



A glimpse of 28th Annual General Meeting





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धारणसभा

General Meeting

4th January 2021



Personalised Profile



Bank Statement



Spend An



Book Tickets



Instant Loans



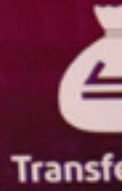
Secu



Shop Online



Payment



Transf



no
SBI Bank

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

शेयरधनी महानुभावहरू,

यस बैंक संचालक समितिको मिति २०७९ मंसिर १२ गते बसेको ४९२औं बैठकको निर्णय बमोजिम यस बैंकको उनन्तीसौं वार्षिक साधारण सभा देहायको मिति, स्थान र समयमा निम्न प्रस्ताव उपर छलफल गर्न बस्ने भएकोले बैंकका शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने मिति : २०७९ साल पौष २५ गते तदनुसार ९ जनवरी, २०२३, सोमवार,

स्थान : त्रिभुवन आर्मी अफिसर्स क्लब, भद्रकाली, काठमाडौं ।

समय : बिहान ११ बजे ।

बैंकको २९औं वार्षिक साधारण सभाको छलफलको विषयसूची :

क) सामान्य प्रस्ताव :

१. आ.व. २०७८/७९ का लागि संचालक समितिको प्रतिवेदन उपर छलफल गरी पारित गर्ने ।
२. लेखापरीक्षकको प्रतिवेदनसहितको आ.व. २०७८/७९ को वार्षिक आर्थिक विवरण (२०७९ असार मसान्तको वासलात, आ.व. २०७८/७९ को नाफानोक्सान हिसाब र सोही अवधिको नगदप्रवाह विवरणलगायत वार्षिक आर्थिक विवरणसँग सम्बन्धित अनुसूचीहरू समेत) छलफल गरी पारित गर्ने ।
३. यस बैंकको सहायक कम्पनी “नेपाल एसबिआई मर्चेण्ट बैंकिङ लि.” को आ.व. २०७८/७९ को वित्तीय विवरण सहितको एकीकृत (Consolidated) वित्तीय विवरण स्वीकृत गर्ने ।
४. संचालक समितिले प्रस्ताव गरे अनुसार शेयरधनीहरूलाई रु. ७३,९८,८६,७३९.३८ बराबर (चुक्ता पुँजीमा ७.५३ प्रतिशतका दरले) नगद लाभांश (बोनस शेयर तथा नगद लाभांशमा लाग्ने कर सहित) वितरण गर्ने प्रस्ताव पारित गर्ने ।
५. स्वतन्त्र संचालक नियुक्तिको जानकारी सम्बन्धमा (बैंकको संचालक समितिको मिति २०७८ चैत्र ३० मा सम्पन्न ४८३औं बैठकले बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को प्रावधान बमोजिम डा. गोपाल प्रसाद भट्टलाई ४ वर्षका लागि स्वतन्त्र संचालकमा नियुक्त गरेको) ।
६. बैंकको लेखापरीक्षण समितिले सिफारिस गरे अनुसार आ.व.२०७९/८० को लागि लेखापरीक्षकको नियुक्ति र निजको पारिश्रमिक निर्धारण गर्ने ।
७. विविध (अध्यक्षज्यूको अनुमतिमा) ।

ख) विशेष प्रस्ताव:

१. बैंकको संचालक समितिले प्रस्ताव गरे अनुसार शेयरधनीहरूलाई रु. २९,४७,७५,५९३.३८ बराबर (चुक्ता पुँजीमा ३.०० प्रतिशतका दरले) बोनस शेयर वितरण गर्ने प्रस्ताव पारित गर्ने ।
२. विशेष प्रस्ताव नं. १ बमोजिम कम्पनीको जारी तथा चुक्ता पुँजीमा परिवर्तन गर्नुपर्ने भएका कारण तथा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ र कम्पनी ऐन, २०६३ मा भएको व्यवस्थाको अनुपालनाका लागि बैंकको प्रबन्धपत्र तथा नियमावलीको विभिन्न दफा/नियममा संशोधन गर्ने सम्बन्धी प्रस्ताव पारित गर्ने ।
३. बैंकको रजिष्टर्ड (प्रधान) कार्यालय बागमती प्रदेश, काठमाडौं जिल्ला, काठमाडौं महानगरपालिका, वडा नं. २८, कमलादी, नेपाल कायम गर्न बैंकको प्रबन्धपत्रको दफा २ को उपदफा १ तथा नियमावलीको नियम २ मा संशोधन गर्ने सम्बन्धी प्रस्ताव पारित गर्ने ।
४. संचालक समिति तथा संचालक समितिका उपसमितिको बैठकमा भाग लिएबापत संचालक समितिका अध्यक्ष तथा अन्य संचालकहरूलाई दिइने बैठक भत्ता वृद्धि गरी क्रमशः रु. १८,०००/- र रु. १५,०००/- प्रतिबैठक कायम गर्न बैंकको नियमावलीको नियम २९ को उपनियम (ख) संशोधन गर्ने सम्बन्धी प्रस्ताव पारित गर्ने ।
५. बैंकले आ.व. २०७८/७९ मा संस्थागत सामाजिक उत्तरदायित्व वहन गर्ने क्रममा विभिन्न संस्थागत सामाजिक उत्तरदायित्व कार्यक्रम संचालन गर्न गरिएको खर्च रु. १,०४,३१,११६.८० कम्पनी ऐन, २०६३ को दफा १०५ को उपदफा १ को खण्ड (ग) ले निर्धारण गरेको सीमा नाघेको हुँदा सो अन्तर्गत भएको खर्च रु. १,०४,३१,११६.८० लाई अनुमोदन गर्ने ।
६. बैंकले अन्य उपयुक्त बैंक तथा वित्तीय संस्थाहरू गाभ्ने/गाभिने (मर्जर) वा प्राप्ति (एक्विजिसन) गर्न आवश्यक सहमति र सम्झौता गर्ने लगायत बैंक तथा वित्तीय संस्थाहरू गाभ्ने/गाभिने (मर्जर) वा प्राप्ति (एक्विजिसन) गर्ने/गराउने सम्बन्धमा प्रचलित नियम, कानून बमोजिम बैंकको तर्फबाट गर्नुपर्ने सम्पूर्ण आवश्यक कार्यहरू गर्ने/गराउने अख्तियारी संचालक समितिलाई प्रत्यायोजन गर्ने ।
७. नियामक निकायहरूको निर्देशन बमोजिम प्रबन्धपत्र तथा नियमावलीका प्रस्तावित संशोधनहरूमा परिमार्जन गर्न आवश्यक र उपयुक्त भएमा सो कार्यका लागि संचालक समितिलाई अधिकार प्रदान गर्ने ।
८. विविध (अध्यक्षज्यूको अनुमतिमा) ।

संचालक समितिको आज्ञाले,
कम्पनी सचिव

TABLE OF CONTENTS

STRATEGIC REPORT

About Us	2
Financial Highlights	10
Key Events of the Year	14
Tech Initiatives	20
Products and Services	24
Our Esteemed Customers	31

CORPORATE GOVERNANCE

Message from the Chairman	32
Message from the Managing Director	33
Organizational Structure	34
Board of Directors	35
Management Team	36
Senior Management and Head of Departments	37
Province Head	39
Risk Governance Structure	40
Report of the Board of Directors	43
Additional Information	50
Shareholder Information	64

CONTRIBUTION TO SOCIETY

Corporate Social Responsibility	66
Human Resource Information	69

FINANCIAL STATEMENTS

Independent Auditors' Report	70
Consolidated Financial Statements as per NFRS	80
Subsidiary's Financial Statements	164

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



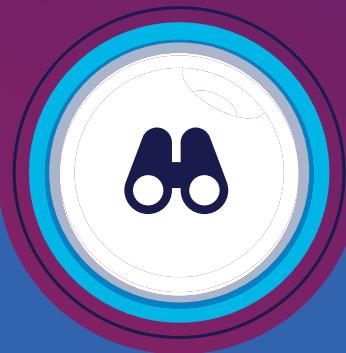
ABOUT US

Nepal SBI Bank Ltd. (NSBL), a subsidiary of State Bank of India (SBI), established in July 1993 is one of the leading 'A Class' banks of Nepal. SBI holds 55% of ownership, Employees Provident Fund (Karmachari Sanchaya Kosh) holds 15% and the balance 30% shares are held by the General Public of Nepal. NSBL has established its footprint in Nepal with its 131 outlets across 51 districts that includes 91 full-fledged branches, 22 extension counters, 7 Province Offices, 10 Branchless Banking Outlets and a Corporate Office with almost 1000 talented and devoted staff members.

Your bank is first ever bank in Nepal rated "AA" by ICRA Nepal for the 6th consecutive year. NSBL offers a wide range of financial services to individuals, small and

mid-sized businesses and major corporates in Nepal. NSBL serves more than 1.26 million customers in Nepal and has convenience of NSBL's ATM network of 131, more than 1350 POS terminals, 7100 QR merchants and multichannel banking (SMS, internet and mobile applications).

NSBL is known for introducing new initiatives/technology in Nepal. This year, the bank has introduced acquiring of RuPay card in Nepal and is the only bank in Nepal to accept RuPay cards in ATMs and point of sales (POS). Likewise, NSBL has also rolled out its own integrated digital banking application i.e., YONO Nepal SBI. YONO (You Only Need One) is a flagship app of SBI and is also recognised as a super app with the valuation over \$40 billion.



VISION

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



MISSION

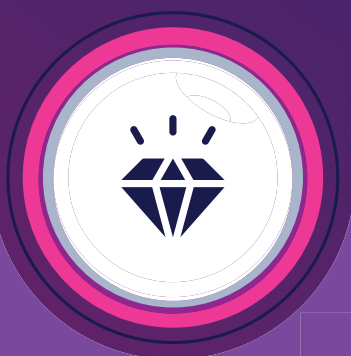
**TO PROVIDE HIGH
QUALITY, RELIABLE
AND INNOVATIVE
FINANCIAL
SOLUTIONS**

Our Parent Bank, State Bank of India, a Fortune 500 company, is an Indian Multinational, Public Sector Banking and financial services statutory body headquartered in Mumbai, India. The cornerstone of SBI's operation has always been serving the interests of the average person. The Bank has a robust array of unique products and services that are delivered and managed by leveraging technology. As part of State Bank Group, corporate customers of NSBL have access to a wide network of more than 22,000 SBI branches in India and 227 offices in 30 countries with an undeterred focus on innovation and customer centricity, which stems from the core values of the Bank - Service, Transparency, Ethics, Politeness and Sustainability.

Nepal SBI Bank Ltd. also has a wholly owned subsidiary,

Nepal SBI Merchant Banking Ltd. (NSMBL) with a vision to be the trusted Merchant Banking and Capital Market service provider in Nepal. NSMBL offers services like Issue and Sales Management, Portfolio Management, Registrar to Share, Underwriting, Financial Advisory, D-Mat services etc.

As it evolves with the changes, NSBL keeps redefining banking in Nepal by aiming to provide ethical and sustainable banking products to consumers across all market segments digitally and in a conventional manner. The goal of NSBL is to offer its clients top-notch services at competitive prices. After 29 years of operation, we recommit to make even greater contributions to society and to the development of the country.



VALUES

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



ACHIEVEMENTS AND ACCOLADES



Nepal Domestic Initiative of the Year under Wholesale Banking
Awards 2022 by Asian Banking & Finance, Singapore

OF NEPAL SBI BANK LTD



Best Corporate Banking Solutions Nepal 2022 by
Capital Finance International (CFI.co), London



Nepal Domestic Technology and Operations of the
Year under Wholesale Banking Awards 2022 by Asian
Banking & Finance, Singapore

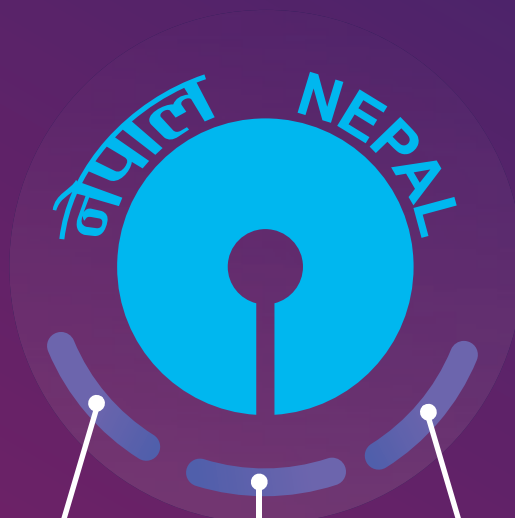


This year Management Audit was conducted from 6th June to 10th June 2022 under the leadership of Shri Rajesh Sikka, Chief General Manager (IA-I), Internal Audit Department, Hyderabad accompanied by Shri Shankara Chary Rachakonda, Assistant General Manager, Hyderabad. Nepal SBI Bank has been consistently obtaining rating of "A+". This year also we have received the highest rating of A+ (Advanced).

Highest Rating by SBI Management
Audit-Rated A+ (Advanced)

- ▶ Rated AA by ICRA (Nepal).

A SNAPSHOT OF THE BANK'S PERFORMANCE



PROFITABILITY

• NPR 163.83 Cr.

Profit After Taxation

2077/78 – NPR 96.35 Cr.

2078/79 – NPR 163.83 Cr.

• NPR 16.67

Earnings Per Share (Basic/Diluted)

2077/78 – NPR 10.15

2078/79 – NPR 16.67

• 1.07%

Return on Assets

2077/78 – 0.70%

2078/79 – 1.07%

• 9.57%

Return on Equity

2077/78 – 6.26%

2078/79 – 9.57%

CREDIT QUALITY

• 0.15%

Gross NPL ratio

2077/78 – 0.23%

2078/79 – 0.15%

• 1,497.07%

Total loan Provision by NPL ratio

2077/78 – 742.70%

2078/79 – 1,497.07%

STABILITY

• 10.42%

Tier 1 ratio

2077/78 – 11.02%

2078/79 – 10.42%

• 13.25%

Total capital ratio

2077/78 – 13.86%

2078/79 – 13.25%

• 6.94%

Leverage ratio

2077/78 – 7.00%

2078/79 – 6.94%

PROFITABILITY 2078/79

Profit After Taxation

NPR
163.83
Cr.

Earnings Per Share (Basic/Diluted)

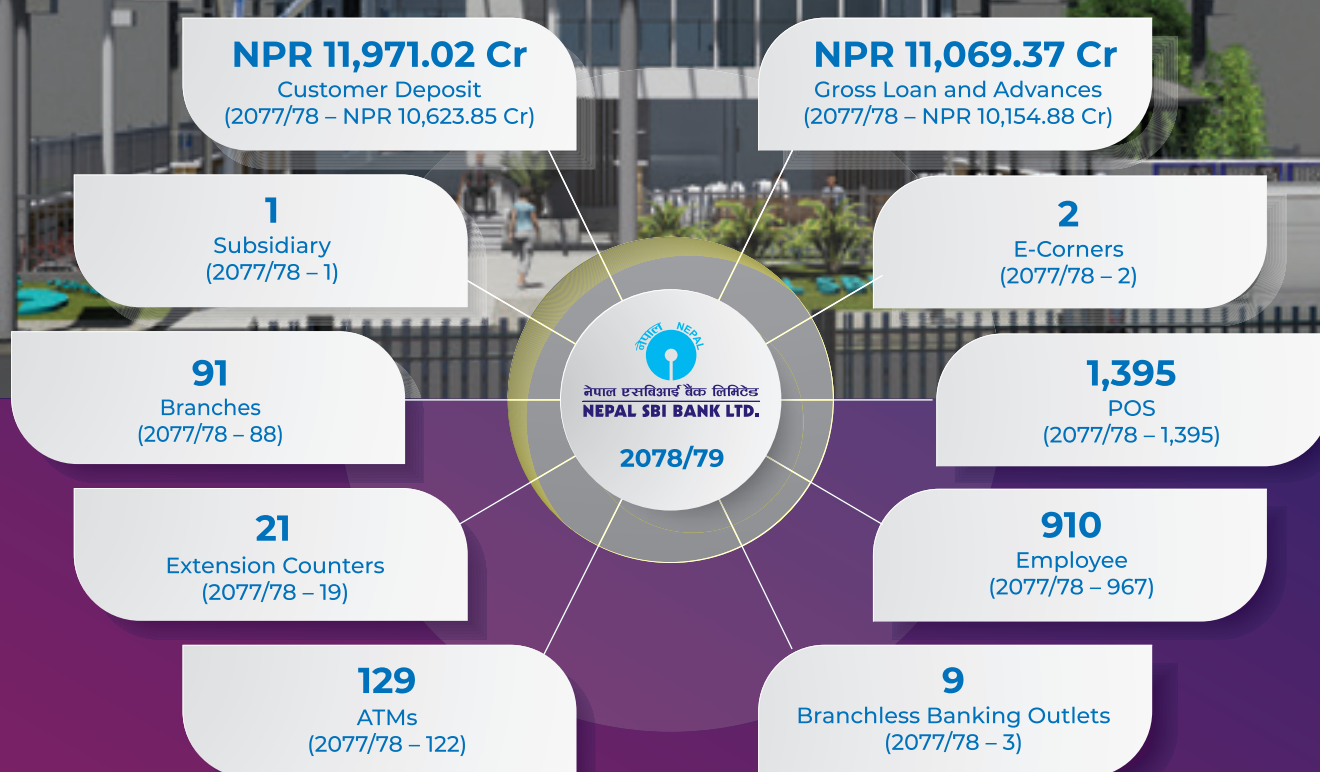
NPR
16.67

Return on Assets

1.07%

Return on Equity

9.57%



SHARE VALUATION

- NPR 174.17**
 Net Assets Value per ordinary share
 2077/78 – NPR 162.22
 2078/79 – NPR 174.17
- 10.53%**
 Dividends Per Share
 2077/78 – 5.31%
 2078/79 – 10.53%

- NPR 2,773.84 Cr**
 Market capitalization
 2077/78 – NPR 3,882.87 Cr
 2078/79 – NPR 2,773.84 Cr
- NPR 282.30**
 Market Value of per share
 2077/78 – NPR 409.00
 2078/79 – NPR 282.30

LIQUIDITY

- 27.80%**
 Net Liquid assets to total deposit ratio
 2077/78 – 24.97%
 2078/79 – 27.80%
- 21.51%**
 SLR
 2077/78 – 24.63%
 2078/79 – 21.51%

FINANCIAL HIGHLIGHTS

Bank			
Particulars	2077/78	2078/79	Change (%)
Results for the year – (NPR Cr.)			
Gross income	1,045.39	1,389.67	32.93
Operating profit	135.14	236.55	75.04
Income tax expenses	39.70	74.10	86.62
Profit after taxation (PAT)	96.35	163.83	70.04
Net Interest Income	286.73	428.69	49.51
Position at the year end – (NPR Cr.)			
Shareholders' funds (stated capital and reserves)	1,540.01	1,711.34	11.13
Financial liabilities at amortised cost – due to depositors	10,623.85	11,971.02	12.68
Gross loans and advances	10,154.88	11,069.37	9.01
Total assets	13,780.88	15,310.28	11.10
Information per ordinary share (NPR)			
Earnings (Basic/ Diluted)	9.81	16.67	70.04
Dividends – Cash (%)	1.81	7.53	316.02
Dividends – Shares (%)	3.50	3.00	(14.29)
Net assets value	162.22	174.17	7.37
Market value at the year end	409.00	282.30	(30.98)
Ratios (%)			
Return on average shareholders' funds – (ROE)	6.26	9.57	52.88
Return on average assets – (ROA)	0.70	1.07	53.05
Interest Spread	3.18	4.36	37.11
Total impairment provision as a % of gross loans and advances	1.73	2.21	27.75
Cost of Fund	5.27	6.12	16.13
Non-performing loans ratio – Gross	0.23	0.15	(34.78)
Non-performing loans ratio – Net	-	-	-
Price earnings (times)	40.30	16.93	(57.99)
Statutory ratios (%)			
Statutory Liquity Ratio	24.63	21.51	(12.67)
Compulsory Reserve Ratio	3.22	3.05	(5.28)
Credit to Deposit Ratio (As per NRB)	89.49	86.86	(2.94)
Capital Adequacy Ratios (under Basel III) (%)			
Common Equity Tier (CET) I capital ratio	11.02	10.42	(5.44)
Tier I capital ratio (minimum requirement - 8.5%)	11.02	10.42	(5.44)
Total capital ratio (minimum requirement - 11%)	13.86	13.25	(4.40)
Liquidity coverage ratio (%)			
Net Liquid Assets to Total Assets Ratio	24.97	27.80	11.33
Leverage Ratio	7.00	6.94	(0.86)

VALUE ADDED STATEMENT

Amount in NPR Crore

Value Added	2077/78	2078/79	Change (%)
Income earned by providing banking services	1,041.14	1,387.70	33.29
Cost of services	(591.73)	(781.51)	32.07
Value added by banking services	449.41	606.19	34.89
Non - banking income	0.91	1.38	51.18
Impairment charges for loans and other losses	(37.96)	(62.31)	64.14
Operating expenses	(74.09)	(61.59)	(16.87)
Value addition	338.27	483.67	42.98
Value Allocation			
To Employees			
Salaries, wages and other benefits	156.71	182.81	16.66
To Government			
Income tax	45.20	78.34	73.34
To Community			
Social responsibility projects	1.21	1.04	(13.89)
To Providers of External Funds			
Interest on debt issued	30.15	28.08	(6.90)
To Provider of Capital			
Dividend	53.74	33.23	(38.17)
Bonus Share and other Related expenses	31.11	17.18	(44.77)
To Expansion and Growth			
Retained profit	7.02	111.79	1,493.06
Depreciation and amortisation	18.63	35.45	90.26
Deferred taxation	(5.49)	(4.24)	(22.71)
Total of Value added allocation	338.27	483.67	42.98

ECONOMIC VALUE ADDED (EVA)

Amount in NPR Crore

Invested Capital	2077/78	2078/79	Change (%)
Average Shareholders' funds	1,509.10	1,625.67	7.73
Add: Cumulative impairment Provision for loan losses and other losses	176.09	238.40	35.39
	1,685.18	1,864.07	10.62
Return on Invested Capital			-
Profit after taxation	96.35	163.83	70.04
Add: Impairment provision for loan losses and other losses	37.96	62.31	64.14
Less: Loans written off	-	-	-
Total return on invested capital	134.31	226.14	68.37
Opportunity cost of invested capital*	80.21	138.13	72.20
Economic Value Added	54.10	88.02	62.70

* Calculated based on weighted average deposit rate as per NRB website Mid July 2022 - 7.41% and Mid July 2021 - 4.76%



Nepal SBI Bank Ltd.

Statement of Financial Position

As on Ashadh 32, 2079 (16.07.2022)

	Vertical Analysis					
	Note	2075	2076	2077	2078	2079
Assets						
Cash and cash equivalent	4.1	10.22%	6.97%	11.41%	6.11%	6.64%
Due from Nepal Rastra Bank	4.2	5.51%	7.87%	5.73%	2.38%	2.95%
Placement with Bank and Financial Institutions	4.3	0.00%	0.00%	0.00%	0.00%	0.00%
Other trading assets	4.5	0.02%	0.02%	0.04%	0.07%	0.04%
Loan and advances to B/FIs	4.6	2.80%	4.00%	3.64%	3.33%	3.39%
Loans and advances to customers	4.7	70.57%	70.92%	67.68%	70.35%	68.84%
Investment securities	4.8	8.52%	7.83%	9.33%	15.42%	15.40%
Current tax assets	4.9	0.21%	0.22%	0.22%	0.30%	0.26%
Investment in subsidiaries	4.10	0.18%	0.16%	0.14%	0.14%	0.12%
Property and equipment, Goodwill and Intangible assets	4.13	0.82%	0.80%	0.69%	0.63%	0.69%
Deferred tax assets	4.15	0.23%	0.27%	0.25%	0.28%	0.21%
Other assets	4.16	0.90%	0.84%	0.87%	0.99%	1.44%
Total Assets		100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities						
Due to Bank and Financial Institutions	4.17	2.65%	1.92%	1.41%	4.42%	2.92%
Deposits from customers	4.20	82.49%	82.77%	83.42%	77.09%	78.19%
Other liabilities	4.23	1.71%	1.86%	1.71%	2.00%	2.63%
Debt securities issued	4.24	0.98%	0.85%	2.29%	2.20%	1.72%
Total liabilities		87.84%	88.04%	88.84%	88.83%	88.82%
Equity						
Share capital	4.26	7.88%	7.14%	6.76%	6.89%	6.42%
Retained earnings		1.19%	1.57%	1.07%	0.65%	0.95%
Reserves	4.27	3.09%	3.26%	3.33%	3.64%	3.81%
Total equity attributable to equity holders		12.16%	11.96%	11.16%	11.17%	11.18%
Non-controlling interest		-	-	-	-	-
Total equity		12.16%	11.96%	11.16%	11.17%	11.18%
Total liabilities and equity		100.00%	100.00%	100.00%	100.00%	100.00%

	Horizontal Analysis					
	Note	2075	2076	2077	2078	2079
Assets						
Cash and cash equivalent	4.1	100.00%	78.66%	144.19%	80.40%	96.95%
Due from Nepal Rastra Bank	4.2	100.00%	164.84%	134.23%	57.96%	80.04%
Placement with Bank and Financial Institutions	4.3	100.00%	0.00%	0.00%	0.00%	0.00%
Other trading assets	4.5	100.00%	116.50%	249.83%	443.82%	296.20%
Loan and advances to B/FIs	4.6	100.00%	164.78%	167.80%	159.70%	180.46%
Loans and advances to customers	4.7	100.00%	115.96%	123.84%	133.98%	145.64%
Investment securities	4.8	100.00%	106.12%	141.39%	243.24%	269.90%
Current tax assets	4.9	100.00%	119.23%	134.13%	186.81%	184.02%
Investment in subsidiaries	4.10	100.00%	100.00%	100.00%	100.00%	100.00%
Property and equipment, Goodwill and Intangible assets	4.13	100.00%	111.50%	108.21%	103.49%	124.88%
Deferred tax assets	4.15	100.00%	133.40%	137.85%	165.10%	136.39%
Other assets	4.16	100.00%	106.79%	123.96%	147.43%	237.28%
Total Assets		100.00%	115.38%	129.12%	134.40%	149.31%
Liabilities						
Due to Bank and Financial Institutions	4.17	100.00%	83.78%	68.86%	224.89%	164.87%
Deposits from customers	4.20	100.00%	116.20%	131.06%	126.07%	142.06%
Other liabilities	4.23	100.00%	125.80%	128.96%	157.66%	229.77%
Debt securities issued	4.24	100.00%	100.00%	302.83%	302.87%	262.91%
Total liabilities		100.00%	116.07%	131.07%	136.41%	151.54%
Equity						
Share capital	4.26	100.00%	105.00%	111.30%	117.98%	122.11%
Retained earnings		100.00%	152.10%	116.14%	72.99%	119.31%
Reserves	4.27	100.00%	122.13%	139.84%	159.08%	184.97%
Total equity attributable to equity holders		100.00%	113.97%	119.02%	124.00%	137.80%
Non-controlling interest		-	-	-	-	-
Total equity		100.00%	113.97%	119.02%	124.00%	137.80%
Total liabilities and equity		100.00%	115.82%	129.61%	134.90%	149.87%

Nepal SBI Bank Ltd.

Statement of Profit or Loss

For the year ended Ashadh 32, 2079 (16.07.2022)

	Vertical Analysis					
	Note	2075	2076	2077	2078	2079
Interest income	4.29	88.07%	88.15%	90.40%	86.11%	88.54%
Interest expense	4.30	47.82%	51.37%	58.41%	58.68%	57.69%
Net interest income		40.25%	36.78%	31.99%	27.43%	30.85%
Fee and commission income	4.31	8.86%	7.77%	7.00%	10.31%	9.22%
Net fee and commission income		8.04%	7.06%	6.21%	9.51%	8.65%
Net interest, fee and commission income		48.29%	43.85%	38.20%	36.94%	39.50%
Net trading income	4.33	2.27%	2.39%	2.13%	3.29%	1.90%
Other operating income	4.34	0.42%	0.15%	0.25%	0.19%	0.24%
Total operating income		50.98%	46.39%	40.58%	40.42%	41.64%
Impairment charge/(reversal) for loans and other losses	4.35	2.64%	1.15%	2.15%	3.63%	4.48%
Net operating income		48.33%	45.24%	38.43%	36.79%	37.16%
Operating expense						
Personnel expenses	4.36	13.36%	12.65%	13.27%	14.99%	13.15%
Other operating expenses	4.37	6.83%	6.88%	6.27%	7.09%	4.43%
Depreciation & amortisation	4.38	1.33%	1.29%	1.42%	1.78%	2.55%
Operating Profit		26.82%	24.42%	17.46%	12.93%	17.02%
Non operating income	4.39	0.38%	1.53%	0.22%	0.09%	0.10%
Net Operating Income/(expenses)		0.38%	1.50%	0.19%	0.09%	0.13%
Profit before income tax		27.20%	25.92%	17.65%	13.01%	17.12%
Income tax expense	4.41					
Current Tax		9.15%	8.38%	5.70%	4.32%	5.64%
Deferred Tax Income/ (Expenses)		1.60%	0.38%	0.26%	0.53%	0.31%
Profit for the period		19.65%	17.92%	12.21%	9.22%	11.79%
Profit attributable to:						
Equity holders of the Bank		19.65%	17.92%	12.21%	9.22%	11.79%
Non-controlling interest		-	-	-	-	-
Profit for the period		19.65%	17.92%	12.21%	9.22%	11.79%

	Horizontal Analysis					
	Note	2075	2076	2077	2078	2079
Interest income	4.29	100.00%	124.33%	126.00%	99.25%	135.67%
Interest expense	4.30	100.00%	133.44%	149.93%	124.56%	162.80%
Net interest income		100.00%	113.51%	97.58%	69.18%	103.42%
Fee and commission income	4.31	100.00%	108.84%	96.90%	118.12%	140.31%
Net fee and commission income		100.00%	109.11%	94.72%	120.02%	145.22%
Net interest, fee and commission income		100.00%	112.78%	97.10%	77.64%	110.38%
Net trading income	4.33	100.00%	131.17%	115.53%	147.19%	113.18%
Other operating income	4.34	100.00%	44.96%	73.55%	47.18%	77.21%
Total operating income		100.00%	113.04%	97.73%	80.49%	110.24%
Impairment charge/(reversal) for loans and other losses	4.35	100.00%	53.85%	100.02%	139.43%	228.86%
Net operating income		100.00%	116.28%	97.60%	77.26%	103.75%
Operating expense						
Personnel expenses	4.36	100.00%	117.68%	121.95%	113.93%	132.91%
Other operating expenses	4.37	100.00%	125.26%	112.79%	105.38%	87.60%
Depreciation & amortisation	4.38	100.00%	120.06%	131.33%	135.89%	258.54%
Operating Profit		100.00%	113.11%	79.94%	48.93%	85.65%
Non operating income	4.39	100.00%	504.05%	70.74%	25.14%	35.52%
Net Operating Income/(expenses)		100.00%	494.41%	62.18%	23.50%	35.52%
Profit before income tax		100.00%	118.41%	79.69%	48.58%	84.96%
Income tax expense	4.41					
Current Tax		100.00%	113.81%	76.53%	47.97%	83.16%
Deferred Tax Income/ (Expenses)		100.00%	29.39%	19.73%	33.29%	25.73%
Profit for the period		100.00%	113.29%	76.27%	47.61%	80.96%
Profit attributable to:						
Equity holders of the Bank		100.00%	113.29%	76.27%	47.61%	80.96%
Non-controlling interest		-	-	-	-	-
Profit for the period		100.00%	113.29%	76.27%	47.61%	80.96%

KEY EVENTS OF THE YEAR

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



Inauguration of NSBL Branch at Putalisadak

Nepal SBI Bank Ltd. (NSBL) expanded its branch network with a branch at Putalisadak, Kathmandu. The branch was inaugurated by Mr. Rajeev Arora, the then Chairman, NSBL in presence of Mr. Dipak Kumar De, Managing Director & CEO, Mr. Pinaki Nath Banerjee, Director, Mr. Md. Rizwan Alam, Dy. CEO & Chief Financial Officer, Mr. Yadvender Kant, Chief Operating Officer, Mr. Arjun Nepal, Assistant General Manager, Mr. Ritesh Aryal, Chief Business Development Officer and other officials of the Bank along with the customers of the Bank.



Inauguration of NSBL Extension Counter at Lumbini

Nepal SBI Bank Ltd. (NSBL) marked its presence in UNESCO World Heritage site with the opening of Extension Counter at premises of Lumbini Development Trust (LDT), Lumbini. NSBL Extension Counter was inaugurated by H.E. Mr. Esala Ruwan Weerakoon, Secretary General, SAARC, in presence of Mr. Dhundi Raj Bhattarai, Treasurer, LDT, Mr. Sanuraj Shakya, Member Secretary, LDT, Mr. Dipak Kumar De, Managing Director & CEO, Mr. Md. Rizwan Alam, Dy. CEO & Chief Financial Officer and other officials of the Bank along with the representatives of various Vihars, Lumbini Buddhist University, UNDP, Lumbini Development Trust amidst a small function.



NSBL in TEDxDurbarMarg TED Talk

Nepal SBI Bank Ltd. (NSBL) was one of the sponsors of TEDxDurbarMarg TED Talk held at Hotel Aloft. Mr. Anukool Bhatnagar, Chief General Manager, State Bank of India was also one of the speakers in the event including other 7 national and international speakers. The program was attended by Mr. Dipak Kumar De, MD & CEO, Md. Rizwan Alam, Dy. CEO & CFO, Mr. Yadvender Kant, COO and Mr. Chhapi Raj Pant, Advisor, NSBL.



Indian Ambassador's Invitational Golf Tournament in association with NSBL

Embassy of India (EOI) organized the Indian Ambassador's invitational Golf Tournament at Gokarna Golf Resort, Kathmandu in association with Nepal SBI Bank Ltd. (NSBL). Professional golf players of Nepal, corporate houses, high ranking dignitaries, diplomats and other big personalities participated in the event. The top player was awarded by Mr. Dipak Kumar De, Managing Director & CEO, NSBL.



International Women's Day 2022 Celebration

Nepal SBI Bank Ltd. (NSBL) celebrated International Women's Day by organizing various activities for their staff. Mr. Dipak Kumar De, Managing Director & CEO addressed the participants with warm wishes of Women's Day while briefing the history behind it. He highlighted the contributions of women and also expressed gratitude to all the female employees of NSBL.



Strategy Meet of The Board of Directors

Strategy Meet of the Board of Directors of Nepal SBI Bank Ltd. was held on 18th June 2022 and 19th June 2022 at Pokhara, Nepal. The Board of the Bank finalized Bank's Business strategy for next five years from FY 2022-23 to FY 2026-27.

RuPay Card

Accepted in Nepal SBI Bank Ltd.





POS



ATM

RuPay cards issued by Indian Banks can be used in Nepal across ATMs & Point of Sales (POS) machines of Nepal SBI Bank Ltd.



Secured



Easy & Convenient



1,350+ POS Machines



131 ATMs*



Can be used across Major Towns

*Conditions Apply

Nepal SBI Bank Ltd. accepts RuPay Card in Nepal

Nepal SBI Bank Ltd. (NSBL) is pleased to announce use of Rupay card in Nepal SBI Bank ATMs and Point of Sale (POS) machines. Use of RuPay card in Nepal was jointly launched by Hon'ble Prime Minister of Nepal Shri Sher Bahadur Deuba and Hon'ble Prime Minister of India, Shri Narendra Modi. RuPay is first of its kind global card payment network in India and a product of National Payments Corporation of India (NPCI). Launch of RuPay in Nepal will add chapter to promote digital transaction and will help the increase of INR flow in Nepal. Nepal SBI Bank Ltd. is the only Bank in Nepal to accept RuPay branded cards. Currently, all variants of RuPay card is accepted in Nepal SBI Bank POS machines whereas global variant of RuPay is accepted in Nepal SBI Bank ATM terminals.

Agreement with HEIFER INTERNATIONAL NEPAL

An agreement was signed between Nepal SBI Bank Ltd. (NSBL) and Heifer International Nepal in presence of Mr. Dipak Kumar De, MD & CEO, NSBL to extend the credit facilities to the smallholder farmers specially youth and women involved in agriculture, goat/cow/vegetable farming. On behalf of the Bank, Mr. Md. Rizwan Alam, Dy. CEO & Chief Financial Officer exchanged the agreement with Dr. Shubh N. Mahato, Country Director of Heifer International Nepal (HIN).



Similarly, the Bank has tied-up with various hospital, hotel namely; Hotel Barahi, Barahi Jungle Lodge, Sarangkot Mountain Lodge, Tiger Palace Resort, Hotel Sitasaran, Hotel Ratna etc. to facilitate its customer with discount on various services in the respective organization.

Issue of "10.25% Nepal SBI Bank Debenture 2083"

MD & CEO of NSBL signed MOU with CEO of Nepal Stock Exchange Limited for listing of "10.25% Nepal SBI Bank Debenture 2083".





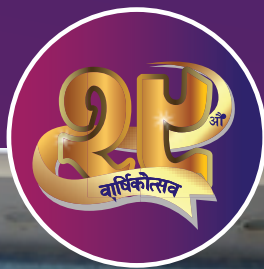
Interaction program with Gorkha Army personnel at Varanasi

Financial literacy and interaction program cum account opening campaign for Nepal Domiciled Indian Army Personnel was conducted on 21st September 2022 and 22nd September 2022 at 39 Gorkha Training Centre (GTC) at Varanasi, India. The event was attended by Army Personnel of both Indian and Nepali origins including personnel of Central Reserve Police Force, Special Frontier Force, Air Force etc. COO, CBDO and officials of NSBL met Defence Banking Advisor to State Bank of India (SBI), Lt. Gen (Retd.) Vinod Vashistha, Brig Rajeev Nagyal and senior officials of State Bank of India on 21st September 2022.



MOU executed between NSBL and Department of Customs

MOU executed between NSBL and Department of Customs at latter's office for opening of extension counter at Kanchanpur Customs Office, Gaddhachauki for facilitating government transactions. Md. Rizwan Alam, Dy. CEO & Chief Financial Officer, from NSBL and Mr. Kamal Prasad Bhattarai, Director General, Department of Customs signed the agreement. This initiation is first of its kind and can be looked upon as a major step for further establishing relationship with government offices.



Glorious 29 Years of NSBL

NSBL has successfully completed 29 years of operation on 7th July, 2022. Admiring the dedication and efforts of all the staff members, 29th Anniversary celebration kicked off with virtual Oath - taking ceremony where all employees of NSBL took oath for acknowledging the responsibility and commitment towards the Bank. The celebration was followed by cake cutting ceremony and sweet distribution across the NSBL Outlets. NSBL staff members also showcased their talent on NSBL Got Talent – Season 4 which was organised virtually, where 33 participants from several branches/offices/departments of the Bank participated in 3 different categories viz., Dancing, Singing and Miscellaneous. Accordingly, all the winners were awarded with prize based on talent, entertainment and overall impression and all the participants in the program were felicitated by token of love.



TECH INITIATIVES

Branchless Banking (BLB)

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

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



Nepal SBI Digital Village

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



Mero Saathi – Mobile Banking

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

We have integrated our Mobile banking "Mero Saathi" with payment gateway eSewa-Fonepay. This has facilitated our customers to avail fund transfer facility on real time to any other Fonepay member banks. These services are available at customer's finger tips, beyond regular banking hours. Also, with Fonepay integration, our customers have now access to QR merchant payment and other payments such as flight booking, NEA bill payment, School and college fee payments, and so on.

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

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

Internet Banking

Internet Banking is available through <https://www.onlinesbiglobal.com/64NPweb/index.htm> for both retail and corporate customer of the Bank. This online banking channel provides access to banking services 24x7 from anywhere. E-statement, Fund transfer, Indian railway ticket booking etc. are available on the internet banking platform. The customers of the Bank are also able to make various online payment/merchant payment using NSBL internet Banking through Khalti application. Similarly, Corporate Internet Banking users can perform bulk transactions within the Bank. Remittance facility to India is available for Corporate Internet Banking users.



Login to your account

☐ Remember Mobile Number

LOGIN

Unable to Login? Tap Here!

YONO – NEPAL SBI

YONO is the flagship product of State Bank of India. It is the best-in-class mobile banking service which aims to launch digital onboarding journeys to attract new customers and strengthen the overall proposition (e.g., marketplace, financial superstore, digital account opening, remittance for non-customers, term deposits for new customers, etc.). Under the YONO-Global project for Foreign Offices and Foreign Subsidiaries of SBI, NSBL has been provided with YONO-Nepal SBI mobile banking application. The present mobile banking application “MeroSaathi” will be sunset post stabilization of YONO – Nepal SBI. The highly secured mobile banking application, YONO – Nepal SBI consists of 49 distinct features offering to its retail customers. YONO – Nepal SBI, inclusive of all the services of MeroSaathi, will be providing many additional features as listed under:



S.N.	Features	S.N.	Features
1	e-KYC updation (Details for ID Document, Addresses, email, Mobile number, FATCA, Personal, Family, Educational, Demographic, Employment, etc) which are required for KYC update.	13	Chatbot, FAQs etc.
2	Online Term Deposit account opening	14	Shake Feature
3	NPI integration (15 different categories for which payment screen changes dynamically. The listing of these categories can also change dynamically)	15	One-View India Account
4	QR Payments	Security Features :	
5	Inter Bank Fund Transfer	1	Customer's PII Encryption
6	Various Bill Payments (Topups, Internet, Share Broker, Credit card, insurance etc)	2	Client to Mbaas encryption
7	Interest Certificate / Statements	3	Android Root Detection/Proxy Check
8	Cheque Book inquiry	4	SSL Certificate Pinning
9	Card Management	5	Checksum check
10	Spend Analysis	6	Emulator Detection
11	Self-registration	7	Jailbreak check
12	SMS Banking	8	App Authenticity & Version validation

ONLINE FD OPENING VIA FEBA

NSBL customers can now open Fixed Deposit (FD)/Recurring Deposit (RD) accounts conveniently online using NSBL internet banking portal - FEBA. It is a safe and secure process which allows to open term deposit account without having to physically visit a branch office or fill up application forms manually. The service is free of cost without any additional bank charges. Customers can select the tenure and amount of their choice and select the maturity instruction – either to redeem all proceeds, renew maturity amount or renew principal amount upon the maturing of the term deposit.

IRCTC Ticket Online Booking Utility

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

Automated Teller Machine (ATMs) and POS

Nepal SBI Bank has one of the largest networks of ATM terminals. Presently, the bank has installed 131 ATMs across the country. Any customer having a valid VISA/ Mastercard branded cards can withdraw cash using our ATM terminals. For card holders of State Bank of India, we are providing the cheapest transactions facility in Nepal.

Your bank is also providing POS service in different places of Nepal. Till date we have already installed more than 1350 POS terminals in Nepal. We are planning to expand the same in coming years as there is good demand of this service by various corporate institution and retail trading units of Nepal.

RuPay Acquiring at NSBL

RuPay is the most issued debit card brand in India. Nepal SBI is the only financial institution in Nepal at present, in coordination with NPCI and SBI India to start acceptance of

1. International transactions enabled RuPay Global Cards at NSBL ATM terminals and
2. all variant (Domestic and Global) of RuPay cards at NSBL POS terminals.

Nepal SBI's endeavor of RuPay acquiring within Nepal opened additional avenue of INR inflow in Nepal resulting improvement in balance of payment. The bank's effort has also reduced inconvenience caused to India tourists/business people due to non-acceptance of RuPay branded cards in Nepal.



NEPAL SBI FEBA GREEN PIN (ATM)

Nepal SBI's Green PIN initiative is a paperless process of generating ATM PIN which eliminates the need for customer visiting a bank counter physically and the waiting period required to get a new ATM PIN in case a cardholder has forgotten their PIN. One Time PIN (OTP) is delivered to customer's recorded mobile in FINACLE via SMS. This OTP is limited to only setting new PIN by customer himself. Customer uses this OTP to access the 'PIN Change' menu in ATM and set PIN according to his/her comfort. This promotes secure and convenient banking service. The FEBA Green PIN will work on all debit cards of the bank and is free of any service charge.



E-Corner

E-Corner consists of ATM/CDM and Internet Desk through which customers can deposit and withdraw cash. Further, Internet Banking can also be accessed from the e-corner.

Point of Sale (POS) Machines

Nepal SBI Bank has also been providing POS service in different places of the country. With the addition of MasterCard and RuPay acquiring in POS machines, now, any customer with a valid VISA/MasterCard/ RuPay card can make payments to the merchants through NSBL POS terminal. Till date the bank has already installed more than 1350 POS terminals in Nepal. The plan is to further expand the same in coming years as the demand for this service by various corporate institution and retail trading units of Nepal is increasing.

PRODUCTS AND SERVICES

REMITTANCE

Remittance is a major contributing factor for increasing household income as well as country's GDP in Nepal. Your bank has vast global network which enables it to provide remittance services to its customer in fastest and safest manner. The bank has arrangements with institutions from different countries for Inward Remittance to Nepal:

REMITTANCE FROM INDIA

As India being major source of remittance to Nepal, the bank has following products for inward remittance from India:

1. Payment Gateway Phase II (India to Nepal)

Payment Gateway Phase II is new and fastest remittance channel between State Bank of India (SBI) and Nepal SBI Bank Ltd. (NSBL). Remitters can initiate transactions from any branch of State Bank of India. Further, Indo Nepal Remittance facility has been added in retail internet banking (RINB) of SBI which has removed the compulsion to visit SBI branches to remit the fund to Nepal. Credit to NSBL account is automated through STP, hence NSBL beneficiaries can get amount on same day. The remittance amount is credited to other bank beneficiaries via NCHL IPS on next working day. Customers have advantage of wide branch network of SBI and Indo Nepal Remittance facility available in RINB.

2. SBI Nepal Express Remit

SBI Nepal Express Remit is Electronic Fund Transfer (EFT) mechanism between India and Nepal. The remittance facility is available for both account holders as well as walk in customers of State Bank of India (SBI). Through this channel, remittance can be received for account credit as well as cash payment through Prabhu Money Transfer outlets. The facility has effectively addressed the difficulties faced by migrant Nepalese in India in sending remittances to Nepal. Remitters are benefitted from wide branch network of SBI and minimal service charges. Pensioners of various central and state government offices, employees of pharmaceutical companies, Nepalese business entities exporting agricultural and other products to India, families/relatives of migrant workers and educational institutions are being benefitted from this remittance product.

3. Indo-Nepal Remit

The product was introduced by Reserve Bank of India in coordination with Nepal Rastra Bank on Electronic Fund Transfer (EFT) platform for smooth and speedy remittance from India to Nepal. The scheme has enabled large number of Nepalese nationals working in India to remit money to support their families and relatives in Nepal. Both account holders and walk in customers of any NEFT enabled banks in India can get this facility. As all banks participating in NEFT system can remit the fund and fund can be remitted for account credit as well as cash payment in Nepal, the system has eliminated the physical transfer of cash between India and Nepal.

SBI Express Remit Gulf-Nepal (GLS)

The bank has entered agreement with different exchange houses of gulf countries such as UAE and Oman to provide remittance facilities to Nepalese migrant workers in gulf countries. As gulf countries are major foreign employment destination of Nepalese workers, SBI Express Remit Gulf- Nepal (GLS) has effectively served remittance need of our valued customers.



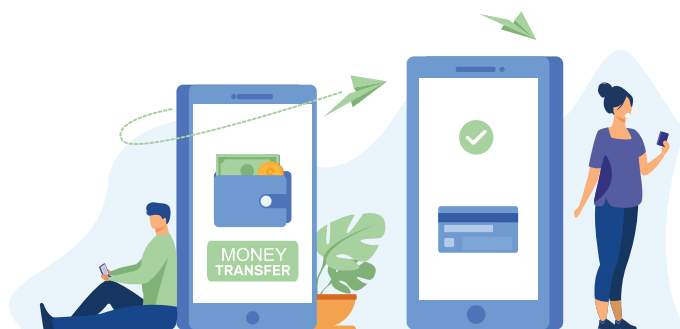
OUTWARD REMITTANCE

The bank has following products for remitting fund from Nepal to India:

1. RTGS/NEFT

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

The NEFT system facilitates to transfer the fund electronically to any bank in India (other than SBI and its Associate Bank's Branches) who is in NEFT system of RBI. Fund remitted through NEFT gets credited in beneficiary's account depending upon batch settlement time.



SWIFT

The bank is providing inward/outward remittance facility to its valued customers via SWIFT. The global network of State Bank of India (SBI) allows to receive/remit fund from/to various countries globally. In addition, the bank has entered correspondent banking agreement with various banks – Standard Chartered Bank, Mashreq Bank PSC to provide various remittance facilities.

DOMESTIC REMITTANCE

For domestic remittance service your bank has tied up with Prabhu Money Transfer, Western Union Money Transfer and City Express Money Transfer which allows customer to send/ receive money to/from across the country. These arrangements have enabled the customers not having bank accounts to receive/transfer fund across the country as per their requirement.

Card Products

Your Bank is providing chip-based card having advanced security features.

Nepal SBI Debit Card

Our Debit card can be used for cash withdrawal as well as for merchandise payments at more than 600,000 merchant outlets in Nepal and India. NSBL Debit Card users have access to 131 ATMs of NSBL and other VISA enabled ATMs all over the country and in India at nominal charge. We have also started providing instant card to customers on the day of account opening itself.

Nepal SBI Insta Debit Card

The bank launched its newest card product 'Nepal SBI Insta Debit Card' on October 2020 amidst COVID-19 pandemic to provide debit card to the customers instantly, enabling them to transact using their debit cards in a matter of minutes of applying for a card. The Insta Card can be used at ATM terminals, POS machines and perform E-commerce transactions in Nepal and India.

E-Commerce Transaction

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

Vishwa Yatra Card

Vishwa Yatra Card, is a USD denominated international prepaid card which the customers can use for cash withdrawal in all the ATM terminals under VISA network in any part of the world (except Nepal and India) and for merchandise payments. It provides safe, secured and convenient way to meet financial requirement of travelers overseas.

DEPOSIT PRODUCTS

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

Nepal SBI Premium Savings Scheme

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

Nepal SBI Corporate Salary Package

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

Dhanvridhhi Bachat Yojana

Product devised to provide customers facility of earning additional income not only in principal amount but also in interest earned. As the product name suggests, the interest is credited in the Fixed Deposit Account itself and interest is given on the total balance (Principal + Interest). On maturity, the principal amount along with interest compounded at quarterly intervals will be paid back. As the interest is credited to the Fixed Deposit Account itself, customer can withdraw the interest only on maturity.

Social Security Account

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





Sambriddha Nagarik Bachat Khata

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

NSBL Nari Bachat Khata

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

Saral Bachat Khata

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

Varistha Nagarik Bachat Khata

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

Ujjwal Bhavisya Bachat Khata (Recurring Deposit)

Recurring Deposit is designed with a unique feature of semi fixed deposit in nature. Under this scheme, an accountholder can choose to invest/deposit fixed amount each month and withdraw lumpsum amount on maturity, interest credited quarterly in principal account and interest capitalization in every 3 month.



NSBL Baal Bachat Khata

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



Students Account

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



Chhori Bachat Khata

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



LOANS AND ADVANCES

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

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

CORPORATE AND BUSINESS LOANS

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

RETAIL AND SME LOANS

A. MSME And SME Loans

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

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

B. Retail Loans

Retail loans comprise of auto finance, education loans, home loan, Bhu Puu Loan (loan to retired Nepalese Pensioners of Indian Army), Gold Loan, Share Loan. Other personal loans viz. Mortgage Loan and Mortgage Plus are personal credit provided to individuals based on their income and value of collateral security.

देश निर्भर छ कृषि माथि,
कृषक हाम्रो सच्चा साथी



1. Krishak Sathi Karja

Krishak Sathi Karja is a tailored product to meet the financial requirement of small farmers engaged in agriculture sector. As many small farmers face difficulties in obtaining bank finance, Krishak Sathi Karja is designed to be a simplified product enabling convenient and faster processing of agricultural loans for purchase of seeds, bearing the cost of plantations, harvesting and also for purchase of agricultural machineries.

2. Mortgage and Mortgage Plus Loans

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



3. Housing Loan

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



4. Education Loan

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



5. Other Retail Loans

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

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

**Detailed features are available in our website.

OUR ESTEEMED CUSTOMERS



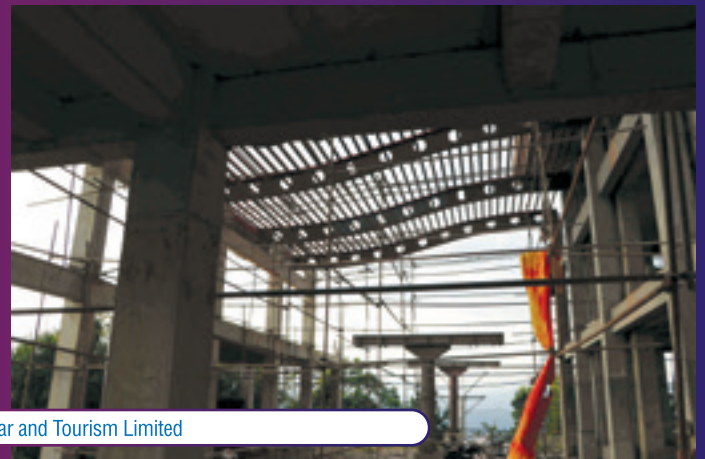
Anand Rice and Oil Industries Pvt. Ltd.



Ganapati Door and Plyboard Industry Pvt. Ltd.



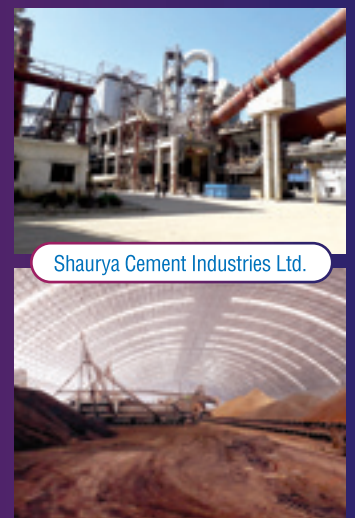
Bandipur Cablecar and Tourism Limited



Hospital for Advanced Medicine and Surgery Pvt. Ltd.



The Nepal Distilleries Pvt. Ltd.



Shaurya Cement Industries Ltd.



Kwality Thai Foods Pvt. Ltd.



Sujal Foods Pvt. Ltd.

Message from the Chairperson



Ms. Jayati Bansal
Chairperson

Dear Shareholders,

It gives me immense pleasure to welcome you all on behalf of the esteemed members of the Board on the 29th Annual General Meeting and place before you the highlights of Nepal SBI Bank Ltd. (NSBL) during Financial Year 2078/79.

Nepal SBI Bank Ltd. has delivered another year of strong performance fostering economic activity across the country and I am pleased to chair the 29th Annual General Meeting of the Bank having history and lineage of 29 years.

Your bank, as the subsidiary of State Bank of India, a "Fortune 500 entity" having global presence and strength, has an added advantage for tapping new business and ideas for the betterment of NSBL and the nation.

During the review year, various factors such as liquidity crunch in financial market, pandemic hit tourism industry, mergers & acquisitions in banking industry, sluggishness in economy affecting assets quality, IT related vulnerabilities, high competition in a small economy, etc. affected the activities of the Bank. Like world economy, Nepal's economy which was impacted adversely by Covid-19 pandemic witnessed rebound of economic activities from FY 2078/79 gaining momentum in import, export and investment. Government continued various supportive policies adopted earlier to make the economy vibrant.

Despite the challenges faced, your bank has always strived to live by the values embedded within. In FY 2078/79, your bank has maintained a robust balance sheet with healthy liquidity and has grown from NPR 13,780.88 crore as on Ashadh End 2078 to NPR 15,310.28 crore as on Ashadh End 2079. Despite the liquidity crunch, deposits increased to NPR 11,971.02 crore as on Ashadh End 2079 from NPR 10,623.85 crore as on Ashadh End 2078 registering a growth of 12.68%. The total loans & advances of the Bank increased to NPR 11,069.37 crore by Ashadh End 2079 from NPR 10,154.88 crore as on Ashadh End 2078 i.e., the bank achieved a growth of 9.01% in FY 2078/79. The bank was successful to register highest ever level of deposits and loans & advances during the review year. Your bank booked profit after tax of NPR 163.83 crore for FY 2078/79, reporting a growth of 70.04%, which is the third highest percentage growth in the industry.

In FY 2078/79, your bank has expanded its footprint by opening

new branches, extension counters and providing services through alternate channels such as Branchless Banking Outlets, CDMs, POS and ATMs. Your bank has been following good governance principles to ensure efficient and effective risk management, risk communication, compliance, clear strategy, transparency, social responsibilities, self-evaluation and fairness. With our green initiative, we are continuously discouraging the use of plastic materials and rather opted for environment friendly notions for various banking celebrations and activities.

Your bank is driven by both financial & social objectives and as such sustainability considerations are embedded into all aspects of the bank's operations. Through our corporate social responsibility initiatives, we have contributed for promotion of culture, preservation of heritage sites, upgraded health facilities & hygiene, environment protection, education, etc. We have continued to extend our support to the underprivileged and brought a significant change in their education, health, lifestyle and life. Your bank has contributed NPR 10,431,116.80 under Corporate Social Responsibilities in FY 2078/79.

On this note, I would like to express my sincere gratitude to Nepal Rastra Bank, Office of the Company Registrar, Securities Board of Nepal and other Governmental & Regulatory bodies. I would also like to thank our promoters - State Bank of India and Employees Provident Fund for their valuable support and guidance which aided in the overall improvement in the performance of NSBL. I also express my thanks to the press, media and our esteemed shareholders for their continuous support to NSBL and to all the valued customers who have provided us with the opportunity to serve them.

Lastly, I would like to share that I am proud of our employees and confident in their abilities to deliver industry-leading performance. My gratitude also goes out to the Auditor and team for the execution of the audit of the Financial Statements enabling the timely publication of this Report. I am grateful for the confidence that shareholders have put in Nepal SBI Bank Ltd. With a strong and capable management team, our Bank is poised for greater expansion and higher performance in years to come. With your whole-hearted support, capable management team and dedicated staff members, we expect to overcome the challenges and deliver exceptional performance ahead.

Thank You!

Message from the Managing Director



Mr. Dipak Kumar De
Managing Director & CEO

Dear Stakeholders,

Namaste and warm welcome to everyone present physically as well as virtually on the 29th Annual General Meeting of the Bank.

As we are stepping into 30th year of the bank's operation in the country, I would like to congratulate and acknowledge all the stakeholders of the bank, customers, employees and everyone associated with the bank, as this landmark has been possible only due to your trust, support and collaboration.

As the world economy had started to exhibit the signs of rebound from the Covid-19 pandemic, the outbreaks of Covid-19 still having impacts in some parts of the world along with global unrest due to Russia - Ukraine war have put additional upward pressure on prices which has hindered the growth.

Though the FY 2078/79 started with the challenges created by Covid-19 pandemic, GDP of the country at basic price increased to 5.50% compared to the growth of 3.80% in the previous year. Similarly, the annual inflation remained at 6.32% in the year compared to 3.60% of previous year.

In the review year, your bank is able to earn Operating Profit of NPR 236.55 crore and Net Profit of NPR 163.83 crore registering a growth of 75.04 % and 70.04% respectively over the corresponding figures. Further, your bank has achieved significant growth in other key financial indicators such as increase in ROA from 0.70% to 1.07% and ROE from 6.26% to 9.57%. In spite of the challenges associated with the liquidity and recovery, the bank is able to maintain the NPA at 0.15% which is the lowest in the industry, with Net NPA being Nil.

In the review year, our subsidiary, Nepal SBI Merchant Bank Limited, has earned net profit after tax of NPR 2.94 crore in FY 2078/79 which is 35.72% growth over the last year's Net profit after tax of NPR 2.16 crores.

In the recent years, digitalization drive has assumed greater momentum along with the pace of innovation in banking products, service and delivery channels. Accordingly, your bank is dedicated to transform the bank into digitized institution as per the aspirations of people. Your bank has aptly

been able to internalize new technologies in a customer-centric manner which shall also enhance efficiency of processes, reduce the cost and hence optimize the resources over time. Your bank is the only bank in the country to acquire RuPay Card at its ATM & POS terminals which was jointly inaugurated by Hon'ble Prime Minister of Nepal, Mr. Sher Bahadur Deuba and Hon'ble Prime Minister of India, Mr. Narendra Modi. The Bank has further been offering technology-based products & services like advanced Mobile Banking app YONO Nepal SBI, QR Acquiring, Insta Debit Card, Green PIN generation through internet banking, online fixed deposit opening through YONO Nepal SBI, ATMs, CDMs, POS and Branchless Banking. Accordingly, privilege of remitting funds from India to Nepal has been added in internet banking facility of State Bank of India. The Bank has expanded its presence to the junctures of strategic importance like Lumbini Development Trust and Kanchanpur Customs Office through extension counters.

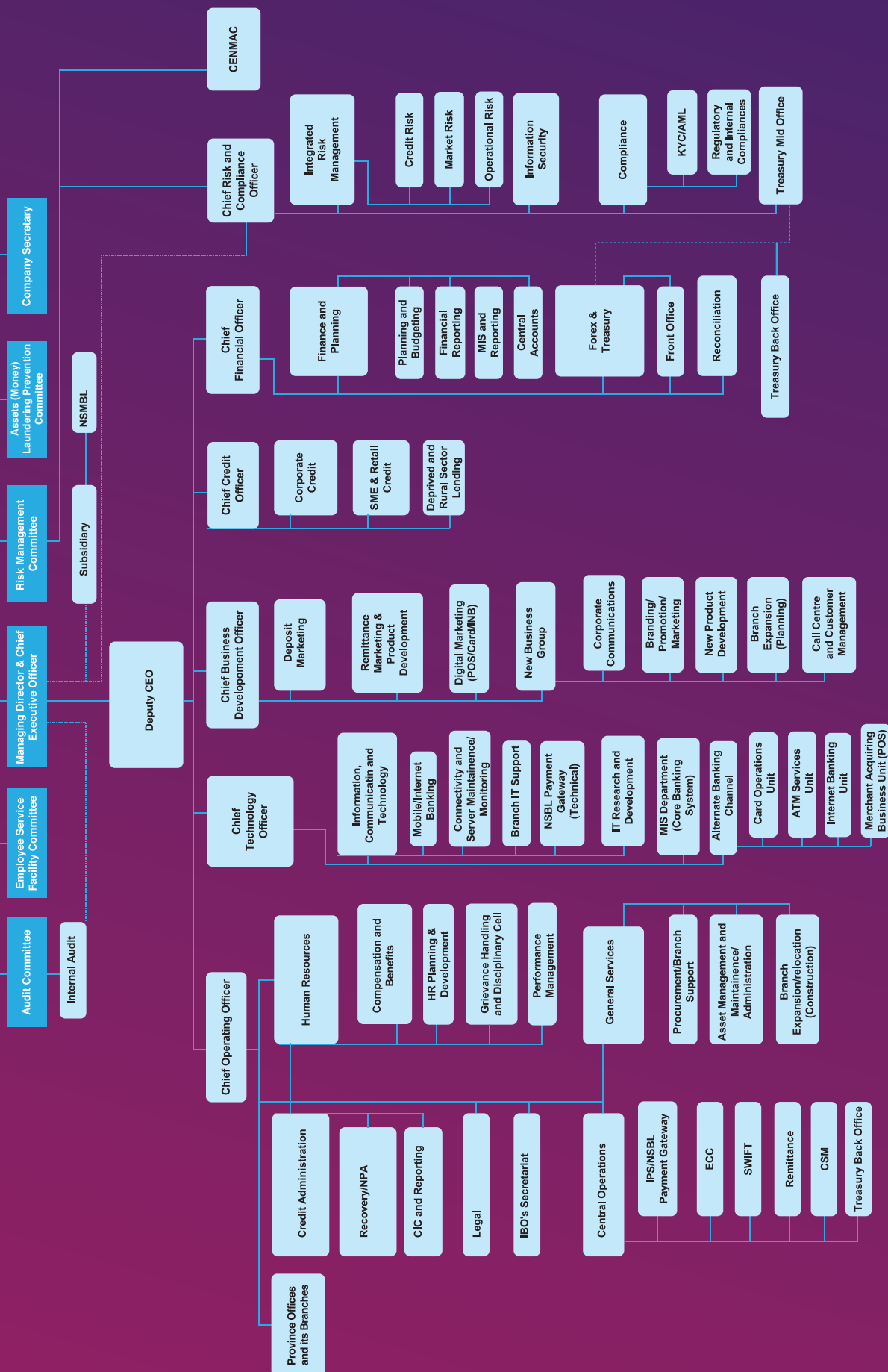
During the review year, your bank has been awarded with "Nepal Domestic Initiative of the Year under Wholesale Banking Award 2022" as well as "Nepal Domestic Technology & Operations Bank of the Year under Wholesale Banking Award 2022" by Asian Banking & Finance, Singapore. Your bank was also awarded with "Best Corporate Banking Solutions Nepal 2022" by Capital Finance International, London. Out of these accolades, two have been received by your bank consecutively for second year. These awards are the acknowledgements of your bank's performance and honour to all the stakeholders associated with your bank.

Though the economic activities have taken a pace in the country, the adversities like liquidity crunch as well as volatility of the market, slow revival of tourism industry, probable deterioration in asset quality due to liquidity situation and impact of external factors on domestic economy do persist. Despite the challenges, your bank is committed to sustainable growth by adopting appropriate strategies.

I would like to thank all our valued stakeholders, shareholders and customers who have trusted us. At the same time, I cannot remain without expressing gratitude to all the employees for their dedication for achieving remarkable growth in the review year. As the Managing Director of your bank, I will look for continuous support of all stakeholders to take your bank to greater stature.

Nepal SBI Bank Limited Organization Structure

Board of Directors



THE BOARD OF DIRECTORS



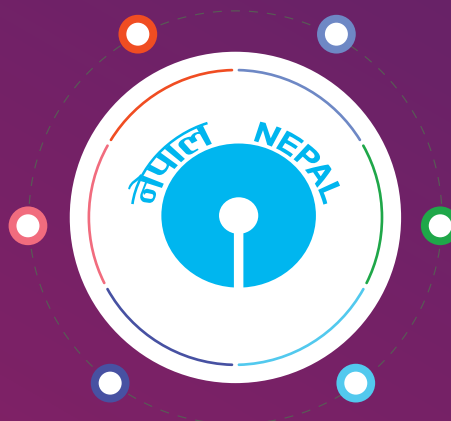
Ms. Jayati Bansal
Chairperson
(Nominated by SBI)



Ms. Apsara Upreti
Director
(Elected by General Public Shareholders)



Mr. Pinaki Nath Banerjee
Director
(Nominated by SBI)



Mr. Bharat Raj Wasti
Director
(Nominated by EPF)



Dr. Gopal Prasad Bhatta
Independent Director
(Appointed by Board)



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

MANAGEMENT TEAM



Mr. Dipak Kumar De
Managing Director & CEO



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



Mr. Yadvender Kant
Chief Operating Officer

SENIOR MANAGEMENT AND HEAD OF DEPARTMENTS



Mr. Chhapi Raj Pant
Advisor New Business



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



Mr. Bishnu Dev Yadav
Chief Risk &
Compliance Officer



Mr. Arjun Nepal
Chief Credit Officer



Mr. Badri Lal Amatya
HoD-Corporate Credit



Mr. Ritesh Aryal
Chief Business
Development Officer



Mr. Sunand Malhotra
Chief Technology Officer



Mr. Mahesh Chalamalasetty
HoD - Forex & Treasury



Mr. Prabin Bhattarai
HoD-SME & Retail Credit



Mr. Shreedhar Adhikari
Company Secretary &
HoD-Internal Audit



Mr. Amlesh Ratna Sthapit
HoD-Central Operations



Mr. Min Bahadur Gurung
HoD-General Services

HEAD OF DEPARTMENTS



Mr. Pawan Ghimire
HoD-TFCPC



Mr. Harish Rana
HoD-New Business Group



Mr. Robert Shrestha
HoD-Finance & Planning



Mr. Saurav Ranjan Mandal
HoD-Compliance



Mr. Vikas Budhathoki
HoD-ICT



Mr. Narendra Chaudhary
HoD-Credit Administration



Mr. Bishnu Hari Koirala
HoD-IRM



Mr. Kalash Joshi
HoD-Alternate Banking Channel



Ms. Smriti Gautam
HoD-Human Resources



Ms. Pariksha Rana
HoD-Legal



Mr. Shishir Kumar Pradhan
HoD-Reconciliation



Mr. Pradeep Nath Pandey
HoD-MIS

PROVINCE HEAD



Mr. Binod Kumar Dhungel
Head-Bagmati Province



Mr. Umesh Bahadur Karki
Head-Province 1



Mr. Lekha Nath Pokharel
Head- Madhesh Province



Mr. Sushil Chandra Mahat
Head-Gandaki Province



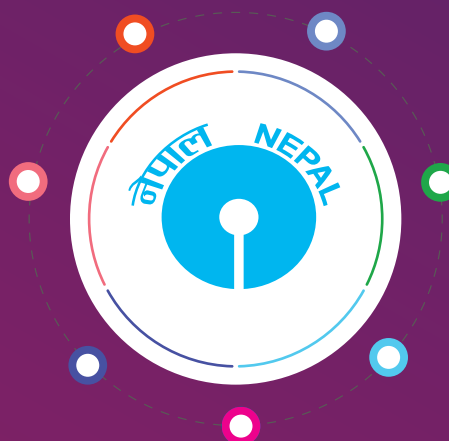
Mr. Shiva Dahal
Head-Lumbini Province



Mr. Bibek Shrestha
Head-Karnali Province



Mr. Santosh Bhandari
Head- Sudurpaschim Province



RISK GOVERNANCE STRUCTURE

RISK MANAGEMENT

The objective of the Risk Management Framework of the Bank is to minimize negative effects that risks can have on the earnings, capital, and liquidity of the Bank. The Bank has been managing risks through active Board and senior management oversight, risk governance structure, policies and procedures, appropriate management information system, comprehensive internal controls and limits, and stress testing. The Bank's Risk Management Framework has following components:

Active Board and Senior Management Oversight

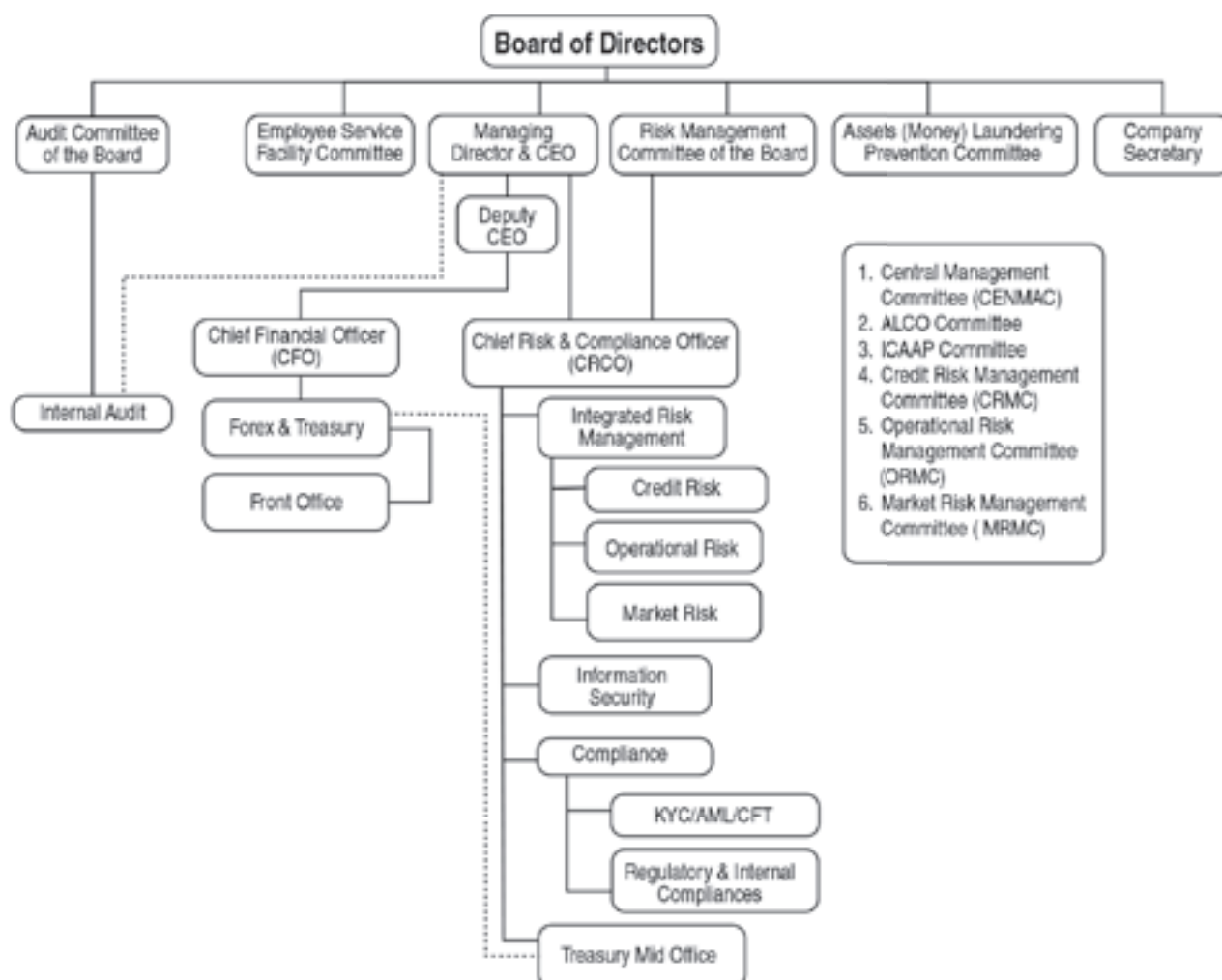
The Board of Directors (BOD) is ultimately responsible for management of Risk in the Bank. Risk Management Committee of the Board (RMCB), a board level sub-committee is in place for overall risk management in the Bank. In addition to Board level committee, management level committees viz. Operational Risk Management Committee (ORMC), Credit Risk Management Committee (CRMC) and Market Risk Management Committee (MRMC) are also functioning for management of operation risk, credit risk and market risk, respectively. Accordingly, Asset Liability Management Committee (ALCO), Internal

Capital Adequacy Assessment Process (ICAAP) Committee, IT Steering Committee, IT Security Committee, IT Strategy Committee, BCP Governance Committee and Good Governance Committee are in function for management of market risk (specifically interest and liquidity risk), capital assessment, IT related issues, development and implementation of Information Security, oversight on IT activities of the Bank, overseeing the various aspects of Business Continuity Planning and monitoring the status of good governance in the Bank respectively.

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

Risk Governance Structure

Risk Governance structure of the Bank refers to the structure, rules, processes, and mechanisms by which the decisions about risks are taken and implemented. The Bank has a separate and independent Risk Governance Structure as:



The Bank's risk management framework has following components:

Policies and Procedures

The Bank has various policies and procedures set for managing various risks the Bank faces. All material risk policies and manuals are reviewed and approved by the Board of the Directors of the Bank annually to reflect changes in our business and regulations, law, corporate governance, and industry best practice. The adequacy and effectiveness of the policies are deliberated in the Board meeting. This helps us to ensure that we continue to meet our responsibilities to our customers, shareholders, and regulators. Policies of the Bank are reviewed by Integrated Risk Management Department, Legal Department, and Internal Audit Department for value addition/efficacy testing before putting up to management level and Board level committees.

Risk Management Procedure comprises steps for identification, assessment, monitoring/controlling, measurement, reporting and mitigation of various risks. The Bank has laid down various mechanisms like Credit Risk Assessment of credit exposures, Operational Risk Meeting at branches and province offices, Key Risk Indicators, Loss Data Report for carrying out the risk management process of the Bank.

Appropriate Management Information System

In view of the growing information requirements of the regulators, departments and operational units, MIS in the Bank are being constantly assessed, upgraded, and fine-tuned. All Branches of the Bank are networked on Core Banking Solution (CBS). The system regularly generates separate reports for Branches / Controllers to analyze various risks faced by the Operating Units.

Comprehensive Internal Controls and Limits

Board of Directors (BoD) of the Bank ensures proper internal control mechanism through organizational structure, line of authority, policies, procedures, risk appetite and delegation of official powers etc. The Central Management Committee (CENMAC) is in place in the Bank as an executive level apex body to take enterprise-level decisions. The Committee is primarily responsible for ensuring implementation of decisions, compliance with applicable statutes, regulations, internal policies & guidelines, and ethical standards at/by respective business units/groups. Similarly, ACB (Audit Committee of the Board) deliberates on the adequacy of internal control mechanism and instructs the management on remediation of short comings, if any. The Bank has adopted three lines of defence mechanism for better internal control:

First Line of Defence is the primary role of the Business Groups and Support Groups to identify, assess and manage the various risks pertaining to their business or area of operation. The model assumes that controls in this first line are granular and based on individual transactions as staff are involved in daily processes and familiar with the workflow and possible control weakness. Therefore, it is easier for them to implement controls that target more granular processes and detect weaknesses early on.

Second line of Defence comprises independent risk management and compliance functions such as Compliance Department, Integrated Risk Management Department, Information Security Department and Treasury Mid-Office, whose key duties are to monitor and report risk-related practices and information, and to oversee all types of compliance issues. The second line of defence defines preventive and detective control requirements and ensures that such requirements are embedded in the policies and procedures of the first line.

Third Line of Defence is the Internal Audit Department that would ascertain the effectiveness of the Bank's risk management processes, measurement systems and to verify and ensure the compliance with the Basel/NRB/RBI Guidelines. The third line of defence performs independent periodic review of the first two lines of defence, provides assurance and informs the first two lines of strengths and potential weaknesses. It also carries out diverse types of audits covering different facets of the Bank's activities

The Second and the Third line of defence are independent from business budget, and report directly to the Board/Board level committees.

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

Stress Testing Practices

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

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

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

REPORT OF THE BOARD OF DIRECTORS

1. WORLD ECONOMY OUTLOOK

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecasted to decline from 6.00% in 2021 to 3.20% in 2022 and 2.70% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. After bouncing back strongly from the COVID-19 pandemic, a return to a more normal economic situation appeared to be in prospect prior to Russia's invasion of Ukraine. However, the effects of the war and the continuing impacts of COVID-19 outbreaks in some parts of the world have dented growth and put additional upward pressure on prices, above all on energy and food prices.

Global economic growth stalled in the second quarter of 2022 and indicators in many economies now point to an extended period of subdued growth. The war has pushed up energy and food prices substantially, aggravating inflationary pressures at a time when the cost of living was already rising rapidly around the world. Global inflation is forecasted to rise from 4.70% in 2021 to 8.80% in 2022 but to decline to 6.50% in 2023 and to 4.10% by 2024. Inflation is projected to ease from 8.20% in 2022 to 6.50% in 2023 in the G20 economies and decline from 6.20% in the G20 advanced economies this year to 4.00% in 2023. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

On the other hand, as per the latest predictions, India is likely to surpass China as the most populous country in 2023 and make India and China the two major resource creators for the world. This attracted global attention on Indian and Chinese economies. As per OECD prediction, India growth is expected to slow down from 8.70% in FY 2021-22 to around 7.00% in FY 2022-23 and around 5.75% in FY 2023-24. China growth is expected to recover to 4.75% in 2023 after weak growth of 3.20% in 2022.

(Source: World Economic Outlook, October 2022)

2. NEPAL ECONOMY

a. Gross Domestic Product and Inflation

The FY 2078/79 started with the challenges from COVID-19 pandemic situation. However, GDP at basic price increased from 3.80% in FY 2077/78 to 5.50% in FY 2078/79. Agriculture, industry and service sectors are estimated to grow 2.30%, 10.19% and 5.93% respectively. Share of agriculture, industry and service sectors in GDP stands at 23.95%, 14.29% and 61.76% respectively in FY 2078/79.

Similarly, the annual inflation remained at 6.32% in FY 2078/79 compared to 3.60% in FY 2077/78. For the 1st quarter of FY 2079/80, the inflation stood at 8.50%.

b. Inward Remittances

Remittance inflows increased by 4.80% to NPR 100,730.69 crore in FY 2078/79 against a decrease of 5.00% in the FY 2077/78. In US Dollar terms, such inflows increased 2.20% in FY 2078/79 against a decrease of 8.20% in the previous year.

c. Balance of Payments (BOP)

The overall BOP remained at a deficit of NPR 25,525.91 crore in the FY 2078/79 against a surplus of NPR 122.67 crore in FY 2077/78.

d. Foreign Exchange Reserve

As of Ashadh 2079, the gross foreign exchange reserve stood at NPR 121,580.00 crore, decreased by 13.10% as compared to NPR 139,903.00 crore in Ashadh 2078. Based on the imports of FY 2078/79, the foreign exchange reserves are sufficient to cover the prospective merchandise imports of 7.8 months and merchandise & services imports of 6.9 months.

e. Secondary Market

During the review period, the Nepal Stock Exchange (NEPSE) index decreased to 2,009.50 in Ashadh 2079 in comparison to 2,883.40 in Ashadh 2078. The total market capitalization reached NPR 286,934.00 crore compared to NPR 401,096.00 crore in Ashadh 2078.

(Source: Monetary Policy for FY2022-23 and Current Macro Economic and Financial Situations of Nepal (Based on annual data FY2021-22 published by NRB))

3. FINANCIAL SECTOR OUTLOOK

Of the total 753 local levels, commercial banks extended their branches at 752 levels as of Ashadh End 2079. Such number was 750 in Ashadh 2078. The total number of BFIs licensed by NRB decreased to 126 in Ashadh 2079 from 133 as on Ashadh 2078.

As on Ashadh 2079, 26 commercial banks, 17 development banks, 17 finance companies, 65 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches reached 11,528 in Ashadh 2079 from 10,683 in Ashadh 2078.

Deposits at banks and financial institutions (BFIs) increased by 9.00% in the review year compared to a growth of 21.40% in the previous year. The share of demand, savings, and fixed deposits in total deposits stands at 8.90%, 27.60% and 55.80% respectively in Ashadh 2079. The share of institutional deposits in total deposits of BFIs stands at 38.30% in Ashadh 2079.

In FY 2078/79, lending to private sector from BFIs increased by 13.10% compared to a growth of 27.30% in FY 2077/78. In the review year, out of the total outstanding credit of the BFIs, 66.40% is against the collateral of land and buildings and 12.30% against the collateral of current assets (such as agricultural and non-agricultural products). Similarly, outstanding loan of BFIs to the agriculture sector increased by 19.70%, industrial production sector by 8.00%, transportation, communication & public sector by 15.70%, wholesale & retail sector by 13.30% and service industry sector by 8.70% in the review year. Further, in the review year, term loan extended by BFIs increased by 28.40%, overdraft by 13.30%, demand & working capital loan by 15.20% and real estate loan (including residential personal home loan) by 17.50%. However, trust receipt (import) loan decreased by 61.90%, margin nature loan by 24.30% and hire purchase loan by 2.20% in the review year.

4. PERFORMANCE REVIEW OF NEPAL SBI BANK LIMITED IN FY 2078/79

The world as a whole had to suffer a lot due to the COVID-19 pandemic, but the situation started to recover from FY 2078/79. Like world economy, Nepal economy also witnessed rebound of economic activities. Import, export and investment gained momentum. Government has continued various supportive policies to make the economy vibrant.

In FY 2078/79, Nepal SBI Bank Limited (NSBL) has achieved a remarkable growth over last year's business and profitability. The Bank has prepared its financial statements in accordance with the applicable accounting standards, NRB guidelines and other applicable laws/regulations.

Financial performance of FY 2078/79 is summarized in the following table:

4.1 Financial Position

Amount in NPR Crore

Particulars	FY 2077/78	FY 2078/79	Amount Change	% Change
Paid up capital	949.36	982.59	33.23	3.50
Reserve & Surplus	590.65	728.76	138.11	23.38
Deposits	10,623.85	11,971.02	1,347.17	12.68
Loans & Advances (Excluding Staff loans)	10,154.88	11,069.37	914.50	9.01
Investments & Placements	2,133.75	2,363.64	229.89	10.77
Total Assets	13,780.88	15,310.28	1,529.40	11.10
Net Interest Income	286.73	428.69	141.96	49.51
Operating Profits	135.14	236.55	101.41	75.04
Profit After Tax	96.35	163.83	67.48	70.04
Return on Assets (%)	0.70	1.07		37 bps
Return on Equity (%)	6.26	9.57		331 bps
Non-Performing Loan (%) (as per NRB)	0.23	0.15		(-) 8 bps
Earnings per Share (NPR)	10.12	16.67		655 bps

a. Share Capital & Reserve and Surplus

During the year under review, Bank had issued 3.50% Bonus shares and accordingly, the share capital of bank increased by 3.50%. Detail presented in schedule 4.26.

Further, the reserve and surplus of the bank has increased by 23.38% in the review year.

b. Deposits

Financial market has experienced liquidity crunch in FY 2078/79. Despite the market constraints, NSBL deposits increased to NPR 11,971.02 crore as on Ashadh End 2079 from NPR 10,623.85 crore as on Ashadh End 2078 i.e., NSBL achieved deposits growth of 12.68% over last year's balance.

c. Loans & Advances (excluding staff loan and advances)

Due to the change in liquidity ratio from Credit to Core Capital & Deposit ratio (CCD ratio) to Credit to Deposit Ratio (CD ratio), the financial market experienced liquidity crunch. Despite liquidity crunch, the total loans & advances of the Bank increased to NPR 11,069.37 crore by Ashadh End 2079 from NPR 10,154.88 crore as on Ashadh End 2078 i.e., the bank achieved a growth of 9.01% in FY 2078/79. During the review year, retail portfolio has increased from 28.56% of total loans & advances as on Ashadh End 2078 to 33.72% as on Ashadh End 2079. In FY 2078/79, NSBL has mobilized NPR 831.49 crore retail loans which is 91.22% of total loans & advances growth during the Financial Year.

d. Investment and Placement

During the year under review, investment and placement has increased by 10.77% from NPR 2,133.75 crore as on Ashadh End 2078 to NPR 2,363.64 crore as on Ashadh End 2079. Detail of investment is presented in schedule 4.5 & 4.8.

e. Net Interest Income

During the year under review, net interest income of the bank has increased by NPR 141.96 crore and increased to NPR 428.69 crore i.e. growth of 49.51%.

f. Operating Profit and Net Profit

During the year under review, operating profit of the Bank has increased by NPR 101.41 crore and increased to NPR 236.55 crore i.e., growth of 75.04%.

Similarly, the net profit of the Bank has increased by NPR 67.48 crore and increased to NPR 163.83 crore i.e. growth of 70.04%.

g. Return on Assets (%)

Return on Assets (ROA) of the bank has increased by 37 bps from 0.70% as on Ashadh End 2078 to 1.07% as on Ashadh End 2079. Despite the total assets size of the bank has been increased from NPR 13,780.88 crore to NPR 15,310.28 crore i.e., growth by 11.10% the ROA has also increased by 37 bps. This has happened due to increase of net profit of the bank by 70.04%.

h. Return on Equity (%)

Return on Equity (ROE) of the bank has increased by 331 bps from 6.26% as on Ashadh End 2078 to 9.57% as on Ashadh End 2079. Though the total equity of the bank has been increased from NPR 1,540.01 crore to NPR 1,711.34 crore i.e., growth by 11.13%, ROE has increased in review year. This has happened due to increase in net profit of the bank by 70.04%.

i. Non-Performing Loan

Bank has maintained one of the lowest NPAs in the industry. While sanctioning loans & advances, quality of portfolio was ensured and this has enabled us to maintain one of the lowest NPA ratios in the industry. Despite liquidity crunch, Bank has been able to reduce NPA from 0.23% as on FY 2077/78 to 0.15% in FY 2078/79.

j. Earnings Per Share (EPS)

Earnings per share has increased by 655 bps from 10.12% as on Ashadh End 2078 to 16.67% as on Ashadh End 2079. This has happened due to increase in net profit of the bank by 70.04%.

5. CORE BUSINESS REVIEW

5.1 CORPORATE LARGE LOANS & ADVANCES

During the year under review, the corporate finance of the Bank has increased from NPR 7,254.09 crore as on Ashadh End 2078 to NPR 7,337.09 crore as on Ashadh End 2079, a growth of 1.14%.

5.2 RETAIL LOANS & ADVANCES SEGMENT

During the year under review, the Bank has concentrated more on the retail segment. During the review year, retail loans and advances has increased by NPR 831.49 (YoY 28.66%) crore and reached to a level of NPR 3,732.29 crore. Bank has introduced new products and revamped existing products for increasing retail loan segment. Retail campaigns have been launched by the Bank continuously from November 2021 which resulted in growth of retail loans & advances.

5.3 DEPRIVED SECTOR LENDING

The total exposure in deprived sector lending reached to NPR 671.36 crore (Ashadh End 2079) i.e., 5.92% of total loans and advance prior to six months, which is more than minimum level prescribed by NRB, i.e. 5%.

5.4 DIRECTED SECTOR LENDING

In accordance with the regulatory guidelines, the Bank has an exposure of NPR 3,377.58 crore as on Ashadh End 2079 toward directed sector lending (Agriculture, Hydropower/Energy and Micro, Small and Medium Enterprises).

5.5 CREDIT MANAGEMENT

Understanding its pivotal role for mitigating potential credit losses, Credit Administration Department and Credit Department of the Bank always strives for excellence in credit assessment and monitoring process. Your Bank has implemented robust credit assessment system to ensure booking of high-quality assets. Continuous monitoring and follow up for recovery of impaired assets have resulted in lowest level of non-performing assets (NPA) in the industry since many years. Bank is pursuing both preventive and curative management strategies for controlling NPAs. Strong credit risk assessment mechanism is in place to filter out likely NPAs. The non-performing loan ratio to total loan is 0.15% and Net NPA ratio is zero.

5.6 DEPOSITS

During review period of FY 2078/79, low-cost deposits i.e., current, savings and call deposits have recorded a negative growth of NPR 451.36 crore and reached to a level of NPR 5,101.02 crore. Further, fixed deposits portfolio has increased by NPR 1,795.44 crore and reached to a level of NPR 6,864.80 crore. The decline in the low-cost deposits was due to the shifting of low-cost deposit to fixed deposits, due to higher interest rate in fixed deposit amid liquidity crunch in the financial market. During the year, we have opened 105,467 (net) new savings deposit accounts and 4,177 (net) new current accounts.

5.7 TREASURY OPERATIONS

Treasury operations play a crucial role in understanding the market and taking advantage of arbitrage opportunities in fund management. It is responsible for deployment of surplus funds to achieve desired risk adjusted returns. Treasury investments cover placement with other banks and financial institutions, investment in government securities, publicly traded equities and strategic investments. Additionally, it offers multiple products and services that cater to the foreign exchange requirements of the customer. Bank has launched Non-Deliverable Forwards (NDF) in November 2020 to contribute toward forex earnings. Treasury acted on proactive basis under ALCO, to address the balance sheet gap and utilized the surplus funds in a profitable manner at optimum risk. Further, treasury operations have ensured substantial interest income from placement of funds through Interbank, while precisely managing Net Open Position at the same

time. During the review year, Bank has also raised FCY funds from SBI. During the review year, the Bank was able to earn a net income of NPR 143.81 crore through Treasury operations.

5.8 CAPITAL ADEQUACY

In the review year, Bank's Tier 1 and Tier 2 Capital Adequacy Ratios (CAR) were 10.42% and 2.83% respectively and overall CAR was 13.25%. Capital position is adequate to meet our expected current year business growth and exceeds the capital adequacy requirement under Basel III capital accord norm i.e., 11.00% implemented by Nepal Rastra Bank. Our Internal Capital Adequacy Assessment Process (ICAAP) prescribed minimum 12.00% of CAR in line with Group ICAAP. Bank has also initiated the process of issuing Debenture as supplementary capital in the review year. It will further strengthen the capital adequacy of NSBL.

5.9 SHARE CAPITAL AND DEBT INSTRUMENTS

Equity Capital

The paid-up capital of the Bank has increased in the review year from NPR 949.36 crore as on Ashadh End 2078 to NPR 982.59 crore as on Ashadh End 2079. During the year, Bank has issued 3.50% bonus shares/capital of NPR 33.23 crore which has resulted in increase in equity capital.

Debt Capital

The Bank has altogether NPR 262.91 crore Debt capital as on Ashadh End 2079.

6. CORPORATE GOVERNANCE

Corporate Governance is a concept referring to the ideal model of ensuring bank's accountability to its various stakeholders through a strict system of internal controls and procedures, guided by the Board of Directors and aligned to the related rules and regulations of various regulatory bodies. The corporate governance of Nepal SBI Bank Ltd. sets top priorities in the fairness, transparency, accountability and responsibility. A detail report on corporate governance is separately presented in annual report.

7. RISK MANAGEMENT & INTERNAL CONTROL

Material Foreseeable Risk Factor

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

Internal Control

Internal control is crucial in day-to-day operations of the business. It assists the company in achieving its business objectives. Therefore, the Board of Directors have taken reasonable steps to institute effective and comprehensive system of internal control for identifying, recording, evaluating and managing risk faced by Bank throughout the year. The Board of Directors acknowledge their overall responsibility for the bank's systems of internal control for establishing efficiency, effectiveness, reliability, timeliness, completeness and compliance with applicable laws and regulations. The Board of Directors have supervised the policies and various parts of businesses to construct an effective internal control system which is essential for sustainable growth maintaining efficient conduct of business. It is being regularly reviewed by the Board of Directors and the committee formed under regulatory guidelines. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry out the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

Inspection and Audit

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

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

The bank implemented Risk Focused Internal Audit (RFIA) from year 2013 and has provision of 12 different types of Audits (Like concurrent audit, Compliance audit etc.) Self-Audit of operating units has also been introduced, under which audit of a branch is carried out by the branch itself providing greater insight and controlling tools for the Province Heads and the Management for effective supervision of qualitative parameters of operations.

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

Compliance Department

The Compliance Department of the Bank ensures timely and proper compliance (both internal and regulatory) with the relevant laws, regulatory instructions/circulars/guidelines and internal policies and procedures in banking operations. The Department is also entrusted with the role to oversee the regulatory changes and to ensure timely compliance.

8. ETHICS AND BUSINESS CONDUCTS

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

9. CREDIT RATING OF NSBL

Credit rating is an evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting. It is carried out by an independent rating agency. For this purpose, ICRA Nepal Limited has assigned and reaffirmed issuer rating of "[ICRANP-IR] AA" (pronounced ICRA NP Issuer Rating Double A) to Nepal SBI Bank Limited in December 2021. "[ICRANP-IR] AA" rating is considered as high credit quality rating assigned by ICRA Nepal and the rated entity carries low credit risk.

As per ICRA Nepal, the rating assignment/reaffirmation factors the bank's strong promoter profile, existence of Technical Service Agreement (TSA) with State Bank of India. ICRA Nepal's Rating Certificate further states that the rating was assigned to the Bank by taking into consideration bank's established underwriting norms,

experienced board/management, comfortable credit to deposit ratio adjusted for core capital and comfortable liquidity augur well for growth prospects.

10. DIGITAL INITIATIVES

A steady stream of technology driven innovations necessitated by changing customer preferences is transforming the retail banking landscape. The contours of banking sector are changing in line with the aspirations of technology oriented Nepalese people. NSBL is also committed towards transforming your Bank into a digitized organization. Your Bank has aptly been able to embrace and adapt to new technologies in a customer-centric manner driving enhanced customer experiences, thereby sharpening the competitive edge. Advanced digital capabilities also pave for increased agility and efficiency of processes, reducing the cost to serve and enabling better optimization of resources over time.

E-CORNER

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

CORE BANKING SOLUTION (CBS)

NSBL has been using Finacle Core Banking Solution software which is a real time 24X7 account processing platform which has a layered Service Oriented Architecture (SOA), straight through Processing capabilities and web enabled technology. On this core platform, various value-added services like SMS/Mobile Banking, Internet Banking and ATM cards (which are superior in terms of security features and speed of processing data) are integrated.

CARD PRODUCTS

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

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

AUTOMATED TELLER MACHINES (ATMs)

With a view to provide hassle free banking services, the Bank has installed 130 ATMs (including 4 CDMs) all over the country. Going forward, your bank is planning to add more ATMs at different places in Nepal. Various international cardholders can also transact easily from our ATMs at nominal charges. During the review year, your bank has launched RuPay card acquiring business at NSBL ATM Terminals & POS. RuPay is an indigenously developed highly secured payment system in India and is the most issued debit card in India. Nepal SBI Bank Ltd. is the only financial institution in Nepal at present which accepts RuPay cards in its ATM & POS terminals. RuPay card acquisition in Nepal was jointly launched by Hon'ble Prime Minister of Nepal, Sher Bahadur Deuba and Hon'ble Prime Minister of India, Narendra Modi on April 2022.

YONO Nepal SBI / MOBILE BANKING (MERO SATHI)

The modern technology-based banking products and services like Mobile/SMS Banking have been adequately made available to our valued customers. They have been upgraded to application-based

system currently. Your Bank has upgraded mobile banking platform to App Based system with a host of value-added services.

Further, the Bank is shifting its mobile banking (Mero Sathi) application to YONO Nepal SBI. YONO Nepal SBI, the path-breaking and secure digital offering of your Bank was made available to customers from February 2022. YONO Nepal SBI is the mobile application which is more advanced form of existing Mobile Banking (Mero Sathi) with additional features, more convenient and secured. The user-friendly interface, attractive branding, round the clock availability and new innovative features in the App will help the bank in repositioning its brand image as a New Generation Bank, with a sustainable competitive advantage having various unique and state of the art technological features. YONO Nepal SBI is a single touch point and one stop solution for various Banking, Financial & Lifestyle needs of the customers through a convenient, intuitive and user-friendly channel interface through a Mobile App (both android & IOS) offering customers one view for an enhanced digital experience. The total number of active customers availing Mobile banking / YONO Nepal SBI service up to Ashadh end 2079 has reached to 317,990 which is highest mobile banking penetration in the country i.e., 28.61%.

INTERNET BANKING

Internet Banking continues to provide seamless online experience offering diverse Banking services to both retail and corporate customers. Your bank is providing highly secured internet banking service to its valued customers. Your bank has launched internet banking through FEBA (Finacle E-Banking Application) which has opened new possibilities for providing wide range of services and easy access to real time banking services 24*7 from anywhere in the world. E-Statement, Fund transfer, Debit card blocking and PIN change, Indian Railway Ticket Booking etc. are now available in the platform. Similarly, corporate users can now perform bulk transactions (salary distribution) within the Bank as well as remit funds to India using Internet banking portal. Furthermore, owing to our integration with Khalti, customers can now avail all Khalti services via Internet banking. In order to develop awareness and encourage customers to use e-Banking facility for quick and hassle-free banking experience, the Bank, from time to time, has been launching e-Banking mobilization campaign. The number of e-Banking users as of Ashadh End 2079 is 110,621 against 94,852 last year.

CONNECT IPS (Real Time)

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

Corporate Pay (Connect IPS & NCHL IPS)

Nepal SBI Bank limited has also tied up with NCHL for Corporate Pay to facilitate corporate customer to use Connect IPS (a real time settlement process) of NCHL IPS (a batch settlement process) for fund transfer from accounts maintained at the bank.

11. INFORMATION AND COMMUNICATION TECHNOLOGY & SYSTEMS SECURITY

Digital excellence is a key pillar of Nepal SBI Bank Ltd.'s strategic agenda and will play an increasingly important role in the Bank's transformation over the next few years. NSBL is having a comprehensive IT and Information Systems (IS) Security system to control the threat and risk associated with IT enabled services which address all the concerns including maintenance of customers' confidentiality, security and integrity of data. Bank's data center where the Bank's CBS database resides (both Primary and Disaster Recovery Site) has acquired the accreditation for the international standard for Information Security Management Systems. Your bank is relentlessly working to improve the network experience and minimize branch isolations. All the Banking applications of the bank are highly secured and have built-in security features like access control, data encryption

and transmission through secured channels as per the requirement of the application. The threat of virus is minimized by having a centralized anti-virus solution. Adequate Firewalls and Intrusion Detection Systems are in place to prevent unauthorized access to the network.

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

Further, the Bank is also in process of building its secondary backup site at Butwal, Nepal.

POS TERMINAL SERVICES

The bank has deployed POS terminals at different strategic business locations to facilitate its valued customers. The total number of POS terminals of Nepal SBI Bank Ltd. has reached to 1,387 by end of FY 2078/79. NSBL POS is the only POS in Nepal where RuPay card can also be acquired.

QR MERCHANT ACQUIRING

The bank has launched Quick Response (QR) merchant acquiring to facilitate its valued customers. Since inception, your bank has been able to cater the merchant business and hence the total number of merchants acquiring through QR of NSBL has reached to 5,769 till Ashadh End 2079.

BRANCH LESS BANKING OUTLETS (BLB)

As an alternative delivery channel, your Bank has also launched BLBs at 9 locations till Ashadh End 2079 in order to provide banking solutions to our valued customers. As on Ashadh End 2079, the number of customers taking service from BLBs has reached to 1,757.

12. CUSTOMER CONVENIENCE

Customer convenience is an element of customer experience that saves the customer's time and effort. At Nepal SBI Bank Ltd., we understand that we must ensure customer convenience for delivering our services and products. The customers wish to transact more quickly, accurately and efficiently than ever before. Keeping customers in its top priority, the Bank continues to render better customer services by devising simplified processes and innovative delivery channels. Providing value added services, leveraging core Banking technology and re-designing key business processes in line with the requirements of the customers have helped the Bank in providing customers a satisfying banking experience with international standards. In order to provide hassle free service to our customers, your Bank has installed technology driven products like ATMs, SMS/Mobile Banking, Internet Banking and CDM (cash deposit machine), BLBs etc. Offering customer-centric digital solutions enabled the Bank to pursue targeted acquisition of younger customers, thereby increasing its overall penetration. Significant progress has been made in enhancing the customer experience with focus on convenience, accessibility and safety, factors which offered an avenue for differentiation, given the conditions that prevailed this year. To enhance customer convenience and customer delight, your bank has introduced the feature of debit card blocking and PIN change via Internet Banking.

Further, the bank has also started a call center to provide information and to address the queries of customers.

Bank is also using social media platforms like Facebook, Instagram etc. to convey messages and advertise the services of the Bank.

13. SOCIAL RESPONSIBILITY INITIATIVES

NSBL has been executing various social banking initiatives under Corporate Social Responsibility (CSR). NSBL Tech Learning Centers (to increase awareness of bank's Technology products among the

people) have been launched at various centers, with observations meeting on the third Thursday of every month. This has drawn a lot of interest and will be extended to more centers in due course.

Since its inception, NSBL always remains conscious and has been playing an active role towards social benefit and development as a responsible corporate citizen. Under regulatory prescriptions, the bank is allocating minimum 1% of last year's Net Profit for CSR initiatives. NSBL supported (directly or in partnership with other organizations) various individuals, groups or institutions in wider area of social life including healthcare, natural calamities, education, sports, culture, protection of national heritage etc. During the review year, the Bank incurred expenses of NPR 10,431,116.80 (NPR Ten Million Four Hundred Thirty-One Thousand One Hundred Sixteen and Paise Eighty only) in connection with various CSR activities. The details for CSR activities have been presented separately in annual report.

14. INDUSTRIAL AND BUSINESS RELATIONS OF THE BANK

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

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

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

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

16. THE BOARD OF DIRECTORS

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

Mr. Rajeev Arora, Chief General Manager (CGM), State Bank of India (SBI) has been inducted on the Board of the Bank on 24th October 2021 upon his nomination by SBI in place of Mr. B.R.S. Satyanarayana, CGM, SBI. The Board also elected Mr. Arora as Chairman of the Board of the Bank on 24th October 2021.

On 4th January 2022, Ms. Apsara Upreti has been inducted in the Board of the Bank as a director, representing general public shareholders. Ms. Apsara Upreti was elected as director representing general public shareholders in place of Mr. Bala Krishna Shrestha.

Mr. Pinaki Nath Banerjee, General Manager, State Bank of India has been inducted on the Board of the Bank on 31st January 2022 upon his nomination by SBI in place of Mr. Rajay Kumar Sinha, CGM, SBI.

Further, Dr. Gopal Prasad Bhatta has been inducted in the Board of the Bank on 13th April 2022 as an independent director in place of Ms. Bimala Subedi.

On behalf of the Board of Directors, we place on record our appreciation for the contribution made by Mr. B.R.S. Satyanarayana, Mr. Bala Krishna Shrestha, Mr. Rajay Kumar Sinha and Ms. Bimala Subedi.

17. FURTHER INFORMATION AND DISCLOSURES

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

18. RECENT DEVELOPMENTS AND FACTORS IMPACTING BANK'S BUSINESS

RECENT DEVELOPMENTS

Nepal Rastra Bank (NRB) introduced a balanced monetary policy for the FY 2079/80, catering to the banking sector which was severely affected by the pandemic and lock downs. The monetary policy has adopted cautionary tightening by raising interest rate to promote macroeconomic stability while maintaining price and external sector stability. The liquidity condition is expected to stay tight as credit growth targets have been revised downwards to control increasing trade deficit and inflation. The following major policies have been introduced by the monetary policy to help the banks:

- ❖ Interest rate corridor has been increased by 1.50% to maintain the bank rate at 8.50%, policy rate at 7.00% and deposit collection rate at 5.50%.
- ❖ Mandatory Cash Reserve Ratio (CRR) to be maintained by BFIs has been increased by 1.00% with effect from Mid-August 2022 to 4.00%.
- ❖ Statutory Liquidity Ratio (SLR) has to be maintained at 12.00% by commercial banks by Mid- January 2023.
- ❖ Premium for the loans availed up to 1 crore to agriculture, handicraft and skill-based businesses shall not exceed 2.00% above the base rate.
- ❖ While disbursing loans to the private sector for the construction of information technology and industrial parks, an arrangement will be made to determine the interest rate by adding a maximum of 2.00% premium to the base rate.
- ❖ To maintain the ratio between loan amount and the fair market value of mortgage security at a maximum of 30% inside Kathmandu valley and at a maximum of 40% in case of other places wherein the home/land kept as collateral when providing loans without a specific purpose, mortgage loans, property loans and personal term loans.
- ❖ An individual or institution can take margin loans against the collateral of shares maximum up to NPR 120.00 million from one financial institution or from the entire financial institutions. Provision for margin loans shall be removed once the regularization and systematic process through the stockbroker is established.

FACTORS IMPACTING BANK'S BUSINESS

The major factors affecting the activities of the bank:

- ❖ Liquidity crunch in financial market.
- ❖ Volatile market of Nepal.

- ❖ Pandemic hit tourism industry.
- ❖ High competition in a small economy.
- ❖ Mergers & acquisitions in banking industry.
- ❖ Sluggishness in economy affecting assets quality.
- ❖ IT related vulnerabilities.

19. STRATEGIES FOR THE CURRENT FINANCIAL YEAR (2079/80)

The economy of Nepal is in a recovery path and is expected to continue in the same path in the current financial year as well. However, the current liquidity crunch and increasing cost of fund is going to impact the performance of the Bank in current FY. Taking into consideration the present economic conditions and future expectations, your Bank is focused on achieving further growth in current FY 2079/80.

The Bank has taken the following initiatives in the current financial year:

- ❖ Leveraging YONO Nepal SBI for one stop Banking.
- ❖ Leveraging RuPay Card acquiring for merchant acquisition through POS.
- ❖ Leveraging QR issuance business for merchant acquisition.
- ❖ The Bank has launched its official social media account and will be extensively using the account to populate digital products of the Bank among customers.
- ❖ Increasing in penetration of Card business (Mastercard Debit Cards and Credit Card).
- ❖ Promoting the use of digital banking products in FM Jingles,

Online News websites, Official digital platform viz., NSBL official web site, Facebook, Instagram, etc.

- ❖ Partnership with local remittance companies for remittance business.
- ❖ Collaboration with foreign banks for cross border remittance and trade business.
- ❖ Tie up with SBI foreign offices and with Gulf Countries for remittances business.
- ❖ Collaboration for retail loans.
- ❖ Partnership with corporates / institutions for account opening of their employees under Corporate Salary Package Scheme.
- ❖ Focus on deposits through tie up with corporate houses, introduction of deposits scheme with additional features, account opening through FEBA and rigorous marketing through advertisement and official digital platform.
- ❖ Online sanction of Loan against FD.
- ❖ Online application and in-principal sanction for Retail/SME loans.
- ❖ Increasing branchless banking outlets across Nepal.

Further the bank is also planning to add another 5 branches/extension counters in the FY 2079/80. The Bank has also planned for 5 ATMs / CDMs (including replacement) and to increase QR merchants base to 10,000 at various prominent locations. The Bank also has plan to open 7 Branchless Banking Outlets to save staff cost and increase low-cost deposits. The Bank is also focusing on providing banking services in underserved and un-served areas of the country through technology i.e. Digital Banking. Further, your bank is also in process of initiating Master Card issuance project.

20. PROGRESS FOR THE CURRENT YEAR

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

Amount in NPR Crore

Particulars	Corresponding Previous Year	Ashwin End 2079	Growth/(Decrease-)
Loans & Advances	10,979.71	11,639.92	660.21 (+6.01%)
Deposits	10,872.82	12,734.66	1,861.84 (+17.12%)
Net Profit	37.29	62.74	25.45 (+68.25%)

21. ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I am indeed grateful for the cooperation, guidance, valuable suggestions and continuous support extended by the Government of Nepal, Nepal Rastra Bank, Office of the Company Registrar, Securities Board of Nepal, Nepal Stock Exchange Limited and other regulatory bodies for helping us execute our strategic priorities and contributing to the financial sector of Nepal. I also place on record my special thanks to all Board members, shareholders, valued customers, enthusiastic and skillful employees and stakeholders of the Bank for extending their valuable support and continuous cooperation. Our Board of Directors, Management and staff of the bank are devoted to achieving the priceless goals of the bank and maximizing shareholders' value through combined efforts and strengths.

Thank you for your kind support.

For and on behalf of the Board of Directors

Chairman
Place: Kathmandu
Date: 28th November 2022

Managing Director
Place: Kathmandu
Date: 28th November 2022

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

- (i) No shares have been forfeited by the Bank during the fiscal year 2078/79.
- (ii) Main transactions carried out by the Bank and its subsidiary during the financial year 2078/79, and any important change in the business of the Bank during the period:
Bank and its subsidiary carried out transactions as per objectives/functions detailed in the Memorandum of Association and Articles of Association. The highlights of the business have been detailed in the Directors' Report/Annual Report. There was no significant change in the nature of the business performed by the Bank and its subsidiary during the year.
- (iii) No information has been received by the Bank from its basic shareholders as none of the general shareholders holds requisite number of shares to be considered as basic shareholders per the provisions of the Companies Act, 2063.
- (iv) No shares were taken up by the Directors and key office-bearers of the Bank during the year nor were they found to have engaged in the share transactions of the Bank's shares in contravention of the prevailing laws.
- (v) No information was received from any Director or any of his/her close relatives about his/her personal interest in any agreement connected with the Bank signed during the financial year 2078/79.
- (vi) The Bank has not so far purchased any of its own shares.
- (vii) Particulars of the Total Management expenses of the financial year

S.N.	Particulars	Amount in NPR
1	Staff Expenses (Including Bonus and finance expenses under NFRS)	1,828,054,496.39
2	Other Operating Expenses	970,369,343.97
Total Expenses		2,798,423,840.36

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

S.N.	Name of the Members	Position
1.	Dr. Gopal Prasad Bhatta, Independent Director	Chairperson
2.	Mr. Saurav Ranjan Mandal, Head-Compliance Department*	Member
3.	Mr. Shreedhar Adhikari, Head-Internal Audit Department	Member Secretary

* Mr. Saurav Ranjan Mandal, took over the charge of Head-Compliance Department since 10th August 2022 and accordingly became the member of Audit Committee in place of then Head-Compliance Department, Ms. Damayanthi Joshi.

- Number of audit committee meetings held during 2078/79: Six (6) Meetings
- Meeting Allowances paid to the members: NPR 60,000.00

Role played by the Audit Committee

- Approval of Internal Audit Plan/ Program.
- Review and revision of Remote Audit Guidelines.
- Review of quarterly financial statements of the Bank.
- Review of Annual Financial Statements of the Bank and recommendation to the Board of the Bank.
- Review of observations/ findings of various types of internal audit reports.
- Review of rating of the branches subjected to Risk Focussed Internal Audit.
- Review of the Bank's internal controls in different areas of Bank's operations.
- Review of Management Letter of Statutory Audit including status of compliance vis- -vis management response thereon.
- Review of Management Response with compliance status of NRB Inspection Report and recommendation to the Board of the Bank.
- Review of statutory audit plan and process.
- Recommendation for appointment of Statutory Auditor to the AGM.
- Review of activities of the Bank's Internal Audit Department including status of achievement of internal audit plan.
- Performance evaluation of Head-Internal Audit Department and review of performance appraisal of staff of the internal audit department.

Suggestions given by the Audit Committee

- Automation of feasible income heads to be worked out for mitigating income leakage.
- Recovery of pending income as observed in income audit report to be ensured.
- To review the reason for decline in Risk Focussed Internal Audit score of branches and adopt the measures for remediation of the same.
- External credit rating of remaining applicable borrowers to be obtained.
- To work out strategically for bringing down expense ratio.
- Strategy for bringing down CD ratio within 90% within Ashadh End, 2079 (Mid-July 2022) to be implemented.
- Compliance of residual observations of Audit Committee to be ensured.
- Arrangement to be made for rectification of residual observations of internal audit reports and regular follow-up/ monitoring of compliance status of pending observations to be carried out till full compliance.
- Focus to be given for improving control mechanism for avoiding recurrence of the audit observations.

- Partially open/ open issues of Information System (IS) Audit Report to be resolved.
- Compliance of the observations reported in Management Letter of Statutory Auditor to be arranged in time-bound manner.
- Arrangement to be made for compliance of the issues remained in progress in relation to observations of onsite AML/CFT inspection report of Nepal Rastra Bank (NRB).
- Observations & suggestions of NRB inspection report to be noted, arrangement for compliance to be done, necessary improvement in internal control system to be made for avoiding recurrence of similar observations and directions to be complied.

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

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

A total of NPR 640,000.00 was paid to the Board members as Meeting fee during FY 2078/79 (@ NPR 12,500.00 per meeting for the Chairman and @ NPR 10,000.00 per meeting for other Directors) for attending the meetings of the Board as well as the meetings of sub-committee(s) of the Board. It includes NPR 80,000.00 paid to Directors for attending the meeting of Risk Management Committee of the Board, NPR 60,000.00 for attending Audit Committee of the Board and NPR 70,000.00 for attending the meeting of Employee Service Facility Committee of the Board.

However, no meeting fees paid to the Chairman/Directors representing State Bank of India during FY 2078/79.

2. Managing Director & Other Office Bearers:

a) No remuneration was paid to the Managing Director & other India Based Officers during the year (Management team seconded by SBI) except the payment of NPR 15,423,996.01 towards rent for their residence and payment of permissible allowances and expenses. Their salary and allowances are paid by SBI under Technical Services Agreement.

Other Office Bearers: A total of NPR 19,563,285.44 was paid to other office bearers of Assistant General Managers cadre and Company Secretary of the bank as their remuneration, allowances and facilities, whereas, total staff expenses (Including Bonus and finance expenses under NFRS) was NPR 1,828,054,496.39.

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

Dividends pertaining to the following financial years are yet to be collected by the shareholders as on Ashadh end 2079:

S.N.	Fiscal Year	Amount (NPR)
1.	FY 2052/53	250,000.00
2.	FY 2053/54	234,800.00
3.	FY 2054/55	266,800.00
4.	FY 2055/56	157,900.00
5.	FY 2056/57	236,850.00
6.	FY 2059/60	514,466.80
7.	FY 2062/63	406,685.50
8.	FY 2063/64	585,979.00
9.	FY 2066/67	684,758.37
10.	FY 2067/68	763,649.71
11.	FY 2068/69	961,275.38
12.	FY 2069/70	1,894,886.50
13.	FY 2070/71	2,846,200.75
14.	FY2074/75	37,389,285.55
15.	FY 2075/76	41,180,333.15
16.	FY 2076/77	17,847,572.91
17.	FY 2077/78	11,262,031.18
	Total	117,483,474.80

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



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

S.N.	Name of the Directors/ Office bearers	Details of relative			
		Name	Relation	Regulatory Body	Position held
A.	Directors	Nil			
B.	Office Bearers				
1.	Mr. Kishor Rijal	Jagdish Rijal	Brother	Nepal Stock Exchange Ltd.	Sr. Officer
		Sanju Kandel	Sister-in-Law		Sr. Officer
2.	Mr. Suresh Sarraf	Naresh Sarraf	Brother	Nepal Rastra Bank	Assistant Director
3.	Mr. Prakash Dhungana	Krishna Sigdel	Maternal Uncle	Nepal Rastra Bank	Assistant Director

.....
Chairman
B.S. 2079/08/12
Place: Kathmandu

.....
Managing Director
B.S. 2079/08/12
Place: Kathmandu

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

1. **Report of Board of Directors:** Enclosed
2. **Report of the Auditors:** Enclosed
3. **Audited Financial Details:** Enclosed
4. **Details relating to Legal Action:**
 - A. Law Suits filed by/against the Bank: 3 lawsuits have been filed against the Bank and 5 lawsuits have been filed by the Bank in respect of general matters during the period.
 - B. Lawsuits filed by the Bank against different defaulting borrowers/guarantors for recovery of its dues: 3 lawsuits have been filed by the Bank against defaulting borrowers/guarantors for recovery of its dues during the period.
 - C. Law Suits filed by/against the promoters/directors involving charge of regulatory violations or criminal offences: No information received by the Bank till date.
 - D. Case filed against any promoters/directors for financial fraud: No information received by the Bank till date.
5. **Analysis of share transaction and progress of Organized Institution:**
 - a. Management view on share transactions of the Bank on Nepal Stock Exchange:
As the Nepal Stock Exchange is operating under the supervision of Securities Board of Nepal, management has no comment on the same.
 - b. Maximum, minimum and closing share price of organized institution including total transacted number of shares and transacted days during the Year 2078/79 (as per the table):

Quarter (Months)	Maximum Share Price (NPR)	Minimum Share Price (NPR)	Closing Share Price (NPR)	Total Transacted Number of Shares	Total Number of Trading Days
First Quarter (Ashwin End 2078)	453.90	343.00	357.00	2,722,048	57
Second Quarter (Poush End 2078)	400.80	331.30	383.90	1,558,268	59
Third Quarter (Chaitra End 2078)	422.00	326.50	348.00	1,200,148	58
Fourth Quarter (Ashadh End 2079)	354.90	251.10	282.30	1,123,022	64

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

Dipak Kumar De
Managing Director
Nepal SBI Bank Ltd.
Date: 28th November 2022



SUMMARY OF ANNUAL COMPLIANCE REPORT OF NEPAL SBI BANK LTD. REGARDING CORPORATE GOOD GOVERNANCE

(Pursuant to Corporate Governance Directives issued for Listed Institution, 2074)

Name of the listed Institution	Nepal SBI Bank Ltd.
Address (Including email and website)	Kesharmahal, Lainchour, Ward No.- 29, Kathmandu Metropolitan City, Bagmati province, Nepal Email : corporate@nsbl.com.np Website : nsbl.statebank
Phone No.	977-1-4435613/4435516
Report for the Fiscal Year	2078/79 (2021-22)

1. Details relating to the Board of Directors:

a. Chairman of the Board of Directors :

Name of Chairman : Mr. Rajeev Arora
Date of Appointment : 24th October 2021

b. Shareholding pattern:

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

c. Details of Board of Directors:

S.N.	Name and address of Director	Group Represented	No. of shares	Date of Appointment	Date of Oath of office and secrecy	Procedure of appointment
1	Mr. Rajeev Arora Maharashtra, Mumbai-400051	Promoter (SBI)		24.10.2021	24.10.2021	Nominated by SBI
2	Mr. Pinaki Nath Banerjee Colaba, Mumbai 400005	Promoter (SBI)		31.01.2022	31.01.2022	Nominated by SBI
3	Mr. Bharat Raj Wasti New Baneshwor-31, Kathmandu	Promoter (EPF)		20.05.2021	20.05.2021	Nominated by EPF
4	Ms. Apsara Upreti Lazimpat-02, Kathmandu	General Public	5,302.31	04.01.2022	04.01.2022	Elected by AGM (General Public)
5	Dr. Gopal Prasad Bhatta Tokha-07, Kathmandu	Independent Director	-	13.04.2022	13.04.2022	Appointed by the Board of Directors as Independent Director
6	Mr. Dipak Kumar De Kesharmahal, Kathmandu	Promoter (SBI)		17.09.2020	17.09.2020	Nominated by SBI
7	Mr. Mahesh Prasad Khanal Sinamangal-09, Kathmandu	Alternate Director (Promoter EPF)	4,574.41	28.08.2019	28.08.2019	Nominated by EPF as alternate director to Mr. Bharat Raj Wasti

Note:

- i) Mr. Pinaki Nath Banerjee was inducted to the Board of Directors on 31st January 2022.
- ii) Dr. Gopal Prasad Bhatta was inducted to Board of Directors on 13th April 2022.
- iii) All the appointments/ changes of directors were intimated to Securities Board of Nepal (SEBON)/ regulars as required under the prevailing laws.

d. Meeting of the Board of Directors:

S.N.	Date of the meeting	No. of Directors present	Remarks
1.	11.08.2021	6	• 16 meetings of Board of Directors were held during the fiscal year.
2.	27.08.2021	5	• None of the directors were absent in the meeting of Board of Directors without leave of absence.
3.	29.09.2021	5	• None of the directors signed minutes of the meetings with dissenting opinion.
4.	17.10.2021 (By circulation)	6	• None of the meeting of Board of Directors was cancelled due to lack of quorum.
5.	24.10.2021	6	• Chairman, B.R.S. Satyanarayana had taken leave of absence on 27.08.2021.
6.	23.11.2021	6	• Director, Mr. Rajay Kumar Sinha had taken leave of absence on 29.09.2021.
7.	13.12.2021	6	• Chairman, Mr. Rajeev Arora had taken leave of absence on 03.01.2022.
8.	03.01.2022	4	• Due to resignation of Director, Mr. Bala Krishna Shrestha, the position of Director representing general public was vacant on meeting dated 03.01.2022.
9.	04.01.2022	5	• Chairman, Mr. Rajeev Arora had taken leave of absence on 04.01.2022.
10.	31.01.2022	6	• Due to the resignation of Independent Director, Ms. Bimala Subedi, position of Independent Director was vacant on meeting dated 16.02.2022 and 13.04.2022.
11.	16.02.2022	5	• Director, Mr. Bharat Raj Wasti and Alternate Director, Mr. Mahesh Prasad Khanal had taken leave of absence on 18.06.2022 and 19.06.2022.
12.	13.04.2022	5	• Maximum interval in between two consecutive meetings of the Board of Directors was 56 days.
13.	24.05.2022	6	• Meeting allowance of Chairman was NPR 12,500.00 and that of director was NPR 10,000.00 per meeting.
14.	06.06.2022 (By Circulation)	6	
15.	18.06.2022	5	
16.	19.06.2022	5	

Note:

- Total expenditure on meeting of Board of Directors and Board-level committees was NPR 1,475,925.81 including sitting fees, trainings, travelling, lodging, halting and related expenses etc.
- No meeting fees paid to the Chairman/Directors representing State Bank of India during FY 2078/79.

2. Details related to Conduct of Directors and other details

- Code of Ethics of Director in relation to conduct of the Directors is in place in the Bank.
- More than one director has not been appointed/ nominated in the Board from undivided family of the director.
- Under annual education and refreshment programme of directors, 9 no. of programmes have been held during the fiscal year through virtual medium.
- Each of the directors has submitted written declaration to be furnished by him/her as per the prevailing laws within 15 days from the date of appointment/ nomination.
- None of the Directors has held the position of director, salaried official, chief executive or employee of any other listed institution with the objective of similar nature.
- No information has been received in regard to action on director by regulatory body or any other bodies.

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

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

Meeting details of those committees is as below:

S.N.	Name of Committee	No. of meetings	Major Function
1.	Risk Management Committee of the Board (RMCB)	4	Oversight on overall risk management process
2.	Operational Risk Management Committee (ORMC)	4	Management of Operational risk
3.	Credit Risk Management Committee (CRMC)	4	Management of Credit risk
4.	Market Risk Management Committee (MRMC)	4	Management of Market risk
5.	Asset Liability Management Committee (ALCO)	27	Management of Asset-liability
6.	Internal Capital Adequacy Assessment Process (ICAAP) Committee	4	Oversight and review of ICAAP process
7.	IT Steering Committee	4	Management of IT related issues
8.	IT Security Committee	4	Management of IS security.
9.	BCP Governance Committee (BCPGC)	1	Oversees the various aspects of Business Continuity Planning at Bank level
10.	IT Strategy Committee	1	Oversight on the IT activities of the Bank with special emphasis on IT Project Review, IT related expenditure and IT Operations.
11.	Good Governance Committee (GGC)	12	Monitors the status of good governance in the Bank.
12.	Assets (Money) Laundering Prevention Committee	3	Overseeing the compliance function of Bank in regard to AML/ CFT guidelines

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

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

First Line of defense:

First line of Defense is the primary role of the Business Groups (Province Offices, Branches, Trade Finance Central Processing Cells etc.) and Support Groups (Central Operations Department, ICT Department, MIS Department, Human Resources Department, Legal Department etc.) to identify, assess and manage the various Operational Risks pertaining to their business or area of operation. Business and Support Groups develop and communicate enabling policies, processes, and procedures for managing operational risk in all the Bank's products, activities, processes, and systems as they are the owners of the Operational Risks within their Business and Support Groups.

The model assumes that controls in this first line are very granular and based on individual transactions as staff are involved in processes on a daily basis and are familiar with the workflow and possible control weakness. Therefore, it is easier for them to implement controls that target more granular processes and detect weaknesses early on.

Second line of defense:

Second line of Defense comprises various risk management and compliance functions such as Compliance Department, Integrated Risk Management Department and Treasury Mid-Office, whose key duties are to monitor and report risk-related practices and information, and to oversee all types of compliance issues. The second line of defense defines preventive and detective control requirements and ensures that such requirements are embedded in the policies and procedures of the first line. The second line is independent of the first line and apply controls either on an ongoing or periodic basis.

Third line of defense:

Third Line of Defense is the Internal Audit Department that would ascertain the effectiveness of the Bank's risk management processes, measurement systems and verify and ensure the compliance with the relevant regulatory & internal guidelines. The third line of defense performs independent periodic review of the first two lines of defense.

4. Details regarding dissemination of notice and information

- Annual Report, quarterly reports, information/ notice requiring timely disclosure/ dissemination as well as price sensitive notice affecting price of securities have been duly published through newspaper and/or website and notified to regulators as required under prevailing laws.
- Notice regarding 28th Annual General Meeting (AGM) was published on 14-12-2021, 20-12-2021 & 02-01-2022.
- 28th Annual General Meeting (AGM) was held on 04-01-2022. No Special General Meeting (SGM) was held during the fiscal year.
- Quarterly Financial Reports of last fiscal year were published on 01-11-2021, 21-01-2022, 20-04-2022 and 03-08-2022 respectively.
- No action has been taken against the Bank for not disclosing information or any other reason by Securities Board of Nepal or other bodies.

5. Details related to organizational structure and employees

- a. The Bank has formulated and implemented its Staff Service By-laws.
- b. The Bank has its organizational structure which is enclosed in the Annual Report.
- c. The Bank has formed 5-member Central Management Committee (CENMAC), which comprises Managing Director & CEO, Deputy CEO & Chief Financial Officer, Chief Operating Officer & and two Vertical Heads as decided by Managing Director of the Bank.
- d. The Bank has 71 staff at managerial level out of total 910 number of employees.
- e. The Bank has formulated succession plan of Employees.
- f. Total number of participating employees in 117 trainings conducted during the fiscal year was 871. Percentage of training expenses in total staff expenses was 0.53%.

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

- a. The Bank has prepared its financial statements as per NFRS.
- b. In-house Internal Audit Department is in place in the Bank for conducting internal audit, which carries out its functions as per the prevailing regulations as well as Bank's Audit Policy and Manual.
- c. 6 number of meetings were conducted during the fiscal year by Audit Committee of the Board. Reports of the activities undertaken by the Audit Committee were subsequently submitted to the Board of Directors.
- d. The Bank has not availed any loan or borrowing or fund in any other form from any person, bank or financial institution with whom director or his/her undivided family has financial interest.
- e. Bank's assets have not been possessed by persons, firm, company, employee, advisor, or consultant of the Bank who has financial interest on the Bank except the facilities and benefits derived in the capacity of director, shareholder, employee, advisor, consultant as per the prevailing laws.
- f. The Bank has complied with the terms and conditions of license issued to it by regulatory body.
- g. The Bank has taken necessary initiatives/ action on directions issued by regulatory body during regulatory inspection or supervision and submitted the status of compliance to the regulator issuing such directions.
- h. No information has been received in regard to any suit/case subjudiced against director.
- i. 3 lawsuits have been filed by the Bank in the fiscal year against its defaulting borrowers/ guarantors for recovery of its dues.
- j. 5 lawsuits have been filed against the Bank in the fiscal year in respect of Credit/ NPA and general matters.

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

Name of Compliance Officer : Bishnu Dev Yadav
 Designation : Chief Risk and Compliance Officer
 Date : 28th September 2022

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

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

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

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

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

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

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

GRIEVANCE HANDLING

The Bank has put in place system and procedures for handling grievance of customers and general public. Head - Central operations has been designated as grievance handling officer as the department handles all operational issues of the Bank. During the review period the Bank has received 37 complaint/grievance of the customer and general public, the detail of which has been presented below:

S.No.	Complaints received (in numbers)	Complaints resolved (in numbers)	No. of Unresolved/ Outstanding complaints as on 16.07.2022
1	37	35	2

REMARKS/ OBSERVATION IN STATUTORY AUDIT REPORT FOR THE FY 2078/79 (2021-22) VIS-À-VIS STATUS OF COMPLIANCE

S.N.	Observations/ Comments	Management Response
1	<p>Clause 5 of NRB Directive 12/2078 recommends the basis for classification of credit defaulters into Willful and Non- Willful Defaulters and requires the licensed institution to classify their defaulters accordingly so that the bank could take appropriate recovery actions to such defaulters as per their category.</p> <p>However, we have noted that the practice of classification of defaulters in line with aforesaid provision is not in place.</p>	<p>Although database of the defaulters segregating them into 'Willful defaulter' and 'Non-willful defaulter' has not been maintained, the defaulters are being monitored and scrutinized to identify whether the loan has been defaulted willingly or unwillingly. Accordingly, complying with NRB guidelines regarding recovery actions to be initiated in case of defaulting borrowers, suitable actions are being taken by the Bank.</p>
2	<p>As per clause 8(gha) of NRB Directive 20/2078, while disbursing a credit facility, the difference in the amount of loan processing fee, prepayment charges, and commitment fees charged to customers shall not be more than 0.25% in similar kinds of credit facilities. However, the bank has a practice of charging a standard 0.75% for normal segment customers and a significantly low rate to prime segment customers which is normally below the prescribed limit set by NRB.</p>	<p>The bank has been recovering loan processing fee from the customers as per regulatory provision. In case of consortium banking arrangement, loan processing fee is being recovered as per decision of the consortium as well as volume of business, value of connection, similar rates offered by other banks etc.</p>
3	<p>As per Sub-Clause 2 of Clause 36 of NRB Directives 2/2078, a provision for independent verification by the auditor of the statements regarding current assets and liabilities of borrowers shall be made during the approval and renewal of working capital loan facility of more than NPR 250 million.</p> <p>However, in 2 cases, we have noted that auditor certified NTA report has not been obtained.</p>	<p>As per NRB guidelines, certified NTA report is being obtained from applicable borrowers during approval/ renewal of credit facility. In case of credit facilities under consortium banking arrangement, the borrowers are also being advised in the consortium meetings to submit certified NTA reports. In the cited cases, the borrowers have been advised to submit the documents within Ashoj End 2079.</p>
4	<p>As per clause 34 of Unified NRB Directive 02/78, banks are required to take into cognizance the ratings done by Credit rating Agency as one of the bases for credit analysis for sanction/renewal of loans amounting to NPR 500 million and above.</p> <p>However, we have noted 21 instances where external credit rating report was not obtained.</p>	<p>Most of the borrowers have already entered into agreement with rating agencies to conduct the external ratings. Moreover, other applicable borrowers are under discussion with the rating companies. Due to limited number of rating agencies in Nepal, the process of completion of rating by all applicable borrowers has not been completed. As most of the borrowers are under consortium and multiple banking arrangement, these borrowers are being sensitized by all the member banks to complete the rating process.</p>
5	<p>As per clause 36 (3) of NRB Directive 2/2078, while providing the limit for working capital loan, bank shall set the limit on the basis of previous year audited financial statements, at least three years projected financial statements, financial proposal presented by the borrower.</p> <p>Similarly, as per Clause 33 of NRB Directive 2/2078, the bank can disburse new or renew existing loan by obtaining tax clearance certificate of previous year or updated tax clearance certificate / submission certificate or by taking E-Statement.</p> <p>However, we have noted 10 instances wherein either audited financial statements or tax clearance certificate has not been obtained.</p>	<p>Tax clearance certificate of one unit for FY 2077/78 has been obtained. In case of the other one unit, we have advised the borrower and the lead bank to submit the tax clearance certificate. In other cases, the borrowers have initiated the process to obtain tax clearance certificate and the same shall be obtained within Ashoj End 2079.</p>
6	<p>As per clause 34.2 of NRB Directive 2, the bank shall obtain stock and receivables details of borrowers availing working capital facility at least every three months, conduct inspection and prepare report along with ageing wise details of receivables.</p> <p>However, we have noted 45 instances where such inspection report has not been obtained.</p>	<p>The Bank conducts inspection of business units, at least, in quarterly basis as per regulatory requirement. We have also advised all the branches vide credit circulars to obtain stock report with proper breakdown of quantities and rate, party-wise receivables with ageing details and details of payables. The details presented in the stock/receivable/ payable statements are also being verified by the bank officials by comparing such details with stock register, vat filings, sales book etc. during regular inspections. Further we calculate the drawing power of credit facilities after netting off obsolete stocks and receivables above 90 days.</p> <p>In case of one unit, as per consortium meeting held on 22.06.2022, site visit will be held in the month of Kartik 2079 B.S. In other cases, recent quarterly NTA inspection reports have been updated.</p>

7	<p>As per Clause 43 of NRB Directive 2/078, on disbursement of Personal Overdraft loan by branch, Debt Service to Gross Income Ratio must be 50 percent.</p> <p>However, 1 instance was noted wherein Debt Service to Gross income ratio has not been maintained. The summary of noted instances has been presented below:</p> <p>Rental income has been considered as repayment source. However, as the borrower has not provided us with Tax Clearance Documents, rental income is assumed to be Nil. Debt Service Coverage ratio comes out to $(40,00,000 \times 8.20\%) / 0 = \text{NIL}$. Debt Service Coverage ratio doesn't meet specified criteria so the borrower shall be categorized under Watchlist.</p>	<p>The limit was assessed before NRB's provision regarding gross income and DTI. At present, the limit is expired and will be renewed only after submission of the tax receipts.</p>
8	<p>As per Clause 10(Ga) of NRB directive 11/2078, consortium meetings should be mandatorily carried out at least once in six months.</p> <p>However, we have noted 2 instances where the consortium meeting was not held as prescribed by NRB.</p>	<p>The Bank conducts consortium meeting in stipulated frequency wherever we are a lead bank and in case the Bank is a member bank, we have been advising the lead bank and the borrower to hold consortium meeting on a timely basis. In this regard we have also advised branches vide credit circulars to comply with the regulatory provision. In noted cases, the lead bank has been advised to hold consortium meeting as early as possible to review the business performance of the borrowers.</p>
9	<p>As per clause 15(2) Of NRB Unified Directive 19/078, the source of fund should be disclosed by the customer in case of deposit amounting NPR One Million and above.</p> <p>Similarly, as per clause 13.1.1 of Policy & Procedural Guidelines on KYC, AML, CFT, 2011, Bank shall obtain source of fund from customer while accepting cash deposit of NPR 10 Lacs or more from him/her/ them.</p> <p>However, we have noted 27 instances wherein the source of deposit were not mentioned.</p>	<p>For instances of cash deposit of NPR 1 million and above as observed, source of deposit has since been obtained. Office order has been issued to the branches to invariably ensure obtaining source of deposits in applicable cases and adhere to NRB guidelines in this regard.</p>
10	<p>As per clause 2(gha) of Forex Unified Circular 10/2076, FEER or any other kind of receipt shall be maintained as evidence while dealing with purchase of foreign exchange.</p> <p>However, 12 instances of discrepancies were noted in relation to issuance of FEER.</p>	<p>The observations have been duly noted and the branches have been reiterated for adhering to NRB Forex Unified Circulars strictly from now onwards.</p>
11	<p>As per Clause 1.11.1 (kha) of NRB Forex Unified Circular 2076, for foreign exchange payment in India, based on Performa invoice or other necessary documents, advance or partial payment can be made. In such case, as per the letter provided by the applicant (importer), Bi.Bi. Ni 4 (ga) shall be issued either for full amount after full payment made or Bi.Bi.Ni 4(ga) for partial payment amount shall be issued for the partial payment made.</p> <p>However, we have noted 25 instances, where NRB circular in relation to DD/RTGS has not been fully complied with.</p>	<p>With regards to disclosing the purpose of remittance, in case of business remittance, supporting documents (such as proforma invoice) can substantiate the purpose. Further, report code indicating the purpose of loan is also disclosed in Core Banking System during each remittance.</p> <p>With respect to the noted observations, branches have made feasible corrections and have further been instructed to avoid such mistakes hereafter.</p>
12	<p>As per Clause 11.3 of the bank's Policy and procedural guidelines 2011 on KYC, AML and CFT, dealers of high value or precious metals (jewels, gem, precious metals/goods, art and antique dealers, etc.) should be categorized as "High Risk"</p> <p>Similarly, as per Clause 19.1(Ga) of NRB Directive 2078, while opening account of Company following documents are required:</p> <ul style="list-style-type: none"> Name, Registered Office and Business Office of the Company. Company Registration Certificate, PAN Personal Details of shareholder holding 10% or more shares Other documents as required. <p>Further, as per schedule 19.1 of Directives No.19/2078; while opening an account of Firm, Company, Entity etc. (i.e. Current Account), bank must obtain necessary registration and renewal documents, last year's audited financial statement and Last year's Tax clearance certificate respectively.</p> <p>However, 119 instances were noted where there were discrepancies during the account opening.</p>	<p>The account opening procedures in the bank is guided by the provisions of bank's internal policy as well as respective NRB Directives. However, lapses noted in this regard have been duly noted and we shall ensure strict compliance with such applicable provisions. Further, office order dated 11.09.2022 has been issued to the branches to invariably ensure proper procedure during opening of accounts.</p>

13	As per clause 33 of NRB Unified Directive No. 21/078, bank shall arrange for system printed evidence on the deposit voucher for amount deposited into customer's account, whether in cash or through cheque. However, no system prints were found in 16 instances.	The noted instances have been observed while providing service to customer during system disruption. The observations have been duly noted. Branches have further been instructed to avoid such mistakes.
14	Due from NRB include NPR 34,00,000.00 which is receivables against demonetized Indian Currency transferred to NRB as deadline provided by Government of India for exchange of such currency is already expired and realization of same is still pending.	Follow ups have been made with Nepal Rastra Bank for realization of demonetized Indian Currency deposited to NRB. Till date, no adverse advice from NRB has been received and hence we are sanguine that the reimbursement will be made to us.
15	<p>As per clause 8.7 of IT Guidelines, 2012, Bank can use their own standby site and system or outsource it from some disaster recovery providers. Depending on RPO and RTO requirements, bank may opt for high availability system to keep both system and data replicated on remote site or live replication of data to offsite location or back up made to offsite location or backups made to electronic media and sent offsite periodically or combination of above strategies.</p> <p>A disaster recovery site is part of an actionable backup plan in case a company's primary location or systems become inaccessible due to an unforeseen event, such as natural calamities data breach etc. If a disaster occurs and a company has a plan in place, it can continue operations at a disaster recovery site until it becomes safe to resume work at its usual location or a new permanent location.</p> <p>Backup of the CBS data has been taken in the India and other local application whose server are hosted in the DC. We have noted that no document has been available for the review that shows Disaster recovery site has been established and data has been synchronized for the back up.</p>	Disaster Recovery (DR) site of NSBL is being constructed at Butwal, which is located at different seismic zone from Kathmandu. Civil and electrical construction of DR site is complete. Setup of Network DR is now in process and will be completed by September 2022. Application DR for applications hosted locally at NSBL DC is scheduled in next phase after completion of Network DR.
16	<p>As per Clause 1.1 of NRB IT Guidelines, 2012, Bank should have a board approved IT related strategy and policy and IT policy should be reviewed at least annually. IT strategy can be long term and short term and long-term strategy should be mapped to short term strategy periodically. There should be detail operational procedures and guidelines to manage all IT operations.</p> <p>During our audit of the ICT department we have noted that no document has been available for review that shows IT operational procedures and guidelines to manage all IT operations has been formulated.</p>	We are in process of formulating IT Process and Guidelines.
17	As per clause no 68 of Labor Act 2074, the employer should implement the policy of security and health of employees and other people in the workplace in line with the act, rules, regulation and directives. However, such policy has not yet been formulated by the management and approved from board of directors.	The Bank is in the process of formulating the Occupation Health and Safety Policy in line with the Act. The policy has already been drafted and it will come into effect upon final approval from Board of Directors.
18	<p>As required by clause no. 45 of NRB Directive 21/2078 Natural person are not allowed to open more than one similar nature of account in domestic currencies except for accounts opened for fixed Deposit, social security allowances, financial aid granted by National Reconstruction Authority, accounts operated for pension purpose and account opened for minors.</p> <p>However, we have noted that various multiple savings accounts were in existence.</p>	Multiple accounts are being continuously monitored centrally, and branches are regularly following up with the customers for necessary up. The pending multiple accounts of customers who are unreachable are kept frozen.
19	As per Clause 20 (1 Gha), BFI's should make proper arrangement for the display of loan and deposit interest rates clearly in the E-Banking and Mobile Banking Applications. However, it was noted that the Mobile Banking Application doesn't display the rate of savings account.	The Bank is in process of migrating mobile banking to YONO Nepal SBI from Mero Sathi application. Interest rate is displayed in YONO Nepal SBI. Presently, both mobile banking applications are running simultaneously. The existing Mero Saathi system (including SMS alerts) will be replaced by YONO/FAS (Finacle Alert System)
20	As per Clause 1.1.12 of Forex Unified Circular 2078, details of payment made under convertible foreign currency in respect to Import made through issuance of Letter of Credit and on basis of BIBINI 4 should be reported to concerned department on daily basis. However, no such reporting has been done by Commercial branch.	We have now started reporting of BBNI 4 to NRB on daily basis as prescribed by NRB Circular.

21	42 instances were noted in Commercial branch where LCs with sight payment terms are outstanding for more than 365 days even after the expiry.	We are in consultation with the applicants for the closure of the L/Cs that are yet to be closed after its expiry. In case of LC liability booked under Consortium, the liability will be adjusted upon confirmation from the respective Lead Bank.
22	During the scrutiny of the certificate of shares held in Nepal Clearing House Ltd., a share certificate of 30,000 units which incorporates 25,000 units of ordinary shares and 5,000 units bonus shares were obtained as of the date of audit. However, Bank holds 94,610 units of shares of Nepal Clearing House Ltd. (NCHL). The remaining share certificate of 64,610 units has not been obtained by the bank.	We are in continuous follow up with NCHL to obtain the share certificates. They have not been able to provide the printed certificates in timely manner. However, we have received the details of our entitlement on bonus shares via letter from NCHL as of now.
23	A computerized system of maintaining the deal transactions helps in obtaining accurate and reliable information at a reasonable time. Bank has a manual system for updating the deals and other transactions of treasury through TFO and TBO. All the deals have been recorded manually and there is no control over manual intervention in those data since the trail of such changes is not recorded.	We are testing the Finacle Treasury module in the test environment (UAT). Since this is a major system overhaul and may even require migration from the existing Finacle Core, it will take some more time for completion.
24	As per clause 8.2(ii) of NRB Directive 19, the Bank/FI shall update the details of the customer's identifications immediately, if the details of the customer identifications are not matched with the transactions done by them. However, there is no such parameter to track the customer in the case of transactions done that is different from the initial KYC details provided by the customers.	Customization of fields for furnishing various additional information of customer has been developed in Core banking System (CBS). Now, such information of customer including annual income & estimated transaction volume are being furnished in CBS. In case of accounts opened before customization, information of customer shall be updated in CBS during the project being launched for KYC digitization and updating of customer information in system. The modality of the project is in process being completed. Moreover, we are also in the process of upgradation of version of monitoring system (AMLOCK) wherein scenarios for monitoring the actual transaction of customer with the information declared by customer has been proposed. Upgraded version of AMLOCK is in UAT environment, after completing the testing, we shall proceed for deployment in live environment.
25	The scenario to identify Suspicious transactions in the AMLOCK system of the Bank is only limited to 14 indicators, mostly related to transaction volume and frequency of transaction. As per Section-7S of Money Laundering Prevention Act, 2063 "Guidelines for detecting suspicious transactions, Magh 1,2070", the following are some major indicators of suspicious activities, that could be set in the AMLOCK system of the Bank: i. Transactions having no conformity/relationship with the initial purpose of account opening or the business of the relevant customer; ii. If multiple inward or outward remittance transaction is conducted with the person from the country/region where terrorist organizations operate; iii. Unusual interest in the internal control, system or reporting procedure of the Bank; iv. The customer opens an account for a short period of time; v. If there are cross transactions between customers who are not related to each other or any individual transmits or receives amount from an unrelated person or business institution's account; vi. If anyone receives repeatedly multiple amounts from different places.	Scenarios related to transactions below threshold, above threshold, large number and volume of forex transactions, significant account activity in newly opened account and account just activated are currently being used in the AMLOCK software. Moreover, branches are also sensitized and provided trainings and awareness programs for monitoring the behavioral pattern of customer. STRs and SARs are also lodged on the basis of these monitoring. As we are in the process of adopting upgraded version of AMLOCK, wherein various new scenarios for monitoring transactions are proposed. Upgraded version of AMLOCK is in UAT environment, after completing the testing, we shall proceed for deployment in live environment. After that, transactions of the customer shall be monitored through various scenarios. Attribute/ Behaviour based monitoring of customer cannot be incorporated in the monitoring software for which staff dealing with such customers shall be trained for effective monitoring.

THREE COLUMN FORMAT (TIN-MAHALE) OF THE AMENDMENTS IN THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF NEPAL SBI BANK LIMITED

(Proposed to the 29th Annual General Meeting)

Section/ Article	Existing Provision	Proposed Amendment	Reason for change
<u>Memorandum of Association:</u>			
2(1)	The registered (Corporate) office of the Bank will be situated in Bagmati Zone, Kathmandu District, Kathmandu Metropolitan City, Ward No. 29, Lainchour, Nepal.	The registered (Corporate) office of the Bank will be situated in Bagmati Province, Kathmandu District, Kathmandu Metropolitan City, Ward No. 28, Kamaladi, Nepal.	To change the registered (corporate) office of the Bank to new address.
5(1)(b)	The Issued Capital of the Bank shall be NPR 9,825,853,113.00 (Rupees Nine Billion Eight Hundred Twenty Five Million Eight Hundred Fifty Three Thousand One Hundred Thirteen only) which shall be divided into 98,258,531.13 (Ninety Eight Million Two Hundred Fifty Eight Thousand Five Hundred Thirty One and 13/100) ordinary shares of NPR 100 (Rupees One Hundred) each.	The Issued Capital of the Bank shall be NPR 10,120,628,706.00 (Rupees Ten Billion One Hundred Twenty Million Six Hundred Twenty Eight Thousand Seven Hundred Six only) which shall be divided into 101,206,287.06 (One Hundred One Million Two Hundred Six Thousand Two Hundred Eighty Seven and 06/100) ordinary shares of NPR 100 (Rupees One Hundred) each.	To augment the issued capital for issuance of bonus shares as proposed by the Board.
5(1)(c)	The Paid-up Capital of the Bank shall be NPR 9,825,853,113.00 (Rupees Nine Billion Eight Hundred Twenty Five Million Eight Hundred Fifty Three Thousand One Hundred Thirteen only).	The Paid-up Capital of the Bank shall be NPR 10,120,628,706.00 (Rupees Ten Billion One Hundred Twenty Million Six Hundred Twenty Eight Thousand Seven Hundred Six only).	To augment the paid-up capital for issuance of bonus shares as proposed by the Board.
<u>Articles of Association:</u>			
2	<u>Address Where the Bank's Registered Office shall be Situated:</u> The registered (Corporate) office of the Bank will be situated in Bagmati Zone, Kathmandu District, Kathmandu Metropolitan City, Ward No. 29, Lainchaour, Nepal.	<u>Address Where the Bank's Registered Office shall be Situated:</u> The registered (Corporate) office of the Bank will be situated in Bagmati Province, Kathmandu District, Kathmandu Metropolitan City, Ward No. 28, Kamaladi, Nepal.	To change the registered (corporate) office of the Bank to new address.
29(b)	The meeting allowances to be paid to the Directors shall be as under: Chairman of the Board: NPR 12,500/- per meeting Other Directors: NPR 10,000/- per meeting. The members of the Board shall be paid meeting allowance as stated above for attending the meetings of the Board as also the meetings of any sub-committee(s) formed by the Board.	The meeting allowances to be paid to the Directors shall be as under: Chairman of the Board: NPR 18,000/- per meeting Other Directors: NPR 15,000/- per meeting. The members of the Board shall be paid meeting allowance as stated above for attending the meetings of the Board as also the meetings of any sub-committee(s) formed by the Board.	To revise the meeting allowance to Directors to make it compatible to time and considering allowances paid by other commercial banks.



GENERAL SHAREHOLDER INFORMATION

The Annual General meeting of the Shareholders	Date : 2079/09/25 (09.01.2023 AD), Time: 11:00 AM, Venue: Tribhuvan Army officers Club, Bhadrakali, Kathmandu [Last AGM: Date: 2078/09/20 (04.01.2022 AD), Venue: Tribhuvan Army Officers Club, Bhadrakali, Kathmandu]
Financial Calendar	2078/04/01 (16.07.2021 AD) to 2079/03/32 (16.07.2022 AD)
Listing of Securities on Stock Exchanges	"Nepal Stock Exchange Ltd. (NEPSE). Bank's Securities (Shares and Debentures) listed with NEPSE"
Stock Code/Ticker Symbol	SBI
Share Transfer System	Share Transfer is processed as per the stipulated time pursuant to the Securities CDS Byelaws, 2068
Registrar to Share (RTS) (Existing)	M/s Nepal SBI Merchant Banking Ltd.
RTS Address	Hattisar, Kathmandu
Phone Numbers	01-4412743 and 01-4441780
E-mail Address	sharedpt@nsbl.com.np
Name of the Debenture Trustee with Full Contact Details	Sunrise Capital Ltd. (then NCM Merchant Banking Ltd.), Kamalpokhari, Kathmandu, Phone No.: +977-01-4428550 / 01-4428660 for "8% Nepal SBI Bank Debenture 2079".
	NMB Capital Ltd., Nagpokhari, Naxal, Kathmandu, Phone No.: +977-01-4437963 for "7.9% Nepal SBI Bank Debenture 2080".
	Kumari Capital Ltd., Naryanchaur, Naxal, Kathmandu, Phone No.: +977-01-4445495, 96 for "10 % Nepal SBI Bank Debenture 2086"
	Sanima Capital Ltd., Naxal, Kathmandu, Phone No.: +977-01-4540508 for "10.25 % Nepal SBI Bank Debenture 2083"
E-initiative/Go Green: We are also issuing annual report (abridged) in electronic form to those shareholders whose e-mail addresses are available and communicated to us.	

SHAREHOLDING PATTERN AS ON 16th JULY 2022

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

DISTRIBUTION SCHEDULE AS ON 16th JULY, 2022 (FACE VALUE OF NPR 100)

Range No. of Shares	Shareholders		Number of shares	
	Total Holders	% to Total Holders	Total Holdings in NPR	% to Total Paid-up Capital
Public Shareholders	65,193	99.9969%	2,947,755,897.20	30.00%
up to 100	42,077	64.54%	55,003,856.70	0.56%
101 to 500	11,363	17.43%	261,178,441.10	2.66%
501 to 1000	7,224	11.08%	521,417,552.16	5.31%
1001 to 5000	3,825	5.87%	804,954,071.05	8.19%
5001 to 10000	423	0.65%	295,412,921.94	3.01%
10001 to 50000	232	0.36%	444,431,939.15	4.52%
50001 and Above	49	0.08%	565,357,115.10	5.75%
Promoter Shareholder	2	0.00307%	6,878,097,215.80	70.00%
State Bank of India	1	0.00153%	5,404,219,215.80	55.00%
Employee Provident Fund	1	0.00153%	1,473,878,000.00	15.00%
Total*	65,195	100.00%	9,825,853,113.00	100.00%

*Total Shareholders includes 21,256 Shareholders holding only fraction shares (physical and D-mat) below one. The total number of shareholders excluding shareholders holding only fraction shares as on 16.07.2022 is 43,939.

DEMATERIALIZATION OF SHARES AND LIQUIDITY

Bank's equity shares are compulsorily traded in electronic form. As on 16th July 2022, 4,20,14,578.21 shares representing 42.76% of total equity/paid-up capital held in electronic form.

Description	No. Share Holders	No. Shares	Shares %
CDS and CL *	43,269	42,014,578.21	42.76%
Physical **	21,926	56,243,952.92	57.24%
Total	65,195	98,258,531.13	100.00%

* Includes promoters shares of EPF

** Includes promoters shares of SBI, India

Note: No of Shareholders holding only Fraction Shares in Physical and D-mat are 13,558 and 7,698 respectively.

MARKET PRICE DATA OF BANK'S SHARE

MONTHS	MAX(NPR)	MIN(NPR)	CLOSING(NPR)
Shrawan, 2078	453.90	407.70	410.50
Bhadra, 2078	414.00	370.00	373.00
Ashwin, 2078	380.00	343.00	357.00
Kartik, 2078	365.00	331.30	360.00
Mangsir, 2078	366.00	334.00	354.90
Poush, 2078	400.80	340.10	383.90
Magh, 2078	422.00	377.00	384.00
Falgun, 2078	386.90	340.00	358.10
Chaitra, 2078	365.00	326.50	348.00
Baishakh, 2079	354.90	317.00	329.00
Jestha, 2079	329.00	287.20	294.00
Ashadh, 2079	307.00	251.10	282.30

DETAILS OF SHAREHOLDING OF DIRECTORS, SENIOR MANAGEMENT, AGMs AND COMPANY SECRETARY OF THE BANK

S.No.	Name of Director	Position	No. of Shares
1	Ms. Jayati Bansal	Chairperson	NIL
2	Mr. Pinaki Nath Banerjee	Director	NIL
3	Mr. Bharat Raj Wasti	Director	NIL
4	Ms. Apsara Upreti	Director	5,302
5	Dr. Gopal Prasad Bhatta	Independent Director	NIL
6	Mr. Dipak Kumar De	Managing Director and CEO	NIL
7	Mr. Shanta Gautam	Alternate Director nominated by Employees Provident Fund	467
8	Mr. Md. Rizwan Alam	Deputy CEO & Chief Financial Officer (CFO)	NIL
9	Mr. Yadvender Kant	Chief Operating Officer (COO)	NIL
10	Mr. Dev Raj Adhikari	AGM, MD-NSMBL	6,704
11	Mr. Bishnu Dev Yadav	AGM, Chief Risk & Compliance Officer	2
12	Mr. Arjun Nepal	AGM, Chief Credit Officer	6,294
13	Mr. Shreedhar Adhikari	Company Secretary	2,280

TOP TEN SHAREHOLDERS AS ON 16TH JULY 2022

S.No.	NAME
1	State Bank of India, Mumbai, India
2	Employees Provident Fund, Pulchowk, Lalitpur, Nepal
3	Bala Krishna Shrestha
4	Prime Life Insurance Company Limited
5	Amir Shrestha
6	Rajendra Kumar Khetan
7	Krishna Gopal Shrestha
8	Dynamic Money Managers Security
9	L P Bhanu Sharma
10	Pradip Kumar Roongta

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF NEPAL SBI BANK LTD.

Social Responsibility is deeply ingrained in the culture of your Bank. Through, the Bank's CSR Policy, the objective of the Bank is to pro-actively support meaningful socio-economic development in Nepal and enable a larger number of people to participate in and benefit from Nepal's economic progress.

In line with the same, the Bank has shown great commitment towards society since its inception. Consequently, the Bank has been undertaking various social welfare initiatives for creating lasting social impact. The beneficiaries of your Bank include needy people from all sections of the community across the length and breadth of the country. This year, focus areas of your Bank's CSR activities for this year include education, environment protection and sustainability, healthcare, cleanliness and promotion of National Heritage.

Supporting Education and empowering/skill development

Education sector is valued as one of the most essential sector for overall development of economy. Your Bank has always contributed to provide quality education to marginalized communities across Nepal. Some of the areas covered by the Bank in providing quality education this year are given below:

- Provided furniture and office material to Shree Tapaswi Jagdev Secondary School, Sarlahi and Shree Narayan Hari Secondary School, Manharwa, Sarlahi
- Installation of Ro water purification at Shree Purna Ma. Vi. at Airy, Kanchanpur.

- Installation of drinking water purifier and fans to Om Secondary School, Rautahat.

Financial Literacy

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

Supporting cleanliness and promotion of Cultural Heritage Sites

- Provided outsource cleaning service to Pashupati Area Development Trust (PADT) for maintaining cleanliness around Pashupati Temple Premises.
- Provided Dustbins to Janaki Temple to be kept at the premises of the temple for cleanliness of the temple.
- Purchased automated brommer to be handed over to PADT for keeping temple premises clean.
- Setup information center at Lumbini Area Development Trust

Supporting Health Care

Your Bank has spent almost NPR 22.77 lakh towards the Bank's support in fight against the COVID -19 pandemic which includes addressing health challenges of the society as well as maintaining good health of employees

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

S.N.	CSR Activities Conducted	Amount (NPR)
1	Tree plantation at Behadababa Mandir Premises, Dhangadi	60,000.00
2	Support of medical items to guards at Gautam Buddha International Airport, Bhairahawa	12,000.00
3	Set up Information Center at Lumbini Development Trust, Bhairahawa	75,073.49
4	Provided large wheel dustbins to Janaki Mandir, Janakpur	84,000.00
5	Supported 10 units of wheel chair to physically challenged individual of the society, PPO Dharan	115,000.00
6	Provided office furniture ad materials to Shree Tapaswi Jagdev Secondary School, Ramnagar Khairwa Bahuarwa, Sarlahi and Shree Narayan Hari Secondary School, Manharwa, Sisautiya, Godaita Municipality -10	302,378.00
7	Conducted financial literacy program across Nepal	529,250.00
8	Installed RO water purification to to Shree Purna Ma. Vi.at Airy, Kanchanpur	97,980.00
9	Financial contribution for installation of CCTV at Ilam Bazar, Ilam	35,935.00
10	Supported fund raising event to build and maintain Pashupati Shiksha Mandir at Dhangadi	50,000.00
11	Installation of drinking water purifier and fans to Om Secondary School, Rautahat	55,800.00
12	Provided 100 pcs 50 ltr dustbins to Lumbini Development Trust, Lumbini	106,979.63
13	Financial support for conducting traffic awareness program, Tikapur	14,724.00
14	Staff expenses related to treatment and prevention of COVID-19	2,277,189.86
15	Contribution to account opened under Sambriddha Nagarik Bachat Khata	15,100.00

GLIMPSES OF CSR ACTIVITIES OF THE BANK



Handed over POS, QR Code and Dustbin to Janaki Mandir, Janakpur



Participated in Global Money Week 2022 rally under Financial Literacy Campaign



Handed over dustbin to Lumbini Development Trust, Lumbini



Installed RO water purifier for safe drinking water at Shree Purna Ma Vi, Airy, Kanchanpur

HUMAN RESOURCE INFORMATION

Human Resources is an indispensable aspect for sustainability and growth of an organization. It plays an instrumental role in success of the Bank. Similarly, Human Resources Management (HRM) is an inevitable component of the Bank which aims at managing the organization's most valuable resources i.e., people and work towards the desired end. Human Resources Management function is thus directed by the long-term vision of creating conducive work culture where the employees are empowered with job responsibilities, training and development, remuneration benefits etc. which encourages them to deliver better organizational performance. The long-term strategic priorities of HR are identified as under:

- 1) To apply human capital expertise more assertively to support business verticals in order to deliver results.
- 2) To strengthen human capital role as a control function and minimize organizational risks pertaining to human capital.
- 3) To build the capabilities of human resources who can lead the organization.
- 4) To develop strategic human resources plan and its apt implementation.
- 5) To contribute to long term objectives of the Bank by managing employee performance.

In FY 2078/79, our HR activities were in line with these priorities, which have come into particular focus with Bank's Strategy and its execution over the coming years.

Staff Category	Male	Female	Total
Managerial	63	8	71
Officer	223	86	309
Assistant	271	177	448
Support	81	1	82
Total	638	272	910

1. Building the Capabilities of Staff

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

These are the summary of the staff learning and development program conducted during FY 2078/79.

Trainings	Number of Trainings
In-House/Internal	30
Outsourcing/External	87
Total	117

Total no. of participants= 871

The Bank highly focuses on developing quality employees in the Bank and administer job satisfaction of employees. As such, the Bank seeks to retain, develop, and encourage attractive workforce with the requisite skills to maximize the job satisfaction ultimately aiding the achievement of organizational objectives.

The Bank has always prioritized employee engagement and trainings programs for the overall development and well-being of all the employees. In this regard, the Bank have been conducting such programs through virtual as well as physical medium. We have ensured that the employees are provided with adequate learning opportunities for their overall growth and development. The department has incorporated several effective training programs with professional trainers in the yearly plan with a focus to provide full-fledged training programs to employees.

2. Staff Composition and Diversity

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

3. Health and Wellbeing of the staff

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

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

Independent Auditor's Report

To the Shareholders of Nepal SBI Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Nepal SBI Bank Limited (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 32, 2079 (July 16, 2022), and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at Ashadh 32, 2079 (16 July 2022), and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for opinion

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

Key Audit Matters

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

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

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2.	<p>Investment Valuation, Identification, and Impairment</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter in our audit.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidences/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis. For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 16.07.2022 and for the unquoted investment the fair value has been taken as the NPR 100.
3.	<p>Impairment of Loans and Advances</p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and Amount determined as per para 5.5. of NFRS 9, read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, adopting Incurred Loss Model <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NFRS 9 read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of</p>	<p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate. Grouping of homogeneous groups of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.



	<p>inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p>	
4.	<p>Information Technology General Controls IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ol style="list-style-type: none"> Understanding the coding system adopted by the bank for various categories of customers Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank Checking of the user requirements for any changes in the regulations/ policy of the bank Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank. We relied on the IT audit conducted by the bank. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 16.07.2022

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

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

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

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



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

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

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

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

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

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

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

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

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

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


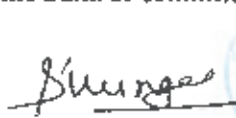


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law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

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

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

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



Sunir Kumar Dhungel
Managing Partner

Place: Kathmandu, Nepal
Date: November 29, 2022

UDIN No.: 221201CA00109JyUog



Independent Auditor's Report

To the Shareholders of Nepal SBI Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the Standalone financial statements of the Nepal SBI Bank Limited (the "Bank"), which comprise the statement of financial position as at Ashadh 32, 2079 (July 16, 2022), and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Standalone financial statements presents fairly, in all material respects, the financial position of the bank as at Ashadh 32, 2079 (16 July 2022), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for opinion

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

Key Audit Matters

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

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

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2.	<p>Investment Valuation, Identification, and Impairment</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter in our audit.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidences/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis. For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 16.07.2022 and for the unquoted investment the fair value has been taken as the NPR 100.
3.	<p>Impairment of Loans and Advances</p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and Amount determined as per para 5.5. of NFRS 9, read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, adopting Incurred Loss Model <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NFRS 9 read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of</p>	<p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate. Grouping of homogeneous groups of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.



	<p>inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p>	
4.	<p>Information Technology General Controls IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ol style="list-style-type: none"> Understanding the coding system adopted by the bank for various categories of customers Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank Checking of the user requirements for any changes in the regulations/ policy of the bank Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS or the bank. We relied on the IT audit conducted by the bank. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 16.07.2022

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

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

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

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



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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we




determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

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

Sunir Kumar Dhungel
Managing Partner

Place: Kathmandu, Nepal

Date: November 29, 2022

UDIN No.: 221201CA00109e4UdQ



Nepal SBI Bank Ltd.

Consolidated Statement of Financial Position

As on Ashadh 32, 2079 (16.07.2022)

	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Assets					
Cash and cash equivalent	4.1	10,160,643,412	8,428,279,768	10,160,628,890	8,426,345,170
Due from Nepal Rastra Bank	4.2	4,519,929,769	3,272,981,241	4,519,929,769	3,272,981,241
Placement with Bank and Financial Institutions	4.3	-	41,500,000	-	-
Derivative financial instruments	4.4	33,908,998	-	33,908,998	-
Other trading assets	4.5	85,521,529	110,766,816	60,438,013	90,559,068
Loans and advances to B/FIs	4.6	5,183,047,328	4,586,766,483	5,183,047,328	4,586,766,483
Loans and advances to customers	4.7	105,394,035,672	96,951,274,535	105,394,035,672	96,951,274,535
Investment securities	4.8	23,575,969,481	21,246,986,872	23,575,969,481	21,246,986,872
Current tax assets	4.9	404,150,580	413,116,098	403,890,295	410,019,445
Investment in susidiaries	4.10	-	-	188,888,889	188,888,889
Investment in associates	4.11	-	-	-	-
Investment property	4.12	-	-	-	-
Property and equipment	4.13	1,056,817,087	877,005,675	1,053,945,563	873,429,824
Goodwill and Intangible assets	4.14	7,644,908	6,173,141	6,965,596	5,260,995
Deferred tax assets	4.15	325,437,758	390,010,365	322,159,142	389,987,707
Other assets	4.16	2,211,973,642	1,370,388,620	2,198,993,121	1,366,274,492
Total Assets		152,959,080,163	137,695,249,613	153,102,800,757	137,808,774,721
Liabilities					
Due to Bank and Financial Instituions	4.17	4,467,400,000	6,093,675,000	4,467,400,000	6,093,675,000
Due to Nepal Rastra Bank	4.18	1,303,496,556	4,265,513,428	1,303,496,556	4,265,513,428
Derivative financial instruments	4.19	-	20,179,685	-	20,179,685
Deposits from customers	4.20	119,451,954,677	106,053,881,963	119,710,205,430	106,238,466,851
Borrowing	4.21	3,853,806,893	-	3,853,806,893	-
Current tax liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	-	-	-	-
Other liabilities	4.23	4,045,243,243	2,767,886,379	4,025,369,581	2,762,169,244
Debt securities issued	4.24	2,629,094,880	3,028,699,402	2,629,094,880	3,028,699,402
Subordinated liabilities	4.25	-	-	-	-
Total liabilities		135,750,996,248	122,229,835,857	135,989,373,340	122,408,703,610
Equity					
Share capital	4.26	9,825,853,113	9,493,577,887	9,825,853,113	9,493,577,887
Share premium		-	-	-	-
Retained earnings		1,534,604,385	943,888,290	1,454,156,010	889,622,669
Reserves	4.27	5,847,626,417	5,027,947,580	5,833,418,295	5,016,870,555
Total equity attributable to equity holders		17,208,083,915	15,465,413,756	17,113,427,417	15,400,071,110
Non-controlling interest		-	-	-	-
Total equity		17,208,083,915	15,465,413,756	17,113,427,417	15,400,071,110
Total liabilities and equity		152,959,080,163	137,695,249,613	153,102,800,757	137,808,774,721
Contingent liabilities and commitment	4.28	74,394,865,351	66,075,423,033	74,394,865,351	66,075,423,033
Net assets/Net Worth value per share		175	163	174	162
Per Share Total Assets Value		1,557	1,450	1,558	1,452

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Pinaki Nath Banerjee)
Director

(Bharat Raj Wasti)
Director

(Apsara Upreti)
Director

(Gopal Prasad Bhatta)
Director

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

Date: 29.11.2022
Place: Kathmandu

Nepal SBI Bank Ltd.

Consolidated Statement of Profit or Loss For the year ended Ashadh 32, 2079 (16.07.2022)

	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Interest income	4.29	12,305,764,017	9,003,906,322	12,304,573,489	9,001,882,831
Interest expense	4.30	7,999,470,510	6,117,556,524	8,017,687,094	6,134,546,892
Net interest income		4,306,293,507	2,886,349,798	4,286,886,395	2,867,335,938
Fee and commission income	4.31	1,361,922,455	1,097,349,261	1,280,926,695	1,078,284,129
Fee and commission expense	4.32	97,615,121	81,546,600	78,194,566	84,280,247
Net fee and commission income		1,264,307,334	1,015,802,661	1,202,732,130	994,003,882
Net interest, fee and commission income		5,570,600,841	3,902,152,459	5,489,618,524	3,861,339,820
Net trading income	4.33	254,641,952	348,801,101	264,281,331	343,699,217
Other operating income	4.34	33,124,012	20,241,182	33,124,012	20,241,182
Total operating income		5,858,366,805	4,271,194,742	5,787,023,868	4,225,280,219
Impairment charge/(reversal) for loans and other losses	4.35	623,123,816	379,622,175	623,123,816	379,622,175
Net operating income		5,235,242,989	3,891,572,568	5,163,900,051	3,845,658,044
Operating expense					
Personnel expenses	4.36	1,839,060,801	1,575,063,566	1,828,054,496	1,567,059,857
Other operating expenses	4.37	620,032,181	746,328,073	615,912,644	740,910,286
Depreciation & amortisation	4.38	357,777,704	187,875,297	354,456,700	186,299,897
Operating Profit		2,418,372,302	1,382,305,632	2,365,476,211	1,351,388,003
Non operating income	4.39	2,955,575	9,780,875	13,818,225	9,780,875
Non operating expense	4.40	-	640,871	-	640,871
Profit before income tax		2,421,327,877	1,391,445,636	2,379,294,436	1,360,528,007
Income tax expense	4.41	753,604,106	406,324,153	740,984,517	397,048,864
Current Tax		799,307,755	461,137,832	783,432,208	451,970,762
Deferred Tax (Income)/Expenses		(45,703,649)	(54,813,679)	(42,447,691)	(54,921,898)
Profit for the Year		1,667,723,771	985,121,483	1,638,309,919	963,479,143
Profit attributable to:					
Equity holders of the Bank		1,667,723,771	985,121,483	1,638,309,919	963,479,143
Non-controlling interest		-	-	-	-
Profit for the year		1,667,723,771	985,121,483	1,638,309,919	963,479,143
Earnings per share					
Basic earnings per share		16.97	10.03	16.67	9.81
Diluted earnings per share		16.97	10.03	16.67	9.81

(Md. Rizwan Alam)
Chief Financial Officer

(Pinaki Nath Banerjee)
Director

(Gopal Prasad Bhatta)
Director

Date: 29.11.2022
Place: Kathmandu

(Dipak Kumar De)
Managing Director

(Bharat Raj Wasti)
Director

(Rajeev Arora)
Chairperson

(Apsara Upreti)
Director

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



Nepal SBI Bank Ltd.

Consolidated Statement of Comprehensive Income

For the year ended Ashadh 32, 2079 (16.07.2022)

	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Profit for the year		1,667,723,771	985,121,483	1,638,309,919	963,479,143
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		79,666,248	(1,317,863)	79,666,248	(1,317,863)
Gains/(losses) on revaluation		-	-	-	-
Actuarial gains/(losses) on defined benefit plans		287,921,272	(30,160,904)	287,921,272	(30,160,904)
Income tax relating to above items		(110,276,256)	9,443,630	(110,276,256)	9,443,630
Net other comprehensive income that will not be reclassified to profit or loss		257,311,264	(22,035,137)	257,311,264	(22,035,137)
b) Items that are or may be reclassified to profit or loss					
Gains/(losses) on cash flow hedge		-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)		-	-	-	-
Income tax relating to above items		-	-	-	-
Reclassify to profit or loss		-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method		-	-	-	-
Other comprehensive income for the year, net of income tax		257,311,264	(22,035,137)	257,311,264	(22,035,137)
Total comprehensive income for the year		1,925,035,035	963,086,346	1,895,621,183	941,444,007
Total comprehensive income attributable to:					
Equity holders of the Bank		1,925,035,035	963,086,346	1,895,621,183	941,444,007
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		1,925,035,035	963,086,346	1,895,621,183	941,444,007

(Md. Rizwan Alam)
Chief Financial Officer

(Pinaki Nath Banerjee)
Director

(Gopal Prasad Bhatta)
Director

Date: 29.11.2022
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(FCA.Sunir Kumar Dhungel),
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Nepal SBI Bank Ltd.

Statement of Changes in Equity

For the year ended Ashadh 32, 2079 (16.07.2022)

	Bank (Current Year)											
	Attributable to equity holders of the Bank											Non-controlling interest
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total		
Balance at Ashadh end, 2078	9,493,577,887	-	3,059,377,171	38,868,947	702,367,148	96,473,637	-	889,622,669	1,119,783,652	15,400,071,110	-	15,400,071,110
Adjustment/Restatement:	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2078	9,493,577,887	-	3,059,377,171	38,868,947	702,367,148	96,473,637	-	889,622,669	1,119,783,652	15,400,071,110	-	15,400,071,110
Comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	1,638,309,919	-	1,638,309,919	-	1,638,309,919
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	55,766,374	-	-	-	55,766,374	-	55,766,374
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	201,544,890	201,544,890	-	201,544,890
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	55,766,374	-	1,638,309,919	201,544,890	1,895,621,183	-	1,895,621,183
Transfer to reserve during the year	-	-	327,661,984	2,076,139	224,234,134	-	-	(911,296,208)	357,323,951	-	-	-
Expenses Charged to fund directly	-	-	-	-	-	-	-	-	(10,431,117)	(10,431,117)	-	(10,431,117)
Transfer from reserve during the year	-	-	-	-	(341,628,615)	-	-	341,628,615	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	332,275,226	-	-	-	-	-	-	(332,275,226)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(171,833,760)	-	(171,833,760)	-	(171,833,760)
Others (Share issue expenses)	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	332,275,226	-	327,661,984	2,076,139	(117,394,481)	-	-	(1,073,776,579)	346,892,835	(182,264,877)	-	(182,264,877)
Balance at Ashadh end 2079	9,825,853,113	-	3,387,039,155	40,945,085	584,972,667	152,240,011	-	1,454,156,010	1,668,221,377	17,113,427,417	-	17,113,427,417

Nepal SBI Bank Ltd.

Statement of Changes in Equity

	Bank (Previous Year)										
	Attributable to equity holders of the Bank										Non-controlling interest
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total	
Balance at Ashadh end 2077	8,956,205,554	-	2,866,681,342	35,642,676	632,371,030	97,396,141	-	1,415,526,277	778,028,304	14,781,851,324	-
Adjustment/Restatement:	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2077	8,956,205,554	-	2,866,681,342	35,642,676	632,371,030	97,396,141	-	1,415,526,277	778,028,304	14,781,851,324	-
Comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	963,479,143	-	963,479,143	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(922,504)	-	-	-	(922,504)	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	(21,112,633)	(21,112,633)	(21,112,633)	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(922,504)	-	963,479,143	(21,112,633)	941,444,007	-
Transfer from reserve during the year	-	-	192,695,829	3,226,271	237,963,981	-	-	(808,867,963)	374,981,903	-	-
Expenses Charged to fund directly	-	-	-	-	-	-	-	-	(12,113,922)	(12,113,922)	-
Transfer to reserve during the year	-	-	-	-	(167,967,863)	-	-	167,967,863	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	537,372,333	-	-	-	-	-	-	(537,372,333)	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(311,110,298)	-	(311,110,298)	-
Others (Share issue expenses)	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	537,372,333	-	192,695,829	3,226,271	69,996,118	-	-	(1,489,382,751)	362,867,980	(323,224,220)	-
Balance at Ashadh end 2078	9,493,577,887	-	3,059,377,171	38,868,947	702,367,148	96,473,637	-	889,622,669	1,119,783,652	15,400,071,110	-

Nepal SBI Bank Ltd.

Statement of Changes in Equity

For the year ended Ashadh 32, 2079 (16.07.2022)

	Group (Current Year)										
	Attributable to equity holders of the Bank										Non-controlling interest
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total	
Balance at Ashadh end, 2078	9,493,577,887	-	3,059,377,171	38,868,947	702,333,061	96,473,638	-	943,888,290	1,130,894,762	15,465,413,756	-
Adjustment/Restatement:	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2078	9,493,577,887	-	3,059,377,171	38,868,947	702,333,061	96,473,638	-	943,888,290	1,130,894,762	15,465,413,756	-
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	1,667,723,771	-	1,667,723,771	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	55,766,374	-	-	-	55,766,374	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	201,544,890	201,544,890	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	55,766,374	-	1,667,723,771	201,544,890	1,925,035,035	-
Transfer to reserve during the year	-	-	330,599,345	2,076,139	224,234,134	-	-	(914,527,305)	357,617,687	-	-
Expenses Charged to fund directly	-	-	-	-	-	-	-	-	(10,531,117)	(10,531,117)	-
Transfer from reserve during the year	-	-	-	-	(341,628,615)	-	-	341,628,615	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	332,275,226	-	-	-	-	-	-	(332,275,226)	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(171,833,760)	-	(171,833,760)	-
Others (Share issue expenses)	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	332,275,226	-	330,599,345	2,076,139	(117,394,481)	-	-	(1,077,007,676)	347,086,571	(182,364,877)	-
Balance at Ashadh end 2079	9,825,853,113	-	3,389,976,516	40,945,085	584,938,580	152,240,012	-	1,534,604,385	1,679,526,223	17,208,083,915	-

Nepal SBI Bank Ltd.

Statement of Changes in Equity

	Group (Previous Year)											
	Attributable to equity holders of the Bank											
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Re-valuation reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at Ashadh end, 2077	8,956,205,554	-	2,866,681,342	35,642,676	632,336,943	97,396,142	-	1,448,149,558	789,139,415	14,825,551,630	-	14,825,551,630
Adjustment/Restatement:	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2077	8,956,205,554	-	2,866,681,342	35,642,676	632,336,943	97,396,142	-	1,448,149,558	789,139,415	14,825,551,630	-	14,825,551,630
Comprehensive income for the year										-	-	-
Profit for the year	-	-	-	-	-	-	-	985,121,483	-	985,121,483	-	985,121,483
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
" Gains/(losses) from investments in equity instruments measured at fair value"	-	-	-	-	-	(922,504)	-	-	-	(922,504)	-	(922,504)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Atuarial gains/(losse) on defined benefit plans	-	-	-	-	-	-	-	-	(21,112,633)	(21,112,633)	-	(21,112,633)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
" Exchange gains/(losses) (arising from translating financial assets of foreign operation)"	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(922,504)	-	985,121,483	(21,112,633)	963,086,346	-	963,086,346
Transfer from reserve during the year	-	-	192,695,829	3,226,271	237,963,981	-	-	(808,867,983)	374,981,903	-	-	-
CSR Expenses Charged to fund directly	-	-	-	-	-	-	-	-	(12,113,922)	(12,113,922)	-	(12,113,922)
Transfer to reserve during the year	-	-	-	-	(167,967,863)	-	-	167,967,863	-	-	-	-
Transactions with owners, directly recognised equity	-	-	-	-	-	-	-	-	-	-	-	-

(Md. Rizwan Alam) Chief Financial Officer	(Dipak Kumar De) Managing Director	(Rajeev Arora) Chairperson
(Pinaki Nath Banerjee) Director	(Bharat Raj Wasti) Director	(Apsara Upreti) Director
(Gopal Prasad Bhatta) Director		(FCA Sunir Kumar Dhungel), Managing Partner S.A.R. Associates, Chartered Accountants

nsbl.statebank 87



Nepal SBI Bank Ltd.

Consolidated Statement of cash flows

For the year ended Ashadh 32, 2079 (16.07.2022)

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	12,096,245,822	8,909,224,561	12,095,055,294	8,907,201,069
Fees and other income received	1,645,985,886	1,422,722,072	1,575,852,777	1,399,685,642
Dividend received	19,547,675	7,496,530	19,547,675	7,496,530
Receipts from other operating activities	8,304,555	20,401,612	8,304,555	20,401,612
Interest paid	(7,720,287,762)	(5,815,652,054)	(7,736,540,671)	(5,832,642,422)
Commission and fees paid	(97,615,121)	(81,546,600)	(78,194,566)	(84,280,247)
Cash payment to employees	(1,629,542,606)	(1,480,381,804)	(1,618,536,302)	(1,472,378,095)
Other expense paid	(1,429,871,053)	(1,223,890,276)	(1,409,775,969)	(1,209,305,419)
Operating cash flows before changes in operating assets and liabilities	2,892,767,397	1,758,374,041	2,855,712,794	1,736,178,669
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(1,246,948,528)	4,307,545,798	(1,246,948,528)	4,307,545,798
Placement with bank and financial institutions	41,500,000	(30,500,000)	-	-
Other trading assets	(14,319,841)	(15,000,000)	-	(15,000,000)
Loan and advances to bank and financial institutions	(667,134,595)	221,197,112	(667,134,595)	221,197,112
Loans and advances to customers	(8,995,031,204)	(7,696,767,290)	(8,995,031,204)	(7,696,767,290)
Other assets	(866,528,502)	(337,730,232)	(860,498,477)	(333,148,800)
	(11,748,462,670)	(3,551,254,612)	(11,769,612,804)	(3,516,173,180)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(1,626,275,000)	4,227,776,122	(1,626,275,000)	4,227,776,122
Due to Nepal Rastra Bank	(2,962,016,872)	4,265,513,428	(2,962,016,872)	4,265,513,428
Deposit from customers	13,398,072,714	(4,182,321,206)	13,471,738,579	(4,207,405,966)
Borrowings	3,853,806,893	-	3,853,806,893	-
Other liabilities	1,548,270,002	478,099,452	1,534,113,475	476,122,481
Net cash flow from operating activities before tax paid	14,211,857,736	4,789,067,796	14,271,367,074	4,762,006,065
Income taxes paid	-	-	-	-
Net cash flow from operating activities	5,356,162,463	2,996,187,225	5,357,467,064	2,982,011,554
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(2,249,316,361)	(8,910,703,918)	(2,249,316,361)	(8,898,234,758)
Receipts from sale of investment securities	13,294,531	-	13,294,531	-
Purchase of property and equipment	(370,006,762)	(154,591,346)	(369,487,336)	(154,166,787)
Receipt from the sale of property and equipment	(157,980,154)	9,529,287	(157,980,154)	9,529,287
Purchase of intangible assets	(4,033,818)	(4,779,100)	(3,937,768)	(4,542,600)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	-	-	-	-
Interest received	-	-	-	-
Dividend received	-	-	-	-
Net cash used in investing activities	(2,768,042,564)	(9,060,545,076)	(2,767,427,088)	(9,047,414,857)

CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	-	-	-
Repayment of debt securities	(400,000,000)	-	(400,000,000)	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(175,005,310)	(314,994,137)	(175,005,310)	(314,994,135)
Interest paid	(280,750,945)	(301,546,635)	(280,750,945)	(301,546,635)
Other receipt/payment	-	(3,230,422)	-	(3,230,422)
Net cash from financing activities	(855,756,255)	(619,771,194)	(855,756,255)	(619,771,193)
Net increase (decrease) in cash and cash equivalents	1,732,363,644	(6,684,129,045)	1,734,283,721	(6,685,174,496)
Cash and cash equivalents at Shrawan 1, 2076	8,428,279,768	15,112,408,814	8,426,345,170	15,111,519,666
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Ashadh end	10,160,643,412	8,428,279,768	10,160,628,890	8,426,345,170

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Pinaki Nath Banerjee)
Director

(Bharat Raj Wasti)
Director

(Apsara Upreti)
Director

(Gopal Prasad Bhatta)
Director

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

Date: 29.11.2022
Place: Kathmandu



Nepal SBI Bank Limited

Notes to the consolidated financial statements
For the year ended 32 Ashadh 2079 (16 July 2022)

1. Reporting Entity

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

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

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

Subsidiaries

Nepal SBI Merchant Banking Ltd. (NSMBL) is a wholly owned subsidiary of the bank established on 9th April 2016 and licensed by Securities Board of Nepal on 9th December 2016. The core activities of the NSMBL consists of issue management service, registrar to share, underwriting, portfolio management and corporate advisory services. The cost of investment in subsidiary as on Ashadh end 2079 is NPR 188,888,889.

The financial year of the subsidiary is same as that of the Bank ending on 16th July 2022 (32nd Ashadh 2079).

Group

The group represents the Bank and its full owned subsidiary.

2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2078.

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

2.1 Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2078.

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

2.2 Reporting Period and Approval of Financial Statements

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

Relevant Financial Statement	Nepalese Calendar Date / Period	English Calendar Date / Period
Comparative SFP* Date	31 Ashadh 2078	15 July 2021
Comparative reporting period	1 Shrawan 2077 - 31 Ashadh 2078	16 July 2020 - 15 July 2021
First NFRS SFP Date	31 Ashadh 2074	15 July 2017
Current NFRS reporting period	1 Shrawan 2078 - 32 Ashadh 2079	16 July 2021 - 16 July 2022

*SFP = statement of financial position

The Financial Statements for the year ended 32nd Ashadh 2079 (16th July 2022) have been authorized for issue by the Board of Directors in its meeting held on 12th Mangsir 2079 (28th November 2022) and have recommended for approval of shareholders in the Annual General Meeting.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates, Assumptions and Judgments

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

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

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

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

2.5 Changes in Accounting Policies

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

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

2.6 New Standards Issued but not yet Effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been applied only for the classification of Financial Instruments.

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

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

Standard	Applicable date
NFRS 17	16 July 2024

2.7 New Standards and Interpretation not Adopted

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

2.7.1 IFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. ASB Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the impairment. Currently, the carve out issued by the Accounting Standard Board of Nepal has been used for impairment on loans and advances. The requirement of IFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

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

These have been issued under NFRS 2018 and are applicable from Fiscal Year 2080/81.

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

Stage 1: 12-month ECL – No significantly increased credit risk financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with

a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

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

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

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

2.8 Discounting

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

2.9 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on 11th Ashadh 2077. 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 2079.03.31 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of ASB. Details of carve outs provided are as follows.

2.9.1 NFRS 9: Financial Instruments: Recognition and Measurement

a) Impairment and collectability of financial assets measured at amortised cost

As per Para 5.5, 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 amortised cost is impaired. If any such evidence exists, they shall apply paragraph 5 (given below) to determine the amount of any impairment loss unless the entity is a bank of financial institution registered as per Bank and Financial Institution Act 2073. Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per the norms prescribed by the Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 5 (given below) and shall apply paragraph 5 (given below) to measure the impairment loss on financial assets other than loan and advances.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The carve out is not optional and has been provided until FY 2080/81 (i.e., FY 2023-24). Bank will measure the impairment of loan and advances to customers as higher of the impairment as



assessed under NFRS or as per the norms prescribed by Nepal Rastra Bank. The provision is mandatory where impairment under NFRS and impairment under NRB norms has been disclosed for comparison and the higher of the two is charged as impairment and recognised in the financial statements.

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

In para 5.4, effective interest rate is the rate that exactly discounts estimated future cash payments of receipts through the expected life of the financial assets or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instruments (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received unless it is immaterial or impracticable to determine reliably between parties to the contract that are an integral part of the effective interest rate (Para B5.4.1 – B5.4.3), transaction costs, and all other premiums or discounts. There is a presumption that cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instruments (or group of financial instruments). This carve out is optional and has been provided for the FY 2080-81 (i.e., FY 2023-24).

2.10 Going Concern

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

2.11 Materiality

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

2.12 Comparative Figures

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

2.13 Limitation of NFRS Implementation

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

3. Significant Accounting Policies

3.1 Basis of Measurement

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

3.2 Basis of Consolidation

a. Business Combination

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

The Bank measures goodwill at the acquisition date as:

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

b. Non-Controlling Interest (NCI)

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

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

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

c. Subsidiaries

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

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. In preparing the consolidated financial statements, the financial statements are combined line by line by adding the like items of assets, liabilities, equity, income,

expenses and cash flows of the parent with those of its subsidiary. The carrying amount of the parent's investment in subsidiary and the parent's portion of equity of subsidiary are eliminated in full. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (such as interest income and technical fee) are eliminated in full while preparing the consolidated financial statements.

d. Loss of Control

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

f. Transaction Elimination on Consolidation

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

3.3 Cash and Cash Equivalent

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

3.4 Financial Instruments: Financial Assets and Financial Liabilities

3.4.1 Recognition

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

Financial assets and liabilities

The Bank applies NFRS 7, NFRS 9 and NAS 39 for the recognition, and de-recognition of financial assets and financial liabilities, the impairment of financial assets, and hedge accounting. The Financial Instrument has been classified in line with the provision of NFRS 9 as mentioned in the chapter 4 (Classification).

Financial asset is any asset that is:

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

A financial liability is any liability that is:

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

3.4.2 Classification and measurement

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

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

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

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

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

3.4.3 De-recognition

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

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

3.4.4 Determination of fair value

The Bank applies NFRS 9. All financial instruments are initially recognised at fair value on the date of initial recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

Critical accounting estimates and judgements

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

Fair Value Hierarchy

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

Level 1- Valuation Technique using quoted market prices

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

Level 2- Valuation technique using observable inputs

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

Level 3- Valuation technique using significant unobservable inputs

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

3.4.5 Impairment

(A) Impairment of financial assets held at amortised costs

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

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

i) As per NFRS 9

An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Impairment allowances that are calculated on individual loans or on groups of loans assessed collectively are recorded as charges to the profit or loss and are recorded against the carrying amount of impaired loans on the statement of financial position. Losses, which may arise from future events, are not recognised.

Individually assessed loans and advances

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

- known cash flow difficulties experienced by the borrower
- contractual payments of either principal or interest being past due for more than 90 days
- the probability that the borrower will enter bankruptcy or other financial realisation
- a concession granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty that results in forgiveness or postponement of principal, interest, or fees, where the concession is not insignificant; and
- there has been deterioration in the financial condition or outlook of the borrower such that its ability to repay is considered doubtful. For loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:
 - the group's aggregate exposure to the customer
 - the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations
 - the amount and timing of expected receipts and recoveries
 - the likely dividend available on liquidation or bankruptcy
 - the extent of other creditors' commitments ranking ahead of, or pari-passu with, the group and the likelihood of other creditors continuing to support the company
 - the complexity of determining the aggregate amount and ranking of all creditors' claims and the extent to which legal and insurance uncertainties are evident
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession
- the likely costs of obtaining and selling collateral as part of foreclosure
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- When available, the secondary market price of the debt.

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

Collectively assessed loans and advances

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

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between a loss occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience. The period between an impairment occurring and its identification is estimated by local management for each identified portfolio based on economic and market conditions, customer behaviour, portfolio management information, credit management techniques and collection and recovery experiences in the market.
- Statistical methods are used to determine collective impairment losses for homogeneous groups of loans not considered individually significant.

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

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

i. Impairment model under Nepal Rastra Bank Directives

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

ii. Policy adopted

As per the carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per para 5 of Carve out notice (mentioned in para 2.9.1 above)

Reversals of impairment

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

Write-off of loans and advances

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

(B) Available for sale financial instruments

- Available-for-sale debt securities. In assessing objective evidence of impairment at the reporting date, the bank considers all available evidence, including observable data or information about events specifically relating to the securities, which may result in a shortfall in the recovery of future cash flows. Financial difficulties of the issuer, as well as other factors such as information about the issuers' liquidity, business and financial risk exposures, levels of and trends in default for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees may be considered individually, or in combination, to determine if there is objective evidence of impairment. In addition, the performance of underlying collateral and the extent and depth of market price declines is relevant when assessing objective evidence of impairment of available-for-sale securities. The primary indicators of potential impairment are considered to be adverse fair value movements and the disappearance of an active market for a security, while changes in credit ratings are of secondary importance.
- Available-for-sale equity securities. Objective evidence of impairment may include specific information about the issuer as detailed above but may also include information about significant changes in technology, markets, economics, or the law that provides evidence that the cost of the equity securities may not be recovered. A significant or prolonged decline in the fair value of the equity below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition. Once an impairment loss has been recognised, the subsequent accounting treatment for changes in the fair value of that asset depends on the type of asset:
 - for an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in profit or loss when there is objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised in other comprehensive income. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, or the instrument is no longer impaired, the impairment loss is reversed through profit or loss;
 - For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through profit or loss. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in profit or loss to the extent that further cumulative impairment losses have been incurred.

3.4.6 Offsetting of financial assets and financial liabilities

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

3.5 Trading Assets (Derivative Financial Instrument)

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

3.6 Derivative Assets and Derivative Liabilities

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

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

3.7 Property and Equipment

a. Recognition and Measurement

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

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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

The cost of self-constructed assets includes the following:

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

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

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

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition

are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

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

b. Capital Work in Progress

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

c. Depreciation

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

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

d. De-recognition

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

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

3.8 Goodwill and Intangible Assets

Goodwill

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

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

Intangible Assets

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

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

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

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

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

Computer software

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

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than NPR 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 Taxes

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

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

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

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

3.11 Deposits, Debt Security Issues and Subordinate Liabilities

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

3.12 Provisions

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

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

3.13 Credit Facility for COVID Impact borrower

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

Particulars	As of Ashadh 2079	
	No. of Customers	Amount (NPR)
Accrued Interest Received after Ashadh end 2079 till 15 Bhadra 2079	Nil	Nil
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	29,984	288,779,893
Extension of moratorium period of loan provided to Industry or Project under construction	9	2,090,877,452
Restructured/Rescheduled Loan with 5% Loan Loss Provision	16	2,047,970,946
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	12	2,238,798,372
Enhancement of Term Loan by 10% to COVID affected borrowers	3	22,431,527
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for up-to 1 year with 5% provisioning	Nil	Nil
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for up-to 1 year with 5% provisioning	Nil	Nil
Time Extension provided for repayment of Principal and Interest for up-to two years as per clause 44 of NRB Directives 2	10	174,663,896

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

Particulars	During FY 2078/79	
	No. of Customers	Amount (NPR)
Refinance Loan	110	1,303,496,556
Business Continuity Loan	Nil	Nil

Particulars	As of Ashadh 2079	
	No. of Customers	Amount (NPR)
Subsidized Loan	2,744	4,003,606,451

3.14 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

3.14.1 Interest Income

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

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

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

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

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

Criteria to cease the accrual of interest

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

Based on the interest income recognition guidelines of NRB, bank recognised the NPR 170,185,307 as Interest Income which is due to be collected on Ashadh end 2079.

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

During the current fiscal year bank has capitalized NPR 150,517,841 and recognised as Interest Income. The capitalized amount is related to the interest accrued on those loans and advances which has been utilized in the National Priority sector and the approval of NRB for the same has been obtained prior to the capitalization.

c) Interest Income considered for regulatory reserve

The total amount of NPR 626,168,980 has been remained as accrued interest receivable at the Ashadh end 2079. Out of which the total amount of NPR 355,927,197 related to the interest accrued and receivable on loan to customer other than staff and account other than that meet Criteria to cease the accrual of interest has been considered for while calculating the amount to be transferred regulatory reserve from retained earnings.

3.14.2 Fee and Commission Income

Fees and Commission Income being the transaction costs integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees to be considered for EIR computation unless it is impracticable to determine reliably. Since such transaction costs are not identifiable for separate customer and therefore being impracticable,

they have not been considered when computing EIR. They have been booked on accrual basis except loan processing fees collected by the Bank on term loan which is recognized as income over the period of such loan and advances. Other fee and commission income are recognized on accrual basis.

3.14.3 Dividend Income

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

3.14.4 Net Trading Income

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

3.15 Interest Expense

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

3.16 Impairment of non-financial Assets:

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

3.17 Employee Benefit

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

Short-term employee benefits

Salaries, allowances, social security expenses, performance bonuses as provided in the law and other employee related expenses are recognised over the period in which the employees provide services to which the payments relate.

Post-retirement benefits - Defined Contribution Scheme

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

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

Post-retirement benefits - Defined Benefit Schemes

The Bank continues to operate gratuity (for employees who joined

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

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

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

3.18 Leases

This policy is applied to contracts that are entered into (or changed) on or after 16 July 2021 and contract remains validity on 16 July 2021.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in NFRS 16.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The average cost of fund of Bank till the date of signing any lease contract has been considered as its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets under other assets (Note 4.16) and lease liabilities under other liabilities (Note 4.23) separately in the Statement of Financial Position.

The interest expenses on lease liability have been presented under interest expenses (Note 4.30) and depreciation charges on right of use assets Depreciation and Amortisation (Note 4.38) in the statement of profit or loss.

Short-Term Leases and Leases of Low- Value Assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The payment related to short term lease has been presented under other operating expenses in statement of profit or loss (Note 4.37)

3.19 Foreign Currency Translation

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

3.20 Financial Guarantee and Loan Commitments

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

Loan commitment is the commitment where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer

in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.21 Share Capital and Reserves

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

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

3.22 Earnings per Share including diluted

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

3.23 Segment Reporting

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

3.24 Investment in Associates and Joint Ventures

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

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

4.1 Cash and cash equivalent

Cash Balance and Balances with other Bank and Financial Institutions (B/FIs) are financial instruments that have been classified as as financial instrument measured at amortised cost under NFRS 9 Financial Instruments. These have been recognised at amortised cost using effective interest rate. Though carried at amortised cost the carrying value of cash and balance with B/FIs represents the fair value. The bank maintains a level of liquidity in the form of cash and balances in nostro accounts for operational requirements.

Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of liquidity and business requirements. Balance with BFI'S include balance maintained at various banks and financial institutions. Cash held in foreign currency is subject to risk of changes in foreign exchange rate. These are closely monitored & risks if identified are promptly managed. Other items on cash and cash equivalents includes interbank placements and treasury bills within maturity below 90 days.

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Cash in hand	1,344,677,356	1,910,254,794	1,344,677,356	1,910,254,794
Balances with B/FIs	1,703,940,024	2,951,561,464	1,703,925,502	2,949,626,865
Money at call and short notice	-	-	-	-
Other	7,112,026,032	3,566,463,511	7,112,026,032	3,566,463,511
Total	10,160,643,412	8,428,279,768	10,160,628,890	8,426,345,170

4.2 Due from Nepal Rastra Bank

The Bank, under regulatory requirement, is required to maintain a level of liquidity in the form of Cash Reserve Ratio, which includes current account balances maintained with the central bank. There is restriction for utilisation of these deposits within the set regulatory limits.

These balances have been classified as financial instrument measured at amortised cost under NFRS 9 Financial Instruments. Though carried at amortised cost these balances are considered to represent be the fair value. The bank perceives insignificant risks with these balances except the changes in foreign exchange rates and time value of money, as these balances do not generate any returns. Other deposit and receivable from NRB includes foreign currency deposits and development bonds.

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Statutory balances with NRB	4,405,673,345	3,178,639,101	4,405,673,345	3,178,639,101
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	114,256,424	94,342,140	114,256,424	94,342,140
Total	4,519,929,769	3,272,981,241	4,519,929,769	3,272,981,241

4.3 Placements with Bank and Financial Institutions

These balances have been classified as financial instrument measured at amortised cost under NFRS 9. The carrying values of these balances are measured at amortised costs using effective interest rates.

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

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

4.4 Derivative Financial Instruments

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Held for trading				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Others	-	-	-	-
Held for risk management				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	33,908,998	-	33,908,998	-
Other	-	-	-	-
Total	33,908,998	-	33,908,998	-

4.5 Other trading assets

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities/ Mutual Fund Units	85,521,529	110,766,816	60,438,013	90,559,068
Other	-	-	-	-
Total	85,521,529	110,766,816	60,438,013	90,559,068
Pledged	-	-	-	-
Non-pledged	85,521,529	110,766,816	60,438,013	90,559,068

4.6 Loan and advances to B/FIs

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

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loans to microfinance institutions	5,314,314,415	4,647,179,821	5,314,314,415	4,647,179,821
Other	-	-	-	-
Less: Allowances for impairment	(131,267,087)	(60,413,338)	(131,267,087)	(60,413,338)
Total	5,183,047,328	4,586,766,483	5,183,047,328	4,586,766,483

4.6.1: Allowances for impairment

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Balance at Shrawan 1	60,413,338	48,683,769	60,413,338	48,683,769
Impairment loss for the year:				
Charge for the year	70,853,750	11,729,568	70,853,750	11,729,568
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Balance at Ashadh end	131,267,087	60,413,338	131,267,087	60,413,338

4.7 Loans and advances to customers

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

The impairment on these loans and advances to customers has been changed under the regulatory impairment model as per NRB directive no. 2 opting out the carve out on NFRS 9 which stands slightly higher than total impairment as per NFRS 9. Under regulatory impairment model good loans are charged with 1.30% portfolio impairment and specific impairments are to be charged on the overdue basis and identification of some risk triggers. Detailed comparison of impairment as per NRB directive and as per NFRS has been disclosed in Note no. 5.20

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loan and advances measured at amortized cost	107,646,752,031	98,651,720,827	107,646,752,031	98,651,720,827
Less: Impairment allowances				
Collective impairment	(2,089,509,677)	(1,463,357,858)	(2,089,509,677)	(1,463,357,858)
Individual impairment	(163,206,682)	(237,088,435)	(163,206,682)	(237,088,435)
Net amount	105,394,035,672	96,951,274,535	105,394,035,672	96,951,274,535
Loan and advances measured at FVTPL	-	-	-	-
Total	105,394,035,672	96,951,274,535	105,394,035,672	96,951,274,535

4.7.1: Analysis of loan and advances - By Product

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Product				
Term loans	26,465,305,065	22,059,486,232	26,465,305,065	22,059,486,232
Overdraft	1,494,429,473	845,382,758	1,494,429,473	845,382,758
Trust receipt/Import loans	1,452,457,986	13,031,625,231	1,452,457,986	13,031,625,231
Demand and other working capital loans	38,836,671,136	31,409,519,746	38,836,671,136	31,409,519,746
Personal residential loans	2,195,090,065	2,412,867,122	2,195,090,065	2,412,867,122
Real estate loans	5,764,168,185	4,839,228,125	5,764,168,185	4,839,228,125
Margin lending loans	32,721,559	-	32,721,559	-
Hire purchase loans	2,805,561,259	2,407,356,139	2,805,561,259	2,407,356,139
Deprived sector loans	1,936,402,559	1,903,455,689	1,936,402,559	1,903,455,689
Bills purchased	80,038	80,038	80,038	80,038
Staff loans	1,689,589,065	1,340,268,568	1,689,589,065	1,340,268,568
Other	24,396,547,064	17,992,605,687	24,396,547,064	17,992,605,687
Sub total	107,069,023,454	98,241,875,334	107,069,023,454	98,241,875,334
Interest receivable	577,728,577	409,845,493	577,728,577	409,845,493
Grand total	107,646,752,031	98,651,720,827	107,646,752,031	98,651,720,827

4.7.2: Analysis of loan and advances - By Currency

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Nepalese rupee	103,502,122,008	88,202,116,562	103,502,122,008	88,202,116,562
Indian rupee	80,038	80,038	80,038	80,038
United State dollar	4,144,549,986	10,449,524,228	4,144,549,986	10,449,524,228
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japanese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	107,646,752,031	98,651,720,827	107,646,752,031	98,651,720,827

4.7.3: Analysis of loan and advances - By Collateral

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Secured				
Movable/immovable assets	95,785,456,617	83,460,893,892	95,785,456,617	83,460,893,892
Gold and silver	-	-	-	-
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	156,081,139	156,086,186	156,081,139	156,086,186
Guarantee of international rated bank	508,516,636	104,083,333	508,516,636	104,083,333
Collateral of export document	-	648,288,269	-	648,288,269
Collateral of fixed deposit receipt	1,048,550,351	860,058,519	1,048,550,351	860,058,519
Collateral of Government securities	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	-	-	-	-
Other collateral	9,511,479,529	13,031,625,231	9,511,479,529	13,031,625,231
Subtotal	107,010,084,271	98,261,035,430	107,010,084,271	98,261,035,430
Unsecured*	636,667,761	390,685,397	636,667,761	390,685,397
Grant Total	107,646,752,031	98,651,720,827	107,646,752,031	98,651,720,827

* Unsecured loan represent the staff overdraft, staff demand Loan and Loan to Staff of EOI, KV & SAARC.

4.7.4: Allowances for impairment

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Specific allowances for impairment				
Balance at Shrawan 1	237,088,435	214,497,328	237,088,435	214,497,328
Impairment loss for the year:				
Charge for the year	(73,881,753)	22,591,107	(73,881,753)	22,591,107
Recoveries/reversal during the year	-	-	-	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashadh end	163,206,682	237,088,435	163,206,682	237,088,435
Collective allowances for impairment				
Balance at Shrawan 1	1,463,357,858	1,124,956,359	1,463,357,858	1,124,956,359
Impairment loss for the year:				
Charge/(reversal) for the year	626,151,819	338,401,500	626,151,819	338,401,500
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashadh end	2,089,509,678	1,463,357,858	2,089,509,678	1,463,357,858
Total allowances for impairment	2,252,716,360	1,700,446,293	2,252,716,360	1,700,446,293

4.8 Investment securities

Investment securities measured at amortized cost:

Government Bonds:

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

Investment in equity measured at FVTOCI:

Investments in corporate securities classified as Available for sale:

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

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

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Investment securities measured at amortized cost	23,323,252,895	21,073,936,534	23,323,252,895	21,073,936,534
Investment in equity measured at FVTOCI	252,716,586	173,050,338	252,716,586	173,050,338
Total	23,575,969,481	21,246,986,872	23,575,969,481	21,246,986,872

4.8.1: Investment securities measured at amortized cost

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Debt securities	-	-	-	-
Government bonds	12,609,701,356	10,344,825,618	12,609,701,356	10,344,825,618
Government treasury bills	10,713,551,539	10,729,110,916	10,713,551,539	10,729,110,916
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	-	-	-	-
Less: specific allowances for impairment	-	-	-	-
Total	23,323,252,895	21,073,936,534	23,323,252,895	21,073,936,534

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Equity instruments				
Quoted equity securities	225,980,526	148,919,478	225,980,526	148,919,478
Unquoted equity securities	26,736,060	24,130,860	26,736,060	24,130,860
Total	252,716,586	173,050,338	252,716,586	173,050,338

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

Investment in unquoted equity securities have been valued at latest available book value per share.

4.8.3: Information relating to investment in equities

	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity								
RMDC Laghubitta Bittiya Sanstha Ltd. 450,959 shares of NPR 100 each	18,895,000	147,463,266	18,895,000	122,886,273	18,895,000	147,463,266	18,895,000	122,886,273
Grameen Bikas Laghubitta Bittiya Sanstha Ltd. 139,215 shares of NPR 100 each	10,765,500	78,517,260	10,765,500	26,033,205	10,765,500	78,517,260	10,765,500	26,033,205
Subtotal	29,660,500	225,980,526	29,660,500	148,919,478	29,660,500	225,980,526	29,660,500	148,919,478
Investment in unquoted equity								
Karja Suchana Kendra Ltd. 154,402 shares of NPR100 each	1,235,500	15,440,200	1,235,500	15,440,200	1,235,500	15,440,200	1,235,500	15,440,200
Nepal Clearing House Ltd. 94,610 shares of NPR 100 each	2,500,000	9,461,000	2,500,000	6,855,800	2,500,000	9,461,000	2,500,000	6,855,800
National Banking Institute 18,348.60 shares of NPR 100 each	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860	1,834,860
Subtotal	5,570,360	26,736,060	5,570,360	24,130,860	5,570,360	26,736,060	5,570,360	24,130,860
Total	35,230,860	252,716,586	35,230,860	173,050,338	35,230,860	252,716,586	35,230,860	173,050,338

4.9 Current tax assets

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current tax assets				
Current year income tax assets	776,107,117	570,985,837	775,380,050	567,602,310
Tax assets of prior periods	6,111,739,160	5,544,136,850	6,111,739,160	5,544,136,850
Current tax liabilities				
Current year income tax liabilities	(781,975,982)	(450,831,368)	(781,509,199)	(450,544,494)
Tax liabilities of prior periods	(5,701,719,716)	(5,251,175,222)	(5,701,719,716)	(5,251,175,222)
Total	404,150,580	413,116,098	403,890,295	410,019,445

4.10 Investment in subsidiaries

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

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

The book value of investment in wholly owned subsidiary, NSMBL is NPR 283,505,142 at closing date .

4.10.1: Investment in quoted subsidiaries

	Bank			
	Current Year		Previous Year	
	Cost	Fair	Cost	Fair
.....Ltd.	-	-	-	-
.....shares of NPReach	-	-	-	-
.....Ltd.	-	-	-	-
.....shares of NPReach	-	-	-	-
.....	-	-	-	-
Total				

4.10.2: Investment in unquoted subsidiaries

	Bank			
	Current Year		Previous Year	
	Cost	Fair	Cost	Fair
Nepal SBI Merchant Banking Ltd. 2,000,000 shares of NPR 100 each	188,888,889	283,505,142	188,888,889	254,231,534
.....Ltd.	-	-	-	-
.....shares of NPReach	-	-	-	-
Total	188,888,889	283,505,142	188,888,889	254,231,534

The Fair value of Investment in subsidiary has been taken on the basis of net worth of subsidiary as on closing date i.e. Ashadh End 2079

4.10.3: Information relating to subsidiaries of the Bank

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

4.10.4: Non controlling interest of the subsidiaries

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

	Bank			
	Current Year			
	...Ltd	...Ltd.	...Ltd	...Ltd.
Equity interest held by NCI (%)	-	-	-	-
Profit/(loss) allocated during the year	-	-	-	-
Accumulated balances of NCI as on Ashadh end.....	-	-	-	-
Dividend paid to NCI	-	-	-	-

	Bank			
	Previous Year			
	...Ltd	...Ltd.	...Ltd	...Ltd.
Equity interest held by NCI (%)	-	-	-	-
Profit/(loss) allocated during the year	-	-	-	-
Accumulated balances of NCI as on Ashadh end.....	-	-	-	-
Dividend paid to NCI	-	-	-	-

4.11 Investment in associates

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

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

4.11.1: Investment in quoted associates

	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
.....Ltd.	-	-	-	-	-	-	-	-
.....shares of NPReach	-	-	-	-	-	-	-	-
.....Ltd.	-	-	-	-	-	-	-	-
.....shares of NPReach	-	-	-	-	-	-	-	-
.....	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

4.11.2: Investment in unquoted associates

	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
.....Ltd.	-	-	-	-	-	-	-	-
.....shares of NPReach	-	-	-	-	-	-	-	-
.....Ltd.	-	-	-	-	-	-	-	-
.....shares of NPReach	-	-	-	-	-	-	-	-
.....	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

4.11.3: Information relating to associates of the Bank

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

4.11.4: Equity value of associates

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

4.12 Investment properties

The bank has not made any investment in investment properties with intention to earn through rentals or through capital appreciation (or both). The assets disclosed hereunder is non-banking assets which has been accepted by the bank for which bank is unable to sold under auction.

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Investment properties measured at fair value				
Balance as on Shrawan 1	6,900,000	-	6,900,000	-
Addition/disposal during the year	-	6,900,000	-	6,900,000
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	6,900,000	6,900,000	6,900,000	6,900,000
Impairment Details				
Balance as on Shrawan 1	6,900,000	-	6,900,000	-
Addition/disposal during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	6,900,000	-	6,900,000
Net amount	6,900,000	6,900,000	6,900,000	6,900,000
Total	-	-	-	-

4.13 Property and Equipment

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

Group

Particulars	Land	B u i l d i n g	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Ma- chin- ery	Equipment & Others	Total Ashadh End 2079	Total Ashadh End 2078
Cost										
As on Shrawan 1, 2077	259,160,000	-	225,549,165	450,661,171	355,166,735	345,275,245	-	463,425,144	2,099,237,460	2,050,365,278
Addition during the Year									-	-
Acquisition	-	-	5,325,973	40,830,243	35,894,000	7,667,785	-	11,528,386	101,246,386	182,538,154
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(5,256,709)	(12,329,587)	(18,223,929)	(16,853,891)	-	(24,040,150)	(76,704,266)	(133,665,971)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2078	259,160,000	-	225,618,428	479,161,827	372,836,806	336,089,139	-	450,913,381	2,123,779,581	2,099,237,460
Addition during the Year										
Acquisition	-	-	39,981,838	23,349,832	86,145,365	12,406,211	-	23,648,773	185,532,019	101,246,386
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(8,292,276)	(12,449,069)	(48,294,010)	(6,822,675)	-	(14,234,105)	(90,092,134)	(76,704,266)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2079	259,160,000	-	257,307,991	490,062,590	410,688,161	341,672,676	-	460,328,049	2,219,219,466	2,123,779,581
Depreciation and Impairment										
As on Shrawan 1, 2077	-	-	110,107,015	302,660,870	168,985,561	248,855,030	-	361,658,116	1,192,266,591	1,108,682,690
Opening Adjustment for Shrawan 1 2077	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	16,704,928	55,883,342	41,367,097	27,127,180	-	44,518,610	185,601,157	179,986,552
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,485,646)	(11,883,267)	(10,991,025)	(16,163,883)	-	(23,490,727)	(67,014,548)	(96,402,651)
Balance as on Ashadh end 2078	-	-	122,326,297	346,660,945	199,361,632	259,818,327	-	382,685,999	1,310,853,200	1,192,266,591
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	17,357,914	53,800,483	44,353,580	22,594,610	-	34,676,984	172,783,571	185,601,157
Disposals	-	-	(7,134,727)	(12,241,001)	(32,421,194)	(6,739,460)	-	(14,143,972)	(72,680,354)	(67,014,548)
Adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2079	-	-	132,549,485	388,220,427	211,294,018	275,673,477	-	403,219,010	1,410,956,417	1,310,853,200
Capital Work in Progress	-	-	248,554,038	-	-	-	-	-	248,554,038	64,079,295
Net Book Value										
Balance as on Ashadh end 2077	259,160,000	-	115,442,150	148,000,302	186,181,174	96,420,216	-	101,767,028	917,705,204	941,682,588
Balance as on Ashadh end 2078	259,160,000	-	103,292,131	132,500,882	173,475,173	76,270,812	-	68,227,382	877,005,675	911,808,262
Balance as on Ashadh end 2079	259,160,000	-	373,312,545	101,842,163	199,394,142	65,999,198	-	57,109,038	1,056,817,087	877,005,675

Bank

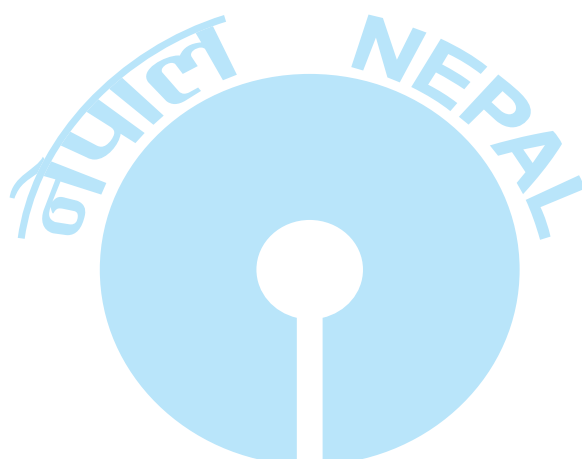
Particulars	Land	B u i l d i n g	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Ma- chinery	Equipment & Others	Total Ashadh End 2079	Total Ashadh End 2078
Cost										
As on Shrawan 1, 2077	259,160,000	-	224,126,720	449,835,869	351,451,016	344,246,421	-	462,447,623	2,091,267,649	2,042,508,734
Addition during the Year										
Acquisition	-	-	5,291,973	40,561,763	35,894,000	7,607,850	-	11,466,242	100,821,827	182,424,886
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(5,256,709)	(12,329,587)	(18,223,929)	(16,853,891)	-	(24,040,150)	(76,704,266)	(133,665,971)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2078	259,160,000	-	224,161,983	478,068,044	369,121,087	335,000,380	-	449,873,716	2,115,385,210	2,091,267,649
Addition during the Year										
Acquisition	-	-	39,981,838	23,230,407	86,133,500	12,054,379	-	23,612,469	185,012,593	100,821,827
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(8,292,276)	(12,449,069)	(48,294,010)	(6,822,675)	-	(14,234,105)	(90,092,134)	(76,704,266)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2079	259,160,000	-	255,851,546	488,849,382	406,960,577	340,232,085	-	459,252,080	2,210,305,669	2,115,385,210
Depreciation and Impairment										
As on Shrawan 1, 2077	-	-	109,726,557	302,291,539	167,022,865	248,585,497	-	361,082,759	1,188,709,216	1,106,315,433
Depreciation charge for the Year	-	-	16,593,724	55,676,449	40,809,739	26,997,875	-	44,262,226	184,340,013	178,796,434
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,485,646)	(11,883,267)	(10,991,025)	(16,163,883)	-	(23,490,727)	(67,014,548)	(96,402,651)
Adjustment										
Balance as on Ashadh end 2078	-	-	121,834,635	346,084,721	196,841,578	259,419,489	-	381,854,258	1,306,034,681	1,188,709,216
Impairment for the year										
Depreciation charge for the Year	-	-	17,248,681	53,560,788	43,795,939	22,447,580	-	34,506,829	171,559,817	184,340,013
Disposals	-	-	(7,134,727)	(12,241,001)	(32,421,194)	(6,739,460)	-	(14,143,972)	(72,680,354)	(67,014,548)
Adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on Ashadh end 2079	-	-	131,948,590	387,404,508	208,216,323	275,127,609	-	402,217,114	1,404,914,144	1,306,034,681
Capital Work in Progress	-	-	248,554,038	-	-	-	-	-	248,554,038	64,079,295
Net Book Value										
Balance as on Ashadh end 2077	259,160,000	-	114,400,163	147,544,330	184,428,151	95,660,925	-	101,364,864	913,292,767	936,193,301
Balance as on Ashadh end 2078	259,160,000	-	102,327,348	131,983,324	172,279,508	75,580,891	-	68,019,458	873,429,824	913,292,767
Balance as on Ashadh end 2079	259,160,000	-	372,456,995	101,444,875	198,744,253	65,104,475	-	57,034,965	1,053,945,563	873,429,824

4.14 Goodwill and Intangible Assets

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

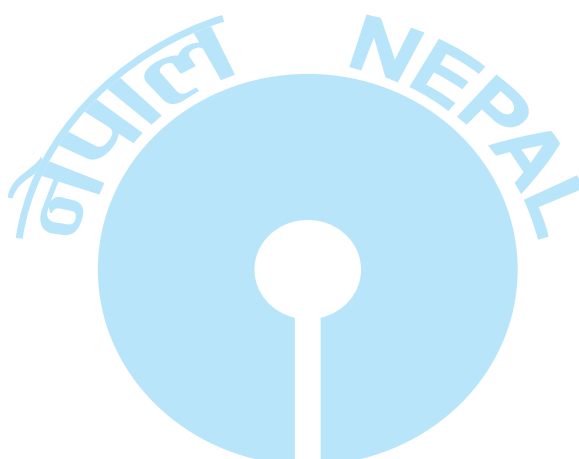
Group

Particulars	Goodwill	Software		Other	Total Ashadh end 2079	Total Ashadh end 2078
		Purchased	Developed			
Cost						
As on Shrawan 1, 2077		32,694,617			32,694,617	32,733,715
Addition during the Year		-			-	-
Acquisition		4,779,100			4,779,100	-
Capitalization		-			-	-
Disposal during the year		-			-	(39,098)
Adjustment/Revaluation		-			-	-
Balance as on Ashadh end 2078		37,473,717			37,473,717	32,694,617
Addition during the Year		-			-	-
Acquisition		4,033,818			4,033,818	4,779,100
Capitalization		-			-	-
Disposal during the year		-			-	-
Adjustment/Revaluation		-			-	-
Balance as on Ashadh end 2079		41,507,535			41,507,535	37,473,717
Amortization and Impairment						
As on Shrawan 1, 2077		29,704,436			29,704,436	28,300,757
Amortization charge for the Year		2,274,140			2,274,140	1,422,525
Impairment for the year		-			-	-
Disposals		-			-	(18,846)
Adjustment		-			-	-
Balance as on Ashadh end 2078		31,978,576			31,978,576	29,704,436
Amortization charge for the Year		2,562,050			2,562,050	2,274,140
Impairment for the year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on Ashadh end 2079		34,540,626			34,540,626	31,978,576
Capital Work in Progress		678,000			678,000	678,000
Net Book Value						
Balance as on Ashadh end 2077		3,668,181			3,668,181	4,432,958
Balance as on Ashadh end 2078		6,173,141			6,173,141	3,668,181
Balance as on Ashadh end 2079		7,644,908			7,644,908	6,173,141



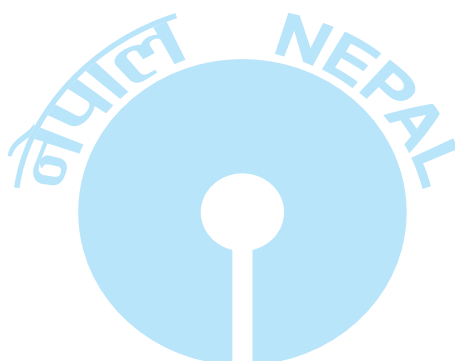
Bank

Particulars	Goodwill	Software		Other	Total Ashadh end 2079	Total Ashadh end 2078
		Purchased	Developed			
Cost						
As on Shrawan 1, 2077		31,852,262			31,852,262	31,852,262
Addition during the Year		-			-	-
Acquisition		4,542,600			4,542,600	-
Capitalization		-			-	-
Disposal during the year		-			-	-
Adjustment/Revaluation		-			-	-
Balance as on Ashadh end 2078		36,394,862			36,394,862	31,852,262
Addition during the Year		-			-	-
Acquisition		3,937,768			3,937,768	4,542,600
Capitalization		-			-	-
Disposal during the year		-			-	-
Adjustment/Revaluation		-			-	-
Balance as on Ashadh end 2079		40,332,630			40,332,630	36,394,862
Amortization and Impairment						
As on Shrawan 1, 2077		29,173,982			29,173,982	27,919,928
Amortization charge for the Year		1,959,884			1,959,884	1,254,054
Impairment for the year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on Ashadh end 2078		31,133,867			31,133,867	29,173,982
Amortization charge for the Year		2,233,167			2,233,167	1,959,884
Impairment for the year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on Ashadh end 2079		33,367,034			33,367,034	31,133,867
Capital Work in Progress						
Net Book Value						
Balance as on Ashadh end 2077		2,678,280			2,678,280	3,932,334
Balance as on Ashadh end 2078		5,260,995			5,260,995	2,678,280
Balance as on Ashadh end 2079		6,965,596			6,965,596	5,260,995

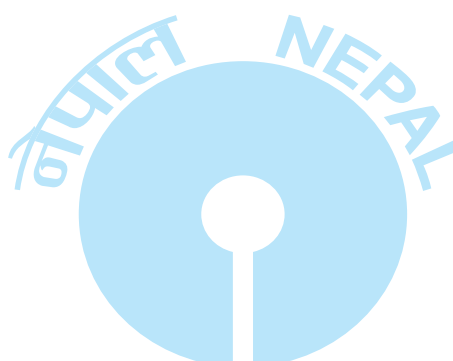


4.15 Deferred Tax

Particulars	Group			Bank		
	Current Year			Current Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs						
Loans and advances to customers						
Investment properties						
Investment securities						
Other trading assets (mutual fund)	-	(1,160,529)	1,160,529	-	1,374,514	(1,374,514)
Investment in equity measured at FVTOCI	-	65,245,718	(65,245,718)	-	65,245,718	(65,245,718)
Property & equipment	67,313,914	-	67,313,914	67,109,034	-	67,109,034
Employees' defined benefit plan	281,344,430	-	281,344,430	281,056,256	-	281,056,256
Lease liabilities	34,010,643	-	34,010,643	33,760,124	-	33,760,124
Provisions	-	-	-	-	-	-
Debenture	146,147	-	146,147	146,147	-	146,147
Draft under litigation	6,707,813	-	6,707,813	6,707,813	-	6,707,813
Staff Bonus	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	389,522,946	64,085,188	325,437,758	388,779,374	66,620,232	322,159,142
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate						
Net Deferred tax asset/(liabilities) as on year end of Ashadh 32, 2079	-	-	325,437,758	-	-	322,159,142
Deferred tax (asset)/liabilities as on shrawan 1, 2077	-	-	390,010,365	-	-	389,987,707
Origination/(Reversal) during the year	-	-	(64,572,607)	-	-	(67,828,565)
Deferred tax expense/(income) recognised in profit or loss	-	-	(45,703,649)	-	-	(42,447,691)
Deferred tax expense/(income) recognised in other comprehensive income	-	-	110,276,256	-	-	110,276,256
Deferred tax expense/(income) recognised in directly in equity	-	-	-	-	-	-



Particulars	Group			Bank		
	Previous Year			Previous Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs						
Loans and advances to customers						
Investment properties						
Investment securities						
Other trading assets (mutual fund)	-	7,652,368	(7,652,368)	-	7,280,790	(7,280,790)
Investment in equity measured at FVTOCI	-	41,345,843	(41,345,843)	-	41,345,843	(41,345,843)
Property & equipment	63,114,697	-	63,114,697	63,036,189	-	63,036,189
Employees' defined benefit plan	348,406,318	-	348,406,318	348,090,590	-	348,090,590
Lease liabilities	20,752,245	-	20,752,245	20,752,245	-	20,752,245
Provisions	-	-	-	-	-	-
Debenture	27,504	-	27,504	27,504	-	27,504
Draft under litigation	6,707,813	-	6,707,813	6,707,813	-	6,707,813
Staff Bonus	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
Deferred tax on temporary differences	439,008,577	48,998,211	390,010,365	363,856,657	36,819,239	389,987,707
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on year end of Ashadh 31, 2078	-	-	390,010,365	-	-	389,987,707
Deferred tax (asset)/liabilities as on shrawan 1, 2077	-	-	325,753,055	-	-	325,622,179
Origination/(Reversal) during the year	-	-	64,257,310	-	-	64,365,528
Deferred tax expense/(income) recognised in profit or loss	-	-	(54,813,680)	-	-	(54,921,898)
Deferred tax expense/(income) recognised in other comprehensive income	-	-	(9,443,630)	-	-	(9,443,630)
Deferred tax expense/(income) recognised in directly in equity	-	-	-	-	-	-



4.16 Other assets

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	98,834,556	308,681,517	98,834,556	308,681,517
Accrued income	-	-	-	-
Prepayments and deposit	90,388,230	119,185,026	90,221,387	119,091,430
Income tax deposit	-	-	-	-
Deferred employee expenditure	953,711,839	859,828,213	953,711,839	859,828,213
Other	1,069,039,017	82,693,864	1,056,225,339	78,673,332
Stationery stock	11,282,912	9,624,490	11,259,842	9,613,085
Receivables	60,188,492	73,069,373	59,776,456	69,060,246
Draft Under Litigation Receivable(Ref Note no. 5.22)	22,359,375	22,359,375	22,359,375	22,359,375
Provision for Draft Under Litigation	(22,359,375)	(22,359,375)	(22,359,375)	(22,359,375)
Right of Use Assets	997,567,613	-	985,189,041	-
Total	2,211,973,642	1,370,388,620	2,198,993,121	1,366,274,492

4.17 Due to Bank and Financial Institutions

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Money market deposits	-	-	-	-
Interbank borrowing	4,467,400,000	6,093,675,000	4,467,400,000	6,093,675,000
Other deposits from BFIs	-	-	-	-
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	-	-	-	-
Total	4,467,400,000	6,093,675,000	4,467,400,000	6,093,675,000

4.18 Due to Nepal Rastra Bank

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Refinance from NRB	1,303,496,556	4,265,513,428	1,303,496,556	4,265,513,428
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
Total	1,303,496,556	4,265,513,428	1,303,496,556	4,265,513,428

4.19 Derivative financial instruments

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

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

4.20 Deposits from customers

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Institutions customers:				
Term deposits	40,183,237,298	34,983,031,250	40,434,237,298	35,159,031,250
Call deposits	3,513,789,471	3,522,490,535	3,513,789,471	3,522,490,535
Current deposits	6,524,540,542	6,656,279,639	6,531,791,296	6,664,864,527
Other	3,965,135,837	3,185,513,409	3,965,135,837	3,185,513,409
Individual customers:				
Term deposits	28,213,758,582	15,534,539,986	28,213,758,582	15,534,539,986
Savings deposits	36,701,894,580	41,327,817,707	36,701,894,580	41,327,817,707
Current deposits	349,598,367	844,209,436	349,598,367	844,209,436
Other	-	-	-	-
Total	119,451,954,677	106,053,881,963	119,710,205,430	106,238,466,851

4.20.1: Currency wise analysis of deposit from customers

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Nepalese rupee	118,048,860,284	104,078,205,978	118,307,111,037	104,262,790,866
Indian rupee	410,901,153	269,679,462	410,901,153	269,679,462
United State dollar	959,884,236	1,674,383,346	959,884,236	1,674,383,346
Great Britain pound	6,140,824	2,788,875	6,140,824	2,788,875
Euro	21,614,515	20,241,394	21,614,515	20,241,394
Japanese yen	4,546,566	8,575,587	4,546,566	8,575,587
Australian Dollar	7,100	7,321	7,100	7,321
Other	-	-	-	-
Total	119,451,954,677	106,053,881,963	119,710,205,430	106,238,466,851

4.21 Borrowing

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Sub total	-	-	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	3,853,806,893	-	3,853,806,893	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	3,853,806,893	-	3,853,806,893	-
Total	3,853,806,893	-	3,853,806,893	-

4.22 Provisions

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

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

4.22.1: Movement in provision

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

4.23 Other liabilities

These are financial liabilities carried at amortised cost.

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Liability for employees defined benefit obligations	632,973,746	842,917,587	632,621,828	841,865,158
Liability for long-service leave	259,808,094	277,962,920	259,199,431	277,962,920
Short-term employee benefits	45,032,927	40,473,888	45,032,927	40,473,888
Bills payable	266,369,679	293,916,099	266,369,679	293,916,099
Creditors and accruals	256,179,795	295,528,423	256,179,795	295,433,282
Interest payable on deposit	-	-	-	-
Interest payable on borrowing	132,583,635	152,663,130	132,583,635	152,663,130
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	107,792,976	110,964,527	107,792,976	110,964,527
Liabilities under Finance Lease	1,110,936,422	-	1,097,722,787	-
Employee bonus payable	269,036,430	154,605,071	264,366,048	151,169,779
Other:				
Payable to Subsidiary	-	-	-	-
TDS payable	152,811,704	124,943,050	152,811,704	124,943,050
Operating lease liability	-	69,174,149	-	69,174,149
Provision for Technical Service Fee	4,358,771	6,097,814	4,358,771	6,097,814
Other Payable	8,823,910	9,956,666	8,823,910	8,822,394
Sundry Deposit	13,722,919	3,074,464	13,722,919	3,074,464
Provision for Office Expenses	156,954,245	164,275,989	156,954,245	164,275,989
Miscellaneous liabilities	627,857,989	221,332,601	626,828,925	221,332,601
Total	4,045,243,243	2,767,886,379	4,025,369,581	2,762,169,244

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

4.23.1: Defined benefit obligations

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Present value of unfunded obligations	632,973,746	842,917,587	632,621,828	841,865,158
Present value of funded obligations	-	-	-	-
Total present value of obligations	632,973,746	842,917,587	632,621,828	841,865,158
Fair value of plan assets	-	-	-	-
Present value of net obligations	632,973,746	842,917,587	632,621,828	841,865,158
Recognised liability for defined benefit obligations	632,973,746	842,917,587	632,621,828	841,865,158

4.23.2: Plan assets

The bank does not have any plan assets

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

Actual return on plan assets

4.23.3: Movement in the present value of defined benefit obligations

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Defined benefit obligations at Shrawan 1	842,917,587	751,143,308	841,865,158	751,143,308
Actuarial (gain)/Losses	(287,921,272)	30,160,850	(287,921,272)	30,160,850
Benefits paid by the plan	(55,135,724)	(63,101,000)	(54,083,295)	(63,101,000)
Current service costs and interest	133,113,155	124,714,429	132,761,237	123,662,000
Defined benefit obligations at Ashadh end	632,973,746	842,917,587	632,621,828	841,865,158

4.23.4: Movement in the fair value of plan assets

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Fair value of plan assets at Shrawan 1	-	-	-	-
Contributions paid into the plan	-	-	-	-
Benefits paid during the year	-	-	-	-
Actuarial (losses) gains	-	-	-	-
Expected return on plan assets	-	-	-	-
Fair value of plan assets at Ashadh end	-	-	-	-

4.23.5: Amount recognised in profit or loss

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current service costs	80,976,000	77,877,000	80,976,000	77,877,000
Interest on obligation	89,586,271	83,005,000	89,586,271	83,005,000
Actuarial (gain)/loss on leave	(37,199,769)	13,439,880	(37,199,769)	13,439,880
Expected return on plan assets	-	-	-	-
Total	133,362,502	174,321,880	133,362,502	174,321,880

4.23.6: Amount recognised in other comprehensive income

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Actuarial (gain)/loss	(287,921,272)	30,160,904	(287,921,272)	30,160,904
Total	(287,921,272)	30,160,904	(287,921,272)	30,160,904

4.23.7: Actuarial assumptions

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

4.24 Debt securities issued

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	2,629,094,880	3,028,699,402	2,629,094,880	3,028,699,402
Total	2,629,094,880	3,028,699,402	2,629,094,880	3,028,699,402

The above debt securities comprises of three debt securities issued by the bank (Four during the previous Year). The terms and condition of the same has been disclosed under Note no: 5.6.2 a. iii. The debt securities issued are subordinated to the depositors.

4.25 Subordinated Liabilities

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

4.26 Share capital

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Ordinary shares	9,825,853,113	9,493,577,887	9,825,853,113	9,493,577,887
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	9,825,853,113	9,493,577,887	9,825,853,113	9,493,577,887

4.26.1: Ordinary shares

	Bank	
	Current Year	Previous Year
Authorized Capital		
150,000,000 Ordinary share of NPR 100 each	15,000,000,000	15,000,000,000
Issued capital		
98,258,531.13 Ordinary share of NPR 100 each (Previous year 94,935,778.87 of NPR 100 each)	9,825,853,113	9,493,577,887
Subscribed and paid up capital		
98,258,531.13 Ordinary share of NPR 100 each (Previous year 94,935,778.87 of NPR 100 each)	9,825,853,113	9,493,577,887
Total	9,825,853,113	9,493,577,887

4.26.2: Ordinary share ownership

	Bank			
	Current Year		Previous Year	
	Percent	Amount	Percent	Amount
Domestic ownership				
Nepal Government				
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	15.00%	1,473,877,967	15.00%	1,424,036,683
Public	30.00%	2,947,755,934	30.00%	2,848,073,366
Other	-	-	-	-
Foreign ownership	55.00%	5,404,219,212	55.00%	5,221,467,838
Total	100.00%	9,825,853,113	100.00%	9,493,577,887

- 1) None of the General Public Shareholders hold 0.50% or more of the shares of the Bank individually.
- 2) Other institution reported is Karmachari Sanchaya Kosh (Employee Provident Fund)
- 3) Foreign ownership reported is State Bank of India

4.27 Reserves

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

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

Fair value Reserve: Financial instrument other than measured at amortised cost or fair value through profit and loss are categorised as financial instrument measured at fair value through other comprehensive income. The Bank has under regulatory provisions a requirement to appropriate the upward movements in fair value of such assets to fair value reserve. The accounting of gain or loss in the fair value movement of those Financial Assets is done through other comprehensive income under NFRS 9.

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

Other Regulatory Reserves

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

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

Staff Training Reserve: The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's salary and allowance. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year. Accordingly, the Bank has appropriate any shortfall amount in the reserves.

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

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Statutory general reserve	3,389,976,516	3,059,377,171	3,387,039,155	3,059,377,171
Exchange equilisation reserve	40,945,085	38,868,947	40,945,085	38,868,947
Corporate social responsibility reserve	22,330,498	16,184,779	22,136,762	16,184,779
Capital redemption reserve	1,086,249,778	1,165,347,111	1,086,249,778	1,165,347,111
Regulatory reserve	584,938,580	702,333,061	584,972,667	702,367,148
Investment adjustment reserve	-	-	-	-
Capital reserve	412,463,167	12,463,167	412,463,167	12,463,167
Assets revaluation reserve	-	-	-	-
Fair value reserve	152,240,012	96,473,638	152,240,011	96,473,637
Dividend equalisation reserve	-	-	-	-
Actuarial gain/ (loss)	-	-	-	-
Special reserve	-	-	-	-
Other reserve	-	-	-	-
Bonus Share issued by NSMBL	11,111,111	11,111,111	-	-
Actuarial loss	127,333,485	(74,211,406)	127,333,485	(74,211,406)
Staff Training Fund	20,038,186	-	20,038,186	-
Total	5,847,626,417	5,027,947,580	5,833,418,295	5,016,870,555

4.28 Contingent liabilities and commitments

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Contingent liabilities	24,025,355,524	15,578,356,741	24,025,355,524	15,578,356,741
Undrawn and undisbursed facilities	49,992,195,573	49,338,593,640	49,992,195,573	49,338,593,640
Capital commitment	372,487,032	14,422,670	377,314,255	21,127,670
Lease Commitment	-	1,137,344,982	-	1,137,344,982
Litigation	-	-	-	-
Total	74,390,038,129	66,068,718,033	74,394,865,351	66,075,423,033

4.28.1: Contingent liabilities

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Acceptance and documentary credit	8,307,744,524	1,720,194,677	8,307,744,524	1,720,194,677
Bills for collection	693,185,295	423,422,838	693,185,295	423,422,838
Forward exchange contracts	-	-	-	-
Guarantees	15,024,425,705	13,434,739,226	15,024,425,705	13,434,739,226
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Other	-	-	-	-
Total	24,025,355,524	15,578,356,741	24,025,355,524	15,578,356,741

4.28.2: Undrawn and undisbursed facilities

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Undisbursed amount of loans (Long term)	13,147,235,407	14,761,582,929	13,147,235,407	14,761,582,929
Undrawn limits of overdrafts (Short term)	25,710,436,241	21,090,857,872	25,710,436,241	21,090,857,872
Undrawn limits of credit cards	-	-	-	-
Undrawn limits of letter of credit	11,134,523,925	13,486,152,839	11,134,523,925	13,486,152,839
Undrawn limits of guarantee	-	-	-	-
Total	49,992,195,573	49,338,593,640	49,992,195,573	49,338,593,640

4.28.3: Capital commitments

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Capital commitments in relation to Property and Equipment for branch expansion				
Approved and contracted for	371,052,557	14,072,471	371,052,557	14,072,471
Approved but not contracted for	1,434,476	350,200	1,434,476	350,200
Sub total	372,487,032	14,422,670	372,487,032	14,422,670
Capital commitments in relation to Intangible assets				
Approved and contracted for	-	-	4,827,222	-
Approved but not contracted for	-	-	-	6,705,000
Sub total			4,827,222	6,705,000
Total	372,487,032	14,422,670	377,314,255	21,127,670

4.28.4: Lease commitments

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

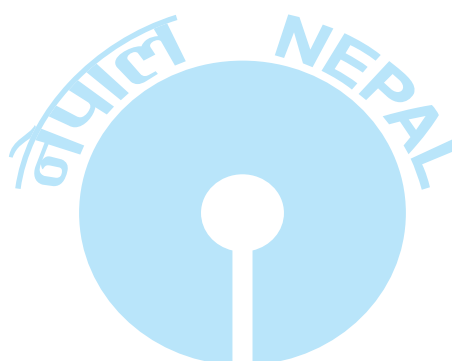
4.28.5: Litigation

There was no any writ petition filed against the bank at the end of Ashadh 2079 that create additional liability to the bank.

4.29 Interest income

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Cash and cash equivalent	6,220,520	6,813,032	5,029,992	4,789,540
Due from Nepal Rastra Bank	549,779,495	235,068,640	549,779,495	235,068,640
Placement with bank and financial institutions	51,742,123	28,720,966	51,742,123	28,720,966
Loan and advances to bank and financial institutions	1,255,175,967	214,703,633	1,255,175,967	214,703,633
Loans and advances to customers	9,589,600,135	7,879,596,935	9,589,600,135	7,879,596,935
Investment securities	545,701,838	452,581,595	545,701,838	452,581,595
Loan and advances to staff	98,025,743	91,739,760	98,025,743	91,739,760
Other (Notional interest on staff loan)	209,518,195	94,681,762	209,518,195	94,681,762
Total interest income	12,305,764,017	9,003,906,322	12,304,573,489	9,001,882,831

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



4.30 Interest expense

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Due to bank and financial institutions	96,527,825	33,970,064	96,527,825	33,970,064
Due to Nepal Rastra Bank	321,908,336	61,786,357	321,908,336	61,786,357
Deposits from customers	7,220,553,687	5,720,253,468	7,240,733,944	5,737,243,836
Borrowing	16,529,396	-	16,529,396	-
Debt securities issued	280,750,945	301,546,635	280,750,945	301,546,635
Subordinated liabilities	-	-	-	-
Other*	63,200,323	-	61,236,649	-
Total interest expense	7,999,470,510	6,117,556,524	8,017,687,094	6,134,546,892

* Represent the interest expenses on lease liability calculated under NFRS 16.

4.31 Fees and Commission Income

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loan administration fees	181,347,673	185,637,696	181,347,673	185,637,696
Service fees	80,995,760	19,065,132	-	-
Consortium fees	1,905,500	3,844,742	1,905,500	3,844,742
Commitment fees	3,230,405	3,739,451	3,230,405	3,739,451
DD/TT/Swift fees	30,388,514	27,251,235	30,388,514	27,251,235
Credit card/ATM issuance and renewal fees	72,845,696	44,365,838	72,845,696	44,365,838
Prepayment and swap fees	2,157,133	4,253,717	2,157,133	4,253,717
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	125,079,082	114,065,244	125,079,082	114,065,244
Commission on letter of credit	111,468,379	99,991,282	111,468,379	99,991,282
Commission on guarantee contracts issued	130,089,200	196,271,837	130,089,200	196,271,837
Commission on share underwriting/issue	-	-	-	-
Locker rental	11,753,581	11,707,628	11,753,581	11,707,628
Other fees and commission income	610,661,532	387,155,459	610,661,532	387,155,459
Total fees and Commission Income	1,361,922,455	1,097,349,261	1,280,926,695	1,078,284,129

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

4.32 Fees and commission expense

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
ATM management fees	1,156,090	924,577	1,156,090	924,577
VISA/Master card fees	52,254,628	60,212,345	52,254,628	60,212,345
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	4,294,467	3,896,426	4,294,467	3,896,426
Remittance fees and commission	-	-	-	-
Other fees and commission expense	39,909,935	16,513,251	20,489,380	19,246,898
Total fees and Commission Expense	97,615,121	81,546,600	78,194,566	84,280,247

4.33 Net trading income

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Changes in fair value of trading assets	(24,777,972)	25,712,636	(15,138,593)	24,582,049
Gain/loss on disposal of trading assets	(1,687,932)	3,971,298	(1,687,932)	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss foreign exchange transaction	281,107,856	319,117,168	281,107,856	319,117,168
Other	-	-	-	-
Net trading income	254,641,952	348,801,101	264,281,331	343,699,217

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

4.34 Other operating income

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Foreign exchange revaluation gain	8,304,555	12,905,083	8,304,555	12,905,083
Gain/loss on sale of investment securities	-	-	-	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	19,547,675	7,496,530	19,547,675	7,496,530
Gain/loss on sale of property and equipment	5,271,782	(160,431)	5,271,782	(160,431)
Gain/loss on sale of investment property	-	-	-	-
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	-	-	-	-
Locker rent	-	-	-	-
Other	-	-	-	-
Total	33,124,012	20,241,182	33,124,012	20,241,182

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	70,853,750	11,729,568	70,853,750	11,729,568
Impairment charge/(reversal) on loan and advances to customer	552,270,067	360,992,606	552,270,067	360,992,606
Impairment charge/(reversal) on financial Investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	6,900,000	-	6,900,000
Total	623,123,816	379,622,175	623,123,816	379,622,175

4.36 Personnel Expense

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

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Salary	517,940,721	524,495,622	515,009,423	522,363,605
Allowances	538,656,092	471,336,632	536,791,828	469,868,519
Gratuity expense	142,614,495	134,143,209	142,614,495	133,982,863
Provident fund	52,218,233	52,462,760	51,631,973	52,228,849
Uniform	607,557	1,137,244	585,861	1,115,548
Training & development expense	9,807,539	6,249,445	9,728,778	6,239,845
Leave encashment	18,448,393	65,980,218	18,117,615	65,789,887
Medical	17,069,288	10,998,270	17,069,288	10,998,270
Insurance	30,817,309	27,026,475	30,817,309	27,026,475
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	209,518,195	94,681,762	209,518,195	94,681,762
Other expenses related to staff	32,326,549	31,946,859	31,803,683	31,594,456
Subtotal	1,570,024,370	1,420,458,495	1,563,688,448	1,415,890,079
Employees bonus	269,036,430	154,605,071	264,366,048	151,169,779
Grand total	1,839,060,801	1,575,063,566	1,828,054,496	1,567,059,857

4.37 Other operating expense

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Directors' fee	784,000	1,086,000	640,000	950,000
Directors' expense	928,032	1,121,980	835,926	1,121,980
Auditors' remuneration	3,096,200	2,919,900	2,825,000	2,660,000
Other audit related expense	375,713	-	363,878	-
Professional and legal expense	48,535,336	41,314,159	48,535,336	41,314,159
Office administration expense	357,975,531	324,771,946	356,747,526	323,377,641
Lease expense	22,240,189	224,953,394	22,240,189	222,208,574
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense *	-	-	-	-
Onerous lease provisions	-	-	-	-
Other	186,097,181	150,160,695	183,724,789	149,277,933
Total	620,032,181	746,328,073	615,912,644	740,910,286

*The CSR related expenses have been charged to CSR Fund instead of recognizing as an expense in the Statement of Profit or Loss. The lease expenses includes the rental charges paid on short term lease agreement. (Refer Note 3.18)

4.37.1 Office administration expense

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Water and Electricity	34,141,283	30,217,966	33,875,014	29,982,873
Repair and maintenance:	-	-	-	-
a) Building	3,604,696	1,162,144	3,456,933	1,116,069
b) Vehicle	6,892,892	3,623,348	6,735,899	3,586,983
c) Computer and accessories	12,829,436	10,344,028	12,817,706	10,328,746
d) Office Equipment	11,849,556	6,792,789	11,820,691	6,744,514
e) Other	601,111	2,881,254	601,111	2,877,464
Insurance	9,331,962	7,012,093	9,273,502	6,944,357
Postage, telex, telephone, fax	9,046,069	9,637,049	8,947,420	9,522,215
Printing and Stationary	29,348,824	28,235,826	28,889,549	27,734,215
Newspaper, books, Journal	905,467	829,747	905,467	829,747
Advertisement	5,223,723	6,573,702	5,223,723	6,552,430
Donation	-	-	-	-
Security Expenses	106,390,263	107,328,808	106,390,263	107,328,808
Deposit and loan guarantee premium	54,396,342	41,969,593	54,396,342	41,969,593
Travel allowance and expense	10,301,572	10,130,722	10,301,572	10,103,022
Entertainment	2,103,681	2,181,011	2,103,681	2,181,011
Annual/Special general meeting	2,582,452	1,328,157	2,582,452	1,251,121
Other:				
a) Hiring of Vehicle and Fuel	22,239,780	17,025,628	22,239,780	16,826,393
b) Miscellaneous expenses	36,186,422	37,498,081	36,186,422	37,498,081
Total	357,975,531	324,771,946	356,747,526	323,377,641

4.38 Depreciation & Amortisation

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Depreciation on property and equipment	172,783,571	185,601,157	171,559,817	184,340,013
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	2,562,050	2,274,140	2,233,167	1,959,884
Depreciation on Right of Use Assets	182,432,083	-	180,663,716	-
Total	357,777,704	187,875,297	354,456,700	186,299,897

4.39 Non operating income

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Recovery of loan written off	-	181,898	-	181,898
Other income	2,955,575	9,598,977	13,818,225	9,598,977
Total	2,955,575	9,780,875	13,818,225	9,780,875

4.40 Non operating expense

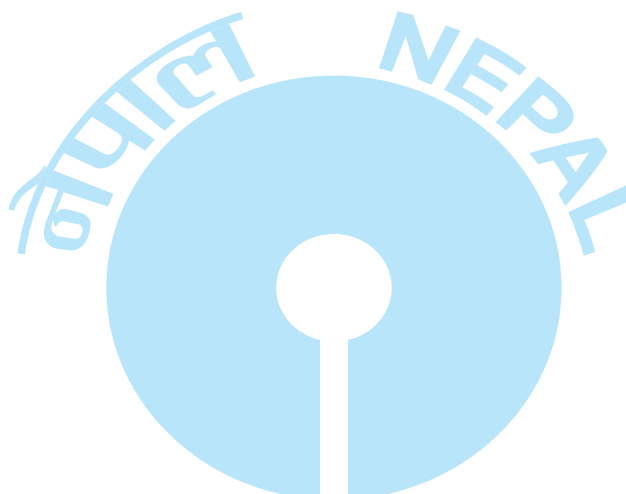
	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loan written off	-	-	-	-
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	-	640,871	-	640,871
Total	-	640,871	-	640,871

4.41 Income tax expense

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current tax expense				
Current year	797,384,746	459,711,564	781,509,199	450,544,494
Adjustments for prior years	1,923,009	1,426,269	1,923,009	1,426,269
Deferred tax expense				
Origination and reversal of temporary differences	(45,703,649)	(54,813,679)	(42,447,691)	(54,921,898)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	753,604,106	406,324,153	740,984,517	397,048,864

4.41.1: Reconciliation of tax expense and accounting profit

	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Profit before tax	2,421,327,877	1,391,445,636	2,379,294,436	1,360,528,007
Tax amount at tax rate of 30%	726,398,363	417,433,691	713,788,331	408,158,402
Add: Tax effect of expenses that are not deductible for tax purpose	120,109,251	83,281,250	116,843,736	83,281,250
Less: Tax effect on exempt income	(49,122,868)	(41,003,378)	(49,122,868)	(40,895,159)
Add/less: Tax effect on other items	-	-	-	-
Total income tax expense	797,384,746	459,711,563	781,509,199	450,544,494
Effective tax rate	32.93%	33.04%	32.85%	33.12%





Nepal SBI Bank Ltd.

Statement of distributable profit or loss

For the year ended 32 Ashadh 2079

(As per NRB Regulation)

Particulars	Bank	
	Current Year	Previous Year
Net profit or (loss) as per statement of profit or loss	1,638,309,919	963,479,143
Appropriations:		
a. General reserve	(327,661,984)	(192,695,829)
b. Foreign exchange fluctuation fund	(2,076,139)	(3,226,271)
c. Capital redemption reserve	(320,902,667)	(365,347,111)
d. Corporate social responsibility fund	(16,383,099)	(9,634,791)
e. Employees' training fund	(20,038,186)	-
f. Other:		
Profit or (loss) before regulatory adjustment	951,247,845	392,575,142
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(75,217,730)	40,064,092
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	67,828,565	(64,365,528)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	105,096,061	(21,112,633)
i. Other (+/-) (Gain on changes in fair value of Trading assets)	19,687,586	(24,582,049)
NFRS adjustment	-	-
Distributable profit or (loss)	1,068,642,326	322,579,024

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Pinaki Nath Banerjee)
Director

(Bharat Raj Wasti)
Director

(Apsara Upreti)
Director

(Gopal Prasad Bhatta)
Director

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

Date: 29.11.2022
Place: Kathmandu

Nepal SBI Bank Ltd.

Unaudited Interim Financial Statement of FY 2078/79

Condensed Consolidated Statement of Financial Position

As on Ashadh 32, 2079 (16.07.2022)

Particulars	Group		Bank	
	This Quarter ending Ashadh 32, 2079	Immediate Previous Year Ending Ashadh 31,2078	This Quarter ending Ashadh 32, 2079	Immediate Previous Year Ending Ashadh 31,2078
Assets				
Cash and cash equivalent	10,160,643,412	8,428,279,768	10,160,628,890	8,426,345,170
Due from Nepal Rastra Bank	4,519,929,769	3,272,981,241	4,519,929,769	3,272,981,241
Placement with Bank and Financial Institutions	-	41,500,000	-	-
Derivative financial instruments	33,908,998	-	33,908,998	-
Other trading assets	85,384,429	110,766,816	60,438,013	90,559,068
Loan and advances to B/FIs	5,245,228,328	4,586,766,483	5,245,228,328	4,586,766,483
Loans and advances to customers	105,272,526,893	96,951,274,535	105,272,526,893	96,951,274,535
Investment securities	23,573,364,281	21,246,986,872	23,573,364,281	21,246,986,872
Current tax assets	404,794,260	413,116,098	404,151,551	410,019,445
Investment in subsidiaries	-	-	188,888,889	188,888,889
Investment in associates	-	-	-	-
Investment property	-	-	-	-
Property and equipment	1,056,817,263	877,005,675	1,053,945,552	873,429,824
Goodwill and Intangible assets	7,644,961	6,173,141	6,965,596	5,260,995
Deferred tax assets	326,223,769	390,010,365	322,940,705	389,987,707
Other assets	2,210,797,788	1,370,388,620	2,198,406,721	1,366,274,492
Total Assets	152,897,264,151	137,695,249,613	153,041,324,186	137,808,774,721
Liabilities				
Due to Bank and Financial Institutions	4,467,400,000	6,093,675,000	4,467,400,000	6,093,675,000
Due to Nepal Rastra Bank	1,303,496,556	4,265,513,428	1,303,496,556	4,265,513,428
Derivative financial instruments	-	20,179,685	-	20,179,685
Deposits from customers	119,451,954,677	106,053,881,963	119,710,205,430	106,238,466,851
Borrowing	3,853,806,893	-	3,853,806,893	-
Current tax liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	3,985,378,998	2,767,886,379	3,965,742,230	2,762,169,244
Debt securities issued	2,629,094,880	3,028,699,402	2,629,094,880	3,028,699,402
Subordinated liabilities	-	-	-	-
Total liabilities	135,691,132,003	122,229,835,857	135,929,745,989	122,408,703,610
Equity				
Share capital	9,825,853,113	9,493,577,887	9,825,853,113	9,493,577,887
Share premium	-	-	-	-
Retained earnings	1,529,154,234	943,888,290	1,448,805,245	889,622,669
Reserves	5,851,124,801	5,027,947,580	5,836,919,839	5,016,870,555
Total equity attributable to equity holders	17,206,132,148	15,465,413,756	17,111,578,197	15,400,071,110
Non-controlling interest			-	
Total equity	17,206,132,148	15,465,413,756	17,111,578,197	15,400,071,110
Total liabilities and equity	152,897,264,151	137,695,249,613	153,041,324,186	137,808,774,721

Nepal SBI Bank Ltd.

Unaudited Interim Financial Statement of FY2078/79

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
For the Fourth quarter ended Ashadh 32, 2079 (16.07.2022)

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Up to This Quarter (YTD) Ashadh 32, 2079	Corresponding Previous Year This Quarter	Up to This Quarter (YTD) Ashadh 31, 2078	This Quarter	Up to This Quarter (YTD) Ashadh 32, 2079	Corresponding Previous Year This Quarter	Up to This Quarter (YTD) Ashadh 31, 2078
Interest income	3,993,332,395	12,365,364,032	2,374,597,065	9,003,906,322	3,993,189,956	12,364,173,504	2,373,994,465	9,001,882,831
Interest expense	2,433,638,229	7,936,270,188	1,460,465,749	6,117,556,524	2,439,720,449	7,956,450,445	1,464,471,053	6,134,546,892
Net interest income	1,559,694,166	4,429,093,845	914,131,316	2,886,349,798	1,553,469,507	4,407,723,059	909,523,412	2,867,335,938
Fee and commission income	279,256,998	1,361,228,142	279,723,285	1,097,349,261	254,062,712	1,280,246,107	278,667,927	1,078,284,129
Fee and commission expense	23,916,591	107,289,269	9,020,357	81,546,600	3,600,118	77,038,475	9,432,296	84,280,247
Net fee and commission income	255,340,407	1,253,938,873	270,702,928	1,015,802,661	250,462,594	1,203,207,632	269,235,632	994,003,882
Net interest, fee and commission income	1,815,034,573	5,683,032,718	1,184,834,244	3,902,152,459	1,803,932,101	5,610,930,690	1,178,759,044	3,861,339,820
Net trading income	78,595,688	254,504,852	85,243,487	348,801,101	80,999,837	264,281,331	85,210,821	343,699,217
Other operating income	6,423,264	33,124,012	2,915,932	20,241,182	6,423,264	33,124,012	3,103,192	20,241,182
Total operating income	1,900,053,526	5,970,661,582	1,272,993,663	4,271,194,742	1,891,355,203	5,908,336,034	1,267,073,058	4,225,280,219
Impairment charge/(reversal) for loans and other losses	441,797,021	682,451,595	413,595,735	379,622,175	441,797,021	682,451,595	413,595,735	379,622,175
Net operating income	1,458,256,504	5,288,209,987	859,397,928	3,891,572,568	1,449,558,181	5,225,884,438	853,477,323	3,845,658,044
Operating expense								
Personnel expenses	623,324,756	1,839,021,183	466,098,929	1,575,063,566	620,091,834	1,828,013,663	464,496,643	1,567,059,857
Other operating expenses	266,064,028	855,827,699	237,870,124	746,328,073	274,317,461	858,969,099	237,297,207	740,910,286
Depreciation & amortisation	37,129,630	175,345,358	53,210,179	187,875,297	36,756,449	173,792,963	52,811,005	186,299,897
Operating Profit	531,738,091	2,418,015,746	102,218,696	1,382,305,632	518,392,438	2,365,108,713	98,872,469	1,351,388,003
Non operating income	769,892	2,955,575	5,950,271	9,780,875	3,203,390	13,818,225	5,050,271	9,780,875
Non operating expense	-	-	-	640,871	-	-	-	640,871
Profit before income tax	532,507,984	2,420,971,321	108,168,967	1,391,445,636	521,595,828	2,378,926,939	103,922,740	1,360,528,007
Income tax expense								
Current Tax	232,401,874	799,050,199	74,536,302	461,137,832	225,781,637	783,090,294	73,370,652	451,970,762
Deferred Tax Income (Expenses)	45,708,100	45,708,100	54,813,679	54,813,679	42,447,694	42,447,694	54,921,898	54,921,898
Profit/(loss) for the period	345,814,210	1,667,629,222	88,446,344	985,121,483	338,261,885	1,638,284,339	85,473,986	963,479,143
Earnings per share:								
Basic earnings per share (Annualised)	-	16.97	-	10.03	-	16.67	-	9.81
Diluted earnings per share (Annualised)	-	16.97	-	10.03	-	16.67	-	9.81
Condensed Consolidated Statement of Comprehensive Income								
Profit/(loss) for the period	345,814,210	1,667,629,222	88,446,344	985,121,483	338,261,885	1,638,284,339	85,473,986	963,479,143
Other Comprehensive Income/(Expenses)	44,519,031	255,487,624	3,394,059	(22,035,137)	44,519,031	255,487,624	3,394,059	(22,035,137)
Total comprehensive Income	390,333,242	1,923,116,846	91,840,403	963,086,346	382,780,917	1,893,771,963	88,868,045	941,444,007
Profit attributable to:								
Equity holders of the Bank	390,333,242	1,923,116,846	91,840,403	963,086,346	382,780,917	1,893,771,963	88,868,045	941,444,007
Non-controlling interest	-	-	-	-	-	-	-	-
Total	390,333,242	1,923,116,846	91,840,403	963,086,346	382,780,917	1,893,771,963	88,868,045	941,444,007

Particulars	Group				Bank			
	Current Year		"Previous Year Corresponding"		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD) Ashadh 32, 2079	This Quarter	Up to This Quarter (YTD) Ashadh 31, 2078	This Quarter	Up to This Quarter (YTD) Ashadh 32, 2079	This Quarter	Up to This Quarter (YTD) Ashadh 31, 2078
Capital fund to RWA		13.32%		13.86%		13.32%		13.86%
Non-Performing loan (NPL) to total loan		0.15%		0.23%		0.15%		0.23%
Total loan loss provision to Total NPL		1497.07%		742.70%		1497.07%		742.70%
Cost of Funds		6.12%		5.27%		6.12%		5.27%
Credit to Deposit Ratio (As per NRB)		86.86%		89.49%		86.86%		89.49%
Average Base Rate (As per NRB)		9.61%		7.37%		9.61%		7.37%
Interest Spread Rate		4.36%		3.18%		4.36%		3.18%

Nepal SBI Bank Ltd.

Comparison of Unaudited and Audited Financial Statement for the FY Ending 32 Ashadh 2079

At the month end of Ashadh 2079

Statement of Financial position

Assets	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Cash and cash equivalent	10,160,628,890	10,160,628,890	-	-	
Due from Nepal Rastra Bank	4,519,929,769	4,519,929,769	-	-	
Placement with Bank and Financial Institutions	-	-	-	-	
Derivative financial instruments	33,908,998	33,908,998	-	-	
Other trading assets	60,438,013	60,438,013	-	-	
Loan and advances to B/FIs	5,245,228,328	5,183,047,328	(62,181,000)	0.1%	The classification of loans & advances and impairment charges has been revised resulting in change in net figure of loans & advances.
Loans and advances to customers	105,272,526,893	105,394,035,672	121,508,779		
Investment securities	23,573,364,281	23,575,969,481	2,605,200	-	Receipt of bonus share from NCHL for the FY 2077/78 after publication of unaudited financial statement.
Current tax assets	404,151,551	403,890,295	(261,256)	-0.1%	Change in taxable profit due to change in interest income.
Investment in subsidiaries	188,888,889	188,888,889	-	-	
Investment in associates	-	-	-	-	
Investment property	-	-	-	-	
Property and equipment	1,053,945,552	1,053,945,563	-	-	
Goodwill and Intangible assets	6,965,596	6,965,596	-	-	
Deferred tax assets	322,940,705	322,159,142	(781,563)	-	Deferred tax on fair value gain on bonus share of NCHL.
Other assets	2,198,406,721	2,198,993,121	-	-	
Total Assets	153,041,324,186	153,102,800,757	-	-	
Liabilities					
Due to Bank and Financial Institutions	4,467,400,000	4,467,400,000	-	-	
Due to Nepal Rastra Bank	1,303,496,556	1,303,496,556	-	-	
Derivative financial instruments	-	-	-	-	
Deposits from customers	119,710,205,430	119,710,205,430	-	-	
Borrowing	3,853,806,893	3,853,806,893	-	-	
Current tax liabilities	-	-	-	-	
Provisions	-	-	-	-	
Deferred tax liabilities	-	-	-	-	
Other liabilities	3,965,742,230	4,025,369,581	59,627,351	1.5%	NPR 59,600,014.94 has been provisioned as other liabilities to refund the interest income after direction from Nepal Rastra Bank. NPR 27,335.76 is for the bills receipt after publication of quarterly financial statement.
Debt securities issued	2,629,094,880	2,629,094,880	-	-	
Subordinated liabilities	-	-	-	-	
Total liabilities	135,929,745,989	135,989,373,340		-	
Equity					
Share capital	9,825,853,113	9,825,853,113	-	-	
Share premium	-	-	-	-	
Retained earnings	1,448,805,245	1,454,156,010	5,350,765	0.4%	The fair value gain of NPR 4,581,712.60 on NIBL Sambridhi Fund (matured during FY 2078/79) which was previously transferred to regulatory reserve has been write back to retained earnings. Deferred tax on fair value gain on bonus share of NCHL amounting NPR 781,560 has been write back to retained earnings.
Reserves	5,836,919,839	5,833,418,295	(3,501,544)	-0.1%	Release of amount as mentioned above for retained earning from regulatory reserve and creation of NPR 1,823,640 for fair value gain reserve for bonus share on NCHL.
Total equity attributable to equity holders	17,111,578,197	17,113,427,417			
Non-controlling interest	-	-			
Total equity	17,111,578,197	17,113,427,417			
Total liabilities and equity	153,041,324,186	153,102,800,757			



Nepal SBI Bank Ltd.

Comparison of Unaudited and Audited Financial Statement for the FY Ending 32 Ashadh 2079

At the month end of Ashadh 2079

Statement of Profit or Loss

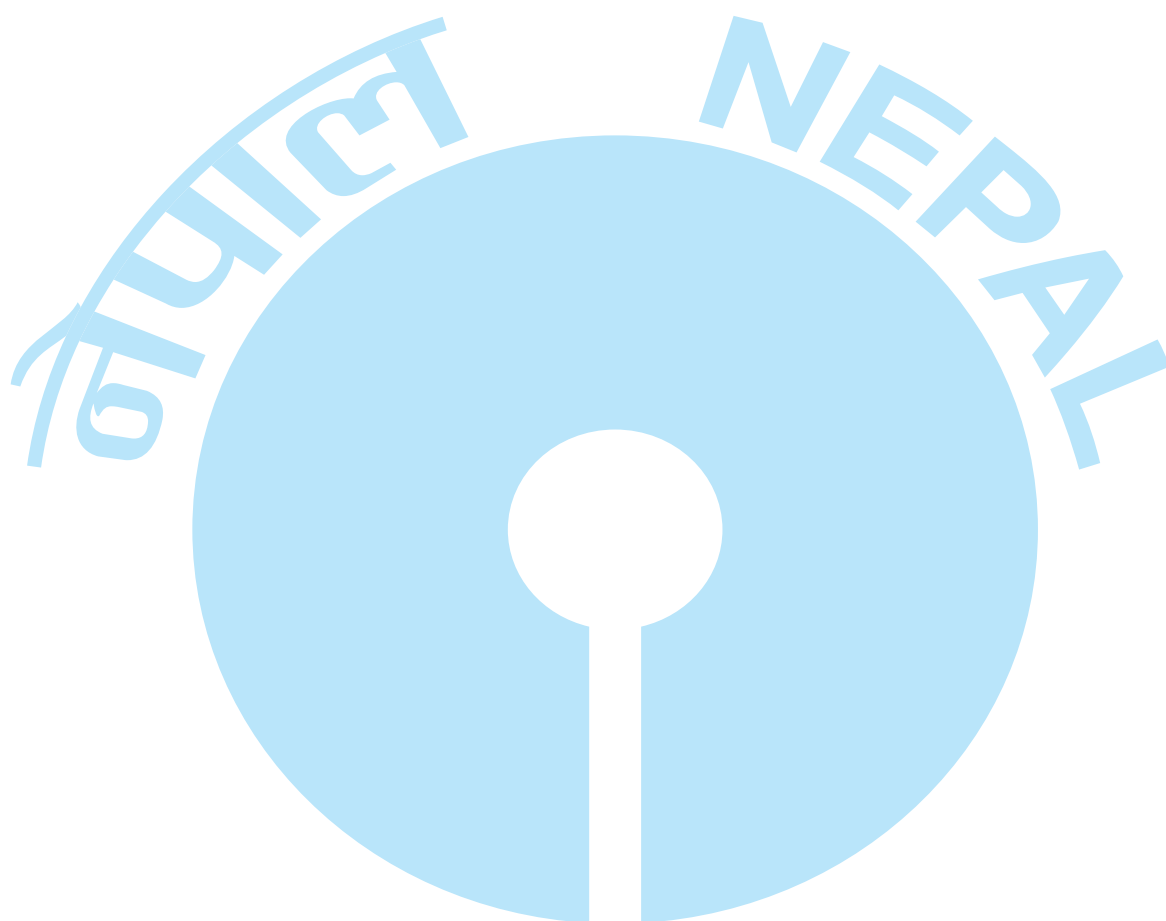
	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	12,364,173,504	12,304,573,489	(59,600,015)	-0.48%	Under direction from Nepal Rastra Bank, NPR 59,600,014.94 has been deducted from Interest income and provisioned in current FY for change in interest premium rate.
Interest expense	7,956,450,445	8,017,687,094	61,236,649	0.77%	Reclassification of Interest on Lease Liability from Other Operating Expenses.
Net interest income	4,407,723,059	4,286,886,395			
Fee and commission income	1,280,246,107	1,280,926,695	680,588	0.05%	Receipt of commission from Insurance company after publication of 4th quarter financial statement of FY 2078/79.
Fee and commission expense	77,038,475	78,194,566	1,156,090	1.50%	Reclassification of charges related to ATM management fees from other operating expenses.
Net fee and commission income	1,203,207,632	1,202,732,130			
Net interest, fee and commission income	5,610,930,690	5,489,618,524			
Net trading income	264,281,331	264,281,331	-	-	
Other operating income	33,124,012	33,124,012	-	-	
Total operating income	5,908,336,034	5,787,023,868			
Impairment charge/(reversal) for loans and other losses	682,451,595	623,123,816	(59,327,779)	-8.69%	The classification of loans & advances has been revised and impairment has been calculated accordingly.
Net operating income	5,225,884,438	5,163,900,051			
Operating expense					
Personnel expenses	1,828,013,663	1,828,054,496	40,833	-	Due to change in operating profit before tax, the staff bonus has been revised.
Other operating expenses	858,969,099	615,912,644	(243,056,455)	-28.30%	Reclassification of charges related to ATM management, interest on lease liability and depreciation on right of Use assets.
Depreciation & amortisation	173,792,963	354,456,700	180,663,737	103.95%	The depreciation expenses on Right of Use Assets (ROU) has been reclassified from other operating expenses
Operating Profit	2,365,108,713	2,365,476,211			
Non operating income	13,818,225	13,818,225	-		
Non operating expense	-	-	-		
Profit before income tax	2,378,926,939	2,379,294,436			
Income tax expense	740,642,600	740,984,517			
Current Tax	783,090,294	783,432,208	341,914	0.04%	Change in profit before tax and staff bonus.
Deferred Tax	(42,447,694)	(42,447,691)	-	-	
Profit for the Year	1,638,284,339	1,638,309,919			
Other Comprehensive Income	255,487,624	257,311,264	1,823,640	0.71%	Receipt of bonus share from NCHL for the FY 2077/78 after publication of Financial Statement.
Total Comprehensive Income	1,893,771,963	1,895,621,183			

Nepal SBI Bank Ltd.

FORM NO. 1 CAPITAL ADEQUACY TABLE

At the month end of Ashadh 2079

Particulars		Current Year	Previous Year
a	Common Equity Tier 1 Capital	15,969,906,737	14,426,238,120
b	Tier 1 Capital	15,969,906,737	14,426,238,120
c	Tier 2 Capital	4,335,609,850	3,710,132,045
d	Total Capital	20,305,516,587	18,136,370,165
e	Risk Weighted Exposures	153,220,078,634	130,888,891,296
Regulatory Ratios			
a	Leverage Ratio (Regulatory Requirement $\geq 4\%$)	6.94	7.00
b	Common Equity Tier 1 to Risk Weighted Exposure Ratios	10.42	11.02
c	Tier 1 to Risk Weighted Exposure Ratios	10.42	11.02
d	Total Capital to Risk Weighted Exposure Ratio	13.25	13.86





Nepal SBI Bank Ltd.

FORM NO. 1A CAPITAL ADEQUACY TABLE

At the month end of Ashadh 2079

1.1	RISK WEIGHTED EXPOSURES	Current Year	Previous Year
a	Risk Weighted Exposure for Credit Risk	141,741,505,005	118,190,007,870
b	Risk Weighted Exposure for Operational Risk	7,081,799,352	7,550,007,008
c	Risk Weighted Exposure for Market Risk	622,991,069	1,649,282,369
	Total Risk Weighted Exposures (a+b+c)	149,446,295,426	127,389,297,246
	Adjustments Under Pillar II		
	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
	Add% of the total deposit due to insufficient Liquid Assets	-	-
	Add: RWE equivalent to reciprocal of capital charge of 2 % of gross income.	784,857,299	951,808,105
	"Add: 2% of the total RWE as Supervisor is not satisfied with the overall risk Management Policies and Procedures (6.4 a 9)"	2,988,925,909	2,547,785,945
	Add:% of the total deposit due to insufficient Liquid Assets (6.4 a 6)	-	-
	Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)	153,220,078,634	130,888,891,296

1.2	CAPITAL	Current Year	Previous Year
	Core Capital (Tier 1)	15,969,906,737	14,426,238,120
a	Paid up Equity Share Capital	9,825,853,113	9,493,577,887
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus Equity Shares	-	-
e	Statutory General Reserves	3,387,039,155	3,059,377,171
f	Retained Earnings	-	-
g	Un-audited current year cumulative profit	1,454,156,010	889,622,669
h	Capital Redemption Reserve	-	-
l	Capital Adjustment Reserve	412,463,167	12,463,167
j	Dividend Equalization Reserves	-	-
k1	Other free Reserves - Debenture Redemption Reserve	1,086,249,778	1,165,347,111
k2	Other free Reserves - Deferred Tax Reserve	-	-
l	Less: Goodwill (software in our case)	(6,965,596)	(5,260,995)
m	Less: Deferred Tax Assets	-	-
n	Less: Fictitious Assets	-	-
o	Less: Investment in equity in licensed Financial Institutions	-	-
p	Less: Investment in equity of institutions with financial interests	(188,888,889)	(188,888,889)
q	Less: Investment in equity of institutions in excess of limits	-	-
r	Less: Investments arising out of underwriting commitments	-	-
s	Less: Purchase of land & building in excess of limit and unutilized	-	-
t	Less: Other Deductions	-	-
	Adjustments Under Pillar II		
	Less: Shortfall in Provision (6.4 a 1)		
	Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)		
	Supplementary Capital (Tier 2)	4,335,609,850	3,710,132,045
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	2,073,888,000	2,193,888,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	2,220,776,764	1,477,375,098
e	Investment Adjustment Reserve	-	-
f	Assets Revaluation Reserve	-	-
g	Exchange Equalization Reserve	40,945,085	38,868,947
h	Other Reserves	-	-
	Total Capital Fund (Tier I and Tier II)	20,305,516,587	18,136,370,165

1.3	CAPITAL ADEQUACY RATIOS	Current Year	Previous Year
	Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	10.42%	11.02%
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.25%	13.86%

Nepal SBI Bank Ltd.

FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

At the month end of Ashadh 2079

A. Balance Sheet Exposures	Ref	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
		a	b	c	d=a-b-c	e	f=d*e
Cash Balance		1,344,677,356			1,344,677,356	0%	-
Balance With Nepal Rastra Bank		4,614,127,097			4,614,127,097	0%	-
Gold					-	0%	-
Investment in Nepalese Government Securities		22,971,206,196			22,971,206,196	0%	-
All Claims on Government of Nepal		156,081,139			156,081,139	0%	-
Investment in Nepal Rastra Bank securities					-	0%	-
All claims on Nepal Rastra Bank		27,143,998			27,143,998	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)					-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)				-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)				-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)				-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)				-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework					-	0%	-
Claims on Other Multilateral Development Banks				-	-	100%	-
Claims on Domestic Public Sector Entities						100%	-
Claims on Public Sector Entity (ECA 0-1)				-	-	20%	-
Claims on Public Sector Entity (ECA 2)				-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)				-	-	100%	-
Claims on Public Sector Entity (ECA 7)		-		-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements		6,673,262,758		-	6,673,262,758	20%	1,334,652,552
Claims on domestic banks that do not meet capital adequacy requirements		-		-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)		200,778,569		-	200,778,569	20%	40,155,714
Claims on foreign bank (ECA Rating 2)		67,293,503		-	67,293,503	50%	33,646,751
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		7,177,273,588		-	7,177,273,588	20%	1,435,454,718
Claims on Domestic Corporates (Credit rating score equivalent to AAA)		548,511,868			548,511,868	50%	274,255,934
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)		23,871			23,871	70%	16,710
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)		-			-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)		12,976,657,207		443,412,412	12,533,244,795	100%	12,533,244,795
Claims on Domestic Corporates (Unrated)		58,613,111,787		312,948,418	58,300,163,368	100%	58,300,163,368
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)		15,648,689,257	-	6,620,248	15,642,069,010	75%	11,731,551,757
Claims Fulfilling all criterion of regulatory retail except granularity		-		-	-	100%	-
Claims secured by residential properties		2,179,914,458	-	-	2,179,914,458	60%	1,307,948,675
Claims not fully secured by residential properties		-	-	-	-	150%	-
Claims secured by residential properties (Overdue)		16,269,985	6,633,421	-	9,636,564	100%	9,636,564
Claims secured by Commercial real estate		863,199,999	-	-	863,199,999	100%	863,199,999
Past due claims (except for claim secured by residential properties)		190,894,944	156,493,224	-	34,401,720	150%	51,602,580
High Risk Claims		13,614,281,838	-	292,606,827	13,321,675,011	150%	19,982,512,516
Lending against securities (bonds)		-			-	100%	-
Trust Receipt Loans for Trading Firms		571,718,000			571,718,000	120%	686,061,600
Investments in equity and other capital instruments of institutions listed in the stock exchange		286,418,539		-	286,418,539	100%	286,418,539
Investments in equity and other capital instruments of institutions not listed in the stock exchange		24,130,863		-	24,130,863	150%	36,196,295
Staff loan secured by residential property		2,001,217,781			2,001,217,781	50%	1,000,608,891
Interest Receivable / Claim on Govt. Securities		352,046,699			352,046,699	0%	-
Cash in Transit and other cash Items in the process of collection		80,038	80,038	-	-	20%	-
Other Assets (as per attachment)		6,879,308,569	1,782,713,153	-	5,096,595,416	100%	5,096,595,416
TOTAL		157,998,319,905	1,945,919,836	1,055,587,905	154,996,812,164		115,003,923,372



B. Off Balance Sheet Exposures	Gross Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-			-	0%	-
Bills Under Collection	693,185,295			693,185,295	0%	-
Forward Foreign Exchange Contract Liabilities	-			-	10%	-
LC Commitments With Original Maturity Up to 6 months Domestic Counterparty	9,138,241,886		1,100,605,419	8,037,636,467	20%	1,607,527,293
Foreign Counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign Counterparty (ECA Rating 2)			-	-	50%	-
Foreign Counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign Counterparty (ECA Rating 7)			-	-	150%	-
LC Commitments With Original Maturity Over 6 months Domestic Counterparty	1,996,282,039		36,858,055	1,959,423,984	50%	979,711,992
Foreign Counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign Counterparty (ECA Rating 2)			-	-	50%	-
Foreign Counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign Counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee Domestic Counterparty	4,576,696,782		343,753,137	4,232,943,646	40%	1,693,177,458
Foreign Counterparty (ECA Rating 0-1)	-		-	-	20%	-
Foreign Counterparty (ECA Rating 2)	-		-	-	50%	-
Foreign Counterparty (ECA Rating 3-6)	-		-	-	100%	-
Foreign Counterparty (ECA Rating 7)	-		-	-	150%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-
Advance Payment Guarantee	47,128,782		1,957,800	45,170,982	100%	45,170,982
Financial Guarantee	-		-	-	100%	-
Acceptances and Endorsements	8,307,744,524		3,900,182	8,303,844,342	100%	8,303,844,342
Unpaid portion of Partly paid shares and Securities	-		-	-	100%	-
Irrevocable Credit commitments (Short Term)	25,710,436,241		326,308,343	25,384,127,899	20%	5,076,825,580
Irrevocable Credit commitments (Long Term)	13,147,235,407		-	13,147,235,407	50%	6,573,617,704
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	10,400,430,141		-	10,400,430,141	20%	2,080,086,028
Other Contingent Liabilities	377,314,255		-	377,314,255	100%	377,314,255
Unpaid Guarantee Claims	170,000		17,000	153,000	200%	306,000
TOTAL	74,394,865,352		1,813,399,936	72,581,465,416		26,737,581,633
Total RWE for credit Risk Before Adjustment (A) +(B)	232,393,185,257	1,945,919,836	2,868,987,841	227,578,277,581		141,741,505,005
Adjustments under Pillar II						
Add: 10% of the loan and facilities in excess of Single Obligor Limits (6.4 a 3)						
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)						
Total RWE for Credit Risk (After bank's Adjustments of Pillar II)						

Nepal SBI Bank Ltd.

FORM NO.3 ELIGIBLE CREDIT RISK MITIGANTS

At the month end of Ashadh 2079

Credit Exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Balance Sheet Exposures										
Claims on Foreign Government and Central Bank (ECA -2)										-
Claims on Foreign Government and Central Bank (ECA -3)										-
Claims on Foreign Government and Central Bank (ECA-4-6)										-
Claims on Foreign Government and Central Bank (ECA -7)										-
Claims on Other Multilateral Development Banks										-
Claims on Domestic Public Sector Entities										-
Claims on Public Sector Entity (ECA 0-1)										-
Claims on Public Sector Entity (ECA 2)										-
Claims on Public Sector Entity (ECA 3-6)										-
Claims on Public Sector Entity (ECA 7)										-
Claims on domestic banks that meet capital adequacy requirements										-
Claims on domestic banks that do not meet capital adequacy requirements										-
Claims on foreign bank (ECA Rating 0-1)										-
Claims on foreign bank (ECA Rating 2)										-
Claims on foreign bank (ECA Rating 3-6)										-
Claims on foreign bank (ECA Rating 7)										-
Claims on foreign bank incorporated in SAARC region and China operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates										-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)										-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)										-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)										-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	443,412,412									443,412,412
Claims on Domestic Corporates (Unrated)	312,948,418									312,948,418
Claims on Foreign Corporates (ECA 0-1)										-
Claims on Foreign Corporates (ECA 2)										-
Claims on Foreign Corporates (ECA 3-6)										-
Claims on Foreign Corporates (ECA 7)										-
Regulatory Retail Portfolio (Not Overdue)	6,620,248									6,620,248
Claims Fulfilling all criterion of regulatory retail except granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial real estate										-
Past due claims (except for claim secured by residential properties)										-
High Risk Claims	292,606,827									292,606,827
Lending against securities (Bonds)										-
Trust Receipt Loans for Trading Firms										-
Investments in equity and other capital instruments of institutions listed in the stock exchange										-
Investments in equity and other capital instruments of institutions not listed in the stock exchange										-
Other Assets (as per attachment)										-
Total	1,055,587,905	-	-	-	-	-	-	-	-	1,055,587,905

Credit Exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Off Balance Sheet Exposures										
Forward Foreign Exchange Contract										-
LC Commitments With Original Maturity Up to 6 months (domestic)	1,100,605,419									1,100,605,419
ECA Rating 0-1										-
ECA Rating 2										-
ECA Rating 3-6										-
ECA Rating 7										-
LC Commitments With Original Maturity Over 6 months (domestic)	36,858,055									36,858,055
ECA Rating 0-1										-
ECA Rating 2										-
ECA Rating 3-6										-
ECA Rating 7										-
Bid Bond, Performance Bond and Counter Guarantee Domestic Counterparty	343,753,137									343,753,137
ECA Rating 0-1										-
ECA Rating 2										-
ECA Rating 3-6										-
ECA Rating 7										-
Underwriting commitments										-
Lending of Bank's Securities or Posting of Securities as collateral										-
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)										-
Advance Payment Guarantee	1,957,800									1,957,800
Financial Guarantee	-									-
Acceptances and Endorsements	3,900,182									3,900,182
Unpaid portion of Partly paid shares and Securities										-
Irrevocable Credit commitments (Short Term)	326,308,343									326,308,343
Irrevocable Credit commitments (Long Term)										-
Other Contingent Liabilities										
Unpaid Guarantee Claims	17,000									17,000
Subtotal	1,813,399,936	-	-	-	-	-	-	-	-	1,813,399,936
Total	2,868,987,841	-	-	-	-	-	-	-	-	2,868,987,841

Nepal SBI Bank Ltd.

FORM NO.5 OTHER ASSETS At the month end of Ashadh 2079

S.No.	Assets	Gross Amount	Specific Provision	Net Balance
1	Current tax assets	403,890,295	-	
2	Investment property	6,900,000	6,900,000	-
3	Property and equipment	2,499,192,337	1,438,281,189	1,060,911,148
4	Assets held for sale	-	-	-
5	Other non-banking assets	-	-	-
6	Bills receivable	-	-	-
7	Accounts receivable	872,109,832	-	872,109,832
8	Accrued income	368,373,013	314,563,700	53,809,314
9	Prepayment and deposits	24,920,237	-	24,920,237
10	Income tax deposits	-	-	-
11	Deferred employee expenditure	-	-	-
12	Others	2,703,922,856	22,968,265	2,680,954,591
TOTAL		6,879,308,569	1,782,713,153	4,692,705,121

Nepal SBI Bank Ltd.

FORM NO.6 RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK At the month end of Ashadh 2079

Particulars	Year 1 (2075/76)	Year 2 (2076/77)	Year 3 (2077/78)
Net Interest Income	4,705,083,386	4,044,602,762	2,867,335,938
Commission and Discount Income	993,635,660	884,594,665	1,078,284,129
Other Operating Income	7,333,754	13,512,082	31,918,148
Exchange Fluctuation Income	318,228,661	287,812,261	332,022,251
Addition / Deduction Interest Suspense during the period	4,620,279	4,946,355	7,586,396
Gross income (a)	6,028,901,739	5,235,468,125	4,317,146,861
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	904,335,261	785,320,219	647,572,029
Capital Requirement for operational risk (d) (average of c)	779,075,836		
Risk Weight (reciprocal of capital requirement of 11%) in times (e)	9.09		
Equivalent Risk Weight Exposure [f=(d×e)]	7,081,799,352		
PILLAR-II ADJUSTMENTS			
If Gross Income for all the last three years is negative (6.4 a 8)			
Total Credit and Investment (net of Specific Provision)			
Capital Requirement for operational risk (5%)			
Risk Weight (reciprocal of capital requirement of 11%) in times	9.09		
Equivalent Risk Weight Exposure [g]			
Equivalent Risk Weight Exposure [h=f+g]			

Nepal SBI Bank Ltd.

FORM NO.7 RISK WEIGHTED EXPOSURE FOR MARKET RISK At the month end of Ashadh 2079

S. No.	Currency	Open Position (FCY)	Rate	Open Position (NPR)	Relevant Open Position
1	INR	810,752,661	1.60	1,297,812,322	1,297,812,322
2	USD	441,978	127.90	56,529,023	56,529,023
3	GBP	6,016	151.30	910,239	910,239
4	EUR	29,921	128.02	3,830,453	3,830,453
5	THB	-	3.47	-	-
6	CHF	-	129.65	-	-

7	AUD	104,444	86.13	8,995,768	8,995,768
8	CAD	200	97.20	19,440	19,440
9	SGD	200	91.17	18,234	18,234
10	JPY	532,165	0.92	491,720	491,720
11	HKD	9,000	16.33	146,970	146,970
12	DKK	200	17.35	3,470	3,470
13	SEK	220	12.08	2,658	2,658
14	SAR	-	34.14	-	-
15	QAR	-	34.31	-	-
16	AED	38,700	34.59	1,338,633	1,338,633
17	MYR	13,100	28.76	376,756	376,756
18	KRW	-	0.10	-	-
19	CNY	9,832	18.90	185,834	185,834
20	KWD	135	414.10	55,904	55,904
Total Open Position (a)					1,370,717,423
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(a×b)]					68,535,871
Risk Weight (reciprocal of capital requirement of 11%) in times (d)					9.09
Equivalent Risk Weight Exposure [e=(c×d)]					622,991,069

Nepal SBI Bank Ltd.

FORM NO.8 NET LIQUID ASSETS TO TOTAL DEPOSIT RATIO

At the month end of Ashadh 2079

Particulars	Current Year	Previous Year
Total Deposit and Borrowing (A)	131,899,935,691	119,600,183,116
Total Deposit (as per NRB Ni Fa. 9.1)	119,658,151,135	106,207,106,688
Total Borrowing (as per NRB Ni Fa. 9.1)	12,241,784,556	13,393,076,428
Liquid Assets (B)	37,734,304,651	32,611,177,854
Cash (9.1)	1,344,677,356	1,910,254,794
Bank Balance (9.1)	6,318,052,600	6,223,495,460
Money at Call and Short Notice (9.1)	1,074,360,000	1,300,000,000
Investment in Government Securities (9.1)	22,971,206,196	20,911,508,000
Placement upto 90 days	6,026,008,500	2,265,919,600
Borrowings payable upto 90 days (C)	4,467,400,000	6,093,675,000
Net Liquid Assets (D) = (B-C)	33,266,904,651	26,517,502,854
Net Liquid Assets to Total Deposit	27.80%	24.97%
Shortfall in Ratio	-	-
Amount to be added to Risk Weighted Exposures	-	-

Nepal SBI Bank Ltd.

FORM NO.9 LEVERAGE RATIO

At the month end of Ashadh 2079

Particulars	Current Year	Previous Year
Exposure Measure	230,251,410,937	205,955,234,188
1. On Balance Sheet Assets (Net of Specific Provision)	156,052,400,069	140,074,131,039
2. Repurchase Agreements and Securities Finance		
3. Derivatives		
4. Off Balance Sheet Exposure	74,394,865,352	66,075,253,033
Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	195,854,485	194,149,884
Capital Measure	15,969,906,737	14,426,238,120
1. Common Equity Tier 1 Capital (After Regulatory Adjustment)	15,969,906,737	14,426,238,120
2. Additional Tier 1 Capital	-	-
Leverage Ratio in Percentage	6.94%	7.00%

5. Disclosure of Additional Information

5.1. Risk Management Framework

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

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

5.2. Credit Risk

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

policies and procedures. Through this policy, the Bank seeks to:

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

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

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

i) Maximum exposure to credit risk

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

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

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system as of 31 Ashadh 2079.

(Amount in NPR Lakhs)

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	101,606	-	-	-	-	101,606
Due from Nepal Rastra Bank	45,199	-	-	-	-	45,199
Placement with Bank and Financial Institutions	-	-	-	-	-	-
Loan and advances to B/FIs	51,830	-	-	-	-	51,830
Loans and advances to customers	1,012,197	41,743	-	-	1,632*	1,055,572
Investment securities	233,233	-	-	-	-	233,233
Fair Value through Profit and Loss (FVTPL)	-	-	-	-	-	-
Derivative financial instruments.	-	-	-	-	-	-
Trading Assets	604	-	-	-	-	604
Fair Value through Other Comprehensive Income (FVTOCI)	-	-	-	-	-	-
Investment securities	2,527	-	-	-	-	2,527
Investment in subsidiaries	1,889	-	-	-	-	1,889
Total	1,449,085	41,743	-	-	1,632	1,492,460

* For Individually impaired assets 100% impairment provision has been maintained.

5.3. Market Risk

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

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

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

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

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

- Asset Liability Management
- Structural Balance Sheet Risk and Policy

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

5.4. Operational Risk

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

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

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

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

Key Roles of ORMC:

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

5.5. Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency funding plans for managing liquidity risk. The Bank always maintains liquid assets higher than regulatory prescription to mitigate the liquidity risk.

Assets Liability committee (ALCO) is a senior management level committee responsible for supervision/management of liquidity risks.

Maturity profile of financial assets and liabilities at closing date of financial year, which is used by the management to monitor and take necessary action for liquidity in the bank, is as under:

As on 32 Ashadh 2079

Amount in NPR Lakhs

S.N.	Particulars	1-7 days	7-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Total
Assets									
1	Cash and cash equivalent								
	Cash in hand	13,447	-	-	-	-	-	-	13,447
	Balances with B/FIs	17,039	-	-	-	-	-	-	17,039
	Money at call and short notice	-	-	-	-	-	-	-	-
	Others	26,121	-	44,999	-	-	-	-	71,120
2	Due from Nepal Rastra Bank								
	Statutory balances with NRB	44,079	-	-	-	-	-	-	44,079
	Securities purchased under resale agreement	-	-	-	-	-	-	-	-
	Other deposit and receivable from NRB	1,120	-	-	-	-	-	-	1,120
3	Placement with Bank and Financial Institutions	-	-	-	-	-	-	-	-
4	Derivative financial instruments	-	-	-	-	-	-	-	-
5	Other trading assets								-
	Treasury bills	-	-	-	-	-	-	-	-
	Government bonds	-	-	-	-	-	-	-	-
	NRB Bonds	-	-	-	-	-	-	-	-
	Domestic Corporate bonds	-	-	-	-	-	-	-	-
	Equities/ Mutual Fund Units	-	-	-	-	-	-	604	604
6	Loan and advances to B/FIs	-	862	2,294	3,855	631	44,189	-	51,830
7	Loans and advances to customers	17,970	63,201	184,503	144,057	97,052	129,412	417,744	1,053,940
8	Investment securities								
	Investment securities measured at amortized cost	-	16,107	26,622	44,644	3,131	16,632	126,097	233,233
	Investment in equity measured at FVTOCI	-	-	-	-	-	-	2,527	2,527
9	Current tax assets	-	-	-	-	-	4,039	-	4,039
10	Investment in subsidiaries	-	-	-	-	-	-	1,889	1,889
11	Investment in associates	-	-	-	-	-	-	-	-
12	Investment property	-	-	-	-	-	-	-	-
13	Property and equipment	-	-	-	-	-	-	10,539	10,539
14	Goodwill and Intangible assets	-	-	-	-	-	-	70	70
15	Deferred tax assets	-	-	-	-	-	-	3,222	3,222
16	Other assets	220	-	-	-	-	362	-	582
Total (A)		119,997	80,170	258,417	192,556	100,813	194,634	562,693	1,509,281
Liabilities									
1	Due to Bank and Financial Institutions	44,674	-	-	-	-	-	-	44,674
2	Due to Nepal Rastra Bank	-	-	-	11,540	-	1,495	-	13,035
3	Derivative financial instruments	-	-	-	-	-	-	-	-
4	Deposits from customers	131,488	38,203	88,432	92,026	111,540	153,185	582,228	1,197,102
5	Borrowing	-	-	-	-	-	38,538	-	38,538
6	Current tax liabilities	-	-	-	-	-	-	-	-
7	Provisions	-	-	-	-	-	-	-	-
8	Deferred tax liabilities	-	-	-	-	-	-	-	-
9	Other liabilities	1,020	4,051	401	6,145	1,673	15,110	11,853	40,254
10	Debt securities issued	-	-	-	-	4,000	-	22,291	26,291
11	Subordinated liabilities	-	-	-	-	-	-	-	-
Total (B)		177,182	42,253	88,834	109,712	117,213	208,328	616,372	1,359,894
Net Assets (A-B)		(57,185)	37,916	169,584	82,845	(16,400)	(13,694)	(53,679)	149,387
Cumulative Net Assets		(57,185)	(19,268)	150,316	233,160	216,760	203,067	149,387	298,774

5.6. Capital Management

5.6.1. Qualitative disclosures

The objective of capital management is to ensure that the Bank has adequate Capital to support material risks in the business and also to encourage the Bank to develop and use better Risk Management Techniques for monitoring and managing risks.

The Bank has devised ICAAP, which is intended to ensure that it has adequate capital to support all the risks in business, to improve upon the risk over time and achieve better risk management techniques in monitoring and

managing risks. ICAAP Committee meets at quarterly intervals to review the internal capital assessment commensurate with the risk profile and review the portfolios which require capital charge. ICAAP Committee also reviews strengthening of risk management, applying internal limits, strengthening the level of provisions and reserves, and improving internal controls.

The bank have planned its Business and capital growth in such a way that the Capital Adequacy Ratio (CAR) does not fall below 12% in the next five years. The Business growth targets, and capital plan is revised to align with changes in macro and micro economic situation in the country from time to time.

5.6.2. Quantitative disclosures

a) Capital structure and capital adequacy

i. Tier 1 capital and a breakdown of its components

1.2	CAPITAL	32 Ashadh 2079	31 Ashadh 2078
	Core Capital (Tier 1)	15,969,906,737	14,426,238,120
a	Paid up Equity Share Capital	9,825,853,113	9,493,577,887
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus Equity Shares	-	-
e	Statutory General Reserves	3,387,039,155	3,059,230,634
f	Retained Earnings	-	-
g	Un-audited current year cumulative profit	1,454,156,010	889,622,669
h	Capital Redemption Reserve	-	-
l	Capital Adjustment Reserve	412,463,167	12,463,167
j	Dividend Equalization Reserves	-	-
k1	Other free Reserves - Debenture Redemption Reserve	1,086,249,778	1,165,347,111
k2	Other free Reserves - Deferred Tax Reserve	-	-
l	Less: Goodwill	-	-
m	Less: Intangible Assets	6,965,596	5,260,995
n	Less: Deferred Tax Assets	-	-
o	Less: Fictitious Assets	-	-
p	Less: Investment in equity in licensed Financial Institutions	-	-
q	Less: Investment in equity of institutions with financial interests	188,888,889	188,888,889
r	Less: Investment in equity of institutions in excess of limits	-	-
s	Less: Investments arising out of underwriting commitments	-	-
t	Less: Purchase of land & building in excess of limit and unutilized	-	-
u	Less: Other Deductions	-	-
	Adjustments Under Pillar II	-	-
	Less: Shortfall in Provision (6.4 a 1)	-	-
	Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-	-

ii. Tier 2 capital and a breakdown of its components

S.No.	Particulars	32 Ashadh 2079	31 Ashadh 2078
	Supplementary Capital (Tier 2)	4,335,609,850	3,710,132,045
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	2,073,888,000	2,193,888,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	2,220,776,764	1,477,375,098
e	Investment Adjustment Reserve	-	-
f	Assets Revaluation Reserve	-	-
g	Exchange Equalization Reserve	40,945,085	38,868,947
h	Other Reserves	-	-

iii. Detailed information about the Subordinated Term Debts with information on the outstanding amount, at cost, maturity, and amount eligible to be reckoned as capital funds.

Particulars	32 Ashadh 2079	32 Ashadh 2079 (Amount eligible for capital fund)	31 Ashadh 2078 (Amount eligible for capital fund)
1. 8% Nepal SBI Bank Debentures 2079 of NPR 1,000 each (Unsecured) Issued on 03.02.2013 and maturing on 02.02.2023 (Outstanding balance of Redemption Reserve NPR 400,000,000)	400,000,000	-	80,000,000
2. 7.9% Nepal SBI Bank Debentures 2080 of NPR 1,000 each (Unsecured) Issued on 20.04.2014 and maturing on 19.04.2024 (Outstanding balance of Redemption Reserve NPR 177,777,778)	200,000,000	40,000,000	80,000,000
3. 10% Nepal SBI Bank Debentures 2086 of NPR 1,000 each (Unsecured) Issued on 18.03.2020 and maturing on 17.03.2030 (Outstanding Balance of Redemption Reserve NPR 504,472,000)	2,033,888,000	2,033,888,000	2,033,888,000
Total (1+2+3)	2,633,888,000	2,073,888,000	2,193,888,000

*Interest payable on half-yearly basis.

iv. Deductions from capital

The following particulars have been considered for deduction from core capital:

Particulars	32 Ashadh 2079	31 Ashadh 2078
Intangible Assets (software in our case)	6,965,596	5,260,995
Investment in equity of institutions with financial interests (subsidiary NSMBL)	188,888,889	188,888,889
Total	195,854,485	191,567,169

v. Total qualifying capital

Particulars	32 Ashadh 2079	31 Ashadh 2078
Tier 1 Capital	15,969,906,737	14,426,238,120
Tier 2 Capital	4,335,609,850	3,710,132,045
Total	20,305,516,587	18,136,370,165

Capital Adequacy Ratio

CAPITAL ADEQUACY RATIOS	32 Ashadh 2079	31 Ashadh 2078
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	10.42%	11.02%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.25%	13.86%

vi. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

Ordinary share capital: The Bank has only one class of equity shares having a par value of NPR 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Bank, holder of equity shares will be entitled to receive remaining assets of the Bank after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Bank has issued debentures as mentioned in Note iii. These debentures do not carry any voting rights. These debentures are subordinate to the depositors of the Bank.

b) Risk Exposures

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

S.No.	RISK WEIGHTED EXPOSURES	32 Ashadh 2079
1	Risk Weighted Exposure for Credit Risk	141,741,505,005
2	Risk Weighted Exposure for Operational Risk	7,081,799,352
3	Risk Weighted Exposure for Market Risk	622,991,069
4	Regulatory Adjustment	3,773,783,208
	Total Risk Weighted Exposures	153,220,078,634

Risk weighted exposure under each of 11 Categories of Credit Risk

S.No.	RISK WEIGHTED EXPOSURES	32 Ashadh 2079
1	Claims on government & central bank	-
2	Claims on other official entities	-
3	Claims on banks	2,843,909,734
4	Claims on corporate & securities firms	71,793,742,407
5	Claims on regulatory retail portfolio	11,731,551,757
6	Claims secured by residential properties	1,317,585,238
7	Claims secured by commercial real estate	863,199,999
8	Past due Claims	51,602,580
9	High risk claims	19,982,512,516
10	Other assets	6,419,819,140
11	Off balance sheet item	26,737,581,634
	Total	141,741,505,005

c) Total risk weighted exposure calculation table

1.1	RISK WEIGHTED EXPOSURES	32 Ashadh 2079	31 Ashadh 2078
a	Risk Weighted Exposure for Credit Risk	141,741,505,005	118,190,007,870
b	Risk Weighted Exposure for Operational Risk	7,081,799,352	7,550,007,008
c	Risk Weighted Exposure for Market Risk	622,991,069	1,649,282,369
	Total Risk Weighted Exposures (a+b+c)	149,446,295,426	127,389,297,246
	Adjustments Under Pillar II		
	Add: RWE equivalent to reciprocal of capital charge of 2% of gross income.	784,857,299	951,808,105
	Add: 2% of the total RWE as Supervisor is not satisfied with the overall Risk Management Policies and Procedures (6.4 a 9)	2,988,925,909	2,547,785,945
	Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)	153,220,078,634	130,888,891,296

d) Amount of NPA (Gross and Net) as on 32 Ashadh 2079

S.No.	Particulars	Gross NPA	Net NPA
1	Restructured	-	-
2	Substandard	-	-
3	Doubtful	-	-
4	Loss	163,206,682	-
	Gross NPA	163,206,682	-

5.7. Classification of Financial Assets and Financial Liabilities

As on 32 Ashadh 2079

Amount in NPR

Financial Assets	Notes	Fair Value Through Profit or Loss	Fair value through Other Comprehensive Income	Amortised Cost	Total
Cash and cash equivalent	4.1	-	-	10,160,628,890	10,160,628,890
Due from Nepal Rastra Bank	4.2	-	-	4,519,929,769	4,519,929,769
Placement with Bank and Financial Institutions	4.3	-	-	-	-
Derivative financial instruments	4.4	-	-	33,908,998	33,908,998
Other trading assets	4.5	60,438,013	-	-	60,438,013
Loan and advances to B/FIs	4.6	-	-	5,183,047,328	5,183,047,328
Loans and advances to customers	4.7	-	-	105,394,035,672	105,394,035,672
Investment securities	4.8	-	252,716,586	23,323,252,895	23,575,969,481
Current tax assets	4.9	-	-	403,890,295	403,890,295
Investment in subsidiaries	4.10	-	-	-	-
Investment in associates	4.11	-	-	-	-
Investment property	4.12	-	-	-	-
Property and equipment	4.13	-	-	-	-
Goodwill and Intangible assets	4.14	-	-	-	-
Deferred tax assets	4.15	-	-	-	-
Other assets	4.16	-	-	98,834,556	98,834,556
Total		60,438,013	252,716,586	149,117,528,403	149,430,683,002

As on 32 Ashadh 2079

Amount in NPR

Financial Liabilities	Notes	Fair Value Through Profit or loss	Amortised Cost	Total
Due to Bank and Financial Institutions	4.17	-	4,467,400,000	4,467,400,000
Due to Nepal Rastra Bank	4.18	-	1,303,496,556	1,303,496,556
Derivative financial instruments	4.19	-	-	-
Deposits from customers	4.20	-	119,710,205,430	119,710,205,430
Borrowing	4.21	-	3,853,806,893	3,853,806,893
Current tax liabilities	4.9	-	-	-
Provisions	4.22	-	-	-
Deferred tax liabilities	4.15	-	-	-
Other liabilities	4.23	-	4,025,369,581	4,025,369,581
Debt securities issued	4.24	-	2,629,094,880	2,629,094,880
Subordinated liabilities	4.25	-	-	-
Total		-	135,989,373,340	135,989,373,340

As on 31 Ashadh 2078

Amount in NPR

Financial Assets	Notes	Fair Value Through Profit or Loss	Fair value through Other Comprehensive Income	Amortised Cost	Total
Cash and cash equivalent	4.1	-	-	8,426,345,170	8,426,345,170
Due from Nepal Rastra Bank	4.2	-	-	3,272,981,241	3,272,981,241
Placement with Bank and Financial Institutions	4.3	-	-	-	-
Derivative financial instruments	4.4	-	-	-	-
Other trading assets	4.5	90,559,068	-	-	90,559,068
Loan and advances to B/FIs	4.6	-	-	4,586,766,483	4,586,766,483
Loans and advances to customers	4.7	-	-	96,951,274,535	96,951,274,535
Investment securities	4.8	-	173,050,338	21,073,936,534	21,246,986,872
Current tax assets	4.9	-	-	410,019,445	410,019,445
Investment in subsidiaries	4.10	-	-	-	-
Investment in associates	4.11	-	-	-	-
Investment property	4.12	-	-	-	-
Property and equipment	4.13	-	-	-	-
Goodwill and Intangible assets	4.14	-	-	-	-
Deferred tax assets	4.15	-	-	-	-
Other assets	4.16	-	-	308,681,517	308,681,517
Total		90,559,068	173,050,338	113,956,068,391	135,293,614,331

As on 31 Ashadh, 2078

Amount in NPR

Financial Liabilities	Notes	Fair Value Through Profit or loss	Amortised Cost	Total
Due to Bank and Financial Institutions	4.17	-	6,093,675,000	6,093,675,000
Due to Nepal Rastra Bank	4.18	-	4,265,513,428	4,265,513,428
Derivative financial instruments	4.19	-	20,179,685	20,179,685
Deposits from customers	4.20	-	106,238,466,851	106,238,466,851
Borrowing	4.21	-	-	-
Current tax liabilities	4.9	-	-	-
Provisions	4.22	-	-	-
Deferred tax liabilities	4.15	-	-	-
Other liabilities	4.23	-	893,450,926	893,450,926
Debt securities issued	4.24	-	3,028,699,402	3,028,699,402
Subordinated liabilities	4.25	-	-	-
Total		-	120,539,985,292	120,539,985,292

5.8. Fair Value of Financial Assets and Financial Liabilities

Amount in NPR

Assets and Liabilities 32 Ashadh 2079	Carrying amount	Fair Value	Quoted market prices (Level 1)	Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Assets					
Cash and cash equivalent	10,160,628,890	10,160,628,890	-	10,160,628,890	-
Due from Nepal Rastra Bank	4,519,929,769	4,519,929,769	-	4,519,929,769	-
Placement with Bank and Financial Institutions	-	-	-	-	-
Other trading assets	60,438,013	60,438,013	60,438,013		-
Loan and advances to B/FIs	5,183,047,328	5,183,047,328	-	-	5,183,047,328
Loans and advances to customers	105,394,035,672	105,394,035,672	-	-	105,394,035,672
Investment securities	23,575,969,481	23,575,969,481	252,716,586	-	23,323,252,895
Other assets	2,198,993,121	2,198,993,121	-	-	2,198,993,121
Liabilities	-	-	-	-	-
Due to Bank and Financial Institutions	4,467,400,000	4,467,400,000	-	-	4,467,400,000
Deposits from customers	119,710,205,430	119,710,205,430	-	-	119,710,205,430
Other liabilities	4,025,369,581	4,025,369,581	-	-	4,025,369,581
Debt securities issued	2,629,094,880	2,629,094,880		2,629,094,880	

Amount in NPR

Assets and Liabilities 31 Ashadh 2078	Carrying amount	Fair Value	Quoted market prices (Level 1)	Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Assets					
Cash and cash equivalent	8,426,345,170	8,426,345,170	-	8,426,345,170	-
Due from Nepal Rastra Bank	3,272,981,241	3,272,981,241	-	3,272,981,241	-
Placement with Bank and Financial Institutions	-	-	-	-	-
Other trading assets	90,559,068	90,559,068	90,559,068	-	-
Loan and advances to B/FIs	4,586,766,483	4,586,766,483	-	-	4,586,766,483
Loans and advances to customers	96,951,274,535	96,951,274,535	-	-	96,951,274,535
Investment securities	21,246,986,872	21,246,986,872	-	-	21,246,986,872
Other assets	1,366,274,492	1,366,274,492	-	-	1,366,274,492
Liabilities					
Due to Bank and Financial Institutions	6,093,675,000	6,093,675,000	-	-	6,093,675,000
Deposits from customers	106,238,466,851	106,238,466,851	-	-	106,238,466,851
Other liabilities	2,762,169,244	2,762,169,244	-	-	2,762,169,244
Debt securities issued	3,028,699,402	3,028,699,402	-	3,028,699,402	-

5.9. Operating Segmental Information

5.9.1. General Information

Reportable Segments

The Bank's segmental reporting is in accordance with NFRS 8, Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's central management committee, which is responsible for allocating resources and assessing performance of the operating segments. The Bank has identified different segment based on business portfolio taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system. All transactions between business segments are conducted on an arm length basis with intra-segment are included in determining business segment performance. The Bank operates in the following segments:

a) Corporate Banking

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

b) Retail Banking

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

c) Small and Medium Enterprises (SME) Banking

The loans provided to corporate customers valuing not more than NPR Three Crores are classified under SME Banking. The interest income, fee incomes generated out of such loans, foreign exchange earned through LC/BG are revenue items of this segment. Expenses of this segment comprises

of interest expenses on deposits used for providing SME loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

d) Deprived Sector lending (DSL) Banking

The loans provided to deprived sectors of the society directly (say to agricultural sectors) or indirectly (say to the organizations working for the upliftment of poor are classified under DSL Banking. The interest income, fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing DSL loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

e) Treasury

The balance lying with the banks invested in governmental bonds, treasury bills, placements, forex trading and shares of other Organizations come under this segment. The interest income of bonds and bills, forex gains, dividend income are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for making investments, forex losses, personnel expenses and operating expenses as well as provision for loss created for such investments.

f) Transaction Banking

The income from Card (Debit card/Credit card) sales, income from sales of Mobile and SMS Banking, customer services fees, agency remittance commissions, locker fees, cheque processing fees are revenue items of this segment. Expenses of this segment comprises of personnel expenses and operating expenses.

g) Others

All other revenues and expenses which cannot be classified to the above-mentioned segments fall under this segment. The income from sale of assets, other fees and commission are revenue items of this segment. Un-attributable personnel expenses, operating expenses and written off assets are expense items of this segment.

Corporate Banking, Retail Banking, SME Banking, DSL Banking, Transaction banking and Treasury comprise of at least 95.23% of our total revenue. Hence, these operations are treated as reportable segments and the remaining are classified under other segments

5.9.2. Information on profit or loss, assets, and liabilities as on 32 Ashadh 2079

Amount in NPR Lakhs

Particulars	Province 1		Province 2		Province 3		Province 4		Province 5		Province 6		Province 7	
	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078
a Revenues from external customer	22,388	17,808	13,087	9,783	33,006	25,104	10,250	8,719	15,944	11,448	810	574	2,627	2,600
b Inter segment revenues	(10,216)	(4,631)	(5,451)	(2,292)	(3,392)	2,212	370	2,083	(2,604)	1,277	590	200	(34)	(485)
c Net Revenue	32,604	22,439	18,539	12,075	36,398	22,892	9,880	6,637	18,548	10,171	221	374	2,661	3,085
d Interest revenue	19,781	15,664	11,113	8,092	28,103	22,327	8,404	6,736	13,342	9,542	577	426	2,080	2,233
e Interest expense	4,500	3,069	2,736	1,656	17,084	12,383	5,629	4,073	6,304	4,345	305	193	958	551
f Net Interest revenue(b)	15,281	12,595	8,377	6,436	11,019	9,944	2,775	2,663	7,038	5,197	272	233	1,121	1,682
g Depreciation and amortization	154	141	134	129	263	314	118	138	167	195	18	19	58	45
h Segment profit(loss) Before Income tax	3,618	8,120	1,613	4,373	3,331	11,027	1,471	5,168	1,720	6,622	669	383	222	988
i Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
j Other material non-cash item	-	-	-	-	-	-	-	-	-	-	-	-	-	-
k Impairment charges	281	667	440	951	639	1,332	130	114	1,127	320	19	25	144	(518)
l Segment assets	207,757	207,735	121,040	127,072	330,258	319,320	90,116	82,169	144,814	122,517	6,814	5,652	29,141	26,697
m Segment liabilities	207,757	207,735	121,040	127,072	330,258	319,320	90,116	82,169	144,814	122,517	6,814	5,652	29,141	26,697

Amount in NPR Lakhs

Particulars		Special Branches		Durbarmarg		COMMERCIAL		All Other	
		Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078	Ashadh end 2079	Ashadh end 2078
a	Revenues from external customer	3,618	2,936	20,884	15,864	16,353	9,501	3,618	2,936
b	Intersegment revenues	31,597	29,802	(11,478)	(7,260)	619	(20,906)	31,597	29,802
c	Net Revenue	(27,978)	(26,866)	32,361	23,124	15,734	30,407	(27,978)	(26,866)
d	Interest revenue	2,438	2,227	17,653	12,983	19,555	9,788	2,438	2,227
e	Interest expense	31,127	28,799	3,764	2,302	7,770	3,973	31,127	28,799
f	Net Interest revenue(b)	(28,689)	(26,572)	13,889	10,680	11,785	5,815	(28,689)	(26,572)
g	Depreciation and amortization	72	89	17	16	2,543	775	72	89
h	Segment profit/(loss) Before Income tax	2,972	3,373	839	5,814	7,337	(32,264)	2,972	3,373
i	Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-
j	Other material non-cash item	-	-	-	-	-	-	-	-
k	Impairment charges	76	41	3,969	796	-	-	76	41
l	Segment assets	56,414	45,405	215,171	183,011	329,503	258,510	56,414	45,405
m	Segment liabilities	56,414	45,405	215,171	183,011	158,368	104,510	56,414	45,405

5.9.3. Disclosure on measurement of operating segment profit or loss, assets and liabilities

- Revenue from external customers includes gross interest revenue, gross fee and commission revenue, net trading revenue and other operating incomes (does not include intersegment revenue).
- Intersegment revenue is the transfer pricing charged by one segment to the other. This is nullified for the bank as a whole.
- Net Revenue includes net interest income, net fee and commission income, net trading revenue and net other operating incomes.
- Interest revenue includes gross interest revenue of the Bank.
- Interest expense includes gross interest expense of the Bank.
- Net Interest revenue is Interest revenue less interest expense (f=d-e).

- Depreciation and amortisation for the segments' identifiable assets has been allocated to the respective segments.
- Segment's profit has been as per the respective segment results. Income taxes are managed on a group basis and are not allocated to operating segments.
- Bank does not have investment in associates and / or joint venture.
- There are no material non-cash item.
- Impairment of assets has been specifically identified for each segment assets and disclosed accordingly.
- Segment Assets have been disclosed as identified for each segment.
- It is Bank's policy to keep segment's asset to be equal to segment liabilities under transfer pricing mechanism.

5.9.4. Reconciliation of reportable segments revenues, profit or loss, assets and liabilities as on 32 Ashadh 2079

Amount in NPR

a. Revenue

Total revenues for reportable segments	12,199,517,635
Other revenues	1,635,300,886
Elimination of intersegment revenues	61,905,231
Entity's revenue	13,896,723,752

b. Profit or Loss

Total profit or loss for reportable segments	1,645,621,933
Other profit or loss	733,672,503
Elimination of intersegment profits	-
Unallocated amounts	-
Profit before income tax	2,379,294,436

c. Assets

Total Assets for reportable segments	120,152,541,127
Other Assets	32,950,259,629
Unallocated amounts	-
Entity's Assets	153,102,800,756

d. Liabilities

Total Liabilities for reportable segments	120,152,541,127
Other Liabilities	15,836,832,212
Unallocated liabilities	-
Entity's Liabilities	135,989,373,340

5.9.5. Information about product and services as on 32 Ashadh 2079

Revenue from each type of product and services described in point no. 5.9.4a above:

S.N.	Particulars	Amount in NPR
1	Cash Credit	2,757,963,590
2	Overdraft	1,308,691,348
3	Term Loan	4,387,553,004
4	Bills Purchase	1,653,997
5	Packing Credit	429,735,660
6	Nostro Income	5,029,992
7	Demand Loan	2,265,337,054
8	NFB	244,257,314
9	Commission Others	345,856,433
10	Treasury Operation	1,438,068,922
11	Alternate channel	532,729,686
12	Locker	11,753,581
13	Remittance	168,093,171
Total		13,896,723,752

5.9.6. Information about geographical areas as on 32 Ashadh 2079

Province wise revenue from following geographical areas

Particulars	Percentage (%)	Amount in NPR
a. Domestic		
Province 1	16.04%	2,238,789,971
Province 2	9.38%	1,308,723,609
Province 3	53.35%	7,386,157,234
Province 4	7.34%	1,025,001,110
Province 5	11.42%	1,594,360,237
Province 6	0.58%	81,025,982
Province 7	1.88%	262,665,609
Sub-total(a)		13,896,723,752
b. Foreign		-
Sub-total(b)		-
Total (a+b)		13,896,723,752

5.9.7. Information about major customers

Revenue from a single external customer does not amount to 10 percent or more of the entity's revenue.

5.10. Share Options and Share Based Payments

There are no share options and employees, and directors are not given any share-based payments whether equity settled, or cash settled.

5.11. Contingent liabilities and commitments

Contingent liabilities include guarantees, irrevocable credit commitment and letter of credit and contingent liabilities related to the legal proceedings or regulatory matters are not recognized in the financial statements but are disclosed when the probability of settlement is remote.

Details of contingent liabilities and commitments are given in note 4.28 and summary presented hereunder:

Particulars	32 Ashadh 2079	31 Ashadh 2078
Contingent liabilities	24,025,355,524	15,578,356,741
Undrawn and undisbursed facilities	49,992,195,573	49,338,593,640
Capital commitment	377,314,255	21,127,670
Lease Commitment	-	1,137,344,982
Litigation	-	-
Total	74,394,865,351	66,075,423,033

5.12. Income Tax Liability

Income Tax Assessment

The Large Taxpayers Office (LTPO) can amend the tax returns submitted by the Bank within four years from the date of submission except for assessment that is inaccurate by reason of fraud. LTPO can amend the tax liability of the Bank and order to pay additional tax. However, if the Bank is of the view that the amended tax assessment by LTPO is not justifiable as per prevailing income tax act, it can appeal against the amended tax assessment by LTPO. The process of appeal is to be done gradually with Director General of Inland Revenue Department for Administrative Review, thereafter at the Revenue Tribunal and finally at the Supreme Court.

Till the date of Financial Statement, the Bank's corporate tax up to FY 2074/75 has been settled by the LTPO. The additional tax liability assessed by LTPO along with amount deposited for administrative review till 2074/75 has been presented in the table below.

S.No.	FY	Additional Income Tax Assessed (NPR)	Tax liability related to TDS and VAT	Additionally, Deposited Amount (NPR)	Authority where case is pending
1	2074/75	14,816,509	-	-	Administrative review IRD
2	2073/74	12,903,238	-	-	Administrative review IRD
3	2072/73	7,842,307	5,678,224	5,678,224	Revenue Tribunal
4	2071/72	26,195,072	14,197,711	14,197,711	Revenue Tribunal
5	2070/71	7,306,610	26,029,168	25,836,290	Revenue Tribunal
6	2069/70	9,275,868	20,415,204	20,415,204	Revenue Tribunal

The Bank has disputed the demand raised by the LTPO and filed appeals with the IRD and Revenue Tribunal for Administrative Review and writ petition, respectively. The disputed amount on which bank filed petition is related to depreciation on vehicle under Own Your Vehicle Scheme and TDS and Vat amount on transaction with Visa and Mastercard. Tax returns filed under self-assessments for the FY 2075/76, FY 2076/77 and FY 2077/78 are yet to be assessed by the LTPO.

5.13. Related Parties Disclosures

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, directors, key management personnel and.

Particulars	Relationship	Remarks
State Bank of India	Parent Company	55% holding in the Bank
Employee Provident Fund	Representing in the Board on institutional capacity	15% holding in the Bank
Nepal SBI Merchant Banking Ltd.	Wholly owned subsidiary	100% holding by the Bank
SBI Hong Kong	Subsidiaries of State Bank of India	Placement's transactions
Mr. Rajeev Arora, Chairman (w.e.f 24.10.2021)	Key Management Personnel	Directors nominated by SBI
Mr. Pinaki Nath Banerjee (w.e.f. 31.01.2022)	Key Management Personnel	Directors nominated by SBI
Mr. Dipak Kumar De (w.e.f. 09.09.2020), Managing Director & CEO	Key Management Personnel	Directors nominated by SBI
Mr. Bharat Raj Wasti, Director (w.e.f 20.05.2021)	Key Management Personnel	Directors nominated by EPF
Ms. Apsara Upreti (w.e.f. 04.01.2022)	Key Management Personnel	Public Director
Dr. Gopal Prasad Bhatta (w.e.f. 13.04.2022)	Key Management Personnel	Independent Director
Mr. B.R.S Satyanarayana, Chairman (Till 24.10.2021)	Key Management Personnel	Directors nominated by SBI
Mr. Rajay Kumar Sinha (Till 2022.01.31)	Key Management Personnel	Directors nominated by SBI
Mr. Balakrishna Shrestha (till 04.01.2022)	Key Management Personnel	Public Director
Mr. Mohammad Rizwan Aalam	Key Management Personnel (Deputed by SBI under TSA)	Deputy CEO and Chief Financial Officer
Mr. Yadvender Kant	Key Management Personnel (Deputed by SBI under TSA)	Chief Operating Officer
Mr. Binod Kumar Dhungel	Key Management Personnel	Chief Credit Officer
Mr. Sunand Malhotra	Key Management Personnel (Deputed by SBI under TSA)	Chief Technology Officer
Mr. Mahesh Chalamala Shetty	Key Management Personnel (Deputed by SBI under TSA)	Head-Forex & Treasury

Transactions with Parent company

The parent company, which is also the ultimate parent company, is State Bank of India, which holds 55% of the issued ordinary shares of the Bank.

State Bank of India (SBI) Group	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Transaction during the year		
Technical Service Fees	38,365,749	37,304,869
Interest on placements	15,816,106	20,732,884
Write-off of unreconciled entries	Nil	Nil
Year end Balance		
Placements	6,037,666,032	2,265,919
Borrowing and Interest on Borrowing Payables	3,853,806,893	Nil
Nostro Balances	1,075,533,399	2,198,374
Card Transaction Receivables	4,357,309	119,926

Transactions with Subsidiary Company

Transactions between the Bank and its subsidiaries, Nepal SBI Merchant Banking Limited, also meet the definition of related party transactions. These transactions are eliminated on consolidation.

Subsidiary - Nepal SBI Merchant Banking Company Ltd (NSMBL)	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Transaction during the year		
Interest Paid on Deposit to NSMBL	20,180,258	16,990,368
Management fee accrued and receivable from NSMBL	10,862,651	1,200,000
RTS, D-Mat Service Charge accrued and payable to NSMBL	10,619,098	5,469,238
Year-end Balance		
Others payable to NSMBL	Nil	Nil
Others receivable from NSMBL	Nil	Nil
Deposit maintained with NSBL	258,250,753	184,584,888

Other Principal Promoter Representing in the Board (s)

Employee Provident Fund, Nepal holds 15% shares in the Bank and has a representation to the Bank's Board is also considered to be the related party of the bank.

Employee Provident Fund (EPF) Nepal	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Year-end Balance		
Deposits	8,845,120,470	7,724,853,433

Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

Directors and other Key Management Personnel (KMP)

The Bank's Directors, Key Management Personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Personnel representing the Central Management Committee (CENMAC) are considered as KMP.

a) Directors related expenses

The details of expenses incurred by the Bank for the member of the Board of Director is as under:

Particulars	Expenses (NPR)	
Transaction during the year	32 Ashadh 2079	31 Ashadh 2078
Board Meeting (16)	640,000	950,000
Audit Committee Meeting (6)		
Risk Management Committee Meeting (4)		
Employee Service Facility Committee Meeting (7)		
Food, Lodging Expenses for Board level meetings	315,797	1,017,535
Travelling & Halting Expenses for Board level meetings	520,128	104,445
Total	1,475,925	2,071,980

b) Key Management Personnel related expenses

There is no observation of the transactions between the Bank and key management personnel other than as prescribed under staff service byelaws and relating to remuneration.

Salary to the key management personnel deputed from SBI is borne by State Bank of India, the parent company under the Technical Service Agreement (TSA) entered with the Bank which is approved by the Nepal Rastra Bank. The key management personnel are also provided with living, medical and other related facilities as per TSA. The total expenses incurred for key management personnel deputed from SBI is NPR 15,423,996 and other CENMAC members (AGM level staff) are NPR 20,717,677.

5.14. Merger and Acquisition

The Bank has not undertaken any mergers and acquisition during the year.

5.15. Additional Disclosures of Non-Consolidated Entities

The Bank has one subsidiary as at 16 July 2022, Nepal SBI Merchant Banking Company Ltd, which is consolidated for the year ended 16 July 2022. There are no such entries which are required to be consolidated but not done during the year.

5.16. Events After Reporting Data

The Bank monitors and assesses events that may have potential impact to quality as adjusted / non-adjusted events after the end of reporting period. There are no material events that have occurred subsequent to 32nd Ashadh, 2079 till signing of Financial Statement on 12th Mangsir, 2079 (28th November, 2022)

5.17. Employee Bonus

The Bank has provided employee bonus at the rate 10% of profit before tax as per prevailing Bonus Act in Nepal.

5.18. Reserves

5.18.1. Corporate Social Responsibility

As per the NRB directive no. 6.16 on the Corporate Social Responsibility, the Bank has allocated 1% of the net profit of current fiscal year for CSR activities. The amount allocated for corporate social responsibility reserve is NPR 16,383,100 and NPR 9,634,791, for current year and previous year respectively. Comparative table of CSR expenses and fund is as under:

Particulars	Note	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Net Profit during the year as per P/L account	P/L	1,638,309,919	963,479,143
Minimum 1% to be appropriated for CSR as per NRB to be expended next year of Net Profit (A)		16,383,100	9,634,791
Additional fund appropriated to cover already committed projects in CSR		-	-
Total fund appropriated in CSR fund during the year		16,383,100	9,634,791
Opening balance in CSR fund	4.27	16,184,779	18,663,910
Less: Expenses incurred during the year in CSR	4.37	10,431,117	8,883,500
Less: Amount transferred to Corona Virus Infection, Prevention and Control Fund (As per NRB Directive No. 06/2077 (16 JA)		-	3,230,422
Total balance outstanding in CSR fund as on Ashadh End	4.27	22,136,762	16,184,779

Summary of amount expended under the corporate social responsibility is presented in table below.

a. Province wise expenses details

Province	Amount (NPR)
Province 1	540,475
Province 2	394,603
Province 3	8,165,774
Province 4	277,921
Province 5	522,529
Province 6	120,366
Province 7	409,449
Province wise total	10,431,117

b. Sector wise expenses details

Particulars	Total
Social Project	-
Grant given to Orphanage, kindergartens and old age home	-
Open Account Campaign (Kholau Khata Aaviyan 2076)	15,000
Staff COVID Expenses	2,277,189
Health Sector	60,800
Education Sector	400,358
Other Expenses	7,677,769
Total	10,431,116

5.18.2. Staff Skill Development Fund

The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's salary and allowance. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of expenses made for employees training related activities.

The details regarding the staff skill development fund are presented in table below.

Particulars	Note	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Opening Staff Skill Development Fund		-	-
Additions during the year (Minimum 3% to be expended in staff training and development as prescribed by NRB)		29,766,964	-
Total		29,766,964	-
Less: Expenses incurred in staff training and development during the year		9,728,778	-
Remaining Balance (Unspent) as on Ashadh End	4.27	20,038,186	-

5.18.3. Regulatory Reserve

This is a non-free statutory reserve and is a requirement as prescribed in NRB directive. In the transition to NFRS from previous GAAP the Bank is required to reclassify all amounts that are resultant of re-measurement adjustments and that are recognized in retained earnings into this reserve heading. The amount reclassified to this reserve includes:

- Re-measurement adjustments such as interest income recognized against interest receivables,
- Difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS,
- Amount equals to deferred tax assets,
- Actual loss recognized in other comprehensive income,
- Amount of goodwill recognized under NFRS.

Pursuant to the NRB Unified Directive no. 4/2078, regulatory reserve on Accrued Interest Receivable and Non-Banking Asset have been considered after taking effect of staff bonus and income tax.

Particulars	Fiscal Year			
	2075/76	2076/77	2077/78	2078/79
Opening Balance of Regulatory Reserve	346,390,335	546,352,099	632,371,030	702,367,148
Add: Amount transferred during year from retained earning				
Interest Receivable	19,535,409	189,080,496	149,016,404	224,234,134
Short loan loss provision	-	-	-	-
Short provision for possible loss in investment	-	-	-	-
Short provision on NBA	-	-	-	-
Deferred Tax	77,477,505	11,934,237	64,365,528	-
Goodwill	-	-	-	-
Gain on Bargain Purchase	-	-	-	-
Actuarial Loss	102,948,850	-	21,112,633	-
Fair value loss recognised in OCI	-	-	-	-
Other (Fair value gain (unrealized gain) recognised in Profit or loss)	-	678,539	24,582,049	-
Less: Amount transferred to retained earnings during the year				
Accrued interest previously recognised as income collected during the year	-	92,407,965	189,080,496	149,016,404
Actuarial Gain	-	23,266,376	-	105,096,061
Fair value loss on investment recognised as Fair value through Profit or loss	-	-	-	19,687,586
Deferred Tax Reserve	-	-	-	67,828,565
Balance as on Ashadh end (Note 4.27)	546,352,099	632,371,030	702,367,148	584,972,667

5.19. Reconciliation Status of Agency Account Outstanding at Year End

Particulars	Total		<3 months		>3=< 9month		>9 months	
	No. of entries	Net Amount	No of entries	Net amount	No of entries	Net amount	No of entries	Net amount
32 Ashadh 2079	26,878	301,993	19,878	241,804	5,677	24,873	1,323	35,317
31 Ashadh 2078	3,580	131,088	2,573	92,575	564	15,975	443	22,538

The outstanding balance is total of debit and credit balance. The difference has been identified, reconciled and are being reviewed on periodic basis.

5.20. Impairment of Loans and Advances

As per the carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 5.5 of NFRS 9.

Loans and advances to customers with significant value (Top 50 group exposure and borrowers classified as Non-Performing as per Nepal Rastra Bank Directive) are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to sixteen broad categories as follows:

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

Since this provision is mandatory for application the impairment under NFRS and impairment under NRB norms has been disclosed for comparison.

Particulars	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Individual impairment of loans and advances	48,666,878	287,413,357
Collective impairment of loans and advances	1,006,578,104	742,982,698
Total impairment allowance under NFRS	1,055,244,982	1,030,396,055
Total impairment allowance under NRB norms	2,383,983,447	1,760,859,630

5.21. Dividend Payable

Fiscal Year	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
FY2074/75	37,389,286	43,150,619
FY2075/76	41,180,334	47,050,842
FY2076/77	17,847,580	20,689,176
FY2077/78	11,262,041	-
Total	107,679,241	110,890,637

The Dividend uncollected for more than 5 years amounting NPR 5,631,208 has been transferred to Investor Protection fund on 18.10.2020.

Particulars	32 Ashadh 2079 (NPR)	31 Ashadh 2078 (NPR)
Not collected for more than 5 years	-	-
Not collected up to 5 years	107,679,241	110,890,637
Total	107,679,241	110,890,637

5.22. Legal Cases

Draft Paid Without Notice (FY A.D. 1998/99 – B.S.2055/56)

The Bank had filed a case with the Kathmandu District Court for recovery of NPR 32,000,000 on account of loss incurred by the Bank due to the negligence of collecting Banks. Since the decision of the Kathmandu District Court and Appellate Court was not in favor of the Bank, a review petition was filed with the Supreme Court. Hearing on the Bank's petition is under process. The Bank has already received NPR 9,640,625 from an insurance company and collecting banks, for the balance, 100% provision has been made against possible loss for the balance amount of NPR 22,359,375 since 15.07.2005.

5.23. Weighted Average Interest Spread

Particulars	Rate %
Average Rate of return on Interest Earning Assets i.e., Loan and Advances (including staff loans), investments in Fixed Deposits and Shares	8.80
Average Cost of fund on Deposits, Borrowings, Debenture, Refinance and Interbank borrowing	6.12
Average Net Spread (Overall)	2.68

5.24. Summary of Concentration Exposure as on 32 Ashadh 2079

Particulars	Loans, Advances & Bills Purchased	Deposits	Contingent Liabilities
Total amount as on 16/07/2022 (as per NRB)	110,693,748,804	119,658,161,667	49,992,195,573
Highest exposure to a single unit(group)	2,503,284,948	8,845,120,470	1,336,393,714
Percentage of exposure to single unit/total	2.26	7.39	2.67

5.25. Earnings per Share

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

Particulars	Units	Year ended	Year ended
		32 Ashadh 2079	31 Ashadh 2078
Profit attributable to equity shareholders (a)	NPR	1,638,309,919	963,479,143
Weighted average of number of equity shares used in computing basic earnings per share (b)		98,258,531	94,935,779
Basic and diluted earnings per equity share of NPR 100 each (a/b)	NPR	16.67	10.15

As there are no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

5.26. Proposed Distributions (Dividends and Bonus Shares)

The Board of directors in its meeting dated 12th Mangsir 2079 (28th November 2022) has passed a resolution recommending for distribution of bonus shares (stock dividend) at 3% and cash dividend at 7.53% of paid up capital as at 10.53%

Particulars	32 Ashadh 2079	31 Ashadh 2078
Cash Dividend Declared	739,886,739	171,833,760
Bonus Shares	294,775,593	332,275,226
Total	1,034,662,332	504,108,986

5.27. Write off loan recovered during the year

There is not any amount recovered during this fiscal year.

5.28. Loan write off during the year

No loan has been written off during this fiscal year.

5.29. Principal Indicators

Particulars	Indicators	Restated as per NFRS reporting				
		2074/2075	2075/2076	2076/2077	2077/2078	2078/2079
1. Percent of Net Profit/Gross Income	%	19.87	18.33	12.33	9.30	17.18
2. Earnings Per Share	NPR	25.16	27.13	17.23	10.15	16.67
3. Market Value per Share (as on Ashadh end)	NPR	499.00	469.00	435.00	409.00	282.30
4. Price Earnings Ratio	Times	19.83	17.29	25.24	40.30	16.93
5. Dividend (including bonus) on share capital	%	15.79	16.84	9.47	5.31	10.53
6. Cash Dividend on Share Capital	%	10.79	10.84	3.47	1.81	7.53
7. Interest Income/Loans & Advances	%	11.94	12.72	12.10	8.87	9.81
8. Staff Expenses (excluding staff bonus)/Total Operating Expenses	%	53.26	52.41	51.97	54.91	59.86
9. Interest Expenses/Total Deposit and Borrowings	%	5.60	6.49	6.40	5.13	6.08
10. Exchange Gain/Total Income	%	2.66	2.54	2.30	3.20	2.08
11. Staff (Statutory) Bonus/ Total Staff Expenses (excluding bonus)	%	21.31	22.76	14.78	9.65	16.91
12. Net Profit/Loans & Advances	%	2.67	2.59	1.63	0.95	1.48
13. Total Credit/Deposit	%	89.60	90.52	85.50	95.58	92.37
14. Total Operating Expenses/Total Assets	%	6.73	7.57	7.65	6.32	7.12
15. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	13.38	12.72	12.39	11.02	10.42
b. Supplementary Capital	%	1.77	1.40	3.16	2.83	2.83
c. Total Capital Fund	%	15.15	14.12	15.55	13.86	13.25
16. Liquidity (CRR)	%	7.18	6.65	8.89	3.22	3.05
17. Non-Performing Credit/Total Credit (as per NRB provision)	%	0.20	0.20	0.23	0.23	0.15
18. Base Rate (For the month of Ashadh)	%	10.12	9.72	9.25	7.37	9.70
19. Weighted Average Interest Rate Spread	%	4.99	4.43	3.87	3.18	4.36
20. Book Net worth	NPR	12,801,103,793	14,154,449,362	14,781,851,324	15,400,071,110	17,113,427,417
21. Total Shares	No.	80,469,053	84,492,505	89,562,056	94,935,779	98,258,531
22. Total Employees	No.	871	1,029	1,004	967	910
23. Return on Shareholder's Equity (on outstanding figure)	%	15.81	16.20	10.44	6.26	9.57
24. Return on Assets (on outstanding figure)	%	1.97	1.94	1.17	0.70	1.07
25. Book Value Per Share	NPR	159.08	167.52	165.05	162.22	174.17
26. Cost to Income Ratio (for NFRS cost excludes staff bonus and impairment provisions)	%	37.56	40.19	53.61	55.34	44.54
27. ATM/CDM/CRM Terminals	No.	110	118	124	122	129
28. POS Terminals	No.	680	1,060	1,513	1,395	1,395
29. Branches	No.	72	88	88	88	91

5.30. Disclosure of Actuarial Valuation for Leave and Gratuity

Amount In NPR

Particulars	32 Ashadh 2079			31 Ashadh 2078		
	Annual Leave (Unfunded)	Sick Leave (Unfunded)	Gratuity (Unfunded)	Annual Leave (Unfunded)	Sick Leave (Unfunded)	Gratuity (Unfunded)
Expenses Recognized in Income Statement						
Current service cost	10,803,000	4,761,000	65,412,000	11,801,000	5,307,000	60,769,000
Interest cost	12,130,605	10,106,429	67,349,237	10,922,000	9,190,000	62,893,000
Expected Return on Plan Assets	-	-	-	-	-	-
Actuarial (Gain)/ Loss	(20,888,249)	(16,311,520)	-	5,223,320	8,216,560	-
Past Service Cost	-	-	-	-	-	-
Expenses recognized in the Profit & Loss A/c	2,045,356	(1,444,091)	132,761,237	27,946,320	22,713,560	123,662,000
Amount recognized in Other comprehensive Income	-	-	(287,921,272)			(30,160,850)
Change in Present Value Obligations						
PV of Obligation at beginning of the year	151,632,560	126,330,360	841,865,158	131,886,290	110,752,050	751,143,610
Interest cost	12,130,605	10,106,429	67,349,237	10,922,000	9,190,000	62,893,000
Current Service Cost	10,803,000	4,761,000	65,412,000	11,801,000	5,307,000	60,769,000
Benefit paid	(10,653,251)	(8,711,503)	(54,083,295)	(8,200,050)	(7,135,250)	(63,101,000)
Actuarial (Gain)/ Loss	(20,888,249)	(16,311,520)	(287,921,272)	5,223,320	8,216,560	30,160,850
Liability at the end of the year	143,024,665	116,174,766	632,621,828	151,632,560	126,330,360	841,865,460
Change in Fair Value of Plan Assets						
FV of Plan Asset at Beginning of the Year	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	-	-	-	-
Contribution by Employer	-	-	-	-	-	-
Benefit paid	-	-	-	-	-	-
Actuarial (Gain)/ Loss on Plan Assets	-	-	-	-	-	-
Fair Value of Plan Asset at End of the Year	-	-	-	-	-	-
Amount Recognized in SOFP						
Present Value of Obligations at Year End	143,024,665	116,174,766	632,621,828	151,632,560	126,330,360	841,865,460
Fair Value of Plan Assets at Year End	-	-	-	-	-	-
Unfunded Status	143,024,665	116,174,766	632,621,828	151,632,560	126,330,360	841,865,460

Actuarial assumption

Actuarial valuation of defined benefit plan obligation is done on the basis of the following assumption

	32 Ashadh 2079	31 Ashadh 2078
Discount Rate	8.50%	8.00%
Salary Escalation Rate	6.50%	2021-22: 5% And Thereafter 6.50%
Expected Return on Assets	NA	NA
Mortality Rate	Nepal Assured Mortality 2009	Nepal Assured Mortality 2009
Withdrawal Rate 20-58		
20-34	6.00%	6.00%
35-58	1.00%	1.00%

Sensitivity analysis

	32 Ashadh 2079	31 Ashadh 2078
Discount Rate		
Effect on DBO – increase of discount rate by 1%	-13.30%	-10.00%
Effect on DBO – decrease of discount rate by 1%	4.21%	11.70%
Salary Escalation Rate		
Effect on DBO – increase of salary rate by 1%	3.82%	11.70%
Effect on DBO – decrease of salary rate by 1%	-13.11%	-10.20%

(Md. Rizwan Alam)
Chief Financial Officer

(Dipak Kumar De)
Managing Director

(Rajeev Arora)
Chairperson

(Pinaki Nath Banerjee)
Director

(Bharat Raj Wasti)
Director

(Apsara Upreti)
Director

(Gopal Prasad Bhatta)
Director

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

Date: 29.11.2022
Place: Kathmandu



नेपाल राष्ट्र बैंक

बैंक सुपरिवेक्षण विभाग



दरबारमार्ग, काठमाडौं ।
फोन नं.: ४४९९८०५, ७
फ्याक्स नं.: ४४९०९५९
Site: www.nrb.org.np
Email: bsd@nrb.org.np
पोस्ट बक्स: ७३

प.सं.बै.सु.वि./अफसाइट/एजिएम/१२६/२०७९-८०

मिति: २०७९/०८/२०

नेपाल एसबिआई बैंक लिमिटेड
केशरमहल, काठमाडौं ।

विषय: लाभांश घोषणा/वितरण तथा वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस बैंकबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातहरूका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ४७ को उपदफा (२) को प्रावधान पालना गरेको देखिएको हुँदा, उक्त ऐनको उपदफा (१) बमोजिम त्यस बैंकले प्रस्ताव गरे बमोजिम रु.२९,४७,७५,५९३.३८ (चुक्ता पूँजीको ३ प्रतिशत) बराबरको बोनस शेयर र रु.७३,९८,८६,७३९.३८ (चुक्ता पूँजीको ७.५३ प्रतिशत) नगद लाभांश (बोनस शेयर तथा नगद लाभांशमा लाग्ने कर समेत) गरी कूल रु. १,०३,४६,६२,३३२.७६ (अक्षरेपि एक अर्ब तीन करोड छ्यालिस लाख बसन्ती हजार तीन सय बत्तीस रुपैया छयहत्तर पैसा मात्र) लाभांश घोषणा एवं वितरण गर्न अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट पारित भएको अवस्थामा मात्र वितरण गर्न स्वीकृति प्रदान गरिएको छ । साथै आ.व. २०७८/७९ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशनहरू सहित सार्वजनिक गर्न समेत सहमति प्रदान गरिएको व्यहोरा निम्नानुसार जानकारी गराउँदछु ।

१. लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका सम्पूर्ण कैफियतहरू पूर्ण रूपले सुधार गर्न तथा त्यस्ता कैफियतहरू पुनः दोहोरिन नदिने आवश्यक व्यवस्था मिलाउनु हुन ।
२. यस बैंकबाट जारी गरिएको निर्देशन नं. १० को बढी नं. ७ बमोजिम दर्ताजतपत्र प्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेयरमा लगानी गर्दा चुक्ता पूँजीको बढीमा १५ प्रतिशत र अन्य बैंक तथा वित्तीय संस्थाहरूमा चुक्ता पूँजीको बढीमा १ प्रतिशतसम्ममात्र लगानी गर्न सकिने व्यवस्था रहेकोले उल्लिखित सीमाभन्दा बढी शेयर धारण गर्ने संस्थापक शेयरधनीहरूलाई सो सीमामित्र नल्याएसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन ।
३. बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३ को दफा ११ को उपदफा ३ मा बैंकको चुक्ता पूँजीको २ प्रतिशत वा सो भन्दा बढी शेयर धारण गरेका संस्थापकहरूले आफुले धारण गरेको शेयर विक्री तथा धितो बन्धक राख्दा नेपाल राष्ट्र बैंकको स्वीकृति लिनु पर्ने व्यवस्था रहेकोले नेपाल राष्ट्र बैंकको स्वीकृति नलिई आफुले धारण गरेको शेयर धितो बन्धक राखी अन्य बैंक तथा वित्तीय संस्थाबाट कर्जा उपयोग गरेका संस्थापक शेयरधनीहरू रहेमा ती संस्थापक शेयरधनीहरूलाई सोको स्वीकृति नलिएसम्म वा शेयर धितो बन्धक राखी उपयोग गरेको कर्जा पूर्ण रूपमा चुक्ता गरी शेयर फुकुवा नगरेसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन ।
४. विदेशी शेयरधनीलाई लाभांश प्रदान गर्ने सिलसिलामा सो रकम विदेश पठाउँदा (Repatriation) प्रचलित कानूनी व्यवस्था पालना गर्नु हुन ।

उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नुहुन ।

भवदीय

(बिवेक दाहाल)
सहायक निर्देशक

बोधार्थ

१. नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
२. बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, नेपाल एसबिआई बैंक लिमिटेड ।
३. नेपाल राष्ट्र बैंक, विदेशी विनिमय व्यवस्थापन विभाग ।

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEPAL SBI MERCHANT BANKING LIMITED.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **NEPAL SBI MERCHANT BANKING LIMITED** ("the Company"), which comprise the Statement of Financial Position as at Ashad 32, 2079, (July 16, 2022), Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended on that date, and a summary of the significant accounting policies and other explanatory information (hereafter referred to as "the financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid the financial statements presents fairly, in all material respects, the financial position of the Company, as at Ashad 32, 2079 (July 16, 2022), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards and comply with Company Act, 2063, Securities Act 2063, Security Board Regulation 2064 and other prevailing laws.

Basis for Opinion

We conducted our audit of the financial statements in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Handbook of The Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants:

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that in our professional judgment, were of most significance in the audit of the financial statement and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

We do not have any key audit matters to report in arriving at our audit opinion above.

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

The Company's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management report, Report of the Board of Directors and Chairman's statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

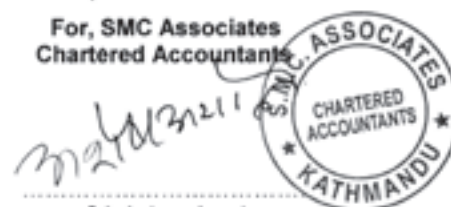
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Based on our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. The 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.
- iii. The Statement of Financial Position, Statement of Profit and Loss, the Statement of Change in Equity and the Statement of Cash Flow and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company.
- iv. 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
- v. We have not come across any fraudulence in the accounts, based on our sample examination of the books.

For, SMC Associates
Chartered Accountants



CA Ashes Aryal
Partner

UDIN No.:

221104CA01519cQ4hT

Place: Kathmandu
Date: 2079-07-18

**Nepal SBI Merchant Banking Limited**

Hattisar, Kathmandu, Nepal

Statement of Financial Position

As at 32 Ashadh 2079 (16 July 2022)

Amount in NPR

Particulars	Schedule No.	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
ASSETS			
Financial Assets			
Cash and Cash Equivalents	1	7,265,275	10,519,487
Trade & Other Receivables	2	412,036	3,933,326
Investment in Fixed Deposits & Bonds	3	251,000,000	217,500,000
Financial Assets held for trading	4	25,083,516	20,207,747
Inventories-Stock of Stationary		23,070	11,405
Property, Plant and Equipment	5	2,871,522	3,575,850
Intangible Assets	6	679,312	912,145
Operating Lease Right of Use Asset		12,378,572	-
Prepayment & other advances	7	166,843	169,397
Current Tax Assets	14 B	727,067	3,383,527
Deferred Tax Assets	14 A	3,238,371	22,658
Total Assets		303,845,584	260,235,542
EQUITY AND LIABILITIES			
Liabilities			
Financial Liabilities			
Trade & Other Payables	8	366,900	666,953
Employee Benefits Liabilities	9	5,630,963	4,487,721
Other Liabilities & Payables	10	1,128,946	849,334
Operating Lease Liabilities		13,213,635	-
Total Liabilities		20,340,444	6,004,008
Equity			
Share Capital	11	200,000,000	200,000,000
Other Reserves	12	6,642,119	3,511,022
Retained Earnings	13	76,863,023	50,720,512
Total Equity		283,505,142	254,231,534
Total Equity and Liabilities		303,845,584	260,235,542

The accompanying notes form an integral part of the financial statements.

As Per Our Report of Even Date

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 16/11/2022

Place : Kathmandu, Nepal

CA. Ashes Aryal
Partner
S.M.C. Associates
Chartered Accountants

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu, Nepal

Statement of Profit or Loss and Other Comprehensive Income

For the period from 1 Shrawan 2078 to 32 Ashadh 2079 (16 July 2021 to 16 July 2022)

Amount in NPR

Particulars	Schedule No.	2078/79	2077/78
Interest from bank	15	21,370,786	19,013,860
Fees, Commission & Other Income	16	82,195,760	28,505,668
Fair Value Gain/(Losses) on Financial Assets held for trading	4	(9,639,379)	1,130,587
Gross Income		93,927,167	48,650,115
Direct Expenses	17	31,483,206	2,735,591
Depreciation & Amortization	18	3,321,004	1,575,400
Employee Benefit Expenses	19	6,335,922	4,568,416
Impairment Loss on Financial Assets at amortized cost	4	-	-
Other Operating Expenses	21	4,119,537	5,417,787
Operating Profit		48,667,498	34,352,921
Finance Cost		1,963,674	-
Staff Bonus Provisions		4,670,382	3,435,292
Profit Before Tax		42,033,442	30,917,629
Income Tax (Expenses)/Income:			
- Current Tax		15,875,547	9,167,070
- Deferred Tax		(3,215,713)	108,219
Profit From Continuing Operations		29,373,608	21,642,340
Profit/ (Loss) on Discontinued Operations (net of tax)		-	-
Net Profit for the Year		29,373,608	21,642,340
Other Comprehensive Income:			
Other Comprehensive Income that is subsequently not reclassified to profit or loss			
- Revaluation gain/(losses) on Property, Plant & Equipments		-	-
- Income tax relating to components of other comprehensive income		-	-
Total Other Comprehensive Income, Net of Tax		-	-
Total Comprehensive Income for the Period		29,373,608	21,642,340
Attributable to : Equity Holders of Parent		29,373,608	21,642,340
Earning Per Share (Basic)		14.69	10.82
Earning Per Share (Diluted)		14.69	10.82
Retrun on Assets (ROA)		9.67%	8.32%
Return on Equity (ROE)		10.36%	8.51%
Net Worth Per share		141.75	127.12

The accompanying notes form an integral part of the financial statements.

As Per Our Report of Even Date

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 16/11/2022
Place : Kathmandu, Nepal

CA. Ashes Aryal
Partner
S.M.C. Associates
Chartered Accountants

**Nepal SBI Merchant Banking Limited**

Hattisar, Kathmandu, Nepal

Statement of Cash Flow

For the period from 1 Shrawan 2078 to 32 Ashadh 2079 (16 July 2021 to 16 July 2022)

Amount in NPR

Particulars	2078/79	2077/78
Cash flow from Operating Activities		
Net Income for the year	29,373,608	21,642,340
Adjustment for: Non-Cash Items & Non-Operating items		-
Income Tax expense recognized in profit or loss	12,659,834	9,275,289
Restated figure after tax audit adjustment in opening Reserve	-	-
Depreciation and Amortisation	3,321,004	1,575,400
Fair Value Adjustment (increment)	9,639,379	(1,130,587)
Finance Charge on Lease Liability	1,963,674	-
Gain on sale of investment	49,360	-
Loss/ (gain) on disposal of Software	-	-
Prior Period Adjustment	-	-
Deferred Tax	-	-
Adjustment for: Working Capital Changes except cash & Cash equivalent	-	-
Increase / Decrease in Trade & other receivables	3,521,290	(3,590,856)
Increase / Decrease in Current Assets	-	-
Increase / Decrease in Current Liabilities	-	-
Increase / Decrease in Inventories	(11,665)	4,230
Increase / Decrease in Prepayments & other Advances	2,554	(958)
Increase/Decrease in Trade & Other Payables	(300,053)	(332,945)
Increase/Decrease in Employee Benefits	1,143,242	2,250,101
Increase / Decrease in other Liabilities	279,612	346,688
Cash generated from Operations.	61,641,839	30,038,702
Finance Cost on Working Capital Loan & Overdraft	-	-
CSR Expenses Paid	(100,000)	-
Income Tax Paid	(13,219,087)	(10,447,792)
Net Cash Flows from Operating Activities (A)	48,322,752	19,590,910
Cash Flow from Investing Activities		
Acquisition of Property, plant and Equipment	(519,426)	(424,559)
Purchase of Intangible Assets	(96,050)	(236,500)
Purchase of Financial Assets at amortized Cost	(33,500,000)	(2,000,000)
Acquisition of Financial Assets held for trading	(14,564,508)	(12,469,160)
Net Cash flow from Investing Activities (B)	(48,679,984)	(15,130,219)
Cash Flow from Financing Activities		
Payment of Lease Liability	(2,896,979)	-
Proceed from the Issue of Share	-	-
Dividend Paid (Both Interim & Final)	-	-
Dividend Tax Paid	-	-
Cash Dividend for tax purpose	-	-
Net Cash flow from Financing Activities (C)	(2,896,979)	-
Foreign Exchange Gain/ (loss)-(D)	-	-
Net Increase/(Decrease) in Cash (A+B+C+D)	(3,254,211)	4,460,691
Cash and Cash Equivalents at the beginning of the period	10,519,487	6,058,796
Cash and Bank balance at the End of the Year	7,265,275.00	10,519,487.00

As Per Our Report of Even Date

Shree Krishna Sigdel
Chief Financial Officer

Dev Raj Adhikari
Managing Director & CEO

Yadvender Kant
Chairman

Md. Rizwan Alam
Director

Chhapi Raj Pant
Director

Nandan Hari Sharma
Director

Date : 16/11/2022
Place : Kathmandu, Nepal

CA. Ashes Aryal
Partner
S.M.C. Associates
Chartered Accountants

Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu, Nepal

Statement of Change in Equity

As at 32 Ashadh 2079 (16 July 2022)

Figures in NPR

Particulars	Share Capital		Other Reserves		Retained Earnings	Total Equity Attributable to Parents of the entity
	Equity Share	Preference Share	General Reserve	CSR Reserve		
Balance as of Shrawan 1, 2077	200,000,000	-	1,027,604	102,760	31,458,829	232,589,193
Changes in Accounting Policies	-	-	-	-	-	-
Correction of Prior Period Errors	-	-	-	-	-	-
Restated Balance as of Shrawan 1, 2077	200,000,000	-	1,027,604	102,760	31,458,829	232,589,193
Changes in equity for the year ended Ashadh 31, 2078	-	-	-	-	-	-
Profit / (Loss) for the year	-	-	-	-	21,642,340	21,642,340
Allocation of Profit to General Reserve	-	-	2,164,234	-	(2,164,234)	-
Allocation of Profit to CSR Reserve	-	-	-	216,423	(216,423)	-
Adjustment for Overcharges of Taxation in previous years	-	-	-	-	-	-
Issue of Ordinary Share	-	-	-	-	-	-
Dividend Tax Paid	-	-	-	-	-	-
Issue of Bonus Share (Dividend)	-	-	-	-	-	-
Cash Dividend for Tax Purpose	-	-	-	-	-	-
Balance as of Ashadh 31, 2078	200,000,000	-	3,191,838	319,183	50,720,512	254,231,533
Restated Balance as of Shrawan 1, 2078	200,000,000	-	3,191,838	319,183	50,720,512	254,231,533
Changes in equity for the year ended Ashadh 31, 2079	-	-	-	-	-	-
Profit / (Loss) for the year	-	-	-	-	29,373,608	29,373,608
Allocation of Profit to General Reserve	-	-	2,937,361	-	(2,937,361)	-
Allocation of Profit to CSR Reserve	-	-	-	293,736	(293,736)	-
CSR Expenses	-	-	-	(100,000)	-	(100,000)
Adjustment for Overcharges of Taxation in previous years	-	-	-	-	-	-
Issue of Ordinary Share	-	-	-	-	-	-
Dividend Tax Paid	-	-	-	-	-	-
Issue of Bonus Share (Dividend)	-	-	-	-	-	-
Cash Dividend for Tax Purpose	-	-	-	-	-	-
Balance as of Ashadh 31, 2079	200,000,000	-	6,129,199	512,919	76,863,023	283,505,141

The accompanying notes form an integral part of the financial statements.

As Per Our Report of Even Date

Shree Krishna Sigdel Chief Financial Officer	Dev Raj Adhikari Managing Director & CEO	Yadvender Kant Chairman
Md. Rizwan Alam Director	Chhapi Raj Pant Director	Nandan Hari Sharma Director
Date : 16/11/2022		CA. Ashes Aryal Partner
Place : Kathmandu, Nepal		S.M.C. Associates Chartered Accountants



Nepal SBI Merchant Banking Limited

Hattisar, Kathmandu, Nepal

For the year ended 32nd Ashadh, 2079 (16th July, 2022)

NOTES TO FINANCIAL STATEMENTS

(All amount are stated in NPR unless otherwise provided)

1. Corporate Information and Background

Nepal SBI Merchant Banking limited (NSMBL or 'the company') is limited liability Company incorporated on 07 Baisakh 2073 (19 April, 2016) with registration no. 148059/72/073 and licensed by Securities Board of Nepal (SEBON) on 09 December 2016. The core activities of the company consist of issue management service, registrar to shares, underwriting, portfolio management and corporate advisory services.

NSMBL is a wholly owned downstream subsidiary of Nepal SBI Bank Ltd. (NSBL). The company has its registered office at Hattisar, Kathmandu, Nepal.

The Financial Statements were authorized for issue by the Board of Directors on 30th Ashwin 2079.

2. Significant Account Policies

2.1. Basis of Preparation

2.1.1 Statement of compliance

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standard Board, Nepal and announced by Institute of Chartered Accountants of Nepal.

2.1.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Investment property is measured at fair value.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Biological assets are measured at fair value less cost to sell.
- Available for sale financial assets are measured at fair value.
- Investments held-for-trade is measured at fair value.
- Derivative financial instruments are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.
- Assets acquired & Liabilities assumed in a business combination are recognized at fair value.

2.1.3 Functional & Presentation Currency

The financial statements are prepared in Nepalese Rupees, which is the company's functional currency. All the financial information presented in Nepalese Rupees has been rounded to the nearest thousands, except otherwise indicated.

2.1.4 Reporting Dates

Particulars	Nepalese Calendar Date / Period	Gregorian Calendar Date / Period
Comparative SFP* Date	31 Ashadh 2078	15 July 2021
Comparative reporting period	1 Shrawan 2077 - 31 Ashadh 2078	15 July 2020 - 15 July 2021
NFRS SFP* Date	32 Ashadh 2079	16 July 2022
NFRS reporting period	1 Shrawan 2078 - 32 Ashadh 2079	16 July 2021 - 16 July 2022

*SFP = Statement of Financial Position

*NFRS= Nepal Financial Reporting Standards

2.1.5 Going Concern

The management considers that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

2.1.6 Materiality

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

2.1.7 Reclassified of comparative figures

Amount in NPR

The comparative figure in the financial statements are reclassified for better presentation. The details of which are as follows:

Statement of Financial Position

Particulars	New reporting	Old reporting	Difference	Remarks
Trade & Other receivables	3,933,326	4,009,128	(75,802)	Previously, Prepaid Internet & Communication, Prepaid Certification Expense and Prepaid D- Mat Tracking Expense was included in Trade and Other receivables. For the new reporting purpose these expenses are included in Prepayment and Other Advances.
Prepayment and Other Advances	169,397	93,595	75,802	Previously, Prepaid Internet & Communication, Prepaid Certification Expense and Prepaid D- Mat Tracking Expense was included in Trade and Other receivables. For the new reporting purpose these expenses are included in Prepayment and Other Advances.
Trade and Other Payables	666,953	575,364	91,589	Previously Provision for expenses was included in Employee Benefit Payable and TDS payable was included in Trade and Other Payables. For the new reporting purpose Provision for expenses is included in Trade and Other Payables and TDS payable is included in Other Liabilities Payable.
Employee Benefits Liabilities	4,487,721	4,582,862	(95,141)	Previously Provision for expenses was included in Employee Benefit Payable. For the new reporting purpose Provision for expenses is included in Trade and Other Payables
Other Liabilities & Payables	849,334	845,782	3,552.00	Previously TDS payable was included in Trade and Other Payables. For the new reporting purpose TDS payable is included in Other Liabilities Payable.

2.1.8 Re-grouping/Re-arrangement

Assets, Liabilities, equity, income & expenses are rearranged or regrouped to make financial statement more informative and faithfully.

2.2. Summary of Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are to be disclosed.

2.2.1 Foreign Currency

Transactions entered into by company entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency" is NPR) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

2.2.2 Property, Plant and equipment

Items of property, plant and equipment are initially recognised at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

2.2.3 Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives. Depreciation on assets purchased during the current year has been provided on proportionate basis from the date of put to use.

Depreciation has been computed on SLM Method. The estimate useful lives for the assets are as follows:

Class of Property Plant & Equipment	Useful life	Depreciation Rates	Depreciation Method	Measurement Basis
Civil Works	13.33 Years	7.5%	SLM	Cost Model
Motor Vehicles	6.67 Years	15%	SLM	Cost Model
Computer Equipment	5 Years	20%	SLM	Cost Model
Office Furnitures-Wooden	6.67 Years	15%	SLM	Cost Model
Office Furnitures-Metal	10 Years	10%	SLM	Cost Model
Office Equipment	5 Years	20%	SLM	Cost Model
Other Assets				
(a) Small Equipment	4 Years	25%	SLM	Cost Model
(b) Batteries	2.5 Years	40%	SLM	Cost Model
(c) Other Furniture	6.67 Years	15%	SLM	Cost Model
(d) Mobile Set	3.03 Years	33%	SLM	Cost Model

Leased Assets

When all the risks and rewards incidental to ownership of a leased asset are transferred to the Company (a “finance lease”), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between principal and interest. The interest element is charged to the statement of comprehensive income over the period of the lease so that it represents a constant proportion of the lease liability. The principal element reduces the balance owed to the lesser.

When all the risks and rewards incidental to ownership are not transferred to the company (an “operating lease”), lease is recognized as a right of use asset and a lease liability. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the incremental borrowing rate. Right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

2.2.4 Intangible Assets

Goodwill (If there is a goodwill arising on acquisition)

Goodwill represents excess of the cost of acquisition over the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is stated at cost less accumulated amortization and impairment losses.

Negative goodwill (if there is a goodwill arising on acquisition)

Negative goodwill arising on acquisition represents excess of the fair value of net identifiable assets acquired over the cost of acquisition.

Computer Software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated useful lives.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific/ technical knowledge and understanding, is recognized in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Other Intangible Assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Infrastructure considered being under the control of a regulator rather than an operator to be recognized as an intangible concession asset and amortized over the concession period as per Service Concession Arrangements (SCA). Accordingly additions to the infrastructure incurred by the operator to be accounted for as a construction contract with the regulator, with revenues and associated costs recognized in the income statement on a percentage of completion basis.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and Trademarks: based on contract period or best estimate whichever is earlier
- All Computer Software : 5 Years

2.2.5 Prepayment & Other Advances

A prepaid expense is an asset on a balance sheet that results from a business making advanced payments for goods or services to be received in the future.

2.2.6 Financial Assets

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A. Recognition of Financial Assets

A financial asset is recognized when the entity become party to the contractual provision of financial instruments

B. Derecognition of Financial Assets

- A financial asset is de-recognized when
 - (a) Contractual right to Cash flows expires or
 - (b) There is a transfer of risk & rewards relating to ownerships or
 - (c) There is a transfer of control of Financial Assets (practical ability to Sell financial Assets) or
 - (d) Retain Rewards, but assume obligation to pay cash flow to one or more parties & fulfill following conditions”
 - No obligation to pay until receipts from original assets
 - Restriction from sale/pledge except collateral for above obligation
 - Obligation to remit cash flow without material delay (except temporary investment)
- Gain/(loss) on derecognition of Financial Assets is recognized in profit or loss

C. Classification and Measurement of Financial Assets

1. Financial Assets at Amortized Cost
 - ✓ If Business Model is to hold Financial Assets to collect contractual Cash Flows & If it is held for solely payment of principal and interest on outstanding principal, Financial assets is classified under this category
 - ✓ It is initially measured at Fair value plus transactions costs
 - ✓ It is subsequently measured at amortized cost using effective interest method
 - ✓ Interest Charges shall be calculated on Opening balance of amortized cost
2. Financial Assets at Fair Value through profit or loss
 - ✓ Following Financial Assets classified under this category:
 - (a) If Financial Assets does not meet the condition of measured at amortized cost or if made irrevocable election to reduce the accounting mismatch
 - (b) Compulsory classified under this category
 - (i) Financial Assets held for trading,
 - (ii) All Derivatives except held for hedging
 - ✓ It is initially measured at Fair value and any transactions costs is charged to Profit or loss
 - ✓ It is subsequently measured at Fair value with changes recognized in profit or loss
3. Financial Assets at Fair Value through Other comprehensive income
 - ✓ If made irrevocable election and it is investment in equity instrument not held for trading, i.e. entity has strategic intent to hold the investment in equity instruments
 - ✓ It is initially measured at Fair value plus transactions costs
 - ✓ It is subsequently measured at Fair value with changes recognized in Other comprehensive income under equity (Subsequently not reclassified to profit or loss)

D. Reclassification of Financial Assets

- Reclassification on Financial Assets is made only when there is changes in business model for managing financial assets
- New Carrying amount of Financial assets is Fair value at the date of reclassification
- Any gain/loss on reclassification is recognized in profit or loss

E. Impairment of Financial Assets that is measured at amortized Cost

- Financial assets is test for impairment if there objective evidence of impairment at the end of every reporting period.
- Impairment losses is recognized if its carrying amount exceeds the present value of future cash flows discounted at original effective interest.
- For the purpose of impairment test Financial assets are grouped if significant on the basis on similar credit risks and other financial assets are tested on stand-alone basis.

2.2.7 Financial Liabilities

A financial liabilities is any liability that is:

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

A. Recognition of Financial Liabilities

A financial Liabilities is recognized when the entity become party to the contractual provision of financial instruments

B. Derecognition of Financial Liabilities

A financial Liabilities is de-recognized when

- (a) Contractual obligation to pay Cash flows extinguished or
- (b) There is a substantial modification of term of contract or exchange of financial liabilities with substantial different terms.
 - Gain/ (loss) on derecognition of Financial Liabilities is recognized in profit or loss.

C. Classification and Measurement of Financial Liabilities

1. Financial Liabilities at Amortized Cost

- ✓ All financial liabilities is measured at amortized cost except for exception given in point no 2.
- ✓ It is initially measured at Fair value plus transactions costs.
- ✓ It is subsequently measured at amortized cost using effective interest method.
- ✓ Interest Charges shall be calculated on Opening balance of amortized cost.

2. Exception of Financial Liabilities at Amortized Cost

Classification	Measurement
Financial liabilities at Fair Value Through Profit or Loss(including Derivatives held for trading)	<ul style="list-style-type: none"> ✓ Measured at Fair Value on initial recognition & subsequently ✓ Changes is recognized in profit or loss
Liabilities created on transfer of Financial Assets	<ul style="list-style-type: none"> ✓ Measured at Fair of Consideration received for transfer of financial assets if it does not qualify for recognition
Financial Guarantee Contract	Subsequently Measure at higher of <ul style="list-style-type: none"> ✓ Amount as per NAS 37: provision, contingent liabilities & contingent assets ✓ Initial amount less Cum amortization as per NAS 18 Revenue
Subsidized loan (loan at below-market interest rates)	Subsequently Measure at higher of <ul style="list-style-type: none"> ✓ Amount as per NAS 37: provision, contingent liabilities & contingent assets ✓ Initial amount less Cum amortization as per NAS 18 Revenue

Entity made irrevocable election to classify financial liability at Fair Value through Profit or Loss on following condition:

- (a) If it reduces the accounting mismatch.
- (b) Financial liability is evaluated on Fair value basis.

D. Reclassification of Financial liabilities

- No Financial liabilities shall be reclassified.

2.2.8 Presentation of Financial Instruments

A. Treasury Shares

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

B. Offsetting of Financial assets and Financial liabilities

Financial Assets & liabilities are offset in Statement of financial position if entity

- Has legally enforceable rights to set off the recognized amount
- Nets basis or simultaneous basis settlement of FA & FL

In case of Transfer that does not qualify for derecognition, shall not offset transferred assets & the associated liability.

C. Interest Dividend, losses & gains

- Interest dividends, losses & gains relating to financial instrument or component that is FL shall be recognized as expenses or income in PL
- Distribution to holders of equity instruments shall be debited in equity (net of tax benefit)
- Transaction cost (net of tax benefit) related to equity instrument is deducted from equity
- Transaction cost related to compound instrument is allocated to both equity & liability component in pro-rata of value of both component

2.2.9 Investment property

Investment property is stated at fair value determined annually by an independent valuer.

Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement.

2.2.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the variable selling expenses.

The cost is determined on first-in first-out (FIFO) method or weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work-in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2.2.11 Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. Cash and cash equivalents are classified as financial assets. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included within borrowings in current liabilities on the balance sheet.

2.2.12 Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets (other than biological assets measured at fair value less cost to sell, investment property measured at fair value, Financial Assets, inventories and deferred tax assets) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest parts of assets to which it belongs for which there are separately identifiable cash flows and its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the company's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

2.2.13 Share Capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The company's equity shares are classified as equity instruments.

Preference share capital is classified as equity if it is non-redeemable and any dividend are discretionary at the option of the company. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon is recognized in the income statement as interest expenses

2.2.14 Borrowing costs

Interest-bearing borrowings are recognised initially at cost, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

2.2.15 Retirement Benefits

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

Defined Benefit schemes

Defined benefit scheme surplus and deficit are measured at the fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognized past service costs; less the effect of minimum funding requirements agreed with scheme trustees.

Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.

Past service costs are recognized directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortized on a straight line basis over the vesting period.

Other long-term service benefits

Employees have a statutory entitlement to certain months' paid leave or the cash equivalent after certain years' of continued service to the company, but no entitlement if the employee leaves earlier. The obligation is calculated using the projected unit credit method and is discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

2.2.16 Share-based Payments

When Equity share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Other Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

When equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

2.2.17 Taxation

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity. Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected on realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.2.18 Non-current assets held for sale and disposal

Non-current assets and disposals are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or the plan will be withdrawn;
- Active programme to locate a buyer has been initiated;
- Asset or disposal company is being marketed at a reasonable price in relation to its fair value and
- Sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposals classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Company's accounting policy; and
- Fair value less costs to sell.

After their classification as held for sale, non-current assets (including those in a disposal company) are not depreciated. The results of operations disposed during the year are included in the statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of has been discontinued or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal company's discontinued operations.

2.2.19 Employee Benefits Liabilities

Employee Benefit Liability means any obligation (whether current or deferred) for any compensation, pension, severance payment, medical, retirement or disability benefit, life insurance or any similar employee benefit.

2.2.20 Trade & Other Payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2.2.21 Provisions

The provisions for liabilities of uncertain timing or amount include those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

2.2.22 Revenue

Revenue from the rendering of Services is recognized when:

- There is transfer of significant risk and reward of ownership
- The amount of revenue, cost incurred on transaction & stage of completion can be reliably measured;
- It is probable that future economic benefits will flow to the entity;

Interest income

Interest income are recognized in the statement of income using Effective interest method.

Dividend income

Dividend income is recognized in the income statement when the right to receive payment is established.

2.2.23 Expenses

Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement when the right to receive payment is established.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

2.2.24 Segment Reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services/business segment, or in providing products or services within a particular economic environment/geographical segment, which is subject to risks and rewards that are different from those of other segments.

2.2.25 Discontinued operations

A discontinued operation is a clearly distinguishable component of the company's business that is discontinued or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Entity's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Entity's exposure to risks and uncertainties includes:

- Capital management
- Financial instruments risk management and policies
- Sensitivity analyses disclosures

3.1 Judgments

In the process of applying the Entity's accounting policies, management has made the general judgments, which may have effect on the amounts recognized in the financial statements. There are no significant judgment applied which will affect the recognition of amounts in financial statements.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

- (a) Provision for Gratuity & Leaves Expenses



Nepal SBI Merchant Banking Limited
Hattisar, Kathmandu, Nepal
Schedules Forming part of the Financial Statement
For the year ended 32 Ashadh 2079 (16 July 2022)

Cash & Cash Equivalent**Schedule-1**

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Nepal Sbi Bank Ltd	7,250,753.49	8,584,888.30
Citizens Bank International Limited	6,621.75	587,699.72
Mega Bank Nepal Limited	2,179.14	738,795.33
Global Ime Bank Limited	5,720.42	608,103.47
Total Amount	7,265,274.80	10,519,486.82

Trade and Other Receivables**Schedule-2**

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Other Assets		
Other Deposit	86,600.00	86,100.00
RTS Fee Receivable		
Mirmire Lagubittiya Sanstha Ltd-Rts	-	265.00
LIC Nepal Rts Fee Receivable	3,890.88	4,660.00
Manushi Laghubittya Rts Fee Receivable	0.01	-
Debenture Interest Receivable		
Nabil Bank Interest Receivable	21,308.22	25,068.49
Kumari Bank Interest Receivable	131,045.55	154,171.24
Nepal Bank Interest Receivable	18,111.99	6,171.24
Civil Bank Interest Receivable	16,312.66	-
Century Bank Interest Receivable	12,651.03	-
Bank Account Nsbl Licn Dividend	111,517.87	9,755.95
Pms Annual Fee Receivable	5,000.00	1,750,060.99
Capital Gain Tax	-	407,509.58
Bank Account Nsmbi Nagbeli Cash Dividend	4,686.36	352.32
Nsmbi Samling Pcl Ipo 2077/78	911.55	-
Online Securities Receivable	-	1,489,211.18
Total	412,036.12	3,933,325.99

Investment in Fixed Deposit and Bonds

Schedule-3

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Fd-Nsbl-1102	-	30,000,000.00
Fd-Nsbl-1161	-	60,000,000.00
Fd-Nsbl-1168	-	29,000,000.00
Fd-Ctz-71109 (77/78)	-	12,000,000.00
Fd-Ctz-3109 (77/78)	-	17,500,000.00
Fd-Gbime-3016 (77/78)	-	5,000,000.00
Fd-Mega-29882 (77/78)	-	7,000,000.00
Fd-Nsbl-1268 (77/78)	-	50,000,000.00
Fd-Nsbl-1271 (77/78)	-	7,000,000.00
Fd-Nsbl-1296 (78-79)	12,000,000.00	-
Fd-Nsbl-0042 (78-79)	30,000,000.00	-
Fd-Nsbl-0043 (78-79)	57,000,000.00	-
Fd-Nsbl-1306 (78-79)	30,000,000.00	-
Fd-Nsbl-1307 (78-79)	20,000,000.00	-
Fd-Nsbl-1313 (78-79)	10,000,000.00	-
Fd-Nsbl-1326 (78-79)	57,000,000.00	-
Fd-Nsbl-0092 (78-79)	10,000,000.00	-
Fd-Nsbl-0096 (78-79)	25,000,000.00	-
Total	251,000,000.00	217,500,000.00

Financial Assets Held for Trading

Schedule-4

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Equity Investment		
Asian Life Insurance Co. Ltd	-	465,008.31
Chilime Hydropower Company Limited	217,299.00	217,299.00
Grameen Bikas Laghubitta Bittiya Sanstha Ltd	1,344,040.00	1,344,039.50
Neco Insurance Co. Ltd.	1,534,929.38	854,650.00
National Life Insurance Co. Ltd.	5,807,478.25	5,807,478.25
Prime Commercial Bank Limited	-	879.80
Panchakanya Mai Hydropower Ltd	-	338,329.50
Prabhu Bank Ltd	-	941,476.00
Butwal Power Company Limited	1,317,628.74	-
Central Finance Co. Ltd.	2,286,931.51	-
ICFC Finance Limited	2,389,581.48	-
Jyoti Bikas Bank Limited	894,292.66	-
Mahalaxmi Bikash Bank Ltd	336,820.70	-
NIC Asia Bank Ltd.	2,917,866.64	-
Mutual Fund Investment		
Citizen Mutual Fund 1	1,000,000.00	1,000,000.00
Nmb 50 Mutual Fund	1,000,000.00	1,000,000.00
Nabil Balanced Fund-3	166,800.00	-
Prabhu Select Fund	500,000.00	500,000.00
Sanima Large Cap Fund	500,000.00	500,000.00

Cont...

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Sunrise Bluechip Fund	500,000.00	500,000.00
NIBL Samriddhi Fund -2	500,000.00	500,000.00
Nibl Sahabagita Fund	999,992.00	999,992.00
NIC ASIA Flexi CAP Fund	100,000.00	-
Kumari Dhanabridhi Yojana	200,000.00	-
Debenture Investment		
Kumari Debenture 10.25% 2086	3,000,000.00	3,000,000.00
Nabil 10 Percent Debenture 2082	500,000.00	500,000.00
8.5% Nepal Bank Ltd. Debenture, 2087	500,000.00	500,000.00
10.25% Civil Bank Debenture 2088	4,020,000.00	-
10.50% Century Debenture 2088	1,000,000.00	-
Financial Assets Held at Cost Price	33,533,660.36	18,969,152.36
Accumulated Fair Value Changes		
Balance as at beginning of the period	1,238,594.89	108,008.00
Sale of financial assets (Fair Value Adjustment)	(49,359.90)	-
Changes for the period	(9,639,379.20)	1,130,586.89
Balance as at end of the period	(8,450,144.21)	1,238,594.89
Financial Assets at end at Fair Value	25,083,516.15	20,207,747.25

Prepayment & Other Advances

Schedule-7

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Prepaid Expenses		
Prepaid Insurance	14,971.32	26,973.00
Prepaid Expenses	16,951.00	66,622.25
Prepaid Nsmbi Website Exps	24,000.00	-
Prepaid Internet & Communication Exp	110,920.79	35,498.97
Prepaid Certification Expenses	-	27,120.00
Prepaid D-Mat Tracking System	-	13,183.00
Total	166,843.11	169,397.22

Trade & Other Payable

Schedule-8

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Afe. Home Decoration Pvt.Ltd	53,788.00	53,788.00
Lease Liability Nfrs Adjustment	-	53,703.00
Audit Fee Payable	192,337.00	256,450.00
Sebon & Cdscl Expenses Payable	31,926.40	30,161.05
Other Payables	100.00	100.00
Payable To Info Developers Pvt. Ltd	-	177,610.00
Provision For Expenses	70,000.00	95,141.00
Payable To Nani Baba Pradhan	18,748.10	-
Total	366,899.50	666,953.05

Employee Benefit Liabilities**Schedule-9**

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Provision For Staff Bonus	4,670,382.00	3,435,292.00
Provision For Gratuity	351,918.00	496,922.00
Provision For Leave	608,663.01	555,507.35
Total	5,630,963.01	4,487,721.35

Other Liabilities & Payable**Schedule-10**

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Provision For Tax	19,950.00	19,950.00
Tds Payable	5,773.00	3,552.00
Tds Payable Company	366,510.82	183,112.00
Tds On Staff Salary	63,915.90	73,029.00
Tds Om Care Service	-	431.00
Tds Cosmos Ad & Media Pvt. Ltd	88.00	-
Tds Anil Khadgi Ot	-	14.00
Tds Nandan Hari Sharma	2,250.00	6,750.00
Tds Dynamic Disesel Pvt. Ltd	272.00	-
Tds Waste Management Service Pvt. Ltd	4,050.00	3,105.00
Tds Total General Suppliers	415.00	483.00
Tds Cms Nepal P Ltd	1,310.00	-
Tds Rabindra Ghimire	1,200.00	-
Tds Suvidha Sewa Pvt.Ltd	372.00	-
Tds Rgb & Associates	676.00	-
Deferred Pms Annual Management Fee	662,163.46	558,908.30
Total	1,128,946.18	849,334.30

Share Capital**Schedule-11**

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Ordinary Shares of NPR 100 each		
Authorized Share Capital	250,000,000.00	250,000,000.00
Subscribed Share Capital	200,000,000.00	200,000,000.00
Issued & Fully Paid		
At the Beginning of the Year	200,000,000.00	200,000,000.00
Bonus Share Issues	-	-
Issues for Cash During the Year	-	-
Total Amount	200,000,000.00	200,000,000.00

Number of Shares

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Ordinary Shares of NPR 100 each		
Authorized Share Capital	2,500,000.00	2,500,000.00
Subscribed Share Capital	2,000,000.00	2,000,000.00
Issued & Fully Paid		
At the Beginning of the Year	2,000,000.00	2,000,000.00
Bonus Share Issues	-	-
Issues for Cash During the Year	-	-
Total	2,000,000.00	2,000,000.00

Other Reserves

Schedule-12

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Opening Balance	3,511,021.75	1,130,364.75
CSR Reserve	193,736.00	216,423.00
General Reserve	2,937,361.00	2,164,234.00
Total Amount	6,642,118.75	3,511,021.75

Retained Earnings

Schedule-13

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Balance at the beginning of the period	50,720,511.64	31,458,828.64
Less: Bonus Share Distributions	-	-
Over Provision of Tax for previous period	-	-
Restatement or Adjustment	-	-
Profit for the period	29,373,608.00	21,642,340.00
Transfer to General Reserve & CSR Reserve	(3,231,097.00)	(2,380,657.00)
Restated Balance after Tax Audit	-	-
Total	76,863,022.64	50,720,511.64

Current Tax Liability/(Assets)

Schedule-14B

Particulars	Ashadh 32, 2079 (16 July 2022)	Ashadh 31, 2078 (15 July 2021)
Balance at the beginning of the period	(3,383,527)	(2,102,805)
Charged during the Year	15,875,547	9,167,070
Total Current Tax Liabilities	12,492,020	7,064,265
Current Tax Assets		
TDS Receivables	-	-
Advance income Tax	(13,219,087)	(10,447,792)
Current Tax Liabilities/(Assets)	(727,067)	(3,383,527)

Deferred Tax Liability/(Assets)

Schedule-14A

Particulars	Tax Base	Carrying Amount	Temporary Differences	Deferred Tax @ 30%
Deferred tax on temporary differences on the following items				
Property, Plant & Equipment	3,766,000	3,575,850	(190,150)	(57,045.00)
Intangible Assets	983,688	912,145	(71,543)	(21,462.90)
Financial Assets Held for Trading	18,969,152	20,207,747	1,238,595	371,578.50
Provision for Gratuity	-	(496,922)	(496,922)	(149,076.60)
Provision for leave	-	(555,507)	(555,507)	(166,652.10)
Balance at Ashadh 31, 2078				(22,658.10)
Balance at Ashadh 31, 2077				(130,877.00)
Deferred Tax Expenses/(Income) for Origination/Reversal of Temporary Differences				108,218.90
Recognized in Profit or Loss for the year ended Ashadh 31, 2078				108,218.90
Recognized in Other Comprehensive Income for the year ended Ashadh 31, 2078				-
Recognized in Equity for the year ended Ashadh 31, 2078				
Deferred tax on temporary differences on the following items				
Property, Plant & Equipment	3,563,139	2,871,522	(691,617)	(207,485.10)
Operating Lease Right of Use Asset	-	12,378,572	12,378,572	3,713,571.60
Intangible Assets	670,627	679,312	8,685	2,605.50
Financial Assets Held for Trading	33,533,660	25,083,516	(8,450,144)	(2,535,043.20)
Operating Lease Liability	-	(13,213,635)	(13,213,635)	(3,964,090.50)
Provision for Gratuity	-	(351,918)	(351,918)	(105,575.40)
Provision for leave	-	(608,663)	(608,663)	(182,598.90)
Balance at Ashadh 32, 2079				(3,238,371.40)
Balance at Ashadh 31, 2078				(22,658.00)
Deferred Tax Expenses/(Income) for Origination/Reversal of Temporary Differences				(3,215,713.40)
Recognized in Profit or Loss for the year ended Ashadh 32, 2079				(3,215,713.40)
Recognized in Other Comprehensive Income for the year ended Ashadh 32, 2079				-
Recognized in Equity for the year ended Ashadh 32, 2079				-

Since there is no comprehensive income during the year, no transfer to other comprehensive income is made during the year.

(All Amount are stated in NPR, unless otherwise provided)

Schedule-5

Property Plant & Equipment

Particulars	Civil Works	Vehicles	Computers & Accessories	Office Furnitures-Wooden	Office Furniture-Metal	Office Equipment	Other Assets	Capital WIP	Total
Cost									
Balance as on Shrawan 1, 2078	1,456,445	3,715,719	1,093,780	493,600	504,871	743,372	386,581	-	8,394,368
Purchase During the Year	-	11,865	119,425	64,410	287,422	12,010	24,294	-	519,426
Transfer from Capital WIP	-	-	-	-	-	-	-	-	-
Acquisition Through Business Combination	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance as on Ashadh 31, 2079	1,456,445	3,727,584	1,213,205	558,010	792,293	755,382	410,875	-	8,913,794
Depreciation & Impairment Losses									
Balance as on Shrawan 1, 2078	491,662	2,520,054	576,224	241,623	152,746	466,322	369,888	-	4,818,518
Depreciation charged for the Year	109,233	557,641	239,695	78,328	68,702	149,635	20,520	-	1,223,754
Adjustment due to Impairment losses	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance as on Ashadh 31, 2079	600,895	3,077,695	815,919	319,951	221,448	615,957	390,408	-	6,042,272
Carrying Amount									
Balance as on Shrawan 1, 2078	964,783	1,195,665	517,556	251,977	352,125	277,050	16,693	-	3,575,850
Balance as on Ashadh 31, 2079	855,550	649,889	397,286	238,059	570,845	139,425	20,467	-	2,871,522

Security

All Property, Plant & Equipment (PPE) has been insured.

Property Plant Equipment under Construction

Theres is no Property, Plant & Equipment under Construction.

Intangible Assets Schedule-6
(All Amount are stated in NPR, unless otherwise provided)

Particulars	Online D-mat Software	Website-NSMBL	Infinity Software	Share plus Software	PSIMS	CDS & C-Asba Software	Wealth Management Software (WMS)	Website	Total
Cost									
Balance as on Shrawan 1, 2078	325,000	75,000	56,500	237,772	141,250	63,333	678,000	180,000	1,756,855
Additions	-	-	-	-	-	-	-	96,050	96,050
Disposals	-	-	-	-	-	-	-	-	-
Balance as on Ashadh 31, 2079	325,000	75,000	56,500	237,772	141,250	63,333	678,000	276,050	1,852,905
Depreciation & Impairment Losses									
Balance as on Shrawan 1, 2078	287,950	66,450	10,185	186,831	114,413	43,281	135,600	-	844,710
Amortization charged for the Year	37,050	8,550	11,300	47,554	26,837	12,667	135,600	49,325	328,883
Adjustment due to Impairment losses	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance as on Ashadh 31, 2079	325,000	75,000	21,485	234,385	141,250	55,948	271,200	49,325	1,173,593
Carrying Amount									
Balance as on Shrawan 1, 2078	37,050	8,550	46,315	50,941	26,837	20,052	542,400	-	912,145
Balance as on Ashadh 31, 2079	-	-	35,015	3,387	-	7,385	406,800	226,725	679,312

Interest Income

Schedule-15

Particulars	2078/79 2021-22	2077/78 2020-21
Interest From Bank	197,397.46	19,013,859.81
Interest On Fd Global Bank	27,808.22	
Interest On Fd Citizen Bank	756,668.49	
Interest On Fd Mega Bank	204,534.25	
Interest On Fd Nepal Sbi Bank	20,111,809.69	
Interest On Call Account Nepal Sbi Bank	68,447.84	
Interest On Call Account Mega Bank	1,097.40	
Interest On Call Account Citizen Bank	2,174.95	
Interest On Call Account Global Bank	847.42	
Total	21,370,785.72	19,013,859.81

Fee, Commission and Other Income

Schedule-16

Particulars	2078/79 2021-22	2077/78 2020-21
IPO Related Income		
Asba Commission & Other Issue Management Income	69,319,779.95	15,450,350.00
Issue Management Fee	325,000.00	100,000.00
RTS Fee		
Rts Service Fee (Ancillary Service)	212,500.00	117,647.05
Other Income-Rts (Nsmbi Ancillary Service)	290,703.00	45,386.00
Nepal Agro Laghubitta Rts Fee	24,219.41	1,287,485.29
Manushi Laghubittya Rts Fee	44,657.54	
Samling Power Company Rts Fee	69,589.05	
Mahila Laghubittya Rts Fee	115,000.00	
Mirmire Lagubittiya Sanstha Rts Fee	101,647.04	
LIC Nepal Insurance Rts Fee	168,005.88	
Nepal Sbi Rts Fee	600,000.00	
Upakar Laghubittiya Rts Fee	11,643.84	
Investment Income		
Gain On Sale Of Investment	1,023,491.06	4,207,181.93
Dividend Income From Mf Investment	1,189,324.91	277,439.06
Cash Dividend_Secondary Market Investment	44,112.50	29,000.00
Loss On Sale Of Investment	(1,013,084.38)	(235,884.39)
PMS Income		
Pms Service Charge Amf	1,158,264.17	588,525.23
Pms Exit Load Commission	82,332.52	50,000.00
Pms Performance Fee	862,238.80	2,507,477.81
Pms Administrative Fee	48,000.00	-
Debenture Related Income		
Debenture Trustee Fee	20,000.00	20,000.00
Debenture Income	641,048.38	363,671.24
Administration & Management Fee-Nsbl Dp	6,548,978.02	3,597,389.00
Underwriting Commission	60,000.00	100,000.00
Corporate Advisory Income	169,301.46	-
Other Incomes	79,007.13	-
Total	82,195,760.28	28,505,668.22

Direct Expenses

Schedule-17

Particulars	2078/79 2021-22	2077/78 2020-21
Issue Management Handling Expenses	-	-
Issue Management Handling Expenses Others	10,299,698.51	166,091.10
Samling Power Issue Charges Cdsc	4,437,378.00	-
Manushi Lagubitta Issue Charges Cdsc	2,723,654.00	-
Sebon Licence Renewal Charge	-	-
Sebon License Renewal Charges For Issue And Sales Manager	150,000.00	650,000.00
Sebon License Renewal Charges For Share Registrar	100,000.00	
Sebon License Renewal Charges For Securities Underwriter	150,000.00	
Sebon License Renewal Charges For Portfolio Manager	100,000.00	
Sebon License Renewal Charges For Corporate Advisory	150,000.00	
Sebon & Cdsc Charges	936,341.93	697,305.16
Pms Expenses	27,541.00	21,595.00
Management Service Fee	10,862,650.68	1,200,000.00
Statutory Fee D-Mat Nsbl	467,272.00	-
Statutory Fee Meroshare Nsbl	652,392.00	-
Statutory Fee On Market Nsbl	426,278.13	-
IPO/FPO Forms Expenses	-	600.00
Total	31,483,206.25	2,735,591.26

Depreciation, Amortization and Impairment Losses

Schedule-18

Particulars	2078/79 2021-22	2077/78 2020-21
Depreciation Expenses for the Year	1,223,754.00	1,261,144.00
Impairment Losses for the Year	-	-
Amortization Expenses for the Year	328,883.00	314,256.00
Depreciation on Right to Use Asset	1,768,367.46	-
Total	3,321,004.46	1,575,400.00

Employees Benefit Expenses

Schedule-19

Particulars	2078/79 2021-22	2077/78 2020-21
Short Term Employees Benefit	-	-
Basic Salary	2,931,298.42	2,132,017.00
Allowances	1,571,550.31	1,140,795.00
Dashain Allowance	292,714.00	270,707.00
Staff-Uniform Expenses	21,696.00	21,696.00
Canteen Expenses	462,897.68	352,403.00
Overtime Expenses	59,968.00	56,611.00
Training Expenses	78,760.50	9,600.00
Leave Expenses	330,777.66	190,330.35
Post Employment Benefit-Defined Contribution	-	-
Gratuity Expenses	-	160,346.00
Pf Contribution	-	192,491.00
Ssf Contribution	586,259.68	41,420.00
Total Employee Benefit Expenses	6,335,922.25	4,568,416.35

Impairment on Financial Assets at Amortized Cost

Schedule-20

Particulars	2078/79 2021-22	2077/78 2020-21
Individual Impairment	-	-
Collective Impairment	-	-
Total	-	-

Other Operating Expenses

Schedule-21

Particulars	2078/79 2021-22	2077/78 2020-21
Audit Fee and Expenses	-	-
Statutory Auditor Fee	169,500.00	169,500.00
Internal Audit Fee	101,700.00	90,400.00
Audit Expenses	11,835.00	-

Particulars	2078/79 2021-22	2077/78 2020-21
Board Meeting Related Cost:	-	-
Board Meeting Allowance	48,000.00	72,000.00
Audit Committee Meeting Allowances	96,000.00	64,000.00
Board Meeting Expenses	4,782.00	-
Audit Committee Meeting Expenses	3,324.00	-
Newspaper Telephone & Periodical Exp-Director	84,000.00	84,000.00
AMC Expenses	-	-
Amc Charge Dynamic	26,000.00	24,960.00
Amc Charge Wealth Pms	90,399.00	75,334.00
Amc Charge Infinity	12,241.00	8,475.00
Amc Charge Nsmbi Website	12,000.00	-
Repair & Maintenance Expenses :	-	-
Office Equipment Exp	-	1,900.00
Repair And Maintenance Vehicle	156,993.00	36,365.00
Wooden Furniture Exp	-	1,890.00
Repair & Maintenance- Civil Construction	147,763.00	46,075.00
Repair & Maintenance Exp-Computer & Accessories	11,730.00	15,282.00
Repair And Maintenance Exp-Office Equipment	28,865.00	48,275.00
Investment Expenses	-	1,500.00
Advertisement Expenses	38,272.00	21,272.00
Agm Expenses	92,210.90	77,036.00
Bank Charges	2,269.99	1,830.00
Business Promotion And Hospitality Expenses	187,973.00	37,149.00
Cleaning Expenses	164,526.30	135,600.00
Fuel Expenses	211,850.00	229,420.00
Insurance Premium	58,459.95	67,736.00
Kitchen Expenses	130,301.01	12,075.00
Local Municipality Fee And Taxes	20,750.00	25,750.00
Parking Expenses	2,695.00	1,605.00
Postage And Courier	12,382.00	1,742.23
Printing And Stationery Expenses	459,275.32	501,611.68
Recruitment/Selection Expenses	26,422.72	32,985.00
Renewal Blue Book Of Vehicle	28,700.00	29,450.00
Finance Charge on Lease Liability	1,963,673.65	2,530,008.00
Telephone Exp	98,649.00	-
Travelling and Halting Exp	4,500.00	27,700.00
Water & Electricity Exp	266,269.50	298,444.07
Miscellaneous Exp	67,741.40	14,684.55
Publication Expenses	14,916.00	-
Waste Management Expenses	66,500.00	44,850.00
Certification Expenses	46,330.00	3,898.00
Internet & Communication Expenses	149,349.18	174,637.78
Outsourcing Staff Service Charge	874,632.85	253,692.00
Covid 19 Expenses	10,840.00	42,855.00
Consumable Charges	14,316.00	10,679.99
Small Equipment Charges	6,300.00	35,153.00
Membership Fee For Nepal Institute Of Company Secretaries	-	5,000.00
Internship Expenses	4,560.00	18,120.00
Discount On Amf Fee	7,500.00	-
Mban Agm Expenses	21,470.00	-
Others Expenses	11,260.00	-
D-Mat Tracking System Expenses	13,183.00	42,847.00
Total	6,083,210.77	5,417,787.30

Earning per Share**Schedule-22**

Particulars	2078/79 2021-22	2077/78 2020-21
Profit from Continuing Operations	29,373,608.00	21,642,340.00
Profit/ (Loss) on Discontinued Operations (net of tax)	-	-
Profit for the Year (A)	29,373,608.00	21,642,340.00
Weighted Average No. of Shares		
No. of Shares at the Beginning of the period	2,000,000.00	2,000,000.00
Weighted Average No. of Shares Issued during the Year	-	-
Bonus Shares Issued During the Year	-	-
Total Weighted Average No. of Shares(B)	2,000,000.00	2,000,000.00
Adjustment for potential Shares		
No. of Potential Equity Shares	-	-
Total Weighted Average No. of Shares for Diluted EPS (C)	2,000,000.00	2,000,000.00
Earning per Share		
a) Basic EPS	14.69	10.82
b) Diluted EPS	14.69	10.82

Disclosures Related to Financial Instruments Risk**Schedule-23****Financial Instruments Risk Management Objectives and Policies**

The Entity's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Entity's operations. The Entity's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Entity also holds investments in debt and equity instruments. transactions.

The Entity is exposed to market risk, credit risk and liquidity risk. The Entity's senior management oversees the management of these risks. The Entity's senior management is supported by a financial risk advisors that advises on financial risks and the appropriate financial risk governance framework for the Entity. The financial risk advisors provides assurance to the Entity's senior management that the Entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Entity's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Entity's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk, Mutual fund price or NAV risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

Sensitivity Analysis

Particulars	Name of Variables	Changes in Variables	For Year 2078/79 (2021-22)		For Year 2077/78 (2020-21)	
			Financial Effect on		Financial Effect on	
			Profit before tax	Equity	Profit before tax	Equity
Increase in variables	Interest Rates	+1%	2,590,200	-	2,215,000	-
Decrease in variables	Interest Rates	-1%	(2,590,200)	-	(2,215,000)	-
Increase in variables	Mutual Fund Price	+NPR 1	5,166,792	-	500,000	-
Decrease in variables	Mutual Fund Price	-NPR 1	(5,166,792)	-	(500,000)	-

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Entity is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Aging of Financial Assets that are past due

Particulars	Amount As per Account	Days Exceeding Normal Credit Period				
		<30 days	30-60 days	61-90 days	>91 days	Total
For Year 2078/79						
Trade Receivables	412,036	-	-	-	-	-
Fixed Deposits	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Total	412,036	-	-	-	-	-
For Year 2077/78						
Trade Receivables	3,933,326	-	-	-	-	-
Fixed Deposits	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Total	3,933,326	-	-	-	-	-

Liquidity Risk

The Entity monitors its risk of a shortage of funds using a liquidity planning tool. The Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, and lease contracts.

Maturity Analysis of Financial liabilities (based on the contractual undiscounted amounts).

Particulars	Payable on					
	On Demand	Less than 3 months	3-12 months	1-5 Years	>5 Years	Total
For Year 2078/79						
Loans & Borrowings	-	-			-	-
Preference Shares	-	-	-	-	-	-
Trade & Other Payables	-	366,900	-	-	-	366,900
Total	-	366,900	-	-	-	366,900
For Year 2077/78						
Loans & Borrowings	-	-			-	-
Preference Shares	-	-	-	-	-	-
Trade & Other Payables	-	666,953	-	-	-	666,953
Total	-	666,953	-	-	-	666,953

Disclosures Related to Fair Value of Financial Instruments & Investment Property

Schedule-24

Set out below is a comparison by class of the carrying amounts and fair values of the Entity's financial instruments, including those with carrying amounts that are reasonable approximations of fair values:

Particulars	For Year 2078/79 (2021-22)		For Year 2077/78 (2020-21)		Nature of Inputs to Valuation
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
A) Financial Assets					
Trade & Other Receivables	412,036	412,036	3,933,326	3,933,326	Level 3
Investment in Fixed Deposits	251,000,000	251,000,000	217,500,000	217,500,000	Level 3
Financial Assets Held for trading	25,083,516	25,083,516	20,207,747	20,207,747	Level 1 (Quoted Price)
Deposits	-	-	-	-	Level 3
Total	276,495,552	276,495,552	241,641,073	241,641,073	
B) Financial Liabilities					
Trade & Other Payables	366,900	366,900	666,953	666,953	Level 3
Loan & Borrowings	-	-	-	-	Level 3
Customer Deposits	-	-	-	-	Level 3
Total	-	-	-	-	

Fair value has been determined using the level 3 inputs i.e. unobservable inputs, except for investment listed equity shares whose fair value has been determined using level 1 inputs (Quoted Market price).

Related Party Transactions**Schedule-25**

The Entity is wholly controlled by Nepal SBI Bank Limited (NSBL) as it owns 100% of the company's shares.

Major Key Related Parties: Entity

Name of Parties	Nature of Relationships
Nepal SBI Bank Limited	Parents of Reporting Entity-100 % Controlled

Major Key Related Parties: Natural Person

Name of Parties	Nature of Relationships	Positions
Mr. Yadvender Kant	Key Management Personnel	Chairman
Mr. Chhapi Raj Pant	Key Management Personnel	Directors
Mr. Nandan Hari Sharma	Key Management Personnel	Directors
Mr. Mohhamad Rizwan Alam	Key Management Personnel	Directors
Mr. Dev Raj Adhikari	Key Management Personnel	MD & CEO

* MD: Managing Director, CEO: Chief Executive Officer

Related Parties listed above does not include close family members of Key Management Personnel, controlling person and person with significant influence unless there is material transaction with them.

There is no changes in the position of MD/CEO, Directors, Independent Director & Chairman.

The following table provides the total amount of sales, purchase and balances that have been entered into with related parties for the relevant financial year.

Particulars	2078/79 2021-22	2077/78 2020-21
Transactions with Parent Entity-Nepal SBI Bank	-	-
a) Income/Reimbursement		
Cleaning, Water and Electricity Expenses Reimbursement	368,648	333,744
Service Charges & Fee for DP, D-mat, RTS	7,361,478	5,469,238
b) Payable for Expenses		
Statutory Fee Paid By NSBL	1,545,942	901,691
Reimbursement of CDSCL & SEBON Charges	-	-
Management Fee To NSBL-Gross	10,862,651	1,200,000
c) Other Balance with NSBL		
Opening Receivables/(Payables)	-	-
Closing Receivables/(Payables)	-	-
NSBL Total FD Amount	251,000,000	176,000,000
Call & Current Account With NSBL	7,250,753	8,584,888
Interest received From NSBL	20,180,258	16,856,056

Investment in Fixed Deposit of Nepal SBI Bank Limited carries a interest on basis of term of deposit which has been measured using amortized cost method.

All transactions with related party has been done on normal market terms & conditions.

Key Management Personnel Compensation

Schedule-25

Key management includes the Board of Directors (executive and non-executive), all members of Entity Management and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

Particulars	2078/79 2021-22	2077/78 2020-21
	Directors	Directors
Short-term Employee Benefits		
Newspaper, Telephone Allowance	84,000	63,000
Meeting & Other Allowances	48,000	48,000
Other Long-term Benefits	-	-
Total	132,000	111,000

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Remuneration & Benefits to Managing Director (MD) & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) is paid by its parent entity (Nepal SBI Bank Limited) for which it charges a management fees to company.

Disclosure of Assets & Liability on recovery/settlement Period Basis

Schedule-26

Particulars	Ashadh 32, 2079 (16 July 2022)		Ashadh 31, 2078 (15 July 2021)	
	Within 12 month from Reporting Period	After 12 month from Reporting Period	Within 12 month from Reporting Period	After 12 month from Reporting Period
A) Assets				
Investment in Fixed Deposits & Bonds	251,000,000	-	121,500,000	96,000,000
Cash and Cash Equivalents	7,265,275	-	10,519,487	-
Trade & Other Receivables	412,036	-	4,009,128	-
Prepayment & other advances	166,843	-	93,595	-
Total	258,844,154	-	136,122,210	96,000,000
B) Financial Liabilities				
Loans & Borrowings	-	-	-	-
Trade & Other Payables	366,900	-	575,364	-
Employee Obligations	5,630,963	-	4,575,881	-
Other Liabilities	1,128,946	-	845,782	-
Total	7,126,809	-	5,997,027	-

Capital Management

Schedule-27

For the purpose of the Entity's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Entity's capital management is to maximise the shareholder value.

The Entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants & regulatory factors. To maintain or adjust the capital structure, the Entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Entity monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. However company has no any long-term and short-term debt in the current and previous periods.

Contingencies

Schedule-28

The Company has no contingent liabilities till current reporting period.

Prior Period Errors**Schedule-29**

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, available reliable information. There are no prior period errors in the current reporting period.

Lease**Schedule-30**

Company has made a lease agreement with tenant for equal sharing of building between the company and its holding company (NSBL) and payable monthly which is to be increased from 3rd years by 15 %. Lease is classified as Operating Lease. Lease is recognized as a right of use asset and a lease liability. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the incremental borrowing rate. Right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

Lease is valid for 6 years from date of agreement. Any party can cancel the lease within due notice of 6 months. At current reporting period, lease is cancellable, so no additional disclosure is made related to non-cancellable lease.

There is Renewal Option in Lease agreement which will be effected by the approval of both party.

Commitments**Schedule-31**

(a) Capital commitments

There are no Capital commitment at the end of current reporting period.

(b) Operating lease commitments – Entity as lessee

There is no any Operating lease Commitment for non-cancellable lease.

Standard Issued But not yet Effective**Schedule-32**

ICAN has pronounced the new accounting standards, NFRS 2018 version which is applicable from 2077/78 except for NFRS 14, 15, 16, 17, 9 and NAS 29 which will be applicable from 2078/79. The Entity intends to adopt these new and amended standards and interpretations, from effective date.

Events after the end of the reporting date**Schedule-33**

There are no event after the end of period that requires the disclosures.

Green Initiative

Dear Shareholder(s),

Green Initiative in Corporate Governance

As a part of the Green initiative taken by the Bank, we are issuing Annual Report in electronic form to those shareholders whose e-mail addresses are available and communicated to us.

The Bank invites you to participate in the Green Initiative by enabling the Bank to communicate with you through electronic medium i.e. e-mail. It will not only bring in better efficiency in communication by removing transit delays but also contribute to the preservation of environment. We request you to join us in this initiative by updating your e-mail address with your Depository Participant, if your holding is in D-mat form. Shareholders holding shares in physical form shall have to send their updated information/changes to the Registrar and Transfer Agent (RTA), M/s Nepal SBI Merchant Banking Ltd. through e-mail to **sharedpt@nsbl.com.np**.

Further, while most of the shares of the Bank is in D-mat form, some of the shareholder(s) are still retaining shares in physical form. The Shares held by you in physical form can be easily dematerialized i.e. converted into electronic form. The various benefits derived out of the dematerialization of shares are:-

- Automatic credit of securities arising from Bonus/right/split/merger, etc.
- Reduction in risks associated with holding securities in paper form such as theft, damage due to fire, wear and tear etc.
- Transfer of securities is done by DP without requiring personal correspondence with concerned companies.
- Holding investment in equity, debt instruments and other securities in a single account (D-mat A/c).

If you are holding shares in physical form, please approach any **Depository participants (DP) (like Nepal SBI Bank Ltd. Contact No. 01-4412743 or email: sharedpt@nsbl.com.np)** of your ease and choice for the opening of D-mat account. Fill the D-mat Request Form (Anusuchi-16) and handover the relative shares certificate(s) to your DP for Dematerialization of your Shares. Shares will get converted into electronic form and will automatically be credited to your D-mat Account.

If you are receiving dividend in the physical form, you are requested to furnish/update bank account details with RTA, as the case may be, to receive dividend electronically.

We are hopeful that the shareholder will appreciate the "Green Initiative" taken by the Bank and all shareholders will enthusiastically participate in this effort.

Kind Attention of Shareholders is brought to the Section 182 (9) of the Companies Act, 2063. As per the said section, the amount of dividend not collected/claimed/received by any Shareholder even after the expiry of a period of five years after the date of resolution adopted by the company in its general meeting to distribute dividends needs to be credited to the Investors Protection Fund (IPF) formed pursuant to the section 183 of the Companies Act, 2063 which is utilized for the purpose and in the manner specified in Procedures for the Management and Operation of Investors Protection Fund, 2073. In view of above, all shareholders are requested to ensure that any dividend payable to them, are claimed without any delay.

Note:

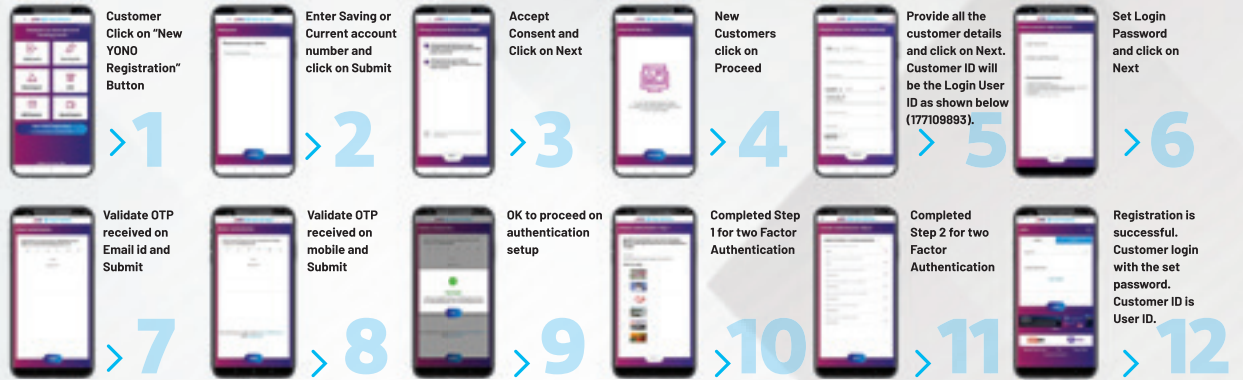
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मोबाइल बैंकिङ्ग एपमा स्व-दर्ता गर्न एकदम सहज तथा सरल छ । आजै आफूलाई यसमा आबद्ध गराई उत्कृष्ट डिजिटल बैंकिङ्ग सेवाको अनुभव गर्नुहोस् ।



विस्तृत जानकारीका लागि नजिकैको शाखा कार्यालयमा सम्पर्क वा nsbl.statebank मा लग अन गर्नुहोस् ।

For more details, please contact nearest branch or log on to nsbl.statebank

☎ NSBL Call Center 16600120012 or 01-5970333



BRANCH DETAIL

INSIDE
KATHMANDU
VALLEY

20

OUTSIDE
KATHMANDU
VALLEY

71

TOTAL
NUMBER
OF BRANCH

91



ATM DETAIL

INSIDE
KATHMANDU
VALLEY

43

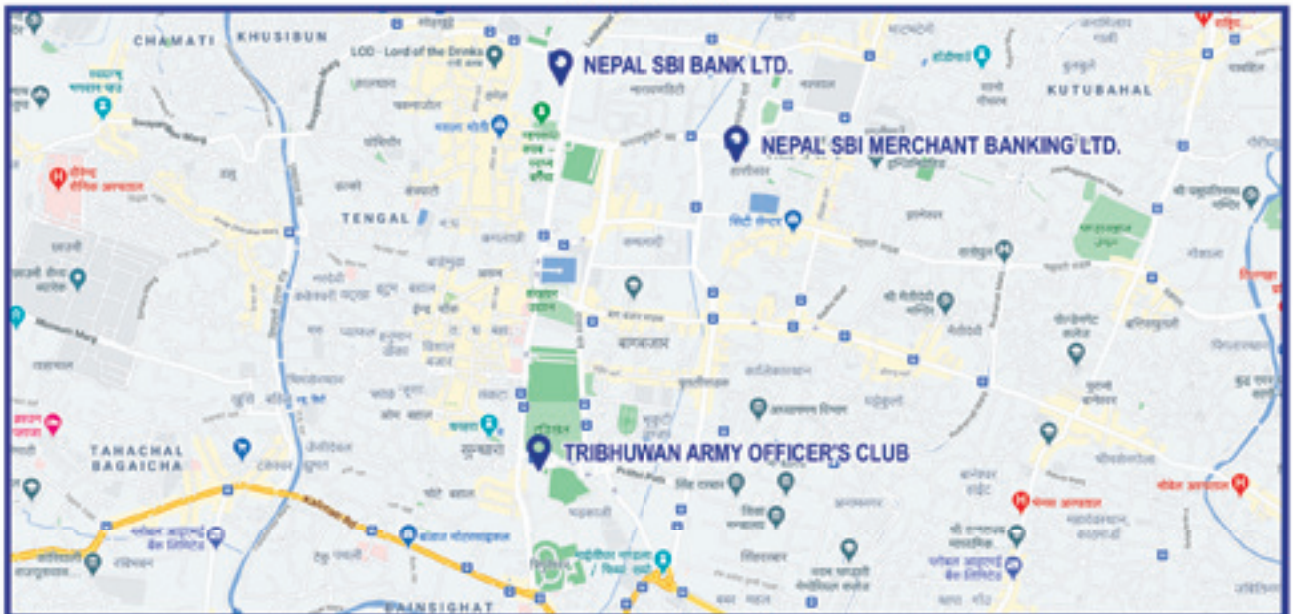
OUTSIDE
KATHMANDU
VALLEY

88

TOTAL
NUMBER
OF ATM

131

AGM VENUE MAP





नेपाल एसबिआई बैंक लिमिटेड **NEPAL SBI BANK LTD.**

THE MOST PREFERRED BANK FOR A TRANSFORMING NEPAL

— OUR SERVICES —

SAVINGS ACCOUNT

- Naari Bachat Khata
- Karmarchari Bachat Khata
- Premium Bachat Khata
- Baal Bachat Khata
- Saral Bachat Khata

CREDIT FACILITY

- Housing Loan
- Business Loan
- Corporate Loan
- Vehicle Loan
- SME Loan
- Mortgage Loan
- Education Loan

CARD SERVICES

- ATM/Debit Card
- Vishwa Yatra Card
- NSBL Insta Debit Card

DIGITAL BANKING

- Mobile Banking
- Internet Banking
- SMS Banking
- POS
- QR Merchant

ONLINE SERVICES

- IRCTC Railway & Air Ticket Booking Facility
- Utility Bill Payment

REMITTANCE SERVICES

- NSBL Payment Gateway
- SBI Nepal Express Remit
- RTGS Services
- Domestic Remittance
- Global Link Services
- Indo Nepal Remit
- SWIFT and Demand Draft

OTHER SERVICES

- Safe Deposit Locker Facility
- Cash Deposit Machine (CDM)

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