive Income that is subsequently not reclassified to profit or loss | | | |
| -Revaluation gain/(losses) on Property, Plant & Equipments | | - | - |
| -Income tax relating to components of other comprehensive income | | - | - |
| Total Other Comprehensive Income, Net of Tax | | - | - |
| Total Comprehensive Income for the Period | | 21,642,340 | 10,276,041 |
| Attributable to : Equity Holders of Parent | | 21,642,340 | 10,276,041 |
| Earning Per Share (Basic) | | 10.82 | 5.14 |
| Earning Per Share (Diluted) | | 10.82 | 5.14 |
| Return on Assets (ROA) | | 0.08 | 0.04 |
| Return on Equity (ROE) | | 0.09 | 0.04 |
| Net Worth Per share | | 127.12 | 116.29 |

The accompanying notes form an integral part of the financial statements.

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

CA. Gobinda Sharma Gairhe
Principal
G.S. Gairhe & Associates,
Chartered Accountants

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 21/11/2021
Place : Kathmandu, Nepal

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu

Statement of Changes in Equity As at 31st Ashadh 2078 (15th July 2021)

Figures in NPR

| Particulars | Share Capital | | Other Reserves | | Retained Earnings | Total Equity Attributable to Parents of the entity |
|---|--------------------|------------------|------------------|----------------|-------------------|--|
| | Equity Share | Preference Share | General Reserve | CSR Reserve | | |
| Balance as of Shrawan 1, 2077 | 200,000,000 | - | 1,027,604 | 102,760 | 31,458,829 | 232,589,193 |
| Changes in Accounting Policies | - | - | - | - | - | - |
| Correction of Prior Period Errors | - | - | - | - | - | - |
| Restated Balance as of Shrawan 1, 2077 | 200,000,000 | - | 1,027,604 | 102,760 | 31,458,829 | 232,589,193 |
| Changes in equity for the year ended Chaitra 31, 2077 | | | | | | |
| Profit / (Loss) for the year | - | - | - | - | 21,642,340 | 21,642,340 |
| Allocation of Profit to General Reserve | - | - | 2,164,234 | - | (2,164,234) | - |
| Allocation of Profit to CSR Reserve | - | - | - | 216,423 | (216,423) | - |
| Adjustment for Overcharges of Taxation in previous years | - | - | - | - | - | - |
| Issue of Ordinary Share | - | - | - | - | - | - |
| Cash Dividend | - | - | - | - | - | - |
| Dividend Tax Paid | - | - | - | - | - | - |
| Issue of Bonus Share (Dividend) | - | - | - | - | - | - |
| Cash Dividend for Tax Purpose | - | - | - | - | - | - |
| Balance as of Ashadh 31, 2078 | 200,000,000 | - | 3,191,838 | 319,183 | 50,720,512 | 254,231,533 |

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

CA. Gobinda Sharma Gairhe
Principal
G.S. Gairhe & Associates,
Chartered Accountants

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 21/11/2021
Place : Kathmandu, Nepal

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu

Statement of Cash Flows

For the period from 1st Shrawan 2077 to 31st Ashadh 2078 (16th July 2020 to 15th July 2021)

Figures in NPR

| Particulars | 2077-78 | 2076-77 |
|--|---------------------|---------------------|
| Cash flow from Operating Activities | | |
| Net Income for the year | 21,642,340 | 10,276,041 |
| Adjustment for: Non-Cash Items & Non-Operating items | | - |
| Income Tax expense recognized in profit or loss | 9,275,289 | 4,403,030 |
| Restated figure after tax audit adjustment in opening Reserve | - | - |
| Depreciation and Amortisation | 1,575,400 | 1,358,589 |
| Fair Value Adjustment (increment) | (1,130,587) | (90,008) |
| Loss/ (gain) on disposal of Software | | 20,252 |
| Prior Period Adjustment | - | (377,421) |
| Provision for Staff Bonus | - | - |
| Deferred Tax | - | - |
| Adjustment for: Working Capital Changes except Cash & Cash equivalent | - | - |
| Increase / Decrease in Trade & other receivables | (3,590,856) | 933,125 |
| Increase / Decrease in Current Assets | - | - |
| Increase / Decrease in Current Liabilities | - | - |
| Increase / Decrease in Inventories | 4,230 | (15,635) |
| Increase / Decrease in Prepayments & Other Advances | (958) | (35,470) |
| Increase/Decrease in Trade & Other Payables | (332,945) | 392,859 |
| Increase/Decrease in Employee Benefits | 2,250,101 | 391,423 |
| Increase / Decrease in other Liabilities | 346,688 | 234,614 |
| Cash generated from Operations. | 30,038,702 | 17,491,399 |
| Finance Cost on Working Capital Loan & Overdraft | - | - |
| Income Tax Paid | (10,447,792) | (4,363,946) |
| Net Cash Flows from Operating Activities (A) | 19,590,910 | 13,127,453 |
| Cash Flow from Investing Activities | | |
| Acquisition of Property, plant and Equipment | (424,559) | (113,268) |
| Purchase of Intangible Assets | (236,500) | (678,000) |
| Purchase of Financial Assets at amortized Cost | (2,000,000) | (6,500,000) |
| Acquisition of Financial Assets held for trading | (12,469,160) | (5,499,992) |
| Net Cash flow from Investing Activities (B) | (15,130,219) | (12,791,260) |
| Cash Flow from Financing Activities | | |
| Finance Cost Paid | - | - |
| Proceed from the Issue of Share | - | - |
| Dividend Paid (Both Interim & Final) | - | - |
| Dividend Tax Paid | - | - |
| Cash Dividend for tax purpose | - | - |
| Net Cash flow from Financing Activities (C) | - | - |
| Foreign Exchange Gain/ (loss)-(D) | - | - |
| Net Increase/(Decrease) in Cash (A+B+C+D) | 4,460,691 | 336,193 |
| Cash and Cash Equivalents at the beginning of the period | 6,058,796 | 5,722,602 |
| Cash and Bank balance at the End of the Year | 10,519,489 | 6,058,795 |

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

CA. Gobinda Sharma Gairhe
Principal
G.S. Gairhe & Associates,
Chartered Accountants

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 21/11/2021
Place : Kathmandu, Nepal

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu

For the year ended 31st Ashadh, 2078 (15th July 2021)

NOTES TO FINANCIAL STATEMENTS

(All amount are stated in NPR unless otherwise provided)

1. Corporate Information and Background:

Nepal SBI Merchant Banking Limited (NSMBL or 'the Company') is limited liability company incorporated on 7 Baisakh 2073 (19th April, 2016) and licensed by Securities Board of Nepal (SEBON) on 9th December 2016. The core activities of the Company consist of Issue Management Service, Registrar to Shares, Underwriting, Portfolio Management and Corporate Advisory Services.

NSMBL is a wholly owned downstream subsidiary of Nepal SBI Bank Ltd. (NSBL). The Company has its registered office at Hattisar, Kathmandu, Nepal.

The Financial Statements were authorized for issue by the Board of Directors on 15th Ashwin, 2078.

2. Significant Account Policies

2.1. Basis of Preparation

2.1.1 Statement of compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standard Board, Nepal and announced by Institute of Chartered Accountants of Nepal.

2.1.4 Reporting Dates

| Particulars | Nepalese Calendar Date / Period | Gregorian Calendar Date / Period |
|------------------------------|---------------------------------|----------------------------------|
| Comparative SFP* Date | 31 Ashadh 2077 | 15 July 2020 |
| Comparative reporting period | 1 Shrawan 2076 - 31 Ashadh 2077 | 15 July 2019 - 15 July 2020 |
| NFRS SFP* Date | 31 Ashadh 2078 | 15 July 2021 |
| NFRS reporting period | 1 Shrawan 2077 - 31 Ashadh 2078 | 15 July 2020 - 15 July 2021 |

*SFP = Statement of Financial Position

*NFRS = Nepal Financial Reporting Standards

2.1.5 Going Concern

The management considers that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

2.1.6 Materiality

The Company for the preparation of financial statements determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all of the qualitative characteristics.

2.1.7 Re-grouping/Re-arrangement

Assets, Liabilities, Equity, Income & Expenses are rearranged or regrouped to make financial statement more informative and faithfully.

2.2. Summary of Accounting Policies

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

2.2.1 Foreign Currency

Transactions entered into by companies/entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency" is NPR) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit

2.1.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Investment property is measured at fair value.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Biological assets are measured at fair value less cost to sell.
- Available for sale financial assets are measured at fair value.
- Investments held-for-trade is measured at fair value.
- Derivative financial instruments are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.
- Assets acquired & Liabilities assumed in a business combination are recognized at fair value.

2.1.3 Functional & Presentation Currency

The Financial Statements are prepared in Nepalese Rupees, which is the Company's functional currency. All the financial information presented in Nepalese Rupees has been rounded to the nearest thousands, except otherwise indicated.

or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

2.2.2 Property, Plant and Equipment

Items of property, plant and equipment are initially recognised at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

2.2.3 Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives. Depreciation on assets purchased during the current year has been provided on proportionate basis from the date of put to use.

Depreciation has been computed on SLM Method. The estimate useful lives for the assets are as follows:

| Class of Property Plant & Equipment | Useful life | Depreciation Rates | Depreciation Method | Measurement Basis |
|-------------------------------------|-------------|--------------------|---------------------|-------------------|
| Civil Works | 13.33 Years | 7.5% | SLM | Cost Model |
| Motor Vehicles | 6.67 Years | 15% | SLM | Cost Model |
| Computer Equipment | 5 Years | 20% | SLM | Cost Model |
| Office Furnitures-Wooden | 6.67 Years | 15% | SLM | Cost Model |
| Office Furnitures-Metal | 10 Years | 10% | SLM | Cost Model |
| Office Equipment | 5 Years | 20% | SLM | Cost Model |
| Other Assets | | | | |
| (a) Small Equipment | 4 Years | 25% | SLM | Cost Model |
| (b) Batteries | 2.5 Years | 40% | SLM | Cost Model |
| (c) Other Furniture | 6.67 Years | 15% | SLM | Cost Model |
| (d) Mobile Set | 3.03 Years | 33% | SLM | Cost Model |

Leased Assets

When all the risks and rewards incidental to ownership of a leased asset are transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between principal and interest. The interest element is charged to the statement of comprehensive income over the period of the lease so that it represents a constant proportion of the lease liability. The principal element reduces the balance owed to the lesser.

When all the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term.

2.2.4 Intangible Assets

Goodwill (If there is a goodwill arising on acquisition)

Goodwill represents excess of the cost of acquisition over the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is stated at cost less accumulated amortization and impairment losses.

Negative goodwill (if there is a goodwill arising on acquisition)

Negative goodwill arising on acquisition represents excess of the fair value of net identifiable assets acquired over the cost of acquisition.

Computer Software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated useful lives.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific/technical knowledge and understanding, is recognized in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Other Intangible Assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Infrastructure

considered being under the control of a regulator rather than an operator to be recognized as an intangible concession asset and amortized over the concession period as per Service Concession Arrangements (SCA). Accordingly additions to the infrastructure incurred by the operator to be accounted for as a construction contract with the regulator, with revenues and associated costs recognized in the income statement on a percentage of completion basis.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and Trademarks: based on contract period or best estimate whichever is earlier
- All Computer Software : 5 Years

2.2.5 Financial Assets

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A. Recognition of Financial Assets

A financial asset is recognized when the entity become party to the contractual provision of financial instruments .

B. Derecognition of Financial Assets

- A financial asset is de-recognised when
 - Contractual right to Cash flows expires or
 - There is a transfer of risk & rewards relating to ownerships or
 - There is a transfer of control of Financial Assets (practical ability to sell financial assets) or
 - Retain Rewards, but assume obligation to pay cash flow to one or more parties & fulfill following conditions:
 - No obligation to pay until receipts from original assets.

- Restriction from sale/pledge except collateral for above obligation.
- Obligation to remit cash flow without material delay (except temporary investment).
- Gain/(Loss) on derecognition of Financial Assets is recognized in profit or loss.

C. Classification and Measurement of Financial Assets

1. Financial Assets at Amortized Cost

- If Business Model is to hold Financial Assets to collect contractual Cash Flows & If it is held for solely payment of principal and interest on outstanding principal, Financial assets is classified under this category.
- It is initially measured at Fair value plus transactions costs.
- It is subsequently measured at amortized cost using effective interest method.
- Interest Charges shall be calculated on Opening balance of amortized cost.

2. Financial Assets at Fair Value through profit or loss

- Following Financial Assets are classified under this category:
 - (a) If Financial Assets does not meet the condition of measured at amortized cost or if made irrevocable election to reduce the accounting mismatch.
 - (b) Compulsory classified under this category:
 - (i) Financial Assets held for trading,
 - (ii) All Derivatives except held for hedging.
- It is initially measured at Fair value and any transactions costs is charged to Profit or Loss.
- It is subsequently measured at Fair value with changes recognized in profit or loss.

3. Financial Assets at Fair Value through Other comprehensive income

- If made irrevocable election and it is investment in equity instrument not held for trading, i.e. entity has strategic intent to hold the investment in equity instruments.
- It is initially measured at Fair value plus transactions costs.
- It is subsequently measured at Fair value with changes recognized in Other Comprehensive Income under equity (Subsequently not reclassified to profit or loss).

D. Reclassification of Financial Assets

- Reclassification on Financial Assets is made only when there is changes in business model for managing financial assets.
- New carrying amount of Financial assets is Fair value at the date of reclassification.
- Any gain/loss on reclassification is recognized in profit or loss.

E. Impairment of Financial Assets that is measured at amortized Cost

- Financial assets is test for impairment if there is objective evidence of impairment at the end of every reporting period.
- Impairment losses is recognized if its carrying amount exceeds the present value of future cash flows discounted at original effective interest.
- For the purpose of impairment test financial assets are grouped if significant on the basis on similar credit risks and other financial assets are tested on stand-alone basis.

2.2.6 Financial Liabilities

A financial liabilities is any liability that is:

- (a) a contractual obligation:
 - (i) to deliver cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A. Recognition of Financial Liabilities

A financial liabilities is recognized when the entity become party to the contractual provision of financial instruments

B. Derecognition of Financial Liabilities

- A financial liabilities is de-recognized when
 - (a) Contractual Obligation to pay cash flows extinguished or
 - (b) There is a substantial modification of term of contract or exchange of financial liabilities with substantial different terms.
- Gain/ (Loss) on derecognition of financial liabilities is recognized in profit or loss.

C. Classification and Measurement of Financial Liabilities

1. Financial Liabilities at Amortized Cost

- All financial liabilities is measured at amortized cost except for exception given in point no 2.
- It is initially measured at Fair Value plus transactions costs.
- It is subsequently measured at amortized cost using effective interest method.
- Interest Charges shall be calculated on opening balance of amortized cost.

2. Exception of Financial Liabilities at Amortized Cost

| Classification | Measurement |
|--|--|
| Financial liabilities at Fair Value Through Profit or Loss(including Derivatives held for trading) | Measured at Fair Value on initial recognition & subsequently Changes is recognized in profit or loss |
| Liabilities created on transfer of Financial Assets | Measured at Fair of Consideration received for transfer of financial assets if it does not qualify for recognition |
| Financial Guarantee Contract | Subsequently Measure at higher of Amount as per NAS 37: provision, contingent liabilities & contingent assets Initial amount less cum amortization as per NAS 18 Revenue |
| Subsidized loan (loan at below-market interest rates) | Subsequently Measure at higher of Amount as per NAS 37: provision, contingent liabilities & contingent assets Initial amount less cum amortization as per NAS 18 Revenue |

Entity made irrevocable election to classify financial liability at Fair Value through Profit or Loss on following conditions:

- (a) If it reduces the accounting mismatch.
- (b) Financial Liability is evaluated on Fair value basis.

D. Reclassification of Financial liabilities

- No financial liabilities shall be reclassified.

2.2.7 Presentation of Financial Instruments

A. Treasury Shares

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

B. Offsetting of Financial assets and Financial liabilities

Financial Assets & Liabilities are offset in Statement of financial position if entity

- Has legally enforceable rights to set off the recognized amount.
- Nets basis or simultaneous basis settlement of FA & FL.

In case of Transfer that does not qualify for derecognition, shall not offset transferred assets & the associated liability.

C. Interest Dividend, Losses & Gains

- Interest dividends, losses & gains relating to financial instrument or component that is FL shall be recognized as expenses or income in PL.
- Distribution to holders of equity instruments shall be debited in equity (net of tax benefit).
- Transaction cost (net of tax benefit) related to equity instrument is deducted from equity.
- Transaction cost related to compound instrument is allocated to both equity & liability component in pro-rata of value of both component.

2.2.8 Investment property

Investment property is stated at fair value determined annually by an independent valuer.

Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement.

2.2.9 Inventories

Inventories are initially recognised at cost and subsequently at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the variable selling expenses.

The cost is determined on first-in first-out (FIFO) method or weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work-in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2.2.10 Cash and Cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. Cash and cash equivalents are classified as financial assets. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included within borrowings in current liabilities on the balance sheet.

2.2.11 Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets (other than biological assets measured at fair value less cost to sell, investment property measured at fair value, Financial Assets, inventories and deferred tax assets) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest paRegister to Shares (RTS) of assets to which it belongs for which there are separately identifiable cash flows and its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the company's CGUs that are expected to benefit from the synergies of the combination giving rise to

the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

2.2.12 Share Capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The company's equity shares are classified as equity instruments.

Preference share capital is classified as equity if it is non-redeemable and any dividend are discretionary at the option of the company. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon is recognized in the income statement as interest expenses

2.2.13 Borrowing Costs

Interest-bearing borrowings are recognised initially at cost, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

2.2.14 Retirement Benefits

Defined Contribution Schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

Defined Benefit Schemes

Defined benefit scheme surplus and deficit are measured at the fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognized past service costs; less the effect of minimum funding requirements agreed with scheme trustees.

Any difference between the expected return on assets and that actually achieved and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.

Past service costs are recognized directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortized on a straight line basis over the vesting period.

Other long-term service benefits

Employees have a statutory entitlement to certain months' paid leave or the cash equivalent after certain years' of continued service to the company, but no entitlement if the employee leaves earlier. The obligation is calculated using the projected unit credit method and is discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

2.2.15 Share-Based Payments

When Equity share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Other Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

When equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

2.2.16 Taxation

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity. Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected on realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.2.17 Non-current assets held for sale and disposal

Non-current assets and disposals are classified as held for sale when:

- They are available for immediate sale.
- Management is committed to a plan to sell.
- It is unlikely that significant changes to the plan will be made or the plan will be withdrawn.
- Active programme to locate a buyer has been initiated.
- Asset or disposal company is being marketed at a reasonable price in relation to its fair value and
- Sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposals classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Company's accounting policy; and
- Fair value less costs to sell.

After their classification as held for sale, non-current assets (including those in a disposal company) are not depreciated. The results of operations disposed during the year are included in the statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of has been discontinued or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal company's discontinued operations.

2.2.18 Trade & Other Payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2.2.19 Provisions

The provisions for liabilities of uncertain timing or amount include those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

2.2.20 Revenue

Revenue from the rendering of services is recognized when:

- There is transfer of significant risk and reward of ownership.
- The amount of revenue, cost incurred on transaction & stage of completion can be reliably measured.
- It is probable that future economic benefits will flow to the entity.

Interest Income

Interest income are recognized in the statement of income using effective interest method.

Dividend Income

Dividend income is recognized in the income statement when the right to receive payment is established.

2.2.21 Expenses

Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Net Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement when the right to receive payment is established.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

2.2.22 Segment Reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services/business segment, or in providing products or services within a particular economic environment/geographical segment, which is subject to risks and rewards that are different from those of other segments.

2.2.23 Discontinued Operations

A discontinued operation is a clearly distinguishable component of the company's business that is discontinued or terminated pursuant to a single plan and which represents a separate major line of business or geographical area of operations.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Entity's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Entity's exposure to risks and uncertainties includes:

- Capital management
- Financial instruments risk management and policies
- Sensitivity analyses disclosures

3.1 Judgments

In the process of applying the Entity's accounting policies, management has made the general judgments, which may have effect on the amounts recognized in the financial statements. There are no significant judgment applied which will affect the recognition of amounts in financial statements.

3.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

- (a) Provision for Gratuity & Leaves Expenses

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu, Nepal

Schedules Forming part of the Financial Statement

For the year ended 31st Ashadh, 2078 (15th July 2021)

Cash & Cash Equivalent

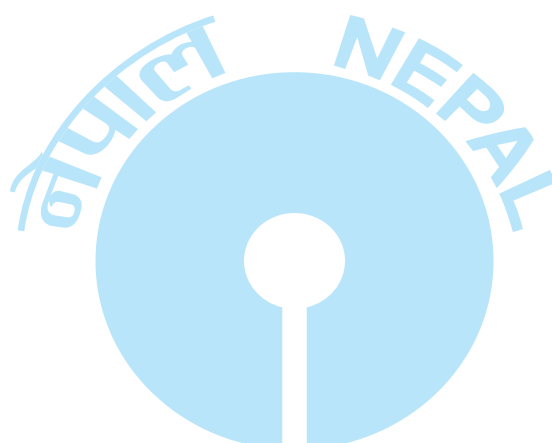
Schedule-1

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|-------------------------------------|--|--|
| Petty Cash | - | - |
| Nepal SBI Bank Ltd. | 8,584,888.30 | 5,072,301.37 |
| Citizens Bank International Limited | 587,699.72 | 191,711.26 |
| Mega Bank Nepal Limited | 738,795.33 | 789,758.80 |
| Global IME Bank Limited | 608,103.47 | 5,025.00 |
| Total Amount | 10,519,486.82 | 6,058,796.43 |

Trade and Other Receivables

Schedule-2

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|--|--|--|
| Other Assets | | |
| Other Deposit | 86,100.00 | 86,100.00 |
| LICN Receivable | 4,660.00 | 34,820.00 |
| Mirmire Lagubittiya Sanstha Ltd. -Register to Shares (RTS) | 265.00 | 24,470.00 |
| TDS Excess Paid Receivable | - | - |
| Bank Account NSBL LICN Dividend | 9,755.95 | - |
| Prepaid Internet & Communication Expenses | 35,498.97 | - |
| Prepaid Certification Expenses | 27,120.00 | - |
| Prepaid D-Mat Tracking System | 13,183.00 | - |
| Portfolio Management Services (PMS) Annual Fee Receivable | 1,750,060.99 | 114,147.68 |
| Infotmt Receivable | - | 9,590.00 |
| Nabil Bank Interest Receivable | 25,068.49 | 10,136.98 |
| Kumari Bank Interest Receivable | 154,171.24 | 139,006.84 |
| Capital Gain Tax | 407,509.58 | - |
| Bank Account NSMBL Nagbeli Cash Dividend | 352.32 | - |
| Online Securities Receivable | 1,489,211.18 | - |
| Nepal Bank Ltd Receivable | 6,171.24 | - |
| Total | 4,009,127.96 | 418,271.50 |



Investment in Fixed Deposit and Bonds
Schedule-3

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|-----------------------|--|--|
| Fd-Nsbl-1065 | - | 2,500,000.00 |
| Fd-Nsbl-1004 | - | 7,000,000.00 |
| Fd-Nsbl-1064 | - | 4,500,000.00 |
| Fd-Nsbl-1102 | 30,000,000.00 | 30,000,000.00 |
| Fd-Ctzn-3113 | - | 2,500,000.00 |
| Fd-Nsbl-1117 | - | 2,000,000.00 |
| Fd-Nsbl-1161 | 60,000,000.00 | 60,000,000.00 |
| Fd-Nsbl-1168 | 29,000,000.00 | 29,000,000.00 |
| Fd-Nsbl-1171 | - | 40,000,000.00 |
| Fd-Gbbl-7001 | - | 7,000,000.00 |
| Fd-Ctzn-6109 | - | 1,500,000.00 |
| Fd-Nsbl-1192 | - | 4,500,000.00 |
| Fd-Ctz-71109 (77/78) | 12,000,000.00 | - |
| Fd-Ctz-3109 (77/78) | 17,500,000.00 | - |
| Fd-Gbime-3016 (77/78) | 5,000,000.00 | - |
| Fd-Mega-29882 (77/78) | 7,000,000.00 | - |
| Fd-Nsbl-1268 (77/78) | 50,000,000.00 | - |
| Fd-Nsbl-1271 (77/78) | 7,000,000.00 | - |
| Fd-Nsbl-204 | - | 25,000,000.00 |
| Total | 217,500,000.00 | 215,500,000.00 |

Financial Assets Held for Trading
Schedule-4

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|--|--|--|
| Citizen Mutual Fund 1 | 1,000,000.00 | 1,000,000.00 |
| NMB 50 Mutual Fund | 1,000,000.00 | 1,000,000.00 |
| Kumari Debenture 10.25% 2086 | 3,000,000.00 | 3,000,000.00 |
| NIBL Sahabhagita Fund | 999,992.00 | 999,992.00 |
| Nabil 10 Percent Debenture 2082 | 500,000.00 | 500,000.00 |
| Secondary Market (ALICL) | 465,008.31 | - |
| Secondary (CHCL) | 217,299.00 | - |
| Secondary Market (GBLBS) | 1,344,039.50 | - |
| Secondary Market (NIBSF2) | 500,000.00 | - |
| Secondary Market (NIL) | 854,650.00 | - |
| Secondary Market (NLICL) | 5,807,478.25 | - |
| Secondary Market (PCBL) | 879.80 | - |
| Secondary Market (PMHPL) | 338,329.50 | - |
| Secondary Market (PRVU) | 941,476.00 | - |
| Secondary Market (PSF) | 500,000.00 | - |
| Secondary Market (SLCF) | 500,000.00 | - |
| Sunrise Bluechip Fund (SBCF) | 500,000.00 | - |
| 8.50% Nepal Bank Debenture 2087 (NBLD) | 500,000.00 | - |
| Financial Assets Held at Cost Price | 18,969,152.36 | 6,499,992.00 |
| Accumulated Fair Value Changes | | |
| Balance as at beginning of the period | 108,008.00 | 18,000.00 |
| Changes for the period | 1,130,586.89 | 90,008.00 |
| Balance as at end of the period | 1,238,594.89 | 108,008.00 |
| Financial Assets at end at Fair Value | 20,207,747.25 | 6,608,000.00 |

Prepayment & Other Advances**Schedule-7**

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|-------------------|--|--|
| Prepaid Insurance | 26,973.00 | 22,288.00 |
| Prepaid Expenses | 66,622.25 | 70,042.00 |
| Staff Advance | - | 307.00 |
| Total | 93,595.25 | 92,637.00 |

Trade & Other Payable**Schedule-8**

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|-------------------------------------|--|--|
| A.F.E. Home Decoration Pvt.Ltd | 53,788.00 | 53,788.00 |
| TDS Payable | 3,552.00 | - |
| Lease Liability NFRS Adjustment | 53,703.00 | 268,515.00 |
| Audit Fee Payable | 256,450.00 | 189,550.00 |
| SEBON & CDSCL Expenses Payable | 30,161.05 | 56,996.57 |
| Other Payables | 100.00 | 100.00 |
| Payable Biz Serve It Pvt .Ltd | - | 223,000.00 |
| Payable To Info Developers Pvt. Ltd | 177,610.00 | - |
| Expense Payable | - | 116,359.28 |
| Total | 575,364.05 | 908,308.85 |

Employee Benefit Liabilities**Schedule-9**

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|---------------------------|--|--|
| Provision For Staff Bonus | 3,435,292.00 | 1,631,007.93 |
| Provision For Expenses | 95,141.00 | - |
| Provision For Gratuity | 496,922.00 | 336,576.00 |
| Provision For Leave | 555,507.35 | 365,177.00 |
| Total | 4,582,862.35 | 2,332,760.93 |

Other Liabilities & Payable**Schedule-10**

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|--|--|--|
| Provision For Tax | 19,950.00 | - |
| Tax Payable Other | - | 200,482.79 |
| TDS Payable Company | 183,112.00 | - |
| TDS On Staff Salary | 73,029.00 | - |
| TDS Om Care Service | 431.00 | - |
| TDS Anil Khadgi Ot | 14.00 | - |
| TDS Nandan Hari Sharma | 6,750.00 | - |
| TDS Waste Management Service Pvt. Ltd | 3,105.00 | - |
| TDS Total General Suppliers | 483.00 | - |
| Deferred Portfolio Management Services (PMS) Annual Management Fee | 558,908.30 | 198,611.20 |
| Deferred Underwriting Commission | - | 100,000.00 |
| Total | 845,782.30 | 499,093.99 |

Share Capital

Schedule-11

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|--|--|--|
| Ordinary Shares of NPR 100 each | | |
| Authorized Share Capital | 250,000,000.00 | 250,000,000.00 |
| Subscribed Share Capital | 200,000,000.00 | 200,000,000.00 |
| Issued & Fully Paid | | |
| At the Beginning of the Year | 200,000,000.00 | 200,000,000.00 |
| Bonus Share Issues | - | - |
| Issues for Cash During the Year | - | - |
| Total Amount | 200,000,000.00 | 200,000,000.00 |

Number of Shares

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|--|--|--|
| Ordinary Shares of NPR 100 each | | |
| Authorized Share Capital | 2,500,000.00 | 2,500,000.00 |
| Subscribed Share Capital | 2,000,000.00 | 2,000,000.00 |
| Issued & Fully Paid | | |
| At the Beginning of the Year | 2,000,000.00 | 2,000,000.00 |
| Bonus Share Issues | - | - |
| Issues for Cash During the Year | - | - |
| Total | 2,000,000.00 | 2,000,000.00 |

Other Reserves

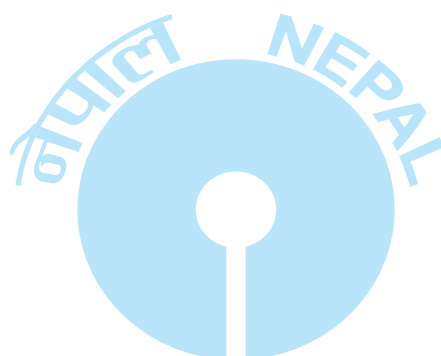
Schedule-12

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|---------------------|--|--|
| Opening Balance | 1,130,364.75 | - |
| CSR Reserve | 216,423.00 | 102,760.43 |
| General Reserve | 2,164,234.00 | 1,027,604.32 |
| Total Amount | 3,511,021.75 | 1,130,364.75 |

Retained Earnings

Schedule-13

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|---|--|--|
| Balance at the beginning of the period | 31,458,828.64 | 21,518,025.00 |
| Less: Bonus Share Distributions | - | - |
| Over Provision of Tax for previous period | - | 1,172,548.18 |
| Restatement or Adjustment | - | (377,421.00) |
| Profit for the period | 21,642,340.00 | 10,276,043.25 |
| Transfer to General Reserve & CSR Reserve | (2,380,657.00) | (1,130,364.76) |
| Restated Balance after Tax Audit | - | - |
| Total | 50,720,511.64 | 31,458,830.67 |



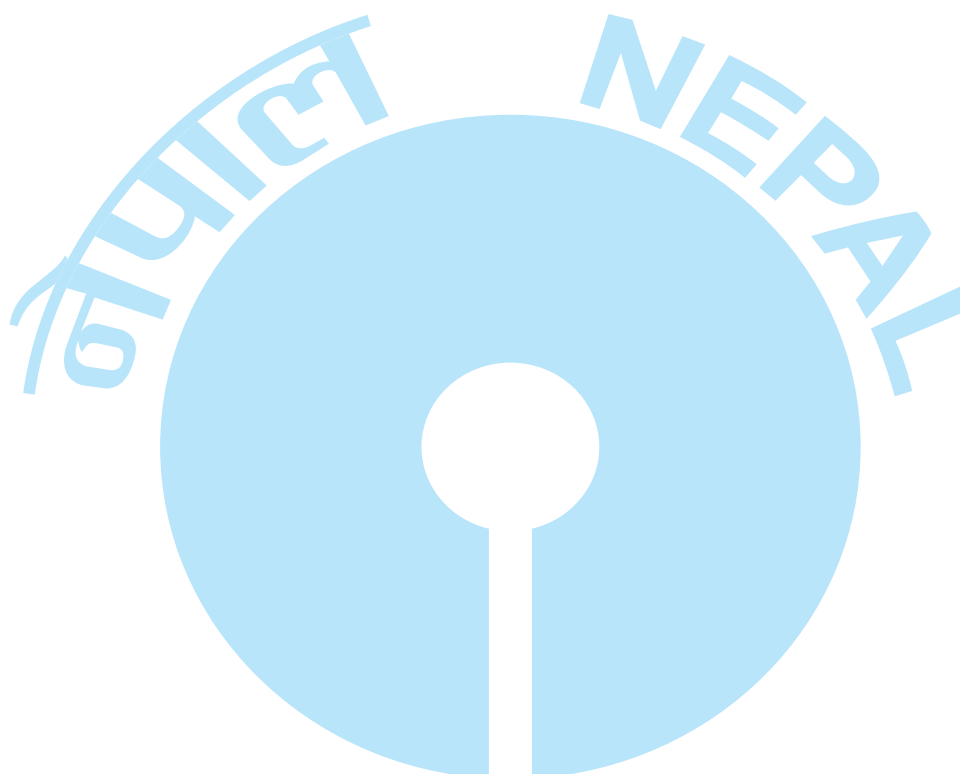
Current Tax Liability/(Assets)**Schedule-14B**

| Particulars | Ashadh 31, 2078 (15 th July 2021) | Ashadh 31, 2077 (15 th July 2020) |
|---|--|--|
| Balance at the beginning of the period | (2,102,805) | (1,133,120) |
| Charged during the Year | 9,167,070 | 4,566,809 |
| Over Charged Previous Years | - | (1,172,548) |
| Total Current Tax Liabilities | 7,064,265 | 2,261,141 |
| Current Tax Assets | | |
| TDS Receivables | - | - |
| Advance income Tax | (10,447,792) | (4,363,946) |
| Current Tax Liabilities/(Assets) | (3,383,527) | (2,102,805) |

Deferred Tax Liability/(Assets)**Schedule-14A**

| Particulars | Tax Base | Carrying Amount | Temporary Differences | Deferred Tax @ 30% |
|---|------------|-----------------|-----------------------|---------------------|
| Property, Plant & Equipment | 3,766,000 | 3,575,850 | (190,150) | (57,045.00) |
| Intangible Assets | 983,688 | 912,145 | (71,543) | (21,462.90) |
| Financial Assets Held for Trading | 18,969,152 | 20,207,747 | 1,238,595 | 371,578.50 |
| Provision for Gratuity | - | (496,922) | (496,922) | (149,076.60) |
| Provision for leave | - | (555,507) | (555,507) | (166,652.10) |
| Balance at Ashadh 31, 2078 | | | | (22,658.10) |
| Balance at Ashadh 31, 2077 | | | | (130,877.00) |
| Deferred Tax Expenses/(Income) for Origination/Reversal of Temporary Differences | | | | 108,218.90 |
| Recognised in Profit or Loss for the year ended Ashadh 31, 2078 | | | | 108,218.90 |
| Recognised in Other Comprehensive Income for the year ended Ashadh 31, 2078 | | | | - |
| Recognised in Equity for the year ended Ashadh 31, 2078 | | | | |

Since there is no comprehensive income during the year, no transfer to other comprehensive income is made during the year.



Property, Plant & Equipment

Schedule-5

(All Amount are stated in NPR, unless otherwise provided)

| Particulars | Civil Works | Vehicles | Computers & Accessories | Office Furnitures-Wooden | Office Furniture-Metal | Office Equipment | Other Assets | Capital WIP | Total |
|---|------------------|------------------|-------------------------|--------------------------|------------------------|------------------|----------------|-------------|------------------|
| Cost | | | | | | | | | |
| Balance as on Shrawan 1, 2077 | 1,422,445 | 3,715,719 | 825,300 | 493,600 | 444,936 | 705,517 | 362,292 | - | 7,969,809 |
| Purchase During the Year | 34,000 | - | 268,480 | - | 59,935 | 37,855 | 24,289 | - | 424,559 |
| Transfer from Capital WIP | - | - | - | - | - | - | - | - | - |
| Acquisition Through Business Combination | - | - | - | - | - | - | - | - | - |
| Revaluation Adjustments | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh 31, 2078 | 1,456,445 | 3,715,719 | 1,093,780 | 493,600 | 504,871 | 743,372 | 386,581 | - | 8,394,368 |
| Depreciation & Impairment Losses | | | | | | | | | |
| Balance as on Shrawan 1, 2077 | 380,458 | 1,962,696 | 369,331 | 167,583 | 97,481 | 321,091 | 258,735 | - | 3,557,374 |
| Depreciation charged for the Year | 111,204 | 557,358 | 206,893 | 74,040 | 55,265 | 145,231 | 111,153 | - | 1,261,144 |
| Adjustment due to Impairment losses | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh 31, 2078 | 491,662 | 2,520,054 | 576,224 | 241,623 | 152,746 | 466,322 | 369,888 | - | 4,818,518 |
| Carrying Amount | | | | | | | | | |
| Balance as on Shrawan 1, 2077 | 1,041,987 | 1,753,023 | 455,969 | 326,017 | 347,455 | 384,426 | 103,557 | - | 4,412,435 |
| Balance as on Ashadh 31, 2078 | 964,783 | 1,195,665 | 517,556 | 251,977 | 352,125 | 277,050 | 16,693 | - | 3,575,850 |

Security

All Property, Plant & Equipment (PPE) has been insured.

Property, Plant & Equipment under Construction

There is no Property, Plant & Equipment under construction.

Intangible Assets

Schedule-6

(All Amount are stated in NPR, unless otherwise provided)

| Particulars | Online D-mat Software | Website- NSMBL | Infinity Software | Share plus Software | PSIMS | CDS & C-Asba Software | Wealth Management Software (WMS) | Website- In Testing Process | Total |
|---|-----------------------|----------------|-------------------|---------------------|----------------|-----------------------|----------------------------------|-----------------------------|------------------|
| Cost | | | | | | | | | |
| Balance as on Shrawan 1, 2077 | 325,000 | 75,000 | - | 237,772 | 141,250 | 63,333 | 678,000 | - | 1,520,355 |
| Additions | - | - | 56,500 | - | - | - | - | 180,000 | 236,500 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh 31, 2078 | 325,000 | 75,000 | 56,500 | 237,772 | 141,250 | 63,333 | 678,000 | 180,000 | 1,756,855 |
| Depreciation & Impairment Losses | | | | | | | | | |
| Balance as on Shrawan 1, 2077 | 222,950 | 51,450 | - | 139,277 | 86,163 | 30,614 | - | - | 530,454 |
| Amortization charged for the Year | 65,000 | 15,000 | 10,185 | 47,554 | 28,250 | 12,667 | 135,600 | - | 314,256 |
| Adjustment due to Impairment losses | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| Balance as on Ashadh 31, 2078 | 287,950 | 66,450 | 10,185 | 186,831 | 114,413 | 43,281 | 135,600 | - | 844,710 |
| Carrying Amount | | | | | | | | | |
| Balance as on Shrawan 1, 2077 | 102,050 | 23,550 | - | 98,495 | 55,087 | 32,719 | 678,000 | - | 989,901 |
| Balance as on Ashadh 31, 2078 | 37,050 | 8,550 | 46,315 | 50,941 | 26,837 | 20,052 | 542,400 | 180,000 | 912,145 |

Interest Income

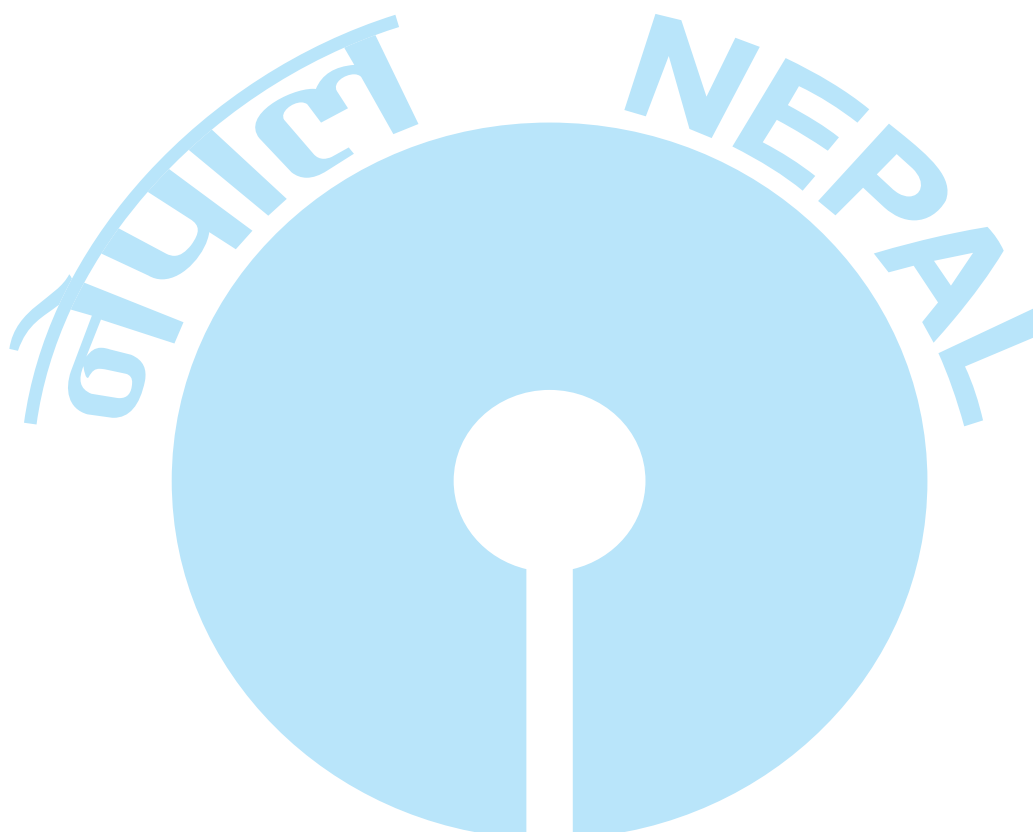
Schedule-15

| Particulars | 2077-78 | 2076-77 |
|----------------------|----------------------|----------------------|
| Interest From Bank | 19,013,859.81 | 20,722,985.67 |
| Interest Form Others | - | - |
| Total | 19,013,859.81 | 20,722,985.67 |

Fee, Commission and Other Income

Schedule-16

| Particulars | 2077-78 | 2076-77 |
|---|----------------------|---------------------|
| ASBA Commission & Other Issue Management Income | 15,450,350.00 | 1,987,480.15 |
| Administration & Management Fee-NSBL DP | 3,597,389.00 | 824,761.00 |
| Portfolio Management Services (PMS) Service Charge | 588,525.23 | 393,626.58 |
| Issue Management Fee | 100,000.00 | 100,000.00 |
| Gain on Sale of Investment | 4,207,181.93 | - |
| Portfolio Management Services (PMS) Exit Load Commission | 50,000.00 | - |
| Dividend Income From Mutual Fund (Mutual Fund (MF) Investment | 277,439.06 | 66,500.00 |
| Underwriting Commission | 100,000.00 | - |
| Debenture Income | 363,671.24 | 149,143.82 |
| Portfolio Management Services (PMS) Performance Fee | 2,507,477.81 | - |
| Cash Dividend_Secondary Market Investment | 29,000.00 | - |
| Insurance Premium Recovery | - | 4,000.00 |
| Registrar to Shares (RTS) Fee | 1,287,485.29 | 862,321.00 |
| Debenture Trustee Fee | 20,000.00 | 20,000.00 |
| Other Income-Register to Shares (RTS) | 45,386.00 | 3,686,342.47 |
| Ancillary Service Charge | 117,647.05 | - |
| Loss on Sale of Investment | (235,884.39) | - |
| Total | 28,505,668.22 | 8,094,175.02 |



Direct Expenses**Schedule-17**

| Particulars | 2077-78 | 2076-77 |
|--|---------------------|---------------------|
| SEBON Licence Renewal Charge | 650,000.00 | 650,000.00 |
| Portfolio Management Services (PMS) Expenses | 21,595.00 | 1,550.00 |
| Issue Management Handling Expenses | 166,091.10 | - |
| Management Service Fee | 1,200,000.00 | 1,200,000.00 |
| SEBON & CDSCL Charges | 697,305.16 | 199,004.63 |
| IPO/FPO Forms Expenses | 600.00 | - |
| Other Registrar to Shares (RTS) Expenses | - | 133,868.11 |
| Total | 2,735,591.26 | 2,184,422.74 |

Depreciation, Amortization and Impairment Losses**Schedule-18**

| Particulars | 2077-78 | 2076-77 |
|------------------------------------|---------------------|---------------------|
| Depreciation Expenses for the Year | 1,261,144.00 | 1,190,117.78 |
| Impairment Losses for the Year | - | - |
| Amortization Expenses for the Year | 314,256.00 | 168,471.03 |
| Total | 1,575,400.00 | 1,358,588.81 |

Employees Benefit Expenses**Schedule-19**

| Particulars | 2077-78 | 2076-77 |
|---|---------------------|---------------------|
| Short Term Employees Benefit | | |
| Basic Salary | 2,132,017.00 | 1,873,332.00 |
| Allowances | 1,140,795.00 | 1,005,174.00 |
| Dashain Allowance | 270,707.00 | 211,120.00 |
| Staff-Uniform Expenses | 21,696.00 | 19,973.00 |
| Canteen Expenses | 352,403.00 | 192,700.15 |
| Overtime Expenses | 56,611.00 | 51,928.00 |
| Training Expenses | 9,600.00 | 15,721.00 |
| Leave Expenses | 190,330.35 | 199,368.00 |
| Post Employment Benefit-Defined Contribution | | |
| Gratuity Expenses | 160,346.00 | 156,049.00 |
| PF Contribution | 192,491.00 | 187,140.00 |
| SSF Contribution | 41,420.00 | - |
| Termination Benefits | - | - |
| Share Based Payment Expenses | - | - |
| Total Employee Benefit Expenses | 4,568,416.35 | 3,912,505.15 |

Impairment on Financial Assets at Amortized Cost**Schedule-20**

| Particulars | 2077-78 | 2076-77 |
|-----------------------|----------|----------|
| Individual Impairment | - | - |
| Collective Impairment | - | - |
| Total | - | - |



Other Operating Expenses

Schedule-21

| Particulars | 2077-78 | 2076-77 |
|---|---------------------|---------------------|
| Audit Fee and Expenses | | |
| Statutory Auditor Fee | 169,500.00 | 169,500.00 |
| Internal Audit Fee | 90,400.00 | 90,400.00 |
| Audit Expenses | - | 1,050.00 |
| Board Meeting Related Cost: | - | - |
| Board Meeting Allowance | 72,000.00 | 40,000.00 |
| Audit Committee Meeting Allowances | 64,000.00 | 80,000.00 |
| Board Meeting Expenses | - | 23,518.00 |
| Audit Committee Meeting Expenses | - | 1,335.00 |
| Investment Expenses | 1,500.00 | - |
| Advertisement Expenses | 21,272.00 | 20,650.00 |
| AGM Expenses | 77,036.00 | 74,428.00 |
| Bank Charges | 1,830.00 | 490.00 |
| Business Promotion and Hospitality Expenses | 37,149.00 | 40,896.00 |
| Cleaning Expenses | 135,600.00 | 120,640.00 |
| Fuel Expenses | 229,420.00 | 197,864.00 |
| Insurance Premium | 67,736.00 | 86,136.00 |
| Kitchen Expenses | 12,075.00 | 16,475.00 |
| Local Municipality Fee and Taxes | 25,750.00 | 25,750.00 |
| Parking Expenses | 1,605.00 | 2,565.00 |
| Postage And Courier | 1,742.23 | 790.00 |
| Printing And Stationery Expenses | 501,611.68 | 156,823.32 |
| Recruitment/Selection Expenses | 32,985.00 | 13,461.00 |
| Newspaper Telephone & Periodical Exp-Director | 84,000.00 | 119,534.00 |
| AMC Charge Dynamic | 24,960.00 | 45,412.00 |
| Telephone, Internet & Communication Expenses | 174,637.78 | 160,982.00 |
| Outsourcing Staff Service Charge | 253,692.00 | 112,752.00 |
| Covid 19 Expenses | 42,855.00 | - |
| AMC Charge Wealth Portfolio Management Services (PMS) | 75,334.00 | - |
| AMC Charge Infinity | 8,475.00 | - |
| Consumable Charges | 10,679.99 | - |
| Small Equipment Charges | 35,153.00 | - |
| Membership Fee for Nepal Institute of Company Secretaries | 5,000.00 | - |
| Internship Expenses | 18,120.00 | - |
| Loss on disposal of software | - | 20,252.00 |
| Website Certification Expenses | - | 13,523.00 |
| Lodging & Fooding Expenses | - | 1,784.00 |
| Office Maintenance Expenses | - | 18,154.00 |
| Security Guard Expenses | - | 267,209.69 |
| Renewal Blue Book of Vehicle | 29,450.00 | 27,296.00 |
| Rent Expenses | 2,530,008.00 | 2,530,008.00 |
| Travelling and Halting Expenses | 27,700.00 | 1,946.00 |
| Water & Electricity Expenses | 298,444.07 | 347,268.50 |
| Miscellaneous Expenses | 14,684.55 | 31,273.20 |
| Waste Management Expenses | 44,850.00 | 50,850.00 |
| Certification Expenses | 3,898.00 | 9,040.00 |
| D-Mat Tracking System Expenses | 42,847.00 | 23,070.00 |
| Repair & Maintenance Expenses | - | - |
| Office Equipment Expenses | 1,900.00 | 57,171.00 |
| Repair And Maintenance Vehicle | 36,365.00 | 93,245.00 |
| Wooden Furniture Expenses | 1,890.00 | - |
| Repair & Maintenance- Civil Construction | 46,075.00 | 33,115.00 |
| Repair & Maintenance Exp-Computer & Accessories | 15,282.00 | 14,916.00 |
| Repair And Maintenance Exp-Office Equipment | 48,275.00 | - |
| Total | 5,417,787.30 | 5,141,572.71 |

Earning per Share

Schedule-22

| Particulars | 2077-78 | 2076-77 |
|---|----------------------|----------------------|
| Profit from Continuing Operations | 21,642,340.00 | 10,276,041.00 |
| Profit/ (Loss) on Discontinued Operations (net of tax) | - | - |
| Profit for the Year (A) | 21,642,340.00 | 10,276,041.00 |
| Weighted Average No. of Shares | | |
| No. of Shares at the Beginning of the period | 2,000,000.00 | 2,000,000.00 |
| Weighted Average No. of Shares Issued during the Year | - | - |
| Bonus Shares Issued During the Year | - | - |
| Total Weighted Average No. of Shares(B) | 2,000,000.00 | 2,000,000.00 |
| Adjustment for potential Shares | | |
| No. of Potential Equity Shares | - | - |
| Total Weighted Average No. of Shares for Diluted EPS (C) | 2,000,000.00 | 2,000,000.00 |
| Earning per Share | | |
| a) Basic EPS | 10.82 | 5.14 |
| b) Diluted EPS | 10.82 | 5.14 |

Disclosures Related to Financial Instruments Risk

Schedule-23

Financial Instruments Risk Management Objectives and Policies

"The Entity's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Entity's operations. The Entity's principal financial assets include trade receivables, cash and short-term deposits that derive directly from its operations. The Entity also holds investments in debt and equity instruments transactions."

The Entity is exposed to **Market Risk, Credit Risk and Liquidity Risk**. The Entity's senior management oversees the management of these risks. The Entity's senior management is supported by a financial risk advisor who advises on financial risks and the appropriate financial risk governance framework for the Entity. The financial risk advisor provides assurance to the Entity's senior management that the Entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Entity's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Entity's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market Risk comprises three types of risk: Interest Rate Risk, Currency Risk and other Price Risk, such as Equity Price Risk, Mutual Fund Price or NAV Risk and Commodity Risk. Financial instruments affected by market risk include Loans and Borrowings, Deposits, Debt and Equity Investments and Derivative financial instruments.

Sensitivity Analysis

| Particulars | Name of Variables | Changes in Variables | For Year 2077-78 | | For Year 2076-77 | |
|-----------------------|-------------------|----------------------|---------------------|--------|---------------------|--------|
| | | | Financial Effect on | | Financial Effect on | |
| | | | Profit before tax | Equity | Profit before tax | Equity |
| Increase in variables | Interest Rates | +1% | 2,215,000 | - | 2,190,000 | - |
| Decrease in variables | Interest Rates | -1% | (2,215,000) | - | (2,190,000) | - |
| Increase in variables | Mutual Fund Price | +NPR 1 | 500,000 | - | 300,000 | - |
| Decrease in variables | Mutual Fund Price | -NPR 1 | (500,000) | - | (300,000) | - |

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Entity is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Aging of Financial Assets that are past due

| Particulars | Amount As per Account | Days Exceeding Normal Credit Period | | | | |
|-------------------|-----------------------|-------------------------------------|------------|------------|----------|-------|
| | | <30 days | 30–60 days | 61–90 days | >91 days | Total |
| For Year 2077-78 | | | | | | |
| Trade Receivables | 4,009,128 | - | - | - | - | - |
| Fixed Deposits | - | - | - | - | - | - |
| Advances | - | - | - | - | - | - |
| Total | 4,009,128 | - | - | - | - | - |
| For Year 2076-77 | | | | | | |
| Trade Receivables | 418,272 | - | - | - | - | - |
| Fixed Deposits | - | - | - | - | - | - |
| Advances | - | - | - | - | - | - |
| Total | 418,272 | - | - | - | - | - |

Liquidity Risk

The Entity monitors its risk of a shortage of funds using a liquidity planning tool. The Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares and lease contracts.

Maturity Analysis of Financial liabilities (based on the contractual undiscounted amounts).

| Particulars | Payable on | | | | | |
|-----------------------|------------|--------------------|-------------|-----------|----------|---------|
| | On Demand | Less than 3 months | 3–12 months | 1–5 Years | >5 Years | Total |
| For Year 2077-78 | | | | | | |
| Loans & Borrowings | - | - | | | - | - |
| Preference Shares | - | - | - | - | - | - |
| Trade &Other Payables | - | 575,364 | - | - | - | 575,364 |
| Total | - | 575,364 | - | - | - | 575,364 |
| For Year 2076-77 | | | | | | |
| Loans & Borrowings | - | - | | | - | - |
| Preference Shares | - | - | - | - | - | - |
| Trade &Other Payables | - | 908,309 | - | - | - | 908,309 |
| Total | - | 908,309 | - | - | - | 908,309 |

Disclosures Related to Fair Value of Financial Instruments & Investment Property

Schedule-24

Set out below is a comparison by class of the carrying amounts and fair values of the Entity's financial instruments, including those with carrying amounts that are reasonable approximations of fair values:

| Particulars | For 2077-78 | | For 2076-77 | | Nature of Inputs to Valuation |
|-----------------------------------|-----------------|-------------|-----------------|-------------|-------------------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | |
| A) Financial Assets | | | | | |
| Trade & Other Receivables | 4,009,128 | 4,009,128 | 418,272 | 418,272 | Level 3 |
| Investment in Fixed Deposits | 217,500,000 | 217,500,000 | 215,500,000 | 215,500,000 | Level 3 |
| Financial Assets Held for trading | 20,207,747 | 20,207,747 | 6,608,000 | 6,608,000 | Level 1 (Quoted Price) |
| Deposits | - | - | - | - | Level 3 |
| Total | 241,716,875 | 241,716,875 | 222,526,272 | 222,526,272 | |
| B) Financial Liabilities | | | | | |
| Trade & Other Payables | 575,364 | 575,364 | 908,309 | 908,309 | Level 3 |
| Loan & Borrowings | | - | | - | Level 3 |
| Customer Deposits | - | - | - | - | Level 3 |
| Total | - | - | - | - | |

Fair value has been determined using the level 3 inputs i.e. unobservable inputs, except for investment listed equity shares whose fair value has been determined using level 1 inputs (Quoted Market price).

Related Party Transactions

Schedule-25

The Entity is wholly controlled by Nepal SBI Bank Limited (NSBL) as it owns 100% of the company's shares.

Major Key Related Parties: Entity

| Name of Parties | Nature of Relationships |
|------------------------|--|
| Nepal SBI Bank Limited | Parents of Reporting Entity-100 % Controlled |

Major Key Related Parties: Natural Person

| Name of Parties | Nature of Relationships | Positions |
|------------------------|--------------------------|-----------|
| Mr. Yadvender Kant | Key Management Personnel | Chairman |
| Mr. Md. Rizwan Alam | Key Management Personnel | Director |
| Mr. Chhapi Raj Pant | Key Management Personnel | Director |
| Mr. Nandan Hari Sharma | Key Management Personnel | Director |
| Mr. Dev Raj Adhikari | Key Management Personnel | MD & CEO |

* MD: Managing Director, CEO: Chief Executive Officer

Related Parties listed above does not include close family members of Key Management Personnel, controlling person and person with significant influence unless there is material transaction with them.

There is changes in the position of Managing Director & CEO, Directors and Chairman.

The following table provides the total amount of sales, purchase and balances that have been entered into with related parties for the relevant financial year.

| Particulars | 2077-78 | 2076-77 |
|--|-------------|-------------|
| Transactions with Parent Entity-Nepal SBI Bank | - | - |
| a) Income/Reimbursement | | |
| Cleaning, Water and Electricity Expenses Reimbursement | 333,744 | 202,846 |
| Service Charges & Fee for DP, D-mat, Registrar to Shares (RTS) | 5,469,238 | 1,608,466 |
| b) Payable for Expenses | | |
| Statutory Fee Paid By NSBL | 901,691 | 39,664 |
| Reimbursement of CDSCL & SEBON Charges | - | - |
| Management Fee to NSBL-Gross | 1,200,000 | 1,200,000 |
| c) Other Balance with NSBL | | |
| Opening Receivables/(Payables) | - | 1,116,903 |
| Closing Receivables/(Payables) | - | - |
| NSBL Total FD Amount | 176,000,000 | 204,500,000 |
| Call & Current Account With NSBL | 8,584,888 | 5,145,378 |
| Interest received From NSBL | 16,856,056 | 19,530,868 |

Investment in Fixed Deposit of Nepal SBI Bank Limited carries a interest on basis of term of deposit which has been measured using amortized cost method.

All transactions with related party has been done on normal market terms & conditions.

Key Management Personnel Compensation

Key management includes the Board of Directors (executive and non-executive), all members of Entity Management and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

| Particulars | 2077-78 | 2076-77 |
|-------------------------------------|----------------|----------------|
| | Directors | Directors |
| Short-term Employee Benefits | | |
| Newspaper, Telephone Allowance | 84,000 | 63,000 |
| Meeting & Other Allowances | 72,000 | 48,000 |
| Other Long-term Benefits | - | - |
| Total | 156,000 | 111,000 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. Remuneration & Benefits to Managing Director (MD) & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) is paid by its parent entity (Nepal SBI Bank Limited) for which it charges a management fees to company under Service Level Agreement (SLA).

Disclosure of Assets & Liability on recovery/settlement Period Basis

Schedule-26

| Particulars | Ashadh 31, 2078 (16 th July 2021) | | Ashadh 31, 2077 (16 th July 2020) | |
|--------------------------------------|---|---|---|---|
| | Within 12 month from Reporting Period | After 12 month from Reporting Period | Within 12 month from Reporting Period | After 12 month from Reporting Period |
| A) Assets | | | | |
| Investment in Fixed Deposits & Bonds | 121,500,000 | 96,000,000 | 89,500,000 | 126,000,000 |
| Cash and Cash Equivalents | 10,519,487 | - | 6,058,796 | - |
| Trade & Other Receivables | 4,009,128 | - | 418,272 | - |
| Prepayment & Other Advances | 93,595 | - | 92,637 | - |
| Total | 136,122,210 | 96,000,000 | 96,069,705 | 126,000,000 |
| B) Financial Liabilities | | | | |
| Loans & Borrowings | | - | | - |
| Trade & Other Payables | 575,364 | - | 908,309 | - |
| Employee Obligations | 4,582,862 | - | 2,332,761 | - |
| Other Liabilities | 845,782 | - | 499,094 | - |
| Total | 6,004,008 | - | 3,740,164 | - |

Capital Management

Schedule-27

For the purpose of the Entity's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Entity's capital management is to maximise the shareholder value.

The Entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants & regulatory factors. To maintain or adjust the capital structure, the Entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Entity monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. However, company has no any long-term and short-term debt in the current and previous periods

Contingencies

Schedule-28

The Company has no contingent liabilities till current reporting period.

Prior Period Errors

Schedule-29

There are no prior period errors at the end of current reporting period.

Lease

Schedule-30

The Company has made a lease agreement with tenant for equal sharing of building between the Company and its holding company (NSBL) and payable monthly which is to be increased from 4th years by 15 %. Lease is classified as Operating Lease. Lease expenses is recognized on Straight line basis which is equivalent to NPR 210,834 per month.

Lease is non-cancellable for upto 3 years from date of agreement, after which any party can cancel the lease within due notice of 6 months. At current reporting period, lease is cancellable, so no additional disclosure is made related to non-cancellable lease.

There is Renewal Option in Lease agreement which will be effected by the approval of both party.

Commitments

Schedule-31

(a) Capital commitments

There are no capital commitment at the end of current reporting period.

(b) Operating lease commitments – Entity as lessee

There is no any operating lease commitment for non-cancellable lease.

Standard Issued But not yet Effective

Schedule-32

ICAN has pronounced the new accounting standards, NFRS 2018 version which applicable from 2077/78 except for NFRS 14,15,16,17,9 and NAS 29 which will be applicable from 2078/79. The Entity intends to adopt these new and amended standards and interpretations, from effective date.

Events after the end of the reporting date

Schedule-33

There are no event after the end of period that requires the disclosures.

Green Initiative

Dear Shareholder(s),

Green Initiative in Corporate Governance

As a part of the Green initiative taken by the Bank, we are issuing Annual Report in electronic form to those shareholders whose e-mail addresses are available and communicated to us.

The Bank invites you to participate in the Green Initiative by enabling the Bank to communicate with you through electronic medium i.e. e-mail. It will not only bring in better efficiency in communication by removing transit delays but also contribute to the preservation of environment. We request you to join us in this initiative by updating your e-mail address with your Depository Participant, if your holding is in D-mat form. Shareholders holding shares in physical form shall have to send their updated information/changes to the Registrar and Transfer Agent (RTA), M/s Nepal SBI Merchant Banking Ltd. through e-mail to **sharedpt@nsbl.com.np**.

Further, while most of the shares of the Bank is in D-mat form, some of the shareholder(s) are still retaining shares in physical form. The Shares held by you in physical form can be easily dematerialized i.e. converted into electronic form. The various benefits derived out of the dematerialization of shares are:-

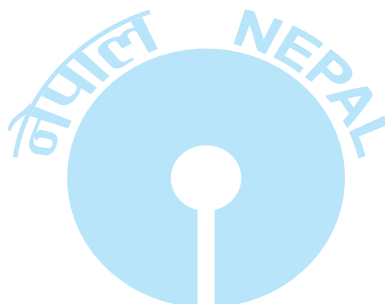
- Automatic credit of securities arising from Bonus/right/split/merger, etc.
- Reduction in risks associated with holding securities in paper form such as theft, damage due to fire, wear and tear etc.
- Transfer of securities is done by DP without requiring personal correspondence with concerned companies.
- Holding investment in equity, debt instruments and other securities in a single account (D-mat A/c).

If you are holding shares in physical form, please approach any **Depository participants (DP) (like Nepal SBI Bank Ltd. Contact No. 01-4412743 or email: sharedpt@nsbl.com.np)** of your ease and choice for the opening of D-mat account. Fill the D-mat Request Form (Anusuchi-16) and handover the relative shares certificate(s) to your DP for Dematerialization of your Shares. Shares will get converted into electronic form and will automatically be credited to your D-mat Account.

If you are receiving dividend in the physical form, you are requested to furnish/update bank account details with RTA, as the case may be, to receive dividend electronically.

We are hopeful that the shareholder will appreciate the "Green Initiative" taken by the Bank and all shareholders will enthusiastically participate in this effort.

Kind Attention of Shareholders is brought to the Section 182 (9) of the Companies Act, 2063. As per the said section, the amount of dividend not collected/claimed/received by any Shareholder even after the expiry of a period of five years after the date of resolution adopted by the company in its general meeting to distribute dividends needs to be credited to the Investors Protection Fund (IPF) formed pursuant to the section 183 of the Companies Act, 2063 which is utilized for the purpose and in the manner specified in Procedures for the Management and Operation of Investors Protection Fund, 2073. In view of above, all shareholders are requested to ensure that any dividend payable to them, are claimed without any delay.



Note:



Note:

Area for handwritten notes, consisting of horizontal dotted lines.

Note:



BRANCH DETAIL

INSIDE
KATHMANDU
VALLEY

18

OUTSIDE
KATHMANDU
VALLEY

70

TOTAL
NUMBER
OF BRANCH

88



ATM DETAIL

INSIDE
KATHMANDU
VALLEY

42

OUTSIDE
KATHMANDU
VALLEY

83

TOTAL
NUMBER
OF ATM

125

AGM VENUE MAP





नेपाल एसबिआई बैंक लिमिटेड

NEPAL SBI BANK LTD.

THE MOST PREFERRED BANK FOR A TRANSFORMING NEPAL

ICRA Nepal द्वारा "AA" रेटिंग प्राप्त नेपालको पहिलो बैंक

OUR SERVICES

SAVING ACCOUNT

- Naari Bachat Khata
- Saral Bachat Khata
- Baal Bachat Khata
- Premium Bachat Khata
- Salary Khata

CREDIT FACILITY

- Housing Loan
- Business Loan
- Corporate Loan
- Vehicle Loan
- SME Loan
- Mortgage Loan
- Education Loan

CARD SERVICES

- ATM/Debit Card
- Vishwa Yatra Card
- NSBL Insta Debit Card

DIGITAL BANKING

- Mobile Banking
- Internet Banking
- SMS Banking
- POS
- QR

ONLINE SERVICES

- IRCTC Railway & Air Ticket Booking Facility
- Utility Bill Payment

REMITTANCE SERVICES

- NSBL Payment Gateway
- SBI Nepal Express Remit
- RTGS Services
- Domestic Remittance
- Global Link Services
- Indo Nepal Remit
- SWIFT and Demand Draft

OTHER SERVICES

- Safe Deposit Locker Facility
- Cash Deposit Machine (CDM)

nsbl.statebank

NSBL Call Center Toll Free Number

16600120012 or 01-5970333