21st Annual Report
2017/18

BANKING
THE UNBANKED



NIC ASIA Bank Limited

बैंक पनि, साथी पनि
रामो पनि, हामो पनि

VISION

To ensure creation of optimum values for all the stakeholders.

MISSION

To be a bank of 1st choice for all the stakeholders.

CORE VALUES

The Bank strongly believes in **Meritocracy**, **Transparency**, **Professionalism**, **Team Spirit** and **Service Excellence**.

These core values are internalized by all functions within the Bank and are reflected in all actions the Bank takes during the course of its business.

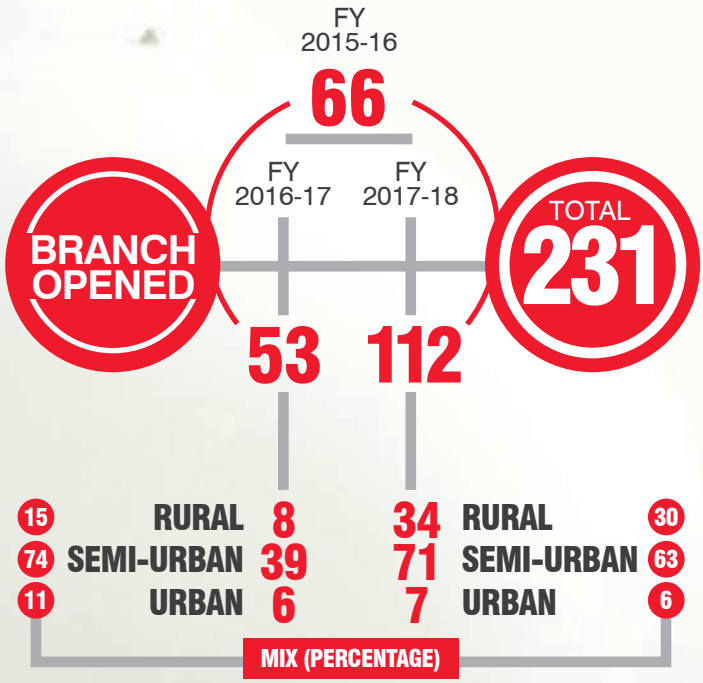
BANKING THE UNBANKED

OUR FOOTPRINT IN RURAL AND SEMI-URBAN AREAS

In Nepal, a huge section of population is still unbanked as only an estimated 45% Nepalese have bank accounts with formal financial institution. The unbanked population, who largely resides in rural areas, is left out of banking benefits due to lack of financial literacy and unavailability of banking networks.

NIC ASIA Bank believes that huge banking networks helps in ensuring wider financial inclusion and is therefore strategically trying to penetrate remote population with a tireless strategy of 'Banking THE UNBANKED' in order to ensure financial access for all members of economy. Based on this strategy, the Bank is vehemently expanding its touchpoints and footprint to rural and semi-urban population where the access to finance is low.

In fiscal year 2017-18, the Bank increased its rural presence by 325% year-on-year with establishment of 34 new branches after undertaking the goal of 'Banking THE UNBANKED'. Also, its footprint in semi-urban areas rose by 82%. Approximately 94% of the new branch addition during fiscal 2017-18 was centered in rural and semi-urban areas, indicating the bank's focus on bringing the unbanked people into banking fold. This expansion strategy undertaken by NIC ASIA Bank is in coherence with the government and Nepal Rastra Bank's aim to channelize more financial transactions through financial institutions.



BRIEF ABOUT ANNUAL REPORT

This annual report of NIC ASIA Bank Limited presents comprehensive information relating to NIC ASIA's activities during FY 2017/18. It aims to provide information about the activities and financial performance of NIC ASIA Bank and its subsidiaries to the Bank's shareholder and other stakeholder. It presents how NIC ASIA, as a growing organization, has effectively managed to deliver values to its stakeholders and to contribute towards economic growth of the country, increase financial access, and enhance the well-being of society via Corporate Social Responsibility (CSR).

SCOPE AND BOUNDARY

This annual report for FY 2017/18 covers the period from July 16, 2017, to July 16, 2018. Unless indicated otherwise, all data pertains to the NIC ASIA group, which includes financial operations of NIC ASIA Bank and its subsidiaries.

For presenting group operations and financial performance, financial information has been extracted from respective financial statements for FY 2017/18 with relative comparative information. The financial statements consistently comply with the requirements of:

- Nepal Financial Reporting Standard (NFRS) and Nepal Accounting Standard (NAS)
- Relevant rules, regulations, guidelines, and directives of Nepal Rastra Bank
- Companies Act, 2063
- Banks and Financial Institutions Act, 2073
- Securities Act, 2063
- Income Tax Act, 2058
- Other applicable laws and regulations of Nepal

MATERIALITY

This annual report aims to present a balanced and concise analysis of our strategy, performance, governance, internal control, risk management, and prospects. In determining the content to be included in this report, we considered the issues that are material to maintain the commercial viability and social relevance required to achieve our mission, vision, and objectives.

Based on our leadership engagement, governance processes, internal control, and risk management practices, and our formal and informal stakeholder engagement initiatives, particularly with investors, we are confident that all material matters have been identified and disclosed herein this report. Management of group functions and business units approved the relevant content in the annual report.

EXTERNAL ASSURANCE

Assurance On	External Assurer
Consolidated and Separate Financial Statements of NIC ASIA Bank Limited	TR Upadhya & Co., Chartered Accountants, a member firm of PKF International.
Financial Statements of NIC ASIA Capital Limited	S.R. Pandey & Co., Chartered Accountant
Financial Statements of NIC ASIA Laghubitta Bittiya Sanstha Limited	Bashyal & Associates, Chartered Accountant

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BRIEF ABOUT NIC ASIA BANK

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NIC ASIA Bank has its antecedents in NIC Bank, which was established on July 21, 1998. The Bank was rechristened as NIC ASIA Bank after the merger of NIC Bank with Bank of Asia Nepal on June 30, 2013. This was a historic merger in the annals of the Nepalese financial landscape as the first-of-its-kind between two successful commercial banks in the country. Today, NIC ASIA has established itself as one of the most successful commercial banks in Nepal. During the post-merger integration phase, NIC ASIA was able to manage the transition very smoothly, receiving accolades from the regulators, as well as the stakeholders, paving the way for other mergers and consolidation in the Nepalese financial sector.

NIC ASIA Bank is now one of the largest private sector commercial banks in the country in terms of capital base, balance-sheet size, number of branches, ATM network, and customer base. The Bank has 270 branches, 37 extension counters, 22 branchless banking, and 289 ATMs across Nepal, with a network covering all major financial centers of the country. The Bank strongly believes in meritocracy, transparency, professionalism, team spirit, and service excellence. These core values are internalized by all functions within the Bank and are reflected in all actions the Bank takes during the course of its business.

NIC ASIA Bank has obtained ISO 9001:2008 certification. NIC ASIA was recognized as “Bank of the Year 2013-Nepal” by The Banker, Financial Times, UK. This is the second time that the Bank was recognized with this prestigious award, the previous occasion being in 2007.

1.1

NIC ASIA IN FY 2017-18

NIC ASIA BANK LIMITED

As one of the largest private sector commercial banks in the country, the Bank has been able to increase deposits and loans and advances by NPR64.5 billion and NPR48.22 billion, respectively during the year, which is the highest amount of increment in deposits and loans and advances by any Bank in a single year in Nepal's history. Total deposits of the Bank have reached NPR151.22 billion, with increment rate of 72.47% over last year. Similarly, total loans and advances of the Bank have reached NPR120.46 billion, with increment rate of 66.74% over last year. The Bank's total investment has reached NPR14.4 billion, with increment rate of 42 % over last year, which comprises of Treasury bills, government bonds, and other investments of 15%, 68%, and 17%, respectively.

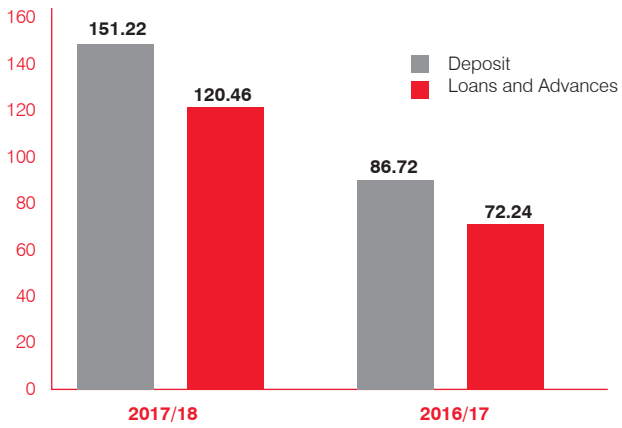
The Bank has earned operational profit and net profit of NPR1.91 billion and NPR1.34 billion, respectively during the year. The bank has Return on Equity and Return on Assets of 12.09 % and 0.97%, respectively, for the year, as compared to 16.84% and 1.64% last year.

The Bank has opened 112 new branch offices during the year, which is also the highest number of branch offices expansion by any Bank in a single year in Nepal's history. The total number of branches of the Bank has reached 268 as on December 01, 2018. The Bank has opened 15 new branchless banking centers, 125 new ATMs, and 1,948 new remittance agents during the year, which has also contributed to the national policy of increasing access to financial services.

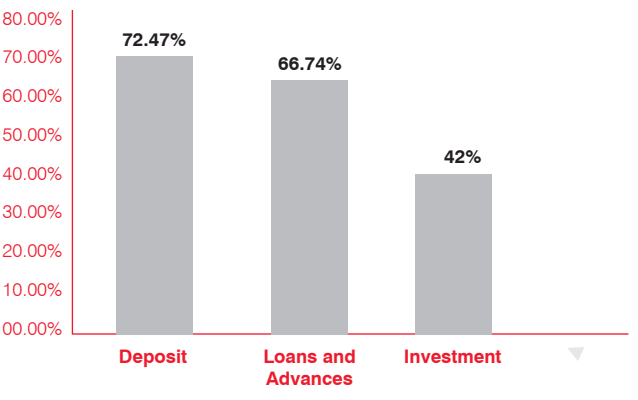
Employee expenses was NPR1.78 billion for the year, as compared to NPR1.13 billion last year, which is because of the opening of 112 branches during the year, as well as hiring of new employees during the year to fulfill the requirement of skilled employees in various departments and branches with the objective of increasing the size of business, and due to the yearly performance appraisal and promotion of deserving employees. Total number of employees of the Bank has reached 2,291 in the year, as compared to 1,755 last year, with an increment of 536 employees.

ICRA Nepal Limited (ICRA Nepal) and CARE Rating Nepal Limited have assigned issuer rating of "[ICRA NP - IR] A-" and "CARE-NP A (Is)" respectively to the bank.

DEPOSIT AND LOANS AND ADVANCES
(NPR In Billion)



GROWTH RATE DURING 2017/18



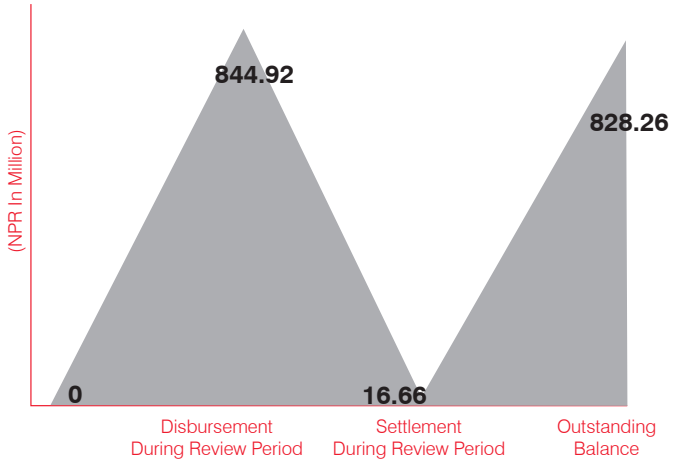
NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

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 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.

At the end of the first year of operation during FY 2017/18, the company had opened 28 branch offices in 14 districts, through which 6,437 members are availing micro-finance facility from 668 groups. Total deposit of 6,437 members at the end of FY 2017/18 is NPR 68,612,427. Out of the total loans of NPR 844,920,000 distributed during the year, NPR 16,663,692 was repaid during the year, and the total loan of NPR 828,256,308 remains outstanding at the end of FY 2017/18. The company has no investments other than regular loan investment.

The volume of employees was increased as required with the growth of operations of the company. A total of 98 employees are working in the organization till the end of FY 2017/18, out of which 33% (32 employees) are female. All the staffs of branches in operation have participated twice in the internal training conducted by the organization during FY 2017/18.

DETAILS OF LOAN FACILITY



NIC ASIA CAPITAL LIMITED

NIC ASIA Capital Limited has been able to earn sizable profit in spite of the stiff competition from the surging number of merchant bankers. The Capital earned gross income of NPR 57,217,567, operational profit of NPR 21,009,150, and net profit of NPR 15,712,215 during FY 2017/18.

NIC ASIA Capital issued primary capital of two companies, including a mutual fund, under the issue management services, in which allotment of shares of one of the companies, Aarambha Microfinance Bittiya Sanstha Limited, was done within 37 hours, which can be considered as a historical achievement in the sector of merchant banking in Nepal. Similarly, issue management services for issue of right shares of two companies, and auction share of a company, were completed during FY 2017/18.

NIC ASIA Capital has been providing registrar to share services to five companies, including a mutual fund, which is an exciting number as compared to contemporary merchant bankers.

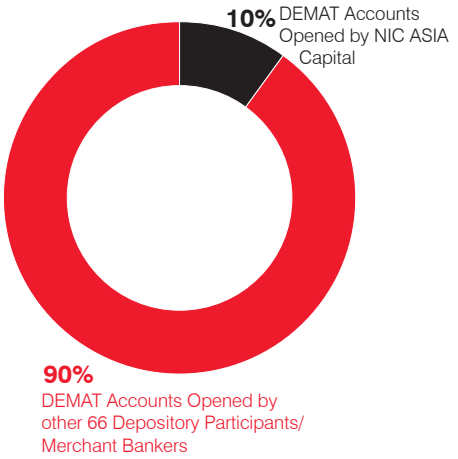
NIC ASIA Capital provided portfolio management services to 44 customers amounting to NPR103.4 million during FY 2017/18, which can be considered as satisfactory in view of the poor market condition.

NIC ASIA Capital opened 128,214 DEMAT accounts during its short period of operation, which accounts to 10% of total DEMAT accounts opened by the total of 67 depository participants during that period, securing second position in terms of total DEMAT accounts. Annual renewal fees of DEMAT accounts has been increased by 82% during the year.

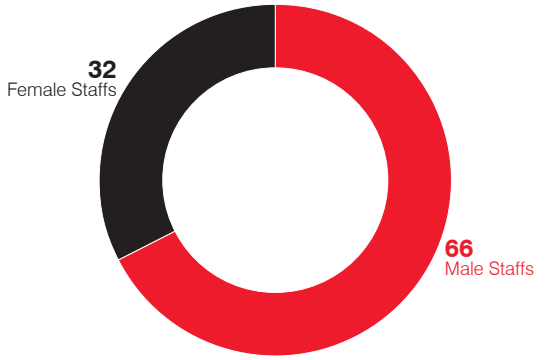
NIC ASIA Capital issued NIC ASIA Growth Fund for a value of one billion as a first scheme under NIC ASIA Bank Mutual Fund, which was able to bring the plans

of 8,352,000 units, amounting to NPR 835,200,000, in spite of the continuous decline of the secondary market, issuance of plans by two mutual funds at the same time, constraint of investable amount resulting in high interest rate, market price of existing mutual fund units lower than par value, etc. Net Assets Value of the mutual fund was NPR10.08 at the end of FY 2017/18, even though secondary market was continuously declining since the allotment of mutual fund units, which can be considered as satisfactory achievement, as compared to other plans existing in the market, and in view of poor market condition.

MARKET SHARE IN TERMS OF NUMBER OF DEMAT ACCOUNTS

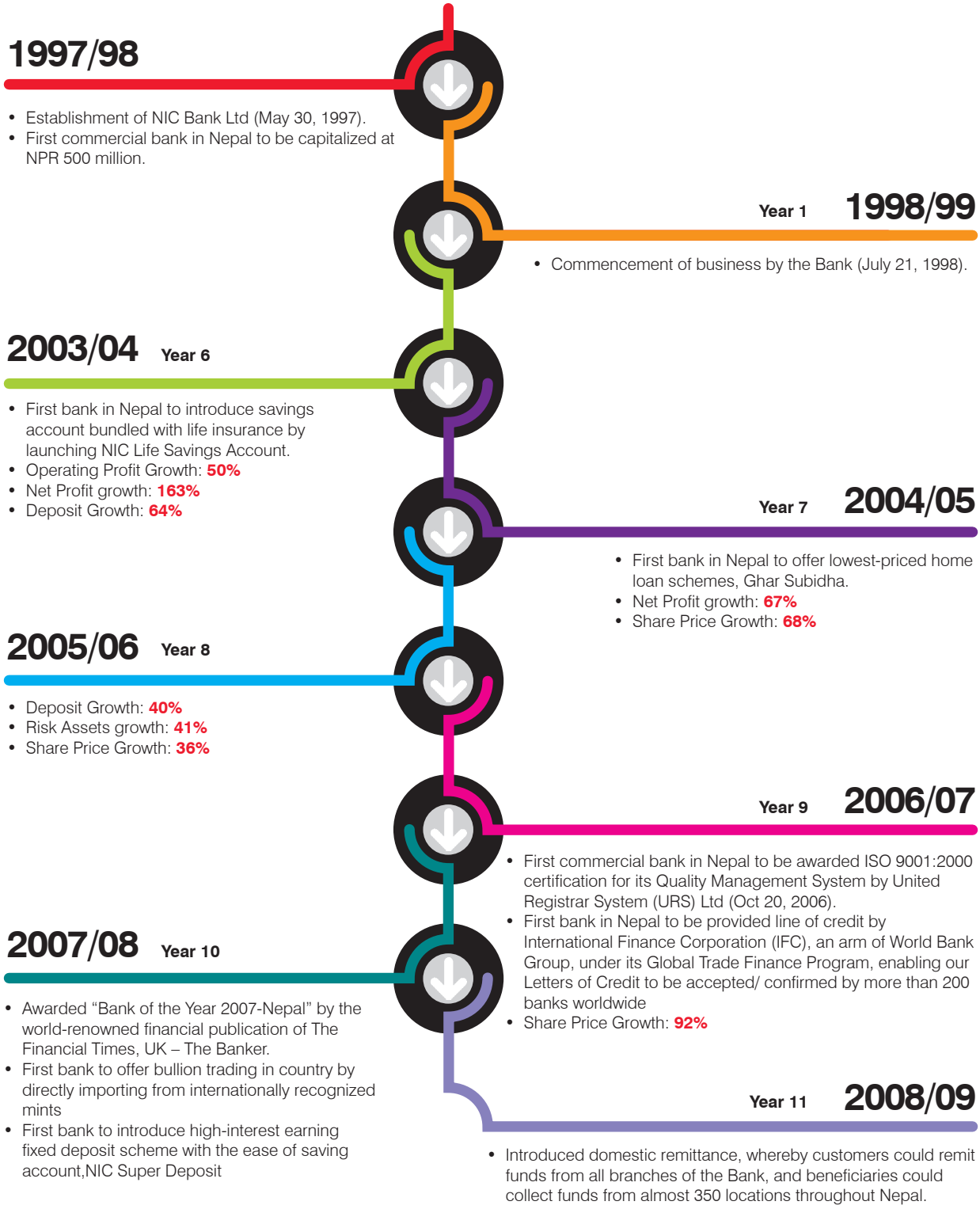


NUMBER OF EMPLOYEES DURING 2017/18



1.2

MILESTONES OF NIC ASIA BANK



1997/98

- Establishment of NIC Bank Ltd (May 30, 1997).
- First commercial bank in Nepal to be capitalized at NPR 500 million.

Year 1 1998/99

- Commencement of business by the Bank (July 21, 1998).

2003/04 Year 6

- First bank in Nepal to introduce savings account bundled with life insurance by launching NIC Life Savings Account.
- Operating Profit Growth: **50%**
- Net Profit growth: **163%**
- Deposit Growth: **64%**

Year 7 2004/05

- First bank in Nepal to offer lowest-priced home loan schemes, Ghar Subidha.
- Net Profit growth: **67%**
- Share Price Growth: **68%**

2005/06 Year 8

- Deposit Growth: **40%**
- Risk Assets growth: **41%**
- Share Price Growth: **36%**

Year 9 2006/07

- First commercial bank in Nepal to be awarded ISO 9001:2000 certification for its Quality Management System by United Registrar System (URS) Ltd (Oct 20, 2006).
- First bank in Nepal to be provided 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%**

2007/08 Year 10

- Awarded "Bank of the Year 2007-Nepal" by the world-renowned financial publication of The Financial Times, UK – 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

Year 11 2008/09

- 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.

2009/10 Year 12

- Awarded ISO 9001:2008 certification 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

2011/12 Year 14

- Memorandum of Understanding signed between NIC Bank and Bank of Asia for the purpose of merger (June 28, 2012).

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 Bank (June 30, 2013).
- Net Profit growth: **64%**
- Deposit Growth: **80%**
- Risk Assets growth: **85%**

Increase in Paid up Capital: **76%**

2013/14 Year 16

- Introduction of NIC ASIABankhome banking service, establishment of call centerfor telemarketing, and Service Excellence Unit, development of izone2 as international level intranet platform for Bank staff

2014/15 Year 17

- Formulation of 5-year strategy paper, Strategy 2020
- Donated NPR 2.551 million as financial assistance for victims of earthquake, dated Apr 25, 2015, to Prime Minister's Relief Fund

2015/16 Year 18

- Net Profit growth: **57%**
- Increase in paid up capital: **56%**

2016/17 Year 19

- Formal operation of subsidiary company, NIC ASIA Capital Ltd (March 5, 2017).
- Introduction of NIC ASIA Remit, and made arrangements for remittance transactions through 4,198 agents nationwide
- Total number of branches: 119, including 53 new branches

2017/18 Year 20

- Formal operation of subsidiary company, NIC ASIA Microfinance Financial Institutions Ltd (December 20, 2017)
- Total number of branches: 231, including 112 new branches
- Deposit Growth: **72%**
- Risk Assets growth: **67%**

Our Journey so far:

Growing Bigger...



Tulsi Ram Agrawal
CHAIRMAN

1.3

MESSAGE FROM THE CHAIRMAN



"Our Bank was able to secure number one position in terms of growth of deposit and credit with the increase in deposit by 72% amounting to NPR 63.54 billion and increase in credit by 67% which is NPR 48.22 billion during the review period. Both the increments in deposit and credit of the Bank during one-year period are the highest in the history of Nepalese banking industry."

I am delighted to welcome respected shareholders, representatives from regulatory institutions, statutory auditors, legal advisors, chief executive officer, staffs of the NIC ASIA Bank and entire stakeholders on behalf of the Board of Directors for your remarkable presence in this 21st Annual General Meeting of the Bank.

The NIC ASIA Board of Directors, while representing its promoters and general shareholders, is actively working to ensure the multi-dimensional progress of the Bank. We are overwhelmingly stimulated to work day and night because of the trust, belief and confidence you have put on us by appointing us to the Board of Directors through the 20th Annual General Meeting with an objective to materialize the goals of establishing this Bank as a strong, robust, dynamic, reliable and responsible institution. For this, I would like to express deep gratitude on behalf of the Board of Directors. Furthermore, we commit full dedication towards our responsibilities in order to materialize our stakeholder's expectations and faith.

Now, I would like to share the major achievements of our Bank in the fiscal year 2017-18.

NATIONAL CONTRIBUTION

NIC ASIA Bank has always aspired to collaborate with the Government of Nepal in achieving national aims and goals. In its quest for contributing to the nation, the Bank has, in the last year, made noteworthy contributions in raising the living standard of deprived sector, creating employment, increasing revenue collection, promoting cashless economy and enhancing the financial access.

The Bank has always endeavored to live by its tag line 'Bank Pani Sathi Pani'. As a part of this effort, the Bank disbursed credit facilities of NPR 5.08 billion to the deprived sector in the review period. With this, we gained the foremost position in achieving national goal of raising living standard of the deprived sector through the deprived sector lending. These facts and figures reflect perceivable contribution made by this Bank in achieving the national aims of enhancing financial access, increasing revenue, promoting cashless economy and raising living standard of the deprived citizens. Further, we are proud to announce that NIC ASIA Bank has contributed NPR 6.90 billion in direct and indirect taxes to the nation till the date out of which NPR 1.40 billion was filed during the review period alone.

Similarly, by creating direct employment opportunity for 3,617 individuals including 893 security guards, the Bank has contributed in bringing about positive changes in the lives of their dependents.

CONTRIBUTION TOWARDS ACCESS TO FINANCIAL SERVICES

The NIC ASIA Bank has made a remarkable achievement in government's 'Access to Financial Services' policy by making the banking channel easily accessible to individuals residing in remote locations of the country. For this, the Bank successfully expanded its footprints to 2,200 new locations in the fiscal 2017-2018. During the review period, The NIC ASIA Bank opened 112 additional branches including 34 in remote areas; opened 15 additional branchless banking including eight in remote areas; opened 125 additional ATM terminals including 17 in remote areas; and opened 1,948 remittance agents including 1,263 in remote areas.

As of 1st December 2018, the NIC ASIA Bank was conducting its banking services through 268 branches, 37 extension counters, 19 branchless banking agents and 281 ATMs in all seven provinces of the country. Similarly, by the 1st December 2018, the customer base of this Bank stood at around 1.35 million with the addition of 600,000 more customers during the review period. It's a matter of pride for us to share that the NIC ASIA Bank is one of the largest private sector commercial banks of country in terms of number of branches and customer base. Likewise, till 1st December, 2018, the Bank had more than 428,000 debit card holders and more than 668,000 mobile banking users.

Details of footprint expansion during 2017-18:



112

additional branches including **34** Branches in remote areas



15

additional branchless banking including **8** in remote areas



125

additional ATMs including **17** in remote areas



1948

additional remittance agents including **1,263** in remote areas

I would also like to share that the Bank successfully opened bank accounts for 76 local bodies throughout the country during the FY 2017-18. We are confident that our dense presence and intensive approach to bring more citizens under the banking ambit will discourage informal economy also known as Shadow Economy and reduce cash-based transactions through pervasive banking networks throughout the country, thereby contributing to the national policy of cashless economy.

CONTRIBUTION TOWARDS FINANCIAL INCLUSION

We have enormously expanded our banking presence so that each and every individual can embrace our services equally irrespective of their financial background, topographic division, caste and religion, among other. The Bank promotes financial inclusion by providing loan services to all kinds of customers who are in need of the fund ranging from lower six digits to billions of amount. Likewise, the Bank is able to earn trust of depositors, whether individual or institutional, from various financial backgrounds. By marking its presence in 61 districts spread through urban to remote areas of all the seven provinces, the Bank is providing services to around 1.3 million customers from all the community irrespective of class, language and gender.

We are also trying our best to establish branch offices in all the 77 districts of Nepal to make the banking services easily accessible to each and every Nepali citizen.

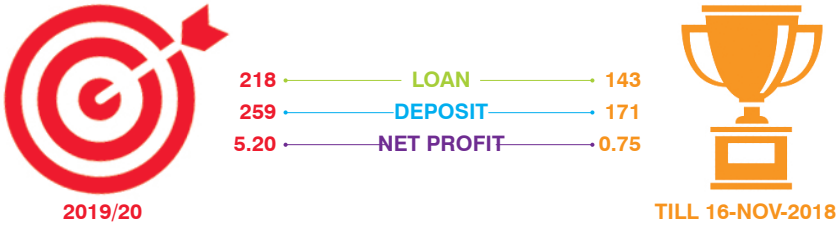
SOCIAL CONTRIBUTION

The NIC ASIA Bank has established itself as a responsible corporate citizen by realizing its responsibilities and social obligations. By accepting the fact that the society and business are interdependent of each other, the Bank has either been assisting or directly participating in various social works since its establishment as a part of its effort to carry the Corporate Social Responsibility (CSR) goals in an exemplary, remarkable and imitable manner. Based on these principles, the Bank has contributed in following sectors as a part of its CSR programmes during the review period:

"We have strategically expanded our services so that each and every group or level of customers can embrace our services equally irrespective of their economic and financial condition, topographic division, caste and religion."

1. Realizing the fact that economic development and environment protection must go hand-in-hand, the Bank initiated tree plantation program at its Dhapasi-based land and later continued the plantation programme throughout the country by successfully planting over 6,000 trees in collaboration of its staffs for minimizing the hazardous effect of environmental pollution, and to make remarkable contribution on the sensitive issue of global warming. Along with this, the Bank ensured its assistance and participation in plantation of more than 14,000 trees till the review period.
2. Here at NIC ASIA, we strongly believe that health of public is always a matter of high priority. With an objective of promoting healthy lifestyle and financial growth of general public, the NIC ASIA discouraged loan disbursement to industries involved in alcohol and tobacco production that bear negative effect on the public health.
3. As we live by the value that 'the need of community is the need of the Bank', NIC ASIA distributed warm clothes to more than 800 poor and marginalized victims of natural calamity in Mirchaiya, Biratnagar and Gaur area in an attempt to mitigate the imminent necessity of the victims.
4. Upholding the notion that educated and healthy citizens are the pillars of national prosperity, the Bank provided financial assistance to various educational programs for uplifting education sector. Likewise, the Bank also assisted a cancer awareness campaign in Biratnagar and provided donation to Nepal Cancer Centre. Similarly, the Bank also collaborated with the Nepal Red Cross Society in conducting a nationwide blood donation program.
5. We have financially assisted social organizations like Bal Mandir and Disability Care Centre to promote social harmony and compassion.

Following targets and results of our Bank show that we shall be able to achieve goals that were set for 2019/20 (NPR Billion)



CORPORATE GOVERNANCE AND RISK MANAGEMENT

We firmly believe that sustainable professional success is assured on the foundation of strong corporate governance, effective risk management strategy and strict compliance with such strategies. The historic success this Bank has achieved in its commercial growth is the clear outcome of the same.

I want to inform you all that we regularly and effectively monitor organizational risk by ensuring skilled and qualified professionals in the integrated risk management department, internal audit department and compliance department. It is because of our effective risk management strategies that the proportion of non-performing loan during the review period stood at a minimum value of 0.0697%. With utmost pride, I would like to share that the minimum ratio of non- performing loan reflects our effective risk management system.

IMPLEMENTATION STATUS OF STRATEGY 2020

With the end of Fiscal 2017-18, the third year of our five-year long integrated strategic plan (Strategy 2020) has been completed. We believe that formulation and effective implementation of right strategy can lead an organization towards heightened success and glorious results of our organization show that the belief has been turned into reality.

We believe that with the end of Strategy 2020, NIC ASIA will have considerably contributed towards national economy. In the review period alone, the Bank contributed NPR 1.40 billion in national treasury in the form of income tax and tax deducted at source which is around 105.15% of net profit of the current fiscal year. We expect that by the end of the Strategy 2020, the Bank will contribute NPR 15.52 billion in total towards national economy which includes NPR 6.90 billion paid so far since its establishment and the expected contribution of NPR 8.62 billion until the end of Strategy 2020.

The Strategy 2020 has set a target to expand the Bank with a total of 300 branches and 50 extension counters within current fiscal year, however, it seems the target will be met before deadline. Achievement of some of the targets before the stipulated time frame reflects proficiency of the Bank. We are more energized by such achievements and motivated to work with high level of dedication for achieving the objective of establishing this Bank as a leading bank of the country through footprint expansion, deposit collection, credit underwriting, customer base expansion, increase in number of debit cardholders and maximum growth in other key areas. With already successful achievements made thus far under various categories of Strategy 2020, I can tell you with pride that the Strategy 2020 is heading towards right direction.

SAFEGUARDING AND MANAGEMENT OF RIGHTS OF INVESTORS

Till the date from its establishment, the NIC ASIA has successfully distributed a handsome return of 133.23% cash dividend and 175% bonus share to its shareholders. The value of investment of an ordinary shareholder who had invested NPR 100 per share at the time of establishment of the Bank has now reached NPR 342 through the issuance of right share over the years. Cash

Notable business highlights during review period are as follows: (NPR in Billion)

TOTAL DEPOSIT

72%

Review period **151.22**

Previous Year **87.68**

LOAN

67%

Review period **120.46**

Previous Year **72.25**

NON PERFORMING LOAN

(80%)

Review period **0.0697%**

Previous Year **0.36%**

dividend of NPR 317 has already been distributed on that investment.

Further, the total number of shares now will reach 10.02 including the bonus shares distributed in different years and 10% bonus share proposed in this meeting. With immense pleasure I would like to inform that as per the market value of ordinary shares as on 26 Nov 2018 that stood at NPR 411, the net profit earned by an ordinary shareholder will be NPR 4,089. Likewise, the net profit earned by promoters will be NPR 2,300 based on the market value of promoter shares that was NPR 230 on 26 Nov 2018. We shall always thrive to provide attractive returns to our shareholders in the future as well.

BUSINESS PERSPECTIVE

The second quarter of the review period remained highly challenging for the entire banking industry from beginning due to liquidity crisis. Entire banking industry was unable to mobilize deposits as expected because of the reduction in growth rate of remittance from foreign employment, notable increment in the imports of the country and inability of the government to meet the budgeted capital expenditure. I take pride in sharing that even during such adverse business climate, the NIC ASIA Bank was able to achieve historic success in terms of deposit mobilization and credit extension in the review period. Our Bank was able to secure number one position in terms of growth of deposit and credit with the increase in deposit by 72% amounting to NPR 63.54 billion and increase in credit by 67% which is NPR 48.22 billion during the review period. Both the increments in deposit and credit of the Bank during one-year period are the highest in the history of Nepalese banking industry.

We believe that this is a notably extraordinary level of achievement. We have proposed for 10% bonus share and 0.526% cash dividend for applicable tax on bonus share. We believe that we shall receive full cooperation from our stakeholders in this matter.

During the review period, NIC ASIA Bank was able to rack up historic achievements in terms of increased market share, thereby occupying 17% market share of the total deposit growth and 14.75% market share of the total loan growth of the entire banking industry. With this, we are at the foremost position in deposit collection and at the second position in loan disbursement among private banks.

EXPANSION OF CUSTOMER FRIENDLY BANKING SERVICE

During the review period, realizing the inconvenience faced by service seekers owing to the shortage of US Dollar in the market, we made it easily available here from NIC ASIA. This year the Bank has made arrangement to import Australian Dollar too and make it easily available for customers.

We believe our stakeholders are well aware about the fact that the Bank had constituted a separate Service Excellence Department to monitor our services with a purpose of not leaving any stone unturned in our service delivery mechanisms. Meanwhile, the Bank has already initiated process to commission world renowned company PWC as its Service Excellence Consultant that would prepare solid plans and execute them for marching the Bank towards service excellence through pursuance of new, improvised and effective banking technologies surfacing in global market, thereby aligning our services with our commitments of excellent banking services.

The NIC ASIA Bank has already obtained consultancy report on the digital strategy from the world's Big Four consultancy firm PWC and initiated the implementation of such recommendations for providing prompt and customer-friendly services. We are confident that after the full implementation of those recommendations, our banking services would be pervasive, convenient, smooth and economic. Currently, we are intensively focusing on transmitting our banking services to the palm of every customer and with the achievement of this goal, we believe, we shall be able to bring positive transformation in the public perception towards the NIC ASIA Bank and the entire banking industry too in the process. We are confident that we shall be the carrier of such transformation on banking perception.

The NIC ASIA Bank introduced an internet-based mechanism enabling our customers to open online bank account from their home in the fiscal 2017-18. Similarly, the Bank also introduced Viber banking and missed call banking services with following features:

Furthermore, the Bank has arranged for making the online payments easier by entering into agreement with nPay and ConnectIPS. The Bank has obtained notable achievements towards becoming a number one digital bank in the country through expansion of such digital services and facilities that enriches overall customer experience.

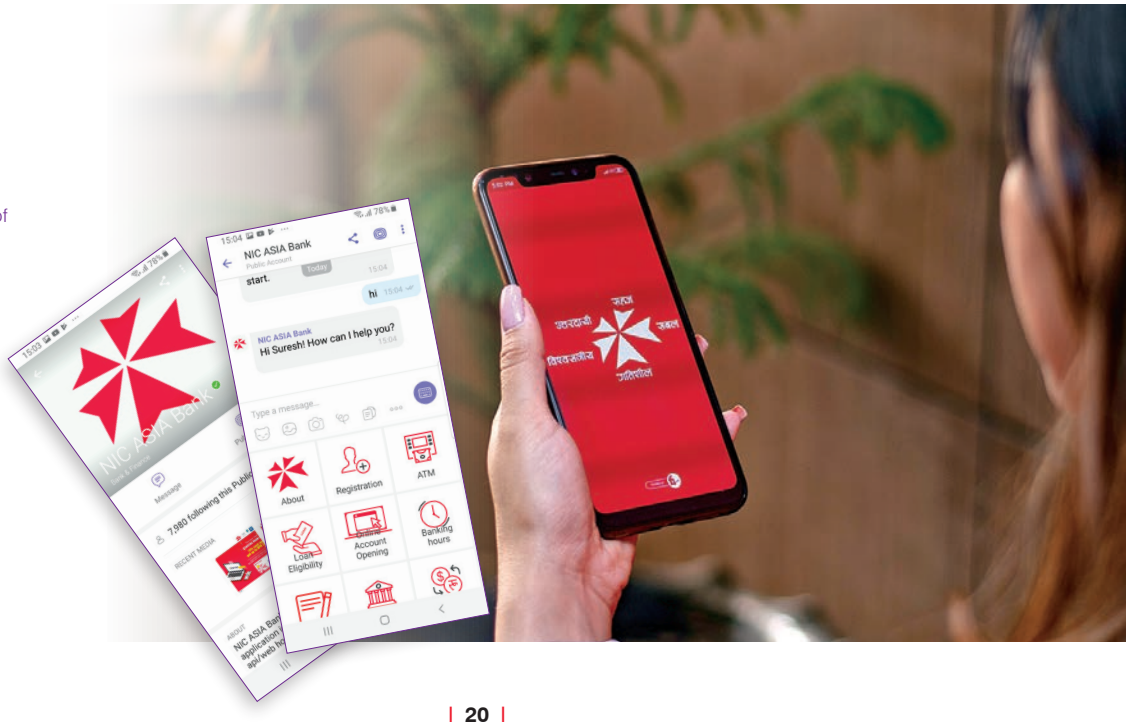
HUMAN RESOURCE MANAGEMENT

Employees play major role in accomplishing our resolution of making the NIC ASIA Bank distinct, strong, competitive, effective and successful in comparison to other peer banks. The Bank firmly believes that professional development of employees, improvisation of expertise and adequate trainings determine the basis of success of the Bank. The Bank has also decided to celebrate current fiscal year as "Year of Capacity Management" by prioritizing enhancement of expertise, proficiency and leadership skills of human resource. Therefore, the Bank has commissioned a strategy to add adequate fund to the 3% (of total operating expenses) fixed by the regulatory body for the overall development of human resources.

Automating works at Human Resource Department of the Bank, motivating employees through tactical management for accomplishment of the jobs in the best way possible and reasonable performance appraisal are our priorities.

Balance inquiry, mini-statement, account information, location and details of branches and ATM

Balance inquiry, mini-statement and call-back service



MAJOR GOALS OF CURRENT FISCAL YEAR

The bank has determined following targets for current fiscal year:

Particulars	Result of Review period (NPR)	Target of Current Year (NPR)	Increment/ (Decrement)
Net Profit	1.33 billion	3 billion	125%
Deposits	151 billion	220 billion	69 billion
New Saving Accounts	5.92 lakhs	7 lakhs	1.08 lakhs
Loans	120 billion	185 billion	65 billion
Number of Branches	231	319	88
Banking transactions through digital channel	32%	50%	18%
Number of New Debit Card Holders	180,307	490,000	172%
Interest Income	13.54 billion	21.30 billion	7.76 billion

- To celebrate current fiscal year as "Year of Capacity Management" to bring drastic change in the capability of the employees by ensuring their participation in trainings and skill development programmes.
- To fulfill social responsibilities as a responsible corporate citizen with main focus on financial literacy and inclusion during the current fiscal year.

SUBSIDIARY COMPANY

In line with the Universal Banking concept adopted by the NIC ASIA Bank, the Bank has established NIC ASIA Microfinance Financial Institution Ltd. and NIC ASIA Capital Ltd. with the strategy to bring diversity in the business and advance ahead in businesses associated with banking. The NIC ASIA Capital, that had distributed 2% dividend in its first year of establishment, has been successful in distributing 7.5% cash dividend from the profit of the review period.

Notable growths observed in business of NIC ASIA Microfinance Financial Institution Ltd. during the first year of its establishment are mentioned below:

- 44 branches
- 12,000 customer base
- 15 million net profit within 17-Oct-2018 (Ashwin end) after deduction of accumulated loss

On the basis of these facts and figures, we have perceived that the NIC ASIA Bank has been able to build a strong base towards its journey of Universal Banking.

THANK YOU

The glorious performance and achievement made by this Bank is the outcome of cooperation and trust of customers, effort and hard work of employees, faith of regulatory bodies and support of government and non-government organizations. I express my earnest gratitude for your contribution and I believe that we will always be blessed with your cooperation and trust in our mission of making this Bank number one in the country in respect to all major indicators.

Thank You!

Tulsi Ram Agrawal
Chairman

1.4

PROFILES OF THE DIRECTORS OF THE BOARD



FRONT LEFT TO RIGHT

Mr. Trilok Chand Agrawal
Director

Mr. Tulsi Ram Agrawal
Chairman

Mr. Jagdish Prasad Agrawal
Director

BACK LEFT TO RIGHT

Mr. Rajendra Prasad Aryal
Director

Mr. Ram Chandra Sanghai
Director

Mr. Ganesh Man Shrestha
Independent Director

Mr. Binod Kumar Pyakurel
Director



Mr. Tulsi Ram Agrawal
Chairman

More than 30 years of active involvement in industries, import-export, banking, and business, and established his group as leading network of global business

Involvement in various industries like Mainawati Steel Industries Pvt. Ltd., Kamala Rolling Mills Pvt. Ltd., Golden Battery Industries Pvt. Ltd., Vishal Enterprises Nepal Pvt. Ltd., Global Trading Concern Pvt. Ltd., United Distributors Nepal Pvt. Ltd., Vishal Group Ltd.



Mr. Jagdish Prasad Agrawal
Member
(Promotors Group)

More than 40 years of experience in industries, import-export, commerce, and banking sector

Involvement in various industries like Kamala Rolling Mills Pvt. Ltd., Kamal Iron and Steel Industries Pvt. Ltd., Golden Battery Industries Pvt. Ltd., Nepal, Umbrella Industries Pvt. Ltd.



Mr. Binod Kumar Pyakurel
Member
(General Shareholders Group)

37 years of experience in banking, and retired from the service of banking

Experience of merchant banking, as well

Risk Management Committee, Coordinator



Mr. Ganesh Man Shrestha
Member
(Independent Director)

More than 30 years of experience in banking and insurance sectors

Risk Management Committee, Member

Assets (Money) Laundering Prevention Committee, Member

Audit Committee, Coordinator



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

More than 36 years of experience in industries, import-export, commerce, and banking sector

Involvement in various industries like Vishal Group Ltd., Mainawati Steel Industries Pvt. Ltd., Golden Battery Industries Pvt. Ltd., Global Trading Concern Pvt. Ltd., Paramount Electronics Pvt. Ltd., Pooja International

Karmachari Sewa Subidha Samiti, Member

Audit Committee, Member



Mr. Rajendra Prasad Aryal
Member
(General Shareholders Group)

25 years of experience in audio/video, mass communication, media publicity, and product production

Top management experience in Advertising Agencies Association of Nepal (AAAN) and Federation of Nepal Chamber of Commerce and Industries (FNCCI)

Assets (Money) Laundering Prevention Committee, Coordinator



Mr. Ram Chandra Sanghai
Member
(Promotors Group)

25 years of experience in manufacturing of cement, food items, textile, and other manufacturing industries and businesses.

Involvement in business and industries like Biswakarma Cement Pvt. Ltd., Shree Pashupati Cement Pvt. Ltd., Triveni textile Industries Pvt. Ltd., Triveni Synthetic Yarn Industries Pvt. Ltd., Triveny Synpax Pvt. Ltd., Triveni Properties Pvt. Ltd., Tanus Textile Industries Pvt. Ltd., Annapurna Vegetable Products Pvt. Ltd., Navajyoti Gas Pvt. Ltd., Nepal Tea Development Corporation Ltd.

Karmachari Sewa Subidha Samiti, Coordinator



Roshan Kumar Neupane
CHIEF EXECUTIVE OFFICER



"Along with its historical achievements, the Bank has succeeded in becoming one of the leading commercial banks in the country during its journey till the 21st Annual General Meeting. The Bank successfully established strong bedrock for sustainable business with 231 branches and 2,291 banking employees during the review period."

1.5

MESSAGE FROM THE CEO

We had commenced our banking journey from Biratnagar in 1993 with one branch 19 employees. The Bank created history in FY 2007-08 by becoming the first bank ever to import and sell gold and bullions in its quest to achieve one after another milestone in its banking journey. The Bank was the only commercial bank in the country to obtain ISO 9001:2008 certification in FY 2009-10. Also, The Bank was rechristened as NIC ASIA Bank after the merger of NIC Bank with Bank of Asia Nepal in FY 2012-13. This was a historic merger in the annals of Nepalese financial landscape due to the first of its kind between the two successful commercial banks of the country.

Along with its historical achievements, the Bank has succeeded in becoming one of the leading commercial banks in the country during its journey till the 21st Annual General Meeting. The Bank successfully established strong bedrock for sustainable business with 231 branches and 2,291 banking employees during the review period.

The Bank has been able to achieve following historical milestones by implementing 'Repositioning', 'Rebranding' and 'Redefining' strategies in line with the Bank's long term strategy during the review period:

- The Bank opened 112 new branch offices during the review period which is the highest number of branch offices expansion by any bank in a single year in the Nepalese banking history.
- The Bank increased its deposits by NPR 64.5 billion during the review period which is the highest amount of increment in deposit amount by any bank in a single year in the Nepalese banking history.
- The Bank increased the amount of loans and advances by NPR 48.22 billion during the review period which is the highest amount of increment in the amount of loans and advances by any banks in a single year in the Nepalese banking history.

Further, we are determined to assume leading position in regards to majority of key indicators in the current fiscal year.

Now, I would like to present following overviews on the strategies undertaken by the Bank in various areas to make it simple, strong, progressive, trustworthy and accountable along with the Bank's progress during the review period:

A. CORPORATE GOVERNANCE

The Bank believes strong corporate governance is the basis for long term progress and prosperity and therefore has committed to incorporate proven corporate governance policies in its practice. Here we take transparency, accountability and responsibility as the main pillars of formulating and implementing the corporate governance policy.

We have undertaken zero tolerance policy in our corporate governance approach. Compliance with prevailing laws, rules, regulations and directives of the regulatory bodies has been considered as minimum standard in framing and implementing the corporate governance policies at the NIC ASIA. Our policies are in unison with the requirements of corporate governance standards fixated by regulatory body and we have been effectively implementing the same while ensuring honesty, transparency, accountability and responsibility.

B. RISK MANAGEMENT

The NIC ASIA Bank has made utmost effort in implementing the universal and modern risk management approaches in its banking practice. We have applied discerning management techniques to avoid conflict of interest by incorporating three different verticals–Business Enablers, Business Doer and Business Supporter—in our organizational structure. Furthermore, in order to smoothly manage credit risk, we have applied top management practices by enabling three verticals—Credit Business, Credit Approval and Credit Risk—in our operations.

In line with the Directive of the Nepal Rastra Bank on risk identification, evaluation, monitoring and management, following four director-level committees are fully functional at the NIC ASIA Bank:

1. Audit Committee
2. Risk Management Committee
3. Karmachari Sewa Subiddha Samiti
4. Assets (Money) Laundering Prevention Committee

The above mentioned committees are playing effective role in strengthening the internal controls for identifying, disseminating and managing the risk and also to mitigate the risks that may arise in the future. Likewise, the Bank has created a risk measurement system to measure, evaluate and review the risk to keep it within acceptable level.

C. INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

The Internal Audit Department of NIC ASIA Bank functions as an independent department to make the internal control system more effective and efficient. We have strengthened internal audit department for providing fair reporting to the Audit Committee for maintaining independence and objectivity. Further, I want to inform that more than 30 professional accountants, ACCAs and persons with excellent skill and professional capacity have been appointed to ensure the efficiency of the internal audit department.

D. CAPITAL MANAGEMENT

We have been periodically informing our Board of Directors about the policies we make to achieve the Bank's strategic goals and the maximum risk that the Bank can undertake. The Bank has prudently maintained 0.5% more Capital Adequacy Ratio than specified by the regulatory body through Internal Capital Adequacy Assessment Policy (ICAAP). This has helped in putting the shock absorption capacity of the Bank at the highest level for safe landing during the time of uncertainties.

Based on the Capital Adequacy Assessment Policy (ICAAP) of the Bank, the Capital Adequacy Ratio of the Bank as of July 16, 2018 (end of FY 2017-18) was 12.14%, which was 1.14% higher than the 11% specified by the Nepal Rastra Bank and 0.64% higher than 11.5% fixed by the Bank itself.

E. STRESS TESTING

The Bank has formed various mechanisms to manage continuous and progressive risks. Considering the fact that only historical data analysis tool is inadequate for identifying and managing the risks arising in the future, NIC ASIA has been developing Operational, Credit, Market and Liquidity Risk Management Framework by conducting 360-degree Risk Assessment. The risk assessments so done takes into account the Stress Testing and Reverse Stress Testing mechanisms while putting the risk-scenarios prescribed by the Nepal Rastra Bank as its minimum basis.

F. INCREASE IN BUSINESS

We believe that the Bank's overall success is possible through right strategy and its effective implementation. In accordance to the belief, the review period proved to be a milestone for effective implementation of the Strategy 2020. The Bank had formulated its strategy anticipating the development of investment friendly environment and capital expenditures as budgeted owing to the political stability and government's development commitments. However, overall banking industry suffered setback due to the shortage of lendable fund from the beginning of the second quarter of the review period and economic environment did not turn out to be favorable as anticipated by the Bank. However, in spite of above mentioned adverse situations, the Bank was able to achieve historical results during the review period.

"The Bank also succeeded to maintain the ratio of non-performing loan to the lowest level of 0.0697% during the review period with high focus on quality of loans along with swift business expansion."

The Bank remained largely successful in its strategic focus to become a number one banking brand in majority of parameters. The review period was celebrated as Year of Liability Restructuring and the Bank successfully stepped up to the first position in terms of deposits in this period from the sixth position in last fiscal. The Bank accounted for 17% market share of total deposit increment of the entire banking sector in the review period. The Bank achieved historic increment in deposits of NPR 64.5 billion (74.37%) during the review period. The total deposit of the Bank for the FY 2017-18 was NPR 151.2 billion, out of which contribution of CASA deposit was NPR 59.55 billion. The Year of Liability Restructuring was a huge success as we were able to increase the deposits by 74% during the review period against the 14% increment of the entire banking industry.

We were also able to achieve historic success in relation to loans and advances with the increase in loans and advances by 66% (NPR 48.10 billion) during the review period against the 18% increment in loans and advances of the entire banking industry. As a result, the Bank was able to step up to second position in terms of lending during the review period from the sixth position last year. The Bank also achieved remarkable success on the basis of revenue. The Bank earned the net interest income of NPR 4.21 billion during the review period which was 54% increment compared to the last year. There was 33% increment in other income as well during the review period. Similarly, the operational income also reached to NPR 1.91 billion. Further, our customer-base increased by an overwhelming ratio of more than 100% to reach 1,150,841 during the review period. Likewise, the Bank successfully increased the mobile banking, internet banking and debit card customer base by **401%**, **120%** and **212%** respectively during the review period.

The Bank also succeeded to maintain the ratio of non-performing loan to the lowest level of 0.0697% during the review period with high focus on quality of loans along with swift business expansion.

G. SERVICE NETWORK EXPANSION OF BANK

The Bank implemented The Footprint Expansion and Management Policy 2017 with an objective of providing proper guidance to our policy of network expansion and its proper management. Based on this strategy,

NET INTEREST INCOME

54%

Review period **4.21** billion

OTHER INCOME

33%

OPERATIONAL INCOME

1.91 billion

CUSTOMER-BASE

>100%

"The new branches were opened with an aim to cater to the financial needs of the citizens residing not only in urban areas but also in different remote parts of rural areas. In accordance to the national strategy of expanding financial access to municipalities and rural municipalities deprived of commercial banks, the NIC ASIA Bank successfully increased its service touchpoints to 2,220 new locations."

the Bank opened highest number of branches till now during the review period which stood at 112 branch offices, yielding a historic achievement to the Bank. The new branches were opened with an aim to cater to the financial needs of the citizens residing not only in urban areas but also in different remote parts of rural areas. In accordance to the national strategy of expanding financial access to municipalities and rural municipalities deprived of commercial banks, the NIC ASIA Bank successfully increased its service touchpoints to 2,220 new locations. During the review period, The NIC ASIA Bank opened 112 additional branches including 34 in remote areas; opened 15 additional branchless banking including eight in remote areas; opened 125 additional ATM terminals including 17 in remote areas; and opened 1,948 remittance agents including 1,263 in remote areas.

H. BRANDING

The Bank achieved huge success in enriching the Brand Recall Value by making the NIC ASIA brand highly visible during the review period. The Bank prepared Branding and Visual Identity Guidelines and started its effective implementation. The Bank has succeeded in becoming a No. 1 Banking Brand during the review period. Within a short span, the Bank has been able to implant the feeling of "Banks mean NIC ASIA" among general public.

I. DIGITAL BANKING

Today's era is the era of digitized technology. Acknowledging this fact, NIC ASIA is adopting relevant strategies in order to implement the idea of digital banking in its banking endeavors. We are formulating necessary strategy and arranging needful resources to make substantial increment in the digital transaction with an aim to make at least 50% of our transactions through digital channel.

Similarly, our total number of mobile banking, internet banking and debit card customer base has reached 629,000, 74,000 and 401,000 respectively. The increment was 503,500 (401%) for mobile banking, 40,400 (120%) for internet banking and 272,000 (121%) for debit card users during the review period. Also, we have successfully implemented the online account opening service to facilitate the account opening from home. We have also formulated necessary strategy and made arrangement for systems, sources and means to enable our customers to access our other banking services by using online platforms. We are also working to make our digital payment more customer-friendly, easy and secure in the coming years by building Payment Gateway EFT SWITCH. The Bank is also actively working to achieve the goal *"Ghar Ghar Ma Bank, Haat Haat Ma Bank"* by using digital technology as Business Enabler.

J. CUSTOMER FRIENDLY BANKING SERVICE

The Service Excellence Department of the Bank is working laboriously to make the NIC ASIA's banking system customer friendly by considering the fact that the identity and existence of a bank depends on the customer satisfaction and their trust. This department aims to prove its efficacy and efficiency by resolving the customer grievances in time with continuous supervision of our services and resolving any grievances arising thereof. The Bank is providing customer friendly banking services by taking into reference the developed, excellent and efficient banking technologies surfacing in the international market for fulfilling its commitment to provide apex banking service to service seekers.

The Price Waterhouse Coopers (PWC), a big four consultancy firm, has already been appointed as Service Excellent Consultant of the NIC ASIA to bring excellence in our services and to elevate the level of Service Excellency according to the presumptions of Strategy 2020. We are also measuring the level of customer satisfaction to our services by conducting various surveys. Similarly,

we have fixed Turnaround Time (TAT) for our different banking services with a motive to always provide simple and easy banking services and are effectively monitoring whether the TAT idea is producing desired outcomes.

K. SHAREHOLDERS WEALTH MAXIMIZATION

The Bank has successfully distributed an attractive return of 133.23% Cash Dividend and 175% Bonus Share, including the dividend proposed in this general meeting, to its shareholders till the date. Likewise, the Bank has proposed in this meeting to allocate 10% bonus share and 0.526% cash dividend for applicable tax on bonus share and we are confident of our stakeholder's full support in this matter. The Bank is moving towards the direction of increasing its business horizon and thereafter providing the attractive returns to its shareholders. The Bank has already built the foundation required for the same and has already started to amass huge profit from such new business dimensions. Therefore, the Bank is confident in providing attractive return to the shareholders in the future as well.

L. EMERGING NEW THOUGHTS

Pursuing the notion that quality banking service is the primary requirement of service seekers, the NIC ASIA Bank has initiated the idea of Positive Disruption in the Nepalese banking industry. The Bank has achieved historic success by collecting highest amount of saving deposit in the overall banking sector of NPR 23.17 billion from the natural person during the review period which has helped to germinate and establish a new thought that simple banking and easy access are customers' first priority.

Contrary to the general belief that expansion of banking network results in increase of long-term costs and makes the banking operation less-economic, the Bank has successfully attained immense business expansion by creating enormous banking network. This has established a new belief that the expansion of banking network means the expansion of banking business that would ultimately help in yielding attractive return in the future. This idea pioneered by the NIC ASIA is now widely being followed by many commercial banks too. Thus the pioneering role this Bank has played in germinating new thoughts in Nepalese banking scenario is truly laudable and a matter of pride for us.

M. SOCIAL CORPORATE RESPONSIBILITY

NIC ASIA is guided by an idea that the progress of a bank is dependent of the progress of its stakeholders. Here we believe that business and the society are supplement to each other and banking business thrives with the development and progress of the society. Based on this belief, the Bank has been conducting philanthropic activities concentrating in the field of education, health and environment as a responsible corporate citizen.

THANK YOU

I would like to express my sincere thanks to all the customers, regulatory bodies, service providers/ suppliers, business corporations and shareholders for your unwavering belief in this Bank. I would also like to express my heartfelt gratitude to the Chairman of the Board and all the Directors of this Bank for their continuous cooperation and guidelines.

I also want to give credit to my colleagues for their valuable contribution in the overall success of the Bank. My gratitude goes to all the members at Head Office, Provincial Offices, and Branch Offices including the DNA Oversight Committee Members.

I am confident that similar contribution, cooperation and encouragement will be received from all the stakeholders in the coming days. We will definitely succeed in our campaign to make this Bank "Bank of First Choice" with collective effort from all the stakeholders..

Thank You.

Roshan Kumar Neupane
Chief Executive Officer

1.6
THE MANAGEMENT TEAM



FRONT LEFT TO RIGHT

Mr. Kapil Dhakal
Chief Human Resource and Chief Development Officer

Mr. Dipendra Bahadur Rajbhandari
Chief Risk Officer

Mr. Jayendra Rawal
Chief Strategy Enforement Officer

Mr. Rajesh Rawal
Chief Strategy Enforement Officer

Mr. Roshan Kumar Neupane
Chief Executive Officer

Mr. Sudhir Nath Pandey
Deputy Chief Executive Officer

Mr. Sudeep Khanal
Chief Corporate And Priority Loans Officer- Chief Support Officer

Mr. Santosh Kumar Rathi
Chief Marketing Officer



BACK LEFT TO RIGHT

Mr. Raju Prasad Adhikari
Head Internal Audit

Mr. Prakash Baral
Chief Credit Officer

Mr. Deepen Karki
Company Secretary

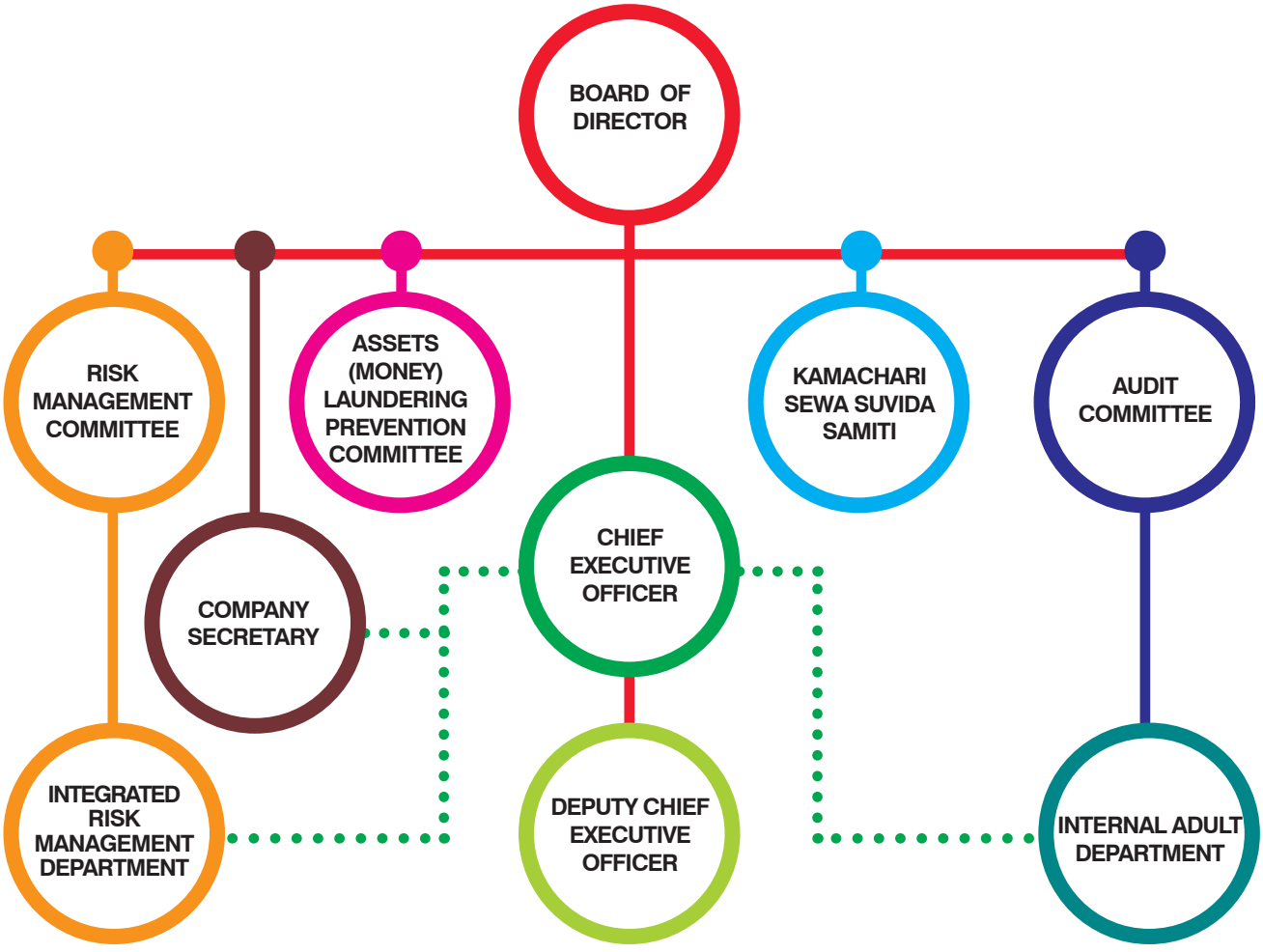
Mr. Arjun Raj Khaniya
Chief Public Relationship Officer

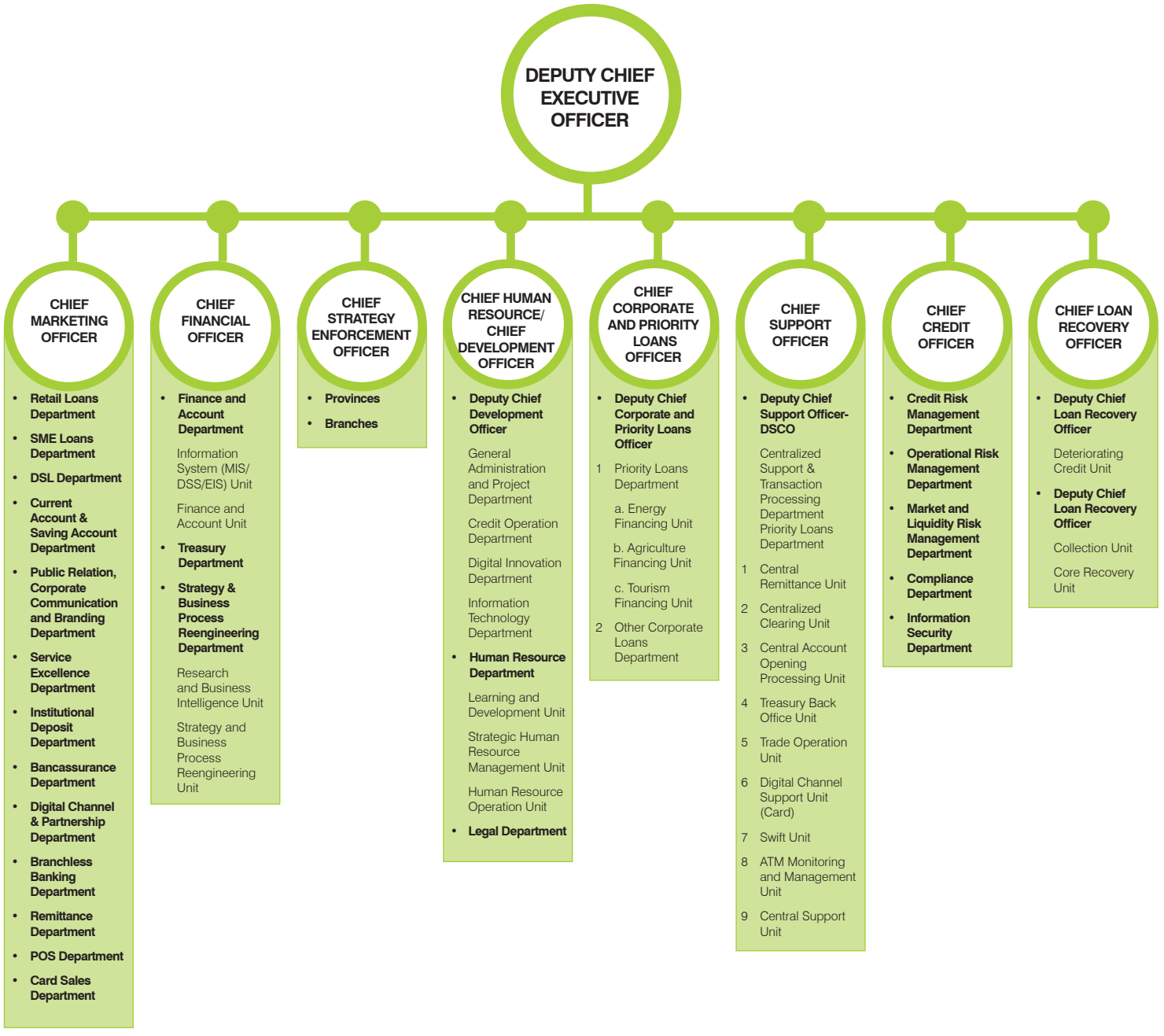
Mr. Bishal Sigdel
Chief Financial Officer

Mr. Dinesh Bhari
Head Legal

1.7

ORGANIZATION STRUCTURE OF NIC ASIA BANK




DEPUTY CHIEF EXECUTIVE OFFICER
CHIEF MARKETING OFFICER
• Retail Loans Department
• SME Loans Department
• DSL Department
• Current Account & Saving Account Department
• Public Relation, Corporate Communication and Branding Department
• Service Excellence Department
• Institutional Deposit Department
• Bancassurance Department
• Digital Channel & Partnership Department
• Branchless Banking Department
• Remittance Department
• POS Department
• Card Sales Department
CHIEF FINANCIAL OFFICER
• Finance and Account Department
Information System (MIS/ DSS/EIS) Unit
Finance and Account Unit
• Treasury Department
• Strategy & Business Process Reengineering Department
Research and Business Intelligence Unit
Strategy and Business Process Reengineering Unit
CHIEF STRATEGY ENFORCEMENT OFFICER
• Provinces
• Branches
CHIEF HUMAN RESOURCE/ CHIEF DEVELOPMENT OFFICER
• Deputy Chief Development Officer
General Administration and Project Department
Credit Operation Department
Digital Innovation Department
Information Technology Department
• Human Resource Department
Learning and Development Unit
Strategic Human Resource Management Unit
Human Resource Operation Unit
• Legal Department
CHIEF CORPORATE AND PRIORITY LOANS OFFICER
• Deputy Chief Corporate and Priority Loans Officer
1 Priority Loans Department
a. Energy Financing Unit
b. Agriculture Financing Unit
c. Tourism Financing Unit
2 Other Corporate Loans Department
CHIEF SUPPORT OFFICER
• Deputy Chief Support Officer-DSCO
Centralized Support & Transaction Processing Department Priority Loans Department
1 Central Remittance Unit
2 Centralized Clearing Unit
3 Central Account Opening Processing Unit
4 Treasury Back Office Unit
5 Trade Operation Unit
6 Digital Channel Support Unit (Card)
7 Swift Unit
8 ATM Monitoring and Management Unit
9 Central Support Unit
CHIEF CREDIT OFFICER
• Credit Risk Management Department
• Operational Risk Management Department
• Market and Liquidity Risk Management Department
• Compliance Department
• Information Security Department
CHIEF LOAN RECOVERY OFFICER
• Deputy Chief Loan Recovery Officer
Deteriorating Credit Unit
• Deputy Chief Loan Recovery Officer
Collection Unit
Core Recovery Unit

1.8

DNA OVERSIGHT COMMITTEE

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 Strategy 2020, 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. It was constituted on July 12, 2018.

COMPOSITION OF DNA OVERSIGHT COMMITTEE

Mr. Roshan Kumar Neupane,
Chief Executive Officer (Coordinator)
Mr. Sudhir Nath Pandey,
Deputy Chief Executive Officer (Member)
Mr. Santosh Kumar Rathi,
Chief Marketing Officer (Member)
Mr. Rajesh Rawal,
Chief Strategy Enforcement Officer (Member)
Mr. Jayendra Rawal,
Chief Strategy Enforcement Officer (Member)
Mr. Kapil Dhakal,
Chief Development Officer (Member)
Mr. Dipendra Bahadur Rajbhandari,
Chief Risk Officer (Member)
Mr. Bishal Sigdel,
Chief Financial Officer (Member)
Mr. Prakash Baral,
Chief Credit Officer (Member)
Mr. Arjun Raj Khaniya,
Chief Public Relation Officer (Member)
Mr. Sudeep Khanal,
Chief Corporate and Priority Loans Officer (Member Secretary)

ROLES AND RESPONSIBILITIES OF DNA OVERSIGHT COMMITTEE

It has been envisioned that the work to be performed by the committee are as follows:

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, regional offices, and branches through regional oversight authority of the Bank, so as to enable them to effectively implement their strategic and tactical plans.
iv. To maximize return on human as well as other investments of the Bank by ensuring efficient utilization of all human and other physical resources of the Bank and to achieve synergic effect.
v. To assist all the departments and regional oversight of the Bank for effective implementation of all the policies and guidelines of the Bank, as applicable.
vi. To constantly steer the implementation of Strategy 2020 through quality assurance, value addition, and troubleshooting.

1.9

CODE OF CONDUCT GUIDING PRINCIPLES

NIC ASIA Bank and its subsidiary companies have always attempted 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. We have always been adhering to the highest standards of responsible business practices in interactions with all our stakeholders. Our governance structure has been designed so as to facilitate greater empowerment and faster decision-making at all levels of our business.

NRB 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 we face 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 our 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 endeavour 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.

THE 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.

> FOR A TRUE NIC ASIAN DNA, RESULTS ARE MERELY NUMBERS INTERPRETED AGAINST A BENCHMARK.

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

After achievement of historic milestones in earlier years, visionary and passionate NIC ASIANs possessing extraordinary NIC Asia DNA, are fully geared for the road ahead for a next big leap in the form of NextGen Banking.



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:

- **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**



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**

MIND SET

Mindset is a habitual or characteristic mental attitude that determines how we interpret and respond to situations. Cultivating a growth mindset can be the singlemost 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**

1.10

SUCCESS STORY

NIC ASIA Bank had provided a loan amounting to NPR 315,000 under deprived sector category to Ambirman Singh Silwal on June 7, 2017. Silwal used the fund to establish a business with the name of Gulf Grill Udhyog and expanded his business over the time. After Silwal duly settled his loan, he again requested for a new loan limit. The loan was booked under Easy Business Loan Facility. Silwal injected the entire fund into his business, as a result of which, Gulf Griill Udhyog has now grown into a large unit with its own workshop areas.

Gulf Grill Udyog is a production and trading business that specializes on iron items, i.e. iron doors, windows, grills, shutters, chairs, gates, cupboards, file racks, trusses, etc. Silwal, the proprietor of the business, has employed five regular staffs and he makes key management decisions. Besides, Silwal is also the proprietor of Gulf Painting Decoration Udhyog. Earlier, he had worked as a painter at Aalmana Decoration-Dubai for five years and at Everest Decor-KTM for six months. Due to the rapport and reputation he gained with customers as a painter, he started his own enterprise—Grill Udhyog & Painting Decoration.

The business is on a fast growing track and has sound repayment history. Silwal has now requested for a new loan limit for the construction of his house.



Ambirman Singh Silwal, customer

1.11

CORPORATE INFORMATION

Registered Name of the Company	NIC ASIA Bank Limited
Legal Form	Public Limited Company, listed with Nepal Stock Exchange
Company Registration Number	658
Company Registration Date	30-May-1997
NRB License Number	658/053/54
Registered Office	Ward No.11, Trade Tower, Thapathali Kathmandu, Nepal P.O. Box: 11021 Tel No: + 977-1-5111177/5111179 Fax No: + 977-1-5111180 Toll Free No: 1660-01-77771
Province Offices	Province 1: Biratnagar Metropolitan, Biratnagar, Ward no. 7 Province 2: Bardibas Municipality, Bardibas, Ward no. 1 Province 3: Trade Tower, Thapathali, Kathmandu, Ward no. 11 Province 4: Pokhara Lekhnath Metropolitan, Ward no. 8 Province 5: Tilottama Municipality, Ward no. 3 Province 6: Birendranagar Municipality, Ward no. 6 Province 7: Dhangadhi Sub Metropolitan, Ward no. 4
Company E-mail	info@nicasiabank.com
Company Website	www.nicasiabank.com
Card Center	Kamaladi, Ganeshthan, Kathmandu Tel No: +977-01-4262277
Auditors	TR Upadhya & Co. Chartered Accountants 124 Lal Colony Marg, Lal Durbar (Near Jai Nepal Hall), Kathmandu, Nepal Tel No: +977-1-4410927/4420026 Fax No: +977-1-4413307 Email: trunco@ntc.net.np Website: www.pkf.trunco.com.np

1.12

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.



1.13

SUBSIDIARIES OF NIC ASIA BANK

NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

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

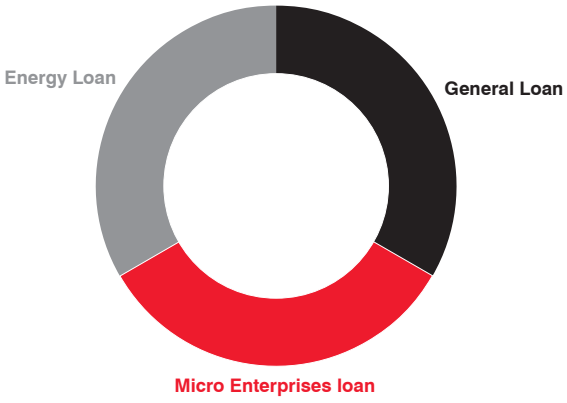
CREDIT

- 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 enterpreneur 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.

Loan Products

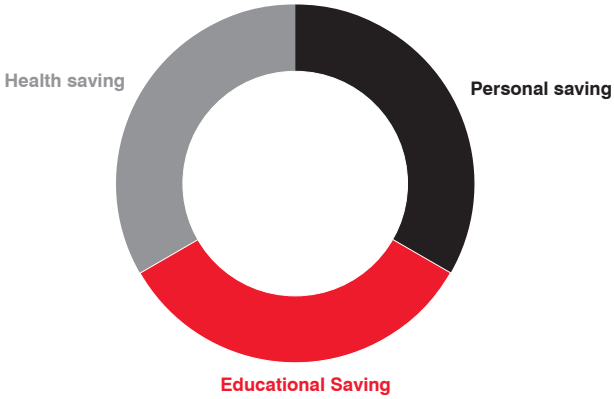


A member can open account with a minimum of NPR100. NIC ASIA Laghubitta provides interest @ 8% p.a. on this saving. Members can deposit in this saving account when they have surplus and withdraw from this account as per their need.

- 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.

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

Saving Products



- The organization has opened 28 branch offices over 14 districts, through which 6,437 members have been availing micro-finance facility through 668 groups at the end of the first year of operation.

- Total deposit of 6,437 members at the end of FY 2017/18 is NPR 68,612,427. Out of total loans of NPR 844,920,000 distributed during the year, NPR 16,663,692 was repaid during the year, and total loans of NPR 828,256,308 remains outstanding at the end of FY 2017/18.

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, Depositary Participant, and Portfolio Management.

NIC ASIA Bank Limited, our parent company, is "A" class financial institution licensed by Nepal Rastra Bank. NIC ASIA Bank is one of the largest private sector commercial banks in the country in terms of capital base, balance-sheet size, and number of branches, ATM network, and customer base. The Bank has more than 255 branches across Nepal, with a network covering all major financial centers of the country. The Bank has also added a micro-finance company, NIC ASIA Microfinance, in its ecosystem. The Bank strongly believes in meritocracy, transparency, professionalism, team spirit, and service excellence. These core values are internalized by all functions within the Bank and its subsidiaries, which includes NIC ASIA Capital Limited.

VISION

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

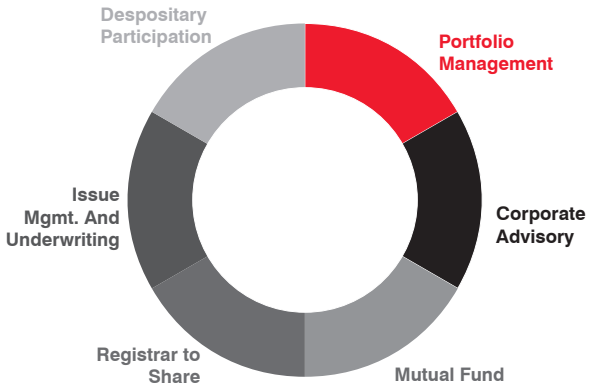
MISSION

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.

Services of NIC Asia Capital Ltd.



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, where we maintain the shareholder records of our corporate clients and deal with all matters connected with the transfer and redemption of its securities. This service includes splitting of shares, pledging and transfer of ownerships, paying dividends to shareholders, etc.

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.

DEPOSITARY PARTICIPANT SERVICE

NIC AISA Capital received the registration certificate to function as a Depositary 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 includes:

- 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 shareholdings;
- 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:

- The Capital has been able to issue primary capital of two companies, including a mutual fund, under the issue management services, in which allotment of shares of one of the companies, Aarambha Microfinance Bittiya Sanstha Limited, was done within 37 hours, which can be considered as a historical achievement in the sector of merchant banking.
- The Capital has been providing registrar to share services to 5 companies, including a mutual fund.
- The Capital has been able to provide portfolio management services to 44 customers amounting to NPR 103.4 million during FY 2017/18.
- NIC ASIA Capital opened 128,214 DEMAT accounts during its short period of operation, which accounts to 10% of total DEMAT accounts opened by the total of 67 depository participants during that period, securing second position in terms of total DEMAT accounts..
- NIC ASIA Capital has issued a NIC ASIA growth fund for a value of 1 billion as a first scheme under NIC ASIA Bank Mutual Fund, which was able to bring plans of 8,352,000 units amounting to NPR 835,200,000. Net Assets Value of the Mutual Fund was NPR 10.08 at the end of FY 2017/18, even though the secondary market was continuously declining since the allotment of mutual fund units, which can be considered as satisfactory achievement as compared to other plans existing in the market, and in view of the poor market condition.

8.352 million
NUMBER OF ALLOTTED UNITS

835.2 billion
VALUE OF ALLOTTED UNITS

10.08 billion
NET ASSETS VALUE OF FUND AS ON 16-JUL-2018



1.14

BUSINESS DIVISIONS OF NIC ASIA BANK



The business segments of the Bank are segregated into seven distinct categories, which are led by individual business heads.

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 the 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 hotels, and hospitals, 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 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

Large Corporate

This unit caters the need of large corporate houses with an average wallet size of more than NPR100 million. The Bank has a well-experienced team that understands the financial needs of such customers and advises tailored 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

We are dedicated to providing Market Leading Service so you can achieve your business ambitions.

B. SMALL AND MEDIUM ENTERPRISES (SME) BANKING

The loans provided to corporate customers valuing not more than NPR100 million are classified under SME Banking. The interest incomes and 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 SME loans, personnel expenses, and operating expenses, as well as provision for loss created for such loans.

PRODUCTS OF SME

Easy Business Loan (EBL)

- Credit Facility above NPR 300,000 to a maximum of NPR 7,500,000
- Financing of Net Assets Requirements
- Term loan facility depending upon nature and requirement of business

Small Business Loan (SBL)

- Credit Facility above NPR 300,000 to a maximum of NPR 10,000,000
- Financing working capital & capital expenditure requirements and trade based facilities
- Mix of revolving overdraft and term loan facility

Medium Enterprises Loan

- Credit Facility above NPR 10,000,000 to a maximum of NPR 50,000,000
- Financing working capital & capital expenditure requirements and trade based facilities
- Mix of revolving overdraft and term loan facility

Mid-Market Loan

- Credit Facility above NPR 50,000,000 to a maximum of NPR 100,000,000
- Financing working capital & capital expenditure requirements and trade based facilities
- Mix of revolving overdraft and term loan facility

C. 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.

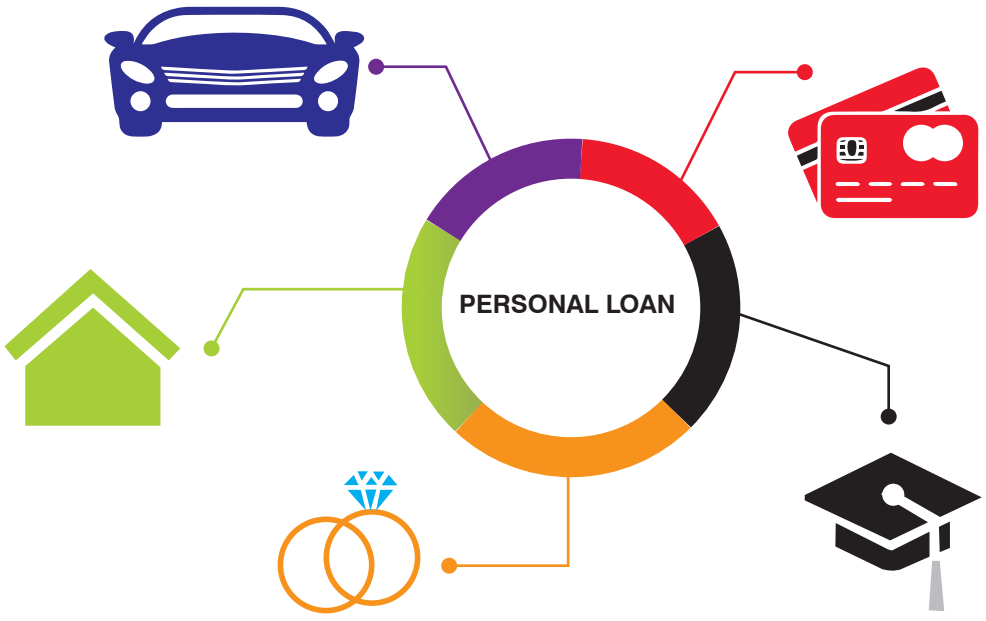
PRODUCTS OF RETAIL BANKING

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.

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.



Auto Loan

Auto Loan is a vehicle financing scheme to facilitate salaried individuals and professionals, self-employed, and owners of business firms for procuring any type of vehicles. The loans are secured against mortgage of the vehicle in the Bank's name.

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)

Loan Against Shares

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.

Product Features

- 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

Personal Loan

Personal Loan is a non-collateral based financing scheme to Nepali individuals to facilitate salaried individuals and professionals residing in Nepal for meeting their individual financial requirements. This loan is based purely on personal credibility of the customer, and is not backed by collateral.

Product Features

- 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
- Hassel free and simple loan documentation

Education Loan

Better education is seen as a stepping stone to a high-flying 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. It is a collateral-based loan specially designed to facilitate Nepali students to meet their financial requirements to pursue higher education above intermediate level in Nepal or abroad.

Product Features

- 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
- Sufficient moratorium period (Total course duration+1 year or maximum of 6.5 years)

Foreign Employment Loan

In recent times, it seems that the government has recognized overseas employment opportunities as a way to alleviate poverty and unemployment in the country. The remittances generated have been instrumental in poverty alleviation, as well as for improving the living standard of people. With the intent of supporting government



in poverty alleviation and reduction of unemployment rate in the country, the Bank has launched Foreign Employment Loan product. The Bank extends credit facility to consumers who are going to foreign countries for employment purpose, which includes expenses relating to employment, training fees/expenses, ticket fare, visa fee, and consultancy fee/cost associated to employer.

Product Features

- Collateral based loan
- Targeted to people who are going to foreign country for employment purpose
- Loan amount: Minimum NPR 100,000 to maximum NPR 1,000,000
- 5 days' turnaround time

D. DEPRIVED SECTOR LENDING (DSL) BANKING

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 Udhyam 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)

E. TREASURY

The balance lying with the Bank, invested in government bonds, Treasury bills, placements, forex trading, and shares of other organizations, comes under this segment. The interest income of bonds and bills, forex gains, and dividend income are revenue items of this segment. Expenses of this segment includes interest expenses on deposits used for making investments, forex losses, personnel expenses, and operating expenses, as well as provision for loss created on such investments.

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 (TB)

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.





1.15

PRODUCTS AND SERVICES

DEPOSIT PRODUCTS

A. CHAMATKARIK DEPOSIT PRODUCTS

Following deposit products having unparalleled benefits to customers in terms of insurance coverage, convenience, higher yield and many more have been launched by the Bank:

A. Term Deposit

i. Chamatkarik Fixed Deposit-Silver
ii. Chamatkarik Fixed Deposit-Gold
iii. Chamatkarik Fixed Deposit-Diamond
iv. Chamatkarik Recurring Deposit

B. Saving Deposit:

i. ChamatkarikBachatKhata-Silver
ii. Chamatkarik Bachat Khata-Gold
iii. ChamatkarikBachatKhata-Diamond
iv. Chamatkarik Jestha Nagarik Bachat Khata-Silver
v. Chamatkarik Jestha Nagarik Bachat Khata-Gold
vi. Chamatkarik Jestha Nagarik Bachat Khata-Diamond
vii. Chamatkarik Nari Bachat Khata-Silver
viii. Chamatkarik Nari Bachat Khata-Gold
ix. Chamatkarik Nari Bachat Khata-Diamond
x. Chamatkarik Talab Bachat Khata
xi. Chamatkarik Babu Nani Bachat Khata
xii. Chamatkarik Bidhyarthi Bachat Khata
xiii. Chamatkarik Udhyamshil Bachat Khata
xiv. Chamatkarik Baideshik Roigar Bachat Khata
xv. Chamatkarik Swarojgar Bachat Khata

B. SUPER PAYROLL ACCOUNT

It is a special saving product designed with the objective of catering to employees of various organizations like local bodies, telecommunications, schools/colleges, insurance companies, NGOs/INGOs, consulates, and other recognized organizations. As salaried individuals are paid remuneration on a monthly basis, situation may arise where an individual may require additional fund to cover temporary expenses. This product aims to cater to the financial needs of customers in this segment for meeting financial requirements by providing them EMI-based loan facility.

Product Features

- **EMI based personal loan facility**
- **Zero minimum balance**
- **Free any branch banking service (ABBS) charge, cheque book and account statement**

Following deposit products with abundant customer centric features were launched by bank during review period:



C. NEW PREMIUM SAMUNNATI BACHAT KHATA

This is an interest-bearing saving account scheme to generate a new customer-base with higher value to the Bank. It is basically targeted towards salaried, self-employed, professional business holders, and other high net worth individuals, who might be any Nepali citizen/ Indian national/ foreigner/minor of different ages and groups.

Product Features

- **Free Any Branch Banking Service (ABBS) charge**
- **Accidental insurance coverage of NPR 500,000**
- **Unlimited withdrawal from any ATM network throughout Nepal without any charge**
- **20% discount on internet banking, mobile banking and ATM if account is opened through online channel**
- **Free mobile top up of NPR 100 (NTC/ NCELL) once the mobile banking is activated**
- **Waiver in fees on Missed call banking, viber banking, home banking to customer maintaining average monthly balance of NPR 1,000,000, DEMAT and online account opening**
- **50% discount on annual locker charges**
- **Premium / Rebate of 5 to 15 paisa on FCY transaction and 20% discount on dollar card issuance charge**

D. PREMIUM SAMUNNATI BACHAT KHATA

This is an interest-bearing savings account scheme to attract a new customer-base and lure existing customers to migrate from zero balance account to this product to enjoy many freebie facilities associated with this product.

Product Features

- **Mobile top-up facility worth NPR 100 for each account opened**
- **Free cheque book, account statement, balance certificate, credit card issuance fee, DEMAT account opening, any branch banking service (ABBS) charge, good for payment issuance fee**
- **Accidental death insurance of up to NPR 500,000, or five times the average monthly balance, whichever is lower**
- **Unlimited withdrawal from any ATM network throughout Nepal without any charge**
- **Home banking to customer maintaining average monthly balance of NPR 1,000,000**
- **Special discount on loan management fee of retail loan**



- **Visa card/ SMS banking/ Internet banking: Free for first year**
- **50% discount on locker charges and rebate on purchase and premium on sale of FCY**

E. SAMUNNATI MUDDATI KHATA

Samunnati Muddati Khata is a specific product targeted towards individual and institutional customers, with attractive interest rate of 11%, along with monthly interest payment.

Product Features

- **Interest (11% p.a.) payable on monthly basis**
- **Overdraft limit against fixed deposit**
- **Up to 90% of fixed deposit amount**





F. BIDHYARTHI BACHAT KHATA

This is primarily a savings account with attractive product features and facilities. This product is basically targeted for teenagers, youth, and students.

Product Features

- **Zero minimum balance**
- **Cheque book and account statement: Free on demand**
- **Top-up facility worth NPR 50 for each account opened**
- **Visa card, internet banking, and mobile banking: Free for first year**
- **Any branch banking service: Free up to NPR 500,000 per day**

G. EPS KOREA BACHAT KHATA

This is a special saving product designed with an objective to solicit accounts of Nepali migrant workers going to South Korea for employment through EPS Korea section. EPS Korea section has maintained their current account (NPR) with our Bank and circulated to all the Nepali migrants who have passed EPS Korea exam to deposit NPR amount equivalent to USD5 regarding job application form and USD46.20 regarding operating expenses in their account maintained with our Bank.

Product Features

- **Zero minimum balance**
- **Recharge card worth NPR 100 for each account opened at the time of opening account**
- **Cheque book free on demand**
- **Visa card, internet banking and mobile banking: Free for first year**
- **Any branch banking service: Free up to NPR 500,000 per day**

H. ONLINE BACHAT KHATA

This is a special saving account that is customized to suit the banking needs of personnel residing both in and outside the country, with privileged feature that helps them to open an account through the online platform. Customers can initiate to open Online Bachat Khata by filling up an application online, along with submitting the required details online without being physically present in the Bank's premises.



Product Features

- **Zero minimum balance**
- **Visa card, internet banking, mobile banking: Free for first year**
- **Free cheque book, inward remittance and any branch banking service (ABBS)**

I. NIC ASIA DOUBLE DEPOSIT

NIC AISA Double Deposit is a special product, as the fixed deposit will be doubled at maturity in 9 years for individual customers, and 10 years for institutional customers, even after the deduction of applicable tax rate (TDS) of 15 % for institutions and 5 % for individual accounts. Interest on Double Deposit account is calculated on a daily basis, and capitalized on quarterly basis.

Product Features

- **Overdraft limit against fixed deposit**
- **Up to 90% of fixed deposit amount**
- **100% return on deposit at maturity**

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.

1.16

PRODUCT PORTFOLIO

DEPOSIT PRODUCTS



Total Deposit of Bank
151 Billion

Market Share of Bank in Total Deposit of Industry
6.47%

1 CALL ACCOUNT (16.82% OF TOTAL DEPOSIT)

% of Product Wise Deposit over Total Deposit

1	Institutional Call Account (15.89%)	15.89%
2	Other Call Accounts	0.93%

2 FIXED DEPOSIT ACCOUNT (40.76% OF TOTAL DEPOSIT)

% of Product Wise Deposit over Total Deposit

1	FD Corporate (19.98%)	19.98%
2	FD Individual (20.34%)	20.34%
3	Other FD Accounts	0.44%

3 FOREIGN CURRENCY DEPOSIT (3.02% OF TOTAL DEPOSIT)

1	USD Saving Account
2	USD Super Saving Account
3	EURO Saving Account

4 SAVING ACCOUNT (31.72% OF TOTAL DEPOSIT)

% of Product Wise Deposit over Total Deposit

1	Happy Savings Account	2.90%
2	Pre Sammunati Bachat Khata	2.71%
3	Sammunati Bachat Khata	14.14%
4	Sulav Bachat Khata	3.12%
5	Other Saving Accounts	8.85%

DOMESTIC CURRENCY:

Current Account
7.4%

Saving Account
31.72%

Fixed Deposit Account
40.76%

Call Account
16.82%

Margin Account
0.27%

FOREIGN CURRENCY DEPOSIT
3.02%

LOAN PRODUCTS



1 CORPORATE AND PROJECT FINANCING

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

2 DEPRIVED SECTOR LENDING

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

3 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)
3. Mid Market Loan (Business Overdraft, Term Loan, Demand Loan)

4 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

1.17

AN EVENTFUL YEAR FOR NIC ASIA BANK



Inauguration of Gaidakot Branch of NIC ASIA Bank.



Inauguration of Jhiljhile Branch of NIC ASIA Bank.



Inauguration of Lakeside Branch of NIC ASIA Bank.



Inauguration of Kakarvitta Branch of NIC ASIA.



Corporate Indoor Cup: Winner, September 17-September 22, 2018 at Royal KCTC Indoor Cricket Ground, Golfutar Kathmandu



Century Bank Super Sixes Corporate Cricket Tournament: 1stRunners Up, 26 Nov-Dec 1, 2018 at TU International Cricket Ground

Door to door financial literacy programme organized by NIC ASIA Bank.











Tree plantation on the occasion of World Environment Day.

1.18

AWARDS AND RECOGNITIONS



Banker of the Year 2007



Banker of the Year 2013



Best Brand Award
(Banking Sector)



Best Employer Brand Award



ISO 9001:2000 certification

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.

02

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MANAGEMENT DISCUSSIONS AND ANALYSIS



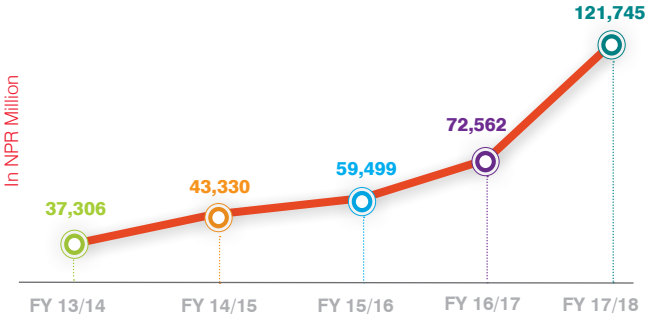
2.1

FINANCIAL HIGHLIGHTS

Particulars	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Annual Growth (FY 17/18)	CAGR (5 years) Average
Total Loans and Advances (Gross) (NPR Million)	37,305.88	43,330.02	59,498.83	72,561.82	121,745.36	67.78%	34.41%
Total Assets (NPR Million)	51,500.49	60,519.40	80,456.52	99,274.04	170,943.18	72.19%	34.98%
Net Assets (NPR Million)	4,873.03	5,498.78	7,382.84	10,116.18	11,670.46	15.36%	24.40%
Total Deposits (NPR Million)	44,984.22	53,477.18	69,488.00	87,678.37	151,219.12	72.47%	35.41%
Shareholders Fund (NPR Million)	4,873.03	5,498.78	7,382.84	10,116.18	11,670.46	15.36%	24.40%
Total Operating Income (NPR Million)	2,238.83	2,102.21	2,613.25	3,433.54	5,358.14	56.05%	24.38%
Profit before Tax (NPR Million)	1,189.82	970.69	1,532.70	2,088.13	1,810.60	-13.29%	11.07%
Profit after Tax (NPR Million)	831.59	680.32	1,066.91	1,473.47	1,334.86	-9.41%	12.56%
Gross Revenue (NPR Million)	4,138.19	4,049.38	4,545.60	7,058.63	14,511.97	105.59%	36.85%
G.P Ratio (Percentage)	46.91	42.21	46.23	38.20	23.39	-38.78%	-15.97%
Return on Total Assets (Percentage)	1.71	1.21	1.51	1.64	0.97	-40.59%	-13.11%
Return on Equity (Percentage)	15.93	13.05	16.50	16.84	12.09	-28.22%	-6.67%
Return on Capital Employed (Percentage)	15.48	11.34	13.53	13.88	8.81	-36.55%	-13.15%
Debt-Equity Ratio (Percentage)	10.26	9.09	6.77	4.94	29.89	504.68%	30.64%
Net Current Assets (NPR Million)	(3,267.18)	(9,227.34)	(16,209.65)	(1,271.98)	24,371.16		
Current Ratio (Ratio)	0.88	0.74	0.64	0.97	1.39	43.06%	12.13%
Net Profit Per Employee (NPR Million)	1.40	0.93	0.97	0.84	0.58	-30.60%	-19.65%
Staff Cost Per Employee (NPR Million)	0.64	0.58	0.49	0.48	0.78	62.47%	5.16%
Total Credit/Deposits (Percentage)	82.93	81.03	85.62	83.70	86.30	3.11%	1.00%
Interest Income/Loans and Advances & Investment (Percentage)	10.45	8.31	7.77	9.10	10.12	11.22%	-0.80%
Interest Expenses/Total Deposits and Borrowings (Percentage)	5.99	5.12	4.41	5.61	6.53	16.31%	2.16%
Exchange Gain/Total Income (Percentage)	2.27	2.84	3.29	2.36	1.42	-39.88%	-11.11%
Total Cost/Total Revenue (Percentage)	34.12	41.56	40.30	46.14	62.04	34.44%	16.12%
Net Profit / Total Loan (Multiple)	2.23	1.57	1.79	2.03	1.10	-46.01%	-16.25%
Earning Per Share (NPR)	35.98	25.59	28.31	23.06	16.62	-27.91%	-17.56%
Dividend (including bonus) on Share Capital (Percentage)	30.00	41.05	27.37	21.05	10.53	-49.98%	-23.03%
Cash Dividend on Share Capital (Percentage)	15.00	2.05	1.37	1.05	0.53	-49.52%	-56.64%
Price Earning (PE) Ratio (Ratio)	26.96	24.11	28.19	19.30	19.01	-1.50%	-8.36%
Stock Performance (Closing Stock Price Per Stock) (NPR)	970	617	798	445	316	-28.99%	-24.45%
Market Capitalization (NPR Million)	22422.05	16401.62	36511.49	29782.06	25378.33	-14.79%	3.14%
Capital Adequacy Ratio (Percentage)	14.05	12.49	12.44	13.83	12.24	-11.50%	-3.39%
No. of Shares (Million)	23.12	26.58	45.75	66.93	80.31	20.00%	36.53%

Note: The Bank has prepared financial statements up to FY 2016/17 as per Nepal Accounting Standard and in compliance with directives issued by Nepal Rastra Bank. However, Nepal Rastra Bank, vide its circular no. 10/074/75 dated Nov 30, 2017, has directed "A" class commercial banks to prepare financial statements for FY 2017/18 in compliance with Nepal Financial Reporting Standards (NFRS) compulsorily. In order to comply with this requirement, financial statements of the Bank for FY 2017/18 have been prepared 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.

TOTAL LOANS AND ADVANCES (GROSS)



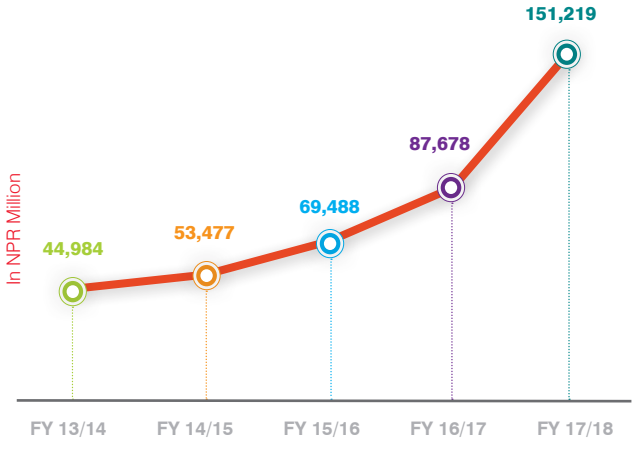
The Bank was able to achieve enormous increase in loans and advances during the last few years. The Bank was able to achieve very impressive compound annual growth rate (CAGR) of 34.41% over a five-year period. Total Loans and Advances of the Bank as on mid July 2018 was NPR 121,745.36 million, as compared to NPR 37,395.88 million as on mid-July 2014. The Bank was successful in achieving massive growth and expansion of business, along with increment of Total Loans and Advances over the last 5 years.

Total Loans and Advances of the Bank increased by 67.78% to NPR 121,745.36 million as of mid-July 2018, as compared to NPR 72,561.82 million last year, which is the highest increment in loans and advances by any bank in a single year in the history of the Nepalese banking industry. Despite the increase in loans and advances, the quality of assets was improved as compared to last year. Gross NPA ratio of the Bank was 0.0697% in the review period as compared to 0.36% last year.

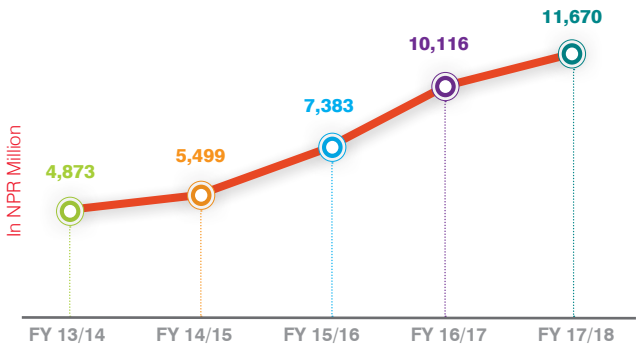
TOTAL DEPOSITS

The Bank has been able to achieve enormous increase in Total Deposits during the last few years. The Bank was able to achieve very impressive compound annual growth rate of 35.41% over the five-year period. Total Deposits of the Bank as on mid-July 2018 was NPR 151,219.12 million, as compared to NPR 44,984.22 million as of mid-July 2014. The Bank was successful in achieving massive growth and expansion of business, along with increment of total deposits over the last few years.

Total Deposits of the Bank increased by 72.47% to NPR 151,219.12 million as of mid-July 2018, as compared to NPR 87,678.37 million last year, which is the highest increment in deposits by any bank in a single year in the history of the Nepalese Banking Industry.



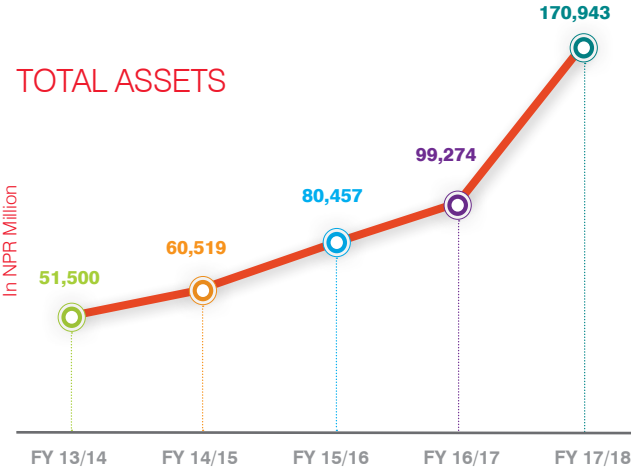
NET ASSETS



Net Assets represent the total assets minus total liabilities. Steady and enormous growth was achieved in the net assets of the Bank over the last five years. The increase in Net Assets was due to higher increase in total assets, as compared to amount of increment in total liability of the Bank, and effect of cumulative profits and retained earnings. Net Assets of the Bank reached NPR 11,670.46 million as of mid-July 2018, as compared to NPR 4,873.03 million as of mid-July 2014, with the impressive CAGR of 24.40%.

Net Assets increased by 15.36% during FY 2017-18 from NPR 10,116.18 million in line with increase in business of the Bank during that period.

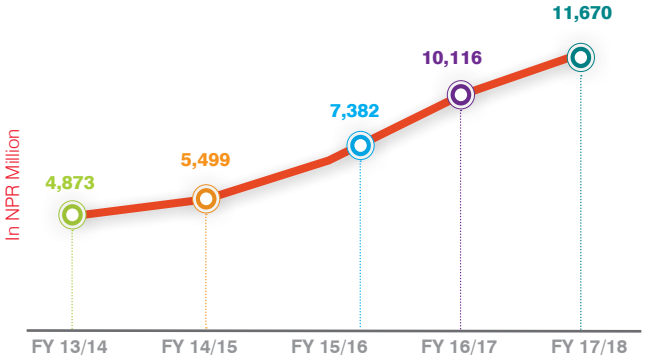
TOTAL ASSETS



Total Assets represent the total balance sheet value of the Bank, which increase or decrease in line with the increase and decrease in the volume of business. Total Assets of the Bank have increased over the last five years, as the business (loans and advances and deposits) of the Bank was always growing and expanding. Total Shareholders Fund of the Bank has reached NPR 170,943.18 million as of mid-July 2018, as compared to NPR 51,500.49 million as of mid-July 2014, with the impressive CAGR of 34.98%.

Total Assets increased by 72.19% from NPR 99,274.04 million to NPR 170,943.18 million during the review period.

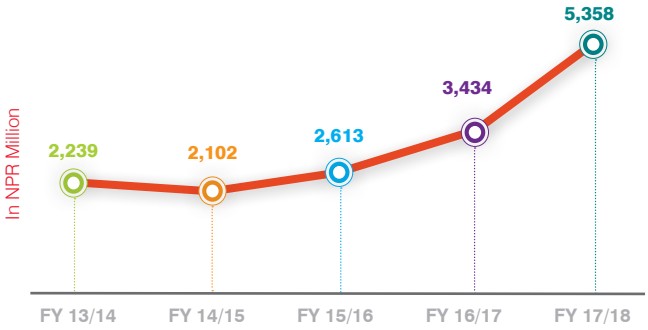
SHAREHOLDERS FUND



Shareholders Fund represents the total assets minus total liabilities. Steady and enormous growth has been seen in the Shareholders Fund of the Bank over the last five years. Such increase was due to retention of profit in the form of bonus shares and various other reserves and cumulative retained earnings. Total Shareholders Fund of the Bank reached NPR 11,670.46 million as of mid-July 2018, as compared to NPR 4,873.03 million as of mid-July 2014, with the impressive CAGR of 24.40%.

Shareholders Fund increased by 15.36% from NPR 10,116.18 million as of mid-July last year, which was due to issue of bonus shares out of profits and retention of profit in the form of various reserves.

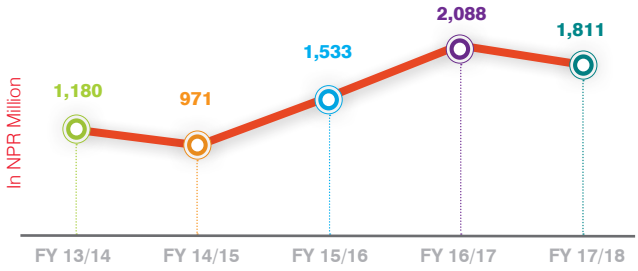
TOTAL OPERATING INCOME



Total Operating Profit represents the profit earned from a bank's normal core business operations. Total Operating Profit can be seen on an increasing trend over the last few years as a result of expansion and growth of business of the Bank. During FY 2014/15, the operating profit of the Bank decreased, and after years, the operating profit started to show an increasing trend. Total Operating Profit of the Bank during FY 2017/18 was NPR 5,358.14 million, as compared to NPR 2,238.83 million during FY 2013/14, with compound annual growth rate (CAGR) of 24.38%.

Total Operating Income has shown very impressive growth during the review period, as the business (deposits and loans and advances) increased massively during that period. Total Operating Income increased with a growth rate of 56.07% during FY 2017/18 from NPR 3,433.54 million during the last year.

PROFIT BEFORE TAX



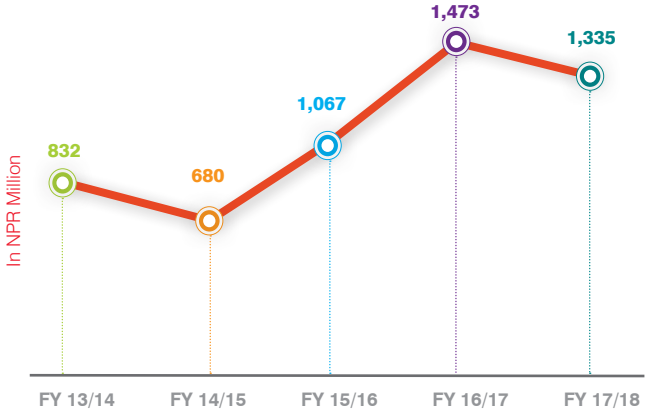
Profit before Tax represents the total amount earned by the Bank before all taxation related expenses have been deducted. Growth and expansion of business has resulted in increase in profit with an increasing trend of Profit before Tax from FY 2014/15 to FY 2016/17, whereas during FY 2014/15, Profit before Tax slightly decreased. Profit before Tax during FY 2017/18 was NPR 1,810.60 million, as compared to NPR 1,189.82 million during FY 2013/14, with compound annual growth rate (CAGR) of 11.07%.

However, Profit before Tax of the Bank decreased by 13.29% during FY 2017/18, from NPR 2,088.13 million last year due to extensive branch expansion and increase in operating expenses during the review period.

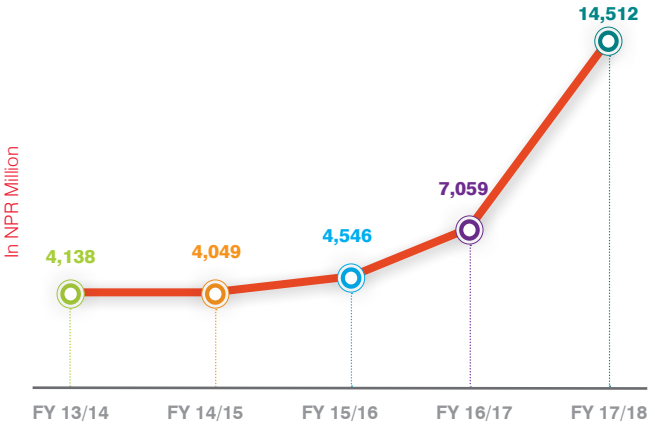
PROFIT AFTER TAX

Profit after Tax represents the net amount earned by the Bank after deducting all taxation related expenses. Growth and expansion of business has resulted in increase in profit, with an increasing trend in Profit after Tax, from FY 2014/15 to FY 2016/17, whereas during FY 2014/15, Profit after Tax decreased slightly. Profit after Tax has shown a trend similar to that of Profit before Tax. Profit after Tax during FY 2017/18 was NPR 1,334.86 million, as compared to NPR 831.59 million in FY 2013/14, with compound annual growth rate (CAGR) of 12.56%.

However, Profit after Tax decreased during FY 2017/18 from NPR 1,473.47 of last year due to opening of large number of new branches during the review period.



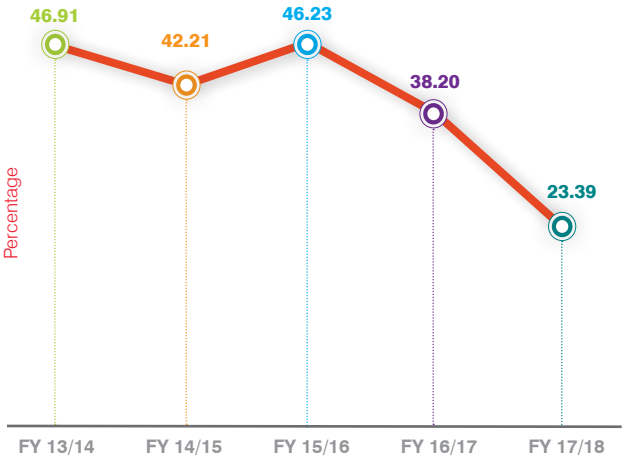
GROSS REVENUE



Gross Revenue represents total amount earned by the Bank in the form of interest, fees, and commissions, without deducting related expenses. Growth and expansion of business has resulted in increase of Gross Revenue with increasing trend from FY 2014/15 to FY 2017/18, whereas during FY 2014/15, Gross Revenue decreased slightly. Gross Revenue of the Bank during FY 2017/18 was NPR 14,511.97 million, as compared to NPR 4,138.19 million during FY 2013/14, with compounded annual growth rate (CAGR) of 19.74%.

Because of extensive expansion of business, Gross Revenue of the Bank has increased massively by 105.59% during FY 2017/18 from NPR 7,058.63 in FY 2016/17.

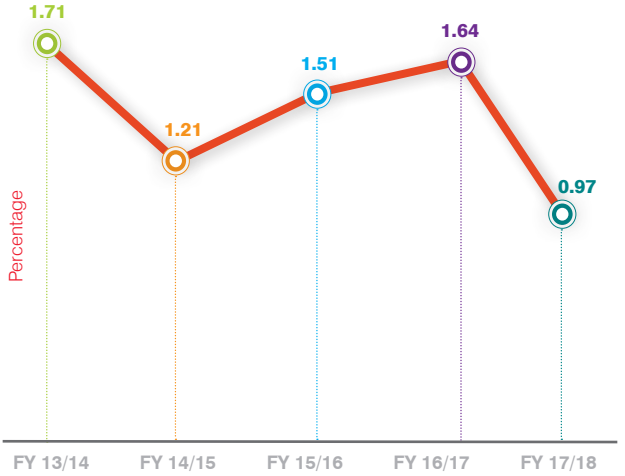
G.P RATIO



Gross Profit Ratio represents ratio of net interest and fees and commission income to gross revenue. Gross Profit Ratio has decreased by 15.97%, from 46.91% as on mid-July 2013/14 to 23.39% as on mid-July 2017/18. Gross Profit Ratio is on a decreasing trend, because ratio of increase in interest, fees, and commission expenses is comparatively higher in relation to that of interest, fees, and commission income.

Because of extensive growth of deposit and related expenses, in comparison to loans and advances and related income, Gross Profit Ratio of the Bank has decreased significantly by 38.78% during FY 2017/18 from 38.20% in FY 2016/17.

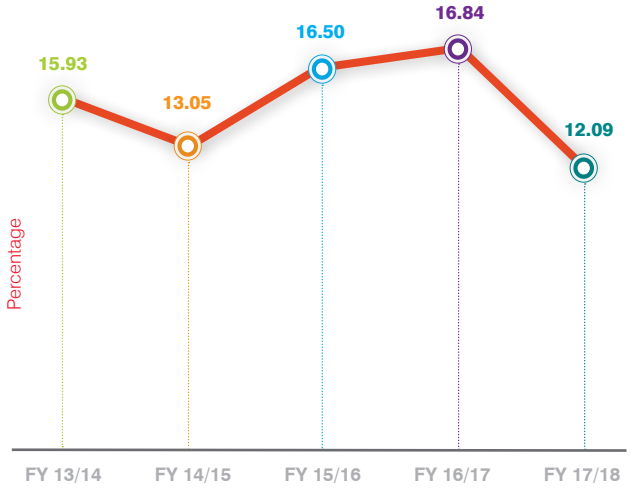
RETURN ON TOTAL ASSETS



Return on Total Assets represents the percentage of profit earned during the year as compared to average total assets (total balance sheet value) during the year. There were slight fluctuations of Return on Total Assets during the last five years. Return on Total Assets decreased during FY 2014/15, whereas it increased during FY 2015/16 and 2016/17. Return on Total Assets of the Bank was 0.97% for FY 2017/18, as compared to 1.71% for FY 2013/14.

Return on Total assets for FY 2016/17 was 1.64%, which decreased by 40.59% during FY 2017/18.

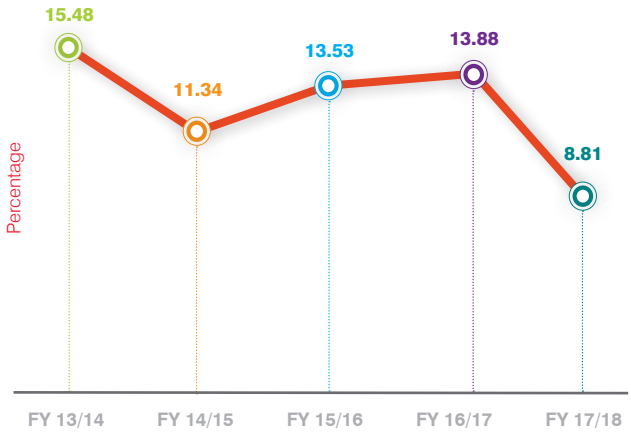
RETURN ON EQUITY



Return on Equity represents the percentage of profit earned during the year as compared to average equity outstanding during the year. Trend of Return on Equity during the last five years was similar to the trend of return on total assets. There were slight fluctuations of Return on Equity during the last five years. Return on Equity decreased during FY 2014/15, whereas it increased during FY 2015/16 and 2016/17. Return on Equity of the Bank was 12.09% for FY 2017/18, as compared to 15.93% for FY 2013/14.

Return on Equity for FY 2016/17 was 16.84, which decreased by 28.22% during FY 2017/18.

RETURN ON CAPITAL EMPLOYED



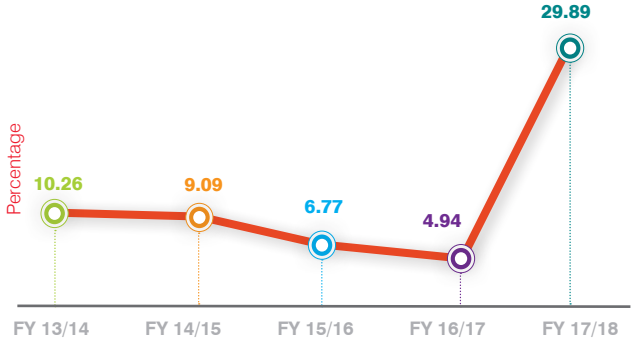
Return on Capital Employed represents profitability ratio that measures how efficiently a company can generate profits from its capital employed, by comparing Net Operating Profit to capital employed. Trend of Return on Equity during the last five years was similar to the trend of return on total assets. There were slight fluctuations of Return on Capital Employed during the last five years. Return on Capital Employed decreased during FY 2014/15, whereas it increased during FY 2015/16 and 2016/17. Return on Capital Employed of the Bank was 8.81% for FY 2017/18, as compared to 15.48% for FY 2013/14.

Return on Capital Employed for FY 2016/17 was 13.88, which decreased by 36.53% during FY 2017/18.

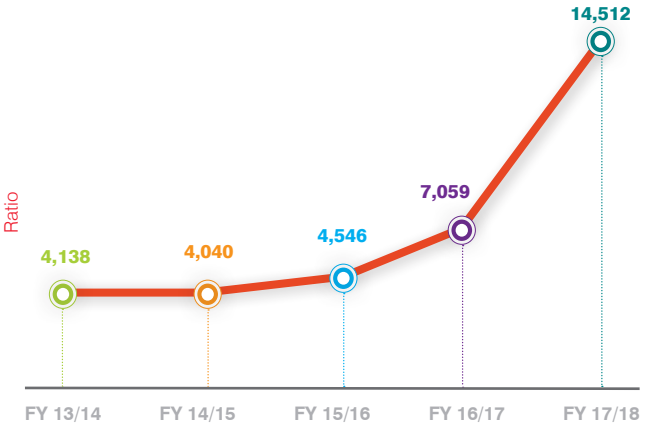
DEBT-EQUITY RATIO

Debt-Equity Ratio represents a leverage ratio that calculates the weight of total debt and financial liabilities against the total shareholder's equity. Debt-Equity Ratio was in decreasing trend from 2013/14 till 2016/17 from 10.26% to 4.94%. Debt-Equity Ratio of the Bank for FY 2017/18 was 29.89%, as compared to 10.26% for FY 2013/14, with compound annual growth rate (CAGR) of 30.65%.

However, during 2017/18, the Debt-Equity Ratio increased significantly from 4.94% to 29.89% because of issuance of debenture worth NPR 3 billion during FY 2017/18.



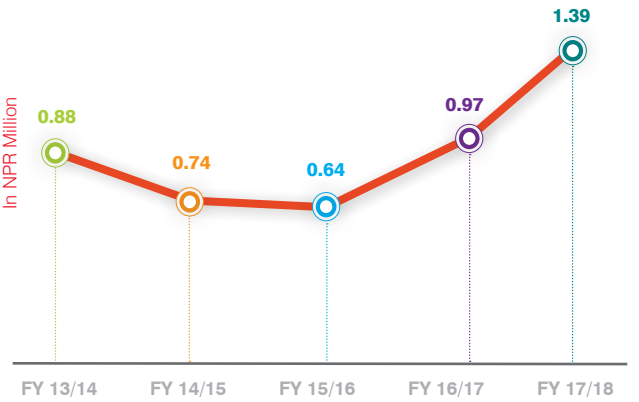
CURRENT RATIO



Net Current Assets represents aggregate amount of all current assets less aggregate amount of all current liabilities. Net Current Assets of the Bank was in decreasing trend from -3,267.18 million during 2013/14 to -16,209.65 million during 2015/16. After 2015/16, Net Current Assets increased significantly because of massive growth in current assets in comparison to current liabilities. Net Current Assetsof the Bank during FY 2017/18 was NPR 24,371.16 million, as compared to NPR -3,267.18 million during FY 2013/14.

Because of extensive expansion of business and current assets, Net Current Assets of the Bank has increased massively from -1,271.98 during FY 2016/17to NPR 24,371.16during FY 2017/18.

NET CURRENT ASSETS



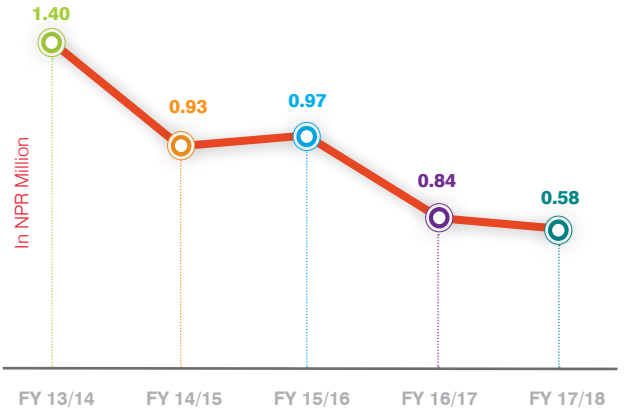
Current Ratio compares current assets to current liabilities of company to measure whether or not an organization has enough resources to meet its short-term obligations. Current Ratio of the Bank was in a decreasing trend, from 0.88 during 2013/14, to 0.64 during 2015/16. After 2015/16, Current Ratio increased significantly because of massive growth in current assets in comparison to current liabilities. Current Ratio of the Bank during FY 2017/18 was 1.39, as compared to 0.88 during FY 2013/14, with compound annual growth rate (CAGR) of 12.13%.

Because of extensive expansion of business and high increase in current assets, in comparison to current liabilities, Current Ratio of the Bank has increased massively by 43.06% during FY 2017/18 from NPR 0.97 during FY 2016/17.

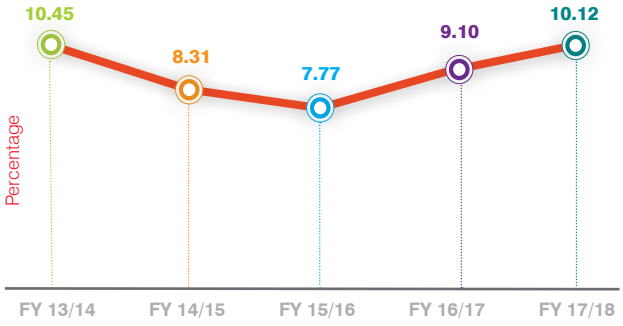
NET PROFIT PER EMPLOYEE

Net Profit per Employee represents the average net profit earned by the staff of the Bank. Trend of Net Profit per Employee was declining over the past few years as a result of recruitment of large number of staff to fulfill the requirement of skilled and capable staff to support the growth and expansion of business. Net Profit per Employee of the Bank was NPR 0.58 million for FY 2017/18, as compared to NPR 1.40 million for FY 2013/14.

Net Profit per Employee for FY 2016/17 was NPR 0.84 million, which decreased by 30.60% during FY 2017/18



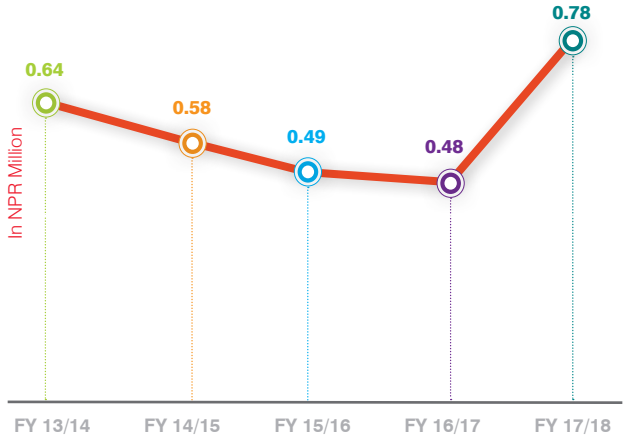
INTEREST INCOME/LOANS AND ADVANCES & INVESTMENT



It represents the ratio of interest income earned by the Bank in comparison to total of loans and advances and investments. Interest Income/Loans and Advances & Investment was showing a slightly fluctuating trend over the past five years. Interest Income/Loans and Advances & Investment of the Bank was 10.12% during FY 2017/18, as compared to 10.45 during FY 2013/14.

Interest Income/Loans and Advances & Investment increased by 11.22% in FY 2017/18 from 9.10% in FY 2016/17.

STAFF COST PER EMPLOYEE



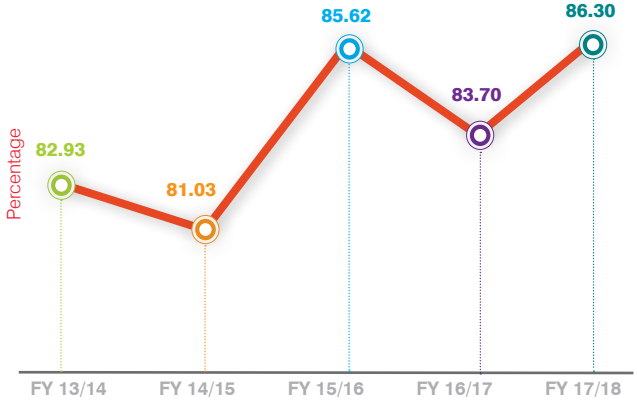
Staff Cost per Employee represents the average staff expenses incurred per employee. Staff Cost per Employee was on declining trend over the last few years prior to this year. However, Staff Cost per Employee has increased massively during the year as a result of the Bank's policy to retain skilled and capable employees, promotion to deserving employees, hiring of talented and skilled staff in this competitive market, and the Bank's policy towards growth and development of the staff. Staff Cost per Employee of the Bank was NPR 0.78 million for FY 2017/18, as compared to NPR 0.64 million for FY 2013/14

Staff Cost per Employee for FY 2016/17 was NPR 0.48 million, which increased by 62.47% during FY 2017/18.

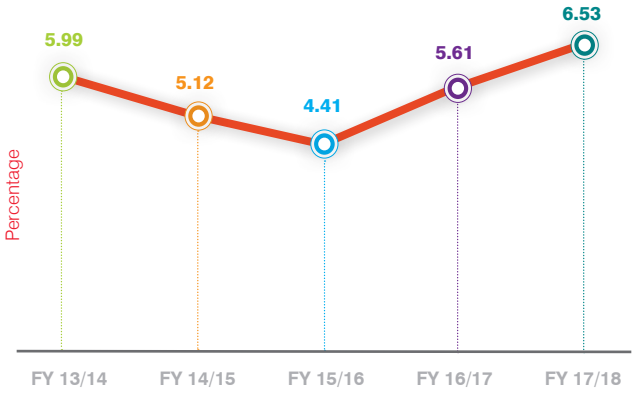
TOTAL CREDITS/DEPOSITS

It represents the credit facility 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. The Total Credits/Deposits of the Bank as on mid-July 2018 was 86.30%, as compared to 82.93% as on mid-July 2014.

Total Credits/Deposits increased by 3.11% during FY 2017/18 from 83.70% as on mid-July 2016/17.



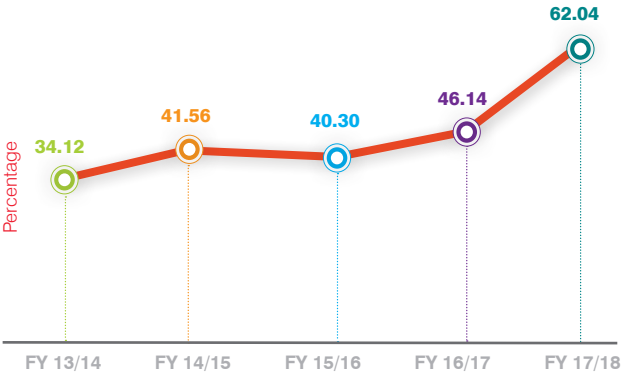
INTEREST EXPENSES/ TOTAL DEPOSITS AND BORROWINGS



It represents the ratio of interest expenses incurred by the Bank in comparison to total deposits and borrowing. Interest Expenses/Total Deposits and Borrowings was showing slightly decreasing trend in the beginning, but started showing increasing trend over the past five years as the interest rate was increasing over the last few years. Interest Expenses/Total Deposits and Borrowings of the Bank was 6.53% in FY 2017/18 as compared to 5.99% during FY 2013/14.

Interest Expenses/Total Deposits and Borrowings increased by 16.4% from 5.61% during FY 2016/17.

TOTAL COST/TOTAL REVENUE



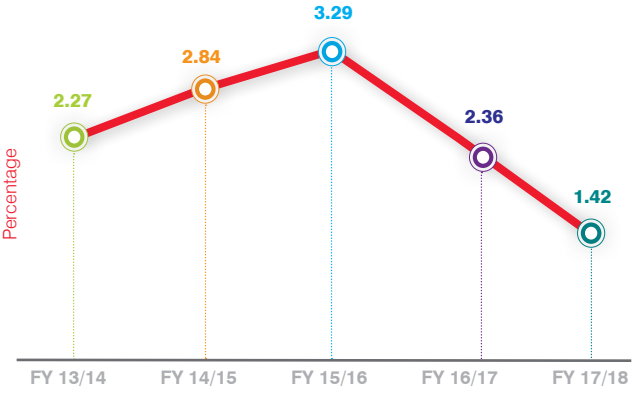
It represents total cost incurred by the Bank in comparison to total revenue earned. Total Cost/Total Revenue was showing increasing trend over the last few years. Total Cost/Total Revenue of the Bank as on mid-July, 2018 was 62.04%, as compared to 34.12% as on mid-July, 2014.

Total Cost/Total Revenue increased by 34.44% during FY 2017/18 from 46.14% as on mid July FY 2016/17.

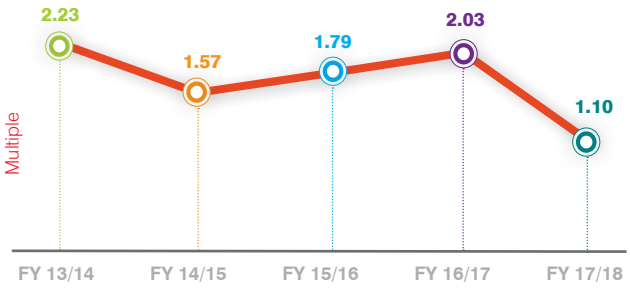
EXCHANGE GAIN/TOTAL INCOME

Exchange Gain/Total Income represents the contribution of exchange gain in the total income of the Bank. Exchange Gain/Total Income was increasing during the first two years, and then started to decline for the next two years. Exchange Gain/Total Income of the Bank was 1.42% in FY 2017/18 as compared to 2.27% during FY 2013/14.

Exchange Gain/Total Income decreased by 39.88% in FY 2017/18 from 2.36% in FY 2016/17.



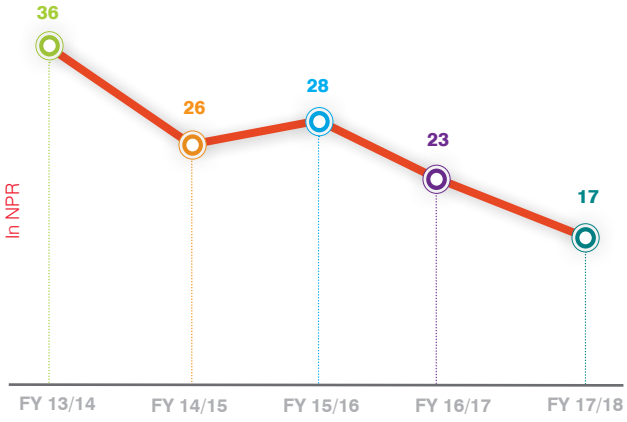
NET PROFIT/TOTAL LOAN



Net Profit/Total Loan represents ratio of the Net Profit earned by the Bank in comparison to total loan of the Bank. Net Profit/Total Loan was fluctuating slightly over the last five years, as the total loan was on an increasing trend and the net profit was showing slightly fluctuating trend. Net Profit/Total Loan of the Bank was 1.10 during FY 2017/18, as compared to 2.23 in FY 2013/14.

Net Profit/Total Loan decreased by 46.01% during FY 2017/18 from 2.03 during FY 2016/17.

EARNING PER SHARE



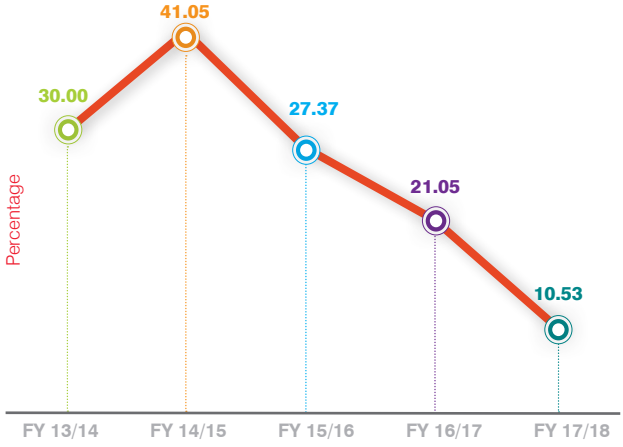
Earning per Share represents the share of each of the outstanding ordinary share in the profit earned during the year by the Bank. Earning per Share of the Bank was in a declining trend over the past few years as a result of issuance of large number of bonus shares to meet the minimum capital requirement of NPR eight billion that was required to be fulfilled by mid-July 2017, as directed by Nepal Rastra Bank. Earning per Share of the Bank was NPR 16.62 for FY 2017/18, as compared to NPR 35.98 for FY 2013/14.

Earning per Share for FY 2016/17 was NPR 23.06, which decreased 27.91%.

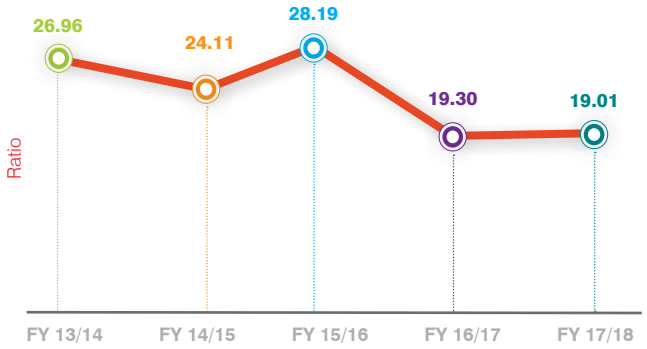
DIVIDEND (INCLUDING BONUS) ON SHARE CAPITAL

Percentage of dividend distributed and the bonus shares issued to the shareholders on the share capital has been on a declining trend over the last few years, which was due to increased share capital over the last few years. Percentage of Dividend (Including Bonus) on Share Capital of the Bank was 10.53% during FY 2017/18 as compared to 30% during FY 2013/14.

Percentage of dividend distributed and the bonus shares issued to the shareholders on the share capital decreased in FY 2017/18 from 21.05% in FY 2016/17 with a declining rate of 49.98%, as higher number of bonus shares were issued during earlier years so as to meet the minimum capital requirement of NPR eight billion that was required to be fulfilled by mid-July 2017 as directed by Nepal Rastra Bank.



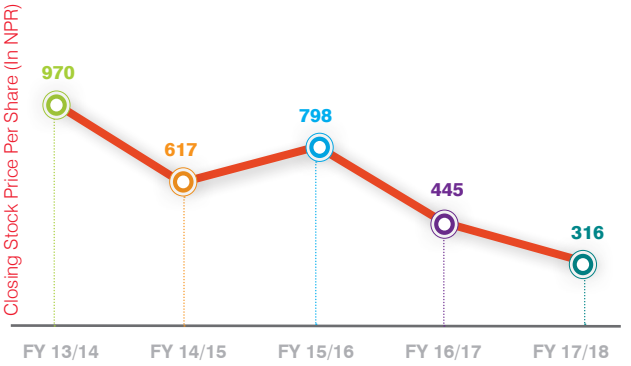
PRICE EARNING (PE) RATIO



PE Ratio represents the ratio of earning per share in comparison to current share price. Trend of PE Ratio of the Bank over the last five years was similar to that of Earning per Share and closing stock price per share. PE Ratio of the Bank was 19.01 for FY 2017/18, as compared to 26.96 for FY 2013/14.

PE Ratio for FY 2016/17 was 19.30, which decreased during FY 2017/18 with a declining rate of 1.50%.

STOCK PERFORMANE



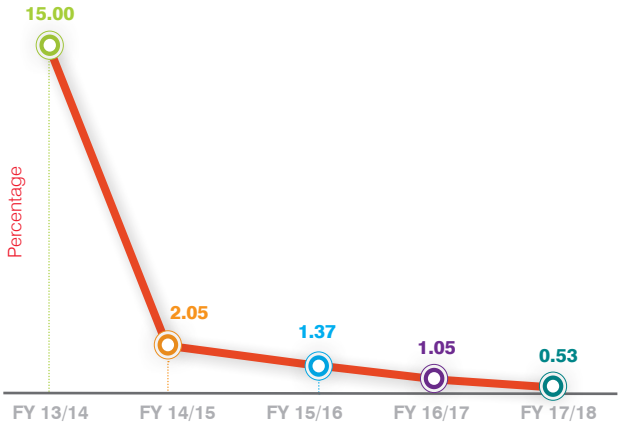
Stock price of the Bank was in a declining trend over the last few years as a result of poor market condition, and the NEPSE was on a declining trend over the last few years. Closing Stock Price per Share of the Bank was NPR 316 as on mid July 2018, as compared to NPR 970 as on mid July 2014.

Closing Stock Price per Share as on mid July 2017 was NPR 445, which decreased during FY 2017/18 with a declining rate of 28.99%.

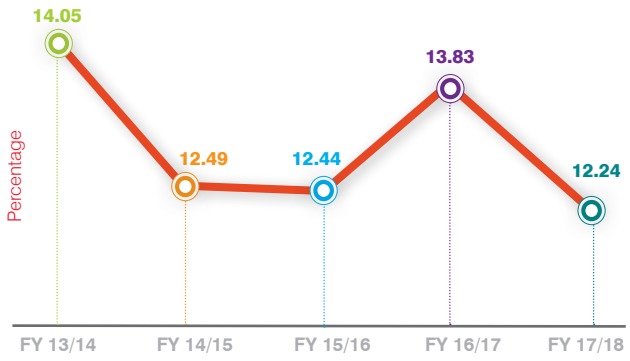
CASH DIVIDEND ON SHARE CAPITAL

Percentage of cash dividend paid to the shareholders on the share capital was on a declining trend over the last few years, which was due to increased share capital over the last few years, and cash dividend was mostly distributed as a part of tax on issuance of bonus shares. Percentage of Cash Dividend on Share Capital of the Bank was 0.53% during FY 2017/18, as compared to 15.00% during the FY 2013-14.

Percentage of cash dividend paid to the shareholders on the share capital decreased by 49.52% from 1.05% in FY 2016/17.

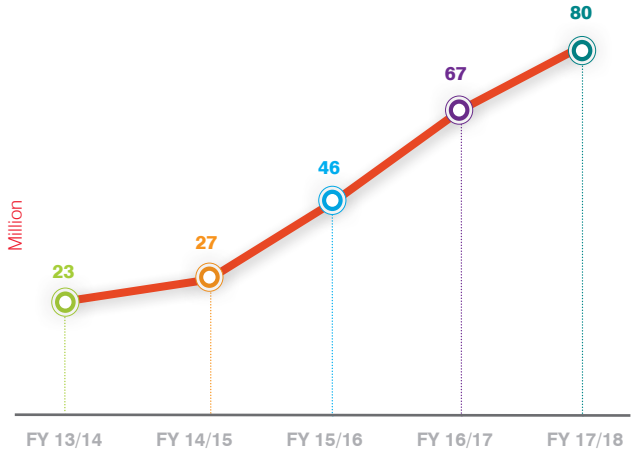


CAPITAL ADEQUACY RATIO



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 was always higher than the regulatory requirement and that required by the ICAAP of the Bank.

NO. OF SHARES



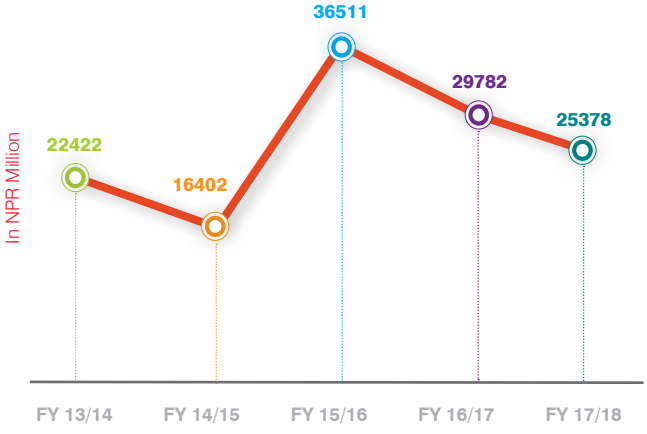
Increase in number of shares in FY 2016/17 was to due issue of bonus share and right shares, increase in FY 2015/16 was due to issue of right shares, increase in FY 2014/15 was due to issue of bonus shares.

Increase in number of shares in FY 2017/18 was also due to issue of bonus shares.

MARKET CAPITALIZATION

Market Capitalization represents total market value of all the Bank's outstanding shares. Market Capitalization showed a similar trend to that of Closing Stock Price per Share over the last five years. Market Capitalization is also on a declining trend over the last few years due to poor market condition. Market Capitalization of the Bank was NPR 25,378.33 million as of mid-July 2018, as compared to NPR 22,422.05 million as of mid-July 2014.

Market Capitalizations on mid July 2017 was NPR 29,782.06 million, which decreased during FY 2017/18 with a declining rate of 14.79%.



The Bank is vigorously moving ahead for achievement of long-term goals like special focus on personal and small and medium enterprises loans, saving deposit, increase in customer base, and increase in share of non-interest income during the review period.



2.2

HORIZONTAL AND VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

In NPR Million

Particular	Mid July		Horizontal Analysis Variance	Vertical Analysis Composition	
	2018	2017	2018 to 2017	2018	2017
ASSETS					
Cash and cash equivalent	8,132	3,480	133.70%	4.76%	3.37%
Due from Nepal Rastra Bank	15,861	10,291	54.12%	9.28%	9.98%
Placement with Bank and Financial alnstitutions	314	1,493	-78.98%	0.18%	1.45%
Derivative financial instruments.	1,266	3,029	-58.20%	0.74%	2.94%
Other trading assets	0	0	0.00%	0.00%	0.00%
Loan and advances to B/FIs	4,658	1,630	185.77%	2.72%	1.58%
Loans and advances to customers	115,805	70,616	63.99%	67.74%	68.49%
Investment securities	14,133	10,020	41.05%	8.27%	9.72%
Current tax assets	0	10	-100.00%	0.00%	0.01%
Investment in subsidiaries	270	100	170.00%	0.16%	0.10%
Investment in associates	0	0	0.00%	0.00%	0.00%
Investment property	74	48	54.15%	0.04%	0.05%
Property and equipment	1,759	1,063	65.52%	1.03%	1.03%
Goodwill and Intangible assets	50	35	40.82%	0.03%	0.03%
Deferred tax assets	0	0	0.00%	0.00%	0.00%
Other assets	8,621	1,293	566.62%	5.04%	1.25%
Total Assets	**170,943**	**103,108**	**65.79%**	**100.00%**	**100.00%**
LIABILITIES					
Due to Bank and Financial Instituions	11,630	7,773	49.62%	6.80%	7.54%
Due to Nepal Rastra Bank	742	0	100.00%	0.43%	0.00%
Derivative financial instruments	1,722	3,000	-42.61%	1.01%	2.91%
Deposits from customers	139,590	79,906	74.69%	81.66%	77.50%
Borrowing	0	0	0.00%	0.00%	0.00%
Current Tax Liabilities	25	0	100.00%	0.01%	0.00%
Provisions	0	0	0.00%	0.00%	0.00%
Deferred tax liabilities	3	56	-94.96%	0.00%	0.05%
Other liabilities	2,074	1,458	42.22%	1.21%	1.41%
Debt securities issued	3,488	501	595.84%	2.04%	0.49%
Subordinated Liabilities	0	0	0.00%	0.00%	0.00%
Total liabilities	**159,273**	**92,694**	**71.83%**	**93.17%**	**89.90%**

EQUITY					
Share capital	8,031	6,693	20.00%	4.70%	6.49%
Share premium	0	0	0.00%	0.00%	0.00%
Retained earnings	944	1,845	-48.84%	0.55%	1.79%
Reserves	2,696	1,878	43.56%	1.58%	1.82%
Total equity attributable to equity holders	11,670	10,415	12.06%	6.83%	10.10%
Non-controlling interest	0	0	0.00%	0.00%	0.00%
Total equity	11,670	10,415	12.06%	6.83%	10.10%
Total liabilities and equity	**170,943**	**103,108**	**65.79%**	**100.00%**	**100.00%**
Earning Per Share	16.62	20.40	-18.53%		

Deposits from customers and Loans and Advances to customers increased by 74.69% and 63.99%, respectively, during the review period, and the overall increment of Total Assets was 65.79%. The increase in share capital during the review period is due to declaration of stock dividend by the Bank.

As per the vertical analysis, the share of Deposits from customers has increased to 81.66% during the year from 77.50% of previous year, while share of Loans and Advances to customers has posted a marginal decrease to 67.75% from 68.49%.

STATEMENT OF PROFIT OR LOSS

Particular	Mid July		Horizontal Analysis Variance	Vertical Analysis Composition	
	2018	2017	2018 to 2017	2018	2017
Interest income	13,546	7,089	91.09%	100.00%	100.00%
Interest expense	9,336	4,363	113.99%	68.92%	61.55%
Net interest income	4,210	2,726	54.45%	31.08%	38.45%
Fees and commission income	966	707	36.65%	7.13%	9.97%
Fees and commission expense	96	50	93.31%	0.71%	0.70%
Net fee and commission income	870	657	32.35%	6.42%	9.27%
Net interest, fee and commission income	5,079	3,383	50.15%	37.50%	47.72%
Net trading income	195	162	20.79%	1.44%	2.28%
Other operating income	84	58	44.00%	0.62%	0.82%
Total operating income	5,358	3,602	48.74%	39.56%	50.82%
Impairment charge/(reversal) for loans and other losses	305	(70)	-537.46%	2.25%	-0.98%
Net operating income	5,053	3,672	37.61%	37.31%	51.80%
Operating expense					
Personnel expenses	1,782	1,133	57.30%	13.16%	15.98%
Other operating expense	1,237	581	113.09%	9.13%	8.19%
Depreciation & Amortisation	116	129	-10.36%	0.85%	1.82%
Operating Profit	1,918	1,829	4.86%	14.16%	25.81%
Non operating income	3	155	-98.39%	0.02%	2.19%
Non operating expense	110	32	247.67%	0.81%	0.45%
Profit before income tax	1,811	1,953	-7.30%	13.37%	27.55%

Income tax expense					
Current Tax	525	625	-15.99%	3.88%	8.82%
Deferred Tax	(50)	(38)	31.73%	-0.37%	-0.53%
Profit for the period	**1,335**	**1,365**	**-2.24%**	**9.85%**	**19.26%**

Net Interest Income, Net Fees and Commissions Income, Net Operating Income, and Operating Profit have increased by 54.45%, 32.35%, 37.61%, and 4.86%, respectively, during the review period. However, Profit before Income Tax and Net Profit after Tax decreased by 7.30% and 2.24%, respectively, during the review period, as the Non-Operating Income decreased by 98.39%, and the Non-Operating Expenses increased by 247.67% during the review period. The decrease in Net Profit after Tax during the review period is due to opening of large number of new branches.

As per the vertical analysis, the share of Interest Expenses has increased to 68.92% during the year from 61.55% of previous year, while share of Interest Income has decreased to 31.08% from 38.45%. Further, share of Total Operating Income and share of Net Operation Income have decreased to 39.56% and 37.31%, respectively, during the year from 50.82% and 51.80%, respectively, of previous year. Further, share of Operating Profit, share of Profit before Tax, and share of Net Profit after Tax have decreased by 14.16%, 13.37%, and 9.85%, respectively, during the year from 25.81%, 27.55%, and 19.26%, respectively, of previous year.

2.3

VALUE CREATION

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.

The value creation structure of the bank is depicted in the diagram below:



VALUE CREATION BY THE BANK

FOR CUSTOMERS

We create value by providing products and services that help people to improve their lives and fuel economic growth. The development of new IT systems, mobile banking, and other electronic banking services via multiple electronic channels has made it possible for the banking industry to create more and more value for their customers. Customer views and needs are changing every day, and if we look at the service development of our Bank, we can proudly say that we are doing our best to provide service through digital channels for creating and adding value to customers. We believe that what differentiates a winner from others is the value creation for customers. Various products and services are designed and delivered in a way to help our customers secure their financial futures, by supporting people when making life- changing decisions, through seamless processing of transactions, and by empowering customers to have greater insight into their financial affairs. The Bank has focused on providing more value from single product by reengineering our product after adequate market research and bundling up different services with savings deposits in an appealing product. The Bank is expanding its digital banking services by developing proper policy and guidelines in order to provide the customers convenient financial services with less complexity and imporved flexibility. The Bank is also making continuous effort to develop customer loyalty and brand name of the Bank by developing appropriate policies and guidelines.

FOR INVESTORS AND SHAREHOLDERS

The Bank creates value to the investors and shareholders in the 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. The Bank has been able to create significant brand value during the review period. 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 bonus share at the rate of 10% of paid-up capital, plus cash dividend at the rate of 0.526% equivalent amount to the tax on issuance of bonus share. The Bank has earned operational profit and net profit of NPR 1.91 billion and NPR 1.34 billion, respectively, during the review period. The Bank has Return on Equity and Return on Assets of 12.09 % and 0.97%, respectively, for FY 2017/18. However, stock price of the Bank was on a declining trend during the review period due to unfavorable market scenario.

FOR THE 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. As the Bank is growing and expanding its branches and business, it will create more demand and business for the suppliers, vendors, and business partners, thereby helping them grow and expand their businesses. During the review period, the Bank has opened 112 new branches, 15 new branchless banking, 125 new ATMs, and 1948 new remittance agents, and the deposit and loans & advances of the Bank increased by NPR 64.5 billion and NPR 48.22 billion, respectively, due to which massive growth was seen in the business of the Bank's suppliers, vendors, and business partners.

FOR EMPLOYEES

The Bank creates values to the employees by helping them grow, develop, and improve their skill and capability, and by providing incentives for their hard work. 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 culture of gaining knowledge is developed among employees. The Bank has incurred an amount of NPR 1.78 billion towards employee expenses during the review period, out of which, NPR 43.1 million was incurred towards staff training expenses for the development and growth of the employees. During the review period, 125 external and 129 internal trainings were attended by the staff for skill and capacity development. During the review year, 307 deserving employees were promoted.

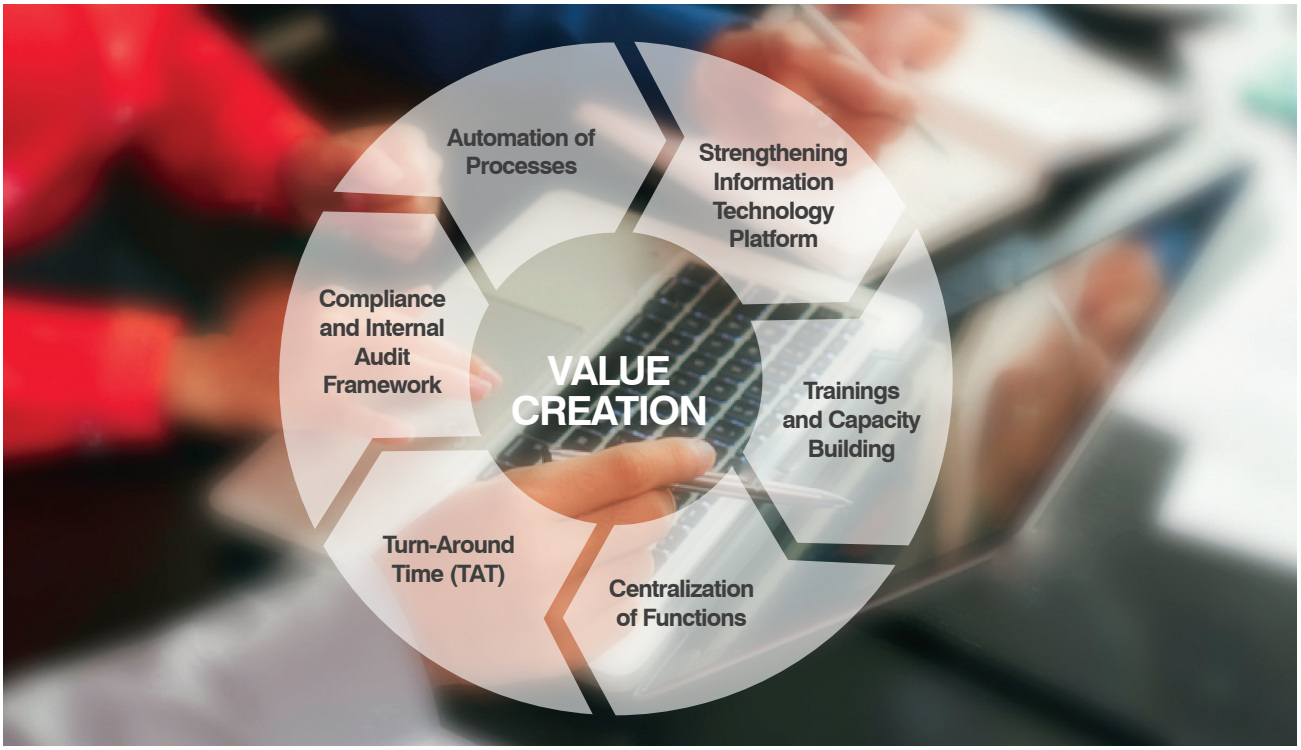
FOR GOVERNMENT AND SOCITIES

The Bank creates values to the government and societies by contributing towards the well-being and development of society, protection of environment and maintaining

ecological balance, paying taxes to the government on time, and helping the government on economic development of the country, as well as to achieve national policy goals.

The Bank has been playing an active role for the social benefit and development in various areas of society as a responsible corporate citizen. The Bank has allocated 1% of the net profit of review period, NPR 13,348,619, to the corporate social responsibility reserve. Apart from the above, NIC ASIA Foundation has incurred expenses of NPR 14,511,361 under its corporate social responsibility activities, whereby senior citizens, children, and disabled persons in deprived areas were benefited from the same. The Bank has carried out various CSR activities, such as tree plantation program, distribution of warm clothes to victims of natural calamities, and assistance to various educational programs.

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. Till date, the Bank has made contribution of NPR 6.90 billion to the Nepal government as direct and indirect tax payment. The Bank has made a handsome contribution to the government exchequer of an amount equal to NPR 1.40 billion paid during the review period, which consists of income tax of NPR 0.48 billion, and tax deducted at source of 0.92 billion. During the review period, the Bank has opened 112 new branches, 15 new branchless banking, 125 new ATMs, and 1948 new remittance agents, which have contributed towards achieving the national policy of access to financial services. The economy is estimated to have grown by 5.9% in 2017/18, while such growth was 7.4% in 2016/17. During the review period, GDP of the country was 791.1 billion, with growth rate of 5.9% from previous year. The contribution of service sector to the GDP was 438.9 billion, with growth rate of 6.6% from previous year. During the review year, the Bank has increased the deposit and loans & advances amount by NPR 64.5 billion and NPR 48.22 billion, respectively, which has helped to increase the GDP of the country and enhance its economic development.



2.4

FUTURE PROSPECTS

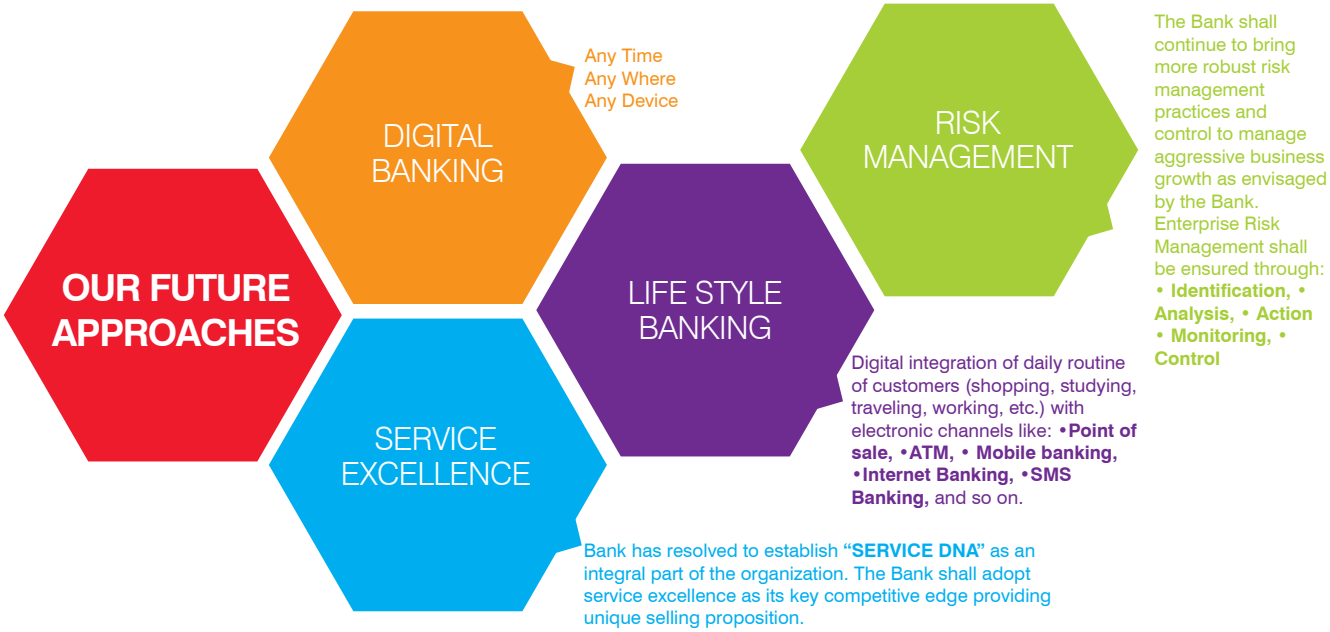
NIC ASIA Bank has strategically charted its future roadmap through vision and mission statements and therefore its operations are being executed as decided. Our banking endeavors are under control and hence our future is secured. In future, we will exercise our foremost effort in supporting the government 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.

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, 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. The Bank looks forward to establishing itself as a leader bank in terms of digital banking.

Our Business Process Reengineering Department is in constant pursue to reimaging the banking practices as necessary in order to adapt with the changing environment. NIC ASIA does not want to settle as a traditional player but wants to thrive as an innovator in the banking scenario of the country by embedding the disruptive changes such as use of artificial intelligence, machines and changing customer perception in its banking practice.

We will seek to make NIC ASIA the most prominent and visible brand in the country while keeping the motto "Bank Pani Sathi Pani, Ramro Pani Hamro Pani" as our core business philosophy and try to eliminate any factors causing reputational damage by complying with statutory requirements and serving society as a part of our corporate responsibility.





STRATEGY 2020

Strategy 2020 has the strategic objective of setting course to become the leading client-centric bank in the financial sphere of Nepal in the course of fulfilling its vision and mission. This requires strengthening the Bank's business model in the changed environment

- Strategy 2020 aims at positioning the Bank amongst the most aggressive banks, and at the forefront of bringing about the required cultural change in the Bank
- Strategy 2020 affirms long-standing commitment to continuous improvement in the Bank's business model
- Strategy 2020 recognizes achievement of best-in-class operational excellence vide automatization
- Strategy 2020 reaffirms requirement of combination of organic capital growth plan, vis-a-vis inorganic growth plan, to meet the stipulated capital requirement of NPR eight billion (set by the Monetary Policy 2072/73) within FY 2073/74
- Strategy 2020 envisages centralization of key risk areas in operations as the crucial operational risk mitigation

Strategy 2020 sets the following financial aspirations

- To increase current and saving accounts (CASA) portfolio to 50%+
- To achieve retail banking and SME to corporate banking portfolio mix of 70:30
- To improve cost-income ratio to less than 40%
- To improve non-fund based income to total revenue to 25% +
- To reach post-tax return on average equity of 20% or more

Three years of the five-year 'Strategy 2020' have already passed. The Bank is in a very comfortable position to achieve the goals set under Strategy 2020 as the Bank is already in the leading position in terms of various performance parameters in the industry, which reflects and proves the work efficiency and capability of the Bank.

The bank has determined following target for the FY 2018-19:

- To earn net profit of NPR three billion, with increment rate of 125%, as compared to net profit of NPR 1.33 billion in FY 2017/18.
- To reach deposit collection of NPR 220 billion, with increment in deposit collection by NPR 69 billion, as compared to deposit collection of NPR 151 billion at the end of FY 2017/18.
- To increase the saving deposit holders base by opening 0.7 million new saving accounts during the year.
- To reach loans and advance of NPR 185 billion, with increment in lending by NPR 65 billion, as compared to loans and advances of NPR 120 billion at the end of FY 2017/18.
- To expedite the expansion of revenue collection counter and to reach the total number of branches to 319.
- To celebrate the year as Year of Capacity Management to bring drastic change in the work capability of the employees by ensuring participation of maximum number of employees in the trainings and skill development programs.
- To increase the transactions through digital channel of the Bank to 50% from 32%.
- To increase the debit card holders base by selling 0.49 million cards during the year.
- To earn interest income of NPR 21.3 billion with the increment of NPR 7.76 billion from the interest income of NPR13.54 billion during the FY 2017/18.
- To fulfill social responsibility as a responsible corporate citizen, with main focus on financial literacy and inclusion during the year.

The bank has so far won many battles under its Strategy 2020 mission.

Although we have achieved a lot in these three years of the five-year Strategy 2020 mission, many of our aspirations yet remain to be achieved. We fully commit to employ adequate resources to achieve the goals set under Strategy 2020 milestone in the remaining period and hone our banking practices as one of the best in the country, thereby setting a benchmark for the entire banking industry.

2.5

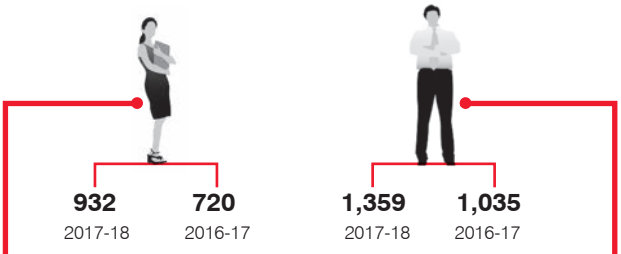
HUMAN RESOURCE ACCOUNTING

The bank is committed to achieving its strategic mission, while ensuring employees are engaged and motivated. The goal is to recruit and retain employees who possess the competencies and skills required for the bank to implement its strategy. Human Resources aim to benefit from multicultural, well-informed, and target-oriented employees who integrate their personal goals with that of the Bank. The bank believes that professional development of employees, improvisation of expertise and adequate trainings determine the basis of success of bank. Bank has decided to celebrate current fiscal year as "Year of Capacity Management" by prioritizing enhancement of expertise, proficiency and leadership skills of human resource.

Employee expenses was NPR 1.78 billion for the FY 2017-18 as compared to NPR 1.13 billion last year as a result of opening of 112 branches during the year as well as hiring of new employee during the year to fulfill the requirement of skilled employee in the various department and branches with the objective to increase the size of business and due to the yearly performance appraisal and promotion of deserving employees. Total number of employees of the bank has reached to 2,291 in the year as compared to 1,755 last years, with the increment of 536 employees. Total staffs at the end of FY 2017-18 constituted 59.32% male and 40.68% female staffs.

Particulars	2017-18	2016-17	% Increment
Staff Expenses (NPR 'Million)	1,780	1,130	57%
Number of Staffs	2,291	1,755	30.54%
Staff Expenses per Staff (NPR)	777,876	645,542	20.50%
Net Profit Per Staff (NPR)	582,655	839,582	-30.60%

NUMBER OF STAFFS

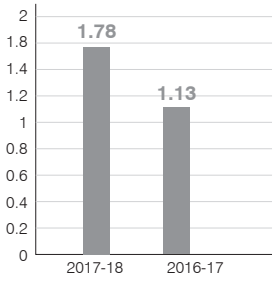


TOTAL

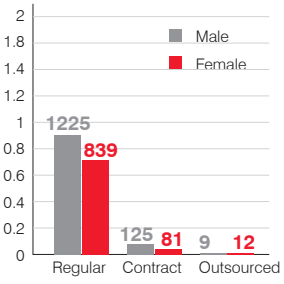
2,291 (2017-18) 1,755 (2016-17)

EMPLOYEE EXPENSES

(NPR IN BILLION)



EMPLOYEE TYPE



AGE WISE ANALYSIS OF THE EMPLOYEES

	Regular		Contract		
Category	Male	Female	Male	Female	Total
Above 60 Years	0	0	1	1	2
51-60 Years	8	1	8	0	17
41-50 Years	68	12	7	0	87
31-40 Years	452	169	16	5	642
21-30 Years	697	657	93	75	1522
20 Years & Below	0	0	0	0	0
Total	**1225**	**839**	**125**	**81**	**2270**

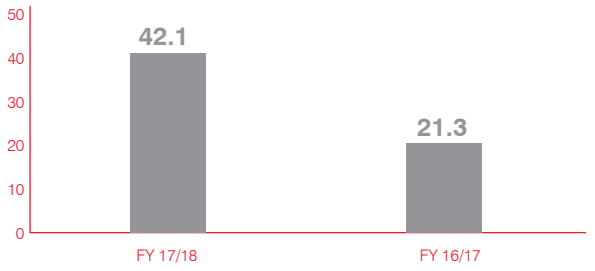
STAFF TRAINING & DEVELOPMENT

Realizing the fact that employees are the most valuable asset, we believe that training expenses spent on the development of their 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 spent 43.1 million on Staff Training Expenses, which is 2.4% of total staff expenses (with staff bonus). 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 4.66% of total staff expenses of previous year in staff training.

Particulars	2017-18	2016-17	% Increment
Staff Training Expenses (NPR 'Million)	42.1	21.3	97.65%
Number of Staffs	2,291	1,755	30.54%
Staff Training Expenses per Staff (NPR)	18,808	12,140	54.93%

Employee Training Expenses (NPR in Million)



During the review period, 125 external and 129 internal trainings were attended by the NIC ASIA staff 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.

Training Conducted During FY 2017-18



STAFF BENEFITS AND FACITILITES

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

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

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

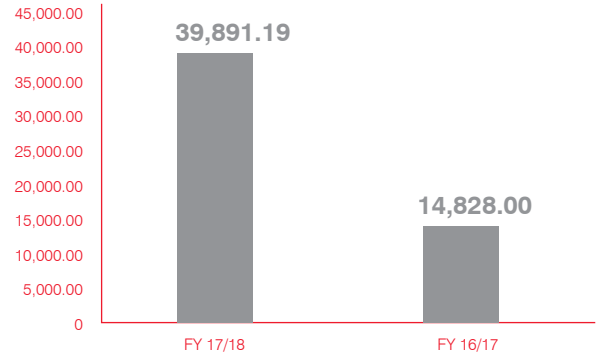
Particulars	FY 2017-18 (NPR)	FY 2016-17 (NPR)
Salary	557,440,861	248,512,444
Allowances	552,806,861	394,823,702
Gratuity expense	19,303,562	(9,201,424)
Provident fund	47,274,172	27,904,884
Uniform	17,995,270	6,790,238
Training & development expense	43,089,135	21,305,362
Leave encashment	54,423,885	55,550,311
Medical	10,529,081	-
Insurance	8,262,096	10,613,264
Finance expense under NFRS	198,921,707	123,414,234
Other expenses related to staff	70,888,225	44,401,147
Employees bonus	201,178,092	208,812,887
Total	**1,782,112,947**	**1,132,927,049**

HUMAN CAPITAL

The Bank is committed to retain skilled and capable employees. 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 39,891 million for FY 2017/18, as compared to Human Capital of NPR 14,828 million for FY 2016/17, 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). Increment in Human Capital of 169.02% in the review period, as compared to last year, is due to addition of 536 employees during the review period to fulfill the requirement of new branches and business growth. Also, the decrease in return on equity during FY 2017/18 also has impact on the increase of Human Capital during the review period.

	FY 2017-18	FY 2016-17
Total Human Capital (NPR in Million)	39,891.19	14,828.09
No. of Staffs (Under Payroll)	2,064	1,646
Human Capital per Staff (NPR in Million)	19.33	9.01

Total Human Capital (In NPR Million)



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 FY 2017-18:** Average age of employees is 29.47 years, so average remaining years for compulsory retirement is 30.53 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 28.96 years, i.e. approximately 29 years.
- **For FY 2016-17:** Average age of employees is 28.65 years, so average remaining years for compulsory retirement is 31.35 years. However, average years of service completed is 3.26 years, so average remaining years of service is 26.74 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 29.04 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. 12.09%, which is approximately 12% and 16.84, which is approximately 17% for FY 2017/18 and FY 2016/17, respectively.
- Total employees' benefits include all direct and indirect benefits provided to the employees.
- Contract and outsourced staff are excluded for the purpose of calculation of Human Capital, as they are not included in the payroll of the Bank.

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Statement of Financial Position of the bank by considering Human Capital:

	FY 2017-18	FY 2016-17
Assets		
Cash and cash equivalent	8,132	3,480
Due from Nepal Rastra Bank	15,861	10,291
Placement with Bank and Financial Institutions	314	1,493
Derivative financial instruments.	1,266	3,029
Other trading assets	0	0
Loan and advances to B/FIs	4,658	1,630
Loans and advances to customers	115,805	70,616
Investment securities	14,133	10,020
Current tax assets	0	10
Investment in susidiaries	270	100
Investment in associates	0	0
Investment property	74	48
Property and equipment	1,759	1,063
Goodwill and Intangible assets	50	35
Human Assets	**39,891**	**14,828**
Deferred tax assets	0	0
Other assets	8,621	1,293
Total Assets	**210,834**	**117,936**
Equity and Liabilities		
Due to Bank and Financial Instituions	11,630	7,773
Due to Nepal Rastra Bank	742	0
Derivative financial instruments	1,722	3,000
Deposits from customers	139,590	79,906
Borrowing	0	0
Current Tax Liabilities	25	0
Provisions	0	0
Deferred tax liabilities	3	56
Other liabilities	2,074	1,458
Debt securities issued	3,488	501
Subordinated Liabilities	0	0
Human Capital	**39,891**	**14,828**
Share capital	8,031	6,693
Share premium	0	0
Retained earnings	944	1,845
Reserves	2,696	1,878
Total Equity and Liabilities	**210,834**	**117,936**

2.6

STAKEHOLDERS ANALYSIS

The Bank operates with a vision to ensure creation of optimum values for all the stakeholders. Our stakeholders are those individuals or organizations who have direct or indirect interest in our 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. This 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 bonus share at the rate of 10% of paid-up capital, plus cash dividend at the rate of 0.526% equivalent amount to the tax on issuance of bonus share. The Bank has earned operational profit and net profit of NPR 1.91 billion and NPR 1.34 billion, respectively, during the review period. The Bank has Return on Equity and Return on Assets of 12.09 % and 0.97%, respectively, for FY 2017/18.

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. Theses 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 business organizations. 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 1.91 billion and NPR 1.34 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 112 branches, 15 new branchless banking, 125 new ATMs, and 1,948 new remittance agents during the review period, in order to facilitate customers' easy access to the financial services. The Bank is expanding its digital banking services by developing proper policy and guidelines in order to provide the customers convenient financial services with less complexity and improved flexibility. The Bank is also making continuous effort to develop customer loyalty and brand name of the Bank by developing appropriate policies and guidelines.

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 1.78 billion in employee expenditures during the review period, out of which, NPR 43.1 million was incurred towards staff training expenses

for the development and growth of the employees. During the review period, 125 external and 129 internal trainings were attended by employees 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. The Bank has a performance appraisal system that ensures growth and promotion to deserving 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, i.e. for the benefit of the senior citizens, children, disabled people, and the deprived sectors.

The Bank has been playing an active role for social benefit and development in various areas of society as a responsible corporate citizen. The Bank has allocated 1% of the net profit of the review period i.e. NPR 13,348,619 to the corporate social responsibility reserve. Apart from the above, NIC ASIA Foundation has incurred expenses of NPR 14,511,361 under corporate social responsibility, whereby senior citizens, children, and disabled people belonging to the deprived areas were benefited from the same. During the review period, the Bank has contributed towards corporate social responsibility with the following activities:

- Carried out tree plantation program with the objective of maintaining healthy and clean environment to minimize effect of environmental pollution over environmental and physical objects and global warming.
- Discouraged investment in the form of loan in industries involved in manufacturing of alcoholic and cigarette products, which directly affect health of the public.
- Distributed warm clothes to the victims of natural calamities.
- Provided assistance to various educational programs for the development of educational sector, cancer awareness campaign, blood donation programs, and social organizations.

2.7

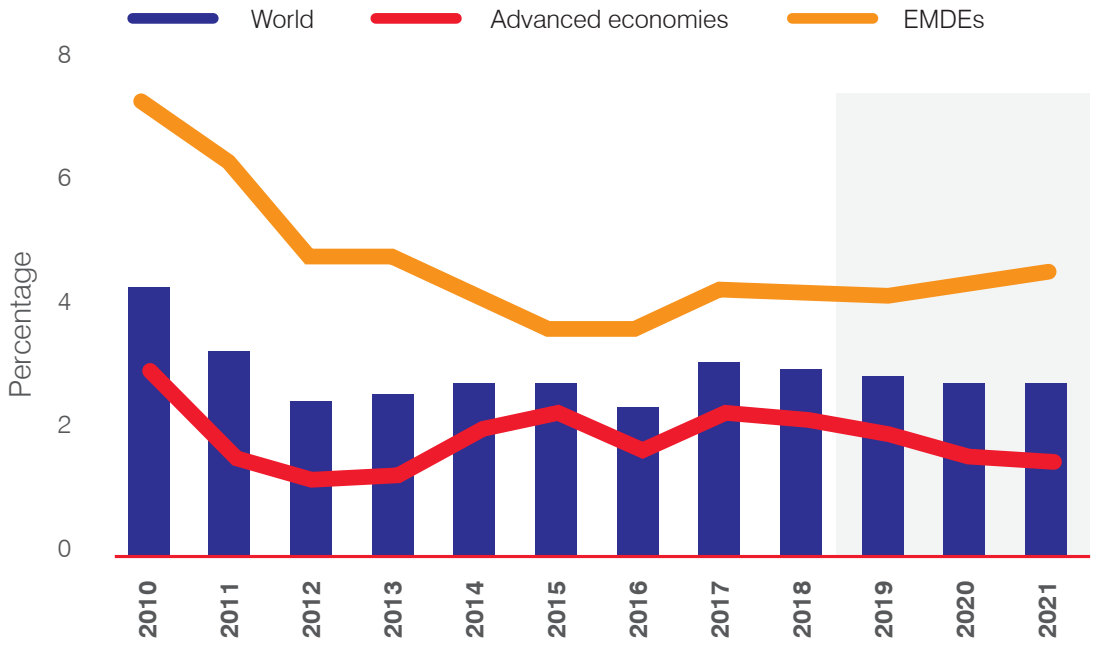
ECONOMIC OUTLOOK

GLOBAL ECONOMIC OUTLOOK

In 2017, 3.1% growth was observed in the world economy, and price of crude oil, which was USD51.83 per barrel in 2017 rose to USD68.97 per barrel in 2018. But it is projected by the World Bank that due to mild inflation, growth in the world economy would be at the same rate. Inflation in world economy was around 2% in 2016 which rose to 3.42% in 2017. Similarly, price of gold, which was USD1,315.42 per ounce in 2017 decreased to USD1,222.86 per ounce in 2018.

Borrowing costs for emerging market and developing economies (EMDEs) have increased, in parts, as major advanced-economy central banks continued to withdraw policy accommodation in varying degrees. EMDE growth edged down to an estimated 4.2% in 2018—0.3 percentage point slower than previously projected—as a number of countries with elevated current account deficits experienced substantial financial market pressures and appreciable slowdowns in activity. More generally, as suggested by recent high-frequency indicators, the recovery among commodity exporters has lost momentum significantly, largely owing to country-specific challenges within this group. Activity in commodity importers, while still robust, has slowed somewhat, reflecting capacity constraints and decelerating export growth. In low-income countries (LICs), growth is firming as infrastructure investment continues, and easing drought conditions support a rebound in agricultural output. Central banks in many EMDEs have tightened policy to varying degrees to confront currency and inflation pressures.

Global Growth



South Asia: Growth is projected to accelerate to 7.1% in 2019. This mainly reflects strengthening domestic demand in India, as the benefits of structural reforms, such as GST harmonization and bank recapitalization, take effect. Elsewhere in the region, the forecast is for a moderation in activity, notably in Bangladesh and Pakistan. Over the medium term, growth is expected to remain at 7.1%, underpinned by robust domestic demand in the region. External vulnerabilities are rising, reflected in mounting external debt, widening current account deficits, and eroding foreign reserves. Risks to the outlook are on the downside. On the domestic front, vulnerabilities are being exacerbated by fiscal slippages and rising inflation, and there is a risk of delays in structural reforms to address balance sheet issues in the banking and non-financial corporate sectors. Key external risks include a further deterioration in current accounts and a faster-than-expected global financial tightening.

It is expected that the Nepalese economy shall face price inflation due to increase in price of crude oil and strong US dollar.

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

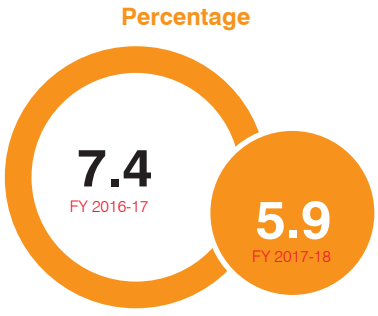
(Source: Based on analysis and data of World Bank and IMF)

DOMESTIC ECONOMIC OUTLOOK

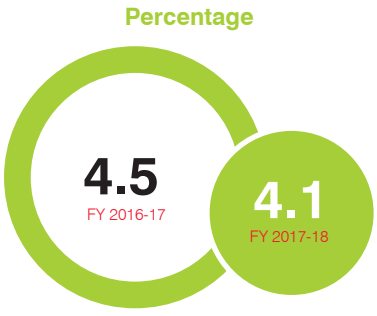
The domestic economy is on a positive track. This is reflected in an encouraging economic growth in the last two years. Economic growth has gained momentum since 2016/17. The economy is estimated to have grown by 5.9% in 2017/18, while such growth was 7.4%in 2016/17. Despite a sluggish agricultural growth of 2.8% due to the flood in the Terai region at the beginning of the fiscal year, the economy achieved an encouraging growth in FY 2017/18. This level of growth was attained on account of industrial output growth of 8.8% and service sector's growth of 6.6%. With the improvement in the growth trajectory, the size of the economy has reached Rs. 3 trillion.

For the last two years, the ratio of Gross Domestic Savings to Gross Domestic Product (GDP) has been increasing. Such a ratio is estimated to have reached 15.0% in 2017/18. Gross national savings to GDP is estimated to stand at 43.9% in 2017/18. A higher national savings ratio is witnessed, mainly due to the remittance inflow. Gross Capital Formation Ratio is estimated to have reached 51.8%, and resource gap is expected to remain at 7.8% of GDP. Net export to GDP is estimated to have deteriorated slightly to a further negative of 36.7% in 2017/18. In the last two years, inflation has remained

Economic Growth Rate



Consumer Price Inflation Rate



contained. Average consumer price inflation that stood at 4.5% in 2016/17 declined to 4.1% in eleven months of 2017/18.

Current account deficit amounted to Rs. 209.21 billion, 7.0% of GDP, in 11 months of 2017/18. An escalation in import compared to export, raised the trade deficit to Rs. 1033.04 billion, which is 34.4% of GDP. In the review period, workers' remittances increased 7.3%. A modest growth in remittance inflow, coupled with mounting trade deficit, has resulted in an upsurge of the current account deficit. The overall balance of payments that had remained in surplus in 2016/17 by Rs. 82.11 billion turned negative by Rs. 4.34 billion in 11 months of 2017/18. However, the banking sector has sufficient foreign exchange reserve to sustain the prospective import of goods and services for 9.6 months. Nepalese currency vis-à-vis the US dollar depreciated by 6.2% as of July 10, 2018, compared to mid July 2017. The buying rate per US dollar stood at Rs. 109.64 on July 10, 2018. In 2016/17, Nepalese currency had appreciated by 3.8%.

Domestic credit was projected to grow 27.8% in 2017/18. On y-o-y basis, the growth of such credit stood at 28.3% in mid June 2018. Private sector credit growth stood at 21.0% (y-o-y) in mid-June 2018. Such credit was projected to grow by 20.0%. During this period, the deposits at BFIs increased by 17.6%. As provisioned in the monetary policy of 2017/18, the revised interest rate corridor came into operation in November 2017. The lower and upper bounds of the corridor were fixed at 3% and 7%, respectively. In mid June 2018, the weighted average interest rate of the 91-day Treasury bills stood at 4.38%, and the weighted average inter-bank rate stood at 4.18%. Regarding long-term interest rates, the weighted average deposit rate of commercial banks stood at 6.61% in mid-June 2018. Likewise, the weighted average lending rate increased to 12.42%. Accordingly, the spread between deposit and lending rate stood at 5.81%. Nepal Rastra Bank has injected a net liquidity of Rs.417.83 billion through the net purchase of USD4.01 billion from commercial banks during mid-July 2017 to July 10, 2018. During the period, Indian currency equivalent to Rs. 494.69 billion was purchased through the sale of convertible foreign currencies.

(Source: Based on data of Monetary Policy of 2018/19 published by Nepal Rastra Bank)



THE STOCK MARKET

The NEPSE Index was on a declining trend during most of the period of FY 2017/18. With the continuity of declining trend of last fiscal year, NEPSE Index declined by 370.31 points with a declining rate of 23.4% during the review period, and was limited to 1,212.4 point as on July 16, 2018. During the review period, lowest point and highest point of the NEPSE Index were 1,168.55 and 1,667.94, respectively, with the average daily transaction of NPR 520.99 billion. NEPSE Index was limited to 1,582.7 points as on July 15, 2017, which had begun to decline from 1,881.45 points with a declining rate of 7.9%. Banks' interest rate was on an increasing trend with the liquidity constraint in the market, which has directly affected the NEPSE Index.

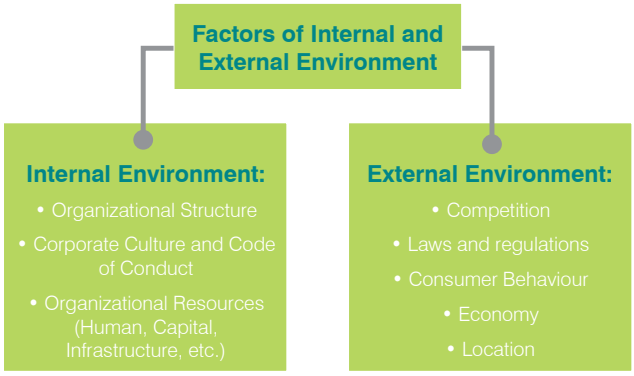
2.8

BUSINESS ENVIRONMENT ANALYSIS

Every organization is affected by its external and internal environment. These are the integral parts of the organization itself. External environment can be described as a set of elements that are not part of the organization, but possess an influence upon the organization. External environment constitutes of consumers, suppliers, and competitors, which has direct effect on the organization, whereas the indirect elements of external environment are government, state of the economy, scientific and technical growth, socio-cultural events, and laws and policies by the government. Hence, for smooth operation of business, the organization has to cope with elements of external environment. Similarly, internal environment can be termed as the environment within the organization itself. It includes employees, shareholders, or stakeholders, etc. 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 Services
- Strong Leadership
- Clearly defined Organizational Structure
- Expertise and high level of experience on Digital Payment Business and Operations
- Strong Internal Control Framework and Code of Conduct
- Team of Energetic and Dedicated Experts
- World Class Core Banking Software
- Customer centric Business Model
- Strong corporate communication system

OPPORTUNITY

- Venturing into strategic alliance in order to focus towards areas of knowledge transfer, market development, generation of efficiency, etc.
- Enhancement of brand image through Corporate Social Responsibility
- Leveraging existing wide branch network
- Value Creation and enhancement by automatization and digitization
- Better Management of deposits by exploring possibility of investing in high yield segments
- Enhanced Customer Experience

WEAKNESS

- Low Yield in Corporate and wholesale lending DSL segment
- Unavailability of desired resources in market
- Limitation in core Banking System's capacity and large number of information available in file only
- Other inherent limitations of control functions

THREAT

- Economic and political changes
- Fierce competition from strategic peers
- Weak macro-economic fundamentals

BANKING THE UNBANKED

TECHNOLOGY-BASED BANKING SERVICE

629,000
MOBILE BANKING

74,000
INTERNET BANKING

401,000
DEBIT CARD CUSTOMER

In global stage, usage of technology in imparting banking services has proven to be one of the most promising mechanisms to ensure financial inclusion. The NIC ASIA bank, based on a presumption that unbanked tech-savvy persons can be brought under banking radar through optimum use of technology, started making mobile banking, internet banking and online banking more efficient in recent years. Our goal is to channelize at least 50% of our transactions through digital medium.

In the fiscal 2017-18, our mobile banking increased by 401% to reach 629,000 users and internet banking increased by 120% to reach 74,000 users compared to the previous fiscal. Our debit card users stood at 401,000 in the review period.

Online bank account opening mechanism launched by NIC ASIA in fiscal 2017-18 also supported our 'Banking THE UNBANKED' strategy as 2,184 new accounts were opened during the period through this mechanism.

Likewise, with intent to impart easy service to our customers and lure young generation into banking channel, the NIC ASIA Bank introduced Viber banking and missed call banking services as well. Using these services, one can make balance inquiry, avail mini-statement, and obtain location and details of branches and ATM, among other financial details.



03

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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The Bank is committed to maintaining the highest standards of corporate governance, being within the ethics prescribed by Company's Act, Bank and Financial Institutions Act, Unified Directives issued by Nepal Rastra Bank, and the Bank's corporate governance policy. The Bank gives utmost importance to corporate governance at all levels. The Board carries out active oversight and supervises and controls the Bank, however, it doesn't interfere in the Bank's management. All the employees of the Bank abide by the principles of corporate governance that include carrying out duties in the best interests of the Bank, maintaining secrecy of the material information, avoiding situations of conflict of interest, clarity in delegation of authority, meritocracy, transparency, professionalism, team spirit, and service excellence.

Good corporate governance is one of the key prerequisites of a successful organization, hence the Bank perceives this as the highest-level strategic posture of the Bank. The Bank's corporate governance policy is directed not only towards complying with regulatory and legal requirements, but also towards adherence to international best business practices, transparency, and disclosure to all the stakeholders. Our corporate governance philosophy will be guided by our own eternal need to set the highest standards as a good corporate citizen.

3.1

SHAREHOLDING STRUCTURE

Particulars	No. of Share	Amount (NPR)
AUTHORISED CAPITAL Ordinary Shares of Rs 100 each	80,400,000	8,040,000,000
ISSUED CAPITAL Ordinary Shares of Rs 100 each	80,311,169	8,031,116,998
PAID UP CAPITAL Ordinary Shares of Rs 100 each	80,311,169	8,031,116,998

ORDINARY SHARE OWNERSHIP

Particulars	Amount	Percentage Holding
Domestic Ownership		
Nepal Government	-	-
"A" Class licensed institutions	-	-
Other licensed institutions	-	-
Other institutions	508,096,800	6.3%
Public	7,523,020,198	93.7%
Other	-	-
Foreign Ownership	-	-
Total	**8,031,116,998**	**100%**

CAPITAL STRUCTURE

Particulars	No. of shares	Capital Structure (%)	Paid-up Amount (NPR)
Promotors Shareholders	40,958,696	51	4,095,869,669
General Public Shareholders	39,352,473	49	3,935,347,329
Total	**80,311,169**	**100**	**8,031,216,998**

SHAREHOLDING STRUCTURE OF DIRECTORS

Name	No. of Shares	Shareholding (%)
Mr. Tulsi Ram Agrawal Chairman	3,895,092	4.85
Mr. Jagdish Prasad Agrawal Member (Promotors Group)	2,031,873	2.53
Mr. Trilok Chand Agrawal Member (General Shareholders Group) (Representative – Asian Distributors Pvt. Ltd.)	7,669,717	9.55
Mr. Ram Chandra Sanghai Member (Promotors Group)	3,541,723	4.41
Mr. Binod Kumar Pyakurel Member (General Shareholders Group)	402	0.0005
Mr. Rajendra Prasad Aryal Member (General Shareholders Group)	80,311	0.10
Mr. Ganesh Man Shrestha Member (Independent Director)	-	-

3.2

BOARD COMMITTEES AND MANAGEMENT COMMITTEES

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

S.N.	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

KARMACHARI SEWA SUVIDHA SAMITI

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sanghai	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Roshan Kumar Neupane	Chief Executive Officer	Member
4	Mr. Bishal Sigdel	Chief Financial Officer	Member
5	Mr. Gautam Dangol	Chief Human Resource Department	Member

ASSETS (MONEY) LAUNDERING PREVENTION COMMITTEE

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Rajendra Prasad Aryal	Director	Member
2	Mr. Ganesh Man Shrestha	Independent Director	Member
3	Mr. Kamal Khaka	AML Implementation Officer	Member

MANAGEMENT COMMITTEE

S.N.	Name	Functional Title
1	Mr. Roshan Kumar Neupane	Chief Executive Officer
2	Mr. Sudhir Nath Pandey	Deputy Chief Executive Officer
3	Mr. Santosh Kumar Rathi	Chief Marketing Officer
4	Mr. Rajesh Rawal	Chief Strategy Enforcement Officer
5	Mr. Jayendra Rawal	Chief Strategy Enforcement Officer
6	Mr. Kapil Dhakal	Chief Human Resource And Chief Development Officer
7	Mr. Sudeep Khanal	Chief Corporate And Priority Loans Officer/Chief Support Officer
8	Mr. Arjun Raj Khaniya	Chief Public Relationship Officer
9	Mr. Bishal Sigdel	Chief Financial Officer
10	Mr. Dinesh Bhari	Head Legal
11	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer
12	Mr. Prakash Baral	Chief Credit Officer
13	Mr. Raju Prasad Adhikari	Head Internal Audit
14	Mr. Deepen Karki	Company Secretary

DNA OVERSIGHT COMMITTTEE

S.N.	Name	Status in the 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, Chief Marketing Officer	Member
4	Mr. Rajesh Rawal, Chief Strategy Enforcement Officer	Member
5	Mr. Jayendra Rawal, Chief Strategy Enforcement Officer	Member
6	Mr. Kapil Dhakal, Chief Development Officer	Member
7	Mr. Dipendra Bahadur Rajbhandari, Chief Risk Officer	Member
8	Mr. Bishal Sigdel, Chief Financial Officer	Member
9	Mr. Prakash Baral, Chief Credit Officer	Member
10	Mr. Arjun Raj Khaniya, Chief Public Relation Officer	Member
11	Mr. Sudeep Khanal, Chief Corporate and Priority Loans Officer	Member Secretary

BANKING THE UNBANKED

FINANCIAL INCLUSION

NIC ASIA Bank is committed towards the goal of formal financial access for all members of economy. Through advanced technology, innovative business models and deprived sector lending, the Bank has been trying to transform Nepal's financial inclusion ecosystem for materializing the goal of 'Banking THE UNBANKED'. Our financial inclusion strategies are formulated to help traditionally excluded groups, including poor, women, minority and rural dwellers.

We created enormous banking network in rural areas for broader financial inclusion despite the challenges of increased long-term cost and banking operations becoming less economic. Now, NIC ASIA has the highest number of remote networks compared to its peers.

Furthermore, the changing global scenario and surging entrepreneurial orientation has started causing financial complexity among youth. The NIC ASIA Bank has been playing an important role in financial inclusion by bringing youths on board the financial institution by winning their trust. NIC ASIA Bank has Yuva Swarojgar Loan to facilitate youths achieve their goal. The Bank has extended credit facility of Rs. 216.36 million under Yuwa Swarojgar Loan facility.

FINANCIAL LITERACY PROGRAM

Financial literacy programs impart knowledge on saving, investing and borrowing propelling people to understand the benefits of banking services. Previously, people were hesitant in bringing their financial transactions under banking fold due to culture sensitiveness and lack of financial knowledge. People believed hoarding money at home was easy and convenient than depositing it into banks. With aim to erase such misconceptions from people's mind, NIC ASIA Bank conducted 'door-to-door financial literacy program' in different parts of the country to impart financial literacy. Such literacy programs have helped in bringing the people who previously carried out their financial transaction through shadow economy onboard the formal banking channel. The door-to-door campaign, among such other financial literacy approaches of the NIC ASIA, has thus not only helped in reducing the shadow economy but also to tap the potential new markets for banking expansion.



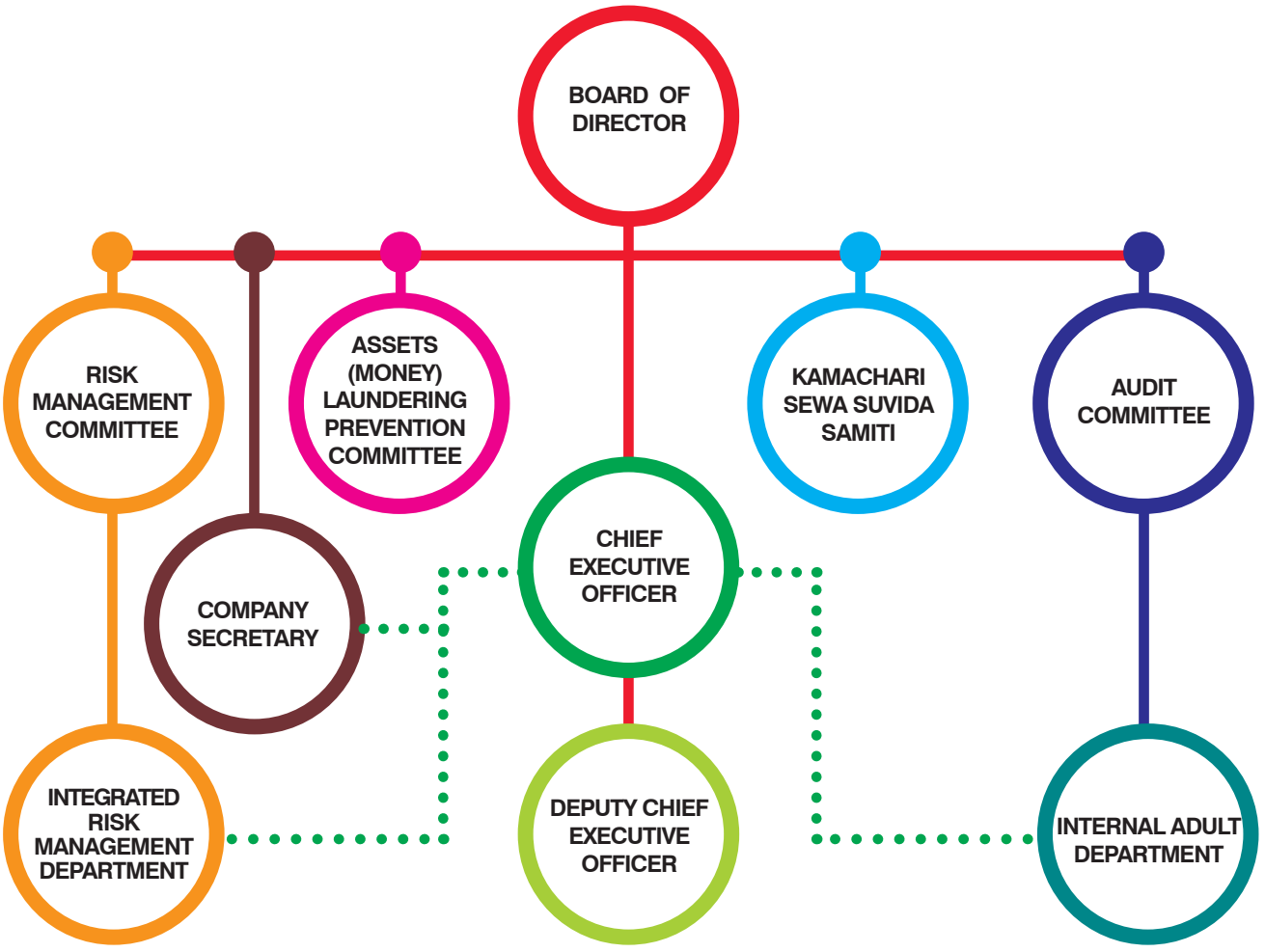
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STATEMENT OF CORPORATE GOVERNANCE

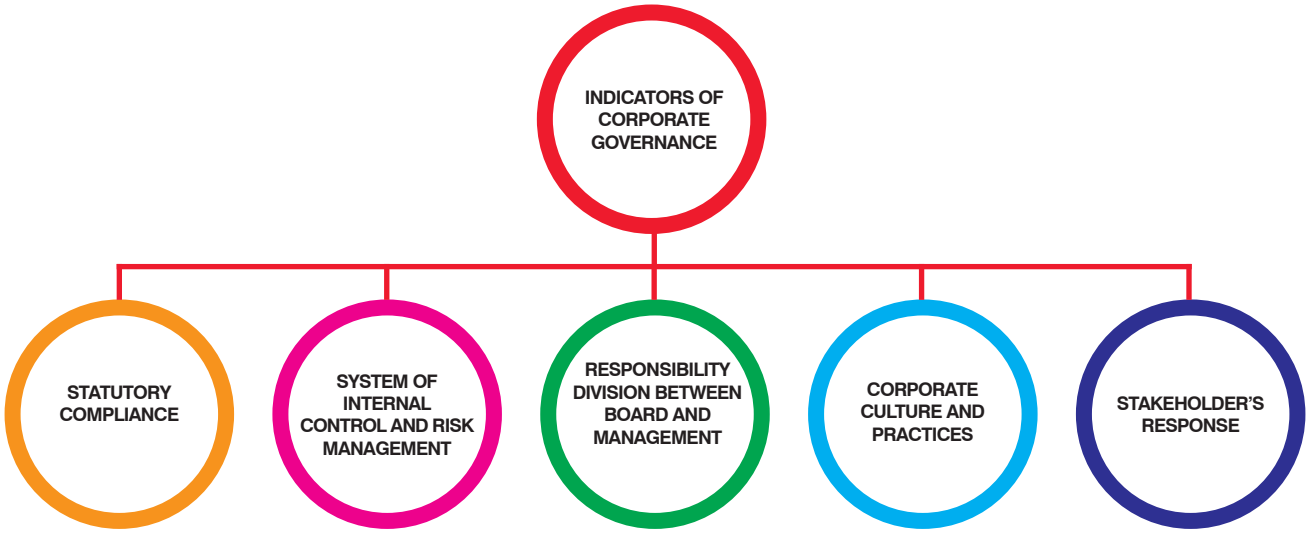
The Bank's corporate governance policy is directed not only towards the regulatory and legal requirements, but also towards adherence to best business practices, transparency, and disclosure to the stakeholders. The Bank has established a culture of best practices in corporate governance. The Bank has adopted three core principles of corporate governance, i.e. integrity, transparency, and fairness. Good corporate governance has been an integral part of the Bank's policy in order to safeguard the interest of its shareholders and stakeholders, and for providing the highest level of service to its customers.

Well-defined and enforced corporate governance provides a structure that works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. Given the importance of financial intermediation in an economy, the public and the market have a high degree of sensitivity to any difficulties potentially arising from any corporate governance shortcomings in Banks.

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, shall be the utmost priority of the Bank, and the Bank shall ensure robust compliance thereto, in word as well as in spirit.



INDICATORS FOR CORPORATE GOVERNANCE REVIEWS



MONITORING AND REVIEW OF STATUS OF CORPORATE GOVERNANCE

Bank has following tiers to monitor and review the status of corporate governance:

a. Risk Management Committee

b. Integrated Risk Management Department

c. Audit Committee

d. Corporate Governance Committee

e. Internal Audit Department

f. Compliance Department

g. Appointment and Rotation of External (Statutory) Auditor

h. Monitoring Transactions in Employee Accounts

i. Whistle Blowing Mechanism

j. Service Excellence

k. Periodic Evaluation and Review

COMPOSITION OF BOARD OF DIRECTORS

Tulsi Ram Agarwal	Chairman
Jagdish Prasad Agrawal	Director
Trilok Chand Agrawal	Director
Ram Chandra Sanghai	Director
Binod Kumar Pyakurel	Director
Rajendra Prasad Aryal	Director
Ganesh Man Shrestha	Independent Member

ROLES AND RESPONSIBILITIES OF BOARD

- 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 Committees, and Chief Executive Officer
- Approval ofthe Bank's annual budget
- Reviewing, and where appropriate, approving material-related party transactions that 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 (the extent and categories of risk which the Board regards as acceptable for the Bank to bear)
  - Approving the Bank's risk management framework (embracing principles, policies, methodologies, systems, and inlernal controls and structure of responsible unit)
  - Monitoring the Bank's aggregate risk exposures and return on risk taken
- Ensuring that the executive management ofthe 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

policy/framework of the Bank

HIGHLIGHTS OF MATTERS DISCUSSED IN BOARD MEETING DURING 2017/18

Following are the highlights of matters discussed and reviewed by board of directors during FY 2017/18:

1 ROUTINE AGENDAS

a) Review and approval of credit related proposals
b) Review and approval of loan recovery related proposals
c) Review and approval of procurement related proposals
d) Review and approval of footprint expansion related proposals
e) Review of investment related proposals
f) Review of performance highlights-monthly
g) Review of comparative quarterly performance highlights
h) Review of monthly update of various departments
i) Review and approval/amendment of system documents
j) Review of minutes of Board-level committee
k) Review of NRB circulars

2 REVIEW OF PERIODIC UPDATES

Annual:
a. Strategic Financial Plan
b. Tactical Plan
c. Progress / Self Assessment Report of Board
d. Performance Review of CEO and Company Secretary
e. Annual Risk Assessment Report-NRB Directive AML

Half Yearly:
a. Investment Portfolio

Quarterly:
a. AML/CFT & KYC Update
b. ALCO Update
c. Legal Cases Update
d. Comparative Financial Highlights
e. ICAAP Report
f. Stress Testing Results

Monthly:
a. Risk Assessment Reports

3 REVIEW OF BUSINESS PROCESS RE-ENGINEERING REPORT (BPR) OF VARIOUS DEPARTMENT/ SEGMENT/FUNCTION

4 REVIEW OF INTERNAL AUDIT REPORTS ON THE FUNCTION/SEGMENT/ DEPARTMENT WHERE BOARD HAS INSTRUCTED TO AUDIT

BOARD OVERSIGHT

The Board is responsible for approving overall strategies and policies of the Bank, taking into account the Bank's long-term financial interests, its exposure to risk, and its abllity to manage risk effectively, and approve and oversee implementation by the Bank:

- 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 shall:

- 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
- Ensure that appropriate succession plans are in place for senior management positions

The Board is not involved in day-to-day operation of the Bank. However, the Board is authorized to issue appropriate instructions to the senior management on any matter that it deems appropriate. Minutes of all the Board-level committee/sub-committee meetings shall be furnished to the Board for its information.

APPOINTMENT OF DIRECTOR

- In line with provisions of Banks and Financial Institutions Act, appointment of director is done by general meeting 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.

TRAINING AND KNOWLEDGE ENHANCEMENT PROGRAM FOR BOARD OF DIRECTORS

In order to help directors acquire, maintain, and deepen their knowledge, skills, exposure, and experience required to fulfill their responsibilities and ensure their effective contribution to performance of the Board and the entire Bank, various training and education programs are tailored to update them on relevant issues.

Newly appointed directors are oriented in following subject matter, among others, within one month of his/her appointment:

a. Organizational structure of the Bank
b. Nature of Bank's business
c. Corporate governance
d. Mission, Vision, and Values of the Bank
e. Business plan of the Bank
f. Duties, responsibilities, and accountability of the director
g. Risk management strategy
h. Integrated economic and financial position
i. Prevalent legal provision
j. Prevalent banking services and practices
k. Regulatory provisrons

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

a. Transparency;
b. Disclosure;
c. Conflict of Interest;
d. Compliance;
e. Relation and Coordination with other Institutions; and
f. Internal best practices.

DETAILS OF TRAINING PROVIDED TO DIRECTORS:

Directors attended following trainings during 2017/18:

Subject Matter	Attendees
Banks and Financial Institutions Act, 2073	Entire Board members
Corporate Governance & Roles and Responsibilities of the Board	Entire Board members
Risk Management Workshop	Mr. Binod Pyakurel and Mr. ganesh Man Shrestha
Seminar on IT Security in Nepalese Banking Sector	Mr. Tulsi Ram Agrawal
Training on Anti-Money Laundering/ Combating Finacing Terrorism & KYC	Mr. Rajendra Aryal, Mr. Binod Kumar Pyakurel and Mr. Ganesh Man Shrestha

APPOINTMENT OF CEO

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

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.

ETHICS AND COMPLIANCE

NIC Asia Bank strongly believes in meritocracy, transparency, professionalism, team spirit, and service excellence. These core values shall be internalized by all functions within the Bank and shall be reflected in all actions it takes during the course of its business.

ORGANIZATIONAL 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 is 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 invites disciplinary action.

CODE OF ETHICS

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 is made clear that employees are expected to conduct themselves ethically in addition to complying with laws, regulations, and company policies.

WHISTLE BLOWING MECHANISM

The Bank has established an effective mechanism for employees to report to the appropriate authority their concerns about unethical behavior, actual or suspected fraud, or violation of the Bank's code of conduct. Employees are encouraged and able to communicate confidentially, and without the risk of reprisal, legitimate concerns about illegal, unethical, or questionable practices. This mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism, and also provide for direct access to the Chief Risk Officer and Head of Internal Audit. However, it also ensures that frivolous accusations do not become a means to harass anybody. The Bank believes in encouraging its employees to bring the problems to the attention of management, and also reassures the employees that their concerns are very important to the Bank.

The issues can be related to:

i. Conflict of interest
ii. Safety
iii. Misuse of confidential information
iv. Falsifying reports
v. Bullying, harassment and discrimination of others
vi. Bribery, facilitation payments
vii. Workplace violence
viii. Drugs and substance use
ix. Trading insider information
x. Improper use of Bank's assets
xi. Employment law.
xii. Theft, etc.

The Bank has a "Guideline on Speaking up & Whistle blowing" to encourage employees to speak up on issues of illegal activities and misconduct, and for managing all whistle blowing activities of the Bank.

HUMAN CAPITAL

An organization is often said to be as good as its people. Directors, employees, and leaders that make up an organization's human capital are critical to its success. Not all labor is equal, but the quality of employees can be improved by investing in them. The education, experience, and abilities of employees have economic value for employers and for the economy as a whole. We have always been transparent and ensured that our employees remain content and are made to feel part of our Bank's culture.

IT GOVERNANCE

IT governance, as sub-category of corporate governance, has its specificities 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.

BOARD LEVEL COMMITTEES/ SUB COMMITTEES

The Board shall constitute required committees/sub-committees as per Nepal Rastra Bank directives, under coordination of a director of the Board, and the terms of reference (TOR) of the committee/sub-committees shall be defined by the Board during their constitution. The Board may entrust the committees/sub-committees with the authority required for effectively fulfilling their duties and responsibilities.

In line with Nepal Rastra Bank's Directive No. 6, following committees have been constituted by the Board:

- Audit Committee
- Risk Management Committee
- Karmachari Sewa Suvidha Samiti
- Assets (Money) Laundering Prevention Committee



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.

3.4

DIRECTORS' REPORT

Respected Shareholders,

With warm regards, I would like to welcome you on behalf of the Board of Directors and entire NIC Asia family for your noteworthy participation in the 21st Annual general Meeting of the Bank.

As earlier years, the financial sector was deeply affected this year too by negative impact due to shortage of investable fund, resulting in intense rise in interest rate. Despite severe situation, business and financial results achieved by the Bank during the review period are commendable.

During the review period, all tactical business plans of the Bank were oriented towards achievement of long-term strategy of the Bank, "Integrated Five-Year Strategy Plan- Strategy 2020". Highlights of achievements of the Bank as per long-term strategy are as follows

- Historic record of footprint expansion through establishment of 112 new branches and 231 branches in total (A total of 270 branches till this report was prepared)
- Use of business process automation and modern technology as business enabler for establishing the Bank as a trailblazer for advancement towards digital banking
- Conduct of various activities through effective planning for branding initiation, and branch promotion activities in order to establish the Bank as the eminent banking brand of Nepal
- Modification and transformation of banking services and facilities with respect to time and expectations of customers through Customer Service Excellence Department for achieving customer delight by refining banking services and ensuring excellent banking experience of customers
- Simplification and improvisation of banking procedures in line with concept of Business Process Reengineering to ensure that internal policies, guidelines, and procedures of the Bank are effective, banking resources are optimally utilized, and excellent banking practices are adopted for development of excellent banking system.

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

"We are committed towards uplifting bank towards new prominence in near future and this is evident through business and financial results of this year."

We are committed to uplifting the Bank towards new prominence in the near future, and this is evident through business and financial results of this year.

The following report has been prepared in line with Companies Act, 2063, Securities Registration and Issuance Regulation, 2073, and Bank and Financial Institutions Act, 2073, for review of achievements and challenges during the review period. Short-term and long-term plans for the future and overall banking activities have been presented in this 21st Annual General Meeting on behalf of the Board of Directors of the Bank.

A. OVERVIEW OF BANKING TRANSACTIONS DURING 2017/18

As the financial statement of 2017/18 was prepared as per Nepal Financial Reporting Standard (NFRS), financial details and indicators of 2016/17 and 2015/16 were also recalculated on the basis of same yardsticks. Details of achievements of 2017/18 and 2016/17 are as follows:

NPR 'Million

Particulars	2017-18	2016-17	Percentage Increment/ (Decrement)
Paid Up Capital	8,031	6,693	20%
Deposit	151,219	87,678	72%
Total Loan	120,463	72,246	67%
Investment	14,403	10,120	42%
Total Assets	170,943	103,108	66%
Operating Profit	1,918	1,829	5%
Net Profit	1,335	1,365	(2%)
Net Profit/ Total Assets (%)	0.97%	1.64%	(41%)
Net Profit/ Networth (%)	12.09%	16.84%	(28%)
Non-Performing Loan/ Total Loan (%)	0.0697%	0.36%	(81%)
Earnings Per Share (NPR)	16.62	20.40	(19%)
Capital Adequacy Ratio	12.24%	13.83	
Accumulated Profit	943.7	1,840	(51%)
Reserve Fund	2,690	1,870	44%
Loan Loss Provision	128	98	30.61%
Interest Income	13,450	7,041	91%
Interest Expense	9,330	4,359	114%
Net Interest Income	4,210	2,733	54%
Net Fees and Commission Income	869.7	657	32.35%
Other Operating Income	278.8	219.7	27%
Total Staff Expenses	1,780	1,130	57%

During the review period, total lending of the Bank has increased by 66.74% and reached NPR 120.46 billion. Similarly, deposit has increased by 72.47% and reached NPR 151.22 billion. Total lending and deposit of the banking industry of the nation has increased by 19% and 18%, respectively, during the review period. Likewise, size of balance sheet of the Bank has increased by 65.79% and reached NPR 170.94 billion. Despite extensive branch and business expansion and increase in operating expenses in same ratio during FY 2017/18, Operating Profit has increased by 5% and Net Profit has decreased by only 2% in comparison to previous year. Operating Profit and Net Profit of the Bank during FY 2017/18 are NPR 191 million and NPR 134 million, respectively. During FY 2017/18, Return on Equity and Return on Assets of the Bank are 12.09% and 0.97%, respectively, which were 16.84% and 1.64%, respectively, during FY 2016/17. We believe that investment made during FY 2017/18 shall contribute for enhancement of business and generating income in the coming years. Because of increase in Paid-up Capital due to issuance of bonus share, Earning per Share of company has decreased by 19%, from NPR 20.40 per share to NPR 16.62 per share.

PAID UP CAPITAL AND CAPITAL ADEQUACY RATIO

As per the monetary policy of FY 2016/17 issued by Nepal Rastra Bank, banks and financial institutions were required to maintain minimum paid-up capital of NPR 800 million within the end of FY 2017/18. After approval of 20% bonus share proposed during the previous year, the Paid-up Capital of the Bank has been maintained above the minimum requirement of Nepal Rastra Bank, i.e. more than NPR 800 million.

Capital Adequacy Ratio of the Bank during FY 2017/18 is 12.24%. It is 1.24% more than the minimum Capital Adequacy Ratio prescribed by Nepal Rastra Bank, i.e. 11%.

ACCUMULATED PROFIT AND RESERVE FUND

As per instruction of Nepal Rastra Bank for FY 2017/18, for the first time adoption of NFRS by banks and financial institutions, amount equivalent to that transferred to accumulated profit or loss account by making adjustment in opening statement of financial position and financial statement of previous year in line with provision of NFRS is transferred to regulatory reserve by deducting from retained earnings in Statement of Changes in Equity. Due to this, balance in regulatory reserve has increased by 44% from NPR 187 million in previous year to NPR 269 million at the end of FY 2017/18. Similarly, because of issuance of bonus share and adjustment of regulatory reserve, total balance in retained earning has decreased by 51%, from NPR 184 million to NPR 94.37 million.

DEPOSIT

Total deposit has increased by 72% during FY 2017/18 and reached NPR 151.22 billion. Average growth rate of deposit of industry during review period is 18% only. During the review period, fixed deposit, saving deposit, and call deposit of the Bank have increased by 63%, 93%, and 46%, respectively.

The Bank has been able to achieve remarkable achievement in increasing saving deposit as per the long-term strategy adopted by the Bank for FY 2017/18. In line with the same, various services and features of saving deposit products have been improvised, which have resulted in significant increase in deposit by 93% and increase in number of saving accounts by 591,764. The Bank shall continue to adopt the same strategy of increasing saving deposit and number of deposit accounts in the years to come.

During the review period, 17% share of total increase in deposit of the banking industry was occupied by the NIC ASIA Bank. Similarly, 6.47% share of total deposit of the banking industry was occupied by NIC ASIA Bank during FY 2017/18, which was 4.15% during fiscal year 2016/17. 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	64.59%
Institutional Deposit	35.41%
Total Deposit	100%

The Bank focused on collecting deposit from small depositors scattered all over the country in order to strengthen deposit base of the Bank, which is expected to improve the cost of fund.

LOAN AND LOAN LOSS PROVISION

During the review period, total loans and advances of the Bank stood at NPR 120.46 billion, which is 67% in addition to loans and advances of previous year. Average growth rate of loans and advances of the banking industry in the review period was 19%. Due to liquidity crunch in third and fourth quarter of the review period, strategy of loan enhancement of the entire banking industry was affected. However, the Bank was able to achieve 67% growth in loans and advances, which is a far better result as compared to industry average. As per the strategy of the Bank, retail loan portfolio increased by 65%, small and medium enterprises by 93%, deprived sector lending by 121%, and corporate credit by 8.08%.

Business Segment	% Increment in Loan Limit
Retail Loan	65
Small and Medium Enterprises Loan	93
Deprived Sector	121
Corporate	8.08

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. By focusing on deprived sector lending, NPR 932 million has been disbursed to the deprived sector, which is 7.72% of total loans and advances.

During the review period, the Bank secured 15% share of total growth in loans and advances of the banking industry and 5.93% share of total loans and advances of the industry, which was 4.52% during FY 2016/17.

In line with minimum limit set by Nepal Rastra Bank for investment in agriculture, energy, and productive sector, which is 10%, 5% and 25% of total lending, the Bank has ensured compliance with the same by investing 12.03%, 5.04%, and 31.75%, respectively, in those sectors. Similarly, the Bank has invested 9.12% in deprived sector lending, where minimum limit set by Nepal Rastra Bank is 5%.

Loan	Limit Set by Nepal Rastra Bank (%)	Bank Loan (%)
Agriculture	10	12.03
Energy	5	5.04
Productive	25	31.75
Deprived Sector	5	9.12

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 98 million to NPR 128 million. NPR 30.48 million has been booked as expenses for loan loss provision during FY 2017/18. Ratio of non-performing loan over total loan loss provision is 1.525%. Ratio of non-performing loan to total loans and advances has decreased significantly during the review period to 0.0697%, which was 0.36% 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 1.44 billion, which is 42% in addition to investment of previous year. Out of total investment, investment in Treasury bills, government bond, and other investment is 15%, 68%, and 17%, respectively.

Detail of Investment	% of Total Investment
Treasury Bill	15
Government Bond	68
Other Investments	17
Total	**100**

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

Investment in mutual fund and shares during the review period is NPR 757 million. Maximum investment in capital market has been done in companies that are capable of distributing long-term income in the form of dividend, and the Bank earned NPR 10.7 million cash dividend from these investments.

INTEREST INCOME

During the review period, Interest Income of the Bank increased by 91%, and total interest income during FY 2017/18 stood at NPR 13.54 billion. Interest Income from loans and advances was NPR 12.66 billion, which is 92% increment compared to previous year. Similarly, Interest Income from other investment is NPR 880 million, which is 85% increment in comparison with that of previous year.

Breakdown of Interest Income	Amount During Review Period (NPR 'Million)	% Increment
Interest Income on Loan	12,660	92%
Interest Income on Other Investment	880	85%
Total	**13,540**	

During the review period, because of increase in annual average return on loan by 3.55% as a result of deposit crunch, interest rate was 13.73%.

The Bank was able to increase quarterly average return on investment to 4.84% during the last quarter from 3.98% during the first quarter of review period by replacing investments that generate minimal return with investments that generate high return.

Also, the Bank was successful in maintaining interest spread, even though there was increment in cost of fund because of displacement of corporate loan generating minimal interest income by retail and small/medium enterprises loan generating maximum return.

INTEREST EXPENSE

During the review period, total interest expense of the Bank reached NPR 9.33 billion, which is 114% increment in comparison to that of the previous year. Total interest expense on deposit reached NPR 9.15 billion, which is 111% increment in comparison to that of the previous year. Similarly, Interest Expense on borrowing stood at NPR 176.4 million, which is 381% increment in comparison to the previous year because of issuance of debenture amounting to NPR 300 million.

Breakdown of Interest Expense	Amount During Review Period (NPR 'Million)	% Increment
Interest Expense on Deposit	9,150	111%
Interest Expense on Other Debenture	176.4	381%
Total	**9,326.4**	

Increase in Interest Income of the Bank by 114% is the result of deposit crunch due to increase in interest rate of fixed deposit, conversion of saving deposits into fixed deposits, and aggressive loan enhancement of the Bank. As a result, cost of deposit, which was 7.94% in the first quarter, decreased to 7.85% during the fourth quarter of the review period.

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 54% and reached NPR 421 million. The Bank has adopted a strategy to maintain appropriate 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 86.97 million as Net Fees and Commissions, which is 32.35% 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.

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, 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 27.88 million, which is 27% increment in comparison to that of the previous year i.e. NPR 21.97 million. Share of income from trading of foreign exchange in other operating income of the Bank is 70%.

STAFF EXPENSES

During the review period, Staff Expenses of the Bank increased by 57%, from NPR 1.13 billion in previous fiscal to NPR 1.78 billion.

Increase in Staff Expenses by 57% is the result of increase in number of employees due to extensive expansion of branches and promotion of deserving staff on the basis of annual appraisal. Total number of staff has increased by 536 during the review period, from 1,755 to 2,291.

Particulars	2017-18	2016-17	% Increment
Staff Expenses (NPR 'Million)	1,780	1,130	57%
Number of Staffs	2,291	1,755	30.54%
Training Expenses (NPR 'Million)	43.1		

NPR 4.31 million was incurred as staff training expenses, which is 2.4% 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 4.66% 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 fallen by 10%, from NPR 12.06 million to NPR 10.18 million. Decrease in depreciation and amortization by 10% is due to change in method of depreciation on fixed assets from written down value method to straight line method.

OTHER OPERATING EXPENSES

During the review period, Other Operating Expenses of the Bank increased by 113% from NPR 58.05 million to NPR 1.24 billion. Increase in Other Operating Expenses by 113% is due to increase in number of staff, additional 112 branches, and increase in business promotion expenses for enhancement of 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

RETURN ON INVESTMENT

During the review period, Return on Investment increased by 7.33% to reach 58.41%, up from 51.08% in the previous fiscal. Increment in Return on Investment by 7.33% is due to expansion of 112 new branches and increase in other operating expenses.

PAYMENT FOR INCOME TAX AND TAX DEDUCTED AT SOURCE

The Bank has contributed NPR 1,398.6 million towards the revenue of the country; NPR 480 million in the form of income tax, and NPR 918.6 million in the form of tax deducted at source.

APPROPRIATION OF PROFIT/ LOSS

The Bank has earned NPR 124 million as Net Profit during the review period. Appropriation of profit earned during the review period has been presented below:

20% of Net Profit of the review period, i.e. NPR 26.7 million, has been transferred to the General Reserve Fund. Likewise, NPR 3.7 million to Exchange Fluctuation Fund, NPR 71.4 million to NIC ASIA Bond 2077 Redemption Reserve, NPR 13.4 million to Social Responsibility Fund, NPR 15.8 million to Investment Adjustment Fund, and NPR 455.6 million to Regulatory Reserve.

As per the requirement of Nepal Rastra Bank Directive 6.16, 1% of Net Profit is transferred to the 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 943.8 million.

(NPR 'Million)

Particulars	Review Period	Previous Year
Accumulated Profit	1,844.54	1,720.65
Net profit of current year	1,334.86	1,365.42
Transfer from Investment Adjustment Fund	-	1.12
Transfer from Share Premium	-	413.97
Total	**3,179.4**	**3,501.16**
Appropriation:		
General Reserve Fund	266.97	294.69
Exchange Fluctuation Fund	3.69	0.73
NIC Asia Bond 2077Redemption Reserve	71.43	71.43
Deferred Tax Reserve	-	10.79
Investment Adjustment Fund	15.77	0.14
Social Responsibility Fund	13.35	14.73
Regulatory Fund	455.58	-
Cash Dividend	70.45	63.20
Bonus Share	1,338.52	1,200.88
Accumulated Profit	943.65	1,844.44

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

1. GLOBAL ECONOMY

In 2017, 3.1% growth was observed in the global economy, and price of crude oil, which was USD51.83 per barrel in 2017, rose to USD68.97 per barrel in 2018, but it is expected that due to mild inflation, growth in the world economy shall be at the same rate.

Inflation in the world economy was around 2% in 2016, which rose to 3.42% in 2017. Similarly, price of gold, which was USD1,315.42 per ounce in 2017, decreased to USD1,222.86 per ounce in 2018.

It is expected that the Nepalese economy will face price inflation due to increase in price of crude oil and strong US Dollar

Particulars	2017	2018
Price of Crude Oil	USD 51.83 per barrel	USD 68.97 per barrel
Price of Gold	USD 1,315.42	USD 1,222.86

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

2. STATUS OF NATIONAL ECONOMY

a. Gross Domestic Product and Inflation

As per the preliminary projection of Nepal Rastra Bank, the economic growth rate of Nepal was in similar rate before FY 2016/17. Economic growth rate of FY 2016/17 was 7.4%, which is expected to be 5.9% in FY 2017/18. Because of flood in the Terai region, growth rate of agriculture sector remained at 2.8%, and that of the industrial and service sectors rose to 8.8% and 6.6%, respectively, due to which, remarkable economic growth of the nation was possible. With improvement in the economic growth rate, the size of the Nepalese economy has also increased.

Inflation rate of the nation has been maintained at similar level in the recent two years. Average consumer inflation rate of FY 2016/17 was 4.5%, which fell to 4.1% in 2017/18.

Particulars	2016/17	2017/18
Economic Growth Rate	7.4%	5.9%
Growth Rate of Agriculture Sector		2.8%
Growth Rate of Industrial Sector		8.8%
Growth Rate of Service Sector		6.6%
Size of Economy		NPR 307 billion
Average Consumer Inflation	4.5%	4.1%

(Source: Based on data of Monetary Policy of 2017/18 published by Nepal

b. Status of Financial Market

During the review period, projected annual growth rate of private sector lending was 20%. Actual growth rate of lending in that sector till June 14, 2018, was 21%. During this period, deposit in banks and financial institutions has increased by 17.6%. Improvised interest rate corridor has been implemented since Oct 18, 2017, as per the requirement of Monetary Policy of 2017/18. By settling lowest limit and highest limit of improvised interest rate corridor to 3% and 7%, respectively, improvised interest rate corridor has been brought into implementation by our Bank.

Particulars	2017/18
Projected Annual Growth rate of loan in private sector	20%
Actual growth rate of loan in private sector till 14-Jun-2018	21%
Increase in Deposit of Banks and Financial Institutions	17.6%
Weighted Average Interest rate of Treasury Bill during 2018 May/June	4.38%
Weighted Average Inter Bank rate 2018 May/June	4.18%

(Source: Based on data of Monetary Policy of 2017/18 published by Nepal Rastra Bank)

c. Current Year's (FY 2018-19) achievment 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, 2018) till the date of preparation of this report.

Comparison of financial results of first quarter of 2016/17 with that of first quarter of 2017/18:

(NPR 'Billion)

Particulars	First Quarter of 2017/18	First Quarter of 2016/17	% Increment
Total Deposit	168.16	103.65	62.24
Total Loan and Advances	139.26	86.74	60.55
Net Profit	0.75	0.28	170.09
Earnings Per Share	36.78	13.88	164.99

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, 112 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, 2017 was formulated and brought into implementation.

Bank shall expand 88 new branches and 69 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.

List of New Branches opened during 2017/18

Province 1 — **18**

Kerabari, Dhulabari, Kakarvitta, Jhiljhile, Tarahara, Ramailo, Jhapa Bazar, Kechana Kawal, Sanischare, Surunga, Charpane, Gaurigunj, Biratnagar Main Road, Baikunthe, Dingla, Belbari, Baliya, Letang

Province 2 — **21**

Chandranigahapur, Naraha, Tinkauriya, Loharpatti, Kabilasi, Haripurwa, Bankul Bazar, Langadi, Samsi, Bhagwanpur, Bagmati, Barathawa, Viswa, Simara Bhawanipur, Saghara, Tiruhat, Mahadewa, Chakraghatta, Jagarnathpur, Rajbiraj, Golbazar

Province 3 — **25**

Sindhuli, Dhadingbesi, Gothatar, Manamaiju, Sitapaila, Tokha, Bhaisepati, Bhimphedi, Thali, Duwakot, Balkot, Purano Thimi, Satungal, Dhulikhel, Panchkhal, Manahari, Geetanagar, Khanikhola, Gajuri, Mahadevbesi, Dharke, Betrawati, Khadichaur, Trishuli, Galchhi

Province 4 — **11**

Aabukhaireni, Dumre, Gorkha, Beshisahar, Amrapuri, Dumkibas, Arunkhola, Wari Beni, Gaidakot, Naudanda, Krishi

Province 5 — **30**

Jumri, Bhalwari, Shankarpur, Kotihawa, Buddhachowk, Gopigunj, Khaireni, Murgiya, Jitpur-4 Number, Imiliya, Manigram-4 Number, Bhurigaun, Pakadi, Driver Tole, Ram Mandir- Butwal, Tribhuwan Chowk, Rajmarga Chauraha, Parasi, Taulihawa, Lumbini, Labani, Tamghas, Majhgawa, Sunwal, Chandrauta, Shisahaniya, Piprahawa Chowk, Milan Chowk, Samjhana Chowk, Jangrawa

Province 6 — **1**

Dallibazar

Province 7 — **6**

Joshipur, Pahalmanpur, Dipayal, Bedkot, Dadeldhura, Punarbas

Total Number of Branches 112

The Bank shall add 88 new branches and 69 additional ATMs during the current year. Such expansion shall definitely contribute towards financial inclusion strategy of the government through availability of banking services and facilities in both city and remote areas of the 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 Service Excellence Department. During the review period, maximum return was provided to customers through introduction of New Premium Samunnati Bachat Khata. 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 the Bank. Further, services like credit card, POS machine, and KIOSK were also expanded during the review period. Likewise, with the intention of providing banking facilities and services to the deprived sector, NIC Asia Microfinance Financial Institution Ltd., with full ownership of the Bank, has been established and is in full operation since Dec 20, 2017.

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 of Current Year

Particulars	Addition During Current Year	Total Number As of Year End 2018/19
Branches	88	319
Extension Counters	33	47
ATM	69	289

IV. Technological Development and Information Management System

As in prior years, the Bank has tried its best to establish itself in the lead role by assimilating modern technology. By using optical fiber and wireless in all branches of the Bank, arrangement of maintaining record of transactions in real time has been ensured, because of which problems like data redundancy, data error, etc. have been eliminated, and necessary data can be generated whenever required.

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 7.0.25 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 ultra-modern technology. Similarly, in order to further upgrade Finacle into 10.0.18 version, improvisation work is going on rapidly (As on date of preparation of this report, Finacle has been upgraded to 10.0.18 version).

The Bank has formulated and implemented a Disaster Recovery Plan and Policy. This policy has been implemented for effective discharge of functions by using modern technologies to ensure that banking activities and environment are not affected even during natural calamities, and for minimization of technological risk and risk related to initiation of normal banking services after disaster. In line with the same policy, disaster recovery has been tested by the Bank during the review period, and disaster recovery site outside the valley has been maintained at Bhairahawa.

Business Continuity Planning policy has been formulated and implemented to reduce effect of disaster on daily banking activities and on the established policies, procedures, and system for relocation of basic banking

services. This policy has been implemented in order to ensure that customers do not need to be deprived of basic banking services due to disaster.

V. Human Resource

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 capability of employees, motivate them, and develop their skills and knowledge in line with need of dynamic environment.

During the review period, 125 external and 129 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 2291 till July 16, 2018, out of which, 59.32% are male and 40.68% 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

Date	Meeting	Name of Director Appointed	Details	Remarks
14-Sep-2017	321st	Mr. Ganesh Man Shrestha	Independent Director	
15-Sep-2017	322nd	Mr. Jagdish Agrawal	Chairman	As per Election in 20th Annual general Meeting of bank dated 15-Sep-2017
		Mr. Tulsi Ram Agrawal	Director	
		Mr. Ram Chandra Sanghai	Director	
		Mr. Rajendra Prasad Aryal	Director	
		Mr. Binod Kumar Pyakurel	Director	
		Mr. Aditya Kumar Agrawal	Director (Representative: Asian Distributors Pvt. Ltd.)	
		Mr. Ganesh Man Shrestha	Independent Director	
15-Sep-2017	322nd	Mr. Tulsi Ram Agrawal	Chairman	
24-Oct-2017	326th	Mr. Trilok Chand Agrawal	Alternate Director on behalf of Asian Distributors Pvt. Ltd.	
24-Dec-2017	334th	Mr. Trilok Chand Agrawal	Director (Representative: Asian Distributors Pvt. Ltd.)	

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

Alteration in Board of directors during review period is as follows:

- ***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 48 times. Details of attendance of Directors in meetings and allowance received by them are as follows:

Members	No. of Meetings Attended	Meeting Allowance (NPR)
Mr. Tulsi Ram Agrawal, Chairman	48	574,000
Mr. Jagdish Prasad Agrawal	45	498,000
Mr. Trilok Chand Agrawal	34	356,000
Mr. Ram Chandra Sanghai, Director	40	412,000
Mr. Rajendra Prasad Aryal, Director	34	350,000
Mr. Binod Kumar Pyakurel, Director	40	414,000
Mr. Aditya Kumar Agrawal, Director	8	80,000
Mr. Ganesh Man Shrestha, Independent Director	38	414,000

There is no provision of providing allowance to management level staffs for participating in meeting of board of directors.

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 377th meeting of the Board of Directors, dated Nov 16, 2018, proposed NPR 845,380,737 (NPR eight hundred and forty-five million three hundred eighty thousand seven hundred thirty-seven) which is equal to 10.526% of the paid-up capital (10% share and 0.526% 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 2017/18 and the position of the same atthe 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 thefinancial year and any significant changes in the business activities of the Company and its subsidiaryduring 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 directorsand officials of the Companyand information received by theCompany on their involvement intrading of sharesin last fiscal year

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

n. Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with theCompany 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, Support 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.

The following activities are being performed by the Unified Risk Management Department:

- Preparation of required policies to make the internal control system of the bank effective.
- Formation of required new policies and amendment of old policies for mitigation of risk after identification of risks inherent to the Bank (Credit Risk, Liquidity Risk, Market Risk, Operational Risk, etc.) to make the internal control system of the Bank more effective.
- Preparation of required procedure for identification, communication, mitigation, and management of credit and operational risks inherent to the Bank, or that which may arise in the future.
- Play supervisory role to ensure compliance with the policies formulated and implemented by the Bank.
- Review the policies and procedures of the Bank from time to time to mitigate and manage the risks, as well as to support the business and present the same to the Risk Management Committee, along with necessary recommendations.
- This department prepares the report of necessary actions and presents it to the Risk Management Committee.

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 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. Digital Banking Sub-Committee

This committee was formed by the Board to improve the effectiveness of banking services and to adopt modernization by the Bank. This committee can provide necessary recommendations relating to digital banking to the Management Committee of the Bank and submit the decisions made by the committee and actions taken based on those decisions to the Board on a periodic basis.

Composition of the members of the Digital Banking Sub-committee of the bank are as follows:

Till September 14, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sanghai	Director	Coordinator
2	Mr. Tulsi Ram Agrawal	Director	Member
3	Mr. Roshan Kumar Neupane	Deputy Chief Executive Officer	Member
4	Mr. Sudhir Nath Pandey	Assistant Chief Executive Officer	Member
5	Mr. Rajesh Rawal	Chief Operating Officer	Member
6	Mr. Pujan Lal Amatya	Head Digital Banking	Member
7	Mr. Arjun Raj Khaniya	Head Deposit and Transaction Banking	Member
8	Mr. Bishal Sigdel	Chief Financial Officer	Member
9	Mr. Kapil Dhakal	Head Strategy and BPR	Member Secretary

From September 15, 2017 to November 29, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Aditya Kumar Agrawal	Director	Coordinator
2	Mr. Rajendra Prasad Aryal	Director	Member
3	Mr. Ishori Prasad Shrestha	Manager Information Technology	Member
4	Mr. Pujan Lal Amatya	Head Digital Banking	Member
5	Mr. Kapil Dhakal	Head Strategy and BPR	Member Secretary

From November 30, 2017 to February 28, 2018

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Trilok Chand Agrawal	Director	Coordinator
2	Mr. Ganesh Man Shrestha	Director	Member
3	Mr. Ishori Prasad Shrestha	Manager Information Technology	Member
4	Mr. Pujan Lal Amatya	Head Digital Banking	Member
5	Mr. Kapil Dhakal	Head Strategy and BPR	Member Secretary

Terms of references of this sub-committee are as follows:

- To identify the advance technologies existing in the Nepalese, as well as international, banking industry, and perform a detailed feasibility study to adopt these technologies by this Bank and submit the feasibility report to the Board of Directors.
- To perform detailed study and analysis on how to minimize Turn Around Time (TAT) by automating various operations of the Bank and how to minimize human resource requirement, and prepare and submit the report to the Board of Directors.
- To perform detailed study and analysis relating to security features, functionality, robustness, and effectiveness of software being used by the Bank (both procured as well as internally developed), including Online Credit Approval System, General Approval System, Leave Approval System, Attendance System, Customers Relationship Management System, Deal Tracking System, Customer Grievance and Feedbook Management System, Credit and Other MIS, General Ledger (GL), Exception Reports Tracking System, Output Checking System, and Regularity and Other Reporting System of the Bank, and prepare and submit the report to the

Board of Directors.

- To perform detailed study and analysis relating to actions to be taken by the Bank in order to provide effective and efficient digital banking services of the Bank, including MO-BANK, Internet Banking, Mobile Banking, SMS Banking, ATM, Remittance, Branchless Banking (BLB), Point of Sales (POS), Debit and Credit Card, Tele Banking, and Corporate Internet Banking, and prepare and submit the report to the Board of Directors.
- To perform an analysis to find out whether the work plan relating to the overall automation, upgradation, and digitization, including those currently operated by the Bank (risk management related, credit administration related, finance related, trade finance related, and AML/CFT related) are effectively performing or not, and prepare and submit a report to the Board of Directors, incorporating in detail the strategy to be followed for such work plan to perform effectively.
- To perform detailed study and analysis relating to strategy to be followed by the Bank in order to make this Bank, an excellent Bank of Nepal, in terms of digital banking and business process automation, and prepare and submit the report to the Board of Directors.
- To perform detailed study and analysis relating to which type of travel card is appropriate for issue by the bank among US Denominated Debit, INR Credit Cards and Instant Debit Card and prepare and submit the report to the Board of Directors.
- To perform detailed study and analysis relating to which type of travel card is appropriate for issue by the Bank among US Denominated Debit, INR Credit Cards, and Instant Debit Card, and prepare and submit the report to the Board of Directors.
- To submit the progress report on activities undertaken by the sub-committee to the Board of Directors on a monthly basis.

Summary of major activities undertaken by the committee during the review period is stated below:

- Prepared a video on the use of digital banking related service, and uploaded it on YouTube in order to raise awareness about digital banking, and to make the customer familiar to the digital banking system and for the growth and expansion of digital banking services.
- In relation to the update on Mobile Wallet Proposal (Hello Paisa), which is currently in the process of User Acceptability Test, first level of training has been completed and pilot testing is in progress.
- Online application system was developed and implemented from 29/06/2016 in order to automate the application for Land Revenue and Transport Department related activities like mortgage, name transfer, release, etc.
- Initiated and implemented the Online ASBA system.
- Implemented the Online Loan Eligibility Self-Assessment and Loan Tracking System.
- Reviewed the Switch Connectivity.
- In relation to the features of digital banking services, the committee reviewed the features of various services under the Digital Banking System provided by the Bank, and the meeting provided instructions to the Head of Digital Banking to add features within a fixed time frame.
- In relation to the Insurance Expiry Alert System, the meeting gave instruction to perform a detailed study and analysis on how the required system modification could be made in order to make the Insurance Expiry Alert System more effective, and to carry out the actions that can be performed immediately.
- Initiated and implemented Online Account Opening.

Total of 7 meetings of this sub-committee were held during FY 2017/18, 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 Sanghai	1	10,000
Mr. Tulsi Ram Agrawal	7	70,000
Mr. Prakash Bikram Khatri	6	60,000

Work period of this sub-committee expired on February 28, 2018.

4. Audit Committee

Details are provided in the Point no. (r) of this report.

5. Assets (Money) Laundering Prevention Committee

The main objective of the Assets (Money) Laundering

Prevention Committee, which is a Board-level 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 "Assets (Money) Laundering Prevention Committee".

"The bank's overall area of operations is divided into three parts–Business, Support and Control–in order to manage the risk properly and make the operation of the bank smooth."

q. Statement of total adminsitration expenses of last fiscal year

For the fiscal year 2017-18, total administration expeneses was NPR 3.13 billion with staff expeneses of NPR 1.78 billion and office operation expenes of NPR 1.35 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 involment (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 93,774,708 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 2017/18 was successfully completed by the external auditor of the Bank, M/s. TR Upadhya & Co. Further, as the present auditor can be

reappointed 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 13,348,619, to the corporate social responsibility reserve. Last year, the amount was NPR 14,734,660. Out of which, expenses of NPR 3,467,004 has been incurred from the reserve fund. Apart from the above, NIC ASIA Foundation has incurred expenses of NPR 14,511,361 under corporate social responsibility, which has benefited senior citizens, children, and disabled people belonging to the deprived areas.

No amount has been transferred to NIC ASIA Foundation during the review period, as the expenses for corporate social responsibility cannot be incurred through that foundation as per the direction of Nepal Rastra Bank.

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 181,119 shareholders of this Bank till the end of fiscal year 2017/18. 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 Statements

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

a. 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.

b. The Bank has no knowledge related to any lawsuit filed by or against the promotors or directors of the Bank involving statutory regulations or criminal offence.

c. The Bank has no knowledge related to any lawsuit filed against the promotor or director of the Bank for committing economic crimes.

5. Analysis of Stock Transactions and Performance of the body corporate

a. 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.

b. 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:

First quarter (mid October 2017)		Second quarter (mid January 2018)	
Maximum Price per Share:	NPR 474	Maximum Price per Share:	NPR 378
Minimum Price Per Share:	NPR 340	Minimum Price Per Share:	NPR 336
Closing Price Per Share:	NPR 350	Closing Price Per Share:	NPR 345
Total Shares Traded:	6,325	Total Shares Traded:	3,616
Total Days Traded:	46	Total Days Traded:	63
Third quarter (mid April 2018)		**Fourth quarter (mid July 2018)**	
Maximum Price per Share:	NPR 360	Maximum Price per Share:	NPR 356
Minimum Price Per Share:	NPR 298	Minimum Price Per Share:	NPR 306
Closing Price Per Share:	NPR 323	Closing Price Per Share:	NPR 316
Total Shares Traded:	3,656	Total Shares Traded:	3,221
Total Days Traded:	56	Total Days Traded:	65

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

There is no deviation of 20% or more between the details as per the audited financial statements and those forecasted in the prospectus issued at the time of issuance of 11% NIC ASIA Bond by the Bank.

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 expired.

b. Resignation from the Board of Directors

- No Resignation

c. New Appointment in the Board of Directors

- Mr. Ganesh Man Shrestha was appointed as an Independent Director from the 321st meeting of the Board of Directors held on 14/09/2017. After that composition of Board of Directors was as follows:

Chairman	Mr. Tulsi Ram Agrawal
Director	Mr. Jagdish Prasad Agrawal
Director	Mr. Trilok Chand Agrawal (Representative – Asian Distributors Pvt. Ltd.)*
Director	Mr. Ram Chandra Sanghai
Director	Mr. Rajendra Prasad Aryal
Director	Mr. Binod Kumar Pyakurel
Independent Director	Mr. Ganesh Man Shrestha

* Letter received for appointment of alternate director Mr. Trilok Chand Agrawal in the absence of Mr. Aditya Kumar Agrawal, elected director, as a representative of Asian Distributors Pvt. Ltd. The 20th general meeting held on 15/09/2017 and the 326th meeting of the Board of Directors held on 27/10/2017 received that information, and the 331st meeting of the Board of Directors held on 30/11/2017 appointed Mr. Trilok Chand Agrawal as an alternate director. Again, as per the letter received from that company, Mr. Trilok Chand Agrawal was appointed as a director for the remaining tenure as a representative of that company via 334th meeting of the Board of Directors held on 24/12/2017.

d. Resignation from the High Level Management

Name: Laxman Risal
Position: Chief Executive Officer
Date of Release: 16/03/2018

e. New appointment in the High Level Management

Name: Sudeep Khanal
Position: Senior Manager
Date of Appointment: 08/10/2017

Name: Raju Prasad Adhikari
Position: Manager
Date of Appointment: 05/02/2018

f. Declaration of Divident or Change in Capital Structure

For FY 2016/17, 20% bonus share was distributed from the 20th general meeting held on 15/09/2017. After distribution of bonus shares, paid-up capital of the company has reached NPR 8,031,116,998.

3.5

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:

Till September 14, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Binod Kumar Pyakurel	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Dipak Dhakal	Head Internal Audit Department	Member Secretary

From September 15, 2017 to November 29, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ganesh Man Shrestha	Independent Director	Coordinator
2	Mr. Aditya Kumar Agrawal	Director	Member
9	Mr. Dipak Dhakal	Head Internal Audit Department	Member Secretary

From November 30, 2017 to March 26, 2018

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ganesh Man Shrestha	Independent Director	Coordinator
2	Mr. Aditya Kumar Agrawal	Director	Member
9	Mr. Dipak Dhakal	Head Internal Audit Department	Member Secretary

From March 27, 2018 to July16, 2018

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
9	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.
- 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 total of 113 units consisting 90 branches, 35 departments, and 8 other significant areas, and provided direction to the management to improve, resolve, and implement the remarks raised in the audit report during FY 2017/18.
- 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, etc. as per the annual audit plan.
- 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 2017/18 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 (90 Branch Audit Reports, 35 Department Audit Reports) 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, etc. (eight 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 12 meetings of this committee were held during FY 2017/18, 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	9	104,000
Mr. Trilok Chand Agrawal	9	102,000
Mr. Binod Kumar Pyakurel	1	10,000
Mr. Ram Chandra Sanghai	2	20,000
Mr. Aditya Kumar Agrawal	1	10,000

3.6

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 September 14, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Tulsi Ram Agrawal	Director	Coordinator
2	Mr. Rajendra Prasad Aryal	Director	Member
3	Mr. Binod Kumar Pyakurel	Director	Member
4	Mr. Sudhir Nath Pandey	Assistant Chief Executive Officer	Member
5	Mr. Roshan Kumar Neupane	Assistant Chief Executive Officer	Member Secretary

From September 15, 2017 to April 28, 2018

S.N.	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. Rajesh Rawal	Chief Support Officer	Member
4	Mr. Dipendra Bahadur Rajbhandari	Chief Risk Officer	Member Secretary

From April 29, 2018 to July16, 2018

S.N.	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

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.
- 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

Summary of major activities undertaken by the committee for risk management during the review period is stated below:

- The committee reviewed and effectively implemented 30 new and 183 old policies this year.
- Determined the risk tolerance and appetite limit in policies relating to business of the Bank.
- 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.

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 15 meetings were held during FY 2017/18, and details of meetings attended and allowance received by the directors are as follows:

Members	No. of meetings attended	Meeting Allowance (NPR)
Mr. Tulsi Ram Agrawal	2	20,000
Mr. Rajendra Prasad Aryal	2	20,000
Mr. Binod Kumar Pyakurel	15	170,000
Mr. Ganesh Man Shrestha	13	150,000

3.7

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:

Till September 14, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Rajendra Prasad Aryal	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Laxman Risal	Chief Executive Officer	Member
4	Mr. Bishal Sigdel	Chief Financial Officer	Member
5	Mr. Sudhir Nath Pandey	Assistant Chief Executive Officer	Member Secretary

From September 15, 2017 to November 29, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sanghai	Director	Coordinator
2	Mr. Aditya Kumar Agrawal	Director	Member
3	Mr. Laxman Risal	Chief Executive Officer	Member
4	Mr. Bishal Sigdel	Chief Financial Officer	Member
5	Mr. Gautam Dangol	Head Human Resource Department	Member Secretary

From November 30, 2017 to March 16, 2018

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sanghai	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Laxman Risal	Chief Executive Officer	Member
4	Mr. Bishal Sigdel	Chief Financial Officer	Member
5	Mr. Sudhir Nath Pandey	Assistant Chief Executive Officer	Member Secretary

From March 16, 2018 to July 16, 2018

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Ram Chandra Sanghai	Director	Coordinator
2	Mr. Trilok Chand Agrawal	Director	Member
3	Mr. Roshan Kumar Neupane	Chief Executive Officer	Member
4	Mr. Bishal Sigdel	Chief Financial Officer	Member
5	Mr. Gautam Dangol	Chief Human Resource Department	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.

Summary of major activities undertaken by the committee during the review period is stated below:

- Reviewed the proposal for increment of remuneration of the employees of the Bank by considering the change of salary scale in the market, by comparing the remuneration provided by the Bank with the remuneration of other banks in the market, and submitted that proposal to the Board for approval.
- Reviewed the "Staff Succession Planning" for FY 2018/19.
- Reviewed the "Annual Human Resource Plan and Recruitment Calendar for FY 2018/19" and "Job Design of Branches, Regional Offices, and Departments".
- Reviewed "Annual Learning and Development Plan and Calendar".

Major areas of discussion in Karmachari Sewa Subidha Samiti and its decisions during FY 2017/18 are as follows

- Integrated Organization Development and Human Resource Management Policy that includes the necessary provision of remuneration determination policy
- Revision of salary, allowances, and benefits based on survey, as an instrumental strategic consideration, and same proposal was approved by the Board with effect from Oct 18, 2017
- 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 6 meetings of this committee were held during FY 2017/18, 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 Sanghai	6	68,000
Mr. Aditya Kumar Agrawal	3	32,000
Mr. Trilok Chand Agrawal	3	36,000

3.8

ASSETS (MONEY) LAUNDERING PREVENTION COMMITTEE

The purpose of establishing the Assets (Money) Laundering Prevention Committee 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 indentify 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. The committee met 9 times during the review period.

Composition of members of the Assets (Money) Laundering Prevention Committee is as follows:

Till September 14, 2017

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Rajendra Prasad Aryal	Director	Member
2	Mr. Ganesh Man Shrestha	Independent Director	Member
3	Mr. Ramesh Prasad Joshi	AML Implementation Officer	Member

From December 11, 2017 to July 16, 2018

S.N.	Name	Status in the Organization	Status in the Committee
1	Mr. Rajendra Prasad Aryal	Director	Member
2	Mr. Ganesh Man Shrestha	Independent Director	Member
3	Mr. Kamal Khadka	AML Implementation Officer	Member

Terms of references of the committee are as follows:

- To convene the meeting of the committee at least once in 45 days.
- 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 review the policies, rules, and guidelines followed by the Bank in relation to the prevention of money laundering.
- 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.

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.

Major areas of discussion in Assets (Money) Laundering Prevention Committee and its decisions during FY 2017/18 are as follows:

- Concurrent assessment of KYC compliance of deposit customers
- 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 9 meetings of this committee were held during FY 2017/18, 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	9	104,000
Mr. Ganesh Man Shresthal	8	92,000

3.9

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 32Ashad 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

Chairman
Tulsi Ram Agrawal



3.10

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 Upadhya & 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	Bishal Sigdel
CEO	CFO

04

RISK MANAGEMENT

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RISK MANAGEMENT

Risk is an inherent feature of any business, and it drives an entity towards income generation. NIC ASIA's overall approach to risk management is supported by a well-defined risk appetite, well-defined risk registry and risk measurement guideline, segregated and well-framed risk management policies, risk monitoring and reporting framework, effective governance structure, and appropriate techniques to identify, measure, monitor, mitigate, and manage risks. 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 financial institutions 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.

4.1

STATEMENT ON RISK MANAGEMENT

Risk taking is an inherent part of banking and profits are the part of reward for successful risk taking business. Excessive and poorly managed risk can lead to losses and may even fall into the risk of depositors' security. A strong risk management capability is vital to the success of well-managed banks and financial institutions. The bank may be exposed to different types and degree of risks, depending upon a number of factors, such as its size, complexity of business activities, volume, etc. In general, a bank may face credit, operations, market, and liquidity risks. It has wide scopes and parameters in place for measuring the risk of different activities.

The Bank has formulated a Credit, Operational, and Market and Liquidity Risk Management Policy that provides a comprehensive and dynamic framework of a set of systems and procedures in managing credit, operational, market, and liquidity risk, including foreign exchange risk and interest rate risk. The Bank has also formulated and implemented the Risk Registry and Risk Measurement Guideline, 2017 to develop a mechanism, framework, and procedures to register the risk events happening in the Bank and measure the level of risk of each activity of operations, credit, market, and liquidity. The Bank has developed and implemented credit, operational, and market and liquidity risk monitoring and reporting framework in order to identify, monitor, and mitigate/minimize the credit, operational and market and liquidity risks of the Bank through appropriate reporting framework established within the Bank. It has been developed to lay down a framework for credit, operational, and market and liquidity risk management of the Bank and provide guidelines on the management of the credit, operational, and market and liquidity risks across all functions of the Bank.

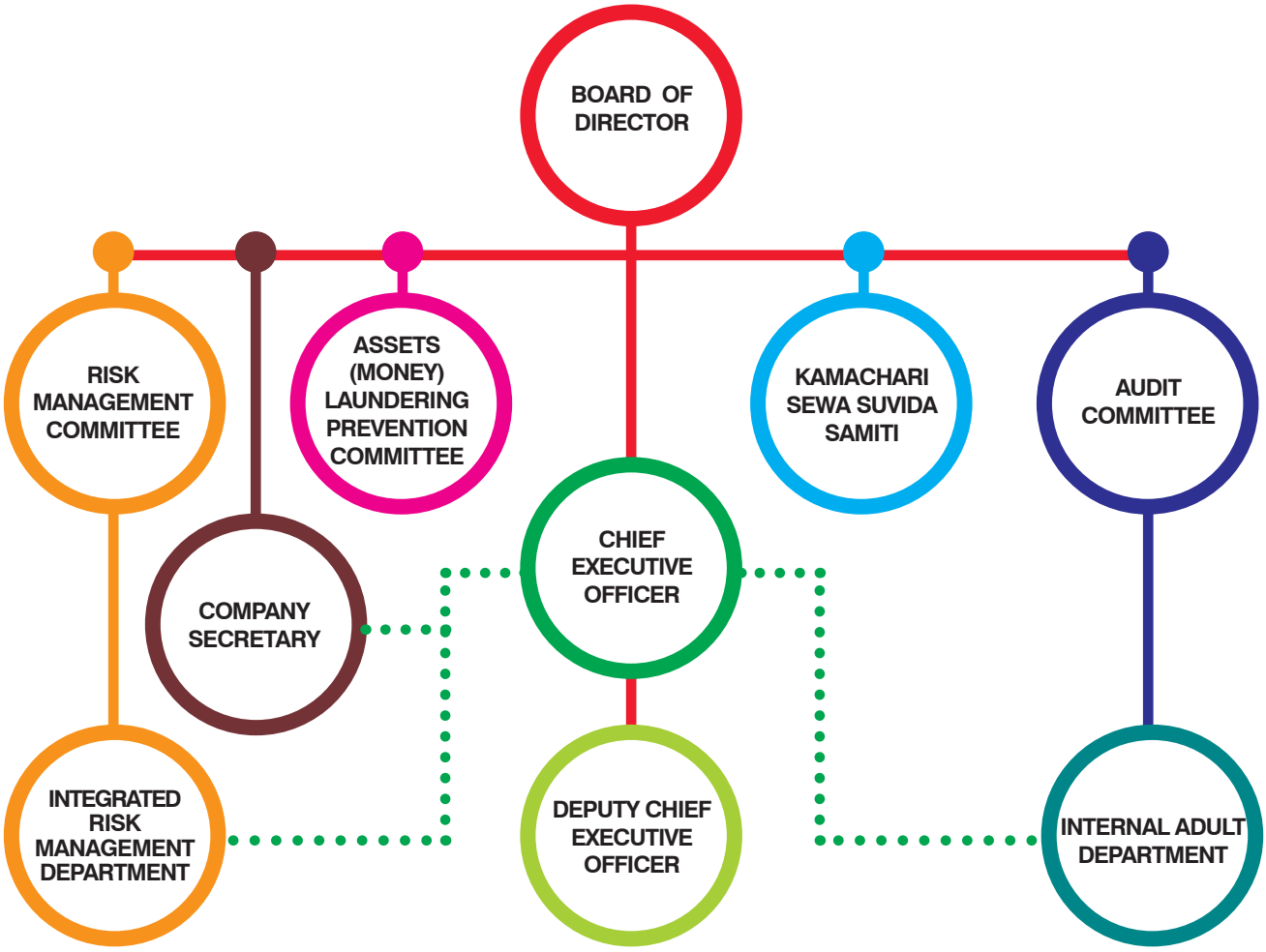
The Board of Directors is the apex and supreme authority of the Bank which is responsible for framing and implementing robust policies and framework for effective compliance of regulations and directions issued by the regulatory authority. The Board ensures that the strategies, policies, and procedures are 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, and 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 a Risk Management Committee with well-defined terms of reference in line the NRB Directive. At least four meetings are conducted on annual basis. However, the number of meetings can be increased as per requirement. The committee supervises overall risk management of the Bank, broadly classified as liquidity risk, market risk, operational risk, and credit risk.

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 risks that arise out of daily business operations, 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. There are three departments independent from the operation of the Bank assigned with the responsibility of management of different risks, i.e. Credit Risk Management Department, Operational Risk Management Department, and Market and Liquidity Risk Management Department.

Risk-taking drives corporations to push ahead and make steep gains. When risks pay off, profitability makes shareholders and stakeholders happy.

RISK MANAGEMENT STRUCTURE



RISK GOVERNANCE AND INTERNAL CONTROL

The 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 infusing good ethical culture.

Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market, and liquidity risks that arise directly through the Bank's commercial activities, as well as operational, regulatory, and reputational risks that 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 management risk, supply risk, production risk, demand risk, and collection 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, 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 Bank's 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.

The Board is responsible for ensuring that 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 that a proper control mechanism is in place during expansion and growth, which enables it to maximize profitable business opportunities, avoid or reduce risks that 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 NRB directives, and has effectively implemented the same at the Bank. The effectiveness of the Bank's internal control system is reviewed regularly by the Board, its committees, management, and Internal Audit Department.

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, and 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.

CREDIT RISK

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

Basel Committee on Banking Supervision has defined credit risk as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms.

The effective management of credit risk is a critical component of a comprehensive approach to risk management, and essential to the long-term success of any banking organization. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio, as well as the risk in individual credits. In order to minimize credit risk, appropriate diversification of the loan portfolio and appropriate monitoring and control of the same is vital. Credit Risk Management Department is assigned the responsibility to undertake actions related to credit risk management of the Bank. The Bank has formulated and implemented a Credit Risk Management Policy to provide guidelines and direction for credit risk management.

The management of credit risks is approached on three levels:

i. Strategic Level: It involves risk management functions performed by Board of Directors, Board-level committees, and senior management. For instance, direction and orientation of business, definition of

risks, ascertaining risk appetite, formulating strategy and policies for managing risks; and establishing adequate systems and controls to ensure that the overall risks remain within acceptable level and the reward compensates for the risks taken. Credit portfolio is structured to ensure that no single event can have a significant adverse impact on overall performance of the Bank.

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

iii. Management/Functional Level: The Bank relies on the competence of the staff involved in credit related activities to identify acceptable credit risks and to make sound judgment-based decisions in the approval and ongoing management of those risks.

The Bank's robust credit risk management system is comprised of:comprised of:

a. Credit Risk Identification

In order equip all personnel involved with information on comprehensive understanding of how credit of any nature is to be extended and managed by the Bank, the credit policy, investment policy, internal credit risk grading policy, and various procedural guidelines and product paper guidelines are circulated and brought into force.

Set of established processes for identification of credit risks at nascent stage are designed by the Bank as early warning system. Limit of risk appetite and tolerance level are set aside by the Bank in line with Nepal Rastra Bank directives/ circulars/ guidelines. Product wise risk appetite, portfolio cap, and trigger level have been specifically mentioned in the concerned product paper guideline.

Following illustrative lists of key risk sources and indicators associated with credit risk management are reviewed by the Credit Risk Management Department for identification of credit risk:

RISK FROM INTERNAL ACTIVITIES

- Interest or principal payment overdue
- Trend of Non-Performing Loan (NPL)
- Sectorial, Single Obligor concentration reaching trigger level
- Geographical concentration reaching trigger level
- Internal limits and exposure caps reaching trigger level
- Breach of approval terms and conditions
- Yield in particular sector/product falling below trigger level
- Accounts being overdrawn regularly
- Improper account utilization/mis-utilization of funds
- Regular extension of review dates of working capital lending
- Value/quality of collateral/margin falling below acceptable standard
- Negative comments made by the internal and/ or external audit/inspection on the operation of the business
- Increasing trend in forced loan
- Increasing expiry of collateral insurance
- Turnaround Time above standard

RISK FROM EXTERNAL ACTIVITIES

- Downturn in specific sectors of economy
- Change in economic / other policies by Government resulting in potential / assessed doubt over continued viability of the concerned industry
- Natural Disaster Impacting unit's operation
- Blacklisting of the respective unit by other financial institution
- Concerns of NRB or other external regulatory agencies
- Negative publicity or adverse media relating to borrower
- Breach of regulatory/legal provisions by the borrower
- Policies of government relating to specific sector of economy
- Recent political and economic scenario
- Other external Risk Standard

b. Credit Risk Assessment and Analysis

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

The Bank's willingness to undertake or maintain credit risk is determined by the recognition, evaluation, and weighing of all positive and negative factors of a proposal. The purpose of credit risk assessment is to determine the customer's willingness, along with ability, to meet his obligations to the Bank (and to other lenders and creditors) as they fall due.

Credit Risk assessment broadly relates to assessment of:

- Principal Risk: that the customer may not be able to repay indebtedness.
- Income Risk: that the customer may not be able to meet interest and fee payments as they fall due.

Risk assessment includes the analysis of the following:

- Purpose/need of the credit facility.
- Management strengths and weaknesses, including the honesty, integrity, and reliability of the customer and willingness to honor obligations.
- The customer's knowledge, management expertise, and ability to implement strategies to ensure obligations are met.
- Financial strength, including its ability to repay loans and meet commitments based on historical and projected financial statements.
- Business environment and general business outlook.
- Current and future business prospects, including external conditions affecting the customer, such as economic and political trends, role and position in the industry in which the customer operates, position of the industry in the business cycle, and vulnerability to technological change.
- The size and structure of the proposed facilities and their fit with customer needs.
- Past performance of facilities.
- Environmental risks.
- Revenue / Earnings for the Bank.
- The nature and value of security (to be given) to the Bank and to other lenders.

For the assessment of credit risk of bank following activities are carried out:

- Review of current system/policies/procedures/ guidelines formulated
- Review of actual exposure of credit limit product wise, segment wise 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 for periodic monitoring of drawing power of borrower, Loan Overdue Report, Loan Report, and NRB reports, Margin Monitoring Reports, and so on.

Credit Risk Assessment Report prepared on monthly basis, which includes detailed assessment of overall risk management system of the Bank, is presented to the Risk Management Committee after proper discussion with business units, credit unit, and other related units.

c. Credit Risk Monitoring and Control

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

Effective risk monitoring requires banks to identify and measure all material risk exposures. Consequently, risk monitoring activities must be supported by information systems that provide senior management with timely reports on the financial condition, operating performance, and risk exposure of the Bank, as well

as with regular and sufficiently detailed reports for line managers engaged in the day-to-day management of the Bank's activities.

Credit Risk Monitoring refers to the day-to-day monitoring of the performance of individual credits and of the overall portfolio. The process of evaluating and reviewing credit exposures regularly is fundamental to measuring and reporting exposures accurately. In order to minimize credit losses, monitoring procedures and system is in place that provides an early indication of the deterioration in individual credits and even in the overall credit portfolio. This process is carried out at different levels. In order to ensure effective measurement and monitoring of risk and management information system, the following are ensured:

- The Bank's risk monitoring practices and reports address all of its material risks.
- Key assumptions, data sources, and procedures used in measuring and monitoring risk are appropriate and adequately documented and verified for reliability on an ongoing basis.
- Reports and other forms of communication are consistent with the Bank's activities, structured to monitor exposures and compliance with established limits, goals, or objectives, and as appropriate, compare actual versus expected performance.
- Reports provided to senior management are accurate, timely, and contain sufficient information for decision-makers to identify any adverse trends, and to evaluate adequately the level of risk faced by the Bank

Following tools are used for Risk Monitoring:

- Concentration Monitoring
- Industry Profile Analysis
- Credit Risk Review (CRR)
- Stress Testing

d. Credit Risk Mitigation/ Resolution of Credit Risk Issues

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

Credit risks issues need to be resolved as early as possible and the following steps are considered for the resolution of credit risk identified during the course of review:

- Early warning credit risks are discussed at Credit Risk Management Sub-Committee and other senior management level for effective pre-control.
- Consultation and coordination with the respective unit/ department is done for the fulfillment of additional requirement in human resource/MIS/reporting mechanism/review and monitoring mechanism/ internal checks, and other relevant mitigation measures.
- Critical credit risk issues are brought to the notice of high level authority and resolution of the same are made at the earliest and reported to Credit Risk Management Sub-Committee and other senior level management.
- Coordination for development of automatized mechanism for monitoring and control of risk trigger, cap, and appetite is ensured.

Credit Risk Monitoring and reporting framework have been developed for effective and timely reporting of the identified credit risk based on its occurrence (frequency) and nature.

Following activities are carried out by the Risk Management Committee in terms of credit risk management:

- Establish a positive and negative list of areas for lending, based on the determined areas of lending, and review of the same.

- Establish concentration limits on single unit or group of connected counter parties, industry, or economic sector, geographic region, or based on specific products, and review of the same.
- Recommend standards for loan collateral, portfolio management, loan review mechanism, pricing of loans, provisioning, and regulatory/legal compliance.
- Determine the procedures related to the Bank's credit approval process, credit appraisal process, administration, and documentation management.
- Establish procedures with regard to monitoring of loans, inspections, insurance, etc., and review the status of such loans/details periodically.
- Establish procedure for monitoring of exceptions/overdue.
- Establish policies and guidelines with regard to management of problems/irregular loans and review the status of such loans periodically.
- Establish internal rating systems, including definition of each risk grade, and clear parameters for each risk grade.
- Review the portfolio analysis (sector-based exposure and product-based exposure) and issue appropriate instructions.
- Establish a mechanism/framework for credit risk reviews and stress testing.
- Review of delinquency trends of portfolio.
- Review of sectoral exposures against approved cap/limit.

Following activities are carried out by the Credit Risk Management Department under the Integrated risk Management Department in terms of credit risk management:

- Tracking/monitoring of regulatory changes and macro/micro economic events that have the potential to increase risk or risk profile, and preparing the organization to mitigate the same vide changes in product paper/policy, etc.
- Measure, control, monitor, and report emerging credit risks on bank-wide basis to ensure they are in line with the Board-approved risk appetite, risk limits, and corresponding capital or liquidity needs (i.e. capital planning).
- Assessing these risks and measuring the Bank's exposure to them.
- Review and provide opinion on matters related to risk parameters and prudential limits set by the Board/ I0ntegrated Risk Management Committee/ Integrated Risk Management Department.
- Reporting to senior management and the Board or Risk Management Committee, as appropriate, on all these items, including but not limited to, proposing appropriate risk-mitigating actions.
- Supporting the Board through Risk Management Committee in its implementation, review, and approval of the enterprise-wide risk governance framework, which includes the Bank's risk culture, risk appetite, risk appetite statement, and risk limits;
- Establishing an early warning or trigger signals for breaches of the Bank's risk appetite or limits.
- Lay down risk assessment systems, coordinate in developing management information system, monitor quality of loan/investment portfolio, identity problems, and recommend for correcting deficiencies.
- Prepare industry profile, undertake portfolio evaluations and comprehensive studies on resilience of loan portfolio to environmental changes (stress testing).
- Coordination in preparation of policy papers, product papers, and timely review of product papers on following basis:
  a The institution's plan to grant credit based on various client segments and products, economic sectors, geographical location, currency, and maturity.
  b Target market within each lending segment and level of diversification/concentration.
  c Pricing strategy.
- Off-site and on-site review of loan files (sample basis).
- Reviewing and ensuring effective implementation of Risk Management Committee decision, Credit Management Committee decision, and the Board decision.
- Maintenance of Hot List/Negative List/ Watch List.

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. 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 reputational risk. It further adds, "Legal risk includes, but is not limited to, exposures to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements."

Operational risk is pervasive across all 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 press designs, and business practices. The risk can occur in any business function or the business supporting functions. The effect of failure in any of the resources can have concurrent repercussions across the Bank. With due consideration to the importance of prudently managing operational risk, and to safeguard the Bank from any risks thus arising, a capital charge has been assigned specifically to buffer the effects of operational risk. Effective management of operational risk helps the Bank to avoid unnecessary operational losses and helps the Bank to meet its strategic goals, as well as protect the Bank from reputational damage and adverse media. The Bank seeks to minimize its 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 the highest level of governance standards and adherence to code of conduct and robust compliance to all regulatory as well as the Bank's internal policies, 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 continued relevance in line with regulatory requirement and adjusts to dynamic risk environment of the industry.

The Operational Risk Management Department is assigned with the responsibility to undertake actions related to operational risk management of the Bank. The Bank has formulated and implemented an operational risk management policy to provide guidelines and direction for operational risk management.

Key activities of the Operational Risk Management Department related to the management of operational risks are as follows:

- Identifying material, individual, aggregate, and emerging risks.
- Assessing these risks and measuring the Bank's exposure to them.
- Supporting the Board in its implementation, review, and approval of the enterprise-wide operational risk framework, which includes the Bank's risk culture, risk appetite, risk appetite statement, and risk limits related to operational risks.
- Ongoing monitoring of the risk-exposed activities and risk exposures to ensure they are in line with the approved risk appetite and the limits.
- Establishing an early warning or trigger system for breaches of the Bank's risk appetite or limits.
- Influencing, and when necessary, challenging material risk decisions.
- Reporting to senior management and the Board or Risk Management Committee, as appropriate, on all these items, including but not limited to proposing appropriate operational risk-mitigating actions.

The following eight-step operational risk management (ORM) process has been adopted for managing operational risks at the Bank:1. Identification

1. Identification

The first step of proactively managing new and/or identified operational risk is identification of such risk. It is especially challenging to define operational risk factors having a loss potential. The following key control standards and indicators serve as the fundamentals for identification of current operation risk exposure and emerging risk trends to recognize and manage risk in a forward-looking manner:

STANDARD	CONTROL SCOPE
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.
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
Legal	• Adequate legal arrangements while dealing with external parties • LegalActions • Adequate legal arrangements in dealings with customers
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
Product	• Adequate risk mitigation in product support processes • Products in alignment with regulatory compliance and defined risk appetite
Contingency Planning	• Business Continuity Plan • Disaster Recovery Plan • Operation during Disaster
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
Reputation	• Service Delivery • Customer Complaints • External Environmental threats to reputation
Audit	• Audit Plan • Adequacy of Audit • Issues raised by Audit
Risk Assessment	• Adequate assessment of Operational risk by Units/ Departments/ Branches • Adherence to Operational Risk Management Policies and Guidelines • Key Control Self-Assessment
Finance	• Adherence to prescribed Accounting Standards • Assets/ liabilities reconciliation • General Ledger reviews and accuracy

2. Disclosure

A central database mechanism has been developed so as to report and record ongoing operational risk events. Branch/department records the incident of risk events in izone, and ORMD generates such records through the mechanism of notification for further analysis and gives appropriate instructions to the branch and departments, and also develops control standards for the mitigation of risk. Once the report of incident log is recorded in izone by the branches/departments, a notification alert is sent to the concerned designated staff of ORMD so that the report can be analyzed, reviewed, and monitored accordingly. Operational risk events data are collected and risk tolerance and appetite are defined, reviewed, and revised accordingly by the Operational Risk Management Department on monthly basis while preparing the Risk Assessment Report.

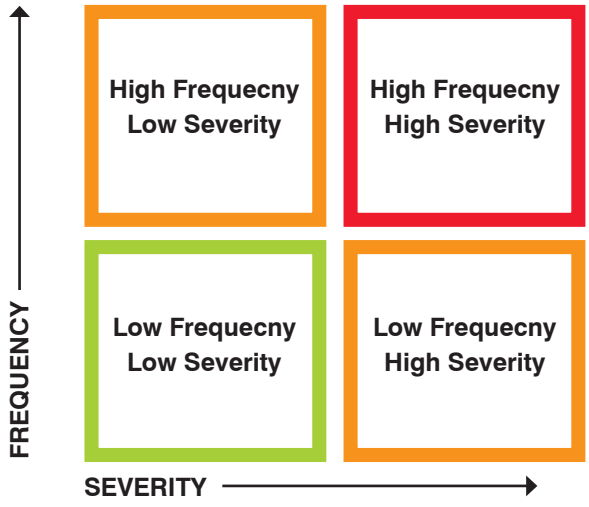
3. Grading Operational Risk (Prioritization and Classification)

This is a very critical step in establishing an effective operational risk monitoring system, since this step

determines, out of the large number of risk events, which ones will require and to what extent the attention of the limited resources of the financial institution. It is at this step that a decision is made about the nature, as well as extent of further attention (analysis, evaluation) that has to be given. Therefore, the grading process is defined from the beginning and revised continuously to include lessons learned from an on-going stream of reports and analyses.

As a step in operational risk grading, the Bank qualitatively categorizes potential incidents into a frequency-severity matrix; four such categories identified for this purpose are as follows:

Risk Grading Table



4. Distribution

Once operational risk/event information is reported with appropriate categorization, it is directed to the supervising authority at the corporate level and to RMC (in case of Category 1 & 2) eventually. The supervising authority has re-classification authority as well. Thus, it is mandatory for branch operation in-charge or designated official to report all such events to the Integrated Risk Management Department.

5. Analysis

The reported risk is analyzed by Integrated Risk Management Department in coordination with expertise from related fields such as IT, Operations, Legal, etc. The causal-effect relationship of the event is identified, and action plan is developed and implemented with adequate mitigation measures.

6. Solution Identification

Once the causes of a problem are identified, the next step is finding viable solutions for each cause. The following activities are carried out in this stage:

- Matching solutions to causes, hence ensuring that each cause has been addressed.
- Reviewing identified solutions to ensure that they shall not be the cause of other risk events themselves (management of change).
- Include a member of the department responsible for implementation of the solution in the discussion to the extent possible.

7. Dissemination

Once an action (or a set of actions) is determined

- The action is approved by the proper channels and assigned to the concerned department/branch or at country level to implement.
- A larger group including other departments is informed of the incident and the actions taken

Both of these activities are highly dependent on the nature of the operational risk issues taken into consideration and is completed to ensure systems effectiveness.

8. Execution and Closure

This is the step where all actions are completed, including follow-up with the concerned departments and personnel. At this step, identification and tracking of all open actions is done and pursued with the person responsible for their closure. Approval from higher management is obtained, if required, to obtain priority for implementation procedures.

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



MARKET RISK AND LIQUIDITY RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Bank recognizes 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. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due, as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for liquid asset positions is not available to the Bank on acceptable terms. To limit this risk, the 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 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. 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 an adverse situation.

Currency and Commodity 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.

Risk of financial loss in on/off balance sheet position may arise due to change in the market price of currencies, referred to as currency risk. Risk of financial loss in on/off balance sheet position may arise due to change in the market price of the commodities, referred to as commodity risk. Under commodities, the Bank currently deals in gold and silver, and treats these commodities as currency. Hence, currency and commodity risk for the Bank is consolidated under same risk.

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. Changes in interest rates affect the Bank's profitability by changing its net interest income and the level of other interest-sensitive income. Changes in interest rates also affect the underlying value of the Bank's assets, liabilities, and off-balance sheet, because the present value of future cash flows change when interest rates change. The immediate impact of variation in interest rate is on the Bank's net interest income (NII), while a long-term impact is on the Bank's net worth, since the economic value of

the Bank's assets and liabilities are affected. An effective risk management process that maintains interest rate risk within prudent levels is essential for the safety and soundness of banks. Thus interest rate risk is the risk which impacts the profitability and economic worth of the Bank due to adverse effects of the fluctuation in market interest rates.

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.

Equity risk is risk to earnings or capital that results from adverse changes in the value of equity related portfolios of a bank. In order to maximize and diversify the Bank's investment portfolio, the Bank invests/maintains a portfolio of equity/mutual fund as per the provisions provided in the investment policy of the Bank.

Market and Liquidity Risk Management Department is assigned the responsibility to undertake actions related to the market and liquidity risk management of the Bank. The Bank has formulated and implemented market and liquidity risk management policy to provide guidelines and direction for operational risk management.

ASSETS LIABILITY COMMITTEE (ALCO)

The Assets Liability Committee shall consist of the Bank's senior level management, and is responsible for ensuring adherence to the risk tolerance/limits (if any) set by the Board, as well as implementing the market and liquidity risk management strategy of the Bank in line with the Bank's accepted risk management objectives and risk tolerance. The activity of the ALCO shall be coordinated by Head/In-charge Market and Liquidity Risk Management and Reconciliation Department in coordination with CRO.

The role of the ALCO with respect to market and liquidity risk includes, apart from those mentioned in specific chapters and the assets liability management policy of the Bank, the following:

- Set up, review, and monitor internal targeted stock ratios.
- Set up, review, and monitor maximum limit for Top 1, Top 3, and Top 10 depositors (both individuals and institutional and on overall basis).
- Decide on source and mix of liabilities or sale of assets, including cap for avoiding concentration of single category of deposit accounts and loan accounts.
- Decide maximum bucket cap on GAAP (structural) analysis.
- Develop a view on future direction of interest rate movements and decide on funding mixes between fixed v/s floating rate funds, wholesale v/s retail deposits, money market v/s capital market funding, domestic v/s foreign currency funding, etc. ALCO shall also be aware of the composition, characteristics, and diversification of the Bank's assets and funding sources and shall regularly review the funding strategy in the light of any changes in the internal or external environments.
- Determine the structure, responsibilities, and controls for managing market and liquidity risk and for overseeing the market and liquidity positions of the Bank.
- Ensure operational independence of market and liquidity risk management function with adequate support of skilled and experienced officers.
- Ensure adequacy of cash flow projections and the assumptions used.
- Reviewing the Stress Test scenarios, including the assumptions, as well as the results of the Stress Tests.
- Decide the fund transfer pricing (FTP) mechanism of the Bank and make liquidity costs and benefits an integral part of the Bank's strategic planning.
- Decide on desired maturity profile and mix of incremental assets and liabilities.

IDENTIFICATION OF MARKET RISK

Market risks are identified through these nonexhaustive sources of early warning signals or key risk indicators:

- Correspondent banks that eliminate or decrease their credit lines
- Counterparties beginning requesting additional collateral for credit exposures or that resist entering into new transactions
- Sharp stock price decline and rising debt costs
- Down grading of credit rating
- Uncovered FCY Open Position
- Mismatch in maturing rate sensitive assets and liabilities
- Rise in wholesale and retail funding costs and overall Cost of Fund
- Decrease in Interest Spread
- Adverse movement in Economic and Market conditions

MEASUREMENT AND MONITORING OF MARKET RISK

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 and 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.

IDENTIFICATION OF LIQUIDITY RISK

Liquidity risks are identified with the help of following non exhaustive lists:

By evaluating at regular interval each major on and off balance sheet position, including the effect of embedded oplions, un-availed portion of committed limits and other contingent exposures that may affect the Bank's sources and uses of funds, and determine how it can affect liquidity risk.
By identifying the events that could have an impact on market and public perceptions about its soundness, particularly in wholesale markets.
By considering the interactions between exposures to funding liquidity risk and market liquidity risk. Liquidity from capital markets as a source may be more volatile than traditional retail deposits and investors in money market instruments may demand higher compensation for risk, require roll over at considerably shorter maturities, or refuse to extend financing at the time of stress.
By ensuring that assets are prudently valued according to relevant financial reporting and supervisory standards factoring that valuation may deteriorate under market stress, and take this into account in assessing the feasibility and impact of asset sales during stress on its liquidity position.
By reviewing various Early Warning Signals and its probable impact on liquidity of the Bank. Such early warning signals may be but not limited to: • Rapid asset growth especially when funded with potentially volatile liabilities • Growing concentration in assets or liabilities • Increase in currency mismatches • Decrease of weighted average maturity of liabilities • Repeated incidents of positions approaching or breaching internal or regulatory limits • Negative trends or heightened risk associated with a particular product line, such as rising delinquencies • Significant deterioralion in the Bank's earnings, asset quality, and overaall financial condition • Negative publicity • Credit rating downgrade • Sharp stock price decline or rising debt costs • Rising wholesale or retail funding costs • Counterparties beginning requesting additional collateral for credit exposures or that resist entering into new transactions • Correspondent banks that eliminate or decrease their credit lines • Increasing retail deposit outflows • Extension of credit

MEASUREMENT AND MONITORING OF LIQUIDITY RISK

Liquidity risk for bank mainly manifests on account of the followings:

- Funding Liquidity Risk: The risk arising when the Bank is unable to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition.
- Market Liquidity Risk: The risk arising when the Bank cannot easily offset or liquidate a position at the prevailing market price because of inadequate market depth or market disruption.

Liquidity risk is measured and monitored by applying following approaches:

- Measuring and monitoring liquidity risk potential through stock approach.
- Measuring and monitoring liquidity risk potential through flow approach (structural liquidity statement).
- Measuring and monitoring liquidity risk potential through estimated cash flow statement.
- Measuring and monitoring liquidity risk potential through statement of concentration of mix of deposits.
- Measuring liquidity risk potential through preparation of statement of call money borrowing/lending.
- Measuring liquidity risk potential through market liquidity outlook statement.
- Measuring liquidity risk potential through available unencumbered liquid assets statement.
- Measuring liquidity risk potential through “statement for estimation of prepayments of loans”, “statement for estimation of premature closure of FD/deposits”, “statement for estimation of conversion of off balance sheet and contingencies to funded exposure”, and “statement for estimation of utilization of idle limits”

4.2

STATEMENT ON 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 II 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 assesses 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 by 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):

NPR in Million

Risk weighted Exposures	16-Jul-18	15-Jul-17
a. Risk Weighted Exposure for Credit Risk	118,625.31	71,293.94
b. Risk Weighted Exposure for Operational Risk	4,066.90	3,473.58
c. Risk Weighted Exposure for Market Risk	117.55	138.89
d. Adjustment Under Pillar II		
ALM policies & practices are not satisfactory; add 3% of gross income to RWE/ RWE equivalent to reciprocal of capital charge of 4 % of gross income.	104.84	1,007.97
2% adjustment on Total RWE/ Overall risk management policies and procedures are not satisfactory, add 4% of RWE	2,456.20	2,996.26
Total Risk Weighted Exposures (a + b + c +d)	125,370.80	78,910.64

Tier 1 capital and a breakdown of its components:

NPR in Million

Particulars	16-Jul-18	15-Jul-17
Paid Up Capital	8,031.12	6,692.60
Proposed Stock Dividend	-	1,338.512
Share Premium	-	-
Statutory General Reserves	1,825.15	1,558.18
Capital Redemption Reserve	285.71	214.29
Retained Earnings	943.65	192.86
Less:	-	-
Intangible Assets	22.97	-
Deferred Tax Assets	-	41.85
Miscellaneous expenditure not written off	-	1.76
Land & building in excess of limit and unutilized	-	86.50
Investment in equity of institutions with financial interests	200.00	100.00
Core Capital (A)	10,862.66	9,766.34

Tier 2 capital and a breakdown of its components:

NPR in Million

Particulars	16-Jul-18	15-Jul-17
General Loan Loss Provision	1,204.73	740.85
Exchange Equalization Reserves	38.37	34.69
Subordinated Term Debt	3,200.00	300.00
Investment Adjustment Reserve	44.24	28.47
Other Reserve	-	41.85
Supplementary Capital (B)	4,487.35	1,145.85
		NPR in Million
Total Capital Fund (A+B)	15,350.01	10,912.19
Capital Adequacy Ratio (Total Capital Ratio)	12.24%	13.83%

Details of Capital Adequacy Ratio during the FY 2017-18:

Quarter Ending	Capital Adequacy Ratio (CAR)
First quarter (mid October 2017)	12.08%
Second quarter (mid January 2018)	13.59%
Third quarter (mid April 2018)	13.03%
Fourth quarter (mid July 2018)	12.24%

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
  - Disbursment
- 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.

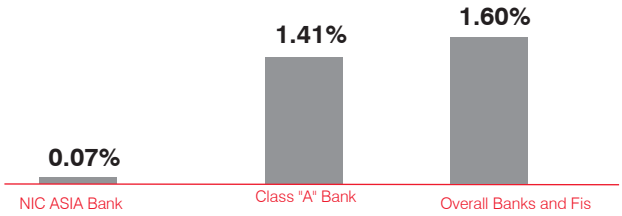
The Bank's non-performing assets ratio stood at 0.0697% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 84,131,697, and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 72,412,793, which is 86% of NPA. Also, the total loan loss provision to NPA is 1.

Particulars	FY 2017-18	FY 2016-17	Change	
			Amount	%
Pass loan (performing loans)	120,582,668	72,299,295	48,283,373	67%
Non-Performing Loans (NPL)	-	-	-	-
Restructured/rescheduled	-	-	-	-
Substandard	12,384	32,043	(19,659)	(61%)
Doubtful	4,861	3,265	1,596	49%
Loss	66,886	227,273	(160,387)	(71%)
Gross Loans & Advances	120,666,800	72,561,876	48,104,924	66%

NPL Ratios:
Gross NPL to Gross Loans & Advances (NPL Rate) **0.0697%**
Net NPL to Net Loans & advances **0.0971%**

As on July 16, 2018, average NPL to total loan ratio for Class "A" banks and financial institutions and overall banks and financial institutions are 1.41% and 1.60%, respectively. (As per Banking and Financial Statistics published by NRB)

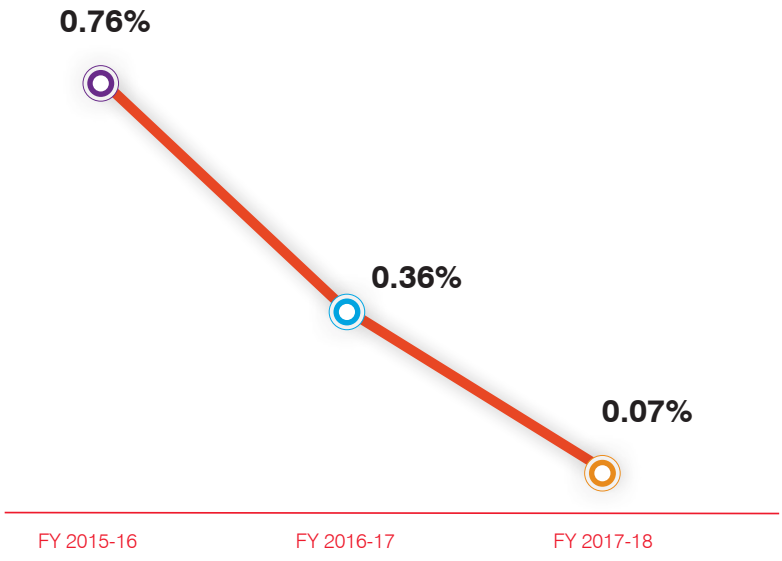
NPL to Total Loan Ratio (16 July, 2018)



It can be seen that this Bank has better NPL rate than the industry average, which is the result of commitment of management to maintain lower NPL rate, effective implementation of robust internal control, and good corporate governance.

Trend Analaysis of NPL rate

NPL rate of the Bank has substantially improved over the years as a result of the focus of the Bank on quality assets, successful formulation and implementation of credit policy, credit risk management policy, and policy for collection and recovery of loans.



4.4

REPORT ON GOING CONCERN

Continuation of an entity as a going concern is presumed as the basis for financial reporting unless and until the entity's liquidation becomes imminent. If and when an entity's liquidation becomes imminent, financial statements are prepared under the liquidation basis of accounting. A going concern is a business that functions without the threat of liquidation in the foreseeable future.

Assessment has been made to determine the Bank's ability to continue as a going concern, and no material evidence was found regarding doubts upon the Bank's ability to operate as a going concern. Assessment of the financial performance, business growth and expansion, material unfavorable events, and review of budget were considered to determine the going concern status of the Bank. Some of the material factors that support the Bank's ability to operate as a going concern are as under:

- This Bank is one of the largest private sector commercial banks in the country in terms of capital base, balance sheet size, number of branches, ATM network, and customer base.
- The Bank has been able to increase deposit and loans and advances by NPR 64.5 billion and NPR 48.22 billion, respectively, during the review period, with increment rate of 72.47% and 66.74%, respectively, year-on-year, which is the highest increase in deposits and loans and advances by any bank in a single year in Nepalese history.
- There was increment in total investment of the Bank by 42% during the review period as compared to last year.
- The Bank has a total customer base of 1.35 million, with 600,000 additional customers during the review period. The Bank was also able to open account of 76 local bodies during the review period.
- The Bank has opened 112 branches, 15 new branchless banking, 125 new ATMs and 1,948 new remittance agents during the review period.
- The Bank has earned Operational Profit and Net Profit of NPR 1.91 billion and NPR 1.34 billion, respectively, during the year. The Bank has Return on Equity and Return on Assets of 12.09 % and 0.97%, respectively, for the year.
- Total number of employees of the Bank has reached 2,291 in the year as compared to 1,755 last year, with increment of 536 employees.
- The Bank has proposed bonus share at the rate of 10% of paid-up capital, plus cash dividend at the rate of 0.526% equivalent amount to the tax applicable on issuance of bonus share, out of the profit of 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.
- 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 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 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 has very healthy relationship with its lenders, banking partners, suppliers, and vendors.

BANKING THE UNBANKED

DEPRIVED SECTOR LENDING

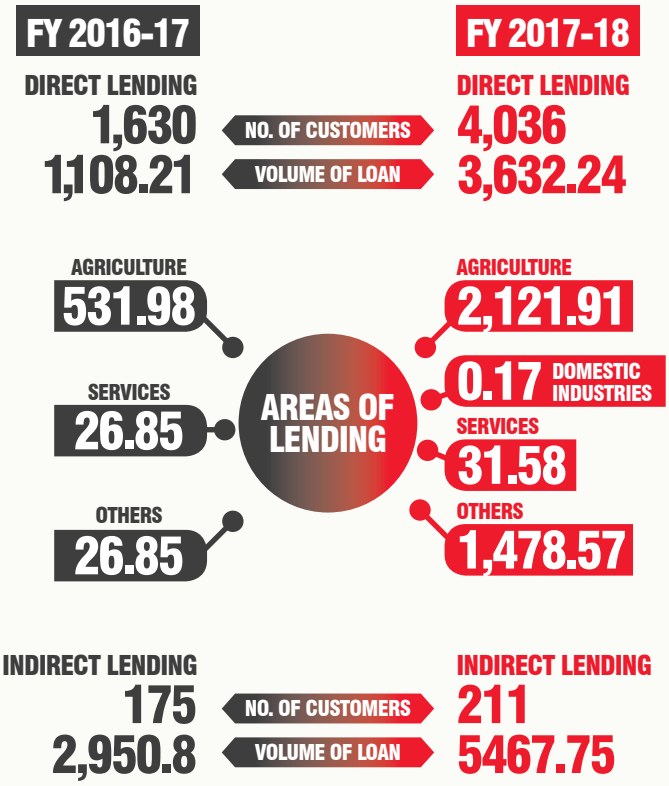
NIC ASIA is fully aware that the huge density of banks is not an assurance to financial inclusion. Apart from the vast institutional outreach, the contribution of financial services to upgrade people's living standard is equally important. For this the Bank has adopted a strategy of deprived sector lending resonating with national goals.

As a responsible corporate citizen of the country, the Bank is determined to help the government in achieving its plan of uplifting the poor by supporting their financial needs through deprived sector lending. The deprived sector lending can result in the prosperity of lower class and middle class community which could ultimately lead to the growth of the country's economy as a whole.

Complying with statutory requirement of Nepal Rastra Bank to disburse at least 5% of the loan to deprived sector, the Bank disbursed over NPR 3.6 billion loan to impoverished community in the current fiscal, up from last fiscal year by 228%. The highest proportion of our lending to deprived sector was made in agriculture sector. Our agriculture lending rose by a whopping 299% year-on-year during the review period.



NPR in Million



BHAGAWATI LAMSAL

BINTI KAPADA PASAL AND TAILORS, RUPANDEHI



I am a tailor and also run a clothe store in Butwal-6. Last year, I decided to expand my business for better income as the cost of living is getting expensive in Butwal. But, selection of a right bank was a baffling problem. Finally, my quest for a right bank landed me into NIC ASIA. I freely communicated my dreams to the bank and it listened. The loan officers understood my desire and underlying motivation to become a successful woman. They briefed me on the loan schemes that matched my financial need, and after my due consideration on the same, I took a loan facility of Rs 800,000 under Deprived Sector Lending in 2018. I efficiently used the loan amount to enhance the business. As a result my business grew and I generated better income this year than previous year. Also, due to the growing business size and success story, my PR has also increased in the town. Year 2018 was the best year for my business and now I am aiming for higher growth as I am confident that NIC ASIA Bank is always there to support me financially. The service of NIC ASIA was beyond my expectation as they offered me right counseling and the bank personnel truly delivered on their promise. Today I am in a good position and all the credit goes to the NIC ASIA Bank. It's truly my Bank Pani Sathi Pani. Thank You NIC ASIA!

BHABISARA GAHA MAGAR

AADITI KIRANA PASAL, MAHENDRANAGAR

I laud the personalized service offered by NIC ASIA Bank to its customers. I am surprised by how the bank understands our financial needs and provides necessary mentoring and suggestion. I have worked with several banks but I am more pleased with the hassle-free service and ease of transactions offered by this bank. I have experienced this bank to be a reliable and responsive financial institution. The Deprived Sector Lending service of the NIC ASIA Bank helped me refinance my debt and grow my business. One thing I like most about this bank is that the bank's staffs treat you with utmost respect and adequately brief you on the bank's services and offers after understanding one's small business and provide the needful fund.



05

SUSTAINABILITY

SUSTAINABILITY

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5.1

CORPORATE SUSTAINABILITY

Corporate sustainability means enjoying long-term business success while at the same time acting in a way that is ecologically and socially responsible. Sustainable expansion, performance, and management are key focus areas of Strategy 2020. The Bank believes that no organization can have sustainable development without patronage from society. The Bank is committed in the integration with its stakeholders. The Bank has promotion and growth of the national economy among its objectives, and the Bank is always aware about its social and moral responsibilities.

The Bank's sustainable goals include providing assistance in the following areas:



5.2

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a process that aims to embrace responsibility towards the environment, consumers, employees, communities, and all other stakeholders, and encourages a positive impact through its activities.

The Bank believes that undertaking socially responsible initiatives is truly a win-win situation that not only attracts socially conscious customers and employees, but also makes a real difference in the world. The Bank has established itself as a responsible corporate citizen by realizing its responsibility and social obligations. By accepting the fact that society and business are complementary to each other, the Bank has provided assistance in various forms and ensured its presence in different social activities and plans for exemplary, remarkable, and inimitable fulfillment of its corporate social responsibility.

In line with the same, the Bank has contributed towards corporate social responsibility in the following major sectors:

- Environment
- Society
- Health
- Education

Some of the Corporate Social Responsibility events of Bank are highlighted below:

ENVIRONMENTAL CONTRIBUTION

- "One employee one fruit program" was organized by the Bank within the premises of Dhapasi office, and more that 6,000 trees were planted nationwide in coordination with staff of branches, departments, and sub-provincial offices of the Bank. The Bank has always been sensible towards environment protection and pollution control. With this in mind, the Bank has ensured its assistance and participation in plantation of more than 14,000 trees during the review period.



Tree plantation programme on the ocassion of World Environment Day.

SOCIAL CONTRIBUTION

- Realizing the fact that need of community is need of the Bank, the NIC ASIA Bank distributed warm clothes to more than 800 victims of natural calamity in Mirchaiya, Biratnagar, and Gaur areas.
- Financial assistance was provided to social organizations like Bal Mandir and Disability Care Centre to promote social harmony and warmth.
- With an objective of promoting healthy lifestyle and financial interest of general public, the Bank has arranged to discourage investment in the form of loan to industries involved in manufacturing of alcoholic and cigarette products, which directly affects health of public.



CCTV and solar light handover ceremony.

CONTRIBUTION FOR HEALTH

- Financial assistance was provided to cancer awareness campaigns organized at Biratnagar and Nepal Cancer Centre.
- The Bank assisted and facilitated a nationwide blood donation program in collaboration with Nepal Red Cross Society.



Financial Literacy Programme

CONTRIBUTION FOR EDUCATION

Recognizing the fact that educated and healthy people are the pillars for national progress, financial assistance was provided by the Bank to various educational programs for development of the educational sector.



NIC ASIA Bank installs tree-guard to preserve sapling in Naxal.

5.3

ENVIRONMENT-FRIENDLY INITIATIVES

With the growth in economy, there comes environmental hazard. Nepal, still being an underdeveloped country, has not been able to adopt environment-friendly models in its development quest. Realizing the fact that financial institutions are one of the major carriers of the country's economy, the NIC ASIA Bank shares moral responsibility in the environmental damages caused by construction and other development endeavors undertaken by the government and private sector. Furthermore, we are aware of the reputational damage the entire banking industry may have to share if they do not act timely to preserve the environmental damages.

Thus, to mitigate the environmental and reputational damage, the NIC ASIA Bank has been actively involved in environmental preservation through various corporate social responsibility mechanisms that incorporate the idea of green banking and actions to prevent the looming environmental crisis.



Tree plantation at TU Ground.

Our contributions towards environment protection are:

1. The Bank initiated 'one employee one fruit program' in Dhapasi office and planted over 6,000 trees nationwide with the collaboration of its staffs in the review period. Along with this, the Bank has ensured its cooperation and assistance in plantation of more than 14,000 trees throughout the country during the period.
2. Bagmati River flows throughout Kathmandu Valley like veins of the city, thereby harnessing ecology and greenery along its belts. The constantly degrading pollution-level of the river is heart-wrenching for Kathmandu citizens. The NIC ASIA Bank has participated in the Bagmati River Clean-up mega campaign in the past to help campaigners restore the beauty of the river. It will continue participating in the river cleanup campaign to breathe fresh life into the Kathmandu's ecology.
3. Paper-less administration and cash-less economy are much touted issues worldwide in regards to the environmental protection. Reducing paperwork means reducing deforestation. Realizing the value of paper-less work, the NIC ASIA amended its internal approach in administrative works and carried out most of its work through electronic medium in the last fiscal year. The Bank plans to formulate formal guidelines for paper-less administration in the future. Likewise, the Bank is in a voyage to make substantial increment in the digital transaction with an aim to make at least 50% of our transactions through digital channel.

We believe these approaches, along with more concrete steps to come in the future, will help in controlling environmental damage and contribute to the sensitive issue of global warming.

BANKING THE UNBANKED

PERVASIVE NETWORK

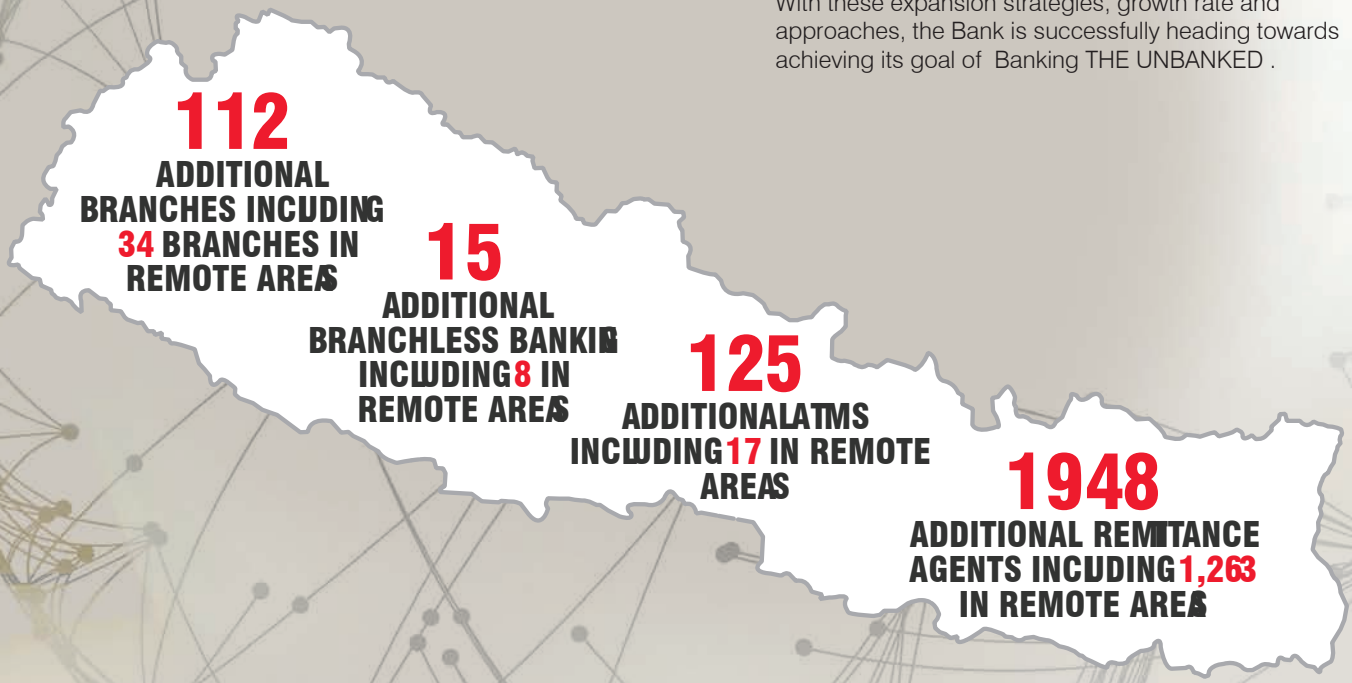
Under its The Footprint Expansion and Management Policy 2017 , the Bank opened highest number of branches during the fiscal year 2017-18. In accordance to the national strategy of expanding financial access to municipalities and rural municipalities, the NIC ASIA Bank successfully expanded its touchpoints to 2,200 new locations in the fiscal 2017-2018.

Our huge footprint throughout the country has helped people understand the implication of banking in their lives. The Bank believes that by channelizing government's financial transactions through formal financial institutions, the country can reduce unbanked transactions as service seekers will be forced to open a bank account in order to avail government services. Based on this, the NIC ASIA Bank opened bank accounts for 76 out of 753 local levels throughout the country during the FY 2017-18.

The NIC ASIA Bank has branches in 62 out of 77 districts of the country and has aimed to expand its network to remaining districts within next two fiscal years. Currently, the Bank is already in process to open branches in 11 districts out of the remaining 15 districts. NIC ASIA Bank is the only commercial bank present in 34 local bodies of the country till the end of 20174-18. These branches provided banking facilities to 51, 262 customers.

The Bank has been able to win the trust and confidence of general public with total customer base of more than 1.35 million including 600,000 additional customers during the FY 2017-18.

With these expansion strategies, growth rate and approaches, the Bank is successfully heading towards achieving its goal of Banking THE UNBANKED .



5.4

VALUE ADDED STATEMENT

VALUE ADDED STATEMENT
FOR THE YEAR ENDED 16 JULY 2018

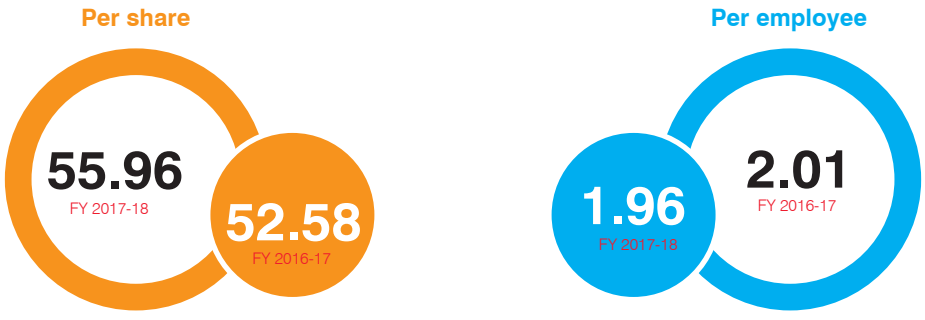
In NPR Million

Value Added	2018	2017
Interest earned and other operating income	14,694	7,965
Cost of services	(9,788)	(4,640)
Value added by banking services	4,907	3,326
Non banking income	(108)	124
Provision against non performing assets	(305)	70
Total Value Added	**4,494**	**3,519**
Number of Employees at the end of the year	2,291	1,755
Value added per employee (NPR Million)	1.96	2.01
Total Number of Shares (Million)	80.31	66.93
Value added per share (NPR)	55.96	52.58

During the review period, the Bank successfully created value of NPR 4,494 million, an increment of 28% year-on-year, mainly on account of increase of interest earned and other operating income by 84%. Largest part of the value created by the Bank was applied towards its employees, which stands at 46%, followed by the value added to the providers of capital, which stands at 22%. The application of the value added during the year has been depicted in the table below:

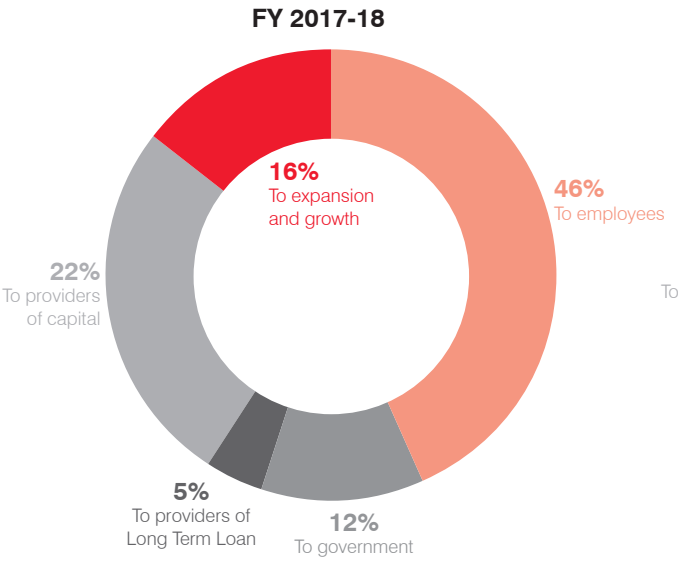
During the year, market value added has decreased by NPR 6,911 million, as compared to last year. This is decline of 31.60%, which is due to the weakening share market scenario in the country.

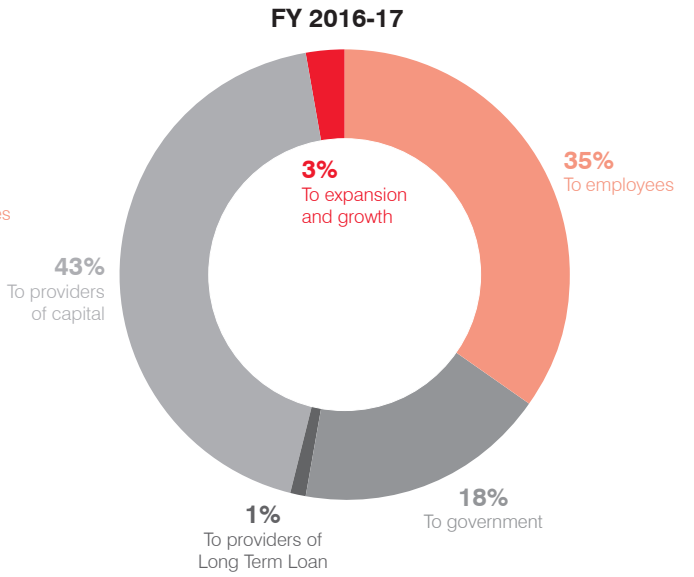
Value Added



In NPR Million

Application of Value Addition	2018	Percentage	2017	Percentage
To employees	1,782	46%	1,133	35%
To government	476	12%	588	18%
To providers of Long Term Loan	176	5%	37	1%
To providers of capital	845	22%	1,409	43%
To expansion and growth	605	16%	86	3%
Total Value Allocated	**3,885**	**100%**	**3,252**	**100%**



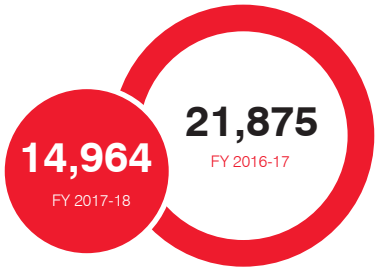


MARKET VALUE ADDED STATEMENT

In NPR Million

Particulars	FY 2017-18	FY 2016-17
Total Number of Shares (A) (Million)	80.31	66.93
Price Per Share (B) (NPR)	316	445
Total Market Value (C=A*B) (NPR Million)	25,378	29,782
Total Book Value (D) (NPR Million)	10,415	7,907
Market Value Added (C-D)(NPR Million)	**14,964**	**21,875**

Market Value Added (NPR in Million)



ECONOMIC VALUE ADDED STATEMENT

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 293 million, which decreased by 48.96% as compared to the previous year.

ECONOMIC VALUE ADDED STATEMENT

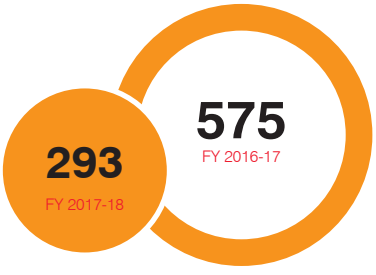
In NPR Million

Particulars	FY2017-18	FY2016-17
Net Profit (NPR Million) (A)	1,335	1,365
Total Shareholders Fund (NPR Million) (B)	10,415	7,907
Cost of Equity* (C)	10.00%	10.00%
Cost of Capital (NPR Million) (D=B*C)	1,041	791
Economic Value Added (NPR Million) (A-D)	**293**	**575**
Total Number of Shares (A) (Million)	80.31	66.93
Economic Value Added per share (NPR)	3.65	8.59

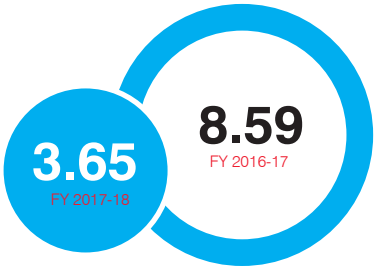
* Cost of Equity has been assumed to be 10%, slightly higher than the return on government bonds by considering the different between the cost of equity and return on government bonds to be risk premium.

Economic Value Added

EVA (NPR Million)



EVA Per Share (NPR)



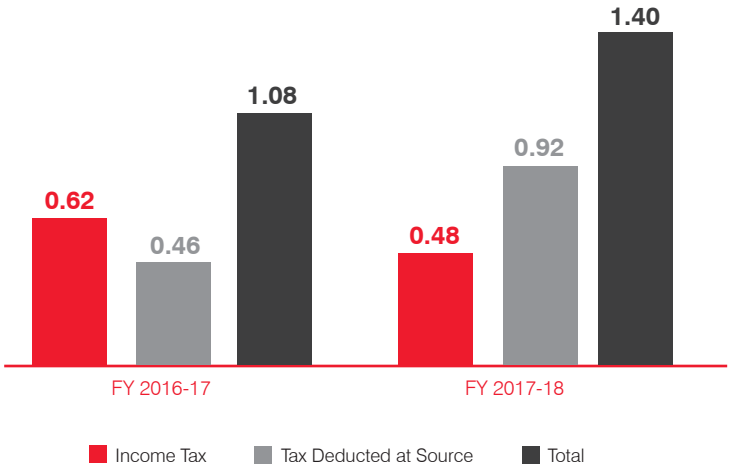
5.5

STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

The government is considered as one of the most important stakeholders that plays a critical role in the economic development of the country. Contribution to the government in any form is extremely essential to build the nation. 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. Being a legitimate and ethical corporate citizen, NIC ASIA Bank contributes to the government exchequer when the necessary amounts fall due.

Till date, the Bank has made contribution of NPR 6.90 billion to the Government of Nepal as direct and indirect tax payment. The Bank has made a handsome contribution to the government exchequer of NPR 1.40 billion paid during the review period, which consists of income tax of NPR 0.48 billion and tax deducted at source of NPR 0.92 billion, whereas last year, the amount was NPR 1.08 billion, consisting of income tax of NPR 0.62 billion and tax deducted at source of NPR 0.46 billion.

Contribution to Government Exchequer (NPR in billion)



06

AUDITED FINANCIAL STATEMENT OF NIC ASIA BANK

6.1

INDEPENDENT AUDITOR'S REPORT

PKF T. R. Upadhya & Co.

PKF

INDEPENDENT AUDITOR'S REPORT

The Shareholders of NIC Asia Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of NIC Asia Bank Ltd (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of financial position as at 32 Ashad 2075 (16 July 2018), the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Bank, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements of the Bank and the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Bank and the Group as at 32 Ashad 2075 (16 July 2018), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs)

Other Matters

We did not audit the financial statements and other financial information of 2 subsidiaries, whose financial statements reflect total assets of Rs 1150.31 million and net assets of Rs 280.34 million as at 16 July 2018 and net profit of Rs 10.13 million and net cash inflows amounting to Rs 93.07 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the financial statements in so far as it relates to the accounts and disclosures included in respect of these subsidiaries, are based solely on the report of the other auditors.

Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

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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, statement of financial position, profit or loss, other comprehensive income, changes in equity and 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 jeopardise the interest and security of the Bank, its depositors and investors.





Sanjeev Kumar Mishra
Partner

PKF T R Upadhya & Co.
Chartered Accountants

Kathmandu
16 November 2018

6.2

FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 16 July 2018

Amount in NPR

	Note	Group			Bank		
		As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Assets							
Cash and cash equivalent	4.1	8,173,703,208	3,489,595,585	3,549,208,278	8,132,486,809	3,479,828,475	3,549,208,278
Due from Nepal Rastra Bank	4.2	15,860,733,092	10,291,445,440	4,396,160,113	15,860,733,092	10,291,445,440	4,396,160,113
Placement with Bank and Financial Institutions	4.3	313,929,191	1,493,384,968	1,215,914,763	313,929,191	1,493,384,968	1,215,914,763
Derivative financial instruments.	4.4	1,266,017,586	3,028,560,991	2,301,561,462	1,266,017,586	3,028,560,991	2,301,561,462
Other trading assets	4.5	60,875	48,153	-	-	-	-
Loan and advances to B/FIs	4.6	4,008,145,235	1,630,033,602	1,088,666,791	4,658,145,235	1,630,033,602	1,088,666,791
Loans and advances to customers	4.7	116,625,120,722	70,616,383,533	57,876,398,870	115,804,620,907	70,615,820,219	57,876,398,870
Investment securities	4.8	14,304,768,273	10,089,615,155	11,607,520,231	14,132,768,273	10,019,615,155	11,607,520,231
Current tax assets	4.9	-	9,857,544	10,172,233	-	9,857,544	10,172,233
Investment in susidiaries	4.10	-	-	-	270,000,000	100,000,000	100,000,000
Investment in associates	4.11	-	-	-	-	-	-
Investment property	4.12	74,382,923	48,254,332	283,985,874	74,382,923	48,254,332	283,985,874
Property and equipment	4.13	1,784,405,723	1,070,529,538	537,403,660	1,759,424,471	1,062,949,674	537,403,660
Goodwill and Intangible assets	4.14	52,705,510	36,389,609	18,272,015	49,831,991	35,386,546	18,272,015
Deferred tax assets	4.15	-	-	-	-	-	-
Other assets	4.16	8,628,877,303	1,295,950,724	588,127,466	8,620,837,348	1,293,225,050	588,287,715
Total Assets		**171,092,849,642**	**103,100,049,175**	**83,473,391,755**	**170,943,177,826**	**103,108,361,998**	**83,573,552,004**
Liabilities							
Due to Bank and Financial Instituions	4.17	11,728,515,665	7,772,766,542	7,115,385,414	11,629,507,290	7,772,766,542	7,215,492,263
Due to Nepal Rastra Bank	4.18	742,269,472	-	-	742,269,472	-	-
Derivative financial instruments	4.19	1,721,813,609	2,999,989,431	2,266,526,366	1,721,813,609	2,999,989,431	2,266,526,366
Deposits from customers	4.20	139,578,561,246	79,887,564,759	64,606,790,894	139,589,607,845	79,905,602,416	64,606,790,894
Borrowing	4.21	-	-	-	-	-	-
Current Tax Liabilities	4.9	25,025,507	-	-	25,025,507	-	-
Provisions	4.22	-	-	-	-	-	-
Deferred tax liabilities	4.15	2,799,908	55,864,389	146,807,462	2,814,629	55,797,787	146,829,993
Other liabilities	4.23	2,125,162,751	1,465,472,105	915,545,796	2,073,775,098	1,458,128,070	915,509,071
Debt securities issued	4.24	3,487,908,815	501,249,729	515,702,553	3,487,908,815	501,249,729	515,702,553
Subordinated Liabilities	4.25	-	-	-	-	-	-
Total liabilities		**59,412,056,972**	**92,682,906,955**	**75,566,758,484**	**159,272,722,265**	**92,693,533,976**	**75,666,851,139**

Equity							
Share capital	4.26	8,031,116,998	6,692,597,498	4,575,374,272	8,031,116,998	6,692,597,498	4,575,374,272
Share premium		-	-	-	-	-	-
Retained earnings		953,991,664	1,846,858,328	1,720,578,049	943,654,556	1,844,544,130	1,720,645,643
Reserves	4.27	2,695,684,007	1,877,686,394	1,610,680,950	2,695,684,007	1,877,686,394	1,610,680,950
Total equity attributable to equity holders		**11,680,792,670**	**10,417,142,220**	**7,906,633,271**	**11,670,455,561**	**10,414,828,022**	**7,906,700,865**
Non-controlling interest		**-**	**-**	**-**	**-**	**-**	**-**
Total equity		**11,680,792,670**	**10,417,142,220**	**7,906,633,271**	**11,670,455,561**	**10,414,828,022**	**7,906,700,865**
Total liabilities and equity		**171,092,849,642**	**103,100,049,175**	**83,473,391,755**	**170,943,177,826**	**103,108,361,998**	**83,573,552,004**
Contingent liabilities and commitment	4.28	29,790,833,130	24,129,996,963	23,354,310,848	28,523,419,521	24,129,996,963	23,354,310,848
Net assets value per share		145.44	155.65	172.81	145.32	155.62	172.81

Bishal Sigdel
Chief Financial Officer

Roshan Kuamr Neupane
Acting Chief Executive Officer

Jagdish Prasad Agrawal
Director

Trilok Chand Agrawal
Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

As per our report of even date

Place: Kathmandu
Date: November 16, 2018

Sanjeev Kumar Mishra, FCA
Partner
TR Upadhya & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 16 July 2018

Amount in NPR

	Note	Group		Bank	
		Year ended 16 July 2018	Year ended 15 July 2017	Year ended 16 July 2018	Year ended 15 July 2017
Interest income	4.29	13,556,413,650	7,093,006,294	13,545,820,277	7,088,588,243
Interest expense	4.30	9,322,245,087	4,357,277,281	9,336,156,241	4,362,929,035
Net interest income		**4,234,168,562**	**2,735,729,013**	**4,209,664,036**	**2,725,659,208**
Fees and commission income	4.31	1,015,242,499	710,110,718	966,148,768	707,009,657
Fees and commission expense	4.32	109,072,510	52,311,313	96,498,109	49,919,233
Net fee and commission income		**906,169,989**	**657,799,406**	**869,650,660**	**657,090,424**
Net interest, fee and commission income		**5,140,338,552**	**3,393,528,419**	**5,079,314,696**	**3,382,749,632**
Net trading income	4.33	195,289,632	162,669,861	195,206,579	161,609,119
Other operating income	4.34	83,628,893	58,064,578	83,615,018	58,064,578
Total operating income		**5,419,257,077**	**3,614,262,859**	**5,358,136,293**	**3,602,423,329**
Impairment charge/(reversal) for loans and other losses	4.35	313,114,135	(69,682,827)	304,831,572	(69,682,827)
Net operating income		**5,106,142,941**	**3,683,945,686**	**5,053,304,721**	**3,672,106,156**
Operating expense					
Personnel expenses	4.36	1,804,575,268	1,136,658,628	1,782,112,947	1,132,927,048
Other operating expense	4.37	1,248,266,772	584,674,957	1,237,092,835	580,553,262
Depreciation & Amortisation	4.38	119,360,721	130,028,040	115,804,043	129,184,664
Operating Profit		**1,933,940,180**	**1,832,584,062**	**1,918,294,896**	**1,829,441,182**
Non operating income	4.39	2,500,650	155,409,210	2,500,650	155,409,210
Non operating expense	4.40	110,192,719	31,694,451	110,192,719	31,694,451
Profit before income tax		**1,826,248,111**	**1,956,298,821**	**1,810,602,827**	**1,953,155,942**
Income tax expense	4.41	-	-	-	-
Current Tax		530,722,814	626,218,877	525,425,880	625,457,790
Deferred Tax		(49,464,804)	(37,717,441)	(49,684,980)	(37,717,441)
Profit for the period		**1,344,990,101**	**1,367,797,385**	**1,334,861,927**	**1,365,415,593**
Profit attributable to:					
Equity holders of the Bank		1,344,990,101	1,367,797,385	1,334,861,927	1,365,415,593
Non-controlling interest		-	-	-	-
Profit for the period		**1,344,990,101**	**1,367,797,385**	**1,334,861,927**	**1,365,415,593**
Earnings per share					
Basic earnings per share		16.75	22.16	16.62	20.40
Diluted earnings per share		16.75	22.16	16.62	20.40
Adjusted earning per share		16.75	22.16	16.62	22.12

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Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

As per our report of even date

Place: Kathmandu
Date: November 16, 2018

Sanjeev Kumar Mishra, FCA
Partner
TR Upadhya & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 16 July 2018

Amount in NPR

	Group		Bank	
	Year ended 16 July 2018	Year ended 15 July 2017	Year ended 16 July 2018	Year ended 15 July 2017
Profit for the year	**1,344,990,101**	**1,367,797,385**	**1,334,861,927**	**1,365,415,593**
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	(5,305,644)	3,092,133	(5,305,644)	3,092,133
- Gains/(losses) on revaluation				
- Actuarial gains/(losses) on defined benefit plans	(2,596,150)	(1,348,562)	(2,596,150)	(1,348,562)
- Income tax relating to above items	2,370,538	(523,071)	2,370,538	(523,071)
Net Other Comprehensive Income that will not be reclassified to profit or loss	**(5,531,256)**	**1,220,500**	**(5,531,256)**	**1,220,500**
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	**(5,531,256)**	**1,220,500**	**(5,531,256)**	**1,220,500**
Total comprehensive income for the period	**1,339,458,845**	**1,369,017,884**	**1,329,330,671**	**1,366,636,092**
Total comprehensive income attributable to:				
Equity holders of the Bank	1,339,458,845	1,369,017,884	1,329,330,671	1,366,636,092
Non-controlling interest				-
Total comprehensive income for the period	**1,339,458,845**	**1,369,017,884**	**1,329,330,671**	**1,366,636,092**

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Sanjeev Kumar Mishra, FCA
Partner
TR Upadhya & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF CASH FLOW STATEMENT

For the year ended 16 July 2018

Amount in NPR

	Note	Group		Bank	
		Year ended 16 July 2018	Year ended 15 July 2017	Year ended 16 July 2018	Year ended 15 July 2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		12,643,946,538	6,562,962,669	12,599,013,166	6,559,811,607
Fees and other income received		981,570,401	710,678,018	966,148,768	707,009,657
Dividend received		-	-	-	-
Receipts from other operating activities		252,310,014	350,528,335	228,141,180	343,066,149
Interest paid		(9,607,378,454)	(4,329,331,038)	(9,597,690,869)	(4,329,331,038)
Commission and fees paid		(107,145,165)	(52,361,313)	(96,498,109)	(49,919,233)
Cash Payment to Employees		-	-	-	-
Other expense paid		(2,927,365,535)	(1,539,757,077)	(2,904,276,516)	(1,467,557,207)
Operating cash flows before changes in operating assets and liabilities		**1,235,937,799**	**1,702,719,595**	**1,194,837,621**	**1,763,079,935**
(Increase)/Decrease in Operating Assets		**(58,972,357,400)**	**(21,211,846,151)**	**(58,668,928,326)**	**(20,780,518,714)**
Due from Nepal Rastra Bank		(5,598,982,810)	(5,865,590,169)	(5,539,592,494)	(5,895,285,327)
Placement with bank and financial institutions		1,077,455,778	(347,470,206)	1,179,455,778	(277,470,206)
Other trading assets		-	-	-	-
Loan and advances to bank and financial institutions		-	-	-	-
Loans and advances to customers		(49,647,262,943)	(13,385,949,423)	(48,388,421,155)	(13,175,826,318)
Other assets		(4,803,567,425)	(1,612,836,353)	(5,920,370,454)	(1,431,936,864)
Increase/(Decrease) in operating liabilities		**64,163,336,781**	**17,171,799,965**	**64,029,884,624**	**16,900,895,143**
Due to bank and financial institutions		3,856,740,748	557,274,279	3,856,740,748	557,274,279
Due to Nepal Rastra Bank		742,269,472	-	742,269,472	-
Deposit from customers		59,420,319,722	15,280,773,865	59,684,005,428	15,298,811,523
Borrowings		750,000,000	-	-	-
Other liabilities		(605,993,161)	1,333,751,820	(253,131,025)	1,044,809,342
Net cash flow from operating activities before tax paid		**6,426,917,180**	**(2,337,326,592)**	**6,555,793,919**	**(2,116,543,636)**
Income taxes paid		(465,286,115)	(625,143,101)	(490,542,829)	(625,143,101)
Net cash flow from operating activities		**5,961,631,064**	**(2,962,469,693)**	**6,065,251,089**	**(2,741,686,738)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities		(3,740,826,460)	1,738,223,372	(4,198,817,743)	1,473,663,071
Receipts from sale of investment securities		-	-	-	-
Purchase of property and equipment		(944,523,776)	(449,610,368)	(638,606,219)	(405,604,824)
Receipt from the sale of property and equipment		128,959,060	38,827,790	128,959,060	38,766,421
Purchase of intangible assets		(28,444,442)	(30,625,516)	(28,444,442)	(25,660,305)
Receipt from the sale of intangible assets		-	-	-	-
Purchase of investment properties		-	-	-	-
Receipt from the sale of investment properties		39,893,310	-	39,893,310	-
Interest received		535,003,938	317,932,849	535,003,938	317,932,849
Dividend received		8,683,843	43,406,621	10,789,107	43,406,621
Net cash used in investing activities		**(4,001,254,527)**	**1,658,154,747**	**(4,151,222,991)**	**1,442,503,832**
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipt from issue of debt securities		2,990,254,749	446,316	3,005,153,898	(14,452,834)

Repayment of debt securities		-	-	-	-
Receipt from issue of subordinated liabilities		-	-	-	-
Repayment of subordinated liabilities		-	-	-	-
Receipt from issue of shares		-	1,330,316,899	-	1,330,316,899
Dividends paid		(72,392,319)	(49,364,656)	(72,392,319)	(49,364,656)
Interest paid		(194,131,344)	(36,696,304)	(194,131,344)	(36,696,304)
Other receipt/payment		-	-	-	-
Net cash from financing activities		**2,723,731,087**	**1,244,702,253**	**2,738,630,236**	**1,229,803,103**
Net increase (decrease) in cash and cash equivalents		**4,684,107,624**	**(59,612,693)**	**4,652,658,334**	**(69,379,803)**
Cash and cash equivalents at Shrawan 1, 2074		3,489,595,585	3,549,208,278	3,479,828,475	3,549,208,278
Effect of exchange rate fluctuations on cash and cash equivalents held		-	-	-	-
Cash and cash equivalents at Ashadh end 2075		**8,173,703,208**	**3,489,595,585**	**8,132,486,809**	**3,479,828,475**

Bishal Sigdel
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Roshan Kuamr Neupane
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Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

As per our report of even date

Place: Kathmandu
Date: November 16, 2018

Sanjeev Kumar Mishra, FCA
Partner
TR Upadhya & Co.
Chartered Accountants

GROUP
STATEMENT OF CHANGES IN EQUITY
For the year ended 16 July 2018

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
Balance as at Sawan 1, 2073	5,776,254,430	-	1,263,487,370	33,954,384	-	-	29,596,355	105,644,116	173,908,062	7,382,844,717	-	7,382,844,717
Adjustment/Restatement	(1,200,880,158)	-	-	-	-	-	-	1,264,084,377	-	63,204,219	-	-
Transfer to regulatory reserve	-	-	-	-	-	125,621,616	-	350,849,556	(15,886,837)	460,584,335	-	-
Adjusted Restated Balance at Sawan 1, 2073	**4,575,374,272**	**-**	**1,263,487,370**	**33,954,384**	**-**	**125,621,616**	**29,596,355**	**1,720,578,049**	**158,021,225**	**7,906,633,271**	**-**	**7,906,633,271**
Comprehensive Income for the year												
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,367,797,385**	**-**	**1,367,797,385**	**-**	**1,367,797,385**
Other Comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(123,309,600)	-	(147,523)	-	(123,457,123)	-	(123,457,123)
Net gain(loss) on revaluation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Atuarial gains/(losse) on defined benefit plans	-	-	-	-	-	-	-	-	(943,993)	(943,993)	-	(943,993)
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	**-**	**-**	**-**	**-**	**-**	**(123,309,600)**	**-**	**1,367,649,862**	**(943,993)**	**1,243,396,269**	**-**	**1,243,396,269**
Transfer to reserve during the year	-	-	294,693,194	731,710	-	-	(1,123,986)	(391,259,037)	96,958,118	-	-	-
Transfer from the reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognized in equity												
Right share issued	916,343,068	-	-	-	-	-	-	413,973,831	-	1,330,316,899	-	1,330,316,899
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares issued	1,200,880,158	-	-	-	-	-	-	(1,200,880,158)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(63,204,219)	-	(63,204,219)	-	(63,204,219)
Other												
Total contributions by and distributions:	**2,117,223,226**	**-**	**-**	**-**	**-**	**-**	**-**	**(850,110,546)**	**-**	**1,267,112,680**	**-**	**1,267,112,680**
Balance as at Asar End, 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**	**10,417,142,220**	**-**	**10,417,142,220**

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	10,417,142,220	-	10,417,142,220
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Restated Balance at Sawan 1, 2074	-	-	-	-	-	-	-	-	-	-	-	-
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)
Gains/(losses) on revalution	-	-	-	-	-	-	-	-	-	-	-	-
Atuarial 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)**	**-**	**1,344,990,101**	**(6,975,426)**	**1,337,294,352**	**-**	**1,337,294,352**
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)	-	(72,553,658)	-	(72,553,658)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions:	**1,338,519,500**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,411,073,158)**	**-**	**(72,553,658)**	**-**	**(72,553,658)**
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**	**330,746,872**	**11,680,792,670**	**-**	**11,680,792,670**

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As per our report of even date

Sanjeev Kumar Mishra, FCA
Partner
TR Upadhya & Co.
Chartered Accountants

Place: Kathmandu
Date: November 16, 2018

BANK

STATEMENT OF CHANGES IN EQUITY

For the year ended 16 July 2018

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
Balance as at Sawan 1, 2073	**5,776,254,430**	**-**	**1,263,487,370**	**33,954,384**	**-**		**29,596,355**	**105,644,116**	**173,908,062**	**7,382,844,717**	**-**	**7,382,844,717**
Restatement	(1,200,880,158)	-	-	-	-			1,264,084,377		63,204,219	-	63,204,219
Adjustment		-	-	-		125,621,616		350,917,150	(15,886,837)	460,651,929	-	460,651,929
Adjusted Restated Balance at Sawan 1, 2073	**4,575,374,272**	**-**	**1,263,487,370**	**33,954,384**	**-**	**125,621,616**	**29,596,355**	**1,720,645,643**	**158,021,225**	**7,906,700,865**	**-**	**7,906,700,865**
Comprehensive Income for the year												
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,365,415,593**	**-**	**1,365,415,593**	**-**	**1,365,415,593**
Other Comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(123,309,600)	-	(147,523)		(123,457,123)	-	(123,457,123)
Net gain(loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Atuarial gains/ (losse) on defined benefit plans	-	-	-	-	-	-	-	-	(943,993)	(943,993)	-	(943,993)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/ (losses) (arising from translating financial assets of foreign operation)										-		
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(123,309,600)**	**-**	**1,365,268,070**	**(943,993)**	**1,241,014,477**	**-**	**1,241,014,477**
Transfer to reserve during the year	**-**	**-**	**294,693,194**	**731,710**	**-**		**(1,123,986)**	**(391,259,037)**	**96,958,118**	**-**	**-**	**-**
Transfer from the reserve during the year	**-**	**-**	**-**	**-**			**-**			**-**	**-**	**-**

Transactions with owners, directly recognized in equity												
Right share issued	916,343,068	-	-	-	-	-	-	413,973,831	-	1,330,316,899	-	1,330,316,899
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:										-	-	-
Bonus Shares issued	1,200,880,158	-	-	-	-	-	-	(1,200,880,158)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(63,204,219)	-	(63,204,219)	-	(63,204,219)
Other												
Total contributions by and distributions:	**2,117,223,226**	**-**	**-**	**-**	**-**	**-**	**-**	**(850,110,546)**	**-**	**1,267,112,680**		**1,267,112,680**
Balance as at Asar End, 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**
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
Adjustment/ Restatement										-	-	-
Adjusted Restated Balance at Sawan 1, 2074										**-**	**-**	**-**
Comprehensive Income for the year												
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)
Gains/(losses) on revalution	-	-	-	-	-	-	-	-	-	-	-	-
Atuarial 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)**
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	-	-	-	-	-	-	-	(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**

Bishal Sigdel
Chief Financial Officer

Roshan Kuamr Neupane
Acting Chief Executive Officer

Jagdish Prasad Agrawal
Director

Trilok Chand Agrawal
Director

Ram Chandra Sanghai
Director

Rajendra Prasad Aryal
Director

Binod Kumar Pyakurel
Director

Ganesh Man Shrestha
Director

Tulsi Ram Agrawal
Chairman

As per our report of even date

Sanjeev Kumar Mishra, FCA
Partner
TR Upadhya & Co.
Chartered Accountants

Place: Kathmandu
Date: November 16, 2018

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4.1 Cash and Cash Equivalent

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Cash In Hand	3,755,748,988	1,840,161,779	1,168,274,635	3,754,383,849	1,840,156,217	1,168,274,635
Balances with BFIs	3,374,009,734	1,649,433,806	2,165,016,171	3,334,158,475	1,639,672,259	2,165,016,171
Money at Call and Short Notice	-	-	215,917,471	-	-	215,917,471
Other	1,043,944,486	-	-	1,043,944,486	-	-
Total	**8,173,703,208**	**3,489,595,585**	**3,549,208,278**	**8,132,486,809**	**3,479,828,475**	**3,549,208,278**

"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 with maturity above 7 days and below 3 months.

4.2 Due from Nepal Rastra Bank

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Statutory Balances with NRB	15,812,712,630	10,261,750,282	4,396,160,113	15,812,712,630	10,261,750,282	4,396,160,113
Securities purchased under Resale Agreement	-	-	-	-	-	-
Other deposit and receivable from NRB	48,020,461	29,695,158	-	48,020,461	29,695,158	-
Total	**15,860,733,092**	**10,291,445,440**	**4,396,160,113**	**15,860,733,092**	**10,291,445,440**	**4,396,160,113**

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Placement with Domestic B/FIs	-	-	-	-	-	-
Placement with Foreign B/FIs	313,929,191	1,493,384,968	1,215,914,763	313,929,191	1,493,384,968	1,215,914,763
Less: Allowances for Impairment	-	-	-	-	-	-
Total	**313,929,191**	**1,493,384,968**	**1,215,914,763**	**313,929,191**	**1,493,384,968**	**1,215,914,763**

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Held for Trading						
Interest Rate Swap	-	-	-	-	-	-
Currency Swap	-	-	-	-	-	-
Forward exchange Contract.	-	-	-	-	-	-
Others	-	-	-	-	-	-
Held for risk management						
Interest Rate Swap	-	-	-	-	-	-
Currency Swap	-	-	-	-	-	-
Forward exchange Contract	1,266,017,586	3,028,560,991	2,301,561,462	1,266,017,586	3,028,560,991	2,301,561,462
Others	-	-	-	-		
Total	**1,266,017,586**	**3,028,560,991**	**2,301,561,462**	**1,266,017,586**	**3,028,560,991**	**2,301,561,462**

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Tresury bills	-	-	-	-	-	-
Government Bonds	-	-	-	-	-	-
NRB Bonds	-	-	-	-	-	-
Domestic Corporate bonds	-	-	-	-	-	-
Equities	60,875	48,153	-	-	-	-
Other	-	-	-	-	-	-
Total	**60,875**	**48,153**	**-**	**-**	**-**	**-**
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. As on the reporting date, the bank does not have any outstanding trading assets.

4.6 Loan and Advances to BFIs

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Domestic BFIs						
Loans to Microfinance Institutions	4,055,193,757	1,646,497,319	1,099,662,201	4,705,193,757	1,646,497,319	1,099,662,201
Other	-	-	-	-	-	-
Less: Allowances for impairment	47,048,521	16,463,717	10,995,410	47,048,521	16,463,717	10,995,410
Total	**4,008,145,235**	**1,630,033,602**	**1,088,666,791**	**4,658,145,235**	**1,630,033,602**	**1,088,666,791**

Impairment allowance on Loans and advances to BFIs have been consided as per NRB directive. All the loans to BFIs have been classified in pass category.

4.6.1 Specific Allowance for Impairment

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Balance at Shrawan 1	16,463,717	10,995,410	-	16,463,717	10,995,410	-
Impairment loss for the year:	-	-	-	-	-	-
Charge for the year	30,584,805	5,468,307	-	30,584,805	5,468,307	-
Recoveries/reversal	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-
Balances at Ashad end	**47,048,521**	**16,463,717**	-	**47,048,521**	**16,463,717**	-

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Loans and advances to customers at amortised cost	117,868,952,952	71,577,686,484	58,912,852,952	117,040,170,573	71,577,123,170	58,912,852,952
Less: Impairment Allowances						
Collective Impairment	1,171,420,285	724,386,137	646,846,277	1,163,137,722	724,386,137	646,846,277
Individual Impairment	72,411,944	236,916,814	389,607,805	72,411,944	236,916,814	389,607,805
Net amount	**116,625,120,722**	**70,616,383,533**	**57,876,398,870**	**115,804,620,907**	**70,615,820,219**	**57,876,398,870**
Loan and advance measured at FVTPL	-	-	-	-	-	-
Total	**116,625,120,722**	**70,616,383,533**	**57,876,398,870**	**115,804,620,907**	**70,615,820,219**	**57,876,398,870**

Above impairment is as per NRB directive no.2 which is higher than total impairment as per NAS 39 which is NPR 280,779,250, NPR 326,122,350 & NPR 481,649,205 for FY 2017/18, FY 2016/17 & FY 2015/16 respectively.

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Loans and advances to Customer	116,790,730,297	70,915,884,182	58,399,284,461	115,961,947,918	70,915,320,869	58,399,284,461
Loans and advances to staff	636,641,280	353,731,043	267,062,746	636,641,280	353,731,043	267,062,746
Accrued Interest	449,863,939	308,071,259	246,505,746	441,581,376	308,071,259	246,505,746
Total	**117,877,235,516**	**71,577,686,484**	**58,912,852,952**	**117,040,170,574**	**71,577,123,170**	**58,912,852,952**
Impariment						
As per NRB Directive No. 2	1,243,832,229	961,302,951	1,036,454,082	1,235,549,666	961,302,951	1,036,454,082
AS per NAS 39	280,779,250	326,122,350	481,649,205	280,779,250	326,122,350	481,649,205

4.7.1 Analysis of loan and advance- By Product

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Product						
Term loans	22,686,434,587	8,660,523,070	5,750,972,109	22,685,908,516	8,659,959,756	5,750,972,109
Overdraft	28,184,560,362	18,330,815,164	12,368,026,268	28,184,560,362	18,330,815,164	12,368,026,268
Trust receipt/Import loans	1,532,270,540	1,178,211,539	2,556,298,876	1,532,270,540	1,178,211,539	2,556,298,876
Demand and Other Working Capital loans	16,020,083,918	8,566,351,742	10,796,911,148	15,191,827,610	8,566,351,742	10,796,911,148
Personal residential loans	1,050,903,962	11,871,499,381	9,312,732,868	1,050,903,962	11,871,499,381	9,312,732,868
Real estate loans	24,660,010,932	3,754,830,071	2,968,345,029	24,660,010,932	3,754,830,071	2,968,345,029
Margin lending loans	1,931,155,660	1,968,917,788	4,224,597,816	1,931,155,660	1,968,917,788	4,224,597,816
Hire purchase loans	5,023,527,515	6,949,959,837	4,393,271,137	5,023,527,515	6,949,959,837	4,393,271,137
Deprived sector loans	9,314,091,390	4,234,127,914	2,396,028,597	9,314,091,390	4,234,127,914	2,396,028,597
Bills Purchased	-	523,473,505	352,345,500		523,473,505	352,345,500
Staff loans	636,641,280	353,731,043	793,130,086	636,641,280	353,731,043	793,130,086
Other	6,387,691,431	4,877,299,811	2,753,687,773	6,387,691,431	4,877,299,811	2,753,687,773
Sub Total	**117,427,371,576**	**71,269,740,865**	**58,666,347,206**	**116,598,589,197**	**71,269,177,551**	**58,666,347,206**
Interest Receivable	441,581,376	307,945,619	246,505,746	441,581,376	307,945,619	246,505,746
Grand Total	**117,868,952,952**	**71,577,686,484**	**58,912,852,952**	**117,040,170,573**	**71,577,123,170**	**58,912,852,952**

4.7.2 Analysis of loan and advance- By Currency

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Nepalese rupee	117,114,089,952	71,054,212,979	58,034,440,112	16,285,307,574	71,053,649,666	58,034,440,112
Indian rupee	-	-	-	-	-	-
USD	754,863,000	523,473,505	878,412,840	754,863,000	523,473,505	878,412,840
GBP	-	-	-	-	-	-
Euro	-	-	-	-	-	-
JPY	-	-	-	-	-	-
Chinese Yuan	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**117,868,952,952**	**71,577,686,484**	**58,912,852,952**	**17,040,170,573**	**71,577,123,170**	**58,912,852,952**

4.7.3 Analysis of loan and advance- By Collateral

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Movable / Immovable assets	106,777,102,906	64,774,987,481	51,325,164,855	106,777,102,906	64,774,987,481	51,325,164,855
Gold and silver	616,834,265	507,831,621	215,325,578	616,834,265	507,831,621	215,325,578
Guarantee of domestic B/Fis	-	-	-	-	-	-
Government Guarantee	216,534,275	216,534,275	77,375,775	216,534,275	216,534,275	77,375,775
Guarantee of international rated bank	-	-	-	-	-	-
Export document	-	-	-	-	-	-
Fixed Deposit receipts	207,313,501	387,980,239	346,568,208	207,313,501	387,980,239	346,568,208
Government securities / bonds Counter guarantee	-	-	-	-	-	-
Counter guarantee	-	-	-	-	-	-
Personal guarantee	-	-	-	-	-	-
Other	9,222,911,697	5,690,352,868	6,948,418,536	9,222,385,626	5,689,789,555	6,948,418,536
Subtotal	**117,040,696,644**	**71,577,686,484**	**58,912,852,952**	**117,040,170,573**	**71,577,123,170**	**58,912,852,952**
Unsecured	-	-	-	-	-	-
Grand Total	**117,040,696,644**	**71,577,686,484**	**58,912,852,952**	**117,040,170,573**	**71,577,123,170**	**58,912,852,952**

4.7.4 Analysis of loan and advance- By Collateral

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Specific allowances for impairment						
Balance at Shrawan 1	236,916,814	389,607,805	-	236,916,814	389,607,805	-
Impairment loss for the year:	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Recoveries/reversal during the year	(157,837,623)	(152,690,991)	-	(166,120,186)	(152,690,991)	-
Write-offs	-	-	-	-	-	-
Exchange rate variance on foreign currency	-	-	-	-	-	-
Other movement	-	-	-	-	-	-
Balance at Ashad end	**79,079,191**	**236,916,814**	**389,607,805**	**70,796,628**	**236,916,814**	**389,607,805**
Collective allowances for impairment						
Balance at Shrawan 1	724,386,137	646,846,277		724,386,137	646,846,277	
Impairment loss for the year:	-	-	-	-	-	-
Charge/(reversal) for the year	440,366,901	77,539,860		440,366,901	77,539,860	
Exchange rate variance on foreign currency	-	-	-	-	-	-
Other movement	-	-	-	-	-	-
Balance at Ashad end	**1,164,753,038**	**724,386,137**	**646,846,277**	**1,164,753,038**	**724,386,137**	**646,846,277**
Total allowances for impairment	**1,243,832,229**	**961,302,951**	**1,036,454,082**	**1,235,549,666**	**961,302,951**	**1,036,454,082**

4.8 Investment Securities

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Investment securities measured at amortized cost	13,547,545,154	9,488,893,059	10,774,231,526	13,375,545,154	9,418,893,059	10,774,231,526
Investment in equity measure at FVTOCI	757,223,119	600,722,096	833,288,706	757,223,119	600,722,096	833,288,706
Other	-	-	-	-	-	-
	14,304,768,273	**10,089,615,155**	**11,607,520,231**	**14,132,768,273**	**10,019,615,155**	**11,607,520,231**

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Debt securities	343,102,568	828,062,378	201,808,278	343,102,568	828,062,378	201,808,278
Government bonds	9,777,619,428	6,598,555,235	5,598,224,839	9,777,619,428	6,598,555,235	5,598,224,839
Government treasury bills	2,161,384,193	1,992,275,446	1,907,291,065	2,161,384,193	1,992,275,446	1,907,291,065
Nepal Rastra Bank bonds	-	-	3,066,907,344	-	-	3,066,907,344
Nepal Rastra Bank deposits instruments	1,093,438,964	-	-	1,093,438,964	-	-
Other	172,000,000	70,000,000	-	-	-	-
Less: specific allowances for impairment	-	-	-	-	-	-
Total	**13,547,545,154**	**9,488,893,059**	**10,774,231,526**	**13,375,545,154**	**9,418,893,059**	**10,774,231,526**

4.8.2 Investment securities measured through other comprehensive Income

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Equity instruments						
Quoted equity securities	566,311,619	424,710,596	770,046,206	566,311,619	424,710,596	770,046,206
Unquoted equity securities	190,911,500	176,011,500	64,242,500	190,911,500	176,011,500	63,242,500
Total	**757,223,119**	**600,722,096**	**834,288,706**	**757,223,119**	**600,722,096**	**833,288,706**

4.8.3 Information relating to investment in equities

Investment securities designated at fair value through other comprehensive income

Amount in NPR

Equity instruments	Group				Bank			
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2018		As at 15 July 2017	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity								
National Life Insurance Company Limited								
65,000 shares of Rs 100 Each	51,616,442	51,616,442	51,616,442	51,616,442	51,616,442	51,616,442	51,616,442	51,616,442
Nepal Life Insurance Company								
3,090 Shares of Rs 100 Each	2,480,925	3,244,500	2,480,925	5,004,800	2,480,925	3,244,500	2,480,925	5,004,800
Rural Microfinance Development Centre Limited								
352,615 Shares of Rs 100 Each	25,231,000	25,231,000	25,231,000	25,231,000	25,231,000	25,231,000	25,231,000	25,231,000
Global IME Samunnat Scheme 1 *								
3,767,268 Shares of Rs 10 Each	37,672,680	33,038,940	37,672,680	38,388,461	37,672,680	33,038,940	37,672,680	38,388,461
NABIL Equity Fund *								
475,944 Shares of Rs 10 Each	4,759,440	4,692,808	4,759,440	4,749,921	4,759,440	4,692,808	4,759,440	4,749,921
NIBL Pargati Fund *								
1,027,407 Shares of Rs 10 Each	10,274,070	9,246,663	10,274,070	10,202,152	10,274,070	9,246,663	10,274,070	10,202,152
NMB Hybrid Fund L-1 *								
1,101,421 Shares of Rs 10 Each	11,014,210	10,672,769	11,014,210	10,948,125	11,014,210	10,672,769	11,014,210	10,948,125
NIC Asia Growth Fund *								
15,000,000 Shares of Rs 100 Each	150,000,000	150,000,000	-	-	150,000,000	150,000,000	-	-
Swadeshi Laghubitta Bittiya Sanstha Limited *								
12 shares of Rs 100 Each	-	-	-	-	-	-	1,200	1,200
Mero Microfinance Bittiya Sanstha Limited								
200,200 Shares of Rs 100 Each	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Citizen Investment Trust								
111,496 Shares of Rs 100 Each	264,568,496	264,568,496	264,568,496	264,568,496	264,568,496	264,568,496	264,568,496	264,568,496
Total (A)	**571,617,263**	**566,311,619**	**421,617,263**	**424,709,397**	**571,617,263**	**566,311,619**	**421,618,463**	**424,710,597**
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								
94,529.25 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
Mahuli Samudayik Laghubitta Bittiya Sanstha *								
20,000 Shares of 100 Each	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
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								
60,000 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
Grameen Laghubitta Bittiya Sanstha Limited *								
30,000 Shars of 100 Each	3,000,000	3,000,000	-	-	3,000,000	3,000,000	-	-
Shrijana Community Development Center *								
5,000 Shares of 100 Each	500,000	500,000	-	-	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	-	-
Total (B)	**190,911,500**	**190,911,500**	**176,011,500**	**176,011,500**	**190,911,500**	**190,911,500**	**176,011,500**	**176,011,500**
Total (A+B)	**762,528,763**	**757,223,119**	**597,628,763**	**600,720,897**	**762,528,763**	**757,223,119**	**597,629,963**	**600,722,097**

Investment in unquoted equity are shown at cost considering networth of invested equity are not less than cost.

* Companies have not distributed dividends from last three years

4.9 Current Tax Assets

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Current income tax assets	-	9,857,544	10,172,233	-	9,857,544	10,172,233
Current tax of prior periods	-	-	-	-		
Total	**-**	**9,857,544**	**10,172,233**	**-**	**9,857,544**	**10,172,233**
Current income tax liabilities	25,025,507	-	-	25,025,507	-	-
Current tax of prior periods	-	-	-	-	-	-
Total	**25,025,507**	**-**	**-**	**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. Simialrly, the current income tax liabilities includes the tax payable to the Government computed as per the provision of the Income Tax Act 2058.

4.10 Investment in subsidiaries

Amount in NPR

	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Investment in quoted subsidiaries	-	-	-
Investment in unquoted subsidiaries	270,000,000	100,000,000	100,000,000
Total Investment	**270,000,000**	**100,000,000**	**100,000,000**
Less: Impairmment			
Net Carrying Amount	**270,000,000**	**100,000,000**	**100,000,000**

4.10.1 Investment in Quoted Subsidiaries

Amount in NPR

	Bank					
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Vale
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

	"As at 16 July 2018"		"As at 15 July 2017"		"As at 16 July 2016"	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Vale
NIC ASIA Capital Limited	200,000,000	200,000,000	100,000,000	100,000,000	100,000,000	100,000,000
NIC ASIA Lagubitta Bittiya Sanstha Limited	70,000,000	70,000,000	-	-	-	-
Total	**270,000,000**	**270,000,000**	**100,000,000**	**100,000,000**	**100,000,000**	**100,000,000.00**

4.10.3 Information relating to subsidiaries of the bank

Amount in NPR

	Bank		
	Percentage of Ownership by Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
NIC ASIA Capital Limited	100	100	100
NIC ASIA Lagubitta Bittiya Sanstha Limited	100	-	-

NIC ASIA Lagubitta Bittiya Sanstha Limited was registered in Company Registrar on 2074/03/10 and started its operation on 2074/09/05

4.10.4 Non Controlling Interest of the subsidiaries

Amount in NPR

	Group					
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2016	
	NIC ASIA Capital	NIC ASIA Lagubitta Bittiya Sanstha	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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Investment in quoted associates	-	-	-	-	-	-
Investment in unquoted associates	-	-	-	-	-	-
Total Investment	**-**	**-**	**-**	**-**	**-**	**-**
Less Impairmment						
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 2018		As at 15 July 2017		As at 16 July 2016		As at 16 July 2018		As at 15 July 2017		As at 16 July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Vale	Cost	Fair Value	Cost	Fair Value	Cost	Fair Vale
	-	-	-	-	-	-	-	-	-	-	-	-

4.11.2 Investment in Unquoted associates

Amount in NPR

	Group						Bank					
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2016		As at 16 July 2018		As at 15 July 2017		As at 16 July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Vale	Cost	Fair Value	Cost	Fair Value	Cost	Fair Vale
	-	-	-	-	-	-	-	-	-	-	-	-

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
	-	-	-	-	-	-

4.11.4 Equity value of associates

Amount in NPR

	Group		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
	-	-	-

4.12 Investment Properties

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
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,	48,254,332	283,985,874	283,985,874	48,254,332	283,985,874	283,985,874
Addition/disposal during the year	26,128,591	(235,731,542)	-	26,128,591	(235,731,542)	-
Net changes in fair value during the year	-	-	-	-	-	-
Adjustment/transfer	-	-	-	-	-	-
Net amount	**74,382,923**	**48,254,332**	**283,985,874**	**74,382,923**	**48,254,332**	**283,985,874**
Total	**74,382,923**	**48,254,332**	**283,985,874**	**74,382,923**	**48,254,332**	**283,985,874**

Refer note 5.12 for partywise details of Non Banking Assets as at reporting date.

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	Total Ashad end 2074
Cost or deemed cost											
Balance at Ashad end 2073	**140,320,227**	**97,757,972**	**197,618,208**	**150,584,314**	**168,213,883**	**114,304,500**	**127,836,351**	**114,304,500**	**10,309,032**	**-**	**-**
Additions											
Acquisition during the year	239,934,542	-	152,159,179	67,967,876	106,418,701	41,863,140	40,745,011	38,290,650	-	-	687,379,099
Capitalization											
Disposals	-	-	-	(10,951,683)	(46,541,550)	(661,789)	(3,123,579)	(661,789)	(3,051,104)	-	(64,991,495)
Adjustment	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
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**	**2,393,812,154**	**-**

	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Capital WIP	Total Ashad end 2075	Total Ashad end 2074
Accumulated depreciation and impairment											
Balance at Ashad end 2073	**-**	**21,339,807**	**111,306,800**	**106,553,243**	**93,869,364**	**81,562,257**	**87,651,599**	**81,562,257**	**-**		**583,845,326**
Depreciation Charge for the Year	-	3,820,908	38,280,319	20,478,334	18,632,220	12,355,279	12,876,890	11,994,984	-		118,438,933
Impairment for the Year											
Disposals	-	-	-	(9,981,447)	(14,870,095)	(600,420)	(3,124,826)	(600,420)	-		(29,177,208)
Others											-
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**	**73,419,910**	**103,241,694**	**92,956,821**	**-**	**609,406,430**	**-**
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-

Net Book Value	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Capital WIP	Total Ashad end 2075	
Balance at Ashad end 2073	140,320,227	76,418,165	86,311,407	44,031,071	74,344,519	32,742,243	40,184,753	32,742,243	10,309,032	537,403,660	-
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	153,239,673	105,314,083	338,394,969	58,976,540	17,574,382	1,784,405,723	-

Amount in NPR

	Bank										
	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Office Equipment	Capital WIP	Total Ashad end 2075	Total Ashad end 2074
Cost or deemed cost											
Balance at Ashad 31 2073	140,320,227	97,757,972	197,618,208	150,584,314	168,213,883	114,304,500	127,836,351	114,304,500	10,309,032		1,121,248,986
Additions											
Acquisition during the year	239,934,542	-	150,603,948	67,967,876	106,248,701	38,290,650	40,662,826	38,290,650	-		681,999,192
Capitalization											
Disposals				(10,951,683)	(46,541,550)	(661,789)	(3,123,579)	(661,789)	(3,051,104)		(64,991,495)
Adjustment											-
Others											
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**	**-**	**1,121,248,986**
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**	**-**

	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Office Equipment	Capital WIP	Total Ashad end 2075	Total Ashad end 2074
Accumulated depreciation and impairment											
Balance at Ashad 31 2073	-	21,339,807	111,306,800	106,553,243	93,869,364	81,562,257	87,651,599	81,562,257	-		583,845,326
Depreciation Charge for the Year	-	3,820,908	40,855,918	20,478,334	18,616,872	11,994,984	12,876,890	11,994,984	-		120,638,890
Impairment for the Year											
Disposals	-	-	-	(9,981,447)	(14,870,095)	(600,420)	(3,124,826)	(600,420)	-		(29,177,208)
Others											-
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			(59,340)	(88,518,079)	(26,680,046)	(30,857,307)	(22,466,438)	-	-	(168,581,209)	-
Others										-	-
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**	**-**

Net Book Value	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Capital WIP	Total	
Balance at Ashad 31 2073	140,320,227	76,418,165	86,311,407	44,031,071	74,344,519	32,742,243	40,184,753	32,742,243	10,309,032	537,403,660	-
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	-

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 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

During the FY 2015/16 and FY 2016/17 Written Down Value Method has been followed to calculate the depreciation of asset. However during the FY 2017/18 Straight Line Method has been followed due to which 30.58 million assets have been written off. As per para 61 of NAS 16 , change in useful life of asset has been accounted as change in accounting estimate and treated prospectively as per NAS 8.

4.14 Goodwill & Intangible Assets

Amount in NPR

Particulars	Group					
	Software			Other	As at Ashad end 2075	As at Ashad end 2074
	Goodwill	Purchased	Developed			
Cost						
As on Sawan 1, 2073		31,783,000				31,783,000
Additions:						
Acquisition		26,756,405				26,756,405
Capitalization						
Disposals or classified as held for sale						
Adjustment						
Balance at Asar 31 2074		**58,539,405**			**58,539,405**	**31,783,000**
Additions						
Acquisition		30,695,477			30,695,477	-
Capitalization						
Disposals or classified as held for sale						
Adjustment						
Balance as on Asar 32, 2075		**89,234,882**			**89,234,882**	**58,539,405**
Depreciation and Impairment						
As on Sawan 1, 2073		13,510,985				13,510,985
Depreciation charge for the Year		8,638,810				8,638,810
Disposals						
Adjustment					-	
As on Asar 31 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**	**22,149,795**
Capital Work in Progress						
Net Book Value						
Balance at Ashad 31 2073		18,272,015			18,272,015	-
Balance at Ashad 31 2074		36,389,609			36,389,609	-
Balance at Ashad 32 2075		52,705,510			52,705,510	-

4.14 Goodwill & Intangible Assets

Amount in NPR

Particulars	Bank					
	Software			Other	As at Ashad end 2075	As at Ashad end 2074
	Goodwill	Purchased	Developed			
Cost						
As on Sawan 1, 2073		31,783,000			31,783,000	-
Additions:		25,660,305			25,660,305	-
Acquisition					-	
Capitalization					-	
Disposals or classified as held for sale					-	
Adjustment					-	
Balance at Asar 31 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 as on Asar 32, 2075		**85,887,747**			**85,887,747**	**57,443,305**
Depreciation and Impairment						
As on Sawan 1, 2073		13,510,985			13,510,985	-
Depreciation charge for the Year		8,545,774			8,545,774	-
Disposals						
Adjustment		-			-	
As on Asar 31 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**	**22,056,759**
Capital Work in Progress						
Net Book Value						
Balance at Ashad 31 2073		18,272,015			18,272,015	-
Balance at Ashad 31 2074		35,386,546			35,386,546	-
Balance at Ashad 32 2075		49,831,991			49,831,991	-

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

Amount in NPR

Deferred Tax Assets/Liabilities	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Deferred tax assets	-	-	-	-	-	-
Deferred tax liabilities	(2,799,908)	(55,864,389)	146,807,462	2,814,629	55,797,787	146,829,993
Net Amount	**2,799,908**	**55,864,389**	**(146,807,462)**	**(2,814,629)**	**(55,797,787)**	**(146,829,993)**

Current Year

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 Ashadh 32 2075				**-**	**-**	**(2,814,629)**
Deferred tax (asset)/liabilities as on Sawan 1 2074				-	-	(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				**-**	**-**	**-**

Previous Year

2016-17	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	-	(92,421,378)	(92,421,378)	-	(92,421,378)	(92,421,378)
Investment Properties	-	(14,476,300)	(14,476,300)	-	(14,476,300)	(14,476,300)
Investment Securities	-	(927,640)	(927,640)	-	(927,640)	(927,640)
Property & Equipment	14,987,552	-	14,987,552	14,987,552	-	14,987,552
Employees' defined benefit plan	37,567,457	-	37,567,457	37,567,457	-	37,567,457
Lease Liabilities	-	-	-	-	-	-
Provisions	-	(66,601)	(66,601)	-	-	-
Other temporary differences	-	(527,479)	(527,479)	-	(527,479)	(527,479)
Deferred tax on temporary differences	**52,555,009**	**(108,419,398)**	**(55,864,389)**	**52,555,009**	**(108,352,797)**	**(55,797,787)**
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 31st Ashaad, 2074 (Closing)				**-**	**-**	**(55,797,787)**
Deferred tax (asset)/liabilities as on Sawan 1, 2073 (Opening)				-	-	146,829,993
Origination/(Reversal) during the year				**-**	**-**	**91,032,205**
					-	
Deferred tax expense/(income) recognised in profit or loss				**-**	**-**	**37,717,441**
Deferred tax expense/(income) recognised in other comprehensive income				**-**	**-**	**53,314,764**
Deferred tax expense/(income recognised in directly in equity				**-**	**-**	**-**

4.16 Other Assets

Amount in NPR

Other Assets	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Assets held for sale	-	-	-	-	-	-
Other non banking assets	-	-	-	-	-	-
Bills receivable	-	-	-	-	-	-
Accounts receivable	7,064,062,396	737,817,616	352,803,403	7,057,412,789	736,352,069	352,963,652
Accrued Income	-	-	-	-	-	-
Prepayments and Deposit	694,875,232	157,116,238	140,389,152	693,850,228	156,650,540	140,389,152
Income Tax Deposit	82,185,928	79,653,398	-	81,974,220	78,858,970	
Deferred Employee expenditure	681,489,026	289,937,552.85	85,282,754.31	681,489,026	289,937,553	85,282,754
Other	106,264,720	31,425,919.75	9,652,157	106,111,085	31,425,919	9,652,157
Total	**8,628,877,303**	**1,295,950,724**	**588,127,466**	**8,620,837,348**	**1,293,225,050**	**588,287,715**

4.17 Due to Bank and financial Institutions

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Money Market Deposit	-	-	-	-	-	-
Interbank Borrowing	-	500,041,096	1,850,000,000	-	500,041,096	1,850,000,000
Other deposits from BFIs	11,728,515,665	7,272,725,446	5,265,385,414	11,629,507,290	7,272,725,446	5,365,492,263
Settlement and clearing accounts	-	-	-	-	-	-
Other deposits from BFIs	-	-	-	-	-	-
Total	**11,728,515,665**	**7,772,766,542**	**7,115,385,414**	**11,629,507,290**	**7,772,766,542**	**7,215,492,263**

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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Refinance from NRB	742,269,472	-	-	742,269,472	-	-
Standing Liquidity Facility	-	-	-	-	-	-
Lender of last resort facility from NRB	-	-	-	-	-	-
Sale and repurchase agreement	-	-	-	-	-	-
Other due to Nepal Rastra Bank	-	-	-	-	-	-
Total	**742,269,472**	**-**	**-**	**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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Held for Trading						
Interest Rate Swap	-	-	-	-	-	-
Currency Swap	-	-	-	-	-	-
Forward exchange Contract.	-	-	-	-	-	-
Others	-	-	-	-	-	-
Held for risk management	-	-	-		-	-
Interest Rate Swap	-	-	-	-	-	-
Currency Swap	-	-	-	-	-	-
Forward exchange Contract	1,721,813,609	2,999,989,431	2,266,526,366	1,721,813,609	2,999,989,431	2,266,526,366
Others	-	-	-	-	-	-
Total	**1,721,813,609**	**2,999,989,431**	**2,266,526,366**	**1,721,813,609**	**2,999,989,431**	**2,266,526,366**

A significant part of the derivatives in the portfolio are related to servicing corporate clients in their risk management to hedge. For example, foreign currency exposures. These products are used by Bank as part of its own regular treasury activities. 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. However, NFRS does not allow netting of these positions in the statement of financial position.

4.20 Deposit from Customers

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Corporate Customers						
Term Deposit	34,328,582,447	21,800,210,954	23,316,191,262	34,328,582,447	21,800,210,954	23,316,191,262
Call Deposit	13,681,382,500	10,107,755,846	12,806,652,592	13,761,041,525	10,125,793,503	12,806,652,592
Current Deposit	10,890,731,098	3,108,203,821	2,112,468,843	10,890,731,098	3,108,203,821	2,112,468,843
Other	487,660,714	451,572,686	483,840,976	487,660,714	451,572,686	483,840,976
Retail Deposit						
Term Deposit	31,227,993,334	18,393,263,113	4,619,207,104	31,227,993,334	18,393,263,113	4,619,207,104
Saving Deposit	48,088,149,478	24,850,608,054	19,261,052,622	48,019,537,051	24,850,608,054	19,261,052,622
Current Deposit	390,793,014	188,023,051	201,258,702	390,793,014	188,023,051	201,258,702
Other	483,268,662	987,927,235	1,806,118,793	483,268,662	987,927,235	1,806,118,793
Total	**139,578,561,246**	**79,887,564,759**	**64,606,790,894**	**139,589,607,845**	**79,905,602,416**	**64,606,790,894**

Deposit from customer includes accrued interest payable as on reporting date for the particular deposit portfolio.

4.20.1 Deposit from Customer

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Nepalese rupee	135,015,131,298	78,478,663,770	62,689,365,908	135,026,177,897	78,496,701,428	62,689,365,908
Indian rupee	-	-	-	-	-	-
USD	4,559,176,476	1,404,483,913	1,905,045,047	4,559,176,476	1,404,483,913	1,905,045,047
GBP	635,823	298,043	9,513,403	635,823	298,043	9,513,403
Euro	2,645,457	3,840,367	2,607,231	2,645,457	3,840,367	2,607,231
Japanese Yen	-	-	-	-	-	-
Chinese yuan	-	-	-	-	-	-
Other	972,192	278,666	259,305	972,192	278,666	259,305
Total	**139,578,561,246**	**79,887,564,759**	**64,606,790,894**	**139,589,607,845**	**79,905,602,416**	**64,606,790,894**

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 2018"	"As at 15 July 2017"	"As at 16 July 2016"	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Liability for employees defined benefit obligations	26,225,161	33,219,669	64,366,533	24,798,627	33,162,685	64,366,533
Liability for long-service leave	128,816,002	96,194,575	52,569,040	128,512,135	96,194,575	52,569,040
Short-term employee benefits	-	-	-	-	-	-
Bills Payable	119,442,292	69,051,705	91,438,594	119,442,292	69,051,705	91,438,594
Creditors and accruals	1,401,536,368	863,278,622	342,368,168	1,400,233,571	863,278,622	342,171,194
Interest payable on deposit	-	-	-	-	-	-
Interest payable on borrowing	-	-	-	-	-	-
Liabilities on defered grant income	-	-	-	-	-	-
Unpaid Dividend	93,774,708	95,718,632	152,327,464	93,774,708	95,718,632	152,327,464
Liabilities under Finance Lease	-	-	-	-		
Employee bonus payable	201,178,092	208,812,887	153,269,739	201,178,092	208,812,887	153,269,739
Other	154,190,129	99,196,016	59,206,258	105,835,674	91,908,965	59,366,507
Total	**2,125,162,751**	**1,465,472,105**	**915,545,796**	**2,073,775,098**	**1,458,128,070**	**915,509,071**

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 dicslosure in 5.21.

4.23.1 The amount Recognised in Statement of Financial Position:

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Present value of unfunded defined benefit obligation	129,938,669	96,251,559	52,569,040	128,512,135	96,194,575	52,569,040
Present value of funded defined benefit obligation	143,072,280	130,501,066	154,333,085	142,768,413	130,501,066	154,333,085
Total Present value of obligations	**273,010,949**	**226,752,625**	**206,902,125**	**271,280,548**	**226,695,641**	**206,902,125**
Fair value of plan assets	117,969,786	97,338,381	89,966,552	117,969,786	97,338,381	89,966,552
Present Value of Net Obligation	155,041,163	129,414,244	116,935,573	153,310,762	129,357,260	116,935,573
Recognised Liability for defined benefit obligations	**155,041,163**	**129,414,244**	**116,935,573**	**153,310,762**	**129,357,260**	**116,935,573**

4.23.2 Plan Assets

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Equity Shares	-	-	-	-	-	-
Government Bonds	-	-	-	-	-	-
Bank Deposit	-	-	-	-	-	-
Other	-	-	-	117,969,786	97,338,381	89,966,552
Total	**-**	**-**	**-**	**117,969,786**	**97,338,381.00**	**89,966,552.00**
Actual Return on Plan assets	-	-	-	-	-	-

4.23.3 Movement in Present Value of defined benefits Obligation

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Fair Value of Obligation at beginning of the year	226,695,642	178,639,001	151,643,236	226,695,642	178,639,001	151,643,236
Acturial (gain)/loss	(13,023,750)	22,938,105	35,498,041	(13,023,750)	22,938,105	35,498,041
Benefits paid by the plan	(36,665,436)	(29,537,588)	(15,421,869)	(36,665,436)	(29,537,588)	(15,421,869)
Current Service Cost and Interest	94,274,092	54,656,123	35,182,717	94,274,092	54,656,123	35,182,717
Defined benefits obligation at year end	**271,280,548**	**226,695,641**	**206,902,125**	**271,280,548**	**26,695,641**	**206,902,125**

4.23.4 Movement in Present Value of Plan Assets

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Fair Value of Plan Assets at beginning of the year	97,338,382	89,966,552	58,815,058	97,338,382	89,966,552	58,815,058
Contributions paid into plan	46,944,407	33,070,521	36,314,462	46,944,407	33,070,521	36,314,462
Benefits paid by the plan	(16,460,167)	(21,587,924)	(5,162,968)	(16,460,167)	(21,587,924)	(5,162,968)
Acturial (Losses)/gains	(9,852,836)	(4,110,768)	-	(9,852,836)	(4,110,768)	-
Expected return on plan assets	-	-	-	-	-	-
Fair Value of Plan Assets at the year end	**117,969,786**	**97,338,381**	**89,966,552**	**117,969,786**	**97,338,381**	**89,966,552**

4.23.5 Expenses Recognized in Income Statement

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Current service cost	75,521,429	39,192,335	23,631,674	75,521,429	39,192,335	23,631,674
Interest cost	18,752,663	15,463,788	11,551,043	18,752,663	15,463,788	11,551,043
Expected Return on Plan Assets	-	-	-	-	-	-
Expenses Recognized in Income Statement	**94,274,092**	**54,656,123**	**35,182,717**	**94,274,092**	**54,656,123**	**35,182,717**

4.23.6 Expenses Recognized in other comprehensive income

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Expenses Recognized in Income Statement	-	-	-	-	-	-

4.23.7 Actuarial Assumptions

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Salary escalation rate	10%	10%	10%	10%	10%	10%
Withdrawal rate	5%	5%	5%	5%	5%	5%
Expected return on Plan Assets	9%	9%	0%	9%	9%	0%

4.24 Debt Securities Issued

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Debt Securities issued at amortized cost	3,487,908,815	501,249,729	515,702,553	3,487,908,815	501,249,729	515,702,553
Total	**3,487,908,815**	**501,249,729**	**515,702,553**	**3,487,908,815**	**501,249,729**	**515,702,553**

The Bank has two outstanding debt issued '7.25% NIC ASIA Bond 2077' of total face value of NPR 500 million and '9% NIC ASIA Bond 2081/82' of total face value of NPR 3,000 million with maturity period of 7 years as per the approval received from NRB and Securities Board of Nepal. Refer point a(iii) of note no.5.2.2 for details regarding debt securities issued.

Amount in NPR

Debt Securities In Issues (Maturity)	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
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	-	-	500,000,000		-	500,000,000
More than 5 years	3,000,000,000	-	-	3,000,000,000	-	-
Total	**3,500,000,000**	**500,000,000**	**500,000,000**	**3,500,000,000**	**500,000,000**	**500,000,000**

4.25 Subordinated Liabilities

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
irredemable 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 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Share Capital						
Ordinary Shares	8,031,116,998	6,692,597,498	4,575,374,272	8,031,116,998	6,692,597,498	4,575,374,272
Convertible Preference Shares	-	-	-	-	-	-
Irredemable Preference Shares (equity component only)	-	-	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-	-	-
Total	**8,031,116,998**	**6,692,597,498**	**4,575,374,272**	**8,031,116,998**	**6,692,597,498**	**4,575,374,272**

4.26.1 Ordinary Shares

Amount in NPR

	Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Authorised capital			
50,000,000 Ordinary Shares of Rs 100 each (2015-16)	-	-	-
80,000,000 Ordinary Shares of Rs 100 each (2016-17)	-	-	-
80,400,000 Ordinary Shares of Rs 100 each (2017-18)	-	-	-
Issued capital			
4,575,374 Ordinary Shares of Rs. 100 each (2015-16)	-	-	-
66,925,975 Ordinary Shares of Rs 100 each (2016-17)	-	-	-
80,311,169 Ordinary Shares of Rs 100 each (2017-18)	8,031,116,998	6,692,597,498	4,575,374,272
Paid up capital			
4,575,374 Ordinary Shares of Rs. 100 each (2015-16)	-	-	-
66,925,975 Ordinary Shares of Rs 100 each (2016-17)	-	-	-
80,311,169 Ordinary Shares of Rs 100 each (2017-18)	8,031,116,998	6,692,597,498	4,575,374,272

4.26.2 Ordinary Share Ownership

Amount in NPR

	Bank					
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2016	
	%	Amount	%	Amount	%	Amount
Domestic Ownership						
Nepal Government	-	-	-	-	-	-
"A" Class licensed institutions	-	-	-	-	-	-
Other licensed institutions	-	-	-	-	-	-
Other institutions	6.3	508,096,800	6.5	436,664,040	2.1	97,355,967
Public	93.7	7,523,020,198	93.5	6,255,933,458	97.9	4,478,018,305
Other	-	-	-	-		
Foreign Ownership						
Total	**100**	**8,031,116,998**	**100**	**6,692,597,498**	**100**	**4,575,374,272**

4.27 Reserves

Amount in NPR

Particulars	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Statutory General reserve	1,825,152,950	1,558,180,565	1,263,487,370	1,825,152,950	1,558,180,565	1,263,487,370
Exchange equalization reserve	38,372,154	34,686,094	33,954,384	38,372,154	34,686,094	33,954,384
Corporate social responsibility reserve	24,616,276	14,734,660	-	24,616,276	14,734,660	-
Capital redemption reserve	285,714,288	214,285,716	142,857,144	285,714,288	214,285,716	142,857,144
Regulatory reserve	455,575,876	-	-	455,575,876	-	-
Investment adjustment reserve	44,244,462	28,472,369	29,596,355	44,244,462	28,472,369	29,596,355
Capital reserve	-	-	-	-	-	-
Assets revaluation reserve	-	-	-	-	-	-
Fair value reserve	1,591,694	2,312,016	125,621,616	1,591,694	2,312,016	125,621,616
Dividend equalization reserve	-	-	-	-	-	-
Actuarial gain	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-
Other reserve	20,416,307	25,014,974	15,164,081	20,416,307	25,014,974	15,164,081
Total	**2,695,684,007**	**1,877,686,394**	**1,610,680,950**	**2,695,684,007**	**1,877,686,394**	**1,610,680,950**

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.

4.28 Contingent liabilities and commitments

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Contingent liabilities	14,782,799,189	11,253,448,274	10,515,724,962	13,515,385,580	11,253,448,274	10,515,724,962
Undrawn and undisbursed facilities	15,008,033,941	12,876,548,689	12,838,585,886	15,008,033,941	12,876,548,689	12,838,585,886
Capital commitment	-	-	-	-	-	-
Lease Commitment	-	-	-	-	-	-
Litigation	-	-	-			
Total	**29,790,833,130**	**24,129,996,963**	**23,354,310,848**	**28,523,419,521**	**24,129,996,963**	**23,354,310,848**

4.28.1 Contingent liabilities

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Acceptance and documentary credit	471,070,000	552,221,255	498,450,908	471,070,000	552,221,255	498,450,908
Bills for collection	167,927,436	97,435,121	69,364,099	167,927,436	97,435,121	69,364,099
Forward exchange contracts	1,721,813,609	2,999,989,431	2,266,526,366	1,721,813,609	2,999,989,431	2,266,526,366
Guarantees	89,625,588	55,749,466	133,879,341	89,625,588	55,749,466	133,879,341
Underwriting commitment	-	-	-	-	-	-
Other commitments	11,064,948,948	7,548,053,001	7,547,504,248	11,064,948,948	7,548,053,001	7,547,504,248
Total	**13,515,385,580**	**11,253,448,274**	**10,515,724,962**	**13,515,385,580**	**11,253,448,274**	**10,515,724,962**

4.28.2 Undrawn and undisbursed facilities

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Undisbursed amount of loans	-	-	-	-	-	-
Undrawn limits of overdrafts	4,816,976,008	2,531,174,817	3,713,672,668	4,816,976,008	2,531,174,817	3,713,672,668
Undrawn limits of credit cards	363,672,772	190,474,614	-	363,672,772	190,474,614	
Undrawn limits of letter of credit	8,394,414,368	9,504,788,045	8,661,258,240	8,394,414,368	9,504,788,045	8,661,258,240
Undrawn limits of guarantee	1,432,970,793	650,111,213	463,654,978	1,432,970,793	650,111,213	463,654,978
Total	**15,008,033,941**	**12,876,548,689**	**12,838,585,886**	**15,008,033,941**	**12,876,548,689**	**12,838,585,886**

4.28.3 Capital commitments

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

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Capital commitments in relation to Property and Equipment						
Approved and contracted for	10,595,795	-	-	10,595,795	-	-
Approved but not contracted for						
Sub total	**10,595,795**	**-**	**-**	**10,595,795**	**-**	**-**
Capital commitments in relation to Intangible assets						
Approved and contracted for						
Approved but not contracted for						
Sub total	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,595,795**	**-**	**-**	**10,595,795**	**-**	**-**

Capital commitment comprises of contract with vendor for branch expansion

4.28.4 Lease commitments

Amount in NPR

	Group			Bank		
	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
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 commitmentas 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

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Cash and cash equivalent	16,956,604	9,635,288	16,956,604	9,635,288
Due from Nepal Rastra Bank	9,397	-	9,397	-
Placement with bank and financial institutions	46,518,821	35,984,806	27,229,558	31,566,755
Loan and advances to bank and financial institutions	419,645,934	128,147,422	428,341,824	128,147,422
Loans and advances to customers	12,234,082,040	6,481,965,415	12,234,082,040	6,481,965,415
Investment securities	569,838,109	300,121,202	569,838,109	300,121,202
Loan and advances to staff	269,362,745	137,152,161	269,362,745	137,152,161
Other	-	-	-	-
Total interest income	**13,556,413,650**	**7,093,006,294**	**13,545,820,277**	**7,088,588,243**

4.30 Interest expense

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Due to bank and financial institutions	595,448,087	266,957,462	594,458,880	266,957,462
Due to Nepal Rastra Bank	14,637,175	-	14,637,175	-
Deposits from customers	8,535,783,691	4,053,623,504	8,550,684,052	4,059,275,258
Borrowing	-	-	-	-
Debt securities issued	176,376,134	36,696,315	176,376,134	36,696,315
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	**9,322,245,087**	**4,357,277,281**	**9,336,156,241**	**4,362,929,035**

4.31 Fees and Commission Income

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Loan administration fees	521,122,469	298,546,548	505,533,719	298,546,548
Service fees	112,001,493	99,293,403	112,001,493	99,293,403
Consortium fees	3,490,500	21,727,242	3,490,500	21,727,242
Commitment fees	10,290,091	15,476,248	10,290,091	15,476,248
DD/TT/Swift fees	11,632,036	9,522,152	11,632,036	9,522,152
Credit card/ATM issuance and renewal fees	31,751,700	24,274,140	31,751,700	24,274,140
Prepayment and swap fees	52,088,881	25,960,310	52,088,881	25,960,310
Investment banking fees	5,820,731	-	-	-
Asset management fees	27,368,250	3,101,062	-	-
Brokerage fees	-	-	-	-
Remittance fees	52,930,522	30,653,499	52,930,522	30,653,499
Commission on letter of credit	40,555,059	35,003,333	40,555,059	35,003,333
Commission on guarantee contracts issued	41,331,251	23,662,859	41,331,251	23,662,859
Commission on share underwriting/issue	-	-	-	-
Locker rental	8,097,444	7,462,186	8,097,444	7,462,186
Other fees and commission income	96,762,073	115,427,737	96,446,073	115,427,737
Total fees and Commission Income	**1,015,242,499**	**710,110,718**	**966,148,768**	**707,009,657**

4.32 Fees and commission expense

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
ATM management fees	-	-	-	-
VISA/Master card fees	67,069,753	37,541,094	67,069,753	37,541,094
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	11,019,543	6,251,730	11,019,543	6,251,730
Remittance fees and commission	-	-	-	-
Other fees and commission expense	30,983,214	8,518,489	18,408,813	6,126,410
Total fees and Commission Expense	**109,072,510**	**52,311,313**	**96,498,109**	**49,919,233**

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

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Changes in fair value of trading assets	45,288	44,053	-	-
Gain/loss on disposal of trading assets	37,765	1,016,689	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss foreign exchange transation	195,206,579	161,609,119	195,206,579	161,609,119
Other	-	-	-	
Net trading income	**195,289,632**	**162,669,861**	**195,206,579**	**161,609,119**

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

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Foreign exchange revauation gain	14,744,239	2,926,835	14,744,239	2,926,835
Gain/loss on sale of investment securities	(1,506,280)	(14,403,365)	(1,506,280)	(14,403,365)
Fair value gain/loss on investment properties	-	-	-	
Dividend on equity instruments	10,802,981	43,406,621	10,789,107	43,406,621
Gain/loss on sale of property and equipment	4,004,930	3,013,502	4,004,930	3,013,502
Gain/loss on sale of investment property	39,893,310	-	39,893,310	-
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	15,689,713	20,359,985	15,689,713	20,359,985
Other	-	2,761,000	-	2,761,000
Total	**83,628,893**	**58,064,578**	**83,615,018**	**58,064,578**

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

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Impairment charge/(reversal) on loan and advances to B/FIs	30,584,805	5,468,307	30,584,805	5,468,307
Impairment charge/(reversal) on loan and advances to customer	282,529,331	(75,151,134)	274,246,768	(75,151,134)
Impairment charge/(reversal) on financial Investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	**313,114,135**	**(69,682,827)**	**304,831,572**	**(69,682,827)**

4.36 Personnel Expense Personnel Expense

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Salary	571,394,983	251,823,894	557,440,861	248,512,444
Allowances	556,755,937	394,823,702	552,806,861	394,823,702
Gratuity expense	20,354,085	(9,201,424)	19,303,562	(9,201,424)
Provident fund	47,727,836	27,913,266	47,274,172	27,904,884
Uniform	17,995,270	6,790,238	17,995,270	6,790,238
Training & development expense	43,502,518	21,340,788	43,089,135	21,305,362
Leave encashment	54,727,752	55,607,295	54,423,885	55,550,311
Medical	10,529,081	-	10,529,081	-
Insurance	8,262,096	10,613,264	8,262,096	10,613,264
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	198,921,707	123,414,234	198,921,707	123,414,234
Other expenses related to staff	71,124,996	44,406,197	70,888,225	44,401,147
Subtotal	**1,601,296,262**	**927,531,453**	**1,580,934,856**	**924,114,161**
Employees bonus	203,279,007	209,127,175	201,178,092	208,812,887
Grand total	**1,804,575,268**	**1,136,658,628**	**1,782,112,947**	**1,132,927,048**

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

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Directors' fee	4,228,000	5,123,703	4,178,000	5,123,703
Directors' expense	4,518,219	3,072,292	4,518,219	3,072,292
Auditors' remuneration	2,113,000	1,412,500	2,000,000	1,412,500
Other audit related expense	-	-	-	-
Professional and legal expense	28,276,718	4,107,055	28,256,448	4,107,055
Office administration expense	581,282,809	94,585,067	575,205,050	91,937,997
Operating lease expense	181,178,083	96,515,034	177,612,016	95,061,425
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	-	-	-	-
Onerous lease provisions	-	-	-	-
Other	446,669,943	379,859,307	445,323,101	379,838,290
Total	**1,248,266,772**	**584,674,957**	**1,237,092,835**	**580,553,262**

All operating expenses other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non financial assets, expense of corporate social responsibility, onerous 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. Other includes NPR 183,405,432 in advertisement, NPR 207,212,317 in business promotion and NPR 12,543,833 in entertainment expense

4.38 Depreciation & Amortisation

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Depreciation on property and equipment	104,981,144	121,389,229	101,805,046	120,638,890
Depreciation on investment property	-	-	-	
Amortisation of intangible assets	14,379,577	8,638,810	13,998,997	8,545,774
Total	**119,360,721**	**130,028,040**	**115,804,043**	**129,184,664**

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

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Recovery of loan written off	2,500,650	155,409,210	2,500,650	155,409,210
Other income	-	-	-	-
Total	**2,500,650**	**155,409,210**	**2,500,650**	**155,409,210**

4.40 Non operating expense

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Loan written off	31,152,561	31,633,600	31,152,561	31,633,600
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	79,040,158	60,851	79,040,158	60,851
Total	**110,192,719**	**31,694,451**	**110,192,719**	**31,694,451**

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.

Other expense includes provision of Rs 67,411,179 for fraudulent transaction in swift hack, details of which has been ,disclosed in Note 5.17 of Disclosures and Additional Information.

4.41 Income tax expense

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Current tax expense				
Current year	530,722,814	626,218,877	525,425,880	625,457,790
Adjustments for prior years				
Deferred tax expense				
Origination and reversal of temporary differences	(49,464,804)	(37,717,441)	(49,684,980)	(37,717,441)
Changes in tax rate				
Recognition of previously unrecognised tax losses				
Total income tax expense	**481,258,010**	**588,501,436**	**475,740,900**	**587,740,349**

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.

4.41.1: Reconciliation of tax expense and accounting profit

Amount in NPR

	Group		Bank	
	Year Ended 16 July 2018	Year Ended 15 July 2017	Year Ended 16 July 2018	Year Ended 15 July 2017
Profit before tax	1,826,248,111	1,956,298,821	1,810,602,827	1,953,155,942
Tax amount at tax rate of 30 %	547,874,433	586,889,646	543,180,848	585,946,782
Add: Tax effect of expenses that are not deductible for tax purpose	84,512,536	67,287,665	84,512,536	67,287,665
Less: Tax effect on exempt income	(102,267,504)	(68,262,250)	(102,267,504)	(68,262,250)
Add/less: Tax effect on other items	603,349	40,303,816		40,485,593
Total income tax expense	**530,722,814**	**626,218,877**	**525,425,880**	**625,457,790**
Effective tax rate	**29.1%**	**32.0%**	**29.0%**	**32.0%**

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

Amount in NPR

	As at 16 July 2018	As at 15 July 2017
Net profit or (loss) as per statement of profit or loss	**1,334,861,927**	**1,365,415,593**
Appropriations:		
a. General reserve	266,972,385	294,693,194
b. Foreign exchange fluctuation fund	3,686,060	731,710
c. Capital redemption reserve	71,428,572	71,428,572
d. Corporate social responsibility fund	13,348,619	14,734,660
e. Employees' training fund	-	-
f. Other	-	-
- Deferred Tax reserve		10,794,886
- Investment Adjustment Reserve	15,772,093	(1,123,986)
-share Premium	-	(413,973,831)
Profit or (loss) before regulatory adjustment	**963,654,197**	**1,388,130,386**
Regulatory adjustment :	(455,575,876)	-
a. Interest receivable (-)/previous accrued interest received (+)	(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 (+)	(74,382,923)	-
e. Deferred tax assets recognised (-)/ reversal (+)	54,244,185	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	(46,911,260)	-
i. Other (+/-)	-	-
-Debt securities recognised at amortised cost	-	-
-Defined benefit obligation	-	-
-Fair value reserve	1,591,694	-
Distributable profit or (loss)	**506,486,627**	**1,388,130,386**

COMPARISON UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF 2074/75

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	7,088,542	8,132,487	1,043,944	14.73%	Due to Reclassification
Due from NRB and placements with BFIs	17,769,577	15,860,733	(1,908,844)	-10.74%	Due to Reclassification
Loan and advances	121,355,917	120,462,766	(893,151)	-0.74%	Due toNFRS Adjustments
Investments Securities	13,984,863	14,132,768	147,906	1.06%	Due to Reclassification
Investment in subsidiaris and associates	270,000	270,000	-	-	-
Goodwill and intangible assets	49,832	49,832	0	-	-
Other assets	14,413,820	12,034,592	(2,379,229)	-16.51%	Due to Reclassification
Total Assets	**174,932,551**	**170,943,178**	**(3,989,373)**	**-2.28%**	
Capital and Liabilities					
Paid up Capital	8,026,813	8,031,117	4,304	0.05%	Previously Share issue expense was deducted.
Reserves and surplus	4,192,832	3,639,339	(553,493)	-13.20%	Due to Reclassification
Deposits	151,200,984	151,219,115	18,131	0.01%	Due to Reclassification
Borrowings	-	-	-		
Bond and Debenture	3,488,299	3,487,909	(391)	-0.01%	Due to NFRS Bond EIR adjustment
Other liabilities and provisions	8,023,622	4,565,698	(3,457,924)	-43.10%	Reclassification
Total Capital and Liabilities	**174,932,551**	**170,943,178**	**(3,989,372.73)**	**-2.28%**	
Statement of Profit or Loss					
Interest income	13,296,176	13,545,820	249,645	1.88%	Staff Interest income adjustment
Interest expense	9,335,099	9,336,156	1,058	0.01%	Petty adjustments
Net interest income	**3,961,077**	**4,209,664**	**248,587**	**6.28%**	
Fee and commission income	958,051	966,149	8,097	0.85%	Reclassification of locker rent from fee and commission income
Fee and commission expense	96,498	96,498	-		
Net fee and commission income	**861,553**	**869,651**	**8,097**	**0.94%**	
Other operating income	286,919	278,822	(8,097)	-2.82%	Reclassification of locker rent from fee and commission income
Total operating income	**5,109,549**	**5,358,136**	**248,587**	**4.87%**	
Impairment charge/(reversal) for loans and other losses	(45,343)	304,832	-		
Net operating income	**5,154,892**	**5,053,305**	**(101,588)**	**-1.97%**	
Personnel expenses	1,548,306	1,782,113	233,807	15.10%	Staff Interest income adjustment
Other operating expenses	1,349,823	1,352,897	3,074	0.23%	Petty adjustments
Operating profit	**2,256,763**	**1,918,295**	**(338,468)**	**-15.00%**	
Non operating income/expense	(76,540)	(107,692)	(31,153)	40.70%	
Profit before tax	**2,180,224**	**1,810,603**	**(369,621)**	**-16.95%**	
Income tax	659,664	475,741	(183,923)	-27.88%	Change in Deferred tax due to NFRS adjustments

Profit /(loss) for the period	**1,520,560**	**1,334,862**	**(185,698)**	**-12.21%**	
Other comprehensive income	(23,888)	(26,201)	(2,313)	9.68%	NFRS Adjustments
Total comprehensive income	**1,496,672**	**1,308,661**	**(188,011)**	**-12.56%**	
Distributable Profit					
Net profit/(loss) as per profit or loss	1,520,560	1,334,862	(185,698)	-12.21%	
Add/Less: Regulatory adjustment as per NRB Directive	(672,014)	(812,603)	(140,589)	20.92%	
Free profit/(loss) after regulatory adjustments	**848,546**	**522,259**	**(326,287)**	**-38.45%**	

PRINCIPAL INDICATORS

Ratio	Indicators	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
1. Net Profit/Gross Income	Percent	37.14	32.36	40.83	42.91	24.91
2. Earnings Per Share (as per NAS 26 - Earning per Share)	NPR	35.98	25.59	28.31	23.06	16.62
3. Market Value Per Share	NPR	970	617	798	445	316
4. Price Earning Ratio	Ratio	26.96	24.11	28.19	19.30	19.01
5. Dividend (including bonus) on Share Capital	Percent	30.00	41.05	27.37	21.05	10.00
6. Cash Dividend on Share Capital	Percent	15.00	2.05	1.37	1.05	0.526
7. Interest Income/Loans and Advances & Investment	Percent	10.45	8.31	7.77	9.10	10.12
8. Staff Expenses/Total Operating Expenses	Percent	49.55	48.28	51.59	53.03	61.48
9. Interest Expenses/Total Deposits and Borrowings	Percent	5.99	5.12	4.41	5.61	6.53
10. Exchange Gain/Total Income	Percent	2.27	2.84	3.29	2.36	1.42
11. Total Cost/Total Revenue	Percent	34.12	41.56	40.30	46.14	62.04
12. Staff Bonus/Total Staff Expenses	Percent	31.44	23.01	28.21	24.85	11.29
13. Staff Cost Per Employee	NPR	636,034	577,778	493,478	478,768	777,876
14. Net Profit Per Employee	NPR	1,397,628	931,941	969,034	839,582	582,655
15. Total Credit/Deposits	Percent	82.93	81.03	85.62	83.70	86.30
16. Total Operating Expenses/Total Assets	Percent	1.48	1.44	1.31	1.60	1.83
17. Capital Adequacy (On Risk Weighted Assets)						
Core Capital	Percent	11.84	10.53	10.69	12.38	8.66
Supplementary Capital	Percent	2.20	1.96	1.75	1.45	3.58
Total Capital Fund	Percent	14.05	12.49	12.44	13.83	12.24
18. Liquidity (CRR)	Percent	28.68	28.91	23.79	25.80	24.45
19. Net Profit / Total Loan	Multiple	2.23	1.57	1.79	2.03	1.10
20. Gross Non-Performing Credit/Total Credit	Ratio	2.33	2.07	0.76	0.36	0.06
21. Net Non-Performing Credit/Total Credit	Ratio	0.68	0.41	0.11	0.04	0.01
22. Weighted Average Interest Rate Spread	Percent	4.46	3.19	3.36	3.49	3.60
23. Return on Total Assets	Percent	1.71	1.21	1.51	1.64	0.97
24. Return on Equity	Percent	15.93	13.05	16.50	16.84	12.09
25. Book Net Worth	NPR'000	211	207	161	151	145.32
26. Number of Shares	No.	23,115,520	26,582,848	45,753,743	66,925,975	80,311,170
27. Number of Staff	No.	595	730	1101	1,755	2,291
28. Number of Branches	No.	67	67	67	119	231
29. Number of ATMs	No.	61	68	69	70	220

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 subsidiaries namely NIC ASIA Capital Limited and NIC ASIA Laghubitta Bittiya Sanstha Limited.

a. 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 Business person (Merchant Banker) Regulations, 2008 to provide merchant banking and investment banking services.

b. 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 2018 (32Ashad 2075).

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 in Directive No. 4 of NRB Directives, 2075.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, 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) andas 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.

2.2 REPORTING PERIOD AND APPROVAL OF FINANCIAL STATEMENTS

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB with effect from fiscal year 2074/75. To comply the NFRS provisions following dates have been considered, in terms of first-time adoption.

The approval of financial statements accompanied notes to the financial statements have been adopted by the Board of Directors in it's 377th meeting held on 16th November 2018 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 21stannual 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 the Bank's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

2.4 USE OF ESTIMATES, ASSUMPTIONS AND 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 recognised in the period in which the estimates are revised and are applied prospectively.

Relevant Financial Statement	Nepalese Calendar	English Calendar
Opening NFRS SFP* date	1 Shrawan 2073	16 July 2016
Comparative SFP* Date	31 Ashad 2074	15 July 2017
Comparative reporting period	1 Shrawan 2073-31 Ashad 2074	16 July 2016 -15 July 2017
First NFRS SFP* Date	32 Ashad 2075	16 July 2018
First NFRS reporting period	1 Shrawan 2074- 32 Ashad 2075	16 July 2017-16 July 2018

*SFP- Statement of Financial Position

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.

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 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 16 July 2016 (the transition date) by recognising all assets and liabilities whose recognition is required by NFRS, not recognising 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 recognised assets and liabilities.

2.6 REPORTING PRONOUNCEMENTS

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 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 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:

(a) 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
(b) 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.

The carve out is optional and provided for FY 2017-18 only. Accordingly, the bank has opted the carve out.

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. NRFS 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.

2.8 NEW STANDARDS AND INTERPRETATIONS NOT ADAPTED

The following amendments are not mandatory for 2018 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 recognised on a gross basis.

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

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

2.8.2 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 recognised 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 recognise 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.

IFRS 16 Leases has not yet been adopted by the Accounting Standard Board of Nepal.

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/orit is impracticable to develop the, such exception to NFRS implementation has been noted and disclosed in respective sections.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF MEASUREMENT

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investment property is measured at fair value
- liabilities for cash-settled share-based payment arrangements are 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 recognised in profit or loss.

b) Non-Controlling Interest (NCI)

For each business combination, the Bank elects to measure any non-controlling interests in the 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 recognised in profit or loss.

c) Subsidiaries

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

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

d) Loss of Control

Upon the loss of control, the Bank 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 Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained

e) Special Purpose Entities

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

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

- The activities of the SPE are being conducted on behalf of the Bank according to it 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 recognize loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the

Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade dateat which the Bank commits to purchase or sell the asset.

b) Classification

i) Financial Assets

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

The two classes of financial assets are as follows;

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 though 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 Bankclassifies 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. Subsequent changes in fair value is recognized at profit or loss

- Financial Liabilities measured at amortised cost

All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest 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) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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 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 value of a liability reflects its non-performance risk

The fair values are determined according to the following hierarchy:

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

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

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair

value of the consideration given or received. However, in some cases, thefair 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 onan 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 counterpart.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

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

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

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such thatthe 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 amortised cost

As per NAS 39

Financial assets carried at amortised 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 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 investment in equity instrument classified as fair value through other comprehensive income

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the 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.

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

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 expenditure that is directly attributable to the acquisition of the asset. 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.

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 fiscal year, the Bank has 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 5.13in disclosure.

d) Derecognition

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 derecognition of an item of property and equipment shall be included in profit or loss when the item is derecognized (unless on a sale & lease back).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 INVESTMENT PROPERTY/NON-CURRENT ASSETS HELD FOR SALE

Investment Property

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

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

Non-Current Assets Held for Sale

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

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

3.10 INCOME TAX

Tax expense comprises current and deferred tax. 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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.

3.11 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 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.

3.12 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 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. 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.

3.13 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.

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.

3.14 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.

3.15 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.The bank has not considered the gratuity of 8.33% as required by new Labor Act on the assumption the provision of the Act shall not be applicable to the bank.

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.

3.16 LEASES

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

(a) 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

(b) 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.

Majority of lease agreements entered by the Banks are with the clause of normal increment of 5%-10% p.a. which the management assumes are in line with the

lessor's expected inflationary cost increases.

3.17 FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Nepalese Rupees (NPR).

Transactions in foreign currencies are initially recorded at the functional currency 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 shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

3.18 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.

3.19 SHARE CAPITAL AND RESERVES

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

Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The reserves include retained earnings and other statutory reserves such as general reserve, bond redemption reserve, foreign exchange equalization reserve, regulatory reserve, investment adjustment reserve, staff training and development fund, CSR reserve etc.

3.20 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.

3.21 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.

4. DISCLOSURES AND ADDITIONAL INFORMATION

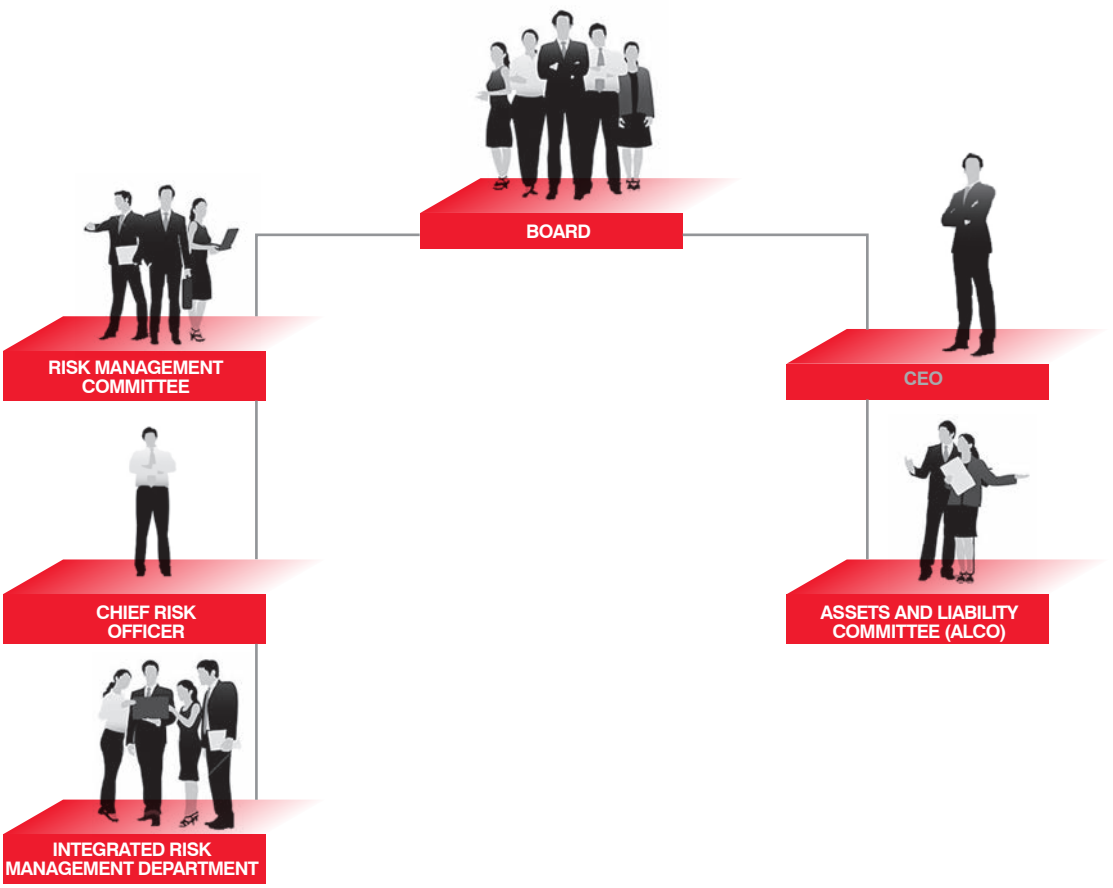
4.1 RISK MANAGEMENT

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 ason 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 supervises 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 management risk, supply risk, production risk, demand risk and collection 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.

4.1.1 Credit Risk

Credit risk is the probability of loss of principle 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 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

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.

4.1.2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: 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.

The major interest rate risk that the Company is exposed to is the discount rate for determining

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	8,132	-	-	-	-	8,132
Due from Nepal Rastra Bank	15,861	-	-	-	-	15,861
Placement with Bank and Financial Institutions	314	-	-	-	-	314
Loans and advances to customers	115,611	109	14	70	-	115,805
Loan and advances to B/FIs	4,658	-	-	-	-	4,658
Fair Value through Profit and Loss (FVTPL)	-	-	-	-	-	
Derivative financial instruments.	1,266	-	-	-	-	1,266
Fair Value through Other	-	-	-	-	-	
Comprehensive Income (FVTOCI)	-	-	-	-	-	
Investment securities	14,133	-	-	-	-	14,133
Investment in subsidiaries	270	-	-	-	-	270
Total	**160,245**	**109**	**14**	**70**	**-**	**160,439**

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.

4.1.3 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 limitthis 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 adaily 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 aundiscounted 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 than3 month	3 to 6 months	6 to 1 year	More than 1 year	Total
Assets					
Cash and cash equivalent	8,132	-	-	-	-
Due from Nepal Rastra Bank	15,861	-	-	-	-
Placement with Bank and Financial Institutions	314	-	-	-	-
Derivative financial instruments.	1,266	-	-	-	-
Other trading assets	-	-	-	-	-
Loan and advances to B/FIs	4,658	-	-	-	-
Loans and advances to customers	17,270	12,874	18,125	67,536	115,805
Investment in subsidiaries	270	-	-	-	-
Total	**47,772**	**12,874**	**18,125**	**67,536**	**115,805**
Liabilities					
Due to Bank and Financial Institutions	11,630	-	-	-	11,630
Due to Nepal Rastra Bank	742	-	-	-	742
Derivative financial instruments	1,722	-	-	-	1,722
Deposits from customers	7,769	7,018	30,983	93,819	139,590
Borrowing	-	-	-	-	-
Other liabilities	2,074	-	-		2,074
Debt securities issued	-	-	-	3,488	3,488
Total	**23,936**	**7,018**	**30,983**	**97,307**	**159,245**

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

The 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.

4.2 CAPITAL MANAGEMENT

4.2.1 Qualitative disclosures

The Bank has formulated and implemented the "Internal Capital Adequacy Assessment Process 2017" (ICAAP 2017) which has been approved by the Board of Directors. The ICAAP 2017 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 2017 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.

4.2.2 Quantitative disclosures

a) Capital Structure and Capital Adequacy

i) Tier 1 capital and a breakdown of its components

Amount in NPR Mn.

Particulars	Amount
Paid up Capital	8,031.12
Share Premium / Capital Reserve	-
Proposed Bonus Shares	-
Statutory General Reserve	1,825.15
Retained Earnings	943.65
Un-audited Current Year Cumulative Profit	-
Capital Redemption Reserve	285.71
Other Free Reserves	-
Less: Deferred Tax Assets	-
Less: Intangible Assets	22.97
Less: Investment in equity of institutions with financial interests	200.00
Less: Purchase of land & building in excess of limit and unutilized	-
Core (Tier-1) Capital	**10,862.66**

ii) Tier 2 capital and a breakdown of its components

Amount in NPR Mn.

Particulars	Amount
Subordinated Term Debt	3,200.00
General Loan Loss Provision	1,204.73
Exchange Equalization Reserve	38.37
Investment Adjustment Reserve	44.24
Supplementary (Tier-2) Capital	**4,487.35**

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.

Amount in NPR Mn.

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%	200
9% NIC ASIA Bond 2081/82	3,000	9-Jan-18	8-Jan-25	9.00%	3,000

*Interest is payable half yearly basis

iv) Deductions from capital

- The intangible assets pertaining to bond issue expenses and premium on foreign currency bond amounting to NPR22.97 Mn have been deducted from the core capital
- The Bank's investment in NIC AISIA Capital Ltd., a wholly owned subsidiary, NPR 200 Mn has been deducted from the core capital.

v) Total qualifying capital

Particulars	Amount (NPR Millions)
Core Capital	10,862.66
Supplementary Capital	4,487.35
Total Qualifying Capital (Total Capital Fund)	**15,350.01**

vi) Capital Adequacy Ratio

Capital Adequacy Ratio of the bank as at 16 July 2018 stood at 12.24%.

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 Five 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 2017.

The Bank has also formulated and implemented "Stress Testing Guidelines 2015" 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 2017 and Stress Testing Guidelines 2015. 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 and 9% NIC ASIA Bond 2081/82 amounting NPR 500 million and NPR 3,000 million respectively. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the bank.

b) Risk Exposures

i) Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

NPR in Mn.

Risk Weighted Exposure	Amount
Risk Weighted Exposure for Credit Risk	118,625.31
Risk Weighted Exposure for Operational Risk	4,066.90
Risk Weighted Exposure for Market Risk	117.55
Adjustments under Pillar II	
ALM policies & practices are not satisfactory, add 3% of gross income to RWE	104.84
2% adjustment on Total RWE	2,456.20
Total Risk Weighted Exposure	**125,370.80**

ii) Risk Weighted Exposures under each of 11 categories of Credit Risk

NPR in Mn.

Risk Classification	Net Book Value	RWE
Claims on Govt. and Central Bank	29,688.30	-
Claims on other Financial Entities		
Claims on Banks	9,024.72	1,859.72
Claims on Corporate and Securities Firm	42,195.13	42,195.13
Claims on Regulatory Retail Portfolio	48,142.09	36,106.57
Claims secured by Residential Properties	9,080.33	5,455.91
Claims secured by Commercial Real Estate	928.76	928.76
Past due Claims	138.76	208.14
High Risk Claims	14,551.18	21,826.77
Other Assets	9,953.16	6,192.12
Off balance sheet items	13,262.88	3,852.18
Total	**176,965.32**	**118,625.31**

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	3,754	-	-	3,754	0%	-
Balance With Nepal Rastra Bank	15,861	-	-	15,861	0%	-
Gold	0.09	-	-	0.09	0%	-
Investment in Nepalese Government Securities	12,282	-	-	12,282	0%	-
All Claims on Government of Nepal	301	-	-	301	0%	-
Investment in Nepal Rastra Bank securities	1,093	-	-	1,093	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-

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 Foreign Government and Central Bank(ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank(ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank(ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on 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	4,946	-	-	4,946	20%	989
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	2,752	-	-	2,752	20%	550
Claims on foreign bank (ECA Rating 2)	183	-	-	183	50%	91
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	1,144	-	-	1,144	20%	229
Claims on Domestic Corporates	42,215	3	16	42,195	100%	42,195
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)	48,340	3	196	48,142	75%	36,107
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	9,061	0	-	9,061	60%	5,437
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	30	11	-	19	100%	19
Claims secured by Commercial real estate	929	0	-	929	100%	929
Past due claims (except for claim secured by residential properties)	202	60	3	139	150%	208
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	15,161	0	609	14,551	150%	21,827
Investments in equity and other capital instruments of institutions listed in the stock exchange	566	-	-	566	100%	566
Investments in equity and other capital instruments of institutions not listed in the stock exchange	261	-	-	261	150%	391
Staff Loan secured by residential property	343	-	-	343	60%	206
Interest receivable/claim on government securities	151	-	-	151	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets	5,637	609	-	5,029	100%	5,029
TOTAL	**165,213**	**686**	**824**	**163,702**		**114,773**

B. Off Balance Sheet Exposure	Gross Book Value (A)	Gross Book Value (A)	Gross Book Value (A)	Gross Book Value (A)	Risk Weight (E)	Risk Weight Exposure (D *E)
Revocable Commitments	-	-	-	-	0%	45
Bills Under Collection	168	-	-	168	0%	437
Forward Exchange Contract Liabilities	454	-	-	454	10%	-
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	2,265	-	79	2,185	20%	-
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating- 2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating-7)	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months (domestic counterparty)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	1,046
foreign counterparty (ECA Rating-7)	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee (domestic counter party)	2,230	-	138	2,091	50%	-
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating-2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating -7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	84
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	100%	0
Advance Payment Guarantee	87	-	3	84	100%	439
Financial Guarantee	0	-	-	0	100%	-
Acceptances and Endorsements	471	-	32	439	100%	1,272
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	6,360	-	-	6,360	20%	238
Irrevocable Credit commitments (long term)	-	-	-	-	50%	285
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	1,192	-	-	1,192	20%	5
Other Contingent Liabilities	285	-	-	285	100%	3,852
Unpaid Guarantee Claims	3	-	0	2	200%	118,625
TOTAL	**13,515**	**-**	**253**	**13,263**		**126,330**
Total RWE for credit Risk (A)+(B)	**178,728**	**686**	**1,077**	**176,965**		**241,103**
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)	**178,728**	**686**	**1,077**	**176,965**		**241,103**

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	12,384	9,288	32,043	24,032
Sub Standard Loans	4,861	2,431	3,265	1,633
Doubtful Loans	66,886	-	227,273	
Loss	84,132	11,719	262,582	25,665
Total NPAs	12,384	9,288	32,043	24,032

4.2.3 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 8.03 billion against the requirement of NPR 8 billion.

4.3 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

NPR in Mn.

Financial assets	Notes	As at 16-Jul-18		As at 15-Jul-17		As at 16-Jul-16	
		Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value
Assets							
Assets carried at Amortised Cost							
Cash and cash equivalent	4.1	8,132	8,132	3,480	3,480	3,549	3,549
Due from Nepal Rastra Bank	4.2	15,861	15,861	10,291	10,291	4,396	4,396
Placement with Bank and Financial Institutions	4.3	314	314	1,493	1,493	1,216	1,216
Loans and advances to customers	4.7	115,805	115,805	70,616	70,616	57,876	57,876
Total		**140,112**	**140,112**	**85,880**	**85,880**	**67,038**	**67,038**
Fair Value through Profit and Loss (FVTPL)							
Derivative financial instruments.	4.4	1,266	1,266	3,029	3,029	2,302	2,302
Fair Value through Other Comprehensive Income (FVTOCI)							
Investment securities	4.8	14,133	14,133	10,020	10,020	11,608	11,608
Investment in subsidiaries	4.1	270	270	100	100	100	100
Total		**14,403**	**14,403**	**10,120**	**10,120**	**11,708**	**11,708**
Liabilities							
Liabilities carried at Amortised Cost							
Due to Bank and Financial Institutions	4.17	11,630	11,630	7,773	7,773	7,215	7,215
Due to Nepal Rastra Bank	4.18	742	742	-	-	-	-
Deposits from customers	4.20	139,590	139,590	79,906	79,906	64,607	64,607
Debt securities issued	4.24	3,488	3,488	501	501	516	516
Total		**155,449**	**155,449**	**88,180**	**88,180**	**72,338**	**72,338**
Fair Value through Profit and Loss (FVTPL)							
Derivative financial instruments	4.19	1,722	1,722	3,000	3,000	2,267	2,267

4.3.1 Fair Value of Financial Assets and Financial Liabilities

NPR in Mn.

	Fair value Hierarchy (Level)	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Fair Value through profit and loss				
Financial Assets				
Forward exchange Contract		1,266	3,029	2,302
Financial Liabilities				
Forward exchange Contract		1,722	3,000	2,267
Fair Value through Other Comprehensive Income				
Financial assets				
Investment securities at OCI				
- Quoted equity securities	1	566	425	770
- Unquoted equity securities	3	191	176	63
Investment in subsidiaries		270	100	100
Total		**1,027**	**701**	**933**
Financial Instruments held at amortised cost				
Financial Assets				
Debt securities	3	343	828	202
Government bonds	3	9,778	6,599	5,598
Government treasury bills	3	2,161	1,992	1,907
Nepal Rastra Bank bonds	3	-	-	3,067
Loan and advances to B/FIs	3	4,658	1,630	1,089
Loans and advances to customers	3	115,805	70,616	57,876
Accounts receivable		7,057	736	353
Accrued Income		-	-	-
Total		**139,802**	**82,401**	**70,092**
Financial liabilities				
Due to Bank and Financial Instituions	3	11,630	7,773	7,215
Due to Nepal Rastra Bank	3	742	-	-
Deposits from customers	3	139,590	79,906	64,607
Borrowing	3	-	-	-
Provisions		-	-	-
Other liabilities		2,074	1,458	916
Debt securities issued		3,488	501	516
Subordinated Liabilities		-	-	-
Total		**157,523**	**89,638**	**73,253**

4.4 OPERATING SEGMENT INFORMATION

4.4.1 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 10 Crores are classified under Corporate Banking. The interest income from corporate loans, fee incomes generated out of such loans, foreign exchange earned through LC/BG are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing corporate loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

b) Retail Banking

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

c) Small and Medium Enterprises (SME) Banking

The loans provided to corporate customers valuing not more than NPR 10 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

4.4.2 Information about profit or loss, assets and liabilities

NPR in Mn.

Particulars	Corporate	Retail	SME	DSL	Treasury	TB	Others	Total
Revenues from external customers	545.85	2,180.15	1,717.43	326.19	785.10	239.87	105.56	5,900.16
Inter Segment Expenses/(Revenue)	(19.86)	10.51	7.67	1.68	542.02	-	-	542.02
Net revenue	565.71	2,169.64	1,709.76	324.52	243.08	239.87	105.56	5,358.14
Interest Income	1,842.88	5,833.40	4,223.34	891.73	604.33	-	150.14	3,545.82
Interest Expenses	1,390.01	3,894.09	2,841.26	621.84	46.93	-	-	8,794.14
Net Interest Income	**472.72**	**1,928.80**	**1,374.41**	**268.21**	**15.38**	**-**	**150.14**	**4,209.66**
Depreciation and Amortization	3.53	56.59	43.32	6.60	0.65	4.32	0.79	115.80
Profit Before Income Tax	**248.49**	**639.50**	**557.49**	**136.80**	**193.54**	**19.63**	**15.16**	**1,810.60**
Impairment Charge/(Reversal) For Loans And Other Losses	56.74	135.42	94.88	17.79	-	-	-	304.83
Segment Assets	17,893.02	67,083.87	54,423.76	11,588.06	19,855.52	83.38	15.57	170,943.18
Segment Liabilities	27,293.09	73,110.83	53,470.91	11,712.25	5,318.70	21.11	16.30	170,943.18

4.4.3 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

4.4.4 Reconciliation of reportable, segment revenues, profit or loss, assets andliabilities

Revenue

NPR in Mn.

Total revenue for reportable segments	**5,900**
Other revenues	-
Elimination of intersegment revenues	542
Entity's revenue	**5,358**

Profit or Loss

NPR in Mn.

Total profit or loss for reportable segments	**1,811**
Other profit or loss	-
Elimination of intersegment profits	-
Profit before income tax	**1,811**

Assets

NPR in Mn.

Total assets for reportable segments	**170,945**
Other assets	-
Total assets	**170,945**

Liabilities

NPR in Mn.

Total liabilities for reportable segments	**170,943**
Other assets	-
Total liabilities	**170,943**

4.4.5 Information about product and services

NPR in Mn.

S.N.	Departments	Revenue
1	Corporate	566
a	Large corporate	478
b	Project Financing	88
2	Retail	2,170
a	Home Loan Term	1,229
b	Home Loan OD	273
c	Auto Loan	439
d	Gold Loan	38
e	Loan against shares	124
f	Education loan	9
g	Loan against FD	13
h	Other Loans	44
3	Small and Medium Enterprises	1,710
a	Medium enterprises	786
b	Mid-market Enterprises	323
c	Easy business	87
d	Small business	514
4	Deprived Sector Lending	325
a	Direct Deprived Sector lending	171
b	Indirect Deprived Sector Lending	153
5	Treasury	243
a	Investments in T Bills and Government bonds	15
b	Trading Gain	166
	Revaluation Gain	62

6	Transaction Banking	240
a	Cards and new banking	130
b	Other Transaction banking services	101
7	Other services	9
	Others	106
	Total	**5,358**

4.4.6 Information about product and services

Revenue from following geographical areas

NPR in Mn.

(a)	Domestic	5,358
	Province 1	1,633
	Province 2	911
	Province 3	786
	Province 4	676
	Province 5	865
	Province 6	113
	Province 7	374
(b)	Foreign	-
	Total	**5,358**

4.4.7 Information about major customers

Revenue from single customer doesn't exceed 10% of total revenue

4.5 SHARE OPTIONS AND SHARE BASED PAYMENT

The Bank do not have a policy for share options to its employees. Similarly, during the year the Bank has not made any payments or settlements by issuing new shares.

4.6 CONTINGENT LIABILITIES AND COMMITMENT

4.6.1 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 2070-71. The additional tax liability demanded on reassessment for the above financial years is NPR 285 Mn. (Previous year's NPR 249 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 2073/74 under self-assessment procedures.

4.6.2 Contingent Liability

NPR in Mn.

	As at 16-Jul-18	As at 15-Jul-17	As at 16-Jul-16
Claims on Bank but not Accepted by the Bank			
Letter of Credit (Full Amount)			
a. Letter of Credit With Maturity Less than 6 Months	2,265	1,564	1,582
b. Letter of Credit With Maturity More than 6 Months		430	352
Rediscounted Bills / Unmatured Guarantees/Bonds			
a. Bid Bonds	43	78	71
b. Performance Bonds	2,187	1,587	1,257
c. Other Guarantee/Bonds			
Unpaid Shares in Investment			
Forward Exchange Contract Liabilities	454	3,000	2,267
Bills under Collection	168	97	69
Acceptances and Endorsements	471	552	498
Underwriting Commitments			
Irrevocable Loan Commitments	6,360	3,334	3,714
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	1,192	307	449
Advance Payment Guarantees	87	54	134
Financial Guarantees	0.05		
Contingent Liabilities on Income Tax	285	249	123
Unpaid Guarantee Claims	3	2	
Total	**13,515**	**11,253**	**10,516**

4.7 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 BittiyaSanstha Limited (w.e.f25 July 2017)	Wholly owned subsidiary
Tulsi Ram Agrawal, Chairman	Director
Jagdish Prasad Agrawal, Director	Director
Ram Chandra Sanghai, Director	Director
Rajendra Prasad Aryal, Director	Director
Binod Kumar Pyakurel, Director	Director
Trilok Chand Agrawal, Director	Director
Ganesh Man Shrestha, Director	Director
Roshan Kumar Neupane, Acting CEO (w.e.f 17 March 2018)	Key Management Personnel
Sudhir Nath Pandey, Assistant Chief Executive Officer	Key Management Personnel
Rajesh Kumar Rawal, Chief Oversight Officer	Key Management Personnel
Santosh Kumar Rathi, Chief Marketing Officer	Key Management Personnel
Jayendra Rawal, Chief Oversight Officer	Key Management Personnel
Sudeep Khanal, Chief Corporate and Priority Loans Officer and Chief Support Officer	Key Management Personnel
Kapil Dhakal, Chief Human Resources and Chief Development Officer	Key Management Personnel
Dipendra B. Rajbhandari, Chief Risk Officer	Key Management Personnel
Arjun Raj Khaniya, Chief Public Relationship Officer	Key Management Personnel
Prakash Baral, Chief Credit Officer	Key Management Personnel
Bishal Sigdel, Chief Financial Officer	Key Management Personnel

4.7.1 Board Member Allowances and Facilities

The Board of Directors have been paid board meeting fees of NPR 3,127,200 during the fiscal year. There were 48Board Meetings conducted during the fiscal year.

The Chairperson and other members of the Board are paid NPR 12,000 and NPR10,000 per meeting respectively for Board and Board Level Committees meeting. Meeting fees paid to three Board Level Committees are as follows:

NPR in '000'

Board Level Committees	No of Meetings	Meeting Allowance
Assets Money Laundering Prevention Committee	9	232,000
Audit Committee Meeting	12	236,000
Digital banking sub committee	1	40,000
KarmachariSewa Suvidha Meeting	6	136,000
Risk Management Committee	16	406,800
Total		**1,050,800**

As approved by the 20th Annual General Meeting held on 15 September 2017, each Board Members have been provided with a monthly allowance of NPR 13,000 for telephone, newspaper and mobile expenses. The total amount paid as monthly allowances to the board members during the fiscal year amounted to NPR 12,27,703.

4.7.2 Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

4.7.3 Compensation Details for Key Management Personnel

The compensation paid to the members of management committee except CEO has been depicted in table below;

Particulars	Amount in NPR
Short Term Employee Benefits	28,996,540
Post-Employment Benefits	-
Other Long-Term Benefits	-
Termination Benefits (Gratuity and Sick Leave Encashment)	-
Share Based Payment	-
Total of Key Management Personnel Compensation	**28,996,540**

Key management personnel are also provided with the following benefits:

- Benefits as per the Employee Terms of Service By-laws,
- Bonus to staff as per the Bonus Act

The Salary and benefits paid to the CEO are as follow:

Particulars	Salary and Allowances	Provident Fund	Bonus & Welfare	Other Perquisites	Total Income
Roshan K. Neupane, ACEO	7,007,026	209,160	616,343		7,832,529
Laxman Risal, Former CEO	7,409,077	-	2,400,000		9,809,077
Total	**14,416,103**	**209,160**	**3,016,343**	-	**17,641,606**

4.7.4 Transaction with Subsidiaries

Amount in NPR

Particulars	NIC Asia Capital	NIC Asia Laghubitta
Share Registrar fee paid	750,000	-
Deposit received from subsidiary	58,148,754	21,689,462
Borrowings		650,000,000
Interest paid to subsidiaries	14,900,361	8,695,890
Reimbursement received from NIC Asia Capital	977,054	-
Receivable from Subsidiaries	88,707	-
Payable to subsidiaries	658,477	-

The intra-group related figures have been excluded for presentation of the financial statement of the Group.

4.8 MERGER AND ACQUISITION

There are no merger or acquisitions transaction during the year.

4.9 ADDITIONAL DISCLOSURES OF NON-CONSOLIDATED ENTITIES

The Bank has two subsidiaries as at 16 July 2018, NIC Asia Capital Limited and NIC Asia Laghubitta Bittiya Sanstha, which are consolidated for the year ended 16 July 2018. There are no such entities which are required to be consolidated but not done during the year.

4.10 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 2018 till the signing of this financial statement on 16th November 2018 except, the Bank has issued "11% NIC ASIA Debenture 2082/83"amounting NPR 1.83 Billion with following particulars.

Name of the Debenture	11% NIC ASIA Debenture 2082/83
Amount	Rs. 1.83 billon (1.83 million units of Rs. 1,000 each)
Maturity Period	7 Years
Coupon Rate	11% p.a. may vary depending upon liquidity situation
Interest Payment frequency	Half Yearly
Convertible Status	None
Issue Date	27 Bhadra 2075

4.11 DISCLOSURE EFFECT OF TRANSITION FROM PREVIOUS GAAP TO NFRSS

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters.

The Bank has prepared the opening Statement of Financial Position as per NFRS as of 1st Shrawan, 2073 (16 July 2016) (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- not recognizing items of assets or liabilities which are not permitted by NFRS,
- reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- applying NFRS in measurement of recognized assets and liabilities.

4.11.1 Significant changes from the policies adopted in the past

Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards and directives issued by Nepal Rastra Bank) and the adoption of NFRS has been disclosed in the respective segments, including the impact. The detailed impact disclosure is given below.

4.11.2 Reconciliation of equity

NPR in '000'

	Explanatory Note	As at 01.04.2073 (Date of Transition)	As at 31.03.2074 (End of last period presented under previous GAAP
Total equity under previous GAAP		**7,382,845**	**10,116,179**
Adjustment under NFRSs:			
Impairment on loan and advances		-	-
Fair value & employees benefit accounting of staff loan		-	-
Lease accounting		-	-
Measurement of investment securities at fair value	c	125,622	2,312
Revaluation of investment property	d	283,986	48,254
Amortisation of debt securities	f	206	218
Deferred tax	e	(130,852)	(103,929)
Defined benefit obligation of employees		(65,320)	(26,726)
Goodwill/Bargain purchase gain		-	-
Interest Income	b	247,011	308,071
Other	a	63,204	70,448
Total adjustment to equity		**523,856**	**298,649**
Total Equity under NFRS		**7,906,701**	**10,414,828**

4.11.3 Reconciliation of profit or loss

NPR in '000'

	Explanatory Note	For the year ended 31.03.2074 (the latest period presented under previous GAAP) Profit/(Loss) for the year
Previous GAAP		1,473,466
Adjustments under NFRSs:		
Interest income	b	61,061
Impairment on loans and advances		-
Employee benefit amortisation under staff loan		-
Defined benefit obligation of employees	e	39,538
Operating lease expense		-
Amortisation expense of debt securities	F	12
Other Operating income		-
Interest expense		-
Depreciation and amortisation		-
Other		-
Recognition of investment property	d	(235,732)
Reversal of provision on investment booked under GAAP		-
Deferred tax		26,923
Provision on investment reclassified to P & L		148
Total Adjustment to profit or loss		**(108,050)**
Profit or loss under NFRS		**1,365,416**
Other Comprehensive Income		
-Net Change In fair value		2,164
- Actuarial gain/loss		(944)
Total Comprehensive Income under NFRS		**1,366,636**

4.11.4 Effect of NFRS adoption for the Statement of Financial Position

NPR in '000'

Particulars	Explanatory Note	As at 31 Ashad 2073 (Date of Transition)			As at 31 Ashad 2074 (End of last period presented under previous GAAP)		
		Previous GAAP	Effect of transition to NFRS	Opening NFRSs statement of Financial Position	Previous GAAP	Cumulative effect of transition to NFRSs	Amount as per NFRSs
Assets							
Cash and cash equivalent		3,549,208	-	3,549,208	3,479,828	-	3,479,828
Due from Nepal Rastra Bank		4,396,160	-	4,396,160	10,291,445	-	10,291,445
Placement with Bank and Financial Institutions		1,215,915	-	1,215,915	1,493,385	-	1,493,385
Derivative financial instruments.		2,301,561	-	2,301,561	3,028,561	-	3,028,561
Other trading assets		-	-	-	-	-	-
Loan and advances to B/FIs		1,088,667	-	1,088,667	1,630,034	-	1,630,034
Loans and advances to customers	b	57,714,671	161,728	57,876,399	70,597,687	18,134	70,615,820
Investment securities	c	11,428,061	179,459	11,607,520	10,016,375	3,240	10,019,615
Current tax assets		10,172	-	10,172	9,858	-	9,858
Investment in subsidiaries		100,000	-	100,000	100,000	-	100,000
Investment in associates		-	-	-	-	-	-
Investment Properties	d	-	283,986	283,986	-	338,192	338,192
Property, Plant & Equipment (PPE)		537,404	-	537,404	1,062,950	-	1,062,950
Intangible Assets		18,272	-	18,272	35,387	-	35,387
Deferred tax	4.15	31,051	(31,051)	-	41,846	(41,846)	-
Other assets		503,005	85,283	588,288	1,003,287	-	1,003,287
Total Assets		82,894,147	679,405	83,573,552	102,790,643	317,719	103,108,362
Liabilities							
Due to Banks and financial Institution		7,215,492	-	7,215,492	7,772,767	-	7,772,767
Due to Nepal Rastra Bank		-	-	-	-	-	-
Derivative financial instruments		2,266,526	-	2,266,526	2,999,989	-	2,999,989
Deposit from Customers		64,606,791	-	64,606,791	79,905,602	-	79,905,602
Borrowing		-	-	-	-	-	-
Current Tax Liabilities		-	-	-	-	-	-
Provisions		-	-	-	-	-	-
Deferred tax liabilities	4.15	-	146,830	146,830	-	55,798	55,798
Other liabilities	4.23	906,585	8,924	915,509	1,424,189	33,939	1,458,128
Debt securities issued	4.24	515,908	(206)	515,703	501,468	(218)	501,250
Subordinated Liabilities		-	-	-	-	-	-
Total Liabilities		75,511,302	155,549	75,666,851	92,604,015	89,519	92,693,534

Equity							
Share capital		4,575,374	-	4,575,374	6,692,597	-	6,692,597
Share premium		-	-	-	-	-	-
Retained earnings		1,306,524	414,121	1,720,646	1,850,359	(5,815)	1,844,544
Reserves		1,500,946	109,735	1,610,681	1,643,671	234,016	1,877,686
Total equity		7,382,845	523,856	7,906,701	10,186,628	228,200	10,414,828
Total liabilities and equity		82,894,147	679,405	83,573,552	102,790,643	317,719	103,108,362

4.11.5 Effect of NFRS adoption for statement of profit or loss and other comprehensive income

NPR in '000'

Partuculars	Explanatory Note	For the year ended 31.03.2074 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of transition to NFRS	Amount as per NFRS
Interest Income	b	6,904,113	184,475	7,088,588
Interest expense	4.3	4,362,483	446	4,362,929
Net interest income		**2,541,630**	**184,029**	**2,725,659**
Fees and Commission Income		707,010	-	707,010
Fees and commission expense		49,919	-	49,919
Net fee and commission income		**657,090**	**-**	**657,090**
Net Trading Income		161,609	-	161,609
Other Operating Income		58,065	-	58,065
Total operating income		**3,418,395**	**184,029**	**3,602,423**
Impairment charge/(reversal) for loan and other losses	4.35	(305,267)	235,584	(69,683)
Net Operating income		**3,723,661**	**419,613**	**3,672,106**
Personnel Expense	4.36	1,049,051	83,876	1,132,927
Other operating expense	4.37	581,012	(458)	580,553
Depreciation &Amortisation		129,185	-	129,185
Operating profit		**1,964,414**	**336,195**	**1,829,441**
Non operating income		155,409	-	155,409
Non operating expense		31,694	-	31,694
Profit before income tax		**2,088,129**	**336,195**	**1,953,156**

Income Tax Expense	4.41	614,663	26,923	-
Current Tax		625,458	-	625,458
Deferred Tax		(10,795)	(26,923)	(37,717)
Profit For the Year		**1,473,466**	**363,118**	**1,365,416**
Other Comprehensive Income				
Other comprehensive income			364,338	364,338
Total comprehensive income		**1,473,466**	**364,338**	**1,366,636**

5.11.6 Effect of NFRS adoption for statement of cash flows

NPR in '000'

Particulars	For the year ended 31.03.2074 (the latest period presented under previous GAAP)		
	Previous GAAP	Effect of transition to NFRS	Amount as per NFRS
Net cash flows from operating activities	6,760,932	(9,502,619)	(2,741,687)
Net cash flows from investing activities	(1,923,058)	3,365,562	1,442,504
Net cash flows from financing activities	1,174,254	55,549	1,229,803
Net increase / (Decrease) in cash and cash equivalent	6,012,128	(6,081,508)	(69,380)
Cash and cash equivalent as the beginning of the period	7,729,451	(4,180,243)	3,549,208
Cash and cash equivalent at the end of the period	13,741,579	(10,261,750)	3,479,828

There is no any cash inflow due to NFRS. However due to reclassification major adjustments are observed mainly due to reclassification of Balance of BFIs from cash and cash equivalent to operating activities. Further investment was bifurcated into long term investment and short-term investment which has now been classified into investing activities.

Explanatory Notes to first time adoption

a) Under previous GAAP, cash dividends on equity shares recommended by the board of directors after the end of the reporting period but before the financial statements were approved for issue were recognised in the financial statements as a liability. Under NFRS, such cash dividends are recognised when declared by the members in a general meeting. The effect of this change is an increase in total equity, but this does not affect profit before tax and total profit for the respective years.

b) Under previous GAAP, Interest income on Loans and Advances was recognized on cash basis as per Directive 4 of Nepal Rastra Bank (NRB). Under NFRS, Interest income is recognised on accrual basis using Effective Interest Rate (EIR) Method and interest on staff loan has been amortised at fair value.

Amount in NPR

Particulars	As at 15 July 2017	As at 16 July 2016
Interest suspense required by NFRS	-	-
Interest suspense recognised under Local GAAP reversed	308,071	247,011
Net Increase in Equity	**308,071**	**247,011**
Net Movement in Profit & Loss during the year	**61,061**	
Amoritisation of Staff Loan Interest	-289,938	-85,283
Net Impact on Loans and Advances	**18,133**	**161,728**

c) Under previous GAAP, investments were measured at cost less diminution in value. Under NFRS, these financial assets have been classified as financial assets carried at Fair Value through Other Comprehensive Income (FVTOCI). On the date of transition to NFRS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP, resulting in an increase in the carrying amount as explained in the table below. These changes do not affect profit before tax or total profit for the year ended 15 July 2017 and 16 July 2016 because the changes in fair value have been recognised under Other Comprehensive Income (OCI).

Particulars	As at 15 July 2017	As at 16 July 2016
Decrease in carrying amount due to fair value	3,092	179,459
Already recognised in books of account		
Deferred tax impact on the increased amount	(928)	(53,838)
Write back of loss provision created under GAAP	-	-
Net increment in total equity	**2,164**	**125,622**
Net Movement in OCI during the year	**(123,457)**	

d) Under previous GAAP, Non Banking Assets (NBA) were recognised as per Directives of Nepal Rastra Bank and 100% provision were made. Under NFRS, these NBA have been classified as Non Current Assets held for sale and measured at lower of their carrying amount and fair value less cost to sell. On the date of transition to NFRS, provision as per the Directives of NRB had been reversed, resulting in an increase in the carrying amount as explained in the table below.

Particulars	As at 15 July 2017	As at 16 July 2016
Increase in carrying amount due to reversal of provision on NBA	48,254	283,985
Net movement in Profit and loss during the year	(235,731)	

e) Under NFRS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability/asset which is recognized in Other Comprehensive income (OCI). Consequently, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS instead of profit or loss.

There is re-measurement of Gratuity and Sick leave Liability as per the actuarial valuation report.

Particulars	As at 15 July 2017	As at 16 July 2016
(Increase)/Decrease in Gratuity Liability due to Actuarial Valuation	(29,030)	(64,367)
(Increase)/Decrease in Sick Leave Liability to Actuarial Valuation	(4,909)	(7,762)
Liability as per local GAAP	95,418	44,807
Actuarial liability as per NFRS (A)	(129,357)	(116,936)
	(33,939)	**(72,129)**
Actuarial Gains/loss in Gratuity and Sick leave	24,044	22,695
Deferred tax Impact on Actuarial Gain/Loss (B)	7,213	6,809
Net Increment in Total Equity (A)+(B)	**(26,726)**	**(65,320)**
Net movement in OCI during the year	(945)	
Net movement in Profit and loss during the year	39,538	

f) Under previous GAAP, Bonds issued were carried at cost price. Under NFRS, Bonds issued are carried at amortized cost and cost incurred on Bonds issued are considered for the EIR calculation and the balance outstanding have been measured accordingly.

Particulars	As at 15 July 2017	As at 16 July 2016
Adjustment of cost of issue of NIC Asia Bonds using EIR	218	206
Net movement in Profit and loss during the year	12	

4.12 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 in '000'

Name of Borrower	Date of assuming Non-Banking Assets	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Krishna Dangi/Manju Gautam	2-Jul-18	16,297	-	-
Auto Craft Pvt. Ltd.	11-Feb-18	15,800	-	-
Umar Stores	3-Jul-18	9,050	-	-
P and P Group	7-Jun-18	7,650	-	-
KedarAryal and Nirmal VeniyarUdhyog	9-Oct-12	7,456	7,456	7,456
Nangeswori Multiple Trading Co. Pvt Ltd	14-Aug-15	4,837	4,837	4,837
Bal Krishna/Kalpana Bishwakarma	2-Jul-18	3,960	-	-
Shivendra Kumar Verma/ Jyoti Kumari Verma	5-Jul-18	3,220	-	-
Rekha Kumari Khadka &Saru Shahi	19-Jun-18	2,513	-	-
PurnaBrahmaTrade Link	5-Jul-18	2,400	-	-
B.P NirmanSewa	3-Jun-16	1,200	14,207	14,207
Kathmandu Offset Printers and Traders	9-Oct-12	-	10,552	10,552
Ram Adhikari	19-Jun-16	-	7,000	7,000
Poonam Traders and Suppliers	2-Oct-17	-	4,000	-
AshokdharPradhananga	22-Jan-17	-	203	-
Oriental Builders	20-Jan-13	-	-	239,935
Total		74,383	48,254	283,986

4.13 CHANGE OF ESTIMATE

Subsequent to the decision dated 4 May 2018, management has estimated the revised useful life of the assets and the effect of such revision on net carrying value of assets and depreciation has been accounted prospectively resulting decrease in depreciation charges for the year with corresponding increment in assets value by net Rs 30,139,519.

The details of previously applied depreciation rates / useful life are as follows:

Asset	Previous depreciation/amortisation rate/useful life	Revised useful life
Computer	25%	5 Years
Metal Furniture	25%	10 Years
Office Equipment	25%	10 Years
Vehicle	15%-20%	10 Years
Wooden Furniture	25%	5 Years
Building	5%	50 Years
Leasehold	Lower of 5 Years or Lease Period	Lower of 15 Years or Lease Period
Software	5 years or expiry period whichever is lower	5 years or expiry period whichever is lower

4.14 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-18	Year ended 15-Jul-17
Profit attributable to equity shareholders (a)	NPR.'000	1,334,862	1,365,416
Weighted average of number of equity shares used in computing basic earnings per share (b)	No.	80,311,169	66,925,975
Basic and diluted earnings per equity share of Rs 100 each (a/b)	Rs	16.62	20.40

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.

4.15 PROPOSED DISTRIBUTIONS (DIVIDENDS AND BONUS SHARES)

The Board of directors in its meeting dated 16th November 2018 has passed a resolution recommending for distribution of bonus shares (stock dividend) at 10% and cash dividend equivalent to tax on stock dividend at 0.526% of paid up capital as at 16 July 2018.

NPR in '000'

Particulars	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Cash Dividend Declared	42,269	70,448	63,204
Bonus Shares	803,112	1,338,520	1,200,880
Total	845,381	1,408,968	1,264,084

4.16 UNPAID DIVIDENDS

As at the reporting date, unpaid dividend over five years amounts to as follows.

NPR in '000'

Particulars	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
Not collected for more than 5 years	27,937	18,685	41,310
Not collected up to 5 years	65,838	77,033	111,017
Total	93,775	95,718	152,327

4.17 SWIFT CASE

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) system of the Bank was hacked on 18th and 19th of October 2017 during Tihar vacation when the banks were closed. As per the information provided by the bank amount equivalent to NPR 465,650,509 had been fraudulently transferred to eight different Nostro accounts maintained by the bank through 31 transactions via SWIFT. Of the total amount which was fraudulently transferred by the hackers, bank failed to recover Rs 67,411,179 and considering the remote chances of its recovery bank has created loss provision in the books of accounts.

4.18 NON-PERFORMING ASSETS

The Banks' non-performing assets ratio stood at 0.0697% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 84,131,697 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 72,412,793 which is 86% of NPA. Also, the total loan loss provision to NPA is 1,524%.

NPR in '000'

Particulars	This Year	Previous Year	Change	
			Amount	%
Pass loan (performing loans)	120,582,668	72,299,295	48,283,373	67%
Non-Performing Loans (NPL)				
Restructured/rescheduled	-	-		
Substandard	12,384	32,043	-19,659	-61%
Doubtful	4,861	3,265	1,596	49%
Loss	66,886	227,273	-160,387	-71%
Gross Loans & Advances	120,666,800	72,561,876	48,104,924	66%

NPL ratios:

Gross NPL to Gross Loans & Advances	0.0697%
Net NPL to Net Loans & advances	0.0971%

4.19 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	120,666	72,558	151,176	87,697	6,795	3055
Highest Exposure of a Single Unit	704	958	4,952	4,677	956	307
Concentration of exposure	0.58%	1.32%	3.28%	5.39%	14.07%	10.04%

* 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.

4.20 RESERVES

4.20.1 General Reserve

The movement in general reserve during the year is as follows;

		NPR in '000'
Opening Balance		1,558,181
Transfer as per BAFIA	266,972	
Closing balance		1,825,153

As required by Section 44 of Banks and Financial Institutions Act, 2073 (BAFIA), 20% of the current year's net profit amounting to NPR 266,972,385 (Previous Year NPR 294,693,194) has been transferred to General Reserve through Profit and Loss Appropriation Account.

4.20.2 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 3,686,060 (Previous year NPR 731,710) has been transferred to Exchange Fluctuation Reserve. The closing balance of Exchange Fluctuation Reserve is NPR 38,372,154.

The movement in Exchange Fluctuation reserve during the year is as follows:

		NPR in '000'
Opening Balance		34,686
Transfer of 25% of revaluation gain	3,686	
Closing balance		38,372

4.20.3 Bond 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.

As the Bank has debentures outstanding of NPR 3500 million namely "7.25% NIC ASIA Bond 2077" of NPR 500 million and "9% NIC ASIA Bond 2081/82" of NPR 3,000 million with maturity period of seven year each.NPR 71,428,572 (Previous Year NPR 71,428,572) has been apportioned from the Profit & Loss Appropriation Account for "7.25% NIC ASIA Bond 2077". The closing balance of Capital Redemption Reserve as on reporting data is NPR 285,714,288.

4.20.4 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;

i) 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

ii) 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 in '000'

Name of Company	Investment Type	Market Value	Investment Adjustment Reserve	
			%	Amount
Global IME Samunnat Scheme 1	Initial Public Offer	33,039	2%	661
NABIL Equity Fund	Initial Public Offer	4,693	2%	94
NIBL Pargati Fund	Initial Public Offer	9,247	2%	185
NMB Hybrid Fund L-1	Initial Public Offer	10,673	2%	213
NIC Asia Growth Fund	Promoter Share	150,000	2%	3,000
National Life Insurance Company Limited	Promoter Share	51,616	2%	1,032
Nepal Life Insurance Company	Further Public Offer	3,245	2%	65
Rural Microfinance Development Centre Limited	Promoter Share	25,231	2%	505
Citizen Investment Trust	Promoter Share	264,568	2%	5,291
Jyoti Life Insurance Limited	Promoter Share	150,000	2%	3,000
KarjaSuchana Kendra Ltd	Promoter Share	1,612	2%	32
MahuliSamudayik Laghubitta BittiyaSanstha	Promoter Share	2,000	2%	40
Mero Microfinance BittiyaSanstha Limited	Promoter Share	14,000	2%	280
National Banking Institute	Promoter Share	2,400	2%	48
Nepal Clearing House limited	Promoter Share	5,000	2%	100
Nepal Electronic Payment System	Promoter Share	15,000	100%	15,000
NIC ASIA Capital Ltd	Promoter Share	200,000	2%	4,000
NIC ASIA LagubittaBittiyaSanstha Ltd	Promoter Share	70,000	2%	1,400
Nepal Infrastructure Bank Ltd	Promoter Share	450,000	2%	9,000
Grameen Laghubitta BittiyaSanstha Limited	Promoter Share	3,000	2%	60
Shrijana Community Development Center	Promoter Share	500	2%	10
Solve Laghubitta BittiyaSanstha Limited	Promoter Share	11,400	2%	228
Grand Total		**1,477,223**		**44,244**
Previous Year Closing				**28,472**
Additional				**14,648**

4.20.5 Corporate Social Responsibility

NPR in '000'

Opening Balance		**14,735**
Transfer to Reserve	13,349	
Expense during the year	3,468	
Closing balance		**24,616**

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 Rs. 13,348,619and Rs. 14,734,660 respectively for current year and previous year.

4.21 DISCLOSURE OF ACTUARIAL VALUATION FOR LEAVE AND GRATUITY

Particulars	2018		2017		2016	
	Gratuity	Leave (Unfunded)	Gratuity	Leave (Unfunded)	Gratuity	Leave (Unfunded)
Change in Present Value Obligations:						
PV of Obligation at beginning of the year	130,501,066	96,194,576	126,069,961	52,569,040	111,400,437	40,242,799
Adjustment to opening liability	-	-	(28,263,124)	-	-	-
Interest cost	11,004,388	7,748,275	10,374,840	4,011,112	8,713,884	2,837,159
Current Service Cost	24,979,812	50,541,617	18,406,395	9,468,696	16,686,250	6,945,424
Benefit paid	(16,460,167)	(20,205,269)	(21,587,924)	(11,908,803)	(5,162,968)	(10,258,901)
Actuarial (Gain)/ Loss	(7,256,686)	(5,767,064)	(2,762,206)	42,054,531	22,695,482	12,802,559
Liability at the end of the year	**142,768,413**	**128,512,135**	**130,501,066**	**96,194,576**	**154,333,085**	**52,569,040**
Change in Fair Value of Plan Assets:						
FV of Plan Asset at Beginning of the Year	97,338,382	-	89,966,552	-	58,815,058	-
Adjustments to the opening fund	(3,643,750)	-	-	-	-	-
Interest Income	9,852,836	-	8,242,781	-	-	-
Contribution by Employer	40,735,321	-	24,827,740	-	36,314,462	-
Benefit paid	(16,460,167)	-	(21,587,924)	-	(5,162,968)	-
Actuarial Gain/(Loss) on Plan Assets	(9,852,836)	-	(4,110,768)	-	-	-
Fair Value of Plan Asset at End of the Year	**117,969,786**	**-**	**97,338,381**	**-**	**89,966,552**	**-**
Amount Recognized in SOFP:						
Present Value of Obligations at Year End	142,768,413	128,512,135	130,501,066	99,964,866	154,333,085	52,569,040
Fair Value of Plan Assets at Year End	117,969,786	-	97,338,381	-	89,966,552	-
Unfunded Status	**(24,798,627)**	**(128,512,135)**	**(33,162,685)**	**(99,964,866)**	**(64,366,533)**	**(52,569,040)**

4.22 RECONCILIATION STATUS

The outstanding balance is total of debit and credit balance. The difference has been identified, reconciled and are being reviewed on periodic basis.

NPR in '000'

Particulars	Total Amount	< 3 months	> 3 < 6 months	> 6 <12 months	<12 months
Branch Reconciliation	Nil	Nil	Nil	Nil	Nil
Agency Accounts	1,211,945	1,199,724	11,515	943	Nil

07

NIC ASIA BITTIYA LAGHUBITTA SASTHA

7.1

DIRECTORS' REPORT

REPORT OF BOARD OF DIRECTORS PRESENTED IN FIRST ANNUAL GENERAL MEETING FISCAL YEAR 2017/18

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 first 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 first 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 28 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 2017/18

a) Major Indicators:

Financial highlights and major indicators of FY 2017/18 are as follows:

NPR '000

Particulars	As on 16-Jul-2018	As on 15-Jul-2017	% Increment
Paid Up Capital	70,000	-	-
Net Worth	64,416	-	-
Borrowing (Net)	749,008	-	-
Saving Deposit	68,612	-	-
Loans and Advances	828,256	-	-
Operating Profit	(5,363)	-	-
Net Profit after Tax	(5,584)	-	-

b) Branch Expansion

During the first year of operation (FY 2017/18), following 28 branches were established:

S.No.	District	Municipalities/ Rural Municipalities	Branch
1	Jajarkot	Bheri Municipality	Khalanga
2	Jajarkot	Chhedagad Municipality	Thalaha
3	Rukum	Chaurjahari Municipality	Chaurjahari
4	Rupandehi	Tilottama Municipality	Kotihawa
5	Salyan	Bangad Kupinde Municipality	Sallibazar
6	Kapilvastu	Suddhodhan Rural Municipality	Lawani
7	Nawalparasi	Bardaghat Municipality	Bhutaha
8	Kapilvastu	Buddhabhumi Municipality	Imiliya
9	Rukum	Sani Bheri Rural Municipality	Simli
10	Surkhet	Bheriganga Municipality	Chhinchu
11	Banke	Kohalpur Municipality	Chappargaudi
12	Rupandehi	Sainamaina Municipality	Ramapur
13	Surkhet	Simta Rural Municipality	Jamunebazar
14	Rupandehi	Siyari Rural Municipality	Chhapiya

15	Rupandehi	Maya Devi Rural Municipality	Bethari
16	Rupandehi	Suddhodhan Rural Municipality	Manpakadi
17	Rupandehi	Devdaha Municipality	Shankarpur
18	Dang	Gadhawa Rural Municipality	Gadawa
19	Surkhet	Gurbhakot Municipality	Mehelkuna
20	Nawalparasi	Binayi Rural Municipality	Sardi
21	Nawalparasi	Sunwal Municipality	Bhumahi
22	Nawalparasi	Susta Rural Municipality	Baruwa
23	Chitwan	Kalika Municipality	Padampur
24	Kailali	Joshipur Rural Municipality	Joshipur
25	Kanchanpur	Punarbas Municipality	Punarbas Municipality
26	Jumla	Chandan Nath Municipality	Jumla
27	Dailekh	Bhagwati Mai Rural Municipality	Bestada
28	Banke	Rapti Sonari Rural Municipality	Samshergunj

c) Customer Base

As on 16-Jul-2018, 6,437 members have been provided with microfinance services by constituting 668 groups.

d) Lending and Deposit Transactions

During FY 2017/18, total loans and advances of NPR 844,920,000 was disbursed out of which NPR 16,663,692 was settled resulting outstanding loan balance as on 16-Jul-2018 to be NPR 828,256,308. Total deposit balance of 6,437 members as on 16-Jul-2018 amounts to NPR 68,612,427.

e) Human Resource Training and Capacity Development

There has been increase in number of staffs along with increased transactions of institution. As on 16-Jul-2018, 98 staffs were employed by institution out of which 32 staffs (33%) were female. Realizing the fact that capacity, confidence and motivation of staffs plays vital role in stable growth of the Bank, training and capacity development of staffs is prioritized by institution. During the review period, active participation of all staffs was ensured in two trainings organized by institutions itself. Participation of staffs in various national and international trainings, workshop and seminar shall be ensured in days to come.

f) Investment

Institution has not invested fund in any other sector except regular loans and advances during the review period.

2. EFFECTS OF NATIONAL AND INTERNATIONAL SITUATION ON TRANSACTIONS OF 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 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. Institution remained in loss during first year of its operation because of provisions of regulatory authority Nepal Rastra Bank which prohibited microfinance financial institutions from obtaining interest on loan above 18% and from increasing interest spread.

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 progress of current year with that of FY 2017/18 has been presented below:

S.No.	Particulars	Units	As on 16-Nov-2018	As on 16-Jul-2018	% Achievement
1	Branches	Number	44	28	57.14
2	Customer Member	Number	12,747	6,437	98.03
3	Borrowers	Number	9,461	3,286	187.9
4	Loan Disbursed	NPR '000	2,345,176	844,920	177.6
5	Investment in Loan	NPR '000	2,185,269	828,256	163.8
6	Member's Saving/ Deposit	NPR '000	169,543	68,612	147.1
7	Interest Income	NPR '000	99,884	11,007	807.5
8	Other Income	NPR '000	30,327	15,904	90.69
9	Interest Expense	NPR '000	41,907	9,685	332.7
10	Personnel Expense	NPR '000	10,590	7,287	45.33
11	Other Operating Expenses	NPR '000	14,116	7,021	101.1
12	Loan Loss provision	NPR '000	15,036	8,449	77.96
13	Operating Profit (Before Employee Bonus and Tax)	NPR '000	50,027	(5,584)	995.9

Projection for FY 2018/19:

Particulars	Unit	As on 16-Jul-2019	As on 16-Nov-2018	% Increment
Branches	Number	100	44	127.27
Loan Disbursed	NPR '000	4,673,532	2,345,176	99.28
Investment in Loan	NPR '000	3,438,860	2,185,269	57.37

b) Opinion of Board of Directors regarding future plan and prospects for progress of institution is as follows:

- Along 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 REASON FOR SAME

At the time of registration of institution, board of directors was constituted with following members:

Mr. Roshan Kumar Neupane	Chairman
Mr. Kapil Dhakal	Director
Mr. Dinesh Bhari	Director
Mr. Bishal Sigdel	Director
Mr. Niraj Basnet Danil	Director

Because of appointment of outgoing Chairman as Chief Executive Officer of holding company NIC Asia Bank and allocation of other responsibilities to directors Mr. Kapil Dhakal and Mr. Niraj Basnet Danil, constitution of Board of directors was altered as follows:

Mr. Arjun Raj Khaniya	Chairman
Mr. Tej Raj Timilsina	Director
Mr. Dinesh Bhari	Director
Mr. Bishal Sigdel	Director
Mr. Padam Raj Thakulla	Director

We would like to congratulate Mr. Roshan Kumar Neupane for being appointed as Chief Executive Officer of holding company NIC Asia Bank and wish for his successful tenure.

7. MAJOR CHALLENGES AFFECTING BUSINESS TRANSACTIONS

a) Possible threat from extensive competition in microfinance sector
b) Difficulty arising due to utilization of loan facility by same customer from more than one microfinance financial institutions
c) Lack of adequate financial resources due to Liquidity crisis of banks and financial institutions
d) Frequent amendment in rules and regulations by Nepal Government and regulatory authorities
e) Difficulty arising due to inadequate infrastructures like electricity, internet, road, security and skilled manpower for organizing programs in remote areas
f) 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

As there was no distributable profit during fiscal year 2017/18, dividend has not been proposed.

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. Bishal Sigdel, Director	Coordinator
Mr. Padam Thakulla, Director	Member
Head Internal Audit	Member Secretary

During fiscal year 2017/18, meeting of audit committee was held one time.

b) Risk Management Committee

Risk Management Committee of institution constitutes following members:

Mr. Padam Thakulla, Director	Coordinator
Coordinator of Audit Committee	Member
Head Operation Department	Member
Head Credit Department	Member Secretary

During fiscal year 2017/18, meeting of risk management committee was held one time.

c) Karmachari Byabasthapan Ra Sewa Subidha Samiti

Karmachari Byabasthapan Ra Sewa Subidha Samiti constitutes following members:

Mr. Dinesh Bhari, Director	Coordinator
Head Internal Audit	Member
Head Human Resource Department	Member Secretary

During fiscal year 2017/18, meeting of Karmachari Byabasthapan ra sewa Subidha samiti was held one time.

d) Sampati Suddhikaran Anugaman Samiti

Sampati Suddhikaran Anugaman Samiti constitutes following members:

Mr. Tej Raj Timilsina	Coordinator
Head Operation Department	Member
Head Finance Department	Member Secretary

During fiscal year 2017/18, meeting of Sampati Suddhikaran Anugaman Samiti was held one time.

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 2017/18:

1. Board of Directors

S.No.	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 of 700,000 shares held by NIC Asia Bank
2	Mr. Dinesh Bhari	Director		
3	Mr. Bishal Sigdel	Director		
4	Mr. Tej Raj Timilsina	Director		
5	Mr. Padam Thakulla	Director		

2. Common Shares

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 2017/18

Following is the detail of total management expenses during FY 2017/18:

	NPR '000
Personnel Expenses	7,287
Other Operating Expenses	7,022
Total Management Expenses	**14,309**

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 2017/18, total meeting allowance NPR 50,000 was paid to directors representing NIC Asia Bank Ltd.

Following are the details of meeting allowance paid to directors:

S.No.	Name	Position
1	Mr. Arjun Raj Khaniya	Chairman
2	Mr. Dinesh Bhari	Director
3	Mr. Bishal Sigdel	Director
4	Mr. Tej Raj Timilsina	Director
5	Mr. Padam Thakulla	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 50,000 during FY 2017/18. Practice of providing meeting allowance to Chief executive officer and company secretary is not in place.

Remuneration of Chief Executive Officer:

During FY 2017/18 NPR 1,801,876.09 was paid to Chief executive officer Mr. Laxmi Prasad Sharma.

Remuneration of Chief Managers:

S.No.	Name	Position	Annual remuneration and Allowance (NPR)
1	Mr. Subin Kaji Shrestha	Chief Business Officer	617,364
2	Ms. Ranjita Dulal	Chief Operating Officer	317,352
3	Mr. Bimal Nepal	Chief Information Technology Department	270,088

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

Details of assets purchased as per the requirement of institution have been presented in schedule 4.10 forming integral part of Balance sheet.

11. Details of Related Party Transactions as per Section 175

Following transactions were incurred with holding company NIC Asia Bank:

Particulars	NPR '000
Details of Balance Sheet	
Share Capital invested by NIC Asia Bank Ltd.	70,000
Deposit with NIC Asia Bank Ltd.	16,655
Receivable from NIC Asia Bank Ltd.	-
Amount borrowed from NIC Asia Bank Ltd.	650,000
Details of Profit and Loss Account	
Interest received from NIC Asia Bank Ltd.	1,438
Interest paid to NIC Asia Bank Ltd.	8,695

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

i. In case if any case was filed by or against institution during review period
- Such information was not obtained

ii. 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

iii. 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

i. 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

Bashyal & Associates
Chartered Accountants

Firm Regd. No. 447
Kathmandu-35, Subidhanagar, Tinkune
Tel: 01-5199197/5199403

एन आई सी एशिया लघुवित्त वित्तीय संस्था लिमिटेड
को शेयरधनी समक्ष
स्वतन्त्र लेखापरीक्षकको प्रतिवेदन

१. वित्तीय विवरणमाथिको प्रतिवेदन

हामीले एन आई सी एशिया लघुवित्त वित्तिय संस्था लिमिटेडको यसै साथ संलग्न वित्तीय विवरणहरुको लेखापरीक्षण गरेका छौं जसमा २०७५/०३/३२ (१६ जुलाई २०१८) को वासलात र सोही मितिमा समाप्त वर्षका विस्तृत नाफा नोक्सान हिसाब, नगद प्रवाह विवरण इक्वीटीमा भएको परिवर्तनको विवरण तथा अपनाइएका मुख्य लेखा नीतिहरु र अन्य व्याख्यात्मक टिप्पणीहरु समावेश रहेका छन् ।

२. वित्तीय विवरण प्रति व्यवस्थापनको उत्तरदायित्व

नेपाल वित्तीय प्रतिवेदन मानहरु (Nepal Financial Reporting Standards) अनुरुप यथार्थ र उचित चित्रण गर्ने वित्तीय विवरणहरु तयार गर्नु तथा सारभुत रुपमा सही प्रस्तुतीकरण गर्नु व्यवस्थापनको उत्तरदायित्व हो तथा जालसाजी वा त्रुटिवाट हुन सक्ने सारयुक्त रुपमा त्रुटि रहित वित्तीय विवरण तयार गर्न व्यवस्थापनले आवश्यक आन्तरिक नियन्त्रणको व्यवस्था गर्नुपर्दछ ।

३. लेखापरीक्षकको उत्तरदायित्व

हाम्रो उत्तरदायित्व वित्तीय विवरणप्रति आफ्नो मन्तव्य व्यक्त गर्ने हो । हामीले नेपाल लेखापरीक्षणमान बमोजिम सम्पन्न गरेका छौं । उक्त लेखामानबाट तोकेको आचारसंहिता पालना गर्दै वित्तीय विवरणहरु सारभूत रुपमा त्रुटिरहित छ भन्ने कुरामा विश्वस्त हुन लेखापरीक्षणमान अनुसार लेखापरीक्षण योजना तयार गरी सो अनुसार लेखापरीक्षण सम्पन्न गर्नुपर्दछ । वित्तीय विवरणका आँकडा तथा खुलाइएको अन्य विवरणलाई पुष्ट्याई गर्ने प्रमाण प्राप्त गर्ने विधि लेखापरीक्षणमा अपनाइएको हुन्छ । लेखापरीक्षणमा अपनाउने विधि चुन्ने हाम्रो फैसालामा निर्भर गर्दछ र सोही विधिको आधारमा जालसाजी वा गल्तीको जोखिमबाट सारभूत रुपमा वित्तीय विवरणका आँकडाहरु गल्तीरहित छ भन्ने व्यहोरा निर्धारण गर्दछ । उल्लेखित जोखिम निर्धारण गर्दा कम्पनीको वित्तीय विवरणको तयारी र खुलाइएका विवरण सम्बन्धमा अपनाएको आन्तरिक नियन्त्रणको प्रभावकारिताको विचार गरी मौजुदा परिस्थिति अनुसार लेखापरीक्षण विधि तयार गर्दछ । तर यसले कम्पनीको आन्तरिक नियन्त्रण प्रणाली कति प्रभावकारी छ भन्ने धारणा प्रस्तुत गर्नको लागि हुने छैन । कम्पनीले अवलम्बन गरेको लेखा सिद्धान्तको उपयुक्तता व्यवस्थापकले गरेको वित्तीय अनुमानको औचित्यताका साथै वित्तीय विवरण प्रस्तुतिको समग्र



स्थितिको मुल्याङ्कन पनि लेखापरीक्षणमा समावेश हुन्छ । लेखापरीक्षणमा उपलब्ध गरेका जानकारीको हाम्रो मन्तव्यलाई पर्याप्त आधार प्रदान गर्ने कुरामा हामी विश्वस्त छौं ।

४. मन्तव्य

हाम्रो रायमा संलग्न, पहिलेको वित्तीय लेखामान (Previous GAAP) अनुसार तयार गरिएको वित्तीय विवरणहरुले एन आई सी एशिया लघुवित्त वित्तिय संस्था लिमिटेड २०७५ आषाढ ३२ गतेको वित्तीय स्थिति, सो मितिमा समाप्त भएको आर्थिक वर्षको सञ्चालन नतिजा र नगद प्रवाहको उचित तथा यथार्थ चित्रण गर्दछ । तर एन आई सी एशिया लघुवित्त वित्तिय संस्था लिमिटेडले यस विवरणहरु वित्तीय संस्थाहरुको लागि ठोस दिशा नभएकोले नेपाल चार्टड एकाउण्टेन्टेस् संस्थाबाट जारी भएको नेपाल वित्तीय प्रतिवेदन मानहरु (Nepal Financial Reporting Standards) अनुसार तयार गरिएको छैनन् । तसर्थ एन आई सी एशिया लघुवित्त वित्तिय संस्था लिमिटेडको नेपाल वित्तीय प्रतिवेदन मान (Nepal Financial Reporting Standards) अनुसारको वित्तीय स्थितिमा हाम्रो राय दिन सक्ने अवस्थामा छैनौं ।

५. अन्य कानुनी तथा नियमकारीको आवश्यकता माथिको प्रतिवेदन

हामीद्वारा सम्पन्न गरिएको परीक्षणको आधारमा प्रतिवेदन पेश गर्दछौं कि,

क) हामीले लेखापरीक्षण सम्पन्न गर्न आवश्यक ठानेका सूचना तथा स्पष्टीकरणहरु सम्पूर्ण रुपमा पाएका छौं ।

ख) यो प्रतिवेदनसँग सम्बन्धित संलग्न वासलात, वासलात बाहिरको कारोबार, नाफा नोक्सान हिसाब र नगद बाह विवरण लगायत वित्तीय विवरणहरु नेपाल राष्ट्र बैंकले तोकेको ढाँचा र तरिका अनुसार तयार गरिनुका साथै उक्त विवरण लघुवित्तले राखेको हिसाब किताब, वहीखाता श्रेता र लेखासँग दुरुस्त रहेका छन् ।

ग) लघुवित्तले हाम्रो रायमा Nepal Financial Reporting Standards को परिपालना बाहेक हिसाब किताब ऐन बमोजिम ठीकसँग राखेको छ ।

घ) हामीले लघुवित्तको श्रेस्ता लेखा परीक्षणको समयमा, लघुवित्तको पदाधिकारीले प्रचलित कानून विपरित कुनै कार्य गरेको वा लघुवित्तको हानी नोक्सानी गरे गराएको हाम्रो जानकारीमा आएन ।

ङ) लघुवित्तले नेपाल राष्ट्र बैंकले दिएको निर्देशन अनुरुप कार्य गरी सन्तोषप्रद रुपबाट सञ्चालन भएको छ ।

च) लघुवित्तमा लेखा सम्बन्धी कुनै जालसाजी भएको लघुवित्तको श्रेस्ताको लेखा परीक्षणबाट हाम्रो जानकारी आएन ।

बस्याल एण्ड एसोसिएट्स
Kathmandu
Chartered Accountant

सिए. थानेश्वर बस्याल
साझेदार

स्थान: काठमाडौं
मिति : २०७५/०५/२०

7.3

FINANCIAL STATEMENT

BALANCE SHEET

As on July 16, 2018

Amount in NPR

Capital and Liabilities	Schedule	This Year	Previous Year
1. Share Capital	4.1	70,000,000.00	-
2. Reserve and Fund	4.2	(5,584,041.00)	-
3. Debenture and Bond	4.3	-	-
4. Borrowing	4.4	749,008,374.82	-
5. Deposit from Customers	4.5	68,612,427.00	-
6. Proposed Dividend	-	-	-
7. Income Tax Payable	-	-	-
8. Other Liabilities	4.6	6,268,962.49	-
Total Capital and Liabilities		**888,305,723.31**	**-**

Assets	Schedule	This Year	Previous Year
1. Cash and Cash Equivalent	-	1,352,894.00	-
2. Due from Nepal Rastra Bank	-	-	-
3. Placement with Bank and Financial Institutions	4.7	47,397,649.43	-
4. Money at Call and Short Norice	-	-	-
5. Investment	4.8	-	-
6. Loans and Advances	4.9	819,973,744.92	-
7. Fixed Assets	4.10	18,681,276.73	-
8. Non Banking Assets	4.11	-	-
9. Other Assets	4.12	900,158.23	-
Total Assets		**888,305,723.31**	**-**

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 and 4.23 to 4.27 are integral part of Balance Sheet.

Arjun Raj Khaniya
Chairman

DineshBhari
Director

Bishal Sigdel
Director

Tej Raj Timilsina
Director

As per our report dated 5-Sep-2018

Padam Thakulla
DirectorChief

Laxmi Prasad Sharma
Executive Officer

Subin Kaji Shrestha
Senior Manager -Accounts

CA Thaneshwor Bashyal
Bashyal and Associates
Chartered Accountant

PROFIT AND LOSS ACCOUNT

July 25, 2017 till July 16, 2018

Amount in NPR

Particulars	Schedule	This Year	Previous Year
1. Interest Income	4.14	11,007,964.33	-
2. Interest Expense	4.15	9,685,097.05	-
Net Interest Income		**1,322,867.28**	**-**
3. Commission and Other Operating Income	4.16	15,904,750.00	-
4. Income from Foreign Exchange Fluctuation	-	-	-
Net Operating Income		**17,227,617.28**	**-**
5. Personnel Expenses	4.17	7,287,105.73	-
6. Other Operating Expenses	4.18	7,021,813.44	-
7. Loss from Foreign Exchange Fluctuation	-	-	-
Operating Profit before Provision for Possible Losses		**2,918,698.11**	**-**
8. Provision for Possible Losses	4.19	8,449,200.00	-
Operating Profit		**(5,530,501.89)**	**-**
9. Non Operating Income/ Loss	4.20	-	-
10. Provision for Possible Losses Written Back	4.21	166,636.92	-
Profit From Regular Activities		**(5,363,864.97)**	**-**
11. Profit/ Loss from Extraordinary Activities	4.22	-	-
Net Profit after Inclusion of All Activities		**(5,363,864.97)**	**-**
12. Provision for Staff Bonus	-	-	-
13. Provision for Income Tax		**220,176.03**	**-**
Current Year Provision for Tax	-	-	-
Provision for Tax till last year	-	-	-
Deferred Tax Income/ Expense	-	220,176.03	-
Net Profit/ Loss		**(5,584,041.00)**	**-**

Schedule 4.14 to 4.22 are integral part of Profit and Loss Account.

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As per our report dated 5-Sep-2018

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Executive Officer

Subin Kaji Shrestha
Senior Manager -Accounts

CA Thaneshwor Bashyal
Bashyal and Associates
Chartered Accountant

PROFIT AND LOSS APPROPRIATION ACCOUNT

July 25, 2017 till July 16, 2018

Amount in NPR

Particulars	Schedule	This Year	Previous Year
Income			
1. Accumulated Profit till Last Year		-	-
2. Current Year Profit		-	-
3. Exchange Fluctuation Fund		-	-
Total		-	-
Expenses			
1. Accumulated Loss till Last Year		-	-
2. Current Year Loss		(5,584,041.00)	-
3. General Reserve Fund		-	-
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		-	-
Total		**(5,584,041.00)**	**-**
Accumulated Profit/ (Loss)		**(5,584,041.00)**	**-**

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Senior Manager -Accounts

CA Thaneshwor Bashyal
Bashyal and Associates
Chartered Accountant

STATEMENT OF CHANGES IN EQUITY

For the year ended 16 July, 2018

Amount in NPR

Particulars	Share Capital	Accumulated Profit/ Loss	General Reserve Fund	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Total Amount
Initial Balance	-	-	-	-	-	-	-	-
Deferred Tax	-	-	-	-	-	-	-	-
Adjusted Initial Balance	-	-	-	-	-	-	-	-
Adjustment								
a. Increase in Share Capital	70,000,000.00	-	-	-	-	-	-	70,000,000.00
b. Current Year Profit	-	(5,584,041.00)	-	-	-	-	-	(5,584,041.00)
c. Transfer from Current Year Profit	-	-	-	-	-	-	-	-
d. Deferred Tax Reserve	-	220,176.03	-	-	-	-	(220,176.03)	-
e. Investment Adjustment Fund	-	-	-	-	-	-	-	-
Final Balance	**70,000,000.00**	**(5,363,864.97)**	**-**	**-**	**-**	**-**	**(220,176.03)**	**64,415,959.00**

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Bishal Sigdel
Director

Tej Raj Timilsina
Director

As per our report dated 5-Sep-2018

Padam Thakulla
DirectorChief

Laxmi Prasad Sharma
Executive Officer

Subin Kaji Shrestha
Senior Manager -Accounts

CA Thaneshwor Bashyal
Bashyal and Associates
Chartered Accountant

CASH FLOW STATEMENT

July 25, 2017 till July 16, 2018

Amount in NPR

Particulars	This Year	Previous Year
A. Cashflow from Operating Activities	**(751,576,554.66)**	**-**
1. Cash Inflow	**26,912,714.33**	**-**
1.1 Interest Income	11,007,964.33	-
1.2 Recovery of Loan written off	-	-
1.3 Commission and other Income	15,904,750.00	-
2. Cash Payment	**(21,918,641.04)**	**-**
2.1 Interest Expense	(9,685,097.05)	-
2.2 Staff Expense	(6,575,700.27)	-
2.3 Office Expenses	(5,594,297.57)	-
2.4 Income Tax Paid	(63,546.15)	-
2.5 Other Expenses	-	-
Cashflow before Change in Working Capital	**4,994,073.29**	**-**
Increase/ Decrease in Current Assets	**(829,092,920.08)**	**-**
1. Increase/ Decrease in Money at Call and Short Notice	-	-
2. Increase/ Decrease in Other Short Term Investment	-	-
3. Increase/ Decrease in Loan	(828,256,308.00)	-
4. Increase/ Decrease in Other Assets	(836,612.08)	-
Increase/ Decrease in Current Liabilities	**72,522,292.13**	**-**
1. Increase/ Decrease in Deposit	68,612,427.00	-
2. Increase/ Decrease in Short Term Borrowing	-	-
3. Increase/ Decrease in Other Liabilities	3,909,865.13	-
B. Cashflow from Investment Activities	**(18,681,276.73)**	**-**
1. Increase/ Decrease in Long Term Investment	-	-
2. Increase/ Decrease in Fixed Assets	(18,681,276.73)	-
3. Interest Income from Long Term Investment	-	-
4. Dividend Income	-	-
5. Others	-	-
C. Cashflow from Financial Activities	**819,008,374.82**	**-**
1. Increase/ Decrease in Long term Borrowing (Bond, Debenture, etc.)	749,008,374.82	-
2. Increase/ Decrease in Share Capital	70,000,000.00	-
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	**48,750,543.43**	**-**
F. Opening Balance of Cash and Cash Equivalents	**-**	**-**
G. Closing Balance of Cash and Cash Equivalents	**48,750,543.43**	**-**

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Executive Officer

Subin Kaji Shrestha
Senior Manager -Accounts

CA Thaneshwor Bashyal
Bashyal and 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	**100,000,000.00**	**-**
a) 100000000 ordinary shares @ NPR 100 per share	100,000,000.00	-
b) …… Non Redeemable Preference Share @ NPR … per share	-	-
c) …… Redeemable Preference Share @ NPR … per share	-	-
1.2 Issued Capital	**100,000,000.00**	**-**
a) 1,000,000 ordinary shares @ NPR 100 per share	100,000,000.00	-
b) …… Non Redeemable Preference Share @ NPR … per share	-	-
c) …… Redeemable Preference Share @ NPR … per share	-	-
1.3 Paid Up Capital	**70,000,000.00**	**-**
a) 700,000 ordinary shares @ NPR 100 per share	70,000,000.00	-
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	**70,000,000.00**	**-**

Amount in NPR

Share Ownership Details	This Year		Previous Year	Share Capita;
	%	Share Capital	%	
1. Domestic Ownership	**100.00**	**70,000,000.00**	**-**	**-**
1.1 Nepal Government	-	-	-	-
1.2 "A" class Licensed Institutions	100.00	70,000,000.00	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Institutions	-	-	-	-
1.5 Public	-	-	-	-
1.6 Other	-	-	-	-
2. Foreign Ownership	**-**	**-**	**-**	**-**
Total	**100.00**	**70,000,000.00**	**-**	**-**

Details of Individual/ Group/ Firm/ Company with investment in share more than 0.5%			
Name of Shareholder	**No. of Shares**	**%**	**Share Capital**
NIC Asia Bank Ltd.	**7,00,000**	**100.00**	**7,00,00,000**

4.2 Reserves and Funds

Amount in NPR

Particulars	This Year	Previous Year
1. General / Statutory Reserve Fund		**-**
2. Capital Reserve Fund	**-**	**-**
3. Capital Redemption Reserve	**-**	**-**
4. Capital Adjustment Fund	**-**	**-**
5. Other Reserve and Fund	**-**	**-**
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 Other Free Reserves	-	-
5.7 Other Reserve Fund	-	
6. Accumulated Profit/ Loss	**(5,584,041.00)**	**-**
7. Exchange Equalization Fund	**-**	**-**
8. Total	**(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	749,008,375	-
5. Other Institutions	-	-
6. Other	-	-
Total	**749,008,375**	**-**
B. Foreign		
1. Banks	-	-
2. Other	-	-
Total	**-**	**-**
C. Total (A+B)	**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	**68,612,427.00**	**-**
1.1 Institutions		
1.2 Individual	68,612,427.00	-
1.3 Other		
b. Fixed Deposit	**-**	**-**
1.1 Institutions	-	-
1.2 Individual	-	-
1.3 Other	-	-
Total of Interest Bearing Accounts	**68,612,427.00**	**-**
Total Deposit	**68,612,427.00**	**-**

4.6 Other Liabilities

Amount in NPR

Particulars	This Year	Previous Year
1. Pension/ Gratuity Fund	-	-
2. Provision for Leave Encashment	-	-
3. Employee Provident Fund	241,391.00	-
4. Employee Welfare Fund	-	-
5. Provision for Employee Bonus	-	-
6. Interest Payable on Deposit	-	-
7. Interest Payable on Borrowing	-	-
8. Sundry Creditors	2,049,981.14	-
9. Reconciliation Account	-	-
10. Deferred Tax Liability	220,176.03	-
11. Bills Payable	-	-
12. Dividend Payable	-	-
13. Other	-	-
13.1 Tax Deducted at Source	269,406.67	-
13.2 Staff CIT Payable	150,000.00	-
13.3 Staff Salary Payable	564,159.96	-
13.4 Director's Meeting Allowance	42,500.00	-
13.5 Rent Payable	136,419.69	-
13.6 Audit Fee Payable	111,500.00	-
13.7 Leave Encashment Payable	303,867.00	-
13.8 Provision for Gratuity	-	-
13.9 Borrower Protection Fund	-	-
13.10 Micro Credit Insurance Payable	2,140,575.00	-
13.11 Other	38,986.00	-
Total	**6,268,962.49**	**-**

4.7 Placement with Bank and Financial Institutions

Amount in NPR

Particulars	Domestic Currency	Foreign Currency in NPR			Total NPR	Previous year
		Indian Rupees	Foreign Exchange		Total	
1. Domestic Licensed Institutions	**47,397,649.43**	**-**	**-**	**-**	**47,397,649.43**	**32,886,858.99**
a. Current Account	47,397,649.43	-	-	-	47,397,649.43	32,886,858.99
b. Other Accounts	-	-	-	-	-	-
Total	**47,397,649.43**	**-**	**-**	**-**	**47,397,649.43**	**32,886,858.99**

4.8 Investment

Amount in NPR

Particulars	Purpose		This Year	Previous Year
	Trading	Other		
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	-	-	-	-
9. Debenture and Bond of Institutions	-	-	-	-
10. Other Investment	-	-	-	-
Total Investment	**-**	**-**	**-**	**-**
Provisions	**-**	**-**	**-**	**-**
Net Investment	**-**	**-**	**-**	**-**

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 Provision	**-**	**-**	**-**	**-**	**-**
Net Investment	**-**	**-**	**-**	**-**	**-**

4.9 Loans and Advances

Amount in NPR

Particulars	Details of Loans and Advances			Previous Year
	Insurance	Uninsured	This Year	
1. Performing Loan	**-**	**828,256,308.00**	**828,256,308.00**	**-**
Pass Loan	-	828,256,308.00	828,256,308.00	-
2. Non Performing Loan	**-**	**-**	**-**	**-**
2.1 Substandard	-		-	-
2.2 Doubtful	-		-	-
2.3 Loss	-	-	-	-
3. Total Loans and Advances (1+2)	**-**	**828,256,308.00**	**828,256,308.00**	**-**
4. Loan Loss Provision	**-**	**8,282,563.08**	**8,282,563.08**	**-**
4.1 Pass	-	8,282,563.08	8,282,563.08	-
4.2 Substandard	-	-	-	-
4.3 Doubtful	-	-	-	-
4.4 Loss	-	-	-	-
4.5 Additional	-	-		-
4.6 Additional for Loan against Third Party Collateral	-	-	-	-
5. Loan Loss Provision till Last Year	**-**	**-**	**-**	**-**
5.1 Pass	-	-	-	-
5.2 Substandard	-	-	-	-
5.3 Doubtful	-	-	-	-
5.4 Loss	-	-	-	-
5.5 Additional	-	-	-	-
5.6 Additional for Loan against Third Party Collateral	-	-	-	-
6. Provision Written Back This Year	**-**	**166,636.92**	**166,636.92**	**-**
7. Additional Loan Loss Provision During This Year		**8,449,200.00**	**8,449,200.00**	**-**
8. Increase/ Decrease During This Year	**-**	**8,282,563.08**	**8,282,563.08**	**-**
9. Total Loan Loss Provision	**-**	**8,282,563.08**	**8,282,563.08**	**-**
Net Loans and Advances	**-**	**819,973,744.92**	**819,973,744.92**	**-**

4.10 Fixed Assets

Amount in NPR

Particulars	Assets						This Year	Previous Year
	Building	Vehicles	Machinery	Office Equipments	Leasehold Assets	Other		
1. Cost								
a. Closing Balance Last Year	-		-		-		-	-
b. Addition This Year	-	4,940,656.00	-	12,405,054.16	1,438,231.23	1,182,055.00	19,965,996.39	-
c. Addition This Year due to Revaluation	-	-	-	-	-	-	-	-
d. Sale This Year	-	-	-	-	-	-	-	-
e. Write Off This Year	-	-	-	-	-		-	-
Total Cost (a+b+c+d+e)	**-**	**4,940,656.00**	**-**	**12,405,054.16**	**1,438,231.23**	**1,182,055.00**	**19,965,996.39**	**-**
2. Depreciation								**-**
a. Till previous Year	-						-	-
b. This Year	-	69,477.98		1,032,979.51	81,705.70	100,556.47	1,284,719.66	-
c. Depreciation Revaluation	-	-	-	-			-	-
d. Depreciation Adjustment/ Write Back	-	-	-	-			-	-
Total Depreciation	**-**	**69,477.98**	**-**	**1,032,979.51**	**81,705.70**	**100,556.47**	**1,284,719.66**	**-**
3. Book Value (1-2)	**-**	**4,871,178.02**	**-**	**11,372,074.66**	**1,356,525.53**	**1,081,498.53**	**18,681,276.73**	**-**
4. Land							**-**	**-**
5. Capitalized Construction (To be capitalized)							**-**	**-**
Total (3+4+5)	**-**	**4,871,178.02**	**-**	**11,372,074.66**	**1,356,525.53**	**1,081,498.53**	**18,681,276.73**	**-**

*written down value

4.11 Non Banking Assets

Amount in NPR

Name of Borrower	Date of Acceptance of Non Banking Asset	Total Amount of Non Banking Asset NPR	Provision for Loss		Net Non Banking Asset	Previous Year
			%	Amount NPR		
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**

4.12 Other Assets

Amount in NPR

Particulars		This Year	Previous Year
1. Stock of Stationery		-	-
2. Income Receivable on Investment		-	-
3. Interest Receivable on Loan	6,245,625.14		-
Less: Interest Suspense	(6,245,625.14)	-	-
4. Commission Receivable		-	-
5. Sundry Debtors		-	-
6. Employee Loans and Advances		-	-
7. Advance Payment		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		-	-
14. Other		-	-
a. Advance Income Tax	63,546.15		-
Less: Provision for Tax	-	63,546.15	-
b. Telephone and Other Deposit s		3,000.00	-
Total		**900,158.23**	**-**

-

4.12(a) Other Assets (Additional Details)

Amount in NPR

Particulars	This Year NPR				Previous Year
	Up to 1 Year	More Than 1 Year Up to 3 Years	Above 3 Years	Total	
1. Interest Receivable on Loan	6,245,625.14	-	-	6,245,625.14	567,834.59
2. Reconciliation Account	-	-	-	-	-
3. Agency Account					
Total	**6,245,625.14**	**-**	**-**	**6,245,625.14**	**567,834.59**

4.13 Contingent Liabilities

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. Claims Against Institution Not Accepted by Institution	-	-
Total	**-**	**-**

4.14 Interest Income

Amount in NPR

Particulars	This Year	Previous Year
a. On Loan and Advances	**9,304,380.00**	**-**
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	**1,703,584.33**	**-**
1. Fixed Deposit	-	-
2. Call Deposit	1,703,584.33	-
Total	11,007,964.33	-

4.15 Interest Expense

Amount in NPR

Particulars	This Year	Previous Year
A. Deposit	**345,599.00**	**-**
1. Deposit of Members	345,599.00	-
2. Deposit of Public	-	-
B. Borrowing	**9,339,498.05**	**-**
1. Debenture and Bond	-	-
2. Loan from Nepal Rastra Bank	-	-
3. Inter Bank Borrowing	9,339,498.05	-
4. Other Institutions	-	-
5. Other Borrowing	-	-
C. Other	**-**	**-**
Total	**9,685,097.05**	**-**

4.16 Commission and Other Operating Income

Amount in NPR

Particulars	This Year	Previous Year
1. Service Fee	15,588,750.00	-
2. Renewal Fee	-	-
3. Commission	-	-
4. Discount	-	-
5. Other	316,000.00	-
Total	**15,904,750.00**	**-**

4.17 Personnel Expenses

Amount in NPR

Particulars	This Year	Previous Year
1. Salary	2,780,603.80	-
2. Allowance	3,676,555.73	-
3. Addditional Contribution to Provident Fund	120,695.50	-
4. Training Expenses	405,383.70	-
5. Uniform	-	-
6. Medical Expenses	-	-
7. Insurance	-	-
8. Provision for Leave Encashment	303,867.00	-
9. Provision for Pension and Gratuity	-	-
10. Other	-	-
Total	**7,287,105.73**	**-**

4.18 Other Operating Expenses

Amount in NPR

Particulars	This Year	Previous Year
1. Rent	978,716.48	-
2. Electricity and Water Expenses	40,180.00	-
3. Repair and Maintenance	32,046.75	-
a. Building	-	-
b. Vehicle	-	-
c. Other	32,046.75	-
4. Insurance	41,512.01	-
5. Postage, Telex, Telephone, Fax	302,196.56	-
6. Office Equipments and Furniture	-	-
7. Travel Allowance and Expenses	348,622.00	-
8. Stationery and Printing	84,761.47	-
9. Newpaper and Books	-	-
10. Advertisement	70,696.55	-
11. Legal Expenses	20,270.00	-
12. Donation	1,000.00	-
13. Board of Directors Related Expenses	50,000.00	-
a. Meeting Allowance	50,000.00	-
b. Other Expenses	-	-
14. Annual General Meeting Related Expenses	-	-
15. Audit Expenses	113,000.00	-
a. Audit Fee	113,000.00	
b. Other Expenses	-	-
16. Fund Transfer Commission	-	
17. Depreciation on Fixed Assets	1,284,719.66	-
18. Preoperating Expenses Written Off	38,408.73	-
19. Share Issuance Expenses	-	-
20. Professional Services	-	-
21. Entertainment Expenses	-	-
22. Write Off	-	
23. Security Expenses	424,990.45	-
24. Credit Security Premium	-	
25. Commission and Discount	2,615,000.00	-
26. Other	575,692.78	-
a. Securities Registration Expenses	-	-
b. Youth Access Projects	-	-
c. Fuel Expenses	35,361.00	-
d. Other	540,331.78	-
Total	**7,021,813.44**	**-**

4.19 Provision for Possible Losses

Amount in NPR

Particulars	This Year	Previous Year
1. Increase in Loan Loss Provision	8,449,200.00	-
2. Increase in Provision for Investment	-	-
3. Provision for Non Banking Assets	-	-
4. Provision on Other Assets	-	-
Total	**8,449,200.00**	**-**

4.20 Non-Operating Income/ Losses

Amount in NPR

Particulars	This Year	Previous Year
1. Profit/ Loss from Sale of Investment	-	-
2. Profit/ Loss for Sale of Assets	-	-
3. Dividend	-	-
4. Other	-	-
Net Non Operating Income/ Loss	**-**	**-**

4.21 Provision for Possible Losses Written Back

Amount in NPR

Particulars	This Year	Previous Year
1. Loan Loss Provision Written Back	166,636.92	-
2. Provision for Non Banking Assets Writtten Back	-	-
3. Provision for Investment Written Back	-	-
4. Provision for Other Assets Written Back	-	-
Total	**166,636.92**	**-**

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

S.No.	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 Loan	**-**	**-**	**-**	**-**	**-**	**-**

4.23 Details of Credit Facilities to Directors, Chief Executive Officer, Promoters, Employees and Shareholders

Amount in NPR

Name of Borrower	Closing Balance of Last Year		Settlement During This Year		Addition During This Year	Balance As On 16-Jul-2018	
	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 '000'

S.No.	Particulars	This Year	Previous Year
A.	**Primary Capital**	**64,262.32**	**-**
	1. Paid Up Capital (Common Share)	70,000.00	-
	2. Proposed Bonus Share	-	-
	3. Share Premium	-	-
	4. Irredemable Preference Share	-	-
	5. General Reserve Fund	-	-
	6. Acumulated Profit/ Loss	(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. Other Free Reserves	-	-
	Less:	**-**	**-**
	– Goodwill	-	-
	– Deferred Tax Asset	-	-
	– Investment in share and bond in excess of required limit	-	-
	– Investment in debenture of company with financial interest	-	-
	– Fictious Assets	153.63	-
	– Investment in Fixed Assets without complying requirement of NRB	-	-
	– Loans and advances provided to individual and group prohibited by prevailing law	-	-
B.	**Supplementary Capital**	**8,282.56**	**-**
	1. Loan Loss Provision on Pass Loan	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)**	**72,544.89**	**-**
D.	**Minimum Capital to be Maintained on the Basis of Risk Weighted Assets**		
	Capital Fund (8%)	68,580.32	-
	Primary Capital (4%)	34,290.16	-
	Capital Fund (@ Maximum 5.46%)	3,964.57	-
	Primary Capital (@ 46.64%)	29,972.16	-

4.24(a) Index of Risk Weighted Assets

Amount in NPR

	Weight	This Year		Previous Year	
		Amount	Risk Weighted Assets	Amount	Risk Weighted Assets
A. On-Balance-Sheet Assets					
Cash Balance	0	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	-	-	-	-
Accrued Interest Income on Government Securities	0	-	-	-	-
Claims on Fixed Deposit at Banks and Financial Instituitions	0.20	47,397.65	9,480.00	-	-
Money at Call	0.20	-	-		
Inter Bank Lending	0.20	-	-	-	-
Investment on Share, Debenture and Bond	1.00	-	-	-	-
Other Investment	1.00	-	-	-	-
Loans and Advances	1.00	828,256.31	828,256.00		
Fixed Assets	1.00	18,681.28	18,681.00	-	-
Other Net Interest Income	1.00			-	-
Other Assets	1.00	836.61	837.00	-	-
A. Total		**896,524.74**	**857,254.00**		
B. Off-Balance-Sheet items				-	-
Guarantee	100	-	-	-	-
Irrevocable Loan Commitments	100	-	-	-	-
Contingent Liability against Tax	100	-	-	-	-
Accrued Interest and other contingent liabilities	100	-	-	-	-
Unpaid portion of Partly paid shares and Securities	100	-	-	-	-
Unpaid Guarantee Claim	200	-	-	-	-
Claims Against Institution Not Accepted by Institution	200	-	-	-	-
B. Total		**-**	**-**	**-**	**-**
Total Risk Weighted Assets (A+B)		**896,524.74**	**857,254.00**	**-**	**-**

4.25 Major Indicators

S.No.	Particulars	Unit	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
1	Net Profit Ratio	%	-	-	-	-	-0.21
2	Earning Per Share	NPR	-	-	-	-	-7.98
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/ Loan and Advances	%	-	-	-	-	0.01
8	Employee Expenses/ Total Operating Expenses	%	-	-	-	-	0.51
9	Interest Expense on Total Deposit and Borrowing	%	-	-	-	-	0.01
10	Foreign Exchange Fluctuation Income/ Total Income	%	-	-	-	-	0.00
11	Employee Bonus/ Total Employee Expenses	%	-	-	-	-	0.00
12	Net Profit/ Total Borrowing	%	-	-	-	-	-0.01
13	Net Profit/ Total Assets	%	-	-	-	-	-0.01
14	Total Assets/ Deposit	%	-	-	-	-	12.07
15	Total Operating Expenses/ Total Assets	%	-	-	-	-	0.02
16	Capital Adequacy on Total Risk Weighted Assets		-	-	-	-	-
	a. Primary Capital	%	-	-	-	-	7.50
	b. Supplementary Capital	%	-	-	-	-	0.97
	c. Total Capital Fund	%	-	-	-	-	8.46
17	Cash Reserve Ratio	Ratio	-	-	-	-	0.0051
18	Non Performing Loan/ Total Loan	%	-	-	-	-	0.00
19	Weighted Average Interest Rate Spread	%	-	-	-	-	0.072
20	Book Networth	NPR	-	-	-	-	64,415,959
21	Total Share	Number	-	-	-	-	700,000
22	Total Number of Employees	Number	-	-	-	-	100
23	Other						

Company commenced its operation from FY 2017/18

COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT AS OF FY 2017/18

Amount in '000'

S.No.	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)**	**903,819.22**	**888,305.72**	**15,513**	**1.72%**	
1.1	Paid up Capital	70,000.00	70,000.00	-	-	-
1.2	Reserve and Surplus	(4,951.62)	(5,584.04)	632	-12.77%	Adjustment of Deferred Tax, Staff Leaveencashment, Pre operating write off
1.3	Debenture and Bond	-	-	-	-	
1.4	Borrowings	750,000.00	749,008.37	992	0.13%	Adjustment
1.5	Deposits (a+b)	68,614.43	68,612.43	2	0.00%	Adjustment
	a. Members	68,614.43	68,612.43	2	0.00%	
	b. Public			-	-	-
1.6	Income Tax Liability		-	-	-	-
1.7	Other Liabilities	20,156.41	6,268.96	13,887	68.90%	Adjustment of Deferred Tax, Staff Leaveencashment,
2	**Total Assets (2.1 to 2.7)**	**903,819.22**	**888,305.72**	**15,513**	**1.72%**	
2.1	Cash and Bank Balance	49,923.30	48,750.54	1,173	2.35%	Adjustment
2.2	Money at Call and Short Notice	-	-	-	-	-
2.3	Investments	-	-	-	-	-
2.4	Loans and Advances	828,256.31	819,973.74	8,283	1.00%	Provision made
2.5	Fixed Assets	18,527.62	18,681.28	(154)	-0.83%	Adjustment Depreciation
2.6	Non Banking Assets		-	-	-	-
2.7	Other Assets	7,111.99	900.16	6,212	87.34%	Interest Suspense
3	**Profit and Loss Account**					
3.1	Interest Income	11,007.91	11,007.96	-	-	-
3.2	Interest Expense	9,685.10	9,685.10	-	-	-
	A. Net Interest Income (3.1 - 3.2)	**1,322.81**	**1,322.87**	**-**	**-**	**-**
3.3	Fees, Commission and Discount	15,904.75	15,904.75	-	0.00%	
3.4	Other Operating Income	132.14	-	132	100.00%	Adjustment
3.5	Foreign Exchange Gain/Loss (Net)		-	-	-	-
	B. Total Operating Income (A+3.3+3.4+3.5)	**17,359.70**	**17,227.62**	**132**	**0.76%**	
3.6	Staff Expenses	7,052.12	7,287.11	(235)	-3.33%	Provision made leave encashment
3.7	Other Operating Expenses	6,976.64	7,021.81	(45)	-0.65%	Provision made
	C. Operating Profit Before Provision (B -3.6 - 3.7)	**3,330.94**	**2,918.70**	**412**	**12.38%**	
3.8	Provision for Possible Losses	8,449.20	8,449.20	-	-	-
	D. Operating Profit (C -3.8)	**(5,118.26)**	**(5,530.50)**	**412**	**-8.05%**	
3.9	Non Operating Income/Expenses (Net)	-	-	-	-	-
3.1	Write Back of Provision for Possible Loss	166.64	166.64	-	-	-
	E. Profit from Regular Activities (D+3.9+3.10)	**(4,951.62)**	**(5,363.86)**	**412**	**-8.33%**	
3.11	Extraordinary Income/Expenses (Net)	-	-	-	-	-
	F. Profit before Bonus and Taxes (E +3.11)	**(4,951.62)**	**(5,363.86)**	**412**	**-8.33%**	
3.12	Provision for Staff Bonus	-	-	-	-	-
3.13	Provision for Tax	-	220.18	(220)	0.00%	Calcuation of differ tax
	G. Net Profit/Loss (F - 3.12 - 3.13)	**(4,951.62)**	**(5,584.04)**	**632**	**-12.77%**	Provision made for Deferred Tax, Staff Leaveencashment,

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

a. 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.

b. The financial statements have been prepared on a historical cost basis and in case of deviations disclosed specifically.

c. Except specifically mentioned, financial transactions are accounted on accrual basis.

d. Financial statements are prepared in line with Nepal Rastra Bank Directive No. 4 issued for "D" class licensed institution.

3. FIXED ASSETS

a. Fixed assets are accounted on the basis of historical cost concept.

b. 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

a. Depreciation on fixed assets is deducted on the basis of Straight Line Method at following rates:

b. Leasehold assets are depreciated over lease period under straight line method.

c. Intangible assets like computer software are accounted on cost price and are depreciated over the period of 5 years.

Particulars	Rate of Depreciation
Furniture	25%
Office Equipments	25%
Computer	25%
Vehicles	20%
Leasehold Assets	Lease Period

5. PROVISION FOR INCOME TAX

Income tax includes both current year tax and deferred tax.

a. Provision for Income Tax

Provision for income tax has been calculated on the basis of Income Tax, 2058 and rules.

b. 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

a. Non Banking assets are recognized at lower of outstanding loan amount to be recovered or fair market value of collateral property.
b. Differential amount after sale of property accepted as non banking asset is transferred to profit and loss account of same fiscal year.
c. 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.

   Loans and advances are written off on the basis of directive issued by Nepal Rastra Bank and loan write off policy of 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 expenses shall be written off in five years.

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.

2. DETAILS OF LOANS AND ADVANCES

Particulars	Amount NPR
Opening Balance	-
Total Lending during Current Year	844,920,000
Total Settlement during Current Year	16,663,692
Closing Balance	828,256,308

3. DETAILS OF DEPOSIT

Particulars (Deposit from Members only)	Amount NPR
Opening Balance	-
Total Deposit Collected	68,612,427
Total deposit Withdrawn	-
Closing Balance	68,612,427

4. INTEREST RATE SPREAD

Particulars	Rate (%)
Weighted Average of Interest on Loan	17.78
Average Interest on Deposit and Borrowing	12.8
Spread	4.98

5. DETAILS OF EXPENSES WRITTEN OFF

Details of Pre-operating expense which is the only expense to be written off during review period are as follows:

Particulars	Amount NPR
Total Pre-Operating Expense	230,015.93
Adjustment: Prepaid Expense	37,972.28
Net Pre-Operating Expense	192,043.65
Written Off during review period	38,408.73
Pre-Operating Expense Not Written Off	153,634.92

6. DETAILS OF CONCENTRATION OF RISK

Particulars	Loans and Advances	Deposit
Total Loans and Advances as on 16-Jul-2018	828,256,308	68,612,427
Maximum Limit of Single Individual	800,000	1,080,231
Maximum Limit if Single Individual (%)	0.09	1.57

7. DETAILS OF AGEING OF ASSETS AND LIABILITIES

Assets	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Above 1 year	Total Amount
Cash Balance	1,345,861	799	6,234	-	-	1,352,894
Bank Balance	45,642,709.43	1,754,940	-	-	-	47,397,649.43
Investment in Foreign Bank	-	-	-	-	-	-
Government Securities	-	-	-	-	-	-
NRB Bond	-	-	-	-	-	-
Interbank Investment	-	-	-	-	-	-
Loans and Advances	760,463,938	46,042,370	21,750,000	-	-	828,256,308
Interest Receivable	5,707,156.14	343,500	194,969	-	-	6,245,625.14
Total	**813,159,664.57**	**48,141,609**	**21,951,203**	**-**	**-**	**883,252,476.57**
Liabilities	-	-	-	-	-	-
Borrowings	749,008,374.82	-	-	-	-	749,008,374.82
Saving Deposit	65,173,756	2,584,760	853,911	-	-	68,612,427
Fixed Deposit	-	-	-			-
Bonds	-	-	-	-	-	-
Other Liabilities	3,544,565.44	324,756.31	2,179,464.71			6,048,786.46
Provisions	-	-	-	-	-	-
Total	**817,726,696.26**	**2,909,516.31**	**3,033,375.71**	**-**	**-**	**823,669,588.28**
Total Financial Assets	(4,567,031.69)	45,232,092.69	18,917,827.29	-	-	59,582,888.29
Net Financial Assets	(4,567,031.69)	40,665,061	59,582,888.29	59,582,888.29	59,582,888.29	-

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:

Details	Amount
Opening Balance	-
Closing Balance	70,000,000

11. DETAILS OF LEASEHOLD PROPERTY

Following is the detail of leasehold property:

Property	Opening Amount (NPR)	Additional During Current Year (NPR)	Depreciation (NPR)	Closing Balance (NPR)
Leasehold property	-	1,438,231.23	81,705.70	1,356,525.53

12. DETAILS OF INVESTMENT

Financial Institution has not invested in any company till date.

13. DETAILS OF LOAN LOSS PROVISION TILL 16-JUL-2018

Particulars	Amount (NPR)
Opening Balance	-
Additional Provision during Year	8,282,563.08
Closing Balance	8,282,563.08

14. DETAILS OF INTEREST SUSPENSE ACCOUNT TILL 16-JUL-2018

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 15 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
Interest Suspense during Review Year	6,245,625.14
Interest Suspense written off during Review Year	-
Total Interest Suspense Amount as on 16-Jul-2018	6,245,625.14

15. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences as presented below were observed in deferred tax assets and liabilities as on 16-Jul-2018:

Fiscal Year	Particulars	Accounting Base	Tax Base	Temporary Difference	Rate of Tax	Deferred Tax Assets/ Liabilities
2074/75	Fixed Assets	18,681,276.73	17,797,124.54	884,152.19	30%	(265,245.66)
	Accumulated Leave (Provision)	303,867	-	303,867	30%	91,160.10
	Pre Operating Expenses	153,634.92	-	153,634.92	30%	(46,090.48)
	Total					(220,176.03)
Deferred Tax Liability to be booked on account of Taxable Temporary Differences						(220,176.03)
Deferred Tax Liability already booked till Last Year						-
Deferred Tax Liability to be booked in current year						(220,176.03)

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 financial institution is operating in net loss, customer protection fund has not been created.

18. CORPORATE SOCIAL RESPONSIBILITY FUND

As financial institution is operating in net loss, corporate social responsibility fund has not been created.

19. STAFF CAPACITY DEVELOPMENT FUND

NPR 405,383.70 has been spent by financial institution for capacity development of staffs during FY 2017/18 which is 5.56% of total personnel expenses.

20. PROVISION FOR STAFF LEAVE AND GRATUITY

Payment against accumulated leave of staffs has not been done during review year. NPR 303,867 has been set aside as provision for accumulated leave and presented as other liabilities under schedule 4.6.

Provision of Labor Act, 2074 requires employer to deposit 8.33% of basic salary of each and every employee for gratuity into social security fund. However, staff bylaw of institution has not been amended in line with provision of same. Provision for gratuity has not been set aside during FY 2017/18 as such provision is not incorporated in staff by law of financial institution.

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:

S.No.	Particulars	Amount NPR
1.	Investment of NIC Asia Bank	70,000,000
2.	Borrowing from NIC Asia Bank	650,000,000
3.	Interest Paid To NIC Asia Bank	8,695,890.41
4.	Balance with NIC Asia Bank	16,655,961.91

22. PROPOSED BONUS SHARE AND DIVIDEND

As financial institution is operating in net loss, bonus share and/or dividend has not been proposed.

08

NIC ASIA CAPITAL

8.1

DIRECTORS' REPORT

SECOND ANNUAL GENERAL MEETING, DIRECTORS REPORT

Respected Shareholders,

I would like to heartily welcome representative of the promoter company NIC ASIA Bank Limited Mr. Kapil Dhakal, chief guest Mr. Roshan Neupane, special guest Mr. Sudhir Nath Pandey and other guests supervisors of mutual fund, members of DNA oversight committee of the bank, chairman of NIC ASIA Laghubitta Bittiya Sanstha Limited, external auditors of this company and other present eminent persons to the second annual general meeting of this capital personally and on behalf of board of directors and whole NIC ASIA capital family. We are grateful towards all the attendances of this significant meeting who are present in this meeting by accepting our invitations in spite of your tied-up schedule.

In this noteworthy meeting, I would like to share major achievements of this capital till date:

STATUS OF NATIONAL ECONOMY:

National economy was exciting during the FY 2017-18. GDP of the country was increased by 6.3% due to contributions to the economic activities by sufficient monsoon rain on time, improvement in supply of energy and simplified supply management. The exciting economic development can also be expected in the coming years due to political stability and improving business environment.

1. Stock Market

a. Primary Market

During the FY 2017-18, SEBON has approved 21 companies for initial public offering worth NPR 8.3 billion. Out of which, 15 companies have already collected the amount of NPR 3.18 billion from issuance of shares. This amount was declined by 65% as compared to FY 2016-17. Apart from that, 6 companies have been granted permission for further issue offering worth NPR 11.51 billion. Out of which, 4 companies have already collected the amount of NPR 6.47 billion from issuance of shares. The permission granted amount for FPO has been increased by 44% as compared to FY 2016-17. Similarly, out of the approved right share issue worth NPR 25.70, an amount of NPR 19.67 billion has already been collected from the issuance of right shares. The permission granted amount for right share issue has been declined by 43.68% as compared to last fiscal year.

IN NPR Billion

Particulars	FY 2014-15		FY 2015-16		FY 2016-17C		FY 2017-18	
	No. of Company	Amount	No. of Company	Amount	No. of Company	Amount	No. of Company	Amount
Initail Public Offering	18	6.98	14	2.76	19	1.40	21	8.30
Right Share Issue	22	2.31	37	9.40	69	41.20	55	25.70
Further Public Offering	-	-	3	5.83	3	7.78	6	11.51
Mutual Fund	3	2.25	1	1.00	4	4.25	4	4.80
Debenture and Bond	2	1.25	-	-	-	-	1	3.00
Total	45	12.79	55	18.99	95	54.63	87	53.31

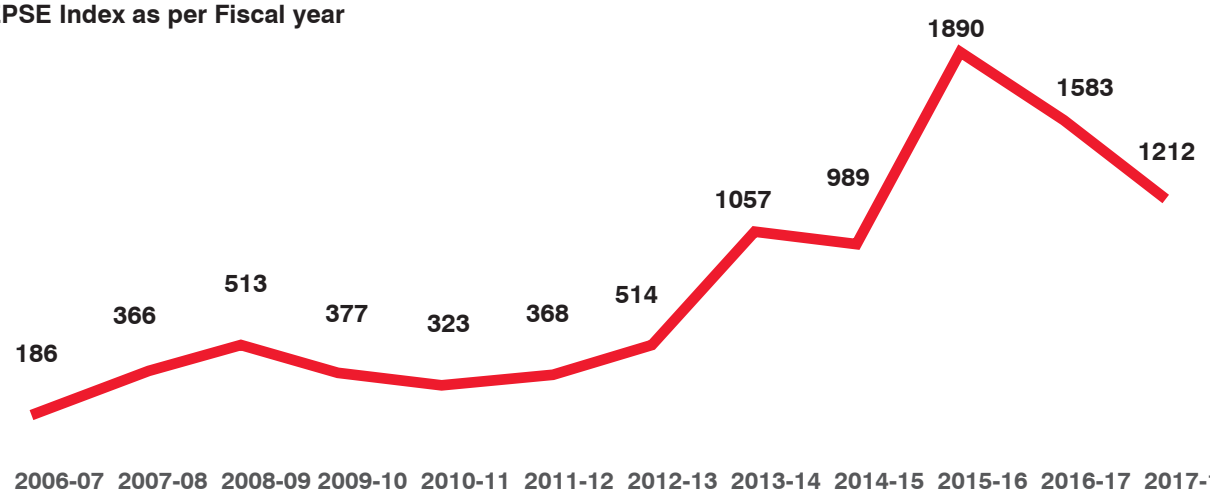
b. Secondary Market

The NEPSE Index was on declining trend during most of the period of the FY 2017-18. With the continuity of declining trend of last fiscal year, NEPSE Index was declined by 370.31 points with the declining rate of 23.4% during the review period and was limited to 1,212.4 point as on 16th July, 2018. During the review period, lowest point and highest point of the NEPSE Index were 1,168.55 and 1,667.94 respectively with the average daily transaction of NPR 520.99 billion. NEPSE Index was limited to 1,582.7 points as on 15th July, 2017, which had begun to decline from 1,881.45 points with the declining rate of 7.9%. Banks' interest rate was on increasing trend with the liquidity constraint in the market, which has directly affected the NEPSE Index. The Online Trading System which was expected by the Nepal Stock Exchange Ltd. to complete on Mid November, 2017 was ceased for some time. Similarly, during the FY 2017-18 there was enormous increase in the number of shares listed in the NEPSE. Therefore, there was massive increase in sales pressure than the demand of the shares 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.

Beginning of testing process of Online Trading System from Mid November, 2018 has make the investors more excited. According to the study of neighbor country India's stock exchange index, index has improved after implementation of online trading system. If the same pattern is followed in the NEPSE, improvement in NEPSE index can be expected in the next fiscal year. Similarly, towards the end of fiscal year, interest rates were seemed to be on decreasing trend due to the availability of liquidity to some extent. Further, as per the new provision, bank can carry out the business of stock broker by establishing subsidiary company because of which trading of stock could expand all over country which was expected to positively impact the NEPSE index.

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Number of List Companies	231	230	208	196
Paid-up Capital of Listed Companies	157.58	204.02	289.59	352.09
Total Trading Days	216	233	230	233
Market Capitalization (In Billion)	989.4	1,890.13	1,856.82	1,435.14
NPESE Index	961.23	1,718.15	1,582.67	1,212.36
NEPSE Float Index	68.47	125.41	116.14	87.15
NEPSE Sensitive Index	204.67	369.07	336.04	255.20

NEPSE Index as per Fiscal year



DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT 2006

1. Business Review of FY 2017-18

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.

After the establishment of this company, depository services earlier provided by the NIC ASIA Bank Limited was started to be provided by this company as per the agreement made between the bank and this company. Similarly, by fulfilling the required standard of regulatory body, the capital has obtained license from Nepal Securities Board to work as depository participant, issue manager, portfolio manager, registrar to share and fund manager of mutual fund under NIC ASIA Bank Limited.

Details of Issue Management and Underwriting Service provided to the companies:

The capital has been able to issue primary capital of two companies including a mutual fund under the issue management services, in which allotment of shares of one of the company Aarambha Microfinance Bittiya Sanstha Limited has been done within 37 hours which can be considered as historical achievement in the sector of merchant banking. Similarly, issue management of right shares of two companies and auction shares of one company were completed during the review year. Further, process has been initiated to obtain the approval from the Nepal Security Board for public issue of shares of two companies and right shares of one company is in the process of issue after obtaining approval from the Nepal Security Board. As the capital was success in allocating the shares and listing the shares for trading in the secondary market with in short period for the companies whose share issue was carried out by the capital, which has gained positive influence among the investors.

Issue Management and Underwriting Services provided:

S.N.	Name of the Company	Remarks
1	Aarambha Microfinance Bittiya Sanstha Limited	Public Issue
2	Prudential insurance company limited	Right Share Issue
3	NIC ASIA Bank Limited	Auction Sale of Unsubscribed Right Shares
4	Prudential insurance company limited	Auction Sale of Unsubscribed Right Shares
5	NIC ASIA Growth Fund	Mutual Fund
6	Surya life insurance company limited	Right Share Issue

Details of Companies in the process of share issue:

S.N.	Name of the Company	Remarks
1	Max Vision Limited	Public Issue
2	River False Power Limited	Public Issue

Details of activities related to the registrar of shares carried out till the end of FY 2017-18:

The capital has been providing registrar to share services to 5 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 Laghubitta Bittiya Sanstha Limited
3	Sahayogi bikas bank Limited
4	Aarambha Microfinance Bittiya Sanstha Limited
5	NIC ASIA Growth Fund

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. However, we have been able to provide portfolio management services to 44 customers amounting to NPR 103.4 million during the FY 2017-18 which can be considered as satisfactory

Depository Participant Service:

NIC ASIA Capital has been able to open 128,214 DEMAT accounts during the short period of operation, which weighs to 10% of total DEMAT accounts opened by the total of 67 depository participants during that period. Similarly, the capital has been able to secured second position in terms of total DEMAT accounts out of total 67 depository participants/merchant bankers. Annual renewal fees of DEMAT accounts has been increased by 82% during the year.

NIC ASIA Mutual Fund:

The Capital has issued "NIC ASIA growth fund" for a value of 1 billion as a first scheme under NIC ASIA Bank Mutual Fund, which was opened for subscription from 16th January, 2018 to 4th February, 2018 and allotted to the subscribers on 13th March, 2018. We were able to bring the plans of 8,352,000 unitsamounting to NPR 835,200,000 amid the problems like continuous declining of secondary market, issuance of plans by two mutual funds at the same time, constraint of investable amount resulting into high interest rate, market price of existing mutual fund unit lower than par value etc. Net Assets Value of the mutual fund was NPR 10.08 at the end of FY 2017-18 even though secondary market was continuously declining since the allotment of mutual fund units, which can be considered as satisfactory achievement as compared to other plans existing in the market and in view of poor market condition.

Financial Achievement of the capital during the FY 2017-18

Financial Achievements:

The capital has been able to earn exciting profit in spite of tough competition due to the increase of number of Merchant Banker during the review period. The Capital has earned gross income of NPR 57,217,567/-, operational profit of NPR 21,009,150/- and net profit of NPR 15,712,215 during the period.

The capital was able to distribute 2% Net Cash Dividend (including tax) during the short period of four months of fiscal year 2016-17 and around 7.36% of cash dividend during the fiscal year 2017-18, which was proposed on the paid up capital of NPR 200 million after the issuance of 1:1 Right shares during this fiscal year. Similarly, we are committed to provide the attractive return in the future and to provide the high quality service in the coming days.

During the review year, the capital has earned NPR 10.50 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.

S.N.	Particulars	16-July-2018	15-July-2017
1	Fixed Assets	3,674,745	3,366,849
2	Current Assets	5,498,748	5,216,078
3	Financial Assets	60,000,000	50,000,000
4	Loans and Advances	489,153	526,957
5	Deferred Tax Assets	234,898	-
6	Total Immovable Assets	69,897,544	59,109,884
7	Cash and Bank Balance	72,124,881	27,804,767
8	Bills Receivable	7,396,791	742,547
9	Loans and Advances	527,107	2,019,482
10	Financial Assets	112,000,000	20,000,000

11	Financial Assets Received from Shares	60,875	48,153
12	Total Movable Assets	192,109,654	50,614,949
13	Total Assets	262,007,199	109,724,833
14	Staff Benefits	1,035,143	56,984
15	Bills Payable	463,624	230,244
16	Deferred Tax Liabilities	-	66,601
17	Total Immovable Liabilities	1,498,767	353,829
18	Trade and other liabilities	44,587,282	7,056,807
19	Total Movable Liabilities	44,587,282	7,056,807
20	Share Capital	200,000,000	00,000,000
21	Reserves	15,921,150	2,314,198
22	Total Equity	215,921,150	102,314,198
23	Total Equity and Liabilities	215,921,150	102,314,198
24	Total Income	57,217,567	14,281,609
25	Total Expenses	36,208,418	11,138,730
26	Operating Income	21,009,150	3,142,897
27	Provision for Income Tax	5,296,934	761,087
28	Net Profit (Loss)	15,712,215	2,381,792
29	No. of Shares (In '000')	2,000	1,000
30	Net Profit per Share (loss)	7.86	2.38
31	Net Worth (Book Value)	107.96	102.31

Strategy 21/22: Foundation to become best merchant banker

We believe that business can achieve success by forming long term plan and effective implementation of the same. On the basis of same believe we have formed and implemented 5 year strategic plans. This strategic plan includes overall business indexes of the capital and the main financial indexes, which the capital aims to achieve by the FY 2021-22 and the various strategies to be adopted by the capital for the effective management of the same. We have set the aim that by the FY 2021-22, the capital would achieve excellent success among the merchant banking industry in terms of all the main indexes along with business index, net profit and income per share.

Similarly, the capital has formulated the long term strategy of the company. Also, the capital aims to move forward by managing the business as per the strategy formulated by the company.

We aim to make this company number one merchant banker among the merchant banking industry with in next four years in line with long term strategy. Further, we aim to provide maximum return every year and to maintain the ROE of the company at least 30% every year.

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

Even though there was positive impact on overall economy due to formation of stable government in the country, there was liquidity constraint on bank and financial institutions in the review year also as the government couldn't fully utilize the all the amount allocated capital budget. With the establishment of local bodies, banks and financial institutions are rapidly expanding its branches. As a result of which, local residents of these areas can have easy access to the financial transaction and it has also played important role in the expansion of business of banks and financial institutions. Access to banks and financial institutions has been expanded to the most of the regions of the country. Also, as the most of the commercial banks have been providing depository participant services, subscriptions by the residents of these areas to the shares issued to local residents are in increasing trend.

As the trade deficit is increasing continuously due to money going out of country is much higher than the money coming to the country, interest rate on deposit is high during the review period due to liquidity constraint of banks and financial institutions, negative impact of the same can be seen in the stock market. Most of the banks and financial institutions have already fulfilled the minimum capital required by the Nepal Rastra Bank and most of the insurance companies are in the process to fulfill the minimum capital required by the Insurance Board and the Nepal Rastra Bank and Insurance Board can take the policy to encourage the companies of these sectors to go in the merger in the future as well, there is a minimum probability of issuing right shares by the companies of these sectors. Due to NEPSE Index was on declining trend during the FY 2017-18 and the volume of stock trading was also low, new investors are seem to be in a position of wait and see. Negative impact of the lower trading in the secondary stock market can be seen in the business expansion of the Merchant Banker.

As the Government is about to make the provision of keeping the money to be sent to the local bodies into the commercial banks to permanently solve the liquidity problem of the banks and financial institutions, Nepal Rastra Bank has made the provision for the commercial banks to borrow loan from foreign banks and the government and the Government is aggressive towards enhancing capital expenditure, liquidity problem is going to be solved slowly. Further, Nepal Securities Board has undertaken the policy to create environment to issue share to the general public by the company without direct governing body and the Nepal Stock Exchange Limited has completed the necessary procedure for the implementation of online trading system and is in

the process to start the online trading in the near future, therefore trading of stock is expected to increase in the future. As a result of which overall stock market and the transactions of related companies are expected to increase in the future. Further, successful completion of work execution plan formulated by the bank is expected to be difficult due to frequent change of policy by the regulatory body.

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
- Provide the excellent service of corporate advisory
- Start the process for second mutual fund scheme (Close Ended)
- 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

Alteration in Board of directors during review period is as follows:

346th meeting of the board of directors of the NIC ASIA Bank Ltd. held on 17th March, 2018, appointed the chairman of the capital Mr. Bishal Sigdel and the directors Mr. Dinesh Bhari and Mr. Bimal Lamsal on behalf of the bank. Similarly, Mr. Rabin Sapkota and Mr. Suman Dangol were appointed as independent directors. The information of alteration of the board of directors by the bank was the bank was received on 4th April, 2018 via letter. Previously, Mr. Sudhir Nath Pandey was chairman and Mr. Roshan Kumar Neupane and Mr. Bishal Sigdel were directors and Mr. Rabin Sapkota and Mr. Suman Dangol were independent directors.

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 7.36842% (including dividend distribution tax) from the profit of the FY 2017-18.

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 2017/18 and the position of the same atthe 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 thefinancial year and any significant changes in the business activities of the Company and its subsidiaryduring the same period

This company is providing the services like Issue Management and Underwriting, Registrar to Share, Depositary 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 theCompany 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

Heading of Expenses	Expenses Amount
Staff Expenses	15,175,214
Operating Expenses	20,995,960
Total Expenses	36,171,175

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
1	Mr. Rabin Sapkota
2	Mr. Raju Adhikari
3	Mr. Niroj Rajbhandari

Total of 4 meetings of audit committee was held during the review period but no remuneration, 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 151,010 was paid to the directors and managing directors as remuneration, 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	Company Secretary/ Head- Merchant Banking	Head- Investment officer
No. of staff	1	1	1
Amount of remuneration, allowance and benefits	1,995,032 (9 Months)	757,120 (12 Months)	90,000 (9 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 10,605,840 from the NIC ASIA Bank Ltd. during the FY 2017-18, out of which NPR 4,294,521 was received on fixed deposit.
- The company has been providing service of registrar to share to the NIC ASIA Bank Ltd, an annual service fee of which is NPR 750,000.
- As per the agreement between the company and the bank, an amount of NPR 977,054 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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Nabil Galli, Maharajgunj
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Kathmandu, Nepal

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NIC ASIA CAPITAL LIMITED

We have audited the accompanying financial statements of **NIC ASIA Capital Limited**, which comprise the Statement of Financial Position as at Ashad 32, 2075, (July 16, 2018) and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Change in Equity, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial Statement

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 financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement present fairly, in all material respects, the financial position of **NIC ASIA Capital Limited** as at Ashad 32, 2075 (July 16, 2018), and its financial performance, cash flows, changes in equity 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 and Securities Board Regulations 2064 and other prevailing laws.

Report on Other Legal and Regulatory Requirements

On the basis of our examination, we would like to report that:

a. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
b. The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
c. The Statement of Financial Position as at Ashad 32, 2075, (July 16, 2018) and the related Statement of Profit or Loss, Statement of Change in Equity, Statement of Cash Flows, a summary of significant accounting policies and other explanatory information dealt with by this report are in agreement with the books of account maintained by the Company.
d. During our examination of the books of account of the Company, 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 company has acted contrary to the provisions of law or caused loss or damage to the Company, and
e. We have not come across any fraudulence in the accounts.

S. R. PANDEY & CO. Chartered Accountants Kathmandu

Arun Raut, F.C.A
Partner

Date: 2018/08/03
Place: Kathmandu

8.3

FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

As at July 16, 2018

Amount in NPR

Particulars	Notes	This Year	Previous Year
Assets			
Non Current Assets			
Property, Plant and Equipment	3	3,674,745	3,366,849
Intangible Assets	4	5,498,748	5,216,078
Financial Assets measured at Amortized Cost	6.e.	60,000,000	50,000,000
Loans & Advances	6.f.	489,153	526,957
Deferred Tax Asset	15	234,898	-
Total Non Current Assets		**69,897,544**	**59,109,884**
Current Assets			
Cash and Cash Equivalents	7	72,124,881	27,804,767
Trade Receivables	8	7,396,791	1,465,547
Prepaid Expenses & Advances	9	490,189	1,260,126
Loans & Advances	6.g.	36,918	36,356
Financial Assets measured at Amortized Cost	6.h.	112,000,000	20,000,000
Financial Assets held at fair value through Profit or Loss (Shares)	6.i.	60,875	48,153
Total Current Assets		**192,109,654**	**50,614,949**
Total Assets		**262,007,199**	**109,724,833**
Equity & Liabilities			
Non Current Liabilities			
Employee Benefits	10	1,035,143	56,984
Trade & Other Payables	11.a.	463,624	230,244
Deferred Tax Liability		-	66,601
Total Non Current Liabilities		**1,498,767**	**353,829**
Current Liabilities			
Trade & Other Payables	11.b.	44,587,282	7,056,807
Total Current Liabilities		**44,587,282**	**7,056,807**
Equity			
Share Capital	16	200,000,000	100,000,000
Retained Earnings		15,921,150	2,314,198
Total Equity		**215,921,150**	**102,314,198**
Total Equity & Liabilities		**262,007,199**	**109,724,833**

Schedules and Explanatory Notes forms an integral part of Statement of Financial Position

As per our report of even date

Niroj Rajbhandari
Head - Accounts

Manish Ghimire
Chief Invesment Officer

Jhanak Raj Dhungel
Chief Executive Officer

Bishal Sigdel
Chairman

Arun Raut, FCA
Partner
S.R. Pandey & Co.
Chartered Accountants

Suman Dangol
Director

Rabin Sapkota
Director

Bimal Lamsal
Director

Dinesh Bhari
Director

Date: August 03, 2018
Place: Kathmandu

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Period from July 16, 2017 to July 16, 2018

Amount in NPR

	Notes	This Year	Previous Year
Income from Merchant Banking	13.a.	28,118,250	3,148,062
Income from Mutual Fund	13.b.	5,820,731	-
Interest Income from Loans & Receivables	13.c.	23,181,659	10,069,805
Gains on disposal of equity securities	13.d.	37,765	1,016,689
Net Unrealised Gains on financial Assets held at Fair value	13.d.	45,288	44,053
Other Income	13.d.	13,875	3,000
Total Operating Income		**57,217,567**	**14,281,609**
Operating Expense			
Merchant Banking Expenses	14.a.	10,293,364	2,228,963
Mutual Fund Expenses	14.b.	416,037	200,000
Commission on Sale of Securities		-	13,116
Operating Profit		**46,508,166**	**11,839,530**
Non - Operating Expense			
Staff Cost (including staff bonus)	14.c.	15,175,215	3,731,579
Premises Costs	14.d.	3,895,783	2,032,006
Advertisement and Promotion Expenses	14.e.	1,395,043	448,124
General Administrative Expenses	14.f	2,824,331	1,620,548
Finance Cost		37,243	21,017
Depreciation and amortisation	3	2,171,402	843,376
Profit Before Tax		**21,009,150**	**3,142,880**
Provision for Tax	15	5,296,934	761,087
Profit for the Year		**15,712,215**	**2,381,792**
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		15,712,215	2,381,792

As per our report of even date

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Dinesh Bhari
Director

Date: August 03, 2018
Place: Kathmandu

STATEMENT OF CASH FLOW

For the Period from July 16, 2017 to July 16, 2018

Amount in NPR

Particulars	This Year	Previous Year
A. Cash Flow from Operating Activities		
Net Profit before Tax	21,009,150	3,142,879
Adjustments for:		
Depreciation expenses	2,171,402	843,376
Unrealized gain in Investment	(45,288)	(44,053)
Income Tax Paid	(5,296,934)	(761,087)
Dividend Paid	(2,105,263)	-
Increase/(Decrease) in Liabilities	38,675,414	7,213,661
(Increase)/Decrease in Investments	(9,967,434)	(4,100)
(Increase)/Decrease in Fixed Deposits	(92,000,000)	(70,000,000)
(Increase)/Decrease in Other Assets	(5,358,962)	(3,159,607)
Net Cash Flow from Operating Activities (1)	**(52,917,916)**	**(62,768,931)**
B. Cash Flow from Financing Activities		
Increase/(Decrease) in Share Capital	100,000,000	-
Increase/(Decrease) in Long Term Loan	-	
Dividend Received	-	
Net Cash Flow from Financing Activities (2)	**100,000,000**	**-**
C. Cash Flow from Investing Activities	**-**	**-**
Sale/(Purchase) of Tangible Fixed Assets	(2,479,296)	(3,742,491)
Sale/(Purchase) of Intangible Assets	(282,670)	(5,683,812)
Net Cash Flow from Investing Activities (3)	**(2,761,966)**	**(9,426,303)**
Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)	**44,320,118**	**(72,195,233)**
Cash and Cash Equivalents at beginning of the year/period	27,804,767	100,000,000
Cash and Cash Equivalents at end of the year/period	**72,124,881**	**27,804,767**

As per our report of even date

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Director

Date: August 03, 2018
Place: Kathmandu

STATEMENT OF CHANGES IN EQUITY

For the Period from July 16, 2017 to July 16, 2018

Amount in NPR

Particular	Share Capital	Retained Earnings	Total
Balance at the Beginning of the Period	-	-	-
Issue of Share Capital	100,000,000		100,000,000
Profit for the Year	-	(67,594)	(67,594)
Other Comprehensive Income/ (Expense) net of tax	-	-	-
Transferred to General Reserve	-	-	-
Dividend Paid during the Year	-	-	-
Balance at the End of the FY 2015/16	**100,000,000**	**(67,594)**	**99,932,406**
Issue of Share Capital	-	-	-
Profit for the Year	-	2,381,792	2,381,792
Other Comprehensive Income/ (Expense) net of tax	-	-	-
Transferred to General Reserve	-	-	-
Dividend Paid during the Year	-	-	-
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**

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Date: August 03, 2018
Place: Kathmandu

As per our report of even date

Arun Raut, FCA
Partner
S.R. Pandey & Co.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS

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), Depositary 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 Ashadh 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 06, 2071 and membership license from the CDS and Clearing Ltd, dated Chaitra 12, 2071 as per the CDS Bylaws, 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 18 Shrawan 2075 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 polices 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.

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.

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 recognised 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 forotherpurposes 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 Other Administrative Expenses in Note 23 as the cumulative impact of such amount isNRs. 19,895 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 partwill 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.29

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 and 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 01/04/2074	Additions during the year	Disposals during the year	Balance as at 32/04/2075
At Cost				
Furniture & Office Equipment	3,572,491.00	1,392,989	-	4,965,480
Vehicle	170,000.00	-	-	170,000
Depreciation				
At Cost				
Furniture & Office Equipment	360,294.00	1,056,760	-	1,417,054
Vehicle	15,347.00	28,333	-	43,681
Net Book Value				
Furniture & Office Equipment	3,212,196	336,229	-	3,548,426
Vehicle	154,653	(28,333)	-	126,319
Net Book Value at 32 Asadh 2075	3,366,849	307,896	-	3,674,745

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 assetsareamortized 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 01/04/2074	Additions during the year	Disposals during the year	Balance as at 32/04/2075
At Cost				
License &Software	1,096,100.00	1,068,980	-	2,165,080
Leasehold Assets	4,587,712.00	300,000	-	4,887,712
Depreciation				
At Cost				
License &Software	93,037.00	280,023	-	373,060
Leasehold Assets	374,697.00	806,285	-	1,180,983
Net Book Value				
License & Software	1,003,063	788,957	-	1,792,020
Leasehold Assets	4,213,015	(506,285)	-	3,706,729
Net Book Value at 32 Asadh 2075	5,216,078	282,671	-	5,498,748

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 hasexpired 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

	This Year	Previous Year
Fixed Deposit	60,000,000	50,000,000
Total	**60,000,000**	**50,00,000**

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.

	This Year	Previous Year
Security Deposit	362,823	329,839
Unearned Interest on Security Deposit	126,330	197,118
Total	**489,153**	**526,957**

G. LOANS & ADVANCES – CURRENT

	This Year	Previous Year
Unearned Interest on Security Deposit	36,918	36,356
Total	**36,918**	**36,356**

H. FINANCIAL ASSETS MEASURED AT AMORTIZED COST– CURRENT

	This Year	Previous Year
Fixed Deposit	112,000,000	20,000,000
Total	**112,000,000**	**20,000,000**

I. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets held at fair value through Profit or Loss (Shares):

	This Year	Previous Year
Investment in Shares	60,875	48,153
Total	**60,875**	**48,153**

Name of Company	No of units	Cost	Cost Price	Market Value	Investment Value	Input Level
Mahuli Laghubitta	15	100	1,000	2,611	39,165	Level 1 Input
Swadeshi Laghubitta	13	100	1,200	1,670	21,170	Level 1 Input
			Present value	**60,875**		
			Cost	2,200		
			Net Unrealized Gain	**58,675**		
			Unrealised gain recognized till last year	13,387		
			Increase in Fair value	**45,288**		

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.

	This Year	Previous Year
Cash in Hand	12,246	5,562
Cash at Bank	72,112,635	27,799,205
Total	**72,124,881**	**27,804,767**

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

	This Year	Previous Year
Trade Receivables	897,042	714,885
PMS Clients	48,552	22,384
Mutual Fund Receivables	6,451,097	7,23,000
Other Receivables	100	5,278
Total	**7,396,791**	**1,465,547**

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

	This Year	Previous Year
Advance Tax	148,162	794,428
Prepaid Expenses	288,753	465,699
Other Advance	28,330	-
Interest Receivable	24,945	-
Total	**490,189**	**1,260,126**

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 companycontributes 10% of the salary of each permanent 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

	This Year	Previous Year
At the beginning of the Year	56,984	-
Recognized on Income Statement	1,050,323	56,984
Recognized on OCI	-	-
Payments/ Payables during the Year	(72,364)	-
At the end of the Year	1,035,143	56,984

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

	This Year	Previous Year
Accrued Rent (As per NFRS)	463,264	230,244
Total	**463,264**	**230,244**

B. TRADE & OTHER PAYABLE-CURRENT

	This Year	Previous Year
Auction Share Collection	789,287	3,482,926
Promoter Share Collection	-	900,000
Staff Payable	2,228,631	395,020
Incentive to PMS Referral	-	70,030
Provident Fund Payable	77,680	16,764
CIT Fund Payable	10,000	-
Performance Guarantee held	50,000	25,000
Right Share Collection	28,320,020	-
Audit Fee Payable	78,050	44,600
Sahayogi Dividend Payables	2,479,431	-
Notice Publication	93,652	57,350
TDS Payable	74,346	92,417
Right Refund	-	
Sundry Creditors	654,249	772,664
Payable to Regulatory Authorities	7,356,811	733,928
Service to be rendered	654,764	111,830
Other Payable	1,527,712	354,278
Total	**44,587,282**	**7,056,807**

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 incase 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

	This Year	Previous Year
Income from Issue Management	4,677,640	540,500
Income from Depository Participant	21,138,091	2,297,660
Income from Share Registrar	1,845,377	279,979
Income from Portfolio Management Services	457,142	29,723
Total	**28,118,250**	**3,148,062**

B. INCOME FROM MUTUAL FUND

	This Year	Previous Year
Income from Mutual Fund	5,820,731	-
Total	**5,820,731**	**-**

C. INTEREST INCOME

	This Year	Previous Year
Interest on Fixed Deposit	16,283,137	3,225,206
Interest on Call Accounts	6,898,522	6,844,599
Total	**23,181,659**	**10,069,805**

D. OTHER INCOME:

	This Year	Previous Year
Net Realised (losses)/Gains on financial Assets at Fair Value Through Profit or loss	37,765	1,016,689
Dividend Income & Miscellaneous Income	13,875	3,000
Net Unrealised Gains on financial assets at Fair Value Through Profit or Loss	45,288	44,053
	96,927	**1,063,743**
Net Realized Gains on Financial Assets at Fair value through Profit or Loss	37,765	1,016,689
(Losses)/Gains on disposal of equity securities	37,765	1,016,689

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

	This Year	Previous Year
Depository Participant Expense	9,048,873	1,724,189
RTS Expense	91,552	22,774
Portfolio Management Expenses	94,057	-
Issue management Expenses	233,882	-
License Fee to SEBON	325,000	-
Merchant Banking Membership Renewal Fee to SEBON	500,000	350,000
Incentive for PMS Referral	-	50,000
Trademark Expenses	-	2,000
Membership Fee – Merchant Banking Association	-	80,000
Total	**10,293,364**	**2,228,963**

B. MUTUAL FUND EXPENSES

	This Year	Previous Year
Mutual Fund Expenses	291,037	-
Fund Manager License Renewal Fee to SEBON	125,000	200,000
Total	**416,037**	**200,000**

C. STAFF COST

	This Year	Previous Year
Staff Service from NIC ASIA	574,290	500,461
Remuneration	10,599,229	2,810,989
Contribution to Defined Contribution Plan (PF)	332,968	8,382
Dashain Allowances	272,520	-
Other Staff Expenses	153,422	5,050
Incentives for Staff	83,349	35,426
Training	8,000	-
Leave Encashment and Gratuity	1,050,523	56,984
Staff Bonus*	2,100,915	314,288
Total	**15,175,215**	**3,731,579**

*Provision for staff bonus is made as per the Prevalent Practices at ten percent of net profit including 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.

	This Year	Previous Year
Office Rent	2,258,520	1,223,365
Office Rent (As per NFRS on Operating Lease)	233,380	230,244
Store Room Rent	95,450	-
Utility Expenses	901,064	369,560
Security Charge	407,369	208,837
Total	**3,895,783**	**2,032,006**

*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

	This Year	Previous Year
Advertisement Expenses	69,156	73,224
Domain Registration Charge	2,825	2,260
Marketing & PR	1,211,422	275,065
Program Expenses	55,225	-
Social Service Expenses	13,865	10,000
Web & Mail Hosting	39,550	19,775
Website Development	3,000	67,800
Total	**1,395,043**	**448,124**

F. GENERAL ADMINISTRATIVE EXPENSES

	This Year	Previous Year
Insurance Expenses	33,494	9,473
Office Accessories & Equipment	41,892	74,049
Messenger Service	155,735	365,349
Office Expenses	873,752	403,096
Repair & Maintenance	47,455	63,124
AGM Expenses	18,543	-
Vehicle Expenses	34,098	-
Audit Fee	79,100	45,200
Audit Expenses	3,265	2,285
Bank Charge	5,758	14,980
Capital Increment Fees	30,000	-
Certification Charge	5,650	-
Courier Charges	27,634	-
Fine & Penalties	5,486	1,850
General Expenses	8,862	-
Inauguration Expenses	-	35,355
Software AMC Charges	9,415	-
Legal Charges	-	12,000
Printing & Stationery Expenses	479,899	414,310
Shared Service From Bank	476,189	178,575
Software Support Charges	279,500	-
Transportation Charges	10,950	-
Travelling Expenses	38,645	-
Vehicle Tax	8,000	-
Board Meeting Expenses	151,010	902
Total	**2,824, 331**	**1,620,548**

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

	This Year	Previous Year
Income Tax Expenses	5,587,978	671,955
Deferred Tax Expenses/(Income)	(301,499)	89,132
Total	**5,262,934**	**761,087**

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 sametaxableentity,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 temporally 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

	This Year	Previous Year
Balance at the beginning of the Year		22,531
Provision/ Release of timing difference made during the Year	449,630	49,276
Balance as at the end of the Year	449,630	71,807
13.2 Deferred Tax Liability		
Balance at the beginning of the Year		-
Provision/ Release of timing difference made during the Year	214,732	138,408
Balance as at the end of the Year	214,732	138,408
Net Deferred Tax (Asset)/ Liability	**(234,898)**	**66,601**
13.3 Deferred Tax Liability relates to the following		
Temporary difference from Property, Plant & Equipment	509,579	
Temporary difference from Unrealized gain on Investment	44,053	
Temporary difference from Operating Lease (Rent)	(230,244)	
Temporary difference from Employee Benefits	(56,984)	
Brought forward Tax Loss	-	-
Temporary Difference	(782,993)	266,405
Tax @	30%	25%

16. SHARE CAPITAL

The detail of share ownership is presented below

	This Year			Previous Year
	Number	Per Unit Value	Amount	Amount
Authorized Capital	2,000,000	100	200,000,000	100,000,000
Issued Capital	2,000,000	100	200,000,000	100,000,000
Subscribed Capital	2,000,000	100	200,000,000	100,000,000

Paid Up Shares (Number)	This Year	Previous Year
Fully Paid Ordinary Shares at the beginning of the Year	1,000,000	-
Number of Shares subscribed	1,000,000	1,000,000
Fully Paid Ordinary Shares at the end of the Year (Number)	2,000,000	1,000,000
Per unit Value of the Shares Ordinary Shares (Amount)	100	100
Fully Paid Ordinary Shares (Amount)	200,000,000	100,000,000

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

a) The total interest income earned by NIC ASIA Capital Limited on Bank Accounts maintained in NIC ASIA Bank Ltd. for FY 2074/75 is Rs. 10,605,840.12. Among it, the interest income earned on Fixed Deposit Bank Account @ 11% p.a. for 75 days maintained at NIC ASIA Bank Limited for FY 2074/75 is Rs. 4,294,520.55.

b) The Company has been appointed as the Share Registrar of NIC ASIA Bank Limited for an annual fee of Rs. 750,000.

c) The company has reimbursed NPR 977,054.00 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 discloses in the notes with possible financial impact, to the extent ascertainable.

There are no material events that have occurred subsequent to 16 July 2018 till the signing of this financial statement.

22. PROPOSED DIVIDEND

The Board of Directors meeting of NIC ASIA Capital Limited hasproposed cash dividendof 7.36842% (including corporate dividend tax) for fiscal year 2074/75.

09

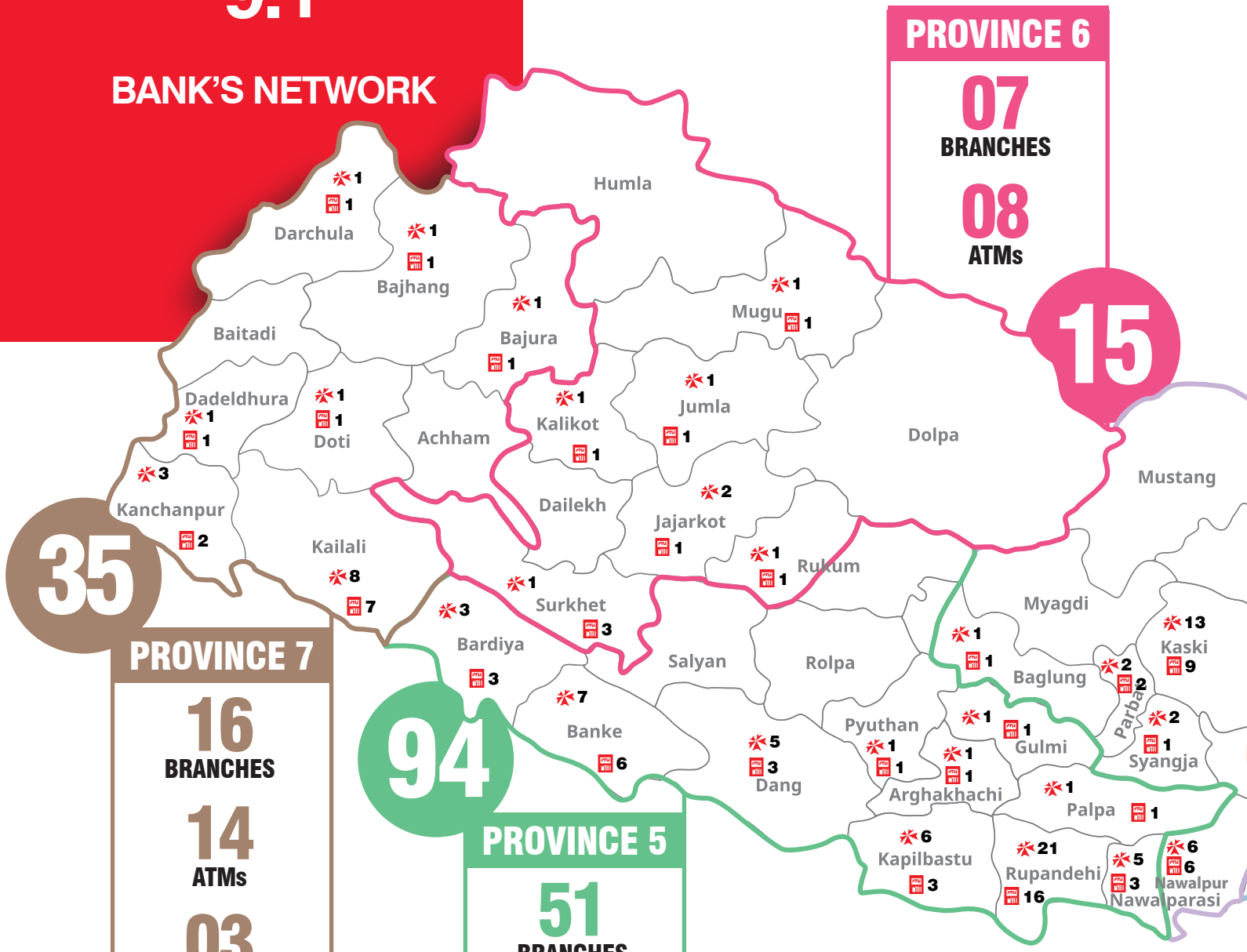
NETWORK OF NIC ASIA BANK

9.1. Bank's Network 348
9.2. Subsidiaries 350
9.3. Business Partners 351

NETWORK OF NIC ASIA BANK

9.1

BANK'S NETWORK



PROVINCE 6

07 BRANCHES

08 ATMs

15

PROVINCE 7

16 BRANCHES

14 ATMs

03 BRANCHLESS BANKING

02 EXTENSION COUNTERS

35

PROVINCE 5

51 BRANCHES

38 ATMs

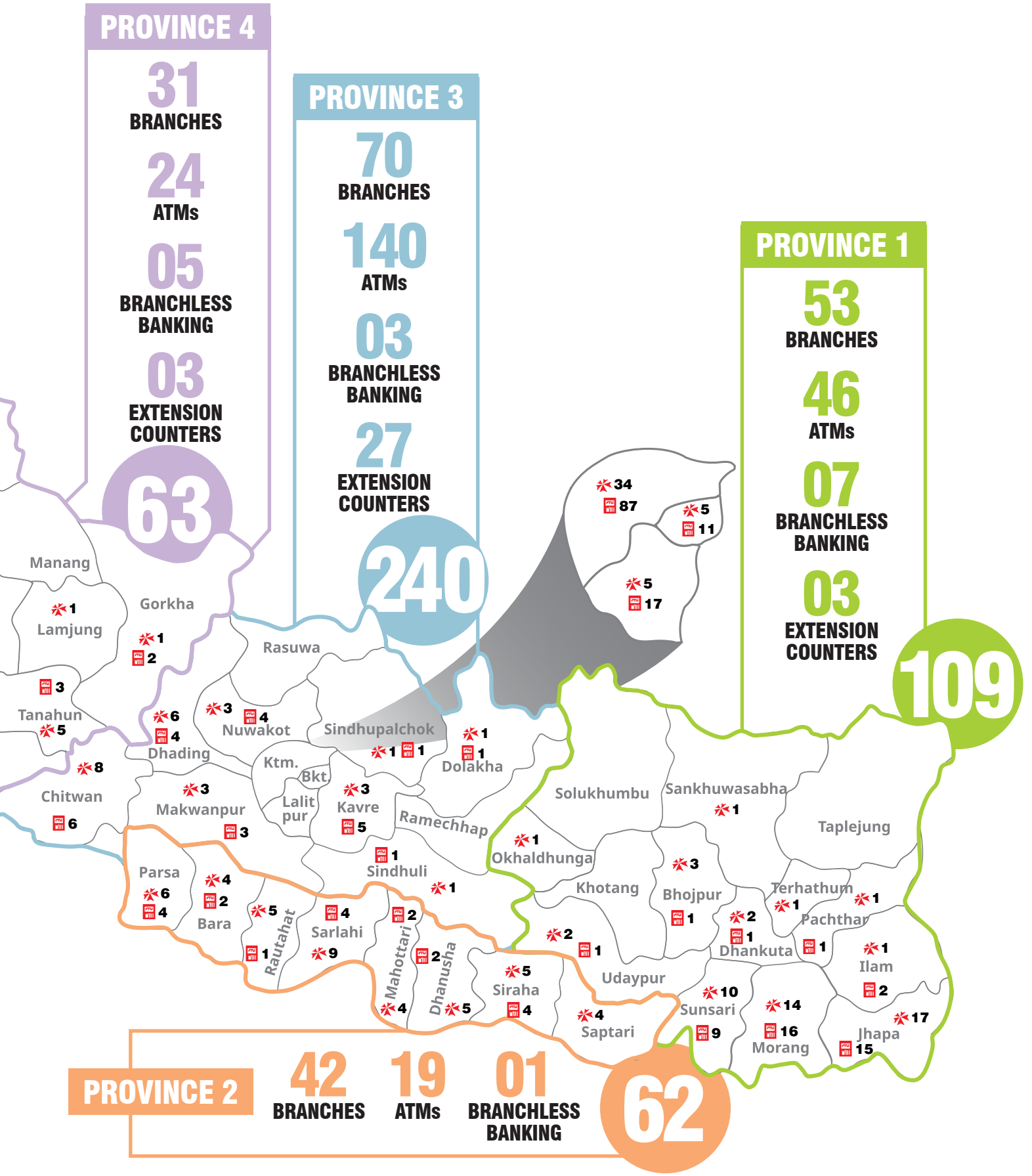
03 BRANCHLESS BANKING

02 EXTENSION COUNTERS

94

TOTAL

270 BRANCHES	**289** ATMs
22 BRANCHLESS BANKING	**37** EXTENSION COUNTERS


PROVINCE 4
31
BRANCHES
24
ATMs
05
BRANCHLESS BANKING
03
EXTENSION COUNTERS
63
PROVINCE 3
70
BRANCHES
140
ATMs
03
BRANCHLESS BANKING
27
EXTENSION COUNTERS
240
PROVINCE 1
53
BRANCHES
46
ATMs
07
BRANCHLESS BANKING
03
EXTENSION COUNTERS
109
PROVINCE 2
42
BRANCHES
19
ATMs
01
BRANCHLESS BANKING
62
Manang
Gorkha
Lamjung
Rasuwa
Tanahun
Dhading
Nuwakot
Sindhupalchok
Dolakha
Ktm.
Bkt.
Lalit pur
Chitwan
Makwanpur
Kavre
Ramechhap
Solukhumbu
Sankhuwasabha
Taplejung
Okhaldhunga
Khotang
Bhojpur
Terhathum
Pachthar
Dhankuta
Ilam
Udaypur
Sunsari
Morang
Jhapa
Saptari
Siraha
Dhanusha
Mahottari
Sarlahi
Rautahat
Bara
Parsa
Sindhuli

9.2

SUBSIDIARIES

NIC ASIA LAGHUBITTA BITTIYA SANSTHA LIMITED

(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 LIMITED

(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
1	Khalanga Branch	Jajarkot,Bheri Malika-4
2	Thalah Branch	Jajarkot,chhedagadh-5
3	Chaurjahari Branch	Rukum,Chaurjahari-1
4	Kotihawa Branch	Rupandehi,Tilottama-15
5	Sallibazar Branch	Salyan,Bangadh Kupinde-1
6	Lawani Branch	Kapilvastu,Suddhodhan GAPA-3
7	Bhutaha Branch	Nawalparasi,Bardaghat-10
8	Imiliya Branch	Kapilvastu,Buddha Bhumi-9
9	Simli Branch	Rukum,Sani Bheri GA PA-9
10	Chhinchu Branch	Surkhet,Bheriganga-12
11	Chappargaudi Branch	Banke,Kohalpur,-12
12	Ramapur Branch	Rupandehi,SainaMaina-10
13	Jamunebazar Branch	Surkhet,simta-9
14	Chhapiya Branch	Rupandehi,Siyari GA PA-4

S.N.	Branch Name	Address
15	Bethari Branch	Rupandehi,Mayadevi GA PA-6
16	Manpakadi Branch	Rupandehi,Suddhodhan GA PA-5
17	Shankarpur Branch	Rupandehi,Devadaha-12
18	Gadawa Branch	Dang,Gadawa-6
19	Mehelkuna Branch	Surkhet,Gurbhakot-8
20	Sardi Branch	Nawalparasi,Binayi-4
21	Bhumai Branch	Nawalparasi,Sunwal-12
22	Baruwa Branch	Nawalparasi,Susta-1
23	Padampur Branch	Chitwan,Kalika-04
24	Joshipur Branch	Kailali,Joshipur-2
25	Punarbas Branch	Kanchanpur,Punarbaas-3
26	Jumla Branch	Jumla,ChandanNath-6
27	Bestada Branch	Dailekh,Bhagwatimai Ga Pa-1
28	Shamshergunj Branch	Banke,Raptisunari-8

9.3

BUSINESS PARTNERS

BANCASSURANCE PARTNERS

S.N.	Life Insurance	S.N	Non- Life Insurance
1	Nepal Life Insurance Company Ltd.	1	Prabhu Insurance Company Ltd
2	MetLife	2	Everest Insurance Company Ltd
3	Jyoti Life Insurance Company Ltd.	3	Himalayan Insurance Company Ltd
4	National Life Insurane Company Limited	4	Lumbini General Insurance Company Ltd
5	Reliance Life Insurance Ltd.Nepal	5	NB /IME Insurance Company Ltd
6	Reliable Nepal Life Insurance Ltd.	6	Neco Insurance Company Ltd
7	Union Life Insurance Co. Ltd	7	Nepal Insurance Company Ltd
8	Surya Life Insurance Co. Ltd.	8	NLG Insurance Company Ltd
9	Prime Life Insurance Co. Ltd.	9	Premier Insurance Company Ltd
10	Prabhu Insurance Ltd.	10	Prudential Insurance Company Ltd
11	Asian Life Insurance Company	11	Sagarmatha Insurance Company Ltd
12	Gurans Life Insurance Company Ltd.	12	Shikhar Insurance Company Ltd
13	Citizen Life Insurance	13	Siddhartha Insurance Company Ltd
14	Life Insurance Corporation (Nepal) Ltd.	14	General Insurance Company Nepal Ltd
15	Sanima Life Insurance	15	Ajod Insurance Company Ltd
16	Sun Life Insurance	16	United Insurance Company Ltd
17	IME Life Insurance	17	Sanima Insurance Company Ltd
18	Mahalaxmi Life insurance Ltd.		

REMITTANCE PARTNERS

S.N	Domestic	S.N	International
1	Annapurna Travels & tours Pvt Ltd	1	World Remit Ltd
2	G.M.E. Remit Pvt Ltd	2	Hanpass
3	Cashway Money Transfer Pvt Ltd	3	Axis Bank
4	CFS Remit Pvt Ltd	4	RemitR
5	C.G. Remit Pvt Ltd	5	M&M Remit
6	City Express Money Transfer Pvt Ltd	6	Sentbe
7	Easy Link Remittance Pvt Ltd	7	Orbit Remit
8	Garima Remit	8	Al Muqren Exchange
9	IME Ltd		
10	I PAY Remit Pvt Ltd		
11	J.M.E Remit Company Pvt Ltd		
12	Jyoti Remit		
13	Lumbini Remit		
14	Muktinath Remit		
15	Nepal Remit International Pvt Ltd		
16	Prabhu Money Transfer Pvt Ltd		
17	Ramro Remit Pvt Ltd		
18	Remit to Nepal Pvt Ltd		
19	Samsara Remit Pvt Ltd		
20	Sewa Remit Pvt Ltd		
21	United Remit Pvt Ltd		
22	Prithivi Remit		
23	Sanima Xpress		
24	Janata Bank		
25	Century Remit		
26	Mega Remit		
27	Kumari Remit		

FOREIGN CORRESPONDENT BANKS

S.N.	Bank Name	Address
1	ICICI Bank	Hongkong
2	Mashreq Bank	New York, USA
3	Commerz Bank	Frankfurt, Germany
4	Standard Chartered Bank	New York, USA
5	Kookmin Bank	Seoul, Korea
6	Standard Chartered Bank	Mumbai, India
7	Mashreq Bank	Mumbai, India
8	Axis Bank	Mumbai, India
9	ICICI Bank	Mumbai, India
10	HDFC Bank	Mumbai, India
11	Standard Chartered Bank	London, UK
12	Commerz Bank	Frankfurt, Germany
13	Standard Chartered Bank	Frankfurt, Germany
14	Commerz Bank	Frankfurt, Germany
15	Bank of Tokyo Mitsubishi	Tokyo, Japan
16	Standard Chartered Bank	Tokyo, Japan
17	Westpac Banking Corporation	Sydney, Australia
18	Standard Chartered Bank	Singapore

NOTICE OF 21ST ANNUAL GENERAL MEETING

As decided by the 378th BoD meeting held on November 23, 2018, 21st Annual General Meeting (AGM) of the Bank will be held on following date, place, and time:

Date, Time, and Place of Meeting

Date : December 19, 2018 (2075 Poush 04)
Time : 09:00 AM
Place : Heritage Garden, Sanepa, Lalitpur-2

Following agendas will be discussed at the Annual General Meeting

Ordinary Resolution

1. To approve Director's Reports of FY 2017/18.
2. To approve the Balance Sheet as of July 16, 2018, Profit and Loss Account, and Cash Flow Statement for the year ended thereon, together with Auditor's Report after deliberation.
3. To approve the consolidated financial statement that includes the financial statement of FY 2017/18 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 2018/19 (2075/76) and to fix the auditor's remuneration as per the recommendation of Audit Committee. (Present auditor M/s. TR Upadhya & Co., Chartered Accountants are eligible for re-appointment)

Special Resolution

1. To approve the allocation of bonus share at the rate of 10% of paid-up capital equivalent to NPR 803,111,700 (NPR eight hundred three million one hundred eleven thousand seven hundred only) and for the purpose of tax on same cash dividend at the rate of 0.526% equivalent to NPR 42,269,037 (NPR forty-two million two hundred sixty-nine thousand thirty-seven only) as proposed by Board of Directors.
2. To approve the increment of authorized capital of the Bank to NPR 8,840,000,000 (NPR eight billion eight hundred forty million only) from NPR 8,040,000,000 (NPR eight billion forty million only), increment o issued capital to NPR 8,834,228,698 (NPR eight billion eight hundred thirty four million two hundred twenty eight thousand six hundred ninety-eight) from NPR 8,031,116,998 (NPR eight billion thirty one million one hundred sixteen thousand nine hundred ninety-eight) and increment of paid-up capital to NPR 8,834,228,698 (NPR eight billion eight hundred thirty four million two hundred twenty eight thousand six hundred ninety-eight) from NPR 8,031,116,998(NPR eight billion thirty one million one hundred sixteen thousand nine hundred ninety-eight).
3. To amend Memorandum of Association (MOA) and Articles of Association (AOA) as per the prevailing 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

By Order,

Deepen Karki
Company Secretary

OTHER INFORMATION REGARDING AGM:

1. Arrangement has been made to send the Notice of AGM and summary of Annual Financial Report of the Bank to all the shareholders to the addresses maintained in the share register. Shareholders whose complete address was not updated in the register or unable to receive the documents can contact any branch office of the Bank to inspect the Annual Financial Report, Director's Report, and Auditor's Report. Further, information related to the same has been made available in the Bank's website www.nicasiabank.com.
2. Shareholders interested in participating in the AGM shall bring share certificate/proof of DEMAT account and documents proving their identity or its copy (like citizenship card or other identity card with photo) along with them, otherwise they will not be allowed to enter the meeting hall. To participate in the meeting, each shareholder should be present in the place of meeting and sign in the shareholders' attendance register. Shareholders attendance register will be made available from 9:00 A.M. till the meeting ends.
3. Shareholders who want to appoint a proxy for attending the AGM can appoint only other shareholders as a proxy. Shareholders interested in appointing a proxy for attending the AGM shall fill the proxy form in the format prescribed by the Companies Act and shall submit the form at least 48 hours before the AGM (i.e. within 09:00 A.M on December 19, 2018 (2075/09/02)) to the registered office of the Bank, Trade Tower, Thapathali, Kathmandu.
4. If any shareholder is juvenile or insane, then the person who is registered as his guardian in the shareholders' register shall be entitled to take part, vote, or appoint a proxy in the AGM
5. If two or more shareholders jointly hold shares, then representative appointed by such partners, or the partner whose name appears first in serial order in the shareholders' register, shall only be entitled to take part in the AGM.
6. If any shareholder wants to replace the previously appointed proxy or wants to participate himself, then he shall submit such information at least 36 hours before the AGM to the registered office of the Bank, Trade Tower, Thapathali, Kathmandu, or else proxy cannot be changed. If any shareholder who has appointed proxy presents himself in the AGM, then the appointed proxy shall be automatically cancelled.
7. If any agenda falling under the others subject needs to be discussed in the AGM, the interested shareholders shall give the notice of such agenda in writing to the Board of Directors through Company Secretary seven days before the AGM.
8. Shareholders register book will be closed from December 5, 2018 (2075/08/19) to December19, 2018 (2075/09/04) for the purpose of the AGM. If the name of the shareholder is registered in shareholders' register book located in the Bank's share registrar NIC ASIA Capital Limited, Babarmahal, Kathmandu within seven days because of the transactions conducted in Share Stock Exchange till December 4, 2018 (2075/08/18), then such shareholders can participate and vote in the AGM and are entitled to receive bonus share and cash dividend.
9. You are requested not to carry any bags while attending the AGM for security reasons. If required, security guards can conduct a security check. Therefore, you are requested to cooperate with the security.
10. For any queries regarding AGM, you are requested to contact the office of Company Secretary at registered office of the Bank, Trade Tower, Thapathali (Telephone No. 01-5111177/78, Extension-2257) within office hours.



बैंक पनि, साथी पनि
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