



TRANSFORMATIONAL JOURNEY

22nd ANNUAL REPORT
2018/19

बैंक पनि, साथी पनि
राम्रो पनि, हाम्रो पनि

NOTICE OF 22ND ANNUAL GENERAL MEETING

As decided by the 420th Board of Directors meeting held on September 4, 2019, 22nd Annual General Meeting (AGM) of the Bank will be held on following date, place, and time:

Date, Time, and Place of Meeting

Date : September 27, 2019 (2076 Ashwin 10)

Time : 09:00 AM

Place : Army Officer Club, Bhadrakali, Kathmandu

Following agendas will be discussed at the Annual General Meeting:

Ordinary Resolution

1. To approve Director's Reports of FY 2018/19.
2. To approve the Balance Sheet as of July 16, 2019, Profit and Loss Account, and Cash Flow Statement of the year ended thereon, along with Auditor's Report after deliberation.
3. To approve the Consolidated Financial Statement that includes the Financial Statement of FY 2018/19 of the Bank and Bank's subsidiary companies NIC ASIA Laghubitta Bittiya Sanstha Limited and NIC ASIA Capital Limited after deliberation.
4. To appoint auditor for FY 2019/20 (2076/77) and to fix the auditor's remuneration as per the recommendation of Audit Committee. (Present auditor M/s. TR Upadhyaya & Co., Chartered Accountant are not eligible for re-appointment)
5. To approve allocation of cash dividend at the rate of 11.0526% of paid up capital for FY 2018/19 equivalent to NPR 976,414,751 (NPR nine hundred seventy six million four hundred fourteen thousand seven hundred fifty one) (including tax on dividend) as proposed by the Board.

Special Resolution

1. To approve allocation of bonus share at the rate of 10% of paid up capital for FY 2018/19 equivalent to NPR 883,422,870 (NPR eight hundred eighty three million four hundred twenty two thousand eight hundred seventy) as proposed by the Board.
2. To approve increment of authorized capital of the Bank to NPR 9,750,000,000 (NPR nine billion seven hundred fifty million) from NPR 8,840,000,000 (NPR eight billion eight hundred forty million), increment of issue capital to NPR 9,717,651,568 (NPR nine billion seven hundred seventeen million six hundred fifty one thousand five hundred sixty eight) from NPR 8,834,228,698 (NPR eight billion eight hundred thirty four million two hundred twenty eight thousand six hundred ninety eight) and increment of paid up capital to NPR 9,717,651,568 (NPR nine billion seven hundred seventeen million six hundred fifty one thousand five hundred sixty eight) from NPR 8,834,228,698 (NPR eight billion eight hundred thirty four million two hundred twenty eight thousand six hundred ninety eight).
3. To amend Memorandum of Association (MOA) and Article of Association (AOA) as per contemporary scenario.
4. Delegation of authority to the Board of Directors or the representative appointed by the Board of Directors for making necessary adjustments in the MOA and AOA of the Bank in case any instructions are received from the approving authority during approval of amendments of the MOA and AOA.
5. Delegation of authority to the Board of Directors for acquisition of other banks and financial institutions and to carry out the entire task necessary for such acquisition.

By Order,

Deepen Karki

Company Secretary

VISION

To ensure creation of optimum values for all the stakeholders.

MISSION

To be a bank of first choice for all the stakeholders.



STRATEGIC OBJECTIVES

EMPLOYEE
FIRST

CUSTOMER
CENTRIC



DIGITAL
FIRST
BANK

SUSTAINABLE
BANKING

CORE VALUES

Meritocracy : NIC ASIA adopts a system where candidates are chosen on the basis of their merits. Jobs, rewards, etc. are distributed according to skills and effort.

Transparency : We conduct our business and financial activities in an openway without secrets so that people can trust its fairness and honesty.

Professionalism : We build the competence and skill expected of a professional.

Team Spirit : We NIC ASIAN have the feeling of pride and loyalty that exists among the members of a team and that makes us want our team to do well or be the best.

Service Excellence : We drive a transformational journey towards service excellence together ensuring delivery of guaranteed customer service standard as a first responsibility.

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NIC ASIA LAGHUBITTA BITTIYA SANSTHA

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NIC ASIA CAPITAL

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NETWORK OF NIC ASIA BANK

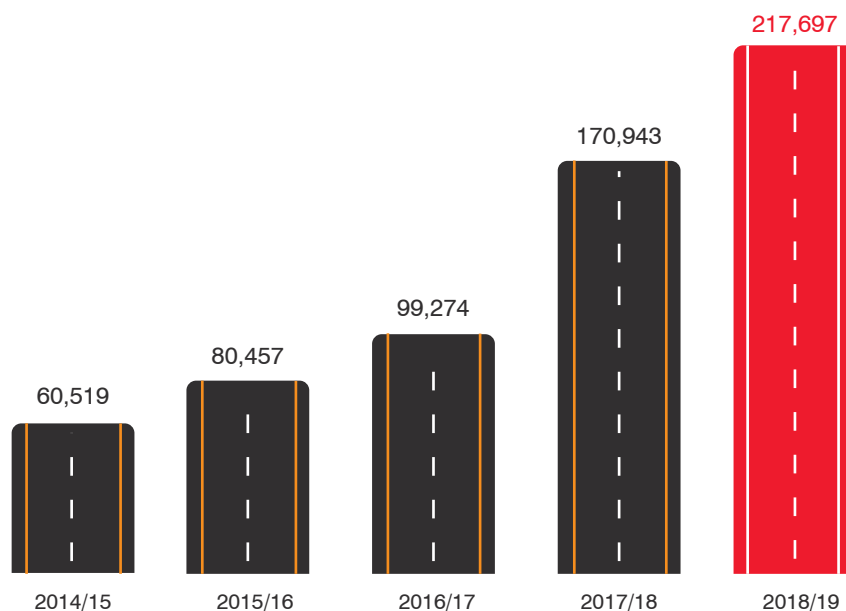
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FINANCIAL HIGHLIGHTS

FISCAL YEAR 2014-15 - 2018-19

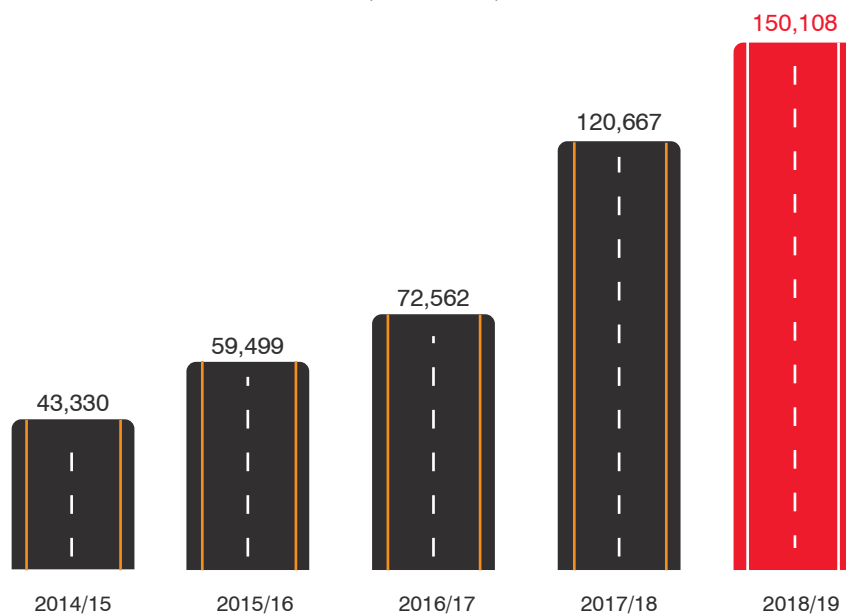
TOTAL ASSETS

(NPR Million)



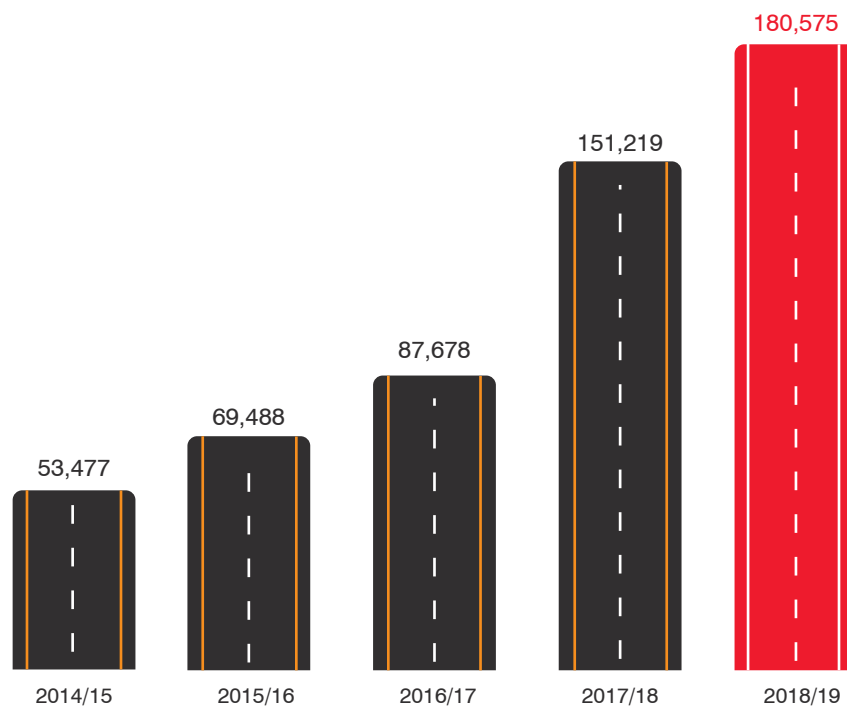
TOTAL LOANS AND ADVANCES

(NPR Million)



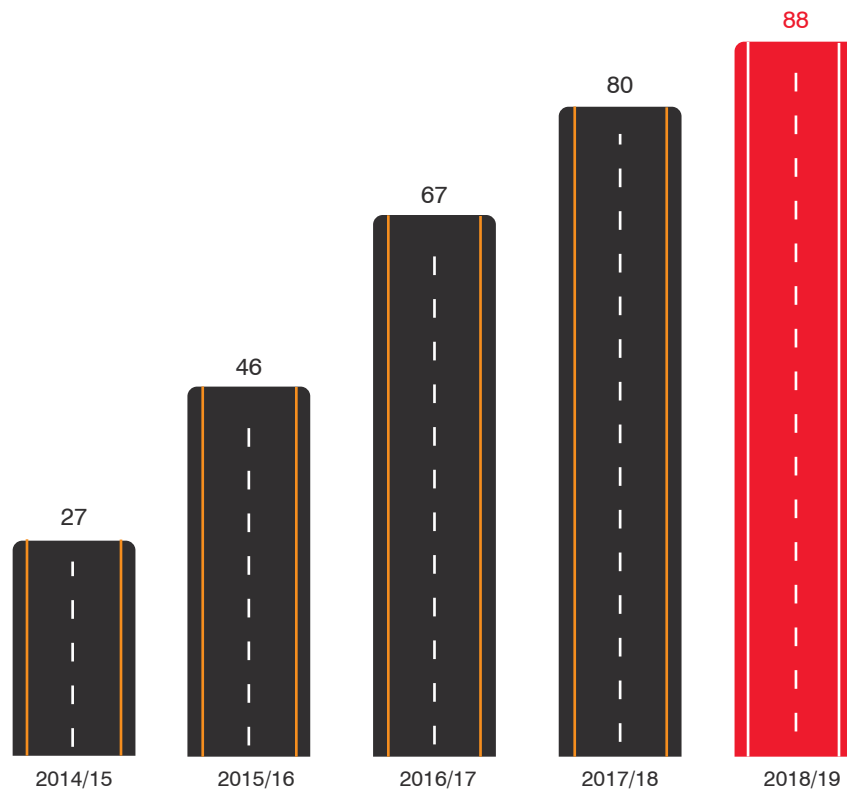
TOTAL DEPOSITS

(NPR Million)



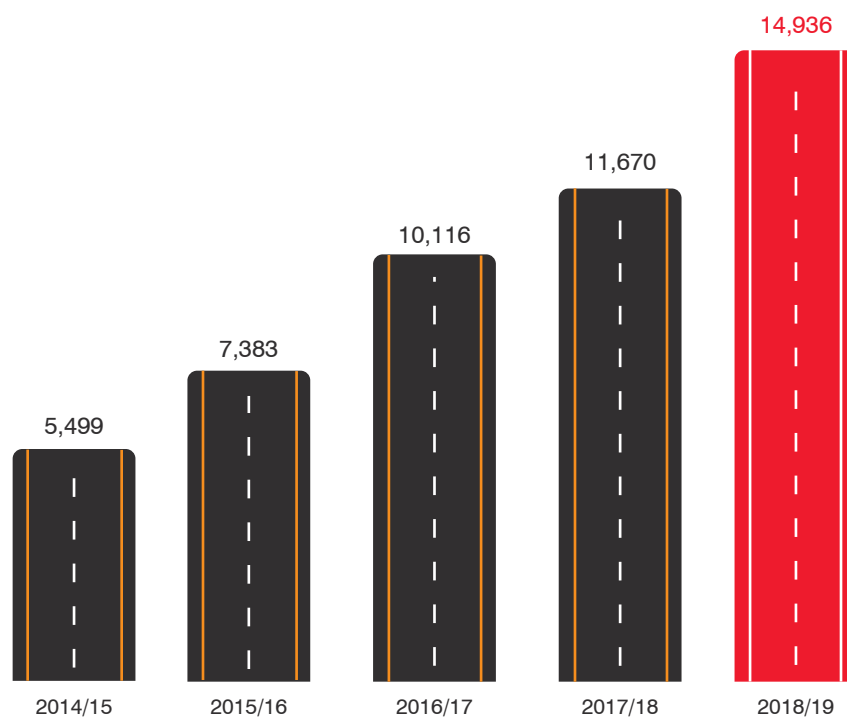
TOTAL NUMBER OF SHARES

(Number in Millions)



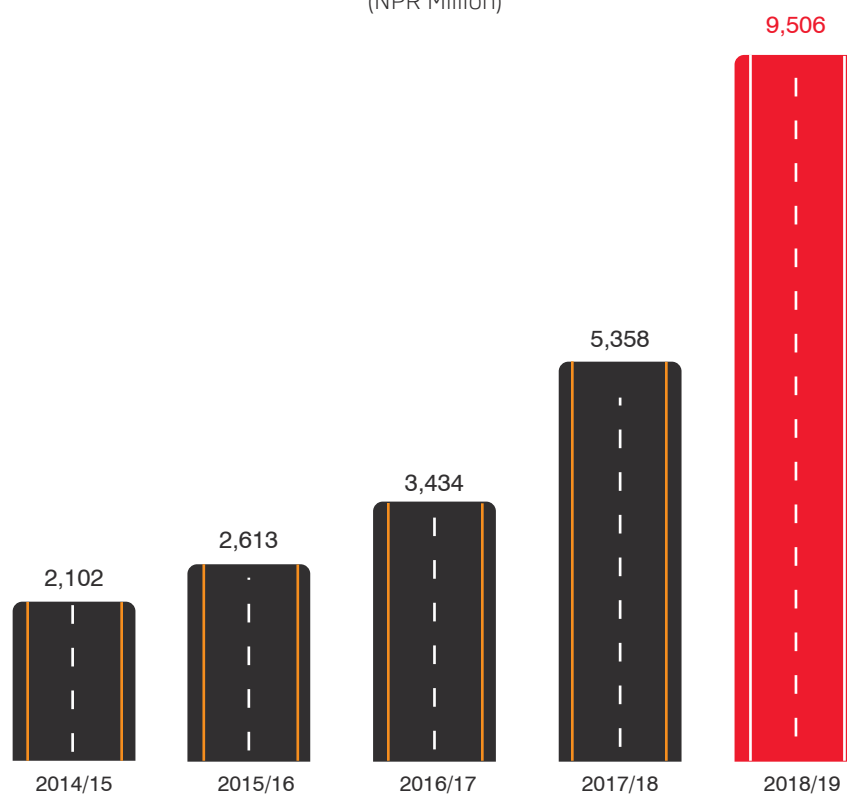
SHAREHOLDERS' FUND

(NPR Million)



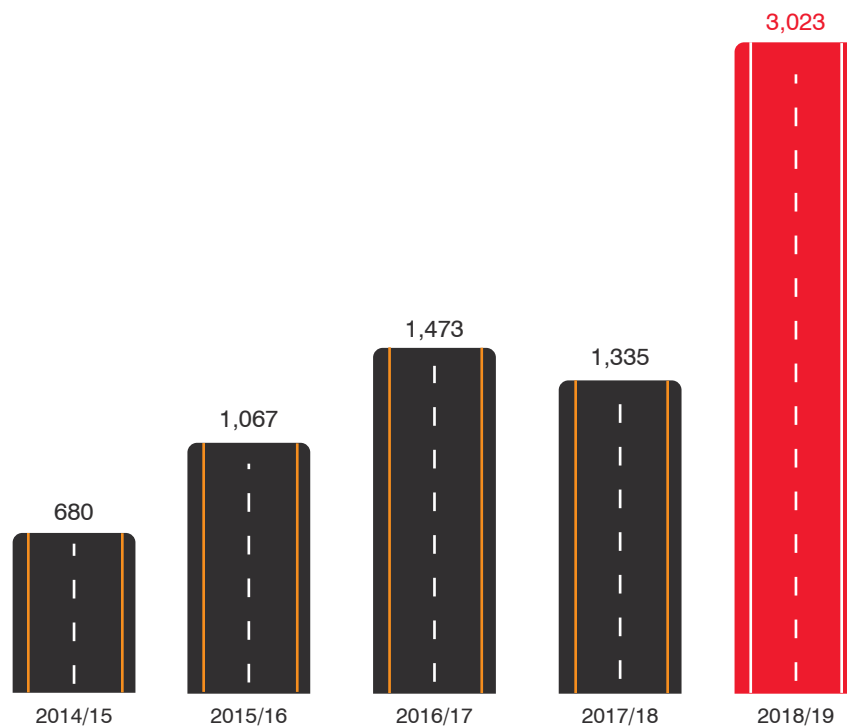
TOTAL OPERATING INCOME

(NPR Million)



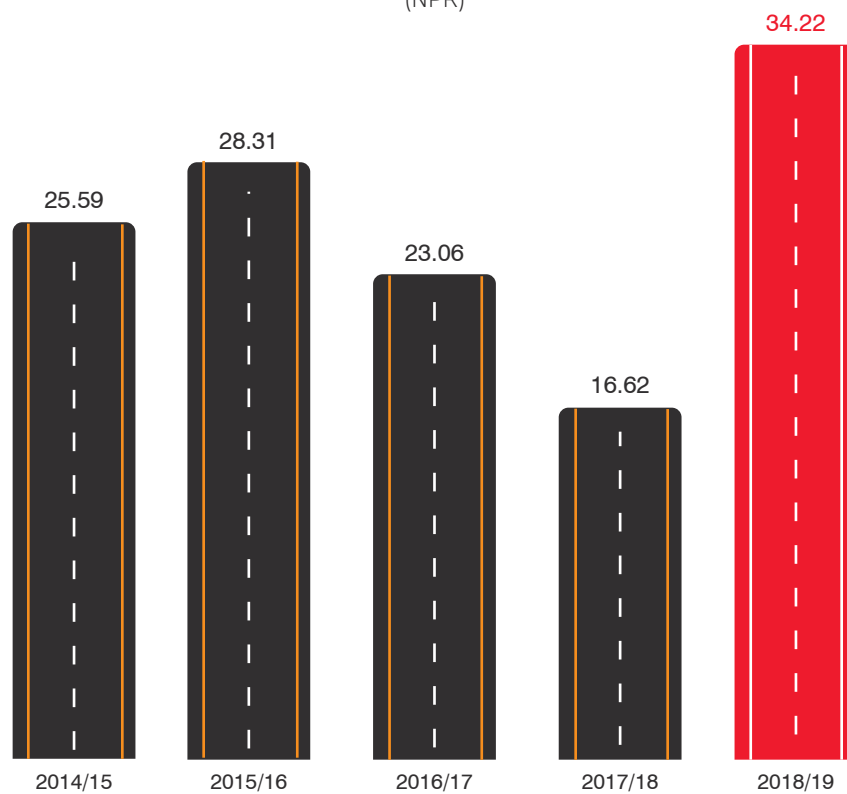
NET PROFIT

(NPR Million)

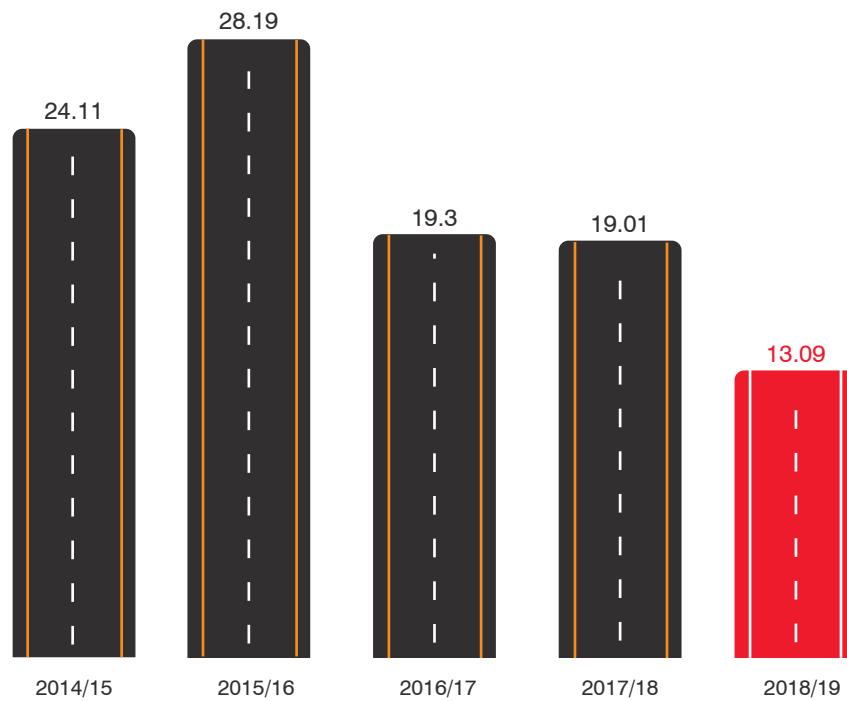


EARNING PER SHARE

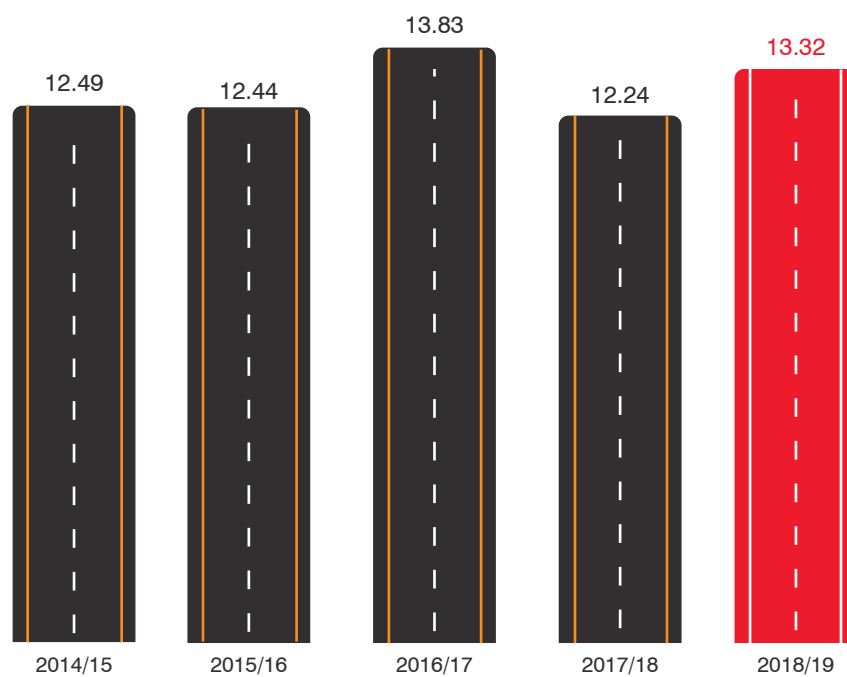
(NPR)



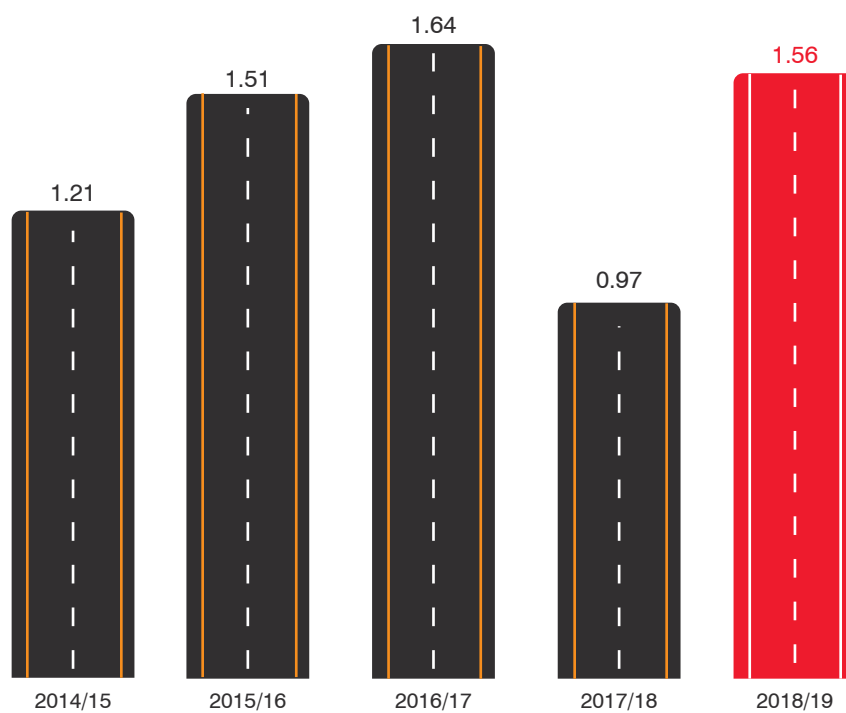
PRICE EARNING (PE) RATIO



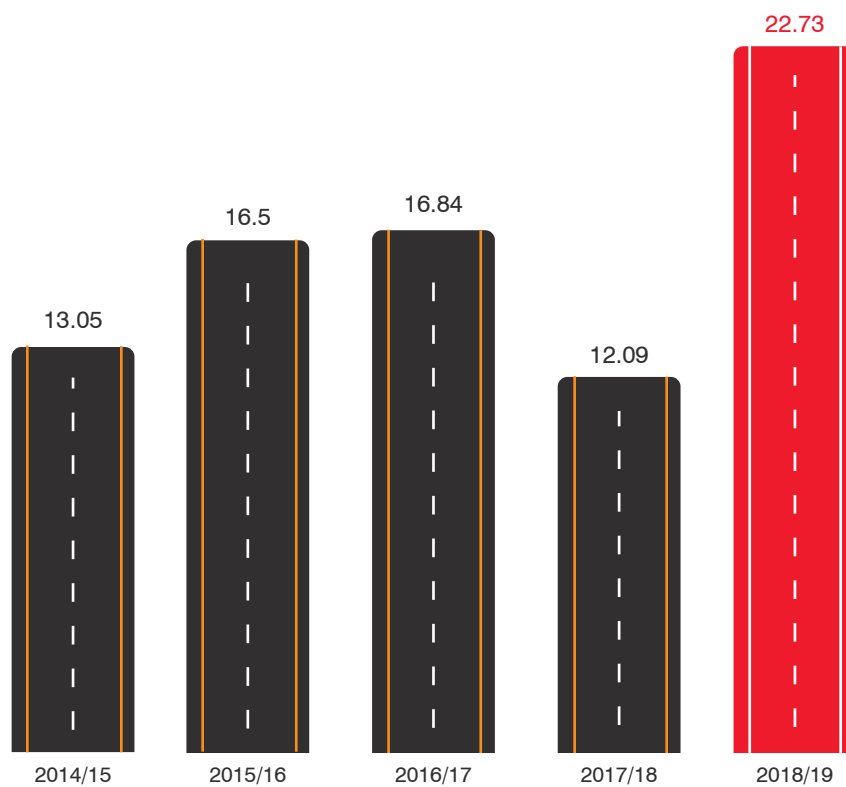
CAPITAL ADEQUACY RATIO (%)



RETURN ON ASSETS (%)

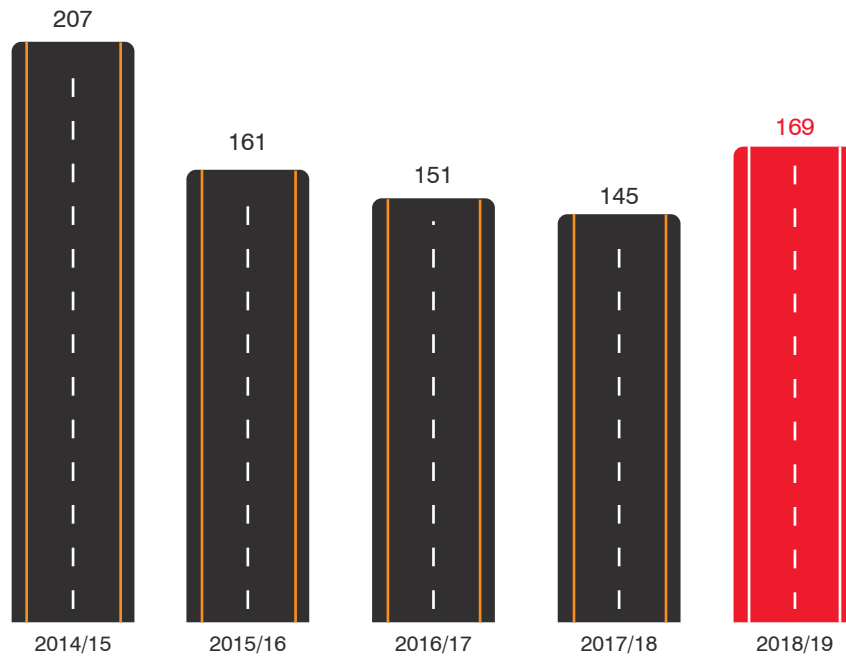


RETURN ON EQUITY (%)



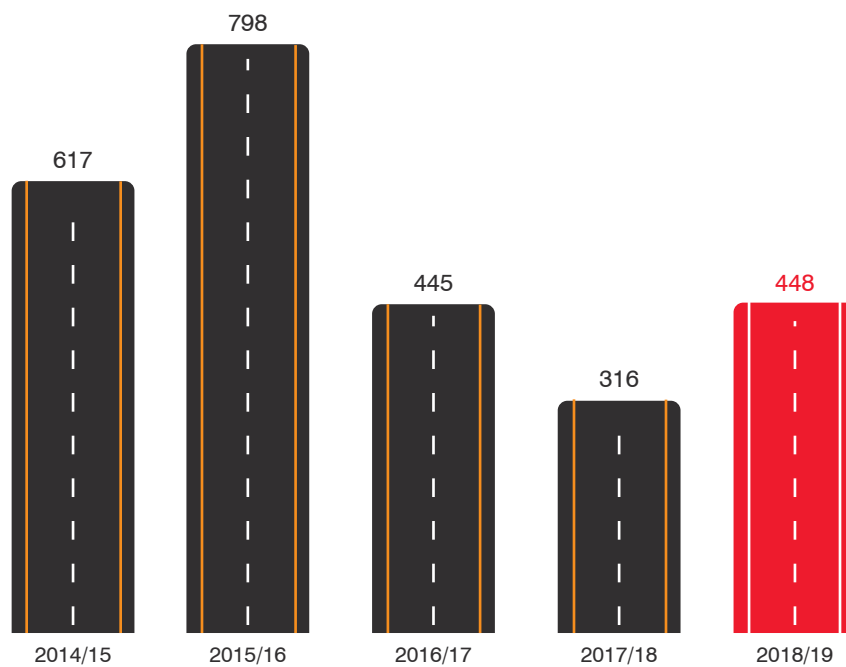
BOOK NET WORTH

(NPR per Share)



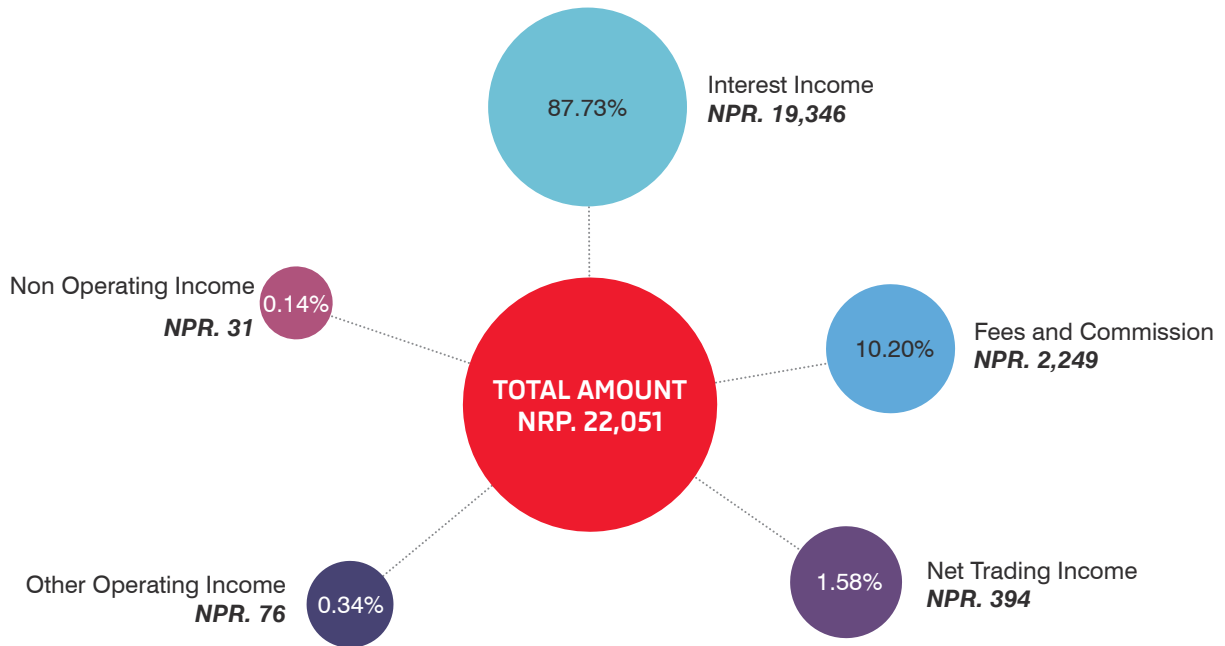
MARKET PRICE PER SHARE

(NPR)



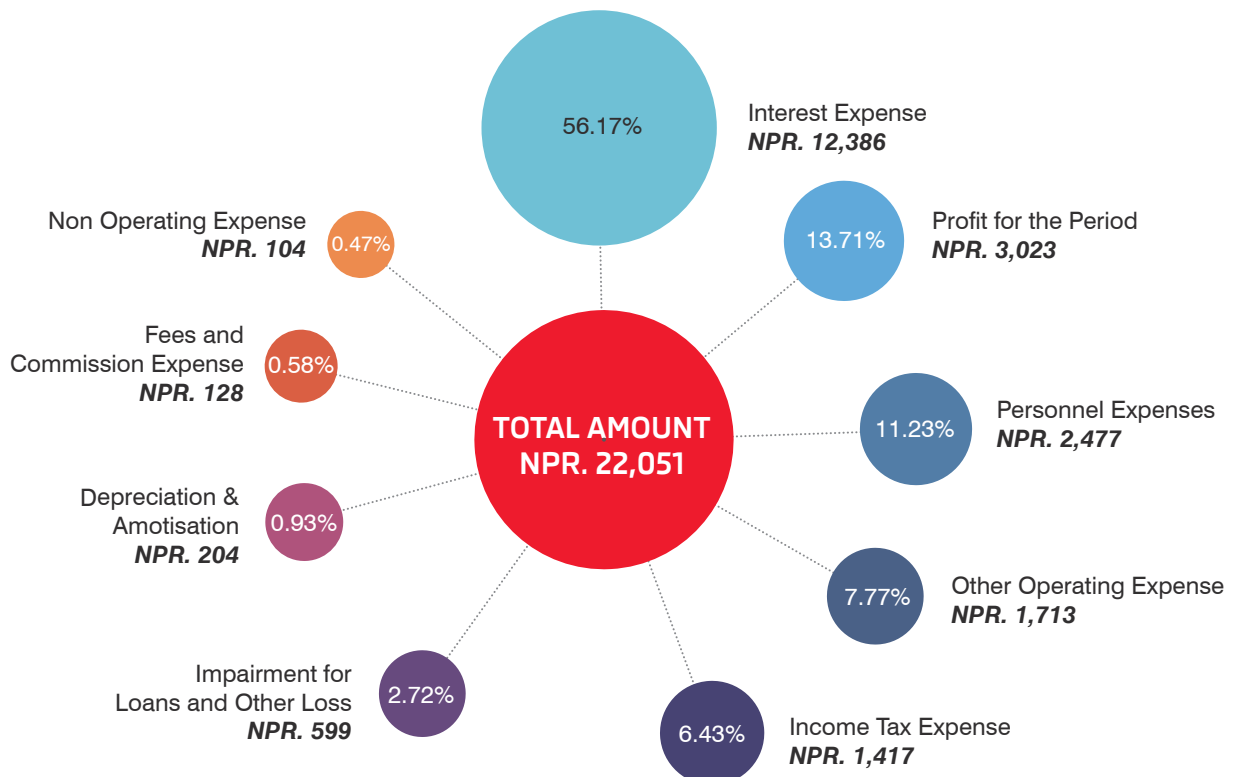
AMOUNT EARNED - FY 2018/19

(NPR Million)



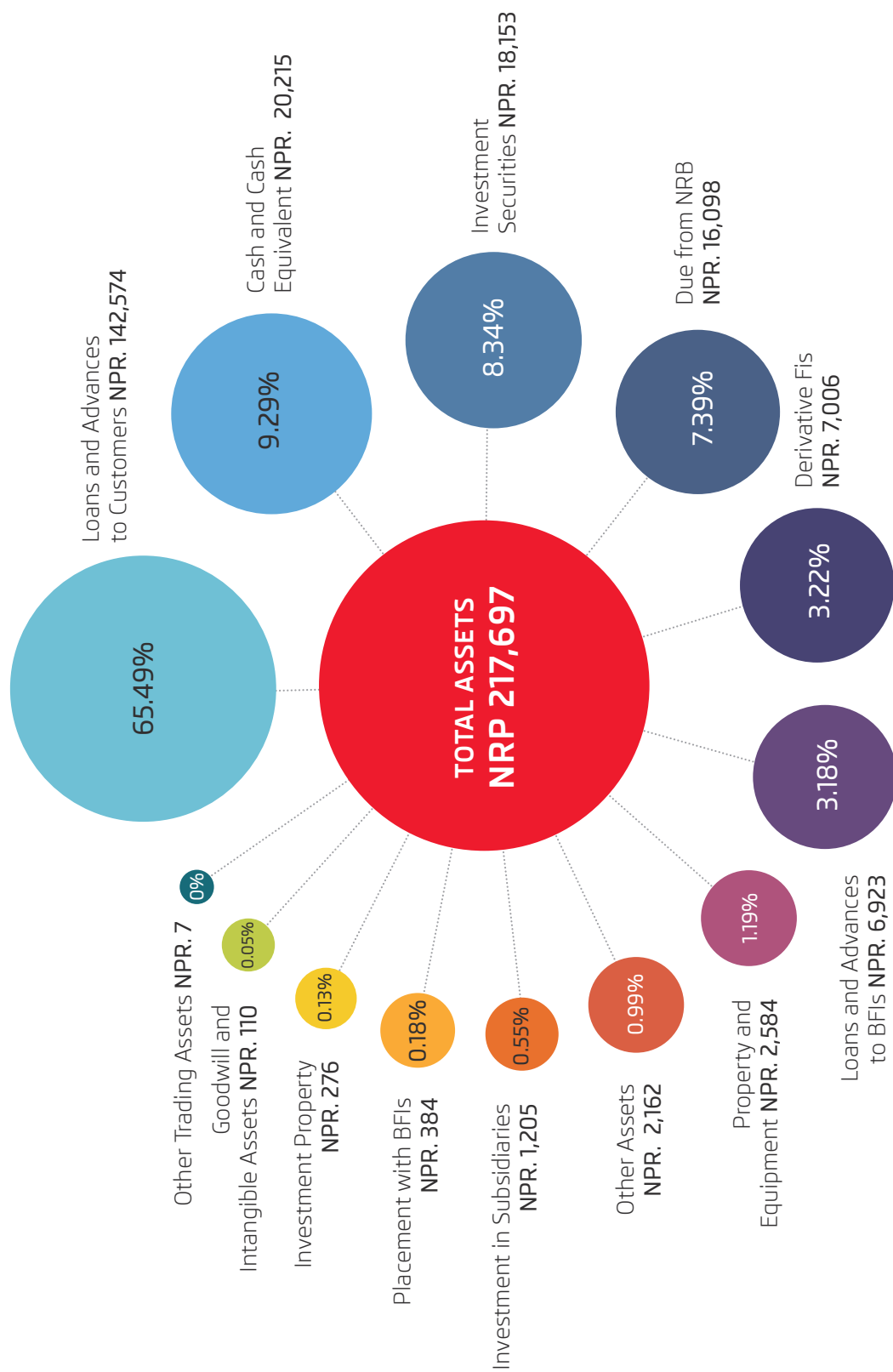
AMOUNT SPENT AND RETAINED - FY 2018/19

(NPR Million)



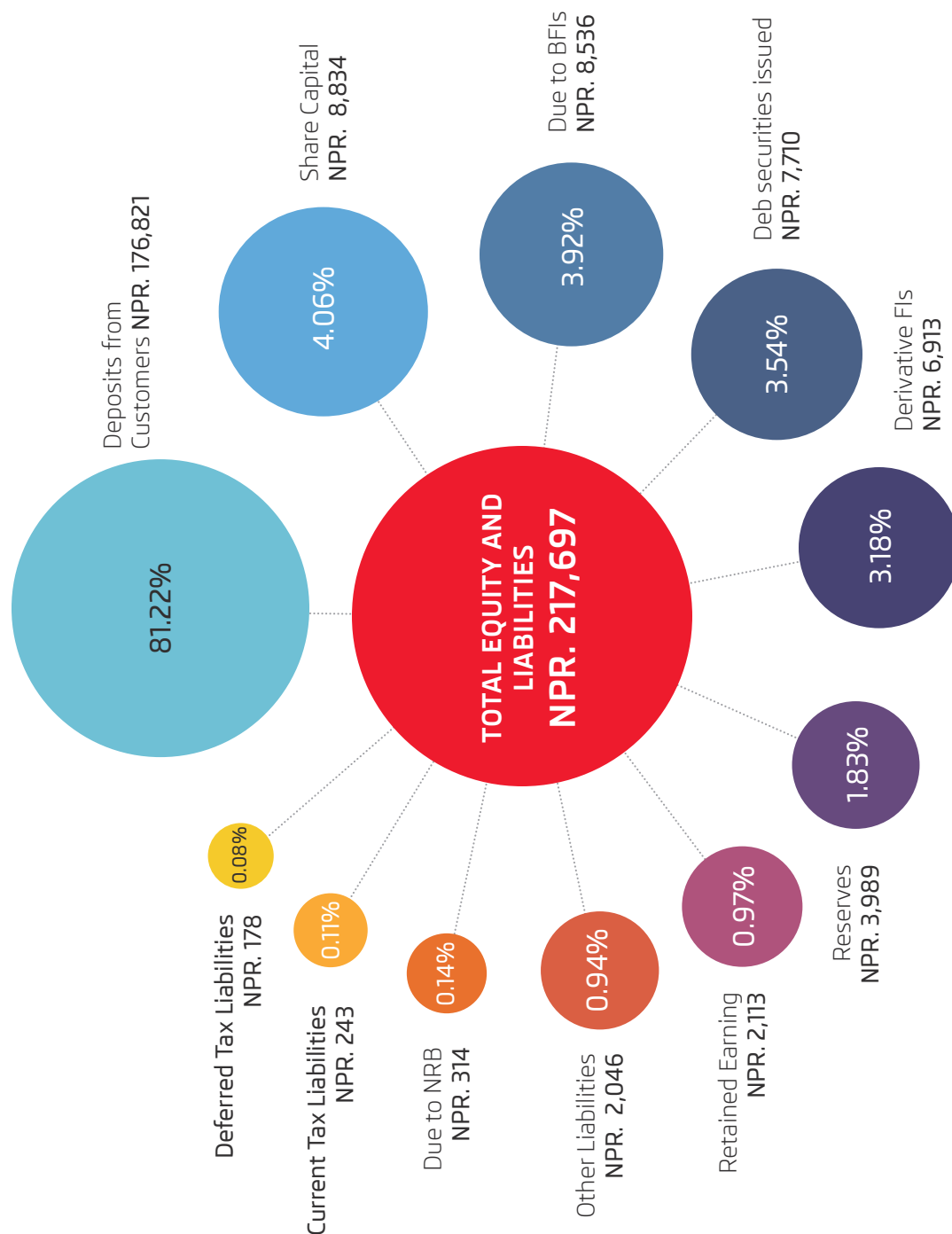
COMPOSITION OF ASSETS IN BALANCE SHEET - FY 2018/19

(NPR Million)



COMPOSITION OF EQUITY AND LIABILITIES IN BALANCE SHEET - FY 2018/19

(NPR Million)



NON-FINANCIAL HIGHLIGHTS



Total
Branches

292



Total ATMS

302



Number of
Extension Counters

47



Total Number of
Branchless Banking

41



Number of
Deposit Accounts

1,604,718



Number of
Employees

3,472



Number of
Training Programs

1,112

Awards



ICAN - Best
Presented Annual
Report (BPA)
Awards, 2018



CSR Contribution

NPR **11.7** Million



Participant in
Training Programs

38,447



Credit Ratings

CARE NP-A(Is) by
CARE Ratings Nepal Limited

[ICRA NP-IR] A-
by ICRA Nepal Limited



Subsidiaries

NIC ASIA Capital Ltd
NIC ASIA Laghubitta Bittiya
Sanstha Ltd



System-Core
Banking

Finacle
10.0.18



Number of
Debit Card

597,746



Number of
Credit Card

8,910



Number of
Internet Banking

91,739



Number of
Mobile Banking

831,063



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1.1 NIC ASIA IN FY 2018-19

NIC ASIA BANK LIMITED

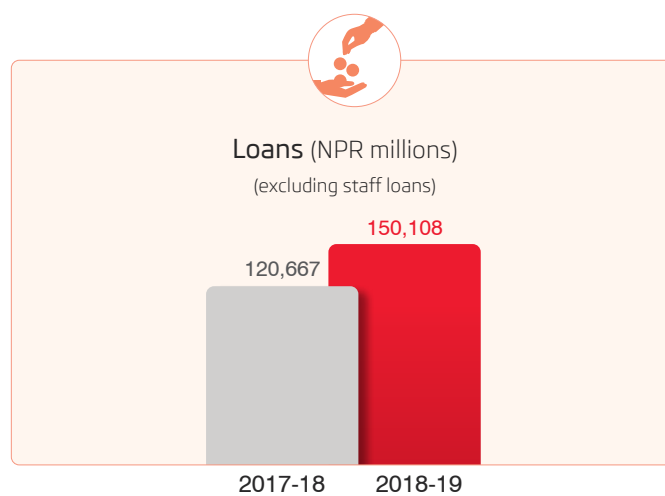
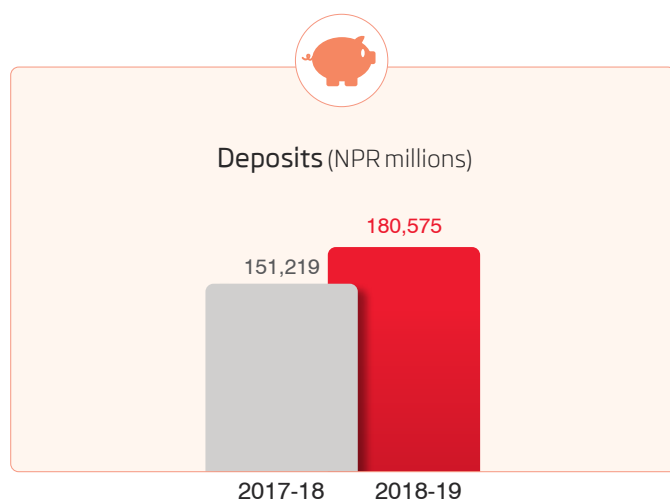
NIC ASIA Bank Ltd is one of the largest banks of Nepal with 3,472 employees, 292 branches and 302 ATMs. NIC ASIA Bank has connected the remotest part to financial services and have made strong foothold in all the major financial centers of the country. Having made a separate "EXPERIENCE ENRICHMENT DEPARTMENT", the bank is committed to provide efficient service to its customers branding itself as the most trustworthy bank of the nation. The Bank is one of the largest private sector banks in terms of net profit, savings & deposits, lending, balance sheet size, capital base and customer base.

During the review year, the Bank's deposit collection was NPR 180.58 billion. Deposit collection increased by 19% of the NIC ASIA Bank, while the industry's average growth rate was 16%. The Bank's outstanding loans was NPR 150.108 billion during the FY 2018-19, while it was NPR 120.667 billion during FY 2017-18. The Bank's total investment was NPR 18.15 billion as on end of FY 2018-19, the figure was NPR 14.13 billion last year.

In the FY 2018-19, NIC ASIA Bank Ltd had operational profit of NPR 4.51 billion, while in FY 2017-18, it was NPR 1.92 billion. The Bank earned net profit of NPR 3.02 billion during FY 2018-19, which is increment of 126% compared to last year. Earning per share increased from NPR 16.62 to 34.22 and Return on Equity increased to 22.73% from 12.09%.

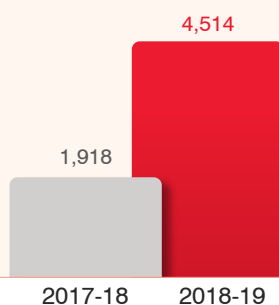
Number of branches in the beginning of FY 2018-19 was 231 and in the end of the FY, it was 292 also the Bank's ATMs increased by 82 to reach 302. While the Bank was able to add 525,039 new saving accounts to reach 1,604,718 as on end of FY 2018-19.

The Bank has proposed 21.0526% (10% bonus share and 11.0526% cash) dividend for the year 2018-19. Last year, the Bank had distributed 10.526% dividend to the shareholders.

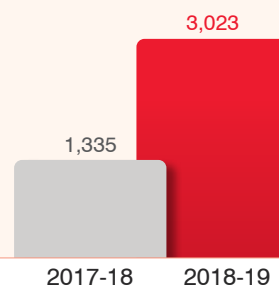




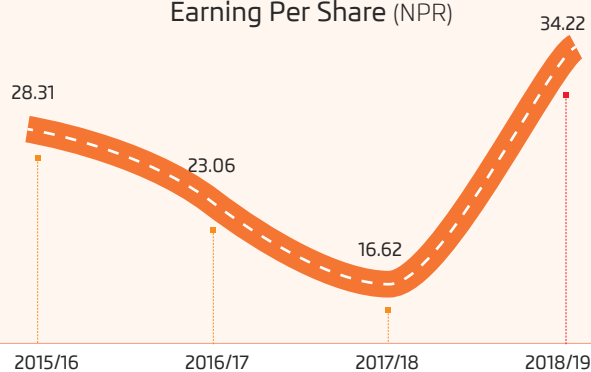
Operating Profit (NPR millions)



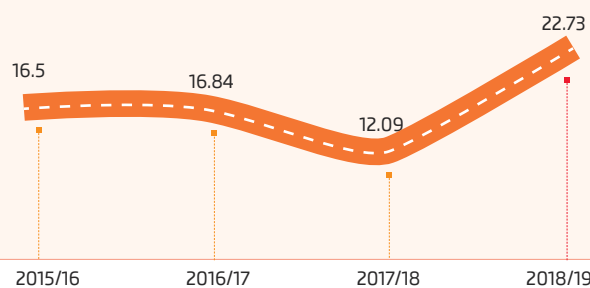
Net Profit (NPR millions)



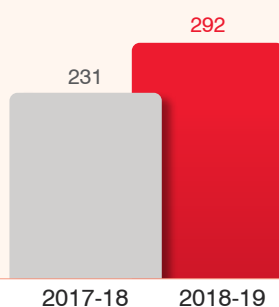
Earning Per Share (NPR)



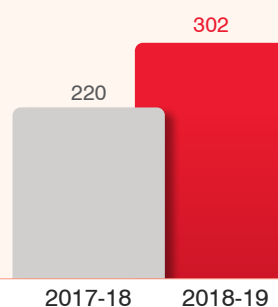
Return on Equity (Percentage)



Branches (in number)



ATMs (in number)

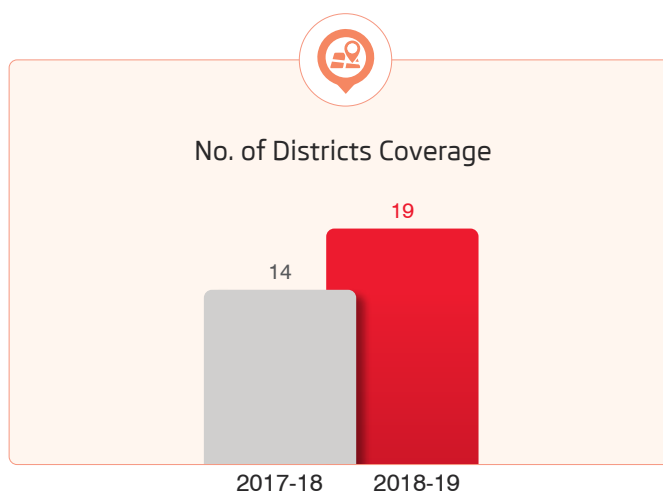
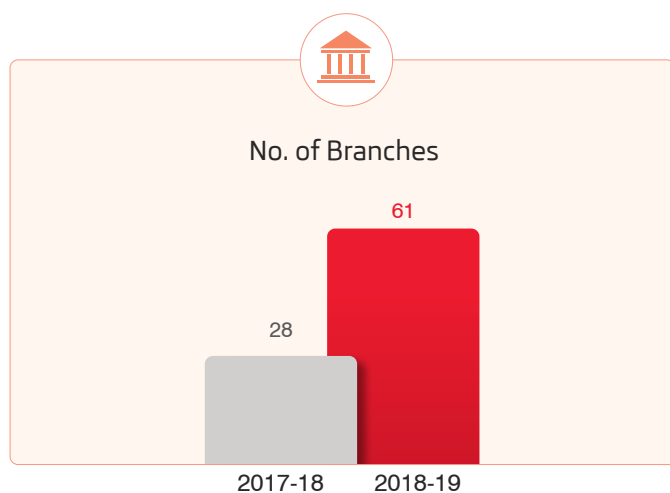
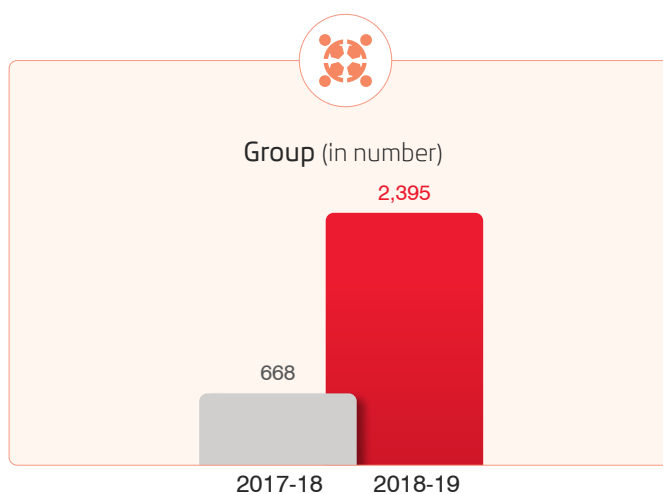
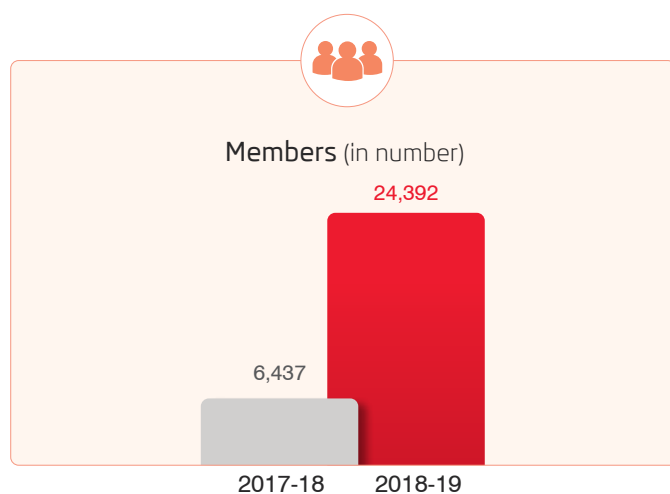


NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

NIC ASIA Laghubitta Bittiya Sanstha Limited was incorporated as a public limited company, registration no. 171621/074/075, on 2074.4.10 BS, at Company Registrar Office of Government of Nepal under Company Act 2063. The company is a "D" Class financial institutions (micro-credit development bank) license no. NRB "Gha" 61/074/75 on 2074.8.5 by Nepal Rastra Bank (NRB) under the Bank and Financial Institution Act, 2063. The Bittiya Sanstha commenced its financial transactions from 2074.9.5 BS. The head office of the company is located at Bheri Municipality, ward no. 4, Jajarkot District, Nepal, and its service area is nationwide.

The organization earned operating profit of NPR 172,177 and net profit of NPR 110,309 during the review year 2018-19. The

organization is in process of issuing shares to public in year 2019-20. During the first year of operation, the organization had 28 branches in 14 districts. In 2018/19, 33 new branches were opened which expanded the organization's operation over 19 districts. The organization during the year 2018-19 has provided microfinance service through its 61 branches to 2,395 groups consisting of 24,392 members. During FY 2018-19, total loans and advances of NPR 5.49 billion was disbursed out of which NPR 1 billion was settled resulting outstanding loan balance as on 16 July 2019 to be NPR 4.49 billion. Total deposit balance of 24,300 members as on 16 July 2019 amounts to NPR 570 million. There has been increase in number of staffs along with increased transactions of institution. As on 16 July 2019, 205 staffs were employed by institution out of which 80 staffs (39%) were female.





NIC ASIA CAPITAL LIMITED

The NIC ASIA Capital was registered on 15th May, 2016 with the office of company registrar, Nepal Government as per the provisions of the Company Act. The capital has obtained the license to carry out merchant banking activities on 19th February, 2017 as per the Securities Businessperson (Merchant Banker) Regulations, 2008 and fully commenced its merchant banking activities from 5th March, 2017. NIC ASIA Capital Limited provides services such as Issue Management and Underwriting, Registrar to Share, Depository Participant, and Portfolio Management. The Capital aims to provide innovative and best investment banking solutions to its clients.

NIC ASIA Capital earned NPR 69.4 million revenue, NPR 62.2 million operating profit and net profit of NPR 21.4 million during the FY 2018/19 with earning per share of NPR 10.69. The capital has provided issue management and underwriting services to eight companies till date including a mutual fund for public issue, right share issue and auction sale of unsubscribed right shares. NIC ASIA Capital is operating first scheme of NIC ASIA growth fund worth NPR 835.2 million, which is under NIC ASIA Mutual Fund. The company was able to maintain grow Net Asset Value (NAV) of growth fund at 11.18 despite of decreasing trend of secondary market. The company has been providing share registrar service to six companies including a mutual fund. During the FY 2018/19, the NIC ASIA Capital provided portfolio management services to 152 customers amounting to NPR 377.4 million. NIC ASIA Capital was successful in opening 168,045 DEMAT accounts till FY 2018/19, which weighs to 10.85% of total DEMAT accounts opened in the market. Similarly, the capital has been able to secured second position in terms of total DEMAT accounts out of total 71 depository participants/merchant bankers.

Position of NIC ASIA Capital among 31 Merchant Bankers

S.N	Particulars	Overall Position
1	Depository Participant	2 nd
2	Share Register Service	9 th
3	Portfolio Management Service	3 rd



1.2 MILESTONE OF NIC ASIA BANK



2018/19 YEAR 21

- Nepal's No. 1 Bank with loan portfolio of NPR 150.10 billion
- Nepal's No. 1 Private Sector bank with deposits of NPR 180.5 billion.
- Net Profit growth: 126%
- Total Deposit Account: 1,889,743 (Highest market share in private sector bank with 8.24% of total deposit account)
- Best Presentation Award for Annual Report from ICAN
- SAFA BPA Certificate of Merit Award
- 5 years Strategy 2020 achieved within 4 year and formulation of "Vision 18-22".

2012/13 YEAR 15

- Awarded "Bank of the Year 2013-Nepal" by the world renowned financial publication The Banker-The Financial Times, London
- Initiated unified operation after end of merger process of NIC Bank and Bank of Asia Nepal
- Net Profit growth: 64%
- Deposit Growth: 80%
- Risk Assets growth: 85%
- Increase in Paid up Capital: 76%

2013/14 YEAR 16

- Introduction of NIC ASIA Bank Home Banking Service, establishment of Call Centre for telemarketing and Service Excellence Unit, development of izone2 as international level intranet platform for bank staffs

2011/12 YEAR 14

- Memorandum of Understanding Signed between NIC Bank and Bank of Asia Nepal for the purpose of merger

2009/10 YEAR 12

- Awarded ISO 9001:2008 certified for its Quality Management System by United Registrar System (URS) Ltd.
- Introduction of Visa debit card, internet banking, mobile banking, PSTN bill payment and utility bill payment

1998/99 YEAR 1

- Establishment of NIC Bank Ltd.
- First commercial bank in Nepal to be capitalized at NPR 500 million

2003/04 YEAR 6

- First bank in Nepal to introduce Savings Account Bundled with life insurance by launching "NIC Life Savings Account"
- No. of Branches: 6
- Loans and advances: 3,743.1 million
- Deposits and Borrowings: NPR 5,215.8 million
- Operating Profit Growth: 50%
- Net Profit growth: 163%
- Deposit Growth: 64%
- Risk Assets growth: 46%

2004/05 YEAR 7

- First Bank in Nepal to offer lowest priced home loan schemes "Ghar Subidha".
- Operating Profit Growth: 34%
- Net Profit growth: 67%
- Share Price Growth: 68%



2017/18 YEAR 20

- Formal operation of subsidiary company NIC ASIA Laghubitta Bittiya Sanstha.
- Total No. of Branches: 231 including 112 new branches
- Deposit Growth: 72%
- Risk Assets growth: 67%

2016/17 YEAR 19

- Formal operation of subsidiary company NIC ASIA Capital Ltd.
- Introduction of NIC ASIA remit and made arrangement for remittance transactions through 4,198 agents nationwide
- Total No. of Branches: 119 including 53 new branches

2014/15 YEAR 17

- Formulation of 5 years strategy paper "Strategy 2020"
- Donated NPR 2.551 million as financial assistance for victims of earthquake dated 25-Apr-2015 to Prime Minister relief fund

2015/16 YEAR 18

- Net Profit growth: 57%
- Deposit Growth: 30%
- Risk Assets growth: 37%
- Increase in paid up capital: 56%

2008/09 YEAR 11

- Introduced Domestic Remittance whereby customers could remit funds from all branches of the Bank and beneficiaries could collect funds from almost 350 locations throughout Nepal.

2007/08 YEAR 10

- Awarded "Bank of the Year 2007-Nepal" by the world renowned financial publication of The Financial Times, U.K. – The Banker
- First Bank to offer bullion trading in country by directly importing from internationally recognized mints
- First bank to introduce high-interest earning Fixed deposit scheme with the ease of Saving Account "NIC Super Deposit"

2005/06 YEAR 8

- Loans and advances: NPR 6,902.1 million
- Deposits and Borrowings: NPR 9,223.7 million
- Deposit Growth: 40%
- Risk Assets growth: 41%
- Share Price Growth: 36%

2006/07 YEAR 9

- First commercial bank in Nepal to be awarded ISO 9001:2000 certified for its Quality Management System by United Registrar System (URS) Ltd.
- First Bank in Nepal to be provided a line of credit by International Finance Corporation (IFC), an arm of World Bank Group under its Global Trade Finance Program enabling our Letters of Credit to be accepted/ confirmed by more than 200 banks worldwide
- Share Price Growth: 92%

1.3 PROFILES OF THE DIRECTORS OF THE BOARD



FRONT LEFT TO RIGHT

Mr. Ram Chandra Sanghai
Director

Mr. Trilok Chand Agrawal
Director

Mr. Tulsi Ram Agrawal
Chairman

BACK LEFT TO RIGHT

Mr. Rajendra Prasad Aryal
Director

Mr. Binod Kumar Pyakurel
Director

Mr. Ganesh Man Shrestha
Independent Director

Mr. Nikunj Agrawal
Director



Mr. Tulsi Ram Agrawal
Chairman

Mr. Tulsi Ram Agrawal hailing from Biratnagar is the prominent name in business society of Nepal. Born in 1951, Mr. Agrawal has been associated with NIC ASIA Bank since its foundation. Mr. Agrawal is a Commerce graduate and is involved in trade, industry, banking and insurance since last 30 years. Mr. Agrawal is an Ex-Honorary Consul of the Republic of Maldives.



Mr. Trilok Chand Agrawal
Member, General Shareholders' Group (Representative-Asian Distributors Pvt. Ltd.)

Mr. Trilok Chand Agrawal has more than 36 years of experience in industries, export-import, commerce and banking sector. Mr. Agrawal was born in 1949 and joined business on 1974 and during last four decades he has established himself as a very successful business person.

POSITION IN COMMITTEE

Land Acquisition and Construction sub-committee

Coordinator

Karmachari Sewa Subhidha Samiti

Member

Audit Committee

Member



Mr. Ram Chandra Sanghai
Member, Promoters' Group

Mr. Sanghai has 30 years of experience in promoting and managing various industrial companies.

POSITION IN COMMITTEE

Karmachari Sewa Subhidha Samiti

Coordinator

Sampati Sudhikaran Niwaran Samiti

Member

Land Acquisition and Construction sub-committee

Member



Mr. Rajendra Prasad Aryal

Member, General
Shareholders' Group

Mr. Rajendra Aryal has remarkable presence in advertising sector and held various positions in commerce and industrial association. Mr. Aryal has 25 years of experience in audio/video, mass communication, media publicity and product production.

POSITION IN COMMITTEE

Sampati Sudhikaran Niwaran Samiti

Coordinator

Risk Management Committee

Member



Mr. Binod Kumar Pyakurel

Member, General
Shareholders' Group

Mr. Binod Kumar Pyakurel has 32 years of banking experience. He worked in Nepal Bank Limited for three decades before retiring at Managerial Level. He has 5 years experience in Foreign Management Team of Nepal Bank Limited.

POSITION IN COMMITTEE

Risk Management Committee

Coordinator

Sampati Sudhikaran Niwaran Samiti

Member

Land Acquisition and Construction sub-committee

Member



Mr. Ganesh Man Shrestha

Member, Independent Director

Mr. Ganesh Man Shrestha serves NIC ASIA Bank as an Independent Director. Mr. Shrestha has M.A in Economics and Bachelor in Law from Tribhuvan University, Kirtipur. He has remarkable banking experience of 32 years in Nepal Bank Ltd and Rastriya Baniya Bank Limited.

POSITION IN COMMITTEE

Audit Committee

Coordinator

Risk Management Committee

Member

Sampati Sudhikaran Niwaran Samiti

Member

**Mr. Nikunj Agrawal**

Member, Promoters' Group

Mr. Nikunj Agrawal is a young business personality born in 1983. Mr. Agrawal completed his A Level study from Bellerbys College, London and B.B.A from University of Kent, Canterbury U.K. He completed his Masters from Regents College, London, U.K.

Date of appointment:

September 12, 2019

BOARD MEETINGS

Name of the Director	No. of meeting attended	Meeting Allowance (NPR)
Tulsi Ram Agrawal, Chairman	54/54	844,000
Jagdish Prasad Agrawal, Director	51/54	660,000
Trilok Chand Agrawal, Director	53/54	684,000
Ram Chandra Sanghai, Director	41/54	504,000
Rajendra Prasad Aryal, Director	44/54	556,000
Binod Kumar Pyakurel, Director	52/54	672,000
Ganesh Man Shrestha, Independent Director	50/54	696,000

NON-EXECUTIVE DIRECTORS

No directors of the Bank hold any executive position. All the directors are non-executive directors. As per the article of association of the Bank no director can be appointed as Chief Executive Officer. Hence, the Chairman of the Board and Chief Executive Officer of the Bank are two separate persons.

The Bank has declared Year 2019-20 as "**YEAR OF EXPERIENCE TRANSFORMATION**" and has firm determination in its commitment. NIC ASIA Bank believes in "**CUSTOMER FIRST**" motto keeping customers in its priority for experience enrichment





1.4 MESSAGE FROM THE CHAIRMAN

I am delighted to welcome the respected shareholders, representatives from regulatory institutions, statutory auditors, legal advisors, staff of the NIC ASIA Bank and the entire stakeholders on behalf of the Board of Directors for your remarkable presence in this 22nd Annual General Meeting of the Bank.

"One achievement leads to another achievement" with this cornerstone the Bank is able to achieve remarkable success in long term strategy, business performance, technological reforms, shareholders' value and social responsibilities. I am overwhelmed to be present here as Chairman of Board as the Bank has performed exceptionally well in the review period.

VISION 18-22

Long term vision, efficient management, impactful infrastructure and intelligent investment are the pillars of successful business. The Bank has embedded these qualities in its foundation. I am delighted to inform that the Bank has achieved the goals of Strategy 2020 within four years. The Bank has made astonishing performance in risk assets, and, saving deposit, revenue and profit.

"Consistent action brings consistent success". Stepping on this motto, the Bank has been able to achieve its five year long integrated strategy plan-STRATEGY 2020 within four years, reflecting the proficiency of the Bank. With the achievement of Strategy 2020, the Bank formulated a long term strategy with higher ambitions—VISION 18-22 for FY 2018-19 to FY 2021-22 for achieving greater heights. With the splendid performance of Bank in FY 2018-19, I can tell you with pride that

the VISION 18-22 is heading towards right direction.

VISION 18-22 shall provide greater assistance in long run business expansion. We are motivated and devoted to achieve VISION 18-22 which will increase shareholders' value and wealth.

BUSINESS ACHIEVEMENT: OUR PRIDE

The Bank has built a DNA; motivated to find best of the best and passionate employees for extraordinary achievements. The Bank endeavors to accomplish more than just the stated goals. The biggest competitor rather lies within us than in the market, so it propels us everyday to be better than yesterday.

The Bank has made an exceptional performance in term of credit, saving deposit, profit and many other business factors during the review period. I am thrilled at the Bank's accomplishment and very proud to present following facts:

1. Nepal's No.1 Bank for loan outstanding of NPR 150.10 billion as on FY 2018-19.
2. Nepal's No. 1 Bank for increment in net loan growth by NPR 29.44 billion as on FY 2018-19

 **TULSI RAM AGRAWAL**
CHAIRMAN

3. Nepal's No. 1 Private Sector Bank for mobilisation of deposit of NPR 180.50 billion as on FY 2018-19
4. Nepal's No. 1 Bank for net increment in deposit mobilisation by NPR 29.40 billion as on FY 2018-19
5. Nepal's No. 1 Private Sector Bank for mobilisation of saving deposits outstanding of NPR 58.40 billion as on FY 2018-19
6. Nepal's No. 1 Bank for net increment in mobilisation of saving by NPR 10.36 billion as on FY 2018-19
7. Nepal's No. 1 Private Sector Bank for current and saving account deposit of NPR 72.48 billion as on FY 2018-19
8. Nepal's No. 1 Private Sector Bank for net increment in current and saving account deposit outstanding of NPR 13.18 billion as on FY 2018-19
9. Nepal's No. 1 Bank for net mobilisation of fixed deposit of NPR 13.18 billion in FY 2018-19
10. Nepal's No. 1 Bank in earning gross interest income of NPR 19.35 billion for FY 2018-19
11. Nepal's No. 1 Bank in increment in earning gross interest income by NPR 5.80 billion for FY 2018-19
12. Nepal's No. 1 Bank in increment in earning net interest income by NPR 2.75 billion for FY 2018-19
13. Nepal's No. 1 Bank in fees and other operational income with NPR 2.67 billion for FY 2018-19
14. Nepal's No. 1 Bank in increment in fees and other operational income by NPR 1.43 billion for FY 2018-19
15. Nepal's No. 1 Bank in increment in gross revenue by NPR 4.15 billion for FY 2018-19
16. Nepal's No. 1 Bank in increment in operational profit by NPR 2.60 billion for FY 2018-19

17. Nepal's No. 1 Bank in increment in net profit by NPR 1.69 billion for FY 2018-19
18. Nepal's No. 1 Private Sector Bank in return in equity with 22.73% for as on FY 2018-19
19. Nepal's No. 1 Bank in expansion of branch to 292, 302 ATMs and 47 extension counters as on FY 2018-19
20. No. 1 Bank in Kathmandu Valley with 61 branch, 141 ATMs and 27 extension counter. Also No. 1 Bank in Kathmandu Valley for Banking Brand.

“ Bank always moves towards the direction of our customer desires and needs, so the Bank is pleased to introduce various “CHAMATKARIK” Products and Schemes. ”

CREATIVE BANKING FACILITIES- RELISH FOR THE CUSTOMERS

The Bank always strives for achieving utmost customer desires and needs, for which the Bank has introduced various “CHAMATKARIK” Products and Services. For NIC ASIA Bank, the definition of customer is broad which is not just limited to defining customers as borrower or depositor but their families including. The Bank has brought “CHAMATKARIK” Products which aim at befitting our customers’ families as well. Currently there are four “CHAMATKARIK” plans for fixed deposit and 15 “CHAMATKARIK” plans for saving deposit. Total of our 19 “CHAMATKARIK”

plans serve senior citizens, women, employees, entrepreneurs, children, students, people in foreign employment as well people from various regions and societies providing them insurance facilities, mobile banking, internet banking, debit card and other attractive facilities and heavy discounts in transaction fees. Like a friend in journey, the Bank is gratified to provide security to the families.

The Bank has provided great assistance in Nepal Government's drive for “SAMRIDHHA NEPAL SUKHI NEPALI”, initiating every Nepali to have a bank account. Customers who open account under “SABAI NEPALIKO BANK KHATA” are rewarded with Rs. 100 each. We feel proud to be part of such initiation for wellbeing of the people and the nation.

For the coming days, the Bank shall transmute creative and innovative banking facilities in order to mitigate our customer needs and desires.

MODERN TECHNOLOGY

With changing scenario in technological advancement, the Bank's future lies on how it copes with those changes. With the adoption of new technologies, the Bank can provide banking facilities anytime and anywhere within minimum time frame. The Bank is aware of the technological importance and made the services accessible through various tech platforms. The Bank is committed to make maximum use of technological advancement and build a separate champion brand to be “FIRST MODERN TECH BANK”. During the review period, our Bank has achieved its aim to increase digital transaction from 32% to 50%, which means 50% of our total transactions are conducted via digital channels.

Credit card online application processing, analytical application, mobile banking



version upgrade, missed call banking service and Chatbot 'Saathi' among other automation services were developed and put to use during the review period. To maintain smooth relationship with customers, applications such as Customer Relationship Management Software for helping in business decision making; Business Analytics for managing human resource; Human Resource Information system, among other, are put in test phase and soon will be brought to operation.

The Bank has committed team and necessary infrastructure for security of database and made changes in its policies for stronger Information Security.

Our momentous focus on digital banking has paid off with increment of users in internet banking, mobile banking and cards by 36%, 38% and 57% respectively. During the review period, the bank has market share of growth in debit card, credit card, mobile banking and internet banking users by 32%, 35%, 11% and 35% respectively.

The Bank is committed in providing services through automated and digital channels and effectively uses technological advancement in its activities.

EXPERIENCE ENRICHMENT

The Bank is moving forward to make paradigm transformation in customer experience. The Bank's primarily focus is enriching customer experience in delivery of our services. Price Waterhouse Cooper, a reputed international consultant has been appointed to help us in our customer enrichment journey. Suggestions from our consultant have been already implemented and we have made noticeable progress in enriching customer experience.

The Bank has declared Year 2019-20 as "YEAR OF EXPERIENCE

TRANSFORMATION" and has firm determination in its commitment. NIC ASIA Bank believes in "Customer First" motto keeping customers in its priority for experience enrichment. Fresh desk, fresh chat, live chat platform, social media listening tool, call centre and other various platform has been exercised to resolve queries and create value during the review period.

The Bank has taken steps to provide every banking facility within stipulated time frame. We are hopeful that the fast and convenient service shall bring experience enrichment to our customers. Our customer enrichment plan shall bestow our slogan "BANK PANI SATHI PANI, RAMRO PANI HAMRO PANI".

RESPONSIBILITY TOWARDS INVESTORS

Foundation of the Bank is set by its investors and it is the duty of the Bank to honor its investors with return. It is well known that the Bank has been respectable towards its investors with admirable return. With the return of equity of 22.73% during the review period, NIC ASIA Bank is Nepal No. 1 Private Sector Bank.

Though the Bank has momentous growth in expansion of branch, ATMs and extension counters, we are more proud to deliver exceptional return to our shareholders.

We have made provision of 21.0526% (10% bonus share and 11.0526% cash) dividend from current year profit and accumulated profit for FY 2018-19 and presented in General Meeting; I hope you will overwhelmingly support it.

HUMAN RESOURCE

Human Resource is the most important and productive asset and Bank can achieve its vision, mission and long term strategies only from Human Resource. Bank's success and failure both depends upon our human resource, so the Bank is always committed towards professional and capacity development and motivating employees. During the review period, Bank conducted 1,101 national level training and 11 international levels training which had employee participation of 38,447. Chief Executive Officer visited various provincial and regional branches during the review period and conducted 20 professional development and motivational program. The Bank has made a new reward policy, which we believe will bring the best out of our employees.



AWARDS AND RECOGNITION

The bank is able to win various awards and recognition during the review period. For the first time in history, the Bank won "ICAN - Best Presented Annual Reports Award 2018" during the review period. Also, the bank achieved huge success in Branding. In impactful message delivery and branding sector, Bank won an award in Best Financials Sector-Campaign Category for "Soch Badlau" advertorial. During the review period NIC ASIA Bank was Nepal's No. 1 Bank in terms of Banking Brand.

Currently, Nepal Rastra Bank requires the Bank to spend 3% of its operational cost on employee training and development. The Bank is making necessary expenditure on employees

training and development of at least 3% of operational cost. These training and development has provided great assistance for Bank to achieve No. 1 position in various categories.

UNIVERSAL BANKING

Bank is devoted to provide any financial needs to people of various region, sector and society while paving the way towards universal banking. For the cause, associate companies NIC ASIA Laghubitta Bittiya Sanstha Ltd. and NIC ASIA Capital Ltd. are aiding the Bank. NIC ASIA Capital Ltd in its fourth year of operation generated net profit of NPR 21.3 million and distributed 10% dividend to the shareholders in FY 2018-19.

While NIC ASIA Laghubitta Bittiya Sanstha Ltd. in its second year of operation expanded to 61 branches and has distributed loan of NPR 4.5 billion, collected saving of NPR 571.7 million and generated net profit of NPR 110.3 thousands and stood to be one of the best Microfinance of the nation. The microfinance is planning to issue shares to public in FY 2019-20.

To help the public with excellent and first in class experience in securities transaction, the Bank shall provide service through NIC ASIA Securities Ltd, which is in its initial stage of establishment.

These achievements have motivated us towards universal banking.

CORPORATE SOCIAL RESPONSIBILITY

Business is subset of society. The Bank has played a useful role in the functioning of society in diverse way such as: forestation, blood donation program, parks development, computers handover to schools, health camps, cultural programs, financial helps to

schools, and various programs for clean and healthy environment, and assistance to victims of natural calamities. To help pilgrims; donation of bio toilets to Pashupati Development Board, ambulance to Nepal Police, financial literacy programs for deprived peoples was carried out by the Bank during the review period. Under corporate social responsibility, the Bank has made direct expenditure of NPR 11.7 million during the review period.

Likewise, Bank has proudly contributed NPR 3.15 billion to the government exchequer through direct and indirect tax.

Keeping Nation's interest higher than Bank's interest, the Bank opened 13 branches in the remote places of 11 remote districts so that every citizen can avail banking facilities.

AWARDS AND RECOGNITION

The Bank is able to win various awards and recognition during the review period. For the first time in history, the Bank won "ICAN - Best Presented Annual Reports Award, 2018" during the review period. Also, the Bank achieved huge success in Branding. In impactful message delivery to the society, the Bank bagged an award in Best Financials Sector-Campaign Category for "Soch Badlau" ideology. During the review period NIC ASIA Bank was Nepal's No. 1 Bank in terms of Banking Brand.

Finally, at this time of great achievement, I would like to express gratitude to Mr. Jagdish Prasad Agrawal, who has worked like a guardian of the Bank since its very first day of establishment. I am thankful to Mr. Jagdish Prasad Agrawal for being with Bank's every ascend or descend from the beginning till July 2019. He has devoted 22 years of his life to help the Bank reach new heights every

year, his contribution to Bank will be acknowledged forever. I, on behalf of the Board and personally would like to thank Mr. Jagdish Prasad Agrawal for this devotion and contribution to the success of this Bank. I wish him all the very best for coming days.

NIC ASIA Bank has ranked as Nepal's biggest Private Sector bank, thanks to all the hardworking and assiduous employees. The Bank has obtained all its achievement only because of its employees who have toiled their effort in materializing the mission and vision of this Bank. Therefore, I would like to acknowledge our employee contribution in this historical achievement. My deepest appreciation to Chief Executive Officer, Key Managerial Personnel and all the employees holding various positions helping the Bank achieve higher success every day.

It isn't an individual effort that Bank has reached this height; co-operation of regulatory institutions, trust laid by our shareholders, customers' support, hard work of employees and various governments and non-government institutions' support has made possible for us to achieve success. I would like to express deep gratitude on behalf of the Board to every stakeholder and we hope you continue to assist us in future as well.

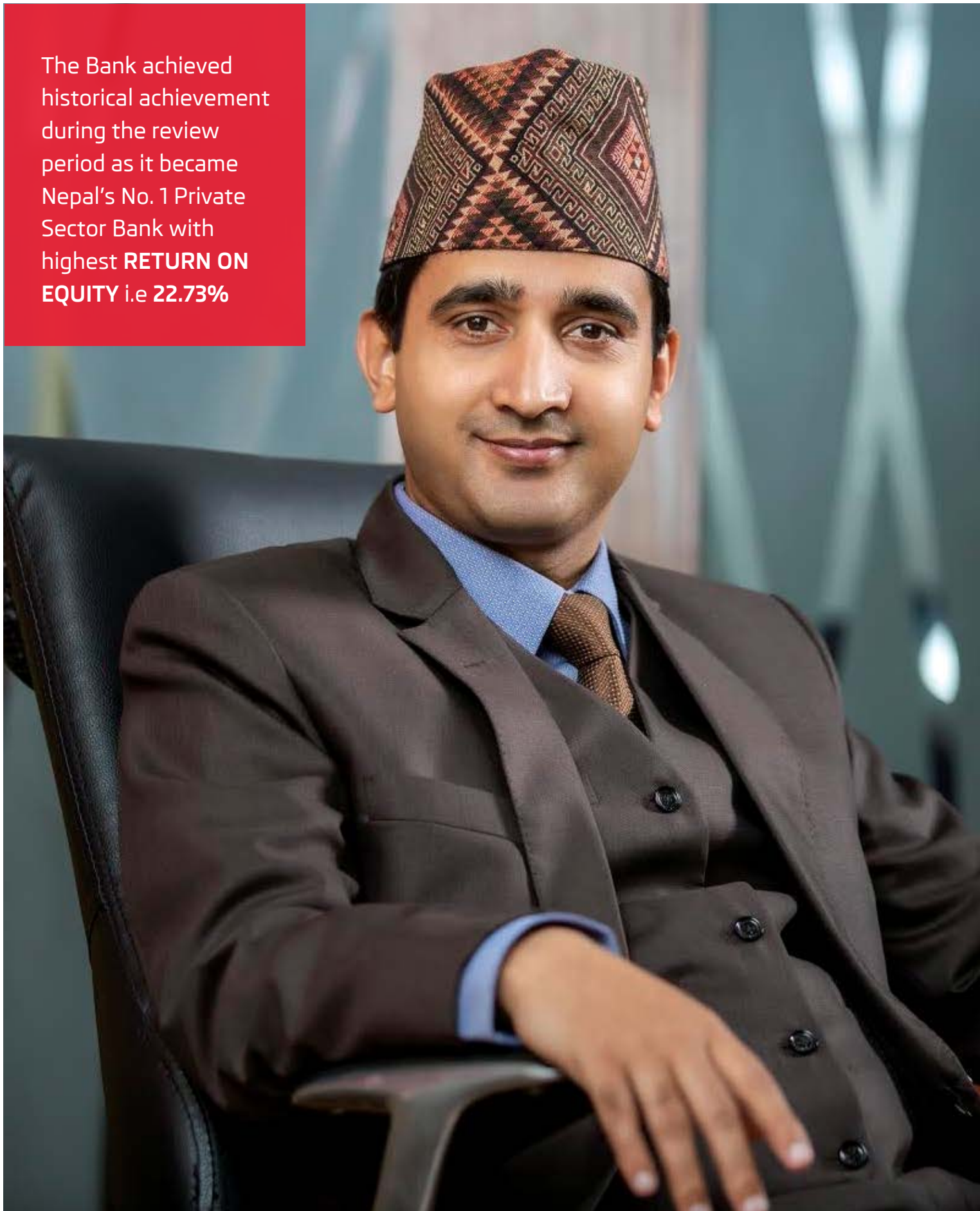
Thank You!

Mr. Tulsi Ram Agrawal
Chairman



बैंक पनि, साथी पनि
राम्रो पनि, हाम्रो पनि

The Bank achieved historical achievement during the review period as it became Nepal's No. 1 Private Sector Bank with highest **RETURN ON EQUITY** i.e **22.73%**





1.5 MESSAGE FROM THE CEO

The review period was marked by ups and downs for entire banking industry. Liquidity crunch which began after the first quarter continued till the last quarter of the review period that affected the bank's strategy of business expansion of the entire banking industry. While the loan disbursement was satisfactory in the industry, deposit creation was at low and continuous deficit hammered the domestic liquidity. Despite these challenges, it is with utmost joy that I declare that NIC ASIA Bank has uninterruptedly moved towards new height of the success like every previous year.

The Bank's performance during the review period is a remarkable and has motivated us to reach new heights. Even with the unfavorable market situation, the Bank has astonishing performance with net growth in loans and deposit by NPR 29.60 billion and NPR 29.40 billion respectively. The Bank has total outstanding loans and deposits of NPR 150.10 billion and NPR 180.60 billion respectively during the end of FY 2018/19. The Bank stands Number 1 position in loans in industry and Number 1 position in private sector banks in deposit.

With a core belief that banking facilities should be nimbly accessible to the people, the Bank continued to mete out banking services through new branches. The Bank, therefore, secures top position in branch expansion in the country, making it the largest Bank in terms of footprint. Further, the Bank has acquired impressive result in brand presence, creation of direct and indirect employment, banking transactions through digital channel, increase in debit cards, mobile banking users, increase in new customers and various other categories.

The Bank's balance sheet size increased by NPR 46.50 billion to reach NPR 217.69 billion during the review period. Net profit of the Bank increased

from NPR 1.33 billion to NPR 3.02 billion which is a historical achievement.

In addition, the Bank's return on assets and return on equity increased considerably. Return on assets and Return on equity grew from 0.97% and 12.09% to 1.56% and 22.73% respectively during the review period. Similarly during this period, the Bank's earning per share took a big leap from NPR 16.62 to NPR 34.22.

HISTORICAL ACHIEVEMENT

Mover and Shaker in Nepal's banking sector, NIC ASIA Bank has made an extraordinary record in the banking history of Nepal. Year 2018-19 was celebrated as "Year of Capacity Management" with the phenomenal growth, the Bank wind up the year as "Year of Significant Achievements" and "Year of Milestones". The Bank is able to achieve rarest of rarest success in almost every category and set itself as an exemplar in the banking industry.

- The Bank has created a golden history in banking sector, as the bank conducted 53 skill development training, provided training to 1,548 staffs in a single day and conducted 1,112 training programs during the review period.
- New 5,26,023 saving accounts

 **ROSHAN KUMAR NEUPANE**
CHIEF EXECUTIVE OFFICER

and opened 21 local bodies' bank account during the review period.

- During the review period, the Bank increased its mobile banking and debit card users by 250,000.
- Acquire 800 discount merchant in hotels, café, restaurant, hospital to provide discount on payment through digital platform during the review period.
- The Bank achieved historical achievement during the review period as it became Nepal's No. 1 Private Sector Bank with highest Return on Equity i.e 22.73%.

EMBEDDING MODERN TECHNOLOGY

The Bank has well accepted the fact that this is the age of digital technology and it is the need of an hour to incorporate modern technology in our banking deliverables. For the best use of modern technology in its activities and services, the Bank has initiated customer relationship management, business intelligence, business process management, etc which are all in final stage of implementation. Along with this, keeping digital banking as a key factor in business practice, the bank believes that its desire to increase efficiency, decrease cost, increase customer and decrease turn around time will be fulfilled. The Bank has widened the digital banking services with addition of credit card online application, analytics application, mobile banking version upgradation, missed call banking service, saathi chatbot in its services. The Bank has updated digital services for real time basis transaction with payment of electricity bill, telephone bill, mobile recharge and top up facility through its upgraded mobile banking.

The Bank, in association with different business entities, is providing

attractive schemes for digital channel transactions, and luring customers to opt digital banking channels

HUMAN RESOURCE MANAGEMENT

Human resources are the backbone of the bank's achievements. Without the dedication of our employees, the bank couldn't have been in its current position. The Bank is ably equipping its employees with right training and development activities to achieve the next big ambitious goal of becoming NextGen Banking. During the review period, the Bank conducted various training and seminars to enrich employees' technical and professional developments.

The Bank has strong belief that satisfied and skilled employees can drive the bank towards favorable outcome. With this belief, the Bank has placed top priority on employee remuneration, incentive, skill development as overall employee satisfaction is the foundation for "Experience Transformation" and "Experience Enrichment" to pave our way towards "Bank of the First Choice for all our Stakeholders".

VISION 18-22

Setting up long term strategy and taking small step towards it every day is the most important factor of success. Vision 18-22 is formulated for greater our achievements in business, social and economy and various other indicators to stand out as Nepal's most trusted bank. With Vision 18-22, Bank is eyeing for business expansion, gain in market share, increase in branch, digital banking, improvement in internal process, best banking practice within the defined period.

CUSTOMER FOCUSED BANKING

Needs leads to innovation. We are committed to provide innovative banking

facilities with changing needs of our customers. "CHAMATKARIK Products and Services" is one of our innovative endeavours to address the customer needs. With the overwhelming reaction and participation of customers in "CHAMATKARIK Products and Services", we are motivated and propelled to bring better plans in coming days.

The Bank is dedicated to provide timely and quick service to the customer under 'First Time Right' approach, hence the review period was celebrated as "Year of Capacity Management" with huge investment in capacity and skill development, human resource and digital banking.

Banking services and products are not only the needs of customers. We have taken a step forward for "Experience Enrichment" as we believe experience banking is the future. Experience enrichment shall focus on customer expectation, needs and desire and fulfill them with better banking experience

THANKING YOU

To all the customers, shareholders, employees, regulatory and business institutions who have helped on our way to success, I would like to express my deepest gratitude. Also, I would like to appreciate our chairperson and board members who are continuously devoted to making the Bank best of the best. Heartfelt thanks to all our employees of head office, provincial offices, branch offices, extension counters and DNA Oversight committee members and every single employee whose effort has made us the Largest Bank of Nepal.

Thank You!

Roshan Kumar Neupane
Chief Executive Officer

Despite the liquidity constraints and adverse market situations regarding low creation of deposits, huge trade deficits, the Bank made historical achievements by increasing Return on Equity by 88% to reach 22.73% from 12.09%. We now have Earning per Share of NPR 34.22, which was NPR 16.62 last year.



▲ **CA RUPESH LUITEL,**
CHIEF FINANCIAL OFFICER

1.6 MESSAGE FROM THE CFO

For NIC ASIA Bank, fiscal year 2018-19 was a year of remarkable achievements. The Bank continued to make strong presence in the financial sector of Nepal with one of the biggest balance sheet size in the entire banking industry. The Bank strike record growth in net profit by 126.49% as it grew from NPR 1,334.86 million to NPR 3,023.28 million, making it Nepal's No.1 Bank in term of growth in net profit.

With the increasing number of branches throughout the nation, the Bank has astonishingly increased the deposits and loans and advances. It is Nepal's No. 1 Private Bank in terms of deposit and loans and advances with NPR 180.50 billion and NPR 150.10 billion respectively. With the continuous effort, the Bank was able to achieve yearly growth of

24.34% in loans and advances and 19.5% in deposits and the figure is expected to increase in coming years as well.

Despite the liquidity constraints and adverse market situations regarding low creation of deposits, huge trade deficits, the Bank made historical achievements by increasing Return on Equity by 88% to reach 22.73% from 12.09%. We now have Earning per Share of NPR 34.22, which was NPR 16.62 last year.

Our major source of income, interest income contributes 88% of the total earning while fees and commission amounts to 10% of the total income. With increasing focus on cash less economy, we expect fees and commission income to be higher in coming years. While in terms of expense, interest expense is

56% of total expense. Footprint expansion has required the Bank to hire more qualified personnel, hence the employee cost increased from NPR 1,782 million to NPR 2,477 million, yet the Bank achieved positive result on net profit per employee.

The Bank has left no effort in providing superior experience to customers, both in their physical visit to the Bank's branches or their virtual acquaintance with the Bank through digital channels. With wide range of products and services, the Bank was able to increase deposits customers by 525,039 to reach total tally of 1,604,718. Also, in transaction banking, the Bank garnered best result in the banking industry with increasing customer base by 229,809 in mobile banking, 3,087 credit cards, 256,096 debit cards, 22,455 internet banking, 2,173 POS and 5,235 QR Code. NIC ASIA Bank has also allied with various business entities for providing attractive schemes and discount on digital transaction to NIC ASIA Customers.

Treasury, which manages local and foreign currency, contributed 15% to the total income earned. Also, it makes appropriate investments with low risk and high yield. During the review period, investment of the Bank reached NPR 19.36 billion, which is 34% in addition to investment of previous year. Treasury has moved beyond its traditional role of managing and monitoring the bank's fund position and overall asset liability position to a role where it is involved directly in profit centered activities. With increasing investment, we expect Treasury's contribution to total income will increase in days to come.

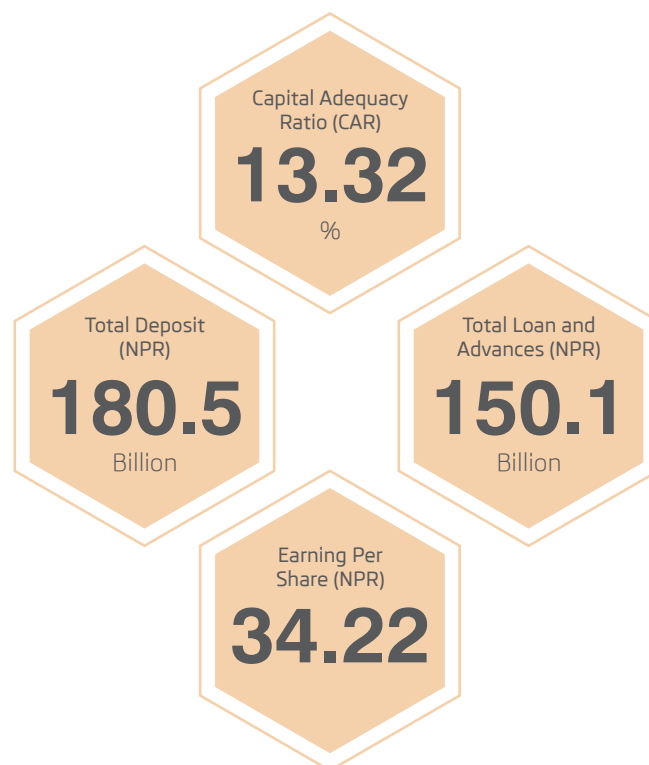
NIC ASIA Bank is Nepal's No. 1 Bank in terms of balance sheet size as the overall size increased by 27.35%. The non-performing loan ratio is at 0.46% of total credit. The Bank has prioritized investment in low risk loans in order to achieve results in line with the long-term strategy adopted by the Bank. Recovery and management of loan function of the Bank has been strengthened in order to minimize the risk that may occur due to non-performing loans, and reduce loan loss provision. Capital Adequacy Ratio of the Bank is 13.32% while last year it was 12.24%. Our Capital Adequacy Ratio (CAR) can be seen to be comfortably above the minimum CAR of 11% prescribed by Nepal Rastra Bank and the minimum CAR of 11.5% as required by the Internal Capital Adequacy Assessment Policy (ICAAP).

As NIC ASIA Bank values its investors the most, it has continuously provided good return to its investors. Last year, the Bank distributed dividend in form of bonus share at 10% (excluding tax) of total paid up share capital, while this year the proposed dividend rate is 20% (excluding tax). The proposed dividend includes 10% bonus share. Respecting our investors' faith and trust they have put on the Bank, the Bank is committed to provide greater return to its investors.

The Bank issued two debentures during the year; 11% NIC ASIA Bond 2082/83 and 10% NIC ASIA Bond 2085/86 amounting to NPR 1,830 million and NPR 2,405 million respectively. Both these debentures were given rating CARE-NP A by CARE Nepal which means these bonds are considered to have adequate degree of safety regarding timely servicing of financial obligations and carry low credit risk. Also, CARE Nepal reaffirmed rating of CARE-NP A (Is) to NIC ASIA Bank. Issuers with this rating are considered to offer adequate degree of safety regarding timely servicing of financial obligations, in Nepal. With these ratings, it is safe to presume that the Bank's overall position is well satisfactory.

The Bank's five year strategy, "STRATEGY 2020" was attained within four years which is astounding. Hence, a long term strategy "VISION 18-22" has been formulated with new challenges and higher goals.

NIC ASIA Bank, being one of the top banks of the nation, is committed to provide the best customer experience. Every day we are committed to be better than yesterday.





1.7 DNA OVERSIGHT COMMITTEE

DNA Oversight Committee is a management level apex committee, which works continuously towards attaining the Bank's vision and mission. The DNA Oversight Committee has been envisioned to be above all the verticals of the Bank (viz. Business, Support, and Control). All these verticals are equally important for the Bank, and each vertical is so oriented and managed that they impeccably contribute towards achievement of the vision, mission, and strategies of the Bank as envisaged by VISION 18-22 in a balanced, sustainable, and sound manner, thus collectively protecting the best interests of the Bank by striking right balance of business, support, and control activities of the Bank.

COMPOSITION OF DNA OVERSIGHT COMMITTEE

S.N	Name	Position in Organization	Position in Committee
1	Mr. Roshan Kumar Neupane	Chief Executive Officer	Coordinator
2	Mr. Sudhir Nath Pandey	Deputy Chief Executive Officer	Member
3	Mr. Santosh Kumar Rathi	Assistant Chief Executive Officer - Image & Experience Projection & Promotion Ecosystem	Member
4	Mr. Rajesh Rawal	Assistant Chief Executive Officer - Performance Assurance Ecosystem	Member
5	Mr. Kapil Dhakal	Assistant Chief Executive Officer - Quality Assurance Ecosystem	Member
6	Mr. Jayendra Rawal	Assistant Chief Executive Officer - Performance Assurance Ecosystem	Member
7	Mr. Bhesh Raj Khatiwada	Assistant Chief Executive Officer - Experience Assurance Ecosystem	Member
8	Mr. Ranjan Khadka	Assistant General Manager - Strategic Resource Penetration Ecosystem	Member
9	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member
10	Mr. Arjun Raj Khaniya	Chief Business Officer	Member
11	Mr. Bishal Sigdel	Chief Experience Transformation Officer	Member
12	Mr. Prakash Baral	Chief Credit Officer	Member
13	Mr. Bapin Rajbhandari	Chief Technology Officer	Member
14	Mr. Dinesh Bhari	Head Legal	Member
15	Mr. Narayan Sundar Shilpakar	Chief Digital Marketing Officer	Member
16	Mr. Raju Prasad Adhikari	Head Internal Audit	Member
17	Mr. Rupesh Luitel	Chief Financial Officer	Member
18	Mr. Kailash Gautam	Head DNA and Talent Management / Branding/ GAP	Member
19	Mr. Deepen Karki	Company Secretary	Member Secretary
20	Mr. Narayan Prasad Nepal	Head Strategy & Transformational Organization Development	Member
21	Mr. Suman Thapaliya	Head Strategy, BPR & Think Tank	Member

ROLES AND RESPONSIBILITIES OF DNA OVERSIGHT COMMITTEE

Following are the broader scope of work of the committee;

- i. To assist in realizing the vision, mission, and strategies of the Bank by fostering harmony, synchronization, and balance amongst all departments, regional offices, and branches of the Bank.
- ii. To act as a central authority above all the verticals of the Bank (viz. Business, Support, and Control) and ensure that each vertical is so oriented and managed that they impeccably contribute towards achievement of the vision, mission, and strategies of the Bank in a balanced, sustainable, and sound manner, thus collectively protecting the best interests of the Bank by striking right balance of business, support, and control activities of the Bank.
- iii. To provide direct oversight to all the departments, provincial offices, and branches, so as to enable them to effectively implement strategies and tactical plans.
- iv. To maximize return on human as well as other investments of the Bank by ensuring efficient utilization of all human resource and other physical resources of the Bank and to achieve synergic effect.
- v. To assist all the departments, provincial and branch offices of the Bank for effective implementation of all the policies and guidelines of the Bank, as applicable.
- vi. To constantly steer the implementation of VISION 18-22 through quality assurance, value addition, and intervention.



1.8 CODE OF CONDUCT AND GUIDING PRINCIPLES

NIC ASIA Bank and its subsidiary companies have always endeavoured to ensure maintenance of high standards of ethics, honesty, integrity, confidentiality, impartiality, professionalism, and conduct, and to avoid misconduct and conflicts of interest, in order to maintain the confidence of the public and customers. The bank has always been adhering to the highest standards of responsible business practices in interactions with all stakeholders. The bank's governance structure has been designed so as to facilitate greater empowerment and faster decision-making at all levels of business.

The Nepal Rastra Bank's Directive No.6 has detailed a Code of Conduct to be observed by licensed institutions, directors, employees, and Board-level committees and sub-committees and their members. Whenever, the bank faces concerns or issues that do not present an obvious solution, judgments are exercised on the basis of principles outlined in the Code of Conduct.

Following common issues are covered by the Code of Conduct:

- Highest level of confidentiality and fairness in dealing within and outside the Bank.
- Absolute fairness in monetary transactions and all other kinds of transactions.
- Adherence to the highest standards of ethical conduct while dealing with actual or apparent conflicts of interest between personal and professional relationships.
- Reward on the basis of hard work and effort.
- Proper use and application of the Bank's assets and resources.
- Full, fair, accurate, sensible, timely, and meaningful disclosures in the periodic reports required to be filed by the Bank with government and regulatory agencies.

The detailed provision of Nepal Rastra Bank's directive has been presented under a separate Director's Handbook and Employee Code of Conduct Handbook. NIC ASIA Bank, in its endeavor to abide by the code of conduct, provides a copy of the Code of Conduct Handbook to a new staff before he/she formally assumes duty. The acknowledgement of the same is

maintained by the Human Resource Department.

The Bank shall be committed in all its actions to the interests of the public.

NIC ASIAN DNA

The NIC ASIAN DNA is the thread woven throughout all actions and decisions to effectively implement the Bank's strategies, and ensure achievement of its vision in an effective and efficient manner. The organization's culture consists of the values, beliefs, attitudes, and behaviors that are revealed through what really happens in day-to-day interactions between employees with customers and other stakeholders. The NIC ASIAN DNA is about culturalization or the process of becoming cultured, refinement of the same and intellectual cultivation. It is more than mere words on a piece of paper as we try to reflect it in the way each and every NIC ASIAN thinks, behaves, and acts.

Higher level of passion, creativity, motivation, energy, enthusiasm, and morality among NIC ASIANS has been possible due to effective practice of distinctively and explicitly formulated NIC ASIAN DNA. With such an extraordinary DNA that we all possess at our core, supported by unmatched touch-points, amazing branding, rapid momentum, instrumental capacities, and unparalleled customer base, the goals that we had collectively set for ourselves were achieved, and we believe that the goals that we have set for the coming years are without any doubt achievable, and together as an unbeatable team, we shall definitely surpass them. Everything that we achieved in the past was the result of the extraordinary DNA that we embody at our core, both as a team, and as an individual.

Everything else (products, services, strategies, even innovations) may be replicated, but our NIC ASIAN DNA is the only true identifier that differentiates NIC ASIAN from the rest of the world. The Bank has resolved to establish "Service DNA" as an integral part of the organizational culture, and DNA. "Service with Smile" has been able to ensure consistent customer delight and loyalty.

THE NIC ASIAN DNA

VISION



Vision is the most powerful way to keep us focused on what we want, while keeping us motivated in achieving it. We believe that for NIC ASIAN DNA, vision is not seen as a dream, but a reality that has not come into existence.

NIC ASIANS are expected to have following vision in their DNA:

- The Revolutionary Vision
- Evolutionary Execution

VALUES



Adoption of core values is essential for execution of our strategy, and for ensuring a work environment that supports goals and objectives of the Bank and inspires employees to new levels of productivity by helping them achieve their professional goals.

NIC ASIA DNA is based on five core values:

- Meritocracy
- Transparency
- Service Excellence
- Team Spirit
- Professionalism



CULTURES



The culture of an organization is like its finger print/ unique identifier. When a culture is strong, it leads to motivated employees and high performing managers. Developing a high-performance corporate culture is more important, because it is essential to strong results.

NIC ASIAN DNA is expected to have the following attributes to ensure a winning culture within the Bank:

- Co-Ownership
- Collaboration
- Synchronization
- Empowerment
- Accountability

MINDSET



Mindset is a habitual or characteristic mental attitude that determines how we interpret and respond to situations. Cultivating a growth mindset can be the single most important thing we ever do to help us achieve success.

NIC ASIAN DNA is expected to practice the following mindsets for best possible results:

- Entrepreneurial/ Owner
- Open
- Vibrant
- Dynamic
- Pragmatic
- Innovative
- Adaptive
- Energetic
- Passionate
- Persistent

INTELLIGENCE



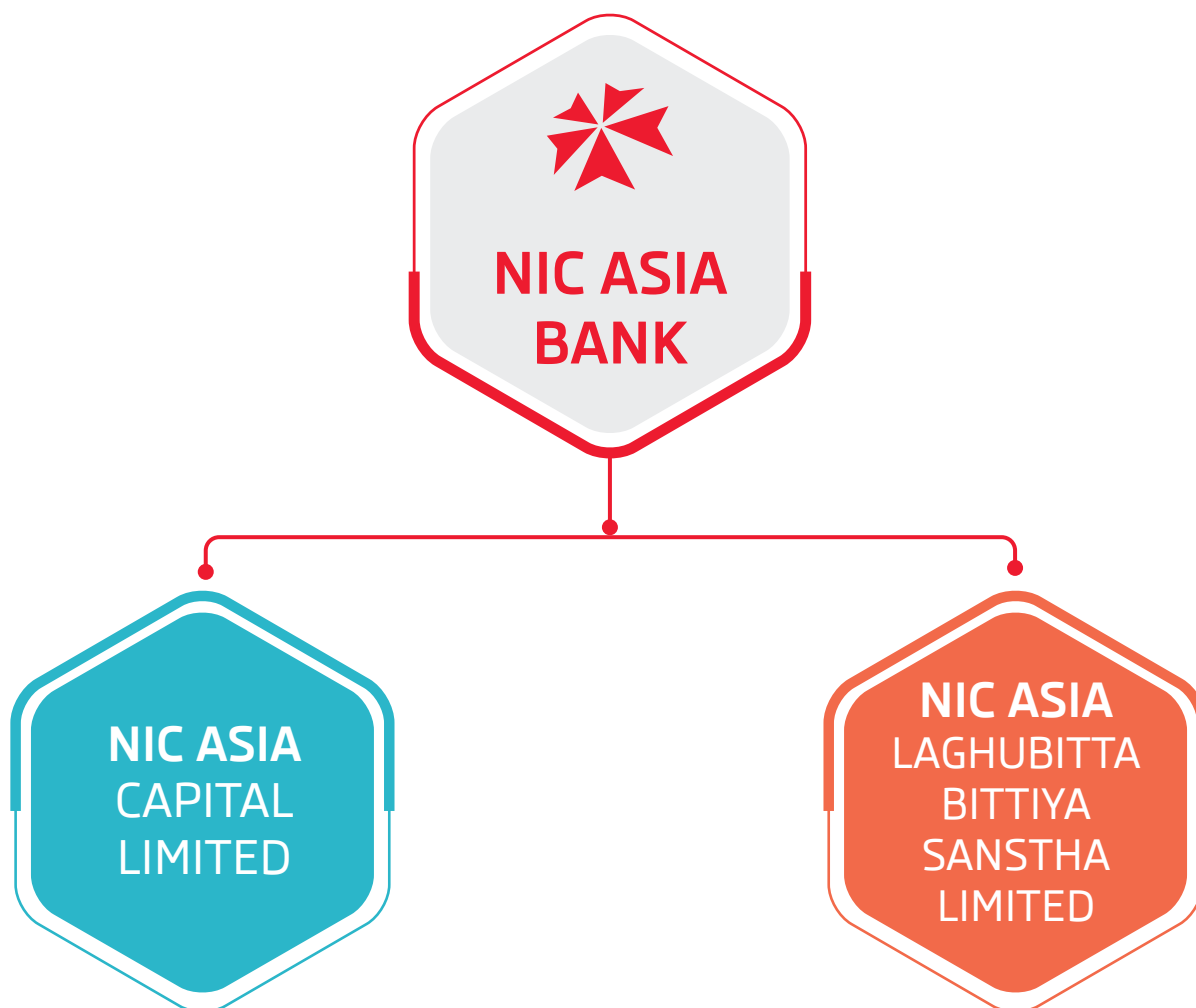
Intelligence is the ability to perceive information and retain it as knowledge to be applied as skills towards adaptive behaviors within an environment or context. Intelligence strengthens the Bank's ability to make decisions and plan for the future.

Intelligence in the following matters is expected in NIC ASIAN DNA:

- Self-Intelligence
- Group Intelligence
- Socio-Cultural Intelligence
- Business Intelligence
- Market Intelligence

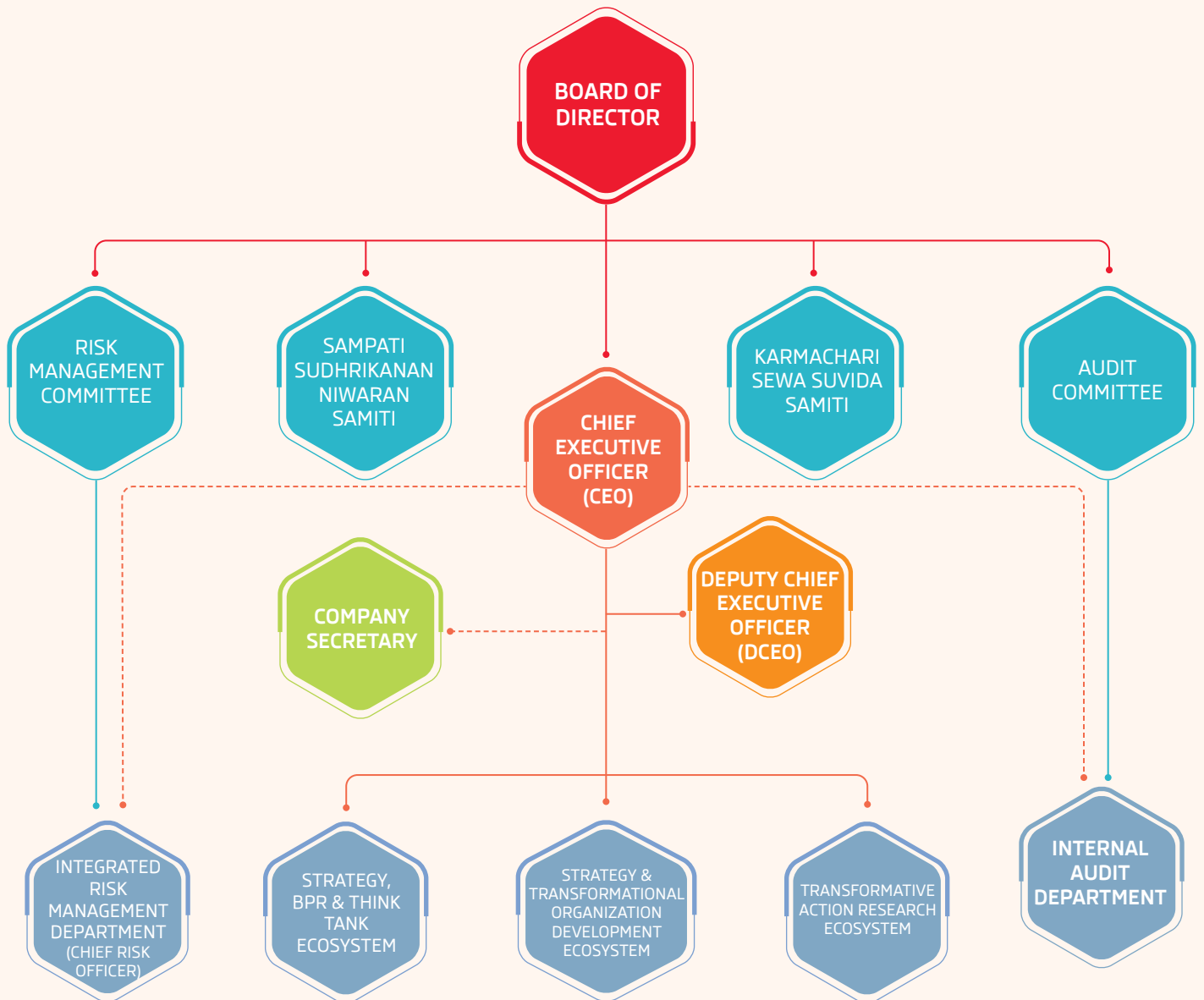
1.9 GROUP STRUCTURE

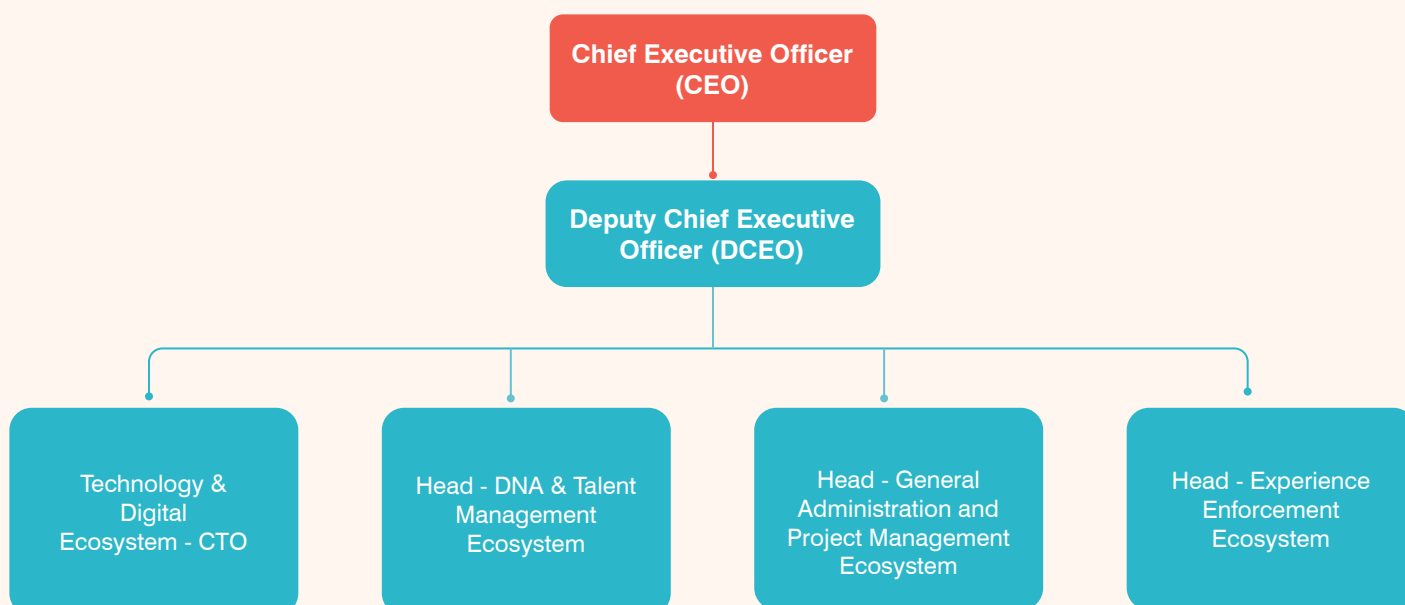
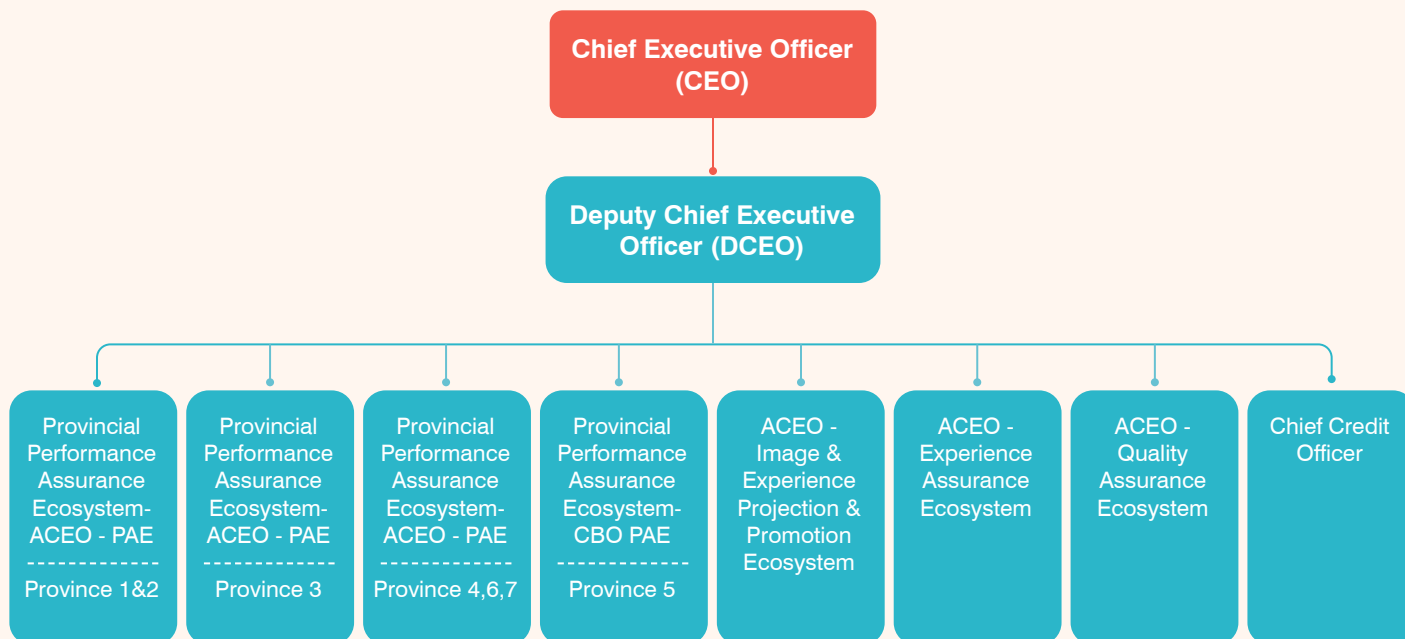
The group consists of three companies, including NIC ASIA Bank Limited being its parent company. NIC ASIA Bank Limited has two subsidiaries, namely NIC ASIA Laghubitta Bittiya Sanstha Limited and NIC ASIA Capital Limited. Both NIC ASIA Capital Limited and NIC ASIA Laghubitta Bittiya Sanstha Limited are wholly owned subsidiaries of the NIC ASIA Bank Limited.





1.10 ORGANIZATIONAL STRUCTURE







FINANCIAL MANAGEMENT ECOSYSTEM

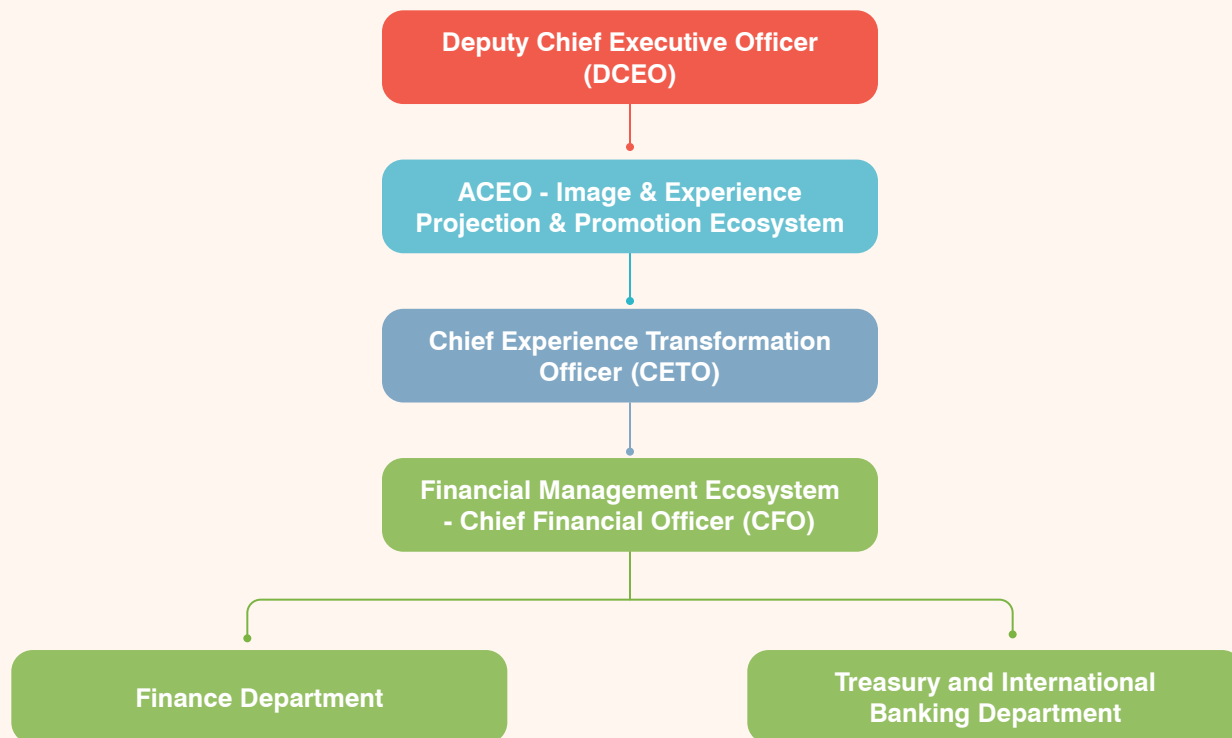
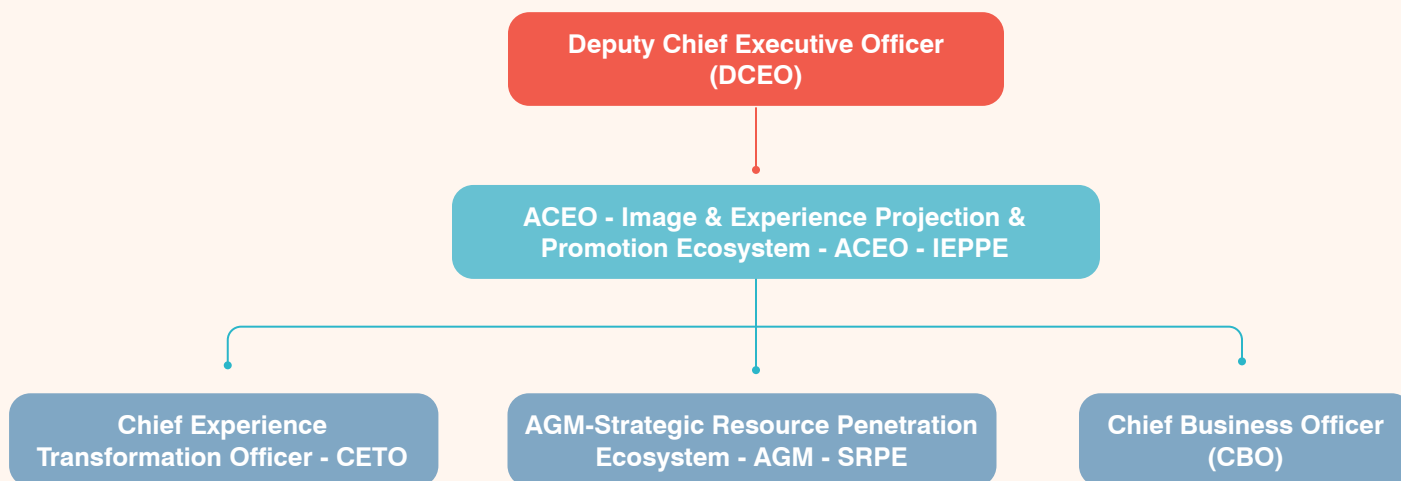
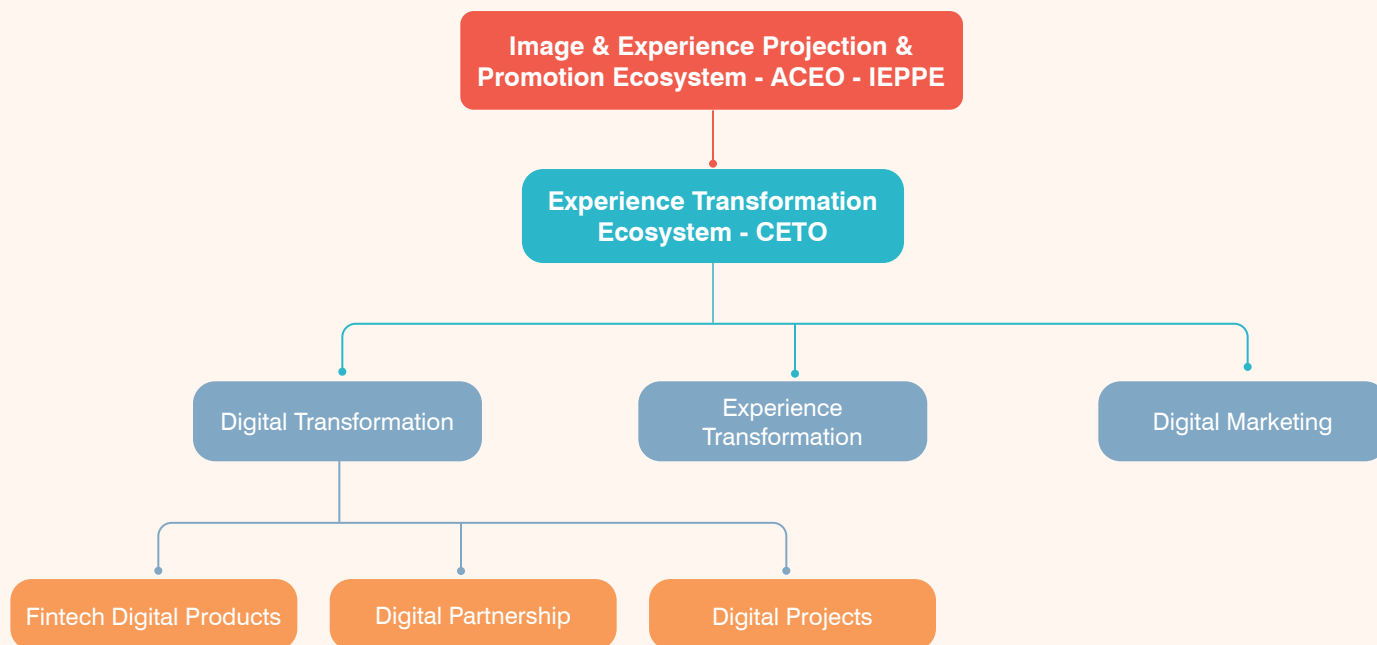


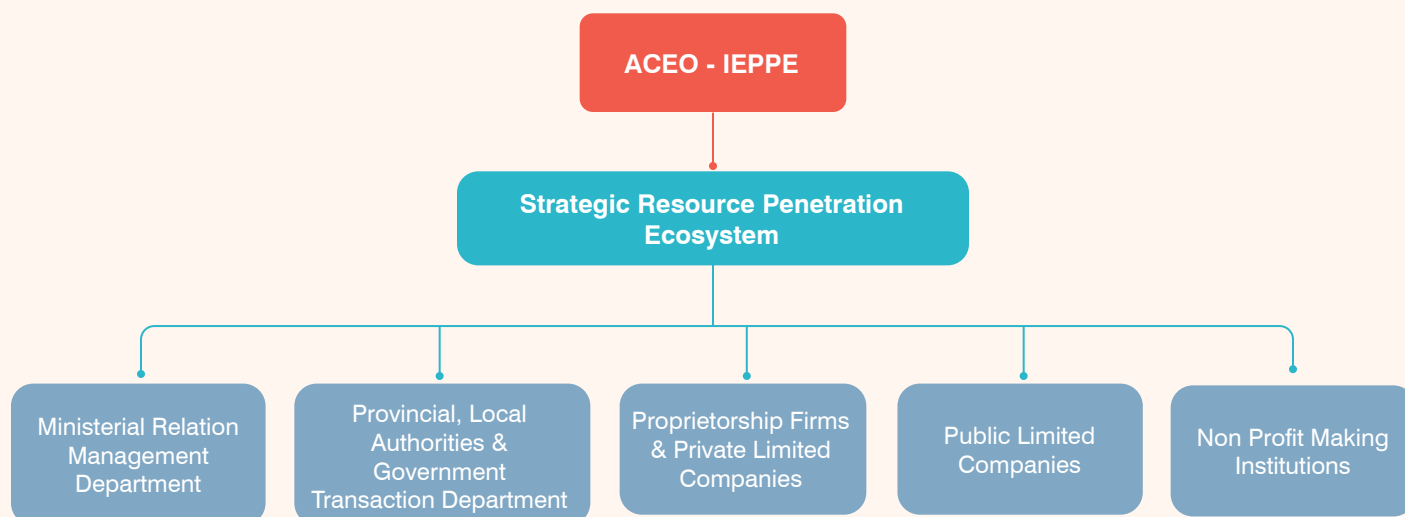
IMAGE AND EXPERIENCE PROJECTION AND PROMOTION ECOSYSTEM



EXPERIENCE TRANSFORMATION ECOSYSTEM

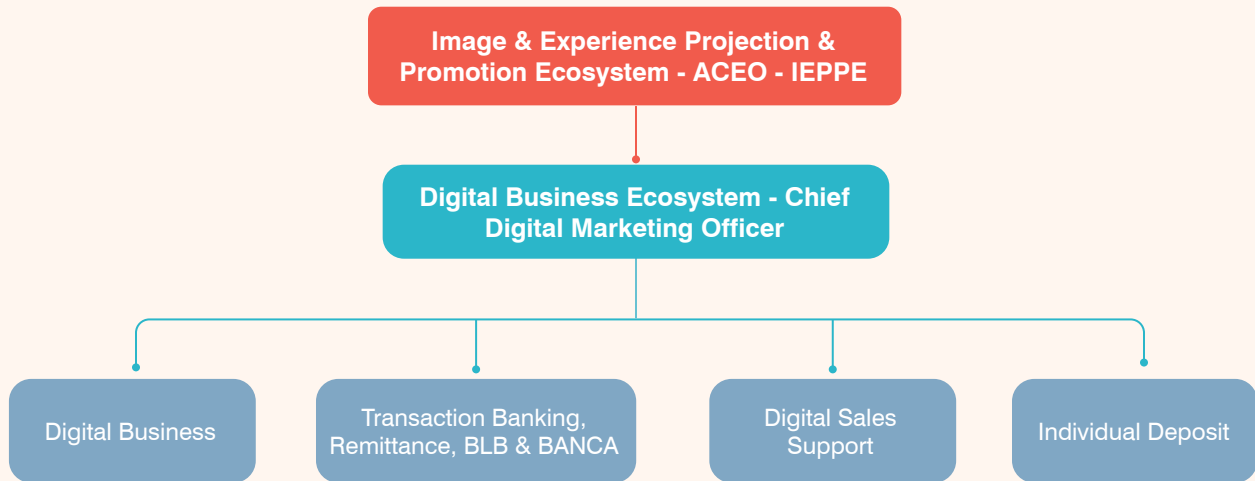


STRATEGIC RESOURCE PENETRATION ECOSYSTEM

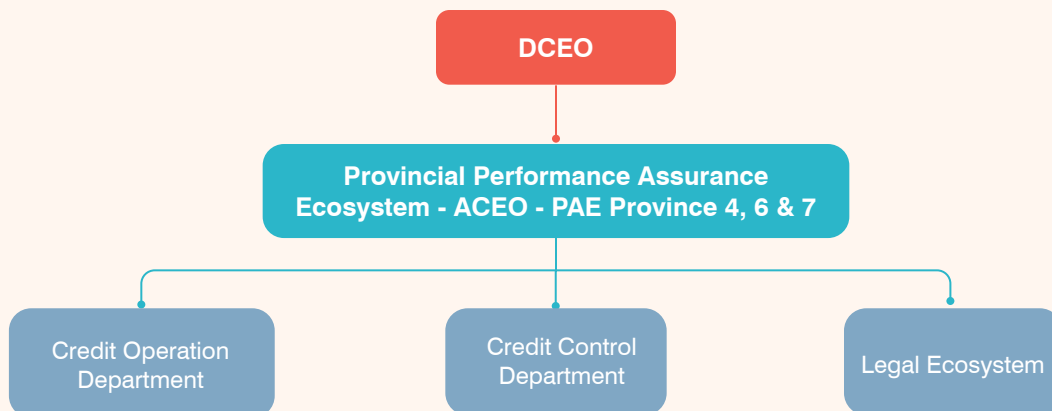
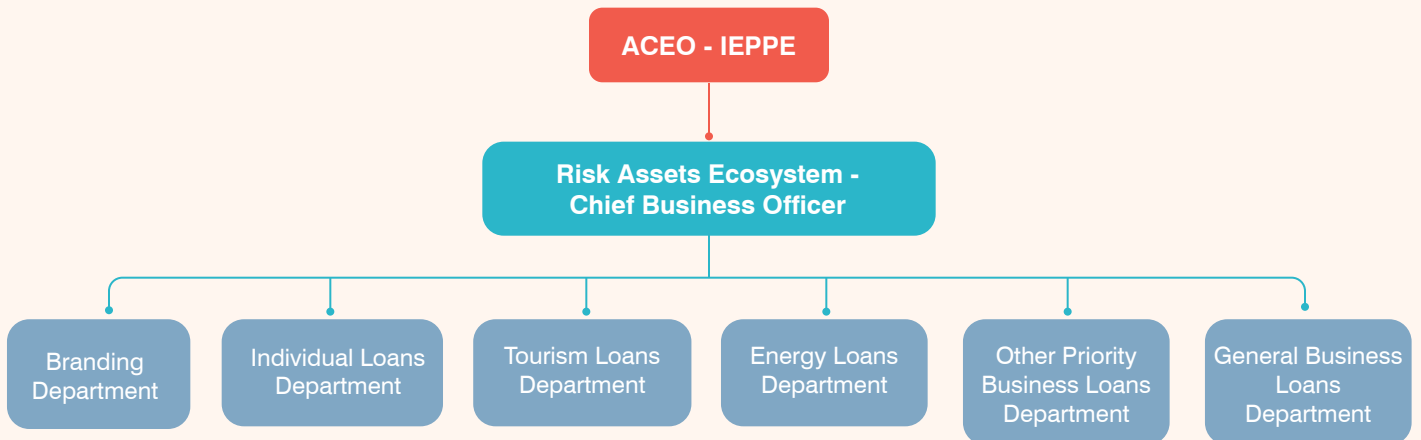




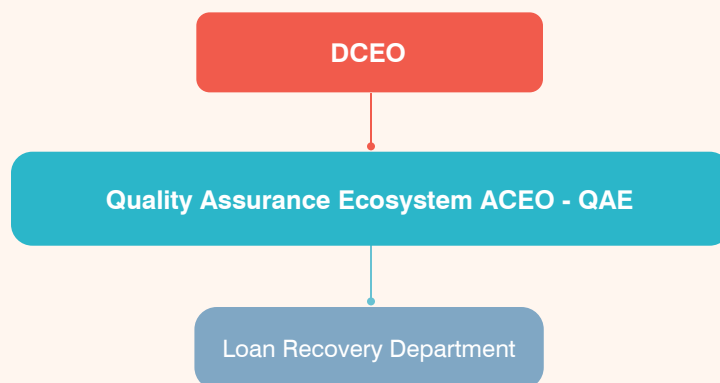
DIGITAL BUSINESS ECOSYSTEM



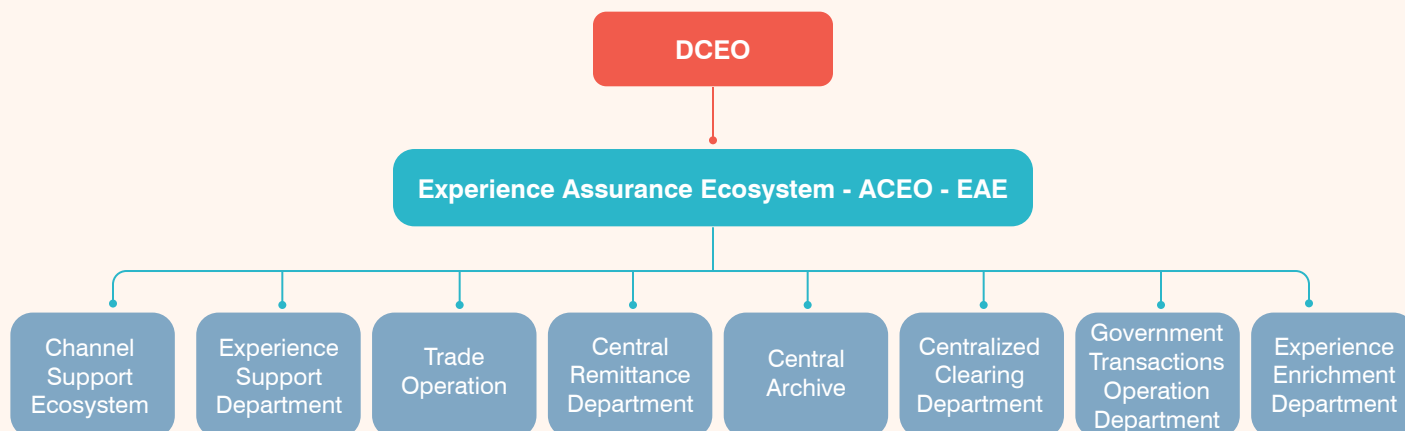
RISK ASSET ECOSYSTEM



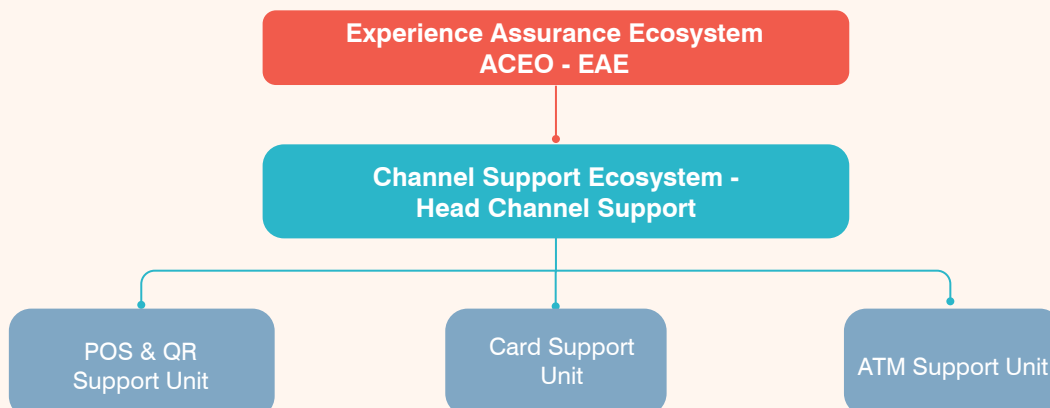
QUALITY ASSURANCE ECOSYSTEM



EXPERIENCE ASSURANCE ECOSYSTEM

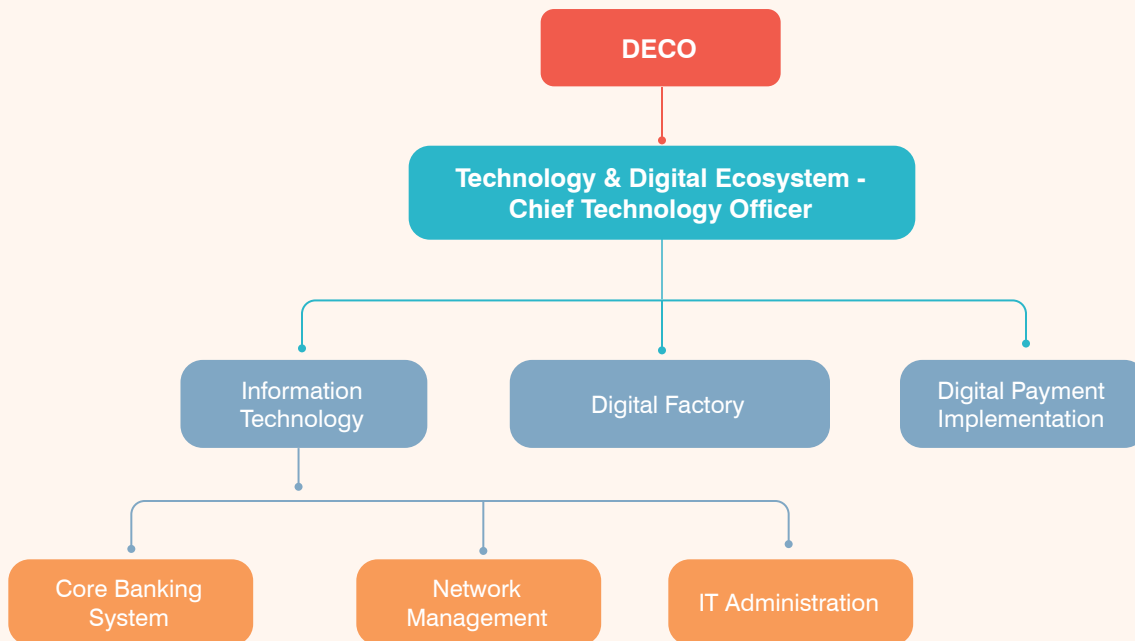


CHANNEL SUPPORT ECOSYSTEM

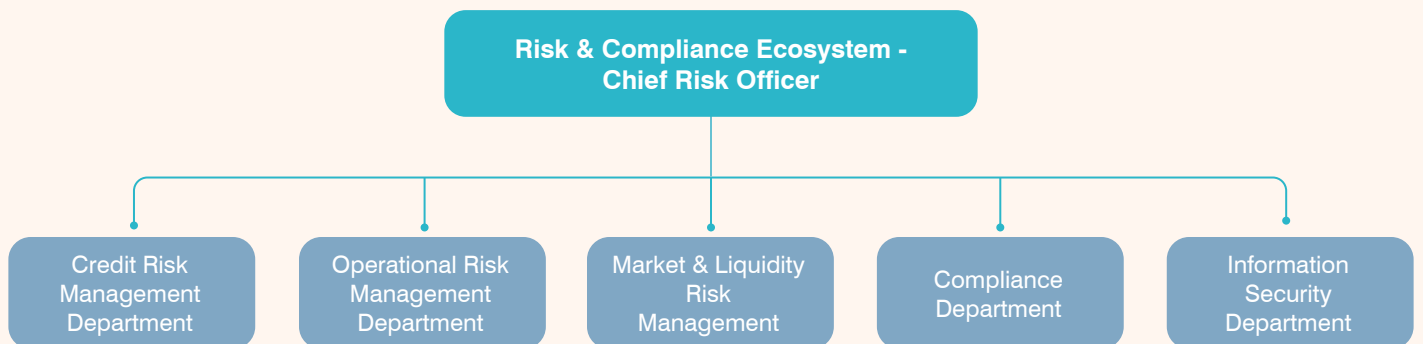




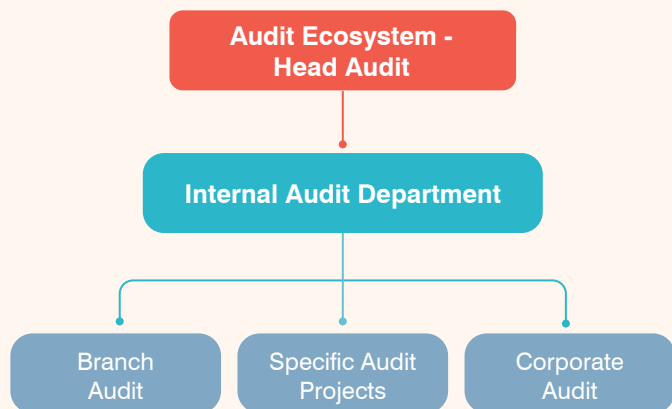
TECHNOLOGY & DIGITAL ECOSYSTEM



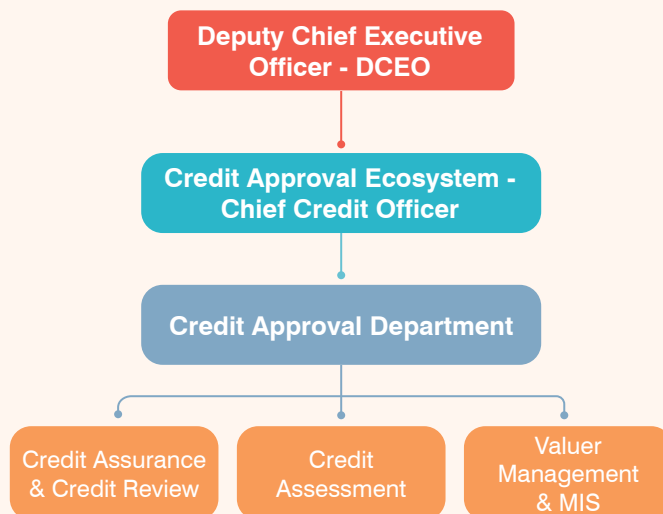
RISK & COMPLIANCE ECOSYSTEM



AUDIT ECOSYSTEM



CREDIT APPROVAL ECOSYSTEM

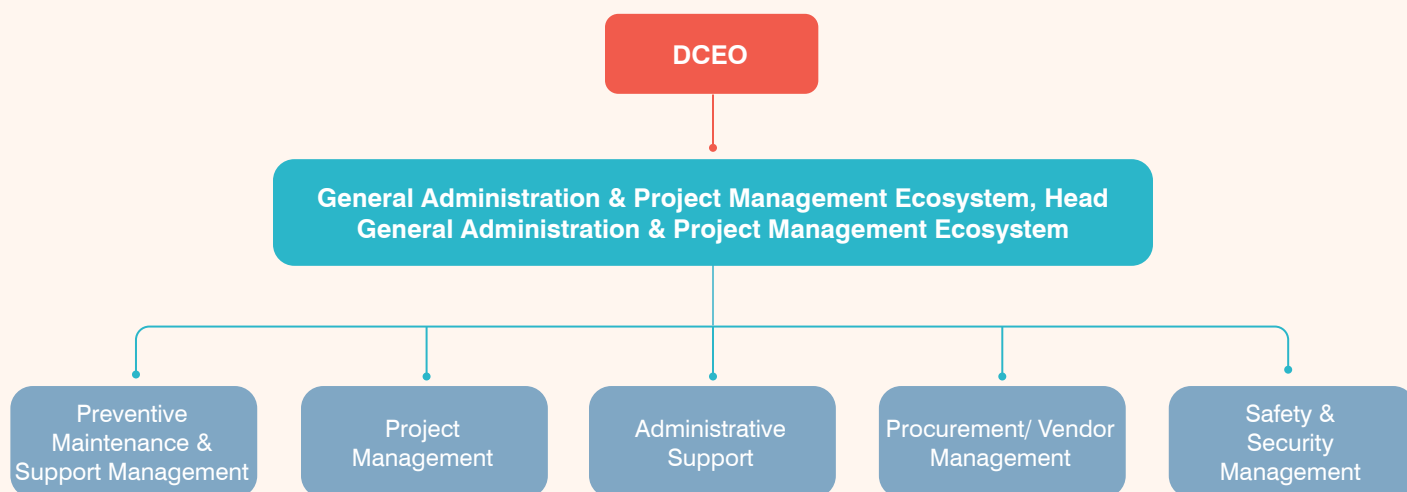


DNA AND TALENT MANAGEMENT ECOSYSTEM

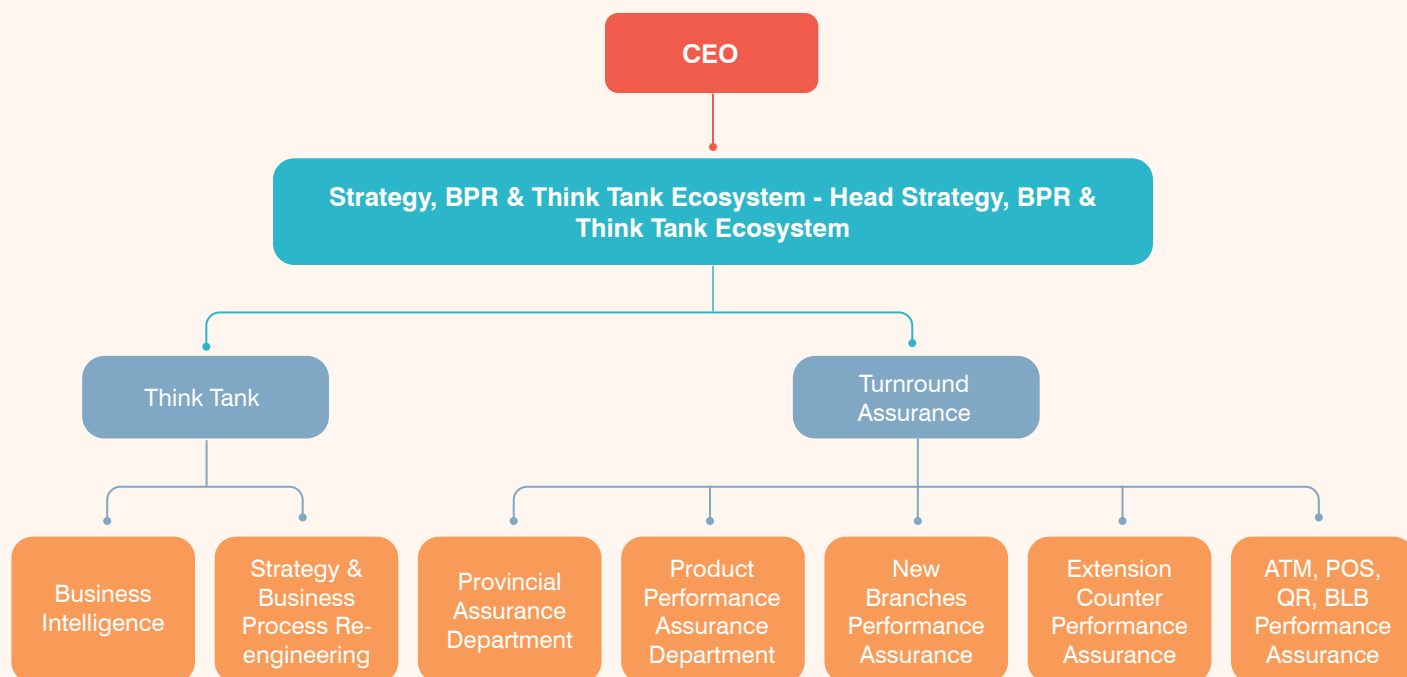




GENERAL ADMINISTRATION AND PROJECT MANAGEMENT ECOSYSTEM



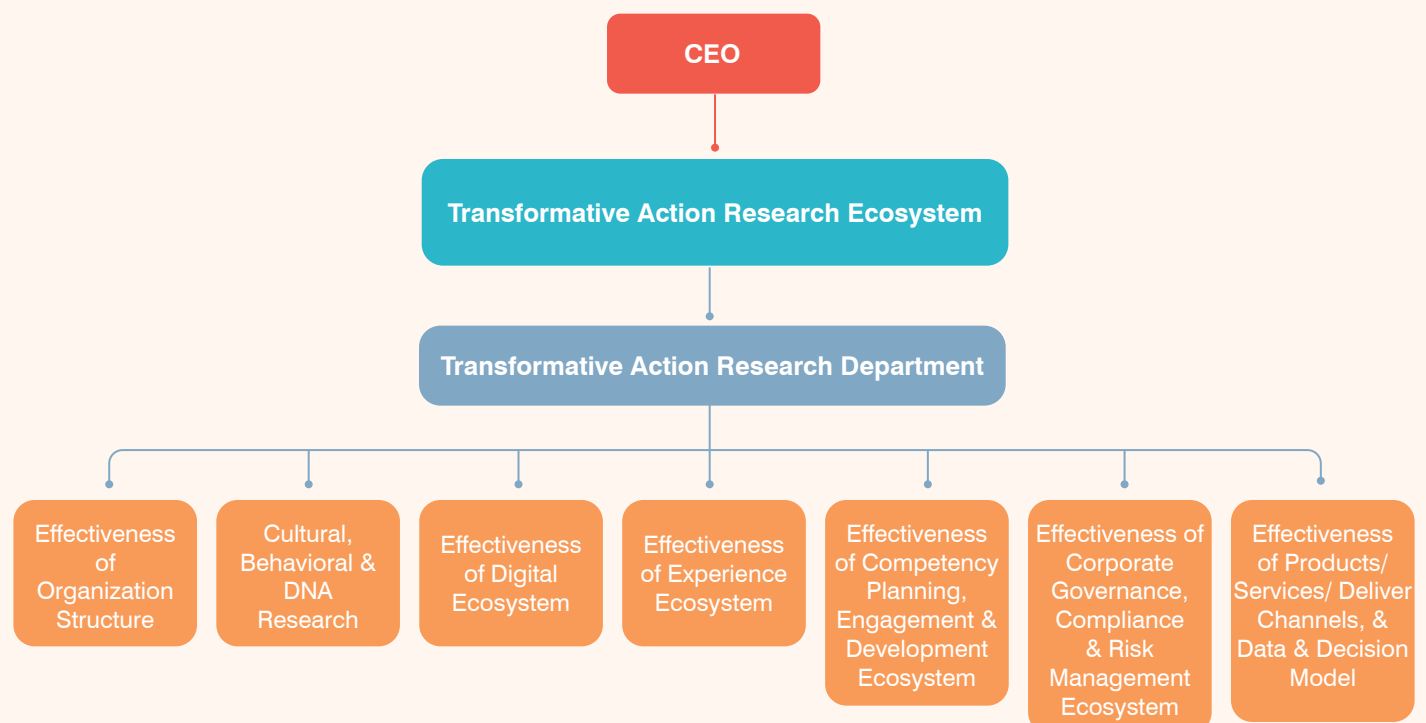
STRATEGY, BPR AND THINK TANK ECOSYSTEM



STRATEGY TRANSFORMATIONAL ORGANIZATION DEVELOPMENT ECOSYSTEM



TRANSFORMATIVE ACTION RESEARCH ECOSYSTEM





1.11 CORPORATE PROFILE

NIC ASIA Bank is Nepal's leading bank in terms of footprints, deposits, lending, customer base and balance sheet size. Over the operation of 22 years, the Bank has established itself as a household name and a prominent player in nation's economic development. Each year, Bank has created history with extraordinary achievements and contribution.

NIC Bank was established in 1997 in Biratnagar, as NIC Bank later merged with Bank of Asia on 30 June 2013 and started operation under "NIC ASIA Bank". The merger was the first of kind among two successful commercial banks of Nepal.

NIC ASIA Bank has been awarded with prestigious title of Bank of the Year by The Banker, Financial Times, UK on two occasion. The Bank was awarded the title Bank of the Year on 2007 and 2013. NIC ASIA Bank was awarded Best Presentation Annual Report Award-2018 by Institute of Chartered Accountants of Nepal (ICAN).

The Bank has the reputation of the Nepal's Largest Bank in terms of footprints. NIC ASIA Bank is providing its service across 73 districts of the nation with its 292 branches and 302 ATMs.

With the motto of "bank pani sathi pani, ramro pani hamro pani", the Bank is serving more than 1.6 million customers making it the largest private sector Bank. The Bank aims to provide banking service to remotest part of nation to financial hub with superior banking experience.

NIC ASIA Bank has two subsidiaries; NIC ASIA Capital Limited and NIC ASIA Laghubitta Bitiya Sanstha Limited, both of them being one of the leading companies in their respective domain.



CORPORATE INFORMATION

Registered Name of the Company
NIC ASIA Bank Limited

Company Registration Date
30-May-1997

Legal Form
**Public Limited Company,
listed with Nepal Stock Exchange**

NRB License Number
13/62/63

Company Registration Number
658/53/54

Registered Office
**Ward no. 11, Trade Tower, Thapathali
Kathmandu, Nepal**

PROVINCE OFFICE

Province 1:

Biratnagar Metropolitan, Biratnagar,
Ward no. 7

Gandaki Province:

Pokhara Metropolitan,
Ward no. 8

Sudurpashchim Province:

Dhangadhi Sub Metropolitan,
Ward no. 4

Province 2:

Bardibas Municipality, Bardibas,
Ward no. 1

Province 5:

Tilottama Municipality,
Ward no. 3

Bagmati Province:

Trade Tower, Thapathali, Kathmandu,
Ward no. 11

Karnali Province:

Birendranagar Municipality,
Ward no. 6

Card Center: Kamaladi, Ganeshtan, Kathmandu
Tel No: +977-01-4262277

SUBSIDIARY INFORMATION

1

NIC ASIA CAPITAL LIMITED

Babar Mahal, Kathmandu
Tel no: +977-01-5705994
Email: info@nicasiacapital.com
Website: www.nicasiacapital.com

2

NIC ASIA LAGHUBITTA BITIYA SANSTHA LIMITED

Bheri Municipality, Ward-4, Jajarkot
Tel no: +977-11-660034
Email: info@nicasialaghubitta.com
Website: www.nicasialaghubitta.com

BOARD OF DIRECTORS

Mr. Tulsi Ram Agrawal (Chairman)
Mr. Trilok Chand Agrawal (Director)
Mr. Ram Chandara Sanghai (Director)
Mr. Rajendra Prasad Aryal (Director)
Mr. Binod Kumar Pyakureal (Director)
Mr. Ganesh Man Shrestha (Independent Director)
Mr. Nikunj Agrawal (Director)

Company Secretary
Deepen Karki

Chief Financial Officer
Rupesh Luitel

Auditors
PKF T.R. Upadhya & Co.
Chartered Accountants

Share Registrar
NIC ASIA Capital Limited

CONTACT DETAIL

Tel No: + 977-1-5111177/5111179
Fax No: + 977-1-5111180
Toll Free No: 1660-01-77771
PO Box: 11021

www.nicasiabank.com
info@nicasiabank.com

facebook.com/NicAsiaBank
twitter.com/nic_asia_bank
instagram.com/nicasiabank



1.12 SUBSIDIARIES OF NIC ASIA BANK

NIC ASIA LAGHUBITTA BITTIYA SANSTHA

NIC ASIA Laghubitta Bittiya Sanstha Limited is incorporated as a public limited company registration no. 171621/074/075 on 2074.4.10 BS at Company Registrar Office of Government of Nepal under Company Act 2063. NIC ASIA Laghubitta Bittiya Sanstha Limited is a subsidiary company of NIC ASIA Bank Limited. The company is one of the "D" Class financial institutions (micro-credit development bank) license no. NRB "Gha" 61/074/75 on 2074.8.5 by Nepal Rastra Bank (NRB) under the Bank and Financial Institution Act, 2063. The Bittiya Sanstha commenced its financial transactions from 2074.9.5 BS. The head office of the company is located at Bheri Municipality, ward no. 4, Jajarkot District, Nepal, and its service area is nationwide. The main objective of the institution is to provide micro-finance services to households from hilly and mountainous regions of Nepal, with the prime focus on low-income households and assets-less and self-employed individuals in the informal sector to uplift their livelihood and increase their involvement in economic and income-generating activities. Besides these financial services, it also focuses on their social development, cultural promotion, educational development, and skill development.

VISION

The vision of the financial institution is poverty alleviation of rural community through economic development and enhancing their standard of living.

MISSION

To encourage saving to skill-oriented productive programs and uplifting the income level of the deprived sector.

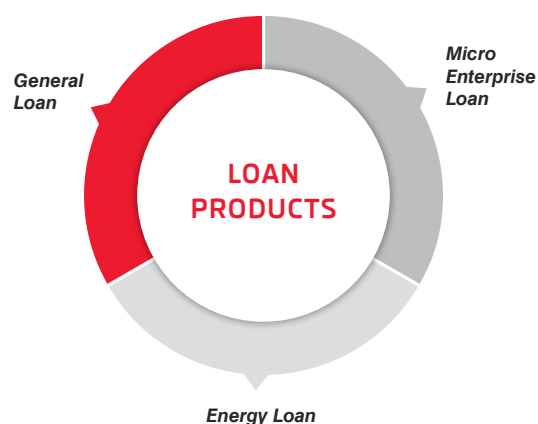
OBJECTIVE

The main objective of the financial institution is to provide institutional credit for general public of rural areas who has no formal banking facility, with the intention to encourage and help rural communities attain sustainable growth in financial activities by mobilizing local resources they venture to undertake.

SERVICES OF NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

CREDIT

- **General Loan:** A client is eligible for General Loan after group recognition test conducted by the NIC ASIA Laghubitta representative. The initial loan amount will be disbursed to all members of the group. Any kind of income-generating business can use this loan.
- **Micro Enterprise Loan:** The clients are eligible to get Micro Enterprise Loan after group recognition test conducted by NIC ASIA Laghubitta representative. The initial loan amount will be disbursed to all members of the group. Any kind of micro entrepreneur can use this loan.
- **Energy Loan:** This loan is given to the clients for solar home system, solar cooker, solar dryer, solar pump, bio-gas, improved water mill, wind energy, etc.



SAVING

- **Personal Saving:** This is a voluntary saving designed to encourage saving habits of members, as well as to provide safety net for both NIC ASIA Laghubitta and members. A member can open account with a minimum of NPR100. NIC ASIA Laghubitta provides interest @ 8% p.a. on this savings. Members can withdraw this saving as per their need.

- **Educational Saving:** This is a voluntary saving product offered to all members of NIC ASIA Laghubitta. A member can open account with a minimum of NPR100. NIC ASIA Laghubitta provides interest @ 8% p.a. on this saving. Members can deposit in this saving account when they have surplus and withdraw from this account as per their need.
- **Health Saving:** This is a voluntary saving product offered to all members of NIC ASIA Laghubitta. A member can open account with a minimum of NPR100. NIC ASIA Laghubitta provides interest @ 8% p.a. on this saving. Members can deposit in this saving account when they have surplus and withdraw from this account as per their need.



NIC ASIA CAPITAL LIMITED

NIC ASIA Capital Limited is a 100% subsidiary of NIC ASIA Bank Limited. NIC ASIA Capital was incorporated under the Companies Act 2007 of Nepal and is licensed by the Securities Board of Nepal to undertake merchant banking activities, which includes services like Issue Management and Underwriting, Registrar to Share, Depository Participant, and Portfolio Management.

Notable achievements of the micro-financing services of NIC ASIA Laghubitta Bittiya Sanstha Limited are as follows:



In its second year of operation, the organization earned operating profit of NPR 172,177/- and net profit of NPR 110,309/-.



The organization has expanded to 19 districts with 61 branches. In 2018/19, 33 new branches were opened.



During the second year of operation, the organization has provided microfinance service through its 61 branches to 2,395 groups consisting of 24,392 members.



During FY 2018/19, total loans and advances of NPR 5.49 billion was disbursed out of which NPR 1 billion was settled resulting outstanding loan balance as on 16 July 2019 to be NPR 4.49 billion. Total deposit balance of 24,300 members as on 16 July 2019 amounts to NPR 570 million.



VISION

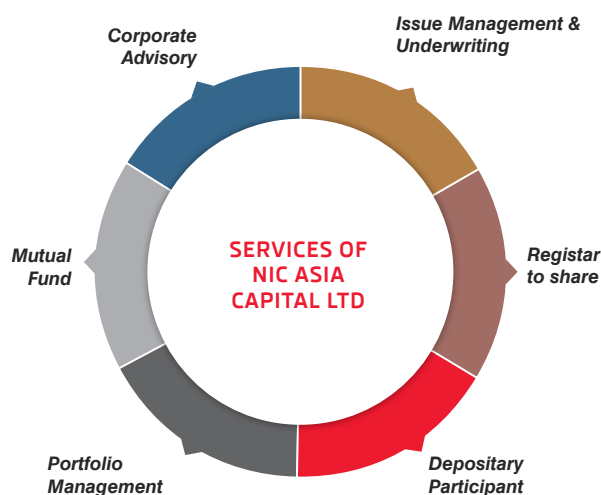
To become one of the leading investment and merchant banks in Nepal.

MISSION

To provide innovative and best investment solutions and excellent growth opportunities as a good corporate citizen.

SERVICES OF NIC ASIA CAPITAL LIMITED

NIC ASIA Capital Limited provides services like Issue Management and Underwriting, Registrar to Share, Depositary Participant, and Portfolio Management. The Capital aims to provide innovative and best investment solutions to its clients.



PORTFOLIO MANAGEMENT

Portfolio is the collection of different asset classes, such as equities, bonds, fixed deposits, mutual funds, real estate, cash and cash equivalent, etc. It mainly focuses on the principle of diversification, wherein varied stocks and bonds are combined to form a portfolio, rather than investing all out in one single asset or security. Portfolio Management Service (PMS) is a personalized management of finance that caters to individual needs and unique investment objectives. A team of expert professionals carry extensive research on markets to provide a customized solution to achieve desired investment objectives and ensure best selection of investment opportunities within an asset class. PMS also ensures appropriate monitoring and review of the portfolios for optimum results, and keeps track of any future volatility and events. NIC ASIA Capital offers a service ranging across two asset classes, Equity and Fixed income instruments, as has been guided by SEBON.

CORPORATE ADVISORY

NIC ASIA offers bespoke corporate finance and strategic advisory services to public and private companies, institutions, and entrepreneurs. The Capital is specialized in giving advice regarding strategic reviews, mergers and acquisitions (M&A), divestitures, capital raisings, and emerging companies.

Services include:

Investment

- Private Equity/ Venture Capital/ Foreign Direct Investment
- Investment Advisory
- Business Valuation
- Mergers & Acquisition

Planning

- Business Plan as well as Strategic Planning
- Project Appraisal

Financing

- Loan Syndication
- Financial Advisory

Complete Bespoke Solution

- Mentoring Service
- One-Stop Solution

MUTUAL FUND

Mutual fund is a pool of small investments collected from various investors, which are then invested into different financial instruments, such as stocks, bonds, preference shares, and fixed deposits (as prescribed by Mutual Fund Regulation, 2067). The decisions are made by the fund manager and the profit is distributed at year-end in the form of cash dividend. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

REGISTRAR TO SHARE

NIC ASIA Capital offers complete Registrar to Share (RTS) and Registrar and Transfer Agent (RTA) services.

ISSUE MANAGEMENT AND UNDERWRITING

NIC ASIA Capital offers a comprehensive and one stop solution to address all the issue management and underwriting needs of clients, which includes meeting all the regulatory requirements, such as depositing fees, publishing necessary information on a timely basis, opening of the minimum required collection centers, designing and publishing the necessary brochures and prospectus, assistance with financial forecasts, etc.

DEPOSITORY PARTICIPANT SERVICE NIC AISA

Capital received the registration certificate to function as a Depository Participant (DP) of Central Securities Depository from Securities Board of Nepal (SEBON) in January 2017. NIC ASIA Capital, together with its parent company, NIC ASIA Bank Limited, is one of the market leaders in providing DP Services.

Depository participant services of NICASIA Capital include:

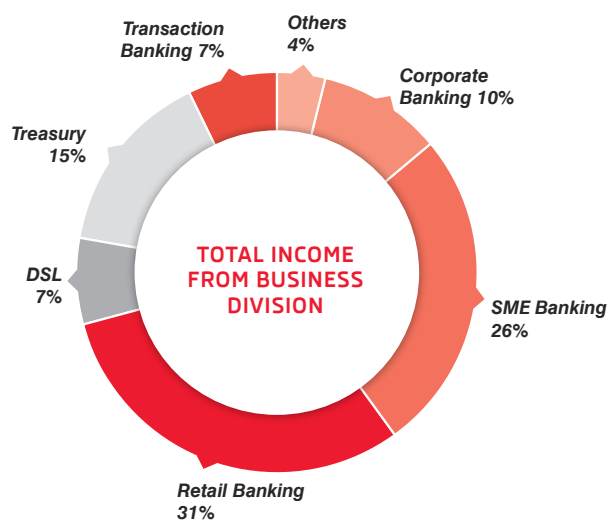
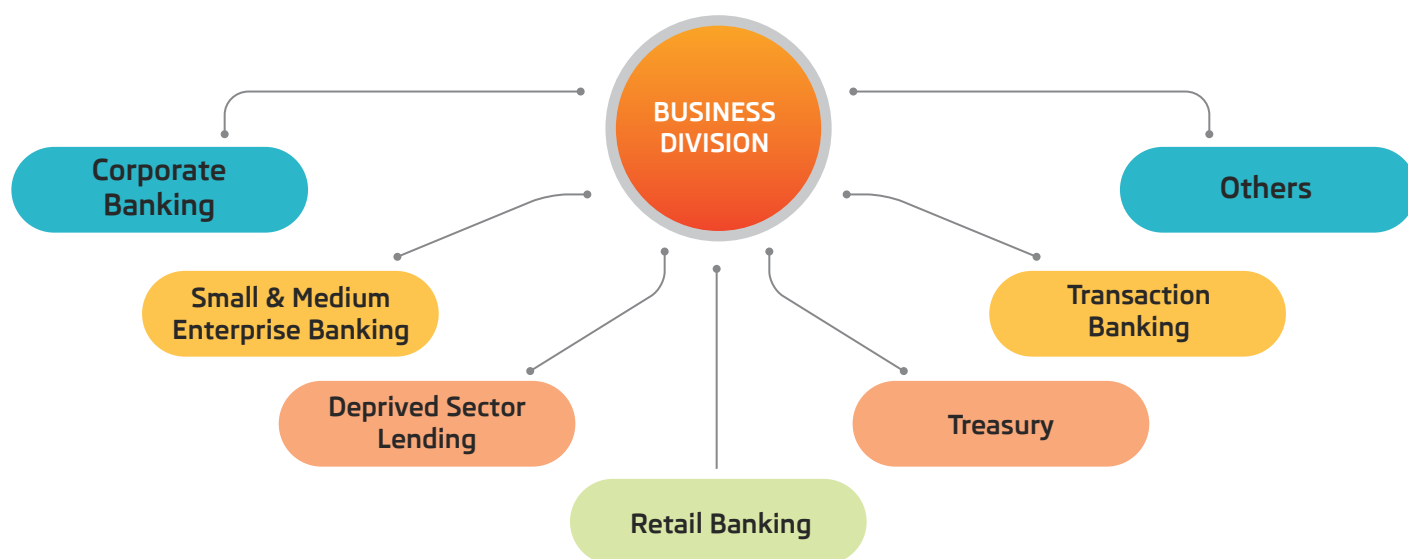
- Opening DEMAT Account
- Dematerialization of Physical Shares
- Re-Materialization of the Shares in your DP Account
- Maintaining up to date record of securities in the electronic form
- Providing Online access to your Account to view and track your shareholding
- Settlement of trades by transferring/receiving the securities from/in the accounts
- Settlement of off-market trades that is occurred between the Beneficial Owner (BO - the investors) outside NEPSE
- Providing electronic credit of securities allotted by issuers during IPOs
- Depositing the non-financial corporate benefits (such as bonus, right shares, etc.) issued by issuers in the DEMAT Account of Beneficial Owners (BOs)
- Facilitation of pledging of dematerialized securities.

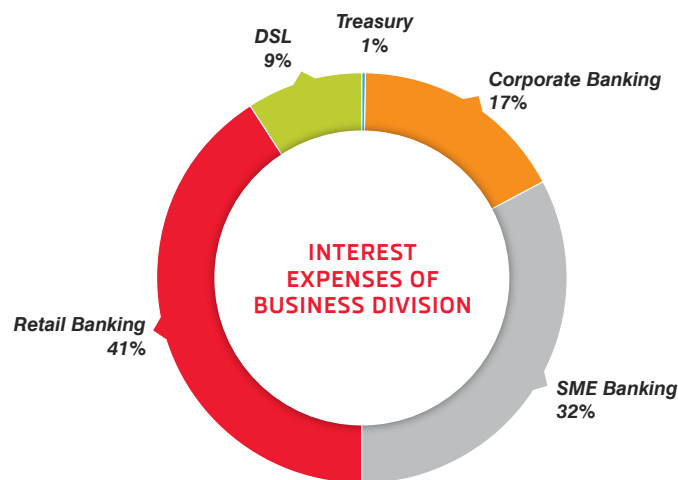
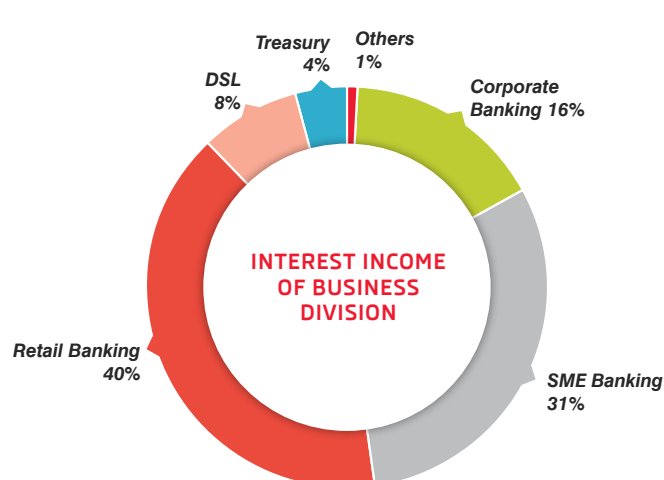
Notable achievements of the Investment Banking Services of NIC ASIA Capital Limited are as follows:

- NIC ASIA Capital earned NPR 69.4 million revenue, NPR 62.2 million operating profit and net profit of NPR 21.4 million during the FY 2018/19 with earning per share of NPR 10.69.
- The capital has provided issue management and underwriting services to eight companies till date including a mutual fund for public issue, right share issue and auction sale of unsubscribed right shares. Currently, there are five companies on process of public issue and one company for right share issue.
- The company has been providing share registrar service to six companies including a mutual fund.
- During the FY 2018/19, the NIC ASIA Capital provided portfolio management services to 152 customers amounting to NPR 377.4 million.
- NIC ASIA Capital was successful in opening 168,045 DEMAT accounts upto FY 2018/19, which weighs to 10.85% of total DEMAT accounts opened by 71 depository participants. Similarly, the capital has been able to secured second position in terms of total DEMAT accounts out of total 71 depository participants/merchant bankers.
- NIC ASIA Capital is operating first plan of NIC ASIA growth fund worth NPR 835.2 million, which is under NIC ASIA Mutual Fund. The company was able to maintain grow Net Asset Value (NAV) of growth fund at 11.18 despite of decreasing trend of secondary market. Along with that SEBON has permitted for issue of second plan NIC ASIA Balance Fund under NIC ASIA Mutual Fund worth NPR 1.25 billion and maturity period of 10 years.



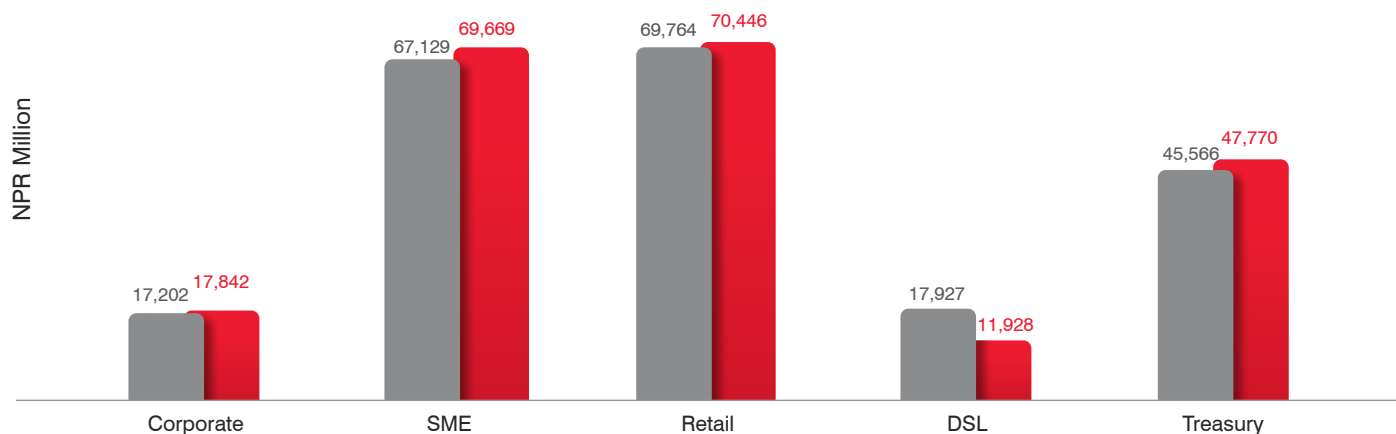
1.13 BUSINESS DIVISION OF NIC ASIA BANK





DIVISIONAL ASSETS AND LIABILITIES

● Assets ● Liabilities



Nominal amount of TB and Others excluded in diagram

A. CORPORATE BANKING

Loans provided to corporate customers valuing more than NPR100 million are classified under Corporate Banking. The interest incomes from corporate loans, fee incomes generated out of such loans, and foreign exchange earned through LC/BG are revenue items of this segment. Expenses of this segment comprises interest expenses on deposits used for providing corporate loans, personnel expenses, and operating expenses, as well as provision for loss created for such loans.

SUB SEGMENTS

Project Financing

The Bank has a dedicated Project Finance cell to cater to growing demand for a specialized approach to project financing either singly or through a syndication of banks, especially for projects under hydro, cement, road, large hotel & hospital, etc. The Bank recognizes the immense scope for growth in these sectors and the need for a specialized approach to manage such business effectively. The Bank is strategically focused to leverage its expertise and balance sheet strength to grow this portfolio aggressively.



The major products the Bank has been offering are as follows:

Funded Facilities

- > Project Finance / Consortium Finance / Term Loans / Bridge Financing
- > Working Capital Financing (Overdraft, Demand Loan, Short Term Loan, etc.)

Non Funded Facilities

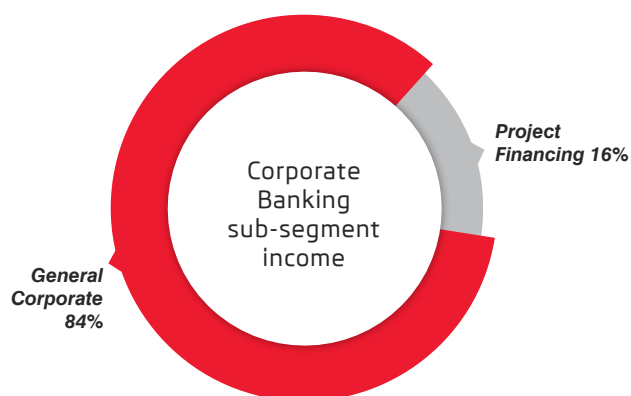
- > Letter of Credit
- > Bank Guarantee

General Corporate

This unit caters the need of the large corporate houses with an average wallet size of more than Rs. 100 million. The Bank has a well experienced team that understands the financial needs of such customers and advises tailor made financial solutions. As a part of the Bank's long term strategy, the Bank shall maintain and grow this portfolio on a very selective basis.

Funded Facilities

- > Export Finance
- > Import Finance (TR Loan / Import Loan)
- > Bill Discounting under Usance Letter of Credit
- > Clean Bills purchase and discounted



B. SMALL AND MEDIUM ENTERPRISE BANKING

With an aim to meet the financing needs/ requirements of Small and Mid-sized enterprises and make small business loans easy, NIC ASIA Bank has designed special products with competitive pricing.

Industrial/Manufacturing unit, Retail/Wholesale Trading unit,

Various Service Sector such as Education, Health, Hotels & Restaurants, Construction and Contractors, Travel & Tours, Transportation, Automobiles, Agriculture and other Private Businesses etc. (whether running entity or new) can avail various facilities (funded and non-funded) to meet their short-term and long-term financing requirements.

Other features of SME Loans

- > Easy repayment options
- > Attractive rates of interest
- > Fast, fair and flexible processing

Types of Loan under SME:

- > Overdraft
- > Short term loan
- > Demand loan
- > Long Term Loan
- > Bridge Gap Loan
- > Trade based facilities (Trust Receipt, Import Loan etc.)
- > Letter of Credit
- > Guarantees, etc.

Products of SME

NIC ASIA Fast Track Business Loan

- > Credit Facility starting from NPR 300,000 to a maximum of NPR 10,000,000
- > Competitive Interest Rate
- > Hassel Free Processing
- > Financing of Net Assets Requirements.
- > Term loan facility with a tenor of up to 20 years

NIC ASIA Priority Business Loan

- > Credit Facility starting from NPR 300,000 to a maximum of NPR 10,000,000
- > Competitive Interest Rate
- > Hassel Free Processing
- > Financing working capital & capital expenditure requirements and trade based facilities.
- > Mix of revolving overdraft and term loan facility with a tenor of up to 10 years can be extended depending upon nature and facility requirement of business

NIC ASIA Premium Business Loan

- > Credit Facility starting from NPR 10,000,000 up to a maximum of NPR 50,000,000.
- > Competitive Interest Rate.

- › Financing working capital & capital expenditure requirements and trade based facilities.
- › Term loan facility with a tenor of up to 15 years can be extended depending upon nature and requirement of business.

Interest Subsidized Agriculture and Livestock Loan

- › Attractive interest rate with upfront 5% subsidy on interest rate.
- › Nil Loans Processing Fee.
- › Hassle-Free Processing.
- › Easy and Fast Loan processing.
- › Availability of technical assistance from Agriculture Financing Unit.

In order to meet the specific financing requirement of different economically important sectors, and to cater right product following sector wise loans are also available:

Travel & Tours Companies Loan

Target Market: New or existing business entities/ agencies/ companies involved in Travelling, Touring, Trekking, Rafting, Mountaineering, Money Exchange and others similar business.

Hotels Loan

Target Market: New or Existing Restaurants, (Star/Non-Star) Hotels & Resorts or any other business entity involved in similar nature of business.

Health Sector Loan

Target Market: New or Existing Health Clinics, Nursing Homes, Labs, Pathology Labs, Hospitals, Homeopathic (Ayurvedic) Clinics/ Hospitals or any other business entity which is involved in providing similar services.

Education Sector Loan

Target Market: New or Existing Pre-Schools, Higher Secondary Schools, Colleges, Universities, Technical/Vocational Institutes or any other entity which is involved in providing similar educational services/vocational trainings.

Agriculture Loan:

Target Market: All Agriculture related business such as Crop Cultivation, Vegetable & Fruits Cultivation, Fertilizer and Pesticides Production, Storage, Irrigation, Forestry, Tea/Coffee Plantation, Fish Farming, Livestock Farming, Feed Production, Poultry Farming, Mushroom Farming, Bee Keeping & Honey Production, Agriculture Equipments, Animals and Birds Slaughter Houses, Floriculture, Dairy Products and other business entities involved in similar nature of business and as

defined by NRB from time to time.

Transportation Loan:

Target Market: New or Existing Companies in Public Transportation Business such as Public Buses, Micro-Vans, Taxis, Safa Tempos, Motorcycles, Rickshaws or any other entity which is involved in providing similar services.

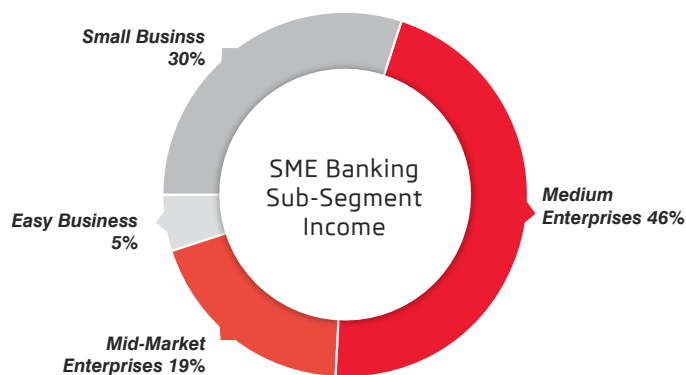
Automobiles Sector Loan

Target Market: New or Existing Dealers / Sub-Dealers of Automobiles/ Vehicles and Motorcycles including Sales, Service and Spare Parts and any other business entity involved in similar nature of business.

Construction & Contractors Business Loan

Target Market: Entrepreneurs/ Units/ Companies/ Group/ Contractors and Businesses involved in Construction Business

Other Private Business



C. DEPRIVED SECTOR LENDING

The loans provided to deprived sectors of the society directly (say to agricultural sector) or indirectly (say to organizations working for uplifting the poor) are classified under DSL Banking. The interest and fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment include interest expenses on deposits used for providing DSL loans, personnel expenses, and operating expenses, as well as provision for loss created on such loans. The Bank's approach on deprived sector lending is as follows:

Direct Lending Under direct lending, bank focuses, but not limited to, on following parameters:

- › Renewable energy financing
- › Women Entrepreneur Loan
- › Micro Enterprise Loan
- › Deprived General Loan



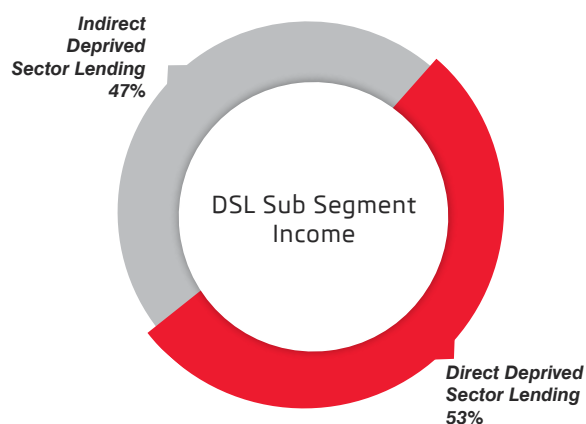
- > Hospitals
- > Hydro Loans
- > Agricultural Loan

Following products are developed by Bank for lending to deprived sector:

- > Laghu Udhyaam Karza
- > Commercial Agriculture Loan
- > Low Cost Housing
- > Agriculture Equipment Loan

Indirect Lending under indirect lending, the Bank provides loan in deprived sector as follows:

- > Wholesale Lending
- > Equity Investment
- > Lending to Youth and Small Entrepreneur Self Employment Fund (YSESEF)



D. RETAIL BANKING

The loans provided to other than corporate customers are classified under Retail Banking. The interest incomes and fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment comprises interest expenses on deposits used for providing retail loans, personnel expenses, and operating expenses, as well as provision for loss created for such loans.

Products of Retail Banking

1. Loan against Mortgaged Property

Loan against mortgaged property is an attractive financing scheme bundled with special features to purchase/construct dream home of customers and help them live with family happily ever after.

Features of Loan against Mortgaged Property

- > Competitive Interest Rate
- > Credit facility as term loan and/or draft/demand loan
- > Flexible loan tenure up to 50 years
- > Easy documentation
- > Hassle free loan processing

Home Loan opportunity can be explored for following purpose:

- > Purchase of Land/Land and houses
- > Construction of house
- > Repair/Renovation and Re-construction of houses
- > Equity Financing option- Finance against own land or land/ house
- > Refinancing
- > Pre-Approved Home Loan for purchase of house- Get your home loan approved before choosing your dream home.

2. Auto Loan

NICASIA Auto loan is an exclusive financing option to "move in style" by owing a vehicle of your own choice. With an aim to enhance and upgrade your automobile experience, there are varieties of Auto loan scheme available with simple loan processing and minimum turnaround time.

Features of Auto Loan

- > Competitive interest rate
- > Attractive financing limit
 - » Up to 50% of VAT bill for individuals
 - » Up to 80% of VAT bill for firm/companies
- > Flexible loan tenure up to 15 years
- > Easy documentation
- > Hassle free loan processing

Types of auto loan financing:

- > Red plated private vehicles
- > Red plated business use vehicles and red plated semi commercial vehicles
- > Black Plated commercial vehicles
- > Body building financing
- > Second hand/ used vehicle financing (Red plated private vehicles and Black plated Taxi)

3. Personal Loan

NIC ASIA Personal Loan is a non-collateral based loan scheme especially designed to facilitate Nepalese Salaried Individuals and Professionals to meet their individual financial

requirements; offers lower monthly obligation and hassle-free services along with fastest service delivery to our valued customers. This loan is based purely on personal credibility of the customer, and is not backed by collateral.

Features of Personal Loan

- › Mix of overdraft and term loan facility
- › Borrower's life is insured at the cost of Bank as secure mind insurance tie has been done for entire portfolio for better security
- › Maximum loan limit NPR 1,500,000
- › Credit facility as Term and/or overdraft/demand loan in monthly payment
- › Hassel free and simple loan documentation

4. Residential Home Loan

Residential Home Loan is an attractive financing bundle scheme for our customers looking to buy/construct their home.

Features of Loan against Mortgaged Property

- › Competitive Interest Rate
- › Credit facility as term loan up to NPR 15 million
- › Flexible loan tenure up to 50 years
- › Easy documentation
- › Hassle free loan processing

Home Loan opportunity can be explored for following purpose:

- › Purchase of houses
- › Construction of house
- › Repair/Renovation and Re-construction of houses
- › Refinancing/ SWAP of existing Home Loan

5. Education Loan

Better education is seen as a stepping stone to a highflying career. One of the biggest constraints between students and better education might be tuition fees, and it is for that purpose that we have come up with the Education Loan product to support the students and not let their dreams wither away. NIC ASIA Education Loan is a collateral based loan specially designed to facilitate Nepalese students to meet their financial requirement to pursue higher education above +2 Level in Nepal or abroad.

Features of Education Loan

- › Cost accepted for education loan
 - ›› Fees payable to college/institute
 - ›› Cost of educational materials
 - ›› Travelling cost

- ›› Accommodation cost/ living expenses
- ›› Cost of overseas student health cover
- ›› Miscellaneous costs (Shopping expenses and foreign exchange facility against passport)
- › Minimum criterions, Hassel free and simple documentation
- › Loan amount: Minimum NPR 300,000 to maximum NPR 10,000,000
- › Term loan facility with a tenor up to 15 years excluding moratorium period
- › Acceptable collateral type
 - ›› Land and/or building
 - ›› Fixed deposit

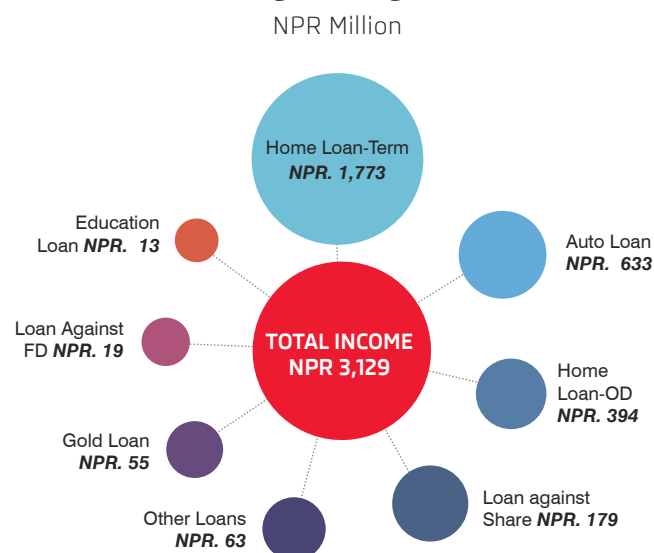
6. Loan against Share

Loan against Shares is financing individuals or companies against securities of shares. This is a hassle-free and easy loan scheme, where any individual/companies who/ which hold shares and stock of companies listed in Nepal Stock Exchange can avail loan against the security of such shares. This is an instant solution if cash is required within a short period of time with simple documentation and processing.

Features of Loan against Share

- Overdraft and/or demand loan facility
- Attractive interest rate
- Hassel free and simple loan documentation
- Loan against pledge of shares of actively traded companies
- Additional real state collateral is not Mandatory

Retail Banking Sub Segment Income





E. Treasury

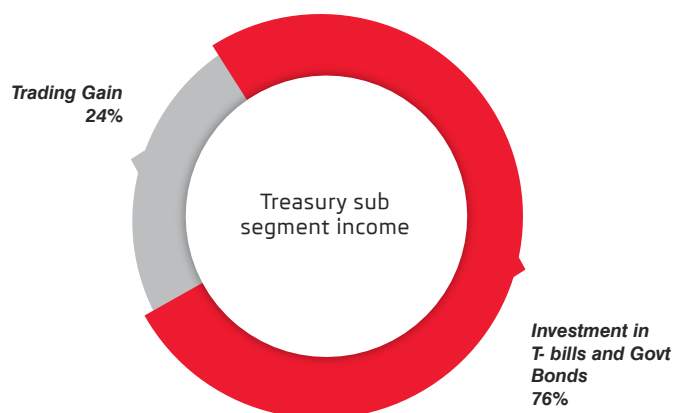
The Bank operates a full-fledged Treasury Department within the parameters of the foreign exchange rules and regulations issued by Nepal Rastra Bank (NRB) – Central Bank of Nepal. Treasury has moved beyond its traditional role of managing and monitoring the bank's fund position and overall asset liability position to a role where it is involved directly in profit centered activities.

The Bank offers a full range of treasury services, which includes buy/sell of foreign currencies in both spot and forward market, money market dealings, buy/sell of government treasury bills/ bonds and treasury advisory services. It looks into Bank's liquidity & market risk management, ALM, Bank's balance sheet management, transfer pricing, investment and correspondent banking. The core treasury operations comprise the balance sheet management function, the client-related corporate markets business and the proprietary trading activity. The principal responsibilities of the Treasury included management of liquidity and exposure to market risks.

Treasury's primary earnings are in the form of exchange income which comes from proactive management of foreign exchange which basically comes from trade finance activities and partnership with remittance agencies. Bank's Treasury is also a major participant in the FX Forward market. The Bank deals in FX Forward for balance sheet management and market making purposes whereby the Bank offers forward products to its customers, enabling them to hedge their risks.

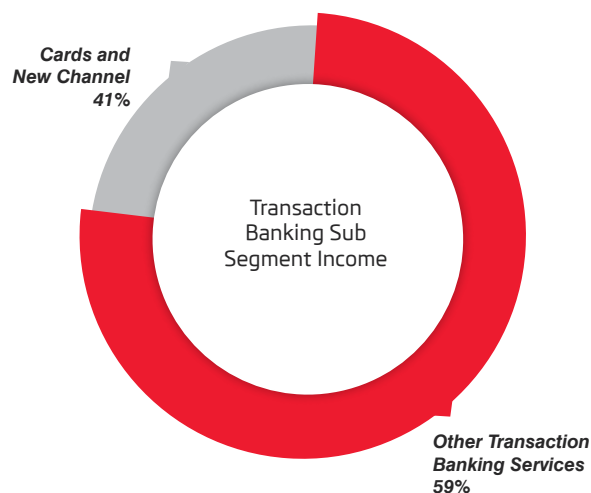
Major responsibilities of Treasury

- › Manage local and foreign currency position of the Bank (including buying/selling foreign currencies, lending/ borrowing foreign and local currency, swapping one currency against the other, buying/ selling bullion, or any other task to manage the overall fund position of the Bank)
- › Monitoring and management of cash reserve ratio, credit to deposit ratio, and liquidity ratio, statutory liquidity ratio
- › Foreign exchange rate publication and advice to branches
- › Management of the Bank's investment portfolio for both foreign currency and local currency
- › Execution of forward contract deals
- › Relationship management with foreign banks for counter guarantees business
- › Development and sales of various Treasury products
- › Management of deposit/lending relationships of selected institutions/corporate



F. Transaction Banking

The income from card (debit card/credit card) sales, income from sales of Bank assurance, mobile and SMS banking, customer services fees, agency remittance commissions, locker fees, cheque processing fees, etc. are revenue items of this segment. Expenses of this segment comprise personnel expenses and operating expenses.



G. Others

All other revenues and expenses which cannot be classified in the above-mentioned segments fall under this segment. The income from sale of assets and other fees and commissions are revenue items of this segment. Unattributable 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 at least 75% of our total revenue. Hence, these operations are treated as reportable segments, and the remaining are classified under other segments.

1.14 PRODUCTS AND SERVICES

NEW PREMIUM SUPER CHAMATKARIK BACHAT KHATA

New Premium Super Chamatkarik Bachat Khata is a specially designed saving account to transform the way of managing the hard earned money. New Premium Super Chamatkarik Bachat Khata accommodates exclusive benefits and competitive rates to help you to grow your fund.

Eligibility : General public of all age, income level, and any gender.

	Diamond	Gold	Silver
Minimum Balance	NPR 50,000	NPR 25,000	NPR 1,000
Interest Rate	5.5% p.a	5.5% p.a	5.5% p.a
Accidental Insurance	Coverage of Rs. 1,000,000 for account holder	N/A	N/A
Critical Insurance	Coverage of Rs. 1,000,000 for account holder	N/A	N/A
Medical Insurance	Coverage of Rs. 100,000 for account holder	N/A	N/A
Debit Card	Free for the first year	Free for the first year	Free for the first year
Credit Card	Free joining and issuance fee for the first year	As per STC	As per STC
Mobile Banking	Free for the first year	Free for the first year	Free for the first year
DEMAT Account	Free for the first year	As per STC	As per STC
ATM Withdrawal Charges	Free from all ATMs in Nepal	Free from all ATMs in Nepal	Free from all ATMs in Nepal



NEW PREMIUM SUPER CHAMATKARIK JESTHA NAGARIK BACHAT KHATA

New Premium Super Chamatkarik Jestha Nagarik Bachat Khata is the highest interest-bearing saving account specially designed for senior citizens of 55 years & above who wants value for their saving and security of their funds. Our insurance facility up to Rs. 2.1 million will give you a sense of safety while the Home Banking facility will give you convenience.



A special benefit for senior citizens is an additional 0.5% interest rate on the published interest rate of Fixed Deposit.

	Diamond	Gold	Silver
Minimum Balance	NPR 50,000	NPR 25,000	NPR 1,000
Interest Rate	5.5% p.a	5.5% p.a	5.5% p.a
Accidental Insurance	Coverage of Rs. 1,000,000 for account holder	N/A	N/A
Critical Insurance	Coverage of Rs. 1,000,000 for account holder	N/A	N/A
Medical Insurance	Coverage of Rs. 100,000 for account holder	N/A	N/A
Debit Card	Free for the first year	Free for the first year	Free for the first year
Credit Card	Free joining and issuance fee for the first year	As per STC	As per STC
Mobile Banking	Free for the first year	Free for the first year	Free for the first year
DEMAT Account	Free for the first year	As per STC	As per STC
ATM Withdrawal Charges	Free from all ATMs in Nepal	Free from all ATMs in Nepal	Free from all ATMs in Nepal
Discount on Loan Processing Fee	Flat 25 basis point	N/A	N/A
Higher Interest Rate on FD	Additional 0.5% on the published interest rate of Fixed Deposit		



NEW PREMIUM SUPER CHAMATKARIK NARI BACHAT KHATA

NIC ASIA Bank brings special saving account for the financial independence of women with its 'New Premium Super Chamatkarik Nari Bachat Khata'. It is an interest bearing saving account for all age group of all segment which includes salaried, self-employed, professionals, businesswomen and techno-savvy female individuals who are Nepali Citizens/Indian National/ foreigners/Minors. This New Premium Super Chamatkarik offer for Women has Exclusive benefits of Insurance, ATM Withdrawal, Loyalty program, Privilege Service and Special discount on loan administrative fees & interest rates.

	Diamond	Gold	Silver
Minimum Balance	NPR 50,000	NPR 25,000	NPR 1,000
Interest Rate	5.5% p.a	5.5% p.a	5.5% p.a
Accidental Insurance	Coverage of Rs. 1,000,000 for account holder	N/A	N/A
Critical Insurance	Coverage of Rs. 1,000,000 for account holder	N/A	N/A
Medical Insurance	Coverage of Rs. 100,000 for account holder	N/A	N/A
Debit Card	Free for the first year	Free for the first year	Free for the first year
Credit Card	Free joining and issuance fee for the first year	As per STC	As per STC
Mobile Banking	Free for the first year	Free for the first year	Free for the first year
DEMAT Account	Free for the first year	As per STC	As per STC
ATM Withdrawal Charges	Free from all ATMs in Nepal	Free from all ATMs in Nepal	Free from all ATMs in Nepal
Discount on Loan Processing Fee	Flat 25 basis point	N/A	N/A

NEW PREMIUM SUPER CHAMATKARIK BABU NANI BACHAT KHATA

Every parent wants a better future for their child and to pursue a better future NIC ASIA bank feels the sense of responsibility to teach a child the value of money. For the best solution, the Bank has offered "New Premium Super Chamatkarik Babu Nani Bachat Khata" with the highest interest rate to support saving habit of a child below the age of 18 years.

Maximum Age	Children up to age of 18
Minimum Balance	Nil
Interest Rate	5.5% p.a
Issuance of Cheque Book	Free on demand
Monthly fee transfer facility among listed schools	Free standing instruction



NEW PREMIUM SUPER CHAMATKARIK TALAB BACHAT KHATA

This product is targeted for salaried people and has two variants i.e. Prime and Normal to differentiate for insurance coverage. The Prime variant is for those institutions having a minimum of 50 employees with average salary of Rs. 30k per months, and under normal variant is for institutions having a minimum of 5 and less than 50 employees.

	Normal	Prime
Minimum Balance	Zero	Zero
Minimum Average Salary	N/A	NPR 25,000
Interest Rate	5.5% p.a	5.5% p.a
Debit Card	Free for the first year	Free for the first year
Credit Card	Free joining and issuance fee for the first year	Free joining and issuance fee for the first year
Mobile Banking	Free for the first year	Free for the first year
Accidental Insurance	N/A	Coverage of Rs. 1,000,000 for account holder
Critical Insurance	N/A	Coverage of Rs. 500,000 for account holder
Medical Insurance	N/A	Coverage of Rs. 100,000 for account holder



NEW PREMIUM SUPER CHAMATKARIK BIDHYARTHI BACHAT KHATA

We provide financial service along with developing habits of saving for students who are the future of our nation. "New Premium Super Chamatkarik Bidhyarthi Bachat Khata" helps enhance the student's knowledge and experience on the offered financial solutions. This product also provides the facility of education loan to support your dreams of further studies.

Target Segment	Students having valid identity card
Minimum Balance	Nil
Interest Rate	5.5% p.a
Issuance of Cheque Book	Free on demand
Education Loan Facility	Available as guided by Bank's policy



NEW PREMIUM SUPER CHAMATKARIK BAIDESHIK ROJGAR BACHAT KHATA

The Bank is determined to provide you service even though you are far from your home country. New Premium Super Chamatkarik Baideshik Rojgar Bachat Khata" is specifically designed for individuals who are planning to go abroad for employment and those who are already residing abroad.

This product offers the highest interest rate on your hard-earned money and provides you Rs. 100 cashback for each remittance sends via NIC ASIA Remit to your Bank account.

NEW PREMIUM SUPER CHAMATKARIK SWOROJGAR BACHAT KHATA

New Premium Super Chamatkarik Swarojgar Bachat Khata" is an interest bearing customized savings account scheme to provide complete financial and lifestyle solutions for the self-employed. Self-employed people of all age groups and any income level can open this account. And either of the spouses can open an account and enjoy all facilities available under this scheme irrespective of a registered name in proprietorship/ organization owned by them based on the relationship certificate.

It has special facility of discount on loan administrative fee for the account holder.

NEW PREMIUM SUPER CHAMATKARIK FIXED DEPOSIT

New Premium Super Chamatkarik Fixed Deposit Account is only the term deposit products in the market which provides you the highest-earning at interest rate of 8.25% with insurance coverage facility up to Rs. 21 lakhs. To meet the short term obligations, the Bank provides you credit facility up to 90% of your Fixed Deposit. The tenure of fixed deposit can be from 3 months to 1 year.



NEW PREMIUM SUPER CHAMATKARIK MASIK NICHHEP KHATA

"New Premium Super Chamatkarik Masik Nichhep Khata" is a special kind of term deposit offered by NIC ASIA Bank to its customers with regular incomes that enables them to transfer a certain amount every month into their Premium Masik Nichhep account from other normal accounts and earn interest at the rate applicable to fixed deposits.

This deposit facility is available to those individuals who have a saving account with NIC ASIA Bank. A customer with pre-existing savings account at NIC ASIA Bank can instruct the Bank to transfer a certain portion of their monthly income (in the multiple of 500) to Premium Masik Nichhep Khata. The advantage for the customer is that they can earn an interest rate of up to 8.75% in Premium Masik Nichhep Khata.

All Nepalese individual customers including minors are eligible to open this account. The minimum period of deposit is 3 months and the maximum is 10 years but the pre-mature withdrawal of Premium Masik Nichhep Khata is allowed if the period of the Premium Masik Nichhep Khata has crossed 50% of the agreed duration.

NIC ASIA
एन आई सी एसिया बैंक लि.

NIC ASIA Viber Banking

Registration
Notices
Banking Hours
Promotion
Products & Services
Balance Enquiry
About Us
Branches
Feedback
ATMs
Account Information
Mini Statement
Forex Rates
Social
FAQs

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Stay Home, Go Digital

बैंक गर्दा घरै गर्दा
बैंक गर्दा घरै गर्दा

NEW PREMIUM SUPER CHAMATKARIK SAHAJ BACHAT KHATA

New Super Chamatkarik Sahaj Bachat Khata is designed exclusively to the general public of all income level, age group and gender with no minimum balance requirement for opening an account providing interest at 5.5% p.a

SERVICES

A. Viber Banking Service

The Bank began to offer Viber banking service to its customers from the review period. Viber banking is a digital technology that allows you to enjoy various services by interacting with the Bank directly through Viber, the popular internet-based cross-platform instant messaging and voice over IP (VoIP) application, available for free from Google Play Store and App Store.

This service can be easily used on mobile, computer, tablets, laptop, etc. The Bank has got into viber banking services to make customer service technology-friendly. With the use of Viber banking service, customers can get information about the following:

- > Location of Bank branches and ATMs
- > Banking hours
- > Balance enquiry
- > Mini statement
- > Foreign exchange rates
- > Online account opening
- > Check loan eligibility
- > Interest rate and other information of the Bank

B. Missed Call Banking

The Bank has been providing digital banking service to its account holders with the aim of easing financial transactions. NIC ASIA Bank introduced the missed-call banking service under its modern banking services. This service has been in effect since July 17, 2018.

Under this service, account holders of NIC ASIA Bank get an SMS regarding their balance, if they give a missed call to 9801227733. Likewise, account holders also get a mini-statement by giving a missed call to 9801227744. The mini-statement gives details on the previous three transactions under one message. Similarly, account holders can give a missed call to 9801227755 for call back service. Bank staffs call back to the customers after receiving a missed call under this feature.



C. Mobile Banking

Mobile banking is a platform provided to the customers enabling them to access their accounts through mobile phones in a secure manner. The mobile banking service gives customer account information and real-time transaction capabilities from mobile phones at a true "anywhere, anytime, anyhow" convenience. It also allows sending informational messages about the Bank's products and services to customers. Mobile Banking service of NIC ASIA shall allow customers to carry out various informational and financial transactions through their mobile phones as follows:

- > Enquire account information
- > Mini statement view
- > Funds transfer between registered accounts of the customers
- > Funds transfer to any customer's account within the bank
- > Foreign Exchange Rate inquiry
- > Bill Payment of NTC Land Line / NTC GSM Post-Paid
- > NTC GSM/CDMA Pre-Paid recharge PIN purchase
- > Merchant Payments

The scope of Mobile Banking services is not only be limited to the features mentioned above and is subject to review according to market trends and customer needs.

NIC ASIA REMIT

NIC ASIA Remit, a remittance product of NIC ASIA Bank Limited is a premium, online, customer-focused Money Transfer Service designed to meet the need of customers to send/receive remittance from various countries as well as to facilitate domestic fund transfer within the country. It is a web-based money transfer system which can be accessed from all the branches of the bank, Extension Counters, Branchless Banking Units and more than 5,500 active payout locations covering every prime and rural areas of the country.

The bank has a dedicated Remittance Business Unit, which comprises of an experienced and energetic team of competent staff to provide exceptional customer services during remittance payments. Currently, NIC ASIA Remit has its presence in various countries including South Korea, India, Canada, UAE and Malaysia. The bank plans to further expand its remittance services to the Nepalese Migrants residing in various other countries like Qatar, U.K, Japan, Saudi Arabia, Oman, Kuwait, Bahrain, and others.

Competitive Features of NIC ASIA Remit

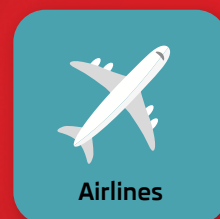
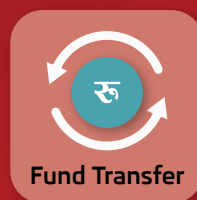
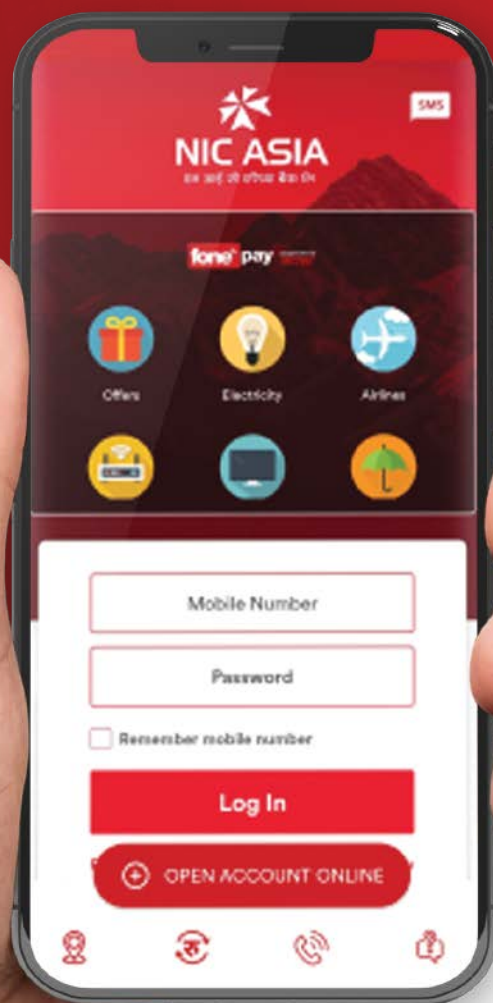
- > Convenient, affordable and accessible remittance service to take pride in happy customers.
- > Wider payout network to make the payment of customers at their doorstep.
- > Safe, secure, reliable and fast means of transfer.
- > Competitive prices and exchange rate to the customer.
- > Applies automated AML solutions across its network for effective KYC management, risk assessment, transaction monitoring, etc.





NIC ASIA MoBank

THE REAL MOBILE BANKING



AVAILABLE ON





NIC ASIA's MoBank is safe and feature-rich application that allows me effortless user experience. Therefore, I don't carry cash anymore, I carry MoBank. I do all possible banking on this Mobile App.

Swornima Chhetri, Student



NIC ASIA's MoBank has made my life very easy. No more staying on queue to pay bills and you can transfer fund as well. Quick access, easy service.

Rashu Shiwakoti, Student



ग्राहकहरुले Online Payment गर्न रुचाउनुहुन्छ । त्यसकारण हामीले एन आई सी एशिया बैंकको QR Code राखेका छौ । यो माध्यमबाट रकम भुक्तानी गर्न सजिलो हुने भएकाले अधिकांश ग्राहकले MoBank App प्रयोग गर्न रुचाउनु हुन्छ । QR Code राखेदेखि हाम्रो ब्यापार पनि उल्लेख्य रुपमा बढ्दै भएको छ । एन आई सी एशिया बैंकको MoBank App ले ग्राहक र हामी दुवैलाई फाइदा पुऱ्याएको छ ।

Krishna Pyakurel, Owner - Marich Cafe



पेशाले म डाक्टर हुँ । कार्य व्यस्तताले गर्दा म आफ्नो बैंकिङ्ग कारोबार गर्न प्रायः छुटिरहेको हुन्छ । बत्तीको बिल, इन्टरनेटको बिल भुक्तानी लगायत विभिन्न कामहरु गर्न भ्याईरहेको हुँदिन । तर एन आई सी एशिया बैंकको मोवाइल बैंकिङ्ग सेवा लिइदेखि मेरो जीवन सहज भएको छ । आजकल म प्रायः सबै बैंकिङ्ग कारोबारहरु एन आई सी एशिया बैंकको मोवाइल बैंकिङ्गबाट नै गर्छु ।

Dr. Bijay Mehta, Medical Officer



The best thing that I like about NIC Asia's MoBank is you can pay your school/ college fees. It's a very convenient features.

Astha Pandit, (Student)

1.15 PRODUCT PORTFOLIO



DEPOSIT PRODUCTS

Total Deposit of Bank
NPR 180.5 billion

Total Market Share

In terms of Amount
6.35%

In terms of Account
8.24%

TOTAL DEPOSIT

Institutional: **44%**

FCY: **6%**

Individual: **56%**

LCY: **94%**

Fixed: **47%**
Saving: **32%**
Money at Call: **13%**
Current: **8%**
Margin: **0%**

FCY Deposit
Individuals: **1%**
Domestic Institutions
and
Companies: **99%**

Deposit Account	Number	Percentage (%)
Current:	63,895	3.94%
Saving:	1,479,868	91.36%
Fixed:	42,426	2.62%
Money at Call:	27,612	1.70%
Margin:	5,942	0.37%
Total:	1,619,743	100.00%



LOAN PRODUCTS

Total Loan of Bank
NPR 150.1 billion

Total Loan Market Share
6.02%

TOTAL LOAN

Retail Lending: **43%**

Deprived Sector Lending: **9%**

Small and Medium Enterprises lending: **31%**

Corporate & Project Finance: **17%**

Corporate & Project Finance

1. Project Finance
2. Consortium Finance
3. Term Loan
4. Bridge Financing
5. Working Capital Financing
6. Export Finance
7. Import Finance
8. Clean bills purchased and discounted

Deprived Sector Lending

1. Commercial Agriculture Loan
2. Laghu Udham Karza
3. Agricultural Equipment Loan
4. Low Cost Housing
5. Kisan Karza

Retail Lending

1. Loan Against Mortgaged Property
 - a. Ghar Subidha
 - b. Sajilo Karza
 - c. Sajilo Subidha
 - d. Premium Home Loan
2. Auto Loan
 - a. Black Plated Vehicle Financing
 - b. Red Plated Vehicle Financing
 - c. Green Plated Vehicle Financing
 - d. Used/ Second Hand Vehicle Financing
3. Loan Against Shares
4. Personal Loan
5. Education Loan
6. Gold Loan
7. Loyalty Financing
8. Foreign Employment Loan
9. Credit Cards

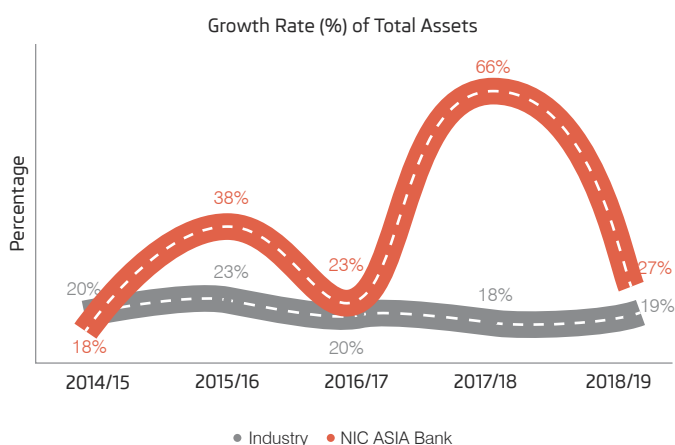
Small and Medium Enterprises Lending

1. Easy Business Loan
2. Small Business Loan (Business Overdraft, Term Loan, Demand Loan)
3. Medium Enterprises Loan (Business Overdraft, Term Loan, Demand Loan)
4. Mid Market Loan (Business Overdraft, Term Loan, Demand Loan)

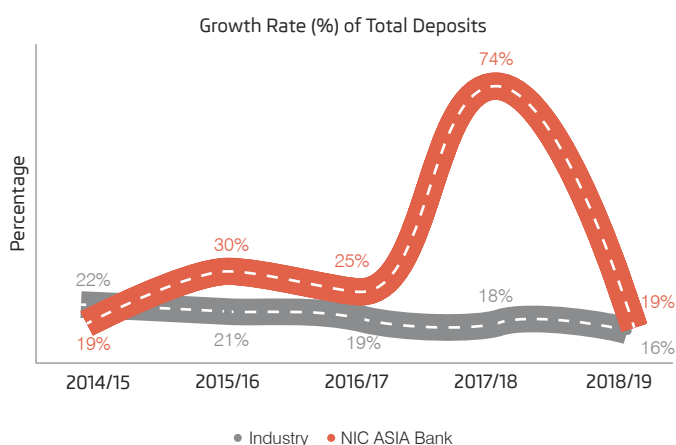
1.16 BANKING INDUSTRY INDICATOR

Industry- 'A' Class Bank Industry

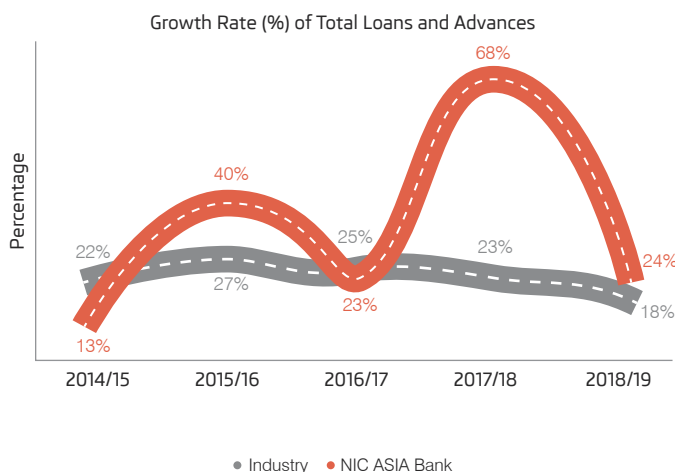
Total Assets



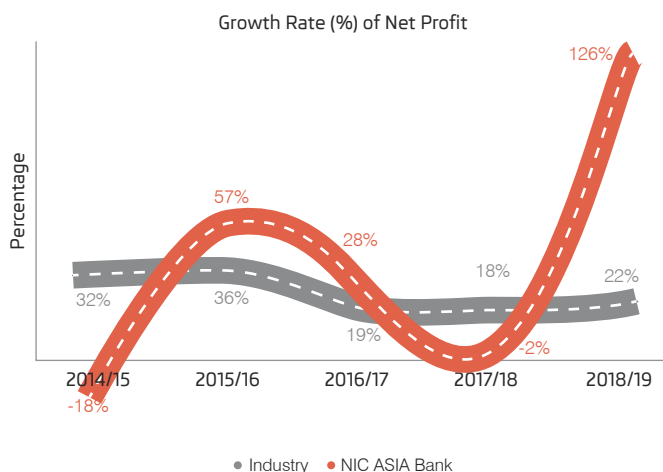
Total Deposits



Total Loans and Advances

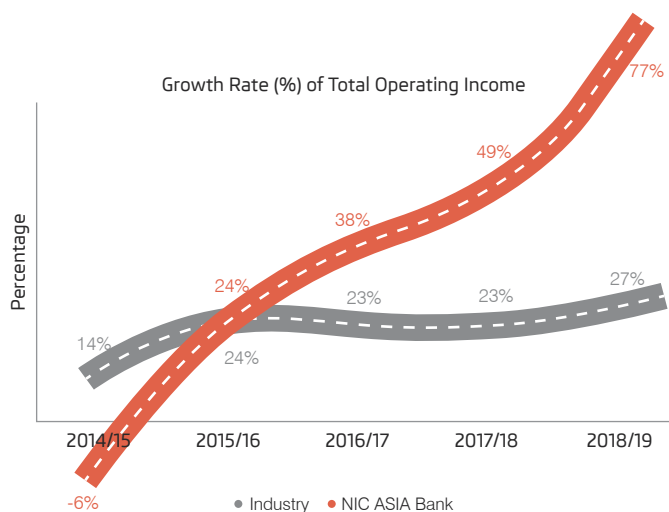


Net Profit

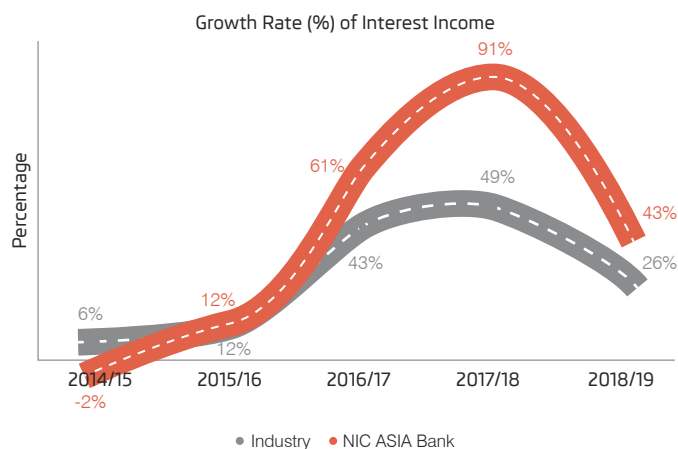




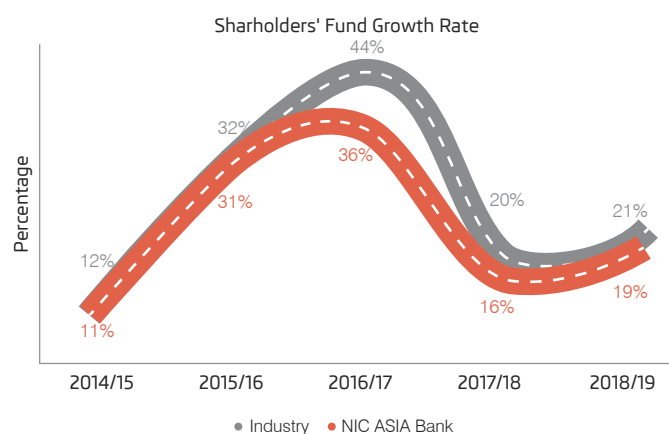
Total Operating Income



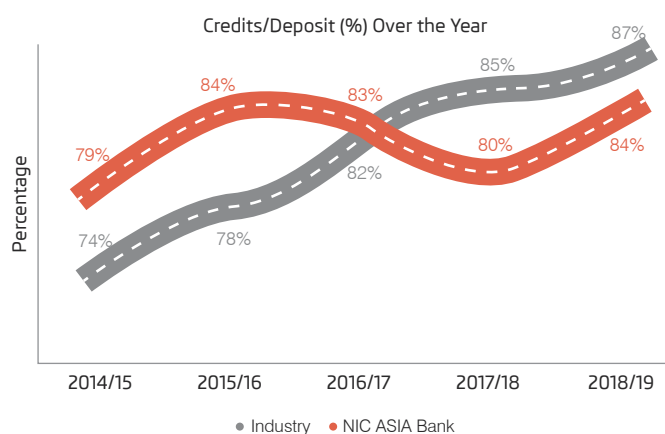
Interest Income



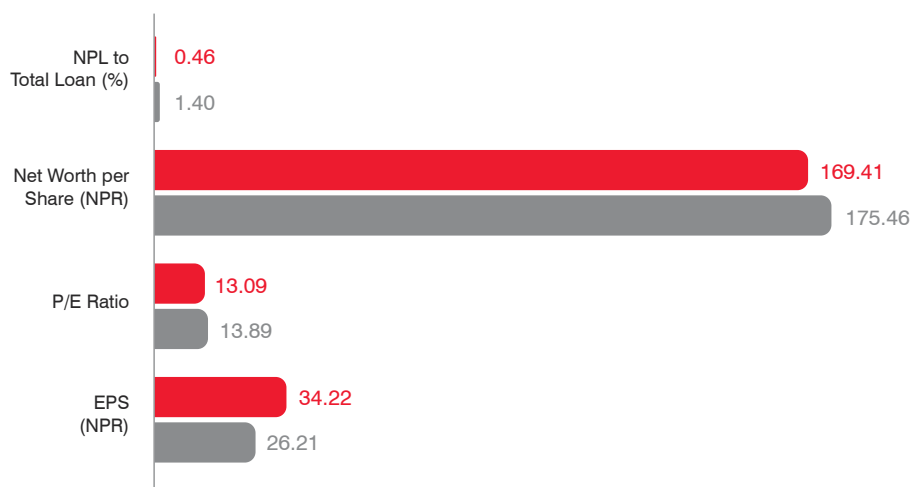
Shareholders' Fund



Total Credits/Deposits



Other Key Indicators



(Source: Nepal Rastra Bank)

● "A" Class Bank Industry ● NIC ASIA Bank

1.17 21ST AGM IN PICTURES





1.18 AWARDS AND RECOGNITIONS



SAFA - Certificate of Merit, Private Sector Banks 2018



ICAN - Best Presented Annual Report (BPA) Award, 2018



Crida Award for
Best Integrated Ad Campaign



Crida Award for
Best Financial Sector Campaign



Crida Award for
Best Copywriter (Print/TVC/Radio)



Bank of the Year 2007



Bank of the Year 2013



Best Brand Award
(Banking Sector)



Best Employer Brand Award



ISO 9001:2000 Certification



Hon' Finance Minister Dr. Yuba Raj Khatriwada awarding ICAN Best Presented Annual Report Award to CEO Mr. Roshan Kumar Neupane



1.19 CREDIT RATING



CARE Ratings Nepal Limited has assigned Issuer Rating of CARE-NP A (Is)" to NIC ASIA Bank on July 2018. CARE-NP A (Is) indicates that issuers with this rating are considered to offer adequate degree of safety regarding timely servicing of financial obligations in Nepal. Such issuers carry low credit risk.



NIC ASIA Bank's credit rating has been done by ICRA Nepal Limited (ICRA Nepal), which has assigned Issuer Rating of "[ICRA NP - IR] A-" as on May 2017. "[ICRA NP - IR] A-" rating is considered as adequate credit quality rating, and the rated entity carries average credit risk.



MANAGEMENT **DISCUSSIONS** AND **ANALYSIS**

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2.1 FINANCIAL HIGHLIGHTS

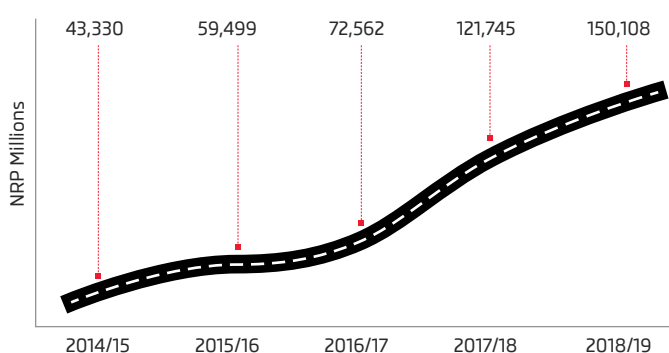
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	Annual Growth (18-19)	CAGR (5 years)
Total Loans and Advances (Gross) (NPR Million)	43,330.02	59,498.83	72,561.82	121,745.36	150,108.00	23.30%	36.43%
Total Assets (NPR Million)	60,519.40	80,456.52	99,274.04	170,943.18	217,697.05	27.35%	37.72%
Net Assets (NPR Million)	5,498.78	7,382.84	10,116.18	11,670.46	14,935.74	27.98%	28.38%
Total Deposits (NPR Million)	53,477.18	69,488.00	87,678.37	151,219.12	180,875.00	19.41%	35.56%
Shareholders Fund (NPR Million)	5,498.78	7,382.84	10,116.18	11,670.46	14,935.74	27.98%	28.38%
Total Operating Income (NPR Million)	2,102.21	2,613.25	3,433.54	5,358.14	9,506.23	77.42%	45.83%
Profit Before Tax (NPR Million)	970.69	1,532.70	2,088.13	1,810.60	4,440.76	145.26%	46.25%
Profit After Tax (NPR Million)	680.32	1,066.91	1,473.47	1,334.86	3,023.28	126.49%	45.19%
Gross Revenue (NPR Million)	4,049.38	4,545.60	7,058.63	14,511.97	21,594.50	48.80%	51.96%
G.P Ratio (Percentage)	42.21	46.23	38.20	23.39	35.00	49.64%	-4.57%
Return on Assets (Percentage)	1.21	1.51	1.64	0.97	1.56	59.71%	6.38%
Return on Equity (Percentage)	13.05	16.50	16.84	12.09	22.73	88.00%	14.88%
Return on Capital Employed (Percentage)	12.49	12.44	13.83	12.24	13.32	8.82%	1.62%
Liquidity Ratio (%)	28.91	23.79	25.80	24.45	26.05	6.54%	-2.06%
Net Profit Per Employee (NPR Million)	0.93	0.97	0.84	0.58	0.87	50.00%	-1.65%
Staff Cost Per Employee (NPR Million)	0.58	0.49	0.48	0.78	0.71	-8.97%	5.19%
Total Credit/Deposits (Percentage)	81.03	85.62	83.70	86.30	84.55	-2.03%	1.07%
Interest Income/Loans and Advances & Investments (Percentage)	8.31	7.77	9.10	10.12	11.74	15.96%	9.03%
Interest Expense/Total Deposits and Borrowings (Percentage)	5.12	4.41	5.61	6.53	6.71	2.86%	7.00%
Net Profit/Total Loan (Multiple)	1.57	1.79	2.03	1.10	2.00	82.15%	6.20%
Earning Per Share (NPR)	25.59	28.31	23.06	16.62	34.22	105.90%	7.54%
Dividend(including bonus share) on Share Capital (Percentage)	41.05	27.37	21.05	10.53	21.05	110.53%	-15.38%
Cash Dividend on Share Capital (Percentage)	2.05	1.37	1.05	0.53	11.05	2001.33%	52.33%
Dividend Cover Ratio (Cash Dividend) (Ratio)	12.47	17.04	20.97	31.60	3.10	-90.20%	-29.41%
Price Earning (PE) Ratio (Ratio)	24.11	28.19	19.30	19.01	13.09	-31.14%	-14.16%
Stock Performance (Closing stock price per stock)	617.00	798.00	445.00	316.00	448.00	41.77%	-7.69%
Market Capitalization (NPR Million)	16,399.86	36,508.50	29,779.40	25,377.96	39,576.32	55.95%	24.64%
Capital Adequacy Ratio (Percentage)	12.49	12.44	13.83	12.24	13.32	8.80%	1.62%
No. of Shares (Million)	26.58	45.75	66.92	80.31	88.34	10.00%	35.02%



Total Loans and Advances

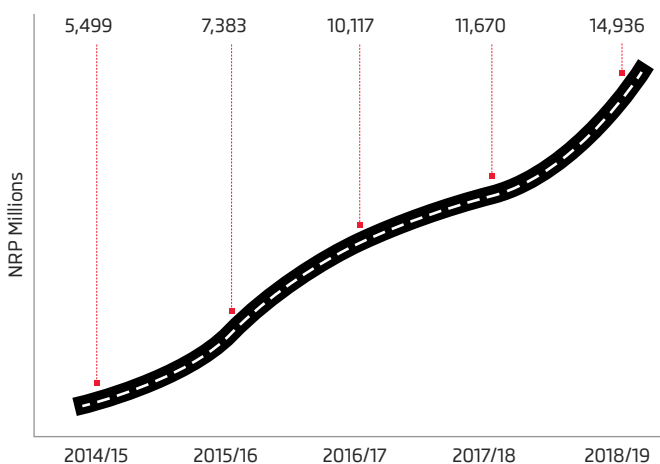
The total loans and advances reached NPR 150,108 million as on end of review year. The Bank achieved growth rate of 23.30% on loans and advances, from the last fiscal year figure of NPR 121,745 million. The industry's average growth rate during the same period was 19%.

The bank achieved compound annual growth rate (CAGR) of 36.43% over the last five years period positioning as the Nepal's largest private sector bank in terms of total loans and advances.



Net Assets

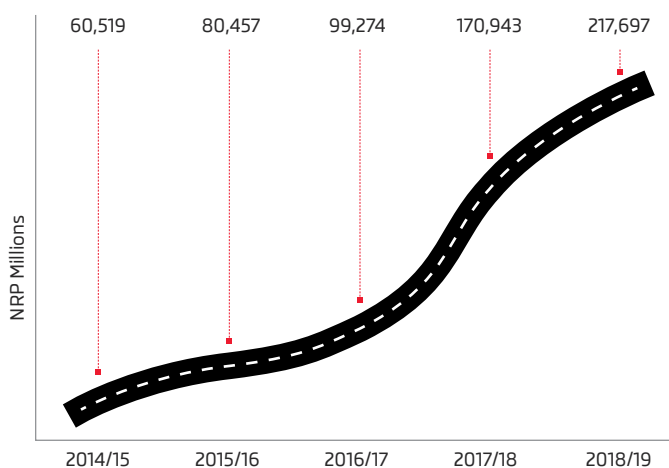
Net assets represent total assets less total liabilities. The Bank's Net Assets has upward trend with compound annual growth rate of 28.38% of last five years and during the review period. The net assets figure rose from NPR 11,670 million to 14,936 with growth rate of 27.98%.



Total Assets

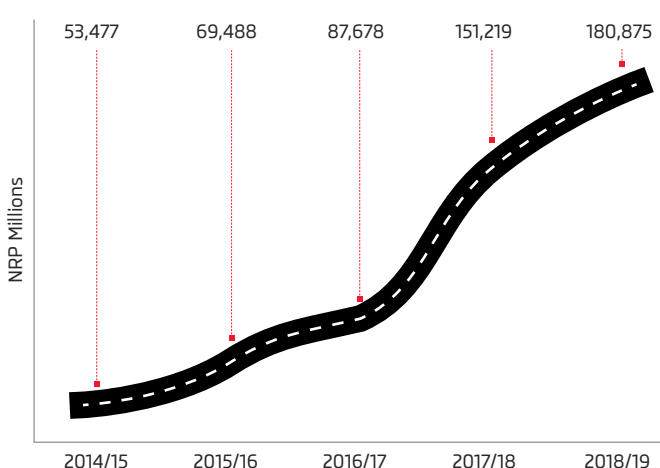
Total Assets increase or decrease with the volume of business and represents the total balance sheet value of the Bank. The Bank's balance sheet size is consistently increasing since last five years with CAGR of 37.72%.

During the review year, Bank's total assets increased from NPR 170,943 million to NPR 217,697 million with growth rate of 27.35%.



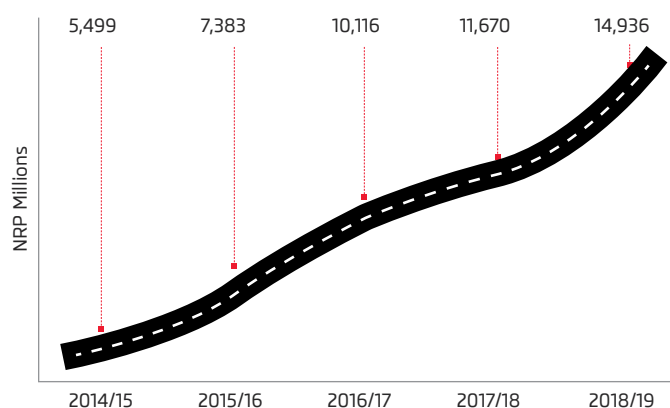
Total Deposits

NIC ASIA is the Nepal's largest private sector bank in terms of deposits. With increasing customers every day, the Bank has been able to achieve enormous growth in deposits. During FY 17-18, the bank had total deposits of NPR 151,219 million while in FY 18-19, the figure of total deposits reached to NPR 180,875 million with growth rate of 19%. Compound annual growth rate of Bank is 35.56% of last five years for deposits.



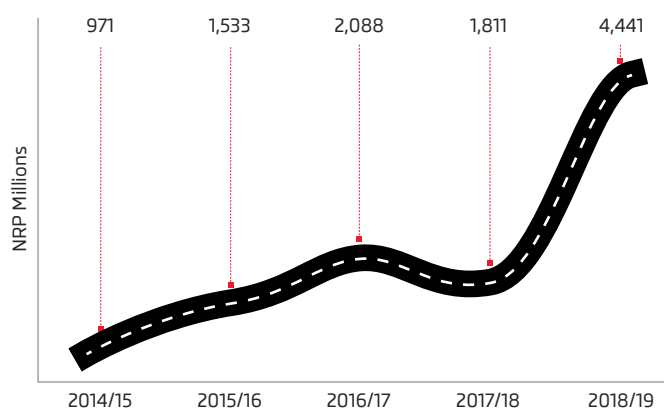
Shareholders Fund

Total assets less total liabilities represent Shareholders fund. Over the last five years, shareholders fund is steadily growing with CAGR of 28.38%. The Bank's share capital has increased by 27.98% during FY 2018/19 due to bonus share and with increasing retained earnings. In FY 2017-18, the shareholders fund was NPR 11,670 million and it is NPR 14,936 million in FY 2018-19



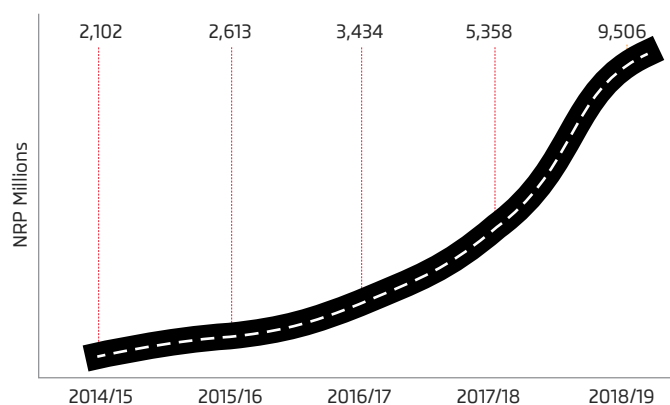
Profit before Tax

Profit earned by the bank before all taxation related expenses is Profit Before Tax (PBT). Beside a mere decline in FY 2017-18 due to increased operating expense, the bank has been making growth in PBT. The Bank earned massive Profit before Tax amounting NPR 4,441 million during FY 2018-19 achieving growth rate of 145.26%. NIC ASIA is able to achieve such enormous figure due to its footprint expansion and improvement in margins. With increasing operating profit of Bank, the Bank achieved CAGR of 46.25%.



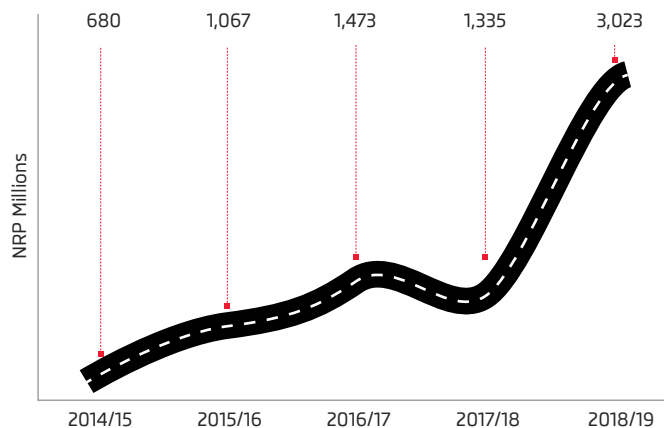
Total Operating Income

Profit earned from normal course of business is operating income. Increasing interest income, fees and commission income have boosted the operating income of the company. The Bank's operating income is in increasing trend since last five years. The banked earned operating income of NPR 5,358 million in FY 2017-19, while it earned NPR 9,506 million with impressive growth rate of 77.42%. NIC ASIA is the Nepal's No.1 private sector Bank in terms of total operating income. Compound growth rate over the five period is 45.83%.



Profit after Tax

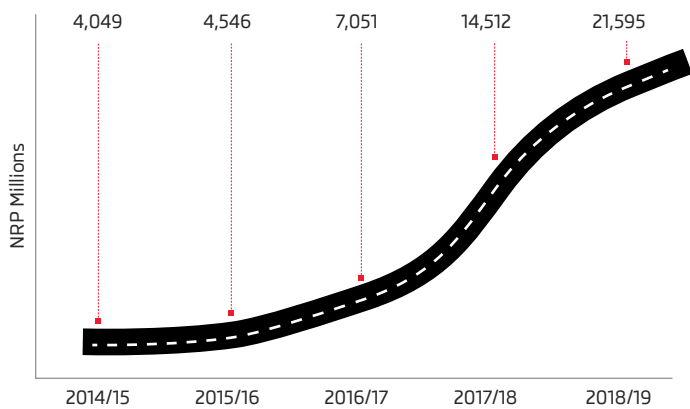
Profit after Tax (PAT) is the net amount earned by the Bank after deduction of all the tax expenses from Profit before Tax. Other than FY 2017-18, the Bank has positive performance in Profit after Tax. NIC ASIA is one of the Nepal's largest Private Sector Bank in terms of Profit after Tax. The Bank's compound annual growth rate during previous five years is 45.19%. The Bank achieved annual growth of 126.49% to reach NPR 3,023 million from NPR 1,335 million.





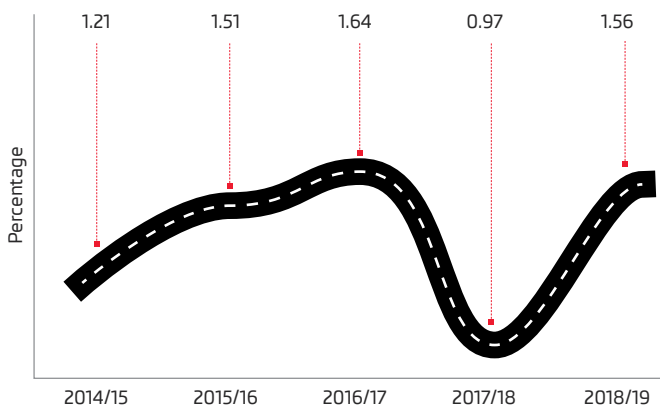
Gross Revenue

Total interest and fees and commission earned by the Bank without deducting related expenses is Gross Revenue. Increasing number of branches and customer base, growth in loans and advances, the Bank achieved annual growth of 48.80% in gross revenue during the review period. Gross Revenue is in increasing trend since last five years with CAGR of 51.96%. During FY 2017-18, the gross revenue was NPR 14,512 million and it reached impressive figure of NPR 21,595 million during 2018-19.



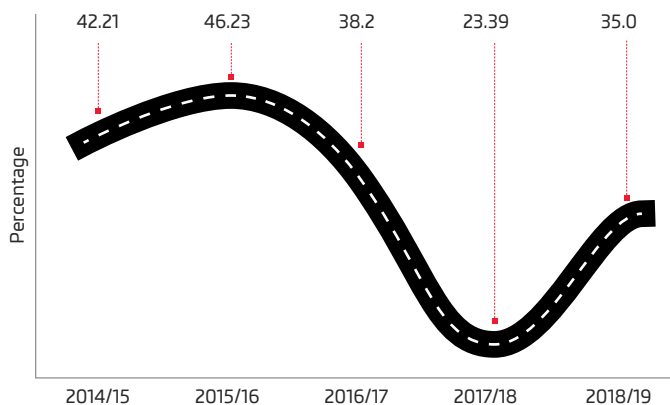
Return on Assets

The percentage of profit earned by the business during the year as compared to its total assets value is Return on Assets. The Bank had steady increment in Return on Total Assets till 2017-18, the operational expenses grew due to footprint expansion on the same year. But, the Bank regained its increasing trend in FY 2018-19 from 0.97% to 1.56%. Return of Total Assets' compound annual growth rate is 6.38%.



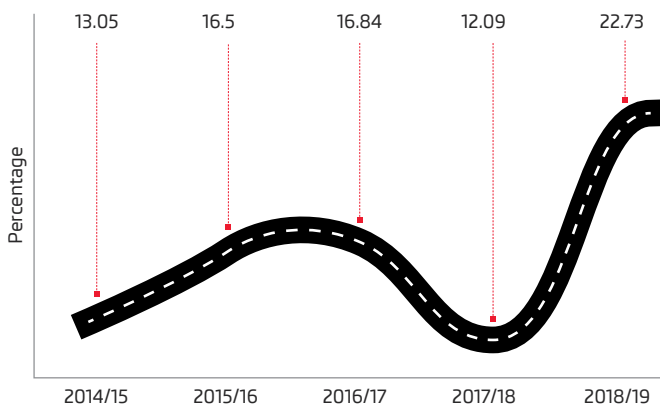
Gross Profit Ratio

Gross Profit Ratio represents ratio of net interest and fees and commission income to gross revenue. The Bank was able to increase the Gross Profit ratio in FY 2018-19 from 23.39% to 35% and during FY 2017/18, the gross profit ratio was declined due to bank's strategy decision to expand its footprint. Compound Annual Growth Rate in GP ratio of last five years is at negative.



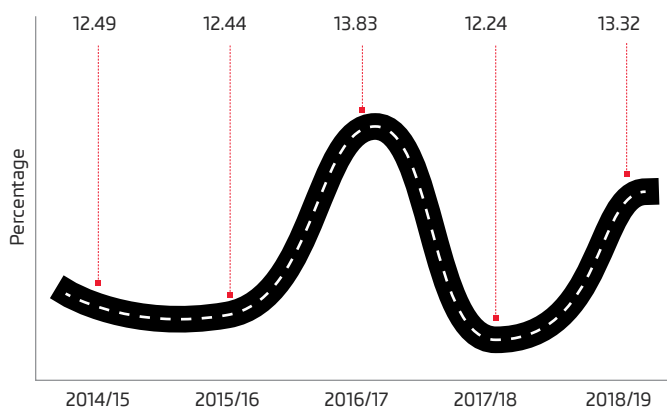
Return on Equity

Percentage of profit earned compared to equity outstanding as on end of period is called Return on Equity. Return on Equity is at all time high of last five years as on end of FY 2018-19 standing at 22.73%. The annual growth rate on FY 2018-19 is 88%. Compound annual growth rate is 14.88% of the last five years.



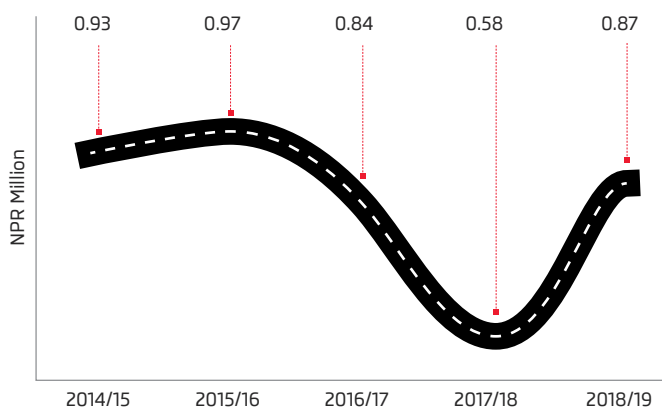
Return on Capital Employed

Return on Capital Employed is a percentage of net operating profit to capital employed which represents how efficiently the business can generate profit from its employed capital. In year 2017-18, steady growth was disturbed but it has regained the upward trend in 2018-19. Return on capital employed increased from 12.24% to 13.32% in FY 2018-19 at growth rate of 8.82%



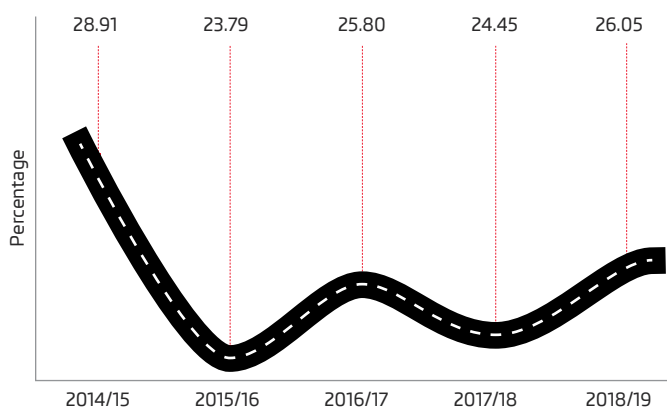
Net Profit per Employee

Net profit per employee represents average net profit earned by a staff of the bank. With branch expansion, the bank had to recruit high number of skilled manpower; hence the net profit per employee decreased in 2017-18. In FY 2018-19, net profit per employee had positive trend with growth of 50% to reach NPR 0.87 million.



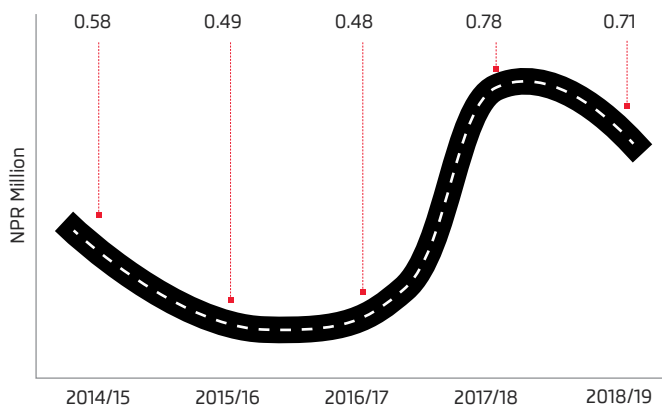
Liquidity Ratio

Liquidity ratio is the ratio that measure the ability of a company to meet its short term debt obligations. The ratio measure the ability of a company to pay off its short-term liabilities when they fall due. The liquidity ratio is a result of dividing cash and other liquid assets by the short term borrowings and current liabilities. It shows the number of times the short term debt obligations are covered by the cash and liquid assets. The Bank's liquidity ratio has increased from 24.45% to 26.05% in FY 2018-19 at annual growth rate of 6.54%. The liquidity ratio was 28.91% at FY 2014-15, it dipped to 23.79% on FY 2015-16, but has gradually increased since then.



Staff Cost per Employee

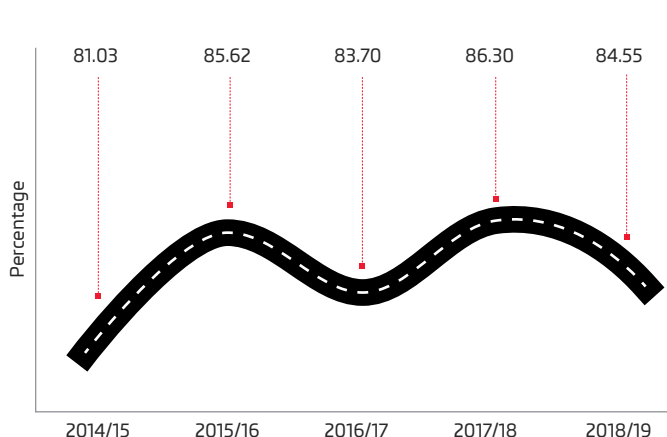
Average staff expenses incurred per employee is Staff Cost per Employee. Bank's policy to retain skilled employees, promotion to deserving employees, hiring of talented and skilled staff affect the staff expense per employee. The cost has declined to NPR 0.71 million per employee during FY 2018/19 from that of 0.78 million in FY 2017/18.





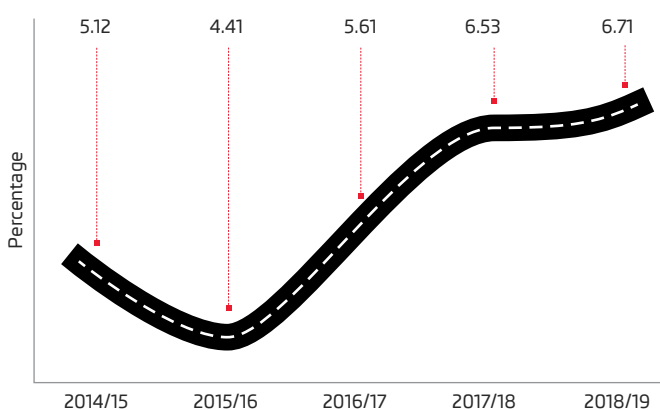
Total Credits per Deposits

It represents the credit provided by the Bank in comparison to deposits collected from the customers. Total Credits/Deposits was showing a fluctuating trend over the last five years. While the figure was highest of last five years in 2017-18, it has significantly declined by 2.03% to settle at 84.55%.



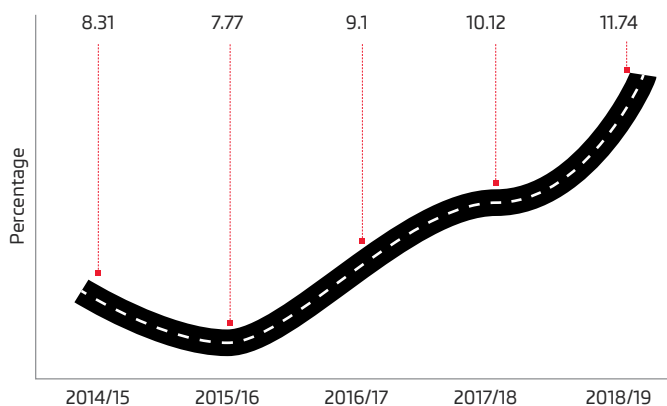
Interest Expense/Total Deposits and Borrowings

It is ratio of interest expenses incurred by the Bank in comparison to total deposits and borrowing. Beside in year 2015-16, the ratio is in increasing order due to increase in deposits cost. In FY 2017-18, the ratio was at 6.53% and it increased by 2.86% to reach 6.71%.



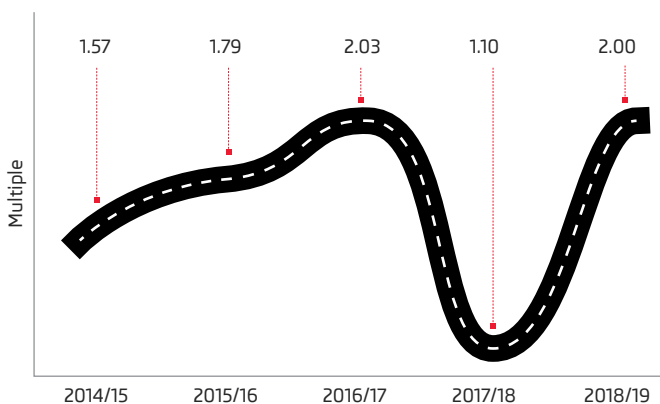
Interest Income/Loans and Advances & Investments

It represents the interest income earned by the bank in comparison to total of loans and advances & investments. The figure had a downward movement in 2015-16 but it has been moving upward after that. Interest income to loans and advances & investments during 2018-19 is at all time high at 11.74%. It has annual growth rate 15.96% during the review period. The CGAR during last five years is 9.03%.



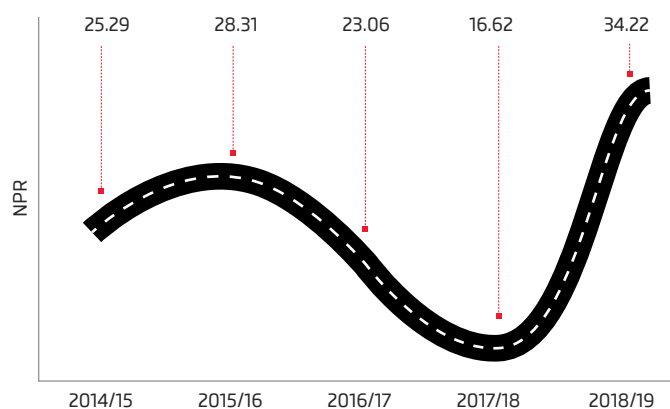
Net Profit to Total Loan

Net Profit/Total Loan represents ratio of the Net Profit earned by the Bank in comparison to total loan of the Bank. The ratio had decreased in 2017-18 but regained its upward momentum in FY 2018-19 with growth rate of 82.15%. With increasing net profit of the bank and loan, net profit per total loan ratio has increased from 1.10 in FY 2017-18 to 2.00 during FY 2018-19.



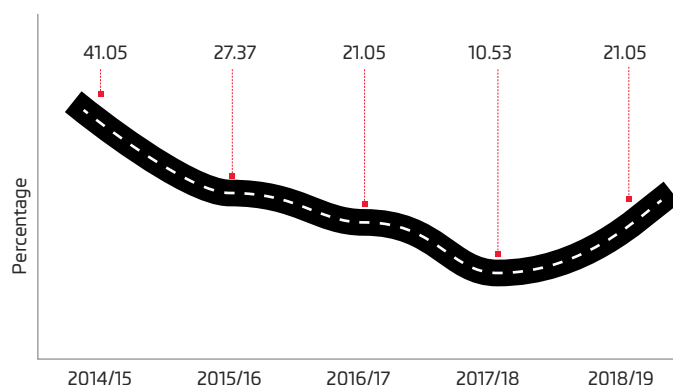
Earning per Share

Earning per Share (EPS) represents the share of each of the outstanding ordinary share in the profit earned during the year by the Bank. EPS was decreasing till 2017-18 but it has increased by 105.90% during 2018-19. Despite issue of bonus share, the bank was able to grow EPS at such rate due to increase in profit. EPS reached from MPR 16.62 to MPR 34.22 at the end of FY 2018-19.



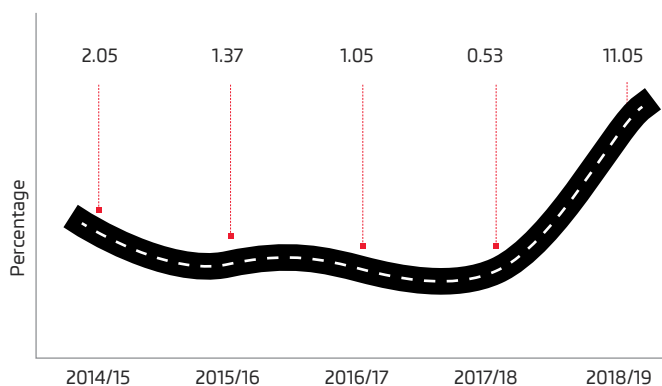
Dividend (including bonus share) on share capital

The bank has been continuously distributing dividend to its valued investors either in cash or in form of bonus share. Last fiscal year, the Bank has distributed 10.526% (including 10% bonus share) for the FY 2018-19, 21.0526% (including 10% bonus share) was declared.



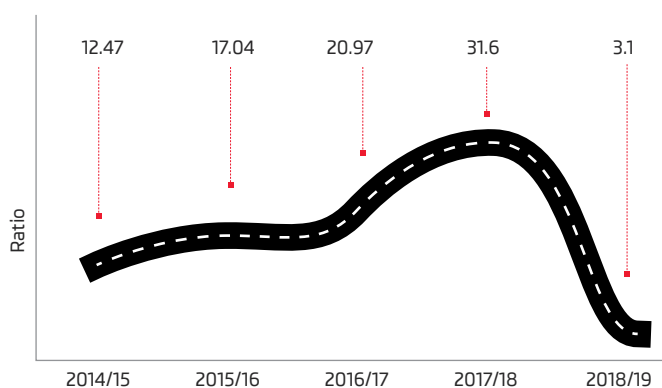
Cash dividend on share capital

The Bank in FY 2018-19 has declared cash dividend of 11.0526% which includes 1.0526% for taxation purpose for the dividend declared by the bank.



Dividend Cover Ratio (Cash Dividend)

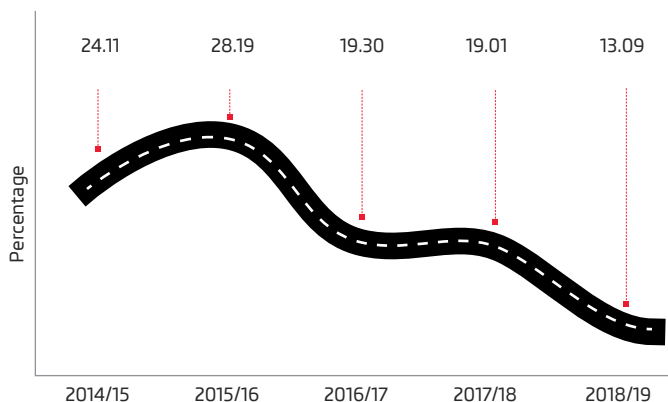
Dividend Cover Ratio is a financial metric that measures the number of times the company can pay dividends to its shareholders from its net profit. The dividend cover ratio is the ratio of the company's net income divided by the dividend paid to shareholders. The Bank's dividend cover ratio for FY 2018-19 is 3.10 while it was 31.60 during FY 2017-18, the decrement is due to increase in cash dividend in FY 2018-19.





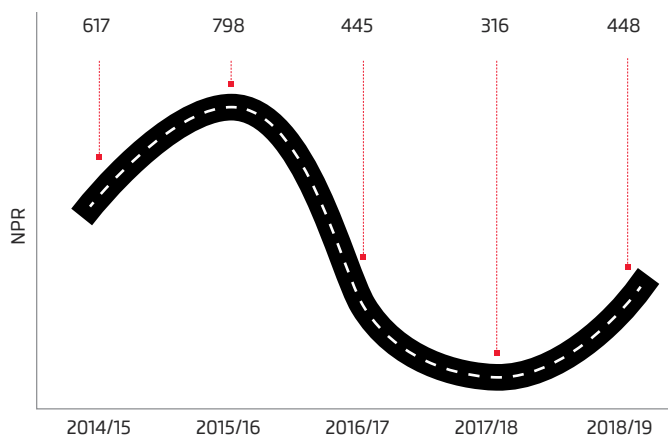
Price Earning (PE) Ratio

Price Earning (PE) Ratio is ratio of earning per share in comparison to current share price. PE Ratio is in decreasing trend since FY 2015-16. In FY 2017-18, the PE Ratio was 19.01 and it has further declined by 31.14% to 13.09 as on end of FY 2018-19.



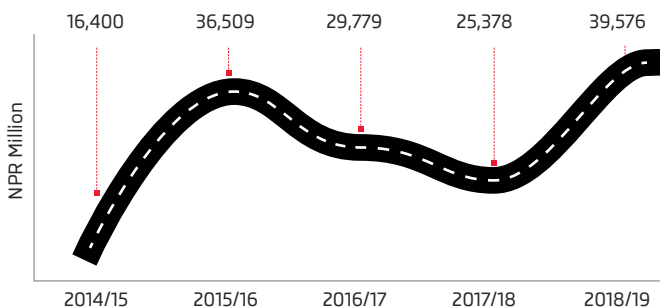
Stock Performance (closing stock price per stock)

Due to adverse market conditions, the prices of shares were not performing well. In FY 2015-16, the price per share was NPR 798 while it declined to NPR 316 as on end of FY 2017-18. However, the share price increased by 41.77% as on end of FY 2018-19. The closing price of share was NPR 448 on end of FY 2018-19.



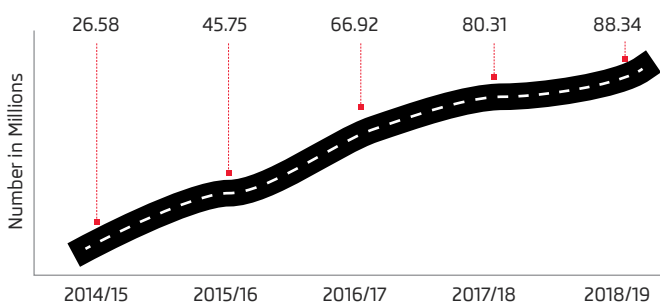
Market Capitalization

Market Capitalization is total market value of all outstanding shares of Bank. As the share price trends were decreasing, the market capitalization value of the Bank was decreasing too. However, the share price increased by 41.77% as on end of FY 2018-19 and issuance of bonus share, market capitalization increased by 55.95%. The Bank's market capitalization was NPR 25,377.96 million as on beginning of FY 2018-19, it reached NPR 39,576.32 million in the end of the year.



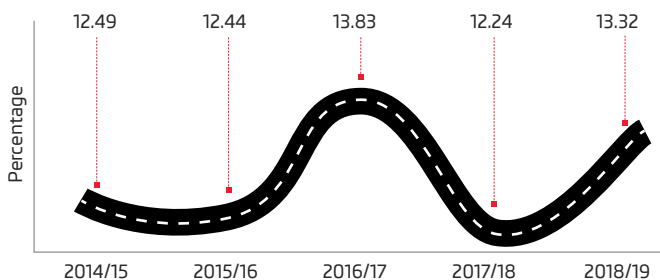
Number of Shares

With the issuance of bonus share and right share, the number of shares of the Bank has increased. The Bank's number of share increased to 88.34 million from 80.31 million of issuance of proposed 10% bonus share.



Capital Adequacy Ratio

Capital Adequacy Ratio represents the measure of capital of a bank's eligible capital expressed as a percentage of its risk weighted asset. There were slight fluctuations in the CAR of the Bank over the last five years. However, it is always higher than the regulatory requirement and that required by the ICAAP of the Bank.



2.2 VERTICAL AND HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

Particulars	Mid		Horizontal Analysis Variance	Vertical Analysis Variance	
	July, 2019	July, 2018	2018 to 2019	2019	2018
Assets					
Cash and cash equivalent	20,214.54	8,132.49	148.57%	9.29%	4.76%
Due from Nepal Rastra Bank	16,097.92	15,860.73	1.50%	7.39%	9.28%
Placement with Bank and Financial Institutions	383.95	313.93	22.30%	0.18%	0.18%
Derivative financial instruments.	7,006.01	1,266.02	453.39%	3.22%	0.74%
Other trading assets	7.44	9.65	-22.92%	0.00%	0.01%
Loan and advances to B/FIs	6,923.29	4,658.15	48.63%	3.18%	2.72%
Loans and advances to customers	142,574.01	115,804.62	23.12%	65.49%	67.74%
Investment securities	18,152.96	14,132.77	28.45%	8.34%	8.27%
Current tax assets	-	-		0.00%	0.00%
Investment in subsidiaries	1,204.50	270.00	346.11%	0.55%	0.16%
Investment in associates	-	-		0.00%	0.00%
Investment property	275.94	74.38	270.97%	0.13%	0.04%
Property and equipment	2,583.72	1,759.42	46.85%	1.19%	1.03%
Goodwill and Intangible assets	110.49	49.83	121.73%	0.05%	0.03%
Deferred tax assets	-	-		0.00%	0.00%
Other assets	2,162.29	8,611.18	-74.89%	0.99%	5.04%
Total Assets	217,697.05	170,943.18	27.35%	100.00%	100.00%
Liabilities					
Due to Bank and Financial Institutions	8,535.65	11,629.51	-26.60%	3.92%	6.80%
Due to Nepal Rastra Bank	314.54	742.27	-57.62%	0.14%	0.43%
Derivative financial instruments	6,913.41	1,721.81	301.52%	3.18%	1.01%
Deposits from customers	176,820.69	139,589.61	26.67%	81.22%	81.66%
Borrowing	-	-		0.00%	0.00%
Current Tax Liabilities	242.94	25.03	870.79%	0.11%	0.01%
Provisions	-	-		0.00%	0.00%
Deferred tax liabilities	178.27	2.81	6233.79%	0.08%	0.00%
Other liabilities	2,045.71	2,073.78	-1.35%	0.94%	1.21%
Debt securities issued	7,710.10	3,487.91	121.05%	3.54%	2.04%
Subordinated Liabilities	-	-		0.00%	0.00%
Total liabilities	202,761.31	159,272.72	27.30%	93.14%	93.17%
Equity					
Share capital	8,834.23	8,031.12	10.00%	4.06%	4.70%
Share premium	-	-		0.00%	0.00%
Retained earnings	2,112.88	943.65	123.90%	0.97%	0.55%



Particulars	Mid		Horizontal Analysis Variance	Vertical Analysis Variance	
	July, 2019	July, 2018	2018 to 2019	2019	2018
Reserves	3,988.63	2,695.68	47.96%	1.83%	1.58%
Total equity attributable to equity holders	14,935.74	11,670.46	27.98%	6.86%	6.83%
Non-controlling interest	-	-		0.00%	0.00%
Total equity	14,935.74	11,670.46	27.98%	6.86%	6.83%
Total Liabilities and Equity	217,697.05	170,943.18	27.35%	100.00%	100.00%

The Bank's assets increased by 27.35% during the review year from NPR 170,943.18 million to NPR 217,697.05 million, with increase in loans and advances to customers by 23.30% and deposits by customers by 19.41%. The investment property of the Bank has increased from NPR 74.38 million to NPR 275.94 million. Booking non banking assets resulted in increase in investment property.

In vertical analysis, share of loans and advances to customers have decreased from 67.74% to 65.49% also deposits from customers have a minute decrement from 81.66% to 81.22%.

STATEMENT OF PROFIT OR LOSS

Particulars	Mid		Horizontal Analysis Variance	Vertical Analysis Variance	
	July, 2019	July, 2018	2018 to 2019	2019	2018
Interest income	19,345.59	13,545.82	42.82%	100.00%	100.00%
Interest expense	12,385.56	9,336.16	32.66%	64.02%	68.92%
Net interest income	6,960.03	4,209.66	65.33%	35.98%	31.08%
Fees and commission income	2,248.91	966.15	132.77%	11.62%	7.13%
Fees and commission expense	127.60	96.50	32.23%	0.66%	0.71%
Net fee and commission income	2,121.31	869.65	143.93%	10.97%	6.42%
Net interest, fee and commission income	9,081.34	5,079.31	78.79%	46.94%	37.50%
Net trading income	348.92	195.21	78.74%	1.80%	1.44%
Other operating income	75.97	83.62	-9.14%	0.39%	0.62%
Total operating income	9,506.23	5,358.14	77.42%	49.14%	39.56%
Impairment charge/(reversal) for loans and other losses	598.92	304.83	96.47%	3.10%	2.25%
Net operating income	8,907.32	5,053.30	76.27%	46.04%	37.31%
Operating expense					
Personnel expenses	2,476.83	1,782.11	38.98%	12.80%	13.16%
Other operating expense	1,712.84	1,237.09	38.46%	8.85%	9.13%
Depreciation & Amortization	204.03	115.80	76.19%	1.05%	0.85%
Operating Profit	4,513.62	1,918.29	135.29%	23.33%	14.16%
Non operating income	31.30	2.50	1151.86%	0.16%	0.02%
Non operating expense	104.17	110.19	-5.47%	0.54%	0.81%
Profit before income tax	4,440.76	1,810.60	145.26%	22.95%	13.37%
Income tax expense					
Current Tax	1,368.66	525.43	160.49%	7.07%	3.88%
Deferred Tax	48.82	(49.68)	-198.25%	0.25%	-0.37%
Profit for the period	3,023.28	1,334.86	126.49%	15.63%	9.85%
Earnings per share					
Basic earnings per share	34.22	16.62	105.90%		
Diluted earnings per share	34.22	16.62	105.90%		
Adjusted earning per share	34.22	15.11	126.49%		

2.3 BUSINESS VALUES

VALUE CREATION STRUCTURE

Our Value Creation Structure is guided by our vision: "To ensure creation of optimum values for all the stakeholders." The Bank creates values not only for the shareholders and customers, but also for all the stakeholders, through various operational activities, by utilizing various inputs and resources of the Bank.



INPUTS

Financial Capital

- Equity
- Reserves
- Deposit and Borrowings
- Capital Adequacy

Human Capital

- Employee Engagement
- Experience and Competent Human Resources
- Technical and Managerial Skills
- Diversity and Equality

Intellectual Capital

- Management and Control System
- Technological Capabilities
- Integrated Risk Management
- Culture and Process
- Knowledge and E-learning

Social and Relationship Capital

- Relationship with Stakeholders
- CSR Activities
- Quality Service to Customers
- Awards and Recognitions

Manufactured Capital

- Branches
- Branchless Banking
- Remittance Agents
- ATM
- IT Infrastructure and innovations



PROCESSES

Business Activities

- Strategic Planning and Budgeting
- Corporate Banking
- SME Banking
- Retail Banking
- DSL Banking
- Treasury
- Transaction Banking
- Trade Operation
- Card Center
- Remittance Business
- Strategic Business Development

Supporting Activities

- Human Resource and Training
- Marketing
- Research and Development
- Administration and Engineering
- IT System Development
- Finance, Legal and Recoveries
- Risk Management and Internal Audit



OUTPUTS

Financial Capital

- Return on Equity of 22.73%
- Operating Income of NPR 4,440.76 Million
- Net Profit of NPR 3,023.28 Million
- Capital Adequacy Ratio of 13.32
- NPL Rate of 0.46%

Human Capital

- Total of 3472 personnel
- 546 employees promoted
- Total Employee expenditure of NPR 2.48 billion
- 1,101 national level trainings and 11 international trainings

Social and Relationship Capital

- 21.0526% dividend (including 10% bonus share)
- Contributed towards economic growth of the nation
- Various CSR activities conducted
- 526,023 new saving accounts and 21 local bodies account

Manufactured Capital

- 5,225 QR and 2,222 POS and the Bank's market share in QR is 35% and POS is 18%
- 292 Branches and 302 ATMs
- Improvement and Expansion of Digital Banking
- Reduction in Turn Around Time



VALUE CREATION BY BANK

FOR CUSTOMERS

With our motto "Bank Pani Sathi Pani, Ramro Pani Hamro Pani", NIC ASIA is driven to provide efficient service to its valued customers. Our "Customer Experience Enrichment Department" looks after enhancing the experience of customers in availing our services. The Bank is continuously motivated to offer various attractive products to its valued customers in a way to help our customers secure their financial futures, by supporting people when making life-changing decisions, through seamless processing of transactions. The Bank is embedding the modern technology in its digital banking creating higher values to its customers. Proper usage guidelines and policies are developed to secure the transaction through various digital channels. Through foot print expansion from remote areas to financial hub, the Bank is committed towards providing financial service to every citizen of the nation. Valuing the changes in technology, customers' needs and business processes, the Bank continuously makes researches and developments to provide better services and products. Currently NIC ASIA Bank is providing services through 292 branches, 302 ATMs, 47 extension counters. The Bank is aiming to open 20 new branches, 198 ATMs and 109 extension counters primarily focusing on providing financial service to people of remote areas. Also, the Bank shall focus on expansion in credit card, POS machine and KIOSK services in coming days.

FOR INVESTORS AND SHAREHOLDERS

Since the establishment, NIC ASIA Bank has been providing satisfactory return to its investors in form of return on investment and return on assets, profit, distribution of bonus shares and dividend, market value of stock of the Bank, and the creation of brand value. NIC ASIA Bank is Nepal's No. 1 bank in terms of balance sheet size, loans and advances. Also, the Bank is biggest among private banks in terms of saving and deposits. The Bank earned operational profit of NPR 4.51 billion and net profit of NPR 3.02 billion with increment of 135% and 126% respectively. The Earning per share of NIC ASIA Bank was NPR 16.62 in FY 2017-18, while it increased by 106% to reach NPR 34.22 during the review period. The Bank has Return on Assets and Return on Equity 1.56% and 22.73% respectively. The Bank has proposed dividend at 21.0526% of total paid up capital which includes 10% bonus share and 11.0526% cash dividend. Also, the stock price of the Bank increased by 41.77% to reach NPR 448 as on end of review period.

FOR EMPLOYEES

The Bank has been creating values to its employees by helping them improve their skills and capability through various trainings and programs and by acknowledging their hard work with gratifying incentives. The Bank has ensured that employees are continuously motivated and culture of gaining knowledge is developed among the employees. The Bank has 3,472 employees as on end of review period and incurred total employee cost of NPR 2.48 billion. The Bank has incurred NPR 64.2 million towards staff training for development and growth of the employees. The Bank has conducted 1,101 national level training and 11 international training for its employees and the employee participation was 38,447. Employees are the Bank's biggest asset and will continue to invest towards employee trainings and developments.

FOR SUPPLIERS, VENDORS AND BUSINESS PARTNERS

The Bank creates value to suppliers, vendors, and business partners by helping them grow and expand their business. The Bank is always committed towards making timely payment of dues and complying with the contractual terms and conditions with them. The Bank's expansion in remote areas to financial hub is helping every aspect of citizen reach financial services and explores opportunities for business. With growing branches and business of the Bank, it will create more demand and business for the suppliers, vendors, and business partners, thereby helping them grow and expand their businesses. The Deposit and Loans & Advances of the bank as on end of review year reached NPR 180.58 billion and NPR 150.11 billion respectively. The bank is providing services through 292 branches, 302 ATMs, 47 extension counters in various part of the nation.

FOR GOVERNMENT AND SOCIETIES

The Bank creates value to government and societies through taxes, helping the government implement its policies, cooperating with regulators for reforms, contributing to well being and development society through its various corporate social responsibilities initiative. The Bank has been actively working towards the benefits and developing various aspects of society as a responsible corporate citizen.

Each year the Bank allocates 1% of its net profit to corporate social responsibility reserve. The Bank incurred NPR 11.7 million towards social cause which includes donation of ambulance to Nepal Police, Bio toilet to Pashupati

development board, computers and financial assistance to community schools. Also, the Bank actively participated in protection of environment and maintaining ecological balance. The Bank's CSR activities include assistances to victims of natural calamities, blood donation programs, health camp, and financial literacy programs. The Bank has opened 13 branches in remote areas of 11 remote districts to provide banking service to deprived peoples.

The Bank has actively participated in the Government initiation of "SABAI NEPALIKO BANK KHATA" with reward of NPR 100 on opening of new account under the policy. The Bank has been providing employment opportunities directly to 3,472 people. Ease of loan facility helping people grow or start their business, the Bank has been creating employment indirectly. The Bank has ensured its noteworthy contribution to national goals like raising the living standard of the deprived sector, supporting employment creation, increasing tax/revenue collection, promotion of cashless economy, and enhancing financial access. NIC ASIA Bank has made contribution to the government exchequer of NPR 2.51 billion during the review year. The amount consists of NPR 1.4 billion in the form of income tax and NPR 1.11 billion in the form of tax deducted at source.

TANGIBLE CAPITAL

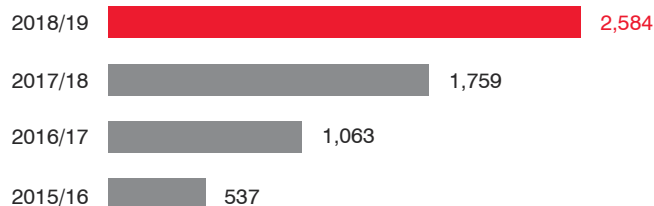
The substantial resources made use to perform Bank's activities for its various stakeholders are tangible capital.

NIC ASIA Bank's tangible assets comprises of various fixed assets, branches, ATMs, extension counters which are utilized to provide services to customers, values to investors, business to vendors, coordination with regulators, etc. The Bank's fixed assets include land, building, leasehold property, computer and its accessories, vehicles, furniture and fixtures, machinery and other office equipments. The Bank's has its primary data centre located at Durbarbarmarga, Kathmandu while the disaster recovery data centre is kept at Bhairahawa, Rupendehi.

The bar below depicts the Bank's fixed assets;

TANGIBLE ASSETS OF NIC ASIA BANK

NPR Million



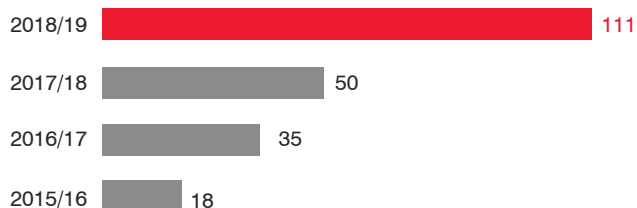
INTANGIBLE CAPITAL

NIC ASIA Bank has always valued the importance of Intangible Capital on its journey of being the one of the biggest bank of Nepal. The Bank has made the best use of modern technologies to provide its customers the best banking experience also for business process management. The Bank has either in house developed or procured the intangible infrastructures suitable for its banking activities.

With the best use of modern technology in its banking activities and services, the bank is implementing customer relationship management, business intelligence, business process management, omni channel, etc. With revolution in digital banking the Bank is heading to increase efficiency, reduce cost, increase customer experience and decrease turn around time.

INTANGIBLE ASSETS OF NIC ASIA BANK

NPR Million





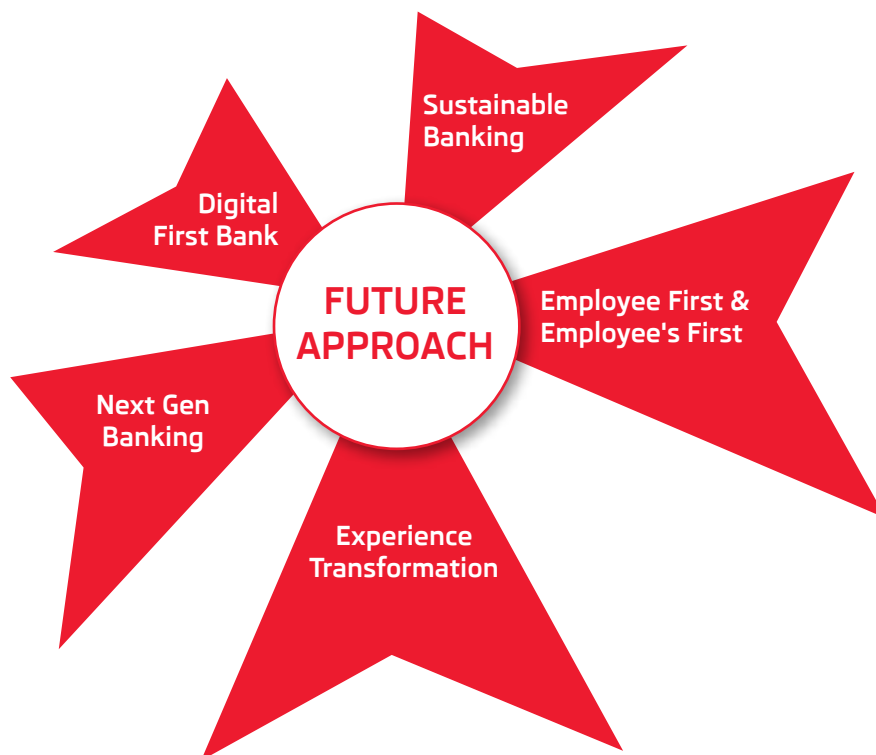
2.4 FUTURE PROSPECTS AND STRATEGIES

The Bank's vision, mission and values are driving it to become the Nepal's No.1 Bank. NIC ASIA Bank's commitment towards service excellence has made the Bank the most prominent and visible brand in the country. The Bank has been living up to the motto "bank pani sathi pani, ramro pani hamro pani" through various customers' need based services with excellence. NIC ASIA Bank's biggest competitor lies within itself; hence the Bank is dedicated, committed and motivated to be better than yesterday.

Our agile performance in the past has given us an unprecedented success, and in the future, we plan to simplify our operations to maintain economy and reduce organizational complexity. We will seek ways to create a cohesive culture and employee loyalty because our success so far is the outcome of robust culture and hardworking

employees. In future, we will exercise our foremost effort in supporting the government vision of broader financial inclusion through pervasive financial access. We have already set on this path by opening highest number of rural branches in the country till date and we will continue to do so in future as well.

In future, NIC ASIA will elevate its banking operations in par with international standard with the use of modern digital technology and innovative business models. As digital banking and online payments have been taking toll in the global banking scenario, the Bank is committed to spread this global trend throughout the country for sustainable online banking service with an aspiration to become country's Digital First Bank.

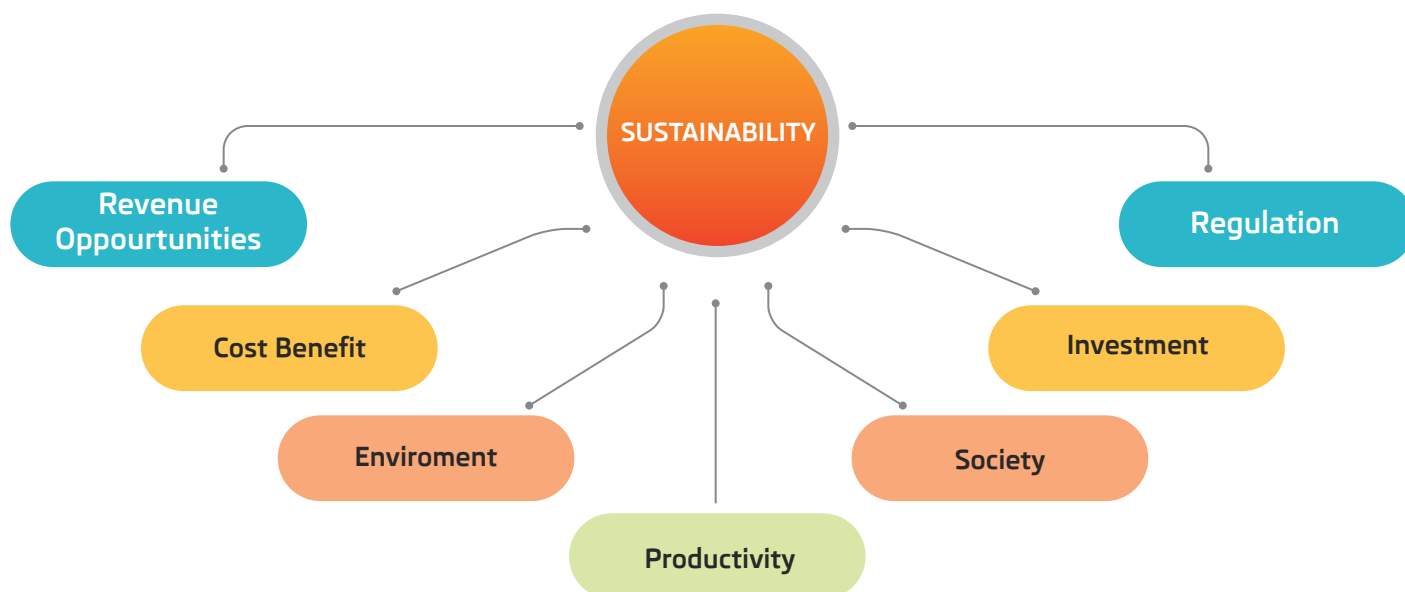


SUSTAINABLE BANKING

Sustainability is about meeting the needs of present without compromising the ability of future generation. NIC ASIA Bank has set an approach to sustainable financial service considering sustainability as strategy through focusing on risk measurement, assessing new business opportunities and addressing stakeholders. Bank's mission, vision and values are aligned evaluating and addressing the environmental and social impact of financial services. As a

responsible corporate citizen, NIC ASIA Bank is determined to be a powerful agent of change.

NIC ASIA Bank has commitment to transparency, long term resiliency, and effective governance with these cultures the bank is already on path towards sustainable banking. Our services are based on customer needs and the Bank has always acted as customer centric.



Value creation by sustainability

EMPLOYEE FIRST AND EMPLOYEE'S FIRST

Bank has been directing its efforts towards nurturing delightness of each member of NIC ASIAN Family and towards synchronizing the focus paralleled with theme of "Employee First". Each and every individual staffs of the Bank irrespective of geographical areas have become a close knit family while working together over a period including those families who are connected indirectly with NIC ASIA Bank over the same span of time. Considering the same, Bank has been focusing on connecting the dots among its Transformation Riders and has embraced for creating a culture that shall foster happiness garnering greater success in experiencing satisfaction and contentment among the Transformation Riders. Bank has aimed at establishing itself as the "Performer Paradise" incorporating the objectives to focus on strategies and plans under the Theme of "Employee First" and encompassing confidential

support and assurance for issues that have been leading to discontentment and dissatisfaction.

We have already inculcated a culture of EMPLOYEE FIRST where the Bank seeks fulfillment of our own people vision by collaborating it with the Bank's vision. The Bank's employees are like 'Entrepreneurs at work' fully loaded with owner mentality. The Bank is dedicated to be the best and most sought-after career destination for all the aspiring banking geniuses. The Bank shall not leave any stone unturned to be Bank Nepal's No 1 Employer in all terms (including pay and benefit packages, work environment, and challenges and opportunities for career advancements, and so forth).

NIC ASIA Bank guarantees each and every transformation riders of Instrumental Empowerment, Instrumental



Enablement, Professionalism, Fair Merit, and Empathetic Leadership.

The Bank appointed Deloitte Touche Tohmatsu India LLP, a leading Big Four Consultant, as the Human Resource Consultant of the Bank, which reflects the Bank's strategic intent to improve the return on its human capital, establish conducive working environment, and inculcate international best practices in Human Resource Management.

EXPERIENCE TRANSFORMATION

The Bank has declared Fiscal Year 2019-20 as "Year of Experience Transformation" where the Bank would refine its service delivery to cater state-of-the-art experience to its revered customers. The Bank has formulated robust strategy and allocated necessary resource to make this Experience Transformation idea a first-of-its-kind in the industry. The Bank aims to achieve its goal of Experience Transformation by overhauling key areas such as unmatched banking products, unparalleled personal banking approach and fully digitized banking operations.

Undoubtedly, customers visit bank for their financial need. But in this era of competition where every other bank is offering similar products, it has become extremely challenging to book customer loyalty for a longer period. Besides, traditional banking approaches and paperwork hassles that consume customer's valuable time have created dissatisfaction among public. NIC ASIA, through its Experience Transformation strategy, intends to jump into filling this vacuum and enrich the banking experience of public by engineering surprising measures to be rolled in this new Fiscal Year.

The Bank has meticulously planned numerous approaches to achieve its Experience Transformation Strategy. In the forefront lies the honest pursuit of its Vision: 'To ensure creation of optimum values for all the stakeholders' and Mission: 'To Become Bank of First Choice For all Stakeholders'. Likewise, the Bank thrives to keep its operations organic and simple by abiding with the law of land. The Bank would seek to stand out among competitors by creating uncontested market space and ruling out competition. Also, the Bank aims at sustaining customer relationship and business by understanding customer ecosystem of the Bank. With these measures, the Bank looks at bringing paradigm shift from service delivery to experience enrichment.

As per the Experience Audit Rating as on July 17, 2019, the Bank scored 74% weight in customer experience. This shows that the Bank's overall customer experience so far has been on satisfactory level and the Bank is targeting for cent percent scores to achieve the overall rating of Excellent by the end of the year. The Bank forecasts that 100% service excellence is possible after the effective implementation of Experience Transformation Strategy.

While customer service is a touchpoint that enlightens about brand quality, customer experience is more dynamic term that talks about how customer felt and emotion that encompasses the entire customer journey. Therefore, by focusing on 'Customer First' ideology, the Bank looks at building a strong connection with customers based on trust and rapport framework.

With the successful implementation of Experience Transformation, NIC ASIA undoubtedly will become the first bank in the country to deliver customer delight through entirely new and uncontested approach.

DIGITAL FIRST BANK

The Bank has resolved to be the 'Digital First' Bank of the country and has accordingly put in place robust structure, framework, system, and resources to accomplish the said goal.

The Bank has been zooming its focus on channel diversification and migration from physical banking channels to the digital banking channels. As a result, the Bank has already achieved its objective of channelizing at least 50% of its total customer transactions through digital medium in Fiscal Year 2018-19 which is a drastic up as compared to 32% in Fiscal Year 2017-18. The Bank has pursued the goal to increase its digital channel transaction to 75% in the next fiscal year.

The Bank has been aggressively pursuing strategic digital partnerships, alliances, and collaborations with FinTech companies and migrating new digital banking outcomes into its deliveries. Despite being a late entrant, the Bank has already deployed 5,225 QR and 2,222 POS and the Bank's market share in QR is 35% (Industry QR - 15,000) and POS is 18% (Industry POS - 12,000). The Bank has planned to acquire 25,000 QR Merchants and 5,000 POS during next fiscal year.

The Bank has already automated most of its internal

processes as well as customer centric processes to start from "paperless" banking and then move to "cashless" banking and ultimately reach to the "man less" banking era. Through a variety of digital channels, the Bank has already ensured 24/7 "Anytime" and "Anywhere" banking services across the country.

While scores of financial intermediaries across globe are renewing their focus on the transaction banking sector, NIC ASIA is zooming its focus on becoming a Transaction Bank by acquiring a minimum of 25% of total industry transaction market into its fold. The Bank has strategized to doubling the current footfall from existing level in fiscal year 2019-20. The Bank has also placed its focus on revenue diversification. In order to achieve the non-interest income to total cost ratio at 78% in the Fiscal Year 2019-20, the Bank aims to escalate ATM transactions, card sales, bancassurance, mobile banking, internet banking, POS machines and QR code transactions. Furthermore, the Bank will forge ties with government sector and increase its revenue base by becoming an integral part of their ecosystem.

The Bank has targeted to penetrate the entire digital banking ecosystem of the country and diversify its revenue source to extraordinarily higher level. This ambitious goal seems possible by the Bank's talent pool, hardworking staffs, success oriented NIC ASIA DNA and far-sighted mindset of management committees.

NEXT GEN BANKING

NIC ASIA Bank has understood the fact that, it's not enough for banks to just have "some" digital app, to get customers loyalty, the banking products should be exceptional – and reflect the lifestyle of customers – no matter what digital channels customers are using.

Lifestyle banking means being present in people's lives anywhere, at any time and creating constant bonding with them. It means transformation to something more than just an institution – to a reliable partner, guide, and assistant.

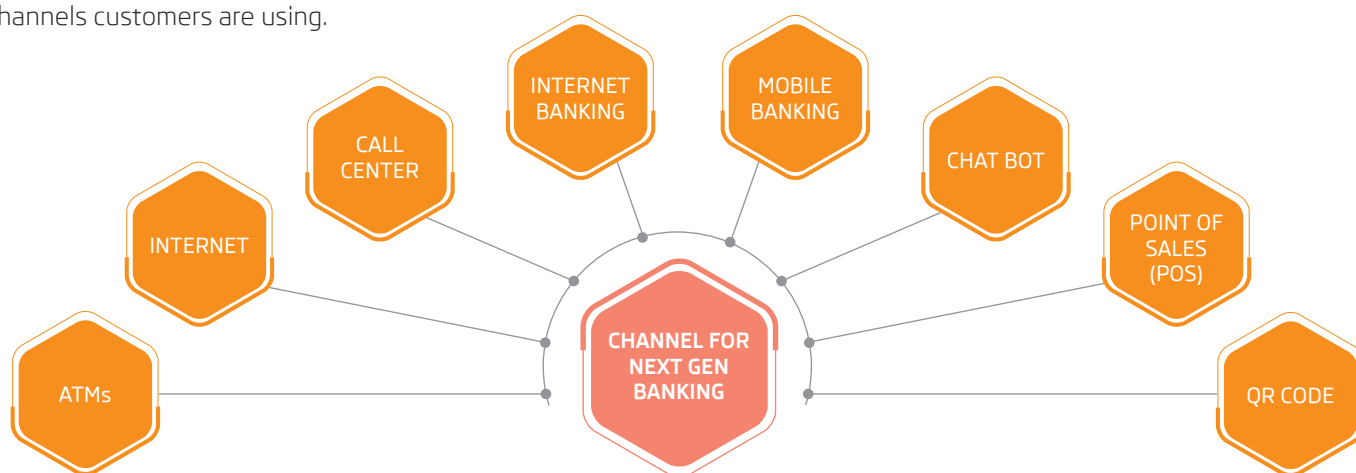
With technological advancement, peoples' life are changing also they are getting busier. People try to catch up with everything via their smartphones, tablets or laptops even though the schedule is tight. Hence, the Banking service is to be provided in such way it fits the life of people.

NIC ASIA Bank has always been a customer centric Bank, the services are provided as per the needs of customers. Our services are bundled to suit the life style of our customers. Banking services along with the medical, health and life insurance are taken care through a single plan, which easily blends to the life style of people.

With changing circumstances, the Bank understands well that the traditional or legacy banking is being replaced by disruption of technology which is ultimately enhancing the boundary of banking service. Hence, the DIGITAL FIRST BANK theme is created not just for digital payment but to blend in to the next generation life style banking. The Bank focuses on analyzing customer experience, exploring omni-channel delivery model, making mobile/internet as the key growth channel etc.

NIC ASIA Bank is looking forward for designing financial products to be in line with current social and business realities and is ensuring that these product innovations along with technological revolutions will meet the rapidly changing choices and lifestyles of today's customers.

Experience transformation and digital first bank; both of our approaches channels NIC ASIA Bank for Life Style Next Gen Banking.





VISION 18-22

NIC ASIA Bank through the right strategy had achieved the goals of five year plan Strategy 2020 within four years. Strategy 2020 had the strategic objective of setting course to become the leading client-centric bank in the financial sphere of Nepal and has rightly achieved the goal before the stipulated time.

Hence, VISION 18-22, a successor of Strategy 2020 is formulated with higher goals to achieve, competing within own-self to be the better and bigger version than yesterday. VISION 18-22 sets the goals to achieve by the end of FY 2021-22 and the steps has already been taken.

VISION 18-22 has following financial aspirations;

- > To achieve balance sheet size of NPR 633 billion
- > To achieve market share of 9.85% in deposit and 9.22% in loans
- > To earn net interest income of NPR 17.03 billion and non interest income of NPR 7.31 billion
- > To earn operating profit of NPR 17 billion and net profit of NPR 10 billion
- > NPL at 0.30% and EPS at NPR 78

VISION 18-22 has following non-financial aspirations

- > Branches 400 by the end of 2021-22
- > ATMs 750 with increment of 150 per year
- > Brachless banking of 1,000
- > Extension counter 200
- > POS to reach 10,000 and QR code at 100,000
- > Remittance agent payout of 15,000

VISION 18-22 has following aspirations on customer base

- > Deposit customer of 3,222,000
- > Debit card customer base of 1,940,000
- > Credit card customer base of 75,800
- > Mobile Banking customer of 2,216,000
- > Internet Banking user base of 173,000

The Bank is very excited with the result of 2018-19 in align with VISION 18-22, with the enthusiasm and energy of every transformation rider; we are optimistic of attaining our goals.



2.5 HUMAN CAPITAL AND HUMAN RESOURCE ACCOUNTING

Human Resources are the biggest value creator for NIC ASIA Bank. The Bank embraced for creating a culture that fosters happiness garnering greater success in experiencing satisfaction and contentment among the employees. Bank has aimed at establishing itself as the "Performer Paradise" incorporating the objectives to focus on strategies and plans under the theme of "Employee First" and encompassing confidential support and assurance for issues that have been leading to discontentment and dissatisfaction.

NIC ASIA Bank has successfully celebrated the Fiscal Year 2018-19 as the 'Year of Capacity Management', with capacity building exercises and skills upgradation of its employee.

NIC ASIA Bank guarantees each and every Employee an environment of:

INSTRUMENTAL EMPOWERMENT

Right to be fully backed by required autonomies, flexibilities and authorities.

INSTRUMENTAL ENABLEMENT

Right to be fully backed by adequate resources, structures and strategies.

PROFESSIONALISM

Right to work with respected individuality, differences and celebrated diversities.

FAIR MERIT

Right to be unbiased with equal opportunities and treatment.

EMPATHETIC LEADERSHIP

Right to be free from discrimination, harrasment and humiliation.

For the Year 2018-19, employee expense was NPR 2.48 billion which is incremental of 39.15% from last year of NPR 1.78 billion. Total employees as on end of review period increased by 1,181 to reach 3,472. With the increase of branches and business, new skilled employees were hired. NIC ASIA Bank employs highest number of personnel among all the Bank and Financial Institutions.

Particulars	2018-19	2017-18	% Increment
Staff Expenses (NPR Million)	2,477	1,780	39.15%
Number of Staff	3,472	2,291	51.55%
Staff Expense per Staff (NPR)	713,373	777,876	- 8.29%
Net Profit Per Staff (NPR)	870,761	582,655	49.45%



WORK FORCE COMPOSITION



49%
Female



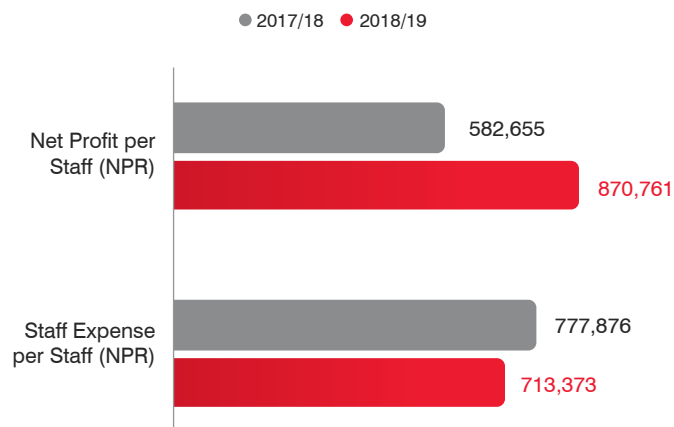
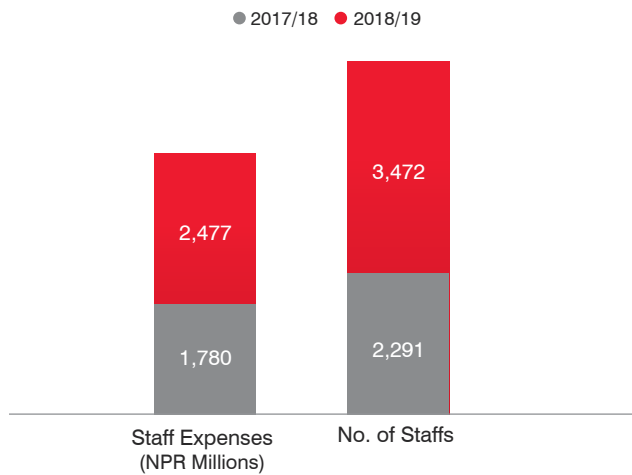
51%
Male

EMPLOYEE TYPE



39%
Contract

61%
Regular



AGE WISE CLASSIFICATION

Less Than 20	55
21-30	2,555
31-40	737
41-50	102
51-60	20
Above 60	3
Total Employees	3,472
Average Employee Age	28

STAFF TRAINING AND DEVELOPMENT

We believe that training expenses spent on the development of employees skills and capability is an investment for achieving long-term strategy of the Bank. The Bank has always considered its staff as an essential asset of the organization. Participation of employees in various internal and external trainings is ensured to enhance their capability, to motivate them, and to develop their skills and knowledge in line with meeting the demands of a dynamic environment.

During the review period, the Bank incurred NPR 64.20 million on Staff Training and Development which amounts to 2.59% of total employee cost of current year. As per requirement of Nepal Rastra Bank, Staff Training Expenses should be at least 3% of total staff expenses of previous year, and the Bank has spent 3.60% of total staff expenses of previous year in staff training.

Particulars	2018-19	2017-18	% Increment
Staff Training Expenses (NPR Million)	64.2	42.1	52.49%
Number of Staff	3,472	2,291	51.55%
Staff Training Expense Per Staff (NPR)	18,491.00	18,808.00	-1.69%

During the review period, Bank conducted 1,101 national level training and 11 international levels training which had employee participation of 38,447. Chief Executive Officer visited various provincial and regional branches during the review period and conducted 20 professionalism development and motivational program.

STAFF BENEFITS AND FACILITIES

The bank provides the following benefits and facilities to the staffs:

- › wages, salaries and social security contributions,
- › paid annual leave and paid sick leave,
- › bonuses,
- › staff loan facility at concessionary interest rate,
- › non-monetary benefits,
- › Contribution to Provident Fund,
- › Gratuity, etc.

Analysis of human resource on the basis of benefits and facilities provided:

Particulars	2018-19	2017-18
Salary	791,528,904.64	557,440,861.15
Allowances	693,168,253.12	552,806,861.03
Gratuity expense	28,218,112.00	19,303,561.95
Provident fund	56,424,538.69	47,274,172.32
Uniform	15,602,466.44	17,995,270.42
Training & development expense	64,237,498.07	43,089,134.50
Leave encashment	62,622,381.00	54,423,885.07
Medical	8,248,439.76	10,529,080.88
Insurance	3,649,517.48	8,262,096.23
Others employees expenses	74,695,888.54	-
Finance expense under NFRS	105,456,236.19	198,921,706.55
Other expenses related to staff	79,561,659.61	70,888,225.48
Employees bonus	493,417,300.66	201,178,091.87
Total (NPR)	2,476,831,196.20	1,782,112,947.46

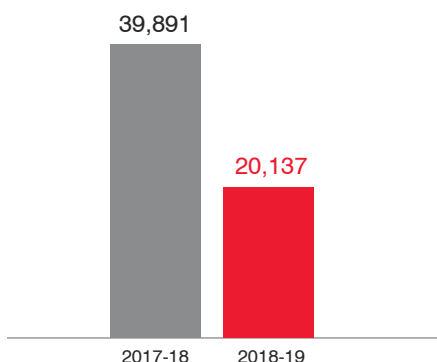
HUMAN CAPITAL

Human Resources are the greatest strength and wealth for the Bank. The Bank is committed to retain the skilled and capable employees. The contribution of our valued personnel has made us the largest Bank of Nepal. The Bank recognizes the value of human resources in the growth and expansion of business of the Bank. The total value of Human Capital has been computed to be NPR 20,137 million for FY 2018/19 while it was NPR 39,891 million for FY 2017/18 by using "The Lev and Schwartz Model" (Discounted Wages and Salaries). This model involves determining the value of human resources as present value of estimated future earnings of employees (in the form of wages, salaries, etc.) discounted by the rate of return on investment (cost of capital). Due to high Return on Equity (i.e 22.73%), the value of Human Capital has decreased compared to previous year. The Bank had Return on Equity at 12.09% during the previous year.

	FY 2018-19	FY 2017-18
Total Human Capital (NPR in Millions)	20,137	39,891
No. of Staffs (Under Payroll)	2,110	2,064
Human Capital per Staff (NPR in Millions)	9.54	19.33
Return on Equity (approx)	23%	12%



Human Capital



Following assumptions were used to calculate the human capital by using "The Lev and Schwartz Model":

- As per the staff service bylaws of the Bank, employees should compulsorily retire after reaching 60 years of age or 30 years of qualifying service.
- For 2018-19: Average age of employees is 27.95 years, so average remaining years for compulsory retirement is 32.05 years (but limited to 30 years). However, average years of service completed is 1.72 years, so average remaining years of service is 28.28 years. Therefore, mean value of both the average remaining years of service has been considered for the purpose of calculation of human capital. Hence, an average year of service is 29.14 years, i.e. approximately 29 years.
- For 2017-18: Average age of employees is 29.47 years, so average remaining years for compulsory retirement is 30.53 years (but limited to 30 years). However, average years of service completed is 2.61 years, so average remaining years of service is 27.39 years. Therefore, mean value of both the average remaining years of service has been considered for the purpose of calculation of human capital. Hence, an average year of service is 28.70 years, i.e. approximately 29 years.
- Average increment of employees' benefits over the years is estimated to be 10%.
- Discounting factor for the purpose of calculating the present value of future benefits of employees is considered as the same as return on equity, i.e. 22.73%, which is approximately 23% and 12.09, which is approximately 12% for FY 2018/19 and FY 2017/18, respectively.

- Total employees' benefits include all direct and indirect benefits provided to the employees.

STATEMENT OF FINANCIAL POSITION

(After considering Human Capital)

In NPR Million

Assets	FY 2018-19	FY 2017-18
Cash and cash equivalent	20,215	8,132
Due from Nepal Rastra Bank	16,098	15,861
Placement with Bank and Financial Institutions	384	314
Derivative financial instruments.	7,006	1,266
Other trading assets	7	-
Loan and advances to B/FIs	6,923	4,658
Loans and advances to customers	142,574	115,805
Investment securities	18,153	14,133
Current tax assets	-	-
Investment in subsidiaries	1,205	270
Investment in associates	-	-
Investment property	276	74
Property and equipment	2,584	1,759
Goodwill and Intangible assets	110	50
Human Assets	20,137	39,891
Deferred tax assets	-	-
Other assets	2,162	8,621
Total Assets	237,834	210,834
Equity and Liabilities		
Due to Bank and Financial Institutions	8,536	11,630
Due to Nepal Rastra Bank	314	742
Derivative financial instruments	6,913	1,722
Deposits from customers	176,821	139,590
Borrowing	-	-
Current Tax Liabilities	243	25
Provisions	-	-
Deferred tax liabilities	178	3
Other liabilities	2,046	2,074
Debt securities issued	7,710	3,488
Subordinated Liabilities	-	-
Human Capital	20,137	39,891
Share capital	8,834	8,031
Share premium	-	-
Retained earnings	2,113	944
Reserves	3,989	2,696
Total Equity and Liabilities	237,834	210,834

BANK'S POLICY ON EMPLOYEES' HEALTH AND SAFETY

Employees are the Bank's most valuable assets. The Bank is committed to the effective management of health and safety to provide a healthy and safe working environment and is committed to devoting the necessary resources to meet health and safety legal requirements wherever we operate. The Bank believes that the effective management of health and safety is a sound business principle that makes a significant contribution to the company's profitability.

Creating healthy and safe environment responsibility lies in every employee of the Bank and the Bank expects everyone's contribution towards it. The Bank is committed to the effective and continual improvement of employees' health and safety.

NIC ASIA Bank's element of employees' health and safety includes;

- i. Physical structure to assure safety and health at work.
- ii. Conduct workplace inspections to ensure workplace safety
- iii. Training to equip personnel with knowledge to work safely and without risk to health.
- iv. In-house safety rules to provide instruction for achieving safety management objectives.
- v. Investigation of accidents or incidents to find out the cause of any accident or incident and to develop prompt arrangements to prevent reoccurrence.
- vi. Emergency preparedness to develop, communicate and execute plans prescribing the effective management of emergency situations.
- vii. Evaluation of job related hazards or potential hazards and development of safety procedures to address.
- viii. Promoting, developing and maintaining safety and health awareness in the workplace.
- ix. Set out clear roles and responsibilities for all stakeholders involved in health and safety
- x. Consult with relevant parties on health and safety arrangements, as appropriate

FOR WELNESS OF EMPLOYEE

Allowance

Employees working in cash department are provided with risk allowance. Considering additional risk exposure of employee involved in long routes for more than four hours, bulk cash transfer allowance is provided.

Medical Insurance

All eligible staff of the bank are covered under Medical Insurance of NPR 100,000.

Accidental Insurance

All eligible staff of the Bank are covered under Accidental Insurance as follows:

S.N	Job Grade	Insurance Coverage
1	Messenger/ Senior Messenger/ Driver/ Senior Driver	NPR 1 million
2	Trainee Assistant - Supervisor	NPR 1 million
3	Junior Officer	NPR 1 million
4	Officer- Deputy Manager	NPR 1.5 million
5	Manager- Senior Manager	NPR 2 million
6	ACEO - DCEO	NPR 3 million
7	CEO	NPR 4 million

Term Life Insurance

All employees are covered for term life insurance of NPR 300,000.

Speaking Up

Employees facing any workplace bully or harassment are encouraged to speak up. A separate mechanism is built for employees to make grievance through iZone. The Bank is committed to create a safe environment for every employee where mental well being and physical well being are given equal importance.



2.6 STAKEHOLDER ANALYSIS

The Bank operates with a vision to ensure creation of optimum values for all the stakeholders. The Bank's stakeholders are those individuals or organizations who have direct or indirect interest in its success or failure, and whose opinions and actions can impact the business of the Bank, or be affected by the activities and decisions of the Bank. The Bank follows the belief that progress of the Bank

depends on the progress of overall stakeholders, rather than its progress alone. The Bank has always received, and expects to receive in future, the contribution, cooperation, encouragement, and motivation from all its stakeholders. Success and sustainability of the Bank primarily depend upon its relation with the stakeholders.



INVESTORS/SHAREHOLDERS

Investors/ Shareholders are the holders of shares of the Bank. They provide financial capital to the Bank in the form of share capital. The Bank therefore always aspires to provide attractive returns to its investors/shareholders.

Investors/shareholders expect attractive return on investment, adequate communication of information, and transparent disclosures. They also expect reasonable growth, sustainability of business, and proper management of business.

The Bank has an experienced and qualified management team capable achieving its mission and vision. The Bank

has been able to achieve outstanding growth in terms of business expansion, i.e. increase in lending and deposits, expansion of bank networks, etc. The Bank has proposed 21.0526% dividend (10% bonus share and 11.0526% cash). The Bank has earned operational profit and net profit of NPR 4.51 billion and NPR 3.02 billion, which is increment of NPR 2.6 billion and NPR 1.69 billion respectively, during the review period. During FY 2018-19 Return on Equity and Return on Assets are 22.73% and 1.56% respectively which were 12.09% and 0.97% respectively during the FY 2017-18. Earning per Share has increased by 106% from NPR 16.62 to NPR 34.22 during FY 2018-19.

COMMUNICATION WITH INVESTORS

All the relevant information is communicated to shareholders, customers, and the general public on a regular basis through print media (national daily newspapers) and electronic means (official website of the Bank (www.nicasiabank.com)). Detailed information on annual general meeting of the Bank, including ordinary agendas and special agendas to be discussed in meeting, was published in national daily newspaper 21 days prior to the date of annual general meeting.

Likewise, interim financial results are published for public reference within the stipulated deadline prescribed by Securities Board of Nepal and Nepal Rastra Bank. These interim financial results, along with Basel III Disclosures as prescribed by clause 7.4(b) of Capital Adequacy Framework, 2015 under Directive 1 of Integrated NRB Directive, are posted on the official website of the Bank on a quarterly basis.

Any enquiries related to the shareholders of the Bank on share register, i.e. maintenance book of shareholder's record, share transfer including domestic transfer in case of death of a shareholder, replacement of lost share certificates, pledge of shares, dividend warrants/ bonus shares declared and ratified by the AGM, payment against

dividend/lost warrant, opening of DEMAT account, and dematerialization of shares should be sent to the address given below:

REGISTERED OFFICE:

Ward No.11, Trade Tower,
Thapathali Kathmandu, Nepal

Email: info@nicasiabank.com

P.O. Box: **11021**

Tel No: + **977-1-5111177/ 78/ 79**

Fax No: + **977-1-5111180**

SWIFT: **NICENPKA**

Toll Free No: **1660-01-77771**

Feedback/grievance can be emailed to feedback@nicasiabank.com for timely resolution.



BOARD OF DIRECTORS

Members of the Board of Directors are the representatives of the promoter shareholders and general shareholders elected by the shareholders of the bank. It also includes an independent director appointed in compliance with the legal and regulatory requirements.

There are seven members on the Board of Directors, including one independent director and Chairman. The Board expects the implementation of effective internal control and corporate governance, safeguard of shareholders' wealth and value creation to the shareholders, sound financial position and efficient financial performance of business, reasonable growth of business, sustainability of the business, and proper management of business. The Board also expects proper communication of information and transparent disclosure.

The Bank has implemented robust internal control system and corporate governance by forming relevant policies and guidelines. Protection of shareholders' wealth and value creation to the shareholders are always the utmost priority of the Bank. The Bank has earned operational profit and net profit of NPR 4.51 billion and NPR 3.02 billion, which is increment of NPR 2.6 billion and NPR 1.69 billion respectively, during the review period. The Bank has achieved remarkable growth in business during the review period; and with the proper strategic planning and successful execution of the same; similar growth is expected in the future as well. The Bank has an experienced and qualified management team capable of achieving its mission and vision, and for effective management of business. The Bank management always communicates the material matters and information to the Board, and complies with its directions and guidelines. The Bank is committed to adequate and transparent disclosure of information.

CUSTOMERS

Customers are the foundation of any business. The business cannot sustain and grow without customer satisfaction. Satisfied customers are the pillars of a successful business. In today's cutthroat competition, it is very important for banks to retain customers and develop customer loyalty.

Customers expect quality services from the Bank. It is the responsibility of the Bank to provide protection to the assets, wealth, investment, and privacy of the customer through secured IT systems and infrastructure. The customers expect convenient and easy access to the financial services of the Bank, with less complexity and

improved flexibility. The customers expect availability of the required services from the Bank at the time of need.

The Bank has been able to expand its business by winning customers' confidence by providing qualitative services. The Bank is always ready to help the customers grow and provide financial services as and when required. The Bank has opened 61 branches during the review period, in order to facilitate customers' easy access to the financial services. For improvement in customer service, effective monitoring is done through establishment of a separate Experience Enrichment Department. Experience enrichment shall focus on customer's expectation, needs and desire and fulfill them with better experience. Bank is committed in providing services through automated and digital channels and effectively uses technological advancement for customers' service. Bank in agreement with various merchants is providing attractive discount on payment through digital channels.

EMPLOYEES

Employees are the backbone of any business organization. Effective and efficient performance of skilled and capable employees help the business organizations grow and succeed. It is very important for the business organizations to retain and motivate skilled and capable employees.

The employees of the Bank expect proper and reasonable incentives in exchange for their hard work and effort for the success of the company. The employees also expect healthy and safe working environment, good relationship with the employers, and part in the decision-making process, career development opportunities, adequate training, and proper skill and personality development programs.

The Bank has incurred NPR 2.48 billion in employee expenditures during the review period, out of which, NPR 64.24 million was incurred towards staff training expenses for the development and growth of the employees. During the review period, Bank conducted 1,101 national level training and 11 international levels training which had employee participation of 38,447. Bank has made a new reward policy, which we believe will bring best out of our employees. The Bank provides various benefits and facilities to the employees. (Details are given in the topic 'Human Resource Accounting')

SUPPLIERS AND VENDORS

Suppliers and vendors supply goods and services to the business organizations. It's very important for the business

organization to maintain healthy relationship with the suppliers and vendors to ensure uninterrupted daily operational activities of the business organization. To help the expansion and growth of business organizations, it is necessary to build healthy relationship with suppliers and vendors to fulfill the increasing requirement of stationary and other related supplies and services.

The suppliers and vendors expect timely payment of dues and compliance with contractual terms and conditions by the Bank.

The Bank is committed to maintain healthy relationship with its suppliers and vendors to ensure the continuous supply of quality supplies and services. The Bank spares no effort to make timely payments and to comply with the contractual terms and conditions with the suppliers and vendors.

LENDERS

Lenders provide fund to fulfill the requirement of business organizations. It is very important for the business organization to maintain healthy relationship with the lender to ensure smooth growth and expansion of the business organization. Lenders, in case of the Bank, are the fund providers and banking partners.

Lenders expect competitive interest rate prevailing in the market in the fund they invest, compliance with the contractual terms, and building healthy business relationship.

The Treasury Department of the Bank is committed to maintain healthy relationship with its lenders and banking partners, and to provide them with reasonable and competitive interest rate prevailing in the market on the fund invested in the Bank. The Bank always makes an effort to comply with all the contractual terms and conditions with its lenders to build long-term relationship with them.

REGULATORY BODIES

Regulatory bodies are public organizations or government agencies that are set up to exercise a regulatory function. This involves imposing requirements, conditions, or restrictions, setting the standard for activities, and enforcing in these areas, or obtaining compliance. The primary goal for a regulatory body is to protect the public, such as providing and enforcing adequate standards for internal control, governance, and transparency in an organization.

The regulatory bodies expect from the Bank, compliance with their policies, guidelines, rules and regulations, effective

internal control and corporate governance within the Bank, protection of customers' assets, investment and privacy, value creation to the general shareholders, implementation of advanced system and information technology, timely and adequate reporting, and transparent disclosures and compliance with applicable laws.

The Bank is committed to comply with all the policies, guidelines, rules and regulations, and applicable laws. The Bank has implemented a robust internal control system and corporate governance by forming relevant policies and guidelines. Protection of customers' assets, investment, and privacy, and value creation to the general shareholders are always the utmost priority of the Bank. The Bank has developed and implemented various automated reporting systems to ensure timely and adequate reporting and transparent disclosure. The Bank has made an effort to adopt and implement advanced system and information technology prevailing in the domestic and international banking industry.

SOCIETY

Society is the environment where the business organization operates and carries out its business activities. Business organization operates within the society, therefore, it has certain responsibilities towards the society. Business organization needs to act in a socially responsible manner and fulfill its obligations and duties towards society as a responsible corporate citizen.

The society expects banks to act in a socially responsible manner and contribute towards the well-being and development of society, protection of environment and ecological balance, instead of sole benefit of the bank. According to a provision stipulated by Nepal Rastra Bank, banks are required to allocate 1% of net profit towards activities related to social responsibility.

The bank has played a useful role in the functioning of society in diverse way such as: forestation, blood donation program, parks development, computers handover to schools, health camps, cultural programs, financial helps to schools, and various programs for clean and healthy environment, and assistance to victims of natural calamities. To help pilgrims; donation of bio toilets to Pashupati Development Board, ambulance to Nepal Police, financial literacy programs for deprived peoples was carried by Bank during the review period. Under corporate social responsibility bank has made direct expenditure of NPR 11.7 million during the review period.



STAKEHOLDERS RELATIONSHIP

Strong relationship and fair treatment with stakeholders are keys to our long-term profit and business success. NIC ASIA is committed towards ethical and transparent relationship to all its stakeholders and has always valued the importance of all its stakeholders. Ranging from employees to loyal customers and investors, the Bank has symbiotic and healthy engagement with all its stakeholders.

KEY STAKEHOLDERS OF NIC ASIA BANK

	Mode of Engagement	Areas of Importance	Bank's Response
Customers	- Interaction with employees - Multiple channels for queries and grievances - Communication through social media, digital media and prints.	- Convenience to customers - Responsive and skilled employees - Availability of relevant products and services - Quick response to grievances	- Establishment of "Customer Experience Enrichment Department" - Ensure right selling of products and services - Zero tolerance policy for unethical conduct by employees - Continuous knowledge building and upskilling of employees
Employees	- Continuous Engagement - Online secure portal for employees' queries - Periodic communication meetings with senior management	- Employee alignment to common organizational goals - Meritocracy - Work culture enabling equal opportunities for growth and learning	- Various training and programs - Care for employees through various plans and policies - Employees' first approach adapted by the Bank.
Investors/ Shareholders	- Annual General Meeting - Communication through prints and media	- Shareholder value creation - Governance and ethical practices - Compliance - Transparency - Medium and long term strategy	- Increased interaction with investors - Publication of interim financials
Regulators	- Periodic meetings with regulatory bodies - Participation with policy reforms - Supervisory meetings	- Compliance with rules and regulations - Role in development of financial system - Banks act as first line of defense against financial crimes	- Compliance culture - Continues communication with regulatory bodies
Society	- Corporate Social Responsibility of the Bank - Supporting government initiative	- Financial literacy - Improving access to financial services in rural areas - Contributing to social development	- Establishment of branches in rural areas - Partnership with local bodies for developing skills of locals - Various initiation through CSR

2.7 ECONOMIC OUTLOOK

GLOBAL ECONOMY OUTLOOK

Global economic growth is forecasted to ease to a weaker-than-expected 2.6% in 2019 before inching up to 2.7% in 2020. Growth in emerging market and developing economies is expected to stabilize next year as some countries move past periods of financial strain, but economic momentum remains weak.

Emerging and developing economy growth is constrained by sluggish investment, and risks are tilted to the downside. These risks include rising trade barriers, renewed financial stress, and sharper-than-expected slowdowns in several major economies, as per the World Bank.

Growth among advanced economies as a group is anticipated to slow in 2019, especially in the Euro Area, due to weaker exports and investment. U.S. growth is forecast to ease to 2.5% this year and decelerate to 1.7% in 2020. Euro Area growth is projected to hover around 1.4% in 2020-21, with softness in trade and domestic demand weighing on activity despite continued support from monetary policy.

Growth among emerging market and developing economies is projected to fall to a four-year low of 4% in 2019 before recovering to 4.6% in 2020. A number of economies are coping with the impact of financial stress and political uncertainty. Those drags are anticipated to wane and global trade growth – which is projected to be the weakest in 2019 since the financial crisis a decade ago -- is expected to recover somewhat.

Government debt has risen substantially in emerging and developing economies, as hard-won cuts in public debt ratios prior to the financial crisis have to a large extent

been reversed. Emerging and developing economies need to strike a careful balance between borrowing to promote growth and avoiding risks associated with excessive borrowing.

Growth rates in low-income countries are expected to rise to 6% in 2020 from 5.4% in 2019, but that is still not enough to substantially reduce poverty. While a number of low-income countries progressed to middle income status between 2000 and 2018, the remaining low-income countries face steeper challenges to achieving similar progress. Many are poorer than the countries that made the leap to higher income levels and are fragile, disadvantaged by geography and heavily reliant on agriculture.

Investment growth among emerging and developing economies is expected to remain subdued and below historical averages, held back by sluggish global growth, limited fiscal space, and structural constraints. A sustained pickup in investment growth is necessary to meet key development goals. Business climate reforms can help encourage private investment.

Sharp currency depreciations are more common in emerging and developing economies than in advanced economies, and central banks are often required to respond to these fluctuations to maintain price stability. The exchange rate pass-through to inflation is more limited when central banks pursue credible inflation targets, operate within a flexible exchange rate regime, and are independent of the central government.

(Based on analysis and data from World Bank)



DOMESTIC ECONOMIC OUTLOOK

As per the preliminary estimates of the Central Bureau of Statistics, Gross Domestic Product (GDP) is estimated to grow by 7.1 percent in 2018-19. Increase in agricultural production, ease in energy supply, acceleration in construction activities, expansion in industrial production, and an uptick in tourist arrival have contributed to the higher economic growth. Ratios of Gross Domestic Savings and Gross National Savings to GDP are estimated at 20.5 percent and 52.4 percent respectively in 2018-19. In the previous year, such ratios were 17.8 percent and 47.1 percent. Ratios of Gross Fixed Capital Formation and Gross Capital Formation to GDP are estimated at 36.9 percent and 62.3 percent respectively in 2018-19. In the previous year, such ratios were 34.7 percent and 55.2 percent respectively. Higher investment compared to savings led to a resource gap at 9.9 percent of GDP in 2018-19. In the previous year, such gap was 8.1 percent.

The average consumer price inflation in the eleven month of 2018-19 is 4.5 percent. Such inflation was 4.2 percent a year ago. According to the preliminary statement of receipts and expenditure released by the Office of the Financial Comptroller General, recurrent expenditure of the government stood at Rs.714.98 billion, capital expenditure stood at Rs. 238.36 billion, financing stood at Rs.141.24 billion and revenue mobilization stood at Rs.859.60 billion in 2018-19. Government mobilized domestic debt of Rs.96.38 billion and made a payment of Rs. 34.31billion thereby mobilizing net domestic debt of Rs.62.07 billion in 2018-19 which is 1.8 percent of GDP.

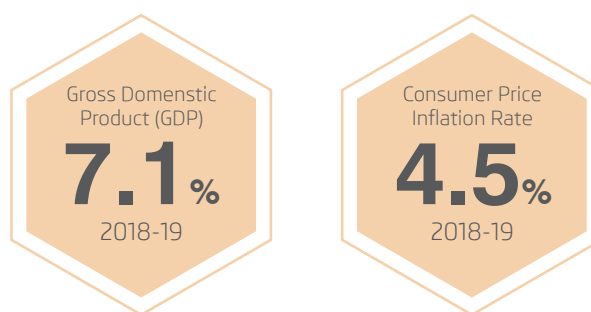
THE CAPITAL MARKET

Stock market remained stable in the review year. The NEPSE index stood at 1,259.0 in mid-July 2019 compared to 1,212.4 a year ago. Similarly, market capitalization increased to Rs.1,567.50 billion in mid-July 2019 from Rs. 1,435.14

Trade deficit widened by 17.2 percent to Rs.1211.96 billion in the eleven months of 2018-19. Similarly, current account registered a deficit of Rs. 248.72 billion in the review period. High current account deficit is due to the expansion of imports. Remittance inflows increased by 17.5 percent to Rs.799.02 billion in the eleven months of 2018-19. However, Balance of Payments (BOP) remained at deficit of Rs.90.83 billion. Nepalese currency vis-à-vis US dollar depreciated by 0.02 percent in 2018-19. The buying rate for one US dollar stood at Rs.109.36 in mid-July 2019 compared to Rs.109.34 a year ago.

In mid-July 2019, the weighted average interest rate of 91-days Treasury bills stood at 4.97 percent and the weighted average inter-bank rate among the commercial banks stood at 4.52 percent. Such rates were 3.74 percent and 2.96 percent respectively in mid-July 2018. In mid-June 2019, the weighted average deposit rate and lending rate of commercial banks stood at 6.64 percent and 12.20 percent respectively. Such rates were 6.61 percent and 12.42 percent in mid-June 2018.

(Based on Monetary policy 2019-20 published by Nepal Rastra Bank)



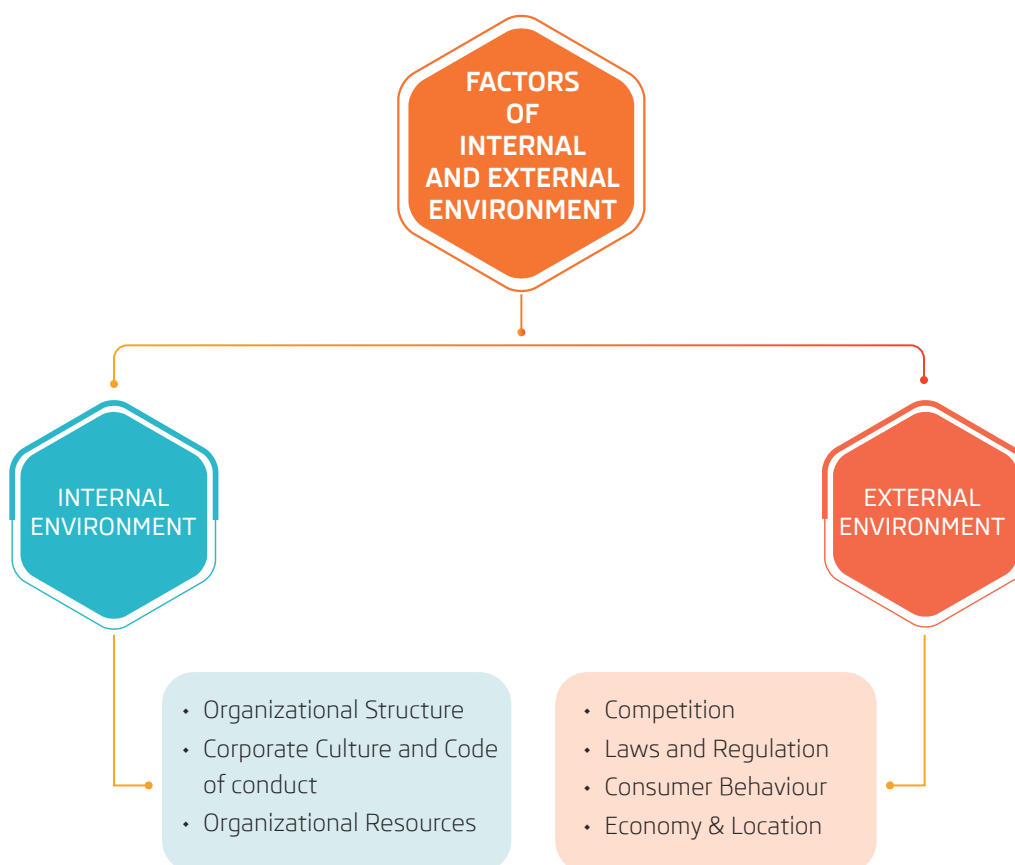
billion a year ago. Policy to encourage BFIs in mobilizing financial resources through the issuance of debentures has contributed to the development of bond market. In 2018/19, altogether 14 commercial banks obtained approval from this Bank to issue debenture worth Rs.43.98 billion.

2.8 BUSINESS ENVIRONMENT ANALYSIS

Business environment is internal and external factors that affect how the business functions including employees, customers, and management, supply and demand and business regulations. External environment can be described as a set of elements that are not part of the organization, but possess an influence upon the organization. Similarly, internal environment can be termed as the environment

within the organization itself. The internal environment can be modified or amended, as the entire authority and rights are embedded in the organization itself.

In the context of the Nepalese banking industry, internal and external factors that affect banking business have been presented below:



Opportunities and threats are results of external environment, whereas strength and weakness are results of internal environment. SWOT analysis of a bank formally evaluates the strength, weakness, opportunities, and

threats. SWOT analysis provides better leverage to the bank to take advantage of future business opportunities and better understanding of its operational weaknesses, so as to combat threats to potential growth.



STRENGTH

- Wide Spread Network
- Large Customer Base
- Brand Equity
- Innovative and Diversified Products and Service
- Strong Leadership
- Expertise and high level of experience on Digital Payment Business and Operation
- Strong internal control framework and code of conduct
- World class core banking software
- Customer Centric Business Model

Factors of Strength

- NIC ASIA Bank has 292 branches and 302 ATMs across the nation
- The Bank is serving 1.6 million customers till the end of FY 2018-19
- NIC ASIA Bank is No. 1 Banking Brand of the country
- The bank is providing various products and services under "**CHAMATKARIK**" Schemes
- Board members and Management are strongly committed towards goal attainment
- Continuous improvement in digital banking embedding recent technologies
- Zero tolerance policy against unethical behaviors
- The Bank is continuously making upgrades in its core banking software
- Separate "CUSTOMER EXPERIENCE ENHANCEMENT DEPARTMENT" to enhance the customers' experience



WEAKNESS

- Unavailability of desired resources in the market
- Limitation in core banking system's capacity and large number of information available in file only
- Other inherent limitations of control functions

Addressing our weakness

- Liaison with regulatory bodies
- Continuous improvement in core banking system and emphasis on paper less operation
- Update on policies as per the changing market and operational scenarios



OPPORTUNITY

- Enhancement of brand image through Corporate Social Responsibility
- Leveraging existing wide branch network
- Value Creation and Enhancement by automation and digitization
- Better management of deposits by exploring possibility of investing in high yield segments
- Enhanced customer experience

Grabbing the Opportunities

- Bank is working on various social initiatives
- The Bank has its root from remote areas to financial hub to serve every citizen
- The Bank is embedding technological changes in its services and operation
- The Bank is diversifying its investments and market research on subsidiaries are carried
- "CUSTOMER EXPERIENCE ENHANCEMENT DEPARTMENT" is making continuous improvement in services to retain customers

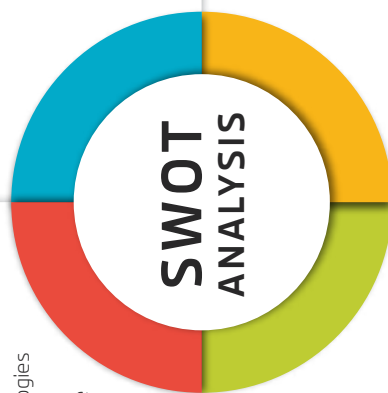


THREAT

- Economic and Political Changes
- Fierce competition from strategic peers

Facing the Threats

- The bank shall making continuous changes in its policies with changing scenarios
- NIC ASIA will continue to provide efficient service to its customers



PESTEL ANALYSIS



POLITICAL

Scenario

- The country since its last general election two years ago has a stable government.

Impact on Industry

- Plans and policies brought by the government vastly affect the business of the banking industry.
- With the stability of government, ease of business is promoted resulting for increase of loans and advances.

The Bank's Response

- Any changes in nation's political scenario are taken into account while formulating the business strategy of the Bank.
- Bank can target for higher growth and explore new areas of investment.



ECONOMIC

Scenario

- GDP of Nepal for 2018-19 is estimated at 7.1%.
- Ratios of Gross Domestic Savings and Gross National Savings to GDP are estimated at 20.5 percent and 52.4 percent respectively in 2018-19.
- The average consumer price inflation in the eleven month of 2018-19 is 4.5 percent.
- High current account deficit is due to the expansion of imports.
- Hike in interest rates on deposits due to the liquidity crisis and increased credit demand.

Impact on Industry

- Service sector recorded growth of 7.3% and agriculture recorded growth at 5% during 2018-19
- Balance of Payment (BoP) widened to NPR 67.4 billion during 2018-19
- Import stands at NPR 1418.54 billion while export was NPR 97.11 billion resulting to trade deficit of NPR 1321.43 billion in 2018-19
- Share of service sector in GDP stands at 57.8%.
- Widening trade deficit might result domestic liquidity adversely.
- Remittance inflows increased by 17.5 percent to Rs.799.02 billion in the eleven months of 2018-19
- Increase in interest rate might result in decrease in demand for credit.

The Bank's Response

- The Bank cautiously through various product and service is increasing its business in different economic sectors.
- The Bank is focusing on deposit to link the liquidity risk.
- Bank undertakes required approach to optimize between risk and return.



SOCIAL

Scenario

- With increase in number of youth attracted towards foreign employment, the life style of Nepalese people is gradually changing.
- Per Capita Income is estimated at USD 1,034 for 2018-19, while richest 10% earn more than poorest 40%.

Impact on Industry

- Remittance has helped decrease poverty of Nepal also the people's purchasing power has increased considerably in last decade.
- Banking industry taking in fact the people's needs should offer product and services to people.

The Bank's Response

- The Bank has primarily focused on Deprived Sector Lending the upliftment of the community.
- Bank has offered product and services as per the people's need.
- Bank has tied up with remittance agencies in the country with higher Nepali population.



TECHNOLOGY

Scenario

- Technology has largely impacted the life of Nepalese people. Ever changing technology has people's life easier, simpler and dependable.
- Rapid changes in technologies have eased the way of doing business.

Impact on Industry

- Banking industry is embedding the recent technological changes into its product and services.
- Industry is gradually shifting from traditional banking to technology banking
- Industry as a whole is promoting cashless economy with the help of technology.

The Bank's Response

- The Bank has structured its business environment to technological advancement and invested to capture the technological need of stakeholders.
- The Bank is providing services through various digital channels.
- The Bank is focused in increasing user of debit card, credit card, internet banking, POS and mobile banking.
- Manual processes are being automated to increase efficiency and reduce TAT further.



ENVIRONMENT

Scenario

- Climate change concern is rapidly increasing with stricter regulations from regulatory bodies.
- Sustainable development is focused in both financial and non-financial sectors.
- Increased demand of ecofriendly developments.

Impact on Industry

- Banking industry as a whole are focused on green banking and any environmental hazard activities are being seriously taken.
- Regulatory focus on sustainable environment impact reporting.
- Increased environmental concerns on investment decisions..

The Bank's Response

- The Bank is focusing on paperless office and emphasis has been given for various environmental protection plans and programs.
- Adequate assessments of environmental analysis of customer have been done.
- Implemented Environmental Social Risk Management (ESRM) Policy.



LEGAL

Scenario

- Tighter regulation are being introduced to prevent money laundering, black economy and strict action being taken towards non-compliance with regulations

Impact on Industry

- Banking industry are required to implement AML, CFT and KYC regulations
- Banks are required to comply with policies of Nepal Rastra Bank and Companies Act, Income Tax and various other regulations

The Bank's Response

- The Bank has zero tolerance against non-compliance of regulations.
- Continuous communication is being carried with regulatory bodies for any changes in policies and the Bank has strictly complied with the directives and amendments.

2.9 STOCK PRICE STATISTICS

BANK'S SUMMARY

Company's Name	NIC ASIA Bank Limited
Symbol	NICA
Sector	Commercial Bank
Share Registrar	NIC ASIA Capital Limited
Total Listed Share	88,342,287
Face value (NPR)	100

BANK'S STOCK PERFORMANCE IN NEPAL STOCK EXCHANGE (NEPSE):

Month		Month High	Month Low	Closing	No. of Trades	Traded Share Quantity	Market Capitalization (end of month) (NPR million)
Shrawan-2075	17 Jul-16 Aug	324	304	322	776	158,022	25,860
Bhadra-2075	17 Aug-16 Sept	425	307	408	3,046	1,095,118	32,767
Ashwin -2075	17 Sept-17 Oct	459	401	441	3,294	1,114,049	35,417
Karthik-2075	18 Oct-16 Nov	453	410	417	1,295	441,449	36,839
Mangsir-2075	17 Nov-15 Dec	426	351	378	1,705	451,914	33,393
Poush-2075	16 Dec-14 Jan	400	376	386	1,634	621,088	34,100
Magh-2075	15 Jan-12 Feb	401	381	386	1,685	414,287	34,100
Falgun-2075	13 Feb-14 Mar	405	368	399	1,875	426,473	35,249
Chaitra-2075	15 Mar-13 Apr	478	393	469	4,340	1,070,985	41,433
Baisakh-2076	14 Apr-14 May	515	466	493	4,788	1,224,866	43,553
Jestha-2076	15 May-15 Jun	502	447	454	3,313	979,321	40,107
Ashad-2076	16 Jun-16 Jul	480	441	448	2,626	687,138	39,577



2.10 EXPERIENCE TRANSFORMATION

FY - 2019-20 YEAR OF EXPERIENCE TRANSFORMATION

Creating a value for the customer has always been into the priority of the service sector. Most of the companies are already responsive towards the need to create value for their customers. The value being created for the customers need not to be always in the form of monetary or functional benefits, it can also be in the form of experience that today's most of the companies are trying to create for their customers. As a result, customer experience has now become the imperative objective for the companies.

When we talk about the customer experience, it is the core and individual response customer get during any direct or indirect contact with the company. Direct contact is made when customers physically be present to exercise/obtain the services whereas the indirect contact is made when customers has unplanned encounters with representations of the company's products, services or brands, which may later take the form of word of mouth recommendations or criticisms, advertisements, reviews and so forth. These both direct and indirect contacts are equally responsible in forming the experience for the customers.

However, some companies don't understand why they should worry about the customer experience. Even if some

company does surveys for the same, the results are often not shared or even used as references. The market is getting competitive day by day and customers have greater number of choices than before. Hence, it is not effective to assume that the given offerings are enough to create impact upon customers' choices in same way it used to do in past.

The good experience is not the multiplicity of the features on offer. It also incorporates the service quality and scope. In such, it is vital to understand the customers' fundamental value propositions. Both 'what' and 'how' factor matters when service is being provided. For instance, all banks provide the same line of products and services to the customer yet it matters how these banks provide services where the service delivery time could be one of the experience driving factor for the customers in the bank.

Moreover, most of the company's understanding on customer experience is constrained to customer satisfaction which is true and justified to some extent. This is the reason why whenever companies talk about customer experience, most of them highly emphasize on touch points management. And most of them are focused

towards the maximization of satisfaction at the moments of touchpoints which has also distorted the image of customers being happy with the services than they actually are. This has led to diversion of attention from bigger and important picture of customers' journey with the company.

But this doesn't suggest the solution as to replace touchpoint with other alternates. The touchpoints and expertise will always be the invaluable sources of insights for company. Rather, in addition to that, the company requires identifying the customer journeys, understanding the current performance, building cross functional processes to redesign and support the proposed journeys and internalizing the cultural change for sustainable achievements in excelling at customer experience. The customer's journey begins with the expectations they have before the experience occurs and ends with the assessments they are likely to make once it is over. It incorporates the emotional and functional attachments between company and the customers. Therefore, recognizing the clues that company is sending to their customers is first step towards understanding and managing the customer experience. Further, the companies that can combine both the functional and emotional benefits in their offerings can always have the competitive edge over competitors. In overall, the customer experience can be good, bad or indifferent but the key is to how effectively the experience of customers is being understood and managed by the companies.

ENRICHING CUSTOMER EXPERIENCE

Customer experience differentiates the bank among its competitors. At the beginning of the 21st century, businesses quickly learned that experience is the most important factor for its success. According to a recent survey, over 80% of organizations expect to compete mainly based on Customer experience. Be it customer service, product or just the way the customers feel about the companies they do business with, customer experience rises to the top of whether or not the customer will decide to keep doing business with a brand.

Customer does not just purchase the product; they also purchase the services along with the product. Services should be designed in such a way that it not only

complements the products but also compliments it. Post purchase services not only satisfy the customer but also provide scope and avenue for the business to up sell or cross sell. By showing that you care and are listening (not just hearing) to the customer needs and grievances, businesses can deepen the roots and create a brand loyalty mindset.

Delivering positive experience increases the loyalty among the customers. The main objective of any business is to transform its existing customer into their brand ambassador, which will in turn promote the business via word of mouth. Positive customer experience will generate Goodwill for the business and this is generally used as an arsenal by the marketing department to market their products, which will significantly reduce the marketing cost and the amount saved can be used to further develop the business.

Benefits of Positive Customer Experience

- Creates loyalty among the internal and external customers.
- Reduction of expenses and increase the profits of the business.
- Provides competitive edge among its peers.
- New market opportunities at lower cost.
- More customer acquisition and conversions

EXPERIENCE TRANSFORMATION

With a vision of installing a robust and scalable apparatus for Delivery of Guaranteed Service standard for experience enrichment in the bank and to drive the transformational journey towards customer experience into next level, the Bank has established Experience Enrichment Department (EED). EED was formed with bifurcation of Experience Support, Strategic Experience and Experience Care Units. The functions have been implemented with defined TOR, and monitoring metrics. With the aim of standardizing servicing model, Strategic Integration Planning is underway involving channel migration and Digital Solutions for integration and implementation, Standardization in Turn Around Time for all services through Branches, Monitoring



of TAT of Branches with EQMS, PBX and Customer Experience Solution.

RATIONALE OF EXPERIENCE TRANSFORMATION

Guaranteed Service Delivery

Customers are becoming increasingly demanding and expect a connected, seamless service experience with a Brand. The culture of Guaranteed Service Delivery can ensure the satisfaction among the customers. Besides, there will be uniform communication across both physical and digital touchpoints with implementation of Knowledge Zone. The EQMS and Omni Channel that can be used to measure the TAT on guaranteed service delivery with the implementation of EQMS and Omni Channels.

Integrating Service Delivery

As a Servicing Organization, every department and every program that the Bank organizes will have some way of understanding and assessing its customer's opinion and improving customer satisfaction over time.

Effectiveness of Service Excellence

Implementation of Key KPI Metrics as a tool in measuring the Customer Experience Rating at Individual, Branch, Department and Bank can ensure the service excellence. For which, the different internationally practiced tools and framework can be used for measuring effectiveness.

Continuous Improvement

It is very essential to assess the underlying bottleneck through service audit in order to achieve continuous improvement, develop a culture of excellence, cultivate good practices, drive innovation, and deliver sustainable results in the area of Service excellence, further internalize the sense of responsibility and delight in featuring excellent service delivery among our staff members, to be meticulously attentive to the needs of customers, learn, innovate and perform; and, to Reduce waste, increase economic efficiencies and improve societal relationships and Map the internal and customer journey.

Assessing Customer Delight

Customer flow can be increased by assessing the customer delight which can be done by enhancing the image and goodwill, customer experience and service delivery.

WHERE WE ARE	WHERE WE WANT TO BE	OUTCOME
Customer Satisfaction	Customer Delight	Experience Enrichment
Fragmented Delivery	Integrated Seamless Experience	
Idiosyncratic Service Mode	Sustainable Guaranteed Service Delivery	



VISION FOR EXPERIENCE TRANSFORMATION

- To instill a robust and scalable apparatus for Delivery of Guaranteed Service Standard for Experience Enrichment in the Bank.
- To drive the transformational journey towards Customer Experience towards next level.
- To initiate KPI's and Customer Experience Metrics as a tool in measuring the organization performance



BUSINESS OBJECTIVES

- To define, map and standardized Service Turn Around Time and customer journey mapping
- To identify nodes acting as bottle necks and impediments in customer journey and to eliminate them
- To reduce customer effort by leveraging both traditional and digital channels
- To provide a Customer Support service to enable customers to issue complaints on-line and receive a direct response from the Bank with resolution and response based on First Time Right Culture.



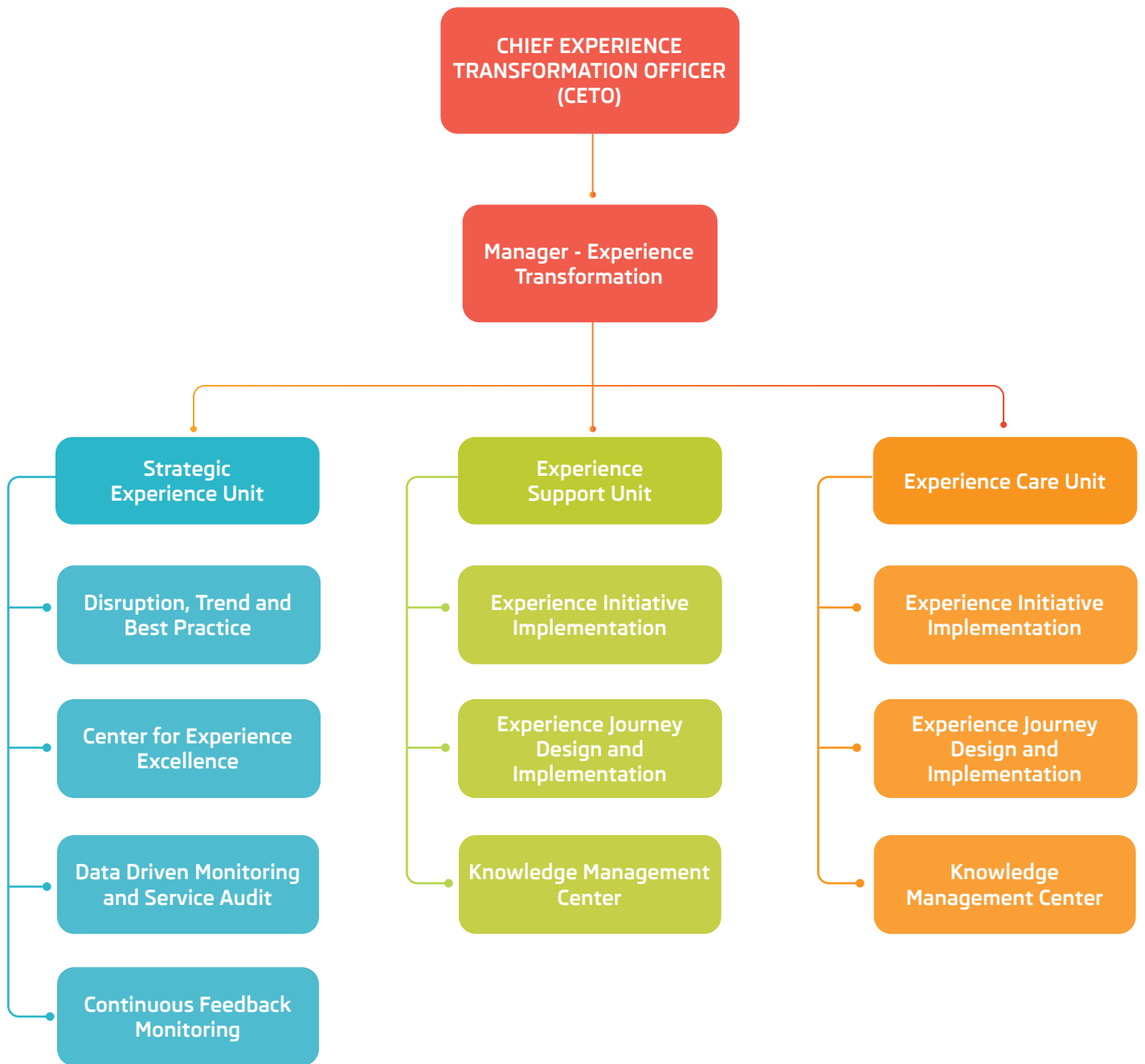
TECHNOLOGY OBJECTIVES

- To instigate intelligent system for measurement of Service Turn Around Time
- To reduce customer-service processing duration through electronic queue management system
- To enhance service range through digital interface (non-assisted self-servicing) and deliver the service uniformity at assisted servicing channels (Branches, Extension Counters etc)



PERFORMANCE MONITORING ON SERVICE DELIVERY

- Implementation and Monitoring of Self Declaration Model on Standard Service Delivery.
- Placement of Client Charter on Guaranteed Turn Around Time in all Branches' Experience Floor.
- Tiered Grievances and Resolution Model Country Circular has been rolled out.



2.11 EXPERIENCE TRANSFORMATION STRATEGY



This year the Bank is celebrating 'Year of Experience Transformation', a vision that has potential to revolutionize the banking industry. If this strategy succeeds in bringing desired impact, the Bank will be symbolized as the epitome of the change in financial landscape of Nepal. Presence in public through different means of media alone doesn't boost the brand.

IMPORTANCE OF EXPERIENCE TRANSFORMATION STRATEGY

In banking industry, 'change' has become more rapid than ever. People are soon bored by status-quo and expect frequent innovation that enriches their interaction and experience with a bank. People perceive that new and enriched services are value addition to what they have been paying for the service. But if you fail to deliver upon that expectation of public, you fail to retain their loyalty. The customers get satisfied with your service and are less likely to switch the brand as long as they receive renewed and fault-less banking experience. That's why the experience transformation has become of paramount importance.

Banking service has close link with everyday financial affairs of public.

But we have seen mushrooming public discontents related to banking service. Yet people have no choice but to continue acquaintance with their existing bank because they know it's same everywhere and changing a bank is just going to cost them time without additional value. In this context, the Experience Transformation is what they seek and what bank have been looking to offer. NIC ASIA want to be better than other banks in terms of offering swift and hassle-free banking service and prompt resolution to their problems.

This very reason triggered NIC ASIA Bank to shift its focus towards experience transformation. When a customer joins our Bank, we want to give them a new kind of experience- something they have not received at other banks. The bank want its delivery to exceed their expectation

and thus offer value added service. The bank wants to establish itself as the last resort after which their search for better banks will be over.

MARKET SITUATION IN THE FIELD OF CUSTOMER EXPERIENCE

Looking at the banking perception of public in Nepal and when compared it with developed countries, one can say the banking experience for Nepali is at very low level. The high competition has caused banks to focus on profitability and expansion rather than improving customer experience. Every single customer has gone through some form of hassles while availing service from their banks.

NIC ASIA has realized this fact and is trying to intervene and bring a shift in the ways banks should treat their customers. Now with 'customer first'



strategy, the Bank aims to provide the best banking service to the public in entire banking industry.

Talking about our Bank, our able Experience Enrichment Department has developed a system to measure customer experience based on qualitative and quantitative dimensions. As per the Experience Audit Rating of mid-October 2019, the Bank scored 79.2% weight in customer experience. This shows that the Bank's overall customer experience so far has been on almost satisfactory level and the Bank is targeting for cent percent scores to achieve the status of Service Excellence by the end of the year. The Bank forecasts that more than 90% service excellence is possible after the effective implementation of Experience Transformation Strategy.

CARRIER OF THE STRATEGY

The strategy formed at top level is futile unless it is executed with full swing at operational level. Experience transformation has two dimensions--customer physical banking experience and virtual digital banking experience. Our customer facing staffs like CSD, Experience Managers and Relationship Managers are the ones who have direct role in substantiating our experience transformation strategy while our Digital Innovation department also has a high stake in offering digital banking service without fail. Only when both these aspects are executed simultaneously, we will achieve the goal of experience transformation.

ROLE OF OTHER DEPARTMENTS AND EMPLOYEES

The Bank is a large family and works are divided among all members.

But at the end, every department and every job are interconnected. Those who don't have direct roles in experience transformation process have supportive function and their job roles are somewhere connected to experience transformation paradigm. Besides, every employee is the voice of the Bank and thus employee role in disseminating positive views of the Bank to public is always important.

EXPERIENCE TRANSFORMATION MINDSET

The modern day business has hugely transformed due to evolving trend and technology disruption. Businesses those are adamant in aligning with emerging trends have faced extinction or slow growth. As discussed earlier, banking business has constantly undergone transformation over the years and the process of change is perpetual. NIC ASIA Bank strives to better the banking industry by bringing radical change in the way banking business is done. This quest for newness triggered NIC ASIA Bank to opt experience transformation strategy. Thus, the Bank's strong urge and need for innovation caused the Bank to completely transform banking business into experience center as people in modern era wants better and improved experience. Through successful implementation of experience transformation, the Bank will resolve all customer-facing problems in banking industry.

The success depends on its effective implementation and convergence of efforts of all colleagues to meet this goal. The Bank is confident at the success of this new idea because there is tone at the top about this experience transformation idea. This idea has been approved by the Board

and repeated commitment from corporate leadership throughout the company has boosted the Bank's morale to pursue this idea more valiantly. The Bank is confident this strategy will be no. 1 pivot of the Bank in driving it towards the summit of success. Our leaders at various positions have understood the essence of Experience Transformation very well and they own it. With such ownership and commitment, it is certain the idea will bring radical change in the banking industry with NIC ASIA becoming a pioneer.

CHALLENGES AND RESOLUTION

The Experience Transformation idea provides picture of why customer experience could be a next big leap for NIC ASIA Bank to establish itself as a first preferred bank for all service seekers. What does a person expect from a bank? An error-free service, immediate accomplishment of tasks, better response by staffs and swift digital service so that customers don't have to run to banks for every single issue. These are very simple things which could be easily embedded and enforced at once. But why we can't do it overnight is the important question. It is because of culture adaptation. People are used to doing tasks in certain way and are adamant on bringing change in this pattern. Our biggest obstacle is thus the culture adaptation. The sooner our colleagues understand the importance of experience transformation, faster we will attain the pinnacle of customer trust.

OUTCOMES

The experience transformation strategy will put the bank with huge competitive advantage and distinctly different from the industry peers.

As today's society and businesses are shifting towards experience-driven or value-based services apart from regular models, the experience transformation strategy of NIC ASIA Bank will help bank align its operations to emerging trend and re-invent itself towards the path of sustainable growth.

Customers today are well-researched and have higher expectations than before. With Experience Transformation paradigm, the Bank will be offering them value and enriched emotion through better experience. This will help gain the proactive engagement of customers with our Bank. With this strategy we expect to gain customer retention, likelihood of buying additional products and services, and advocacy i.e. likelihood of recommending our service to others. Good customer experience will produce more

customers, more sales, and more loyalty.

A continuous approach to transforming the experience of customers will allow our Bank to manage its risk exposure, reduce operational cost, deliver bottom line benefits, and develop the ecosystem for sustainable business growth while driving retention, loyalty and brand reputation.

VISION AT THE END OF FISCAL YEAR

If the Bank's Experience Transformation strategy goes into right direction and when all our colleagues understand the crux of experience transformation and orient themselves towards achieving this goal of the Bank, we will be able to set a strong bedrock foundation built on customer experience which leaves us in the most advantageous position

to connote our top position in the industry.

Through seamless banking experience for our customers, we will be able to create a massive word-of-mouth promotion. NIC ASIA Bank will be synonymous to best banking service provider in the country. Eventually, our bank will be the most preferred financial destination and will be prized for leading the change in Nepalese financial landscape.



2.12 INVESTORS' RELATION

INVESTORS' QUERIES REDRESSAL

During the discussion session on 21st AGM of NIC ASIA Bank held at Heritage Garden, Sanepa, Lalitpur on 19th December 2018, our valued shareholders had raised some queries related to the Bank's financial and operational performance which were satisfactorily addressed by CEO Mr. Roshan Kumar Neupane.

INVESTOR COMPLAIN MECHANISM

1. Investors can go to <https://helpdesk.nicasiabank.com/support/home> and raise grievance
2. Investors can contact through toll free hotline number 16600177771

The Bank continuously monitors the complaint raised by its investors and are addressed in a timely manner.

INVESTORS' RIGHT TO INFORMATION

1. The notice regarding Annual General Meeting is published in the national daily atleast 21 days prior to the date of meeting, with information on the date, time, venue and all agenda items with comprehensive support data concerning the issues to be discussed.
2. The Bank makes arrangement for its investors to inspect and obtain copies of the annual financial statement, directors' report and auditors' report.
3. The notice of the shareholders meeting is also posted on the Company's website.
4. The invitation to the Annual General Meeting contains shareholder information and guidelines relevant to the meeting, including the voting procedure. In case shareholders cannot personally attend the meeting, they may appoint a proxy.



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3

3.1 SHAREHOLDING STRUCTURE

Particulars	Number of Shares	Amount (NPR)
Authorized Capital	88,400,000	8,840,000,000
Issued Capital	88,342,287	8,834,228,698
Paid up Capital	88,342,287	8,834,228,698

ORDINARY SHARE OWNERSHIP

Particulars	Amount	Percentage Holding
Domestic Ownership		
Nepal Government	-	-
"A" Class Licensed Institutions	-	-
Other Licensed Institutions	556,556,408	6.30%
Other Institutions	8,277,672,290	93.70%
Public	-	-
Other	-	-
Foreign Ownership	-	-
	8,834,228,698	100%

CAPITAL STRUCTURE

Particulars	Number of Shares	Capital Structure	Paid up Amount (NPR)
Promoters Shareholders	45,054,566	51%	4,505,456,636
General Public Shareholders	43,287,721	49%	4,328,772,062
Total	88,342,287	100%	8,834,228,698

SHAREHOLDING STRUCTURE OF DIRECTORS

Name of Director	Position	Number of Shares	Percentage Holding
Tulsi Ram Agrawal	Chairman	1,575,865	1.7838%
Trilok Chand Agrawal	Director	4,713,807	5.3358%
Ram Chandra Sanghai	Director	3,898,206	4.4126%
Rajendra Prasad Aryal	Director	86,633	0.0981%
Binod Kumar Pyakurel	Director	470	0.0005%
Ganesh Man Shrestha	Independent Director	283	0.0003%
Nikunj Agrawal	Director	1,734,701	1.7856%



3.2 BOARD COMMITTEES AND MANAGEMENT COMMITTEE

AUDIT COMMITTEE

S.N	Name	Status in Organization	Status in Committee
1	Mr. Ganesh Man Shrestha	Independent Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Raju Prasad Adhikari	Head-Internal Audit Department	Member Secretary

RISK MANAGEMENT COMMITTEE

S.N	Name	Status in Organization	Status in Committee
1	Mr. Binod Kumar Pyakurel	Director	Coordinator
2	Mr. Rajendra Prasad Aryal	Director	Member
3	Mr. Ganesh Man Shrestha	Director	Member
4	Mr. Kapil Dhakal	ACEO-Quality Assurance Ecosystem	Member
5	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member Secretary

KARMACHARI SEWA SUVIDHA SAMITI

S.N	Name	Status in Organization	Status in Committee
1	Mr. Ram Chandra Sanghai	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Roshan Kumar Neupane	CEO	Member
4	Mr. Bishal Sigdel	Chief Experience Transformation Officer	Member
5	Mr. Sudhir Nath Pandey	DCEO	Member Secretary

SAMPATI SUDHIKARAN NIWARAN SAMITI

S.N	Name	Status in Organization	Status in Committee
1	Mr. Rajendra Prasad Aryal	Director	Coordinator
2	Mr. Ram Chandra Sanghai	Director	Member
3	Mr. Binod Kumar Pyakurel	Director	Member
4	Mr. Kamal Khadka	AML Implementing Officer	Member Secretary

LAND ACQUISITION COMMITTEE

S.N	Name	Status in Organization	Status in Committee
1	Mr. Trilok Chand Agrawal	Director	Coordinator
2	Mr. Ram Chandra Sanghai	Director	Member
3	Mr. Binod Kumar Pyakurel	Director	Member
4	Mr. Roshan Kumar Neupane	CEO	Member
5	Mr. Bishal Sigdel	Chief Experience Transformation Officer	Member
6	Mr. Kapil Dhakal	ACEO-Quality Assurance Ecosystem	Member
7	Mr. Kailash Gautam	Head DNA and Talent Management/ Branding/ GAP	Member
8	Mr. Sudhir Nath Pandey	DCEO	Member Secretary



Know your **BALANCE** from a **SINGLE MISSED CALL**

* For **BALANCE ENQUIRY** give a
missed call at **9801227733**

* For **MINI STATEMENT** give a
missed call at **9801227744**



FOR REGISTERED MOBILE NUMBER ONLY



DNA OVERSIGHT COMMITTEE

(MANAGEMENT LEVEL COMMITTEE)



Mr. Roshan Kumar Neupane
Chief Executive Officer



Mr. Sudhir Nath Pandey
Deputy Chief Executive Officer



Mr. Santosh Kumar Rath
Assistant Chief Executive Officer - Image & Experience Projection & Promotion Ecosystem



Mr. Rajesh Rawal
Assistant Chief Executive Officer - Performance Assurance Ecosystem



Mr. Kapil Dhakal
Assistant Chief Executive Officer - Quality Assurance Ecosystem



Mr. Jayandra Rawal
Assistant Chief Executive Officer - Performance Assurance Ecosystem



Mr. Bhes Raj Khatiwada
Assistant Chief Executive Officer - Experience Assurance Ecosystem



Mr. Ranjan Khadka
Assistant General Manager - Strategic Resource Penetration Ecosystem



Mr. Dipendra Bahadur Rajbhandari
Chief Risk Officer



Mr. Arjun Raj Khaniya
Chief Business Officer



Mr. Bishal Sigdel
Chief Experience Transformation Officer



Mr. Prakash Baral
Chief Credit Officer



Mr. Bapin Rajbhandari
Chief Technology Officer



Mr. Dinesh Bhari
Head Legal



Mr. Narayan Sundar Shilpakar
Chief Digital Marketing Officer



Mr. Rupesh Luitel
Chief Financial Officer



Mr. Raju Prasad Adhikari
Head Internal Audit



Mr. Kailash Gautam
*Head DNA and Talent Management /
Branding/ GAP*



Mr. Deepen Karki
Company Secretary



Mr. Suman Thapaliya
Head Strategy, BPR & Think Tank



Mr. Narayan Prasad Nepal
*Head Strategy & Transformational
Organization Development*



▼ South Asian Federations of Accountants (SAFA) awarded Certificate of Merit for Best Presented Annual Report



▲ Winner Kathmandu Kings XI Corporate Indoor Cricket Tournament



Winner Jungle Cricket Corporate Tournament ▲

3.3 HISTORY OF AGM





4th

Date of AGM: 13/01/2002
Place of AGM: Birendra Sabhagriha, Biratnagar
Major Decision Taken:

- Declaration of dividend at 10%

5th

Date of AGM: 14/03/2003
Place of AGM: Hotel Ratna, Biratnagar
Major Decision Taken:
Appointment of Mr. Jagdish Prasad Agrawal, Mr. Lokmanya Golcha, Mr. Basudev Golyan and Mr. Tulsi Ram Agrawal from Promoters' Group to Board of Directors

6th

Date of AGM: 05/01/2004
Place of AGM: Hotel Namaskar, Biratnagar
Major Decision Taken:

9th

Date of AGM: 01/12/2006
Place of AGM: Udhog Sanghathan Sabha, Biratnagar
Major Decision Taken:

- Declaration of dividend at 10.5263% (including bonus share 10%)
- Appointment of Mr. Jagdish Prasad Agrawal, Mr. Tulsi Ram Agrawal, Mr. Ashok Kumar Agrawal and Mr. Nirmal Kumar Agrawal from Promoters' Group to Board of Directors

8th

Date of AGM: 09/12/2005
Place of AGM: Udhog Sanghathan Sabha, Biratnagar
Major Decision Taken:
Declaration of dividend at 30% (including bonus share 20%)

7th

Date of AGM: 03/04/2005
Place of AGM: Hotel Namaskar, Biratnagar
Major Decision Taken:
Appointment of Mr. Rajendra Aryal and Mr. Birendra Kumar Sanghai from General Shareholders' Group to Board of Directors

15th

Date of AGM: 18/03/2013
Place of AGM: Udhog Sanghathan Sabha, Biratnagar
Major Decision Taken:

- Declaration of dividend at 25%
- Appointment of Mr. Rajendra Aryal and Mr. Birendra Kumar Sanghai from General Shareholders' Group to Board of Directors
- Authorized Board of Director for merger with "Bank of Asia"
- Increase Authorised Share Capital to NPR 3,600,000,000
- Increase Subscribed and Paid up Share Capital to NPR 2,311,552,000

16th

Date of AGM: 28/02/2014
Place of AGM: Udhog Sanghathan Sabha, Biratnagar
Major Decision Taken:

- Declaration of dividend at 20%
- Appointment of Mr. Jagdish Prasad Agrawal, Mr. Tulsi Ram Agrawal, Mr. Lokmanya Golcha, Mr. Ram Chandra Sanghai and Mr. Trilok Chand Agrawal from Promoters' Group to Board of Directors
- Appointment of Mr. Rajendra Aryal, Mr. Binod Kumar Pyakurel and Mr. Birendra Kumar Sanghai from General Shareholders' Group to Board of Directors

19th

Date of AGM: 04/10/2016
Place of AGM: Dillibazar, Kathmandu
Major Decision Taken:

- Declaration of bonus share at 26%
- Authorized issue of right share at 1:0.15
- Increase Authorised Share Capital to NPR 8,000,000,000
- Increase Subscribed and Paid up Share Capital to NPR 6,692,597,498

18th

Date of AGM: 24/01/2016
Place of AGM: Udhog Sanghathan Sabha, Biratnagar
Major Decision Taken:

- Declaration of bonus share at 39%
- Authorized issue of right share at 4:1
- Shift registered office from Biratnagar to Kathmandu-11, Thapathali Trade Tower
- Increase Authorised Share Capital to NPR 5,000,000,000
- Increase Subscribed and Paid up Share Capital to NPR 4,618,769,840

17th

Date of AGM: 11/01/2015
Place of AGM: Udhog Sanghathan Sabha, Biratnagar
Major Decision Taken:

- Declaration of dividend at 30% (including bonus share 15%)
- Increase Subscribed and Paid up Share Capital to NPR 2,658,284,800

3.4 CORPORATE GOVERNANCE

Since Banking is a trust business and a Bank manages hefty amount of public funds in the form of public deposits and public shares, the issue of corporate governance assumes a pivotal significance in the Banking industries. Without having a robust and sound corporate governance framework, the utmost job of protecting and ensuring the legitimate interest of all the stakeholders cannot be discharged effectively. It is therefore imperative that a sound corporate governance framework that instills, monitors, reviews, and reacts to pertinent corporate governance issues is pervasively implemented at all functions, activities, and levels of the Bank.

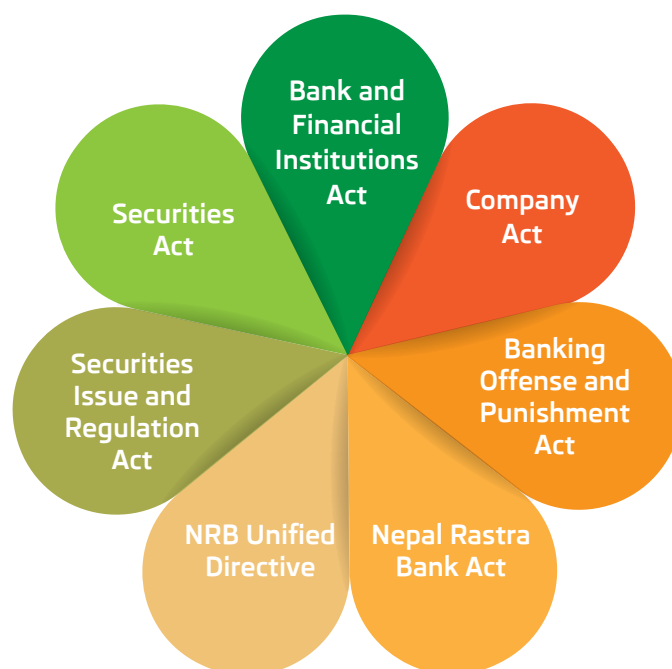
The Bank is committed to be governed by the highest standards of corporate Governance. Compliance with the applicable rules and regulations of the country and with the directives/circulars/guidelines issued by various regulatory authorities is the utmost priority of the Bank and the Bank ensures robust compliance thereto, in word as well as the spirit.

Recognizing the fact, the Board of Directors of the Bank has approved the NIC ASIA Bank Corporate Governance Policy on 31st May 2015 and effectively implemented thereafter.

Objectives of the Policy

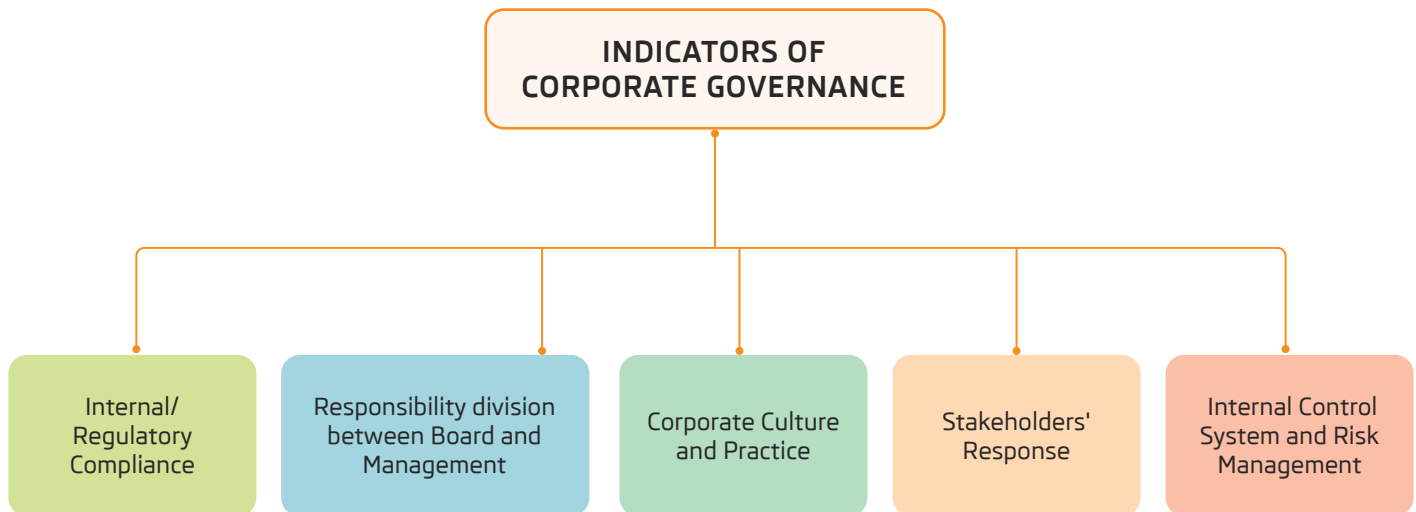
- › Formulation of system documents (Policy/Manual/ Guideline/Standard Operating Procedure (SOP) for each significant activity)
- › Periodic Review of effectiveness of such system documents
- › Establishment of a sound Organization Structure
- › Enforcement of Code of Conduct and Effective Discharge of Roles & Responsibilities
- › Framework for identification and avoidance of Conflict of Interests
- › Enforcement of sound corporate cultures and practices
- › Monitoring, Review, and Reporting Framework

LEGISLATIVE AND REGULATORY FRAMEWORK ON CORPORATE GOVERNANCE





INDICATORS OF CORPORATE GOVERNANCE



CORPORATE GOVERNANCE FRAMEWORK

The Corporate Governance Framework of the Bank typically consists of the following:

- › Formulation of system documents
- › Periodic Review of effectiveness of system documents
- › Establishment of a sound Organization Structure
- › Enforcement of Code of Conduct and Effective Discharge of Roles & Responsibilities
- › Framework for identification and avoidance of Conflict of Interests
- › Enforcement of sound corporate cultures and practices
- › Effective monitoring, Review, and Reporting Framework
- › Procedural and operational provisions required for implementation of the policies are covered in the manuals, or guidelines, or Standard Operating Procedures
- › Various policy documents of same nature (interrelated) formulated by the Bank are integrated into a single policy document
- › Prior to formulation of any policy/manual/guideline/procedures, the impact and readiness assessment of such document are analyzed so that all aspects of implementation of the documents are duly taken care of.
- › Comprehensive "Integrated Risk Management Policy" covering all major risk areas viz. credit risk, operational risk, market risk, liquidity risk of the banking business are formulated and approved by the Board.
- › Formulation of all the Policies/Manual/Guidelines except Policy/Manual/Guidelines related to Internal Audit Department are coordinated by the Integrated Risk Management Department in liaison with various other departments
- › All the manuals/guidelines/Standard operating Procedures approved by the Chief Executive Officer or his designate are forwarded to the Board for its information after their formulation and revision.

FORMULATION OF SYSTEM DOCUMENTS

The Bank formulates required Policies, Manuals, and Guidelines for each significant area of business, control, and support. A separate Standard Operating Procedure (SOP) is prepared for each important activity carried out by the Branches and Departments of the Bank.

- › Board level policies are formulated and implemented after approval of Board.

The authorities for approval of various internal documents are as follows:

S.N	Document title	Final Approving Authority
1	Bylaws	Nepal Rastra Bank
2	Policy	Board
3	Manual	Chief Executive Officer
4	Circular	Chief Executive Officer
5	Procedural Guideline	Chief Executive Officer
6	Standard Operating Procedure	Chief Executive Officer
7	Product Paper Guideline (except Product Paper Guideline for products that qualify under Claims on Regulatory Retail Portfolio and Claims Secured by Residential Properties)	Chief Executive Officer
8	Product Paper Guideline for products that qualify under Claims on Regulatory Retail Portfolio and Claims Secured by Residential Properties	Board
9	Any Policy/Guideline/Product paper which is required to be approved by the Board as per the prevailing regulation	Board
10	Revision of any forms/ formats incorporated in existing Policy except the format prescribed by Regulator	Chief Executive Officer

ESTABLISHMENT OF SOUND ORGANIZATION STRUCTURE

Organization structure of the Bank is defined by ensuring independency and compatibility of the functional units. The basic fundamental principle of any system of Internal Control i.e. segregation of incompatible functions are ensured in all structures within the Bank. Organization structures of the Bank are categorized under following three functions:

1. Business Function:

The Departments/Units involved in client facing activity of the Bank fall under this function e.g. Corporate Loans, Small and Medium Enterprises Loans, Retail Loans, DSL, Priority Loans, CASA, Institution Deposit, Branchless Banking, Remittance, Business functions at Branches and Treasury Department.

2. Support Function

The Departments/Units involved in supporting the Business Functions fall under this function e.g. Credit Approval Department, Branding, Corporate Communication and CSR Department, Experience Enrichment Department, Finance Department, Think Tank Department, DNA and Talent Management Department, General Administration and Project Department, Information Technology Department, Digital Banking Department, Legal Department, Credit Operation Department, Central Remittance Department, Centralized Clearing Department, Central Account Opening Department, Centralized Trade Operation Department, Digital

Channel Support and ATM Management Department, SWIFT Department, Central Support Department and Loan Recovery Department

3. Control Function

The Departments/Units involved in control and compliance functions fall under this function i.e. Integrated Risk Management Department and Internal Audit Department

CODE OF CONDUCT OF THE BANK

Bank's code of conduct or code of ethics defines acceptable and unacceptable behaviors;

- It explicitly disallows behavior that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti-competitive practices, bribery and corruption, or the violation of consumer rights.
- It makes clear that employees are expected to conduct themselves ethically in addition to complying with laws, regulations and company policies.

APPOINTMENT OF DIRECTOR

- General Meeting of the Bank appoints the director in line with the Bank and Financial Institution Act, Company Act, Directives and Regulations of Nepal Rastra Bank,



Memorandum and Article of the Bank.

- › However, in case if position of director becomes vacant before next annual general meeting, appointment of director for remaining period till next annual general meeting is done by Board of Directors.
- › As provided in the Article of Association of the Bank, in compliance with Bank and Financial Institution Act, the tenure of directors is four years. All the directors are eligible for reappointment..

BOARD OF DIRECTORS' COMMITMENTS

- › Upholds the highest ethical standards of integrity and probity;
- › Supports executives in their leadership of the business while monitoring their conduct;
- › Questions intelligently, debates constructively, challenges rigorously and decides dispassionately;
- › Listens sensitively to the views of others;
- › Gains the trust the respect of colleagues; and
- › Promotes high standards of corporate governance

BOARD OF DIRECTORS' ROLES & RESPONSIBILITIES

- › Decision on the long-term objectives of the Bank;
- › Decision on the credit and investment policies of the Bank;
- › Approval of the strategies necessary to achieve these objectives, bearing in mind the activities of competitors and potential competitors and the risks inherent in these strategies;
- › Approval of authorities and powers delegated to the Chairman, Board of Directors, Board Level Committees and Chief Executive Officer.
- › Approval of the Bank's annual budget;
- › Reviewing and, where appropriate, approving material related party transactions which are not in the ordinary course of business;
- › Approval of the establishment of any subsidiary company;
- › Ensuring that the bank manages risk effectively by
 - ›› Determining and approving the Bank's risk appetite
 - ›› Approving the Bank's risk management framework
 - ›› Monitoring the Bank's aggregate risk exposures and return on risk taken.
- › Ensuring that the executive management of the Bank
 - ›› Establishes and maintains appropriate systems to plan

and control bank operations and risks and to comply with relevant legislation and regulations

- ›› Provides regular and sufficient information to the Board to enable it to discharge its monitoring duties in relation to these matters;
- ›› Implements disclosure policies and procedures that comply with regulatory requirements
- › Recommendation of final dividend payments;
- › Approval of the adoption of any significant change in accounting policies or practice;
- › Approval of the applicable policies of the Bank;
- › Appointment of the independent director
- › Ensuring that the Board has the appropriate number and quality of directors to fulfill its responsibilities;
- › Constitution of committees of the Board with terms of reference as necessary;
- › Ensuring the forward planning of the main executive appointments within the organization;
- › Approval of the appointment, dismissal, and remuneration of the executives of the Bank one level below the Board;
- › Approval of the appointment and removal of the Head of Internal Audit Department, and the Company Secretary;
- › Approval and review of the corporate governance policy/ framework of the Bank;

BOARD OVERSIGHT

The Board approves overall strategies and policies of the Bank, taking into account the Bank's long-term financial interests, its exposure to risk, and its ability to manage risk effectively, and approve and oversee the implementation of the banks:

- › Business objective and strategy;
- › Overall risk strategy, including its risk tolerance/appetite;
- › Policies for risk, risk management and compliance; .Internal Capital Adequacy Assessment Process, Capital Plan and Liquidity Plans;
- › Compensation System;
- › Internal control system;
- › Corporate governance framework, principles and corporate values, including a code of conduct

It is also responsible for providing oversight of senior management, which includes approval of policies of the Bank as well as monitoring and reviewing the effectiveness of policies implemented. In doing so, the Board::

- › Monitor that senior management's actions are consistent with the strategy and policies approved by the board,

including the risk appetite;

- › Meet regularly with senior management;
- › Question and critically review explanations and information provided by senior management;
- › Set appropriate performance and remuneration standards for senior management consistent with the long-term strategic objectives and financial soundness of the bank;
- › Ensure that senior management's knowledge and expertise remain appropriate given the nature of the business and the bank's risk profile; and
- › Ensure that appropriate succession plans are in place for senior management positions.

TRAINING & KNOWLEDGE ENHANCEMENT PROGRAM FOR BOARD

The role of Board of Directors is vital in effective implementation of corporate governance. Hence, the Directors have a clear understanding of their role in corporate governance and able to exercise sound and objective judgment about the affairs of the Bank. In order to help Directors acquire, maintain and deepen their knowledge and skills required to fulfill their responsibilities, various training and education programs are conducted.

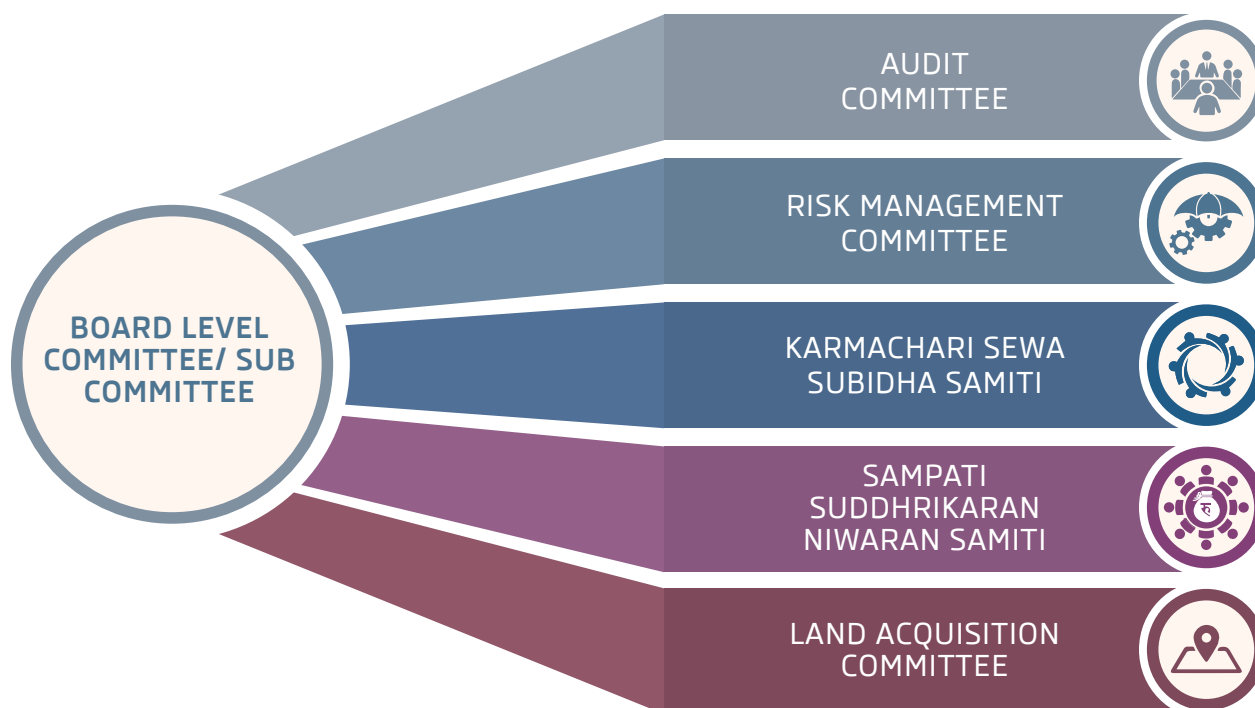
The newly appointed directors are oriented in the following subject matter, among others, within one month of the appointment:

- › Organizational structure of the Bank
- › Nature of Bank's Business;
- › Corporate Governance;
- › Mission, Vision and Values of the Bank;
- › Business Plan of the Bank;
- › Duties, responsibilities and accountability of the Director; e.g. Risk management strategy;
- › Integrated economic and financial position;
- › Prevalent legal Provision;
- › Prevalent banking services and practices; and
- › Regulatory Provisions.

Orientation program on the following subject matter, among others' are provided to the Directors on an annual basis

- › Transparency;
- › Disclosure;
- › Conflict of Interest;
- › Compliance;
- › Relation and Coordination with other institutions; and
- › International best Practices.

BOARD LEVEL COMMITTEE/ SUB COMMITTEE





CHAIRMAN'S ROLES AND RESPONSIBILITIES

- Leading the Board in providing strong strategic oversight, setting the agenda, challenging management's thinking and proposals to ensure sharpness of thinking and creativity in a challenging, complex and fast-changing environment, thereby ensuring clear decisions are made and action are taken.
- Ensuring the Board is a high-performing team with a shared sense of purpose and open and constructive debate amongst all the directors.
- Organize periodic monitoring and evaluation, including externally facilitated evaluation of the performance of the Board and its committees and individual directors.
- Promote the highest standard of corporate governance, complying with directives and regulations of regulatory bodies.
- Ensure effective, regular communication with shareholders and that their views are communicated to the Board as a whole.
- With support of Company Secretary arrange Board meeting in regular interval throughout the year.

ESTABLISHMENT OF "TONE AT THE TOP"

In order to promote a sound corporate culture, the Board takes the lead in establishing the "tone at the top" by

- Setting and adhering to corporate values for itself, senior management and other employees that create expectations that all business are conducted in a legal and ethical manner;
 - Promoting risk awareness within a strong risk culture, conveying the board's expectation that it does not support excessive risk taking and that all employees are responsible for helping to ensure that the bank operates within the agreed risk appetite and risk limits;
 - Ensuring that appropriate steps are taken to communicate throughout the bank the corporate values, professional standards or codes of conduct it sets, together with supporting policies; and
- Ensuring that employees, including senior management, are aware that appropriate disciplinary or other actions will follow unacceptable behaviors and transgressions.

DUTY OF CARE AND DUTY OF LOYALTY

The Directors exercise their "duty of care" and "duty of loyalty" to the Bank. This includes engaging actively in the major affairs of the Bank and keeping up with material changes in the Bank's business and the external environment, as well as acting to protect the interests of the Bank' Directors act on a fully informed basis, in good faith' with due diligence and care, and in the best interest of the Bank. In doing so:

- The Directors should take informed decisions with adequate due diligence and care, where director's expertise is insufficient in any of the decision making activity, the board seeks counsel from competent and independent experts as needed;
- The Directors should be fully satisfied that, the key corporate information and compliance systems are fundamentally sound and underpin the key monitoring role of the Board;
- The Directors should question and critically review explanations and information provided by the senior management during the course of Board and Board Level Committee meetings;
- The Directors shouldn't act in their own interest, or the interest of another individual or group, at the expense of the Bank;
- The Directors should promptly disclose any matter that may result, or has already resulted, in a conflict of interest. Whenever there is a conflict of interest (actual or perceived) the directors is not involved in such activity;
- The Directors should help Board to set tone at the top to promote highest standard of corporate culture and values in the Bank;
- The Directors should individually as well as collectively with other directors, own responsibility for inculcating, steering, promoting, reviewing and controlling overall corporate governance framework of the Bank and abide by exemplarily corporate governance norms in all their actions, behavior and decisions; and
- The Directors shouldn't directly or indirectly, influence the lending, recruitments, procurement and other operational or business decisions of the Bank except those falling under the Board's Decision.

APPOINTMENT OF CEO

Appointment of Chief Executive Officer of the Bank is governed by several regulatory provisions under Banks and Financial Institutions Act and Nepal Rastra Bank Directives, Circulars and Guidelines. In addition, the Board has its own requirements for assessment of qualification of Chief Executive Officer to be appointed. Appointment of Chief Executive Officer is based on evaluation of skills, experience, capability, track record and qualification of the candidate. The competency of the candidate is evaluated based on past performance of the individual. Nepotism or favoritism is avoided. The Board of Directors of the Bank also refers to Memorandum of Association and Articles of Association of the Bank, and Bank and Financial Institutions Act, and other legal provisions related with the appointment of the Chief Executive Officer. The Chairman of the Board is not appointed as Chief Executive Officer. Likewise, the Chief Executive Officer is restricted to hold positions of

Chief Executive Officer, Director, and Employee at other profit-oriented organization. However, restriction is not imposed to become a Director of "Infrastructure Development Bank" funded by the Bank.

Appointment of Chief Executive Officer of the Bank is governed by several regulatory and internal provisions as follows:

I. REGULATORY REQUIREMENT

- › Bank and Financial Institutions Act
- › Nepal Rastra Bank Directives, Circular and Guidelines
- › Other legal provisions

II. INTERNAL REQUIREMENT

- › Memorandum of Association
- › Article of Association
- › Framework established by Board

CEO'S ROLES & RESPONSIBILITIES

To oversee and control the entire functions and operations of the Bank;

- To prepare annual budget and strategic plan of the Bank and furnish to the Board for approval and effectively implement the same and ensure that the Bank is effectively managed, and its periodic goals and budgets are achieved in an effective and efficient manner;
- To manage the human resources of the Bank within the scope of the Employee Services By-Laws of the Bank and ensure their effective utilization and management;
- To implement the decisions of the Board of Directors and the General Meetings of the shareholders;
- To ensure compliance with the Bylaws and Policies of the Bank as well as with the legal and regulatory requirements;

- To implement a robust system of internal control, risk management, and corporate governance at all levels, functions, and processes of the Bank;
- To ensure that the Bank is managed systematically, and effective policies, procedures, manuals, guidelines, and Standard Operating Procedures are in place for each significant activity in which the Bank engages;
- To ensure prudence, propriety, regularity, economy, and effectiveness at all levels, functions, and activities of the Bank;
- To ensure adequate disclosures to pertinent stakeholders
- To perform other activities as specified by the Board of Directors from time to time.

CODE OF CONDUCT FOR CEO

It is the responsibility of Chief Executive Officer to fully adhere to the highest standards of Corporate Governance, Code of Conduct, Ethical Practices and Regulatory and Legal compliance. The Chief Executive Officer is accountable to the Board for all functions and implements the decisions of the Board, supervise and control the activities and transactions of the Bank. Section 29 and 30 of Banks and Financial Institution

Act, 2073 has stipulated the appointment and condition of service of Chief Executive Officer and functions, duties and authorities of the Chief Executive Officer. Nepal Rastra Bank's Directive No. 6 has prescribed some of the qualification and conducts of the Chief Executive Officer.



APPOINTMENT IN SENIOR MANAGEMENT POSITIONS

The Board is responsible for constituting the panel of Senior Management of the Bank through approval of the Organization Structure and the Job Positions and Grades Available at the Senior Management. Management Committee is headed by the Chief Executive Officer. The appointment in Senior Management positions is based on assessment of qualifications, skills and experience for performing in the respective functional area of the Bank. The Chief Executive Officer, Chief Risk Officer, Head of Internal Audit Department and the Company Secretary are appointed by the Board remaining within the provisions of related Act and NRB directives/guidelines. Appointment of DCEO is done by the Board of Directors on recommendation of CEO. Appointment in the other job grades is approved by Chief Executive Officer in line with provision of HR Service Bylaws of the Bank. The Bank has "Integrated Organization Development and Human Resource Management Policy" for governing appointment function of the Bank.

ROLES & RESPONSIBILITIES OF SENIOR MANAGEMENT

Senior Management is the team led by the Chief Executive Officer in carrying out the business and operational functions of the Bank. The illustrative list of roles and responsibilities of the Senior Management relating to this policy are as follows:

- › Carry out and manage the Banks activities in a manner consistent with the business strategy, risk appetite, incentive compensation and other policies approved by the Board.
- › Contribute to the Banks Corporate Governance through personal conduct.
- › Delegating authorities to staff and shall establish a management structure that promotes accountability and transparency throughout the Bank.
- › Provide the Board with the information it needs to carry out its responsibilities and keep Board adequately informed relating to the changes in business strategy, risk strategy, Banks performance and conditions, risk limits and compliance rules legal and regulatory concerns and internal control failures.

PERIODIC EVALUATION

Periodic evaluation and review is crucial for improving the performance of any authority. Hence, the Board of Directors of the Bank shall conduct periodic evaluation of the job performed

by the Board itself, and the job carried out by various Board Level Committees, and the Chief Executive Officer.

a. Periodic Evaluation of Board

The Board shall conduct an assessment of its own activities and functions at least on an annual basis. The detailed criteria and procedure for evaluation of the Board's performance and for peer evaluation of the directors shall be as prescribed by the Board from time to time. Further' the board:

- › Periodically review its structure, size and composition;
- › Assess the ongoing suitability of each board member periodically (at least annually) also taking into account his or her performance on the board;
- › Either separately or as part of these assessments, periodically review the effectiveness of its own governance practices and procedures' determine where improvements may be needed, and make any necessary changes; and
- › Use the results of these assessments as part of the ongoing improvement efforts of the board and, where required by the supervisor, share results with the supervisor.

b. Periodic Evaluation of Board Committee

Evaluation of the activities carried out by all the Board Level Committees are conducted by the Board at least on half yearly basis. The Terms of Reference of the Board level committees as prescribed by the Nepal Rastra Bank and the Board form a primary basis for the evaluation.

c. Periodic Evaluation of Chief Executive Officer

The Board establishes specific evaluation criteria and the evaluation process for reviewing the performance of the Chief Executive Officer at least on an annual basis. The performance review is based on various qualitative as well as quantitative factors including the budgetary performance, profitability, asset quality, effectiveness of the system of Internal Control, Risk Management, and Corporate Governance and the status of implementation of the strategic plan of the Bank. The results of the review are also communicated to the Chief Executive Officer.

d. Review of Financial Performance of the Bank

The Board reviews the financial performance of the Bank at least on a monthly basis. It is the responsibility of the Board to review whether growth of the Bank is as per its long-term strategy and the risk appetite. The Senior Management is responsible to present fair, balanced and understandable assessment of financial performance of the Bank to the Board as well as to external parties as required by prevailing regulatory/statutory requirements The Board establishes arrangements that will enable it to ensure that the information

presented is fair, balanced and understandable.

e. Annual Performance Review

Senior management of the Bank is responsible for annual performance review of every Department, Branch and Business/Operating unit of the Bank as per the policies approved by the Board and in compliance with the HR Bylaws of the Bank. Also, performance of each employee is evaluated against objective criteria and result of such evaluation is utilized as one of the basis for career movements of employees. The criteria based on which performance of an individual assessed are fair, objective to the extent possible and instrumental and are also communicated to the concerned individual and the performance goal for a Fiscal Year are agreed before the commencement of the Fiscal Year. The Bank has a "Performance Management, Reward and Punishment Policy" for governing all the functions relating with Annual Performance Review activities of the Bank

ORGANIZATION CULTURE OF ZERO TOLERANCE

The Bank adheres to the zero tolerance policy on the standards of corporate governance and compliance. All the employees are required to be fully committed to abide by the highest standards of corporate governance. It shall be the individual and collective responsibility of all the employees of the Bank to ensure compliance with all the legal, regulatory, and internal requirements. Any deviation from the prescribed standard may invite disciplinary action.

FINANCIAL DISCIPLINE & MALPRACTICE

Lack of financial discipline and malpractice can hinder Bank's success and put its reputation at risk. All financial expenses of the Bank are controlled within limit of the approved budget and within exceptions provided in Finance Administration Bylaw of the Bank. The financial or accounting records are maintained so as to reflect an accurate and true depiction of the transaction to which they relate. Illegal practice can involve deliberate actions of theft, fraud, false accounting or recording, violating the policies of the Bank, etc. If any malpractice is suspected, such issues are thoroughly investigated and reported to the Board.

ORGANIZATION BEHAVIOUR

- › Corporate governance is not achieved merely by complying with the requirements. It is effectively practiced in the day to day working culture, values, behavior, and approaches. Employees should show respect and politeness to

colleagues, subordinates, and seniors. Employees should respect people from all cultures and social backgrounds. Employees should not practice any form of discrimination, harassment and bullying in the workplace.

- › In a case where any employee feels that he/she is being victimized by such behavior, he/she may report/consult with line manager or senior authority. Employees are also encouraged to inform one's line manager or senior authority when they observe other employees being victimized by such behavior.
- › Being a corporate citizen, the Bank is committed to building and maintaining a strong relationship between the Bank and the larger community. The Bank also invests in social causes through separate vehicle.
- › Bank respects the protection of internationally proclaimed human rights and make sure that businesses being conducted by the Bank are not complicit in human rights abuses.
- › Bank upholds the freedom of association and the effective recognition of the right to collective bargaining within the Bank; the elimination of all forms of forced and compulsory labor within the Bank; the effective abolition of child labor within the Bank; and the elimination of discrimination in respect of employment and occupation within the Bank.
- › Bank supports a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.
- › Bank doesn't tolerate corruption in all its forms including extortion and bribery while conducting its transactions.

EQUAL EMPLOYMENT OPPORTUNITY

The Bank is an equal opportunity employer and does not unlawfully discriminate against employees or applicants for employment on the basis of an individual's race, religion, creed, sex, marital status or any other status protected by applicable law. This policy applies to all terms, conditions and privileges of employment, including recruitment, hiring, placement, compensation, promotion, discipline and termination. Senior Managements ensure equal opportunity employment.

NEED TO KNOW & RIGHT TO KNOW

Information about the Bank is shared generally on need to know basis. However, information that is statutorily required to be provided to various stakeholders is provided as prescribed



under applicable statutes. It is the policy of the Bank to keep the relevant stakeholders fully updated of material aspects of the Bank except the business strategies, and business and customer secrets. The employees of the Bank generally have right to know all the Bylaws, Policies, Manuals, Standard Operating Procedures, and similar documents of the Bank. In fact, it is the individual responsibility of all the employees of the Bank to keep them fully updated of all the internal and regulatory pronouncements so far as these are applicable to their areas of work. All the Policies, Bylaws, Manuals, and Circulars of the Bank are also uploaded into iZone. Similarly, as a general rule, the Board and the Board level committees have the right to be updated on material aspects of the Bank. The Board and Board level committees may also specify their information and update requirements through various documents and decisions, wherever required which are to be promptly taken care of. All the employees of the Bank should deal with the documents, records, information etc. about the Bank or any of its stakeholders that came to their notice with utmost confidentiality and sincerity. Any unauthorized disclosure or other misuse of information shall immediately trigger disciplinary actions.

EXPLICITLY DISALLOWED BEHAVIOR

It is the individual and collective responsibility of all the employees of the Bank not to involve in behavior explicitly disallowed that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti-competitive practices, bribery and corruption, or the violation of consumer rights, sexual harassments etc.

IT GOVERNANCE

IT governance, as sub-category of corporate governance, has its specification and is of crucial importance for the Bank to continue performing business activities by minimizing risks and accomplishing its full potential. The Bank has led the industry by embracing emerging technologies, and the role of IT in delivering customer value has continued to gain prominence as the Bank drives migration to e-based platforms. The reliability and efficiency of IT systems also has a direct impact on the quality and timeliness of information that is generated for regulatory reporting and decision making. The Bank has thus identified the competitive advantage stemming from the appropriate alignment of IT objectives with overall business objectives. The Bank's integrated information technology policy, approved by the Board, is a consolidated version of different policies and procedural guidelines related to information technology. It facilitates and supports authorized access to the Bank's information system, changes management framework on information technology, and aids management of various IT security incidents occurring during the course of day-to-day operations. Audit of networks and systems is conducted on a periodic basis to ensure compliance with the Bank's information technology policies and procedures.

3.5 DIRECTOR'S REPORT

Respected Shareholders,

With warm regards, I would like to welcome you on behalf of Board of Directors and entire NIC ASIA family for your noteworthy participation in 22nd Annual General Meeting of Bank.

In year 2018-19, banking sector faced deficit of resource around the year. Liquidity crisis continued from beginning of first quarter till last quarter. Despite the deficit, business and financial result achieved by our bank during the review period is commendable.

During review period, Bank had formulated and passed long term strategy, "VISION 18-22". All tactical plans of Banks were oriented towards achievement of goals of "VISION 18-22". Highlights of achievements of Bank as per long term strategy are as follows:

- For year 2017-18, bank had historic achievement of footprint expansion of 112 branches. Bank has continued its historic achievement with expansion of 61 branches during the review period. NIC ASIA Bank is Nepal's No. 1 Bank in terms of branches with 292 branches in total (Total of 297 branches till date of preparation of this report),
- With new facilities in digital banking, Bank has provided service to nearly 10% of overall digital banking customers,
- In impactful message delivery and branding sector, Bank won an award in Best Financials Sector-Campaign Category for "Soch Badlau" advertorial. During the review period NIC ASIA Bank was Nepal's No. 1 Bank in terms of Banking Brand,
- For Experience Transformation of customers, "Customer Experience Enrichment Department" has made continuous improvement in services and facilities,

- Based on Bank's non-funded revenue, Bank has achieved tremendous growth of 126% in profit,
- Bank was awarded with Best Presentation Annual Report Award by Institute of Chartered Accountants of Nepal (ICAN). Bank has always been enroute of Integrity, Transparency and Fairness.

In addition to above, bank is vigorously moving ahead for achievement of long term goals like special focus on personal, small and medium enterprises loan and attention on current and saving deposit, increase in customer base and increase in share of non-interest income during the review period.

We are committed towards uplifting banks to new prominence in near future and this is evident through financial result of this year.

We are committed towards uplifting banks to new prominence in near future and this is evident through financial result of this year.

Following report prepared in accordance with Companies Act, 2063, Securities Registration and Issuance Regulation, 2073 and Bank and Financial Institutions Act, 2073, for review of achievements and challenges during review period, short term and long term plans for future period and overall banking activities have been presented in this 22nd annual general meeting on behalf of Board of Directors of bank.

A. OVERVIEW OF BANKING TRANSACTIONS DURING 2018/19

As financial statement of 2018/19 was prepared as per Nepal Financial Reporting Standard (NFRS), financial details and indicators of 2017/18 were calculated on the same basis. Details of achievements of 2018/19 and 2017/18 are presented as follows:



NPR in millions

Particulars	2017-18	2018-19	Percentage Increment/ (Decrement)
Paid up Capital	8,031	8,832	10%
Deposit	151,219	180,575	19%
Total Loan	120,667	150,108	24%
Investment	14,403	19,357	34%
Total Asset	170,943	217,697	27%
Operating Profit	1,918	4,514	135%
Net Profit	1,335	3,023	126%
Net Profit/Total Asset (%)	0.97	1.56	60%
Net Profit/Net worth (%)	12.09	22.73	88%
Non-Performing Loan/Total Loan (%)	0.0697	0.46	560%
Earning Per Share (NPR)	16.62	34.22	106%

During the review period, total lending of the Bank has increased by 24% and reached NPR 150.11 billion. Similarly, deposit has increased by 19% and reached NPR 180.58 billion. Total lending and deposit of the banking industry of the nation has increased by 19% and 16%, respectively, during the review period. Likewise, size of balance sheet of the Bank has increased by 27% and reached NPR 217.69 billion.

There has been tremendous increment in Net Profit despite increment in operational and employee expenses. During FY 2018/19 Operational Profit increased by 135% and net profit increased by 126% and reached NPR 4513 million and NPR 3023 million respectively. During FY 2018/19 Return on Equity and Return on Assets are 22.73% and 1.56% respectively which were 12.09% and 0.97% respectively during the FY 2017/18. We believe that investment made during FY 2018/19 shall contribute for enhancement of business and generating income in the coming years. Earning per Share has increased by 106% from NPR 16.62 to NPR 34.22 during FY 2018/19.

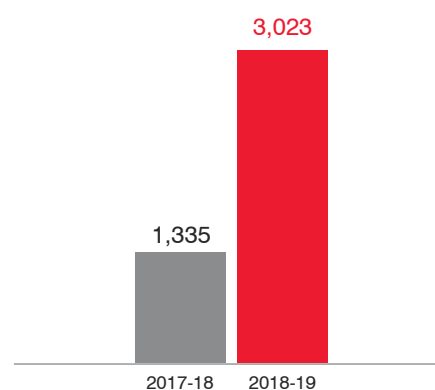
PAID UP CAPITAL AND CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio of the Bank during FY 2018/19 is 13.32 %. It is 2.32% more than the minimum Capital Adequacy Ratio prescribed by Nepal Rastra Bank, i.e 11%.

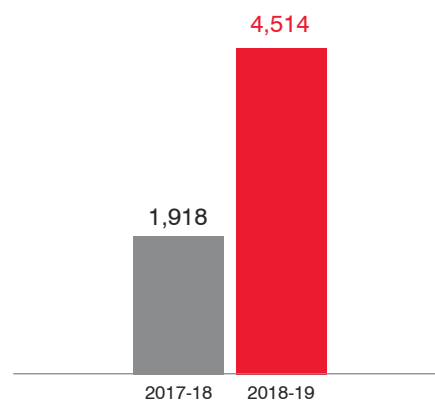
ACCUMULATED PROFIT AND RESERVE FUND

Due to tremendous increment in Net Profit by 126%, Reserve fund has increased by 48% and reached NPR 3.98 billion from NPR 2.70 billion. Also, accumulated profit has increased by 124% from NPR 943.65 million to NPR 2112.88 million.

Net Profit (in millions)



Operating Profit (in millions)



DEPOSIT

Total deposit has increased by 19% during FY 2018/19 and reached NPR 180.58 billion. Average growth rate of deposit of industry during review period is 16% only. During the review period, fixed deposit, saving deposit, and call deposit of the Bank have increased by 21%, 22%, and 20%, respectively.

During the review period, the Bank has introduced "Sammunaatti Bachat Khata", "New Premium Sammunaatti Khata", "Chamatkarik Bachat Khata" and "Chamatkarik Muddati Khata" plans which helped the bank to achieve growth of 22% in deposit and open 525,039 new saving accounts. For the coming years, the bank's strategy shall focus on increasing saving deposits and number of deposit accounts. As on the end of review period, the bank has 1,604,718 deposit accounts. Bank's current and saving deposit contributes to 42.33% of total deposit which was 40.62% during previous period.

During the review period, the bank's incremental market share in deposit of the bank's market is 6.23%. Similarly, share on total deposit of the banking industry is 6.17% during FY 2018-19, which was 5.85 during FY 2017-18. The Bank is able to maintain ratio of individual and institutional deposits as per the requirement of Nepal Rastra Bank, i.e. portion of institutional deposit is not more than 50% of total deposit, as follows:

Type of Deposit	Percentage
Individual Deposit	67
Institutional Deposit	33
Total Deposit	100

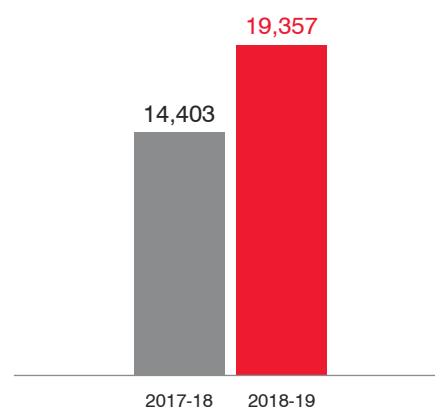
The Bank is focused on collecting deposit from small depositors scattered all over the country in order to minimize the liquidity risk and concentration risk for the Bank and this is expected to improve the cost of deposit as well.

LOAN AND LOAN LOSS PROVISION

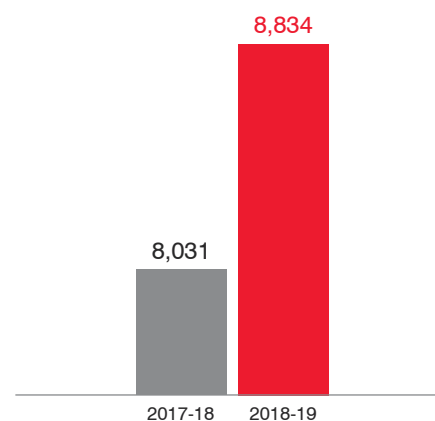
During the review period, total loans and advances of the Bank stood at NPR 150.10 billion, which is 24% growth compared to previous year. Average growth rate of loans and advances of the banking industry in the review period was 19%. As per the strategy of the Bank, retail loan portfolio increased by 20%, small and medium enterprises by 28%, deprived sector lending by 46%, and corporate credit by 19%.

Business Segment	% Increase in Loan Limit
Retail Loan	20
Small and Medium Enterprises Loan	28
Deprived Sector	46
Corporate	19

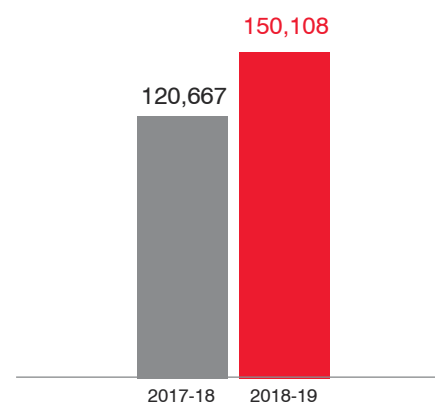
Investment (in millions)



Paid up Share Capital (in millions)



Loans and Borrowings (in millions) 'Excluding Staff Loan'





In line with the long term strategy of the bank and to make the Bank the first choice of customers, Retail, Productive, and Small and Medium Enterprise Loans have been prioritized by simplifying the procedures as per the requirement of customers, and by introducing various schemes with innovative features. The Bank has attained increment by 20% in retail loan due to the same long term strategy. By focusing on deprived sector lending, NPR 13.63 billion has been disbursed to the deprived sector, which is 9% of total loans and advances.

In line with minimum limit set by Nepal Rastra Bank for investment in agriculture, energy & tourism, and priority sector, which is 10%, 15% and 25% of total lending, the Bank has ensured compliance with the same by investing 10.90%, 15.73%, and 28.17%, respectively, in those sectors. Similarly, the Bank has invested 9.08% in deprived sector lending, where minimum limit set by Nepal Rastra Bank is 5%.

Loan	Limit Set by NRB (%)	Bank Loan (%)
Agriculture	10	10.90
Energy and tourism	15	15.73
Priority Sector	25	28.17
Deprived Sector	5	9.08

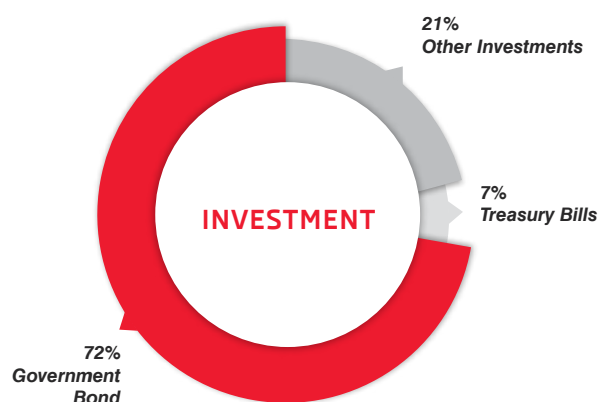
Similarly, the Bank is committed to comply with any investment limits set by Nepal Rastra Bank from time to time.

During the review period, total loan loss provision of the Bank increased from NPR 1.28 billion to NPR 1.88 billion. NPR 598.9 million has been booked as expenses for loan loss provision during FY 2018/19. Ratio of non-performing loan over total loan loss provision is 273%. Ratio of nonperforming loan to total loans and advances has increased during the review period to 0.46%, which was 0.06% during the previous year.

The Bank has prioritized investment in low risk loans in order to achieve results in line with the long-term strategy adopted by the Bank. Recovery and management of loan function of the Bank has been strengthened in order to minimize the risk that may occur due to non-performing loans, and reduce loan loss provision.

INVESTMENT

During the review period, investment of the Bank has reached NPR 19.36 billion, which is 34% in addition to investment of previous year. Out of total investment, investment in Treasury bills, government bond, and other investment is 7.24%, 72.02%, and 20.74%, respectively.



In order to ensure proper utilization, diversification of investment, and to improve income from investment, the Bank is conscious about expanding scope of investment.

Investment in mutual fund and shares during the review period is NPR 4.01 billion. Investment in secondary market has been done in companies that are capable of distributing long-term return in the form of dividend, and the Bank earned NPR 31 million cash dividend from investments portfolio during the review period.

INTEREST INCOME

During the review period, Interest Income of the Bank increased by 43%, and total interest income during FY 2018/19 stood at NPR 19.35 billion. Interest Income from loans and advances was NPR 18.35 billion, which is 45% increment compared to previous year. Similarly, Interest Income from other investment is NPR 810 million, which is 33% increment in comparison with that of previous year.

Breakdown of Interest Income	Amount during review period (in NPR 'million)	% Increment
Interest Income on Loan	18,350	45
Interest Income on Investment	810	33
Total	19,350	

Due to increase in total loans and advance by 24% during the review period and graded replacement law yield corporated portfolio by high yield SME portfolio have contributed the 45% increment in the interest income from loans.

Also, the interest income on investment was optimised by 33% when investments in low return treasury bills were replaced by high yielding Government bond.

INTEREST EXPENSE

During the review period, total interest expense of the

Bank reached NPR 12.39 billion, which is 33% increment in comparison to that of the previous year. Total interest expense on deposit reached NPR 11.65 billion, which is 36% increment in comparison to that of the previous year. Similarly, Interest Expense on borrowing stood at NPR 562.7 million, which is 219% increment in comparison to the previous year because of issuance of debenture amounting to NPR 4.23 billion.

Breakdown of Interest Expense	Amount during review period (in NPR 'million)	% Increment
Interest Expense on Deposit	11,650	36
Interest Expense on Debenture	563	219
Interest to BFIs and NRB	173	(66)
Total	12,386	

Increment in deposit, decrease in minimal interest call account, and conversion of saving deposits into fixed deposits resulted in increase in Bank's total deposit by 19%; hence the Bank's interest expense increased by 33%.

In line with the long-term strategy of the Bank to increase share of current and saving accounts in total deposits of the Bank, various deposit products and schemes have been introduced. With this, we hope that we will be able to achieve gradual improvement in cost of deposit.

NET INTEREST INCOME

As a result of enhancement of business and sound management of the Bank during the review period, Net Interest Income of the Bank increased by 65% and reached NPR 6.96 billion. The Bank has adopted a strategy to maintain optimum credit-to-deposit ratio and interest spread for optimum utilization of fund in the days to come.

NET FEES AND COMMISSION INCOME

These are the income based on non-funded sources. The Bank has been able to earn NPR 2.12 billion as Net Fees and Commissions, which is 144% increment in comparison to that of the previous year. The Bank has achieved remarkable growth in income from debit card, credit card, Bank assurance, remittance, etc.

During the review period, the Bank was able to increase 229,809 mobile banking, 3,087 credit card, 256,096 debit card, 22,455 internet banking, 2,173 POS, 5,235 QR Code customers which have greatly helped to achieve growth in net fees and commission income.

Various services and facilities of the Bank have been improvised with the intent of increasing share of commission

and other operating income in the total profit of the Bank. With extension services like NIC ASIA Remittance, credit card, QR Code and point of sale (POS), we believe that net fees and commission income of the Bank shall increase in the coming years.

OTHER OPERATING INCOME

Other Operating Income of the Bank during the review period is NPR 76 million, which is 9% less in comparison to that of the previous year i.e. NPR 83.6 million. Share of income from trading of foreign exchange in other operating income of the Bank is 3.34%.

STAFF EXPENSES

During the review period, Staff Expenses of the Bank increased by 39.15%, from NPR 1.78 billion in previous fiscal to NPR 2.48 billion. Staff Expenses of NPR 2.48 billion includes staff bonus of NPR 493 million which is increased by 145% due to increase in profit.

Increase in Staff Expenses by 39.15% is the result of increase in number of employees due to expansion of branches. Total number of staff has increased by 1,181 during the review period, from 2,291 to 3,472.

Particulars	2018-19	2019-20	% Increment
Staff Expenses (NPR' million)	1,782	2,476	39.15
Number of Staff	2,291	3,472	51.55
Training Expenses (NPR 'million)	64.2	43.1	32.87

NPR 64.2 million was incurred as staff training expenses, which is 2.59% of the total staff expenses (with staff bonus) of the review period. As per requirement of Nepal Rastra Bank, staff training expenses should be at least 3% of total staff expenses of previous year, and the Bank has spent 3.6% of total staff expenses of the previous year in staff training.

Realizing that employees are the most valuable asset, we believe that staff training expenses spent for the development of their skills and capability is investment for achieving the long-term strategy of the Bank.

DEPRECIATION AND AMORTIZATION

During the review period, depreciation and amortization expenses of the Bank has risen by 76.19%, from NPR 115.8 million to NPR 204 million. Increase in depreciation and amortization by 76.19% is due to increase in capital expenditure from NPR 2.37 billion to NPR 3.26 billion by 38%.



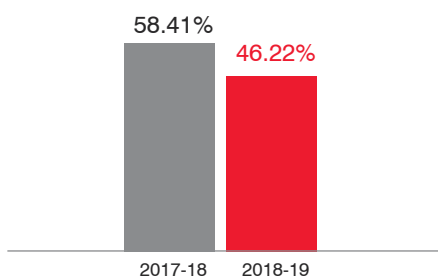
OTHER OPERATING EXPENSES

During the review period, Other Operating Expenses of the Bank increased by 38.46% from NPR 1.24 billion to NPR 1.71 billion. Increase in Other Operating Expenses by 38.46% is due to increase in number of staff, additional 61 branches, and increase in business promotion expenses opened business.

It is expected that such expenses shall act as investment in the days to come through enhancement of business, and positive result shall be seen in the coming years through reduction of cost after simplification and naturalization of banking procedures.

COST TO INCOME RATIO

During the review period, Cost to Income Ratio decreased to 46.22% from 58.41%. Table below shows the Bank's Cost to Income Ratio of last two years.



Increase in net fees and commission resulted in changes in Cost to Income Ratio. Long term strategy of "VISION 18-22" focuses on decrease in Cost to Income Ratio over the period of time.

PAYMENT FOR INCOME TAX AND TAX DEDUCTED AT SOURCE

The bank has contributed NPR 2.51 billion towards the revenue of the country; NPR 1.41 billion in the form of income tax and NPR 1.11 in the form of tax deducted at source.

APPROPRIATION OF PROFIT/LOSS

The bank has earned NPR 3.02 billion as Net Profit during the review period. Appropriation of Profit/Loss during the review period has been presented below;

(NPR 'MILLION)		
Particulars	Review Period	PREVIOUS YEAR
Accumulated Profit	944	1,845
Net Profit of Current Year	3,023	1,335
Transfer from Capital Reserve Fund	-	-

Transfer from Investment Adjustment fund	-	-
Transfer From Share Premium	-	-
Total	3,967	3,180
Appropriation		
General Reserve Fund	605	267
Exchange Fluctuation Fund	0.64	4
NIC ASIA Bond Redemption Reserve	131	71
Deferred Tax Reserve	(42)	-
Investment Adjustment Fund	12	16
Social Responsibility Fund	30	13
Regulatory Fund	272	456
Cash Dividend	42	70
Bonus Share	803	1,339
Accumulated Profit	2,113	944

20% of Net Profit of the review period, i.e. NPR 605 million, has been transferred to the General Reserve Fund. Likewise, NPR 0.64 million to Exchange Fluctuation Fund, NPR 131 million to NIC ASIA Bond Redemption Reserve, NPR 30 million to Corporate Social Responsibility Fund, NPR 11.9 million to Investment Adjustment Fund, and NPR 272 million to Regulatory Reserve.

As per the requirement of Nepal Rastra Bank Directive 6.16, 1% of Net Profit is transferred to the Corporate Social Responsibility Fund. Amount of such fund shall be spent during current year for carrying out various activities in order to fulfill corporate social responsibilities of the Bank.

Amount of Accumulated Profit after appropriation and transfers as stated above is NPR 2.11 billion.

B. ANY IMPACT CASUED TO THE BUSINESS OF THE COMPANY DUE TO NATIONAL AND INTERNATIONAL CONDITION

1. GLOBAL ECONOMY

In 2018, there was 3.1% growth in the global economy. United State's financial policy has largely affected the global economy. For the year 2019, growth rate of 3% is expected in global economy. In the beginning of 2019, there were decline in business and manufacture due to trade dispute, financial tension, instability, and geographical tension. These factors have largely affected growth rate of developed countries.

Developing countries from East Asia and South Asia have achieved economy growth rate of 5.8% and 5.6% respectively. Countries depending upon import of crude oil and products were affected due to fluctuation of currencies. Commodity Market crash of 2014 and 2015 is still having its effect on financial and trade deficit. Trade dispute between United States and China, geographical tension between India and China regarding Kashmir, BREXIT and climate change have made negative impact in global economy.

(Source: Based on analysis of World Bank and IMF)

2. STATUS OF NATIONAL ECONOMY

A. Gross Domestic Product and Inflation

Central Department of Statistics has assumed the growth rate of GDP for 2018-19 at 7.1%. Increase in agriculture production, tourism; pace of construction, industries and ease in energy generation have largely helped in growth of economy. Growth rate of agriculture sector was 5%, and that of industrial and service sector was at 8.2% and 7.3% respectively.

Inflation rate of the nation was 4.6% for 2018-19 which was 4.2% for 2017-18.

Particulars	2017-18	2018-19
Economic Growth Rate	6.7%	7.7%
Growth Rate of Agriculture Sector	2.8%	5%
Growth Rate of Industrial Sector	9.6%	8.2%
Growth Rate of Service Sector	7.2%	7.3%
Average Consumer Inflation	4.2%	4.6%

B. Status of Financial Market

Private sector credit, on y-o-y basis, increased by 20.6% in mid-June 2019. The projected growth rate of such credits was 20%. In mid-July 2019, the weighted average interest rate of 91-days Treasury bills stood at 4.97 percent and the weighted average inter-bank rate among the commercial banks stood at 4.52 percent. Such rates were 3.74 percent and 2.96 percent respectively in mid-July 2018. In mid-June 2019, the weighted average deposit rate and lending rate of commercial banks stood at 6.64 percent and 12.20 percent respectively. Such rates were 6.61 percent and 12.42 percent in mid-June 2018. Interbank transaction among the commercial banks stood at Rs.1775.11 billion and among other financial institutions (except commercial banks) at Rs. 209.55 billion in 2018/19.

(Source: Monetary Policy 2019-20, Nepal Rastra Bank)

C. Current Year (FY 2019-20)) achievement until the date of preparation of Report from the Directors and Board of Director's view on future activities of the company

No substantive event affecting the Bank has occurred during the period after balance sheet date (Jul 16, 2019) till the date of preparation of this report.

Comparison of financial results of first month of 2019-20 with that of first month of 2018-19:

Particulars	17 July 2019 to 17 August 2019	17 July 2018 to 16 August 2018	% Increment
Total Deposit	178.03	156.02	14
Total Loans and Advances	157.81	128.14	23

We believe that bank shall achieve desired goals during current year as well.

I. Branch Expansion

As per long term strategic plan of Bank regarding extensive expansion of branches, 61 new branches were opened during review period. To ensure appropriate guidelines and scientific methodology for expansion and management of scope of work and branches of bank, Footprint Expansion and Management Policy, 2018 was formulated and brought into implementation.

Bank shall expand 20 new branches and 198 additional ATM during current year. Such expansion shall definitely contribute towards financial inclusion strategy of government through availability of banking services and facilities in both city and remote areas of country.

II. Service Expansion

As per the desire and demand of customers, the Bank has been providing latest, improved, reliable, and qualitative service to its customers. Continuous research and development have been considered as an important aspect of this organization for capacity building of employees and providing improvised services to customers through evaluation of technological development, requirement of customers, and need as per change in business. For improvement in customer service, effective monitoring is done through establishment of a separate Experience Enrichment Department. In line with the concept of Universal Banking, for the purpose of conducting activities related to Capital Market and Investment Banking, NIC ASIA Capital Ltd., under the full ownership of the Bank, has been established in order to extend scope of service of



LIST OF NEW BRANCHES OPENED DURING 2018/19



the Bank. Further, services like credit card, POS machine, and KIOSK were also expanded during the review period.

III. Plans for upcoming period

The Bank has planned to open new branches and extension counters in different regions in order to ensure easy access of banking sector to people of each and every region. In remote areas, where it is not possible to expand branch and extension counters, banking access of customers shall be ensured through expansion of branchless banking services.

We believe that the perception of customers towards banking services will be directed towards new dimension by providing latest and modern technology oriented services.

Footprint expansion plan for current year

Particulars	Planned Addition During Current Year	Total number as of Year end 2019/20
Branches	20	312
Extension Counter	109	156
ATM	198	500

IV. Technological Development and Information Management System

Nepal is still far behind than other developed nation in terms of digital banking services. Our neighboring countries; China and India are way ahead in digital banking than us. To enclose this gap, NIC ASIA Bank has created awareness "SOCH BADLAU" to promote banking facilities while upgrading Bank's digital channel. Implementation of such awareness program helps in digital banking, cashless economy and easily accessible banking.

By embedding technologies into life style banking experience, the bank wants to touch every dimension of customer life.

We have planned to automate all banking transactions and ensure a paperless office environment. The Bank is always cautious towards security of information source and data system. The Bank has implemented an IT policy that ensures that matters like Data Centre Operation, Hardware, Network Security, and Computer System are under regular monitoring of Internal Audit. Similarly, through regular audit of Information System, information management and security of the Bank have been strengthened.

Finacle Core Banking Software has been upgraded to 10.0.18 version from 7.0.10 version and brought into implementation in order to ensure that the information system of the Bank is enhanced with latest and ultramodern technology.

V. Human Resource

The Bank has always considered its staff as an key asset of the organization. Participation of employees in various internal and external trainings is ensured to enhance capability of employees, motivate them, and develop their skills and knowledge in line with need of dynamic environment.

During the review period, 165 external and 147 internal trainings were attended by staff members of the Bank for skills and capacity development. The Bank has established itself as a platform for development of skills, knowledge, and capacity of employees, and various activities have been performed to ensure that the culture of gaining knowledge is developed among employees.

We believe that human resource development not only supports daily activities, but assists in introduction of innovative thoughts and modern technologies as well. Internal and external trainings for enhancement of knowledge and capacity of employees shall be conducted in the years to come as well. Total number of staff of the Bank has reached 3,472 till July 16, 2019, out of which, 51.44% are male and 48.56% are female.

D. Industrial and Business Relation of Company

To expand scope of business of the Bank, the Bank has established and maintained healthy relations with associations and industrial, commercial, and other institutions that are concerned with the progress of the Bank. Such relationships shall be continued in the future, as well.

The Bank has been maintaining healthy relations with the following organizations:

- Nepal India Chamber of Commerce
- Forum of Nepalese Bankers
- Foreign Exchange and Money Dealers Association
- Nepal Bankers' Association
- Banking Promotion Committee
- Nepal Foreign Trade Association
- Nepal Institute of Company Secretaries
- International Chamber of Commerce Nepal
- World Bank
- International Finance Corporation
- Asian Development Bank
- Federation of Nepalese Chambers of Commerce and Industry



E. Change in the Board of Directors and the Reasons Thereof

There is no alteration in Board of Directors during review period.

Board of Directors structure

Name of Director	Details
Mr. Tulsi Ram Agrawal	Chairman
Mr. Jagdish Prasad Agrawal	Director
Mr. Trilok Chand Agrawal*	Director
Mr. Ram Chandra Sanghai	Director
Mr. Rajendra Prasad Aryal	Director
Mr. Binod Kumar Pyakurel	Director
Mr. Ganesh Man Shrestha	Independent Director

*Representative: Asian Distributors Pvt. Ltd

Meeting of Board of Directors

Meeting of the Board is held on a regular basis as per the requirement of prevailing act and regulation of the Bank. The Chief Executive Officer of the Bank is a permanent member at meetings of the Board.

During the review period, meetings of the Board were held 54 times. Details of attendance of Directors in meetings and allowance received by them are as follows:

Name of Director	No. of meetings attended	Meeting Allowance (NPR)
Mr. Tulsi Ram Agrawal, Chairman	54	844,000
Mr. Jagdish Prasad Agrawal, Director	51	660,000
Mr. Trilok Chand Agrawal, Director	53	684,000
Mr. Ram Chandra Sanghai, Director	41	504,000
Mr. Rajendra Prasad Aryal, Director	44	556,000
Mr. Binod Kumar Pyakurel, Director	52	672,000
Mr. Ganesh Man Shrestha, Director	50	696,000

F. Main factors that affect business activities

Overall financial condition, liquidity, limited investment opportunities, and interest spread management will remain as challenges during the current year, as well. Additional challenges have evolved due to increasing competition and shortage of skilled manpower.

Considering these challenges and opportunities, the Bank's strategy is oriented towards enhancement of quality and expansion of scope of banking services, providing innovative services, and expansion of banking services in new markets

and areas.

G. Opinion of Board in Case of any Qualification in Auditor's Report

Unqualified opinion was issued by auditor in audit report.

H. Amount recommended for distribution of dividend

The 418th meeting of the Board of Directors, dated September 28, 2019, proposed NPR 1,859,837,621 (NPR one billion eight hundred and fifty-nine million eight hundred thirty seven thousand six hundred twenty-one) which is equal to 21.0526% of the paid-up capital (10% share and 11.0526% cash including for tax purpose) as dividend.

I. Details of shares forfeited

Bank has not forfeited any share till date.

J. Review of the progress made by the Company and its subsidiary(s) in the current fiscal year 2018/19 and the position of the same at the end of fiscal year

Progress report of the company and its subsidiaries has been disclosed separately in the annual report.

K. Main activities carried out by the Company and its subsidiary(s) during the financial year and any significant changes in the business activities of the Company and its subsidiary during the same period

The bank has carried out normal banking activities and the subsidiaries also carried out the normal activities as per its business nature. No such significant changes during the same period.

L. Any information given to the Company by its principal shareholder (who holds 1% or more shares of the Company) in last fiscal year

No such information provided by the principal shareholders in last fiscal year.

M. Details of shares held by the directors and officials of the Company and information received by the Company on their involvement in trading of shares in last fiscal year.

Details of Directors and Officials shareholding in the Bank.

Position	Shareholders' No./Demat No.	Name of Director	No. of Shares	Remarks
Chairman	1301370000693141	Tulsi Ram Agrawal	1,202,890	Promoters Share
			372,975	Ordinary Share
Director	1301370000695662	Jagdish Prasad Agrawal	1,737,887	Promoters Share
			499,090	Ordinary Share
	19774		1	Ordinary Share
Director	1301060000076172	Ram Chandra Sanghai	2,840,123	Promoters Share
	1301060000002377		1,058,083	Ordinary Share
Director	1301370000102204	Trilok Chand Agrawal	4,219,257	Promoters Share
			494,550	Ordinary Share
Director	1301290000014282	Rajendra Prasad Aryal	30,945	Ordinary Share
			55,688	Promoters Share
Director	1301290000000940	Binod Kumar Pyakurel	439	Ordinary Share
	104993		25	Ordinary Share
	43517		6	Ordinary Share
Independent Director	13012900000023597	Ganesh Man Shrestha	254	Ordinary Share
	42983		29	Ordinary Share
Chief Executive Officer	1301370000136151	Roshan Kumar Neupane	2,297	Ordinary Share
	1301420000034146		2,097	Ordinary Share
Deputy Chief Executive Officer	1301370000136301	Sudhir Nath Pandey	8,216	Ordinary Share
Assistant Chief Executive Officer	1301370000103630	Santosh Kumar Rathi	4,701	Ordinary Share
	52131		191	Ordinary Share
Assistant Chief Executive Officer	1301370000020174	Jayendra Rawal	4,794	Ordinary Share
	48301		60	Ordinary Share
Assistant Chief Executive Officer	1301330000002129	Rajesh Rawal	3,685	Ordinary Share
Chief Risk Officer	107636	Dipendra Bahadur Rajbhandari	1	Ordinary Share
Chief Technology Officer	1301390000002138	Bapin Rajbhandari	17	Ordinary Share
Heal Legal	1301370000265853	Dinesh Bhari	5,390	Ordinary Share
	52021		192	Ordinary Share
Company Secretary	1301370000175421	Deepen Karki	2,023	Ordinary Share
Sold in FY 2018-19				
Chief Technology Officer	1301390000002138	Bapin Rajbhandari	100	Ordinary Share



N. Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with the Company in last fiscal year.

No such information received by the bank in last fiscal year.

O. Buyback of share by the Company, reason thereof for buyback, number of shares bought back, face value of share and amount paid during the buyback

The Bank has not bought back any share till date.

P. Information on existence of Internal control system and if there is, its detail

The responsibility to review internal control system of the Bank and its effectiveness lies with the Board of Directors. For this purpose, various committees have been formed under the Board of Directors and its authority has been delegated by forming necessary committees for completion of operation in special areas and formation of smooth and effective strategy and its implementation. The audit committee reviews audit reports of internal auditor, external auditor, and supervisory inspector, and provides its independent suggestion to the Board of Directors about the effectiveness of the internal control system of the Bank.

The Bank's overall area of operations is divided into three parts- Business, Operation Assistance, and Control in order to manage the risks properly and smoothen operation of the bank.

The Integrated Risk Management Department of the Bank is being empowered so as to make the internal control system of the Bank more robust. This department operates as an independent unit, rather than being under the management of the Bank, and the department is accountable to the Risk Management Committee of the Bank.

Similarly, Internal Audit Department of the Bank performs audit of the areas of operations of the Bank and compliance with policies and procedures prepared and implemented by the Bank. This department carries out necessary actions as an independent unit and presents its reports to the Audit Committee

Following committees are functional in the Bank during the review period:

1. Risk Management Committee

The main objective of this committee is to identify, monitor, and manage the various risks (credit, market, operational, etc.)

that are inherent in the Bank and that may arise in the future by fulfilling the responsibilities of this committee as defined by the Unified Directive of Nepal Rastra Bank, and to present the reports to the Board of Directors, as well as to provide the necessary recommendations to the management of the Bank. Details regarding the Composition, terms and reference, major activities and decisions of this committee are given in separate section under 3.6 "Risk Management Committee"

2. Karmachari Sewa Suvidha Samiti

Banking business is a calculated risk-taking business in addition to a service-oriented business. Therefore, skilled and professional manpower is required for proper management of risk and to provide excellent services. As skilled employee is a strong foundation of a bank, review and adjustment of management and management principles should be done on a regular basis in order to attract quality manpower and to make manpower management more effective, as well as for efficient operation of the banking business. The main objective of the Karmachari Sewa Suvidha Samiti, which is a board-level committee, is to prepare policies and mechanisms related to manpower management of the Bank and to submit it to the Board of Directors, and to submit information related to the decisions made and the actions taken to the Board on a periodic basis. Details regarding the Composition, terms and reference, major activities and decisions of this committee are given in separate section 3.7 "Karmachari Sewa Suvidha Samiti".

3. Audit Committee

Details are provided in the Point no. (r) of this report.

4. Sampati Sudhikaran Niwaran Samiti

The main objective of the Sampati Sudhikaran Niwaran Samiti, which is a Boardlevel committee, is to review the policies, rules, and guidelines followed by the Bank for the prevention of money laundering and periodic review of the system developed by the Bank to identify and control the risk related to money laundering, financing of terrorism, and corruption. This committee can provide suggestions to the management for the implementation of policies of the Bank, standards fixed by the regulatory body, and laws relating to money laundering, financing of terrorism, and corruption. This committee presents the reports on decisions made by the committee and activities undertaken as per the decisions of the committee to the Board of Directors on a periodic basis. Details regarding the Composition, terms and reference, major activities and decisions of this committee are given in separate section 3.8 "Sampati Sudhikaran Niwaran Samiti".

5. Land Acquisition and Construction Sub-committee

The 392nd Board Meeting dated 22nd February 2019, had constituted a subcommittee to acquire land and build necessary banking infrastructure required for its business growth.

Composition of members of the Land Acquisition and Construction Sub-Committee is as follows:

SN	Name	Status in the Organization	Status in the Committee
1	Mr. Trilok Chand Agrawal	Director	Coordinator
2	Mr. Ram Chandra Sanghai	Director	Member
3	Mr. Binod Kumar Pyakurel	Director	Member
4	Mr. Roshan Kumar Neupane	Chief Executive Officer	Member
5	Mr. Bishal Sigdel	Chief Experience Transformation Officer	Member
6	Mr. Kapil Dhkala	Chief Human Resource & Chief Development Officer	Member
7	Mr. Kailash Gautam	Head-General Administration and Project	Member
8	Mr. Sudhir Nath Pandey	Deputy Chief Executive Officer	Member Secretary

Terms of references of the committee are as follows:

- In accordance with the direction by Nepal Rastra Bank, 8/075, the committee shall primarily focus on ready to acquire lands and buildings as the acquired land and building should be put to Bank's use within 3 years of acquirement
- To publish bid notice and take necessary actions
- To determine whether the Bank's Head office extension, Province Office, Sub-province office or branches need their own building. If needed, make a feasibility report and present to the Board.
- To determine whether the Bank should acquire land and construct the building or make purchase/acquisition, the report shall be presented to the Board.
- To review building's drawing, design and layout and make necessary recommendations to the Board of Directors.
- To negotiate with Construction Company regarding structural engineering, building materials and cost. The final agreement shall be presented to the Board.
- To prepare a location wise report regarding whether the organization should acquire or rent/lease its office space and present to the Board.
- To convene the meeting of the committee at least once in a month and the committee shall expire in a year.

Summary of major activities undertaken by the committee during the review period is stated below:

- Feasibility study in Surkhet and Bagbazzar for acquisition of land
- Reviewed the progress of building construction in Kamladi and Birgunj Branch.

Total of 4 meetings of this committee were held during FY 2018/19 and details of meetings attended and allowance received by the directors are as follows:

Members	No. of meetings attended	Meeting Allowance (NPR)
Mr. Trilok Chand Agrawal	4	64,000
Mr. Ram Chandra Sanghai	4	64,000
Mr. Binod Kumar Pyakurel	3	48,000

Q. Statement of total administration expenses of last fiscal year

For the fiscal year 2018-19, total administration expenses was NPR 4.52 billion with staff expenses of NPR 2.48 billion and office operation expenses of NPR 2.04 billion.

R. Name list of members in the audit committee, remuneration, allowance and benefits they have received, the details of activities of the committee and the details of any recommendation by them

The Board of Directors has constituted the Audit Committee under non-executive director in compliance with the regulatory provisions of NRB Unified Directives and the provisions of Bank and Financial Institutions Act and Company Act. Head of Internal Audit Department is Member Secretary of the committee. Details regarding the Composition, terms and reference, major activities and decisions of this committee are given in separate section 3.5 "Audit Committee"

S. Dues payable to the company by any director, MD, CEO, principal shareholders (holding share more than 1%) or their relatives or firms or institutions in which they have their involvement (interest)

Information relating to this is disclosed in the notes to account of the financial statement.

T. Remuneration, allowances and benefits paid to the director, MD, CEO and officials

Information relating to this is disclosed in the respective places of this report and notes to account of the financial statement



U. Uncollected dividend by the shareholders

Out of cash dividend declared by the Bank for the fiscal year 2010/11, 2011/12, 2012/13, and 2013/14, NPR 90,597,534 remains uncollected till the end of the review period.

The Bank has published notice from time to time in national level newspaper requesting shareholders to collect uncollected dividend, and details of dividend uncollected for more than five years have also been uploaded on the website of the Bank (www.nicasiabank.com).

V. Information on asset bought or sold as per section 141

The bank has not bought or sold any assets as per section 141 of the companies' act, 2006 during the last fiscal year.

W. Details of related party transaction as per Section 175 (transactions between associated companies)

Information relating to this is disclosed in the notes to account of the financial statement.

X. Any other details to be disclosed in the report from the Directions in accordance with Companies Act, 2006 or other prevailing laws

1. External Auditor

Audit of this Bank for FY 2018/19 was successfully completed by the external auditor of the Bank, M/s. TR Upadhyaya & Co. Further, as the present auditor is not eligible for reappointment for FY 2018/19 as per section 111 of the Companies Act, 2006, appointment of the auditor and his remuneration as per the recommendation of the Audit Committee has been proposed for approval in this general meeting.

2. Corporate Governance

The Bank regards corporate governance as a priority, not only for compliance with statutory bodies and laws, but also for genuine business practice and necessary transparency. As per the corporate governance structure of the Bank, the Board of Directors and the Board-level committees are operational to make the work execution of the Bank smoother, effective, independent, and transparent, and ensure that daily managerial activities function without the interference of the Board of Directors.

The three integral parts of corporate governance— integrity, transparency, and fairness—have always been assimilated by the Bank. The Bank considers corporate governance as an integral part of the policies and rules in order to enhance the quality of services provided to the customer and for the

benefit of shareholders and other stakeholders.

The Bank has formulated and implemented a Corporate Governance Policy to make corporate governance of the Bank smoother and stronger. The main objectives of the policy are as follows:

- To apply high corporate governance at all the levels, structures, and activities of the Bank.
- To perform all the activities of the Bank as per the internal and external policies.
- To formulate effective policy, procedures, and guidelines required for achieving goals and objectives of the Bank and to implement and monitor the same.

3. Corporate Social Responsibility

As the Bank is a responsible corporate citizen also, the Bank has been playing an active role for social benefit and development in various areas of society. The Bank has allocated 1% of the net profit of the review period for activities related to corporate social responsibility as per Clause 6.16 of the Unified Directive of Nepal Rastra Bank. The Bank has allocated 1% of the net profit of review period, NPR 30.2 million to the corporate social responsibility reserve. Last year, the amount was NPR 13.3 million. Out of which, expenses of NPR 11.8 million has been incurred from the reserve fund and amount remaining in the fund is NPR 43 million.

4. Customer Identification (KYC) and Assets Laundering (AML and CFT)

The Bank is effectively complying with Prevention of Money Laundering Act rules and regulations and directives related to the prevention of money laundering issued by Nepal Rastra Bank. The Bank has formulated and implemented an effective policy, rules, and guidelines to control and prevent money laundering.

With the objective of keeping employees of the Bank updated on the subject of KYC and money laundering, the Bank has been continuously conducting trainings related to these subjects. Apart from that, the Bank has made arrangements for all the employees to mandatorily participate in annual Skill Assessment Test in these subjects, and the same has been effectively implemented. As a result of overall effort in the area of KYC and prevention of money laundering, level of this Bank in the area of KYC and money laundering is in the top rank among the Nepalese banking industry.

5. Relationship with Shareholders and arrangement to provide information to Shareholders

We want to inform that there are a total of 117,282 shareholders of this Bank till the end of fiscal year 2018/19. The Bank has provided high priority to the activities of exchanging information with the shareholders. The Bank obtains directions and guidelines through direct conversation with the shareholders in the general meetings. The Bank provides annual reports, quarterly reports, press releases, and other information through various communication media, as well as through its website (www.nicasiabank.com).

6. Thank You

Our shareholders are our companions through each and every journey of this Bank. Today, the Bank is in a capable and strong position because of our shareholders' direct and indirect cooperation, important suggestions, recommendations, decisions, and guidelines for the progress and prosperity of the Bank. The Board of Directors of the Bank always appreciates the faith and confidence placed upon us by our shareholders.

Our companions, our customers, and our well wishers have always been with us at every achievement, and on behalf of the Board of Directors, I would like to extend my sincere gratitude for your unwavering assistance.

I want to extend gratitude to Nepal Rastra Bank, Securities Board of Nepal, Nepal Stock Exchange, Office of Company Registrar, Ministry of Finance, Government of Nepal, and other regulatory bodies who continuously provide guidance and assistance to this Board of Directors. Further, appreciating the effort and hard work of all the employees of the Bank, who provide their important contribution in every progress and achievement of the Bank, the Board of Directors of the Bank expects similar assistance and cooperation from you in the upcoming period.

Thank You,
On behalf of the Board of Directors

Tulsi Ram Agrawal,
Chairman

DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT 2006

Disclosed under the respective parts/heads of the director's report.

DISCLOSURE RELATED TO SUB RULE (2) OF RULE 22 OF SECURITIES REGISTRATION AND ISSUANCE REGULATION, 2073 (ANNEXURE-14)

1. Report of the Board of Directors

Above presented director's report was the report of the Board of Directors.

2. Auditor's Report

Disclosed in the respective parts/heads of this report.

3. Audited Financial Statement

Presented under Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flow Statement, Statement of Changes in Equity and respective notes.

4. Legal Proceedings

- During the last fiscal year, no lawsuits were filed, apart from the lawsuits related to the normal course of banking business filed by and against the Bank.
- The Bank has no knowledge related to any lawsuit filed by or against the promoters or directors of the Bank involving statutory regulations or criminal offence.
- The Bank has no knowledge related to any lawsuit filed against the promoter or director of the Bank for committing economic crimes.

5. Analysis of Stock Transactions and Performance of the body corporate

- Management's view on the share transactions of body corporate: The management's view is neutral in this respect, as the Bank's share price is guided by the capital market operations.
- High, low, and closing price of the stocks of the company during each quarter of the preceding year along with the total volume of trading of shares and number of days traded:



1

First Quarter (mid October 2018)

Maximum price per share **NPR 447**
Minimum price per share **NPR 304**
Closing price per share **NPR 441**
Total shares traded **7,116**
Total days traded **62**

2

Second Quarter (mid January 2019)

Maximum price per share **NPR 450**
Minimum price per share **NPR 357**
Closing price per share **NPR 386**
Total shares traded **4,634**
Total days traded **60**

3

Third Quarter (mid April 2019)

Maximum price per share **NPR 469**
Minimum price per share **NPR 370**
Closing price per share **NPR 469**
Total shares traded **11,750**
Total days traded **60**

4

Fourth Quarter (mid July 2019)

Minimum price per share **NPR 441**
Closing price per share **NPR 448**
Total shares traded **10,727**
Total days traded **64**

6. Problem and Challenges

a. Internal problem and challenges

- Lack of skilled manpower due to increasing competition, and challenges to retain the present manpower of the Bank.
- To develop and motivate skilled manpower.
- Increasing operation cost.

b. External problem and challenges

- Unfavorable interest rate and liquidity situation and emergency fluctuations of the same.

- Lack of coordination between the interest rate and inflation.
- Challenges of financial management and market risk arising from the increasing liquidity and strategic dilemma.
- Tough competition and unhealthy competitive behavior resulting from the same.
- Limited investment opportunities

7. Corporate Governance

Disclosed in the respective parts/heads of directors' report.

8. If there is a deviation of 20% or more between the details as per the audited financial statements and those forecasted in the prospectus, details of such deviation

BALANCE SHEET AS ON YEAR ENDED 2018-19

Amount in NPR '000

	As per Audited Financial Statement	As per Forecasted Financial Statement	Variance (%)	Remarks
Assets				
Cash and cash equivalent	20,214,540	7,854,678	157%	
Due from Nepal Rastra Bank	16,097,915	14,000,000	15%	
Placement with Bank and Financial Institutions	383,950	345,322	11%	
Derivative financial instruments.	7,006,011	1,519,221	361%	High investment in Forward contract than forecasted
Other trading assets	7,440	-		

	As per Audited Financial Statement	As per Forecasted Financial Statement	Variance (%)	Remarks
Loan and advances to B/FIs	6,923,285	5,123,960	35%	High investment in Forward contract than forecasted
Loans and advances to customers	142,574,006	148,600,091	(4%)	
Investment securities	18,152,959	19,300,969	(6%)	
Current tax assets	-	-		
Investment in subsidiaries	1,204,500	690,000	75%	Investment in right share of NIC ASIA Laghubitta Bittiya Sanstha
Investment in associates	-	-		
Investment property	275,939	74,383	271%	Increase in non banking assets
Property and equipment	2,583,720	2,337,492	11%	
Goodwill and Intangible assets	110,490	54,815	102%	Upgrade of assets
Deferred tax assets	-	-		
Other assets	2,162,294	14,232,379	(85%)	Reclassification with other liabilities
Total Assets	217,697,049	214,133,409		
Liabilities				
Due to Bank and Financial Institutions	8,535,646	12,792,458	(33%)	Decrease in interbank credit
Due to Nepal Rastra Bank	314,541	731,000	(57%)	Decrease in loan renew
Derivative financial instruments	6,913,409	2,066,176	235%	High investment in Forward contract than forecasted
Deposits from customers	176,820,689	167,909,695	5%	
Borrowing	-	-		
Current Tax Liabilities	242,945	-		Reclassification with other assets
Provisions	-	-		
Deferred tax liabilities	178,273	-		Reclassification with other assets
Other liabilities	2,045,713	8,709,781	(77%)	Reclassification with other assets
Debt securities issued	7,710,097	7,707,749		
Subordinated Liabilities	-	-		
Total Liabilities	202,761,314	199,916,859		
Equity				
Share capital	8,834,229	8,834,225		
Share premium	-	-		
Retained earnings	2,112,881	1,454,349	45%	Amount transferred to regulatory reserve lower than forecasted
Reserves	3,988,626	3,927,976	2%	
Total Equity	14,935,736	14,216,550		
Total Liabilities and Equity	217,697,049	214,133,409		



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2018-19

Amount in NPR '000

	As per Audited Financial Statement	As per Forecasted Financial Statement	Variance (%)	Remarks
Interest income	19,345,594	19,612,126	(1%)	
Interest expense	12,385,561	12,794,360	(3%)	
Net Interest Income	6,960,033	6,817,766		
Fees and commission income	2,248,906	2,622,798	(14%)	
Fees and commission expense	127,599	238,436	(46%)	Reclassification of net fees and commission income
Net Fees and Commission Income	2,121,307	2,387,362		
Net Interest, Fees and Commission Income	9,081,340	9,202,128		
Net trading income	348,921	229,195	52%	Reclassification of fees and commission income
Other operating income	75,974	84,755	(10%)	
Total Operating Income	9,506,235	9,516,080		
Impairment charge/(reversal) for loans and other losses	598,918	557,312	7%	
Net operating income	8,907,317	8,958,768		
Operating expense				
Personnel expenses	2,476,831	2,561,617	(3%)	
Other operating expense	1,712,836	2,057,203	(17%)	
Depreciation & Amortization	204,033	144,357	41%	Depreciation in assets acquired
Operating Profit	4,513,617	4,195,591		
Non operating income	31,305	64,000	(51%)	Reclassification of non operating income
Non operating expense	104,165	-	100%	Reclassification of non operating expense
Profit before income tax	4,440,756	4,259,591		
Income tax expense				
Current Tax	1,368,656	1,258,677	9%	
Deferred Tax	48,817			
Profit for the period	3,023,283	3,000,914		

9. Details on special events and circumstances as specified in sub rule (5) of Rule 22

1) Amendments in the regulations of body corporate

- No amendments

2) Changes of Board of Directors or High Level Managerial officials of the body corporate

a. Expiry of Tenure of Directors

- Tenure of elected directors of the bank has not expired.

b. Resignation from the Board of Directors

- No resignation

c. New Appointment in the Board of Directors

- No new appointment

d. Resignation from Senior Level Management

Name: Sudip Khanal

Position: Assistant Chief Executive Officer

Date of release: 07/06/2019

e. New appointment in the Senior Level Management

Name: Rupesh Luitel

Position: Chief Financial Officer

Date of appointment: 14/07/2019

f. Declaration of Dividend or Change in Capital Structure

For FY 2017/18, 10% bonus share was distributed from the 21st general meeting held on 19/12/2018. After distribution of bonus shares, paid-up capital of the company has reached NPR 8,834,228,698.

3.6 AUDIT COMMITTEE

The Board of Directors constituted the Audit Committee under a non-executive director. It is an independent body to monitor and review the internal control practices of the Bank through Internal Audit Department. The Head of Internal Audit Department is Member Secretary of the committee. The committee reviews the Bank's financial performance, its internal controls, audit plan/program, and issues necessary instructions to the management after detailed discussion on the findings of the internal audit reports. The external as well as internal auditors have free access to this committee. The CEO can be included as an invitee of meetings of the committee as necessary. Other employees of the Bank are also called as invitees from time to time as required by agenda under discussion.

The issues of corporate governance are under the primary jurisdiction of the committee and it constantly reviews the status of corporate governance and periodically reports to the Board on the status of corporate governance and the ways for further strengthening it. The Audit Committee plays a major role in corporate governance regarding the organization's direction, control, and accountability. As a representative of the Board of Directors and focal point of the corporate governance mechanism, the committee is involved in both of the organization's internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management. The committee is responsible for overseeing the organization's disclosure process, ensuring that the organization complies with the relevant local and international laws, implement regulations, ethical standards and principles, and comply with the organization's bylaws and internal guidelines. The committee provides the Board of Directors with necessary advice and recommendations, which includes ensuring: that the respective organization complies with relevant regulations, ethical principles and standards; that the internal auditors are independent and competent; and that the financial statements have been prepared correctly and accurately.

The scope of the internal audit functions is determined by the Audit Committee. One of the main responsibilities of the

committee is to enhance and maintain the internal auditors' independence in order to enable them to achieve their duties. The internal auditors provide the committee with the necessary information to which they have direct access, in order to enable the Audit Committee, accomplish its oversight and monitoring mission. On the other hand, the Audit Committee supports the position of the internal audit function and submits management's irregularities and other relevant managerial and financial issues to the Board of Directors after discussing such issues with the internal auditors and other relevant parties.

The internal audit of all the branches and departments are carried out at least once in a year. The audit report is issued to the branches/ departments and their responses are recorded. The audit issues and responses are discussed in the Audit Committee meeting, and audit grade is assigned to every branch/department. Every subsequent internal audit monitors whether preventive and corrective actions have been applied in the issues identified in previous audit reports. The Audit Committee also calls senior bank managers to discuss the audit issues, and reports the major findings to the Board of Directors.

Composition of members of the Audit Committee is as follows:

From July 17, 2018 to July 16 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Ganesh Man Shrestha	Independent Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Raju Prasad Adhikari	Head-Internal Audit Department	Member Secretary

In line with provisions of Banks and Financial Institutions Act, 2073, and unified NRB Directive No. 6, following duties and responsibilities are assigned to the Audit Committee of the Bank:

- Review and approve audit plan prepared by the Internal Audit Department, scope of audit, human resource requirements, and budget of the internal audit functions.
- Review and discuss audit reports presented by Internal



Audit Department and provide necessary instructions to the management to take corrective actions.

- Ensure and facilitate the Risk Based Internal Audit of the Bank.
- Approve Risk-Based Internal Audit guidelines and manuals prepared by Internal Audit Department and monitor the effectiveness of the Risk Based Internal Audit approach adopted by the Internal Audit Department.
- Supervise activities conducted by the Internal Audit Department and provide necessary guideline to regulate the functions of the department so as to enable it to achieve its objectives. It shall include review of the Audit Policy and other related guidelines as and when required.
- Ensure that the Internal Audit Department is able to discharge its responsibilities in an independent manner, and that internal audit functions have sufficient standing and authority within the Bank so as to enable them to function with objectivity;
- Regular assessment of the quality of internal audit functions of the Bank to ensure that they are conducted with the highest degree of professionalism and ethics, and in line with relevant auditing standards, and are capable of providing accurate and adequate assurance regarding the governance system of the Bank.
- Carry out appraisal of Head-Internal Audit Department and review Annual Performance Appraisal (APR) of the staff working in the Internal Audit Department conducted by Head-Internal Audit Department.
- Make recommendation for the promotion of Head Internal Audit Department and approve the promotion of other staff working in the Internal Audit Department upon recommendation of Head-Internal Audit Department.
- Assign tasks to the Internal Audit Department as deemed necessary by the committee.

The main goals of the Audit Committee are as follows:

- To approve the overall operation mechanism relating to internal audit.
- To discuss on internal audit system, audit results, risk management of the Bank, and corporate governance, and provide necessary directions to the management.
- To review the compliance with provisions of guidelines/directives issued by Nepal Rastra Bank and prevailing laws and regulations and provide necessary directions to the management.

- To review overall financial situation of the Bank.
- To review the observations raised in the internal audit report and external audit report and provide necessary directions to the management relating to the actions to be undertaken regarding the same.
- To review adherence to the regularity, economy, justification, and effectiveness in operation of the company and provide the necessary recommendations to the Board.
- To review the status of implementation of the remarks raised in the inspection and supervision report of Nepal Rastra Bank and provide information relating to the same to the Board of Directors.
- To undertake other actions required by NRB directives, Bank and Financial Institutions Act, and Company Act.

Summary of major activities undertaken by the committee during the review period is stated below:

- Approved risk-based annual internal audit plan of the Internal Audit Department and its continuous inspection and supervision.
- Submitted the audit report by getting the regular audit done for various branches and departments of the Bank as per the annual audit plan. Also reviewed the internal audit report of 450 branches and extension counters, 52 departments, and 3 regional offices, and provided direction to the management to improve, resolve, and implement the remarks raised in the audit report during FY 2018/19.
- Submitted the audit report by getting the special audit done for important areas of the Bank like income, expenses, loan write off, margin lending, policy implementation, performance of ATM, POS, workstation, KYC, etc. as per the annual audit plan. Also audit of NIC ASIA Microfinance and NIC ASIA Capital Limited was done and audit report was submitted.
- Detailed review of financial statement and provided the necessary direction to the management.
- Performed detailed review of the external audit report and inspection and supervision report of Nepal Rastra Bank and provided the necessary direction to the management to improve, resolve, and implement the remarks raised in the audit report.

Major areas of discussion in Audit Committee and its decisions during FY 2018/19 are as follows:

- › Approval of Risk Based Annual Audit plan, tactical plan, and staffing of Internal Audit Department.
- › Deliberation on Internal Audit Report of branches and departments (450 branches and extension counters, 52 departments, and 3 regional offices) with issuance of necessary directions and recommendations to management in the areas needing improvement for further strengthening the internal control, risk management system, and governance, among others.
- › Deliberation on special areas audit reports, such as revenue, expense, loan write off, loan against shares, policy implementation, performance of ATM, POS, workstation, KYC, NIC ASIA Microfinance, NIC ASIA Capital Limited etc. (34 audit reports) and forwarding the same to the attention of Board of Directors.
- › Provided feedback to the Board of Directors through Audit Committee meeting minutes at subsequent Board meetings for necessary review.
- › Review of external auditor's report and issuance of necessary instructions to management for effective resolutions of the issues raised.

- › Deliberation on observations, directions, and recommendations made by Nepal Rastra Bank during their inspections, and issuance of necessary instructions to management for effective resolution and implementation, together with deliberation on the follow up status.
- › Deliberation on quarterly financial statements of the Bank and approval for publishing the same provided with recommendation for necessary changes.
- › Recommendation for appointment of external auditor made to Annual General Meeting.

Total of 29 meetings of this committee were held during FY 2018/19, and details of meetings attended and allowance received by the directors are as follows:

Members	No. of meetings attended	Meeting Allowance (NPR)
Mr. Ganesh Man Shrestha	29	412,000
Mr. Trilok Chand Agrawal	28	396,000



3.7 RISK MANAGEMENT COMMITTEE

The Risk Management Committee is an independent committee of the Board of Directors that has, as its sole and exclusive function, responsibility for the risk management policies of the Bank and oversight of implementation of risk management framework of Bank. Risk Management Committee, under the coordination of a non-executive director, is formed by the Board. The committee assists the Board of Directors in fulfilling its oversight responsibilities with regard to risk appetite that the Bank is able and willing to assume in its exposures and business activities, risk management, compliance framework, and governance structure that supports it.

The committee constantly monitors the nature and level of risk being taken by the Bank and how the risk relates to adequate capital levels. It periodically reviews the risk management process to ensure its integrity, accuracy, and reasonableness. It also reviews whether the internal control and risk management system is adequate or not to ensure well-ordered and prudent conduct of business. Terms of Reference (TOR) of the committee are as specified in the Unified Directives issued by Nepal Rastra Bank and Risk Management Policy of the Bank. As the corporate governance issues are simultaneously risk issues too, the committee also deals with the issues of corporate governance, having due regard of their implication on the overall risk profile of the Bank, and offers pertinent suggestions to the Board and the senior management of the Bank to strengthen the system of corporate governance and risk management

Composition of members of the Risk Management Committee is as follows:

Till January 21, 2019

SN	Name	Status in the Organization	Status in the Committee
1	Mr. Binod Kumar Pyakurel	Director	Coordinator
2	Mr. Ganesh Man Shrestha	Independent Director	Member
3	Mr. Kapil Dhakal	Chief Development Officer	Member
4	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member Secretary

From January 22, 2019 to May 31, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Binod Kumar Pyakurel	Director	Coordinator
2	Mr. Rajendra Prasad Aryal	Director	Member
3	Mr. Ganesh Man Shrestha	Independent Director	Member
4	Chief Human Resource & Chief Development Officer		Member
5	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member Secretary

From June 1, 2019 to June 12, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Binod Kumar Pyakurel	Director	Coordinator
2	Mr. Rajendra Prasad Aryal	Director	Member
3	Mr. Ganesh Man Shrestha	Independent Director	Member
4	Mr. Sudip Khanal	AECO Support Service Ecosystem	Member
5	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member Secretary

From June 13, 2019 to July 16, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Binod Kumar Pyakurel	Director	Coordinator
2	Mr. Rajendra Prasad Aryal	Director	Member
3	Mr. Ganesh Man Shrestha	Independent Director	Member
4	Mr. Kapil Dhakal	AECO Performane Assurance Ecosystem/ Support Service Ecosystem*	Member
5	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member Secretary

* Then title are being used

The main responsibility of this committee is to review the overall risk management structure and review and monitor the effectiveness of the risk management system. This committee has been fulfilling the leading role in identification and mitigation of various risks that may arise during the operation of the Bank. Terms of references of the committee are as follows:

- To identify and monitor the risks associated with the Bank and risk management, and present the report to the Board of Directors, along with recommendations.
- To prepare and monitor procedures related to the business, operation, and risk appetite of the Bank, and prepare a strategy for mitigation of risks and present it to the Board of Directors for approval.
- To collect reports on risk management related to various areas of operation of the Bank through management committee, and present it to the Board of Directors, along with necessary recommendations.
- To analyze and review capital adequacy as per the risk assets (Internal Capital Adequacy Assessment Plan (ICAAP), appropriateness of policies as per the business strategy, and maximum level of risk the Bank may assume, and submit necessary recommendations and opinions to the Board.

Summary of major activities undertaken by the committee for risk management during the review period is stated below:

- The committee reviewed and effectively implemented 40 Policies, 13 Product paper guidelines and 6 Procedural guidelines.
- Determined the risk tolerance and appetite limit in policies relating to business of the Bank.
- Prepared and submitted Integrated Risk Monitoring and Reporting Framework to mitigate operational risk, credit risk, market risk and liquidity risk.
- Prepared the operation risk, credit risk, market risk, and liquidity risk management policies and credit risk review guidelines required for risk management and submitted it to the Board for approval.
- Took necessary action for mitigation of risks after review of risk report
- Reviewed the reports relating to capital adequacy and submitted to the Board, along with necessary recommendation.
- Prepared report on determination of necessary risk tolerance level, after review of necessary policies and mechanisms, and submitted it to the Board of Directors on a quarterly basis as per guidelines/directives issued by Nepal Rastra Bank.

- To suggest to the Board of Directors for development and implementation of necessary policies and mechanisms as per the guidelines/directives issued by Nepal Rastra Bank, and necessary internal guidelines for risk management of the Bank.
- To submit report relating to its work completion and procedure to the Board of Directors.

Major areas of discussion in Risk Management Committee and its decisions during FY 2017/18 are as follows:

- Review of ALCO updates
- Feasibility study reports for opening new branches
- New and amendment in policies, guidelines, frameworks, and product paper guidelines
- Follow up/ status update on the observations of special audit performed by Internal Audit
- Audit observations of regular and special audits
- Security Risk Assessment Report, Credit Risk Assessment Report, Operational Risk Assessment Report, and Market & Liquidity Risk Assessment Report
- Business segment wise portfolio review reports
- Quarterly reconciliation report
- Liquidity Risk Management Report and Market Risk Management Report
- Stress Testing and Reverse Stress Testing Report
- Sector wise industry profile
- Report on IT System Infrastructure and Finacle
- Annual performance appraisal
- Action Taken Report on recommendations of prior Risk Management Committees (completed and under progress)

Total of 20 meetings were held during FY 2018/19, and details of meetings attended and allowance received by the directors are as follows:

Members	No. of meetings attended	Meeting Allowance (NPR)
Mr. Binod Kumar Pyakureal	20	280,000
Mr. Rajendra Prasad Aryal	9	144,000
Mr. Ganesh Man Shrestha	20	280,00



3.8 KARMACHARI SEWA SUVIDHA SAMITI

Karmachari Sewa Subidha Samiti is a Board-level committee that constantly reviews, recommends, and forwards for approval, plans and policies recommended by the CEO as reported by HR/ Staffing Committee of the Bank for the development and motivation of the staff. The committee makes recommendations on organizing, succession, and appointment of senior officials, and consults on matters relating to compensation and welfare plans for staff. Amendment in staff service bylaws is also advised by the committee from time to time in order to incorporate the current market trend and requirement.

Composition of members of the Karmachari Sewa Suvidha Samiti of the Bank is as follows:

From July 17, 2018 to May 31, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sangai	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Roshan Kumar Neupane	Acting Chief Executive Officer*	Member
4	Mr. Bishal Sigdel	Chief Financial Officer*	Member
5	Head Human Resource		Member Secretary

*Then title are being used

From June 1, 2019 to July 16, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sangai	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Roshan Kumar Neupane	Chief Executive Officer	Member
4	Mr. Bishal Sigdel	Chief Experience Transformation Officer	Member
5	Mr. Sudhir Nath Pandey	Deputy Chief Executive Officer	Member Secretary

Major roles and responsibilities of the committee are to prepare plan and make policies and standards relating to human resource management such as selection, appointment, replacement, transfer, promotion, training and development,

performance appraisal, rewards, punishment, and so on, and present it to the Board. Terms of references of the committee are as follows:

- › To provide the required help to the Board for interpretation of "Determination of Remuneration Policy" of the bank.
- › The committee reviews and analyses the remuneration structure of the overall employees from time to time and reviews the effect of the change in remuneration structure in the market to the Bank regularly and submits the report to the Board.
- › If it appears that there is a need to increase the remuneration of the employees, including the Chief Executive Officer, as per the "Determination of Remuneration Policy" of the Bank in compliance with prevailing laws and policies/ guidelines, then the committee recommends it to the Board, along with appropriate basis.
- › Develop the indicators for statement of job required to be performed by employees of the Bank, goals and progress evaluation, and review their performance on the basis of the performance appraisal system.
- › Prepare plan, policies, and standards relating to manpower management-related actions like admission, selection, appointment, replacement, transfer, promotion, training and development, performance appraisal, and rewards and punishment, and present it to the Board of Directors.
- › Review the employee policy and structure of existing employees and prepare succession planning and submit the recommendations to the Board for approval.

Major areas of discussion in Karmachari Sewa Subidha Samiti and its decisions during FY 2018/19 are as follows:

- › Integrated Organization Development and Human Resource Management Policy that includes the necessary provision of remuneration determination policy
- › Review of performance management and reward budget
- › Performance appraisal based on key performance indicators, which are developed as productivity parameters

based on job specification/description and long-term strategy of the Bank

- Job design of branch, regional office, and department
- Reviewed and recommended to the Board about Annual Recruitment Calendar
- Reviewed and recommended to the Board about Annual Learning Development Plan
- Revised country-level organization structure
- Review of succession planning
- Review of Annual Tactical Plan of Human Resource Department

- Review of need of amendment in recruitment policy
- Review of need of amendment in remuneration and academic qualification of contract staff
- Review of need of amendment in promotion policy

Total of 12 meetings of this committee were held during FY 2018/19, and details of meetings attended and allowance received by the directors are as follows:

Members	No. of meetings attended	Meeting Allowance (NPR)
Mr. Ram Chandra Sangai	12	168,000
Mr. Trilok Chand Agrawal	12	168,000

Summary of major activities undertaken by the committee during the review period is stated below:

- Reviewed Staff Compensation and Benefit Policy, Facilitator Allowance Policy and Overtime Work Management Policy. These policies were passed by 405th Board Meeting held on May 30, 2019.
- Reviewed following policies regarding employee recruitment, performance appraisal, retention, remuneration, allowance and benefits;
 1. Staff Retention Policy
 2. Facilitator Allowance Policy
 3. Performance Appraisal Policy
 4. Staff Succession Planning Policy
 5. Know Your Employee Policy
 6. Overtime Work Management Policy
 7. Staff Compensation and Benefit Policy
 8. Contract Staff Management Policy
 9. Outsource Staff Management Policy
 10. Policy for Placement of Support Staff
- Reviewed employees succession plan
- Reviewed update of Strategic Financial Plan (SFP) for 2076/77 which was passed by the Board Meeting
- Monthly review of data regarding head count, recruitment, internal promotion, resignation, and transfers.
- Reviewed details of internal, external, international and Ad-hoc trainings and training budget and the expenditure incurred for the review period.
- Reviewed Country Level Organization Structure of

Bank's employees' duties and responsibilities with respect to Bank's size, network, risk appetite and plan and policies.

- Reviewed DNA & Talent Management Department's Business Process Reengineering Report.
- Reviewed activities carried under "Year Capacity Management".
- Reviewed report of Employee Survey 2018 by Price Waterhouse Coopers (PWC) regarding employees' emotional and motivational state which consist seven questions.
- Reviewed recruitment through internal vacancy as per Integrated Organization Development and Human Resource Management Policy, 2017
- Reviewed internal recruitment through written examination as per Internal Examination Guideline for Appointment through Internal Vacancy.
- Reviewed any activities carried under Policy on Staff Rotation and Transfer for interdepartmental transfer with respect to employees' professional capacity and the organizational need.
- Reviewed Integrated Organization Development and Human Resource Management Policy 2019 Chapter 6, Learning and Development Program for development of employees' professional capacity.
- Reviewed draft report of Human Resource Consultant. M/S Deloitte Touche Tohmatsu India was appointed as consultant by 394th Board Meeting.



3.9 SAMPATI SUDHIKARAN NIWARAN SAMITI (ASSETS/MONEY LAUNDERING PREVENTION COMMITTEE)

The purpose of establishing the Sampati Sudhikaran Niwaran Samiti is to assist the Board of Directors in addressing matters related to anti money laundering and compliance in the Bank, and to combat terrorism finance and financial crimes. The committee is responsible for ensuring that the Bank has a comprehensive and effective AML program with oversight that is designed to promote compliance with AML regulations.

The committee reviews and approves the Bank's policies related to KYC/AML and CFT as per changes in NRB Directive No 19. It also provides necessary instructions on combating financial terrorism, money laundering, and corruption from time to time. It is responsible for reviewing measures and tools set by the Bank to identify and mitigate risks related to money laundering, financial terrorism, and corruption. The committee carries out periodic review of the actions and activities undertaken by the Bank in relation to prevention of money laundering and financing of terrorism. The committee may invite individuals or experts to attend its meetings or present reports and studies to the committee. The committee presents a report to the Board of Directors regarding the activities carried out in relation to the prevention of money laundering and combating financing of terrorism, along with necessary suggestions and recommendations.

During the review period, the committee reviewed the policies, rules, and guidelines required to be followed by the Bank in order to comply with international norms, reviewed the actions and activities undertaken by the Bank in relation to AML/CFT, reviewed the report related to the evaluation of risk related to money laundering and financing of terrorism, and reviewed the report related to compliance of Prevention of Money Laundering Act and rules and provisions of regularity bodies, and submitted the report to the Board.

Composition of members of the Sampati Sudhikaran Niwaran Samiti is as follows:

From July 17, 2018 to January 21, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Rajendra Prasad Aryal	Director	Coordinator
2	Mr. Ganesh Man Shrestha	Independent Director	Member
3	AML Implementing Officer/Head-Compliance		Member Secretary

From January 22, 2019 to July 16, 2019

S.N	Name	Status in the Organization	Status in the Committee
1	Mr. Rajendra Prasad Aryal	Director	Coordinator
2	Mr. Ram Chandra Sangai	Director	Member
3	Mr. Binod Kumar Pyakurel	Director	Member
3	AML Implementing Officer/Head-Compliance		Member Secretary

Terms of references of the committee are as follows:

- › To review the policies, rules, and guidelines followed by the Bank in relation to the prevention of money laundering.
- › To evaluate actions and activities undertaken by the committee itself and submit the progress report to the Board of Directors on a quarterly basis.
- › To perform periodic review of systems developed by the Bank to identify and control risks related to money laundering, financing of terrorism, and corruption.
- › To review the reports on actions and activities undertaken as per the Prevention of Money Laundering Act, Rules, and Directives issued by Nepal Rastra Bank on a quarterly basis and present it to the Board of Directors.
- › To convene the meeting of the committee at least once in 45 days.

Major areas of discussion in Sampati Sudhikaran Niwaran Samiti and its decisions during FY 2018/19 are as follows:

- Periodical review of digitization status of KYC related documents
- Review and support of policies, procedures, and guidelines
- Reviewed the Annual Risk Assessment Report of FY 2016/17
- Assessment of compliance of NRB Directive No. 19, Assets (Money) Laundering Prevention Act and Rules
- Discussion on update on annual training on AML/CFT & KYC
- Discussion on update on end-to-end AML/CFT solutions

Total of 15 meetings of this committee were held during FY 2018/19, and details of meetings attended and allowance received by the directors are as follows:

Members	No. of meetings attended	Meeting Allowance (NPR)
Mr. Rajendra Prasad Aryal	15	208,000
Mr. Ganesh Man Shrestha	8	96,000
Mr. Ram Chandra Sangai	6	96,000
Mr. Binod Kumar Pyakurel	7	136,000

Summary of major activities undertaken by the committee during the review period is stated below:

- Reviewed the policies, rules, and guidelines required to be followed by the Bank in order to comply with the provisions related to money laundering and financing of terrorism as per international norms.
- Performed periodic review of actions and activities undertaken by the Bank in relation to prevention of money laundering and financing of terrorism and submitted the report to the Board of Directors.
- Reviewed the report related to the evaluation of risk related to money laundering and financing of terrorism and submitted it to the Board of Directors.
- Reviewed the report related to the compliance of Prevention of Money Laundering Act, Rules and Provisions of Regularity Body.



3.10 ANTI MONEY LAUNDERING AND COUNTERING FINANCIAL TERRORISM REPORT

The Bank has zero tolerance against money laundering and financial terrorism. NIC ASIA Bank has strong belief in integrity and transparency and committed towards anti corruption.

The bank adopts policy of not only adhering country's legal and regulatory requirement, but also adopts international best practices to the extent reasonable and practicable to effectively manage ML/FT risks in the bank.

It is the policy of the bank to make maximum use of technology and upgrade the systems and procedures in accordance with the upcoming challenges regarding ML/FT. Likewise, bank implements/uses automated AML solutions across its network for effective KYC management, risk assessment, transaction monitoring etc. The Bank pursues a zero tolerance policy on all matters related to AML/CFT compliance. The bank takes action for resolving issues in high priority.

The major objectives of Bank's AML CFT Policy are:

- To lay down a framework to be implemented by the Bank in order to safeguard it against being used for money laundering and financing of terrorism
- To ensure full compliance by the Bank with all applicable legal and regulatory requirements pertaining to money laundering and financing of terrorism, and
- To provide a broad framework for formulation and

implementation of various manuals or procedural guidelines that is required for effective AML/CFT & KYC compliance

The bank complies with the requirements of the following Laws and rules:

- Asset (Money) Laundering Prevention Act, 2064 (Including second amendment)
- Asset (Money) Laundering Prevention Rules, 2073

RISK BASED APPROACH ON ML/FT

The RBA principals propose identification, assessment, understanding and mitigation of ML/FT risk including explicit consideration to key risk factors such as customers, products/ services, transactions, country, geographic areas and coverage of banking activities and delivery channel and with varying degrees of impact and levels of risk. It is a continuous process, carried out with a dynamic approach.

The bank adopts Risk Based Approach (RBA) in managing its ML/FT risks and assesses potential ML/FT risks and implement measures and controls commensurate with the identified risk. The bank strengthens, make priorities and perform its activities to manage higher risks first and ensure that greatest risks receive the highest attention. RBA is adopted in all activities that are performed to prevent ML/FT risks in the bank.

RISK MANAGEMENT VIA THREE LINES OF DEFENSE

For the effective assessment, understanding, management and mitigation of ML/FT risks, bank adopts three line of defense. Identification and analysis of ML/FT risks and effective implementation of policies and procedures to encounter the identified risk is the feature of effective and sound risk management. The lines of defense acts as safeguard of the bank during the adversities and are liable for effective risk management.

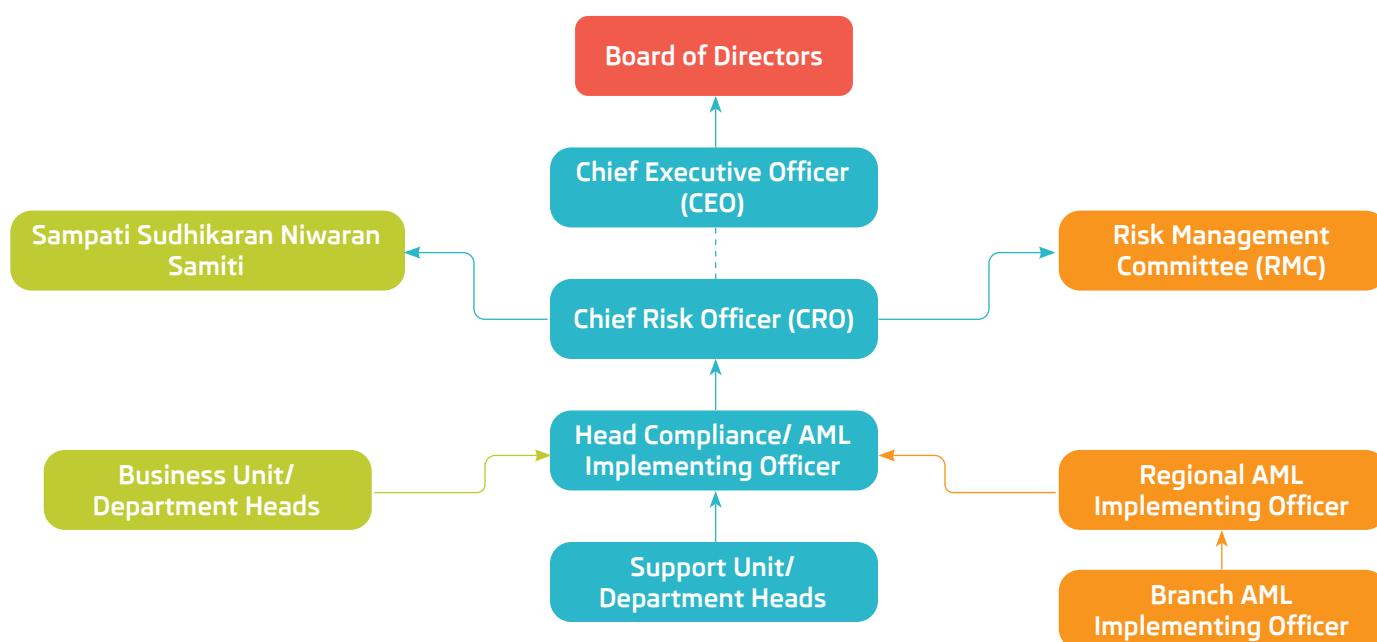
1 st Line of Defense	2 nd Line of Defense	3 rd Line of Defense
Business units and departments functions as a first line of defense to prevent ML/FT risks. Business units make an appropriate risk assessment before introducing any product or service and implement required mitigations. It is the responsibility of compliance department to assist business units/ departments in this process.	Compliance Department function as a second line of defense to prevent ML/FT risks in the bank. The Compliance Department monitors overall legal, regulatory and internal compliance of policies, procedures and guidelines. It also provides businesses with regulatory compliance expertise and guidance, set standards and training for businesses to manage and oversee ML/FT risks.	This is performed by internal audit. The internal audit reviews the activities of the first two lines of defense with the purpose to ensure that legislation, regulations and internal policies are processed effectively.

PROHIBITED CUSTOMERS AND TRANSACTION

On the Bank's fight against ML/FT, it doesn't carry out following activities;

1. Establish or maintain dummy accounts, anonymous accounts, or accounts in fictitious names or transact in such accounts or cause to do so;
2. Maintain relationship with shell Banks or other banks which deals with shell bank or shell entities;
3. Establish an account or continue business relationship or conduct transaction with the customer who cannot provide documents, information and details required for the customer identification and verification as required by law and regulation. However, in case customer submits valid reason for inability of presenting some document or information and bank become satisfied with the reason, relationship can be established and transaction can be done with maintaining record of the information of non-existence of document/information;
4. Customers who provide conflicting Documents, information and details;
5. Maintain relationship with the banks operating in offshore jurisdictions;
6. Maintain relationship with persons and entities sanctioned by major sanction authorities such as United Nations, Office of Foreign Assets Control- United States, Her Majesty's Treasury-United Kingdom;
7. Payment orders with an inaccurate representation of the person placing the order;
8. Acceptance of payment remittances from other banks without indication of the name or account number of the beneficiary;
9. Use of accounts maintained by the bank for technical reasons, such as sundries accounts or transit account, or employees' accounts to filter or conceal customer transactions;
10. Maintaining accounts under pseudonyms that are not readily identifiable;
11. Opening Accounts without name or with notional name;
12. Acceptances and documentation of collateral that do not corroborate with the actual economic situation or documentation of fictitious collateral for credit granted on trust;
13. Payable through Accounts;
14. Providing Downstream Correspondent Banking;
15. Maintain relationship with shell entities or other entities or individuals which deal with shell bank or shell entities.

GOVERNANCE, OVERSIGHT, STRUCTURE AND REPORTING





3.11 SPEAKING UP AND WHISTLE BLOW MECHANISM

Bank's workforce represents a valuable source of information that can be utilized to identify a potential problem, and deal with it, before it causes significant damage to operations and/or reputation. Employees have an important role in identifying and reporting all concerns about serious unethical or illegal conduct through the appropriate internal channels. In most situations, the traditional internal reporting lines are sufficient to prevent malpractice. However, where fraud, corruption or other malpractice has served to undermine the Bank's internal controls and lines of reporting, whistle blowing is an effective safeguard.

The Bank has established an effective guideline on speaking up and whistles blowing for employees to report to the appropriate authority their concerns about unethical behavior, actual or suspected fraud, or violation of the Bank's code of conduct.

Employees are encouraged and able to communicate confidentially, and without the risk of reprisal, legitimate concerns about illegal, unethical, or questionable practices. The Bank believes in encouraging its employees to bring the problems to the attention of management, and also reassures



The main objectives of Speaking up and Whistle Blowing guideline are:

- To encourage staff of the bank to speak up on any wrongdoing occurred in the Bank;
- To deal with reports by staff on 'wrongdoing' in the Bank;
- To promote an open and accountable workplace in which malpractice is deterred, risk management systems of the Bank are reinforced, stakeholders' interests are protected and the good reputation of the Bank is maintained.
- To lay down procedure to report or whistle blowing by employees.
- To develop a culture of openness, accountability and integrity.

the employees that their concerns are very important to the Bank.

The issues can be related to:

- Conflict of interest
- Safety
- Misuse of confidential information
- Falsifying reports
- Bullying, harassment and discrimination of others
- Bribery, facilitation payments
- Workplace violence
- Drugs and substance use
- Trading insider information
- Improper use of Bank's assets
- Employment law
- Theft, etc.

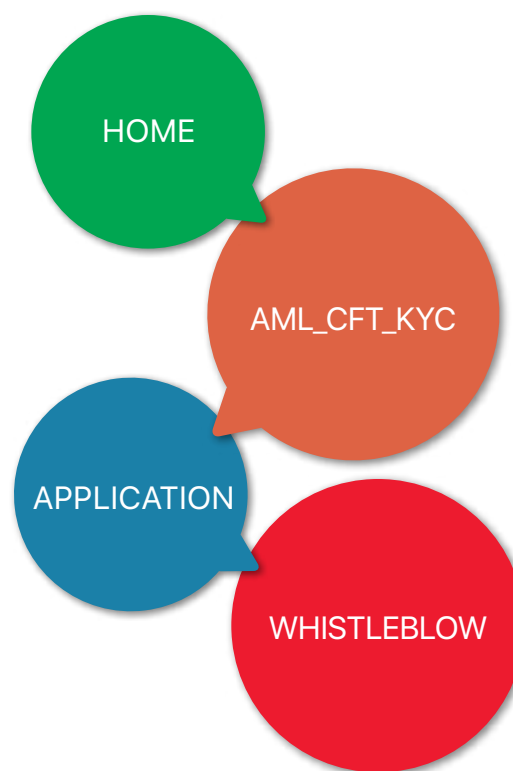
PRINCIPLES OF SPEAKING UP & WHISTLE BLOWING

- i. Staffs have a responsibility to Speak Up if they suspect any actual, planned or potential wrongdoing that breaches any law, regulation, and mismanagement, abuse of authority and resources of the bank.
- ii. Staffs are encouraged to meet this responsibility by providing them with access to a confidential and secure means to raise legitimate concerns.
- iii. Staffs are expected to raise concerns through line management unless there is a good reason not to do so. In such circumstances report or information can be directly send to senior management.
- iv. All reports will be recorded, reviewed and, where appropriate, independently investigated. Feedback will be provided to the employee who has raised the concern.
- v. Where requested, every effort is made to maintain the confidentiality of the staff making a report (although where, for example, the report leads to legal proceedings, this cannot be absolutely guaranteed).
- vi. Unless a report has been made maliciously, no staffs are disadvantaged for Speaking Up.
- vii. The submissions of malicious or deliberately misleading reports are considered a serious breach Code of Conduct. It may also render the individual making the report subject to civil or criminal action.

PROCESS OF WHISTLE BLOWING

Any employee could directly report such reportable instances to its line managers or HR Department or AML Implementing Officer. However, for any good reason not to disclose to the line managers/HR Department or AML Implementing officer, a mechanism has been devised placed in the intranet page (iZone3) of the Bank for directly whistle blowing.

The link for the whistle blowing in the intranet page of the Bank (iZone3) has been given below along with 3 simple steps for the lodgment:



Arrangement has been made to review the lodgment in the Intranet page by members of the Corporate Governance Committee and CEO only.

The application protects anonymity of the employee (i.e. whistle blower) by impersonating as a system account i.e., regardless of iZone3 User ID reporting through the application, the reporting user ID is seen as system@nicasiabank.com. The content of the whistle blowing is automatically sent via whistleblow@nicasiabank.com to the members of the Corporate Governance Committee and CEO only. The content cannot be accessed by any other person.



BANK'S APPROACH TO SPEAKING UP & WHISTLEBLOWING



i. FAIRNESS

The Bank understands that the staff raises the concern in good faith and shall not take action against the individual. It is important that all staff understand that it is acceptable for them to speak up even in cases where a genuine concern turns out to be mistaken or misguided.

ii. INVESTIGATION

Compliance Department or any other departments as assigned by Corporate Governance Committee shall assess the merit of any concern raised by the Staff and shall initiate for investigation. All efforts will be made to give feedback to the individual on the outcome of any investigation, subject to legal or investigatory limits. This process will be agreed on a case-by-case basis as issues such as confidentiality may need to be taken into account.

Where a concern is investigated and it is found to implicate another staff member or a member of the Board, he/she will be dealt with effectively in accordance with employment and other law and contracts of employment.

iii. CONFIDENTIALITY

The Bank shall not disclose the identity of the staff speaking up unless required by law. Staff should be aware that there may be times when the Bank is unable to resolve a concern without revealing the staff member's identity, for example when the staff member's personal evidence is essential. If so, the matter shall be discussed with the staff member whether and how the matter can best proceed.

iv. SAFEGUARD AND PROTECTION

Any staff who reports a wrongdoing, provided that this is done in good faith and in compliance with the provisions of this guideline, shall be protected against any acts of retaliations. Staffs who make a report in bad faith, particularly if it is based knowingly on false or misleading information, shall not be protected and shall be subject to disciplinary measures.

v. REPORTING

The investigated case and its action taken by the Bank against the case shall be reviewed by the Corporate Governance Committee of the Bank. Strict confidentiality shall be adopted in submission of the investigation reports.

3.12 STATEMENT OF DIRECTORS RESPONSIBILITY

The Statement of Director's Responsibility should be read simultaneously with the Auditor's Statement of their responsibilities set out in the Auditor's Report to shareholders, which provides the shareholders a precise view to distinguish the respective responsibilities of the directors and of the auditor in relation to the financial statements. The Board of Directors is responsible for preparing the annual report, separate financial statements of the Bank, and the consolidated financial statements of the Bank and its subsidiary(ies) in accordance with the prevailing laws and regulations of Nepal.

Section 108 read together with Section 109 of the Companies Act 2006 of Nepal stipulates the ultimate responsibilities of the Board of Directors to prepare the financial statements of the company to its shareholders for presentation in AGM. The financial statements have been prepared and approved by the Board of Directors 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, 2075. These policies have been consistently applied to all the years presented except otherwise stated.

The Bank has applied several amendments to standards for the first time during the year ended 32 Ashad 2075. The Bank has prepared the opening statement of financial position as per Nepal Financial Reporting Standard (NFRS) as at July 16, 2016 (the transition date) by recognizing all assets and liabilities whose recognition is required by NFRS, not recognizing the items of assets or liabilities which are not permitted by NFRS, by reclassifying items from previous GAAP to NFRS as required by NFRS and applying NFRS in measurement of recognized assets and liabilities.

The stand-alone financials have been consolidated on the basis of Nepal Financial Reporting Standard (NFRS) 10 to arrive at the consolidated financial statements. In para 19 of NFRS 10, a parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impractical to do so. The carve-out is optional and has been provided for FY 2017/18 to 2019/20. Accordingly, the Bank has opted the carve-out.

In the preparation of the financial statements, the directors undertake the responsibility of following arrangements:

- › Select suitable accounting policies and then apply them consistently
- › Make reasonable judgments and estimates where necessary
- › State that financial statement complies with the Generally Accepted Accounting Principles, Nepal Financial Reporting Standards, Directives issued by Nepal Rastra Bank, Companies Act, National Legislation, regulation issued by local authorities, guidelines issued, and other prevalent laws and regulations
- › Prepare the financial statements on a going concern basis with the assurance that the Bank has the resources to continue the business in the foreseeable future, unless it is not appropriate. Since the directors are satisfied that the group and the Bank have the resources to continue the business in the foreseeable future, and there are no indicators that cast doubt on the Bank and its subsidiary(ies) going concern assumption, the financial statements are continually prepared on going concern basis.

The directors are responsible for keeping proper books of account which discloses the financial position of the Bank with reasonable accuracy at any time. Also, the directors ensure that financial statements comply with the Companies Act, 2006. Further, the directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities. As such, the Bank and its subsidiary(ies) have implemented policies, procedures, and mechanisms that are intended to mitigate the risks that may arise due to control lapses. The Bank has constituted Audit Committee that comprises of two non-executive directors and Head Internal Audit, who is the secretary of the committee. The Audit Committee functions independently and reports directly to the Board of Directors.

On behalf of the Board of Directors

Tulsi Ram Agrawal
Chairman



3.13 DIRECTOR'S STATEMENT ON INTERNAL CONTROL AND ITS ADEQUACY

The Board of Directors ("Board") recognizes the importance of sound internal controls and risk management practices to good corporate governance. However, such system of internal control is designed to manage the Bank's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Bank. Accordingly, it can only provide reasonable assurance against misstatement of management and financial information and records. To this end, the Board has established an organization structure which clearly defines lines of accountability and delegated authority.

The Board has delegated specific responsibilities to four committees (Audit, Risk Management, Karmachari Sewa Subidha and Samapatti Sudhhikaran Niwaran Samiti). These committees have the authority to examine particular issues and report back to the Board with their recommendation. These committees are chaired by non-executive directors, while Audit Committee is chaired by Independent non-executive director.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

- The respective committees of the Board are established by the Boards to assist the Boards in ensuring the effectiveness of the Bank's operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business environment and internal operating conditions.

- The Audit Committee of the Bank monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on all units or branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units or branches. The annual audit plan is reviewed and approved by the Audit Committee.

- The Audit Committee review internal control issues identified by the internal audits, the external auditors, regulatory authorities and management, and evaluate the adequacy of internal control system. The minutes of the Audit Committee meetings are tabled to the Board of the Bank on a periodic basis.

- The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of principal areas of

risk in order to ensure structures and procedures of risk management are in place and they are reflective of the Bank's risk tolerance.

- The Board of the Bank receives and review reports from management on a regular basis on business operations at the board meetings.

- There are policy guidelines and authority limits imposed on management in respect of the day-to day banking and financing operations, extension of credits, investments, acquisitions and disposals of assets.

- Policies and procedure to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank which are updated from time to time.

- Annual budgets are approved by the Board and the management's performance is assessed against the approved budgets and explanations are provided for significant variances on a monthly basis to the Board.

On behalf of board,
Tulsi Ram Agrawal
Chairman

3.14 RESPONSIBILITY STATEMENT OF CEO AND CFO

The financial statements of NIC ASIA Bank and the consolidated financial statements of the Bank and its subsidiaries as on July 16, 2018, are prepared and presented in compliance with the requirement of the followings:

- 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);
- 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);
- Format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075;
- Companies Act, 2063;
- Banks and Financial Institutions Act, 2073;
- Securities Act, 2063;
- Income Tax Act, 2058;

The formats used in the preparation of the financial statements and disclosure made comply with the format prescribed in the Unified Directive issued by Nepal Rastra Bank.

The accounting policies used in the preparation of the financial statements are appropriate and have been consistently applied to by the group except otherwise stated. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates

in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied retrospectively. Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied, along with the nature and effect of changes of accounting estimates, if any.

Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of NIC ASIA Bank were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements of NIC ASIA Bank were audited by M/s. TR Upadhyaya & Co., Chartered Accountants, the independent external auditor.

We confirm that,

- NIC ASIA Bank and its subsidiaries have complied with all applicable laws, regulations, and regulatory requirements
- There are no material non-compliances
- There are no material litigations that are pending against the group
- Required and adequate provisions have been made for the overdue loans and advances as per the NRB Directive and NFRS.

Roshan Kumar Neupane
CEO

Rupesh Luitel
CFO



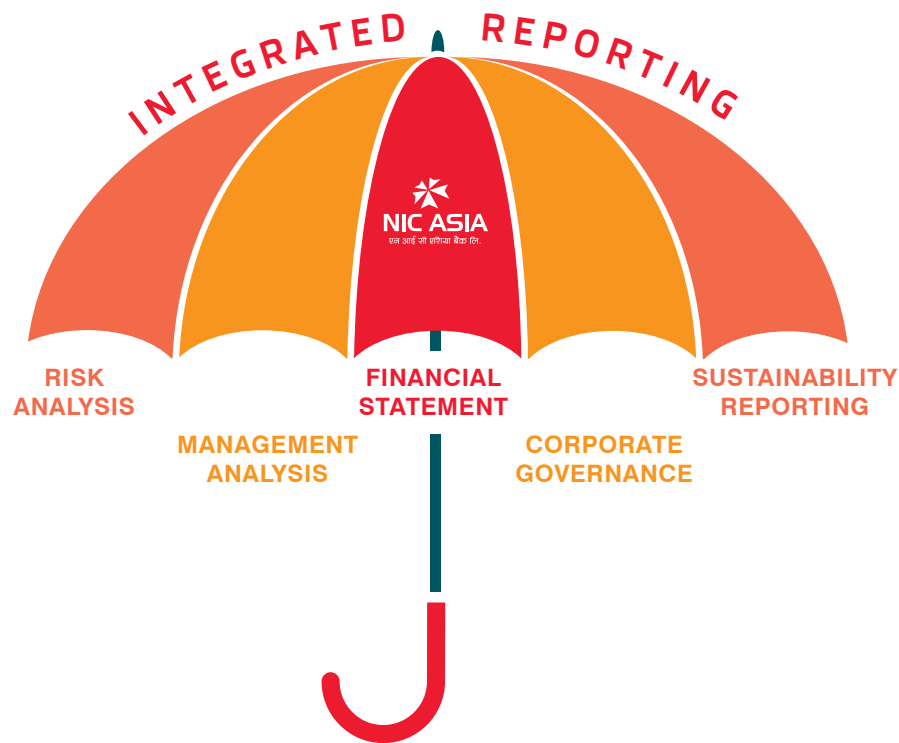
3.15 INTEGRATED REPORTING

Integrated Reporting is a concise communication of an organization's strategy, governance and performance which demonstrates the links between its financial performance and its wider social, environmental and economic context and shows how organizations create value over the short, medium and long term.

We, NIC ASIA Bank believe that our stakeholders should be accessed to our financial activities, our goals, our strategies and our non-financial performance as well. On our drive to transparency, we prepare Integrated Reports to help stakeholder evaluate the Bank's financial performance, non-financial performance, strategies, resource allocation, governance, future outlook, business model.

With the changes in time, we believe our stakeholders require more than just the financial statement. So, our integrated report provide information regarding business performance, corporate social responsibility, statutory compliances, sustainability banking, internal control, risk analysis, management analysis, committee reports.

In our Integrated Report, we aim to provide all the required information to our existing shareholders as well as our prospective investors.





RISK **MANAGEMENT**

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4.1 STATEMENT OF RISK MANAGEMENT

Taking risk is an integral part of banking business. Failure to adequately assess and manage risks may lead to losses endangering the soundness of individual financial institutions and affecting the stability of the overall financial system.

The setting of an appropriate strategy and risk tolerance/appetite levels, a holistic risk management approach and effective reporting lines to the management body in its management and supervisory functions, enable managers of the Bank to take risks knowingly and treat risks where appropriate.

Risk management is a part of internal governance involving all areas of financial institutions. There is a strong link between good corporate governance and sound risk management. Without proper risk management, the various functions in a financial institution cannot work together to achieve the institution's objectives. It is an essential part of helping the financial institution grow and promote sustainability and resilience.

Risk management is a discipline at the core of every enterprise and encompasses all activities that affect its risk profile. The definition of a sound or adequate risk management system is ever changing, as new technology accommodates innovation and better information and as market efficiency grows. Each financial institution should put in place a comprehensive risk management program tailored to its needs and the circumstances under which it operates.

The Board of Directors of the Bank had approved Integrated Risk Management Policy for implementation after review and recommendation of Risk Management Committee. The purpose of this policy is to provide a framework for integrated philosophy, policies, framework, rules and regulations relating to efficient management of Operational Risk, Credit Risk and Market and Liquidity Risk at the Bank. The core objective of the policy is to put in place a robust risk management system and framework within the Bank.

Major goals and objectives relating to the Bank's Integrated Risk Management Policy are;

- a. To put in place in the Bank, a comprehensive Risk

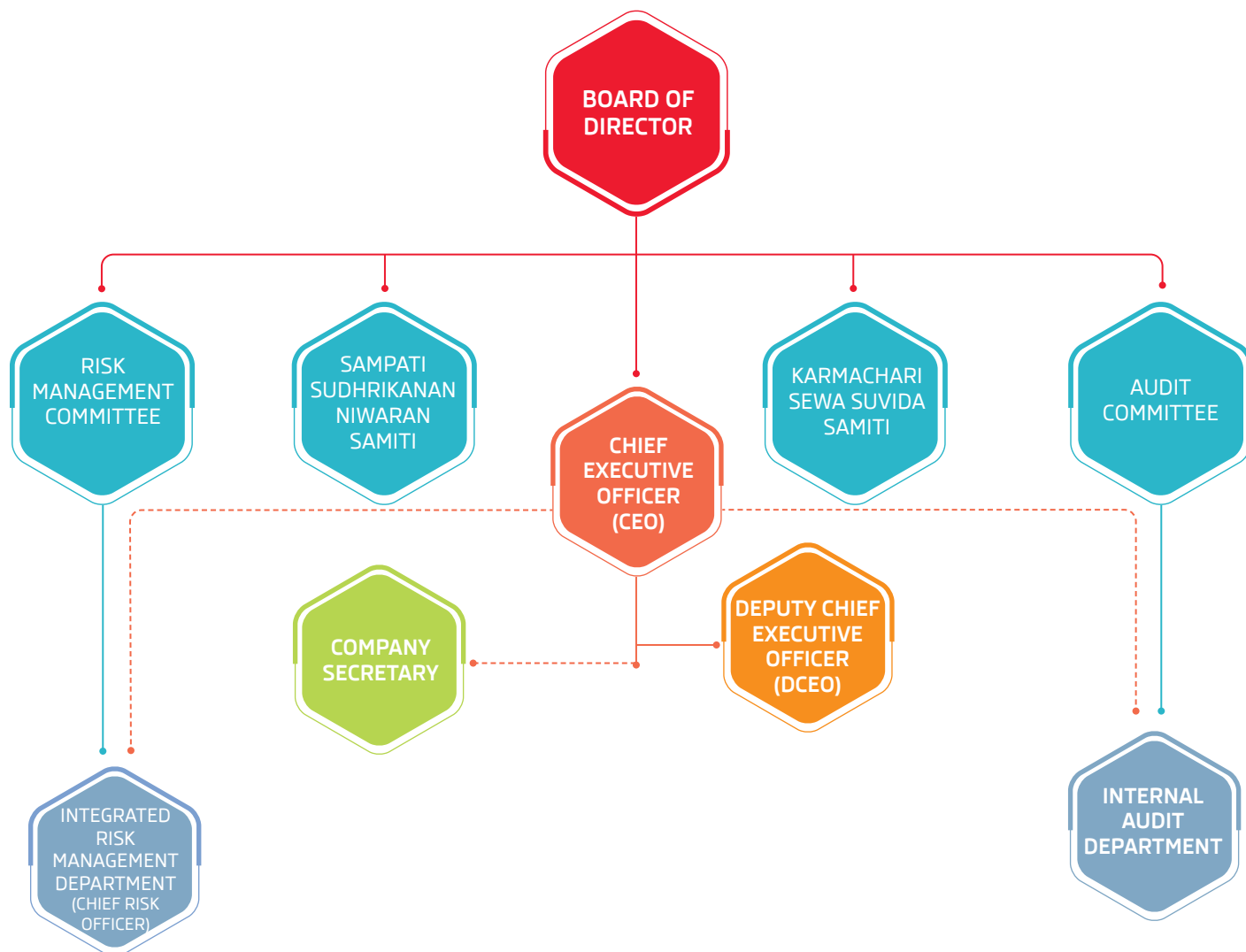
Management Framework commensurate to the size and complexity of its operations, which shall consists of appropriate management strategy, proper governance structure, comprehensive processes, scientific and systematic methodology, reliable system and data arrangement and appropriate reporting for timely action ensuring effective risk management.

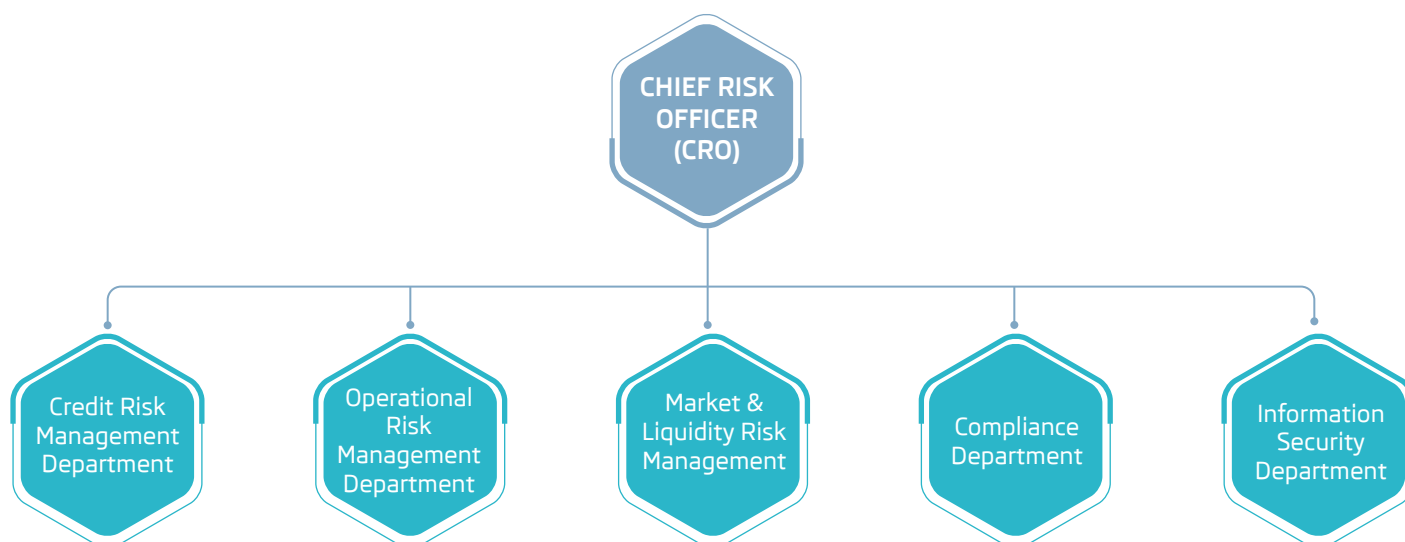
- b. To put in place appropriate reporting and monitoring tools with regards to the risk management.
- c. To ensure that senior level management as well as staffs responsible for risk management are provided with adequate policy framework to accomplish risk management function.
- d. To allocate various responsibilities to the relevant staffs, department/functions and/or committees in relation to the management of risk.
- e. To ensure that a sound management culture is established throughout the bank.
- f. To comply with applicable regulations.
- g. To put in place appropriate stress testing framework with regards to the market and liquidity risk management.
- h. To review credit initiation/ screening/ underwriting/ management/ monitoring and administration procedures of the business units/branches.
- i. To review whether the loan is implemented as per the approved terms and conditions.
- j. To review compliance to our internal credit policies & guidelines, credit approval terms, internal/external audit reports and Nepal Rastra Bank regulations.
- k. Conduct immediate on site credit risk review, if any branch seem problematic.
- l. To identify the Key Risk Indicators and Key Risk Areas in the areas of credit risk management.
- m. To recommend remedial measures both corrective and preventive improvements of the issues identified and foster the credit management and administration of business unit/branches.



- n. To guide, facilitate and support the respective areas/ departments of the Bank in implementing the recommendations made in the Credit Risk Review Report.
- o. To identify and/or enhance or reduce the market and scope of lending, depending upon risk appetite
- p. Various other objectives are;
 - Identify training needs to Branch Manager/ Relationship Manager/Assistant Relationship Manager and recommend the same to Human Resource Department through Credit Risk Review Report
 - Provide spot training to Branch Manager/Relationship Manager/Assistant Relationship Manager including execution of security documentations
- Enhance understanding and coordination between sales and credit
- Raise report on non-compliance of previous audit comments/remarks and credit risk review
- Immediately provide corrective action, if credit flow/ disbursements are not in line with Bank's expectation through Business Heads
- q. To understand/review sectoral concentration vis-à-vis the overall market, its opportunities and challenges.

RISK MANAGEMENT STRUCTURE OF THE BANK





CREDIT RISK

Credit Risk is the risk that a borrower or counterparty will fail to meet their obligations according to the agreed terms, resulting in the economic loss to the institution. For the banks, loans are the largest source of credit risk, also other sources of credit risk exist throughout the activities of the bank in the trading book and both on and off the balance sheet.

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

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

The Bank's approaches to Risk Management are in three levels;

i. Strategic level

It encompasses risk management functions performed by Board of Directors, Board level committees and senior management. For instance, direction and orientation of business, definition of risk, ascertaining risk appetite, formulating strategy and policies for managing risk; and establishing adequate systems

and controls to ensure the overall risk remain within acceptable level and the reward compensate for the risks taken. Credit portfolio is structured to ensure that no single event can have a significant adverse impact on overall performance of the Bank.

ii. Policies/Procedures

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

iii. Management/Functional Level

The Bank relies on the competences of the staff involved in credit related activities to identify acceptable credit risk and to make sound judgment based decisions in the approval and ongoing management of those risks.

CREDIT RISK STRATEGIES, POLICIES AND PROCEDURES

Credit risk strategy includes an assessment of risk profile of the bank and a statement of the Bank's appetite to take credit risk for each activity type, product type (working capital, consumer loan, fixed term, etc), economic sector (such as real estate, construction, retail), geographical location, etc. The credit risk strategies are communicated through the organization and periodically reviewed at board or management level. For



each type of loan, credit policies and procedures are defined in criteria for granting loans in a safe and sound manner including, but not limited to;

- Purpose of credit and source of repayment
- Collection of relevant information based on the different client risk profiles
- Use of adequate tools such as scoring or internal rating systems
- Analysis of borrower's repayment history
- For commercial credits, the borrower's business expertise and the condition of the borrower's economic sector and its position within the sector
- Net worth of the borrower and personal guarantee
- The proposed terms and conditions and covenants of the credit agreement
- Collateral and its sensitivity to economic and market developments
- Adequacy, enforceability, and liquidity status of collaterals as well as the practical aspects of their mobilization.

Credit policies address credit risk in all the Bank's activities, at both individual and portfolio levels. Such policies are clearly defined, consistent with the credit strategy, comply with regulatory requirements, international standards and banking practices, and be adequate for the nature and complexity of the Bank's activities.

CREDIT LIMIT AND INDICATORS

To ensure diversification of risks and limit concentration risk, limits on credit exposures should be set for all the relevant activities. It includes;

- Limits on exposure of specific activities or type of products, including off balance sheet items
- Limits on single counterparties and groups of connected counterparties, including other banks and financial institutions, domestic and foreign
- Limits on specific industries and/or economic sectors/sub-sectors
- Limits on exposure to type of collateral
- Limits on exposures to related parties
- Limits on branches and/or exposures to geographic regions, including other countries
- Limits on the credit that may be granted by approving managers.

In addition to setting limits, Bank uses early warning indicators to signal at an early stage where there is increased exposure to specific components of credit risk, and responds to these indicators by assessing whether they point to potential problems in credit quality.

CREDIT GRANTING PROCESS

Assessment	Credit proposal assessment are performed at relevant level following procedures, methodology and operating guidelines describing the necessary nature and extent of due diligence and collection of relevant supporting documents and information based on their risk profiles.
Review	Before submitting the proposal to the approval person, unit and/or committee, the Bank undertakes a review and analysis of loan proposals by a person independent from the initial assessment
Approval	The designated level of approving authority takes the approval decision, including approval of specific terms and conditions based on initial credit assessment, independent review and analysis.
Disbursement	Following the notification of approval, disbursement is made by designated unit/person, following the procedures to ensure that all terms and conditions are verified and guarantees
Administration	The credit administration function is responsible for maintaining credit files and ensuring they are kept up to date and for follow-up for necessary actions.

CREDIT RISK MONITORING

Monitoring of risks is performed by the Credit Risk Management Function without any influence of the risk taking units. Bank has in place a methodology to adequately classify their credit risk at Bank's portfolio and borrower's level. The classifications of the credit risk uses quantitative and qualitative borrower level follow a graduation of the different level of inherent risk and with appropriate actions consistent with the level of risk identified.

Internal Rating System is used as valuable tool in monitoring the quality of individual loans which helps the Bank to differentiate between the different credits exposures in its portfolio's characteristics and verify the accuracy of the provisions.

The Bank monitors quality of the credit relationships on an on-going basis and keep updated information on their credit portfolios and on the risk profiles and situation of the borrowers. This includes timely collection and regular review of financial information including audited annual financial statements.

Business borrowers are also monitored through on-site visits, while repayment capacities of individual customers are updated regularly for early identification of any adverse developments that may affect repayment of loans.

Following tools are used for Risk Monitoring:

- Concentration Monitoring
- Industry Profile Analysis
- Credit Risk Review (CRR)
- Stress Testing

REMEDIAL ACTIONS

The Bank has effective processes and procedures in place for the early implementation of remedial actions on deteriorating credits and management of problem loans, including assessing the appropriate legal actions. Appropriate remedial actions are taken without delay, including requiring additional or increased guarantees.

Rescheduling tenure of loans, schedules are appropriate only when the loan is performing. However, when rescheduling is used as remedial action, the Bank follows a specific approval

process that includes a justification for how it will improve repayment prospects. While restructuring includes all aspects of rescheduling requiring fresh credit assessments and additional documents, a specific approval process is followed. The Bank uses neither rescheduling nor restructuring by way of forbearance.

RECOVERY PROCESS

When rescheduling and restructuring are not options or fails to improve the situation, problem loans are dealt by specialized recovery unit. This unit makes proactive efforts in dealing with problem borrowers.

When all efforts fail, the Bank writes off loans and liquidate collateral to minimize cost. Such process are strictly monitored, require specific level of approval and specific information to the board and the Nepal Rastra Bank.

OPERATION RISK

Basel Committee on banking supervision defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this definition includes legal risk, but excludes strategic and operational risk". It further adds, 'Legal risks includes but not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements'.

Operational Risk is pervasive across all the functions of the Bank and is influenced by all resources, including human resource, system and procedural designs deployed by the Bank to carry out those functions. Operational Risk can be caused by both internal and external sources such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risk in product, flawed design or process, and business practice.

Legislative and Regulatory framework on Operational Risk Management

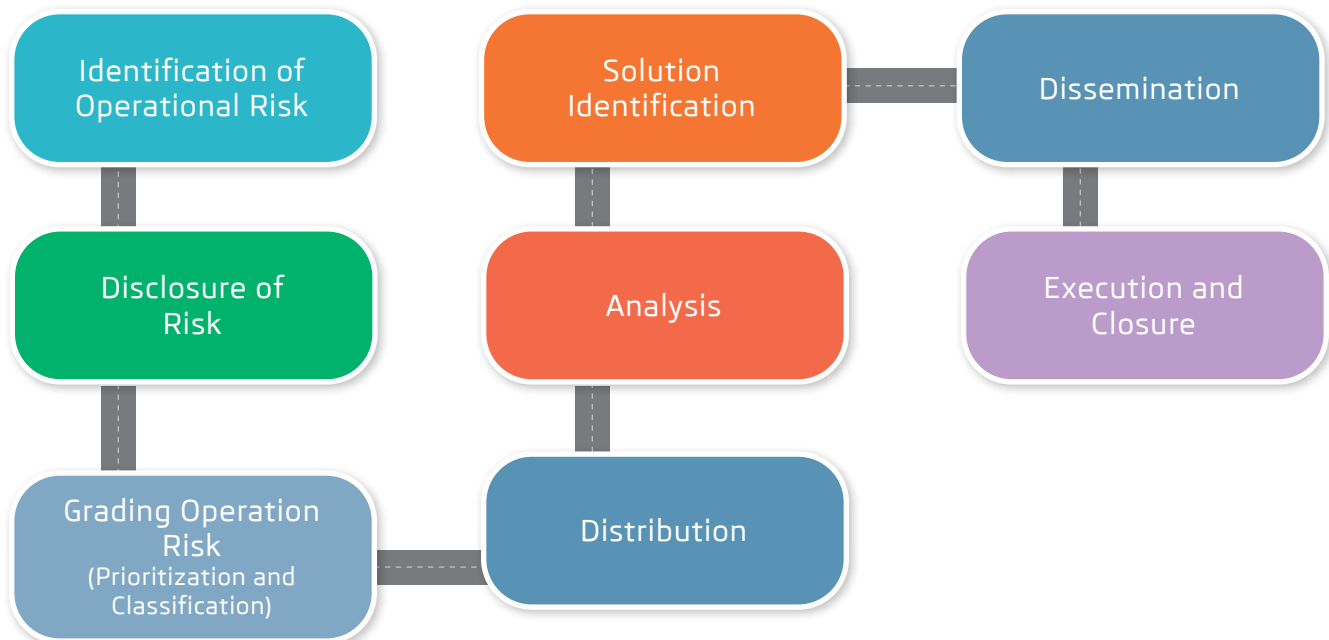
- Unified Directives 1, 5, 6 issued by Nepal Rastra Bank
- Risk Management Guidelines, 2010 issued by Nepal Rastra Bank
- Information Technology Guidelines, 2018 issued by Nepal Rastra Bank.



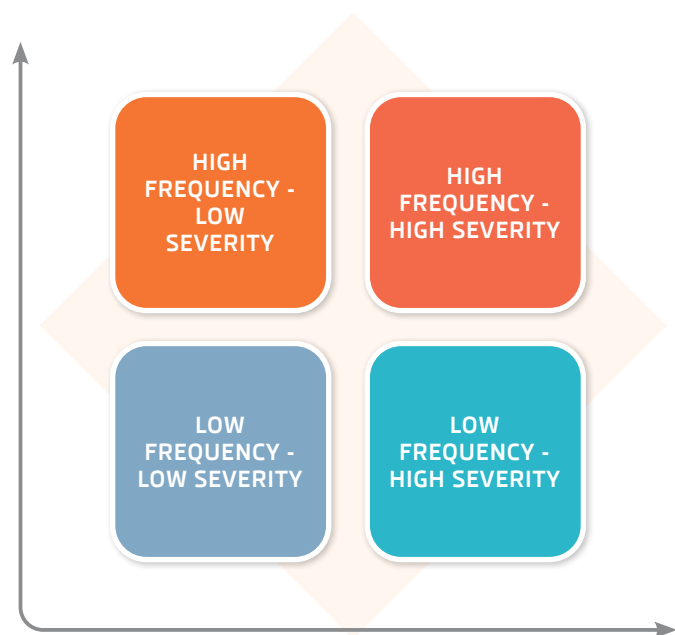
Operational Risk Management Framework of the Bank consists of following

- a. Board and Senior Management Oversight
- b. Operational Risk Function and Structure
- c. Framework for Risk Assessment and Qualification
- d. Framework for Risk Monitoring and Reporting
- e. Enforcement of Sound Operational Risk Management Culture and Practices
- f. Verification of Operational Risk Management Framework
- g. Control Functions
- h. Contingency Planning

OPERATIONAL RISK MANAGEMENT PROCESS



GRADING OPERATION RISK



OPERATIONAL RISK APPETITE OF THE BANK

The overall Operational Risk Appetite and Tolerance Statement shall encapsulate the changes in environment factors, the Bank's financial condition, quality of control standards, and control environment, loss data, changes in volume of business and activity, and occurrence of operational risk events. The Operational Risk Appetite and Tolerance Statement shall be revised by the approval of the Risk Management Committee as and when required, but at least once in a year.

The risk exposure shall not exceed 125% of the average of sum of percentage risk weighted exposure for operational risk of the past three years, i.e. 25% additional exposure is within the risk appetite of the Bank.

The risk exposure shall not exceed 125% of the average of sum of percentage Risk Weighted Exposure for Operational Risk of past three years. i.e. 25% additional exposure is within the risk appetite of the bank.

MEASUREMENT AND QUANTIFICATION OF OPERATIONAL RISK

The measurement and quantification is carried out through:

- Operational Risk Loss Data Base and Near Misses
- Modified Internal Measurement Approach

CLASSIFICATION OF OPERATIONAL RISK TYPE



RISK MANAGEMENT TOOL KITS

The Bank uses following tool kits for the effective management of Operational Risk Management. These toolkits serve as fundamentals for identification, assessment, and management of operational risk and are embedded in the operational risk management framework of the Bank. These tool kits are deployed proactively in an anticipatory fashion to recognize and manage risk in a forward looking manner;

1. Key Control Standards
2. Key Control Self Assessments
3. Risk Key Indicators



1. Key Control Standards

Key Control Standards are bare minimum qualitative control standards to be attained by all the functions. These control standards are segregated as;

S.N	Standard	Control Scope
1	Organization	• Clear segregation of roles and responsibilities • Updated Delegation of Authority in commensurate with the Bank's Policies • Duly recorded handover, takeover procedures during staff movements / resignation etc.
2	Compliance	• Compliance with all Laws of the land • Compliance with all regulatory requirements including reporting • Impact of regulatory changes • Compliance with Employee Code of Conduct • Maintenance of Customer Confidentiality
3	Legal	• Adequate legal arrangements while dealing with external parties • Legal Actions • Adequate legal arrangements in dealings with customers
4	Human Resource	• Competencies in assigned roles and responsibilities • Mandatory leaves and peer reviews • Adequate staffing • Work Environment and workplace hazards • Adequacy in staff members records and Know Your Employee
5	Product	• Adequate risk mitigation in product support processes • Products in alignment with regulatory compliance and defined risk appetite
6	Contingency Planning	• Business Continuity Plan • Disaster Recovery Plan • Operation during Disaster
7	Security and Protection	• Adequacy in security arrangements and alarm system • Adequacy in protection measures for physical assets • Adequacy in protection of Information • Adequacy in protection of intellectual property of the Bank • Adequacy in protection measures against cyber threats • Adequacy in staff members security and control of work place hazards
8	Reputation	• Service Delivery • Customer Complaints • External Environmental threats to reputation
9	Audit	• Audit Plan • Adequacy of Audit • Issues raised by Audit
10	Risk Assessments	• Adequate assessment of Operational risk by Units/ Departments/ Branches • Adherence to Operational Risk Management Policies and Guidelines • Key Control Self-Assessment
11	Finance	• Adherence to prescribed Accounting Standards • Assets/ liabilities reconciliation • General Ledger reviews and accuracy

2. Key Control Self-Assessment (KCSA)

Key Control Self-Assessments is checks used by functional supervisors to ensure that the controls designed for mitigation of Operational Risk are duly adhered to. The other outcomes of KCSA are whether the controls are adequate in the given operating environment, identification of internal and external issues that may result in Operational Risk events and whether the given controls are effective.

The Integrated Risk Management Department facilitates carrying out of KCSA on a periodic frequency according to the nature of control standard and risk indicator. The operation risk reporting also includes components of KCSA.

3. Key Risk Indicators (KRIs)

The major objective of KRIs is to enable the Bank to identify current risk exposure and emerging risk trends, highlight control weakness and allow for the strengthening of poor controls and facilitate the risk reporting and escalation process.

The Integrated Risk Management Department on periodic basis or as and when required but at least once a year, updates the KRIs based on the Control Standards and Risk Assessments. The KRIs monitors within assigned frequency and is an integral part of the risk reporting of the Bank.

MARKET & LIQUIDITY RISK

Market risk is defined as the risk of losses resulting from movements in market price that adversely affect the value of on-and-off balance sheet positions of financial institutions. Financial institutions may be exposed to market risk in a variety of ways. Market risk takes various forms;

- Foreign exchange risk, commodities risk throughout the institution
- Position risk arising from interest rate related financial instruments and equities (both cash and derivatives)
- Concentration risk in the trading book as well as in the banking book.

Liquidity risk is the risk that a financial institution loses its ability to fund its assets or to meet its obligations as they come due without unacceptable cost or losses. Liquidity risk encompasses various aspects;

- Intraday liquidity risk is the risk the financial institution becomes unable to settle its financial obligations in due time during the day

- Funding liability risk is the risk that the financial institution is unable to settle obligations when due without seriously affecting either its daily operations or financial condition. Funding liquidity risk derives from a maturity gap between assets and funding, resulting from the maturity transformation embedded in commercial banking business
- Market liquidity risk is the risk that a financial institution cannot easily cover its liquidity needs by liquidating a position through securities lending or selling at the market price because of inadequate market depth, price deterioration or market disruption. Market liquidity risk materializes in asset and derivative markets
- Funding cost risk is the risk that a financial institution can replace maturing funding only at higher costs to fund its assets.

FUNDAMENTALS PRINCIPLES ON LIQUIDITY RISK MANAGEMENT

The Bank establishes comprehensive and robust liquidity management framework which commensurate with the complexity of its on and off balance sheet activities, the liquidity of its assets and liabilities, the extent of its funding mismatches and the diversity of its business mix and funding strategies and ensure maintenance of sufficient liquidity, cushion of unencumbered high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both secured and unsecured funding source.

The Bank's liquidity risk management framework is well integrated into the Bank-wide risk management process with a primary objective of ensuring a high degree of confidence that the Bank is in position to both address its daily liquidity obligations and withstand a period of liquidity stress affecting both secured and unsecured funding, source of fund.

The Bank uses conservative assumptions about the marketability of assets and its access to funding, both secured and unsecured, during the period of stress. Moreover, the Bank does not allow any competitive pressure to compromise the integrity of its liquidity risk management, control functions, limit systems and liquidity cushion.



INDICATOR OF LIQUIDITY RISK

Liquidity risks are identified with the help of following non exhaustive lists:

Rapid asset growth, especially when funded with potentially volatile liabilities	Repeated incidents of positions approaching or breaching internal or regulatory limits
Increase in currency mismatch	Decrease in weighted average maturity of liabilities
Growing concentration with assets and liabilities	Negative Publicity
Negative trends or heightened risk associated with a particular product line	Significant deterioration in the Bank's earnings, asset quality and overall financial condition
Credit rating downgrade	Sharp stock price decline or rising debt costs
Extension of credit	Increasing retail deposit outflows

PRINCIPLES FOR MEASUREMENT AND MANAGEMENT OF LIQUIDITY RISK

- The Bank has a sound process for identifying, measuring, monitoring and controlling liquidity risk. The process includes a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons.
- The Bank actively monitors and controls liquidity risk exposures and funding needs within and across business lines and currencies, taking into legal, regulatory and operational limitations to the transferability of liquidity.
- The Bank has established a funding strategy that provides effective diversification in the sources and tenor of the funding. It maintains an ongoing presence in its chosen funding markets and strong relationships with funds providers to promote effective diversification of funding sources. The Bank regularly gauges its capacity to raise funds quickly from each source. It identifies the main factors that affect its ability to raise funds and monitor those factors closely to ensure that estimates of fund raising capacity remain valid.
- The Bank actively manages its intraday liquidity positions and risk to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.

- The Bank actively manages its collateral positions, differentiating between encumbered and unencumbered assets. It also monitors the legal entity and physical location where collateral is held and how it is mobilized in timely manner.
- The Bank conducts stress tests on a regular basis for a variety of short term and long term institution specific and market wide stress scenarios to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with the Bank's established liquidity risk tolerance. The Bank uses stress test outcome to adjust its liquidity risk management strategies, policies and positions and to develop effective contingency plans.
- The Bank has a formal Contingency Funding Plan (CFP) approved by Assets Liability Committee (ALCO) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations. The CFP also outlines the procedures to maintain a range of stress environments, establish clear lines of responsibility, include clear invocation and escalation procedures and be regularly tested and updated to ensure that it is operationally robust.
- The Bank maintains a cushion of unencumbered, high quality assets to be held as insurance against a range of liquidity stress scenarios, including those that involve the loss or impairment of unsecured and typically available secured funding sources.

DISCLOSURE PRINCIPLE

The Bank publically disclose reports, ratios and other information on regular basis as stipulated by applicable laws and directives that enable market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

FUNDAMENTAL PRINCIPLES OF MARKET RISK

Market risk is the risk of losses on balance sheet and off balance sheet positions arising from movement in value of the market risk factors.

The major constituents of market risk are;

♦ Interest Rate Risk

Interest rate risk is measured by using re-pricing risk management model and stress testing model. Re-pricing risk management model is designed to measure adverse impact if interest rate changes by, say 2.5% p.a. (volatility rate), so as to allow management plan and maintain/grow its profitability accordingly. Stress testing is a tool to measure and manage interest rate risk of the Bank to some extent. Under stress testing, various scenarios are developed on the potential shocks on the capital adequacy ratio (CAR), and impact on total cost aftershock is measured.

Re-pricing the Risk Measurement Table as per re-pricing management model is prepared on monthly basis by Finance and Accounts Department, and review and monitoring of the impact on Net Interest Income (NII) is carried out by Treasury Middle Office. Finance and Accounts Department also prepares stress testing/MIS report on a monthly basis. The results are put up at least monthly in the ALCO meeting, which monitors the same.

♦ Currency & Commodity Risk

Currency and commodity risk is measured by adopting Net Open Position approach and stress testing. The net open foreign currency position is the difference between the total open long (receivable) and the total open short (payable) positions in a given currency held by the Bank. Stress testing is also a tool to measure and manage exchange rate risk of the Bank to some extent. Under stress testing, various scenarios are developed, and the potential shocks on capital adequacy (CAR) etc. are measured.

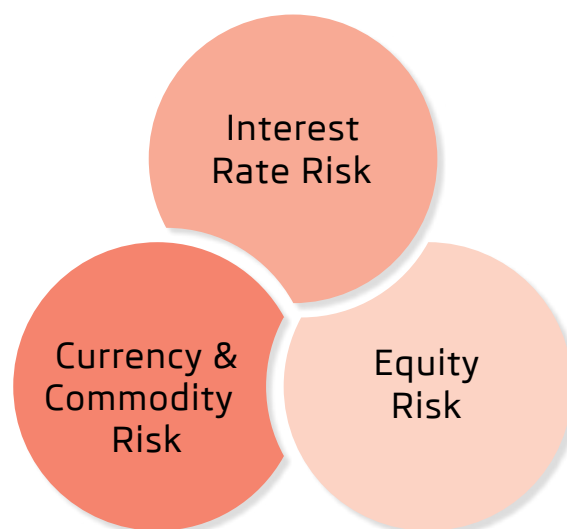
The Net Open Position Measurement Table, as per net open position approach, and the Table for Measurement of Stress Testing (exchange rate risk), are prepared by Finance and Accounts Department and monitored by Treasury Middle Office on a monthly basis. The MIS report as prepared, along with comments (if any), is put up at least once a month in the ALCO meeting for discussion and deliberation. In case of any perceived potential issue, as depicted by net open position on account of exchange rate fluctuation, ALCO formulates internal control and strategies as appropriate.

Management of currency and commodity risk is also being done by hedging. Hedging is a risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities and currencies. In effect, hedging is a transfer of risk without buying insurance policies.

♦ Equity Risk

The Bank measures equity risk by preparing monthly exposures in equity and by stress testing. Monthly exposures in equity are calculated by using various structured tables. Stress testing is also a tool to measure and manage equity risk of the Bank's portfolio to some extent. Under stress testing, various scenarios are developed, and the potential shocks on capital adequacy (CAR), etc. are measured. Equity risk is measured on portfolio basis and segregated as per the investment/equity category, such as, held for trading, available for sale, and held to maturity. Equity risk in case of investment in non-listed companies shall be assessed through periodic review of financial performance. Apart from the above, equity risk is calculated by using fundamental analysis and technical analysis.

Monitoring of equity risk is done by Treasury Middle Office by reviewing the Equity Risk Table showing the exposures in equity prepared by Finance and Accounts Department on a monthly basis. Monitoring of equity risk is also being done by Treasury Middle Office by reviewing stress testing, MIS report (equity risk) prepared by Finance and Accounts Department on a monthly basis. Any anomaly is reported at the ALCO meeting for discussion and deliberation.





4.2 STATEMENT OF CAPITAL ADEQUACY

Capital is a prime factor to consider when assessing the safety and soundness of a bank. It acts as a cushion in case the value of the bank's assets decline and liability rises. Maintaining a minimum capital level is of paramount importance for a bank so that adequate protection against risk can be ensured. A strong capital management policy protects an organization by identifying and mitigating risks, besides establishing the confidence of depositors, creditors, and other stakeholders. Capital adequacy gives a view on a bank's financial strength and stability.

Capital adequacy is a basis for measurement of the amount of capital that the bank needs to hold to ensure that no excess leverage is taken that would lead to insolvency. Capital adequacy is best expressed as Capital Adequacy Ratio (CAR), also known as Capital to Risk Weighted Assets Ratio. CAR is a measure of a bank's eligible capital expressed as a percentage of its risk weighted asset. The objective of CAR is built around market discipline, whereby depositors get a standardized measurement on the extent to which their wealth is exposed to risk, and thereby establish confidence on the financial institution's operations. The CAR measurement is also directed towards making a bank's capital more risk sensitive and shock absorbent.

The Basel III document of the Basel Committee requires banks to comply with the following:

- Banks should have in place a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
- Banks should operate above the minimum regulatory capital ratios.

Internal Capital Adequacy Assessment Process Guideline 2012 (updated July 2013) issued by Nepal Rastra Bank requires banks and financial institutions to develop their own internal policy, procedures, and structure to manage the risk inherent in their business. Banks should report if there are any changes made in the previous ICAAP or its outcome within three months of fiscal year end.

The Bank has formulated and implemented Internal Capital Adequacy Assessment Process 2018 (ICAAP 2018), which has been approved by the Board of Directors. ICAAP 2018 is a system of sound, effective, and complete strategies and processes that allow the Bank to assess and maintain on an ongoing basis the amounts, types, and distribution of internal capital that the Bank considers adequate to cover the nature and level of risk to which the Bank is or might be exposed to.

ICAAP 2018 shall also include requirement to have robust governance arrangements, efficient process of managing all material risks, and an effective regime for assessing and maintaining adequate and economic capital at the Bank, where economic capital (economically needed capital) refers to the amount of capital required for the Bank's business operations and for financing the associated risks.

ICAAP 2018 shall provide policy and procedural guidelines for the calculation of internal capital adequacy by prescribing appropriate methodologies, techniques, and procedures to assess the capital adequacy requirements in relation to the Bank's risk profile and effectiveness of its risk management, control environment, and strategic planning.

The Board shall be primarily responsible for ensuring the current and future capital needs of the Bank in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the Bank is confronting in the course of different business activities, and how this risk relates to capital levels, and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

To achieve the long-term plans, the Bank prepares annual budgets/ operating/ tactical plans as stipulated in the budget policy and strategy document of the Bank. To ensure that the Bank's capital adequacy is commensurate to the demand of the Bank's capital required by business planning, the management and the Board prudently and proactively engage on ongoing process of capital and risk assessment, stress testing and scenarios testing, monitoring, and reporting as per ICAAP 2018.

The Bank has also formulated and implemented Stress Testing

Guidelines 2018 in order to assess of the vulnerability of the Bank under various stress situations, typically, application of "what if" scenarios, especially in the problematic identification of low frequency but high severity events, and identifying expected and unexpected losses. It focuses on capturing the impact of large but still plausible events, and understanding the overall risk profile in a coherent and consistent framework, including impact analysis on earnings, solvency, and liquidity.

Stress testing of the Bank also includes macroeconomic environment of the country and its impact in the Bank's business, as well as entire key risk areas and functions of the Bank, as far as data availability and resources permit, having ultimate impact on the capital adequacy of the Bank.

A formal monitoring and reporting mechanism has been established to provide the senior management necessary information on the risk profile, trends, and capital requirements as per ICAAP 2018 and Stress Testing Guidelines 2018. Such reports are being prepared on a monthly and quarterly basis and circulated to relevant business units/departments, Integrated Risk Department (IRMD), and tabled in Assets Liability Committee (ALCO) meeting. Further quarterly reports are presented to the Risk Management Committee and the Board for review and discussions.

The Bank has determined and implemented Capital Adequacy Ratio of 0.5% more than that required by the regulatory body as a prudent measure of the Internal Capital Adequacy Assessment Policy (ICAAP). This has provided assistance in maintaining shock absorption capacity of the Bank at higher level during the time of probable ups and downs of the Bank.

REPORTING OF CAPITAL ADEQUACY

As per Unified Directive No. 1 issued by Nepal Rastra Bank, the Bank is required to maintain minimum capital fund based on total risk-weight assets as prescribed by Capital Adequacy Framework-2015 issued by Nepal Rastra Bank. The Bank is required to maintain the prescribed ratio of capital adequacy at all times. Further, the Bank is required to prepare statement as to capital fund as stated in schedule 1.1 of Capital Adequacy Framework, 2015 on the basis of the financial statements on the last day of every month. Those statements are required to be sent to the Banks and Financial Institutions Regulation Department and concerned supervision department of Nepal Rastra Bank within 15 days from the date of completion of every month, having them authenticated by internal auditors. In the rare event of failure to send them unaudited, the same will have to be mentioned in the monthly statement. However, such statements at the end of the quarter must be submitted after getting them authenticated by the internal auditors. As per Capital Adequacy Framework-2015, the Bank is required to

maintain minimum Capital Adequacy Ratio of 11%.

During FY 2017/18, the Bank prepared the statement of capital fund as stated in schedule 1.1 of Capital Adequacy Framework, 2015 on the basis of the financial statements at the last day of every month and submitted the same to the Banks and Financial Institutions Regulation Department and concerned supervision department of Nepal Rastra Bank within 15 days from the date of completion of every month, getting them authenticated by the internal auditors. Also, the Bank has uploaded the quarterly statement of Capital Adequacy Ratio and report on Internal Capital Adequacy Assessment Policy on the Bank's website www.nicasiabank.com.

DETAILS OF CAPITAL ADEQUACY RATIO

Risk Weighted Exposures for credit risk, market risk and operational risk (Risk Exposure):

(Amount in Million)

Risk Weighted Exposure	16-Jul-19	16-Jul-18
a. Risk Weighted Exposure for Credit Risk	154,507.09	118,625.31
b. Risk Weighted Exposure for Operational Risk	5,686.33	4,066.90
c. Risk Weighted Exposure for Market Risk	117.55	117.55
d. Adjustments under Pillar II		
ALM policies & practices are not satisfactory, add 3% of gross income to RWE	160.74	104.84
2% adjustment on Total RWE	3,206.22	2,456.20
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	163,677.93	125,370.80

Tier I Capital and its breakdown of components

Particulars	16-Jul-19	16-Jul-18
Paid up Equity Share Capital	8,834.23	8,031.12
Proposed Stock Dividend	-	-
Statutory General Reserves	2,429.81	1,825.15
Retained Earnings	2,112.88	943.65
Capital Redemption Reserve	416.67	285.71
Less:		
Intangible Assets	(110.49)	(22.97)
Investment in equity of institutions with financial interests	(200.00)	(200.00)
Core Capital (A)	13,483.10	10,862.66

Tier II Capital and its breakdown of components

Particulars	16-Jul-19	16-Jul-18
Cumulative and/or Redeemable Preference Share	-	-
Subordinated Term Debt	6,741.55	3,200.00
General loan loss provision	1,484.28	1,204.73
Exchange Equalization Reserve	39.01	38.37
Investment Adjustment Reserve	56.20	44.24
Supplementary Capital (B)	8,321.04	4,487.35



Particulars	16-Jul-19	16-Jul-18
Total Capital Fund (A+B)	21,804.14	15,350.01
Capital Adequacy Ratio (Total Capital Ratio)	13.32%	12.24%

Details of Capital Adequacy Ratio during the FY 2018-19

Quarter Ending	Capital Adequacy Ratio (CAR)
First Quarter (mid October 2018)	12.48%
Second Quarter (mid January 2019)	11.97%
Third Quarter (mid April 2019)	13.10%
Fourth Quarter (mid July 2019)	13.32%

Capital Adequacy Ratio (CAR) of this Bank can be seen to be comfortably above the minimum CAR of 11% prescribed by Nepal Rastra Bank and the minimum CAR of 11.5% as required by the Internal Capital Adequacy Assessment Policy (ICAAP).



4.3 STATEMENT ON NON PERFORMING LOAN MANAGEMENT

A non-performing loan (NPL) is a sum of borrowed money upon which the debtor has not made the scheduled payments for a specified period. A non-performing loan (NPL) is considered in default, or close to default. Management of NPL is a biggest challenge faced by the banks and financial institutions in the present days.

As per the directives issued by Nepal Rastra Bank, NPL is categorized as follows:

- Sub-standard: Loans/advances which are overdue by a period from three months to a maximum period of six months.
- Doubtful: Loans/advances which are overdue by a period from six-months to a maximum period of one year.
- Loss: Loans/advances which are overdue by a period of more than one year.

The Bank is committed to maintain a lower rate of NPL. The Bank has formulated and implemented integrated credit policy, integrated policy for collection and recovery of loans, and non-banking assets management policy, credit risk review policy, and credit risk management policy, which help the Bank to define standard process and procedure for NPL management. The Credit Risk Management Department also independently reviews the credit files to minimize the risk of default and to maintain a lower NPL rate. Reflection of non-performing loans (NPL) also tarnishes image of the Bank, and Bank comes under surveillance of regulatory bodies, and even by its customers. Thus, recovery of NPL is a major concern for the Bank. Therefore, the Bank has given maximum emphasis to prevent transformation of regular loan to NPL and recovery of NPL to increase its profitability and quality of assets.

The integrated credit policy of the Bank defines the provisions related to the maintenance of relationship with customers, review of proposal based on requirement of fund, repayment capability, and adequacy of collateral and securities, etc., as well as periodic review and analysis of the loan after disbursement. This policy also provides for restriction and limitations for providing loans to risky areas like loans to relatives of employees and directors, loans in some specified areas, etc.

This policy provides for the determination of approving limit on the basis of qualification, experience, job grade, and position, etc, of the employees, which helps to lower the risk of default on repayment of loans.

Credit Risk Management Policy of the Bank provides for various duties and responsibilities of the Credit Risk Management Department, Loan Recovery Department, and segment heads in case of NPL reaching trigger level. This policy also provides for various processes and procedures and duties and responsibilities of various departments and personnel for the management of credit risk. Credit risk management cycle of the Bank provides for sound practices in:

- Credit Business Sourcing
- Credit Appraisal
- Credit Approval
- Credit Administration - Credit Documentation - Disbursement
- Monitoring and Control
- Credit Classification
- Managing Problematic Credits/Recovery

The policy for collection and recovery of loans prescribes following measures to prevent the loans from becoming non performing loans:

- Close monitoring during validity repayment period of the loan
- Early warning signals and monitoring of its early stage.
- Gearing up follow-up right from the initial stage of its default/non-payment of installments / interest.
- Understanding reasons of non-payment to avert the problem.
- Constant follow- up with default borrowers.
- Taking effective steps to save the loan from becoming NPL.



This policy also provides the process and procedures to be followed by the Loan Recovery Department, concerned branches and RMs, Collection Unit, Deteriorating Credit Management Unit, and Core Recovery Unit, in case of default in repayment of loans. These procedures include reminding the customers through text, call, emails, collection letters, and personal visits, publishing 35 days' notice in national newspaper, vehicle/equipment repossession process, auctions procedures, and revaluation of securities, blacklisting of the

defaulting borrower, and legal recovery actions, including takeover of the properties as NBA in the Bank's name, filing recovery suit with DRT/Court, and other recovery actions.

The Bank's non-performing assets ratio stood at 0.46% as at the balance sheet date. Gross total non-performing assets as on end of FY 2018-19 was NPR 690 million while a net non-performing asset was NPR 345 million.

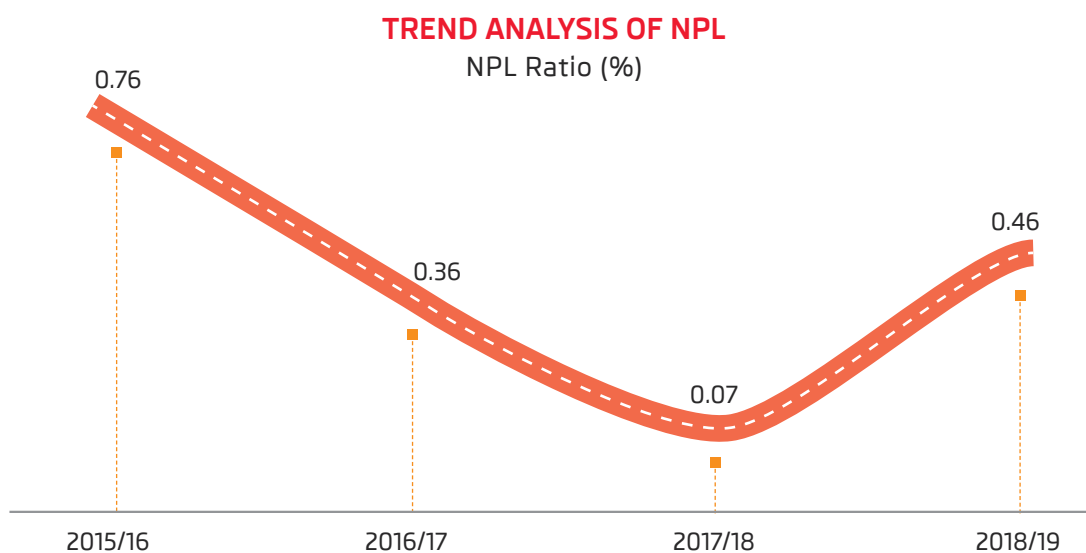
(Amount in '000)

Particulars	Gross NPA			Net NPA		
	Current Year	Previous Year	Change	Current Year	Previous Year	Change
Restricted/Reschedule Loans	-	-	-	-	-	-
Sub Standard Loans	425,965	12,384	413,581	319,474	9,288	310,186
Doubtful Loans	50,482	4,861	45,621	25,241	2,431	22,810
Loss	213,955	66,886	147,069	-	-	-
Total NPAs	690,402	84,131	606,261	344,715	11,719	332,996

NPL Ratios

Gross NPL to Gross Loans & Advances **0.46%**

Net NPL to Net Loans & advances **0.23%**



4.4 REPORT ON GOING CONCERN

An entity prepares financial statements on a going concern basis when, under the going concern assumption, the entity is viewed as continuing in business for the foreseeable future. The concept of going concern is an underlying assumption in the preparation of financial statements, hence it is assumed that the entity has neither the intention, nor the need, to liquidate or curtail materially the scale of its operations. If management concludes that the entity has no alternative but to liquidate or curtail materially the scale of its operations, the going concern basis cannot be used and the financial statements must be prepared on a different basis.

The material factors supporting the Bank's ability to operate as a going concern are as under:

- NIC ASIA Bank is the Nepal's Largest Private Sector Bank with 292 branches, 302 ATMs and employing 3,472 personnel.
- The Bank earned operating profit of NPR 4.51 billion and net profit of NPR 3.02 billion during the review year which is increment of 135% and 126% respectively.
- The Bank's total deposits increased by 19% to reach NPR 180.58 billion and total loans and advances reached NPR 150.11 billion with increment by 24% during the review year.
- As compared to last year, Bank's investment increased from NPR 14. billion to NPR 19.36 billion.
- The total assets increased by 27% to reach NPR 217.70 billion from NPR 170.94 billion from last year.
- Earning per share increased to NPR 34.22 from 16.62.
- The bank was successful in opening 525,039 new deposit accounts to reach 1,604,718 as on the end of review year.
- For the review period, the bank has proposed dividend of 21.0526% (10% bonus share and 11.0526% cash) out of its profit.
- Capital Adequacy Ratio (CAR) of the Bank was comfortably above the minimum CAR of 11% prescribed by Nepal Rastra Bank and the minimum CAR of 11.5% as required by the Internal Capital Adequacy Assessment Policy (ICAAP) during the review period.
- The Bank has established itself as a platform for development of skills, knowledge, and capacity of employees, and various activities have been performed to ensure that the culture of gaining knowledge is developed among employees.
- The Bank has implemented robust internal control and corporate governance by forming and implementing various policies and guidelines.
- The Bank is focused on complying with various rules, regulations, policies, and guidelines of the regulatory bodies and prevailing laws and regulations. The Bank also focuses on timely and adequate reporting and transparent disclosure.
- The Bank is committed to work towards the development and well-being of society and protection of environment and ecological balance. The Bank was involved in various social service activities during the review period.
- The Bank has very healthy relationship with its lenders, banking partners, suppliers, and vendors.

LOAN PRODUCTS

**PRIORITY
BUSINESS LOAN**



**EMPLOYER'S
OVERDRAFT
LOAN**



**EDUCATION
LOAN**



**LOAN AGAINST
MORTGAGED
PROPERTY**



**DEPRIVED
SECTOR
LOAN**



**FAST TRACK
BUSINESS
LOAN**



**PREMIUM
BUSINESS
LOAN**



**AUTO
LOAN**



**PERSONAL
LOAN**



**COMMERCIAL
AGRICULTURAL
AND LIVESTOCK
LOAN**





SUSTAINABILITY

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5.1 SUSTAINABILITY BANKING

Sustainable Banking integrates environmental, social and governance criteria into traditional banking and sets environmental, social and governance benefits among its objective. The sustainable banking movement includes: ethical investment, impact investment, socially responsible investment, corporate social responsibility, and is also related

to such movements as the fair trade movement, ethical consumerism, and social enterprise.

Banks being the biggest lender to society, NIC ASIA is morally committed towards sustainable banking with stress on social and environmental values.

NIC ASIA focuses on following issues for sustainability banking:





5.2 CORPORATE SOCIAL RESPONSIBILITY

NIC ASIA Bank being a corporate citizen is responsible towards the environment, consumers, employees, communities and all other various stakeholders and like a responsible citizen encourages a positive impact with its activities. It is a duty of the Bank, to benefit the society in which it exists.

Like stated, "Business is subset of society", the society can survive without business but the business shall fail without society. A business is obligated to fulfill its social responsibility because it will fail to exist without a society.

The Bank is not only liable for its customer, employees and investors, also to the environment it survives. So, the Bank is committed to work for the betterment of the society to make the world a better place to live.

The Bank has contributed towards corporate social responsibility in the following major sectors:

- * Environment
- * Health

- * Society
- * Education

ENVIRONMENTAL CONTRIBUTION

- Plantation program across the nation was organized with active participation of our employees of various branches, department, provincial and sub-provincial offices.
- The Bank has made some progress for paperless workplace with minimization in use of papers in office.

CONTRIBUTION FOR HEALTH

- Conducted various blood donation programmes across branches, departments, provincial and sub-provincial offices.
- Conducted health camps

CONTRIBUTION FOR EDUCATION

- Donation of computers to government schools.
- Conducted various educational programmes.

SOCIAL CONTRIBUTION

- Donation of facilities equipped ambulance to Nepal Police to provide fast and efficient service for needy.
- Contribution in development of park
- Financial Literacy Programme to literate citizens about needs and importance of banking facilities.
- Donation of bio toilet to Pashupati Development Board to facilitate pilgrims.





As a responsible corporate citizen of the country, the Bank has been involved in contributing to the society in various ways as a part of its Corporate Social Responsibility (CSR). In order to promote and focus on CSR activities the Bank has established a charitable foundation called NIC ASIA Foundation. The Bank has committed to pledge 1% of its net profit every year to the NIC ASIA Foundation for promoting various CSR related activities. In the past, the NIC ASIA Foundation has carried out various activities including, but not limited to, distributing disaster relief packages to the victims of various disasters, contributing to the Prime Minister Relief Fund, organizing health camps, organizing blood donation camps, providing support to old age homes and orphanages, providing scholarships to the needy students, etc. A significant number of people have been benefitted, directly or indirectly, by the activities carried out by the Foundation. The Foundation plans to continue the same in the future as well.

5.3 VALUE ADDED STATEMENTS

VALUE ADDED STATEMENT

Value added statement depicts wealth created and how the created wealth is distributed among various stakeholders; employees, government, providers of capital, expansion and growth of the organization. Value added is the profit generated by the collective efforts of management, employees, capital and the utilization of capacity that is distributed among its various stakeholders.

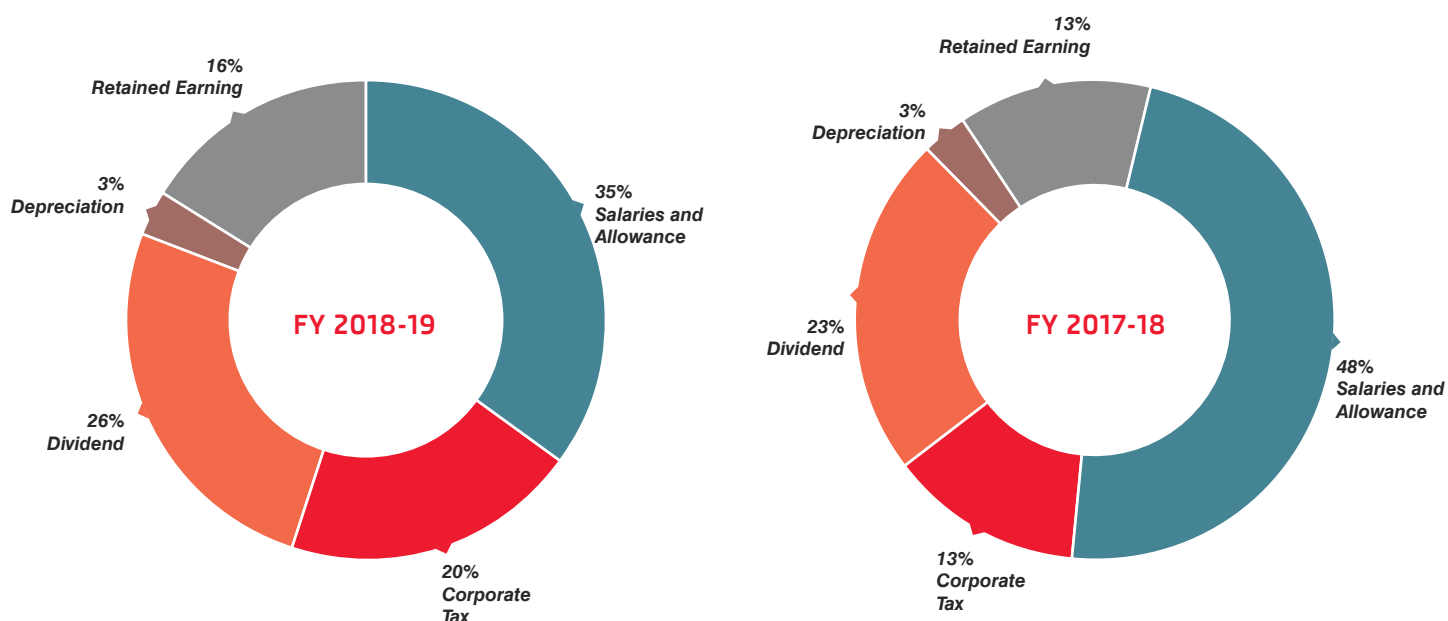
Value added by the Bank stood at NPR 7,121 million as on end of 2018-19

For the year ended 16 July 2019

Particulars	2018-19		2017-18	
	NPR million	%	NPR million	%
Add: Income From Banking Service				
Net Interest Income	6,960	98%	4,210	113%
Net Commission and Operating Income	2,121	30%	870	23%
Net Trading Income	349	5%	195	5%
Other Operating Income	76	1%	84	2%
	9,506		5,359	
Less: Cost of Service or Supplies				
Operating Expenses	1,713	24%	1,237	33%
Value added by Banking Service	7,793		4,122	
Add/(Less): Non-Banking Income/(Expense)	(73)	-1%	(107)	-3%
Less: Provision				
Impairment charge for loans and other losses	599	8%	305	8%
Total Value Added	7,121		3,710	

Application of Value Added

Application	2018-19		2017-18	
	NPR million	%	NPR million	%
To Employees as Salaries and Allowance	2,477	35%	1,782	48%
To Government as Corporate Tax	1,417	20%	476	13%
To Providers of Capital as Dividend (bonus share and cash)	1,860	26%	845	23%
To Expansion & Growth as Depreciation	204	3%	116	3%
as Retained Earning	1,163	16%	491	13%
	7,121	100%	3,710	100%



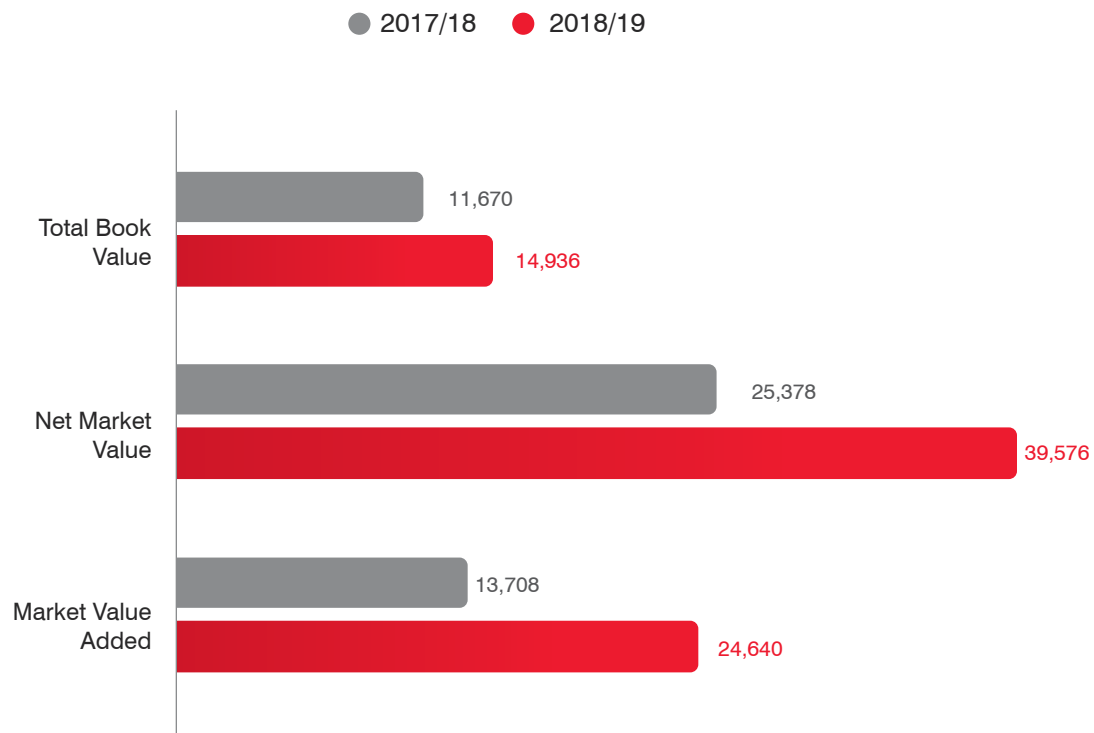
Particulars	2018-19	2017-18
Total Value Added by the Bank (NPR million)	7,121	3,710
Number of employees at the end of year	3,472	2,291
Total number of shares (million)	88.34	80.31
Value Added per employee (NPR million)	2.05	1.62
Value Added per share (NPR)	80.61	46.20

MARKET VALUE ADDED STATEMENT

Market value is the difference between the market value of the company and total book value

The Bank has market value added of NPR 24,640.32 million.

Particulars	2018-19	2017-18
Total number of shares (A) (million)	88.34	80.31
Price per Share (B) (NPR)	448	316
Total Market Value (C=A*B) (NPR million)	39,576	25,377
Total Book Value (D) (NPR million)	14,936	11,670
Market Value Added (C-D) (NPR million)	24,640	13,707

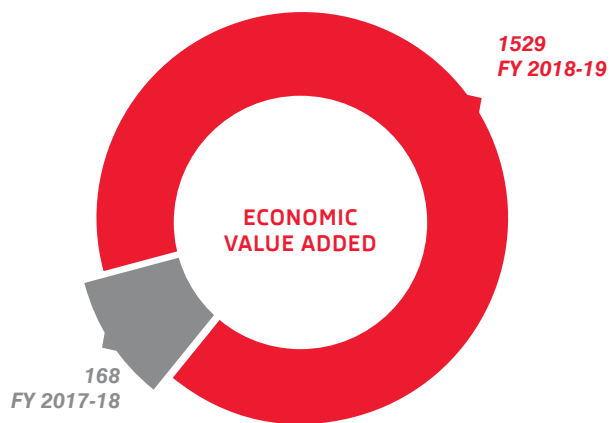


ECONOMIC VALUE ADDED

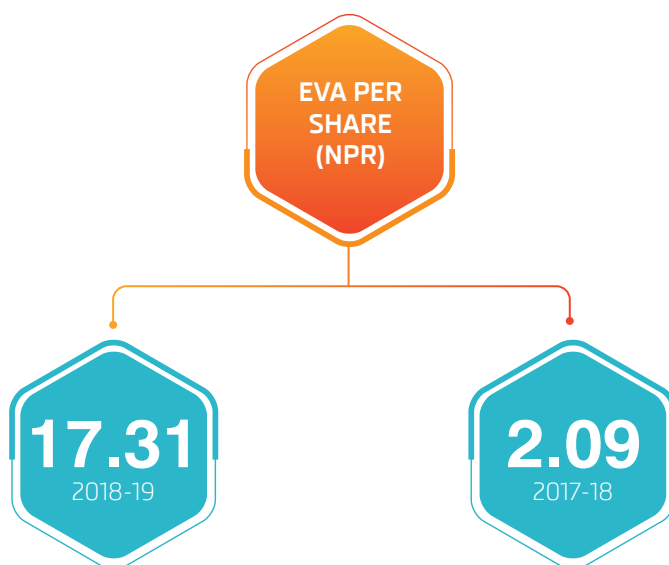
Economic Value Added is the calculation of the Bank's performance over and above the expected return of shareholders for investing in the Bank. Expected return consists of risk-free return and risk premium for investing in the Bank.

During the review period, the Bank has generated Economic Value Added of NPR 1,529 million.

Particulars	2018-19	2017-18
Net Profit (A) (NPR million)	3,023	1,335
Total Shareholders Fund (B) (NPR million)	14,936	11,670
Cost of Equity* (C)	10%	10%
Cost of Capital (D=B*C)	1,494	1,167
Economic Value Added (A-D) (NPR million)	1,529	168
Total number of shares (million)	88.34	80.31
EVA per share (NPR)	17.31	2.09



** Cost of Equity has been assumed to be 10%, slightly higher than the return on government bonds by considering the different between the cost of equity and return on government bonds to be risk premium.*



5.4 STATEMENT ON CONTRIBUTION TO ECONOMY

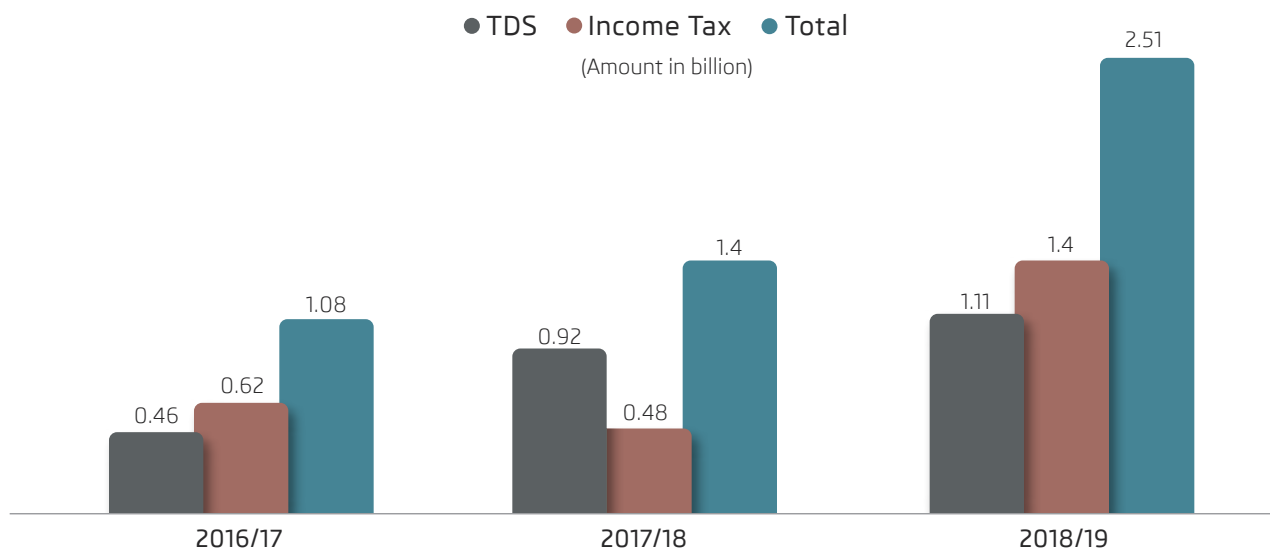
CONTRIBUTION THROUGH TAX

Government is the most important stakeholder in economic well being of the nation. For the sustainability of the nation, taxation plays the vital role. NIC ASIA Bank is committed to facilitate the nation in every possible way. The Bank has been pivotal on Government's objective of every citizen's bank accounts. Being a responsible corporate citizen, the Bank has ensured its noteworthy contribution in national goals like raising living standard of deprived sector, supporting in employment creation, increasing tax/revenue collection,

promoting cashless economy, and enhancing financial access. NIC ASIA being an ethical and legitimate corporate citizen contributes to the government exchequer when the necessary amounts fall due.

NIC ASIA Bank has made contribution to the government exchequer of NPR 2.51 billion during the review year. The amount consists of NPR 1.4 billion in the form of income tax and NPR 1.11 billion in the form of tax deducted at source

The table below shows the Bank's contribution during last three years;



While the Bank's direct contribution to government exchequer is clearly visible but it can be assumed the indirect contribution which is not in figure to be even higher. The Bank's loans and advances has helped large corporate to start up businesses;

to either set up the business or expand the horizon of their business, and in return the government is benefited through taxes.



CREATION OF EMPLOYMENT

The Bank as on the end of review period directly employs 3,472 peoples, with the increasing branches, extension counters and the business of the Bank in coming days the number of employees are expected to further increase.

With the Bank's increasing Deprived Sector Lending, it has been able to help people create, expand their businesses. Indirectly the Bank is making huge impact on creation of employment with its easy lending facilities. Corporate financing and Project financing are equally creating huge number of employment opportunities and the NIC ASIA Bank feels proud to investment in these employments generating business.

BANKING FACILITIES TO THE DEPRIVED

NIC ASIA Bank has its footprint from financial hubs to the remote areas of the nation. The Bank is able to provide easy access of banking services in remote areas through expansion of branches or branchless banking. During the review year, NIC ASIA opened 13 branches in remote places of 11 remote districts so that every citizen can get banking facilities. The Bank is committed to provide its services to all of people from cities to villages.

The Bank's Deprived Sector Lending is focused on less fortunate sectors. In recent years, the Bank is continuously increasing the DSL banking and the people are largely benefitted with the services. During the review period Bank's DSL was NPR 13.42 billion, the last year it was NPR 9.31 billion.

PIONEERING CASH LESS ECONOMY

With various digital payment channels, NIC ASIA Bank is encouraging people to go cash less. Digital Transaction helps in eliminating black money as the every payment and receipt are traceable. The Bank is providing attractive features and discount to encourage people to use digital channel. Continuous update according to the customers' needs in the Mobile Banking app and its user friendly interface is attracting the customer to use the digital channels. Also, the Bank's ATM card service is very quick. Customers making payment through POS, QR code are provided attractive discounts. In a journey towards zero black economy, NIC ASIA is encouraging cash less transactions through various benefits and services.



AUDITED **FINANCIAL STATEMENT** OF **NIC ASIA BANK**

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6.1 INDEPENDENT AUDITOR'S REPORT





NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Auditing Standards Board's website at the: <http://www.ausb.org.np/ausb/dhepal-standards-on-auditing-2018-new/1161/0378-XWZFIegabDe>. This description forms part of our auditor's report.

Report on the Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows, have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account maintained by the Bank and its subsidiaries included in the Group; and proper books of account as required by law maintained by the Bank and its subsidiaries included in the Group including relevant records relating to preparation of the aforesaid financial statements have been kept so far as it appears from our examination of those books and records of the Bank and the reports of the other auditors.

In our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.

To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Bank and the audit reports issued by other auditors necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank and its subsidiaries have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the Group and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.


Sanjeev Kumar Joshi
Partner

PKF T R Upadhy & Co.
Chartered Accountants

Kathmandu

Date: 28 August 2019

6.2 FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on 31 Asar 2076 (As at 16 July 2019)

Amount in NPR

	Note	GROUP		BANK	
		As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
ASSETS					
Cash and cash equivalent	4.1	20,485,247,232	8,173,703,208	20,214,540,268	8,132,486,809
Due from Nepal Rastra Bank	4.2	16,097,915,246	15,860,733,092	16,097,915,246	15,860,733,092
Placement with Bank and Financial Institutions	4.3	383,950,000	313,929,191	383,950,000	313,929,191
Derivative financial instruments.	4.4	7,006,010,607	1,266,017,586	7,006,010,607	1,266,017,586
Other trading assets	4.5	175,793,419	9,713,375	7,440,000	9,652,500
Loan and advances to B/FIs	4.6	5,423,285,128	4,008,145,235	6,923,285,128	4,658,145,235
Loans and advances to customers	4.7	147,049,664,210	116,625,120,722	142,574,005,954	115,804,620,907
Investment securities	4.8	18,320,559,017	14,304,768,273	18,152,959,017	14,132,768,273
Current tax assets	4.9	-	-	-	-
Investment in susidiaries	4.10	-	-	1,204,500,000	270,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	275,938,557	74,382,923	275,938,557	74,382,923
Property and equipment	4.13	2,620,265,206	1,784,405,723	2,583,719,788	1,759,424,471
Goodwill and Intangible assets	4.14	113,483,110	52,705,510	110,490,299	49,831,991
Deferred tax assets	4.15	-	-	-	-
Other assets	4.16	2,178,396,222	8,619,224,803	2,162,294,264	8,611,184,848
Total Assets		220,130,507,955	171,092,849,642	217,697,049,129	170,943,177,826
	Note	Current Year	Previous Year	Current Year	Previous Year
LIABILITIES					
Due to Bank and Financial Instituions	4.17	10,236,897,443	11,728,515,665	8,535,646,475	11,629,507,290
Due to Nepal Rastra Bank	4.18	314,541,457	742,269,472	314,541,457	742,269,472
Derivative financial instruments	4.19	6,913,408,934	1,721,813,609	6,913,408,934	1,721,813,609
Deposits from customers	4.20	177,374,678,093	139,578,561,246	176,820,688,914	139,589,607,845
Borrowing	4.21	-	-	-	-
Current Tax Liabilities	4.9	242,944,821	25,025,507	242,944,821	25,025,507
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	175,040,445	2,799,908	178,272,826	2,814,629
Other liabilities	4.23	2,099,866,079	2,125,162,751	2,045,713,090	2,073,775,098
Debt securities issued	4.24	7,710,097,099	3,487,908,815	7,710,097,099	3,487,908,815
Subordinated Liabilities	4.25	-	-	-	-
Total Liabilities		205,067,474,371	159,412,056,972	202,761,313,616	159,272,722,265



Amount in NPR

	Note	GROUP		BANK	
		As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
	Note	Current Year	Previous Year	Current Year	Previous Year
EQUITY					
Share capital	4.26	8,834,228,698	8,031,116,998	8,834,228,698	8,031,116,998
Share premium		-	-	-	-
Retained earnings		2,215,910,907	953,991,664	2,112,880,839	943,654,556
Reserves	4.27	4,012,893,979	2,695,684,007	3,988,625,977	2,695,684,007
Total equity attributable to equity holders		15,063,033,584	11,680,792,670	14,935,735,514	11,670,455,561
Non-controlling interest		-	-	-	-
Total equity		15,063,033,584	11,680,792,670	14,935,735,514	11,670,455,561
Total liabilities and equity		220,130,507,955	171,092,849,642	217,697,049,129	170,943,177,826
Contingent liabilities and commitment	4.28	40,222,064,104	29,790,833,130	40,222,064,104	28,523,419,521
Net assets value per share		170.51	145.44	169.07	145.32

Rupesh Luitel
Chief Financial Officer

Roshan Kumar Neupane
Chief Executive Officer

Trilok Chand Agrawal
Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

Place: Kathmandu
Date : August 28, 2019

As per our report of even date
Sanjeev Kumar Mishra, FCA

Partner
TR Upadhya & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 Asar 2076 (16 July 2019)

Amount in NPR

	Note	GROUP		BANK	
		Year ended 16 July 2019	Year ended 16 July 2018	Year ended 16 July 2019	Year ended 16 July 2018
Interest income	4.29	19,820,078,025	13,556,413,650	19,345,593,620	13,545,820,277
Interest expense	4.30	12,525,030,719	9,322,245,087	12,385,561,034	9,336,156,241
Net interest income		7,295,047,306	4,234,168,562	6,960,032,586	4,209,664,036
Fees and commission income	4.31	2,266,064,641	1,015,242,499	2,248,906,357	966,148,768
Fees and commission expense	4.32	135,935,804	109,072,510	127,599,155	96,498,109
Net fee and commission income		2,130,128,837	906,169,989	2,121,307,202	869,650,660
Net interest, fee and commission income		9,425,176,143	5,140,338,552	9,081,339,788	5,079,314,696
Net trading income	4.33	350,020,925	195,289,632	348,920,815	195,206,579
Other operating income	4.34	75,974,201	83,628,893	75,974,201	83,615,018
Total operating income		9,851,171,268	5,419,257,077	9,506,234,804	5,358,136,293
Impairment charge/(reversal) for loans and other losses	4.35	621,827,988	313,114,135	598,917,799	304,831,572
Net operating income		9,229,343,281	5,106,142,941	8,907,317,005	5,053,304,721
Operating expense					
Personnel expenses	4.36	2,565,755,516	1,804,575,268	2,476,831,196	1,782,112,947
Other operating expense	4.37	1,750,923,259	1,248,266,772	1,712,836,238	1,237,092,835
Depreciation & Amortisation	4.38	213,224,638	119,360,721	204,032,944	115,804,043
Operating Profit		4,699,439,868	1,933,940,180	4,513,616,628	1,918,294,896
Non operating income	4.39	31,104,551	2,500,650	31,304,551	2,500,650
Non operating expense	4.40	104,165,473	110,192,719	104,165,473	110,192,719
Profit before income tax		4,626,378,946	1,826,248,111	4,440,755,706	1,810,602,827
Income tax expense	4.41				
Current Tax		1,425,799,079	530,722,814	1,368,655,984	525,425,880
Deferred Tax		45,599,397	(49,464,804)	48,817,056	(49,684,980)
Profit for the period		3,154,980,470	1,344,990,101	3,023,282,666	1,334,861,927
Profit attributable to:					
Equity holders of the Bank		3,154,980,470	1,344,990,101	3,023,282,666	1,334,861,927
Non-controlling interest		-	-	-	-
Profit for the period		3,154,980,470	1,344,990,101	3,023,282,666	1,334,861,927
Earnings per share					
Basic earnings per share		37.41	16.75	34.22	16.62
Diluted earnings per share		37.41	16.75	34.22	16.62
Adjusted earning per share		37.41	16.75	34.22	15.11

Rupesh Luitel
Chief Financial Officer

Roshan Kumar Neupane
Chief Executive Officer

Trilok Chand Agrawal
Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

Place: Kathmandu
Date : August 28, 2019

As per our report of even date
Sanjeev Kumar Mishra, FCA

Partner
TR Upadhya & Co.
Chartered Accountants



CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 Asar 2076 (16 July 2019)

Amount in NPR

	GROUP		BANK	
	Year ended 16 July 2019	Year ended 16 July 2018	Year ended 16 July 2019	Year ended 16 July 2018
Profit for the year	3,154,980,470	1,344,990,101	3,023,282,666	1,334,861,927
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	405,437,043	(5,305,644)	405,437,043	(5,305,644)
- Gains/(losses) on revaluation				-
- Actuarial gains/(losses) on defined benefit plans	16,700,092	(2,596,150)	16,700,092	(2,596,150)
- Income tax relating to above items	(126,641,141)	2,370,538	(126,641,141)	2,370,538
Net Other Comprehensive Income that will not be reclassified to profit or loss	295,495,995	(5,531,256)	295,495,995	(5,531,256)
b) Items that are or may be reclassified to profit or loss				
- Gains/(losses) on cash flow hedge	-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
- Income tax relating to above items	-	-	-	-
- Reclassify to profit or loss	-	-	-	-
Net Other Comprehensive Income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-	-	-
Other comprehensive income for the period, net of income tax	295,495,995	(5,531,256)	295,495,995	(5,531,256)
Total comprehensive income for the period	3,450,476,465	1,339,458,845	3,318,778,661	1,329,330,671
Total comprehensive income attributable to:				
Equity holders of the Bank	3,450,476,465	1,339,458,845	3,318,778,661	1,329,330,671
Non-controlling interest				-
Total comprehensive income for the period	3,450,476,465	1,339,458,845	3,318,778,661	1,329,330,671

Rupesh Luitel
Chief Financial Officer

Roshan Kumar Neupane
Chief Executive Officer

Trilok Chand Agrawal
Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

Place: Kathmandu
Date : August 28, 2019

As per our report of even date
Sanjeev Kumar Mishra, FCA

Partner
TR Upadhyay & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF CASH FLOW STATEMENT

For the year ended 31 Asar 2076 (16 July 2019)

Amount in NPR

	Note	GROUP		BANK	
		Year ended 16 July 2019	Year ended 16 July 2018	Year ended 16 July 2019	Year ended 16 July 2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		18,416,914,067	12,643,946,538	18,526,236,274	12,599,013,166
Fees and other income received		2,266,064,641	981,570,401	2,248,906,357	966,148,768
Dividend received		-	-	-	-
Receipts from other operating activities		392,501,638	252,310,014	391,601,528	228,141,180
Interest paid		(11,706,255,762)	(9,607,378,454)	(11,682,668,050)	(9,597,690,869)
Commission and fees paid		(135,935,804)	(107,145,165)	(127,599,155)	(96,498,109)
Cash Payment to Employees		(2,533,618,433)	-	(2,449,296,579)	-
Other expense paid		(1,932,265,068)	(2,927,365,535)	(1,992,459,907)	(2,904,276,516)
Operating cash flows before changes in operating assets and liabilities		4,767,405,279	1,235,937,799	4,914,720,468	1,194,837,621
(Increase)/Decrease in Operating Assets		(27,134,112,032)	(58,972,357,400)	(24,129,688,857)	(58,668,928,326)
Due from Nepal Rastra Bank		(237,182,154)	(5,598,982,810)	(237,182,154)	(5,539,592,494)
Placement with Bank and financial institutions		(70,020,809)	1,077,455,778	(70,020,809)	1,179,455,778
Other trading assets		(166,080,044)	-	2,212,500	-
Loan and advances to Bank and financial institutions		(1,415,139,893)	-	(2,265,139,893)	-
Loans and advances to customers		(31,046,371,475)	(49,647,262,943)	(27,368,302,846)	(48,388,421,155)
Other assets		5,800,682,343	(4,803,567,425)	5,808,744,345	(5,920,370,454)
Increase/(Decrease) in operating liabilities		35,905,160,786	64,163,336,781	33,838,001,405	64,029,884,624
Due to Bank and financial institutions		(1,491,618,222)	3,856,740,748	(3,093,860,815)	3,856,740,748
Due to Nepal Rastra Bank		(427,728,015)	742,269,472	(427,728,015)	742,269,472
Deposit from customers		37,796,116,846	59,420,319,722	37,231,081,069	59,684,005,428
Borrowings		-	750,000,000	-	-
Other liabilities		28,390,177	(605,993,161)	128,509,166	(253,131,025)
Net cash flow from operating activities before tax paid		13,538,454,033	6,426,917,180	14,623,033,016	6,555,793,919
Income taxes paid		(1,207,879,764)	(465,286,115)	(1,150,736,669)	(490,542,829)
Net cash flow from operating activities		12,330,574,269	5,961,631,064	13,472,296,347	6,065,251,089
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities		(3,610,353,701)	(3,740,826,460)	(4,549,253,701)	(4,198,817,743)
Receipts from sale of investment securities		-	-	-	-
Purchase of property and equipment		(1,045,425,578)	(944,523,776)	(1,025,291,297)	(638,606,219)
Receipt from the sale of property and equipment		140,515,153	128,959,060	140,515,151	128,959,060
Purchase of intangible assets		(84,927,088)	(28,444,442)	(84,186,213)	(28,444,442)
Receipt from the sale of intangible assets		-	-	-	-
Purchase of investment properties		(196,191,955)	-	(196,191,955)	-
Receipt from the sale of investment properties		-	39,893,310	-	39,893,310
Interest received		1,403,163,958	535,003,938	819,357,345	535,003,938
Dividend received		30,958,693	8,683,843	30,958,693	10,789,107
Net cash used in investing activities		(3,362,260,518)	(4,001,254,527)	(4,864,091,977)	(4,151,222,991)



Amount in NPR

	Note	GROUP		BANK	
		Year ended 16 July 2019	Year ended 16 July 2018	Year ended 16 July 2019	Year ended 16 July 2018
CASH FLOWS FROM FINANCING ACTIVITIES					-
Receipt from issue of debt securities		4,222,188,284	2,990,254,749	4,222,188,284	3,005,153,898
Repayment of debt securities		-	-	-	-
Receipt from issue of subordinated liabilities		-	-	-	-
Repayment of subordinated liabilities		-	-	-	-
Receipt from issue of shares		-	-	-	-
Dividends paid		(60,183,054)	(72,392,319)	(45,446,211)	(72,392,319)
Interest paid		(818,774,958)	(194,131,344)	(702,892,984)	(194,131,344)
Other receipt/payment			-		-
Net cash from financing activities		3,343,230,273	2,723,731,087	3,473,849,089	2,738,630,236
Net increase (decrease) in cash and cash equivalents		12,311,544,024	4,684,107,624	12,082,053,459	4,652,658,334
Cash and cash equivalents at Shrawan 1, 2075		8,173,703,208	3,489,595,585	8,132,486,809	3,479,828,475
Effect of exchange rate fluctuations on cash and cash equivalents held					-
Cash and cash equivalents at Ashadh end 2076		20,485,247,232	8,173,703,208	20,214,540,268	8,132,486,809

Rupesh Luitel
Chief Financial Officer

Roshan Kumar Neupane
Chief Executive Officer

Trilok Chand Agrawal
Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

Place: Kathmandu
Date : August 28, 2019

As per our report of even date
Sanjeev Kumar Mishra, FCA

Partner
TR Upadhya & Co.
Chartered Accountants

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Asar 2076 (16 July 2019)

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non controlling Interest	Amount in NPR	
												Total Equity	
Balance as at Sawan 1, 2074	6,692,597,498	-	1,558,180,565	34,686,094	-	2,312,016	28,472,369	1,846,858,328	254,035,350	10,417,142,219	-	10,417,142,219	
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	-	
Adjusted Restated Balance at Sawan 1, 2074	6,692,597,498	-	1,558,180,565	34,686,094	-	2,312,016	28,472,369	1,846,858,328	254,035,350	10,417,142,219	-	10,417,142,219	
Comprehensive Income for the year													
Profit for the year	-	-	-	-	-	-	-	1,344,990,101	-	1,344,990,101	-	1,344,990,101	
Other Comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(720,323)	-	-	(5,158,121)	(5,878,444)	-	(5,878,444)	
Net gain/(loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	(1,817,305)	(1,817,305)	-	(1,817,305)	
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	
Fair Value Reserve (Investment in Equity investment) :	-	-	-	-	-	-	-	-	-	-	-	-	
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	-	(720,323)	-	1,344,990,101	(6,975,426)	1,337,294,353	-	1,337,294,353	
Transfer to reserve during the year	-	-	266,972,385	3,686,060	455,575,876	-	15,772,093	(826,783,606)	84,777,192	-	-	-	
Transfer from the reserve during the year	-	-	-	-	-	-	-	-	(1,090,244)	(1,090,244)	-	(1,090,244)	
Transactions with owners, directly recognized in equity													
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-	
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-	-	-	
Bonus Shares issued	1,338,519,500	-	-	-	-	-	-	(1,338,519,500)	-	-	-	-	
Cash Dividend Paid	-	-	-	-	-	-	-	(72,553,659)	-	(72,553,659)	-	(72,553,659)	
Other	-	-	-	-	-	-	-	-	-	-	-	-	
Total contributions by and distributions:	1,338,519,500	-	-	-	-	-	-	(1,411,073,158)	-	(72,553,659)	-	(72,553,659)	
Balance as at Asar End, 2075	8,031,116,998	-	1,825,152,950	38,372,154	455,575,876	1,591,694	44,244,462	953,991,664	330,746,871	11,680,792,670	-	11,680,792,670	



Amount in NPR

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non controlling Interest	Total Equity
Adjustment/Restatement	-	-	-	-	-	(5,305,644)	-	-	5,305,644	-	-	-
Adjusted Restated Balance at Sawan 1, 2075	8,031,116,998	-	1,825,152,950	38,372,154	455,575,876	(3,713,951)	44,244,462	953,991,664	336,052,515	11,680,792,670	-	11,680,792,670
Comprehensive Income for the year												
<i>Profit for the year</i>								3,154,980,470		3,154,980,470	-	3,154,980,470
Other Comprehensive income, net of tax								-		-	-	-
Gains/(losses) from investments in equity instruments measured at fair value								-		283,805,930	-	283,805,930
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Atuarial gains/(losse) on defined benefit plans	-	-	-	-	-	-	-	-	11,690,064	11,690,064	-	11,690,064
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	283,805,930	-	3,154,980,470	11,690,064	3,450,476,464	-	3,450,476,464
Transfer to reserve during the year	-	-	626,718,354	635,106	272,070,442	-	11,959,548	(1,074,774,837)	163,930,842	539,455	-	539,455
Transfer from the reserve during the year								41,831,188	(53,600,314)	(11,769,126)	-	(11,769,126)
<i>Transactions with owners, directly recognized in equity</i>												
Right share issued												
<i>Share based payments</i>												
Dividends to equity holders:												
Bonus Shares issued	803,111,700	-	-	-	-	-	-	(803,111,700)	-	0	-	0
Cash Dividend Paid	-	-	-	-	-	-	-	(57,005,880)	-	(57,005,880)	-	(57,005,880)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions:	803,111,700							(860,117,579)		(57,005,879)	-	(57,005,879)
Balance as at Aaar End, 2076	8,834,228,698	-	2,451,871,304	39,007,260	727,646,318	280,091,979	56,204,010	2,215,910,907	458,073,108	15,063,033,584	-	15,063,033,584

Rupesh Luitel
Chief Financial Officer
Rajendra Prasad Aryal
Director

Roshan Kumar Neupane
Chief Executive Officer
Binod Kumar Pyakurel
Director

Trilok Chand Agrawal
Director
Ganesh Man Shrestha
Director

Ram Chandra Sanghai
Director
Tulsi Ram Agrawal
Chairman

As per our report of even date
Sanjeev Kumar Mishra, FCA

Partner
TR Upadhyaya & Co.
Chartered Accountants

Place: Kathmandu
Date : August 28, 2019

BANK

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Asar 2076 (16 July 2019)

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Amount in NPR	
												Total Equity	
Balance as at Sawan 1, 2074	6,692,597,498	-	1,558,180,565	34,686,094	-	2,312,016	28,472,369	1,844,544,130	254,035,350	10,414,828,022	-	10,414,828,022	
Restatement													
Adjustment													
Adjusted Restated Balance at Sawan 1, 2074	6,692,597,498	-	1,558,180,565	34,686,094	-	2,312,016	28,472,369	1,844,544,130	254,035,350	10,414,828,022	-	10,414,828,022	
<i>Comprehensive Income for the year</i>													
Profit for the year	-	-	-	-	-	-	-	1,334,861,927		1,334,861,927	-	1,334,861,927	
Other Comprehensive income, net of tax													
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(720,323)	-	-	(5,158,121)	(5,878,443)	-	(5,878,443)	
Net gain/(loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	
Actuarial gains/(losse) on defined benefit plans	-	-	-	-	-	-	-	-	(1,817,305)	(1,817,305)	-	(1,817,305)	
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	
Exchange gains/(losses) (arising from translating financial assets of foreign operation)													
Total comprehensive income for the year	-	-	-	-	-	(720,323)	-	1,334,861,927	(6,975,426)	1,327,166,178	-	1,327,166,178	
Transfer to reserve during the year	-	-	266,972,385	3,686,060	455,575,876	-	15,772,093	(826,783,606)	84,777,192	-	-	-	
Transfer from the reserve during the year	-	-	-	-	-	-	-	-	(1,090,244)	(1,090,244)	-	(1,090,244)	
<i>Transactions with owners, directly recognized in equity</i>													
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-	
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends to equity holders:													
Bonus Shares issued	1,338,519,500	-	-	-	-	-	-	(1,338,519,500)	-	-	-	-	
Cash Dividend Paid	-	-	-	-	-	-	-	(70,448,395)	-	(70,448,395)	-	(70,448,395)	
Other													
Total contributions by and distributions:	1,338,519,500	-	-	-	-	-	-	(1,408,967,895)	-	(70,448,395)	-	(70,448,395)	
Balance as at Asar End, 2075	8,031,116,998	-	1,825,152,950	38,372,154	455,575,876	1,591,694	44,244,462	943,654,556	330,746,871	11,670,455,561	-	11,670,455,561	
Balance as at Sawan 1, 2075	8,031,116,998	-	1,825,152,950	38,372,154	455,575,876	1,591,694	44,244,462	943,654,556	330,746,871	11,670,455,561	-	11,670,455,561	
Adjustment/Restatement						(5,305,644)			5,305,644	-	-	-	
Adjusted Restated Balance at Sawan 1, 2075	8,031,116,998	-	1,825,152,950	38,372,154	455,575,876	(3,713,951)	44,244,462	943,654,556	336,052,515	11,670,455,561	-	11,670,455,561	



Amount in NPR

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Total Equity
Comprehensive Income for the year	-	-	-	-	-	-	-	3,023,282,666	-	3,023,282,666	-	3,023,282,666
Profit for the year	-	-	-	-	-	-	-	3,023,282,666	-	3,023,282,666	-	3,023,282,666
Other Comprehensive Income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	283,805,930	-	-	-	283,805,930	-	283,805,930
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	11,690,064	11,690,064	-	11,690,064
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	283,805,930	-	3,023,282,666	11,690,064	3,318,778,661	-	3,318,778,661
Transfer to reserve during the year	-	-	604,656,534	635,106	272,070,442	-	11,959,548	(1,050,506,835)	161,724,660	539,455	-	539,455
Transfer from the reserve during the year	-	-	-	-	-	-	-	41,831,188	(53,600,314)	(11,769,126)	-	(11,769,126)
Transactions with owners, directly recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares issued	803,111,700	-	-	-	-	-	-	(803,111,700)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(42,269,037)	-	(42,269,037)	-	(42,269,037)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions:	803,111,700	-	-	-	-	-	-	(845,380,737)	-	(42,269,037)	-	(42,269,037)
Balance as at Asar End, 2076	8,834,228,698	-	2,429,809,484	39,007,260	727,646,318	280,091,979	56,204,010	2,112,880,839	455,866,926	14,935,735,514	-	14,935,735,514

➤ Other Reserve includes Capital Redemption Reserve, Corporate Social Responsibility Reserve and Other Comprehensive Reserve

➤ As on the reporting date, the Deferred Tax Liabilities has been created, as a result the corresponding Deferred Tax Reserve of NPR 41,845,804 on the books is not required. Thus same has been transferred from Deferred Tax Reserve to Retained Earning.

Rupesh Luitel
Chief Financial Officer
Rajendra Prasad Aryal
Director

Trilok Chand Agrawal
Director
Ganesh Man Shrestha
Director

Roshan Kumar Neupane
Chief Executive Officer
Binod Kumar Pyakurel
Director

Ram Chandra Sanghai
Director
Tulsi Ram Agrawal
Chairman

As per our report of even date
Sanjeev Kumar Mishra, FCA

Partner
TR Upadhyaya & Co.
Chartered Accountants

Place: Kathmandu
Date : August 28, 2019

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4.1 Cash and Cash Equivalent

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Cash In Hand	5,345,995,955	3,755,748,988	5,345,486,177	3,754,383,849
Balances with BFIs	8,677,400,244	3,374,009,734	8,627,027,950	3,334,158,475
Money at Call and Short Notice	3,720,186,399	-	3,500,361,507	-
Other	2,741,664,634	1,043,944,486	2,741,664,634	1,043,944,486
	20,485,247,232	8,173,703,208	20,214,540,268	8,132,486,809

The fair value of cash and cash equivalent is its carrying value. Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the liquidity and business requirements. Balance with BFIs includes balance maintained at various banks and financial institutions. Cash held in foreign currency is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed. Other items on cash and cash equivalents includes interbank placements and treasury bills within maturity below 90 days.

4.2 Due from Nepal Rastra Bank

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Statutory Balances with NRB	16,007,710,926	15,812,712,630	16,007,710,926	15,812,712,630
Securities purchased under Resale Agreement	-	-	-	-
Other deposit and receivable from NRB	90,204,320	48,020,461	90,204,320	48,020,461
	16,097,915,246	15,860,733,092	16,097,915,246	15,860,733,092

The fair value of balance with the Nepal Rastra Bank (NRB) is its carrying amount itself. Balance with the NRB is principally maintained as a part of the regulatory cash reserve ratio required by the NRB. Other deposit and receivable from NRB includes citizen saving bond which the Bank has held for market maker purpose and receivable from NRB for interest subsidy.

4.3 Placement with Banks & Financial Institutions

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Placement with Domestic B/FIs	-	-	-	-
Placement with Foreign B/FIs	383,950,000	313,929,191	383,950,000	313,929,191
Less: Allowances for Impairment	-	-	-	-
	383,950,000	313,929,191	383,950,000	313,929,191

Placements with domestic as well as foreign Bank and financial institutions with original maturities of more than three months from the acquisition date are presented above.



4.4 Derivative financial instruments

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Held for Trading				
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward exchange Contract.	-	-	-	-
Others	-	-	-	-
Held for risk management	-	-	-	-
Interest Rate Swap	-	-	-	-
Currency Swap	3,019,706,751	-	3,019,706,751	-
Forward exchange Contract	3,986,303,856	1,266,017,586	3,986,303,856	1,266,017,586
Others	-	-	-	-
	7,006,010,607	1,266,017,586	7,006,010,607	1,266,017,586

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 regular treasury activities as well. From a risk perspective, the gross amount of derivative assets must be considered together with the gross amount of derivative liabilities, which are presented separately on the statement of financial position.

4.5 Other Trading Assets

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Tresury bills	-	-	-	-
Government Bonds	-	-	-	-
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	-	60,875	-	-
Other	175,793,419	9,652,500	7,440,000	9,652,500
Total	175,793,419	9,713,375	7,440,000	9,652,500
Pledged	-	-	-	-
Non-Pledged	-	-	-	-

Trading assets are those assets that the licensed institution acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit are presented under this account head. The trading asset includes derivative assets and non derivative assets. Other trading assets includes stock of silver and gold.

4.6 Loan and Advances to BFIs

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Domestic BFIs				
Loans to Microfinance Institutions	5,493,217,301	4,055,193,757	6,993,217,301	4,705,193,757
Other				
Less: Allowances for impairment	69,932,173	47,048,521	69,932,173.01	47,048,521
Total	5,423,285,128	4,008,145,235	6,923,285,128	4,658,145,235

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.

4.6.1 Specific Allowance for Impairment

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Balance at Shrawan 1	47,048,521	16,463,717	47,048,521	16,463,717
Impairment loss for the year:				
Charge for the year	22,883,652	30,584,805	22,883,652	30,584,805
Recoveries/reversal				
Amount written off				
Balances at Ashad end	69,932,173	47,048,521	69,932,173	47,048,521

No individual loans to banks and micro finance has terms and conditions that significantly affect the amount, timing or certainty of consolidated cash flows of the Bank. These assets have been classified as loans and receivables and are subsequently measured at amortized costs. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

4.7 Loans and advances to customers

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Loans and advances to customers at amortised cost	148,882,647,948	117,868,952,952	144,383,491,226	117,040,170,573
Less: Impairment Allowances				
Collective Impairment	1,437,850,039	1,171,420,285	1,414,351,573	1,163,137,722
Individual Impairment	395,133,699	72,411,944	395,133,699	72,411,944
Net amount	147,049,664,210	116,625,120,722	142,574,005,954	115,804,620,907
Loan and advance measured at FVTPL	-	-	-	-
Total	147,049,664,210	116,625,120,722	142,574,005,954	115,804,620,907

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. Impairment in loans and advances to BFIs and loans and advances to customer are as per NRB directive no.2 (NPR 1,870,649,040) which is higher than total impairment as per NAS 39. As per NAS 39, impairment are NPR 374,183,619 & NPR 280,779,250 for FY 2018/19 & FY 2017/18 respectively.



Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Loans and advances to customers	147,610,715,959	116,790,730,297	143,114,499,449	115,961,947,918
Loans and advances to staff	743,104,260	636,641,280	740,164,049	636,641,280
Accrued Interest	528,827,729	449,863,939	528,827,729	441,581,376
Total	148,882,647,948	117,877,235,516	144,383,491,226	117,040,170,574
Impairment				
As per NRB Directive No. 2	1,832,983,738	1,243,832,229	1,809,485,272	1,235,549,666
AS per NAS 39	374,183,619	280,779,250	374,183,619	280,779,250

4.7.1 Analysis of loan and advance- By Product

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Product				
Term loans	31,295,727,628	22,686,434,587	26,796,570,906	22,685,908,516
Overdraft	31,352,726,512	28,184,560,362	31,352,726,512	28,184,560,362
Trust receipt/Import loans	717,672,334	1,532,270,540	717,672,334	1,532,270,540
Demand and Other Working Capital loans	18,172,390,056	16,020,083,918	18,172,390,056	15,191,827,610
Personal residential loans	18,021,623,381	17,340,210,218	18,021,623,381	17,340,210,218
Real estate loans	10,460,959,284	8,370,704,675	10,460,959,284	8,370,704,675
Margin lending loans	912,271,786	1,931,155,660	912,271,786	1,931,155,660
Hire purchase loans	10,297,804,170	5,023,527,515	10,297,804,170	5,023,527,515
Deprived sector loans	13,415,082,336	9,314,091,390	13,415,082,336	9,314,091,390
Bills Purchased	-	-	-	-
Staff loans	843,531,371	636,641,280	843,531,371	636,641,280
Other	12,864,031,363	6,387,691,431	12,864,031,363	6,387,691,431
Sub Total	148,353,820,219	117,427,371,576	143,854,663,498	116,598,589,197
Interest Receivable	528,827,729	441,581,376	528,827,729	441,581,376
Grand Total	148,882,647,948	117,868,952,952	144,383,491,226	117,040,170,573

Interest Accrued of NPR 11,809,920 has been derecognized as per the income recognition guidelines issued by Nepal Rastra Bank through circular no. Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/01/076/77 dated 2076/04/10 and adjusted from accrued interest.

4.7.2 Analysis of loan and advance- By Currency

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Nepalese rupee	148,547,168,046	117,114,089,952	144,048,011,324	116,285,307,574
Indian rupee	-	-	-	-
USD	335,479,902	754,863,000	335,479,902	754,863,000
GBP	-	-	-	-
Euro	-	-	-	-
JPY	-	-	-	-
Chinese Yuan	-	-	-	-
Other	-	-	-	-
Total	148,882,647,948	117,868,952,952	144,383,491,226	117,040,170,573

4.7.3 Analysis of loan and advance - By Collateral

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Movable / Immovable assets	135,612,707,981	107,605,359,214	135,612,707,981	106,777,102,906
Gold and silver	223,673,189	616,834,265	223,673,189	616,834,265
Guarantee of domestic B/Fis	-	-	-	-
Government Guarantee	217,134,275	216,534,275	217,134,275	216,534,275
Guarantee of international rated bank	-	-	-	-
Export document	-	-	-	-
Fixed Deposit receipts	437,871,186	207,313,501	437,871,186	207,313,501
Government securities / bonds Counter guarantee	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	-	-	-	-
Other	12,391,261,317	9,222,911,697	7,892,104,596	9,222,385,626
Subtotal	148,882,647,948	117,868,952,952	144,383,491,226	117,040,170,573
Unsecured				
Grand Total	148,882,647,948	117,868,952,952	144,383,491,226	117,040,170,573



4.7.4 Allowances for Impairment

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Specific allowances for impairment				
Balance at Shrawan 1	70,796,628	236,916,814	70,796,628	236,916,814
Impairment loss for the year:				-
Charge for the year			324,337,071	
Recoveries/reversal during the year	-	(166,120,186)		(166,120,186)
Write-offs				-
Exchange rate variance on foreign currency				
Other movement				
Balance at Ashad end	70,796,628	70,796,628	395,133,699	70,796,628
Collective allowances for impairment				
Balance at Shrawan 1	1,164,753,038	724,386,137	1,164,753,038	724,386,137
Impairment loss for the year:				
Charge/(reversal) for the year	249,598,535	440,366,901	249,598,535	440,366,901
Exchange rate variance on foreign currency	-	-		
Other movement				
Balance at Ashad end	1,414,351,573	1,164,753,038	1,414,351,573	1,164,753,038
Total allowances for impairment	1,485,148,201	1,235,549,666	1,809,485,272	1,235,549,666

4.8 Investment Securities

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Investment securities measured at amortized cost	15,510,358,496	13,547,545,154	15,342,758,496	13,375,545,154
Investment in equity measure at FVTOCI	2,810,200,522	757,223,119	2,810,200,522	757,223,119
Other			-	-
	18,320,559,017	14,304,768,273	18,152,959,017	14,132,768,273

Investment made by the Bank in financial instruments has been presented under this account head in two categories i.e. investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Investment other than those measured at amortized cost is measured at fair value and changes in fair value has been recognized in other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment is made by increasing the number of shares without changing in the cost of investment. Treasury Bills with maturity up to 90 days have been classified under cash and cash equivalent.

4.8.1 Investment securities measured at amortized Cost

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Debt securities	-	343,102,568	-	343,102,568
Government bonds	13,941,514,176	9,777,619,428	13,941,514,176	9,777,619,428
Government treasury bills	1,401,244,319	2,161,384,193	1,401,244,319	2,161,384,193
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	1,093,438,964	-	1,093,438,964
Other	-	172,000,000	-	-
Less: specific allowances for impairment	-	-	-	-
Total	15,342,758,496	13,547,545,154	15,342,758,496	13,375,545,154

4.8.2 Investment securities measured through other comprehensive Income

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Equity instruments				
Quoted equity securities	1,602,789,022	566,311,619	1,602,789,022	566,311,619
Unquoted equity securities	1,207,411,500	190,911,500	1,207,411,500	190,911,500
Total	2,810,200,522	757,223,119	2,810,200,522	757,223,119



4.8.3 Information relating to investment in equities

Investment securities designated as at fair value through Other Comprehensive Income

Amount in NPR

Equity instruments	GROUP				BANK			
	"As at 16 July 2019"		"As at 16 July 2018"		"As at 16 July 2019"		"As at 16 July 2018"	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity								
National Life Insurance Company Limited								
147,550 shares of Rs 100 Each	56,491,442	60,421,725	51,616,442	51,616,442	56,491,442	60,421,725	51,616,442	51,616,442
Nepal Life Insurance Company								
558,636 Shares of Rs 100 Each	445,025,917	503,331,487	2,480,925	3,244,500	445,025,917	503,331,487	2,480,925	3,244,500
Asian Life Insurance Company								
57,824 Shares of Rs 100 Each	23,256,762	22,146,592	-	-	23,256,762	22,146,592	-	-
Neco Insurance Company								
97,748 Shares of Rs 100 Each	47,622,610	48,385,260	-	-	47,622,610	48,385,260	-	-
Shikhar Insurance Company								
46,192 Shares of Rs 100 Each	40,402,262	45,942,101	-	-	40,402,262	45,942,101	-	-
Surya Life Insurance								
145,996 Shares of Rs 100 Each	45,815,733	46,601,923			45,815,733	46,601,923		
Rural Microfinance Development Centre Limited								
387,877 Shares of Rs 100 Each	25,231,000	179,470,688	25,231,000	25,231,000	25,231,000	179,470,688	25,231,000	25,231,000
Global IME Samunnat Scheme 1 *								
3,767,268 Shares of Rs 10 Each	37,672,680	31,569,706	37,672,680	33,038,940	37,672,680	31,569,706	37,672,680	33,038,940
NABIL Equity Fund *								
475,944 Shares of Rs 10 Each	4,759,440	4,440,558	4,759,440	4,692,808	4,759,440	4,440,558	4,759,440	4,692,808
NIBL Pargati Fund *								
1,027,407 Shares of Rs 10 Each	10,274,070	7,643,908	10,274,070	9,246,663	10,274,070	7,643,908	10,274,070	9,246,663
NMB Hybrid Fund L-1 *								
1,101,421 Shares of Rs 10 Each	11,014,210	11,047,253	11,014,210	10,672,769	11,014,210	11,047,253	11,014,210	10,672,769
NIC ASIA Growth Fund *								
15,000,000 Shares of Rs 100 Each	150,000,000	154,200,000	150,000,000	150,000,000	150,000,000	154,200,000	150,000,000	150,000,000
Mero Microfinance Bittiya Sanstha Limited								
460,460 Shares of Rs 100 Each	37,023,000	171,475,304	14,000,000	14,000,000	37,023,000	171,475,304	14,000,000	14,000,000
Citizen Investment Trust								
166,032 Shares of Rs 100 Each	264,568,496	282,304,618	264,568,496	264,568,496	264,568,496	282,304,618	264,568,496	264,568,496
Mahuli Samudayik Laghubitta Bittiya Sanstha								
51,000 Shares of Rs 100 Each	3,500,000	33,807,900	2,000,000	2,000,000	3,500,000	33,807,900	2,000,000	2,000,000
Total (A)	1,202,657,622	1,602,789,022	573,617,263	568,311,619	1,202,657,622	1,602,789,022	571,617,263	566,311,619
Investment in Unquoted equity								
Jyoti Life Insurance Limited *								
1,500,000 Shares of Rs 100 Each	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Karja Suchana Kendra Ltd								
141793 Shares of Rs 100 Each	1,611,500	1,611,500	1,611,500	1,611,500	1,611,500	1,611,500	1,611,500	1,611,500
National Banking Institute								
24,000 Shares of 100 Each	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Nepal Clearing House limited								
72,000 Shars of 100 Each	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Nepal Electronic Payment System *								
150,000 Shares of 100 Each	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Shrijana Community Development Center *								
100,000 Shares of 100 Each	10,000,000	10,000,000	500,000	500,000	10,000,000	10,000,000	500,000	500,000
Solve Laghubitta Bittiya Sanstha Limited *								
114,000 Shares of 100 Each	11,400,000	11,400,000	11,400,000	11,400,000	11,400,000	11,400,000	11,400,000	11,400,000
Banking Finance and Insurance Institute of Nepal								
30,000 Shares of 100 Each	3,000,000	3,000,000	-	-	3,000,000	3,000,000	-	-
Nepal Infrastructure Bank Ltd								
10,000,000 Shares of Rs 100 Each	1,000,000,000	1,000,000,000	-	-	1,000,000,000	1,000,000,000	-	-
"Grameen Swayamsewak Laghubitta Bittiya Sanstha Limited "								
90,000 Shares of 100 Each	9,000,000	9,000,000	3,000,000	3,000,000	9,000,000	9,000,000	3,000,000	3,000,000
Total (B)	1,207,411,500	1,207,411,500	188,911,500	188,911,500	1,207,411,500	1,207,411,500	188,911,500	188,911,500
Total (A+B)	2,410,069,122	2,810,200,522	762,528,763	757,223,119	2,410,069,122	2,810,200,522	762,528,763	757,223,119

Investment in unquoted equity is shown at cost considering the networth of equity is not less than cost of investment.

* Companies have not distributed dividends from last three years.

4.9 Current Tax Assets

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Current Tax Assets				
Current income tax assets	-	-		-
Current tax of prior periods	-	-	-	-
Total	-	-	-	-
Current Tax Liabilities				
Current income tax liabilities	242,944,821	25,025,507	242,944,821	25,025,507
Current tax of prior periods	-	-	-	-
Total	242,944,821	25,025,507	242,944,821	25,025,507

Current Tax Assets includes advance income tax paid by the Bank under self assessment tax returns filed as per the Income Tax Act 2058 and tax deducted at source (TDS) on behalf of the Bank. Similarly, the current income tax liabilities includes the tax payable to the Government computed as per the provision of the Income Tax Act 2058. Current tax assets has been netted with current liabilities.

4.10 Investment in subsidiaries

Amount in NPR

	As at 16 July 2019	As at 16 July 2018
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	1,204,500,000	270,000,000
Total Investment	1,204,500,000	270,000,000
Less: Impairment		
Net Carrying Amount	1,204,500,000	270,000,000

4.10.1 Investment in Quoted Subsidiaries

Amount in NPR

	BANK			
	As at 16 July 2019		As at 16 July 2018	
	Cost	Value	Cost	Value
	-	-	-	-
Total	-	-	-	-

The Bank's subsidiaries are not listed on the stock exchange as on the reporting date.

4.10.2 Investment in Unquoted Subsidiaries

Amount in NPR

	BANK			
	As at 16 July 2019		As at 16 July 2018	
	Cost	Value	Cost	Value
NIC ASIA Capital Limited	200,000,000	200,000,000	200,000,000	200,000,000
NIC ASIA Laghubitta Bittiya Sanstha Limited	1,004,500,000	1,004,500,000	70,000,000	70,000,000.00
Total	1,204,500,000	1,204,500,000	270,000,000	270,000,000



4.10.3 Information relating to subsidiaries of the bank

Amount in NPR

	BANK	
	Percentage of Ownership by Bank	
	As at 16 July 2019	As at 16 July 2018
NIC ASIA Capital Limited	100	100
NIC ASIA Lagubitta Bittiya Sanstha Limited	100	100

Both the subsidiaries are wholly owned as on the reporting date. NIC ASIA Capital provides investment banking services and merchant banking services. Similarly, NIC ASIA Laghubittiya Sanstha provides loans to deprived sectors, communities in remote place of the country.

4.10.4 Non Controlling Interest of the subsidiaries

Amount in NPR

	GROUP			
	As at 16 July 2019		As at 16 July 2018	
	NIC ASIA Capital	NIC ASIA Lagubitta Bittiya Sanstha	NIC ASIA Capital	NIC ASIA Lagubitta Bittiya Sanstha
Equity interest held by NCI (%)	-	-	-	-
Profit/(loss) allocated during the year	-	-	-	-
Accumulated balance of NCI as on ashar end	-	-	-	-
Dividend paid to NCI	-	-	-	-

As the both the subsidiaries of the Bank are wholly owned subsidiaries thus non controlling interest doesn't exist on those subsidiaries as on the reporting date.

4.11 Investment in Associates

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Investment in quoted associates	-	-	-	-
Investment in unquoted associates	-	-	-	-
Total Investment	-	-	-	-
Less Impairment	-	-	-	-
Net Carrying amount	-	-	-	-

The Bank does not have any associates as on the reporting date.

4.11.1 Investment in quoted associates

Amount in NPR

	GROUP				BANK			
	As at 16 July 2019		As at 16 July 2018		As at 16 July 2019		As at 16 July 2018	
	Cost	Value	Cost	Value	Cost	Value	Cost	Value
Total	-	-	-	-	-	-	-	-

4.11.2 Investment in Unquoted associates

Amount in NPR

	GROUP				BANK			
	As at 16 July 2019		As at 16 July 2018		As at 16 July 2019		As at 16 July 2018	
	Cost	Value	Cost	Value	Cost	Value	Cost	Value
Total	-	-	-	-	-	-	-	-

4.11.3 Information relating to associates of the bank

Amount in NPR

	GROUP		BANK	
	Percentage of Ownership by Bank		Percentage of Ownership by Bank	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Total	-	-	-	-

4.11.4 Equity value of associates

Amount in NPR

	GROUP	
	As at 16 July 2019	As at 16 July 2018
Total	-	-

4.12 Investment Properties

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Investment properties measured at fair value				
Balance as on Sharwan 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 Sharwan 1,	74,382,923	48,254,332	74,382,923	48,254,332
Addition/disposal during the year	201,555,634	26,128,591	201,555,634	26,128,591
Net changes in fair value during the year			-	-
Adjustment/transfer			-	-
Net amount	275,938,557	74,382,923	275,938,557	74,382,923
Total	275,938,557	74,382,923	275,938,557	74,382,923

The detailed party-wise details of non-banking assets as on reporting date has been provided in note 5.15.

4.13 Property and Equipment (PE)

Amount in NPR

	GROUP									
	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Capital WIP	Total Ashad end 2075
Cost or deemed cost										
Balance at Ashad end 2074	380,254,769	97,757,972	349,777,387	207,600,506	228,091,033	155,505,851	165,457,783	151,933,361	7,257,928	1,584,445,302
Additions	-	-	-	-	-	-	-	-	-	-
Acquisition during the year	-	-	327,211,002	108,053,853	128,353,266	58,484,573	311,291,755	-	10,316,454	943,710,903
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(126,078)	(107,130,291)	(115,909,663)	(35,256,432)	(35,112,874)	-	-	(293,535,339)
Adjustment	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Balance at Ashad end 2075	380,254,769	97,757,972	676,862,311	208,524,068	240,534,636	178,733,992	441,636,664	151,933,361	17,574,382	1,584,445,302
Additions										
Acquisition during the year	58,773,988	148,414,328	348,492,248	77,573,458	113,307,101	33,883,468	230,206,811	27,994,285	6,779,888	1,045,425,575
Capitalization	-	-	17,138,963	-	-	-	-	-	(17,138,963)	17,138,963
Disposals	-	-	(4,628,852)	(1,468,301)	(86,919,789)	(2,032,328)	(13,003,349)	(2,186,867)	-	(112,239,486)
Adjustment	-	-	(2,950,510)	-	-	-	48,230,124	(48,230,124)	-	(2,950,510)
Others	-	-	-	(3,526,537)	-	(1,854,854)	(7,140,516)	(1,213,611)	-	(13,735,518)
Balance at Ashad end 2076	439,028,757	246,172,300	1,034,914,160	281,102,687	264,921,948	208,730,279	699,929,734	128,297,043	7,215,308	3,310,312,215
	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Capital WIP	Total Ashad end 2075
	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2075
Accumulated depreciation and impairment										
Balance at Ashad end 2074	-	25,160,715	149,587,120	117,050,131	97,631,489	93,317,115	97,403,662	92,956,821	-	673,107,052
Depreciation Charge for the Year	-	1,646,485	18,189,349	29,436,661	16,343,521	10,960,101	28,304,470	-	-	104,880,586
Impairment for the Year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(59,340)	(88,518,079)	(26,680,046)	(30,857,307)	(22,466,438)	-	-	(168,581,209)
Others	-	-	-	-	-	-	-	-	-	-
Balance at Ashad end 2075	-	26,807,200	167,717,129	57,968,713	87,294,963	73,419,909	103,241,694	92,956,821	-	609,406,429
Depreciation Charge for the Year	-	2,390,242	44,844,498	43,226,001	24,494,365	16,370,693	55,794,768	1,954,581	-	189,075,149
Impairment for the Year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,378,015)	(4,829,667)	(81,448,969)	(1,585,198)	(11,342,121)	(1,900,089)	-	(105,484,060)
Others	-	-	(2,950,510)	-	-	-	-	-	-	(2,950,510)
Balance at Ashad end 2076	-	29,197,442	205,233,103	96,365,046	30,340,359	88,205,404	147,694,341	93,011,313	-	690,047,009
Capital Work in Progress										
	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Capital WIP	Total Ashad end 2075
	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2076	Total Ashad end 2075
Balance at Ashad end 2074	380,254,769	72,597,257	200,190,268	90,550,376	130,459,544	62,188,736	68,054,121	58,976,540	7,257,928	1,070,529,538
Balance at Ashad end 2075	380,254,769	70,950,772	509,145,182	150,555,355	153,239,672	105,314,083	338,394,969	58,976,540	17,574,382	1,784,405,723
Balance at Ashad end 2076	439,028,757	216,974,858	829,681,057	184,737,641	234,581,589	120,524,874	552,235,393	35,285,729	7,215,308	2,620,265,206

4.13 Property and Equipment (PE)

Amount in NPR

	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Office Equipment	Capital WIP	Total Ashad end 2076	Total Ashad end 2075
Cost or deemed cost											
Balance at Ashad 31 2074	380,254,769	97,757,972	348,222,156	207,600,506	227,921,033	151,933,360	165,375,598	151,933,361	7,257,928	1,738,256,683	1,121,248,986
Additions	-										
Acquisition during the year			325,472,770	102,161,737	123,412,610	54,415,397	307,455,003		10,316,454	923,233,972	
Capitalization											
Disposals			(126,078)	(107,130,291)	(115,909,663)	(35,256,432)	(35,112,874)		-	(293,535,339)	
Adjustment											
Others											
Balance at Ashad 32 2075	380,254,769	97,757,972	673,568,849	202,631,952	235,423,980	171,092,325	437,717,727	151,933,361	17,574,382	2,367,955,317	1,738,256,683
Additions	-									-	
Acquisition during the year	58,773,988	148,414,328	347,237,725	71,455,866	112,839,801	27,649,004	230,206,811	21,933,885	6,779,888	1,025,291,296	
Capitalization			17,138,963						(17,138,963)		
Disposals			(4,628,852)	(1,468,301)	(88,919,789)	(2,032,328)	(13,003,349)	(2,186,865)		(112,239,484)	
Adjustment			(2,950,510)				48,230,124	(48,230,124)		(2,950,510)	
Others				(3,526,537)		(1,854,854)	(7,140,516)	(1,213,611)		(13,735,518)	
Balance at Ashad 31 2076	439,028,757	246,172,300	1,030,366,175	269,092,980	259,343,992	194,854,147	696,010,798	122,236,645	7,215,308	3,264,321,101	
Accumulated depreciation and impairment											
Balance at Ashad 31 2074	-	25,160,715	152,162,718	117,050,131	97,616,141	92,956,821	97,403,662	92,956,821	-	675,307,009	
Depreciation Charge for the Year		1,646,485	17,301,358	28,196,199	16,245,710	10,660,098	27,755,196			101,805,046	
Impairment for the Year											
Disposals				(88,518,079)	(26,680,046)	(30,857,307)	(22,466,438)			(168,581,209)	
Others			(59,340)							-	
Balance at Ashad 32 2075	-	26,807,200	169,404,737	56,728,250	87,181,805	72,759,613	102,692,420	92,956,821	-	608,530,846	
Depreciation Charge for the Year	-	2,390,242	43,791,524	40,408,571	23,459,719	14,660,213	55,794,768			180,505,037	
Impairment for the Year											
Disposals	-	-	(4,378,015)	(4,829,667)	(81,448,969)	(1,585,196)	(11,342,121)	(1,900,089)		(105,484,060)	
Others			(2,950,510)							(2,950,510)	
Balance at Ashad 31 2076	-	29,197,442	205,867,736	92,307,154	29,192,554	85,834,627	147,145,067	91,056,732	-	680,601,313	
Net Book Value											
Balance at Ashad 31 2074	380,254,769	72,597,257	196,059,438	90,550,376	130,304,892	58,976,539	67,971,936	58,976,540	7,257,928	1,062,949,674	
Balance at Ashad 32 2075	380,254,769	70,950,772	504,164,112	145,903,702	148,242,175	98,332,713	335,025,307	58,976,540	17,574,382	1,759,424,471	
Balance at Ashad 31 2076	439,028,757	216,974,858	824,498,438	176,785,826	230,151,438	109,019,520	548,865,731	31,179,912	7,215,308	2,583,719,788	2,583,719,788



The cost of an item of property and equipment has been recognized as an asset, initially recognized at cost. 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.

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 judgment as follows:

Group	Useful Life (In Years)
Computer	5
Metal Furniture	10
Office Equipment	10
Vehicle	10
Wooden Furniture	5
Building	50
Leasehold	Lower of 15 Years or Lease Period

Assets with cost less than Rs. 10,000 are charged off on purchase as revenue expenditure.

4.13 Goodwill & Intangible Assets

Amount in NPR

Particulars	GROUP				
	Software			Other	As at Ashad end 2076
	Goodwill	Purchased	Developed		As at Ashad end 2075
Cost					
As on Sawan 1, 2074		58,539,405			58,539,405
Additions:					-
Acquisition		30,695,477			30,695,477
Capitalization					-
Disposals or classified as held for sale					-
Adjustment					-
Balance at Asar 32 2075		89,234,882			89,234,882
Additions					
Acquisition		84,927,088			84,927,088
Capitalization					
Disposals or classified as held for sale					
Adjustment					
Balance as on Asar 31, 2076		174,161,970			174,161,970
Depreciation and Impairment					
As on Sawan 1, 2074		22,149,795			22,149,795
Depreciation charge for the Year		14,379,577			14,379,577
Disposals					
Adjustment					
As on Asar 32 2075		36,529,372			36,529,372
Depreciation charge for the Year		24,149,488			24,149,488
Disposals					
Adjustment					
As on Asar 31 2076		60,678,860			60,678,860
Capital Work in Progress					
Net Book Value					
Balance at Ashad 31 2074		36,389,609			31,783,000
Balance at Ashad 32 2075		52,705,510			52,705,510
Balance at Ashad 31 2076		113,483,110			113,483,110



4.14 Goodwill & Intangible Assets

Amount in NPR

Particulars	BANK					
	Software			Other	As at Ashad end 2076	As at Ashad end 2075
	Goodwill	Purchased	Developed			
Cost						
As on Sawan 1, 2074		57,443,305			57,443,305	31,783,000
Additions:					-	
Acquisition		28,444,442			28,444,442	25,660,305
Capitalization					-	
Disposals or classified as held for sale					-	
Adjustment					-	
Balance at Asar 32 2075		85,887,747			85,887,747	57,443,305
Additions						
Acquisition		84,186,213			84,186,213	
Capitalization						
Disposals or classified as held for sale						
Adjustment						
Balance as on Asar 31, 2076		170,073,960			170,073,960	85,887,747
Depreciation and Impairment						
As on Sawan 1, 2074		22,056,759			22,056,759	
Depreciation charge for the Year		13,998,997			13,998,997	
Disposals					-	
Adjustment						
As on Asar 32 2075		36,055,756			36,055,756	
Depreciation charge for the Year		23,527,905			23,527,905	
Disposals						
Adjustment						
As on Asar 31 2076		59,583,661			59,583,661	36,055,756
Capital Work in Progress						
Net Book Value						
Balance at Ashad 31 2074		35,386,546			35,386,546	
Balance at Ashad 32 2075		49,831,991			49,831,991	
Balance at Ashad 31 2076		110,490,299			110,490,299	

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.

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.

4.15 Deferred tax

Deferred Tax Assets/Liabilities	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Deferred tax assets				-
Deferred tax liabilities	175,040,445	2,799,908	178,272,826	2,814,629
Net Amount	(175,040,445)	(2,799,908)	(178,272,826)	(2,814,629)

2018-19	GROUP			BANK		
	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 BFIs						
Loan and advance to customers	-	-	-	-	-	-
Investment Properties	-	-	-	-	-	-
Investment Securities	2,398,542	(120,039,420)	(117,640,878)		(120,039,420)	(120,039,420)
Property & Equipment		(132,553,634)	(132,553,634)		(131,805,939)	(131,805,939)
Employees' defined benefit plan	56,091,168		56,091,168	54,679,213		54,679,213
Lease Liabilities	19,062,898		19,062,898	18,893,320		18,893,320
Provisions	-	-	-			-
Other temporary differences	-	-	-			-
Deferred tax on temporary differences	77,552,608	(252,593,054)	(175,040,445)	73,572,533	(251,845,359)	(178,272,826)
Deferred tax on carry forward of unused tax losses				-	-	-
Deferred tax due to changes in tax rate				-	-	-
Net Deferred tax asset/liabilities as on Ashadh 31 2076			(175,040,445)			(178,272,826)
Deferred tax (asset)/liabilities as on Sawan 1 2075			2,799,908			2,814,629
Origination/(Reversal) during the year			(177,840,353)			(181,087,455)
Deferred tax expense/(income) recognised in profit or loss						(48,817,056)
Deferred tax expense/(income) recognised in other comprehensive income						126,641,140
Deferred tax expense/(income) recognised in directly in equity						-



4.15 Deferred tax

Amount in NPR

2017-18	GROUP			BANK		
	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 BFIs						
Loan and advance to customers	-	-	-	-	-	-
Investment Properties	-	(14,476,300)	(14,476,300)		(14,476,300)	(14,476,300)
Investment Securities	1,591,693	-	1,591,693	1,591,693		1,591,693
Property & Equipment	-	(36,143,427)	(36,143,427)		(35,923,251)	(35,923,251)
Employees' defined benefit plan	45,993,229	-	45,993,229	45,993,229		45,993,229
Lease Liabilities	-	-	-			-
Provisions	-	-	-			-
Other temporary differences	234,898	-	234,898			-
Deferred tax on temporary differences	47,819,820	(50,619,727)	(2,799,908)	47,584,922	(50,399,551)	(2,814,629)
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 32 Ashaad, 2075 (Closing)"				-	-	(2,814,629)
Deferred tax (asset)/liabilities as on Sawan 1, 2074 (Opening)						(55,797,787)
Origination/(Reversal) during the year						52,983,158
Deferred tax expense/(income) recognised in profit or loss						49,684,980
Deferred tax expense/(income) recognised in other comprehensive income						3,298,178
Deferred tax expense/(income recognised in directly in equity						-

4.16 Other Assets

Amount in NPR

Other Assets	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	764,589,553	7,064,062,396	752,688,696	7,057,412,789
Accrued Income	-	-	-	-
Prepayments and Deposit	444,313,113	694,875,232	442,165,691	693,850,228
Income Tax Deposit	81,826,222	82,185,928	80,262,628	81,974,220
Deferred Employee expenditure	801,667,605	681,489,026	801,667,605	681,489,026
Other	85,999,730	96,612,220	85,509,645	96,458,585
Total	2,178,396,222	8,619,224,803	2,162,294,264	8,611,184,848

4.17 Due to Bank and financial Institutions

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Money Market Deposit	-	-	-	-
Interbank Borrowing	4,780,864,384	-	4,780,864,384	-
Other deposits from BFIs	5,456,033,059	11,728,515,665	3,754,782,091	11,629,507,290
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	-	-	-	-
Total	10,236,897,443	11,728,515,665	8,535,646,475	11,629,507,290

The balances in accounts maintained with the Bank by other local financial institution have been presented under this head. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to Bank and financial institution is presented under due to Bank and financial institutions.

4.18 Due to Nepal Rastra Bank

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Refinance from NRB	314,541,457	742,269,472	314,541,457	742,269,472
Standing Liquidity Facility	-	-	-	-
Lender of last resort facility from NRB	-	-	-	-
Sale and repurchase agreement	-	-	-	-
Other due to Nepal Rastra Bank	-	-	-	-
Total	314,541,457	742,269,472	314,541,457	742,269,472

The amount payable to NRB shall include amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.

4.19 Derivative financial instruments

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Held for Trading	-	-	-	-
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward exchange Contract.	-	-	-	-
Others	-	-	-	-
Held for risk management	-	-	-	-
Interest Rate Swap	-	-	-	-
Currency Swap	3,011,871,101	-	3,011,871,101	-
Forward exchange Contract	3,901,537,833	1,721,813,609	3,901,537,833	1,721,813,609
Others	-	-	-	-
	6,913,408,934	1,721,813,609	6,913,408,934	1,721,813,609

A significant part of the derivatives in the portfolio are related to servicing corporate and SME clients in their risk management to hedge, for example, foreign currency exposures. These products are also used by the Bank as part of its own regular treasury activities. From a risk perspective, the gross amount of derivative assets has been considered together with the gross amount of derivative liabilities, which are presented separately on the statement of financial position. However, netting of these positions in the statement of financial position has not been done.



4.20 Deposit from customers

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Corporate Customers				
Term Deposit	43,044,488,925	34,328,582,447	43,044,488,925	34,328,582,447
Call Deposit	20,162,604,131	13,681,382,500	20,162,604,131	13,761,041,525
Current Deposit	13,183,449,957	10,890,731,098	13,183,449,957	10,890,731,098
Other	367,036,302	487,660,714	384,799,646	487,660,714
Retail Deposit				
Term Deposit	40,719,457,748	31,227,993,334	40,719,457,748	31,227,993,334
Saving Deposit	58,946,886,879	48,088,149,478	58,375,134,357	48,019,537,051
Current Deposit	921,519,416	390,793,014	921,519,416	390,793,014
Other	29,234,735	483,268,662	29,234,735	483,268,662
Total	177,374,678,093	139,578,561,246	176,820,688,914	139,589,607,845

Deposit from customers include accrued interest payable as on reporting date for the particular deposit portfolio.

4.20.1 Deposit from customers

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Nepalese rupee	167,269,662,895	135,015,131,298	166,697,910,373	135,026,177,897
Indian rupee	-	-	-	-
USD	7,446,132,107	4,559,176,476	7,446,132,107	4,559,176,476
GBP	8,292,387	635,823	8,292,387	635,823
Euro	2,667,748,340	2,645,457	2,667,748,340	2,645,457
Japanese Yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	605,708	972,192	605,708	972,192
Total	177,392,441,436	139,578,561,246	176,820,688,914	139,589,607,845

Currency wise include NPR converted value of deposit on different currencies as on reporting date converted at closing spot rate.

4.21 Borrowing

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institution	-	-	-	-
Other	-	-	-	-
Subtotal	-	-	-	-
Foreign Borrowing				
Foreign B/FIs	-	-	-	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	-	-	-	-
Total	-	-	-	-

4.22 Provisions

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Total	-	-	-	-

4.22.1 Movement in provision

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Balance at Sawan 1				
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	-	-	-	-
Unwind of discount	-	-	-	-
Balance at Asar end	-	-	-	-



4.23 Other Liabilities

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Liability for employees defined benefit obligations	12,689,557	26,225,161	8,521,426	24,798,627
Liability for long-service leave	157,788,596	128,816,002	155,623,861	128,512,135
Short-term employee benefits	-	-	-	-
Bills Payable	83,428,924	119,442,292	83,428,924	119,442,292
Creditors and accruals	1,048,874,315	1,401,536,368	1,043,165,883	1,400,233,571
Interest payable on deposit	-	-	-	-
Interest payable on borrowing	337,494	-	-	-
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	90,597,534	93,774,708	90,597,534	93,774,708
Liabilities under Finance Lease	-	-	-	-
Employee bonus payable	510,634,953	201,178,092	493,417,301	201,178,092
Other	195,514,706	154,190,129	170,958,163	105,835,674
Total	2,099,866,079	2,125,162,751	2,045,713,090	2,073,775,098

Liabilities relating to employees benefits like liabilities for defined benefit obligation gratuity and pension fund, liabilities for long-service leave, short-term employee benefits etc., Creditors and accruals, unearned income, unpaid dividend etc. are presented under this account head of other liabilities. Long service leave consists of sick leave and annual leave.

Actuarial breakup for defined benefit obligations have been disclosed in disclosure note under 5.25.

4.23.1 The amount Recognised in Statement of Financial Position:

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Present value of unfunded defined benefit obligation	155,623,861	129,938,669	155,623,861	128,512,135
Present value of funded defined benefit obligation	139,784,101	143,072,280	139,784,101	142,768,413
Total Present value of obligations	295,407,962	273,010,949	295,407,962	271,280,548
Fair value of plan assets	131,262,675	117,969,786	131,262,675	117,969,786
Present Value of Net Obligation	164,145,287	155,041,163	164,145,287	153,310,762
Recognised Liability for defined benefit obligations	164,145,287	155,041,163	164,145,287	153,310,762

4.23.2 Plan Assets

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Equity Shares	-	-	-	-
Government Bonds	-	-	-	-
Bank Deposit	-	-	-	-
Other	131,262,675	117,969,786	131,262,675	117,969,786
Total	131,262,675	117,969,786	131,262,675	117,969,786

4.23.3 Other Liabilities

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Fair Value of Obligation at beginning of the year	142,768,413	226,695,642	142,768,413	226,695,642
Acturial (gain)/loss	(17,772,864)	(13,023,750)	(17,772,864)	(13,023,750)
Benefits paid by the plan	(22,466,114)	(36,665,436)	(22,466,114)	(36,665,436)
Current Service Cost and Interest	37,254,666	94,274,092	37,254,666	94,274,092
Defined benefits obligation at year end	139,784,101	271,280,548	139,784,101	271,280,548

4.23.4 Movement in Present Value of Plan Assets

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Fair Value of Plan Assets at beginning of the year	117,969,786	97,338,382	117,969,786	97,338,382
Contributions paid into plan	27,795,221	46,944,407	27,795,221	46,944,407
Benefits paid by the plan	(22,466,114)	(16,460,167)	(22,466,114)	(16,460,167)
Acturial (Losses)/gains	(1,072,772)	(9,852,836)	(1,072,772)	(9,852,836)
Expected return on plan assets	9,036,554	-	9,036,554	-
Fair Value of Plan Assets at the year end	131,262,675	117,969,786	131,262,675	117,969,786

4.23.5 Expenses Recognized in Income Statement

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Current service cost	52,275,161	75,521,429	52,275,161	75,521,429
Interest cost	42,479,845	18,752,663	42,479,845	18,752,663
Expected Return on Plan Assets	(9,036,554)	-	(9,036,554)	-
Expenses Recognized in Income Statement	85,718,452	94,274,092	85,718,452	94,274,092

4.23.6 Expenses Recognized in Income Statement

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Acturial (gain)/loss	(16,700,092)	29,031,579	(16,700,092)	29,031,579
Expenses Recognized in Income Statement	(16,700,092)	29,031,579	(16,700,092)	29,031,579

4.23.7 Actuarial Assumptions

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Discount rate	8%	9%	8%	9%
Salary escalation rate	8%	10%	8%	10%
Withdrawal rate	**	5%	**	5%
Expected return on Plan Assets	8%	9%	8%	9%
Age upto 30 years	29%		29%	
Age upto 31-45 years	30%		30%	
Age above 45 years	13%		13%	



4.24 Debt Securities Issued

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Debt Securities issued designated at fair value through profit or loss	-	-	-	-
Debt Securities issued at amortized cost	7,710,097,099	3,487,908,815	7,710,097,099	3,487,908,815
Total	7,710,097,099	3,487,908,815	7,710,097,099	3,487,908,815

The Bank has four outstanding debt '7.25% NIC ASIA Bond 2077' of total face value of NPR 500 million, '9% NIC ASIA Bond 2081/82' of total face value of NPR 3,000 million, 'NIC ASIA Debenture 2082/83' of total face value of NPR 1,830 million and NIC ASIA Debenture 2085/86' of total face value of NPR 2,405 million as on reporting date. The detailed information regarding the debt securities has been presented under note no.5.2.2(a)(iii) for details regarding debt securities issued.

Amount in NPR

Debt Securities In Issues (Maturity)	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
With in 1 year	-	-	-	-
More than 1 year less than 2 years	-	-	-	-
More than 2 year less than 3 years	500,000,000	-	500,000,000	-
More than 3 year less than 4 years	-	500,000,000	-	500,000,000
More than 4 year less than 5 years	-	-	-	-
More than 5 years	7,234,688,000	3,000,000,000	7,234,688,000	3,000,000,000
Total	7,734,688,000	3,500,000,000	7,734,688,000	3,500,000,000

4.25 Subordinated Liabilities

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

The Bank does not have any kind of subordinated liabilities as on the reporting date.

4.26 Share Capital

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Share Capital				
Ordinary Shares	8,834,228,698	8,031,116,998	8,834,228,698	8,031,116,998
Convertible Preference Shares	-	-	-	-
Irredeemable Preference Shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	8,834,228,698	8,031,116,998	8,834,228,698	8,031,116,998

4.26.1 Ordinary Shares

Amount in NPR

	BANK	
	As at 16 July 2019	As at 16 July 2018
Authorised capital		
"80,400,000 Ordinary Shares of Rs 100 each (2017-18) 88,400,000 Ordinary Shares of Rs 100 each (2018-19)"		
Issued capital		
"80,311,169 Ordinary Shares of Rs 100 each (2017-18) 88,342,287 Ordinary Shares of Rs 100 each (2018-19)"	8,834,228,698	8,031,116,998
Paid up capital		
"80,311,169 Ordinary Shares of Rs 100 each (2017-18) 88,342,287 Ordinary Shares of Rs 100 each (2018-19)"	8,834,228,698	8,031,116,998

4.26.2 Ordinary Share Ownership

Amount in NPR

	BANK			
	As at 16 July 2019		As at 16 July 2019	
	%	Amount	%	Amount
Domestic Ownership				
Nepal Government				
"A" Class licensed institutions				
Other licensed institutions				
Other institutions	6.0	532,291,800	6.3	508,096,800
Public	94.0	8,301,936,898	93.7	7,523,020,198
Other				
Foreign Ownership				
Total	100	8,834,228,698	100	8,031,116,998



4.27 Reserves

Amount in NPR

	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Statutory General reserve	2,451,871,304	1,825,152,950	2,429,809,484	1,825,152,950
Exchange equalization reserve	39,007,260	38,372,154	39,007,260	38,372,154
Corporate social responsibility reserve	44,197,684	24,616,276	43,094,593	24,616,276
Capital redemption reserve	416,666,667	285,714,288	416,666,667	285,714,288
Regulatory reserve	727,646,318	455,575,876	727,646,318	455,575,876
Investment adjustment reserve	56,204,010	44,244,462	56,204,010	44,244,462
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	280,091,979	1,591,694	280,091,979	1,591,694
Dividend equalization reserve	-	-	-	-
Actuarial gain	-	-	-	-
Special reserve	-	-	-	-
Other reserve	(2,791,242)	20,416,307	(3,894,334)	20,416,307
Total	4,012,893,979	2,695,684,007	3,988,625,977	2,695,684,007

General Reserve

General Reserve maintained pertains to the regulatory requirement of the Bank and Financial Institutions Act, 2073. There is a regulatory requirement to set aside 20% of the net profit to the general reserve until the reserve is twice the paid up capital and thereafter minimum 10% of the net profit.

Exchange Equilization Reserve

Exchange equalization is maintained as per requirement of Nepal Rastra Bank Unified Directive. There is a regulatory requirement to set aside 25% of the foreign exchange revaluation gain on the translation of foreign currency to the reporting currency. The reserve is the accumulation of such gains over the years.

Corporate Social Responsibility Reserve

Corporate Social Responsibility reserve of 1% of net profit is maintained as per Nepal Rastra Bank Directive.

Regulatory Reserve

Regulatory reserves includes any amount derived as result of NFRS conversion and adoption with effect in retained earning.

Investment Adjustment Reserve

Investment Adjustment Reserve is created against quoted and unquoted share investments as per Nepal Rastra Bank Directive.

Other Reserve

NPR 41,845,804 has been transferred from Deferred Tax Reserve to Retained Earning. As on the reporting date, the Deferred Tax Liabilities has been created as a result the corresponding Deferred Tax Reserve on the books is no longer required.

Other Reserve includes OCI reserve of actuarial loss and fair value. As a result of reversal of Deferred Tax Reserve Other Reserve is negative. However, regulatory reserve against the actuarial loss has been made in the FY 2017/18.

4.28 Contingent liabilities and commitments

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Contingent liabilities	6,326,744,624	11,253,448,274	6,326,744,624	11,793,571,972
Undrawn and undisbursed facilities	33,797,501,347	12,876,548,689	33,797,501,347	15,008,033,941
Capital commitment	97,818,133		97,818,132.86	10,595,795.22
Lease Commitment	-	-	-	-
Litigation	-	-	-	-
Total	40,222,064,104	24,129,996,963	40,222,064,104	26,812,201,708

4.28.1 Contingent liabilities

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Acceptance and documentary credit	1,682,734,336	471,070,000	1,682,734,336	471,070,000
Bills for collection	37,117,990	167,927,436	37,117,990	167,927,436
Forward exchange contracts	-	-	-	-
Guarantees	4,606,892,298	89,625,588	4,606,892,298	89,625,588
Underwriting commitment	-	-	-	-
Other commitments	-	11,064,948,948	-	11,064,948,948
Total	6,326,744,624	11,793,571,972	6,326,744,624	11,793,571,972

4.28.2 Undrawn and undisbursed facilities

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Undisbursed amount of loans	-	-	-	-
Undrawn limits of overdrafts	4,736,717,720	4,816,976,008	4,736,717,720	4,816,976,008
Undrawn limits of credit cards	605,009,999	363,672,772	605,009,999	363,672,772
Undrawn limits of letter of credit	14,787,960,649	8,394,414,368	14,787,960,649	8,394,414,368
Undrawn limits of guarantee	13,667,812,979	1,432,970,793	13,667,812,979	1,432,970,793
Total	33,797,501,347	15,008,033,941	33,797,501,347	15,008,033,941



4.28.3 Capital commitments

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

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Capital commitments in relation to Property and Equipment				
Approved and contracted for	59,771,345	10,595,795	59,771,345	10,595,795
Approved but not contracted for	38,046,788		38,046,788	
Sub total	97,818,133	10,595,795	97,818,133	10,595,795
Capital commitments in relation to Intangible assets				
Approved and contracted for				
Approved but not contracted for				
Sub total	-	-	-	-
Total	97,818,133	10,595,795	97,818,133	10,595,795

Capital commitment comprises of contract with vendor for branch expansion

4.28.4 Lease commitments

Amount in NPR

Particulars	GROUP		BANK	
	As at 16 July 2019	As at 16 July 2018	As at 16 July 2019	As at 16 July 2018
Operating 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	-	-	-	-
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	-	-	-	-

All the operating lease entered by Bank are cancellable by giving a notice period and the Bank do not have any finance lease commitment as on reporting date.

4.28.5 Litigation

The bank's litigations are generally related to its ordinary course of business pending on various jurisdiction. Litigations are mainly in the nature of income tax/VAT which is explained in detail in Note 5.6.1. Other litigations include cases pending in various courts & tribunal in Nepal pertaining to assets recovered from the borrowers.

4.29 Interest income

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Cash and cash equivalent	123,274,429	16,956,604	123,274,429	16,956,604
Due from Nepal Rastra Bank	1,694,341	9,397	1,694,341	9,397
Placement with Bank and financial institutions	646,621,766	46,518,821	62,815,153	27,229,558
Loan and advances to Bank and financial institutions	729,863,869	419,645,934	839,186,076	428,341,824
Loans and advances to customers	17,513,647,049	12,234,082,040	17,513,647,049	12,234,082,040
Investment securities	631,573,422	569,838,109	631,573,422	569,838,109
Loan and advances to staff	173,403,149	269,362,745	173,403,149	269,362,745
Other	-	-	-	-
Total interest income	19,820,078,025	13,556,413,650	19,345,593,620	13,545,820,277

Interest Accrued of NPR 11,809,920 has been derecognized as per the income recognition guidelines issued by Nepal Rastra Bank through circular no. Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/01/076/77 dated 2076/04/10

4.30 Interest expense

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Due to Bank and financial institutions	256,025,671	595,448,087	140,143,697	594,458,880
Due to Nepal Rastra Bank	33,014,461	14,637,175	33,014,461	14,637,175
Deposits from customers	11,673,241,301	8,535,783,691	11,649,653,589	8,550,684,052
Borrowing	-	-	-	-
Debt securities issued	562,749,287	176,376,134	562,749,287	176,376,134
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	12,525,030,719	9,322,245,087	12,385,561,034	9,336,156,241



4.31 Fees and Commission Income

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Loan administration fees	1,169,326,497	521,122,469	1,287,889,853	505,533,719
Service fees	329,842,536	112,001,493	236,057,965	112,001,493
Consortium fees	17,746,349	3,490,500	17,746,349	3,490,500
Commitment fees	17,566,514	10,290,091	17,566,514	10,290,091
DD/TT/Swift fees	23,182,281	11,632,036	23,182,281	11,632,036
Credit card/ATM issuance and renewal fees	225,784,877	31,751,700	225,784,877	31,751,700
Prepayment and swap fees	42,066,320	52,088,881	42,066,320	52,088,881
Investment banking fees	25,541,326	5,820,731	-	-
Asset management fees	17,696,927	27,368,250	-	-
Brokerage fees	-	-	-	-
Remittance fees	64,496,763	52,930,522	64,496,763	52,930,522
Commission on letter of credit	24,758,022	40,555,059	24,758,022	40,555,059
Commission on guarantee contracts issued	77,870,965	41,331,251	77,870,965	41,331,251
Commission on share underwriting/issue	-	-	-	-
Locker rental	10,421,355	8,097,444	10,421,355	8,097,444
Other fees and commission income	219,763,908	96,762,073	221,065,092	96,446,073
Total fees and Commission Income	2,266,064,641	1,015,242,499	2,248,906,357	966,148,768

4.32 Fees and Commission Income

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
ATM management fees	-	-	-	-
VISA/Master card fees	73,824,065	67,069,753	73,824,065	67,069,753
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	8,445,556	11,019,543	8,445,556	11,019,543
Remittance fees and commission	-	-	-	-
Other fees and commission expense	53,666,183	30,983,214	45,329,534	18,408,813
Total fees and Commission Expense	135,935,804	109,072,510	127,599,155	96,498,109

Payouts on account of fee 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.

4.33 Net trading income

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Changes in fair value of trading assets	919,573	45,288	-	-
Gain/loss on disposal of trading assets	-	37,765	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	100,887	-	-	-
Gain/loss foreign exchange transaction	348,920,815	195,206,579	348,920,815	195,206,579
Other	79,650	-	-	-
Net trading income	350,020,925	195,289,632	348,920,815	195,206,579

Trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities are presented under this account head. Foreign exchange transactions results include gains and losses from spot and forward contracts and translated foreign currency assets and liabilities.

4.34 Other operating income

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Foreign exchange revaluation gain	2,540,424	14,744,239	2,540,424	14,744,239
Gain/loss on sale of investment securities	-	(1,506,280)	-	(1,506,280)
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	30,958,693	10,802,981	30,958,693	10,789,107
Gain/loss on sale of property and equipment	28,275,667	4,004,930	28,275,667	4,004,930
Gain/loss on sale of investment property	5,363,679	39,893,310	5,363,679	39,893,310
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	8,835,738	15,689,713	8,835,738	15,689,713
Other	-	-	-	-
Total	75,974,201	83,628,893	75,974,201	83,615,018

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

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Impairment charge/(reversal) on loan and advances to B/FIs	22,883,652	30,584,805	22,883,652	30,584,805
Impairment charge/(reversal) on loan and advances to customer	591,250,050	282,529,331	576,034,147	274,246,768
Impairment charge/(reversal) on financial Investment	7,694,286	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	621,827,988	313,114,135	598,917,799	304,831,572



4.36 Personnel Expense

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Salary	828,076,421	571,394,983	791,528,905	557,440,861
Allowances	714,099,598	556,755,937	693,168,253	552,806,861
Gratuity expense	29,682,340	20,354,085	28,218,112	19,303,562
Provident fund	58,858,817	47,727,836	56,424,539	47,274,172
Uniform	15,602,466	17,995,270	15,602,466	17,995,270
Training & development expense	66,823,351	43,502,518	64,237,498	43,089,135
Leave encashment	66,326,868	54,727,752	62,622,381	54,423,885
Medical	8,285,460	10,529,081	8,248,440	10,529,081
Insurance	3,649,517	8,262,096	3,649,517	8,262,096
Employees incentive	74,875,117	-	74,695,889	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	105,456,236	198,921,707	105,456,236	198,921,707
Other expenses related to staff	79,973,104	71,124,996	79,561,660	70,888,225
Subtotal	2,051,709,297	1,601,296,262	1,983,413,896	1,580,934,856
Employees bonus	514,046,219	203,279,007	493,417,301	201,178,092
Grand total	2,565,755,516	1,804,575,268	2,476,831,196	1,782,112,947

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2030. All expenses related to employees of a Bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, cash-settled share-based payments etc. Staff Loans are fair valued using the market rates.

4.37 Other operating expense

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Directors' fee	7,667,500	4,228,000	7,176,000	4,178,000
Directors' expense	5,224,763	4,518,219	5,210,243	4,518,219
Auditors' remuneration	2,822,180	2,113,000	2,486,000	2,000,000
Other audit related expense	-	-	-	-
Professional and legal expense	23,887,535	28,276,718	23,887,535	28,256,448
Office administration expense	892,673,437	581,282,809	868,554,749	575,205,050
Operating lease expense	350,480,464	181,178,083	339,229,890	177,612,016
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	-	-	-	-
Onerous lease provisions	-	-	-	-
Other	468,167,379	446,669,943	466,291,820	445,323,101
Total	1,750,923,259	1,248,266,772	1,712,836,238	1,237,092,835

All operating expenses other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this head includes office administration expense, other operating and overhead expense, directors' meeting fees and audit fee paid to auditors, professional and legal expense, redundancy cost expense of corporate social responsibility, lease provisions etc. No individual operating lease has terms and conditions that significantly affect the amount, timing and certainty of the consolidated cash flows of the Group.

4.38 Depreciation & Amortisation

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Depreciation on property and equipment	189,075,150	104,981,144	180,505,038	101,805,046
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	24,149,488	14,379,577	23,527,905	13,998,997
Total	213,224,638	119,360,721	204,032,944	115,804,043

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRS on property and equipment, and investment properties, and amortization of intangible assets is presented under this account head.

4.39 Non operating income

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Recovery of loan written off	26,430,713	2,500,650	26,430,713	2,500,650
Other income	4,673,838	-	4,873,838	-
Total	31,104,551	2,500,650	31,304,551	2,500,650

4.40 Non operating expense

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Loan written off	100,192,286	31,152,561	100,192,286	31,152,561
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	3,973,187	79,040,158	3,973,187	79,040,158
Total	104,165,473	110,192,719	104,165,473	110,192,719

The income and expenses that have no direct relationship with the operation of transactions are presented under this head. The income/expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring etc.



4.41 Depreciation & Amortisation

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Current tax expense	1,425,799,079	530,722,814	1,368,655,984	525,425,880
Current year	1,322,438,486	530,722,814	1,265,295,391	525,425,880
Adjustments for prior years	103,360,593		103,360,593	
Deferred tax expense	45,599,397	(49,464,804)	48,817,056	(49,684,980)
Origination and reversal of temporary differences	45,599,397	(49,464,804)	48,817,056	(49,684,980)
Changes in tax rate				
Recognition of previously unrecognised tax losses				
Total income tax expense	1,471,398,476	481,258,010	1,417,473,040	475,740,900

The amount of income tax on net taxable profit is recognized and presented under this account head. This account head includes current tax expense and deferred tax expense/deferred tax income. NPR 103,360,593 has been paid as income tax for the accrued interest up to FY 2073/74 as a result of adoption of NFRS by the Bank.

4.41.1 Reconciliation of tax expense and accounting profit

Amount in NPR

Particulars	GROUP		BANK	
	Year Ended 16 July 2019	Year Ended 15 July 2018	Year Ended 16 July 2019	Year Ended 16 July 2018
Profit before tax	4,626,378,946	1,826,248,111	4,440,755,706	1,810,602,827
Tax amount at tax rate of 30 %	1,387,913,684	547,874,433	1,332,226,712	543,180,848
Add: Tax effect of expenses that are not deductible for tax purpose	117,318,424	84,512,536	117,318,424	84,512,536
Less: Tax effect on exempt income	(184,249,745)	(102,267,504)	(184,249,745)	(102,267,504)
Add/less: Tax effect on other items	103,360,593	603,349	103,360,593	
Total income tax expense	1,424,342,956	530,722,814	1,368,655,984	525,425,880
Effective tax rate	30.8%	29.1%	30.8%	29.0%

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

Amount in NPR

	As at 16 July 2019	As at 16 July 2018
Net profit or (loss) as per statement of profit or loss	3,023,282,666	1,334,861,927
Appropriations:		
a. General reserve	604,656,533	266,972,385
b. Foreign exchange fluctuation fund	635,106	3,686,060
c. Capital redemption reserve	130,952,378	71,428,572
d. Corporate social responsibility fund	30,232,827	13,348,619
e. Employees' training fund	-	-
f. Other	-	-
- Deferred Tax reserve	(41,845,804)	
- Investment Adjustment Reserve	11,959,548	15,772,093
- Share Premium		
Profit or (loss) before regulatory adjustment	2,286,692,078	963,654,197
Regulatory adjustment :	(272,070,442)	(455,575,876)
a. Interest receivable (-)/previous accrued interest received (+)	(26,368,994)	(390,117,572)
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 (-)/resersal (+)	(201,555,634)	(74,382,923)
e. Deferred tax assets recognised (-)/ reversal (+)	(54,244,185)	54,244,185
f. Goodwill recognised (-)/ impairment of Goodwill (+)		
g. Bargain purchase gain recognised (-)/resersal (+)		
h. Acturial loss recognised (-)/reversal (+)	11,690,064	(46,911,260)
i. Other (+/-)		
- Debt securities recognised at amortised cost		
Other Reserve		
- Fair value reserve	(1,591,694)	1,591,694
Distributable profit or (loss)	2,014,621,636	508,078,321

- Interest collected till Shrawan 15, 2076 of NPR 30,525,777 has been considered and not been transferred from regulatory reserve as per circular no. 27/075/76.
- NPR 41,845,804 has been transferred from Deferred Tax Reserve to Retained Earning. As on the reporting date, the Deferred Tax Liabilities has been created as a result the corresponding Deferred Tax Reserve on the books is no longer required.



COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF 2075/76

NPR in '000'

	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Statement of Financial Position					
Assets					
Cash and cash equivalent	20,214,540	20,214,540	-	0.00%	Additional LLP Booked
Due from NRB and placements with BFIs	16,097,915	16,097,915	-	0.00%	
Loan and advances	149,506,059	149,497,291	(8,768)	-0.01%	
Investments Securities	18,152,959	18,152,959	-	0.00%	
Investment in subsidiaris and associates	1,204,500	1,204,500	-		
Goodwill and intangible assets	110,490	110,490	-		
Other assets	12,415,799	12,419,353	3,554	0.03%	Salary of CEO of Laghubitta deputed from Bank reimbursed
Total Assets	217,702,263	217,697,049	(5,214)	0.00%	
Capital and Liabilities					
Paid up Capital	8,834,229	8,834,229	-	0.00%	
Reserves and surplus	6,131,584	6,101,507	(30,077)	-0.49%	Decrease in profit
Deposits	185,356,335	185,356,335	-	0.00%	
Borrowings	-	-	-		
Bond and Debenture	7,710,097	7,710,097	-	0.00%	
Other liabilities and provisions	9,670,018	9,694,881	24,863	0.26%	Booking of additional lease liabilities, adjustment of deferred tax
Total Capital and Liabilities	217,702,263	217,697,049	(5,214)	0.00%	
Statement of Profit or Loss					
Interest income	19,345,594	19,345,594	-	0.00%	
Interest expense	12,385,561	12,385,561	-	0.00%	
Net interest income	6,960,033	6,960,033	-	0.00%	
Fee and commission income	2,248,911	2,248,906	(4)	0.00%	Prepayment charges reimbursed
Fee and commission expense	127,599	127,599	-		
Net fee and commission income	2,121,312	2,121,307	(4)	0.00%	Prepayment charges reimbursed
Other operating income	424,895	424,895	-	0.00%	
Total operaing income	9,506,239	9,506,235	(4)	0.00%	Prepayment charges reimbursed
Impairment charge/(reversal) for loans and other losses	590,149	598,918	8,768	1.49%	Additional LLP Booked
Net operating income	8,916,090	8,907,317	(8,773)	-0.10%	
Personnel expenses	2,486,791	2,476,831	(9,959)	-0.40%	Salary of CEO of Laghubitta deputed from Bank reimbursed, decrease of bonus
Other operating expenses	1,853,891	1,916,869	62,978	3.40%	Booking of additional lease liabilities
Operating profit	4,575,408	4,513,617	(61,791)	-1.35%	
Non operating income/expense	(75,206)	(72,861)	2,346	-3.12%	SLA reimbursement of Laghubitta
Profit before tax	4,500,201	4,440,756	(59,446)	-1.32%	
Income tax	1,446,897	1,417,473	(29,424)	-2.03%	Decrease of profit
Profit /(loss) for the period	3,053,304	3,023,283	(30,021)	-0.98%	
Other comprehensive income	296,998	296,998	-	0.00%	
Total comprehensive income	3,350,302	3,320,281	(30,021)	-0.90%	
Distributable Profit					
Net profit/(loss) as per profit or loss	3,053,304	3,023,283	(30,021)	-0.98%	
Add/Less: Regulatory adjustment as per NRB Directive	(900,447)	(1,036,956)	(136,509)	15.16%	decrease of profit and additional capital redemption reserve
Free profit/(loss) after regulatory adjustments	2,152,857	1,986,327	(166,530)	-7.74%	

PRINCIPAL INDICATORS

Ratio	Indicators	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
1. Net Profit/Gross Income	Percent	32.36	40.83	42.91	24.91	31.80
2. Earnings Per Share (as per NAS 26 - Earning per Share)	NPR	25.59	28.31	23.06	16.62	34.22
3. Market Value Per Share	NPR	617	798	445	316	448
4. Price Earning Ratio	Ratio	24.11	28.19	19.30	19.01	13.09
5. Dividend (including bonus) on Share Capital	Percent	41.05	27.37	21.05	10.00	21.053
6. Cash Dividend on Share Capital	Percent	2.05	1.37	1.05	0.526	11.053
7. Interest Income/Loans and Advances & Investment	Percent	8.31	7.77	9.10	10.12	11.74
8. Staff Expenses/Total Operating Expenses	Percent	48.28	51.59	53.03	61.48	56.85
9. Interest Expenses/Total Deposits and Borrowings	Percent	5.12	4.41	5.61	6.53	6.71
10. Exchange Gain/Total Income	Percent	2.84	3.29	2.36	1.42	1.60
11. Total Cost/Total Revenue	Percent	41.56	40.30	46.14	62.04	49.33
12. Staff Bonus/Total Staff Expenses	Percent	23.01	28.21	24.85	11.29	19.92
13. Staff Cost Per Employee	NPR	577,778	493,478	478,768	777,876	713,373
14. Net Profit Per Employee	NPR	931,941	969,034	839,582	582,655	870,761
15. Total Credit/Deposits	Percent	81.03	85.62	83.70	86.30	84.55
16. Total Operating Expenses/Total Assets	Percent	1.44	1.31	1.60	1.83	2.02
17. Capital Adequacy (On Risk Weighted Assets)						
Core Capital	Percent	10.53	10.69	12.38	8.66	8.24
Supplementary Capital	Percent	1.96	1.75	1.45	3.58	5.08
Total Capital Fund	Percent	12.49	12.44	13.83	12.24	13.32
18. Liquidity (CRR)	Percent	28.91	23.79	25.80	24.45	26.05
19. Net Profit / Total Loan	Multiple	1.57	1.79	2.03	1.10	2.00
20. Gross Non-Performing Credit/Total Credit	Ratio	2.07	0.76	0.36	0.06	0.46
21. Net Non-Performing Credit/Total Credit	Ratio	0.41	0.11	0.04	0.01	0.23
22. Weighted Average Interest Rate Spread	Percent	3.19	3.36	3.49	3.60	5.02
23. Return on Total Assets	Percent	1.21	1.51	1.64	0.97	1.56
24. Return on Equity	Percent	13.05	16.50	16.84	12.09	22.73
25. Book Net Worth	NPR	207	161	151	145	169
26. Number of Shares	No.	26,582,848	45,753,743	66,925,975	80,311,170	88,342,287
27. Number of Staff	No.	730	1101	1755	2,291	3,472
28. Number of Branches	No.	67	67	119	231	292
29. Number of ATMs	No.	68	69	70	220	302



SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

NIC ASIA Bank Limited ("NICA" or "the Bank") is a limited liability company domiciled in Nepal which has been in operation in Nepal since 1998. The Bank is registered with the Office of Company Registrar as a public limited company and carries out commercial banking activities in Nepal under the license from Nepal Rastra Bank as Class "Ka" licensed institution. It's registered, and corporate office are at Kathmandu, Nepal.

The Bank offers full commercial banking services of banking products and services including loans and advances, deposits, trade finance, e-commerce services, bullion, etc. to wide range of clients encompassing individuals, corporates, multinationals, large public sector companies, government corporations, etc. as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

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

1.1. Subsidiaries

The Bank has two wholly owned subsidiaries namely NIC ASIA Capital Limited and NIC ASIA Laghubitta Bittiya Sanstha Limited.

- NIC ASIA Capital Limited is wholly owned subsidiary of the Bank and was incorporated on 15 May 2016 as a public limited company as per the Companies Act 2063 and licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008 to provide merchant banking and investment banking services.
- NIC ASIA Laghubitta Bittiya Sanstha Limited is also a wholly owned subsidiary of the Bank and was incorporated on 25 July 2017 as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as "D" class financial institution having registered office at Jajarkot, Nepal. The principle activities involved extending

banking products and services to the deprived sectors/ communities.

The financial year of both of the subsidiaries is same as that of the Bank ending on 16 July 2019 (31st Ashad 2076).

1.2. "The group" represents the Bank and its subsidiaries.

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 through Directive No. 4 of NRB Directives, 2075.

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 through Directive No. 4 of NRB Directives, 2075.

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 has, for the preparation of financial statements,

adopted the NFRS pronounced by Accounting Standard Board with effect from fiscal year 2074/75. The bank has prepared financial statement for the fiscal year 2075/76 in accordance with NFRS.

The approval of financial statements accompanied notes to the financial statements have been adopted by the Board of Directors in its 418th meeting held on 28th August, 2019 and the Board acknowledges the responsibility of preparation of financial statements of the Bank. The approved financial statements have been recommended for approval by the shareholders in the 23rd annual general meeting of the Bank.

The Board of Directors may decide to amend the annual accounts as long as these are not adopted by the general meeting of the shareholders. The general meeting of shareholders may decide not to adopt the annual accounts but may not amend these.

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 off to the nearest rupee except where indicated otherwise.

2.4 Use of Estimates, Assumptions and Judgements

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

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates

have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4.1 Going Concern

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

2.5 Changes in Accounting Policies

The bank had adopted NFRS for the first time in previous year. The Bank prepared the statement of financial position as per Nepal Financial Reporting Standard (NFRS) by recognizing all assets and liabilities whose recognition was required by NFRS, not recognizing the items of assets or liabilities which were not permitted by NFRS, and applying NFRS in measurement of recognized assets and liabilities.

However, during the current year, there is no change in accounting policies.

2.6 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 20 September 2018 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 Accounting Standard Board (ASB). Details of carve out provided are as follows.

2.6.1 NFRS 10: Consolidated Financial Statements

In para 19 of NFRS 10, a parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impracticable to do so.

The carve out no. 1 is optional and has been provided for the FY 2017-18 to 2019-20. Accordingly, the bank has opted the carve out.



2.6.2 NAS 17: Lease

In para 33, lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

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

2.6.3 NAS 34: Interim Financial Reporting

In para 2, if an entity's interim financial report is described as complying with NFRSs, it must comply with all of the requirements of this Standard. Paragraph 19 requires certain disclosures in that regard. However, an entity shall not require to restate its corresponding previous interim period balance if it is impracticable to restate.

The carve out is optional and has been provided for the FY 2017-18 and 2018-19.

Accordingly, the bank has opted the carve out.

2.6.4 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 2017-18 to 2019-20.

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).

The carve out is optional and has been provided for the FY 2017-18 and 2018-19. Accordingly, the bank has opted the carve out.

c) Impracticability to determine interest income on amortized cost

In para AG 93, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The carve out is optional and has been provided for the FY 2017-18 and 2018-19. Accordingly, the bank has opted the carve out.

2.7 New Standards in issue 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 complied for the classification of Financial Instruments.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS. In this connection, ASB has issued Exposure Draft of Nepal Financial Reporting Standards (NFRSs) 2018. NFRSs 2018 is yet to be pronounced by the Institute of Chartered Accountants of Nepal.

NFRSs 2018 shall introduce following standards which shall be applicable to the bank

- NFRS 15 Revenue from Contracts with Customers: The standard shall supersede existing NAS 18 Revenue and NAS 11 Construction Contract
- NFRS 16 Leases: It shall supersede NAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains lease, SIC-15 Operating Lease – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

2.8 New Standards and Interpretations Not adapted

The following amendments are not mandatory and have not been early adopted by the group. The Bank is still currently assessing the detailed impact of these amendments –

2.8.1 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. Accounting Standard Board of 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.

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

Stage 1: 12-month ECL – No significantly increased credit risk Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default

events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL

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

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

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

2.8.2 IFRS-15: Revenue from contract with customers:

The IASB issued a new standard for revenue recognition which overhauls the existing revenue recognition standards. The standard requires the following five step model framework to be followed for revenue recognition:

- Identification of the contracts with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract (as identified in step ii)
- Recognition of revenue when the entity satisfies a performance obligation.

The new standard would be effective for annual periods starting from 1 January 2018 and early application is allowed. The management is assessing the potential impact on its financial statements resulting from application of IFRS 15.

IFRS 15 Revenue from contract with customers has not yet been adopted by the Accounting Standard Board of Nepal.

2.8.3 IFRS 16 'Leases'

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019. IFRS 16 is the new accounting standard for leases and will replace IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. The new standard removes the distinction between operating or finance leases



for lessee accounting, resulting in all leases being treated as finance leases. All leases will be recognized on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

2.9 Discounting

Discounting has been applied where assets and liabilities are non-current, and the impact of the discounting is material.

2.10 Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to adopt, 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 on historical cost basis except for the following material items in the statement of financial position:

- › Financial assets and liabilities are measured at fair value at its initial recognition. Subsequent recognition of FVTOCI and FVTPL financial instruments are measured at fair value. Investment property is measured at fair value
- › The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

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 preexisting 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 recognized in profit or loss except for measurement period adjustment.

There is no business combination during the fiscal year 2075-76.

b. Non-Controlling Interest (NCI)

For each business combination, the Bank elects to measure any non-controlling interests in the acquiree 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 recognized in profit or loss.

Since, both the subsidiaries are wholly owned, there is no non-controlling interest.

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 derecognizes 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 bank 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 Bank'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

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.4 Financial Assets and Financial Liabilities

A. Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognizes loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on



trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on settlement date.

B. Classification

I. Financial Assets

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

The two classes of financial assets are as follows:

i. Financial assets measured at amortized cost

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

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

ii. Financial asset measured at fair value

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

➤ Financial assets at fair value through profit or loss.

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

➤ Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in

fair value are recognized in other comprehensive income.

II. Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

➤ Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. except for particular liabilities designated as at FVTPL, the amount of the change in the fair value that is attributable to changes in the liability's credit risk is recognized in Other Comprehensive Income.

➤ Financial Liabilities measured at amortized cost

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

C. Measurement

i. Initial Measurement

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

ii. Subsequent Measurement

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

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

Financial assets classified at fair value are subsequently

measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

3.4.1 Derecognition

Derecognition of Financial Assets

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

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

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

De-recognition of Financial Liabilities

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

3.4.2 Determination of Fair Value

Fair value 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. The fair value

of a liability reflects its non-performance risk.

For the purpose of Leases under NAS 17, Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair values are determined according to the following hierarchy:

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

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

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.



All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

3.4.3 Impairment

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

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

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

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

Loans and advances and investment securities measured at Amortized Cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortized cost with similar risk characteristics. Impairment

test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

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

a) Impairment losses on assets measured at amortized cost

As per NAS 39

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

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 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 in to six broad products as follows:

1. Term Loan
2. Auto Loan
3. Home Loan
4. Personal Loan
5. Working Capital Loan
6. Others

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by

adjusting the other reserves and funds (impairment reserve) in statement of other comprehensive income and statement of changes in equity. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

As per Loan Loss Provision of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies 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 as per paragraph 63 of NAS 39.

b) Impairment of financial assets classified as fair value through other comprehensive income

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

3.5 Trading Assets

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

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

3.6 Derivatives Assets and Derivative Liabilities

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

Considering the requirement of NAS 39 for qualification of hedge accounting and cost benefits along with materiality, Bank has not adopted hedge accounting for certain derivatives held for risk management.

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 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 10,000 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.

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:

Group	Useful Life (In Years)
Computer	5
Metal Furniture	10
Office Equipment	10
Vehicle	10
Wooden Furniture	5
Building	50
Leasehold	Lower of 15 Years or Lease Period

Effect of Change in Depreciation Method in Existing Assets:

During the previous year, the Bank changed its method of depreciation from the Written Down Method (WDV) into Straight Line method based on useful life of the assets, and detailed disclosures has been provided under notes 5.13 in disclosure.

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 Intangible Assets/ Goodwill

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.

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank and are amortized on the basis of their expected useful lives.

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. In the event that 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 Accounting for Government Grants and Disclosure of Government Assistance

Government grants is recognised in profit or loss on a systematic basis over the periods in which the entity recognises 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.

During the year the Bank has received grant from Sakchyam Access to Finance for Poor Challenge Fund (AFPCF or the Project) Programme is an initiative funded by UK Aid. Refer to Note 5.17 for disclosure on Sakchyam and reconciliation of Deferred Grant Income.

Received for Sakchyam Access to Finance for Poor Challenge Fund Programme:

Sakchyam Access to Finance for Poor Challenge Fund (AFPCF or the Project) Programme is an initiative funded by UK Aid from the British Government as part of a bilateral agreement between the Governments of Nepal and the United Kingdom. It is managed by the Louis Berger Group Inc. for the Department of International Development (DFID Nepal) in partnership with local and international institutions.

The objective of the project is to provide Complete Banking Solution to the rural populace through branches, branchless banking outlets and Alternate Channels.

The project aims at encouraging the development and implementation of innovative and new financial products and services aimed at poor people and communities, which deliver socio-economic benefits to large number of poor people, which are also commercially sustainable. In order to extend various modern and convenient financial services to some Districts of Mid and Far Western region of Nepal, the Bank has entered into an agreement with Sakchyam Access to Finance Program implemented by Louis Berger for the Department of International Development (DFID Nepal). Through this agreement, the Bank has received financial grants as matching fund towards its equal share of the expenditure of the project. The reimbursement of expenses received has been accounted in accordance with Nepal Accounting Standard-10 on Government Grants.

Grant received towards purchase of fixed assets has been recognised to asset account. Any depreciation on the assets, in the income statement will be reduced pro rata in accordance with grant relative to the asset value.

Grant received as reimbursements of operating expenses incurred or to be incurred are recognized in profit or loss in the period when the costs are incurred.

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 remains unsold at 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.

3.11 Income Tax

Tax expense comprises current and deferred tax expense. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

a. Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.



Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.12 Deposits, debts securities issued and subordinated liabilities

a. Deposits

The Bank accepts deposits from its customers under account, current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

b. Debt Securities Issued

It includes debentures, bonds or other debt securities issued by the Bank. Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, except where the Group designates liabilities at fair value through profit or loss.

However, debentures issued by the bank are subordinate to the deposits from customer.

c. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

3.13 Provisions

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation as a result of past event that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements if it is not probable that the amount will be received. If it is probable then disclosure is given for the contingent asset. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

3.14 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of interest income, fees and commission, foreign exchange income, cards income, remittance income, bancassurance commission, etc. and the bases of incomes recognition are as follows:

a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortised cost shall be recognized using the bank's normal interest rate which is very close to effective interest rate using effective interest rate method.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument

(for example, prepayment options) but does not consider future credit losses. As per the Carve-out Notice issued by ICAN, the calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The bank recognises the interest income on loans and advances as per Guideline on Recognition of Interest Income, 2019. The bank has derecognised the interest income amounting to Rs. 5,127,755.32 in case of loan where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral. Further, the bank has derecognised the interest income amounting to Rs. 6,682,164.52 in case of 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

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

b. Fees & Commission

Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed whenever the benefit exceeds cost in determining such value. Whenever, the cost of recognizing fees and commissions on an accrual basis exceeds the benefit in determining such value, the fees and commissions are charged off during the year.

c. Dividend Income

Dividend income 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.

d. Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and

unrealised fair value changes, interest, dividends and foreign exchange differences.

e. Net Income from other financial instrument at fair value through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.15 Interest expense

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

3.16 Employees Benefits

a. Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- > wages, salaries and social security contributions,
- > paid annual leave and paid sick leave,
- > profit-sharing and bonuses and
- > non-monetary benefits

b. Post-Employment Benefits

Post-employment benefit plan includes the followings:

i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further



amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

All employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Bank contribute monthly at a pre-determined rate of 10% of the basic salary. The Bank does not assume any future liability for provident fund benefits other than its annual contribution.

ii. Defined Benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The Bank recognises all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Bank recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognised.

iii. Termination Benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months

after the reporting date, then they are discounted to their present value.

3.17 Leases

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis.

3.18 Foreign Currency Translation

The financial statements are presented in Nepalese Rupees (NPR).

Transactions in foreign currencies are initially recorded at the functional currency using rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognized in either the statement of profit or loss or other comprehensive income depending on the treatment of the gain or loss on the asset or liability.

3.19 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

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.

3.20 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 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, staff training and development fund, CSR reserve etc.

3.21 Earnings per share including diluted

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization due to right share, bonus issue, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively.

3.22 Segment Reporting

The Bank is organized for management and reporting purposes into segments such as Retail Banking, Corporate Banking, SME Banking, Deprived Sector Banking, Treasury, Transaction Banking and Other Banking. The segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly common assets, head office expenses, and tax assets and liabilities.

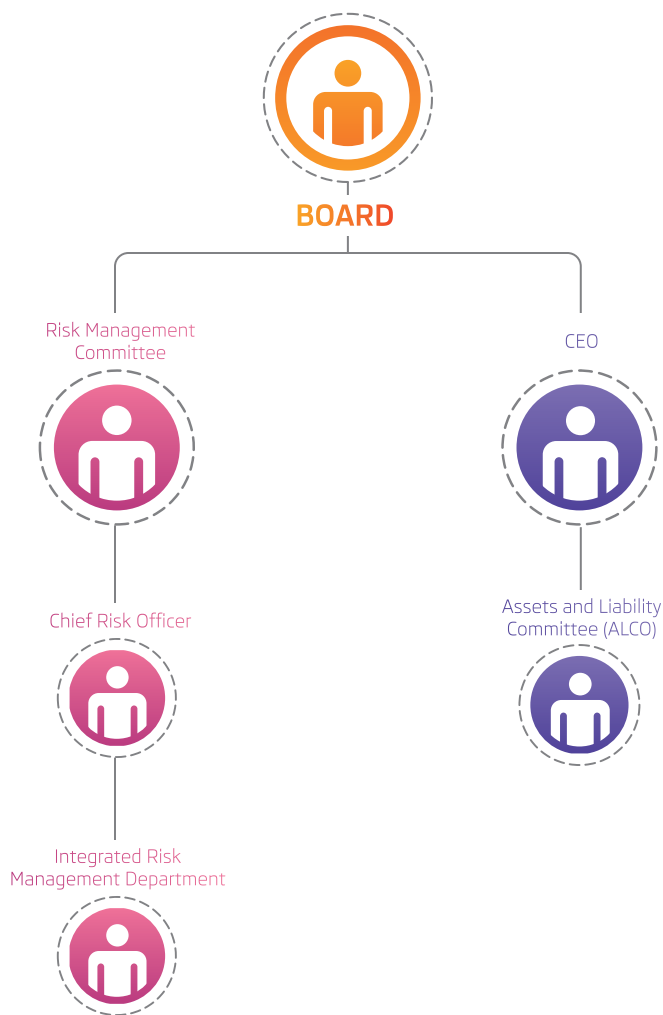
5. DISCLOSURES AND ADDITIONAL INFORMATION

5.1 Risk Management

Risk Management structure of the Bank has set clear separation between business function and risk management function. Accordingly, the Bank has set up a separate Integrated Risk Management Department (IRMD) headed by Chief Risk Officer (CRO), one of the most senior level positions in the Bank. The IRMD oversees global, macro, micro and departmental level risk that arise out of daily business operation as well as on periodic basis and are put to the oversight of Senior Management, Risk Management Committee and the Board to discuss the reports thereon and issue instructions as appropriate.

i. Risk Management Committee

Board of Directors is the apex and supreme authority of the Bank and is responsible to frame and implement robust policies and framework for effective compliance of regulation and direction issued by the regulatory authority. BOD ensures





the strategies, policies and procedure is in accordance with the risk appetite/tolerance limit for effective management of risk within the Bank. The board understands the nature of risk of the bank, and periodically reviews reports on risk management, including policies and standards, stress testing, liquidity and capital adequacy through the reporting by the Risk Management Committee and the Asset- Liabilities Management Committee.

Pursuant to the NRB directive on corporate governance, the Bank has established Risk Management Committee with well-defined terms of reference in line the NRB directive. At least four meeting is conducted on annual basis however number of meeting can be increased as per the requirement. The committee supervise overall risk management of the Bank broadly classified as liquidity risk, market risk, operational risk and credit risk.

ii. Risk Governance

Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture.

Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank's commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

The Risk Management Committee is responsible for the establishment of, and compliance with, policies relating to overall risk.

The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

The bank's risk governance structure is such that the responsibility for maintaining risk within the banks risk blanket is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

iii Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review, AML/CFT/KYC audit, ISO audit as well as Risk based Internal Audit (RBIA) approach. The audits observations are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department, regional offices or branches.

5.1.1 Credit Risk

Credit risk is the probability of loss of principal and reward associated with it due to failure of counterparty to meet its contractual obligations to pay the Bank in accordance with agreed terms. The Credit Risk Monitoring and Reporting Framework/ have been prepared in order to mitigate/minimize the credit risk of the Bank through appropriate monitoring and reporting framework established within the Bank.

Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. For each type of loan, credit policies and procedures define criteria for granting loans in a safe and sound manner including but not limited purpose of credit and source of repayment, collection of relevant information based on the different client risk profiles, use of adequate tools, adequacy, enforceability and liquidity status of collaterals, as well as the practical aspects of their mobilization.

To ensure diversification of risks and limit concentration risk, limit on credit exposures to specific activities or type of products, single counterparty or groups of interconnected counterparties, specific industries and/or economic sectors, types of collateral, related parties and geographic regions.

Monitoring of credit risk is performed by credit risk management function. The bank uses internal rating system which help the bank to differentiate between credit exposures in its portfolio, determine the portfolio's characteristics (concentration, problem loan etc.) and verify the accuracy of the provisions. Business borrowers are monitored through on-site visits, while repayment capacities of individual customers should be updated regularly for early identification of any adverse developments that may affect repayment of loans.

Banks have effective processes and procedures in place for early implementation of remedial actions on deteriorating credits and management of problem loans, including assessing the appropriate legal actions. Furthermore, bank has sound loss methodology, including credit risk assessment policies, procedures and controls, to identify troubled exposures and determine loss provisioning in a timely manner.

Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. For the purpose of assessment of credit risk of the bank, following activities were carried out:

- Current system/policies/procedures/guidelines formulated were gone through;
- Actual Exposure of credit limit product wise, segment wise were checked against Risk Appetite, tolerance limit mentioned in Respective Product Paper Guidelines, Credit Policy and Credit Risk Management Policy;
- Review of various reports prepared by the Departments such as Account Monitoring Report, Loan Overdue Report, Loan Report, NRB reports and Margin Monitoring Reports

Credit Risk Management is ultimately the responsibility of the Board of Directors hence Overall strategy as well as significant policies has to be reviewed by the board regularly. Further, Senior Management is responsible for implementing the bank's credit risk management strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies.

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

NPR in Mn.

Particulars	Neither past due nor impaired	Past due less 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	20,215	-	-	-	-	20,215
Due from Nepal Rastra Bank	16,098	-	-	-	-	16,098
Placement with Bank and Financial Institutions	384	-	-	-	-	384
Loans and advances to customers	136,067	6,125	186	196	-	142,574
Loan and advances to B/FIs	6,923	-	-	-	-	6,923
Fair Value through Profit and Loss (FVTPL)	-	-	-	-	-	-
Derivative financial instruments.	7,006	-	-	-	-	7,006
Fair Value through Other						-
Comprehensive Income (FVTOCI)	-	-	-	-	-	-
Investment securities	18,153	-	-	-	-	18,153
Investment in subsidiaries	1,205	-	-	-	-	1,205
Total	206,050	6,125	186	196	-	212,557



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.

5.1.2 Market Risk

Market risk is defined as the risk of losses resulting from movement in market prices that adversely affect the value of on-and-off balance sheet positions of financial institutions. 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: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

i. 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.

The Bank has following foreign currency as receivables/ payables as at the balance sheet date.

ii. 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.

iii. 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.

The Company's equity price risk exposure relates to financial investment held at FVTOCI, whose values fluctuate as a result of changes in market prices.

Based on its risk profile and level of market risk it is willing and/ or able to take, the bank has developed strategy to manage its market risk. Approved by the board, the market risk management is well communicated within the financial institution. The

market risk strategy should be periodically updated (at least once a year and immediately in case of change in market activity) and regularly reviewed to accommodate changes in business/strategic plan and significant developments in the external operational environment.

The bank's management information system generates regular reports that depict actual size, return, risk, potential profit or loss etc of the exposure and such report is forwarded to board and senior management for review. Appropriate contingency plans have been put in place.

5.1.3 Liquidity Risk

Bank recognize Market Risk as the possibility for loss of earnings or economic value to the Bank caused due to adverse changes in the market level of interest rates or prices of securities (equity), foreign exchange rates and commodity price fluctuation, as well as the volatilities, of those prices. While Liquidity risk is chances of failure of a bank to meet obligations as they become due. Effective liquidity risk management helps ensure the Bank's ability to meet its obligations as they fall due without adversely affecting the Bank's financial condition and reduces the probability of developing of an adverse situation.

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 plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding as required.

The following table depicts the maturity profile of the investment portfolio on a undiscounted cash flow basis which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

Amount in NPR Mn

Particulars	Less than 3 month	3 to 6 months	6 to 1 year	More than 1 year	Total
Assets					
Cash and cash equivalent	20,215	-	-	-	20,215
Due from Nepal Rastra Bank	16,098	-	-	-	16,098
Placement with Bank and Financial Institutions	384	-	-	-	384
Derivative financial instruments.	7,006	-	-	-	7,006
Other trading assets	7	-	-	-	7
Loan and advances to B/FIs	49	1,405	1,966	3,504	6,923
Loans and advances to customers	24,141	14,452	21,709	82,272	142,574
Investment in subsidiaries	1,205	-	-	-	1,205
Total	69,104	15,857	23,675	85,776	194,412
Liabilities					
Due to Bank and Financial Institutions	8,536	-	-	-	8,536
Due to Nepal Rastra Bank	315	-	-	-	315
Derivative financial instruments	6,913	-	-	-	6,913
Deposits from customers	40,764	20,489.80	35,771.22	79,795.60	176,821
Borrowing	-	-	-	-	0
Other liabilities	2,046	-	-	-	2,046
Debt securities issued	-	-	-	7,710	7,710
Total	66,283	20,490	35,771	79,796	202,340

iv. Operational risk

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

The Bank is committed to be governed with a strong culture of risk management and ethical business practices and therefore to averse it from potentially damaging operational risk events and is in a sound position to deal effectively with those

events that do occur. The actions of the board and senior management, and policies, processes and systems provide the foundation for a sound risk management culture

Bank seek to minimize our exposure to operational risk by use of key control standards, key control self-assessments and key risk indicators as toolkits to identify, assess, monitor and control operational risk events through timely acknowledgement of emerging threats and underlying vulnerabilities. The Bank shall also ensure highest level of governance standards and adherence to Code of Conduct and robust compliance to all regulatory as well as the Bank's internal policy, procedures and guidelines.

Effective policies, procedural guidelines and standard operating procedure are crucial tools for sound risk management. Therefore, adequacy and effectiveness of the policies and procedures and their effective implementation is closely monitored by the department to ensure that they have continuing relevance in line with regulatory requirement and adjusts to dynamic risk environment of the industry.



5.2 Capital Management

5.2.1 Qualitative disclosures

The Bank has formulated and implemented the "Internal Capital Adequacy Assessment Process 2018" (ICAAP 2018) which has been approved by the Board of Directors. The ICAAP 2018 is a system of sound, effective, and complete strategies and processes that allows the Bank to assess and maintain, ongoing basis, the amounts, types and distribution of internal capital that the Bank considers adequate to cover the nature and level of risk to which the Bank is or might be exposed to.

Internal Capital Adequacy Assessment Process (ICAAP) shall also include requirement to have robust governance arrangements, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate and economic capital at the Bank where economic capital (economically needed capital) refers to the amount of capital required for the Bank's business operations and for financing the associated risks.

ICAAP 2018 shall provide policy and procedural guidelines for the calculation of internal capital adequacy by prescribing appropriate methodologies, techniques and procedures to assess the capital adequacy requirements in relation to the Bank's risk profile and effectiveness of its risk management, control environment and strategic planning.

The Board shall be primarily responsible for ensuring the current and future capital needs of the bank in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the bank is confronting in the course of different business activities and how this risk relates to capital levels and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

5.2.2 Quantitative disclosures

a) Capital Structure and Capital Adequacy

i. Tier 1 capital and a breakdown of its components

NPR in Mn.

S.N.	Particulars	Amount
a	Paid up Capital	8,834
b	Share Premium / Capital Reserve	-
c	Proposed Bonus Shares	-
d	Statutory General Reserve	2,430
e	Retained Earnings	2,113
f	Un-audited Current Year Cumulative Profit	-
g	Capital Redemption Reserve	417
h	Other Free Reserves	-
i	Less: Deferred Tax Assets	-
j	Less: Intangible Assets	(110)
k	Less: Investment in equity of institutions with financial interests	(200)
l	Less: Purchase of land & building in excess of limit and unutilized	-
	Core (Tier-1) Capital	13,483

ii. Tier 2 capital and a breakdown of its components

NPR in Mn.

S.N.	Particulars	Amount
a	Subordinated Term Debt	6,742
b	General Loan Loss Provision	1,484
c	Exchange Equalization Reserve	39
d	Investment Adjustment Reserve	56
	Supplementary (Tier-2) Capital	8,321

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

Particulars	O/s amount	Issue Date	Maturity Date	Interest Rate*	Amount eligible for capital fund
7.25% NIC ASIA Bond 2077	500	15-May-14	14-May-21	7.25%	500
9% NIC ASIA Bond 2081/82	3,000	14-Jan-18	13-Jan-25	9.00%	3,000
11% NIC ASIA Bond 2082/83	1,830	20-Sep-18	19-Sep-25	11.00%	1,830
10% NIC ASIA Bond 2085/86	2,405	1-Mar-19	26-Feb-29	10.00%	2,405
Total	7,735				7,735

However, total eligible amount is NPR 6,769 being 50% of core capital fund.

*Interest is payable half yearly basis.

iv. Deductions from capital

- The intangible assets pertaining to software amounting to NPR 110 Mn. have been deducted from the core capital
- The Bank's investment in NIC AISIA Capital Ltd., a wholly owned subsidiary, the investment amounting NPR 200 Mn. has been deducted from the core capital.

v. Total qualifying capital

S. N.	Particulars	Amount (NPR Millions)
A	Core Capital	13,483
B	Supplementary Capital	8,321
	Total Qualifying Capital (Total Capital Fund)	21,804

vi. Capital Adequacy Ratio

Capital Adequacy Ratio of the Bank as at 16 July 2019 stood at 13.32%.

vii. Summary of Bank's internal approach to assess the adequacy of capital to support current and future activities, if applicable

The Bank prepares a long term 5 year's Strategy Plan and to achieve the long term plans the Bank prepares annual Budgets/ Operating/ Tactical plans as stipulated in the Budget Policy and strategy Document of the Bank. To ensure that the Bank's capital adequacy commensurate to demand of the Bank's capital required by the business planning, the Management and the Board prudently and proactively engage on ongoing process of capital and risk assessment, stress testing and scenarios testing, monitoring and reporting as per the ICAAP 2018.

The Bank has also formulated and implemented "Stress Testing Guidelines 2017" in order to assess of the vulnerability of the

Bank under various stress situations typically, application of "what if" scenarios, especially in the problematic identification of low frequency but high severity events and identifying expected and unexpected losses. It focuses on capturing the impact of large, but still plausible events and understanding the overall risk profile in a coherent and consistent framework, including impact analysis on earnings, solvency and liquidity.

A formal monitoring and reporting mechanism have been established to provide the senior management necessary information on the risk profile, trends, and the capital requirements as per ICAAP 2018 and Stress Testing Guidelines 2017. Such reports are being prepared on a monthly and quarterly basis and circulated to relevant business units/ departments, Integrated Risk Department (IRMD), and tabled in Assets Liability Committee (ALCO) meeting. Further quarterly reports are presented to the Risk Management Committee and the Board for review and discussions.

viii. 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 Rs. 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.

Debentures: The bank has issued 7.25% NIC ASIA Bond 2077, 9% NIC ASIA Bond, 11% NIC ASIA Bond 2082-83, 10% NIC ASIA Bond 2085-86 amounting NPR 500 million, NPR 3,000 million, NPR 1,830 million and NPR 2,405 million respectively. These debentures do not carry any voting rights.



b) Risk Exposures

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

NPR in Mn.

S.N.	Risk Weighted Exposure	Amount
a	Risk Weighted Exposure for Credit Risk	154,507
b	Risk Weighted Exposure for Operational Risk	5,686
c	Risk Weighted Exposure for Market Risk	118
	Adjustments under Pillar II	
	ALM policies & practices are not satisfactory, add 3% of gross income to RWE	161
	2% adjustment on Total RWE	3,206
Total Risk Weighted Exposure		163,678

ii. Risk Weighted Exposures under each of 11 categories of Credit Risk

NPR in Mn

S.N.	Risk Classification	Net Book Value	RWE
a	Claims on Govt. and Central Bank	31,657	-
b	Claims on other Financial Entities	-	-
c	Claims on Banks	21,194	4,398
d	Claims on Corporate and Securities Firm	54,595	54,595
e	Claims on Regulatory Retail Portfolio	58,305	43,729
f	Claims secured by Residential Properties	7,747	4,659
g	Claims secured by Commercial Real Estate	1,316	1,316
h	Past due Claims	446	669
i	High Risk Claims	24,304	35,199
j	Other Assets	10,976	5,296
k	Off balance sheet items	15,621	4,646
	Total	226,160	154,507

c) Total risk weighted exposure calculation table

NPR in Mn

A. Balance Sheet Exposure	Gross Book Value (A)	Specific Provision & Valuation Adjustments (B)	Eligible CRM	Net Value (D) (A-B-C)	Risk Weight (E)	Risk Weight Exposure (D *E)
Cash Balance	5,345	-	-	5,345	0%	-
Balance With Nepal Rastra Bank	16,008	-	-	16,008	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	15,343	-	-	15,343	0%	-
All Claims on Government of Nepal	216	-	-	216	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	90	-	-	90	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%	-

A. Balance Sheet Exposure	Gross Book Value (A)	Specific Provision & Valuation Adjustments (B)	Eligible CRM	Net Value (D) (A-B-C)	Risk Weight (E)	Risk Weight Exposure (D *E)
Claims on Other Multilateral Development Banks	-	-	-	-	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	11,373	-	-	11,373	20%	2,275
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	9,078	-	-	9,078	20%	1,816
Claims on foreign bank (ECA Rating 2)	532	-	-	532	50%	266
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	211	-	-	211	20%	42
Claims on Domestic Corporates	54,697	71	25	54,595	100%	54,595
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)	58,653	13	336	58,305	75%	43,729
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	7,720	1	-	7,719	60%	4,631
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	41	13	-	28	100%	28
Claims secured by Commercial real estate	1,316	-	-	1,316	100%	1,316
Past due claims (except for claim secured by residential properties)	711	259	6	446	150%	669
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	19,900	33	290	19,578	150%	29,366
Lending against securities (bonds & shares)	912	-	-	912	100%	912
Investments in equity and other capital instruments of institutions listed in the stock exchange	1,603	-	-	1,603	100%	1,603
Investments in equity and other capital instruments of institutions not listed in the stock exchange	2,212	-	-	2,212	150%	3,318
Staff Loan secured by residential property	837	-	-	837	60%	502
Interest receivable/claim on government securities	-	-	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets	4,794	-	-	4,794	100%	4,794
TOTAL (A)	211,592	395	658	210,540		149,861



B. Off Balance Sheet Exposure	Gross Book Value (A)	Gross Book Value (A)	Gross Book Value (A)	Gross Book Value (A)	Risk Weight	Risk Weight Exposure (D *E)
Revocable Commitments				-	0%	-
Bills Under Collection	37	-	-	37	-	-
Forward Exchange Contract Liabilities	3,902	-	-	3,902	0%	390
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	1,397	-	39	1,357	0%	271
foreign counterparty (ECA Rating 0-1)	-	-	-	-	0%	-
foreign counterparty (ECA Rating- 2)	-	-	-	-	100%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating-7)	-	-	-	-	200%	-
LC Commitments With Original Maturity Over 6 months (domestic counterparty)	-	-	-	-	100%	-
foreign counterparty (ECA Rating 0-1)	-	-	-	-	0%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	100%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating-7)	-	-	-	-	200%	-
Bid Bond, Performance Bond and Counter guarantee						
(domestic counter party)	4,297	-	158	4,139	100%	2,069
foreign counterparty (ECA Rating 0-1)	-	-	-	-	0%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	100%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating -7)	-	-	-	-	200%	-
Underwriting commitments	-	-	-	-	100%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	100%	-
Advance Payment Guarantee	307	-	3	304	100%	304
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	286	-	21	265	100%	265
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	5,342	-	-	5,342	0%	1,068
Irrevocable Credit commitments (long term)	-	-	-	-	100%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	0%	-
Other Contingent Liabilities	273	-	0	273	100%	273
Unpaid Guarantee Claims	3	-	-	3	200%	5
TOTAL (B)	15,843	-	223	15,621		4,646
Total RWE for credit Risk (A) + (B)	227,436	395	880	226,160		154,507
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)	227,436	395	880	226,160		154,507

d) Amount of NPAs (both Gross and Net)

NPR in '000'

Particulars	Current Year		Previous Year	
	Gross NPAs	Net NPAs	Gross NPAs	Net NPAs
Restructured / Reschedule Loans	-	-	-	-
Sub Standard Loans	425,965	319,474	12,384	9,288
Doubtful Loans	50,482	25,241	4,861	2,431
Loss	213,955	-	66,886	-
Total NPAs	690,401	344,714	84,132	11,719

5.2.3 Compliance with external requirement

The commercial banks were required by the Monetary Policy 2015/16 to attain a stipulated minimum paid up capital of NPR 8 billion by mid-July 2017. As on the reporting date, the Bank's paid up capital stood at NPR 8.83 billion against the requirement of NPR 8 billion.

5.3 Classification of financial assets and financial liabilities

NPR in Mn.

Financial assets	Notes	As at 16-Jul-19		As at 16-Jul-18	
		Carrying Value	Fair value	Carrying Value	Fair value
Assets					
Assets carried at Amortised Cost					
Cash and cash equivalent	4.1	20,215	20,215	8,132	8,132
Due from Nepal Rastra Bank	4.2	16,098	16,098	15,861	15,861
Placement with Bank and Financial Institutions	4.3	384	384	314	314
Loans and advances to customers	4.7	142,574	142,574	115,805	115,805
		179,270	179,270	140,112	140,112
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments.	4.4	7,006	7,006	1,266	1,266
Fair Value through Other Comprehensive Income (FVTOCI)					
Investment securities	4.8	18,153	18,153	14,133	14,133
Investment in subsidiaries	4.1	1,205	1,205	270	270
		19,357	19,357	14,403	14,403
Liabilities					
Liabilities carried at Amortised Cost					
Due to Bank and Financial Institutions	4.17	8,536	8,536	11,630	11,630
Due to Nepal Rastra Bank	4.18	315	315	742	742
Deposits from customers	4.2	176,821	176,821	139,590	139,590
Debt securities issued	4.24	7,710	7,710	3,488	3,488
		193,381	193,381	155,449	155,449
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments	4.19	6,913	6,913	1,722	1,722



5.3.1 Fair Value of Financial Assets and Financial Liabilities

NPR Mn.

	Fair value Hierarchy (Level)	As at 16 July 2019	As at 16 July 2018
Fair Value through profit and loss			
Financial Assets			
Forward exchange Contract		7,006	1,266
Financial Liabilities			
Forward exchange Contract		6,913	1,722
Fair Value through Other Comprehensive Income			
Financial assets			
Investment securities at OCI			
- Quoted equity securities	1	1,603	566
- Unquoted equity securities	3	1,207	191
Investment in subsidiaries		1,205	270
Total		4,015	1,027
Financial Instruments held at amortised cost			
Financial assets			
Debt securities	3	-	343
Government bonds	3	13,942	9,778
Government treasury bills	3	1,401	2,161
Nepal Rastra Bank bonds	3	-	-
Loan and advances to B/FIs	3	6,923	4,658
Loans and advances to customers	3	142,574	115,805
Accounts receivable		753	7,057
Accrued Income		-	-
Total		165,593	139,802
Financial liabilities			
Due to Bank and Financial Institutions	3	8,536	11,630
Due to Nepal Rastra Bank	3	315	742
Deposits from customers	3	176,821	139,590
Borrowing	3	-	-
Provisions		-	-
Other liabilities		2046	2,074
Debt securities issued		7,710	3,488
Subordinated Liabilities		-	-
Total		195,427	157,523

5.4 Operating Segment Information

5.4.1 General Information

Reportable Segments

Business segments have been identified and reported 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. The Bank operates in the following segments:

a) Corporate Banking

The loans provided to corporate customers valuing more than NPR 5 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 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 small and medium enterprises valuing not more than NPR 5 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 75% of our total revenue. Hence, these operations are treated as reportable segments and the remaining are classified under other segments



5.4.2 Information about profit or loss, assets and liabilities

NPR in Mn.

Particulars	Corporate	SME	Retail	DSL	TB	Treasury	Others	Total
Revenue from External Customers	1,061	2,675	3,122	658	674	865	450	9,506
Inter Segment Expenses/ Revenue	(17)	7	9	2	-	626	-	626
Total Revenue	1,044	2,682	3,131	660	674	1,492	450	10,132
Interest Income	2,976	6,028	7,791	1,557	-	819	174	19,346
Interest Expenses	2,100	4,033	5,094	1,156	-	2	-	12,385
Net Interest Income	876	1,995	2,697	401	-	818	174	6,961
Depreciation and Amortization	16	93	67	17	8	2	1	204
Profit before Income Tax	84	920	1,611	176	605	1,389	255	5,040
Impairment charge/(reversal) for loans and other losses	112	251	186	51	-	-	-	599
Segment Assets	17,202	67,129	69,764	17,927	99	45,566	9	217,697
Segment Liabilities	17,842	69,669	70,446	11,928	42	47,770	-	217,697

5.4.3 Measurement of operating segment profit or loss, assets and liabilities

The bank has identified the key segments of business on the basis of nature of operations that assists the Management Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. The Segment has been identified on the basis of geographic location of the branches. Investment balances, NRB balance, income from investment, forex income are reported in Head office under Province 3. Intra segment revenue and costs are accounted as per the policy of the bank and eliminated in the Head Office.

5.4.4 Reconciliation of reportable, segment revenues, profit or loss, assets and liabilities

Revenue

NPR in Mn.

Total revenue for reportable segments	10,132
Other revenues	-
Elimination of intersegment revenues	626
Entity's revenue	9,506

NPR in Mn.

Profit or Loss

Total profit or loss for reportable segments	5,040
Other profit or loss	-
Elimination of intersegment profits	631
Profit before income tax	4,440

NPR in Mn.

Assets

Total assets for reportable segments	217,697
Other assets	-
Total assets	217,697

NPR in Mn.

Liabilities

Total liabilities for reportable segments	217,697
Other assets	-
Total liabilities	217,697

5.4.5 Information about product and services

Amount in Mn.

S.N.	Departments	Revenue
1	Corporate	1,044
a	Large corporate	881
b	Project Financing	162
2	Retail	3,131
a	Home Loan Term	1,773
b	Home Loan OD	394
c	Auto Loan	633
d	Gold Loan	55
e	Loan against shares	179
f	Education loan	13
g	Loan against FD	19
h	Other Loans	63
3	Small and Medium Enterprises	2,682
a	Medium enterprises	1,233
b	Mid-market Enterprises	507
c	Easy business	136
d	Small business	806
4	Deprived Sector Lending	660
a	Direct Deprived Sector lending	347
b	Indirect Deprived Sector Lending	311
5	Treasury	1,492
a	Investments in T Bills and Government bonds	1,141
b	Trading Gain	358
	Revaluation Gain	(7)
6	Transaction Banking	674
a	Cards and new banking	276
b	Other Transaction banking services	398
7	Other services	450
	Others	450
	Total	10,132



5.4.6 Information about geographical areas

Revenue from following geographical areas

Amount in Mn.

Area		Amount	Percentage
(a)	Domestic	10,132	100
	Province 1	2,028	20
	Province 2	1,163	11
	Province 3	4,072	40
	Province 4	990	10
	Province 5	1,295	13
	Province 6	220	2
	Province 7	364	4
(b)	Foreign	-	-
	Total	10,132	100

5.4.7 Information about major customers

Revenue from single customer doesn't exceed 10% of total revenue

5.5 Share Options and Share based Payment

The Bank do not have a policy for share options with its employees. Similarly, during the year the Bank has not made any payments or settlements by issuing new shares.

5.6 Contingent Liabilities and Commitment

5.6.1 Income Tax Liability

The Bank has received reassessment order from Large Taxpayers' Office (LTO) on the income tax return filed under

self-assessment for the financial year 2060-61 to 2071-72. The additional tax liability demanded on reassessment for the above financial years is NPR 326 Mn. (Previous year's NPR 285 Mn.) including penalty/fines and interest. The Bank has appealed against the additional demand with the appropriate authorities and deposited one third of disputed tax amount as guarantee deposit with the Inland Revenue Department.

Pending decision, no provisions have been made against these additional demands and disclosed as contingent liabilities under Schedule 17 of Financial Statements.

The Bank has filed tax returns to the LTO up to the financial years 2074/75 under self-assessment procedures.

5.6.2 Contingent Liability

NPR in Mn.

	As at 16-Jul-19	As at 15-Jul-18
Claims on Bank but not Accepted by the Bank		
Letter of Credit (Full Amount)		
a. Letter of Credit With Maturity Less than 6 Months	1,397	2,265
b. Letter of Credit With Maturity More than 6 Months		
Rediscounted Bills		
Unmatured Guarantees/Bonds		
a. Bid Bonds	4,297	43
b. Performance Bonds		2,187
c. Other Guarantee/Bonds		
Unpaid Shares in Investment		
Forward Exchange Contract Liabilities	3,902	454
Bills under Collection	37	168
Acceptances and Endorsements	286	471
Underwriting Commitments		
Irrevocable Loan Commitments	5,342	6,360
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	-	1,192
Advance Payment Guarantees	307	87
Financial Guarantees		0.05
Contingent Liabilities on Income Tax	273	285
Unpaid Guarantee Claims	3	3
Total	15,844	13,515

5.7 RELATED PARTY DISCLOSURES

The Bank identifies the following as the related parties under the requirements of NAS 24.

Name	Relationship
NIC ASIA Capital Limited	Wholly owned subsidiary
NIC ASIA Laghubitta Bittiya Sanstha Limited	Wholly owned subsidiary
Tulsi Ram Agrawal	Chairman
Jagdish Prashad Agrawal	Director
Ram Chandra Sanghai	Director
Rajendra Prasad Aryal	Director
Binod Kumar Pyakurel	Director
Ganesh Man Shrestha	Director
Trilok Chand Agrawal	Director
Roshan K. Neupane	Chief Executive Officer
Sudhir Nath Pandey	Deputy Chief Executive Officer
Santosh Kumar Rath	ACEO - Marketing Eco system
Rajesh Rawal	ACEO-Strategy Enforcement Ecosystem
Jayendra Rawal	ACEO-Strategy Enforcement Ecosystem
Kapil Dhakal	ACEO - Performance Assurance & Support Service Ecosystem
Sudeep Khanal	ACEO-Support Service Ecosystem
Arjun Raj Khaniya	Chief Business Officer
Bishal Sigdel	Chief Experience Transformation Officer
Dinesh Bhari	Head Legal
Dipendra Bahadur Rajbhandari	Chief Risk Officer
Prakash Baral	Chief Credit Officer
Raju Prasad Adhikari	Head Internal Audit
Rupesh Luitel	Chief Financial Officer
Deepen Karki	Company Secretary

5.8 Board Member Allowances and Facilities

The Board of Directors have been paid board meeting fees of NPR 7,176,000 during the fiscal year. There were 54 Board Meetings conducted during the fiscal year.

As approved by the 21 Annual General Meeting held on 23 November, 2018 and further approved by the Nepal Rastra Bank on 23 January 2019, the Chairperson and other members of the Board are paid NPR 20,000 and NPR 16,000 per meeting respectively after 27 January 2019 (Previously NPR 14,000 and NPR 12,000 respectively) for Board and Board Level Committees meetings.

Meeting fees paid to Board Level Committees are as follows:

NPR in '000		
Board Level Committees	No of Meetings	Meeting Allowance
Assets Money Laundering Prevention Committee	15	536,000
Audit Committee Meeting	29	808,000
Karmachari Sewa Suvidha Meeting	12	336,000
Risk Management Committee	20	704,000
Land Acquisition Committee	4	176,000
Total		2,560,000



As approved by the 21st Annual General Meeting held on 23 November, 2018 and further approved by the Nepal Rastra Bank on 23 January 2019, each Board Members and Chairman have been provided with a monthly allowance of NPR 17,000 and NPR 20,000 respectively for telephone, newspaper and mobile expenses. The total amount paid as monthly allowances to the board members during the fiscal year amounted to NPR 24,11,639.

5.9 Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

5.10 Compensation Details for Key Management Personnel

The compensation paid to the members of management committee except CEO has been depicted in table below:

S.N.	Particulars	Amount in NPR
1	Short Term Employee Benefits	62,973,364
2	Post-Employment Benefits	-
3	Other Long-Term Benefits	-
4	Termination Benefits (Gratuity and Sick Leave Encashment)	-
5	Share Based Payment	-
	Total of Key Management Personnel Compensation	62,973,364

Key management personnel are also provided with the following benefits:

- i) Benefits as per the Employee Terms of Service By-laws,
- ii) Bonus to staff as per the Bonus Act

The Salary and benefits paid to the CEO are as follow:

Particulars	Roshan K. Neupane (Acting CEO)	Roshan K. Neupane (CEO) (w.e.f. 18/12/2018)
Total annual Salary of CEO including allowances	9,457,123	10,500,000
Work-based remuneration paid to CEO this financial year		
a) Employee Bonus		
b) Allowances as per prevailing law	1,409,983	
c) Others		
Total	10,867,106	10,500,000
Total Salary Allowance Provided to CEO		21,367,106

5.11 Transaction with Subsidiaries

S No	Particulars	NIC ASIA Capital	NIC ASIA Laghubitta
1	Share Registrar fee paid	825,000	
2	Deposit received from subsidiary	23,618,261	17,763,344
3	Borrowings		1,500,000,000
4	Interest paid to subsidiaries	2,425,617	-
5	Reimbursement received		3,354,352
6	Interest received from subsidiaries		10,932,228
7	Payment from Subsidiaries		118,763,356

The intra-group related figures have been excluded for presentation of the financial statement of the Group.

5.12 Merger and Acquisition

There are no merger or acquisitions transaction during the year.

5.13 Additional Disclosures of non-consolidated entities

The Bank has two subsidiaries as at 16 July 2019, NIC ASIA Capital Limited and NIC ASIA Laghubitta Bittiya Sanstha, which are consolidated for the year ended 16 July 2019. There are no such entities which are required to be consolidated but not done during the year.

5.14 Events after reporting date

The Bank monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable. There are no material events that have occurred subsequent to 16 July 2019 till the signing of this financial statement on 28th August, 2019 except, the Bank has issued "10.25% NIC ASIA Debenture 2083/84" amounting NPR 4.4 Billion with following particulars.

Name of the Debenture	10.25% NIC ASIA Debenture 2083/84
Amount	Rs. 4.4 billion (4.4 million units of Rs. 1,000 each)
Maturity Period	7 Years
Coupon Rate	10.25% p.a. may vary depending upon liquidity situation
Interest Payment frequency	Half Yearly
Convertible Status	None
Issue Date	6 Shrawan 2076

5.15 Effect on Non-Banking Assets

Non-Banking Assets (NBA) has been shown under investment property. It has been recognized at lower of fair value or amount due at the time of assumption of NBA.

NPR'000

Name of Borrower	Date of assuming Non-Banking Assets	As at 16-Jul-19	As at 15-Jul-18
Kedar Aryal And Nirmal Veniyar Udhog	9-Oct-12	7,456	7,456
Nangeswori Multiple Trading Co. Pvt Ltd	14-Aug-15	4,837	4,837
Auto Craft Pvt Ltd	11-Feb-18	15,800	15,800
P And P Group	7-Jun-18	7,650	7,650
Rekha Kumari Khadka/ Saru Shahi	19-Jun-18	2,513	2,513
Krishna Dangi/Manju Gautam	2-Jul-18	16,297	16,297
Shivendra Kumar Verma/ Jyoti Kumari Verma	5-Jul-18	3,220	3,220
Purna Brahma Trade Link	5-Jul-18	2,400	2,400
Ram Kumar Lama/Tulasa Waiba	22-Aug-18	8,786	-
New Krinishika Traders	10-Oct-18	5,000	-
Antique Himalayan Furniture Udhog Pvt. Ltd	26-Dec-18	19,000	-
Hotel Delta Pvt Ltd	4-Jan-19	20,500	-
Jay Pathibhara Agriculture And Livestock (P) Ltd	6-Jan-19	8,258	-
Shree Kalika V.S.B.K Brick Industries	23-Jan-19	14,166	-
Shiva Kumari Sherma Thamsuhang	26-Mar-19	1,056	-
K.B.S International Pvt Ltd	2-Apr-19	-	-
Nepal Plywood Group	10-Apr-19	139,000	-
Umar Stores	3-Jul-18	-	9,050
Bal Krishna/Kalpana Bishwakarma	2-Jul-18	-	3,960
Bp Nirman Sewa	3-Jun-16	-	1,200
Total		275,939	74,383



5.16 Change of estimate

There is no change in estimate during the current year.

5.17 Grant Received for Sakchyam Access to Finance for Poor Challenge Fund Programme

Sakchyam Access to Finance for Poor Challenge Fund (AFPCF or the Project) Programme is an initiative funded by UK Aid from the British Government as part of a bilateral agreement between the Governments of Nepal and the United Kingdom. It is managed by the Louis Berger Group Inc. for the Department of International Development (DFID Nepal) in partnership with local and international institutions.

The objective of the project is to provide Complete Banking Solution to the rural populace through branches, branchless banking outlets and Alternate Channels.

The project aims at encouraging the development and implementation of innovative and new financial products and services aimed at poor people and communities, which deliver socio-economic benefits to large number of poor people, which are also commercially sustainable. In order to extend various modern and convenient financial services to some Districts of Mid and Far Western region of Nepal, the Bank has entered into an agreement with Sakchyam Access to Finance Program implemented by Louis Berger for the Department of International Development (DFID Nepal). Through this agreement, the Bank has received financial grants as matching fund towards its equal share of the expenditure of the project. The reimbursement of expenses received has been accounted in accordance with Nepal Accounting Standard-20 Accounting for Government Grants and Disclosure of Government Assistance.

Particulars	Amount
Total Grant Received till date	11,366,206
Total Expenses Made	3,129,170
Remaining Grant Liability	8,237,036

5.18 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 16-Jul-19	Year ended 16-Jul-18
Profit attributable to equity shareholders (a)	NPR.'000	3,023,283	1,334,862
Weighted average of number of equity shares used in computing basic earnings per share (b)		8,834,228	8,031,116
Adjusted weighted average of number of equity shares used in computing basic earnings per share		-	8,834,228
Basic and diluted earnings per equity share of Rs 100 each (a/b)	Rs	34.22	15.11

As there is no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

Pursuant to the requirement of NAS 33, the company has retrospectively adjusted and restated the BEPS and DEPS for previous year.

5.19 Proposed Distributions (Dividends and Bonus Shares)

The Board of directors in its meeting dated 28th August, 2019 has passed a resolution recommending for distribution of bonus shares (stock dividend) at 10% and cash dividend at 11.0527% (includes tax of total issue) of paid up capital as at 16th July, 2019.

Particulars	As at 16 July 2019	As at 15 July 2018
Cash Dividend Declared	976,415	42,269
Bonus Shares	883,423	803,112
Total	1,859,838	845,381

5.20 Unpaid Dividends

As at the reporting date, unpaid dividend over five years amounts to as follows.

NPR: '000

Particulars	As at 16 July 2019	As at 15 July 2018
Not collected for more than 5 years	61,739	27,937
Not collected up to 5 years	28,858	65,838
Total	90,597	93,775

5.21 Tax Payment on Opening Interest Accrued on Loan

Bank has paid income tax on opening accrued interest amounting to Rs 30.8 crore, at the rate of 30% along with interest at the rate of 15% up to the month of Baisakh 2076. The details are as follows:

Particulars	Amount (Rs)
Opening Interest Suspense for FY 2074-75	308,071,259
Tax @30%	92,421,378
Interest under Section 118	2,852,345
Interest under Section 119	8,086,871
Total tax paid	103,360,593

5.22 Non-performing assets

The Banks' non-performing assets ratio stood at 0.46% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 686,557,177.45 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 341,842,762.31 which is 50% of NPA. Also, the total loan loss provision to NPA is 273%.

NPR '000

Particulars	This Year	Previous Year	Change	
			Amount	%
Pass loan (performing loans)	149,417,316	120,582,668	28,838,492	24%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-		
Substandard	425,965	12,384	413,581	3340%
Doubtful	50,482	4,861	45,621	939%
Loss	213,955	66,886	143,225	214%
Gross Loans & Advances	150,107,717	120,666,800	29,440,918	24%
Total Loan Loss Provision to NPA	273%	1524%		



NPL ratios:

Gross NPL to Gross Loans & Advances	0.46%
Net NPL to Net Loans & advances	0.23%

5.23 Concentration of Deposits, Loans & Advances and Contingents

NPR in Mn

Particulars	Loans & Advances and Bills Purchased		Deposits & Borrowings		Non-Funded	
	CY	PY	CY	PY	CY	PY
Total Amount Outstanding	150,107	120,666	176,821	151,176	6,327	6,795
Highest Exposure of a Single Unit	1,500	704	3961.76	4,952	939	956
Concentration of exposure	0.99%	0.58%	2.24%	3.28%	14.84%	14.07%

* CY= Current Year, PY = Previous Year

For the calculation of concentration, loans and advances is total loans extended to the customers except staff loans and interest accruals on loans and the deposits is total deposits from the customers excluding interest payables.

Single Obligor Limit and Sector-wise Limit (Directive No. 3) for both funded and non-funded are within the limit as prescribed by NRB directives.

5.24 Reserves

5.24.1 General Reserve

The movement in general reserve during the year is as follows;

NPR '000

Opening Balance		1,825,153
Transfer as per BAFIA	604,657	
Closing balance		2,429,809

As required by Section 44 of Banks and Financial Institutions Act, 2073 (BAFIA), 20% of the current year's net profit amounting to NPR 604,656,533 (Previous Year NPR 266,972,385) has been transferred to General Reserve through Profit and Loss Appropriation Account.

5.24.2 Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act 2006, Bank is required to transfer 25% of revaluation gain to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account. For the year NPR 635,106 (Previous year NPR 3,686,060) has been transferred to Exchange Fluctuation Reserve. The closing balance of Exchange Fluctuation Reserve is NPR 39,007,260.

The movement in Exchange Fluctuation reserve during the year is as follows

NPR '000

Opening Balance		38,372
Transfer of 25% of revaluation gain	635	
Closing balance		39,007

5.24.3 Capital Redemption Reserve

As per the Clause 5 of NRB directive # 16, licensed institutions are required to maintain a capital redemption reserve in respect of debenture liability.

For the proportionate apportion of debenture redemption for "7.25% NIC ASIA Debenture 2077" of NPR 500 million, NPR 130,952,378 (Previous Year NPR 71,428,572) has been apportioned from the Profit & Loss Appropriation Account for "7.25% NIC ASIA Debenture 2077". The closing balance of Capital Redemption Reserve as on reporting data is NPR 416,666,667.

5.24.4 Investment Adjustment Reserve

As required by NRB directive # 8, the Bank has created Investment Adjustment Reserve (IAR) for investment under 'Available for Sale' category.

The investment reserve consists of reserve on account of followings;

- investment in newly opened corporate body if not listed in stock exchange within one year from the date of operation or investment being made, and investment in the shares and debentures of corporate body which are not listed in the stock exchange, and if such listing is not completed within one year from the date of investment, 100% provision of investment amount has been provided and credited in Investment Adjustment Reserve, and
- 2% of the total investment portfolio under available for sale category has been provided.

Movement in investment reserve during the year has been depicted below;

NPR '000

SN	Name of Company	Investment Type	Market Value	Investment Adjustment Reserve	
				%	Amount
1	Citizen Investment Trust	Promoter Share	282,305	2%	5,646
2	Global IME Samunnat Scheme 1	Initial Public Offer	31,570	2%	631
3	Jyoti Life Insurance Limited	Promoter Share	150,000	2%	3,000
4	Karja Suchana Kendra Ltd	Promoter Share	1,612	2%	32
5	Mahuli Samudayik Laghubitta Bittiya Sanstha	Promoter Share	33,808	2%	676
6	Mero Microfinance Bittiya Sanstha Limited	Promoter Share	171,475	2%	3,430
7	NABIL Equity Fund	Initial Public Offer	4,441	2%	89
8	National Banking Institute	Promoter Share	2,400	2%	48
9	National Life Insurance Company Limited	Promoter Share	60,422	2%	1,208
10	Nepal Life Insurance Company	Further Public Offer / Secondary Market	503,331	2%	10,067
11	Asian Life Insurance Company	Secondary Market	22,147	2%	443
12	Neco Insurance Company	Secondary Market	48,385	2%	968
13	Shikhar Insurance Company	Secondary Market	45,942	2%	919
14	Nepal Clearing House limited	Promoter Share	5,000	2%	100
15	Nepal Electronic Payment System	Promoter Share	15,000	2%	300
16	NIBL Pargati Fund	Initial Public Offer	7,644	2%	153
17	NIC ASIA Capital Ltd	Promoter Share	200,000	2%	-
18	NMB Hybrid Fund L-1	Initial Public Offer	11,047	2%	221
19	RMDC Laghubitta Bittiya Sanstha Limited	Promoter Share	179,471	2%	3,589



SN	Name of Company	Investment Type	Market Value	Investment Adjustment Reserve	
				%	Amount
20	NIC ASIA Lagubitta Bittiya Sanstha Ltd	Promoter Share	1,004,500	2%	-
21	Nepal Infrastructure Bank Ltd	Promoter Share	1,000,000	2%	20,000
22	NIC ASIA Growth Fund	Promoter Share	154,200	2%	3,084
23	Grameen Swyamsewak Laghubitta Bittiya Sanstha Limited	Promoter Share	9,000	2%	180
24	Shrijana Community Development Center	Promoter Share	10,000	2%	200
25	Solve Laghubitta Bittiya Sanstha Limited	Promoter Share	11,400	2%	228
26	Banking Finance and Insurance Institute of Nepal	Promoter Share	3,000	2%	60
27	Surya Life Insurance	Promoter Share	46,602	2%	932
	Grand Total		4,014,701		56,204
	Previous Year Closing				44,244
	Additional				11,960

5.24.5 Regulatory Reserve

As required by NRB directive # 4, the Bank has created Regulatory Reserve and movement of reserve during the year is as follows:

NPR '000		
Opening Balance		455,576
Transfer to Reserve	217,826	
Closing balance		673,402

Interest collected till Shrawan 15, 2076 of NPR 30,525,777 has been considered and not been transferred from regulatory reserve as per circular no. 27/075/76

5.24.6 Deferred Tax Reserve

As on the reporting date, the Deferred Tax Liabilities has been created, as a result the corresponding Deferred Tax Reserve of NPR 41,845,804 on the books is not required. Thus, same has been transferred from Deferred Tax Reserve to Retained Earning.

5.24.7 Corporate Social Responsibility

NPR '000		
Opening Balance		24,616
Transfer to Reserve		30,233
Expensed during the year	11,754	
Closing balance		43,095

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 30,533,041 and NPR 13,348,619 respectively for current year and previous year.

5.25 Disclosure of Actuarial Valuation for Leave and Gratuity

NPR '000

Particulars	2019		2018	
	Gratuity	Leave (Unfunded)	Gratuity	Leave (Unfunded)
Change in Present Value Obligations:				
PV of Obligation at beginning of the year	142,768	128,512	130,501	96,195
Adjustment to opening liability	-	-	-	-
Interest cost	11,838	47,532	11,004	7,748
Current Service Cost	25,416	9,968	24,980	50,542
Benefit paid	(22,466)	(35,511)	(16,460)	(20,205)
Actuarial (Gain)/ Loss	(17,773)	5,122	(7,257)	(5,767)
Liability at the end of the year	139,784	155,624	142,768	128,512
Change in Fair Value of Plan Assets:				
FV of Plan Asset at Beginning of the Year	117,970	-	97,338	-
Adjustments to the opening fund	-	-	(3,644)	-
Interest Income	9,037	-	9,853	-
Contribution by Employer	27,795	-	40,735	-
Benefit paid	(22,466)	-	(16,460)	-
Actuarial Gain/(Loss) on Plan Assets	(1,073)	-	(9,853)	-
Fair Value of Plan Asset at End of the Year	131,263	-	117,970	-
Amount Recognized in SOFP:				
Present Value of Obligations at Year End	139,784	155,624	142,768	128,512
Fair Value of Plan Assets at Year End	131,263	-	117,970	-
Unfunded Status	(8,521)	155,624	(24,799)	(128,512)

5.26 Reconciliation Status

NPR '000

Particulars	Total Amount	< 3 Months	> 3 < 6 Months	> 6 < 12 Months	< 12 Months
Branch Reconciliation	Nil	Nil	Nil	Nil	Nil
Agency Accounts	1,147,614	1,145,352	1,931	331	-

The outstanding balance is total of debit and credit balance. The difference has been identified, reconciled and are being reviewed on periodic basis.



5.27 Disclosure related to Training

As per NRB Directive 6(6), Bank should spend 3% of total personnel expense of previous year on training and personal development of employees. Accordingly, the Bank has spent NPR 64,237,498 during the FY 2075/76 on different Internal & External Trainings.

Particulars	Amount
Total Employee Expense for FY 2074/75	1,782,112,947
3% of the above limit	53,463,388
Surplus Fund brought forward from Last Year	-
Minimum Expenses to be made	53,463,388
Total Expense Made during the year (External & Internal Trainings)	64,237,498
Surplus Fund Carried forward to next year	Nil



NIC ASIA

LAGHUBITTA

BITTIYA

SANSTHA

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7.1 DIRECTOR'S REPORT

REPORT OF BOARD OF DIRECTORS PRESENTED IN SECOND ANNUAL GENERAL MEETING FISCAL YEAR 2018/19

Respected Shareholders, representatives of NIC ASIA Bank Ltd. And entire attendees,

On behalf of board of directors, I would like to welcome you all for the second annual general meeting of NIC ASIA Laghubitta Bittiya Sanstha Ltd.

NIC ASIA Laghubitta Bittiya Sanstha Ltd., registered as subsidiary company of NIC ASIA Bank Ltd. is running in second year of its operation. By establishing corporate office in remote district Jajarkot, we are committed towards providing microfinance services to those who do not have ease of access to such services and enhancing their financial and social status. During the review period 61 branches are in operation in 14 districts. We are hopeful that we shall always receive same level of cooperation from shareholders and stakeholders in achieving our objectives of providing services to deprived sector of remote areas.

1. Financial Highlights of FY 2018/19

a. Major Highlights

Financial highlights and major indicators of FY 2018/19 are as follows:

Particulars	Amount NPR '000		
	As on 16 July 2019	As on 18 July 2018	% Increment
Paid up Capital	1,004,500.00	70,000.00	1,335
Net Worth	1,109,225.00	64,416.00	1,622
Borrowing (Net)	3,201,251.00	749,008.00	327
Saving Deposit	571,753.00	68,612.00	733
Investment	4,496,217.00	828,256.00	443
Operating Profit	172,177.00	(5,363.00)	3,310
Net Profit after tax	110,309.00	(5,584.00)	2,075

b. Branch Expansion

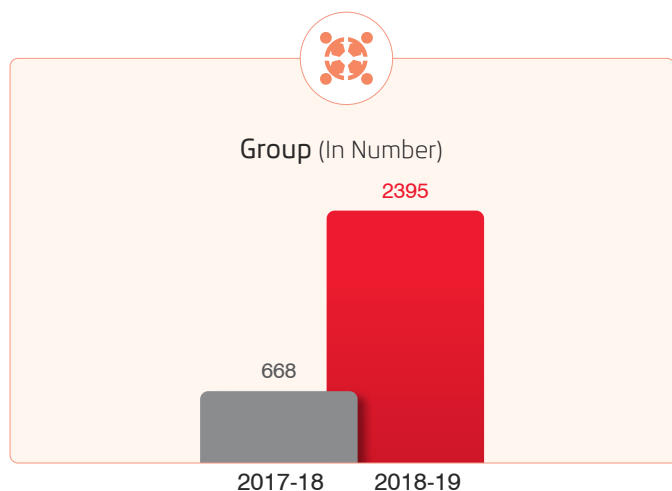
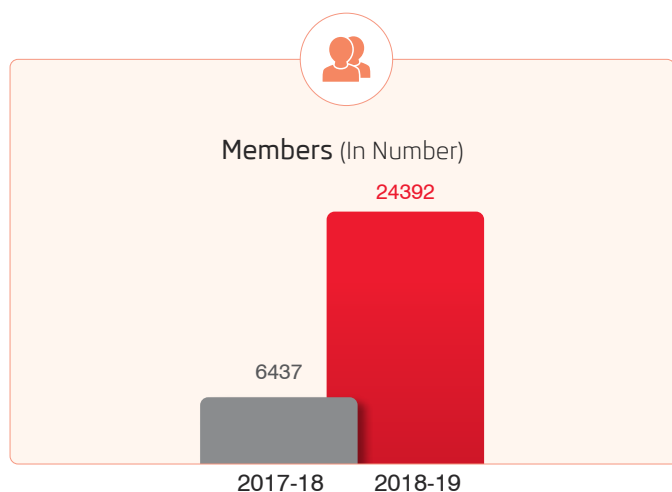
During the first year of operation, the organization had 28 branches in 14 districts. In 2018/19, 33 new branches were opened which expanded the organization's operation over 19 districts. The organization was successful in opening following new branches:

S.N	District	Municipality/Rural Municipality	Branch
1	Kailali	Gauriganga Municipality	Masuriya
2	Kailali	Bardagoria Rural Municipality	Bahuniya
3	Kailali	Kailari Rural Municipality	Hasuliya
4	Kailali	Tikapur Municipality	Narayanpur
5	Kapilvastu	Mayadevi Rural Municipality	Dumara
6	Kapilvastu	Krishnanagar Municipality	Bahadurgunj
7	Kapilvastu	Banganga Municipality	Bodhgaun
8	Chitwan	Khairani Municipality	Parsa
9	Chitwan	Ratnanagar Municipality	Sauraha
10	Chitwan	Ichhakamana Rural Municipality	Kurintar
11	Nawalparasi-West	Sarawal Rural Municipality	Gowaraiya
12	Nawalparasi-West	Sunuwal Municipality	Swathi
13	Nawalparasi-West	Ramgram Municipality	Hakui
14	Nawalparasi-East	Kawasoti Municipality	Magarkot
15	Nawalparasi-East	Binayi Triveni Rural Municipality	Dumkhibas
16	Nawalparasi-East	Hupsekot Rural Municipality	Hupsekot
17	Bardiya	Badaiyataal Rural Municipality	Mainapokhar
18	Bardiya	Basgadi Municipality	Basgadi
19	Bardiya	Geruwa Rural Municipality	Shantibazar
20	Banke	Baijanath Rural Municipality	Samjhana chowk
21	Banke	Duduwa Rural Municipality	Milan chowk
22	Banke	Janaki Rural Municipality	Ganapur
23	Rupandehi	Tilotama Municipality	Semara
24	Rupandehi	Gaidhawa Rural Municipality	Laundihawa
25	Rupandehi	Om Satia Rural Municipality	Basantpur
26	Surkhet	Chaukuney Rural Municipality	Chaukuney
27	Surkhet	Birendranagar Municipality	Bangesimal
28	Dang	Rapti Rural Municipality	Sishaniya
29	Jumla	Kankasundari Rural Municipality	Gothiyeula
30	Jajarkot	Triveni Nalgad Municipality	Dalli
31	Sindhupalchowk	Lasakhupakhar Rural Municipality	Mude Bazar
32	Makwanpur	Bakaiya Rural Municipality	Hattisudey
33	Nuwakot	Likhu Rural Municipality	Dhikurey



c. Customer Base

During the second year of operation, the organization has provided microfinance service through its 61 branches to 2,395 groups consisting of 24,392 members. The table below shows the increment in customer from last year



d. Lending and Deposit Transaction

During FY 2018/19, total loans and advances of NPR 5.49 billion was disbursed out of which NPR 1 billion was settled resulting outstanding loan balance as on 16 July 2019 to be NPR 4.49 billion. Total deposit balance of 24,300 members as on 16 July 2019 amounts to NPR 570 million.

e. Human Resource Training and Capacity Development

There has been increase in number of staffs along with increased transactions of institution. As on 16 July 2019, 205 staffs were employed by institution out of which 80 staffs (39%) were female. Realizing the fact that capacity, confidence and motivation of staffs plays vital role in stable growth of the organization; training and capacity development of staffs is prioritized by institution. During the review period, active participation of all staffs was ensured in 12 trainings organized by institutions itself. Participation of staffs in various national and international trainings, workshop and seminar are ensured, therefore one of our staff participated in a training organized in Bangladesh.

f. Investment

During the year 2018-19, the organization in agreement with NIC Capital Ltd., has invested NPR 150 million in shares of various companies.

2. Effects of National and International Situation on Transactions of the Company

Transactions of company were not significantly affected by international scenario during review period. However, company could not mark itself safe from liquidity crunch in national market. Due to liquidity crisis, it was difficult for company to arrange for investable fund. Due to expansion of 33 new branches during the review period, it became difficult for company to arrange adequate fund for operation. Cost of fund was high because of borrowing from other bank and financial institutions at high interest up to 14% to meet the requirement of liquidity for regular operation of business.

3. Progress of current year till date of report and Opinion of Board of Directors on Future Prospects

a. Progress of current year till date of report

Comparison of first month of FY 2019-20 with corresponding first month of FY 2018-19

S.N	Particulars	Units	As On 17 August 2019	As On 16 August 2018	% Achievement
1	Branches	Number	61	28	118
2	Customer Member	Number	24,392	8,156	199
3	Borrowers	Number	18,585	4,675	298
4	Loan Distributed	Npr '000	5,579,485	1,162,305	380
5	Investment In Loan	Npr '000	4,449,591	1,125,669	295
6	Member's Saving/Deposit	Npr '000	578,074	85,228	578
7	Interest Income	Npr '000	70,449	11,924	491
8	Other Income	Npr '000	2,461	6,636	(63)
9	Interest Expense	Npr '000	34,148	10,388	229
10	Personnel Expense	Npr '000	4,581	2,069	121
11	Other Operating Cost	Npr '000	3,740	1,504	149
12	Loan Loss Provision	Npr '000	240	2,974	(92)
13	Operating Profit (Before Staff Bonus And Tax)	Npr '000	30,201	1,625	1759

Projection of 2019/20

S.N	Particulars	Units	2018-19	2019-20	Increment
1	Branches	Number	61	99	62%
2	Customer Member	Number	24,248	60,552	148%
3	Borrowers	Number	19,003	48,837	163%
4	Investment in Loan	NPR '000	4,496,217	5,253,783	18%
5	Member's Saving/Deposit	NPR '000	578,074	1,463,466	153%
6	Net Profit	NPR '000	70,449	183,971	161%

b. Opinion of Board of Directors regarding future plan and prospects for progress of institution is as follows:

- With the increasing opportunities in microfinance sector of Nepal, number of threat is also increasing. Strategy of institution shall be formulated in such a way as to face challenges tactfully and make optimum utilization of opportunities.
- We shall remain committed towards providing customer oriented services and facilities keeping in mind level of awareness of customers, changing need and demand, availability of other means of providing services, development and enhancement of information system and competitive environment.
- Maximum use of technology, adoption of The NIC Asian DNA of holding company NIC ASIA Bank Ltd, cooperation and technical support of Bank, business management and prompt service shall be competitive advantage for us. With the collaboration of NIC ASIA Bank Ltd. modern services and facilities shall be provided to our members and other customers.
- In order to strengthen internal control system of Bank, effectiveness of board level committees like audit committee and risk management committee shall be enhanced.
- With the collaboration of NIC ASIA Bank, Financial Literacy Program shall be conducted in different places.



- Necessary improvisation in loan, deposit and other microfinance services as per the need and demand of customer and expansion of additional services.
- Diversification of means and medium of financial sources necessary for institution.

4. Industrial and Business Relationship of Company

Company has maintained harmonious relationship with regulatory bodies like Nepal Rastra Bank, Company Registrar's Office, and so on. We shall maintain professional relationship with government and non government institutions involved in poverty alleviation and rural development in days to come.

5. Corporate Social Responsibility and Customer Protection Fund

a. Corporate Social Responsibility

As institution was running in first year of its operation, significant contribution for fulfillment of social responsibility was not possible during review period. We are confident that we shall ensure our contribution in social activities like: organization of financial literacy program, participation and contribution in social programs organized at local level, support to victims of natural calamities and medical treatment of those suffering from critical illness, assistance for education, health and sanitation, internet services, agriculture and other areas specified by Nepal Rastra Bank.

b. Social Security of Customers

In order to contribute for the protection of borrowers and corporate development, customer protection fund shall be created by allocating specific percentage from the profit of every year and distinct procedural guideline shall be formulated for the purpose of operation of the fund.

6. Change in Board of Directors and Reasons thereof

SN	Then Board Members	Current Board Members	Status	Remarks
1	Mr. Arjun Raj Khaniya	Mr. Arjun Raj Khaniya	Chairman	Representative of NIC ASIA Bank Ltd.
2	Mr. Dinesh Bhari	Mr. Dinesh Bhari	Director	
3	Mr. Bishal Sigdel	Mr. Bishal Sigdel	Director	
4	Mr. Tej Raj Timilsina	Mr. Prakash Baral	Director	
5	Mr. Padam Thakulla	Mr. Raju Prasad Adhikari	Director	

During the review period Mr. Prakash Baral and Mr. Raju Prasad Adhikari were appointed by NIC ASIA Bank Ltd. as representative in the Board in place of Mr. Tej Raj Timilsina and Mr. Padam Thakulla.

7. Major Challenges Affecting Business Transactions

- Possible threat from extensive competition in microfinance sector
- Difficulty arising due to utilization of loan facility by same customer from more than one microfinance financial institutions
- Lack of adequate financial resources due to Liquidity crisis of banks and financial institutions
- Frequent amendment in rules and regulations by Nepal Government and regulatory authorities
- Difficulty arising due to inadequate infrastructures like electricity, internet, road, security and skilled manpower for organizing programs in remote areas
- Problems arising due to periodic natural calamities

Board of Directors shall endeavor to minimize effects of such threat and challenges for smooth operation of business.

8. Audit Report and Opinion of Board of Directors

Audit report attached with this report and financial statements reflect true and fair picture of organizational affairs. There are no significant remarks in audit report and minor issues raised by auditors are in process of resolution.

9. Amount of Proposed Dividend

No dividend was proposed for FY 2018-19, as the shares are not issued to public yet.

10. Internal Control System

Various procedures shall be developed with time for the purpose of effective internal control system. In order to ensure better governance of institution, financial and administration bylaw, staff bylaw, loan write off bylaw, credit policy, and Information technology policy are formulated and brought into effect. We shall try our best to strengthen internal control system and maintain better image of institution.

a. Audit Committee

Audit Committee of institution constitutes following members:

Mr. Raju Prasad Adhikari, Director	Coordinator
Mr. Bishal Sigdel	Member
Head Internal Audit	Member Secretary

During fiscal year 2018/19, meeting of audit committee was held five times.

b. Risk Management Committee

Risk Management Committee of institution constitutes following members:

Mr. Prakash Baral, Director	Coordinator
Head Operation Department	Member
Head Credit Department	Member Secretary

During fiscal year 2018/19, meeting of risk management committee was held four times.

c. Karmachari Bebasthapan तथा सेवा सुविदा समिति

Karmachari Bebasthapan तथा सेवा सुविदा समिति constitutes of following members:

Mr. Prakash Baral, Director	Coordinator
Head Internal Audit	Member
Head Human Resource	Member Secretary

During fiscal year 2018/19, meeting of karmachari bebasthapan तथा सेवा सुविदा समिति was held four times.

d. Sampati Suddhikaran Anugaman Samiti

Sampati Suddhikaran Anugaman Samiti constitutes of following members:

Mr. Bishal Sigdel	Coordinator
Head Operation Department	Member
Head Finance Department	Member Secretary

During fiscal year 2018/19, meeting of sampati suddhikaran anugaman samiti was held two times.

11. Expression of Gratitude

On behalf of Board of directors, I would like to thank customers, shareholders, NIC ASIA Bank Ltd., Nepal Rastra Bank, Company Registrar's Office, office bearer of different institutions and authorities, journalists, and all well wishers for your direct and indirect support, faith, direction and motivation towards our institution. We are grateful towards our shareholders, NIC ASIA bank Ltd. and other banks and financial institutions for your financial and technological assistance for the smooth operation of business. We hope that we shall receive same level of cooperation from everyone in days to come.

It is due to support and assistance of organizations mentioned above, management and hard work of staffs of institution that we are able to achieve desired results. Hence, we would like to thank chief executive officer, management and all the staffs of institutions for their contribution.

Thank you!

On behalf of Board of Directors

Arjun Raj Khaniya

Chairman



DISCLOSURE AS PER SECTION 109 OF COMPANIES ACT, 2063

1. In case if shares are forfeited number of shares, quoted price of such shares, total paid up amount for such shares before forfeiture, amount recovered from sale of forfeited shares, amount refunded after sale of forfeited share

No.

2. Details of substantial shareholders provided to company during review period

NIC ASIA Laghubitta Bittiya Sanstha Ltd. is subsidiary of NIC ASIA Bank Ltd. with 100% holding. Separate details of shareholders have not been obtained from holding company

3. Details of share held by directors of company during review period and details obtained by company regarding involvement of directors in securities transactions of company

Following is the details of shares held by directors of company during FY 2018/19:

1) Board of Directors

S.N	Name	Position	Nature of Directorship	Number of Shares held
1	Mr. Arjun Raj Khaniya	Chairman	Representative of NIC ASIA Bank Ltd.	Each member of Board of Directors are corporate representative for total 10,0450,000 shares held by NIC ASIA Bank
2	Mr. Dinesh Bhari	Director		
3	Mr. Bishal Sigdel	Director		
4	Mr. Prakash Baral	Director		
5	Mr. Raju Prasad Adhikari	Director		

2) Ordinary Share

The institution has not issued shares that are set aside for public. Hence, there is no any share under personal ownership of board of directors and management.

4. Details provided by Directors in relation to agreement entered with company and directors/ close relatives of directors for personal benefit

During review period company has not entered into any agreement with directors/ close relatives of directors for personal benefit of directors or his/ her close relatives

5. In case of buy back of shares by the company, reason of such buy back, number of shares, quoted price and Payment made by company for buying back

Company was not involved in such transactions during review year

6. Details of Total Management Expenses During FY 2018/19

Following is the detail of total management expenses during FY 2018/19

	NPR '000
Personnel Expenses	50,922
Other Operating Expenses	157,727
Total Management Expenses	208,650

7. Details of amount receivable by company from Directors, Managing Director, Chief Executive Officer, Substantial Shareholders of Company or their close relatives or firm, company or institutions associated with them

There is no any amount receivable by company from Directors, Managing Director, Chief Executive Officer, Substantial Shareholders of Company or their close relatives or firm, company or institutions associated with them

8. Remuneration and other facilities of Directors, managing director, and Chief Executive Officer

Only meeting allowance is provided to directors and there is no provision of paying remuneration to Directors. During FY 2018/19, total meeting allowance NPR 206,500 was paid to directors representing NIC ASIA Bank Ltd.

S.N	Name	Position
1	Mr. Arjun Raj Khaniya	Chairman
2	Mr. Dinesh Bhari	Director
3	Mr. Bishal Sigdel	Director
4	Mr. Prakash Baral	Director
5	Mr. Raju Prasad Adhikari	Director

Meeting allowance payable to chairman and directors is NPR 3,000 and NPR 2,500 respectively. Total meeting allowance paid to members of board of directors was NPR 206,500 during FY 2018/19. Practice of providing meeting allowance to Chief executive officer and company secretary is not in place.

Remuneration of Chief Executive Officer

During FY 2018/19 NPR 3,354,351.75 was paid to Chief executive officer Mr. Laxmi Prasad Sharma.

Remuneration of Chief Managers:

S.N	Name	Position	Annual Remuneration and allowance
1	Mr. Subin Kaji Shrestha	Chief Business Officer	1,320,000.00
2	Ms. Ranjita Dulal	Chief Operating Officer	949,999.00
3	Mr. Bimal Nepal	Chief Information Technology Officer	830,229.00
4	Mr. Gopi Chandra	Chief Credit Officer	434,444.00
	Total		3,534,672.00

9. Unpaid Portion of Dividend Payable to Shareholders

There is no such unpaid portion of dividend amount payable to shareholders

10. Details of Assets Purchased and Sold as per Section 141

During the FY 2018/19, the organization has not purchased or sold assets as per Section 141

11. Details of Related Party Transactions as per Section 175

Following transactions were incurred with holding company NIC ASIA Bank

Particulars	Amount '000
Details of Balance Sheet	
Share Capital invested by NIC ASIA Bank Ltd.	1,004,500
Deposit with NIC ASIA Bank Ltd	17,763
Receivable from NIC ASIA Bank Ltd	-
Loan received from NIC ASIA Bank Ltd	1,500,000
Details of Profit and Loss Account	
Interest received from NIC ASIA Bank Ltd	545
Interest paid to NIC ASIA Bank Ltd	109,322
Loan Processing fee paid to NIC ASIA Bank Ltd	118,563
Deputation/SLA Fee paid to NIC ASIA Bank Ltd	3,554
NIC ASIA Capital	242

12. Other matters to be disclosed in Director's Report as per the requirement of this act and other prevailing laws

Not applicable

13. Additional Disclosures as per Section 22(1) of Securities Registration and Issuance Regulation

a) Details Regarding Legal Proceedings

- in case if any case was filed by or against institution during review period
 - Such information was not obtained
- in case if any case for non compliance with prevailing regulation or criminal law was filed by or against director/ promoter during review period
 - Such information was not obtained
- in case if any case filed against director/ promoter for financial offence
 - Such information was not obtained

b) Assessment of securities transaction and progress of institution

- Opinion of management on trading of shares of institution in Securities Market
 - As market price of share and trading of shares is determined by open market process of Nepal Stock Exchange, management does not have separate opinion.



- ii. Following details of shares of institution: maximum, minimum, closing price and total number of shares traded and days traded during every quarter of review year
- Not applicable. Shares set aside for public have not been issued yet and are not listed in Nepal Stock Exchange.

c) Problems and Challenges

i. Internal

- Increasing Operating Expenses
- Lack of staffs for field services

ii. External

- Unhealthy competition
- Credit from more than one microfinance
- Crisis of investable fund and high interest rate

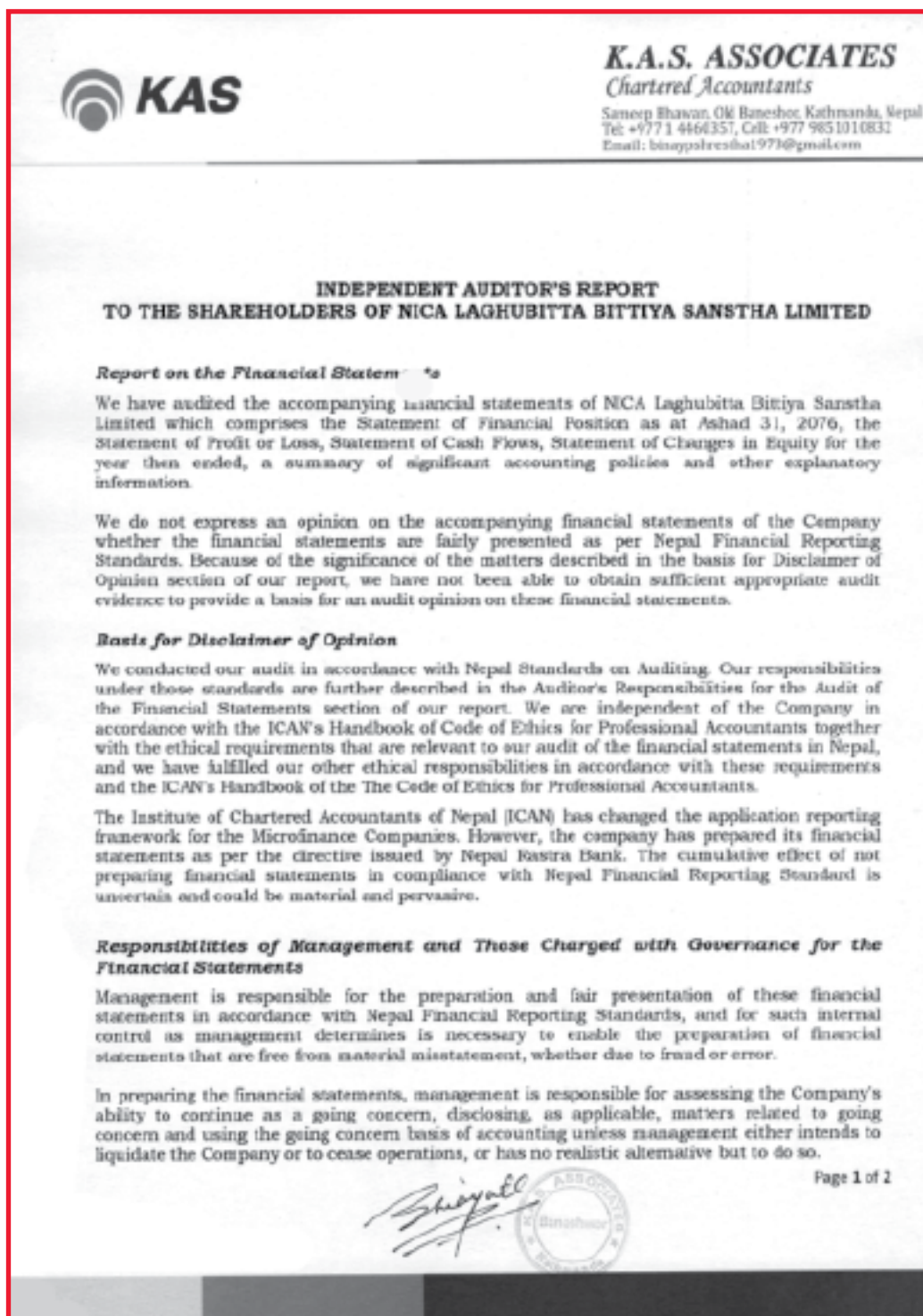
iii. Strategy

- Proficient administration
- Development, expansion and diversification of customer oriented services and facilities
- Reinforcement of risk management

d) Corporate Governance

By prioritizing corporate governance, institution is fully complying with directives issued by Nepal Rastra Bank and other related acts and regulations.

7.2 INDEPENDENT AUDITOR'S REPORT





K.A.S. ASSOCIATES
Chartered Accountants

Sansap Bhawan, Old Baneshor, Kathmandu, Nepal
Tel : +977 1 4460357, Cell : +977 9651030832
Email : binayprakashshrestha1973@gmail.com

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

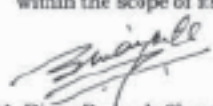
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

On the basis of our examination, we further report that:

- 1) 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.
- 2) The financial statements which include Statement of Financial Position as at Ashad 31, 2076, the Statement of Profit or Loss, Statement of Cash Flows, Statement of Changes in Equity for the year then ended, a summary of significant accounting policies and other explanatory information are prepared as per the procedure and format prescribed by Nepal Rastra Bank and in agreement with the books of accounts maintained by the Company.
- 3) The returns received from the branch offices of the Company, though the statements are independently not audited, were adequate for the purpose of the audit.
- 4) 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 Company has acted contrary to the provisions of law or caused loss or damage to the Company or committed any misappropriation of the funds of Company.
- 5) To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the bans have been written off as specified; the business of the Company was conducted satisfactorily, and the Company's transactions were found to be within the scope of its authority.


CA Binay Prakash Shrestha
For K.A.S. Associates
Chartered Accountants



Kathmandu
6th Bhada 2076

7.3 FINANCIAL STATEMENT

BALANCE SHEET

As on July 16, 2019

Amount in NPR

Particulars	Schedule	This Year	Previous Year
CAPITAL AND LIABILITIES			
1. Share Capital	4.1	1,004,500,000	70,000,000
2. Reserve and Fund	4.2	104,725,059	(5,584,041)
3. Debenture and Bond	4.3	-	-
4. Borrowing	4.4	3,201,250,968	749,008,375
5. Deposit from Customers	4.5	571,752,522	68,612,427
6. Proposed Dividend	-	-	-
7. Income Tax Payable	-	-	-
8. Other Liabilities	4.6	34,525,713	6,268,962
Total Capital and Liabilities		4,916,754,263	888,305,723

Particulars	Schedule	This Year	Previous Year
ASSETS			
1. Cash and Cash Equivalent	-	487,646	1,352,894
2. Due from Nepal Rastra Bank	-	-	-
3. Placement with Banks and Financial Institutions	4.7	43,252,105	47,397,649
4. Money at Call and Short Notice	-	219,824,892	-
5. Investment	4.8	142,305,714	-
6. Loans and Advances	4.9	4,472,718,044	819,973,745
7. Fixed Assets	4.10	30,530,275	18,681,276.73
8. Non Banking Assets	4.11	-	-
9. Other Assets	4.12	7,635,587	900,158
Total Assets		4,916,754,263	888,305,723

Contingent Liabilities	Schedule	4.13
Declaration of Directors	Schedule	4.23
Index of Capital Fund	Schedule	4.24
Index of Risk Weighted Assets	Schedule	4.24(a)
Major Indicators	Schedule	4.25
Significant Accounting Policies	Schedule	4.26
Notes to Accounts	Schedule	4.27

➤ Schedule 4.1 to 4.13 are integral part of Balance Sheet

Subin Kaji Shrestha
Chief Business Officer

Laxmi Prasad Sharma
Chief Executive Officer

Arjun Raj Khaniya
Chairman

Bishal Sigdel
Director

Prakash Baral
Director

Raju Prasad Adhikari
Director

Dinesh Bhari
Director

As per our report of even date
C.A Binaya Prakash Shrestha
K.A.S Associates
Chartered Accountant

Place: Kathmandu
Date : September 23, 2019



PROFIT AND LOSS ACCOUNT

For the year ended July 16, 2019

Amount in NPR

Particulars	Schedule	This Year	Previous Year
1. Interest Income	4.14	561,170,144	11,007,964
2. Interest Expense	4.15	251,217,544	9,685,097
Net Interest Income		309,952,600	1,322,867
3. Commission and Other Operating Income	4.16	93,784,571	15,904,750
4. Income from Foreign Exchange Fluctuation		-	-
Net Operating Income		403,737,172	17,227,617
5. Personnel Expenses	4.17	50,922,484	7,287,106
6. Other Operating Expenses	4.18	157,727,978	7,021,813
7. Loss from Foreign Exchange Fluctuation		-	-
Operating Profit before Provision for Possible Losses		195,086,710	2,918,698
8. Provision for Losses	4.19	22,910,189	8,449,200
Operating Profit		172,176,521	(5,530,502)
9. Non Operating Income/Loss	4.20	-	-
10. Provision for Possible Losses Written Back	4.21	-	166,637
Profit from Regular Activities		172,176,521	(5,363,865)
11. Profit/Loss from Extraordinary Activities	4.22	-	-
Net Profit after Inclusion of All Activities		172,176,521	(5,363,865)
12. Provision for Staff Bonus		17,217,652	
13. Provision for Income Tax		44,649,768	220,176
Current Year Provision for Tax		47,526,304	
Provision for Tax till Last Year			
Differed Tax Income/Expense		(2,876,536)	220,176
Net Profit/Loss		110,309,100	(5,584,041)

» Schedule 4.14 to 4.22 are integral part of Profit and Loss Account

Subin Kaji Shrestha
Chief Business Officer

Laxmi Prasad Sharma
Chief Executive Officer

Arjun Raj Khaniya
Chairman

Bishal Sigdel
Director

Prakash Baral
Director

Raju Prasad Adhikari
Director

Dinesh Bhari
Director

As per our report of even date
C.A Binaya Prakash Shrestha
K.A.S Associates
Chartered Accountant

Place: Kathmandu
Date : September 23, 2019

PROFIT AND LOSS APPROPRIATION ACCOUNT

As on July 16, 2019

Amount in NPR

Particulars	Schedule	This Year	Previous Year
INCOME			
1. Accumulated Profit till Last Year		-	-
2. Current Year Profit		110,309,100	-
3. Exchange Fluctuation Fund		-	-
Total		110,309,100	-
EXPENSES			
1. Accumulated Loss till Last Year		5,584,041	-
2. Current Year Loss		-	(5,584,041)
3. General Reserve Fund		22,061,820	-
4. Contingency Reserve		-	-
5. Institution Development Fund		-	-
6. Dividend Adjustment Fund		-	-
7. Staff Related Reserves		-	-
8. Proposed Cash Dividend		-	-
9. Proposed Bonus Share		-	-
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		-	-
12. Capital Redemption Reserve		-	-
13. Capital Adjustment Fund		-	-
14. Customer Protection Fund		1,103,091	-
15. Corporate Social Responsibility Fund		1,103,091	-
Total		29,852,043	(5,584,041)
16. Accumulated Profit/Loss		80,457,057	(5,584,041)

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K.A.S Associates
Chartered Accountant

Place: Kathmandu
Date : September 23, 2019



CASH FLOW STATEMENT

For the year ended July 16, 2019

Amount in NPR

Particulars	This Year	Previous Year
A. Cash flow from Operating Activities	(823,035,330)	(751,576,555)
1. Cash Inflow	654,954,716	26,912,714
1.1 Interest Income	561,170,144	11,007,964
1.2 Recovery of Loan written off	-	-
1.3 Commission and other Income	93,784,571	15,904,750
2. Cash Payment	(484,589,445)	(21,918,641)
2.1 Interest Expense	(250,880,050)	(9,685,097)
2.2 Staff Expense	(46,245,802)	(6,575,700)
2.3 Office Expenses	(139,499,317)	(5,594,298)
2.4 Income Tax Paid	(47,964,276)	(63,546)
2.5 Other Expenses	-	-
Cash flow before changes in Working Capital	170,365,271	4,994,073
Increase/Decrease in Current Assets	(3,671,601,299)	(829,092,920)
1. Increase/ Decrease in Money at Call and Short Notice	-	-
2. Increase/ Decrease in Other Short Term Investment	-	-
3. Increase/ Decrease in Loan	(3,667,960,202)	(828,256,308)
4. Increase/ Decrease in Other Assets	(3,641,097)	(836,612)
Increase/Decrease in Current Liabilities	2,678,200,698	72,522,292
1. Increase/ Decrease in Deposit	503,140,095	68,612,427
2. Increase/ Decrease in Short Term Borrowing	2,180,330,510	-
3. Increase/ Decrease in Other Liabilities	(5,269,907)	3,909,865
B. Cashflow from Investment Activities	(168,562,654)	(18,681,277)
1. Increase/ Decrease in Long Term Investment	(150,000,000)	-
2. Increase/ Decrease in Fixed Assets	(18,562,654)	(18,681,277)
3. Interest Income from Long Term Investment	-	-
4. Dividend Income	-	-
5. Others	-	-
C. Cashflow from Financial Activities	(1,206,412,084)	819,008,375
1. Increase/ Decrease in Long term Borrowing (Bond, Debenture, etc.)	271,912,084	749,008,375
2. Increase/ Decrease in Share Capital	934,500,000	70,000,000
3. Increase/ Decrease in Long Term Liabilities	-	-
4. Increase/ Decrease in Subsidized Refinance from Nepal Rastra Bank	-	-
D. Income/ Expense from Fluctuation of Exchange Rate of Cash and Bank Balance	-	-
E. Cashflow from All Activities During Current Year	214,814,100	48,750,543
F. Opening Balance of Cash and Cash Equivalents	48,750,543	-
G. Closing Balance of Cash and Cash Equivalents	263,564,643	48,750,543

Subin Kaji Shrestha
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Laxmi Prasad Sharma
Chief Executive Officer

Arjun Raj Khaniya
Chairman

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Director

Raju Prasad Adhikari
Director

Dinesh Bhari
Director

As per our report of even date
C.A Binaya Prakash Shrestha
K.A.S Associates
Chartered Accountant

Place: Kathmandu
Date : September 23, 2019

STATEMENT OF CHANGES IN EQUITY

For the year ended July 16, 2019

Particulars	Amount in NPR								
	Share Capital	Accumulated Profit/Loss	General Reserve Fund	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Other Reserve Fund	Total Amount
Initial Balance	70,000,000	(5,363,865)					(220,176)		64,415,959
Deferred Tax									-
Adjusted Initial Balance									-
Adjustment									-
a. Increase in Share Capital	934,500,000								934,500,000
b. Current Year Profit		110,309,100							110,309,100
c. Transfer from Current Year Profit		(22,061,820)	22,061,820						-
d. Deferred Tax Reserve									-
e. Proposed Bonus Share									-
f. Customer Protection Fund		(1,103,091)						1,103,091	-
g. Corporate Social Responsibility Fund		(1,103,091)						1,103,091	-
h. Deferred Tax Reserve		(220,176)					220,176		-
i. Investment Adjustment Fund									-
Final Balance	1,004,500,000	80,457,057	22,061,820				-	2,206,182	1,109,225,059

Subin Kaji Shrestha
Chief Business Officer

Bishal Sigdel
Director

Place: Kathmandu

Date : September 23, 2019

Laxmi Prasad Sharma
Chief Executive Officer

Prakash Baral
Director

Arjun Raj Khaniya
Chairman

Raju Prasad Adhikari
Director

Dinesh Bhari
Director

As per our report of even date
C.A Binaya Prakash Shrestha
K.A.S Associates
Chartered Accountant



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4.1 Share Capital and Ownership

Amount in NPR

Particulars	This Year	Previous Year
1. Share Capital		
1.1 Authorized Capital	1,435,000,000.00	100,000,000
a) 14,350,000 ordinary share @ NPR 100 per share	1,435,000,000.00	100,000,000
b) Non Redeemable Preference Share @ NPR ... per share	-	-
c) Redeemable Preference Share @ NPR ... per share	-	-
1.2 Issued Capital	1,435,000,000.00	100,000,000
a) 14,350,000 ordinary share @ NPR 100 per share	1,435,000,000.00	100,000,000
b) Non Redeemable Preference Share @ NPR ... per share	-	-
c) Redeemable Preference Share @ NPR ... per share	-	-
1.3 Paid up Capital	1,004,500,000.00	70,000,000
a) 10,045,000 ordinary share @ NPR 100 per share	1,004,500,000.00	70,000,000
b) Non Redeemable Preference Share @ NPR ... per share	-	-
c) Redeemable Preference Share @ NPR ... per share	-	-
1.4 Proposed Bonus Share	-	-
1.5 Calls in Advance		
Total (1.3+1.4+1.5)	1,004,500,000.00	70,000,000

Amount in NPR

Particulars	This Year		Previous Year	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	100	1,004,500,000	-	-
1.1 Nepal Government	-	-	-	-
1.2 "A" class Licensed Institutions	100.00	1,004,500,000.00	100	70,000,000
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Institutions	-	-	-	-
1.5 Public	-	-	-	-
1.6 Other	-	-	-	-
2. Foreign Ownership	-	-	-	-
Total	100.00	1,004,500,000.00	100	70,000,000

Details of Individual/ Group/ Firm/ Company with investment in share more than 0.5%

Amount in NPR

Name of Shareholder	No. of Shares	%	Share Capital
NIC ASIA Bank Limited	10,045,000	100.00	1,004,500,000

4.2 Reserves and Fund

Amount in NPR

Particulars	This Year	Previous Year
1. General / Statutory Reserve Fund	22,061,820.09	-
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserve and Fund	2,206,182.01	-
5.1 Contingency Reserve	-	-
5.2 Microfinance Development Fund	-	-
5.3 Dividend Equalization Fund	-	-
5.4 Special Reserve	-	-
5.5 Assets Revaluation Fund	-	-
5.6 Customer Protection Fund	1,103,091.00	-
5.7 Other Free Reserves	-	-
5.8 Other Reserves Fund	1,103,091.00	-
6. Accumulated Profit/ Loss	80,457,057.34	(5,584,041.00)
7. Exchange Equalization Fund	-	-
Total	104,725,059.44	(5,584,041.00)

4.3 Debenture and Bond

Amount in NPR

Particulars	This Year	Previous Year
1. ... % Bond/ Debenture @ NPR Per Debenture issued on And to be paid on (Redemption Reserve till date) NPR Other Possible Liabilities	-	-
Total	-	-

4.4 Borrowing

Amount in NPR

Particulars	This Year	Previous Year
A. Domestic		
1. Nepal Government	-	-
2. Nepal Rastra Bank	-	-
3. Repo	-	-
4. Bank and Financial Institutions	3,201,250,968	749,008,375
5. Other Institutions	-	-
6. Other	-	-
Total	3,201,250,968	749,008,375
B. Foreign		
1. Banks	-	-
2. Other	-	-
Total	-	-
C. Total (A+B)	3,201,250,968	749,008,375



4.5 Deposit from Customers

Amount in NPR

Particulars	This Year	Previous Year
1. Non Interest Bearing Accounts		
1.1 Financial Institutions	-	-
1.2 Other Institutions	-	-
1.3 Individual	-	-
Total of Non Interest Bearing Accounts	-	-
2. Interest Bearing Accounts	-	-
a. Saving Account	571,752,522.22	68,612,427
1.1 Institutions	-	-
1.2 Individuals	571,752,522	68,612,427
1.3 Others	-	-
b. Fixed Deposit	-	-
1.1 Institutions	-	-
1.2 Individuals	-	-
1.3 Others	-	-
Total of Interest Bearing Accounts	571,752,522	68,612,427
Total Deposit	571,752,522	68,612,427

4.6 Other Liabilities

Amount in NPR

Particulars	This Year	Previous Year
1. Provision/ Gratuity	726,900.00	-
2. Provision for Leave Encashment	2,164,735.29	303,867
3. Employee Provident Fund	295,086.00	241,391
4. Employee Welfare Fund	-	-
5. Provision for Employee Bonus	17,217,652.08	-
6. Interest Payable on Deposit	-	-
7. Interest Payable on Borrowings	337,494.20	-
8. Sundry Creditors	5,708,432.28	2,049,981
9. Reconciliation Account	-	-
10. Differed Tax Liability	-	220,176
11. Bills Payable	-	-
12. Dividend Payable	-	-
13. Other	-	-
13.1 Tax Deducted at Source	867,401.74	269,407
13.2 Staff CIT Payable	1,331,261.33	150,000
13.3 Staff Salary Payable	35,622.96	564,160
13.4 Director's Meeting Allowance	121,125.00	42,500
13.5 Rent Payable	59,940.00	136,420
13.6 Audit Fee Payable	167,250.00	111,500
13.7 Leave Encashment Payable	-	-
13.8 Gratuity Payable	-	-
13.9 Borrower Protection Fund	-	-
13.10 Micro Credit Insurance Payable	778,879.12	2,140,575
13.11 Other	4,713,933.23	38,986
Total	34,525,713.23	6,268,962

4.7 Placement with Financial Institutions

Amount in NPR

Particulars	Domestic Currency	Foreign Currency in NPR			Total NPR Total	Previous Year
		Indian Rupees	Foreign Exchange			
1. Domestic Licensed Institutions	263,076,997.00	-	-	-	263,076,997.00	47,397,649.43
a. Current Account	43,252,104.57	-	-	-	43,252,104.57	47,397,649.43
b. Other Account	219,824,892.43	-	-	-	219,824,892.43	-
Total	263,076,997.00	-	-	-	263,076,997.00	47,397,649.43

4.8 Investments

Amount in NPR

Particulars	Foreign Currency in NPR		This Year	Previous Year
	Trading	Others		
1. Nepal Government Treasury Bill	-	-	-	-
2. Nepal Government Saving Bond	-	-	-	-
3. Nepal Government other Bonds	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Bond	-	-	-	-
6. Domestic Licensed Institutions	-	-	-	-
7. Foreign Bank	-	-	-	-
8. Share of Institutions	-	-	150,000,000	-
9. Debenture and Bond of Institutions	-	-	-	-
10. Other Investment	-	-	-	-
Total Investment	-	-	150,000,000	-
Provisions	-	-	7,694,286	-
Net Investment	-	-	142,305,714	-

4.8(a) Investment in Share, Debenture and Bond

Amount in NPR

Particulars	Cost NPR	Market Price NPR	Provision NPR	This Year	Previous Year
1. Investment in Share	-	-	-	-	-
2. Investment in Bond and Debenture	-	-	-	-	-
Total Investment	-	-	-	-	-
3. Risk Related Provisions					
3.1 Provision till Last Year	-	-	-	-	-
3.2 Increase/ decrease during This Year	-	-	-	-	-
Total Provisions	-	-	-	-	-
Net Investment	-	-	-	-	-



4.9 Loans and Advances

Amount in NPR

Particulars	Details of Loans and Advances			Previous Year
	Insured	Uninsured	This Year	
1. Performing Loan	2,910,900,513.86	1,585,315,996.00	4,496,216,509.86	828,256,308.00
Pass Loan	2,910,900,513.86	1,585,315,996.00	4,496,216,509.86	828,256,308.00
2. Non Performing Loan	-	-	-	-
2.1 Substandard	-	-	-	-
2.2 Doubtful	-	-	-	-
2.3 Loss	-	-	-	-
3. Total Loans and Advances (1+2)	2,910,900,513.86	1,585,315,996.00	4,496,216,509.86	828,256,308.00
4. Loan Loss Provisions	7,586,091.80	15,912,373.96	23,498,465.76	8,282,563.08
4.1 Pass	7,277,251.28	15,853,159.96	23,130,411.24	8,282,563.08
4.2 Substandard	-	-	-	-
4.3 Doubtful	-	-	-	-
4.4 Loss	-	-	-	-
4.5 Additional	308,840.52	-	308,840.52	-
4.6 Additional for Loan against third party	-	59,214.00	59,214.00	-
5. Loan Loss Provisions Till Last Year	-	8,282,563.08	8,282,563.08	-
5.1 Pass	-	8,282,563.08	8,282,563.08	-
5.2 Substandard	-	-	-	-
5.3 Doubtful	-	-	-	-
5.5 Loss	-	-	-	-
5.5 Additional	-	-	-	-
5.6 Additional for Loan against third party	-	-	-	-
6. Provision written back this year	-	-	-	166,636.92
7. Additional loan loss provision during this year	7,586,091.80	7,629,810.88	15,215,902.68	8,449,200.00
8. Increase/Decrease this year	7,277,251.28	7,629,810.88	14,907,062.16	8,282,563.08
9. Total Loan Loss Provision	7,586,091.80	15,912,373.96	23,498,465.76	8,282,563.08
Net Loans and Advances	2,903,623,262.58	1,569,403,622.04	4,472,718,044.10	819,973,744.92

4.10 Fixed Assets

Amount in NPR

Particulars	Assets						This Year	Previous Year
	Building	Vehicles	Machinery	Office Equipment	Leasehold Assets	Other		
1. Cost								
a. Closing Balance Last Year	-	4,940,656.00	-	12,405,054.16	1,438,231.23	1,182,055.00	19,965,996.39	19,965,996
b. Addition This Year	-	259,900.00	-	17,561,878.60	-	740,875.00	18,562,653.61	19,965,996
c. Addition This Year due to Revaluation	-	-	-	-	-	-	-	-
d. Sale During The Year	-	-	-	-	-	-	-	-
e. Written off This Year	-	-	-	-	-	-	-	-
Total (a+b+c+d+e)	-	5,200,556.00	-	29,966,932.77	1,438,231.23	1,922,930.00	38,528,650.00	19,965,996
2. Depreciation								
a. Till Previous Year	-	69,477.98	-	1,032,979.51	81,705.70	100,556.47	1,284,719.66	1,284,720
b. This Year	-	1,001,992.54	-	5,274,182.07	95,921.04	341,559.43	6,713,655.08	1,284,720
c. Depreciation Revaluation	-	-	-	-	-	-	-	-
d. Depreciation Adjustment/Revaluation	-	-	-	-	-	-	-	-
Total Depreciation	-	1,071,470.52	-	6,307,161.58	177,626.74	442,115.90	7,998,374.74	1,284,720
3. Book Value (1-2)	-	4,129,085.48	-	23,659,771.19	1,260,604.49	1,480,814.10	30,530,275.26	18,681,277
4. Land	-	-	-	-	-	-	-	-
5. Capitalized Construction (To be capitalized)	-	-	-	-	-	-	-	-
Total (3+4+5)	-	4,129,085.48	-	23,659,771.19	1,260,604.49	1,480,814.10	30,530,275.26	18,681,277

4.11 Non Banking Assets

Amount in NPR

Name and Address of Borrower	Date of Acceptance of Non Banking Assets	Total Amount of Non Banking Assets	Provision for Loss		Net Non Banking Assets	Previous Year
			%	Amount NPR		
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Total	-	-	-	-	-	-



4.12 Other Assets

Amount in NPR

Particulars		This Year	Previous Year
1. Stock of Stationery	490,085.61	490,085.61	-
2. Income Receivable on Investment		-	-
3. Interest Receivable on Loan	38,075,852.41	-	-
Less: Interest Suspense	(38,075,852.41)	-	-
4. Commission Receivable	-	-	-
5. Sundry Debtors	203,465.94	203,465.94	-
6. Employee Loans and Advances	2,940,211.54	2,940,211.54	-
7. Advance Payment	832,146.04	832,146.04	679,977.16
8. Cash in Transit	-	-	-
9. Others in Transit (Including Cheque)	-	-	-
10. Draft Paid Without Notice	-	-	-
11. Miscellaneous Expenditure Not Written Off	-	-	153,634.92
12. Reconciliation Account	-	-	-
13. Deferred Tax Assets	-	2,656,359.63	-
14. Other	-	-	-
a. Advance Income Tax	48,027,822.39	-	-
Less: Provision for Tax	47,526,303.95	501,518.44	63,546.15
b. Telephone and Other Deposit s	-	11,800.00	3,000.00
Total		7,635,587.20	900,158.23

4.12(a) Other Assets (Additional Details)

Amount in NPR

Particulars	This Year				Previous Year
	Upto 1 Year	More than 1 upto 3 years	Above 3 years	Total	
1. Interest Receivable on Loan	38,075,852.41	-	-	38,075,852.41	6,245,625.14
2. Reconciliation Account	-	-	-		
3. Agency Amount					
Total	38,075,852.41	-	-	38,075,852.41	6,245,625.14

4.13 Contingent Liability

Amount in NPR

Particulars	This Year	Previous Year
1. Guarantee	-	-
2. Irrevocable Loan Commitment	-	-
3. Contingent Liability Against Income Tax	-	-
4. Acceptance and Other Contingent Liabilities	-	-
5. Unpaid portion of Partly Paid Shares and Securities	-	-
6. Unpaid Guarantee Claim	-	-
7. Claim against Institutions not accepted by Institutions	-	-
Total	-	-

4.14 Interest Income

Amount in NPR

Particulars	This Year	Previous Year
a. On Loans and Advances	507,460,701.77	9,304,380
b. On Investment	-	-
1. Nepal Government Security Bond	-	-
2. Nepal Rastra Bank Debenture	-	-
3. Debenture and Bond	-	-
4. Interest on Inter Bank Lending	-	-
c. Agency Balance	-	-
d. Money at Call and Short Notice	-	-
e. Others	53,709,442.72	1,703,584
1. Fixed Deposit	-	-
2. Call Deposit	53,709,442.72	1,703,584
Total	561,170,144.49	11,007,964

4.15 Interest Expense

Amount in NPR

Particulars	This Year	Previous Year
A. Deposit	23,587,711.60	345,599
1. Deposit of Member	23,587,711.60	345,599
2. Deposit of Public	-	-
B. Borrowing	227,629,832.74	9,339,498
1. Debenture and Bond	-	-
2. Loan from Nepal Rastra Bank	-	-
3. Inter Bank Lending	227,629,832.74	9,339,498
4. Other Institutions	-	-
5. Other Borrowings	-	-
C. Other	-	-
Total	251,217,544.34	9,685,097

4.16 Commission and Other Operating Income

Amount in NPR

Particulars	This Year	Previous Year
1. Service Fee	92,875,700.00	15,588,750
2. Renewal Fee		
3. Commission	-	-
4. Discount		
5. Other	908,871.35	316,000
Total	93,784,571.35	15,904,750



4.17 Personnel Expenses

Amount in NPR

Particulars	This Year	Previous Year
1. Salary	23,605,415.00	2,780,604
2. Allowance	20,060,994.75	3,676,556
3. Additional Contribution to Provident Fund	990,298.00	120,696
4. Training Expenses	2,578,508.16	405,384
5. Uniform	-	-
6. Medical Expenses	-	-
7. Insurance	-	-
8. Provision for Leave Encashment	2,960,368.29	303,867
9. Provision for Gratuity	726,900.00	-
10. Other	-	-
Total	50,922,484.20	7,287,106

4.18 Other Operating Expenses

Amount in NPR

Particulars	This Year	Previous Year
1. Rent	7,136,272.29	978,716
2. Electricity and Water	355,609.48	40,180
3. Repair and Maintenance	1,054,287.80	32,047
a. Building	-	-
b. Vehicle	160,825.03	-
c. Others	893,462.77	32,047
4. Insurance	234,731.61	41,512
5. Postage, Telephone, Telex, Fax	4,894,982.22	302,197
6. Office Equipment and Furniture	-	-
7. Travel Allowance and Expenses	2,214,798.00	348,622
8. Printing and Stationery	2,280,186.59	84,761
9. Newspaper and Periodicals	7,200.00	-
10. Advertisement	252,611.18	70,697
11. Legal Expenses	42,000.00	20,270
12. Donation	-	1,000
13. Board of Directors Related Expenses	206,500.00	50,000
a. Meeting Allowance	206,500.00	50,000
b. Other Expenses	-	-
14. Expenses related to Annual General Meeting	15,525.00	-
15. Audit Expenses	250,480.00	113,000
a. Audit Fee	169,500.00	113,000
b. Other Expenses	80,980.00	-
16. Fund Transfer Commission	-	-
17. Depreciation on Fixed Assets	6,713,655.08	1,284,720
18. Preoperating Expenses Written Off	153,634.92	38,409
19. Share Issuance Expenses	-	-
20. Professional Service Fees	-	-
21. Entertainment Expenses	-	-
22. Write Off	-	-
23. Security Expenses	759,554.17	424,990
24. Credit Security Premium	6,735,097.13	
25. Commission and Discount	119,708,356.00	2,615,000
26. Others	4,712,496.13	575,693
a. Share Registration Expenses	657,754.79	-
b. Youth Access Project	-	-
c. Fuel Expenses	1,050,362.74	35,361
d. Others	3,004,378.60	540,332
Total	157,727,977.60	7,021,813



4.19 Provision for Possible Losses

Amount in NPR

Particulars	This Year	Previous Year
1. Increase in Loan Loss Provision	15,215,902.68	8,449,200
2. Increase in Provision for Investment	7,694,286.22	-
3. Provision for Non Banking Assets	-	-
4. Provision for Other Assets	-	-
Total	22,910,188.90	8,449,200

4.20 Non-Operating Income/Losses

Amount in NPR

Particulars	This Year	Previous Year
1. Profit/Loss on Sale of Investment	-	-
2. Profit/Loss on Sale of Assets	-	-
3. Dividend	-	-
4. Others	-	-
Net Non-Operating Income/Losses	-	-

4.21 Provision for Possible Losses Written Back

Amount in NPR

Particulars	This Year	Previous Year
1. Loan Loss Provision Written Back	-	166,637
2. Provision for Non Banking Assets Written Off	-	-
3. Provision for Investment Written Back	-	-
4. Provision for Other Assets Written Back	-	-
Total	-	166,637

4.22 Profit/Loss from Extra Ordinary Activities

Amount in NPR

Particulars	This Year	Previous Year
1. Recovery of Loan Written Off	-	-
2. Voluntary Retirement Expenses	-	-
3. Bad Debt Written Off	-	-
4. Other Income/Expenses	-	-
Total	-	-

4.22(a) Details of Written Off Loan

Amount in NPR

SN	Nature of Loan	Amount Written Off	Type of Collateral and Value	Basis of Valuation of Collateral	Designation of Loan Approver	Efforts made to recover Loan	Remarks
1		-	-	-	-	-	-
2		-	-	-	-	-	-
3		-	-	-	-	-	-
	Total	-	-	-	-	-	-

4.23 Details of Credit Facilities to Directors, Chief Executive Officer, Promoters, Employees and Shareholders

Amount in NPR

Particulars	Closing Balance of Last Year		Settlement During The Year		Addition During the Year	Closing Balance as on July 16, 2019	
	Principal	Interest	Principal	Interest		Principal	Interest
A. Director							
1,-----	-	-	-	-	-	-	-
2,-----	-	-	-	-	-	-	-
3,-----	-	-	-	-	-	-	-
b. Chief Executive Officer							
1,-----	-	-	-	-	-	-	-
2,-----	-	-	-	-	-	-	-
3,-----	-	-	-	-	-	-	-
C. Promoter							
1,-----	-	-	-	-	-	-	-
2,-----	-	-	-	-	-	-	-
3,-----	-	-	-	-	-	-	-
D. Employees							
1,-----	-	-	-	-	-	-	-
2,-----	-	-	-	-	-	-	-
3,-----	-	-	-	-	-	-	-
E. Shareholders							
1,-----	-	-	-	-	-	-	-
2,-----	-	-	-	-	-	-	-
3,-----	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-



4.24 Index of Capital Fund

Amount in NPR

SN	Particulars	This Year	Previous Year
A.	Primary Capital	1,104,362.52	64,262.32
	1. Paid up Capital (Common Share)	1,004,500.00	70,000.00
	2. Proposed Bonus Share	-	-
	3. Share Premium	-	-
	4. Irredeemable Preference Share	-	-
	5. General Reserve Fund	22,061.82	-
	6. Accumulated Profit/Loss	80,457.06	(5,584.04)
	7. Profit/Loss of Current Year in Balance Sheet	-	-
	8. Capital Redemption Reserve	-	-
	9. Capital Adjustment Fund	-	-
	10. Calls in Advance	-	-
	11. Free Reserve	-	-
	Less:	-	-
	Goodwill	-	-
	Differed Tax Assets	2,656.36	-
	Investment in Share and Bond in excess of required limit	-	-
	Investment in Debenture of Company with Financial Interest	-	-
	Fictitious Assets	-	153.63
	Investment in Fixed Assets without complying NRB's requirements	-	-
	Loans and Advances proceed to individual and group prohibited by law	-	-
B.	Supplementary Capital	23,130.41	8,282.56
	1. Loan Loss Provision on Pass Loan	23,130.41	8,282.56
	2. Additional Loan Loss Provision	-	-
	3. Hybrid Capital Instruments	-	-
	4. Subordinated Term Debt	-	-
	5. Assets Revaluation Fund	-	-
	6. Investment Adjustment Fund	-	-
C.	Total Capital Fund (A+B)	1,127,492.93	72,544.89
D.	Minimum Capital to be Maintained on the Basis of Risk Weighted Assets		
	Capital fund (8%)	378,919.68	68,580.32
	Primary Capital (4%)	189,459.84	34,290.16
	Capital fund (@excess by 15.8%)	748,573.25	3,964.57
	Primary Capital (@excess by 19.32%)	914,902.68	29,972.16
E.	Capital Adequacy Ratio		
	Tier I Capital	23.32%	7.50%
	Tier II Capital	23.80%	8.46%

4.24(a) Index of Risk Weighted Assets

Amount in NPR

On-Balance-Sheet Assets	Weight	This Year		Previous Year	
		Amount	Risk Weighted Assets	Amount	Risk Weighted Assets
Cash Balance	0%	487.65	-	1,352.89	-
Balance with Nepal Rastra Bank	0%	-	-	-	-
Investment in Nepalese Government Securities	0%	-	-	-	-
Investment in Nepal Rastra Bank Securities	0%	-	-	-	-
Claim Fully Secured by Fixed Deposit Receipt of own Bank	0%	-	-	-	-
Claim Fully Secured by Government Securities	0%	-	-	-	-
Accured Interest Income of Government Securities	0%	-	-	-	-
Claims on Fixed Deposit at Banks and Financial Institutions	20%	43,252.10	8,650.00	47,397.65	9,480.00
Money at Call	20%	219,824.89	43,965.00	-	-
Interbank Lending	20%	-	-	-	-
Investment on Share, Debenture and Bonds	100%	-	-	-	-
Other Investment	100%	150,000.00	150,000.00	-	-
Loans and Advances	100%	4,496,216.51	4,496,217.00	828,256.31	828,256.00
Fixed Assets	100%	30,530.28	30,530.00	18,681.28	18,681.00
Other Net Interest Income	100%	-	-	-	-
Other Assets	100%	7,134.07	7,134.00	836.61	837.00
A. Total		4,947,445.50	4,736,496.00	896,524.74	857,254.00
Off-Balance-Sheet items					
Guarantee	100%	-	-	-	-
Irrevocable Loan Commitments	100%	-	-	-	-
Contingent Liability against Tax	100%	-	-	-	-
Accured Interest and Other Contingent Liabilities	100%	-	-	-	-
Unpaid Portion of Party paid shares and Securities	100%	-	-	-	-
Unpaid Guarantee Claim	200%	-	-	-	-
Claims against Institutions Not Accepted by Institutions	200%	-	-	-	-
B. Total		-	-	-	-
Total Risk Weighted Assets (A+B)		4,947,445.50	4,736,496.00	896,524.74	857,254.00



4.25 Major Indicator

Amount in NPR

SN	Particulars	Unit	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
1	Net Profit Ratio	%	-	-	-	(20.75)	16.84
2	Earning Per Share	NPR	-	-	-	(7.98)	28.79
3	Market Price Per Share	NPR	-	-	-	-	0.00
4	PE Ratio	Ratio	-	-	-	-	0.00
5	Bonus Share to Capital	%	-	-	-	-	0.00
6	Cash Dividend to Capital	%	-	-	-	-	0.00
7	Interest Income/Loans and Advances	%	-	-	-	1.33	19.06
8	Employees Expenses/Total Operating Expenses	%	-	-	-	50.93	24.41
9	Interest Expenses on Total Deposit and Borrowing	%	-	-	-	1.18	10.94
10	Foreign Exchange Fluctuation Income/Total Income	%	-	-	-	-	0.00
11	Employee Bonus/Total Employee Expenses	%	-	-	-	-	33.81
12	Net Profit/Borrowing	%	-	-	-	(0.67)	4.14
13	Net Profit/Total Assets	Ratio	-	-	-	(0.63)	3.80
14	Total Assets/Deposits	%	-	-	-	1,207.15	786.39
15	Total Operating Expenses/Total Assets	%	-	-	-	1.61	7.19
16	Capital Adequacy on Total Risk Weighted Assets		-	-	-		
	a. Primary Capital	%	-	-	-	7.50	23.32
	b. Supplementary Capital	%	-	-	-	0.97	0.49
	c. Total Capital Fund	%	-	-	-	8.46	23.80
17	Cash Reserve Ratio	Ratio	-	-	-	0.51	0.56
18	Non Performing Loan/Total Loan	%	-	-	-	-	0.00
19	Weighted Average Interest Rate Spread	%	-	-	-	4.98	8.12
20	Book Network	NPR	-	-	-	64,415,959.00	1,109,225,059.44
21	Total Share	Number	-	-	-	700,000.00	10,045,000
22	Total Number of Employees	Number	-	-	-	100.00	201.00
23	Other						

4.29 COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT AS OF FY 2018/19

Amount in NPR

SN	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	In %	
1	Total Capital and Liabilities (1.1 to 1.7)	4,938,484.69	4,916,754.26	(21,730)	-0.44%	
1.1	Paid up Capital	1,004,500.00	1,004,500.00	-	-	-
1.2	Reserve and Surplus	103,237.91	104,725.06	1,487	1.44%	Effect of change in LLP, service level agreement fee, tax calculation
1.3	Debenture and Bond	-	-	-	-	
1.4	Borrowings	3,201,250.97	3,201,250.97	-	0.00%	
1.5	Deposits (a+b)	571,752.52	571,752.52	-	0.00%	
	a. Members	571,752.52	571,752.52	-	0.00%	
	b. Public	-	-	-	-	-
1.6	Income Tax Liability	-	-	-	-	-
1.7	Other Liabilities	57,743.29	34,525.71	(23,218)	-40.21%	LLP reclassified
2	Total Assets (2.1 to 2.7)	4,938,484.69	4,916,754.26	(21,730)	-0.44%	
2.1	Cash and Bank Balance	263,564.64	43,739.75	(219,825)	-83.40%	Classification change
2.2	Money at Call and Short Notice	-	219,824.89	219,825	100%	Classification change
2.3	Investments	142,305.71	142,305.71	-	-	-
2.4	Loans and Advances	4,496,216.51	4,472,718.04	(23,498)	-0.52%	Loan loss provision increased, net presentation of provision
2.5	Fixed Assets	30,530.28	30,530.28	-	0.00%	
2.6	Non Banking Assets	-	-	-	-	-
2.7	Other Assets	5,867.55	7,635.59	1,768	30.13%	Interest Suspense
3	Profit and Loss Account			-	-	-
3.1	Interest Income	561,170.14	561,170.14	-	-	-
3.2	Interest Expense	251,217.54	251,217.54	-	-	-
	A. Net Interest Income (3.1 - 3.2)	309,952.60	309,952.60	-	-	-
3.3	Fees, Commission and Discount	93,784.57	93,784.57	-	0.00%	
3.4	Other Operating Income	-	-	-	0.00%	
3.5	Foreign Exchange Gain/Loss (Net)	-	-	-	-	-
	B. Total Operating Income (A+3.3+3.4+3.5)	403,737.17	403,737.17	-	0.00%	
3.6	Staff Expenses	50,933.78	50,922.48	(11)	-0.02%	Leave Encashment provision corrected
3.7	Other Operating Expenses	157,527.98	157,727.98	200	0.13%	Service level agreement expenses booked
	C. Operating Profit Before Provision (B -3.6 - 3.7)	195,275.41	195,086.71	(189)	-0.10%	
3.8	Provision for Possible Losses	22,542.15	22,910.19	368	1.63%	Loan loss provision increased
	D. Operating Profit (C -3.8)	172,733.26	172,176.52	(557)	-0.32%	
3.9	Non Operating Income/Expenses (Net)	-	-	-	-	-
3.1	Write Back of Provision for Possible Loss	-	-	-	-	-
	E. Profit from Regular Activities (D+3.9+3.10)	172,733.26	172,176.52	(557)	-0.32%	
3.11	Extraordinary Income/Expenses (Net)	-	-	-	-	-
	F. Profit before Bonus and Taxes (E +3.11)	172,733.26	172,176.52	(557)	-0.32%	
3.12	Provision for Staff Bonus	17,273.33	17,217.65	(56)	-0.32%	Due to decrement in profit
3.13	Provision for Tax	46,637.98	44,649.77	(1,988)	-4.26%	Accumulated tax loss claimed, change in depreciation calculation
	G. Net Profit/Loss (F - 3.12 - 3.13)	108,821.96	110,309.10	1,487	1.37%	



Schedule 4.26

SIGNIFICANT ACCOUNTING POLICIES

1. OVERVIEW

NIC ASIA Laghubitta Bittiya Sanstha Ltd. is national level "D" class microfinance financial institution licensed by Nepal Rastra Bank. This is a wholly owned subsidiary of NIC ASIA Bank Limited. Registered office of NIC ASIA Laghubitta Bittiya Sanstha Ltd. is located at Bherimalika Municipality, Ward No. 4, Jajarkot, Bheri zone. It is involved in providing microcredit through various groups to members of deprived sector or with minimal income. The financial statements were authorized for issue by the Board of Directors on 5-Sep-2018 and have been recommended for approval by shareholders in the Annual General Meeting. Management acknowledges the responsibility of true and fair preparation and presentation of financial statements of the company

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT

- Financial statements of NIC ASIA Laghubitta Bittiya Sanstha Ltd. have been prepared on the basis of Generally Accepted Accounting Principles, Nepal Accounting Standards, Bank and Financial Institutions Act and directives issued by Nepal Rastra Bank. Accounting Policies of this company have been compiled with except in cases where specifically disclosed.
- The financial statements have been prepared on a historical cost basis and in case of deviations disclosed specifically.
- Except specifically mentioned, financial transactions are accounted on accrual basis.
- Financial statements are prepared in line with Nepal Rastra Bank Directive No. 4 issued for "D" class licensed institution.

3. FIXED ASSETS

- Fixed assets are accounted on the basis of historical cost concept.
- If fixed assets worth less than NPR 5,000 is purchased during the fiscal year, such amount is accounted as expense during the year.

4. DEPRECIATION

- Depreciation on fixed assets is deducted on the basis of Straight Line Method at following rates:

Particulars	Rate of Depreciation
Furniture	25%
Office Equipments	25%
Computer	25%
Vehicles	20%
Leasehold Assets	Lease Period

- Leasehold assets are depreciated over lease period under straight line method.
- Intangible assets like computer software are accounted on cost price and are depreciated over the period of 5 years.

5. PROVISION FOR INCOME TAX

Income tax includes both current year tax and deferred tax.

- Provision for Income Tax Provision for income tax has been calculated on the basis of Income Tax, 2058 and rules.
- Deferred Tax Tax amount deferred on the basis of assets and liabilities is deferred tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

6. INVESTMENT

Valuation of Investment is done as per Investment related NRB Directive.

7. ACCOUNTING FOR NON BANKING ASSETS

- Non Banking assets are recognized at lower of outstanding loan amount to be recovered or fair market value of collateral property.
- Differential amount after sale of property accepted as non banking asset is transferred to profit and loss account of same fiscal year.
- Provision for non banking asset is recognized as per requirement of Nepal Rastra Bank.

8. INCOME/ EXPENSE RECOGNITION

- a. Interest Income: Interest income from loans and advances are recognized on cash basis as per the provisions of Nepal Rastra Bank. This is not in harmonization with Nepal Accounting Standard 07 on Revenue.
- b. Interest Income on Investment: Interest incomes from investments are recognized on accrual basis.
- c. Commission Income: Commission incomes from services provided by Bank are recognized on cash basis.
- d. Interest Expense: Interest on deposits and borrowings are recognized on accrual basis.

9. RECOVERY OF LOAN PRINCIPAL AND INTEREST

Principal and interest of loans and advances are recovered in following sequence: Penal charge, interest, principal

10. LOAN LOSS PROVISION AND LOAN WRITE OFF POLICIES

- a. Loans and advances are classified into performing and non performing loan as per the requirement of directive issued by Nepal Rastra Bank. Loans and advances which are not overdue or overdue up to six months are classified under performing loans and loans and advances that are overdue by more than six months are as substandard, doubtful and loss loan under non performing loan as per requirement of NRB directives and net loans and advances after deduction of applicable loan loss provision is presented in balance sheet.
- b. Loans and advances are written off on the basis of directive issued by Nepal Rastra Bank and loan write off policy of financial institution.
- c. No loan are written off as per policy of the financial institution

11. STATIONERY AND PRINTING EXPENSES

Stationery and printing items are recognized as expense on the basis of consumption under FIFO method.

12. ACCUMULATED LEAVE EXPENSES

Adequate provision for payment against accumulated leave of permanent staffs till fiscal year end is maintained on same fiscal year.

13. PROVISION FOR GRATUITY

The institution has arranged to provide gratuity to employees who have served the institution for five years or more at the time of their retirement. Currently, there is no any employee who has served the institution for 5 years or more. Hence, provision for gratuity has not been set aside. This provision is not in line with Labor Act, 2074.

14. EMPLOYEE BONUS

Provision for employee bonus is as per the requirement of Bonus Act, 2030.

15. EMPLOYEE PROVIDENT FUND

By adding 10% contribution over 10% provident fund contribution of staff, total amount is deposited in the account of staff maintained at office of employee provident. Such amount contributed by institution is recognized as expense of same fiscal year. The retirement fund is independent from microfinance institution.

16. STAFF LOAN

Loans and advances are provided to staffs in line with provision of Staff Bylaw.

17. CONTINGENT LIABILITIES

Possible emergencies and contingent liabilities are disclosed by microfinance financial institution.

18. SHARE ISSUANCE EXPENSE

The financial institution has not issued share till date.

19. PRE-OPERATING EXPENSE

Pre-operating expense of NRS. 38,408.73 were written off last year. Balance amount NRS. 153,634.92 are expenses incurred in FY 2019/20 and are recorded accordingly. Hence, the balance of pre-operating expense is nil.



Schedule 4.27

NOTES TO ACCOUNTS

1. AMOUNT TRANSFERRED TO GENERAL RESERVE

As financial institution is in loss this year, general reserve fund has not been created. cost concept.

2. DETAILS OF LOANS AND ADVANCES

Particulars	Amount (NRs. '000)
Opening Balance	828,256
Loan Disbursement	4,660,449
Loan Repayment	992,489
Loan outstanding	4,496,217

3. DETAILS OF DEPOSIT

Particulars (Members Only)	Amount (NRs. '000)
Opening Balance	68,612
Total Saving Collection	7,405,427
Total Saving Withdraw	6,902,287
Closing Balance	571,753

4. INTEREST RATE SPREAD

Particulars	Rate (In %)
Loan Average Interest Rate	19.06
Borrowing & Loan Average Interest Rate	10.94
Net Interest Spread Rate	8.12

5. DETAILS OF EXPENSES WRITTEN OFF

Assets	Opening Balance (Rs.)	Write off Amount (Rs.)	Remaining Amount to be written off (Rs.)
Preliminary Expenses	153,634.92	153,634.92	0.00

6. DETAILS OF CONCENTRATION OF RISK

Particulars	Loan (NRs. '000)	Saving (NRs. '000)
Total Loan outstanding up to 2076 Ashad end	4,496,217	571,753
Maximum Loan /Saving Size Per Member	1,279	1,038
Maximum Loan/Saving Ratio	0.02%	0.18%

7. DETAILS OF AGEING OF ASSETS AND LIABILITIES

Amount (NPR '000)

Times	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Over 1 Year	Total Amount
Cash Balance	487.65					487.65
Balance with Banks & FIs	43115.30					43115.30
Investment in Foreign Banks						
Call Money	7011.23					7011.23
Government Securities						
Nepal Rastra Bank Bonds						
Inter Bank & FI Lending						
Loans & Advances	544826.64	538793.26	529900.08	701002.45	2181694.07	4496216.50
Interest Receivable						
Reverse Repo						
Receivables from other Institutions under Commitment						
Payment to be made for facilities under s.no 20,21 & 22						
Others	90471.82					90471.82
Total Assets (A)	685912.65	538793.26	529900.08	701002.45	2181694.07	4637302.51
Current Deposits	3200994.57					3200994.57
Saving Deposits						
Fixed Deposits						
Debentures						
Borrowings:	1500000.00			1353201.45	347793.12	3200994.57
(a) Call/Short Notice						
(b) Inter-bank/Financial Institutions	1500000.00			1353201.45	347793.12	3200994.57
(c) Refinance						
(d) Others						
Other Liabilities and Provisions	122129.03		7694.29		33224.51	163047.83
(a) Sundry Creditors	6064.36					6064.36
(b) Bills Payable						
(c) Interest Payable						
(d) Provisions			7694.29		22627.29	30321.58
(e) Others	116064.68				10597.22	126661.89
Payable to other institutions under Commitment						
Unutilized Approved Facilities						
Letter of Credit/Guarantee (Net of Margin)						
Repo						
Payment to be made for facilities under S.No 11						
Others						
Total Liabilities (B)	4823123.60		7694.29	1353201.45	381017.63	6565036.97
Net Financial Assets (A-B)	(4137210.96)	538793.26	522205.79	(652199.00)	1800676.44	(1927734.47)
Cumulative Net Financial Assets	(4137210.96)	(3598417.70)	(3076211.90)	(3728410.90)	(1927734.47)	



8. LOAN OBTAINED BY PLEDGING OWN PROPERTY

Financial Institution has not obtained any loan facility by pledging own property

9. DETAILS OF NON BANKING ASSETS

Financial Institution has not accepted any property as non banking asset.

10. DETAILS OF PAID UP CAPITAL

Details of Paid up capital as per Financial Statement of FY 2074/75 are as follows:

Particulars	Amount (NRs. '000)
Paid up Share Capital as on 2075.04.01	70,000
Add: Issue of Right Share	934,500
Paid up Share Capital as on 2076.03.31	1,004,500

11. DETAILS OF LEASEHOLD PROPERTY

Following is the detail of leasehold property:

Amount (NRs. '000)

Assets	Opening WDV	Addition in Current Year	Depreciation Amount	Closing Amount in Current Year
Leasehold Assets	1,357	0.00	96	1,261

12. DETAILS OF INVESTMENT

Particulars	Amount (NRs. '000)
Initial Investment	150,000
Portfolio Value as on Ashadh End 2076	142,306
Decrease in Portfolio value	7,694

13. DETAILS OF LOAN LOSS PROVISION TILL 16-JUL-2019

Particulars	Amount (NRs. '000)
Opening Balance	8,282
Provision in Current Year	15,216
Provision up to the end of Ashad 2076	23,498

14. DETAILS OF INTEREST SUSPENSE ACCOUNT TILL 16-JUL-2019

Amount of accrued interest receivable as on balance sheet date has been transferred to Interest Suspense account and presented in schedule 4.12. NRB Directive and circulars allow Bank and financial institutions to account for interest received till 30 days of expiry of fiscal year as interest income of that year. Such interest suspense amounts have not been included under interest income.

Particulars	Amount (NRs. '000)
Current Year Interest Suspense	3,80,76
Current Year Interest Write back	
Interest Suspense up to Ashad end 2076	3,80,76

15. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences as presented below were observed in deferred tax assets and liabilities as on 16-Jul-2019:

Amount (NRs.'000)			
Particulars	Book Carrying Amount	Tax Base	Difference
Temporary Difference for:			
Gratuity Provision	727	-	727
Leave Provision	2,165	-	2,165
Provision for investment	7,694	-	7,694
Loan Loss Provision	23,498	23,498	-
Deferred Revenue Expenditure			
Fixed Assets	30,530	28,799	(1,731)
Total	64,615	52,297	8,855
Tax Rate	30%		
Net Deferred Tax Assets / (Liabilities)	2,656		
Opening Deferred Tax Assets/ (Liabilities)	(220)		
Deferred Tax Income/ (Expenses)	2,877		

16. DEBT SECURITY FUND AND SOCIAL SECURITY FUND

Although financial institution has not established any debt security fund, microcredit insurance of borrower members have been done in collaboration with METLIFE so that family of borrower do not face financial burden in case of death of borrower before lapse of loan tenor.

17. CUSTOMER PROTECTION FUND

As per the directive of Nepal Rastra Bank, the financial institution has established customer protection fund by transferring amount equivalent to 1% of net profit of Year 2018-19 i.e NPR 1,103,091.

18. CORPORATE SOCIAL RESPONSIBILITY FUND

As per the directive of Nepal Rastra Bank, the financial institution has established corporate social responsibility fund by transferring amount equivalent to 1% of net profit of Year 2018-19 i.e NPR 1,103,091.

19. STAFF CAPACITY DEVELOPMENT FUND

NPR 2,578,508.16 has been spent by financial institution for capacity development of staffs during FY 2018-19 which is 35.38% of total personnel expenses.

20. PROVISION FOR STAFF LEAVE AND GRATUITY

For Provision for Staff Leave and Gratuity amount NPR 2,164,735.29 and NPR 726,900.00 respectively have been apportioned and shown in schedule 4.6.



21. RELATED PARTY TRANSACTIONS

NIC ASIA Laghubitta Bittiya Sanstha is subsidiary company of NIC ASIA Bank Ltd. with 100% ownership. Details of financial transactions between these companies are as follows:

A. Financial Transactions

S.N.	Particulars	With	Amount NRs. '000
1.	Borrowing from NIC ASIA Bank Ltd.	Parent Company	1,50,00,00
2.	Interest paid to NIC ASIA Bank Ltd.	Parent Company	10,93,22
3.	Bank Balance on NIC ASIA Bank Ltd.	Parent Company	1,77,63
4.	Service Charge on Borrowings	Parent Company	11,85,63
5.	Service Level Agreement Charge	Parent Company	200
6.	Reimbursement of Deputation Cost	Parent Company	3,354
7.	Portfolio Management Service (NIC ASIA Capital)	Subsidiary Company of NIC ASIA Bank Ltd.	242
8.	Portfolio Investment Amount (NIC ASIA Capital)	Subsidiary Company of NIC ASIA Bank Ltd.	142,306
B.	NIC ASIA Bank Limited has appointed Mr. Laxmi Prasad Sharma as the Chief Executive Officer of its 100% subsidiary.		

22. PROPOSED BONUS SHARE AND DIVIDEND

As financial institution has not issued its share to public, bonus share and/or dividend has not been proposed.

23. PAYMENT TO CEO AND MANAGEMENT

Details of payment made to CEO and management staffs are given below:

S.N	Position	Amount (NPR)
1	Chief Executive Officer	3,354,351.75
2	Management	3,534,672.00



NIC ASIA CAPITAL

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8.1 DIRECTOR'S REPORT

SECOND ANNUAL GENERAL MEETING DIRECTORS REPORT

I would like to welcome representative all the representative of the promoter company NIC ASIA Bank Ltd in this third Annual General Meeting of NIC ASIA Capital Limited.

NIC ASIA Capital Limited is wholly owned subsidiary of NIC ASIA Bank Ltd and with your support, help and wishes which are our biggest strength, we have successfully completed third year of operation. We have managed to stand out amount the new merchant bankers and expand our area of operation within the three years and with your support, help and wishes we hope to continually perform better in coming days too.

I am delighted to present you the company's progress, strategic on expansion of business and future strategic plan. The company had satisfactory expansion and made decent profit during the review period.

I, along with all the board members will continue to value your inputs in company's strategies. We are confident that the current management is fully capable and motivated to implement our short term as well as long term strategic plans. We will continuously assist the company to achieve its goals.

In this noteworthy meeting, I would like to share major achievements and future plans of this capital:

1. Overall Economic Growth

a. World Economy

IMF has projected the world's economic growth rate to be 3.2% in year 2019, while it was 3.6% last year. Developed and developing nations have growth rate of 1.9% and 3.6% while it was 2.2% and 4.5% in 2018 respectively. Trade wars between developed nations have largely impacted the world economy. Inflation of developed and developing nations remained at 1.6% and 4.8% during 2019 respectively. For 2018, the inflation rate was 2% and 4.8% of developed and developing nations respectively. World economy can be in better place if the trade tension and geo-political instability and harmony among

developed nations could be managed.

b. China and India's economic growth

Neighbors' economic growth was slow in the year 2018. China's economic growth was affected due to trade war with United State and economic blockade while India achieved ordinary improvement. In 2019, growth rate for China and India is projected at 6.2% and 7% for 2018, it was 6.6% and 6.8% respectively. China and India, the powerful nations have significant effect in the Nepal's economic growth.

c. Domestic economic growth

Central Bureau of Statistics has estimated Gross Domestic Product (GDP) to grow by 7.1 percent in 2018/19. Increase in agricultural production, ease in energy supply, acceleration in construction activities, expansion in industrial production, and an uptick in tourist arrival have contributed to the higher economic growth. Ratios of Gross Domestic Savings and Gross National Savings to GDP are estimated at 20.5 percent and 52.4 percent respectively in 2018/19. In the previous year, such ratios were 17.8 percent and 47.1 percent. The average consumer price inflation in the eleven month of 2018/19 is 4.5 percent. Such inflation was 4.2 percent a year ago. According to the preliminary statement of receipts and expenditure released by the Office of the Financial Comptroller General, recurrent expenditure of the government stood at Rs.714.98 billion, capital expenditure stood at Rs. 238.36 billion, financing stood at Rs.141.24 billion and revenue mobilization stood at Rs.859.60 billion in 2018/19.

2. Capital Market

a. Primary Market

Securities Board of Nepal (SEBON) approved Initial Public Offering (IPO) of 28 companies worth NPR 7.35 billion during the year 2018-19 and all of them were fully subscribed. Comparing to year 2017-18, this is decline by 12.95% when 21 companies offered IPO worth NPR 8.3 billion. During the review period, NPR 5.88 billion worth right share were approved by SEBON.



Particulars	2015-16		2016-17		2017-18		2018-19	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Initial Public Offering	14	2.76	19	1.40	21	8.30	28	7.35
Right Share Issue	37	9.40	69	41.20	55	25.70	19	5.88
Further Public Offering	3	5.83	3	7.78	6	11.51	-	-
Mutual Fund	1	1.00	4	4.25	4	4.80	6	6.55
Debenture and Bond	-	-	-	-	1	3.00	11	9.02
Total	55	18.99	92	54.63	87	50.31	64	28.80

b. Secondary Market

The NEPSE Index declined in the first three quarter of FY 2018-19, while it made ordinary improvement in the last quarter. NEPSE Index increased by 46.65 at end of the financial year and reached 1,259.01 from 1,212.36. During the review period, NEPSE index reached minimum to 1,100.58 while the maximum it achieved was 1,321. Similarly, there was increment in number of listed companies in the NEPSE hence increased the sales pressure in the market. Even the right shares issued by the company were not fully subscribed and the unexpected increase in the auction sale of unsubscribed right shares has increased the sales pressure of shares in NEPSE, which has negatively affected the NEPSE index. Due to lack of effective

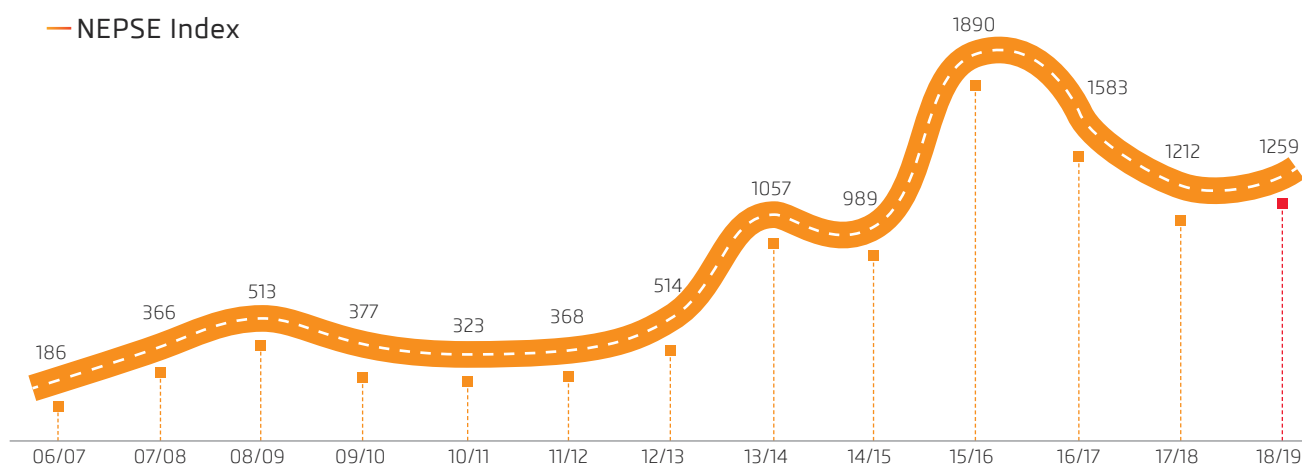
implementation of much anticipated online trading system, NEPSE index was adversely impacted. Occasional technical issues in NEPSE and CDS & Clearing Ltd. system had negative effect on the market.

Nepal Rastra Bank on the other hand, set interest rate as a result there were not much change in interest rate on borrowings hence the investors were not interested in secondary market.

The market is supposed to be positively impacted if the banks can act as broker such the share trading will be accessible by people all over the country.

Particulars	2015-16	2016-17	2017-18	2018-19
Number of listed companies	230	208	196	213
Paid up capital of listed companies (in billions)	204.02	289.59	342.09	418.87
Total trading days	233	230	233	246
Market capitalization (in billions)	1,890.93	1,856.82	1,435.14	1,567.50
NEPSE Index	1718.15	1582.67	1212.36	1259.01
NEPSE Float Index	125.41	116.14	87.15	92.43
NEPSE Sensitive Index	369.07	336.04	255.2	271.25

— NEPSE Index



c. Nepal's Share Market Condition

Share market in the first three quarter of FY 2018-19, had mixed reaction while there was satisfactory improvement in the last quarter. NEPSE Index increased to 1259.01 as on end of FY 2018-19 which was 1212 in the beginning of the fiscal year. Political stability was supposed to bring positive reaction in the secondary market but the government could not win the investors' faith. While the government implemented different plans for economic development but its effect were zero in the share market. With the increase in online trading investors, payment through digital channel, process of providing broker's license to Banks, separate index for Mutual Fund and Microfinance, these factors are supposed to positively impact the share market in coming days. With the expected increase in capital expenditure and foreign direct investment, there is assumption that liquidity crisis and interest rate to be low.

In addition, the government is planning to attract non-residential Nepalese in share market, provide broker's license to banks and policies to improve share market and entry of new mutual funds in the market; these factors are supposed to have positive impact in share market.

3. Factors affecting Merchant Banking Industry and the company

There are 213 companies listed in the Nepal Stock Exchange Limited (as on preparation of report), for the last year there were 196 companies only. During the review period, the companies listed are mostly microfinance and hydropower companies. With the government plan to encourage companies having share capital NPR 500 million or more to go public, commercial banks issuing debentures, there is a huge possibilities for the company business expansion. As the date is nearing for insurance companies to go public and microfinance companies issuing right share it is expected to help the company in its growth.

As the shares are seen to be traded at less than their indicated value in secondary market, hydropower companies and manufacturing industries are less willing to be listed. As a result, the business of capital is solely dependent in the growth of secondary market.

4. NIC ASIA Capital's use of technology

With the right use of technology, the company can be a step ahead in this competitive market. We have made an observation of use of technology for the growth of the company to provide ease service to our valued client. We have installed SYSTM X Software which is a combination of manual and automated technologies to make the best assumption of scrip, indicator, share price and market movement. Along with that we have upgraded our website and launched the mobile app.

For their corporation and support, I would like to express the gratitude to SEBON, Government of Nepal, Office of Company Register, Nepal Stock Exchange Ltd., and CDS and Clearing Ltd. on behalf of the board and show appreciation for their regulatory policies and laws to guide and place merchant banking to higher quality. I am indebted to our share brokers, customers, journalists, and all the employees of NIC ASIA Capital Ltd. and NIC ASIA Bank Ltd for your undying support and precious contribution which we will be counting on coming days too.

We are well aware to keep our employees motivated, charmed and to provide them with better corporate culture and platform which in return helps in the company growth. We have been in this better position only because of our employees' constant effort, I am overwhelmed and thankful for that.

We have understood the competitive market situation of merchant banking and focused on expansion of share market and brand building along with quality of service to provide maximum return to our shareholders and employees. We are committed and prepared to face any challenges and uncertainties and we shall continually move towards our goals.

Thank You!

On behalf of the board,
Bishal Sigdel,
Chairman

DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT, 2006

1. Business Review

The company was registered on 15th May, 2016 with the office of company registrar, Nepal Government as per the provisions of company act. The capital has obtained the license to carry out merchant banking activities on 19th February, 2017 as per the Securities Businessperson (Merchant Banker) Regulations, 2008 and fully commenced its merchant banking activities from 5th March, 2017.

There were 19 merchant bankers when the NIC ASIA Capital Ltd. was established; there are 31 merchant bankers as on review period. NIC Capital within four month of its operation distributed 2% cash dividend in FY 2016-17. As per the direction of SEBON to maintain NPR 200 million share capital for merchant banker, right share were issued to reach the threshold and during FY 2017-18, 7% cash dividend was issued on the increased share capital.



Position of NIC ASIA Capital Ltd.

As on the end of review period, there were 31 merchant banker, we the satisfactory progress we achieved following overall positions;

S.N	Particulars	Overall Position
1	Depository Participant	2 nd
2	Share Register Service	9 th
3	Portfolio Management Service	3 rd

Issue Management and Underwriting Services Provided

During the review period, NIC ASIA Capital provided service to a company for issue of right share and two companies for auction sale of unsubscribed right share. There are two companies in

process of public issue while one company's necessary process has been completed for issuance in FY 2019-20. Along with that SEBON has permitted for issue of second plan NIC ASIA Balance Fund under NIC ASIA Mutual Fund.

Details of activities related to issue management and underwriting services provided till the end of FY 2018-19

S.N	Name of the Company	Remarks
1	Aarambha Microfinance Bittiya Sanstha Limited	Public Issue
2	Prudential Insurance Co. Limited	Right Share Issue
3	NIC ASIA Bank Limited	Auction Sale of Unsubscribed Right Share
4	Prudential Insurance Co. Limited	Auction Sale of Unsubscribed Right Share
5	NIC ASIA Growth Fund	Mutual Fund
6	Surya Life Insurance Co. Limited	Right Share Issue
7	Swadeshi Lagubitta Bittiya Sanstha Limited	Right Share Issue
8	Swadeshi Lagubitta Bittiya Sanstha Limited	Auction Sale of Unsubscribed Right Share

Details of Companies in the process of share issue

S.N	Name of the Company	Remarks
1	Max Vision Limited	Public Issue
2	River Falac Power Limited	Public Issue
3	Emerging Nepal Limited	Public Issue
4	NIC ASIA Balance Fund	Public Issue
5	Surya Life Insurance Co. Limited	Public Issue
6	Aarambha Microfinance Bittiya Sanstha Limited	Right Share Issue

Details of activities related to the registrar of shares carried out till the end of FY 2018-19

The capital has been providing registrar to share services to six companies including a mutual fund, which is an exciting number as compared to contemporary merchant bankers.

S.N	Name of the Company
1	NIC ASIA Bank Limited
2	Swadeshi Lagubitta Bittiya Sanstha Limited
3	Sahayogi Bikas Bank Limited
4	Aarambha Microfinance Bittiya Sanstha Limited
5	NIC ASIA Growth Fund
6	Surya Life Insurance Co. Limited

Portfolio Management Service

There was not enough increase in no. of customer for portfolio management services due to declining trend of NEPSE Index and high interest rate of banks. Similarly, expected progress could not be achieved in the portfolio management service as the maximum customers look for the guaranteed return on investment for obtaining portfolio management service. We have been able to provide portfolio management services to 152 customers amounting to NPR 377.4 million during the FY 2018-19 which is quite impressive regarding the market condition.

Depository Participant Service

As on FY 2018-19, the NIC ASIA Capital was successful in opening 168,045 DEMAT accounts which weighs to 10.85% of total DEMAT accounts opened by 71 depository participants. Similarly, the capital has been able to secured second position in terms of total DEMAT accounts out of total 71 depository participants/merchant bankers. Hence, the company was able to enormously increase annual renewal fees of DEMAT accounts during the review year.

NIC ASIA Mutual Fund

NIC ASIA Capital is operating first plan of NIC ASIA growth fund worth NPR 835.2 million, which is under NIC ASIA Mutual Fund. The company was able to maintain grow Net Asset Value (NAV) of growth fund at 11.18 despite of decreasing trend of secondary market. Along with that SEBON has permitted for issue of second plan NIC ASIA Balance Fund under NIC ASIA Mutual Fund worth NPR 1.25 billion and maturity period of 10 years.

Financial Achievement of the capital during the FY 2018-19

Financial Achievements:

With increasing number of merchant bankers, the market has become more competitive. But the NIC ASIA Capital is continuously performing well despite the market odds.

During the review period, NIC ASIA Capital earned NPR 69.4 million revenue, NPR 62.2 million operating profit and net profit of NPR 21.4 million.

The earning per share during the review period was NPR 10.69 per share. Further, we believe that the business growth achieved by the capital and the business diversity strategy adopted by the capital have helped to build strong foundation for the long term growth and expansion of business.

Corporate Governance, Risk Management and compliance: Basis for long term growth

We are always committed towards maintaining standard corporate governance. For that we have already formulated some of the internal policies and rules and we have already formulated and implemented corporate governance policy and other necessary policies. By adopting zero tolerance for corporate governance, we have also considered the management of means and resources required for the effective management of corporate governance. To maintain corporate governance, we have always followed honesty, transparency, responsibility and accountability. We believe that strong foundation for the long term growth of the capital was created from the effective corporate governance.

Management and Development of Human Resources: Real Capital of the Company

By accepting the fact that quality of service to be received by the customers from the capital depends on the skill, qualification and capacity of the staff and by accepting the reality that human resources is the real capital of the company, we have adopted the policy to participate the staffs in the high level training for the skill and capacity development.

Our Belief and Desire:

Ever since the inception of business, we are committed and will remain committed in the future towards achieving high business growth by fully complying with rules and guidelines directed by the regulatory body through continuous effort and hard work of the employees with focused on the customer service, their requirement and satisfaction. We believe expansion of service of the capital depends on the requirement and desire of the customers. To implicate the same this believe in practice, we have formulated service holder oriented plan and revised the internal procedure and policy structure as per current environment to make it more customer friendly.

We have always believed that the basis of very existence of the capital depends on the customer satisfaction and their trust towards the capital. We are committed to always provide excellent services to the customers simply and easily. Simple, easy, quick and qualitative services are our means and customer satisfaction is our end. To give the living form to it, we have been providing services to the customer through evening counter, which is the first service in the merchant banking industry. We aim to make the excellence in service main mantra of the capital with focus on the fact that merchant banking is the service oriented business.

2. Any impact caused to the business of the Company due to national and international condition

For the last three years, the growth rate of Nepal is above 6% and the year 2018-19 was satisfactory in terms of economic growth. As per the preliminary estimates of the Central Bureau of Statistics, Gross Domestic Product (GDP) is estimated to grow by 7.1 percent in 2018/19. Increase in agricultural production, ease in energy supply, acceleration in construction activities, expansion in industrial production, and an uptick in tourist arrival have contributed to the higher economic growth. Despite the reforms brought by stable government, capital expenditure was not fully utilized which resulted in liquidity crunch. With the expansion of banks in remote areas, banking facilities are easily accessible. With the ease of banking facilities, local people are applying for primary local issue of share.



Trade deficit widened by 17.2 percent to Rs.1211.96 billion in the eleven months of 2018/19. Similarly, current account registered a deficit of Rs. 248.72 billion in the review period. High current account deficit is due to the expansion of imports. Remittance inflows increased by 17.5 percent to Rs.799.02 billion in the eleven months of 2018/19. However, Balance of Payments (BOP) remained at deficit of Rs.90.83 billion.

Nepal Rastra Bank and Insurance Board has set threshold limit for paid up share capital, hence the banks and insurance companies are opting for merger rather than right share issuance. NEPSE Index did not perform well during the review period so the new investors chose to wait and see. Decreasing transactions in secondary market adversely affected the merchant bankers.

3. Goals for the current fiscal year

For the current fiscal year, the capital has set mainly following goals

- To become the leading bank by expediting the DEMAT account opening
- To increase the number of company receiving the registrar to share service
- Providing the quality services by making the activities related to public issue more effective
- By searching more customers for portfolio management, rapidly increase the customer and amount for portfolio management service on daily basis
- Start the process after necessary study for the mutual fund (Open Ended)
- To formulate and implement new customer oriented business plan and emphasis on the maximum utilization of resources
- To obtain the goals included in the long term strategy
- To keep presenting the company brand in the market in effective way
- To manage the market of the capital with focus on the digital technology

We are confident that we would be the first merchant banker in the choice of the customer by playing leading role in this industry along with the achievement of above mentioned goals.

4. Changes in the Board of Directors and the reason thereof

There are no changes in Board of Directors during the review period.

5. Any remarks and observation stated in the Independent Auditors' Report and Board of Directors' response thereon

No observation apart from the normal observations related to the regular transaction was mentioned in the Auditor's Report.

6. Amount recommended for distribution of dividend

The board of director recommended the cash dividend of 11% (including dividend distribution tax) from the profit of the FY 2018-19.

7. Details of shares forfeited

No shares were forfeited during the review year.

8. Review of the progress made by the Company and its subsidiary(s) in the current fiscal year 2018/19 and the position of the same at the end of fiscal year

The company doesn't have any subsidiary company.

9. Main activities carried out by the Company and its subsidiary(s) during the financial year and any significant changes in the business activities of the Company and its subsidiary during the same period

This company is providing the services like Issue Management and Underwriting, Registrar to Share, Depository Participant and Portfolio Management, Mutual Fund and Corporate Advisory as a merchant banker. This company doesn't have any subsidiary company and the business activities are carried out by as per the objective mentioned in the MOA and AOA of the company. There is no change in the nature of main business activities of the company during the review year.

10. Any information given to the Company by its principal shareholder in last fiscal year

No such information

11. Details of shareholding taken by the directors and officers of the company in the previous financial year and, in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect.

No such information

12. Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with the Company in last

fiscal year

There is no record of such contract or agreement.

13. Buyback of share by the Company, reason thereof for buyback, number of shares bought back, face value of share and amount paid during the buyback

No shares were bought back during the review year

14. Information on existence of Internal control system and if there is, its detail

The committee has formed procurement committee, human resource development committee, internal audit committee and risk management committee in order to maintain internal control system. These committees hold meetings on regular intervals and they give recommendations and suggestions to the board of directors and the management. The company has formed and implemented various policies, guidelines and procedures to make the internal control system more effective

15. Details of total management expenses incurred during the previous financial year

Head of Expense	Expense Amount
Staff Expenses	20,784,183
Operating Expenses	17,951,930
Total Expenses	38,736,113

16. Name list of members in the audit committee, remuneration, allowance and benefits they have received, the details of activities of the committee and the details of any recommendation by them

Members of audit committee are as follows:

S.N	Name	Remarks
1	Mr. Rabin Sapkota	Independent Director-NIC ASIA Capital Ltd
2	Mr. Raju Adhikari	Head-Internal Audit, NIC ASIA Bank Ltd
3	Ms. Anshu Shrestha	Skim Manager, NIC ASIA Capital Ltd

Total of 4 meetings of audit committee was held during the review period and NPR 20,000 allowance and benefits were paid to them.

17. Dues payable to the company by any director, MD, CEO, principal shareholders (holding share more than 1%) or their relatives or firms or institutions in which they have their involvement (interest)

No such information

18. Remuneration, allowances and benefits paid to the director, MD, CEO and officials.

During the review period, an amount of NPR 260,000 was paid to the members of board as allowance and benefit.

Details of the remuneration, allowance and benefits paid to the Chief Executive Officer, Company Secretary and Higher Level Management Employees of the company during the review period:

Particulars	Chief Executive Officer	Head-Operation/Head Investment Officer	Company Secretary/Head-Merchant Banking
No. of staff	1	1	1
Remuneration, allowance and benefits	870,312	1,389,855	957,850
	(4 months)	(12 months)	(12 months)

19. Uncollected dividend by the shareholders

No dividends were distributed till date.

20. Information on asset bought or sold as per section 141

No such information.

21. Details of related party transaction as per Section 175 (transactions between associated companies)

- > The company has received interest income of NPR 2,425,641.07 from the NIC ASIA Bank Ltd. during the FY 2018-19.
- > The company has been providing service of registrar to share to the NIC ASIA Bank Ltd, an annual service fee of which is NPR 825,000.
- > As per the agreement between the company and the bank, an amount of NPR 476,184 was paid as staff expenses for the operational and technical assistance.



8.2 INDEPENDENT AUDITOR'S REPORT

S. R. PANDEY & CO.
Chartered Accountants

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NIC ASIA CAPITAL LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NIC ASIA Capital Limited ("the Capital"), which comprise the Statement of Financial Position as at Ashad 31, 2078 (July 16, 2019), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flows for the year then ended on that date, and a summary of the significant accounting policies and other explanatory information (hereafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements presents fairly, in all material respects, the financial position of the Capital, as at Ashad 31, 2078 (July 16, 2019), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards and comply with Company Act, 2063, Securities Act 2063, Securities Board Regulations 2094, Mutual Fund Regulation 2067 and other prevailing laws.

Basis for Opinion

We conducted our audit of the financial statements in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Capital in accordance with the Handbook of The Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of The 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 audit opinion on the financial statements.

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

The Capital's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management report, Report of the Board of Directors and Chairman's statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Capital'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 Capital or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



S. R. PANDEY & CO.

Chartered Accountants

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Capital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting end, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Capital'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 Capital to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Based on our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. The Capital has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
- iii. The internal audit of the Capital has been conducted by NIC Asia Bank Ltd.
- iv. The Statement of Financial Position, Statement of Profit or Loss (including other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flows and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Capital.
- v. During our examination of the books of account of the Capital, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Capital has acted contrary to the provisions of law or caused loss or damage to the Capital and
- vi. We have not come across any fraudulence in the accounts, based on our sample examination of the books.

For S. R. Pandey & Co.
Chartered Accountants

Asin Raut, FCA
Partner

Date: 25th August 2019
Place: Kathmandu



8.3 FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

As at 31 Asar 2076 (16 July 2019)

Amount in NPR

	Note	As at 16 July 2019	As at 16 July 2018
ASSETS			
Non Current Assets			
Property, Plant and Equipment	3	3,491,759	3,674,745
Intangible Assets	4	5,516,194	5,498,748
Financial Assets measured at Amortized Cost	6.e.	70,000,000	60,000,000
Loans & Advances	6.f.	451,196	489,153
Deferred Tax Asset	15	576,021	234,898
Total Non Current Assets		80,035,170	69,897,544
Current Assets			
Cash and Cash Equivalents	7	24,905,665	72,124,881
Trade Receivables	8	15,179,540	7,396,791
Prepaid Expenses & Advances	9	1,961,409	490,189
Loans & Advances	6.g.	25,148	36,918
Financial Assets measured at Amortized Cost	6.h.	97,600,000	112,000,000
Financial Assets held at fair value through Profit or Loss (Shares)	6.i.	26,047,705	60,875
Total Current Assets		165,719,468	192,109,654
Total Assets		245,754,638	262,007,199
EQUITY AND LIABILITIES			
Non Current Liabilities			
Employee Benefits	10	1,814,884	1,035,143
Trade & Other Payables	11.a.	565,258	463,624
Deferred Tax Liability		-	-
Total Non Current Liabilities		2,380,142	1,498,767
Current Liabilities			
Trade & Other Payables	11.b.	20,801,485	44,587,282
Total Current Liabilities		20,801,485	44,587,282
Equity			
Share Capital	16	200,000,000	200,000,000
Retained Earnings		22,573,011	15,921,150
Total Equity		222,573,011	215,921,150
Total Equity & Liabilities		245,754,638	262,007,199

» Schedules and Explanatory Notes forms an integral part of Statement of Financial Position

Ganesh Prasad Pandey
Head - Accounts

Manish Ghimire
Chief Operating Officer

Ramendra Rayamajhi
Chief Executive Officer

Dinesh Bhari
Director

Suman Dangol
Director

Rabin Sapkota
Director

Bimal Lamsal
Director

Bishal Sigdel
Chairman

As per our report of even date
Arun Raut, FCA
Partner
S.R. Pandey & Co.
Chartered Accountants

Place: Kathmandu
Date : August 3, 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Period from 1st Shrawan to 31st Asadh 2076 (17th July 2018 to 16th July 2019)

Amount in NPR

	Note	As at 16 July 2019	As at 16 July 2018
Income from Merchant Banking	13.a.	25,541,326	28,118,250
Income from Mutual Fund	13.b.	17,696,927	5,820,731
Interest Income from Loans & Receivables	13.c.	25,062,120	23,181,659
Gains on disposal of equity securities	13.d.	1,279,102	37,765
Net Unrealised Gains/(Loss) on financial Assets held at Fair value	13.d.	(359,529)	45,288
Dividend Income		100,887	-
Other Income	13.d.	79,650	13,875
Total Operating Income		69,400,482	57,217,567
Operating Expense			
Merchant Banking Expenses	14.a.	6,181,803	10,293,364
Mutual Fund Expenses	14.b.	1,009,846	416,037
Commission on Sale of Securities		-	-
Operating Profit		62,208,833	46,508,166
Non - Operating Expense			
Staff Cost (including staff bonus)	14.c.	20,784,183	15,175,215
Premises Costs	14.d.	4,114,302	3,895,783
Advertisement and Promotion Expenses	14.E.	759,609	1,395,043
General Administrative Expenses	14.f.	3,343,603	2,824,331
Finance Cost		64,726	37,243
Depreciation and amortisation	3	2,478,040	2,171,402
Profit Before Tax		30,664,372	21,009,150
Provision for Tax	15	9,275,668	5,296,934
Profit for the Year		21,388,704	15,712,215
Other Comprehensive Income / (Expenses)			
Net Gains on Available-for-Sale Investments		-	-
Actuarial Gains / (Losses) on Defined Benefits Plan		-	-
Total Other Comprehensive Income / (Expenses)			
less: Tax Expense relating to Components of OCI		-	-
Total Comprehensive Income for the Year		-	-
Attributable to			
Equity Share Holders		21,388,704	15,712,215

Ganesh Prasad Pandey
Head - Accounts

Suman Dangol
Director

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Chief Operating Officer

Rabin Sapkota
Director

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Chief Executive Officer

Bimal Lamsal
Director

Dinesh Bhari
Director

Bishal Sigdel
Chairman

As per our report of even date
Arun Raut, FCA
Partner
S.R. Pandey & Co.
Chartered Accountants

Place: Kathmandu
Date : August 3, 2018



STATEMENT OF CASH FLOW

For the Period from 1st Shrawan 2075 to 31st Asadh 2076 (17th July 2018 to 16th July 2019)

Amount in NPR

	As at 16 July 2019	As at 16 July 2018
A. Cash Flow from Operating Activities		
Net Profit before Tax	30,664,372	21,009,150
Adjustments for:		
Depreciation expenses	2,478,040	2,171,402
Unrealized (gain)/loss in Investment	-	(45,288)
Opening reserve adjustment for unrealised gain on shares	-	-
Income Tax Paid	(9,275,668)	(5,296,934)
Dividend Paid	(14,736,842)	(2,105,263)
Dividend Received	(100,887)	-
Increase/(Decrease) in Liabilities	(22,904,422)	38,675,414
(Increase)/Decrease in Investments	(25,986,830)	(9,967,434)
(Increase)/Decrease in Fixed Deposits	4,400,000	(92,000,000)
(Increase)/Decrease in Other Assets	(9,545,366)	(5,358,962)
Net Cash Flow from Operating Activities (1)	(45,007,604)	(52,917,916)
B. Cash Flow from Financing Activities		
Increase/(Decrease) in Share Capital	-	100,000,000
Increase/(Decrease) in Long Term Loan	-	-
Dividend Received	100,887	-
Net Cash Flow from Financing Activities (2)	100,887	100,000,000
C. Cash Flow from Investing Activities		
Sale/(Purchase) of Tangible Fixed Assets	(2,312,500)	(2,479,296)
Sale/(Purchase) of Intangible Assets	-	(282,670)
Net Cash Flow from Investing Activities (1)	(2,312,500)	(2,761,966)
Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)	(47,219,217)	44,320,118
Cash and Cash Equivalents at beginning of the year/period	72,124,881	27,804,767
Cash and Cash Equivalents at end of the year/period	24,905,664	72,124,881

Ganesh Prasad Pandey
Head - Accounts

Suman Dangol
Director

Place: Kathmandu
Date : August 3, 2018

Manish Ghimire
Chief Operating Officer

Rabin Sapkota
Director

Ramendra Rayamajhi
Chief Executive Officer

Bimal Lamsal
Director

Dinesh Bhari
Director

Bishal Sigdel
Chairman

As per our report of even date
Arun Raut, FCA
Partner
S.R. Pandey & Co.
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

For the Period from 1st Shrawan 2075 to 31st Asadh 2076 (17th July 2018 to 16th July 2019)

Amount in NPR

	Share Capital	Retained Earnings	Total
Balance at the End of FY 2016/17	100,000,000	2,314,198	102,314,198
Issue of Share Capital	100,000,000	-	100,000,000
Profit / (Loss) for the Year	-	15,712,215	15,712,215
Other Comprehensive Income/ (Expense) net of tax	-	-	-
Transferred to General Reserve	-	-	-
Dividend Paid during the Year	-	(2,105,263)	(2,105,263)
Balance at the End of FY 2017/18	200,000,000	15,921,150	215,921,150
Issue of Share Capital	-	-	-
Profit / (Loss) for the Year	-	21,388,704	21,388,704
Other Comprehensive Income/ (Expense) net of tax	-	-	-
Transferred to General Reserve	-	-	-
Opening Adjustment for unrealised gain on shares	-	-	-
Dividend Paid during the Year	-	(14,736,842)	(14,736,842)
Balance at the End of FY 2018/19	200,000,000	22,573,011	222,573,011

Ganesh Prasad Pandey
Head - AccountsManish Ghimire
Chief Operating OfficerRamendra Rayamajhi
Chief Executive OfficerDinesh Bhari
Director

As per our report of even date

Suman Dangol
DirectorRabin Sapkota
DirectorBimal Lamsal
DirectorBishal Sigdel
Chairman

Arun Raut, FCA

Partner

S.R. Pandey & Co.

Chartered Accountants

Place: Kathmandu
Date : August 3, 2018



NOTES TO THE FINANCIAL STATEMENTS

as of Ashad End 2076 (16th July 2019)

1. OVERVIEW OF THE COMPANY

NIC ASIA Capital Limited is a wholly owned subsidiary of NIC ASIA Bank Limited which is one of the leading commercial bank of Nepal. NIC ASIA Capital Limited company registration number at Companies Registrar is 149312/72/073 with registered office at Trade Tower Nepal, Thapathali and correspondence address at Siddhartha Insurance Complex, Babar Mahal, Kathmandu and it has been registered in Inland Revenue Office with its PAN No.604259648.

NIC ASIA Capital Limited is formed with an objective of providing merchant banking and investment banking services like Issue Management & Underwriting, Registrar to Shares (RTS), Depository Participant (DP), Portfolio Management Services and Mutual Funds.

The company has received Merchant Banker License from SEBON dated Falgun 08, 2073. Under the license, the company is permitted to for providing Issue Management and Underwriting Services, Registrar to Shares and Portfolio Management Services. The company has received Fund Manager and Depository License from SEBON dated Ashad 18, 2074.

NIC ASIA Bank Limited, the parent company of NIC ASIA Capital Limited has received DP registration certificate from SEBON to operate as Depository Participants dated Ashwin 14, 2071 and membership license from the CDS and Clearing Ltd, dated Chaitra 03, 2071 as per the CDS Byelaws, 2058. The authority to provide DP services from Chaitra 09, 2073 through NIC ASIA Capital Limited has been received from CDS and Clearing Ltd on Chaitra 10, 2073. The company has not been registered in VAT as it provides financial service which is exempt under Schedule 1 of VAT Act, 2052.

The Board of Directors of the company acknowledges the responsibility of preparation of financial statements of the company. The financial statements were authorized for issue by the Board of Directors on 08 Bhadra 2076 and have been recommended for approval by shareholders in the Annual

General Meeting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Principle accounting policies are adopted in preparation of financial statements, which have been consistently applied unless otherwise stated.

2.1 Statement of Compliance:

The Financial Statements are presented in Nepalese Rupees, rounded to the nearest Rupee. The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) which was applicable from FY 2073/74. Further the financial statements are in compliance with Securities Act, 2063 and its regulation and in conformity with the Companies Act 2063 with Amendments and other relevant laws.

2.2 Basis of Preparation

The company while complying with the reporting standards, makes critical accounting judgement as having potentially material impact on the financial statements. The significant accounting policies that relate to the financial statements as a whole along with the judgements made are described herein.

Where an accounting policy is generally applicable to a specific item, the policy is described within that relevant note. NFRS requires the company to exercise judgement in making accounting estimates. Description of such estimates has been given in the relevant sections wherever they have been applied.

2.3 Reporting Pronouncements

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

2.4 Accounting Conventions

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The financial statements have been prepared on a going concern basis where the accounting policies and judgements as required by the standards are consistently used and in case of deviations disclosed specifically.

2.5 New reporting standards in issue but not yet effective

NFRS 9 – Financial Instruments has been issued but is not effective until further notified. 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.

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

A significant impact on classification and measurement including impairment of financial instruments, will arise as a result of application of NFRS 9.

2.6 Presentation

The financial statements have been presented in the nearest Nepalese Rupees.

For presentation of the statement of financial position assets and liabilities have been bifurcated into current and non-current distinction.

The statement of profit or loss has been prepared using classification 'by nature' method.

The cash flows from operation within the statement of cash flows have been derived using the indirect method.

2.7 Presentation currency

Financial statements are denominated in Nepalese Rupees, which is the functional and presentation currency of the company.

2.8 Accounting Policies and accounting estimates

The company, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and

operating environment. Further the company is required to make judgement 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.

Accounting policies have been included in the relevant notes for each item of the financial statements. The effect and nature of the changes, if any, have been disclosed.

NFRS requires the company to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements.

The company applies estimates in preparing and presenting the financial statements. The estimates and underlying assumptions are reviewed periodically. Revision to accounting estimates are recognized in the period in which the estimates is revised, and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.9 Financial Periods

The company follows the Nepalese financial year based on the Nepalese calendar.

2.10 Discounting

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material.

2.11 Limitation of NFRS implementation

If the information is not available and the cost to develop would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective section.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that are held for servicing, or for other purposes and are expected to be used during more than one period.

a. Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will



flow to the Company and cost of the asset can be reliably measured.

b. Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

The low value minor equipment below NRs 10,000 are not booked as Property, Plant and Equipment to ease record keeping and is shown under Office Accessories & Equipment's under General Administrative Expenses in Note 14 f as the cumulative impact of such amount is NRs. 61,576 and is considered immaterial.

c. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the statement of profit or loss as incurred.

d. De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in statement of profit or loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost is derecognized.

e. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset plus and incidental costs related to acquisition. Depreciation is recognized in the statement of profit or loss on the basis of life of the assets as defined/estimated by the management. The estimated useful lives for

the current and comparative periods are as follows:

Laptop and Computers	4 years
Battery	4 years
Furniture, Fixture, Office Equipment	6 years
Motor Cycle	6 years
Other Office Equipment's	2 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

f. Fixed Assets

	Balance as at 01/04/2075	Additions during the year	Disposals during the year	Balance as at 31/03/2076
At Cost				
Furniture & Office Equipment	4,965,480	850,577	-	5,816,057
Vehicle	170,000	207,400	-	377,400
Depreciation				
Furniture & Office Equipment	1,417,054	1,208,310	-	2,625,364
Vehicle	43,681	32,654	-	76,335
Net Book Value				
Furniture & Office Equipment	3,548,426	-	-	3,190,693
Vehicle	126,319	-	-	301,065
Net Book Value	3,674,745	-	-	3,491,758

4. INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

a. Basis of recognition

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

b. Amortization

Intangible assets are amortized over their estimated useful economic life on a straight-line basis.

They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives for the current and comparative periods are as follows:

- Software - 5 Years
- Leasehold Assets to the extent of lease period- 6 Years
- Amortization methods, useful lives and residual values are reviewed at each reporting date.

c. De-recognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

d. Intangible Assets

	Balance as at 01/04/2075	Additions during the year	Disposals during the year	Balance as at 31/03/2076
At Cost				
License & Software	2,165,080	-	-	2,165,080
Leasehold Assets	4,887,712	1,254,523	-	6,142,235
Depreciation				
License & Software	373,060	280,023	-	653,083
Leasehold Assets	1,180,983	957,053	-	2,138,036
Net Book Value				
License & Software	1,792,020	-	-	1,511,997
Leasehold Assets	3,706,729	-	-	4,004,199
Net Book Value	5,498,748	-	-	5,516,195

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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.

There are no assets that meet the recognition criteria for assets held for sale and discontinued operation.

6. FINANCIAL INSTRUMENTS

The Company's principal financial assets comprise assets held at fair value through profit and loss, financial assets measured at Amortized Cost and cash and cash equivalents. The main purpose of these financial instruments is to generate a return on the investment made by shareholders. The Company's principal financial liabilities comprise accrued expenses and other payables which arise directly from its operations.

In accordance with NFRS 39; Financial Instruments: Recognition and Measurement, the company's investment in Fixed Deposits are classified as Financial Assets measured at amortized cost, Equity securities are classified as fair value through profit and loss. The amount attributable to Shareholders is classified as equity. Payables are designated as Current and Non-Current liabilities at amortized cost.

a) Classification

The Fund's investments are classified as fair value through profit or loss and Financial Assets measured at Amortized Cost. They comprise:

- **Financial instruments classified as fair value through profit or loss**

Financial assets, held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized through profit or loss. This classification includes quoted equity securities held for trading.



- **Financial Assets measured at Amortized Cost:**

Financial Assets measured at Amortized Cost are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on an active market.

b) Recognition / De- recognition

The company recognizes financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognizes changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognized when the right to receive cash flows from the investments has expired or the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged or expired.

Realized gains and realized losses on de-recognition are determined using the weighted average method and are included in the profit or loss in the period in which they arise. The realized gain is the difference between an instrument's weighted average cost and disposal amount.

c) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of Profit or loss and other comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value 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.

The fair value of financial assets and liabilities traded in active

markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The quoted market price used for financial assets held by the Company is the cost price which has not been reclassified due to the assets not being listed in an active market till date and immaterial impact of such valuation.

Financial Asset measured at Amortized Cost

Financial Asset measured at amortized cost are measured initially at fair value plus transaction costs and subsequently amortized using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognized in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognized on a financial asset carried at amortized cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

d) Fair value measurement

The Company measures and recognizes the following assets and liabilities at fair value on a recurring basis:

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period:

NFRS 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

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

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

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

e) Financial Assets held at Amortized Cost -Non Current

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Fixed Deposit	70,000,000	60,000,000
Total	70,000,000	60,000,000

f) Loans & Advances-Non Current

The non-current security deposit is presented in fair value by discounting applying the rate of 10%. The unearned portion is shown as loans and advances (all non-current) and this year's expenses is charged as finance cost in SOPL.

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Security Deposit	390,593	362,823
Unearned Interest on Security Deposit	60,603	126,330
Total	451,196	489,153

g) Loans & Advances- Current

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Unearned Interest on Security Deposit	25,148	36,918
Total	25,148	36,918

h) Financial Assets measured at Amortized Cost-Current

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Fixed Deposit	97,600,000	112,000,000
Total	97,600,000	112,000,000

i) Financial Assets held at fair value through Profit or Loss

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Investment in Shares	26,047,705	60,875
Total	26,047,705	60,875

Name of Company	No of units	Cost	Cost Price	Market Value	Investment Value	Input Level
Civil Bank Limited	5,278	166.76	880,151	158	833,924	Level 1 Input
Sanima Bank Limited	6,032	344.37	2,077,255	348	2,099,136	Level 1 Input
Mukthinath Bikash Bank Limited	748	343.98	257,303	370	276,760	Level 1 Input

Name of Company	No of units	Cost	Cost Price	Market Value	Investment Value	Input Level
Himalayan General Insurance Company Limited	1,300	398.53	506,390	350	455,000	Level 1 Input
Neco Insurance Limited	1,000	535.56	535,562	495	495,000	Level 1 Input
Swadeshi Laghubitta Bittiya Sanstha Limited	27	96.30	2,600	578	15,606	Level 1 Input
Nirdhan Utthan Bank Limited	500	719.09	359,545	841	420,500	Level 1 Input
Shikhar Insurance Company Limited	152	587.98	130,414	771	117,192	Level 1 Input
Nepal Doorsanchar Comapany Limited	11,510	691.68	7,961,187	693	7,976,430	Level 1 Input
Chilime Hydropower Company Limited	1,317	517	680,594	521	686,157	Level 1 Input
NMB Bank Limited	5,000	385.01	1,925,069	382	1,910,000	Level 1 Input
Nepal Life Insurance Co. Ltd.	6,680	948.41	6,335,397	901	6,018,680	Level 1 Input
Kumari Bank Limited	3,000	210.08	630,254	220	660,000	Level 1 Input
Prabhu Bank Limited	5,000	268.38	1,341,900	266	1,330,000	Level 1 Input
Prime Commercial Bank Limited	6,000	287.49	1,724,938	278	1,668,000	Level 1 Input
BFIIN Promotor shares	10,000	100	1,000,000	100	1,000,000	Level 1 Input
Civil Bank Limited-unlisted	540	-	-	158	85,320	Level 1 Input

Present value	26,047,705
Cost	26,348,559
Net Unrealized Loss	(300,854)
Unrealized gain recognized till last year	58,675
decrease in Fair value	(359,529)

7. CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand and at bank. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.



Particulars	31 st Ashad 2076	32 nd Ashad 2075
Cash in Hand	22,132	12,246
Cash at Bank	24,883,534	72,112,635
Total	24,905,666	72,124,881

8. TRADE RECEIVABLES

Trade Receivables include amounts for dividends, interest and other trade receivables. Dividends are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 90 days of being recorded as receivables.

Receivable are recognized and carried at amortized cost, less a provision for any uncollectable debts. An estimate for doubtful debt is made when collection of an amount is no longer probable.

Recoverability of receivable is reviewed on an ongoing basis at an individual portfolio level, Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognized when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade & Other Receivables

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Trade Receivables	2,293,012	897,042
PMS Clients	1,278,577	48,552
Mutual Fund Receivables	11,461,808	6,451,097
Other Receivables	146,143	100
Total	15,179,540	7,396,791

9. PREPAID EXPENSES, DEPOSITS & ADVANCES

Prepaid Expenses, Deposits & Advances may include amounts for advance tax, prepaid expenses and other advances.

The advance tax represents TDS receivable and tax deposited by the company. Advance tax for the Income Year paid by the company has been settled with the provision for income tax liability and are presented as Net Advance tax as current assets

Prepaid Expenses, Deposits & Advances are recognized and carried at amortized cost, less a provision for any uncollectable debts. An estimate for doubtful debt is made when collection of an amount is no longer probable.

Recoverability of receivable is reviewed on an ongoing basis at an individual portfolio level, Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognized when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Prepaid Expenses & Advances

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Advance Tax	1,062,075	148,162
Prepaid Expenses	450,230	288,753
Other Advance	402,050	28,330
Interest Receivable	47,055	24,945
Total	1,961,410	490,189

10. EMPLOYEE BENEFIT

Define contribution plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund Contributions in accordance with the respective statutes and regulations.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

Employees' provident fund

The company contributes 10% of the salary of each employee to the Employees' Provident Fund managed by government of Nepal.

Gratuity After Bhadra 19, 2074

The Gratuity Liability of 8.33% on Basic Salary of all staff after Bhadra 19, 2074 is computed as per New Labour Act 2074 and

provided accordingly treating it as defined contribution plan as the contribution is fixed.

Citizens' Investment Trust

The company doesn't contribute to the Citizens' Investment Trust but employee may contribute according to their preference.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits i.e.; gratuity under the Labor Act, 2048. Gratuity under Labour Act 2074 from Bhadra 19, 2074 is a defined contribution plan and disclosed separately as above. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated as at the reporting date based on an internally generated model as on Bhadra 19, 2075.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

Gain or loss on re measurement of the plan will be recognized in other comprehensive income.

Employee Benefits

Particulars	31 st Ashad 2076	32 nd Ashad 2075
At the beginning of the Year	1,035,143	56,984
Recognized on Income Statement	1,464,228	1,050,323
Recognized on OCI	-	-
Payments/ Payables during the Year	(684,487)	(72,364)
At the end of the Year	1,814,884	1,035,143

11. TRADE & OTHER PAYABLE

Trade Payable includes amounts payable related to expenditure including issue Management and RTS services. Payable are recognized and carried at fair value of liability. Discounting is made only for material non-current payables.

Non-current payable includes accrued rent amount created due to Lease rental for premises charged on straight line basis in accordance to the lease.

Current trade and other payables include payable to be paid with 90 days.

a. Trade & Other Payable-Non Current

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Accrued Rent (As per NFRS)	565,258	463,624
Total	565,258	463,624

b. Trade & Other Payable-Current

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Auction Share Collection Payable	792,469	789,287
Right Share Collection	72,620	28,320,020
NIC ASIA GROWTH Fund Collection	500	-
Fees and taxes payable	103,660	-
Renounce Charge	-	8
Right Refund	192,650	192,650
Sahayogi Dividend Payables	9,197,720	2,030,434
Sahayogi Refund	448,597	448,997
Incentive to PMS Referral	-	-
Advance Renewal Fee	1,100	15,000
Advance - Mero Share Renewal Fees	2,350	-
Advance From PMS	191,876	-
Advance Received - Account Opening	2075	50
Surya Life Insurance Notice Refund	8,989	-
Staff Payable	3,683,787	2,228,631
Provident Fund Payable	248,212	77,680
CIT Fund Payable	53,146	10,000
Performance Guarantee held	25,000	50,000
Audit Fee Payable	85,000	78,050
Notice Publication	-	93,652
TDS Payable	100,566	74,346
Sundry Creditors	528,101	654,249
Payable to Regulatory Authorities	3,084,938	7,356,811
Shared Service Fee Payable	1,130,948	654,764
Other Payable	847,182	1,512,653
Total	20,801,486	44,587,282

12. IMPAIRMENT

The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets.



13. REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the associated costs incurred or to be incurred can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable, net of sales returns, trade discounts and revenue related taxes.

Revenue for services rendered is recognized in the statement of profit or loss after delivery of the service whereas in case of Issue Management Service, the advance received is recognized as Income as the fees are non-refundable and immaterial and there is no other mechanism to properly estimate the percentage of the work completed and the time required to complete the issue management.

Interest income is recognized in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/ (losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 6.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognized on the ex-dividend date net of withholding tax.

a. Income from Merchant Banking

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Income from Issue Management	520,750	4,677,640
Income from Depository Participant	19,232,874	21,138,091
Income from Share Registrar	4,379,506	1,845,377
Income from Portfolio Management Services	1,408,195	457,142
Total	25,541,325	28,118,250

b. Income from Mutual Fund

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Income from Mutual Fund	17,696,927	5,820,731
Total	17,696,927	5,820,731

c. Interest Income

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Interest on Fixed Deposit	22,987,040	16,283,137
Interest on Call Accounts	2,075,079	6,898,522
Total	25,062,119	23,181,659

d. Other Income:

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Net Realized (losses)/Gains on financial Assets at Fair Value Through Profit or loss	1,279,102	37,765
Dividend Income	100,887	-
Miscellaneous Income	79,650	13,875
Net Unrealized Gains on financial assets at Fair Value Through Profit or Loss	(359,529)	45,288
	1,100,110	96,927
Net Realized Gains on Financial Assets at Fair value through Profit or Loss	1,279,102	37,765
(Losses)/Gains on disposal of equity securities	1,279,102	37,765

14. EXPENDITURE

All expenses except specially mentioned are accounted on accrual basis. All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year and presented in statement of profit or loss.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the income statement in the year in which the expenditure is incurred. The profit earned by the Company is before income tax expense and after making provision for all known liabilities and for the depreciation of property, plant & equipment.

a. Merchant Banking Expenses

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Depository Participant Expense	5,003,155	9,048,873
RTS Expense	186,160	91,552
Portfolio Management Expenses	109,879	94,057
Issue management Expenses	18,978	233,882
License Fee to SEBON	-	325,000
Merchant Banking Membership Renewal Fee to SEBON	650,000	500,000
Renewal Fees Mero Share Charge-Sebon	48,648	-
Membership Fee - Merchant Bankers Association	60,000	-
Account Opening Charge -SEBON	97,280	-
Auction Form Charge-Sebon	7,705	-
Total	6,181,805	10,293,364

b. Mutual Fund Expenses

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Mutual Fund Expenses	884,846	291,037
Fund Manager License Renewal Fee to SEBON	125,000	125,000
Total	1,009,846	416,037

c. Staff Cost

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Staff Service from NIC ASIA	-	574,290
Remuneration	12,942,102	10,599,229
Contribution to Defined Contribution Plan (PF)	717,080	332,968
Force Leave Expenses	744,119	-
Dashain Allowances	870,350	272,520
Other Staff Expenses	411,444	153,422
Incentives for Staff	179,229	83,349
Training	7,345	8,000
Particulars	31 st Ashad 2076	32 nd Ashad 2075
Leave Encashment and Gratuity	1,464,228	1,050,523
Medical Insurance	37020	-
Staff Bonus*	3,411,266	2,100,915
Total	20,784,183	15,175,215

*Provision for staff bonus is made as per Bonus Act at ten percent of net profit without such bonus.

d. Premises cost

Lease rental for premises are charged on straight line basis in accordance to the lease. All other expenses are recognised when they become due for payment.

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Office Rent	2,390,267	2,258,520
Office Rent (As per NFRS on Operating Lease)	101,633	233,380
Utility Expenses	889,561	901,064
Store Room Rent	99,600	95,450
Security Charge	633,240	407,369
Total	4,114,301	3,895,783

*Note-The company has entered into lease agreement from 1 Poush 2073 for a period of 6 years with Siddhartha Insurance Ltd for lease property.

e. Advertisement and Promotion Expenses

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Advertisement Expenses	166,201	69,156
Domain Registration Charge	3,390	2,825
Marketing & PR	570,243	1,211,422
Program Expenses	-	55,225
Social Service Expenses	-	13,865
Web & Mail Hosting	19,775	39,550
Website Development	-	3,000
Total	759,609	1,395,043

f. General Administrative Expenses

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Insurance Expenses	53,461	33,494
Office Accessories & Equipments	61,576	28,673
Office Utilities	41,495	13,219
Messenger Service	-	155,735
Office Expenses	798,132	873,752
Repair & Maintenance	71,580	81,553
AGM Expenses	12,501	18,543
Audit Expenses	5,700	3,265
Bank Charge	9,624	5,758
Board Meeting fee & Expenses	274,520	151,010
Balance write off	30,760	-
Prior Period Expenses	14,328	-
Capital Increment Fees	-	30,000



Particulars	31 st Ashad 2076	32 nd Ashad 2075
Certification Charges	-	5,650
Audit Fee	80,000	79,100
Courier Charges	18,678	27,634
Fine & Penalties	144,283	5,486
General Expenses	1,589	7,860
Fees and taxes-municipal taxes	103,660	-
Global Touch IT - AMC	56,585	4,415
Miscellaneous Expenses	11,400	-
Membership Fee - BFIN	50,000	-
Printing & Stationery Expenses	575,994	479,899
Shared Service from Bank	476,184	476,189
Software Support Charges	142,380	279,500
Tally AMC Charge	29,999	5,000
System X Software	32,806	-
Trademark Expenses	-	1,000
Transportation Charge	8,940	10,950
Travelling Expenses	132,787	38,645
Audit Committee Meeting Allowances	25,000	-
Risk Committee Meeting Allowances	70,000	-
Toll Free Expenses	1,000	-
Tax Expenses	92	-
Vehicle Tax	8,550	8,000
Total		

15. INCOME TAX EXPENSE

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

a. Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment made to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Taxation

Particulars	31 st Ashad 2076	32 nd Ashad 2075
Income Tax Expenses	9,616,791	5,598,433
Deferred Tax Expenses/(Income)	(341,123)	(301,499)
Total	9,275,667	5,296,934

b. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period to cover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax assets is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, based on the level of future taxable profit forecasts and tax planning strategies.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred Tax Asset

	31 st Ashad 2076	32 nd Ashad 2075
13.1 Deferred Tax Asset		
Balance at the beginning of the Year		
Provision/ Release of timing difference made during the Year	714,043	449,630
Balance as at the end of the Year	714,043	449,630
13.2 Deferred Tax Liability		
Balance at the beginning of the Year		-
Provision/ Release of timing difference made during the Year	138,021.85	214,732
Balance as at the end of the Year	138,022	214,732
Net Deferred Tax (Asset)/ Liability	(576,021)	(234,898)
13.3 Deferred Tax Liability relates to the following		
Temporary difference from Property, Plant & Equipment	760,927	670,486
Temporary difference from Unrealized gain on Investment	(565,258)	(463,624)
Temporary difference from Operating Lease (Rent)	(300,854)	45,288
Temporary difference from Employee Benefits	(1,814,884)	(1,035,143)
Brought forward Tax Loss	-	-
Temporary Difference	(1,920,069)	(782,993)
Tax @	30%	30%

16. SHARE CAPITAL

Particulars	31 st Ashad 2076			32 nd Ashad 2075
	Number	Per Unit Value	Amount	Amount
Authorized Capital	2,000,000	100	200,000,000	200,000,000
Issued Capital	2,000,000	100	200,000,000	200,000,000
Subscribed Capital	2,000,000	100	200,000,000	200,000,000

Paid Up Shares (Number)	31 st Ashad 2076	32 nd Ashad 2075
Fully Paid Ordinary Shares at the beginning of the Year	2,000,000	2,000,000
Number of Shares subscribed	-	-
Fully Paid Ordinary Shares at the end of the Year (Number)	2,000,000	2,000,000
Per unit Value of the Shares Ordinary Shares (Amount)	100	100
Fully Paid Ordinary Shares (Amount) (Rs.)	200,000,000	200,000,000

The detail of share ownership is presented below

Share Ownership Detail	%	Share Capital (Rs.)
1. Domestic ownership	100	200,000,000
1.1 NIC ASIA Bank Limited	100	200,000,000
2. Foreign Ownership	-	-
Total	100	200,000,000

17. CAPITAL COMMITMENTS & CONTINGENCIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

18. EVENTS AFTER THE REPORTING DATE.

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

19. SEGMENTAL REPORTING

The company is organized for management and reporting purposes into segments such as: Portfolio Management Services, Issue Management Services, Registrar to Shares, Depository Participants and Others. The segmental information is immaterial.

20. RELATED PARTY TRANSACTION

- The total interest income earned by NIC ASIA Capital Limited on Bank Accounts maintained in NIC ASIA Bank Ltd. for FY 2075/76 is Rs. 24,25,651.07.
- The Company has been appointed as the Share Registrar of NIC ASIA Bank Limited for an annual fee of Rs. 8,25,000.
- The company has reimbursed NPR 4,76,184.00 as staff expense as per the Service Level Agreement with the Bank for providing necessary operational and technical support.

21. EVENTS AFTER REPORTING PERIOD

The company monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting



events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

There are no material events that have occurred subsequent to 16 July 2019 till the signing of this financial statement.

22. PROPOSED DIVIDEND

The Board of Directors meeting of NIC ASIA Capital Limited has proposed cash dividend of 11.00% (including corporate dividend tax) for fiscal year 2075/76.

As per our report on even date

Ganesh Prasad Pandey
Head - Accounts

Manish Ghimire
Chief Operating Officer

Ramendra Rayamajhi
Chief Executive Officer

Dinesh Bhari
Director

Arun Raut, FCA
Partner
S.R. Pandey & Co.
Chartered Accountants

Suman Dangol
Director

Rabin Sapkota
Director

Bimal Lamsal
Director

Bishal Sigdel
Chairman

Date: August 25, 2019

Place: Kathmandu



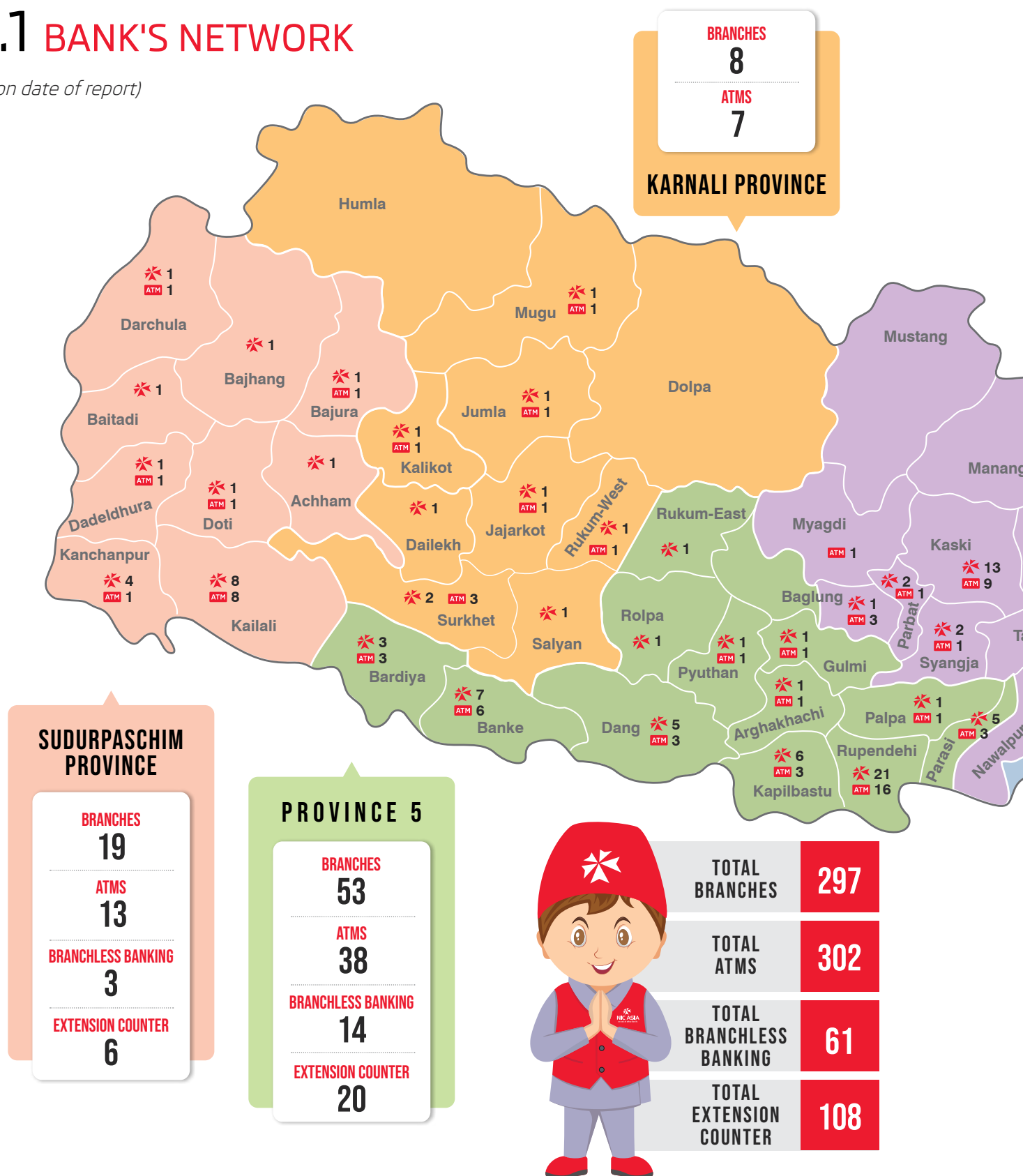
NETWORK OF NIC ASIA BANK

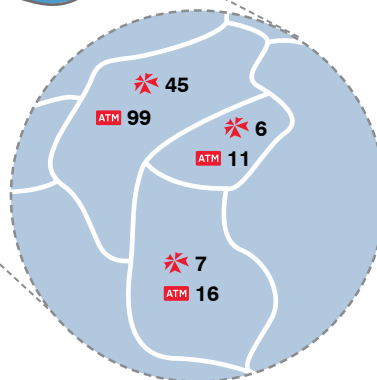
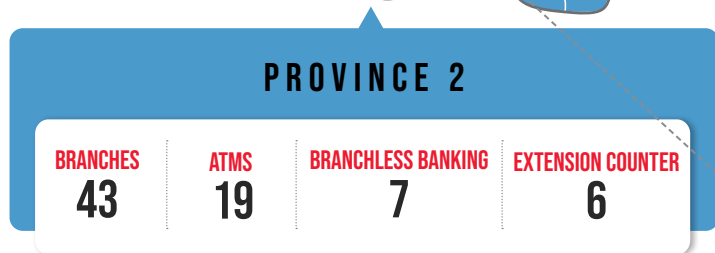
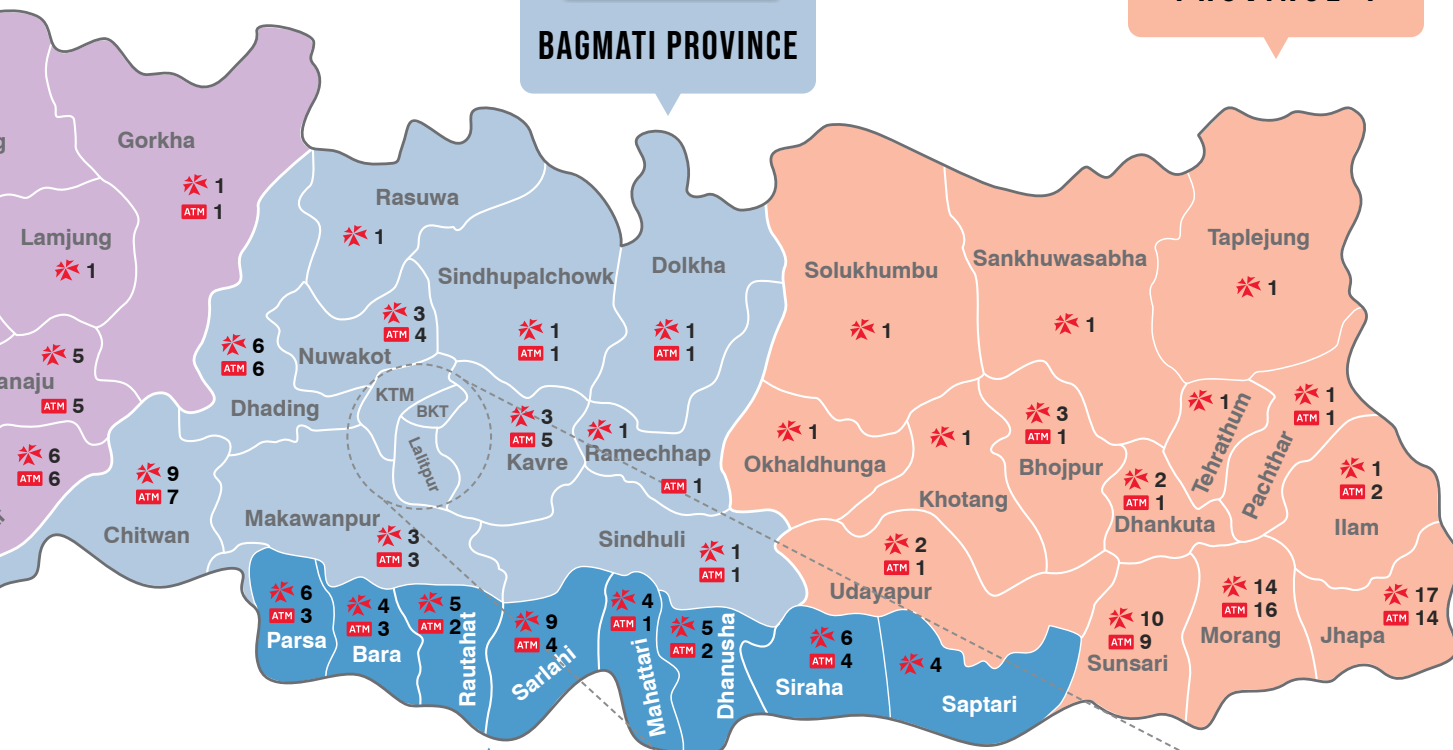
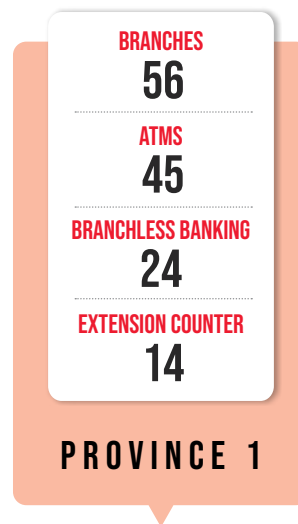
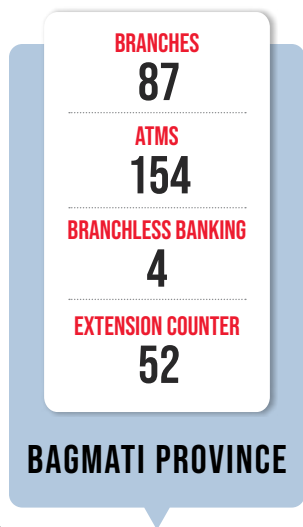
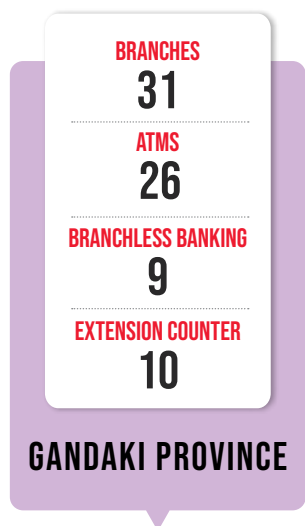
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9.1 BANK'S NETWORK

(As on date of report)





9.2 SUBSIDIARIES



NIC ASIA Laghubitta Bittiya Sanstha Ltd.

एन आई सी एशिया लघुवित वित्तीय संस्था लि.

(Subsidiary of NIC ASIA Bank Limited)

Bheri-4, Khalanga, Jajarkot

Tel No: 089 430366/68

Fax No: 089 4300367

Email: info@nicasialaghubitta.com

Website: www.nicasialaghubitta.com



**NIC ASIA
CAPITAL**

(Subsidiary of NIC ASIA Bank Limited)

3rd Floor, Siddhartha Insurance Complex,

Babar Mahal, Kathmandu

Tel No: +977-01-5705994 (Hunting Line),

5705664, 5706318, 5705337

Fax No: 977-1-5706458

Email: info@nicasiacapital.com

Website: www.nicasiacapital.com

BRANCHES OF NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

S.N	Branch Name	Address	S.N	Branch Name	Address
1	Khalanga	Jajarkot, Bheri Malika-4	32	Hakui	Nawalparasi, Ramgram-16
2	Thalah	Jajarkot, Chhedagadh-5	33	Magarkot	Nawalparasi, Kawasoti-10
3	Chaurjahari	Rukum, Chaurjahari-1	34	Narayanpur	Kailali, Tikapur-6
4	Kotihawa	Rupandehi, Tilottama-15	35	Bangesimal	Surkhet, Birendranagar-1
5	Sallibazar	Salyan, Bangadh Kupinde-1	36	Dalli	Jajarkot, Tribeni Nalgand-7
6	Lawani	Kapilvastu, Suddhodhan Ga Pa-3	37	Gothijeula	Jumla, Kanakasundari-6
7	Bhutaha	Nawalparasi, Bardaghat-10	38	Parsa	Chitwan, Khairhani-6
8	Imiliya	Kapilvastu, Buddha Bhumi-9	39	Bansgadhi	Bardiya, Bansgadhi-9
9	Simli	Rukum, Sani Bheri Ga Pa-9	40	Masuriya	Kailali, Gauriganga-8
10	Chhinchu	Surkhet, Bheriganga-12	41	Bahadurganj	Kapilvastu, Krishnanagar-7
11	Chappargaudi	Banke, Kohalpur, -12	42	Bodgaun	Kapilvastu, Banganga-6
12	Ramapur	Rupandehi, Sainamaina-10	43	Dumkibas	Nawalparasi, Binai Tribeni-1
13	Jamunebazar	Surkhet, Simta-9	44	Hupsekot	Nawalparasi, Humsekot-3
14	Chhapiya	Rupandehi, Siyari Ga Pa-4	45	Gobaraia	Nawalparasi, Sarawal-4
15	Bethari	Rupandehi, Mayadevi Ga Pa-6	46	Sauraha	Chitwan, Ratnanagar-6
16	Manpakadi	Rupandehi, Suddhodhan Ga Pa-5	47	Laundihawa	Rupandehi, Gaidawa-3
17	Shankarpur	Rupandehi, Devadaha-12	48	Bahuniya	Kailali, Bardagoriya-1
18	Gadawa	Dang, Gadawa-6	49	Ganapur	Banke, Janaki Rmp-6
19	Mehelkuna	Surkhet, Gurbhakot-8	50	Basantapur	Rupandehi, Om Satiya-4
20	Sardi	Nawalparasi, Binayi-4	51	Chaukune	Surkhet, Chaukune-8
21	Bhumai	Nawalparasi, Sunwal-12	52	Hasuliya	Kailali, Kailari Ga Pa-5
22	Baruwa	Nawalparasi, Susta-1	53	Samjhanachowk	Banke, Baijanath Rmp-6
23	Padampur	Chitwan, Kalika-04	54	Milanchowk	Banke, Duduwa Rmp-5
24	Joshiapur	Kailali, Joshipur-2	55	Dumara	Kapilvastu, Mayadevi Rmp-2
25	Punarbhas	Kanchanpur, Punarbaas-3	56	Shantibazar	Bardiya, Geruwa Rmp-3
26	Jumla	Jumla, Chandannath-6	57	Swathi	Nawalparasi, Sunwal-9
27	Bestada	Dailekh, Bhagwatimai Ga Pa-1	58	Kurintar	Chitwan, Ichhakamana-4
28	Shamshergunji	Banke, Raptisunari-8	59	Dhikure	Nuwakot, Likhu-1
29	Mainapokhar	Bardiya, Badaiyataal-06	60	Mudebajar	Sindhupalchowk, Lisankhupakhar Ga Pa-5
30	Sisahanija	Dang, Rapti Ga Pa-5	61	Hattisudhe	Makwanpur, Bakaiya Ga Pa-3
31	Semara	Rupandehi, Tilottama-7			



9.3 BUSINESS PARTNERS

CORRESPONDENT BANK

S.N.	Correspondent Bank Name	Location	Swift Code
1	Standard Chartered Bank	Frankfurt, Germany	SCBLDEF
2	Commerz Bank Ag	Frankfurt, Germany	COBADEFF
3	Standard Chartered Bank	London, United Kingdom	SCBLGB2L
4	Standard Chartered Bank	Mumbai, India	SCBLINBB
5	HDFC Bank	Mumbai, India	HDFCINBB
6	Mashreq Bank Psc	Mumbai, India	MSHQINBB
7	ICICI Bank Limited	Mumbai, India	ICICINBB
8	Standard Chartered Bank	Tokyo, Japan	BOTKJPJT
9	Bank Of Tokyo-Mitsubishi Ufj, Ltd	Tokyo, Japan	SCBLJPJT
10	Standard Chartered Bank	Singapore	SCBLSG22
11	ICICI Bank Ltd	Hong Kong	ICICHKHHCLR
12	Standard Chartered Bank	New York, USA	SCBLUS33
13	Mashreq Bank Psc	New York, USA	MSHQUS33
14	Kookmin Bank	Seoul, South Korea	CZNBKRSE

DOMESTIC REMITTANCE PARTNERS FOR NIC ASIA REMIT

Domestic Remittance Partners	Address
Advance Money Transfer	China Town Building, China Town Rd, Kathmandu
Bhatbhateni Money Transfer	Kanti Path, Kathmandu
Cashway Money Transfer Pvt. Ltd.	Shanta Plaza, Ratopul
Century Commercial Bank Ltd.	Putalisadak, Kathmandu
CG Remit Pvt. Ltd	Saket Complex, Kathmandu
City Express Money Transfer Pvt. Ltd.	Kamaladi, Kathmandu
Easylink Remittance Company	Naya Bazaar Marg, Kathmandu
Esara Remit Pvt. Ltd	Hattisar Sadak, Kathmandu
ESEWA Money Transfer	Hattisar Sadak, Kathmandu
Garima Bikas Bank Ltd.	Lazimpat, Kathmandu
GME Remit Pvt Ltd.	Hathway Complex, Lazimpat, Kathmandu
IME Limited	IME Complex, Panipokhari, Kathmandu
I PAY Remit Pvt. Ltd.	Gairidhara Rd 2, Kathmandu
JME Remit Company	Sherpa Mall, Durbar Marg, Kathmandu
Jyoti Bikash Bank Ltd.	Kamaladi, Kathmandu

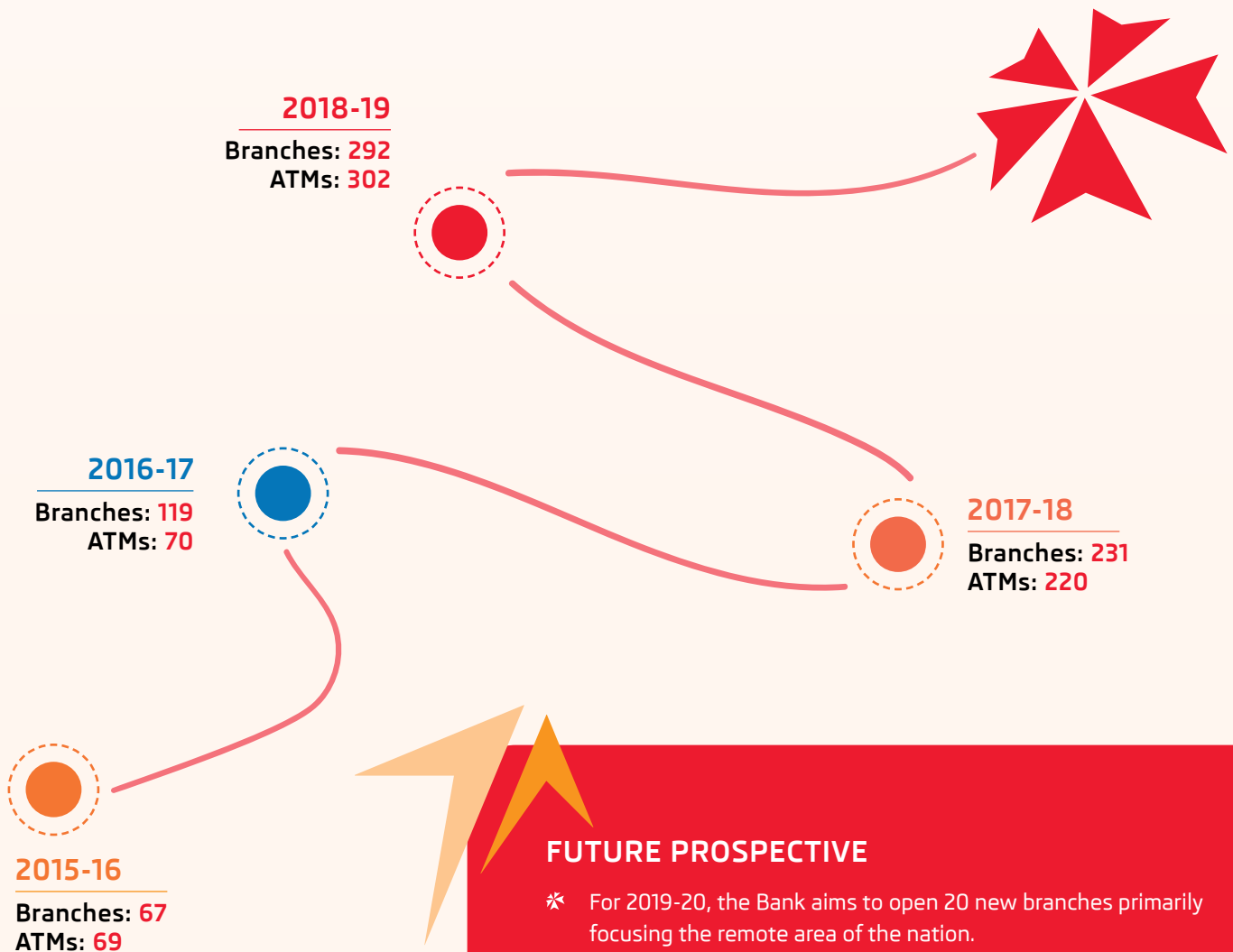
Domestic Remittance Partners	Address
Kumari Bank Ltd.	Tangal, Kathmandu
Lumbini Bikas Bank Ltd.	Dilibazar, Kathmandu
Mega Bank Nepal Ltd.	Rising Mall, Kamaladi, Kathmandu, Nepal
Nepal Investment Bank Limited.	Putalisadak, Kathmandu
Nepal Remit International Pvt. Ltd.	Hattisar Rd, Kathmandu
Panos Remit	Devkota Sadak, New Baneshwor, Kathmandu
Prabhu Money Transfer	Kamaladi, Kathmandu
Ramro Remit Pvt. Ltd.	Baluwatar, Kathmandu
Remit to Nepal	Chakupat, Lalitpur, Nepal
Samsara Private Limited.	Narayanchaur, Naxal, Kathmandu
Sanima Bank Limited.	Naxal, Kathmandu
Sewa Remit Pvt. Ltd.	Kuleshwor-14, Kathmandu
United Remit Pvt. Ltd.	New Road, Kathmandu
Western Union - Annapurna Travel & Tours (P) Ltd	Durbar Marg, Kathmandu

INTERNATIONAL REMMITANCE PARTNER FOR NIC ASIA REMIT

S.N	International Remittance Partners	Product Name	Remittance Receiving Countries
1	Asian Net Co., Ltd.	OK Remit	Japan
2	Lumbini Group Pty Ltd.	Legal Remit	Australia
3	Orbit Remit Limited.	Orbit Remit	New Zealand Australia United Kingdom
4	World Remit Ltd.	World Remit	Australia Austria Belgium Bulgaria Canada Croatia Cyprus Czech Republic Denmark Estonia Finland France Germany Gibraltar Greece Hong Kong Hungary Iceland Ireland Italy Japan Latvia Lithuania Luxembourg Malta Netherlands New Zealand Norway Poland Portugal Romania Saudi Arabia Singapore Slovakia Slovenia Somaliland South Africa Spain Sweden Switzerland United Kingdom United States
5	Kantipur Pty Ltd	NIC ASIA Remit	Australia
6	Axis Bank Limited	Remit Money	India
7	Al Muqren Exchange	NIC ASIA Remit	UAE



BANK'S BRANCHES AND ATMs THROUGH THE YEARS



PROVINCE WISE BRANCH DETAIL

PROVINCE 1

Branch Name	District	Local Bodies	Ward
Damak	Jhapa	Damak Municipality	8
Gaighat	Udayapur	Triyuga Municipality	11
Biratnagar	Morang	Biratnagar Metropolitan City	3
Itahari	Sunsari	Itahari Sub-Metropolitan City	1
Ilam	Ilam	Ilam Municipality	1
Birtamod	Jhapa	Birtamod Municipality	7
Purwanchal Campus	Sunsari	Dharan Sub-Metropolitan City	8
Dharan Main	Sunsari	Dharan Sub-Metropolitan City	10
Biratchowk	Morang	Sundarharaicha Municipality	3
Chandragadi	Jhapa	Bhadrapur Municipality	6
Urlabari	Morang	Urlabari Municipality	7
Puspahal Chowk	Morang	Budhiganga Rural Municipality	1
Budhabare	Jhapa	Jhapa Rural Municipality	6
Gauradaha	Jhapa	Gauradaha Municipality	3
Hile	Dhankuta	Dhankuta Municipality	1
Jhumka	Sunsari	Ramdhuni Municipality	5
Duhabi	Sunsari	Duhabi Municipality	3
Bhojpur	Bhojpur	Bhojpur Municipality	7
Okhaldhunga	Okhaldhunga	Siddhicharan Municipality	12
Dhulabari	Jhapa	Mechinagar Municipality	1
Kerabari	Morang	Kerabari Rural Municipality	10
Jhijhile	Jhapa	Shivasatakshi Municipality	1
Kakarvitta	Jhapa	Mechinagar Municipality	6
Tarahara	Sunsari	Itahari Sub-Metropolitan City	20
Ramailo	Morang	Kanepokhari Rural Municipality	6
Jhapa Bazar	Jhapa	Jhapa Rural Municipality	2
Kachankawal	Jhapa	Kachanakawal Rural Municipality	6
Sanishchare	Jhapa	Arjundhara Municipality	8
Baliya	Morang	Sundarharaicha Municipality	5
Belbari	Morang	Belbari Municipality	3
Letang	Morang	Letang Municipality	4
Biratnagar Main Road	Morang	Biratnagar Metropolitan City	7
Charpane	Jhapa	Birtamod Municipality	2
Surunga	Jhapa	Kankai Municipality	3
Dingla	Bhojpur	Shadananda Municipality	4
Gaurigunj	Jhapa	Gauriganj Rural Municipality	3
Baikunthe	Bhojpur	Ramprasad Rai Rural Municipality	6
Manebhanjyang	Sankhuwasabha	Khandabari Municipality	3
Myanglung	Terhathum	Myanglung Municipality	1
Falgunanda Chowk	Jhapa	Damak Municipality	1
Inaruwa	Sunsari	Inaruwa Municipality	2
Prakashpur	Sunsari	Baraha Municipality	10
Roadcess Chowk	Morang	Biratnagar Metropolitan City	9
Rani Mills Area	Morang	Biratnagar Metropolitan City	15
Dhankuta	Dhankuta	Dhankuta Municipality	7
Damak Chowk	Jhapa	Damak Municipality	5
Pachruki	Sunsari	Itahari Sub-Metropolitan City	5
Haat Khola	Morang	Biratnagar Metropolitan City	7
Buddhachowk	Sunsari	Dharan Sub-Metropolitan City	18
Katari	Udayapur	Katari Municipality	4
Birta Bazar	Jhapa	Birtamod Municipality	3
Phidim	Panchthar	Phidim Municipality	1
Pathari	Morang	Pathari Shanishchare Municipality	1

Branch Name	District	Local Bodies	Ward
Fungling	Taplejung	Phungling Municipality	5
Diktel	Khotang	Rupakot Majhuwagadhi Municipality	1
Salleri	Solukhumbu	Solu Dhudhakunda Municipality	5

PROVINCE 2

Branch Name	District	Local Bodies	Ward
Janakpur	Dhanusa	Janakpur Sub-Metropolitan City	6
Lahan	Siraha	Lahan Municipality	6
Malangawa	Sarlahi	Malangawa Municipality	8
Hariwon	Sarlahi	Hariwan Municipality	9
Gaur	Rautahat	Gaur Municipality	7
Siraha	Siraha	Siraha Municipality	4
Birgunj	Parsa	Birgunj Metropolitan City	13
Kalaiya	Bara	Kalaiya Sub-Metropolitan City	7
Mirchaiya	Siraha	Mirchaiya Municipality	4
Jeetpur	Bara	Jitpur Simara Sub-Metropolitan City	7
Chandranigahapur	Rautahat	Chandrapur Municipality	4
Tinkauriya	Dhanusa	Bideha Municipality	7
Naraha	Siraha	Naraha Rural Municipality	6
Loharpatti	Mahottari	Loharpatti Municipality	6
Kabilasi	Sarlahi	Kabilashi Municipality	8
Haripurwa	Sarlahi	Haripurwa Municipality	5
Bankul Bazar	Rautahat	Boudhimai Municipality	7
Samsi	Mahottari	Samsi Rural Municipality	4
Bhagwanpur	Siraha	Bhagawanpur Rural Municipality	4
Langadi	Parsa	Dhobini Rural Municipality	4
Mahadewa	Saptari	Mahadewa Rural Municipality	6
Tiruhath	Saptari	Tirahut Rural Municipality	1
Saghara	Dhanusa	Kamala Municipality	4
Rajbiraj	Saptari	Rajbiraj Municipality	8
Golbazar	Siraha	Golbazar Municipality	4
Chakraghatta	Sarlahi	Chakraghatta Rural Municipality	3
Simara Bhawanipur	Rautahat	Gujara Municipality	9
Barathawa	Sarlahi	Barathathawa Municipality	5
Bagmati	Sarlahi	Bagmati Municipality	12
Lalbandi	Sarlahi	Lalbandi Municipality	7
Viswa	Parsa	Chhipaharmai Rural Municipality	5
Garuda	Rautahat	Garuda Municipality	8
Jagarnathpur	Parsa	Jagarnathpur Rural Municipality	4
Mahendranagar	Dhanusa	Chhireswornath Municipality	5
Nijgadh	Bara	Nijgadh Municipality	8
Fattepur	Saptari	Saptakoshi Municipality	1
Gaushala	Mahottari	Gaushala Municipality	5
Bailbas	Sarlahi	Ishworpur Municipality	6
Pidari Chowk	Dhanusa	Janakpur Sub-Metropolitan City	8
Pheta	Bara	Pheta Rural Municipality	3
Linkroad	Parsa	Birgunj Metropolitan City	8
Powerhouse Chowk	Parsa	Birgunj Metropolitan City	17
Bardibas	Mahottari	Bardibas Municipality	1

BAGMATI PROVINCE

Branch Name	District	Local Bodies	Ward
New Road, Bishal Bazar	Kathmandu	Kathmandu Metropolitan City	7
Kamaladi	Kathmandu	Kathmandu Metropolitan City	11
Pulchowk	Lalitpur	Lalitpur Metropolitan City	8
Kirtipur	Kathmandu	Kirtipur Municipality	5
Satdobato	Lalitpur	Lalitpur Metropolitan City	5
Teku	Kathmandu	Kathmandu Metropolitan City	6
Pepsicola	Kathmandu	Kathmandu Metropolitan City	28
Thankot	Kathmandu	Chandragiri Municipality	8
Thamel	Kathmandu	Kathmandu Metropolitan City	29
Baneshwor	Kathmandu	Kathmandu Metropolitan City	8
Boudha	Kathmandu	Kathmandu Metropolitan City	6
Tripureswore	Kathmandu	Kathmandu Metropolitan City	
Jawalakhel	Lalitpur	Lalitpur Metropolitan City	10
Newroad	Kathmandu	Kathmandu Metropolitan City	22
Banepa	Kavrepalanchok	Banepa Municipality	7
Bhaktapur	Bhaktapur	Bhaktapur Municipality	2
Kalanki	Kathmandu	Kathmandu Metropolitan City	10
Chhetrapati	Kathmandu	Kathmandu Metropolitan City	3
Maharajgunj	Kathmandu	Kathmandu Metropolitan City	6
Narayanganj	Chitawan	Bharatpur Metropolitan City	4
Samakhushi	Kathmandu	Kathmandu Metropolitan City	29
Bagbazar	Kathmandu	Kathmandu Metropolitan City	30
Kaushaltar	Bhaktapur	Madhyapur Thimi Municipality	7
Gwarko	Lalitpur	Lalitpur Metropolitan City	6
Khumaltar	Lalitpur	Lalitpur Metropolitan City	5
Sukedhara	Kathmandu	Kathmandu Metropolitan City	4
Dillibazar	Kathmandu	Kathmandu Metropolitan City	30
Balaju	Kathmandu	Kathmandu Metropolitan City	7
Kapan	Kathmandu	Kathmandu Metropolitan City	9
Golfutar	Kathmandu	Budhanilikhantha Municipality	7
Lazimpat	Kathmandu	Kathmandu Metropolitan City	10
Hetauda	Makwanpur	Hetauda Sub-Metropolitan City	3
Parsa	Chitawan	Khairahani Municipality	8
Charikot	Dolakha	Bhimeshwar Municipality	3
Sindhuli	Sindhuli	Kamalamai Municipality	6
Dhading Besi	Dhading	Nilkhantha Municipality	3
Bhimphedi	Makwanpur	Bhimphedi Rural Municipality	6
Gothatar	Kathmandu	Kageshwori Manahara Municipality	8
Tokha	Kathmandu	Tokha Municipality	6
Khanikhola	Dhading	Dhunibenshi Municipality	7
Geetanagar	Chitawan	Bharatpur Metropolitan City	6
Manamaiju	Kathmandu	Tarakeshwar Municipality	11
Sitapaila	Kathmandu	Nagarjun Municipality	4
Thali	Kathmandu	Kageshwori Manahara Municipality	5
Panchkhal	Kavrepalanchok	Panchkhal Municipality	7
Satungal	Kathmandu	Chandragiri Municipality	16
Trishuli	Nuwakot	Bidur Municipality	1
Duwakot	Bhaktapur	Changunarayan Municipality	2
Balkot	Bhaktapur	Suryabinayak Municipality	2
Purano Thimi	Bhaktapur	Madhyapur Thimi Municipality	6
Dhulikhel	Kavrepalanchok	Dhulikhel Municipality	6
Manahari	Makwanpur	Manahari Rural Municipality	7
Gajuri	Dhading	Gajuri Rural Municipality	1

Branch Name	District	Local Bodies	Ward
Mahadevbesi	Dhading	Thakre Rural Municipality	6
Dharke	Dhading	Dhunibenshi Municipality	6
Khadichaur	Sindhupalchok	Balephi Rural Municipality	7
Betrawati	Nuwakot	Bidur Municipality	10
Galchhi	Dhading	Galchhi Rural Municipality	7
Koteshwor	Kathmandu	Kathmandu Metropolitan City	30
Chabahil	Kathmandu	Kathmandu Metropolitan City	7
Sorhakhutte	Kathmandu	Kathmandu Metropolitan City	16
Sauraha	Chitawan	Ratnanagar Municipality	6
Chanauli	Chitawan	Bharatpur Metropolitan City	18
Baseni	Chitawan	Bharatpur Metropolitan City	11
Bhaisepati	Lalitpur	Lalitpur Metropolitan City	18
Sankhamul	Kathmandu	Kathmandu Metropolitan City	29
Bhotahiti	Kathmandu	Kathmandu Metropolitan City	27
Baluwatar	Kathmandu	Kathmandu Metropolitan City	4
Gongabu	Kathmandu	Kathmandu Metropolitan City	26
Sinamangal	Kathmandu	Kathmandu Metropolitan City	24
Kuleshwar	Kathmandu	Kathmandu Metropolitan City	14
Kilagal	Kathmandu	Kathmandu Metropolitan City	18
Battar	Nuwakot	Bidur Municipality	3
Tandi	Chitawan	Ratnanagar Municipality	1
Hakim Chowk	Chitawan	Bharatpur Metropolitan City	10
Thulo Bharyang	Kathmandu	Nagarjun Municipality	3
Kadaghari	Kathmandu	Kageshwori Manahara Municipality	9
Ramkot	Kathmandu	Nagarjun Municipality	6
Radhe Radhe	Bhaktapur	Madhyapur Thimi Municipality	5
Baniyatar	Kathmandu	Tokha Municipality	8
Manthali	Ramechhap	Manthali Municipality	1
Chapagaun	Lalitpur	Lalitpur Metropolitan City	1
Bhandara	Chitawan	Rapti Municipality	5
Syafubesi	Rasuwa	Naukunda Rural Municipality	1
Battisputali	Kathmandu	Kathmandu Metropolitan City	12
Anamnagar	Kathmandu	Kathmandu Metropolitan City	29
Corporate Office Branch	Kathmandu	Kathmandu Metropolitan City	12

GANDAKI PROVINCE

Branch Name	District	Local Bodies	Ward
Pokhara	Kaski	Pokhara Lekhnath Metropolitan City	7
Damauli	Tanahu	Byas Municipality	10
Waling	Syangja	Walling Municipality	3
Lekhnath	Kaski	Pokhara Lekhnath Metropolitan City	7
Baglung	Baglung	Baglung Municipality	2
Daldale	Nawalparasi East	Devchuli Municipality	13
Birauta	Kaski	Pokhara Lekhnath Metropolitan City	17
Kawasoti	Nawalparasi East	Kawasoti Municipality	8
New Road Pokhara	Kaski	Pokhara Lekhnath Metropolitan City	8
Lakeside, Pokhara	Kaski	Pokhara Lekhnath Metropolitan City	6
Bhimad	Tanahu	Bhimad Municipality	6
Nayapool	Kaski	Annapurna Rural Municipality	5
Beshisahar	Lamjung	Bensi Shahar Municipality	7
Aabukharieni	Tanahu	Aanbu Khairani Rural Municipality	3
Gorkha	Gorkha	Gorkha Municipality	6

Branch Name	District	Local Bodies	Ward
Amrapuri	Nawalparasi East	Gaidakot Municipality	15
Dumkibas	Nawalparasi East	Binayi Tribeni Rural Municipality	1
Arunkhola	Nawalparasi East	Binayi Tribeni Rural Municipality	10
Naudanda	Kaski	Annapurna Rural Municipality	1
Waribeni	Parbat	Jajjala Rural Municipality	3
Gaidakot	Nawalparasi East	Gaidakot Municipality	4
Dumre	Tanahu	Bandipur Rural Municipality	1
Krishi	Syangja	Aandhikhola Rural Municipality	5
Bajhapatan	Kaski	Pokhara Lekhnath Metropolitan City	13
Budhibazar	Kaski	Pokhara Lekhnath Metropolitan City	26
Powerhouse Chowk	Kaski	Pokhara Lekhnath Metropolitan City	29
Parsyang	Kaski	Pokhara Lekhnath Metropolitan City	5
Bagar	Kaski	Pokhara Lekhnath Metropolitan City	1
Amarsingh Chowk	Kaski	Pokhara Lekhnath Metropolitan City	10
Kushma	Parbat	Kushma Municipality	4
Dulegauda	Tanahu	Shuklagandaki Municipality	4

PROVINCE 5

Branch Name	District	Local Bodies	Ward
Arghakhanchi	Arghakhanchi	Sandhikharka Municipality	6
Butwal	Rupandehi	Butwal Sub-Metropolitan City	6
Nepalgunj	Banke	Nepalgunj Sub-Metropolitan City	16
Kohalpur	Banke	Kohalpur Municipality	3
Bhairahawa	Rupandehi	Siddharthanagar Municipality	12
Tulsiपुर	Dang	Tulsiपुर Sub-Metropolitan City	4
Bardaghat	Nawalparasi West	Bardaghat Municipality	4
Tansen	Palpa	Tansen Municipality	4
Dhakdhahi	Rupandehi	Rohini Rural Municipality	2
Bhumahi	Nawalparasi West	Sunawal Municipality	12
Bansgadhi	Bardiya	Bansgadhi Municipality	5
Manigram	Rupandehi	Tilottama Municipality	4
Rudrapur	Rupandehi	Kanchan Rural Municipality	3
Khajura	Banke	Khajura Rural Municipality	1
Magragadhi	Bardiya	Barbardiya Municipality	6
Kotihawa	Rupandehi	Tilottama Municipality	15
Jumri	Pyuthan	Pyuthan Municipality	4
Bhalwadi	Rupandehi	Tilottama Municipality	7
Shankapur	Rupandehi	Devdaha Municipality	12
Buddhachowk	Rupandehi	Siddharthanagar Municipality	8
Gopigunj	Nawalparasi West	Pratapapur Rural Municipality	2
Khaireni	Rupandehi	Devdaha Municipality	7
Jitpur 4	Kapilbastu	Banganga Municipality	1
Imiliya	Kapilbastu	Buddhabhumi Municipality	9
Manigram 4	Rupandehi	Tilottama Municipality	8
Lamahi	Dang	Lamahi Municipality	2
Murgiya	Rupandehi	Sainamaina Municipality	3
Driver Tole	Rupandehi	Tilottama Municipality	3
Bhurigaun	Bardiya	Thakurbaba Municipality	1
Rajmarga Chauraha	Rupandehi	Butwal Sub-Metropolitan City	9
Ram Mandir	Rupandehi	Butwal Sub-Metropolitan City	4
Tribhuvan Chowk	Banke	Nepalgunj Sub-Metropolitan City	8
Parasi	Nawalparasi West	Ramgram Municipality	5
Labani	Kapilbastu	Suddhodhan Rural Municipality	3

Branch Name	District	Local Bodies	Ward
Pakadi	Kapilbastu	Mayadevi Rural Municipality	1
Taulihawa	Kapilbastu	Kapilbastu Municipality	1
Majhgawa	Rupandehi	Kotahimai Rural Municipality	5
Tamghas	Gulmi	Resunga Municipality	1
Lumbini	Rupandehi	Lumbini Sanskritik Municipality	7
Jangrawa	Dang	Rajpur Rural Municipality	5
Samjhana Chowk	Banke	Baijanath Rural Municipality	5
Milan Chowk	Banke	Duduwa Rural Municipality	5
Piprahawa Chowk	Banke	Janaki Rural Municipality	6
Shisahaniya	Dang	Rapti Rural Municipality	5
Chandrauta	Kapilbastu	Shivaraj Municipality	5
Sunwal	Nawalparasi West	Sunawal Municipality	1
Belbas	Rupandehi	Butwal Sub-Metropolitan City	13
Devinagar	Rupandehi	Butwal Sub-Metropolitan City	11
Ghorahi	Dang	Ghorahi Sub-Metropolitan City	15
Sau Pharsatikar	Rupandehi	Suddhodhan Rural Municipality	4
Saljhandi	Rupandehi	Sainamaina Municipality	10
Rukumkot	Rukum East	Sisne Rural Municipality	6
Liwang	Rolpa	Rolpa Municipality	4

KARNALI PROVINCE

Branch Name	District	Local Bodies	Ward
Surkhet	Surkhet	Birendranagar Municipality	5
Mugu	Mugu	Chhayanaath Rara Municipality	2
Jajarkot	Jajarkot	Bheri Malika Municipality	4
Rukum	Rukum West	Musikot Municipality	5
Jumla	Jumla	Chandannath Municipality	7
Kalikot	Surkhet	Bheriganga Municipality	5
Srinagar	Salyan	Sharada Municipality	1
Dailekh	Dailekh	Narayan Municipality	1

SUDURPASCHIM PROVINCE

Branch Name	District	Local Bodies	Ward
Dhangadi Chauraha	Kailali	Dhangadhi Sub-Metropolitan City	3
Mahendranagar	Kanchanpur	Bhimdatta Municipality	4
Dhangadhi	Kailali	Dhangadhi Sub-Metropolitan City	5
Attariya	Kailali	Godawari Municipality	2
Lamki	Kailali	Lamki Chuha Municipality	4
Tikapur	Kailali	Tikapur Municipality	1
Bauniya	Kailali	Bardagoriya Rural Municipality	2
Bajhang	Bajhang	Jayapritthi Municipality	10
Bajura	Bajura	Badimalika Municipality	8
Joshiपुर	Kailali	Joshiपुर Rural Municipality	2
Darchula	Darchula	Mahakali Municipality	4
Pahelmanpur	Kailali	Ghodaghodi Municipality	10
Dipayal	Doti	Dipayal Silgadhi Municipality	4
Bedkot	Kanchanpur	Bedkot Municipality	3
Dadeldhura	Dadeldhura	Amargadhi Municipality	5
Punarbhas	Kanchanpur	Punarbhas Municipality	3
Sanfegagar	Achham	Sanfegagar Municipality	3
Patan	Baitadi	Patam Municipality	6
Dodhara Chandani	Kanchanpur	Mahakali Municipality	6



NIC ASIA

एन आई सी एशिया बैंक लि.

