



नेपाल एसबिआई बैंक लिमिटेड  
**NEPAL SBI BANK LTD.**

The first ever Bank in Nepal Rated "AA",  
highest rating, by ICRA Nepal

"Our commitment is first  
in customer satisfaction"



# 24<sup>th</sup> ANNUAL REPORT

FY2073-74 (2016-17)

[www.nepalsbi.com.np](http://www.nepalsbi.com.np)

# GLIMPSE OF 23<sup>RD</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS



# ACCOLADES AND ACHIEVEMENTS

- Nepal SBI Bank has been awarded with “Super Platinum Award – 1st Runner Up” in the prestigious “Nepal Business Excellence Award 2017” a joint initiatives of Frost & Sullivan and Confederation of Nepalese Industries.
- Rated “AA” by ICRA Nepal, Highest rating ever to any company in Nepal. Rating was reaffirmed by ICRA Nepal for the 2nd consecutive year.
- Highest Rating by SBI Management Audit – Rated A+ consecutively for the 2nd time.
- Opened INTOUCH outlet at Durbarmarg which is first of its kind in Nepal.
- Started “NSBL Digital Village” initiative at Jaharsing Pauwa, Kathmandu.
- “NSBL Pyament Gateway”, the first real time remittance between India and Nepal.
- Nepal SBI Bank has been awarded “Visa Excellence Award 2017” in the category “International Debit Card Business”
- Launched POS services in different parts of Nepal.

## NEPAL BUSINESS EXCELLENCE AWARD 2017 - “SUPER PLATINUM AWARD – 1ST RUNNER UP”



Nepal SBI Bank has been awarded with “Super Platinum Award – 1st Runner Up” in the prestigious “Nepal Business Excellence Award 2017”, a joint initiative of Frost & Sullivan, a global consulting firms and Confederation of Nepalese Industries.

NSBL was honored on the basis of its performance assessed using the indicators, which are globally recognized, according to Frost & Sullivan. The indicators are Business Planning, Strategy Alignment and Deployment, Organization Building, Process

Management and Business result.

The firm after rigorous evaluation process, selected Nepal SBI for its preparation for the future and initiatives taken to embrace best practices to become more competitive and face challenges.

## INTERNATIONAL DEBIT CARD BUSINESS “AWARD FOR EXCELLENCE”

Nepal SBI Bank has been awarded with “Visa Excellence Award 2017” in the category “International Debit Card Business” and was recognized as the best Bank in the segment among the entire Visa clients in Nepal during Visa Nepal Client forum held on 15 June 2017.



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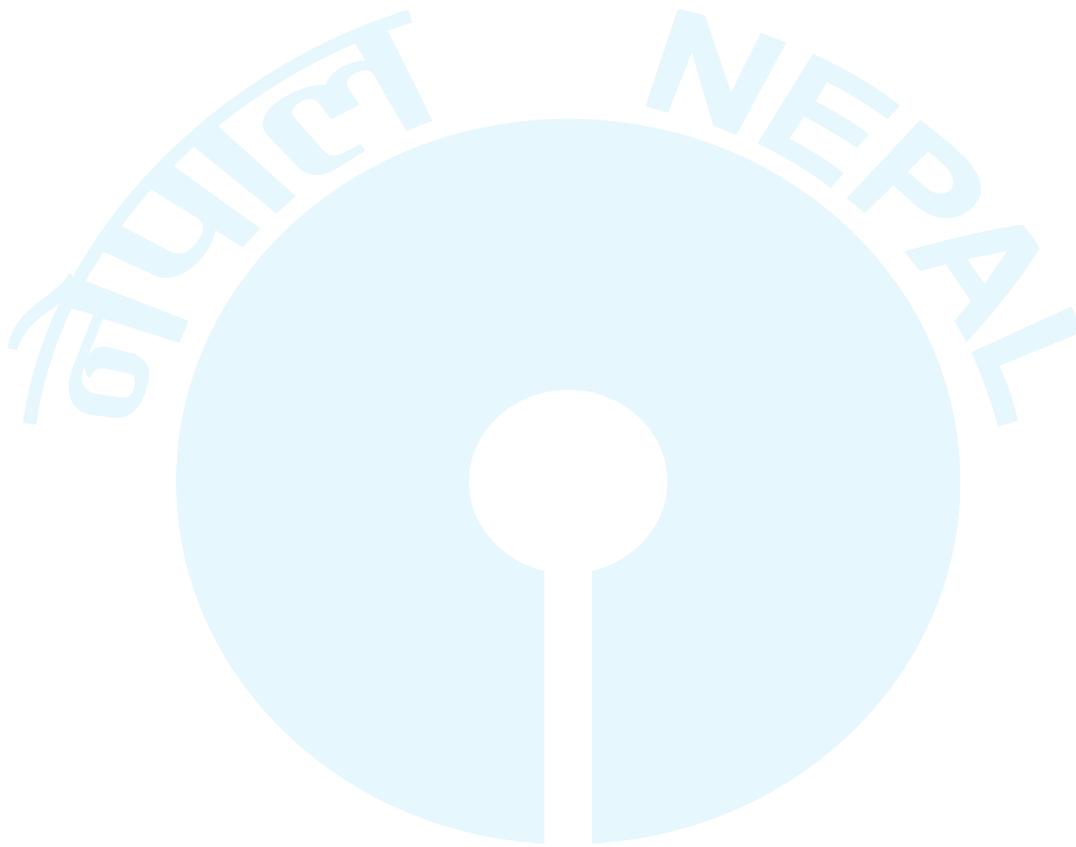
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# ABOUT US

Nepal SBI Bank Ltd (NSBL) is the first ever Bank in Nepal rated "AA" by ICRA Nepal. Established in July 1993 is a Subsidiary of State Bank of India (SBI) where SBI holds 55% of ownership, Employee Provident Fund Nepal (Karmachari Sanchaya Kosh) holds 15%, the balance 30% shares are held with the general public. State Bank of India is India's largest bank, a fortune 500 company and is among top 50 global banks.

The majority shareholder, State Bank of India (SBI), with a 211 year history, after the merger of its five Associate Banks (State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and Bharatiya Mahila Bank with itself has entered into the league of Top 50 Banks of the world with a balance sheet size of INR 41 trillion, 277,000 employees, 500 million customers, more than 24,000 branches 59,000 ATMs and another 198 foreign offices in 37 countries across the world.

SBI's non-banking subsidiaries/Joint Ventures are market leaders in their respective areas and provide wide range of services which includes Life Insurance, Merchant Banking, Mutual Funds, Credit Cards, Factoring Services, Security Trading and Primary Dealership making the SBI Group a truly large financial supermarket and India's financial icon. NSBL, one of the largest overseas subsidiaries of SBI, is providing banking services in Nepal through its 80 offices including 68 Branches, 7 Extension Counters, 1 INTOUCH Outlet, 3 Regional Offices and a Corporate Office. Our branches and network of 102 ATMs (including 2 Mobile ATMs and 4 CDMs), more than 400 POS, covers more than 50% of the country's geography. Shortly we shall be adding another 12 branches in different parts of Nepal in hill and Terai area. Over the past few years the Bank has been doing well and has emerged as one of the strongest and a leading "A" Class Commercial Bank in Nepal. The Bank is providing value added services to customers of all segments both in

the world class digital and mechanized banking environment as well as in traditional way. Bank's IT infrastructure is at par with the best in the world and our Corporate Governance Standards are of the highest levels. Now, in its 25th year in operation, and celebrating silver jubilee year Nepal SBI Bank has grown to a balance sheet size in excess of USD1 Billion.

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 Machine (CDM), state of art modern technology customer friendly INTOUCH Banking Outlet, Digital Village, Tech Learning Centres, NSBL Payment Gateway for easy processing of trade/non trade remittance to and from India etc. Apart from the above, our special remittance product SBI Nepal Express Remit is quite popular for sending remittance from India to Nepal.

# OUR VISION & MISSION



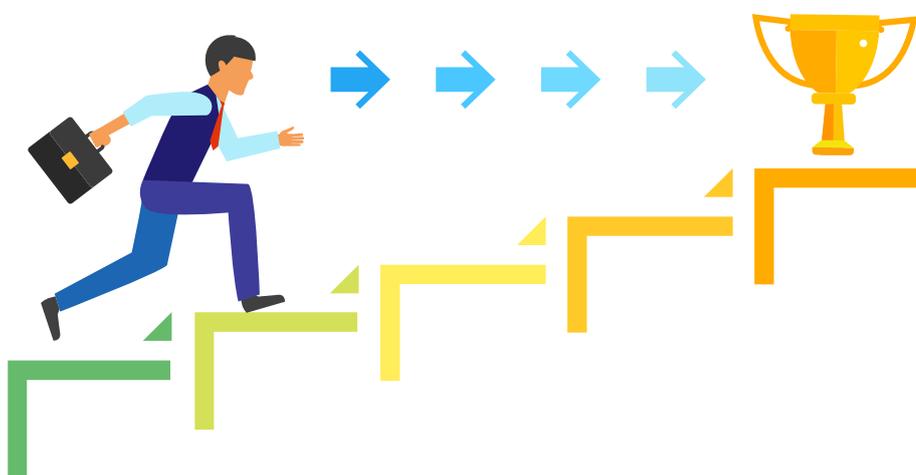
Our vision and mission is to be a state of the art, customer centric, values driven and professionally managed bank; committed to high standards of good corporate governance practices; perpetual enhancement of the wealth of all stakeholders and the society.

Over the years, we have grown larger and stronger in terms of business, reach and resources. This has been achieved by relying on the fundamentals of customer service of top order. Our achievements have come through quality, consistency, transparency, capital base, sound liquidity, a robust risk management framework coupled with the practice of good corporate governance and above all, the tireless focus on customer satisfaction.

The Bank's mission is to provide one stop solution to all the banking needs for the customer through a highly motivated professional and efficient human resource pool, promoting sustainable business growth by providing high quality customer service, customer care and ensuring efficient use of Information



Technology in a cost efficient manner. At the same time we also focus on meeting the expectations of all the stakeholders through transparent, true, fair disclosures, responsive management practices and strive to fulfill corporate social responsibility in Nepal with emphasis on growth in business.



## OUR AIM

Our aspiration is to be the most trusted and preferred banking utility/ financial service provider in Nepal.

## OUR COMMITMENT

Our commitment is first in customer satisfaction.



# KEY PERFORMANCE INDICATOR

## ANOTHER YEAR OF GOOD PROGRESS (FY2073-74)

**Total Loans growth - 34%**

**Retail Loans growth – 40%**

**CASA growth – 8%**

**CASA Share (Domestic) at 48%**

**Domestic Deposit growth – 22%**

**Fee Based Income growth – 19%**

**Gross NPA at 0.10%**

# KEY PERFORMANCE INDICATOR

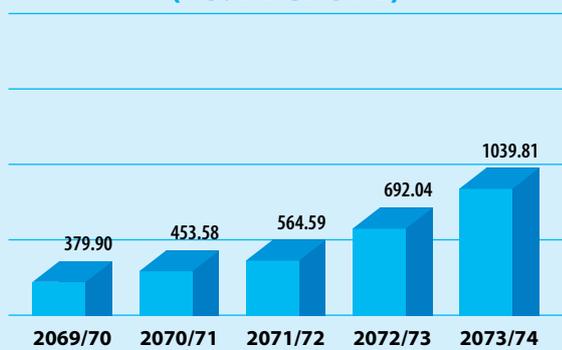
### NET PROFIT (RS. IN CRORE)



### EARNING PER SHARE (RS.)



### TOTAL SHAREHOLDERS' FUND (RS. IN CRORE)



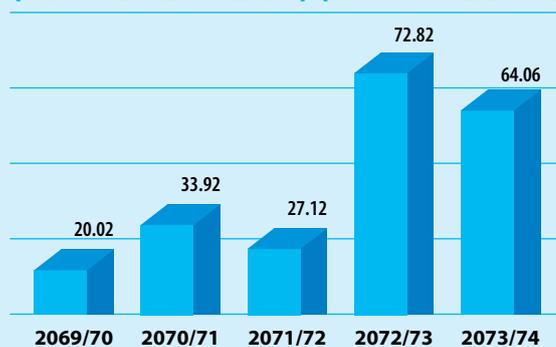
### RETURN ON SHAREHOLDERS' FUND (IN %)



### MARKET VALUE PER SHARE (AT THE YEAR END) (RS.)



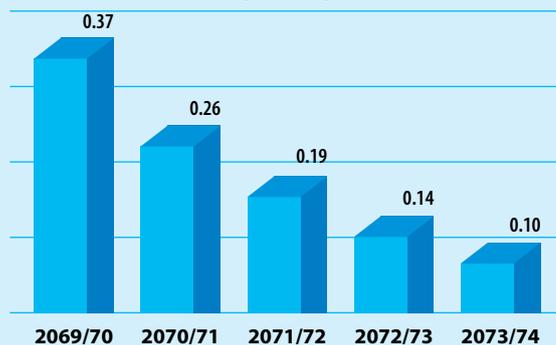
### MARKET CAPITALISATION (AT THE YEAR END) (RS. IN BILLION)



### RETURN ON TOTAL ASSETS (IN %)



### NPA/ TOTAL LOAN (IN %)



# VALUE ADDED STATEMENT

## BUSINESS WITH CONTRIBUTION TO SOCIETY

for the year ended 31 Ashad 2074

(Figures in Rs. Crore)

Particulars	Ashad 2074		Ashad 2073	
<b>Operating Income</b>	<b>407.31</b>		<b>333.64</b>	
Less: Operating Expenses	-75.47		-61.68	
Less: Provision for Loss netted with write back	-15.99		-6.86	
Add: Non-operating income and recovery of written off loan	2.46		1.00	
<b>Wealth Created</b>	<b>318.31</b>	<b>%</b>	<b>266.10</b>	<b>%</b>
<b>Distribution to</b>				
<b>Employee</b>	<b>100.80</b>	<b>32%</b>	<b>74.10</b>	<b>28%</b>
Salary and other benefits	79.05		54.90	
Staff bonus	21.75		19.20	
<b>Government</b>				
<b>Corporate tax</b>	<b>65.19</b>	<b>20%</b>	<b>58.80</b>	<b>22%</b>
<b>Equity Holders</b>	<b>113.17</b>	<b>36%</b>	<b>114.66</b>	<b>43%</b>
Proposed cash dividend	5.66		5.73	
Proposed dividend for bonus share	107.51		108.93	
Reinvested in the Bank as various reserves	39.15	12%	18.54	7%
<b>Total Wealth Distribution</b>	<b>318.31</b>	<b>100%</b>	<b>266.10</b>	<b>100%</b>



# FIVE YEARS FINANCIAL SUMMARY

## WITNESSING SUSTAINABLE GROWTH

### BALANCE SHEET

(figures in Rs. Crore)

Particulars	2069-70	2070-71	2071-72	2072-73	2073-74
	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Assets:</b>					
Cash Balance & Bank Balance	771.34	665.50	843.57	1,038.98	1,322.97
Money at Call and Short Notice	13.89	0.00	0.00	0.00	0.00
Investment	2,590.61	1,772.24	931.97	1,929.13	2,104.32
Loans, Advances and Bills Purchase (net)	2,878.81	3,527.96	3,997.92	4,697.55	6,302.48
Fixed Assets	66.16	60.74	63.00	63.00	75.08
Other Assets	158.80	81.86	91.27	122.87	178.01
<b>Total Assets (A)</b>	<b>6,479.61</b>	<b>6,108.30</b>	<b>5,927.73</b>	<b>7,851.53</b>	<b>9,982.86</b>
<b>Liabilities:</b>					
Borrowing	80.00	100.00	100.00	518.47	630.97
Deposits	5,892.05	5,449.30	5,162.82	6,521.35	8,166.45
Other Liabilities	127.67	105.42	100.32	119.67	145.65
<b>Total Liabilities (B)</b>	<b>6,099.72</b>	<b>5,654.72</b>	<b>5,363.14</b>	<b>7,159.49</b>	<b>8,943.07</b>
<b>Shareholders' fund (A-B)</b>	<b>379.89</b>	<b>453.58</b>	<b>564.59</b>	<b>692.04</b>	<b>1,039.79</b>
Paid-up Capital	235.57	265.02	305.81	388.37	692.49
Proposed Bonus Share	29.45	39.89	82.57	108.93	107.51
Reserves	114.36	148.09	175.89	191.83	239.53
Retained Earnings	0.51	0.58	0.32	2.91	0.28
<b>Total Shareholders' fund</b>	<b>379.89</b>	<b>453.58</b>	<b>564.59</b>	<b>692.04</b>	<b>1,039.81</b>

### PROFIT AND LOSS ACCOUNT

(figures in Rs. Crore)

Particulars	2069-70	2070-71	2071-72	2072-73	2073-74
	2012-13	2013-14	2014-15	2015-16	2016-17
1. Interest Income	411.05	397.66	382.13	398.13	591.12
2. Interest Expenses	248.70	223.16	177.38	156.52	299.45
<b>Net Interest Income</b>	<b>162.35</b>	<b>174.50</b>	<b>204.75</b>	<b>241.61</b>	<b>291.67</b>
3. Commission and Discount	31.37	32.04	34.04	46.58	48.76
4. Other Operating Incomes	15.78	21.73	30.77	31.81	44.79
5. Exchange Fluctuation Income	10.19	10.78	11.95	13.64	22.09
<b>Total Operating Income</b>	<b>219.69</b>	<b>239.05</b>	<b>281.51</b>	<b>333.64</b>	<b>407.31</b>
6. Staff Expenses	41.66	44.31	55.22	54.90	79.05
7. Other Operating Expenses	47.72	50.60	51.58	61.68	75.47
8. Exchange Fluctuation Loss	0.00	0.00	0.00	0.00	0.00
<b>Operating Profit before Provision for Possible Loss</b>	<b>130.31</b>	<b>144.14</b>	<b>174.71</b>	<b>217.06</b>	<b>252.79</b>
9. Provision for Possible Losses	12.80	8.30	11.66	11.13	18.79
<b>Operating Profit</b>	<b>117.51</b>	<b>135.84</b>	<b>163.05</b>	<b>205.93</b>	<b>234.00</b>
10. Non-Operating Income/(Expense)	-0.03	0.87	1.07	1.00	0.56
11. Provision for Possible Loss Written Back	4.39	7.18	5.21	4.27	2.80
<b>Profit from Regular Operations</b>	<b>121.87</b>	<b>143.89</b>	<b>169.33</b>	<b>211.20</b>	<b>237.36</b>
12. Income/(Expenses) from Extra-ordinary Activities	0.23	0.41	2.00	0.00	1.90
<b>Net profit after considering all activities</b>	<b>122.10</b>	<b>144.30</b>	<b>171.33</b>	<b>211.20</b>	<b>239.26</b>
13. Provision for Staff Bonus	11.10	13.12	15.57	19.20	21.75
14. Provision for Income Tax:	33.85	38.88	49.22	58.81	65.19
This Year's	36.35	40.59	50.41	57.95	68.67
Tax upto Previous Year	0.06	0.00	2.30	1.37	0.03
This year's Deferred Tax (Income)/Expense	-2.56	-1.71	-3.49	-0.51	-3.51
<b>Net Profit/(Loss)</b>	<b>77.15</b>	<b>92.30</b>	<b>106.54</b>	<b>133.19</b>	<b>152.32</b>
Profit Per Employee (Rs. In lakh)	14.34	15.21	17.88	19.62	19.83



# OUR COMPETITIVE STRENGTHS

<p><b>Highest ever rating by ICRA Nepal</b>                  ICRA Nepal has reaffirmed issuer rating of "AA", highest issuer rating to any organization in Nepal by them.</p>	
<p><b>Low Risk Business</b>                  Being a low risk bank is fundamental to our business model. Our low risk appetite is reflected through the low level of non-performing loans, which is the lowest in the banking sector in Nepal.</p>	<p><b>Financial Strengths</b>                  Our balance sheet and funding position have both been increased substantially in recent years and they are now amongst the strongest in the banking sector.</p>
<p><b>Multi-channel approach</b>                  Operating in an integrated way through a range of distribution channels, including one of the largest Branch network and Digital Channels in Nepal, ensure our customers can interact with us when and how they want.                  Nepal SBI INTOUCH Outlet at Durbar marg well demonstrates our Technological capabilities and willingness to bring the best in Nepal.</p>	<p><b>Skilled and Engaged People</b>                  Our colleagues provide real advantage. We invest in skill building and training while ensuring alignment to our customer focused strategy and commitment to build the best team.</p>
<p><b>Connected to the Society</b>                  Understanding our stakeholders' concerns, supports us in the delivery of our strategy to become the best Bank for those who affect and are affected by our operations, in addition to our shareholders, customers, colleagues, Government, Regulatory bodies, our suppliers and the society at large.                  "NSBL Digital Village" initiative at Jaharsing Pauwa reflects our commitment to the society.</p>	<p><b>Sustainable Growth</b>                  The Bank aims to deliver sustainable growth in line with its low risk business model. We have continued to make good progress in growing market share.                  Your Bank has grown to a balance sheet size in excess of USD 1 Billion.</p>
<p><b>Preparedness for Future</b>                  Your Bank is prepared for the future and has taken initiatives to embrace best practices to become more competitive and face challenges.</p>	

# KEY EVENTS IN THE YEAR

## THERE HAVE BEEN A NUMBER OF NOTABLE EVENTS AND ACHIEVEMENTS FOR THE BANK DURING THE YEAR.

Inauguration of "Nepal SBI INTOUCH outlet" at Durbarmarg, Kathmandu on 7th July 2017 by Dr. Chiranjibi Nepal, Governor, Nepal Rastra Bank, Smt. Arundhati Bhattacharya, Chairman, State Bank Group and Ambassador

of India to Nepal, His Excellency Shri Manjeev Singh Puri.

INTOUCH outlet at Durbarmarg facilitates instant Account Opening with personalized ATM card through an

account opening KIOSK. In addition the outlet also facilitates cash withdrawal/ deposit, Cheque deposit, Internet Banking along with a touch screen Digital Wall providing various information to our customers.



"Pari" a robot developed by pass out students of Pulchowk Engineering Campus has been fully 3D printed in Nepal. Pari is used as meet and greet @ INTOUCH Outlet, Durbarmarg. Pari, Nepal's first humanoid robot won the category of the Best Innovation Product Award in ICT Award 2017.



Nepal SBI Bank Ltd. commenced its "Digital Village Initiatives" on 8th July 2017 at Jaharsing Pauwa Village at Shankarapur Municipality, Ward No.3, Kathmandu. The initiatives were jointly rolled out by Dr. Chiranjibi Nepal, Governor, Nepal Rastra Bank and Mrs. Arundhati Bhattacharya, Chairman, State Bank of India, amid a ceremony held at Jaharsing Pauwa, Kathmandu.

"NSBL Digital Village" initiative aims at transforming the selected village into a cashless eco system by adopting safe, healthy and vibrant digital channels for financial transactions.



Inauguration of POS at Pashupatinath Temple, World Heritage Site, by Smt. Arundhati Bhattacharya, Chairman, State Bank Group



“

Account opening at Jaharsing Pauwa Village at Shankarapur Municipality, Ward No.3, Kathmandu, as a part of “Financial Inclusion” initiative.

“

Smt. Arundhati Bhattacharya, Chairman, State Bank Group, handing over token of love to Rt. Honorable President Smt. Bidhya Devi Bhandari at Rashtrapati Bhavan, Shital Nivas, Kathmandu, Nepal. in presence of DMD (IBG), CGM (IB), GM (R&S), MD, NSBL and other senior functionaries from Nepal SBI Bank during her visit to Nepal from 7th July to 9th July 2017.



“

Inauguration of Pashupatinath Temple ATM outlet by CGM Mr. Sujit Kumar Varma – SBI. It is the first ATM of Nepal SBI Bank at any World Heritage Site.



Team Building Activity at Borderland Eco Resort, Sindhupalchowk 25th March 2017-27th March 2017



“ NSBL Staff members participating in the 3 day Team Building Activity organized at Borderland Eco Resort, Sindhupalchowk.



**NSBL Adventure Club 21<sup>st</sup> March 2017**

As part of NSBL Adventure Club, NSBL Staff members visited Rara. RARA is the largest lake of Nepal.



**Kantipur Half Marathon 2017 (18th February 2017)**

NSBL Staff participating in the Kantipur Marathon 2017 organized by Kantipur Publication.

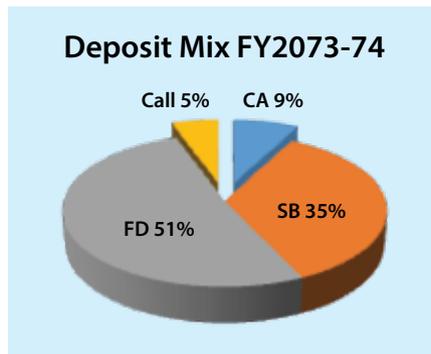
# PRODUCTS AND SERVICES

Nepal SBI Bank is offering various types of product and services to its valued customers to cater their different needs ranging from deposits, lending, trade finance and remittances etc. The complete range of product focusing women, senior citizen, HNI Customers, children, students, corporate, and other tailored saving deposits, fixed deposits, call and current deposits are available at the Bank along with various credit products ranging from commercial loan products such as demand loans, cash credits, overdrafts, trust receipts and term loans etc. Apart from above a complete portfolio of personal and retail credit products are also provided by the bank. Non-fund based products such as bank guarantees and letters of credit are also available to the Bank's customers. Based on market feedback and need of the customer the bank is continuously devising and launching new technology based banking product for its valued customers.

With the presence in 36 districts of the country through a wide network of 68 branches, 7 extension counters, 3 regional offices, 102 ATMs (including 4 CDM and 2 mobile ATM) and inclusion of alternative delivery channels like mobile banking, internet banking, ATM cards, Nepal SBI INTOUCH outlet, NSBL digital village, POS etc. The bank is aiming to provide banking service to the maximum population and cater all the banking solutions to our customers. The bank is always committed to present modern technology based innovative products and services and redesign existing products & services as per the specific requirement of its customers. The service provided is in line with the international standard customer service mechanism and practice.

Composition of Deposit				
Rs. in Billion				
S. No.	Deposit Mix	FY 2071-72	FY 2072-73	FY 2073-74
1	Current	5.34	6.19	6.87
2	Saving	21.48	26.83	28.66
3	Fixed	19.14	23.02	41.78
4	Call	5.67	9.17	4.35
<b>Total</b>		<b>51.63</b>	<b>65.21</b>	<b>81.67</b>

The deposit mix of the Bank has been changing based on deployment



opportunities and interest rate scenario in the market. The Bank was able to mobilize a higher proportion of deposits under the CASA segment. Such a trend in deposit mobilization has significantly lowered the cost of borrowings for the Bank.

## LAUNCH OF NEW PRODUCTS AND INITIATIVES

New Digital initiatives such as launch of "Nepal SBI INTOUCH Outlet at Durbar Marg", "NSBL Digital Village at Jaharsing Pauwa" and POS services has been completed. Our already existing Digital Services are E-Corner (with ATM, CDM & SSK), Mobile Banking, Mobile ATMs, CDM, CRM and Payment Gateway. Our internet banking platform has been upgraded to meet a wide range of services. NSBL is further committed to enhance the capabilities of its existing digital alternate channel products and introduce various other new digital initiatives in Nepal that would enhance its reach and customer base. Many of these digital initiatives are successfully rolled out by the parent bank viz: State Bank of India in India. NSBL expects to benefit from these already tested initiatives of the parent bank in rolling out these initiatives in Nepal. NSBL's digital initiatives are further complimented by

NSBL's Tech Learning Centers at various locations to educate customers, non-customers to adopt technology for their banking transactions.

### a) Nepal SBI INTOUCH Outlet

Nepal SBI INTOUCH is state of art modern digital banking solution offered by the Bank to its valued customers. The INTOUCH Outlet offers services like instant account opening, instant personalized debit card, cash deposit, cash withdrawal through ATM, CRM, cheque deposit and account statement. The outlet is fully automated and customers can open savings account by themselves.

### b) Nepal SBI Digital Village

Under this initiative, NSBL brings each household and establishment under the banking fold through our digital banking products: POS, Cash at POS, ATM. CDM/CRM, Mobile Banking, INB etc. As far as possible, the adopted village will be converted into cash-less eco system. Our parent, State Bank of India has already embarked on transforming the villages into cashless eco system by adopting them as SBI Digital Villages in India. The project aims at transforming the selected villages into safe, healthy and vibrant digital centers. Similarly to uplift the overall living standard of such village Nepal SBI Bank will also carry various CSR related activities like support to school, local health post etc. in the selected village in Nepal. Hence to promote economic activity in the village so that the households are self-reliant, the bank has already initiated effort of considering for credit linkages under NRB's direct lending approach on a case to case basis purely on merit as per our bank's policy.

### c) Internet Banking (INB)



Students with group photo after visit of Nepal SBI In-Touch Outlet at Durbar Marg. The bank is in process of adding such outlets in various major cities of Nepal in due course.

We have recently migrated our internet banking system to a more secured and robust platform. Enhanced security features have been incorporated in the platform to ensure safety and security of the overall transactions.

We have added "Forgot password" feature in our new Internet banking platform which enables customers to reset their password on their own without needing to visit the bank's branch. Additionally one time password has been enforced during transactions that has added another layer of security in transactions done from the internet.

Using our new Internet Banking platform customers can enquire about their account, download account statements and perform transactions like Fund transfer, pay utility bills (NTC Landline and Postpaid).

#### d) NSBL Payment Gateway

The newly launched NSBL Payment gateway facilitates transfer of funds/ payments between Nepal & India on a "Real Time Basis". It is a cost effective electronic remittance channel and instant banking service based on reliable funds transfer system for transferring funds from Nepal to India and India to Nepal. It is the fastest, convenient and hassle free money transfer system through the banking channel.

#### e) POS Service

The bank has recently launched the POS services in different places of Nepal. Till date we have already installed more than 400 POS terminals. We are planning to expand the same in coming year as there is good demand for our POS services by various corporate institutions and retail trading units.

### DEPOSIT PRODUCTS

Your Bank values the expectations and needs of its customers and has adequate product line up to cater to their specific requirements. The savings bank account is normally the first on-board facility availed by a customer and the referral point for all future services from the Bank. Several variants of savings bank account are available to meet the specific needs of individual customers, prominent amongst them are:

#### Nepal SBI Premium Savings Account

A deposit scheme that has been designed to take care of banking and saving requirements of High Net Worth Individuals. The scheme is bundled with



various facilities and digital products of the Bank like Mobile Banking, Internet banking etc. with concessional charges.

#### NSBL Baal Bachat Khata

A scheme designed to inculcate savings habits among the children below the age of 16 years. Targeted at minors under this scheme account can be opened in the name of minor but operated by their parents or guardians. Product offers the benefits of concession on issuance of Visa Debit Card, no annual charges for internet banking, free mobile banking service, etc.

#### Karnadhaar Bachat Khata



This scheme is targeted at children above the age of 10 years but below 16 years, who can read & write and can sign uniformly. The account can be opened in the name of minor in the presence and guidance of his or her parents or guardians and can be operated by the minor with certain restrictions. Product offers the benefits of concession on issuance of Visa Debit Card, no annual charge for internet banking, free mobile banking service, etc.

#### NSBL Nari Bachat Khata

Female above 16 years of age can open this account with minimum balance of Rs. 500/- and can earn attractive interest returns in their savings. Under this scheme customers can get facilities like; free cheque book, concession on locker rentals, concession on issuance of Visa Debit Card, no annual charge for internet banking, etc.

#### NSBL Combo Savings Scheme



This is a merged variant of two products of the Bank; Savings Bank Public and NSBL Mobile Banking Service. In this scheme account can be opened at zero balance and customer has to avail the Mobile Banking service mandatorily.

#### Saral Bachat Khata

The product with low minimum balance requirement of Rs. 501/- is the most popular deposit scheme having customer base of more than 3.10 lacs. This scheme is targeted towards all the income group of people.

#### Indreni Bachat Khata

Under this scheme, customer gets the benefit of higher interest rate for maintaining higher balance in the account. The scheme offers free internet banking, any branch banking, concession on remittance facilities etc.

#### Vishesh Bachat

VisheshBachat Scheme is offered with attractive interest rate and high minimum balance requirement targeted at High Networth Individuals. The scheme offers bundle of additional benefits like free internet banking, Visa debit card, any branch banking, concession on remittance facilities and locker rental charge etc.

#### Varistha Nagarik Bachat

Individuals of 50 years and above are eligible to open account under this scheme. Customers are provided with added benefits like any branch banking service, Visa debit card, and discount on locker rental charges and at the same time higher rate of interest. Customers who open Fixed Deposit under Varistha Nagarik Scheme are paid interest at monthly interval.

#### Karmachari Bachat Khata

This product is aimed at salaried employees from Government and non-government organizations including security personnel. Under the scheme, salaried employees can open savings account with us and enjoy concessional benefits on various services.

#### Savings Scheme for Nepal Army/Nepal Police and Armed Police Force

These schemes are designed for serving personnel's of Nepal Army, Nepal Police and Armed Police Force. It has features like; free issuance of Visa Debit Card, free internet banking and concession on various other services.

#### Students Savings Account

This scheme has been introduced with an objective to inculcate saving habits in the students. Under this scheme any student can open savings account with zero minimum balance.



### Shareholders' Account

Shareholders of our Bank are eligible to open account under this scheme. The account does not have minimum balance requirement. Dividends paid by the Bank can be credited to the account directly.

Apart from the savings schemes, the Bank offers Business Current Account and Personal Current Account. Term deposits facilities like Recurring Deposit and Fixed Deposit offer competitive interest rate. Call deposit account facility is available with attractive interest rates and unlimited withdrawal facility.

### Corporate Salary Package

NSBL's Corporate Salary package (CSP) is a combined form of a customized salary account and other product and services for select corporate, backed by value added and priority service. This comprehensive package can be specially customized for any institution/corporate depending upon their specific requirement.

### The main features of the CSP as follows.

Special savings account facility with

- No minimum balance requirement,
- free ATM-cum-Debit Card,
- Additional ATM Card for joint account holder,
- Free Internet Banking,
- Service through any of our 68 branches and 7 extension counter across Nepal )
- RTGS/Swift facility at concessional rate
- Various Personal loans like Home loan/ Auto loan/ Mortgage plus loan Education loan , Demand Loan etc. at attractive terms

### DEPOSIT MOBILIZATION ACTIVITIES

Your Bank shows significant move away from high cost bulk deposits by consistent focus on CASA (Current Account & Saving Account) and retail

deposits. The bank is launching regular campaign for mobilizing CASA deposit. Various Campaigns were also launched for promoting and generating awareness towards our technology products like SMS/mobile banking and internet banking etc.

### LOANS AND ADVANCES

To cater to the credit requirements of our large and diversified clientele base, we have wide range of loan products. Working capital loan, term loan, personal loan, mortgage loan, trade finance solutions etc. are available to fulfill the varied needs of the customers. Some of our key loan products are:

#### Corporate and Business Loans

The Bank offers loans to large corporate and institutional customers including public sector entities to meet funding requirements ranging from service related to strategic expansions, project finance etc.

#### SME Convenient Loan

Small & medium Enterprises (SME) is vital to the economic growth of the country. The sector not only generates employment but also stands auxiliary to big industrial/corporate projects. SME Convenient loan is a customized loan product designed to meet the financing needs of manufacturing, trading, business enterprise and self-employed professionals in Small and Medium Enterprise (SME) sector.

#### Mortgage and Mortgage Plus

These products offer personal credit on easy terms to individuals on the basis of their income level and value of mortgaged property. Simplified loan processes and quick turn-around time ensures smooth delivery to the customer.

#### Other Retail Loans

Other retail loans largely comprise of auto finance, home loan, education loan, credit for consumer durables, and loan for retired Nepalese pensioners of Indian Armed Forces etc.

Besides these, the Bank also provides Trust Receipt loans, Pre-shipment and Post-shipment credit and non-fund based facilities like Letter of Credit and Bank Guarantees etc. Your Banks global reach and Brand Value makes us the most preferred choice for Trade Finance Business.

### REMITTANCE

The Bank offers easy, convenient and safe international and domestic money

transfer facilities. We have wide reach in the country through our extensive branch network and more than 3600 instant payout location of Prabhu Money Transfer (our remittance partner), which ensure delivery of remittance proceeds to beneficiary in quick time and hassle-free manner.

Some of our popular remittance products are:

#### SBI Nepal Express Remit

Remittance through Electronic Fund Transfer (EFT) mechanism provides money transfer facility at minimal cost to Nepali migrant population residing and working in India. Remittance can be originated through more than 24,000 branches of State Bank of India located in various parts of India. We receive more than 450 remittances on an average per day.

#### Indo-Nepal Remit

The product was introduced by Reserve Bank of India in consultation with Nepal Rastra Bank on Electronic Fund Transfer (EFT) platform for smooth and speedy remittance from India to Nepal. Remittance can be originated through more than 117,000 NEFT enabled branches of various Banks in India. State Bank of India and Nepal SBI Bank in Nepal is the nodal Bank on this platform.

#### SBI Express Remit Gulf-Nepal (GLS)

A new remittance scheme has been introduced for providing easy, convenient and safe international money transfer service from Exchange Houses in gulf countries to our customer's account on Straight Through Process (STP) enabled model.

#### RTGS

Real Time Gross Settlement is a product from which customers can send Remittance to India at a real time in more than 75,000 branches of 106 banks in India.

#### Domestic Remittance Service

Bank started domestic remittance service in partnership with Prabhu Money Transfer. This product allows customers to send and receive money to and from any part within the country.

Your Bank has also tied up with Western Union Money Transfer (WUMT) to expand its remittance service portfolio to its customers from abroad and locally.

## CARD PRODUCTS

### Nepal SBI Debit Card

This is ATM cum Debit card which can be used for cash withdrawal as well as for merchandise payments at more than 6,00,000 merchant outlets in Nepal and India. NSBL Debit Card users can have access to 102 ATMs of NSBL and other VISA enabled ATMs all over the country and more than 59,000 ATMs in India at a nominal charge.

### Bharat Yatra Card

Popularly known as BYC, this is a Nepalese Rupees denominated pre-paid card suited for Nepalese population visiting India for medical treatment, pilgrimage, education, tours etc. The card can be used for cash withdrawal at all Sate Bank ATMs and VISA enabled ATMs in India. BYC was launched in November 2008 and is able to attract substantial number of customers.

### VishwaYatra Card

VishwaYatra Card, a CHIP based EMV enabled 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 also for merchandise payments. It provides safety, security and convenience to overseas travelers.

## ALTERNATIVE DELIVERY CHANNELS

### Mero Saathi - Mero Mobile

Nepal SBI bank is the first leading Bank in the country to have received NRB's approval for Mobile Wallet service. The bank has recently renamed the mobile banking product as " Mero Saathi " with tag line "Mero Mobile Mero Biswas " to make it more popular among our existing and prospective customers. It is premium mobile banking service that can be operated through mobile phone. The service has become instrumental not only in bringing previously unbanked population into the formal banking channel but also to add convenience to serving existing customers. Nepal SBI Bank is among a few commercial banks in Nepal which have come out with a complete range of services through Mobile Banking and Mobile Wallet System.

### Mero Saathi -Mobile Sakha

Mero Saathi -Mobile Sakha is mobile based banking service delivery channel which allows customers access to various banking services like fund transfer, balance enquiry, utility bill payments, statement request, alert services, NT's GSM and

CDMA Recharge PIN purchase, Broadlink & DishHome Recharge PIN purchase, etc. Presently the service is available to both NT (Nepal Telecom) and Ncell users.

### Internet Banking

Internet Banking is available through www.nepalsbi.com.np/content/e-banking.cfm 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, utility bill payments, Indian railway ticket booking etc. are available on the internet banking platform.

### 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.

### Mobile ATM

The introduction of Mobile ATMs in Kathmandu and Pokhara Valley has allowed NSBL to cover points of festival gatherings, points of tourist congregation, additional outskirts (in case of necessity) etc. of these 2 Valleys, especially during the peak season. Mobile ATMs does not only provide enhanced visibility but also facilitates generating additional income for the bank. The Mobile ATM vehicle is being utilized for advertising bank's products/services.

### Automated Teller Machine (ATM)

Nepal SBI Bank has one of the largest networks of ATM terminals. Presently, the bank has installed 102 ATMs (including 4 CDM and 2 mobile ATM ATMs for Kathmandu valley and Pokhara Valley) around the country. Our ATMs can also be used by holders of various International Cards.

### POS

The bank has recently launched the POS services in different places of Nepal. Till date we have already installed more than 400 POS terminals. We are planning to expand the same in coming year as there is good demand for our POS services by various corporate institutions and retail trading units.

## AUXILIARY SERVICES

### Safe Deposit Locker Services

Customers can deposit their valuable items in their safe deposit lockers. Presently, this

service is available at 41 branches of Nepal SBI Bank Ltd.

### Utility Bill Payment

Customers—both accountholders and non-accountholders—of the bank can pay their telephone bills, ADSL bills at the bank's branches free of charge. This facility is also available at our Mobile Banking Service and Internet Banking service.

### Fees and Premium Collection

Customers of the bank can pay their insurance premium, school and college fees at the bank's branches, of the organizations having agreement with us, free of charge.

## NEW INITIATIVES OF NEPAL SBI BANK LIMITED

In its pursuit to provide more technology friendly modern digital product the bank is providing following new product and services.

### Launch of "NSBL Payment Gateway"

A reliable and secured platform for facilitating transfer of funds from Nepal to India and India to Nepal on a real time basis.

#### Features:

- Fastest money transfer system (Trade/Non Trade) through the
- banking channel.
- Direct credit to SBI beneficiaries in India.
- Fund can be transferred to all NEFT enabled branches of any bank in India.
- Transaction is settled on real time basis, guided by the settlement batch of RBI (in case of banks outside SBI Group).

### Addition of ATM Utilities

Your bank has introduced the following functionalities/utilities in our ATMs that would enhance the scope of our ATM cum debit cards.

- Donation utility: NSBL with the help of SBI has developed donation utility through its ATM terminals. Through this utility NSBL Card holders can donate funds to PM's Disaster relief Fund and Pashupati Area Development trust. It is facilitating online and hassle free collection of such donations/contributions for credit to the said Fund.
- Fund transfer facility through NSBL ATMs for collection of donations from devotees for credit to the accounts of Pashupati Area Development Trust (PADT).
- Account to Account transfer: Customers can transfer funds between their accounts linked with the ATM card through the use of this utility.

- On boarding of Mobile Banking customers: NSBL has developed a utility through which NSBL card holders can register for Mobile Banking using NSBL ATM terminals.

#### Launch of Mobile ATM facilities

Your bank has launched Mobile ATMs in Kathmandu and Pokhara Valley, which covers points of festival gatherings, points of tourist congregation, additional outskirts (in case of necessity) etc. of these 2 Valleys, especially during the peak season.

#### E-Corner

The bank has been providing services through number of alternative channels such as ATM, E-Banking, Mobile banking etc. The bank has already rolled out CDM and SSK as well. All these utilities combined has created a unique experience for the customers of the bank wherein the customers are able to enjoy services offered by the bank without any manual intervention at any time preferred by the

customer. The e-Corner at DurbarMarg Main Branch, Keshar Mahal includes following newly launched Technology Products Services:

- **Cash Deposit Machine (CDM):** The bank has installed CDM machine at DurbarMarg and Newroad branch which is quite easy way to Deposit Cash, and the processing is fast and efficient.
- **Self Service Kiosk (SSK):** The bank has installed SSK at e- corner of DurbarMarg branch, Keshermahal, Kathmandu having various easy banking facilities with Self operation user friendly menu. Customers can avail the services like Account Statement, and Balance Inquiry Cheque Book request/ Collections, Recharge Card, Utility Payment, Internet Banking Registration, Mobile Banking Registration from the same machine.

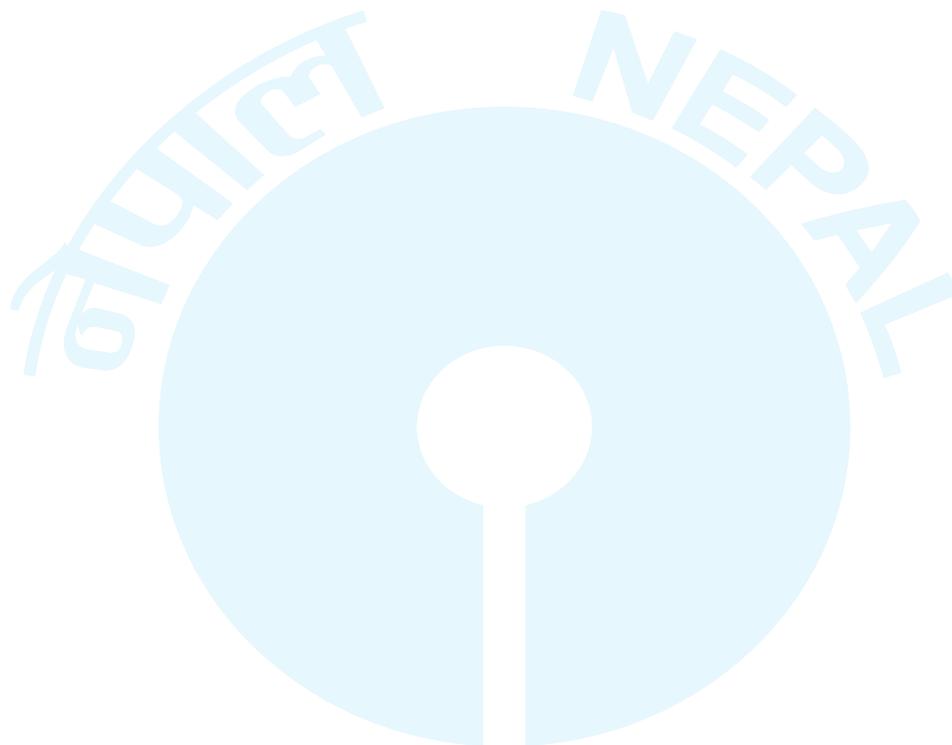
#### D-Mat Accounts Opening Service

D-Mat Accounts Opening Service  
Nepal SBI bank Ltd is providing D-Mat Accounts opening facilities at all NSBL

Branches. The account holder can avail the following facilities by maintaining their D-Mat Account.

#### Features:

- Opening of D-mat account in the name of security holders (Individual/ Company).
- Dematerialization and Re-materialization of securities.
- Electronic record of securities in Beneficial Owner (BO) accounts.
- Settlement of trade by transferring/ receiving the securities from/into BO accounts.
- Quick electronic credit of securities allotted by issuers during IPOs, FPOs, Rights, etc.
- Timely deposit of stock dividends (such as: bonus, right shares, etc.).
- Simplified securities pledge.
- Up to date statement of D-mat account to the Beneficial Owner.



# BOARD OF DIRECTORS



**Mr. Sujit Kumar Varma**  
**Director**  
Representing State Bank of India



**Mr. Vijay Kumar Tyagi**  
**Director**  
Representing State Bank of India



**Mr. Deepak Rauniar**  
**Director**  
Representing Employees' Provident Fund



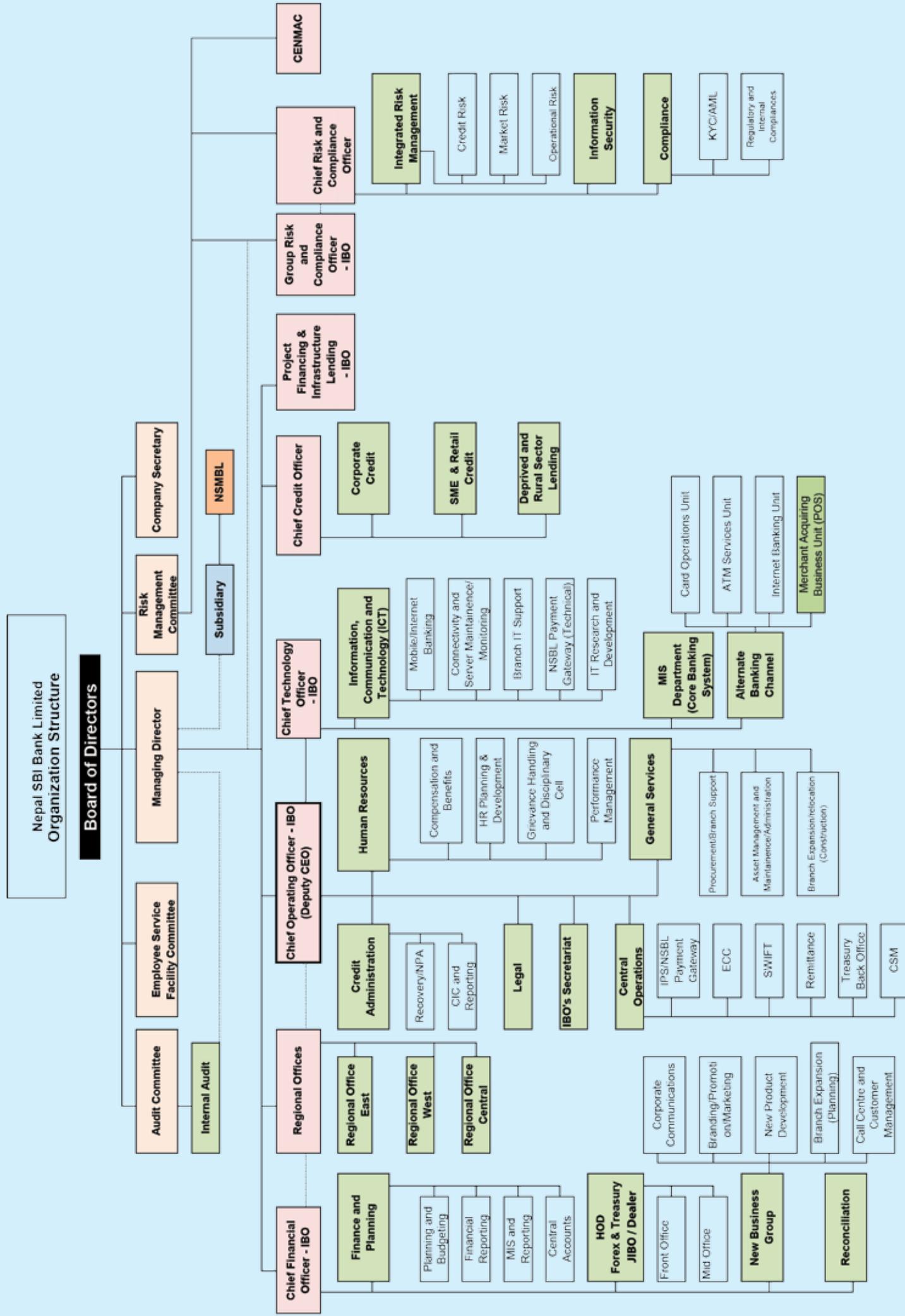
**Mr. Keshav Raj Acharya**  
**Director**  
Independent Director



**Mr. Anukool Bhatnagar**  
**Managing Director & CEO**  
Representing State Bank of India

**Statutory Auditor**  
**P.L. Shrestha & Co., Chartered Accountant**

**Company Secretary**  
**Mr. Ramesh Ghimire**



# MANAGEMENT TEAM



**Mr. Anukool Bhatnagar**  
Managing Director & CEO



**Mr. Subhakanta Kanungo**  
Chief Operating Officer & Dy CEO



**Mr. Priya Ranjan**  
Chief Financial Officer



**Mr. Chhapi Raj Pant**  
Chief Risk & Compliance Officer



**Mr. Dev Raj Adhikari**  
Chief Credit Officer



**Mr. Umesh Bahadur Karki**  
Regional Manager (East), Biratnagar



**Mr. Jeeban Babu Subedi**  
Regional Manager (West), Nepalgunj



**Mr. Sushil K. Sharma**  
Regional Manager (Central), Kathmandu

## CHIEF MANAGERS



**Mr. Arjun Nepal**  
Commercial Branch  
(Kathmandu)



**Mr. Bishnu Dev Yadav**  
Durbar Marg Branch  
(Kathmandu)



**Mr. Ramesh Ghimire**  
Law and Shares &  
Company Secretary



**Mr. Binod Dhungel**  
Corporate Credit

## HEAD OF DEPARTMENTS / UNITS



**Mr. Suraj Manandhar**  
SME and Retail Credit



**Mrs. Roshani Bharati**  
Credit Administration  
& New Business Group



**Mrs. Soma Roy Gupta**  
Central Operation



**Mr. Lekha Nath Pokharel**  
Internal Audit



**Mrs. Damayanthi Joshi**  
Human Resources



**Mr. Shreedhar Adhikari**  
Compliance



**Mr. Santosh K. Bhandari**  
Finance & Planning



**Mr. Bigyan Adhikari**  
MIS (Core Banking System)



**Mrs. Aparna Sharma**  
General Services



**Mr. Vikas Budhathoki**  
Information, Communication  
& Technology



**Mr. Prabin Acharya**  
Alternate Banking Channel



**Mr. Hem B. Chaulagai**  
Integrated Risk Management



**Mr. Rabi Bikram KC**  
Treasury



**Ms. Sharmila Jirel**  
Reconciliation

# RISK MANAGEMENT

## EFFECTIVE RISK MANAGEMENT, GOVERNANCE AND CONTROL

### Risk Governance

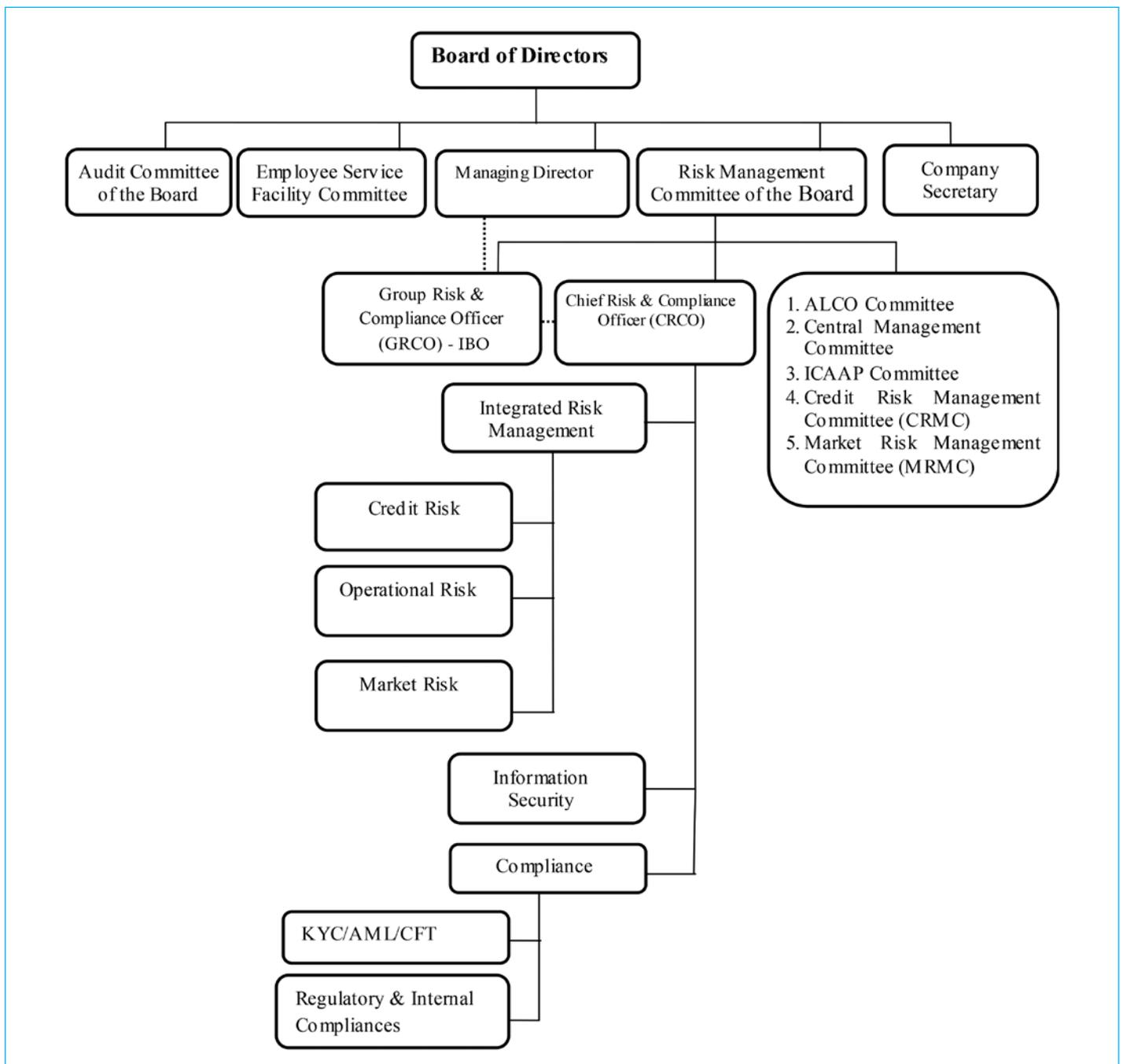
The Board approves the overall Risk Management Policies and sets risk appetite, both of which are designed to ensure that we manage our risks in the right way to achieve our agreed strategic objectives. Board has formulated a dedicated board level Risk Management Committee, which monitor the performance of the Bank's Risk Management Frameworks (RMFs) under close and regular scrutiny and interact closely with the risk management committees operating at various level in the Bank.

The Board and the senior management encourages a culture of transparency and openness to ensure that issues are escalated promptly where required. The Board approved RMFs and risk appetite are put into effect using an enterprise-wide framework which applies to every area of the business and covers all types of risk. The framework is designed to ensure a consistent approach to risk management and reporting, so that all risks are fully understood and managed in relation to our agreed risk appetite. It includes our policies, procedures, controls and reporting.

**A Risk Management Structure in the Bank is shown in the diagram below.**

The most of the policies/frameworks is reviewed, updated and approved by the Board at least annually to reflect any changes in the nature of our business and external regulations, law, corporate governance and industry best practice. This helps us to ensure that we continue to meet our responsibilities towards our customers, shareholders and regulators.

Our risk appetite and the policy framework define clear parameters within which our business units must operate in order to deliver the best outcome for customers and stakeholders.



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

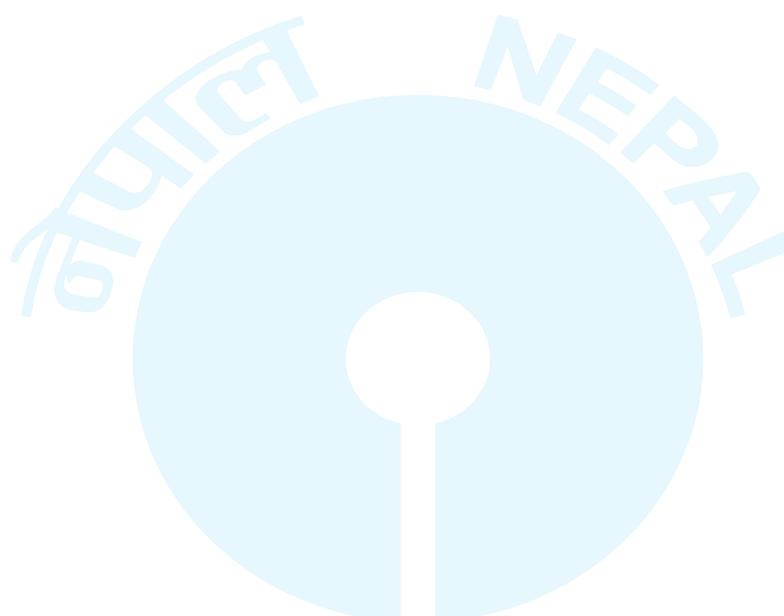
The Bank has considered many of the potential implications following the substantial capital increment requirement, new reporting requirement

like NFRS, new governance structure formulation process in the country and the impact to its customers and products – as well as legal, regulatory, tax, finance and capital implications.

Continued uncertainty surrounding the political and macroeconomic environment remains but the potential

impacts of external factors have been considered in all principal risks and uncertainties to ensure any material uncertainties continue to be monitored and are appropriately mitigated. Principal risks and uncertainties are reviewed and reported regularly.

Principal Risks	Key Mitigating Actions
<p><b>Credit Risk</b></p> <p>The risk that customers and/or other counterparties whom we have either lent money to or entered into a financial contract with, or other counterparties with whom we have contracted, fail to meet their financial obligations, resulting in loss to the Bank.</p> <p>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"> <li>- Loan policy, incorporating prudent lending criteria, aligned with Board approved risk appetite, to effectively manage risk.</li> <li>- Robust risk assessment and credit sanctioning to ensure we lend appropriately and responsibly.</li> <li>- Extensive and thorough credit processes and controls to ensure effective risk identification, management and oversight.</li> <li>- Monitoring of quality of credit portfolio on a periodical basis, identify problems and correcting deficiencies.</li> <li>- Monitoring of sectorial credit concentration.</li> </ul>
<p><b>Operational Risk</b></p> <p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.</p> <p>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"> <li>- Continual review of our IT environment to ensure that systems and processes can effectively support customers' requirements.</li> <li>- Enhancing the resilience of systems that support critical business processes with independent verification of progress on an annual basis.</li> <li>- Enhancing operational risk awareness through Risk and Control Self-Assessment (RCSA) process.</li> <li>- Improving early warning information through implementation of Key Risk Indicators (KRIs).</li> </ul>
<p><b>Market Risk</b></p> <p>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"> <li>- Equity and interest spread risks are closely monitored and, where appropriate, asset liability matching is undertaken to mitigate risk.</li> <li>- Stress and scenario testing of risk exposures.</li> <li>- Ensure that there is clear accountability, responsibility and adherence to the regulatory guidelines including best practices for management and mitigation of market risk.</li> </ul>



# REPORT OF THE BOARD OF DIRECTORS

*Dear Shareholders,*

The Board of Directors of Nepal SBI Bank Ltd. have great pleasure in presenting before you this 24th Annual Report together with the audited Balance Sheet, Profit & Loss Account, Cash Flow Statements and highlights of other activities of your Bank during the Fiscal Year 2073-74 that ended on 31st Ashad 2074 (15.07.2017).

We express our gratitude to you all for your continued trust and support to the bank.

## REVIEW FOR THE FY 2073-74

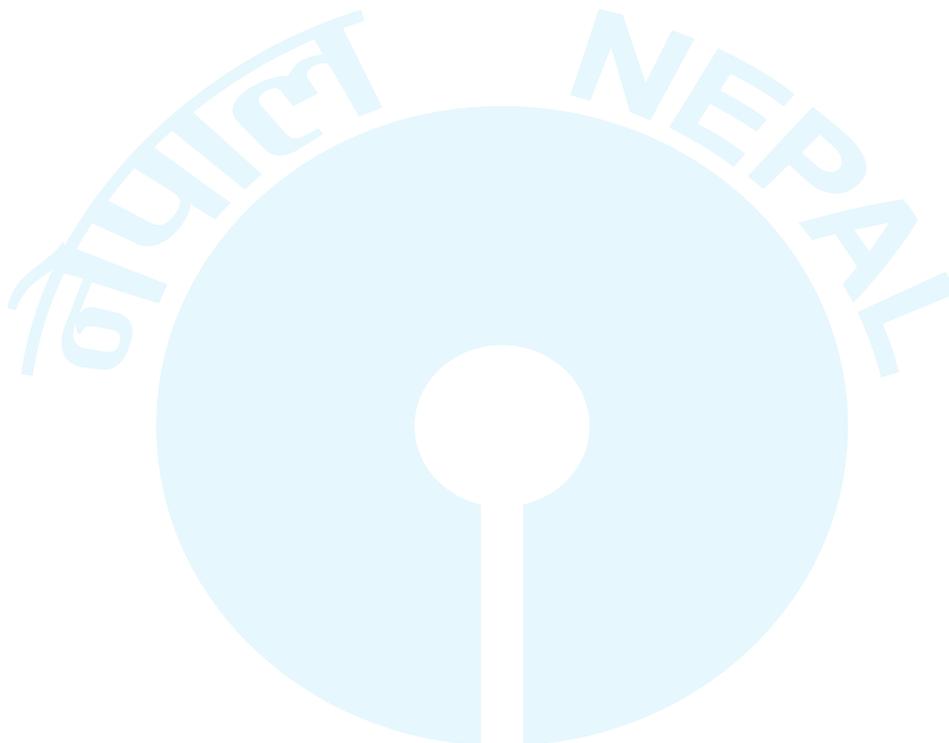
Nepal SBI Bank has completed its glorious 24 years of providing efficient banking service to the nation, since commencement of its operations in July 1993 and has ushered to the silver jubilee year. The bank is opening 12 new branches in fiscal year 2074-75 in Hill and Terai area of Nepal and with the opening of these new branches, our reach will be expanded to 40 districts of Nepal out of 75 districts. Further, Nepal SBI Bank will continue its strive to serve more unbanked places of Nepal along with providing highest standards in customer service through

various attractive, innovative and convenient products and digitalized services.

Financial frictions seen in recent months have significantly improved. The gap between deposit and credit growth has narrowed. The comfortable level of central bank liquidity has eased financial conditions. The upward trend in market interest rates has been arrested. The increased capital base, introduction of fixed interest rate corridor by NRB in its recent monetary policy statement and macro prudential

tools in place are the measures aimed at making financial sector more resilient and stable in the coming days.

Despite the fact that the new regulatory prescriptions as aforesaid have tightened the interest income components, your Bank has achieved satisfactory growth in profits during FY 2073-74 (2016-17). The review period also witnessed impressive growth in various segments of business with improvement in major efficiency parameters.



## WORLD ECONOMY

International Monetary Fund (IMF) projects the world economy to grow by 3.5 percent in 2017 and 3.6 percent in 2018. Such growth was estimated at 3.1 percent in 2016. Advanced economies, which expanded by 1.7 percent in 2016, are projected to grow at the same rate of 2.0 percent in 2017 and 2018.

Improvement in the world economy seems to have positive impact on the least developed economies including Nepal. However, slow productivity growth and inward looking policies in advanced economies could possibly have downside risks to emerging market and least developed countries.

Indian economy is projected to expand by 7.2 percent in 2017 and 7.7 percent in 2018. Such growth was 6.8 percent in 2016. Chinese economy, which grew by 6.7 percent in 2016, is projected to decrease to 6.6 percent in 2017 and 6.2 percent in 2018.

US Federal Reserve has been normalizing the unconventional monetary policy since December 2015. The Federal Reserve adopted such unconventional stance after the global financial crisis of 2008. The Fed increased target range for Fed Fund rate by 0.25 percentage point to the band of 1.0 percent and 1.25 percent on 14 June 2017. However, monetary stance is expected to remain expansionary in Eurozone and Japan.

*(Source: Monetary Policy for FY2017/18 issued by NRB)*

## NEPALESE ECONOMY

Nepalese economy remained buoyant in 2016/17. Higher growth, contained inflation and balance of payments surplus have spurred a new hope. Favorable weather, increase in tourists arrival and improvement in overall supply situation steered the economy towards the positive direction.

The financial friction observed after the first quarter of 2016/17, mainly because of aggressive lending by banks and financial institutions (BFIs) to consumption and riskier sector, is getting smoothened. This smoothening is mainly attributed to various policy measures taken by NRB, including the moral suasion. In the aftermath of the financial friction, there has been a positive change in the structure of

deposits held by the BFIs along with the improvement in the deposit interest rate, which remained low over the years. These developments subsequently helped to increase the gross domestic savings (GDS) to 10.3 percent in 2016/17 compared to 3.8 percent a year ago.

Estimates of Central Bureau of Statistics (CBS) show the growth in the real GDP (at producers' price) at 7.5 percent in 2016/17 compared to 0.4 percent in the preceding year.

The bullish drive in the stock market in the previous year remained normal in 2016/17. Stability in the stock market follows the macro prudential measures introduced by NRB. These, among others, consist of the policies lowering the concentration risk of BFIs in the stock market and real estate transactions, and encouraging credit disbursement to the priority sector.

The real gross domestic product (GDP) at basic price is expected to grow by 6.9 percent in 2016/17. This is slightly above the target (6.5 percent) mainly because of the improvement in agriculture, industry and services sector.

The total number of BFIs stood at 153 as of 6 July 2017. This consists of 28 "A" class commercial banks, 44 "B" class development banks, 30 "C" class finance companies and 51 "D" class microfinance institutions.

The total number of BFIs branches stood at 4,894 in mid-June 2017. These include 2,116 branches of commercial banks, 805 of development banks, 148 of finance companies and 1,825 of microfinance institutions. On an average, population served by per branch of BFIs is 5,809 in mid-June 2017. Such ratio per branch was 6,647 people a year ago.

The workers' remittances increased by 4.6 percent to Rs. 695.45 billion in the review year compared to a growth of 7.7 percent in the previous year. The ratio of workers' remittances-to-GDP declined to 26.8 percent in 2016/17 from 29.6 percent in 2015/16. The net transfer receipts increased by 9.5 percent to Rs. 851.80 billion in the review year. Such receipts had increased by 9.6 percent in the previous year.

Deposits at Banks and Financial Institutions (BFIs) increased by 14 percent in the review year compared to an increase of 19.4 percent in the

previous year. Of the total deposits at BFIs, while the share of demand deposits fell to 8.7 percent from 9.1 percent and saving deposits to 35.4 percent from 43.3 percent, the share of fixed deposits increased to 43.2 percent in mid-July 2017 from 30.5 percent a year ago.

Credit to the private sector from BFIs increased only by 18.2 percent in the review year compared to a rise of 23.7 percent in the previous year. In the review year, private sector credit from commercial banks increased by 25 percent, while that of development banks and finance companies decreased by 13.7 percent and by 13.3 percent respectively.

As of mid July 2017, 150 banks and financial institutions underwent merger and acquisition process, post implementation of merger and acquisition policy by NRB. Of these, license of 111 institutions were repealed to consolidate their license to 39 BFIs.

*(Source: Monetary Policy for FY2017/18 and Annual Macro Economic Analysis issued by NRB)*

## RECENT DEVELOPMENTS IMPACTING BANK'S BUSINESS

The Monetary Policy for 2074/75 has been formulated to meet the budgeted target to achieve 7.20% economic growth. The monetary policy has tried to come up with provisions to maintain interest rates within appropriate bounds so as to minimize its volatility, as projected in the policy.

Monetary policy has prioritized agriculture, tourism, energy, small and cottage industries and liquidity management. The policy has defined Hydroelectricity, Agriculture, Export, Tourism, SME Industries, Pharmaceuticals, Cement and Garment Industry as priority productive sectors. Commercial banks are now required to disburse at least 10% of their loan portfolio in agriculture, 5% in hydroelectricity, 5% in tourism and rest 5% in other priority sectors for a total of 25% to be lent to priority sectors. Development Banks should disburse 15% & finance companies should disburse 10% to priority sectors.

Existing provision that requires commercial banks to lend 5%, development banks 4.5%, and finance companies to lend 4% of their total loan portfolio to deprived sectors has not

been amended. However, minimum investment of 2 percent of the deprived sector credit directly has been made optional. Earlier, banks were required to directly disburse at least 2% of their total loan portfolio in the deprived sector and the remaining 3% of the deprived sector loans would have to be made through microfinance institutions.

NRB has also withdrawn the relaxation it had provided when calculating CCD ratio. Now, commercial banks cannot include lending to productive sectors while calculating (Credit and Core Capital to Deposit) CCD ratio. The ratio must be maintained at a maximum of 80% as per the earlier provision by Ashoj 2074. Earlier, NRB had relaxed CCD ratio through mid-term review of monetary policy for 2073/74.

Margin lending has now been limited to 40 percent of core capital towards margin sector loans. Similarly, the margin for keeping shares of a single company as collateral will account for a maximum of 10% of total margin.

Down payment for Auto loan has been reduced to 35% from existing 50%. Now, banks can lend up to 65% for auto loans. Likewise, down payment for auto loans for private electric vehicles has been reduced to 20% only.

Payments above Rs 10 lakh has to be done compulsorily through account payee cheques.

The monetary policy has reduced the limit of real estate lending inside Kathmandu valley. In the past, the limit of the loan was 50 per cent of the value of collateral. Now, the limit has been reduced to 40 percent inside Kathmandu valley only.

#### OTHER REGULATORY DECLARATIONS: UNDER IMPLEMENTATION

- Interest corridor system is being implemented in phased manner in order to stabilize the short-term interest rates volatility.
- Commercial Banks shall have to bring down the ratio of institutional deposit to 45 percent of total deposit by Ashadh 2075 (mid July 2018) from existing 50 percent.
- The personal residential loan limit facility provided by the BFIs has been extended to Rs 15 million from previous limit of Rs 10 million.
- BFIs opening new bank accounts of Nepalese citizens having no previous bank accounts residing in rural municipalities having no BFIs shall be granted interest free loan of Rs10 Million for one-year tenure per each 2,500 such new bank accounts if such bank accounts are opened by 2017/18.

- Direction for opening of branch offices in all 744 local and Interest free loan of Rs 10 Million per branch for a tenure of one-year if opened in specified local authority.
- Reporting of each lending to CIB irrespective of loan amount and provision to share credit information below Rs. 1 million at free of cost.

#### BANK'S PERFORMANCE DURING THE FINANCIAL YEAR 2073/74:

An overall synopsis of the Bank's performance during Financial Year 2073/74 is as under:

Particulars	Rs. In crore			
	Ashad end 2074 Rs.	Ashad end 2073 Rs.	YoY Growth in Rs.	YoY Growth in %
Paid-up Capital (including proposed bonus share)	800.00	497.31	302.69	60.87%
Reserve & Surplus	239.81	194.74	45.07	23.14%
Debenture	100.00	100.00	-	-
Borrowing	530.97	418.47	112.50	26.88%
Deposits	8,166.45	6,521.35	1,645.10	25.23%
Gross Loan	6,375.23	4,754.30	1,620.93	34.09%
Investments	2,104.32	1,929.13	175.19	9.08%
Total Assets	9,982.88	7,851.53	2,131.35	27.15%
Operating Profit before Provision for Possible Loss	252.81	217.06	35.75	16.47%
Net Profit	152.34	133.19	19.15	14.38%
Return on Assets %	1.68	2.00	(-) 32 bps	
Return on Equity %	20.42	22.16	(-) 174 bps	
Loan Loss Provision %	0.10	0.14	(-) 4 bps	
Adjusted Earnings per Share (Rs.)	30.61	34.29	(-) 368 bps	

During the review period Bank's Gross Loan increased by 34.09% and reached at Rs. 6,375.23 crore and Deposit increased by 25.23% and reached at Rs. 8,166.45 crore. Similarly, Bank's Total Assets increased by 27.15% and reached at Rs. 9,982.88 crore. Despite the scarcity of lendable fund in the banking industry Bank witnessed substantial growth in resources. The growth in business helped to increase Bank's market share in loans to 3.7% from 3.44% last year, market share in deposit to 3.9% from 3.7% last year, market share in total assets to 3.98% from 3.77% as per quarterly published by the Commercial Banks.

Scarcity of lendable fund and increasing trend of interest rate of deposits causes the ill effect in the Net Interest Margin (NIM). NIM decreased to 3.36% from 3.91% last year. Despite of increase in operating expenses, your Bank was able to increased its Operating Profit before Provision for Loss by 16.47% and Net Profit by 14.38% and reached at Rs. 252.81 crore and 152.34 crore respectively.

## RETAIL BANKING SEGMENT

In the FY 2073-74 (2016/17) the bank accorded more focus on retail banking segment having high retention or stability ratio. In the fiscal year 2073-74, retail segment deposits (Current and savings account) recorded a growth of Rs.256.79 crores and reached to Rs. 2926.33 crores. 69,953 new savings deposit accounts and 3,345 new current accounts were opened during the year. Aggressive marketing effort from our employees, launching of various campaigns from time to time, and better customer service during the year has resulted in this increment.

The advances level on retail segment stood at Rs. 2187.80 crores in 2073-74 as against Rs. 1563.40 crores in 2072-73 which is a YoY increase of 39.94%. We focused on retail loans like loans to ex-servicemen (Indian Army), education loan, housing loan, mortgage loan, etc. to improve the yield on assets. Despite uncertain political situation, sluggish economy and liquidity crisis in the banking system, we were able to book quality business with double digit growth rate.

## CREDIT MANAGEMENT

This year the total credit exposure reached Rs. 6375.23 crores showing a gross growth of 34.09 % and net growth of 34.17 % over previous year. 2512 new advance accounts (net) were booked during the review year. Bank has robust credit assessment and monitoring system in place due to which our asset quality has been continuously improving. Bank's credit management policy has been appreciated by our regulator NRB also.

## SME BUSINESS

Small and Medium Enterprises are the milestone of innovation, new job creation and entrepreneur development. Realizing the importance of SMEs to National Prosperity, the Bank has designed a specific targeted product for the SMEs; "SME Loan" to support these businesses with hassle free need based assessment and timely loan dispensation. As at the end of Ashadh 2074, Bank extended advance of Rs. 252.30 crores under SME Business portfolio registering year on year growth of 34.22 %.

## DEPRIVED SECTOR LENDING

During the review year, your bank has increased the deprived sector lending to Rs. 310.46 crores as compared to Rs. 217.05 crores last year. This constituted

the deprived sector lending of 5.13 percent of overall advance of the Bank which is better than the standard prescribed by Nepal Rastra Bank (i.e. 5%) during the fiscal year 2073-74.

## NPA MANAGEMENT

Your bank has a robust mechanism to monitor and follow up its NPA level on an ongoing basis. Integrated effort are being made to maintain the NPA level at the lowest. Your bank is pursuing both preventive management and curative management strategies for controlling NPAs. Strong credit assessment and risk management mechanism is in place to filter out likely NPAs. Regular monitoring of accounts at every level (Branch, Regional and Corporate) are regularly carried out to sense early warning signs to reduce the likely incidence of NPAs. A detailed due diligence on KYC profile of clients with emphasis on credit default history etc. is done as part of our credit pre-sanction process while establishing credit relationship. The bank has been able to lower the Gross NPA to 0.10% and net NPA to 0%. Similarly, the number of NPA accounts came down from 60 to 59. The non-performing loan ratio to total loan is 0.10%. Nepal Rastra Bank (NRB) has made new provision regarding classification of loans as Watch List. Loan loss provision at the rate 5% is to be maintained for loan falls under Watch List. We are able to keep low level of NPA and provision of Watch Listed accounts on the back of close monitoring of SMA accounts through prompt recovery efforts.

## PAID-UP CAPITAL AND CAPITAL ADEQUACY

Bank had submitted and disclosed its Board approved capital augmentation plan to the Nepal Rastra Bank (NRB) to comply with NRB's direction to raise minimum paid-up capital of Rs. 800 crore by the end of Financial Year 2073/74. According to the capital augmentation plan, during the review year, your Bank issued 28% bonus share for FY2072/73, Rs. 0.68 crore were raised by issue of further public offering, which also ensured 30% shareholding by public shareholder, Rs. 194.50 crore were raised from 40% right issue. After approval of bonus share proposed for FY2073/74 of Rs. 107.51 crore, the Bank's paid-up capital will cross Rs. 800 crore.

Auction of the unsubscribed right share has already been completed in the current year. From proceeds of the auction of unsubscribed right share, we received Rs. 4.69 crore as paid-up capital

and Rs. 38.18 crore as share premium and Bank's Paid-up capital reached to Rs. 804.69 crore up to the period of current year.

Bank's Tier 1 and Tier 2 Capital Adequacy Ratios (CAR) were 13.53% and 2.18% respectively and overall CAR of 15.71%. Capital position is adequate to meet our current business growth and exceeds the current Nepal Rastra Bank's capital adequacy requirement under the Basel III capital accord i.e. 11% and also exceeds the ICAAP Policy norms i.e 12%.

## INTERNAL CONTROL SYSTEM IN THE BANK

### CODE OF ETHICS

For smooth operation of day to day banking and policy level decision and strategies to be initiated by the bank, the Bank has devised and implemented its own 'Code of Ethics' to be followed meticulously by all the members of its Board of Directors, Management Team and staff at all levels. The 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.

### INTERNAL CONTROL, INSPECTION AND AUDIT

Our bank believes in strong financial discipline and compliance mechanism. For the same the Bank has already put in place a well-established independent audit system and structure to ensure adequate internal control for safe and sound operations. Internal Auditor reports to the Audit Committee and is also responsible for monitoring compliance with various NRB directives and guidelines. The Audit Committee of the Bank under chairmanship of a non-executive director reviews the financial position of the Bank, adequacy of its internal control systems and issues appropriate guidelines based on the feedback received from the internal audit reports. The audit committee from time to time reviews its policy and circulates the instruction and guidelines to operative level for further betterment, control and compliance of extant rules, regulation and instructions.

The bank has adopted and successfully implemented Risk Focused Internal Audit (RFIA), whereby a provision of 12 different types of Audits has been made in the Audit Manual. Under RFIA, branches are categorized into three groups as per risk perception and are subject to various

degrees of audit. The periodicity of audit is determined by the classification of the branches according to the extent of control quantified by previous RFA. 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 Regional Managers and the Management for effective supervision of qualitative parameters of operations.

## RISK MANAGEMENT

In the course of operations, we are invariably faced with different types of risks that may have a potentially negative effect on our day to day business. Risk management in bank operations includes risk identification, measurement and assessment, and its objective is to minimize negative effects risks can have on the financial result and capital of a bank. Banks are therefore required to form a special organizational unit in charge of risk management. Also, they are required to prescribe procedures for risk identification, measurement and assessment, as well as procedures for risk management.

The risks to which a bank is particularly exposed in its operations are: liquidity risk, credit risk, market risks (interest rate risk, foreign exchange risk and risk from change in market price of securities, financial derivatives and commodities), exposure risks, investment risks, risks relating to the country of origin of the entity to which a bank is exposed, operational risk, legal risk, reputational risk and strategic risk.

To address the above issues, Nepal SBI Bank has been implementing an independent risk monitoring structure for better control and mitigation of risk. Banking business involves a trade-off between risk and return. A fine balance between risk and return ensures continuity and prosperity of the bank. The various Risk management committees are in place in the bank to manage and control all facets of risk arising out of different areas of banking business, viz. ICAAP Review Committee, Market Risk Management Committee, Credit Risk Management Committee, Operational Risk Management Committee, Assets and Liabilities Management Committee. These committees identify, assess, mitigate, control and monitor risk strictly in line with the policy frameworks for such areas of banking business. These risk management committees together with

the Audit Committee form the structure through which the Board oversees the risk management function.

Your bank has already migrated to Basel-III norms and the Capital to Risk Weighted Assets Ratio (CRAR) is also being worked out as per the guidelines of Basel-III. The Bank also plans to go for Operational Risk Management Solution software in near future for assessing the Operational Risk on an ongoing basis. To control, obviate and mitigate the operational risk, the Bank has put in place comprehensive operational guidelines and has also issued various manuals, such as Cash Module Manual, IT manual, Finacle Job cards, TFCPC manual, Internet Banking guidelines, Mobile Banking operational guidelines, Credit assessment and process guidelines for the operating units.

A separate Integrated Risk Management Department (IRMD) is in place at the bank headed by Chief Risk and compliance officer (CRCO) to further strengthen the Risk Management structure. The role of IRMD team is focused on assessing, identifying, monitoring and reducing pertinent business risks. Further, being a subsidiary of State Bank of India, your bank is also required to comply with the requirements of the Group Risk Management Policy of State Bank of India who are continuously monitoring our systems & controls. Your bank received A+ rating, the highest rating in the last Management Audit conducted by SBI Audit & Inspection team. Board has approved the position of Group Risk and Compliance Officer, to be headed by Indian Based Officer.

ICRA Nepal Limited has assigned issuer rating of "[ICRANP-IR] AA" (pronounced ICRA NP Issuer Rating Double A) to Nepal SBI Bank Limited on 15th July 2016, which has again been reaffirmed for the second consecutive year on 24th October 2017 "[ICRANP-IR] AA" rating is considered as high credit quality rating assigned by ICRA Nepal and the rated entity carries low credit risk. The above rating received by the bank is the highest rating ever assigned by ICRA Nepal to Nepalese listed companies.

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, established track record (operating since 1993) and adequate franchise leading to good market

positioning in Nepal. ICRA Nepal's Rating Certificate further states that the rating was assigned to the Bank by taking into consideration bank's experienced senior management, improved deposits profile, strong asset quality, adequate capitalization levels, moderate portfolio growth and adequate earnings profile.

## ASSET LIABILITY MANAGEMENT

Asset liability management (ALM) is the administration of policies and procedures that address financial risks associated with changing interest rates, foreign exchange rates and other factors that can affect a company's liquidity. Your bank is efficient in ensuring asset liability management and is undertaking timely review of the ALM positions of the bank. The bank has implemented a comprehensive Asset Liability Management (ALM) System for effective management of Market Risk covering Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk.

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

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

## OUR TECHNOLOGY INITIATIVES

### 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 combined will create a unique experience for the customers of the bank wherein the customers will be able to enjoy services offered by the bank without any manual intervention at any time preferred by the customer.

Our e- corner outlet at Durbarmarg Main Branch, Kesharmahal, which provides easy and hassle free, various technology products such as Cash Deposit Machine (CDM), ATMs and Self Service Kiosk (SSK) etc for NSBL customers.

### CORE BANKING SOLUTION (CBS)

Nepal SBI Bank Has been using the 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 are integrated various value added services like SMS/Mobile Banking and Internet Banking in addition to ATM cards which is superior in terms of security features and speed of processing data.

### CARD PRODUCTS

Your Bank has offered various Visa branded debit card services to its customers and subsequently upgraded the security features over the time. ATM cum Debit Card, Bharat Yatra Card, VishwaYatra Card are the debit card products offered by the Bank and are VBV (Verified by Visa) enabled, an extra layer of security that helps to prevent unauthorized use of the cards while online shopping. Currently, our VishwaYatra Card is chip based card and the Bank has already started issuing chip based debit card to its valued customer. The old cards are being replaced with CHIP card gradually.

The bank has issued over 5 Lac 93 Thousand ATM cards at the end of Ashad 2074 with penetration over 84 percent.

### AUTOMATED TELLER MACHINES (ATMs)

With a view to provide hassle free and easy banking, the Bank has installed 102 ATMs including 4 CDMs and 2 mobile ATMs for Kathmandu valley and Pokhara Valley to provide 365 days banking services to its customers. Your bank is planning to add more ATMs in different places of Nepal in coming days. Further the Bank has already added modern features in its ATMs viz. fund transfer, request for SMS/Mobile banking registration, Donation utility, etc. Various international cardholders can also transact easily from our ATMs at nominal charge.

### INTERNET BANKING

Your bank is providing highly secured internet banking service to its valued

customer. Under the same service your Bank has offered facility of fund transfer, mini/detailed statement of accounts, utility bill payments, payment of IRCTC Indian railway online ticket booking etc. In order to develop awareness and encourage customers to use E-banking facility for quick and hassle-free banking experience, the Bank in time to time launching E-banking mobilization campaign. The number of e-banking user as at the end of Fiscal year 2073/74 has reached to 56,280 against 44,695 by registering a growth of 25.9 percent against users last year.

### MOBILE BANKING

The modern technology based banking product and services like Mobile/SMS Banking has already been made available to our valued customer. This service of the Bank allows its customers to view account balance, inquiry of exchange rates, banking hours, check mini statement, transaction alert, fund transfer, utility bill payment, book airlines ticket, etc. Bank is planning to add more features and make mobile banking more convenient, secure and popular among its customers. Bank's Mobile Banking App is available for free download from Bank's website and Google Play store. The total number of customer availing Mobile banking service up to shad end 2074 has reached to 146940 with growth of 28.90 % over the last year (113929 customer availed mobile banking last year).

### INFORMATION TECHNOLOGY & SYSTEMS SECURITY

Nepal SBI bank is having a comprehensive IT and Information Systems (IS) Security systems to control the threat and risk associated with IT enabled services which address all the concerns including maintenance of customers' confidentiality, security and integrity of data. Bank's data center where the Bank's CBS database resides (both Primary and Disaster Recovery Site) has acquired the accreditation for the international standard for Information Security Management Systems. All the Banking applications of the bank are highly secured 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 so as to prevent unauthorized access to the network.

A state of art, highly secured Disaster Recovery Plan (DRP) for all the operations is in place. The Bank has taken steps to increase security awareness amongst 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.

### NEPAL SBI INTOUCH OUTLET

In the era of Technological advancements, Nepal SBI Bank Ltd (NSBL) has been continuously taking steps to upgrade the systems and processes and adopt world class technologies to facilitate banking services to its customers in Nepal. Technical Services Agreement with our parent Bank, State Bank of India has enabled us to acquire the new technologies and process at almost negligible cost. Towards this, one such step Nepal SBI Bank Ltd has taken is, by opening Nepal SBI INTOUCH Outlet at Durbar Marg, Kathmandu. The INTOUCH outlet not only provides Alternate channels to our customers for banking but also helps in making paperless banking a reality. The outlet has a robot named 'PARI' who welcomes and greets customers visiting the outlet. PARI is the ROBOT first time used in the Banking Services in Nepal.

### NEPAL SBI DIGITAL VILLAGE

As part of our consistent effort towards financial inclusion and adopting Technological advancements for the banking in unbanked areas, Nepal SBI has rolled out a new initiative "Nepal SBI Digital Village". The project aims at transforming the selected villages into cashless ecosystem by adopting safe, healthy and vibrant digital channels for financial transactions. NSBL has launched similar initiative in Nepal and to begin with, has identified a village "Jaharsing Pauwa" in Sankarapur Municipality, situated 20 KMs north-east side of Kathmandu and launched the same accordingly amidst the program. The village is inhabited by approximately 450 households with population of 2,200. Major economic activities in the area are traditional farming and animal husbandry. The aim of this initiatives is to ensuring 100% financial inclusion with focus on migration to alternate channels through PoS, ATMs, CDM/ CRM Mobile banking, Internet Banking which will ultimately convert this village into a cash-less eco system. Further, to

improve overall living conditions of the people in the area credit linkages and coverage under deprived sector has also been started and initiated.

### **POS TERMINAL SERVICES**

The bank has recently launched POS terminals at different strategic business location to facilitate the valued customers. The total number of POS Terminal of Nepal SBI Bank has reached to 200 by end of Fiscal year 2073/74.

### **CUSTOMER SERVICE**

At Nepal SBI Bank we know that we have to bring banking to the fingertips of our customers. We realize that modern banking is about enabling our customers to have a meaningful relationship with their money. The customer wish to transact more quickly, accurately and efficiently than ever before. Keeping customers in its first priority the Bank continues to render better customer service by devising simplified processes and innovative delivery channels accordingly over the years. Providing value added services, leveraging core Banking technology and re-designing key business processes in line with the requirements of the customers, have helped in providing customers a satisfying banking experience with international standards. Today's customers evaluate and choose the banks based in their provision of self-service banking tools. To the possible extent, customers do not prefer to visit the bank and wait for an hours in a serpentine queue to get their cash deposited, cheque paid, statement printed, queries addressed, etc. In order to fulfill these needs, our Bank has installed technology driven products like AMTs, SMS/Mobile Banking, Internet Banking and Live support SSK (self-service Kiosk) CDM (cash deposit machine ), Mobile ATM services etc.

### **SOCIAL RESPONSIBILITY INITIATIVES**

Nepal SBI Bank Ltd has been executing various social banking initiatives under Corporate Social Responsibility (CSR). As part of our customer education initiative, we have already started with NSBL Tech Learning Centers (to increase awareness of bank's Technology products among the people), launched at three Regional centers, with meeting to be observed on the third Thursday of every month. This has drawn a lot of interest and in due course will be extended to more centers. Nepal SBI Bank Ltd. remains always conscious about its responsibility towards the society as a whole every year the bank is contributing certain

portion of its earnings for the progress of the community and country through several initiatives. Nepal SBI Bank limited supported directly or in partnership with other organizations, to various individuals, groups or institutions in wider area of social life including natural calamities, education, sports, culture, etc. During the year the Bank incurred expenses of Rs.5,819,881.79 (Rupees Five Million Eight Hundred Nineteen Thousand Eight Hundred Eighty One and Paise Seventy Nine only) in connection with various CSR activities including Beautification/landscaping and Cleaning of Fewa Lake at Fewa Lake, Phokhara.

### **SPECIAL GENERAL MEETING**

The Special General Meeting (SGM) convened on 28th August 2017 at Kathmandu adopted resolution by majority to make amendment under article 8(1), 8(2), 16 and 17 of the Bank's Articles of Association to provide for formation of 6 members Board consisting of 4 members representing from Promoter Group, 1 member representing General public and 1 independent Director. The SGM was convened as per the direction of Nepal Rastra Bank to ensure compliance of the provisions of the Banks and Financial institutions Act, 2073 in respect of the functioning and constitution of the Board of Directors of the Bank. 1 member each from public shareholders group and promoter shareholder groups have been reduced to ensure compliance of new BAFIA and NRB directive and to maintain status quo and same equation hitherto.

### **CHANGE IN THE BANK'S BOARD**

Shri Vijay Kumar Tyagi, General Manager (Retail and Subsidiary) IBG, SBI has been inducted on the Board of Nepal SBI Bank Limited upon his nomination by SBI in place of Shri Prabodh Parikh, General Manager, SBI on 18th June 2017. Shri Dhruba Bhattarai, Senior Manager, EPF has been nominated as alternate director representing Employees Provident Fund (EPF) on the Board of NSBL replacing the position previously held by Shri Om Krishna Shrestha, Deputy Chief Officer, EPF. Similarly, consequent upon retirement of Shri Krishna Prasad Acharya, ex- chairperson of the Board, from the service of Employees Provident Fund (EPF), Shri Deepak Rauniar, the Officiating Administrator, EPF has been appointed as Director by the Employees Provident Fund. On behalf of the Board of Directors, we place on record our appreciation for the contribution made by Shri Prabodh Parikh, Shri Krishna

Prasad Acharya and Shri Om Krishna Shrestha in guiding the affairs of the Bank during their tenure and welcome Shri Vijay Kumar Tyagi, General Manager, Retail & Subsidiary, IBG, State Bank of India, Shri Deepak Rauniar, Officiating Administrator, EPF and Shri Dhruba Bhattarai, Senior Manager, EPF as new members on the Board of the Bank.

Off late the Bank's Board underwent restructuring due to amendment in the Bank's AOA to change the number of directors from 8 to 6, which was adopted by majority in the Special General Meeting (SGM) held on 28th August 2017 and duly adopted by NRB on 06.11.2017 and recorded by OCR on 08.11.2017. The changes in the Board's structure emanated to ensure compliance of NRB Direction vide circular dated 05.06.2017 instructing Banks and Financial Institutions to change Board's composition as per the newly enshrined provision under section 14(1) of the Banks and Financial Institutions Act, 2073. Accordingly, SBI and EPF have granted continuity to Shri Sujit Kumar Varma, Chief General Manager (IB), SBI, Shri Vijay Kumar Tyagi, General Manager (Retail & Subsidiaries), SBI and Shri Anukool Bhatnagar, General Manager, SBI & Managing Director-NSBL and Shri Deepak Rauniar, Officiating Administrator, EPF, as directors. Similarly, Shri Keshav Raj Acharya, Professional Expert Director also continued to remain in office till his tenure as PED as permitted by NRB circular dated 2074.04.19 BS. The position of a public director is being filled in by holding an election in the 24th AGM.

The Board further places on record its appreciation for the contribution made by Shri Siddhartha Sengupta, DMD, IBG, SBI, Shri Niranjan Kumar Tibrewala and Shri Sanjay Kumar Sureka in guiding the affairs of the Bank during their tenure of office as directors.

### **FURTHER INFORMATION AND DISCLOSURES**

All the statutory requirements on disclosure of information—including under Section 109(4) of the Companies Act, 2063 and Rule 26(2) of Securities Registration and Issuance Regulation 2073 – have been embodied as annexure to this report. Similarly, information regarding the Bank's Corporate Social Responsibility initiatives, Corporate Governance and Risk Management and useful information for Shareholders can be found in their respective sections. Financial Statements including Balance

Sheet, Profit and Loss Account and Cash Flow Statement followed by the schedules prepared as prescribed by Nepal Rastra Bank and notes to accounts thereto can be found subsequently.

### OUR STRATEGIES FOR THE CURRENT YEAR (2074-75)

The bank is focusing to introduce digital banking initiatives in banking sector thereby launching various innovative products. The Bank has recently launched its digital initiatives NSBL-In touch, Digital village, POS service, etc. The bank has already introduced its own remittance gateway which is cost effective facilitates for trade and non-trade remittance to India. Additional remittance product, Global Link Services (GLS) utility for remittance business is in place for facilitating inward remittance from abroad, including gulf countries. Emphasis will be given to bring more and more remittances from gulf nations, India, Europe, US, Australia, Malaysia, etc. by enabling linkages and arrangements with various domestic and international remittance companies and agencies.

Nepal SBI has proved itself as one of the initiator of digital technology in banking and has complete package of modern technology based alternative delivery channels: Automated Teller Machines, SMS/Mobile Banking, Internet Banking, e-corner having CDM (Cash deposit machine) and SSK (Self-service kiosk) mobile ATM Van, launching of POS terminals, etc. The Bank has introduced various additional facilities like IRCTC Ticket Online Booking Utility, Telephone, Post-Paid Mobile, and ADSL bill payment through Mobile Banking, Internet Banking and the Branches. Your bank proposes to approach the new businesses with more tech savvy product ranges and integrated solutions like fund transfer and remittance service through ATM machine, online payment through Debit cards, installation of Point of Sale machines at different business centers to ensure hassle free, high quality customer service at low cost.

Our strategies will continue on focusing stable and long term low-cost deposits, expansion of retail advances to improve efficiency parameters and the market

share, maintaining asset quality of high standard, developing innovative/competitive products and improving delivery channels, restructuring business processes in the techno-driven environment, further strengthening the sophisticated risk management systems, ensuring high quality of customer service and adopting best Corporate Governance practices, would continue to remain guiding factors and strategy for your Bank.

Further the bank is also planning to add another 12 branches in coming fiscal year, out of which we have already opened 6 branches and 6 are in construction state. Similarly we are planning to open 7 local unit branch as advised by NRB.

### 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. The Industrial Peace Award won by the Bank in year 2016 recognizes IRA in place in the Bank.

Bank is the members of various industrial and business organizations, for exploring the business opportunities and for wellbeing of the industry and community. The Bank has taken membership and engaged with Nepal Bankers' Association, Nepal India Chamber of Commerce & Industry, Federation of Nepalese Chamber of Commerce & Industry, Confederation of Nepalese Industry, Foreign Exchange Money Dealers Association, Nepal Banking Institute, Credit Information Center Ltd., Deposit and Credit Guarantee Fund, CDS and Clearing Ltd.

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

The bank has already established 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 progress of the subsidiary has been presented

separately in the Annual Report.

### PATH AHEAD

Your bank has completed 24 years of services to its valued customer and nation and celebrating its silver jubilee year. Your Bank has attained present position in banking industry gradually but steadily in the past 24th years. Bank has expanded its service to 36 districts of the country with 79 banking outlets and 102 ATMs along with 2 mobile ATMs and 2 new digital initiatives like Nepal SBI INTOUCH and Nepal SBI Digital Village. Bank is planning to expand its reach in rural areas too in near future. Similarly, our objective will be expanding the customer base at the same time by maintaining strong customer relationship. Digitized and modern technology based banking service and innovative tools will be adopted in order enhance the efficiency and to provide international standard customer service.

### PROGRESS FOR THE CURRENT YEAR

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

Particulars	Q1 FY 2073/74	Q1 FY 2074/75	Amount in crore
			Growth in %
Loans and Advances (Gross)	5,299.77	6,784.76	28.02%
Deposits	6,889.78	8,662.00	25.72%
Net Profit	35.42	43.89	23.91%

The Bank will achieve its annual targets. The Bank has opened 6 new branches respectively at Simara, Mirchaiya, Rajbiraj, Chandrouta, Battar and Madhumalla up to the period and reached at 68 branches covering 36 districts of Nepal. During the Current year we are targeting to open 12 new branches at different locations across the country.

As digital initiatives Bank has launched an INTOUCH outlet at Durbar Marg, Kathmandu and Digital village outlet at Jaharsing Pauwa, Kathmandu. The INTOUCH outlet is equipped with self-service kiosk for account opening and instant issuance of Debit Card, ATM, Cash deposit Machine (CDM), interactive monitor which provides information about banks products to the customers.

# ACKNOWLEDGEMENT

The Board of Directors is grateful to the valued customers, esteemed shareholders and the public at large for their patronage and confidence reposed in the Bank and places on record its appreciation. The Board of Directors also expresses its sincere thanks to the Government of Nepal, Nepal Rastra Bank, Office of the Company Registrar (OCR), Securities Board of Nepal (SEBON) and other regulatory bodies for their valuable support and guidance throughout the year.

Finally I wish to express my sincere thanks and appreciation to all the board members for their valued contribution, leadership and commitment they demonstrate in providing the management of Nepal SBI Bank Limited with an independent, balanced and value added perspective, supervision and guidance suggestion in enhancing the stability and growth of the bank and creating the value for the shareholders.

The Board of Directors also places on record its appreciation of the commitment, sense of involvement, commitment and dedication exhibited by our wonderful team of Nepal SBI Bank Limited in the overall development and prosperity of the Bank.

For and on behalf of the Board of Directors.

**Chairman**

Place: Kathmandu

# ADDITIONAL INFORMATION

## 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 2073/74.
- (ii) Main transactions carried out by the Bank and its subsidiary during the financial year 2073/74, 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 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 2073/74.
- (vi) The Bank has not so far purchased any of its own shares.
- (vii) Particulars of the Total Management expenses of the financial year.

S.N.	Particulars	Amount in Rupees
1	Staff Expenses	790,472,873.00
2	Other Operating Expenses	754,723,217.00

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

S.N.	Particulars	Position
1	Mr. Sanjay Kumar Sureka, Public Director	Chairperson
2	Mr. Keshab Raj Acharya, Professional Expert Director	Member
3	Mr. Lekha Nath Pokhrel (Internal Auditor)	Member Secretary

- **NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING 2073/74: 18 (EIGHTEEN) MEETINGS**
- **MEETING ALLOWANCES PAID TO THE MEMBERS: RS. 360,000.00**

**Note:** The Bank's Board at its 413th meeting held on 14th November, 2017 reconstituted Audit Committee of the Board (ACB) as an interim arrangement as under:

- i) Mr. Keshav Raj Acharya, Independent Director – Chairperson/Coordinator
- ii) Mr. Vijay Kumar Tyagi, General Manager, SBI, Director representing SBI - Member
- iii) Mr. Lekha Nath Pokhrel, Head Internal Audit Department- Member Secretary

## - ROLE PLAYED BY THE AUDIT COMMITTEE

- Review of quarterly performance of the Bank and report to Board.
- Supervision of activities of the Bank's Internal Audit Department.
- Review of the Bank's internal controls in different areas of Bank's operations.
- Finalization of Internal Audit Program.
- Reviewing the implementation of recommendations made by the Statutory Auditors and NRB Inspection Team.
- Recommending the appointment of Statutory Auditors to the AGM.
- Ensuring that the Financial Statements to be submitted to the Board of Directors are true and correct.
- Reviewing the status of Nostro Accounts.

## - SUGGESTIONS GIVEN BY THE AUDIT COMMITTEE:

- To explore the possibility of digitalization of KYC documents of Bank's customer including corporate level handling of KYC documents, for safe keeping and better management.
- To update KYC compliance for all branches/counters in light of revision on regulation.
- To make constant effort for settlement of reconciliation pending in the INR Nostro Account, Maintained at State Bank of India (SBI) as these are pending since long period.
- To arrange sufficient & adequate control system for risk mitigation & compliance on policy/procedures & Directives.
- To issue Key Responsibility Area to all Departments & Job Descriptions to all staff and to arrange for development of succession planning of Key Staffs in the bank.
- To develop suitable measure for quarterly review of borrower taking working capital loans and arrange to allow drawing power invariably.
- To re-activate the CENMAC platform for discussion of issues raised/suggestion made by various auditor/audit reports/inspection reports of regulator.

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

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

A total of Rs. 10,50,000.00 was paid to the Board members as Board Meeting fee during 2073/74 {@ Rs. 12,500.00 per meeting for the Chairman and @ Rs. 10,000.00 per meeting for other Directors} which includes Rs. 140,000.00 paid to Directors for attending the meeting of Risk Management Committee of the Board, Rs. 360,000.00 for attending Audit Committee of the Board and Rs. 60,000.00 for attending the meeting of Employee Service Facility Committee of the Board.

## 2. Managing Director & Other Office Bearers:

a) No remuneration was paid to the Managing Director & other India Based Officers during the year (Management team seconded by SBI) except the payment of Rs. 6,255,485.17 towards

the rent of their residential quarters and payment of permissible allowances and expenses. Their salary and allowances are paid by SBI under Technical Services Agreement.

b) Other Office Bearers: A total of Rs.790,472,873.00 was paid to other office bearers of the bank as their remuneration, allowances and facilities.

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

Dividends pertaining to the following financial years are yet to be collected by the shareholders as on 31st Ashadh 2074:

Financial Year	Amount (Rs.)
2052/53	256,200.00
2053/54	241,000.00
2054/55	273,400.00
2055/56 & 2056/57	412,500.00
2059/60	539,987.6
2062/63	452,798.5
2063/64	675,630.5
2066/67	860,513
2067/68	988,814.01
2068/69	1,316,360.95
2069/70	2,601,840.24
2070/71	4,217,886.96
<b>Grand Total</b>	<b>12,836,931.76</b>

(xi) No property was purchased or sold by the Bank during the year as stipulated under Section 141 of the Companies Act, 2063.

(xii) Transaction held between the Bank and its associate companies during the year as stipulated under Section 175 of the Companies Act, 2063: Transaction including those related to regular business held between the Bank and its associate companies during the year has been disclosed in the Financial Statements under related party transactions.

**(xiii) Other required information:**

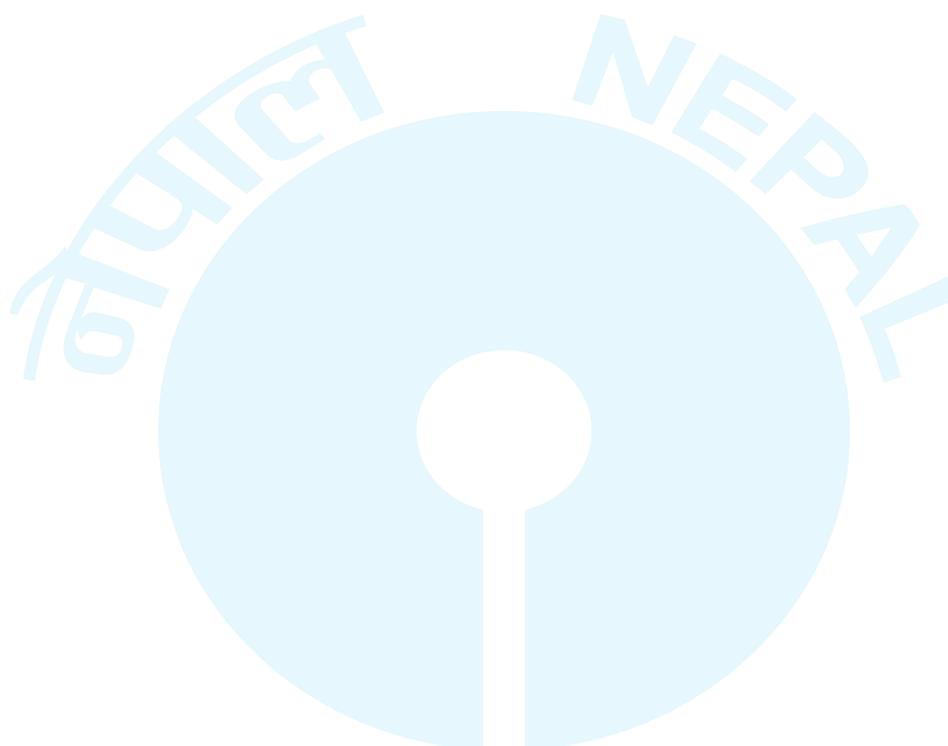
a) Amount of penalty paid by the Directors, office bearers and shareholder as per section 81 of the Companies Act, 2063: None of the directors, office bearers and shareholders of the Bank paid any penalty to the office of the Company Registrar. However, an amount of Rs.10,000.00 was paid to the Office of the Company Registrar against delay in holding the 23rd AGM and submission of requisite returns/reports relating thereof.

b) Information in regard to close relative of the Directors or office Bearers working at the office (office of the company Registrar), securities Board of Nepal or any other regulators in an officer or above level as required under section 45 of the Company Directives:

S.N.	Name of the Directors /Office bearers	Details of relative			
		Name	Relation	Regulatory Organ	Position held
A	Directors	Nil			
B	Office Bearers				
1.	Rabin Ghimire	Shyam K. Dahal	Maternal Uncle	Nepal Rastra Bank	Deputy Director
2.	Manoj Chapagain	Jayanti Poudel (Chapagain)	Aunt		Assistant Director
3.	Smriti Gautam	Sita Ghimire	Maternal Aunt		Director
4.	Kishor Rijal	Jagdish Rijal	Brother	Nepal Stock Exchange Ltd.	Officer

Chairman

Place: Kathmandu



**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:

- (i) 6 lawsuits have been filed by/against the Bank in respect to Credit/NPA and general matters.
- (ii) No lawsuit has been filed by the Bank with DRT/District Courts against different borrowers/guarantors for recovery of dues during the period.

B. Law Suits filed by/against the promoters/directors involving charge of regulatory violations or criminal offences: No information received by the Bank till date.

C. 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 2073-74 (as per the table):

Quarter (Months)	Maximum Share Price (Rs.)	Minimum Share Price (Rs.)	Closing Share Price (Rs.)	Total Transacted Number of Shares	Total Number of Trading Days
First Quarter (Ashwin End 2073)	2,152	1,700	1,935	495,480	55
Second Quarter (Poush End 2073)	1,935	1,333	1,418	418,606	57
Third Quarter (Chaitra End 2073)	1,560	932	1,450	383,353	59
Fourth Quarter (Ashadh End 2074)	1,510	905	925	555,200	57

**6. Problems and Challenges**

a. Problems and Challenges Faced:

i. Internal:

- Maintaining consistency in Return in Equity amidst increase in Capital.

ii. External:

- Challenges to attract low cost deposit.
- Limited avenue for long term Lending and Investment.

b. Strategy followed by the management in solving such problems and challenges:

- Increased focus on retail loan portfolio.
- Augmentation in liability products by way of more focus on CASA.
- Regular In-House training to enhance work performance.
- Good industrial relations.

**7. Corporate Governance**

i. The Bank has been complying with the directions, guidelines issued by NRB regarding Corporate Governance.

ii. Regular Central Management Committee Meetings to review progress in various areas of operations.

iii. Board of Directors and its Committees' meeting on regular basis.

iv. ALCO and Risk Management Committees (Operation, Credit and Market) meetings are held 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.

**Anukool Bhatnagar**  
Managing Director

## 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; Nepal SBI Bank Ltd. Policy and Procedural Guidelines on Know Your Customer (KYC), Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) Measures 2011. The policy was latest revised by the Board of the Bank on 24th January 2017. The Bank has established a dedicated Compliance Department headed by Deputy Manager level official under the control of Chief Risk and Compliance Officer (CRCO) of AGM level. The Compliance Department looks after overall matters relating to KYC/ AML compliance issues including employee trainings. The Bank has designated KYC Compliance Officer/ Money Laundering Reporting Officer (MLRO) in each of its Branch/ Office to look after KYC/ AML issues at the relationship points. The Bank has submitted requisite reports to the concerned regulatory bodies within the specified deadlines and in the manner as prescribed in the relevant directives, law, regulations etc. The Bank has maintained proper recording of the transactions as per the prevailing laws.

For effective implementation of the provision of KYC Guidelines, AMLOCK software application also referred as FCDMS (Financial Crime Detection and Management Version) has been installed.

AMLOCK profiles customers using the available static and transactional data and is integrated with the Bank's Core Banking System (CBS) Finacle – 10. This helps in anticipating customer behavior and identifying deviant activities. Further, various alert scenarios (based on product nature, volume, threshold, pattern of transactions etc) have been set in AMLOCK and revised from time to time for generation of alerts. Alerts so generated are monitored, analyzed and necessary reports is done in case of suspicious transactions.

Correspondent relationships have been managed keeping in view a risk-based approach. Internal Audit Department of the Bank has conducted KYC/ AML Audit of the Bank's Departments/ Branches/ Offices/ Extension Counters to ensure that the provisions of the AML laws, rules and directives are fully complied with. Status of KYC compliance is review on quarterly basis by Risk Management Committee of the Board (RMCB) and further reported to the Board for review. Observation made by the auditors and Nepal Rastra Bank during their respective audits have been taken into account and remedial action taken.

## REMARKS/ OBSERVATION IN STATUTORY AUDIT REPORT FOR THE 2073/74 (2016-17) VIS-A-VIS STATUS OF COMPLIANCE

S.N.	Observation	Management Response/Status of Compliance
1	The top 20 institutional depositors hold 41.55% of total deposits and the top 20 individual depositors hold 3.20% of total deposit.	Noted
2	Drawing power not adjusted in system in case of some of the working capital loans.	Bank is following the practice of calculating drawing power based on the stocks statement submitted by the borrowing units and the site inspection report. Compliance since been ensured in most of the commented cases.
3	Periodic Stock and Receivables Statements with age-wise and party-wise breakup not obtained in case of some loan accounts.	Compliance since been ensured in most of the commented cases. Obtainment of report has since been incorporated in the compliance sheet which is one of the integral parts of the credit proposal.
4	Construction Completion Certificate required to be obtained as prescribed under NRB directive 2072, clause no.3.10.6.a is not obtained in some instances.	Compliance since been ensured in most of the commented cases. we are invariably obtaining construction completion certificate except in some of the old cases where process of obtaining construction completion certificate is delayed due to requirement of modification in the existing map of the building and frequent change in government policies. Branches are in close follow up with the borrowers for obtaining Construction Completion Certificates in such old cases.
5	Multiple banking declarations of borrower/guarantors have not been obtained during the time of renewal in some cases.	Multiple banking declarations have since been obtained.
6	Audited financial statements of the customers have not been obtained in few KYC files of the customers as directed by Clause 19.1 of NRB Directives.	Since rectified in most of the cases. All the non-compliant accounts have been made inoperative.
7	Annual estimated transaction as required by Clause 19.1 of Unified NRB Directive 19/072 has not been mentioned in the account opening forms in some cases.	Since rectified in most of the cases. All the non-compliant accounts have been made inoperative.
8	24 hours help desk for customer assistance has not been established as per Unified forex circular no. 15/2074.	The bank is deploying Customer Relationship Management (CRM) system which will be available 24 X 7 and will provide necessary support to our customers.

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

### (PROPOSED TO THE 24TH ANNUAL GENERAL MEETING)

Section/ Article	Existing	Section/ Article	Proposed Amendment	Reason for change
<b>Memorandum of Association:</b>				
5(1)(b)	The Issued Capital of the Bank shall be Rs. 6,971,798,259.00 (Six Billion Nine Hundred Seventy One Million Seven Hundred Ninety Eight Thousand Two Hundred Fifty Nine), which shall be divided into 69,717,982.59 (Sixty Nine Million Seven Hundred Seventeen Thousand Nine Hundred Eighty Two and Fifty Nine) ordinary shares of Rs. 100 (Rupees One Hundred) each.	5(1)(b)	The Issued Capital of the Bank shall be Rs.8,046,905,260.00 (Rupees Eight Billion Forty Six Million Nine Hundred Five Thousand and Two Hundred Sixty), which shall be divided into 80,469,052.60 (Eighty Million Four Hundred Sixty Nine Thousand fifty Two and Sixty only) ordinary shares of Rs. 100 (Rupees One Hundred) each.	To Issue Bonus Shares
5(1)(c)	The Paid-up Capital of the Bank shall be Rs. 6,971,798,259.00 (Six Billion Nine Hundred Seventy One Million Seven Hundred Ninety Eight Thousand Two Hundred Fifty Nine).	5(1)(c)	The Paid-up Capital of the Bank shall be Rs.8,046,905,260.00 (Rupees Eight Billion Forty Six Million Nine Hundred Five Thousand and Two Hundred Sixty).	To Issue Bonus Shares
<b>Articles of Association:</b>				
2(A)(a)	<b>Prevailing Law Relating to Companies</b> means the Company Ordinance, 2062 (2005). The term shall also denote any other Ordinance or Act to be promulgated in replacement of the same and amendments made thereto from time to time.	2(A)(a)	<b>Prevailing Law Relating to Companies</b> means the Companies Act, 2063 (2006). The term shall also denote any other Ordinance or Act to be promulgated in replacement of the same and amendments made thereto from time to time.	To replace existing Company ordinance with Companies Act
2(A)(b)	<b>Prevailing Law Relating to Banks and Financial Institutions</b> means Banks & Financial Institutions Ordinance, 2062 (2005). The term shall also denote any other Ordinance or Act to be promulgated in replacement of the same and amendments made thereto from time to time.	2(A)(b)	<b>Prevailing Law Relating to Banks and Financial Institutions</b> means Banks & Financial Institutions Act, 2073 (2017). The term shall also denote any other Ordinance or Act to be promulgated in replacement of the same and amendments made thereto from time to time.	To replace existing ordinance with BAFIA 2073
8(2A)	-	8(2A)	There shall be at least one female director amongst director to be elected, nominated or appointed in the Board of Directors of the Bank constituted as per Article 8(2) of this Articles of Association.	To ensure Compliance of direction of OCR to provide for at least one female director in the Board of the company as per Section 86(2) of the Companies Act, 2063/ Companies (first amendment) Act, 2074
8(3)	A Director nominated or elected under these Articles of Association shall hold office for such term not exceeding four years. A Director who retires on the expiry of his/her term shall be eligible for reappointment.  Notwithstanding anything contained hereinabove, the Chairman and Directors shall not be appointed, elected and nominated for more than two consecutive tenures.	8(3)	A Director nominated or elected under these Articles of Association shall hold office for such term not exceeding four years. A Director who retires on the expiry of his/her term shall be eligible for reappointment.  Notwithstanding anything contained hereinabove, the Executive Chief shall not be appointed, elected and nominated for more than two consecutive tenures.	To ensure compliance of point no.4(10) of NRB Unified Directives 6/074

# SHAREHOLDER INFORMATION

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

Shareholding by members of the Board and CENMAC

Name	Position	No. of Share
Mr. Chhapi Raj Pant	Chief Risk and Compliance Officer	12388
Mr. Dev Raj Adhikari	Chief Credit Officer	4757

## ANALYSIS OF SHAREHOLDERS

At the end of FY2073/74 shareholding of two institutional promoters was 70.47% of total shares (State Bank of India 55.37% and Employee Provident Fund 15.10%) and remaining 29.53% shares held by general public. After sale of 469,052.60 unsubscribed shares of public quota, that remained unsubscribed during last Rights Issue, on 16.08.2017, shareholding of General Public Shareholders reached to 30% and shareholding of two institutional promoter shareholders arrived at 70%.

Size of shareholding	Shareholders		Number of ordinary shares	
	Number	%	Number	%
<b>Public shareholder</b>	<b>40031</b>	<b>99.996</b>	<b>20446341.69</b>	<b>29.53</b>
up to 100	19798	49.45	502460	0.73
101 - 500	11060	27.63	2901367.4	4.2
501 - 1000	5761	14.39	3635344	5.24
1001 - 5000	2981	7.45	5930350	8.56
5001 - 10000	277	0.692	1812351	2.62
10001 - 50000	132	0.33	2621791	3.79
50001 and above	22	0.055	3042678.29	4.39
<b>Promoter shareholder</b>	<b>2</b>	<b>0.004</b>	<b>408802588.30</b>	<b>70.47</b>
State Bank of India	1	0.0025	38344890.45	55.37
Employee Provident Fund	1	0.0025	10457697.85	15.10
	<b>40033</b>	<b>100</b>	<b>69,248,929.99</b>	<b>100</b>

Shareholding after (16.08.2017)		
Shareholder	No. of Shares	Shareholding percentage
State Bank of India	38,344,890.45	55
Employee Provident Fund	10,457,697.85	15
General Public	20,915,394.30	30
<b>Total</b>	<b>69,717,982.59</b>	<b>100</b>

# CORPORATE SOCIAL RESPONSIBILITY

Nepal SBI Bank's approach to corporate social responsibility (CSR) focuses on the three dimensions of sustainability to create economic, environmental and social value. CSR policy aims to set the direction for a future-orientated business strategy that balances economic

success with environmental and social responsibility.

Our priorities under CSR are: supporting to the less fortunate and underprivileged people of the society specially for education to make sustainable social

change in their lives, promote sports and culture in the country, preserve and develop heritage sites, help to upgrade health facilities, natural environment protection program, help the people to overcome effect of natural calamities and disaster etc.

## GLIMPSE OF CSR ACTIVITIES DURING THE YEAR

### Providing cleaning equipment to Pashupati Area Development Trust 8<sup>th</sup> July 2017



Handing over of cleaning equipments to Pashupati Area Development Trust by Smt. Arundhati Bhattacharya, Chairman, State Bank Group to Dr. Govinda Tandon, Member Secretary, Pashupati Area Development Trust.



An initiative to promote greenery, tree plantation in the area of Pashupati by Smt. Arundhati Bhattacharya, Chairman, State Bank Group.

### Sanitation Awareness Program 5<sup>th</sup> May 2017



Nepal SBI Bank Ltd organized Sanitation Awareness Program for girl students at Shree Kalika Saran Madhyamik Vidyalaya, Jaharsingh Pauwa.



During the Sanitation Awareness Program organized by Nepal SBI Bank Ltd for girl students of Shree Kalika Saran Madhyamik Vidyalaya, Staff members providing sanitary kits to the participants

### Banking Awareness Program 5<sup>th</sup> May 2017



Students of Shree Kalika Saran Madhyamik Vidhyalaya along with staff members of Nepal SBI Bank Ltd during the Banking Awareness Program organized by Nepal SBI Bank Ltd at Shankarapur Municipality, Ward No. 3, Jaharsing Pauwa, Kathmandu as part of its Corporate Social Responsibility Initiative.

### Bagmati Saphai Maha Abhiyaan 11<sup>th</sup> March 2017



NSBL officials participating in the 200th week of the Bagmati Saphai Maha Abhiyaan.

### Nepal SBI Bank sponsors Pinkathon Kathmandu 2073 24<sup>th</sup> February 2017



Shri Anukool Bhatnagar, Managing Director of Nepal SBI Bank Ltd handing over the cheques to the winners of marathon during Pinkathon Kathmandu along with the organizers of the event as part of Corporate Social Responsibility, Nepal SBI Bank Ltd extends financial support for sponsorship and participation in Pinkathon Kathmandu 2073 as Banking Partner. The event was organized by United Sister's Foundation through Leisure Port with a noble public message on the Women Breast Cancer Awareness with slogan "This time, it's for you".

### Contribution to Institute of Foreign Affairs for equipping library with books 30<sup>th</sup> January 2017



Prof. Dr. Panna Kaji Amatya, Executive Director of Institute of Foreign Affairs, Kathmandu, handed over Letter of Appreciation to Mr. Anukool Bhatnagar, Managing Director of Nepal SBI Bank Ltd for extending financial support to the Institute for purchasing of books for equipping the library.

**Nepal SBI Bank begins Construction Works for Beautification of Fewa Lake 23rd December 2016**



Fewa Lake Beautification Project is being undertaken by the Bank in partnership with Pokhara Sub-metropolitan City (PSMC) as an outcome of its Memorandum of Understanding (MOU) signed with PSMC on 4th September 2016. As per the MOU, the Bank will carry out construction of at least 13 resting sheds (Gazebo) alongside the existing foot track of Fewa Lake, WC/Toilets, Drinking Water Outlet and Banking Terminal (CDM/ATM/Banking utilities)

for domestic and international tourists and beautify the area with flowers and greenery. Nepal SBI Bank Ltd. (NSBL) has started construction works of Fewa Lake Beautification Project. Mr. Siddhartha Sengupta, Deputy Managing Director of State Bank of India, Mumbai, laid foundation stone for the construction work, amidst a ceremony held at Barahi Ghat, Fewa Lake, Pokhara.

Bank has already renovated and beautified the Rescue Tower at Barahi Ghat. The regular cleaning and maintenance of the amenities developed by the Bank will also be carried out by the Bank up to 5 years. The entire costs to be incurred for the Project will be borne by the Bank. On the occasion, the Bank also handed over water storage tank, warm clothes, school bags and stationery items to Star Children Home, Pokhara.

**Nepal SBI Bank Limited Extends Support to Nandi Madhyamik Vidhyalaya, Naxal, Kathamndu 20th July 2016**



The Bank has provided total amount of Rs. 3.30 Lakhs to the students under Corporate Social Responsibility. The Scholarship Cheques each of Rs. 11,000.00 were handed over to the students.

**Blanket Distribution at Sarlahi 22nd January 2017**



Shri. Anukool Bhatnagar, Managing Director & CEO, Shri. Subhakanta Kanungo, Chief Operating Officer & Dy. CEO and Shri Priya Ranjan, Chief Financial Officer of Nepal SBI Bank Ltd distributing blankets to the Dalit Community of Sarlahi-6 as part of Corporate Social Responsibility along with Dr. Amresh Kumar Singh, Member, Legislature Parliament, Sarlahi-6.

# HUMAN RESOURCE INFORMATION

Human Resource plays an instrumental role in securing the future success of the Bank. The HRM function is guided by its long-term vision of working in partnership to create an environment where employees can thrive and are enabled to deliver sustainable organizational performance. Specifically, three longer-term strategic priorities have been identified for HR:

- to apply its human capital expertise more assertively to support the business verticals in order to deliver results;
- to strengthen its role as a control function for the Bank for human capital risks;
- to build the capabilities of managers and staff.

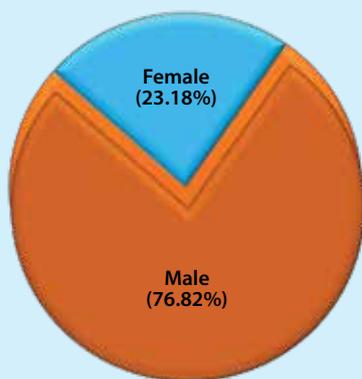
In FY2016/17, our HR activities were in line with these priorities, which have come into particular focus with Bank's Strategy and its execution over the coming years.

The Bank seeks to retain, develop and continue to attract people with the requisite skills to help shape a better Bank and foster employees' engagement and motivation throughout the implementation process.

Diversity is a key enabler for long-term success. Only by building teams of people with different backgrounds, education, skills and experiences we can create sustainable value across the Bank. Our staff are the key factor that differentiates us from other banks in Nepal. Our human resource come from diverse backgrounds in education, language and culture.

Composition of male and female employees

Shareholder	Male	Female	Total
Managerial	53	5	58
Officer	190	73	263
Assistant	257	98	355
Support	90	2	92
<b>Total</b>	<b>590</b>	<b>178</b>	<b>768</b>



**Composition of male and female employees**

## BUILDING THE CAPABILITIES OF STAFF

Investment in skills and accelerating employees' professional and personal development are essential components of the Bank's people agenda. Our Bank is committed to strengthening the capability of staff and holding them accountable to enable employees to thrive and meet their full potential, which includes a recalibrated offering that helps to develop and nurture future leaders who are accountable, who champion the Bank's values and who inspire the best in their colleagues.

These are the summary of staff capabilities program conducted during the year:

Trainings	Number of Trainings	Number of Staff Participated
In-House/ Internal	31	1455*
Outsourcing/ External	69	431*
<b>Total</b>	<b>100</b>	<b>1886</b>

*\*Total no. of participants including IBOs and Directors*

## HEALTH AND WELLBEING OF THE STAFF

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL SBI BANK LIMITED

We have audited the accompanying consolidated financial statements of the Group (Nepal SBI Bank Limited and its subsidiary), which comprise the Balance Sheet as at Ashad End, 2074 (July 15, 2017), and the Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and a summary of Principal Accounting Policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements complying with the regulatory requirements of Nepal Rastra Bank and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

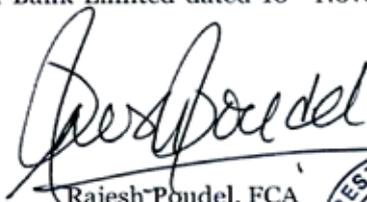
### Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, the consolidated financial position of Nepal SBI Bank Limited and its subsidiary as at Ashad 31, 2074 (15 July, 2017) and of the results of its consolidated financial performance and its consolidated cash flows for the year then ended in compliance with the Banks and Financial Institutions Act, 2073 and Directives of Nepal Rastra Bank.

### Other Matter

The Group has prepared a separate set of consolidated financial statements for the year ended July 15, 2017 in accordance with Nepal Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Nepal SBI Bank Limited dated 16<sup>th</sup> November, 2017.

Place: Kathmandu  
Date: November 16, 2017

  
Rajesh Poudel, FCA  
Partner  
P.L. Shrestha & Co.,  
Chartered Accountants



113/19 Surung Galli, Maharajgunj, Kathmandu, Nepal. Tel: 4412207

Also at: Narayan Gopal Sadak, Maharajgunj, P.O. Box No. 3516, Tel: (00-977-1) 4720986, 4720880, E-mail: info@pls.com.np

P.L. Shrestha & Co. is a member of  International, a world-wide network of professional accounting firms & business advisors

# CONSOLIDATED BALANCE SHEET

As on 31 Ashad 2074 (15 July 2017)

S.N.	Capital & Liabilities	Schedule	This Year Rs.	Previous Year Rs.
1.	Share Capital		8,000,000,000	4,973,079,112
2.	Reserves and Funds		2,413,686,425	1,947,493,588
3.	Debentures & Bonds		1,000,000,000	1,000,000,000
4.	Loans and Borrowings		5,309,655,155	4,184,700,000
5.	Deposits		81,566,092,977	65,113,316,288
6.	Bills Payable		219,745,914	262,939,794
7.	Proposed Cash Dividend		56,584,579	57,333,871
8.	Income Tax Liabilities		-	-
9.	Other Liabilities		1,186,000,424	876,599,555
	<b>Total Capital &amp; Liabilities</b>		<b>99,751,765,474</b>	<b>78,415,462,208</b>

S.N.	Assets	Schedule	This Year Rs.	Previous Year Rs.
1.	Cash Balance		1,984,553,390	1,799,377,843
2.	Balance with Nepal Rastra Bank		7,313,015,502	6,428,009,789
3.	Balance with Banks/Financial Institution		3,932,112,099	2,162,431,432
4.	Money at Call and Short Notice		-	-
5.	Investment		20,943,220,481	19,191,309,392
6.	Loans, Advances and Bills Purchase		63,024,815,422	46,975,534,686
7.	Fixed Assets		756,353,352	630,104,361
8.	Non Banking Assets		-	-
9.	Other Assets		1,797,695,228	1,228,694,705
	<b>Total Assets</b>		<b>99,751,765,474</b>	<b>78,415,462,208</b>

(Priya Ranjan)  
Chief Financial Officer

(Anukool Bhatnagar)  
Managing Director

(Vijay Kumar Tyagi)  
Chairperson

(Niranjan Kumar Tibrewala)  
Director

(Sanjay Kumar Sureka)  
Director

(Keshav Raj Acharya)  
Director

As per our attached report of even date

(Deepak Rauniar)  
Director

(Siddhartha Sengupta)  
Director

(Sujit Kumar Varma)  
Director

(CA. Rajesh Poudel), Partner  
P.L. Shrestha & Co.,  
Chartered Accountants

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

**For the period from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	Schedule	This Year Rs.	Previous Year Rs.
1.	Interest Income		5,911,160,526	3,981,262,340
2.	Interest Expenses		2,989,081,666	1,564,730,163
	<b>Net Interest Income</b>		<b>2,922,078,860</b>	<b>2,416,532,177</b>
3.	Commission and Discount		507,721,307	465,797,307
4.	Other Operating Incomes		447,888,967	318,084,154
5.	Exchange Fluctuation Income		220,922,445	136,369,939
	<b>Total Operating Income</b>		<b>4,098,611,579</b>	<b>3,336,783,577</b>
6.	Staff Expenses		790,472,873	548,987,096
7.	Other Operating Expenses		758,698,374	617,021,342
8.	Exchange Fluctuation Loss		-	-
	<b>Operating Profit before Provision for Possible Loss</b>		<b>2,549,440,332</b>	<b>2,170,775,139</b>
9.	Provision for Possible Losses		187,905,345	111,345,644
	<b>Operating Profit</b>		<b>2,361,534,987</b>	<b>2,059,429,495</b>
10.	Non Operating Income /(Expense)		4,888,007	9,917,512
11.	Provision for Possible Loss Written Back		28,034,555	42,721,183
	<b>Profit from Regular Operations</b>		<b>2,394,457,549</b>	<b>2,112,068,190</b>
12.	Income/(Expenses) from Extra-ordinary Activities		19,000,000	-
	<b>Net profit after considering all activities</b>		<b>2,413,457,549</b>	<b>2,112,068,190</b>
13.	Provision for Staff Bonus		217,512,717	191,992,836
14.	Provision for Income Tax:		657,094,604	588,083,304
	This Year's		691,797,326	579,394,128
	Tax upto Previous Year		270,000	13,741,360
	This year's Deferred Tax (Income)/Expense		(34,972,722)	(5,052,184)
	<b>Net Profit/(Loss)</b>		<b>1,538,850,228</b>	<b>1,331,992,050</b>

(Priya Ranjan)  
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Managing Director

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Chairperson

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(Sanjay Kumar Sureka)  
Director

(Keshav Raj Acharya)  
Director

As per our attached report of even date

(Deepak Rauniar)  
Director

(Siddhartha Sengupta)  
Director

(Sujit Kumar Varma)  
Director

(CA. Rajesh Poudel), Partner  
P.L. Shrestha & Co.,  
Chartered Accountants

# CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)

S.N.	Particulars	This Year Rs.	Previous Year Rs.
<b>(a)</b>	<b>Cash Flow from Operating Activities</b>	<b>1,123,694,904</b>	<b>2,166,706,183</b>
<b>1.</b>	<b>Cash Received</b>	<b>7,079,302,613</b>	<b>4,913,564,710</b>
1.1	Interest Income	5,898,841,097	3,981,262,340
1.2	Commission and Discount Income	495,204,067	465,797,307
1.3	Income from Foreign Exchange transaction	220,922,445	136,369,939
1.4	Recovery of loan written off	19,000,000	-
1.5	Other Incomes	445,335,004	330,135,124
<b>2.</b>	<b>Cash Payment</b>	<b>5,164,981,394</b>	<b>3,419,811,676</b>
2.1	Interest Expenses	2,951,686,718	1,564,730,163
2.2	Staff Expenses	666,594,094	545,453,043
2.3	Office Operating Expenses	644,372,177	486,482,847
2.4	Income Tax Paid	710,335,570	667,399,705
2.5	Other Expenses	191,992,835	155,745,918
	<b>Cash Flow before changes in Working Capital</b>	<b>1,914,321,219</b>	<b>1,493,753,034</b>
	<b>(Increase) /Decrease of Operation Related Current Assets</b>	<b>(18,449,754,680)</b>	<b>(17,279,404,445)</b>
1.	(Increase)/Decrease in Money at Call and Short Notice	-	-
2.	(Increase)/Decrease in short term Investment	(1,764,230,518)	(10,049,831,409)
3.	(Increase)/Decrease in Loans, Advances and Bills Purchase	(16,209,151,527)	(7,071,111,102)
4.	(Increase)/Decrease in Other Assets	(476,372,635)	(158,461,934)
	<b>Increase / (Decrease) of Operation Related Current Liabilities</b>	<b>17,659,128,365</b>	<b>17,952,357,594</b>
1.	Increase/(Decrease) in Deposits	16,452,776,689	13,585,094,334
2.	Increase/(Decrease) in Certificates of Deposits	-	-
3.	Increase/(Decrease) in Short Term Borrowings	1,124,955,155	4,184,700,000
4.	Increase/(Decrease) in Other Liabilities	81,396,521	182,563,260
<b>(b)</b>	<b>Cash Flow from Investment Activities</b>	<b>(232,482,556)</b>	<b>(102,122,519)</b>
1.	(Increase)/Decrease in Long-Term Investment	-	-
2.	(Increase)/Decrease in Fixed Assets	(238,980,969)	(106,114,061)
3.	Interest income from Long Term Investment	-	-
4.	Dividend Income	6,498,413	3,991,542
5.	Others	-	-
<b>(c)</b>	<b>Cash Flow from Financing Activities</b>	<b>1,948,649,579</b>	<b>(110,512,132)</b>
1.	Increase/(Decrease) in Long Term Borrowings (Bonds, Debentures etc)	-	-
2.	Increase/(Decrease) in Share Capital & Share Premium	2,010,839,702	-
3.	Increase/(Decrease) in Other Liabilities (Dividend Paid)	(62,190,123)	(110,512,132)
4.	Increase/(Decrease) in Facilities / Refinance received from NRB	-	-
<b>(d)</b>	<b>Income/Expenses from change in exchange rate in Cash &amp; bank balances</b>	<b>-</b>	<b>-</b>
<b>(e)</b>	<b>This Year's Cash Flow from All Activities</b>	<b>2,839,861,927</b>	<b>1,954,071,532</b>
<b>(f)</b>	<b>Opening Balance of Cash and Bank Balances</b>	<b>10,389,819,064</b>	<b>8,435,747,532</b>
<b>(g)</b>	<b>Closing Balance of Cash and Bank Balances</b>	<b>13,229,680,991</b>	<b>10,389,819,064</b>

(Priya Ranjan)  
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(Siddhartha Sengupta)  
Director

(Sujit Kumar Varma)  
Director

(CA. Rajesh Poudel), Partner  
P.L. Shrestha & Co.,  
Chartered Accountants

As per our attached report of even date

## CONSOLIDATED PROFIT AND LOSS APPROPRIATION ACCOUNT

**For the period from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	Schedule	This Year Rs.	Previous Year Rs.
	<b>INCOME</b>			
1.	Accumulated Profit up to Previous Year		23,591,489	3,161,068
2.	This Year's Profit		1,538,850,228	1,331,992,050
3.	Capital Adjustment Reserve up to Previous Year		-	135,000,000
4.	Transferred from Share Premium to issue bonus share		59,025,815	79,159,949
	<b>Total</b>		<b>1,621,467,532</b>	<b>1,549,313,067</b>
	<b>EXPENSES</b>			
1.	Accumulated Loss up to Previous Year		-	-
2.	This Year's Loss		-	-
3.	General Reserve		304,647,481	266,376,361
4.	Contingent Reserve fund		-	-
5.	Institution Development Reserve		-	-
6.	Dividend Equalization Reserve		-	-
7.	Staff Related Reserve		-	-
8.	Proposed Cash Dividend		56,584,579	57,333,871
9.	Proposed issue of Bonus Shares		1,075,107,001	1,089,343,547
10.	Special Reserve fund		-	-
11.	Exchange Fluctuation Fund		3,869,841	1,918,449
12.	Capital Redemption Reserve		-	-
13.	Capital Adjustment Reserve		6,880,127	-
14.	Investment Adjustment Reserve		-	122,500
15.	12.5% NSBL Debenture 2078 Redemption Reserve		40,000,000	40,000,000
16.	8% NSBL Debenture 2079 Redemption Reserve		40,000,000	40,000,000
17.	7.9% NSBL Debenture 2080 Redemption Reserve		20,000,000	20,000,000
18.	Deferred Tax Reserve		35,096,648	5,052,184
19.	Staff Skill Development Fund		5,539,340	-
20.	Corporate Social Responsibility Fund		15,232,375	-
	<b>Total</b>		<b>1,602,957,392</b>	<b>1,520,146,912</b>
21.	<b>Accumulated Profit/(Loss)</b>		<b>18,510,140</b>	<b>29,166,155</b>

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As per our attached report of even date

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY 2073/74 (FY 2016-17)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Adjustment Reserve fund	Share Premium	Investment Adjustment Reserve	Proposed Bonus Shares	Exchange Fluctuation Fund	Deferred Tax Reserve	Other Reserves and Funds	Total Amount
Opening Balance at 01.04.2074	3,883,735,565	29,166,155	1,390,157,003	-	-	500,400	1,089,343,547	15,944,951	152,263,891	359,461,188	6,920,572,700
Adj: Capital Adjustment Reserve		(5,583,040)		5,583,040							-
Adj: NSMPL restated		8,374					(1,089,343,547)				8,374
Adj: Bonus Share issue	1,089,343,547										-
<b>Restated Balance as on 01.04.2073</b>	<b>4,973,079,112</b>	<b>23,591,489</b>	<b>1,390,157,003</b>	<b>5,583,040</b>	<b>-</b>	<b>500,400</b>	<b>-</b>	<b>15,944,951</b>	<b>152,263,891</b>	<b>359,461,188</b>	<b>6,920,581,074</b>
<b>Adjustments:</b>											
Further Public Offer	6,776,787				59,025,815						65,802,602
Right Issue	1,945,037,100										1,945,037,100
Net profit for the period	-	1,538,850,228									1,538,850,228
Capital Adjustment Reserve	-	-									-
Investment Adjustment Reserve	-	-				-					-
Transfer to General Reserve	-	(304,647,481)	304,647,481								-
Capital Adjustment Reserve	-	(6,880,127)		6,880,127							-
Proposed Cash Dividend	-	(56,584,579)									(56,584,579)
Proposed Bonus Shares	-	(1,075,107,001)			(59,025,815)		1,075,107,001				-
Share Premium	-	59,025,815									-
Exchange Fluctuation Fund	-	(3,869,841)						3,869,841			-
Debtenture Redemption Reserve	-	(100,000,000)								100,000,000	-
Staff Skill Development Fund	-	(5,539,340)								5,539,340	-
Corporate Social Responsibility Fund	-	(15,232,375)								15,232,375	-
Deferred Tax Reserve	-	(35,096,648)							35,096,648		-
<b>Closing Balance as at Asadh end 2074</b>	<b>6,924,892,999</b>	<b>18,510,140</b>	<b>1,694,804,484</b>	<b>12,463,167</b>	<b>-</b>	<b>500,400</b>	<b>1,075,107,001</b>	<b>19,814,792</b>	<b>187,360,539</b>	<b>480,232,903</b>	<b>10,413,686,425</b>

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Chief Financial Officer

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As per our attached report of even date

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Director

# PRINCIPAL ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

Financial Year from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)

## 1. General information

- a. Nepal SBI Bank Limited (NSBL) is a limited liability public listed company domiciled in Nepal. The registered office of the "Bank" is situated at Kesharmahal, Kathmandu, Nepal. It is a Joint Venture of State Bank of India, incorporated in India, which holds 55% shares in the Bank.

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 licensed institution.

## b. Consolidated Financial Statement

The Consolidated Financial Statement of the Bank includes the Financial Statement of its wholly owned Subsidiary Nepal SBI Merchant Banking Ltd. (NSMBL) Both the Bank and its Subsidiary have adopted same fiscal year for preparation of the financial statements.

## c. Statement of Compliance

The Financial Statements have been prepared as prescribed in Directives issued by the Rastra Bank and Banks & Financial Institutions Act 2073.

## d. Basis of Consolidation of Financial Statements

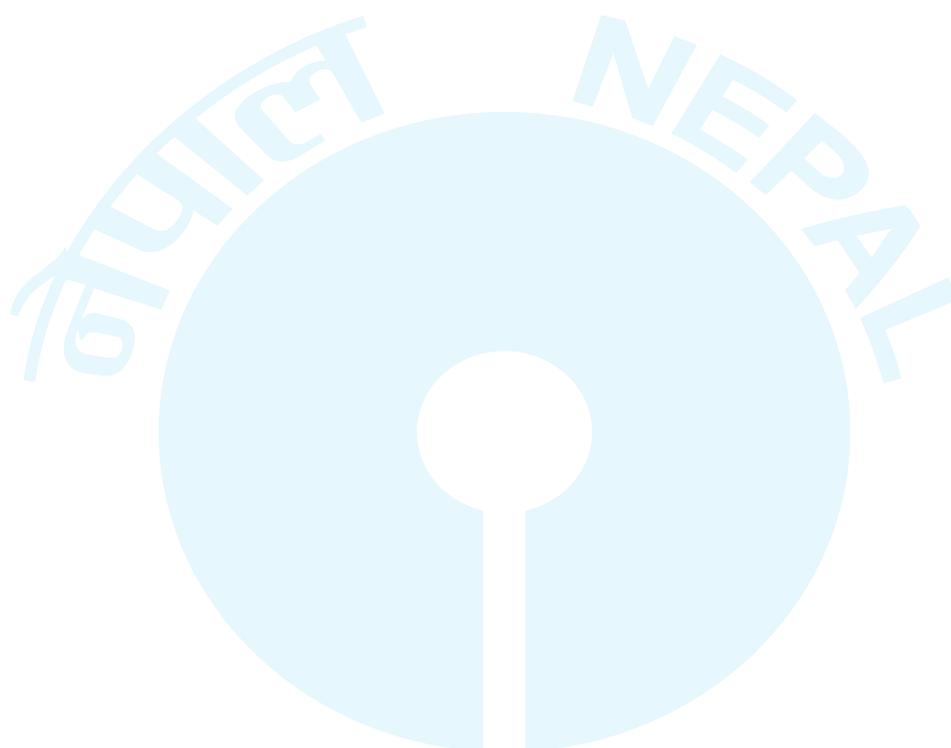
The consolidated financial statements have been prepared by adding same heads in the financial statements of the Bank and the Subsidiary. The assets, liabilities, income and

expenses created by inter-company transactions have been excluded while preparing consolidated financial statements.

## 2. Related Party Disclosure

- a. The Bank has deputed its employee as Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Subsidiary (NSMBL). Further, employees working at the Bank's Shares Department have also been deputed to subsidiary as an interim arrangement. Also the Bank has entered into Service Level Agreement with its subsidiary to provide operational and technical assistance for an annual fee of Rs. 12 lakh.
- b. Bank has appointed subsidiary (NSMBL) as its Registrar to Share and Depository services, at a cost of Rs. 6 lakh per annum for each service.
- c. All the transactions between NSBL and NSMBL have been conducted at Arms Length Basis.
- d. Transactions and outstanding between NSBL and NSMBL during the fiscal year 2073/74 are as follows:

S.N.	Particulars	This Year	Previous Year
1.	Deposit maintained with NSBL	98,455	100,203
2.	Interest Paid on Deposit to NSMBL	5,401	421
3.	Management fee accrued and receivable from NSMBL	720	-
4.	RTS, D-Mat Service Charge accrued and payable to NSMBL	1,012	-
5.	Others to be received from NSMBL	165	87



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL SBI BANK LIMITED

We have audited the accompanying financial statements of Nepal SBI Bank Limited, which comprise the Balance Sheet as at Ashad 31, 2074 (July 15, 2017), and the Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and a summary of Principal Accounting Policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements complying with the regulatory requirements of Nepal Rastra Bank and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

### Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, the financial position of Nepal SBI Bank Limited as at Ashad 31, 2074 (July 15, 2017) and of the results of its financial performance and its cash flows for the year then ended in compliance with the Banks and Financial Institutions Act, 2073 and Directives of Nepal Rastra Bank.

### Basis of Accounting

Without modifying our opinion, we draw attention to points 1 (c) and (d) of Principal Accounting Policies to the financial statements, which describe the basis of accounting. The financial statements are prepared as per Directive of Nepal Rastra Bank. As a result, the financial statements may not be suitable for another purpose.

### Other Matter

Nepal SBI Bank Limited has prepared a separate set of financial statements for the year ended July 15, 2017 in accordance with Nepal Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Nepal SBI Bank Limited dated November 16, 2017.



## Report on Other Legal and Regulatory Requirements

On the basis of 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 Balance Sheet, Off Balance Sheet Transactions, Profit and Loss Account, Cash Flow Statement and attached Schedules dealt with by this report are prepared as per procedure and format prescribed by Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank.
- iii. The proper books of accounts as required by the law have been kept by the Bank.
- iv. During our examination of the books of account of the Bank, we have not come across any cases where any office holder of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank.
- v. The Bank has not written off any Loan and Advances during the period.
- vi. The Bank has been functioning as per the Directives of Nepal Rastra Bank.
- vii. We have not come across any fraudulence in the accounts, based on our sample examination of the books, and
- viii. The returns received from branches of the Bank though the statements are independently not audited were adequate for the purpose of our audit.



Rajesh Poudel, FCA  
Partner  
PL Shrestha and Co.  
Chartered Accountants



Place: Kathmandu  
Date: November 16, 2017

# BALANCE SHEET

## Ashad end 2074 (15 July 2017)

S.N.	Capital & Liabilities	Schedule	This Year Rs.	Previous Year Rs.
1.	Share Capital	1	8,000,000,000	4,973,079,112
2.	Reserves and Funds	2	2,397,954,975	1,947,383,339
3.	Debentures & Bonds	3	1,000,000,000	1,000,000,000
4.	Loans and Borrowings	4	5,309,655,155	4,184,700,000
5.	Deposits	5	81,664,548,665	65,213,519,724
6.	Bills Payable	6	219,745,914	262,939,794
7.	Proposed Cash Dividend		56,584,579	57,333,871
8.	Income Tax Liabilities		-	-
9.	Other Liabilities	7	1,180,138,624	876,389,444
	<b>Total Capital &amp; Liabilities</b>		<b>99,828,627,912</b>	<b>78,515,345,284</b>

S.N.	Assets	Schedule	This Year Rs.	Previous Year Rs.
1.	Cash Balance	8	1,984,553,390	1,799,377,270
2.	Balance with Nepal Rastra Bank	9	7,313,015,502	6,428,009,789
3.	Balance with Banks/Financial Institution	10	3,932,112,099	2,162,431,432
4.	Money at Call and Short Notice	11	-	-
5.	Investment	12	21,043,220,481	19,291,309,392
6.	Loans, Advances and Bills Purchase	13	63,024,815,422	46,975,534,686
7.	Fixed Assets	14	750,825,774	629,965,203
8.	Non Banking Assets	15	-	-
9.	Other Assets	16	1,780,085,244	1,228,717,512
	<b>Total Assets</b>		<b>99,828,627,912</b>	<b>78,515,345,284</b>

Contingent Liabilities	Schedule 4.17
Directors' Declaration	Schedule 4.29
Statement of Capital Fund	Schedule 4.30
Statement of Risk Weighted Assets Detail	Schedule 4.30 (Ka)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33

Schedules 4.1 to 4.17 form integral part of the Balance Sheet.

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Chairperson

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(Sanjay Kumar Sureka)  
Director

(Keshav Raj Acharya)  
Director

As per our attached report of even date

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Director

(Siddhartha Sengupta)  
Director

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Director

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Chartered Accountants

## PROFIT AND LOSS ACCOUNT

**For the period from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	Schedule	This Year Rs.	Previous Year Rs.
1.	Interest Income	18	5,911,160,526	3,981,262,340
2.	Interest Expenses	19	2,994,483,069	1,565,150,928
	<b>Net Interest Income</b>		<b>2,916,677,457</b>	<b>2,416,111,412</b>
3.	Commission and Discount	20	487,594,890	465,797,307
4.	Other Operating Incomes	21	447,888,967	318,084,154
5.	Exchange Fluctuation Income	22	220,922,445	136,369,939
	<b>Total Operating Income</b>		<b>4,073,083,759</b>	<b>3,336,362,812</b>
6.	Staff Expenses	23	790,472,873	548,987,096
7.	Other Operating Expenses	24	754,723,217	616,795,027
8.	Exchange Fluctuation Loss	22	-	-
	<b>Operating Profit before Provision for Possible Loss</b>		<b>2,527,887,669</b>	<b>2,170,580,689</b>
9.	Provision for Possible Losses	25	187,905,345	111,345,644
	<b>Operating Profit</b>		<b>2,339,982,324</b>	<b>2,059,235,045</b>
10.	Non Operating Income /(Expense)	26	5,623,007	9,964,964
11.	Provision for Possible Loss Written Back	27	28,034,555	42,721,183
	<b>Profit from Regular Operations</b>		<b>2,373,639,886</b>	<b>2,111,921,192</b>
12.	Income/(Expenses) from Extra-ordinary Activities	28	19,000,000	-
	<b>Net profit after considering all activities</b>		<b>2,392,639,886</b>	<b>2,111,921,192</b>
13.	Provision for Staff Bonus		217,512,717	191,992,836
14.	Provision for Income Tax:		651,889,768	588,046,555
	This Year's		686,716,416	579,357,379
	Tax upto Previous Year		270,000	13,741,360
	This year's Deferred Tax (Income)/Expense		(35,096,648)	(5,052,184)
	<b>Net Profit/(Loss)</b>		<b>1,523,237,401</b>	<b>1,331,881,801</b>

Schedule 4.18 to 4.28 form integral part of the Profit and Loss Account.

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## CASH FLOW STATEMENT

**For the period from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year Rs.	Previous Year Rs.
<b>(a)</b>	<b>Cash Flow from Operating Activities</b>	<b>1,174,441,602</b>	<b>2,166,555,465</b>
<b>1.</b>	<b>Cash Received</b>	<b>7,073,494,251</b>	<b>4,913,612,162</b>
1.1	Interest Income	5,898,841,097	3,981,262,340
1.2	Commission and Discount Income	487,594,890	465,797,307
1.3	Income from Foreign Exchange transaction	220,922,445	136,369,939
1.4	Recovery of loan written off	19,000,000	-
1.5	Other Incomes	447,135,819	330,182,576
<b>2.</b>	<b>Cash Payment</b>	<b>5,162,868,851</b>	<b>3,420,064,565</b>
2.1	Interest Expenses	2,957,088,121	1,565,150,928
2.2	Staff Expenses	666,594,094	545,453,043
2.3	Office Operating Expenses	640,857,660	486,314,971
2.4	Income Tax Paid	706,336,141	667,399,705
2.5	Other Expenses	191,992,835	155,745,918
	<b>Cash Flow before changes in Working Capital</b>	<b>1,910,625,400</b>	<b>1,493,547,597</b>
	<b>(Increase) /Decrease of Operation Related Current Assets</b>	<b>(18,445,664,546)</b>	<b>(17,279,427,252)</b>
1.	(Increase)/Decrease in Money at Call and Short Notice	-	-
2.	(Increase)/Decrease in short term Investment	(1,764,230,518)	(10,049,831,409)
3.	(Increase)/Decrease in Loans, Advances and Bills Purchase	(16,209,151,527)	(7,071,111,102)
4.	(Increase)/Decrease in Other Assets	(472,282,501)	(158,484,741)
	<b>Increase / (Decrease) of Operation Related Current Liabilities</b>	<b>17,709,480,748</b>	<b>17,952,435,120</b>
1.	Increase/(Decrease) in Deposits	16,451,028,941	13,585,297,770
2.	Increase/(Decrease) in Certificates of Deposits	-	-
3.	Increase/(Decrease) in Short Term Borrowings	1,124,955,155	4,184,700,000
4.	Increase/(Decrease) in Other Liabilities	133,496,652	182,437,350
<b>(b)</b>	<b>Cash Flow from Investment Activities</b>	<b>(226,644,102)</b>	<b>(101,972,374)</b>
1.	(Increase)/Decrease in Long-Term Investment	-	-
2.	(Increase)/Decrease in Fixed Assets	(233,142,515)	(105,963,916)
3.	Interest income from Long Term Investment	-	-
4.	Dividend Income	6,498,413	3,991,542
5.	Others	-	-
<b>(c)</b>	<b>Cash Flow from Financing Activities</b>	<b>1,892,065,000</b>	<b>(110,512,132)</b>
1.	Increase/(Decrease) in Long Term Borrowings (Bonds, Debentures etc)	-	-
2.	Increase/(Decrease) in Share Capital & Share Premium	2,010,839,702	-
3.	Increase/(Decrease) in Other Liabilities (Dividend Paid)	(118,774,702)	(110,512,132)
4.	Increase/(Decrease) in Facilities / Refinance received from NRB	-	-
<b>(d)</b>	<b>Income/Expenses from change in exchange rate in Cash &amp; bank balances</b>	<b>-</b>	<b>-</b>
<b>(e)</b>	<b>This Year's Cash Flow from All Activities</b>	<b>2,839,862,500</b>	<b>1,954,070,959</b>
<b>(f)</b>	<b>Opening Balance of Cash and Bank Balances</b>	<b>10,389,818,491</b>	<b>8,435,747,532</b>
<b>(g)</b>	<b>Closing Balance of Cash and Bank Balances</b>	<b>13,229,680,991</b>	<b>10,389,818,491</b>

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## PROFIT AND LOSS APPROPRIATION ACCOUNT

**For the period from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	Schedule	This Year Rs.	Previous Year Rs.
	<b>INCOME</b>			
1.	Accumulated Profit up to Previous Year		23,472,866	3,161,068
2.	This Year's Profit		1,523,237,401	1,331,881,801
3.	Capital Adjustment Reserve up to Previous Year		-	135,000,000
4.	Transferred from Share Premium to issue bonus share		59,025,815	79,159,949
	<b>Total</b>		<b>1,605,736,082</b>	<b>1,549,202,818</b>
	<b>EXPENSES</b>			
1.	Accumulated Loss up to Previous Year		-	-
2.	This Year's Loss		-	-
3.	General Reserve		304,647,481	266,376,361
4.	Contingent Reserve fund		-	-
5.	Institution Development Reserve		-	-
6.	Dividend Equalization Reserve		-	-
7.	Staff Related Reserve		-	-
8.	Proposed Cash Dividend		56,584,579	57,333,871
9.	Proposed issue of Bonus Shares		1,075,107,001	1,089,343,547
10.	Special Reserve fund		-	-
11.	Exchange Fluctuation Fund		3,869,841	1,918,449
12.	Capital Redemption Reserve		-	-
13.	Capital Adjustment Reserve		6,880,127	-
14.	Investment Adjustment Reserve		-	122,500
15.	12.5% NSBL Debenture 2078 Redemption Reserve		40,000,000	40,000,000
16.	8% NSBL Debenture 2079 Redemption Reserve		40,000,000	40,000,000
17.	7.9% NSBL Debenture 2080 Redemption Reserve		20,000,000	20,000,000
18.	Deferred Tax Reserve		35,096,648	5,052,184
19.	Staff Skill Development Fund		5,539,340	-
20.	Corporate Social Responsibility Fund		15,232,375	-
	<b>Total</b>		<b>1,602,957,392</b>	<b>1,520,146,912</b>
21.	<b>Accumulated Profit/(Loss)</b>		<b>2,778,690</b>	<b>29,055,906</b>

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## STATEMENT OF CHANGES IN EQUITY

**FY 2073/74 (FY 2016-17)**

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Adjustment Reserve fund	Share Premium	Investment Adjustment Reserve	Proposed Bonus Shares	Exchange Fluctuation Fund	Deferred Tax Reserve	Other Reserves and Funds	Total Amount
Opening Balance at 01.04.2073	3,883,735,565	29,055,906	1,390,157,003	-	-	500,400	1,089,343,547	15,944,951	152,263,891	359,461,188	6,920,462,451
Adj: Capital Adjustment Reserve		(5,583,040)		5,583,040							-
Adj: Bonus Share Issue	1,089,343,547						(1,089,343,547)				-
<b>Restated Balance as on 01.04.2073</b>	<b>4,973,079,112</b>	<b>23,472,866</b>	<b>1,390,157,003</b>	<b>5,583,040</b>	<b>-</b>	<b>500,400</b>	<b>-</b>	<b>15,944,951</b>	<b>152,263,891</b>	<b>359,461,188</b>	<b>6,920,462,451</b>
<b>Adjustments:</b>											
Further Public Offer	6,776,787				59,025,815						65,802,602
Right Issue	1,945,037,100										1,945,037,100
Net profit for the period	-	1,523,237,401									1,523,237,401
Capital Adjustment Reserve	-	-									-
Investment Adjustment Reserve	-	-				-					-
Transfer to General Reserve	-	(304,647,481.0)	304,647,481								-
Capital Adjustment Reserve	-	(6,880,127)		6,880,127							-
Proposed Cash Dividend	-	(56,584,579)									(56,584,579)
Proposed Bonus Shares	-	(1,075,107,001)					1,075,107,001				-
Share Premium	-	59,025,815			(59,025,815)						-
Exchange Fluctuation Fund	-	(3,869,841)						3,869,841			-
Debtenture Redemption Reserve	-	(100,000,000)								100,000,000	-
Staff Skill Development Fund	-	(5,539,340)								5,539,340	-
Corporate Social Responsibility Fund	-	(15,232,375)								15,232,375	-
Deferred Tax Reserve	-	(35,096,648)							35,096,648		-
<b>Closing Balance as at Asadh end 2074</b>	<b>6,924,892,999</b>	<b>2,778,690</b>	<b>1,694,804,484</b>	<b>12,463,167</b>	<b>-</b>	<b>500,400</b>	<b>1,075,107,001</b>	<b>19,814,792</b>	<b>187,360,539</b>	<b>480,232,903</b>	<b>10,397,954,975</b>

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## SHARE CAPITAL AND OWNERSHIP

**Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year Rs.	Previous Year Rs.
<b>1.</b>	<b>Share Capital</b>		
<b>1.1</b>	<b>Authorized Capital</b>	<b>10,000,000,000</b>	<b>10,000,000,000</b>
a)	100,000,000 Ordinary Shares of Rs. 100 each	10,000,000,000	10,000,000,000
b)	.....Non -Reedemable Preference shares of Rs. ....each	-	-
c)	.....Reedemable Preference Shares of Rs .....each	-	-
<b>1.2</b>	<b>Issued Capital</b>	<b>6,971,798,259</b>	<b>6,490,512,353</b>
a)	69,717,982.59 Ordinary Shares of Rs. 100 each	6,971,798,259	6,490,512,353
	64,905,123.53 Ordinary Shares of Rs. 100 each last year		
b)	.....Non -Reedemable Preference shares of Rs. ....each	-	-
c)	.....Reedemable Preference Shares of Rs .....each	-	-
<b>1.3</b>	<b>Paid Up Capital</b>	<b>6,924,892,999</b>	<b>3,883,735,565</b>
a)	69,248,929.99 Ordinary Share of Rs. 100 Each	6,924,892,999	3,883,735,565
	38,837,355.65 Ordinary Shares of Rs. 100 each last year		
b)	.....Non -Reedemable Preference shares of Rs. ....each	-	-
c)	.....Reedemable Preference Shares of Rs .....each	-	-
<b>1.4</b>	<b>Proposed Bonus Share</b>	1,075,107,001	1,089,343,547
<b>1.5</b>	<b>Calls in Advance</b>	-	-
<b>1.6</b>	<b>Total Amount ( 1.3+1.4+1.5)</b>	<b>8,000,000,000</b>	<b>4,973,079,112</b>

As a result of Bonus Shares issued in the past from time to time, total 23,490.55 kitta of shares bonus have come into fraction figures. In the absence of clear legal provisions permitting issuance of Share Certificate for such fraction entitlements of the shareholders, the Bank has credited such fractions entitlement in a dematerialized (De-mat) form without issuing physical Share Certificates. Such fraction entitlement of the shareholders is also accounted under share capital.

S.N.	Share Ownership Details	This Year		Previous Year	
		%	Share Capital Rs.	Share Capital Rs.	%
<b>1.</b>	<b>Domestic Ownership</b>	<b>44.63%</b>	<b>3,090,403,957</b>	<b>1,743,953,771</b>	<b>44.91%</b>
1.1	Nepal Government	-	-	-	-
1.2	"A" Class Licensed Institutions	-	-	-	-
1.3	Other Licensed Institutions	-	-	-	-
1.4	Other Entities	15.10%	1,045,769,739	583,576,854	15.03%
1.5	General Public	29.53%	2,044,634,218	1,160,376,917	29.88%
1.6	Others	-	-	-	-
<b>2.</b>	<b>Foreign Ownership</b>	<b>55.37%</b>	<b>3,834,489,042</b>	<b>2,139,781,794</b>	<b>55.09%</b>
	<b>Total</b>	<b>100.00%</b>	<b>6,924,892,999</b>	<b>3,883,735,565</b>	<b>100.00%</b>

**Note:**

- 1) None of the General Public Shareholders hold 0.50% or more of the shares of the Bank individually.
- 2) "Other Entities" reported is Karmachari Sanchaya Kosh.
- 3) The "Foreign Ownership" reported is State Bank of India.

## RESERVES AND FUNDS

### Ashad end 2074 (15 July 2017)

S.N.	Particulars	This Year Rs.	Previous Year Rs.
1.	<b>General/Statutory Reserve</b>	<b>1,694,804,484</b>	<b>1,390,157,003</b>
2.	<b>Capital Reserve Fund</b>	-	-
3.	<b>Capital Redemption Reserve</b>	-	-
4.	<b>Capital Adjustment Reserve</b>	<b>12,463,167</b>	-
5.	<b>Other Reserves and Funds</b>	<b>668,093,842</b>	<b>512,225,479</b>
5.1	Contingent Reserve	-	-
5.2	Institution Development Reserve	-	-
5.3	Dividend Equalization Reserve	-	-
5.4	Special Reserve Fund	-	-
5.5	Asset Revaluation Reserve	-	-
5.6	Other Free Reserves	187,360,539	152,263,891
5.7	<b>Other Reserve Fund</b>	<b>480,733,303</b>	<b>359,961,588</b>
a.	Investment Adjustment Reserve	500,400	500,400
b.	Debenture Redemption Reserve	459,461,188	359,461,188
c.	Corporate Social Responsibility Fund	15,232,375	-
d.	Staff Skill Development Fund	5,539,340	-
6.	<b>Accumulated Profit/(Loss)</b>	<b>2,778,690</b>	<b>29,055,906</b>
7.	<b>Exchange Fluctuation Fund</b>	<b>19,814,792</b>	<b>15,944,951</b>
	<b>Total</b>	<b>2,397,954,975</b>	<b>1,947,383,339</b>

## DEBENTURES AND BONDS

**Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year Rs.	Previous Year Rs.
1.	12.5% Nepal SBI Bank Debentures 2078 of Rs.1,000 each (Unsecured)	400,000,000	400,000,000
	Issued on 12.02.2012 and maturing on 11.02.2022		
	(Outstanding balance of Redemption Reserve Rs.216,776,256)		
2.	8% Nepal SBI Bank Debentures 2079 of Rs.1,000 each (Unsecured)	400,000,000	400,000,000
	Issued on 03.02.2013 and maturing on 02.02.2023		
	(Outstanding balance of Redemption Reserve Rs. 177,863,014)		
3.	7.9% Nepal SBI Bank Debentures 2080 of Rs.1,000 each (Unsecured)	200,000,000	200,000,000
	Issued on 20.04.2014 and maturing on 19.04.2024		
	(Outstanding balance of Redemption Reserve Rs. 64,821,918)		
	<b>Total (1+2+3)</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>

SCHEDULE 4

## LOANS AND BORROWINGS

**Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year Rs.	Previous Year Rs.
<b>A.</b>	<b>Local</b>		
1.	Nepal Government	-	-
2.	Nepal Rastra Bank	-	-
3.	Repo Obligations	-	-
4.	Inter Bank and Financial institutions	5,309,655,155	4,184,700,000
5.	Other Organised Institutions	-	-
6.	Others	-	-
	<b>Total</b>	<b>5,309,655,155</b>	<b>4,184,700,000</b>
<b>B.</b>	<b>Foreign</b>		
1.	Banks	-	-
2.	Others	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
	<b>Total (A+B)</b>	<b>5,309,655,155</b>	<b>4,184,700,000</b>

## DEPOSITS

Ashad end 2074 (15 July 2017)

S.N.	Particulars	This Year Rs.	Previous Year Rs.
<b>1.</b>	<b>Non-Interest bearing accounts</b>		
<b>A.</b>	<b>Current Deposits</b>	<b>6,299,389,707</b>	<b>5,531,334,474</b>
<b>1.</b>	<b>Local Currency</b>	<b>6,008,148,117</b>	<b>5,229,136,812</b>
1.1	Nepal Government	19,850,127	41,925,439
1.2	"Ka" Class Licensed Institutions	90,878,382	3,666,250
1.3	Other Licensed Financial Institutions	3,139,729	6,829,916
1.4	Other Organized Institutions	5,715,810,490	5,014,376,078
1.5	Individuals	178,469,389	162,253,139
1.6	Others	-	85,990
<b>2.</b>	<b>Foreign Currency</b>	<b>291,241,590</b>	<b>302,197,662</b>
2.1	Nepal Government	-	-
2.2	"Ka" Class Licensed Institutions	-	-
2.3	Other Licensed Financial Institutions	-	-
2.4	Other Organized Institutions	259,253,690	280,499,373
2.5	Individuals	31,987,900	21,698,289
2.6	Others	-	-
<b>B.</b>	<b>Margin Deposits</b>	<b>566,626,212</b>	<b>339,786,038</b>
1.	Employees Earnest Money	-	-
2.	Guarantee Margin	127,629,693	90,970,412
3.	Letter of Credit Margin	438,996,519	248,815,626
<b>C.</b>	<b>Others</b>	<b>3,197,913</b>	<b>318,216,587</b>
<b>1.</b>	<b>Local Currency</b>	<b>3,197,913</b>	<b>318,216,587</b>
1.1	Financial Institutions	-	-
1.2	Other Organized Institutions	50,000	6,399,261
1.3	Individual	3,147,913	311,817,326
<b>2.</b>	<b>Foreign Currency</b>	<b>-</b>	<b>-</b>
2.1	Financial Institutions	-	-
2.2	Other Organized Institutions	-	-
2.3	Individual	-	-
	<b>Total of Non-Interest Bearing Accounts</b>	<b>6,869,213,832</b>	<b>6,189,337,099</b>
<b>2.</b>	<b>Interest Bearing Accounts</b>		
<b>A.</b>	<b>Saving Deposits</b>	<b>28,660,382,168</b>	<b>26,831,779,188</b>
<b>1.</b>	<b>Local Currency</b>	<b>28,415,751,201</b>	<b>26,641,575,782</b>
1.1	Organized Institutions	243,944,333	561,535,523
1.2	Individual	28,171,806,868	26,080,040,259
1.3	Others	-	-
<b>2.</b>	<b>Foreign Currency</b>	<b>244,630,967</b>	<b>190,203,406</b>
2.1	Organized Institutions	593,700	-
2.2	Individual	244,037,267	186,782,212
2.3	Others	-	3,421,194
<b>B.</b>	<b>Fixed Deposits</b>	<b>41,776,666,106</b>	<b>23,019,304,089</b>
<b>1.</b>	<b>Local Currency</b>	<b>33,513,201,106</b>	<b>17,950,222,360</b>
1.1	Organized Institutions	25,560,141,401	11,691,110,865
1.2	Individual	7,953,059,705	6,259,111,495
1.3	Others	-	-
<b>2.</b>	<b>Foreign Currency</b>	<b>8,263,465,000</b>	<b>5,069,081,729</b>
2.1	Organized Institutions	8,263,465,000	5,069,081,729
2.2	Individual	-	-
2.3	Others	-	-
<b>C.</b>	<b>Call Deposits</b>	<b>4,358,286,559</b>	<b>9,173,099,348</b>
<b>1.</b>	<b>Local Currency</b>	<b>3,841,724,644</b>	<b>4,516,382,310</b>
1.1	"Ka" Class Licensed Institutions	-	-
1.2	Other Licensed Financial Institutions	235,152,804	559,191,394
1.3	Other Organized Institutions	3,387,629,184	3,675,222,631
1.4	Individual	218,942,656	281,968,285
1.5	Others	-	-
<b>2.</b>	<b>Foreign Currency</b>	<b>516,561,915</b>	<b>4,656,717,038</b>
2.1	"Ka" Class Licensed Institutions	-	-
2.2	Other Licensed Financial Institutions	516,561,915	-
2.3	Other Organized Institutions	-	4,656,717,038
2.4	Individual	-	-
2.5	Others	-	-
<b>D.</b>	<b>Certificate of Deposit</b>	<b>-</b>	<b>-</b>
1.	Organized Institutions	-	-
2.	Individual	-	-
3.	Others	-	-
	<b>Total of Interest Bearing Accounts</b>	<b>74,795,334,833</b>	<b>59,024,182,625</b>
	<b>Total Deposit (1+2)</b>	<b>81,664,548,665</b>	<b>65,213,519,724</b>

**BILLS PAYABLE****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year Rs.	Previous Year Rs.
1.	Local Currency	64,419,879	115,145,664
2.	Foreign Currency	155,326,035	147,794,130
	<b>Total</b>	<b>219,745,914</b>	<b>262,939,794</b>

SCHEDULE 7

**OTHER LIABILITIES****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year Rs.	Previous Year Rs.
1.	Pension/Gratuity / Leave Fund	478,959,919	355,081,140
2.	Employee Provident Fund	-	-
3.	Employees Welfare Fund	-	-
4.	Provision for Staff Bonus	217,512,718	191,992,836
5.	Interest Payable on Deposits	66,743,073	31,107,271
6.	Interest Payable on Borrowings/ Debenture	55,395,151	53,636,005
7.	Unearned Discount and Commission	-	-
8.	Sundry Creditors	90,200,629	17,632,265
9.	Branch Adjustment Account	-	-
10.	Deferred Tax Liability	-	-
11.	Dividend Payable	12,836,933	17,693,185
<b>12.</b>	<b>Others</b>	<b>258,490,201</b>	<b>209,246,742</b>
a.	TDS Payable	96,287,319	45,847,451
b.	Others	162,202,882	163,399,291
	<b>Total</b>	<b>1,180,138,624</b>	<b>876,389,444</b>

## CASH BALANCE

### Ashad end 2074 (15 July 2017)

S.N.	Particulars	This Year Rs.	Previous Year Rs.
1.	Local Currency (Including Coins)	1,972,864,988	1,783,291,038
2.	Foreign Currency	11,688,402	16,086,232
	<b>Total</b>	<b>1,984,553,390</b>	<b>1,799,377,270</b>

## SCHEDULE 9

## BALANCE WITH NEPAL RASTRA BANK

### Ashad end 2074 (15 July 2017)

S.N.	Particulars	Local Currency	Foreign Currency Rs.			This Year Rs.	Previous Year Rs.
			INR	Convertible FCY	Total		
<b>1.</b>	<b>Nepal Rastra Bank</b>	<b>7,279,602,614</b>	-	<b>33,412,888</b>	<b>33,412,888</b>	<b>7,313,015,502</b>	<b>6,428,009,789</b>
a.	Current Account	7,279,602,614	-	33,412,888	33,412,888	7,313,015,502	6,428,009,789
b.	Other Account	-	-	-	-	-	-

**Note:** Balance as per confirmation statements from NRB is Rs. 7,422,717,126 and all the differences are reconciled.

## SCHEDULE 10

## BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

### Ashad end 2074 (15 July 2017)

S.N.	Particulars	Local Currency	Foreign Currency Rs.			This Year Rs.	Previous Year Rs.
			INR	Convertible FCY	Total		
<b>1.</b>	<b>Local Licensed Institutions</b>	<b>2,094,696,596</b>	-	-	-	<b>2,094,696,596</b>	<b>525,399,746</b>
a.	Current Account	2,094,696,596	-	-	-	2,094,696,596	525,399,746
b.	Other Account	-	-	-	-	-	-
<b>2.</b>	<b>Foreign Banks</b>	-	<b>1,700,188,078</b>	<b>137,227,425</b>	<b>1,837,415,503</b>	<b>1,837,415,503</b>	<b>1,637,031,686</b>
a.	Current Account	-	1,700,188,078	137,227,425	1,837,415,503	1,837,415,503	1,637,031,686
b.	Other Account	-	-	-	-	-	-
	<b>Total</b>	<b>2,094,696,596</b>	<b>1,700,188,078</b>	<b>137,227,425</b>	<b>1,837,415,503</b>	<b>3,932,112,099</b>	<b>2,162,431,432</b>

**Note:** Balance as per confirmation statements from respective Bank and Financial institutions is Rs. 4,378,583,549 and all the differences are reconciled.

## SCHEDULE 11

## MONEY AT CALL AND SHORT NOTICE

### Ashad end 2074 (15 July 2017)

S.N.	Particulars	This Year Rs.	Previous Year Rs.
1.	Local Currency	-	-
2.	Foreign Currency	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>

## INVESTMENTS

**Ashad end 2074 (15 July 2017)**

S.N.	Particulars	Purpose		This Year Rs.	Previous Year Rs.
		Trading	Others		
1.	Nepal Government Treasury Bills	-	1,841,907,531	1,841,907,531	999,950,000
2.	Nepal Government Saving Bonds	-	-	-	-
3.	Nepal Government Other securities*	-	5,800,000,000	5,800,000,000	4,850,000,000
4.	Nepal Rastra Bank Bonds	-	-	-	-
5.	Foreign Securities	-	-	-	-
6.	Local Licensed Institutions	-	-	-	-
7.	Foreign Banks	-	13,248,350,000	13,248,350,000	13,286,591,426
8.	Corporate Shares	-	129,955,500	129,955,500	129,955,500
9.	Corporate Bonds and Debentures	-	-	-	-
<b>10.</b>	<b>Other Investments:</b>	-	-	-	-
10.1	Mutual Fund	23,007,450	-	23,007,450	24,812,466
	<b>Total Investment</b>	<b>23,007,450</b>	<b>21,020,213,031</b>	<b>21,043,220,481</b>	<b>19,291,309,392</b>
	<b>Provision</b>	-	-	-	-
	<b>Net Investment</b>	<b>23,007,450</b>	<b>21,020,213,031</b>	<b>21,043,220,481</b>	<b>19,291,309,392</b>

\*Development Bond of Rs. 1,600,000,000.00 has been pledged for borrowing of USD 12,500,000.00 from Agricultural Development Bank Ltd.

## INVESTMENT IN SHARES, DEBENTURES AND BONDS

**Ashad end 2074 (15 July 2017)**

S.N.	Particulars	Cost Price Rs.	Market Price Rs.	Provision Rs.	This Year Rs.	Previous Year Rs.
<b>1.</b>	<b>Investment in Shares</b>	<b>149,075,260</b>	<b>287,149,235</b>	<b>-</b>	<b>149,075,260</b>	<b>148,218,960</b>
<b>1.1</b>	<b>Rural Micro-finance Development Center Ltd.</b>	<b>18,895,000</b>	<b>194,905,525</b>		<b>18,895,000</b>	<b>18,895,000</b>
	51,950 Ordinary Shares of Rs. 100 fully paid up	5,195,000	40,261,250		5,195,000	5,195,000
	137,000 Right Shares of Rs. 100 fully paid up	13,700,000	106,175,000		13,700,000	13,700,000
	18,895 Bonus Shares of Rs. 100 fully paid up	-	14,643,625		-	-
	20,784 Bonus Shares of Rs. 100 fully paid up		16,107,600		-	-
	22,862 Bonus Shares of Rs. 100 fully paid up		17,718,050			
<b>1.2</b>	<b>Nepal Grameen Bikash Bank Ltd.</b>	<b>6,125,000</b>	<b>69,236,260</b>		<b>6,125,000</b>	<b>6,125,000</b>
	30,000 Ordinary Shares of Rs. 100 fully paid up	3,000,000	22,380,000.00		3,000,000.00	3,000,000
	5,000 Shares of Rs. 100 Additional Investment	500,000	3,730,000.00		500,000.00	500,000
	26,250 Shares of Rs. 100 Additional Investment	2,625,000	19,582,500.00		2,625,000.00	2,625,000
	31,560 Bonus Shares of Rs. 100 fully paid up	-	23,543,760.00		-	-
<b>1.3</b>	<b>Mutual Funds</b>	<b>19,119,760</b>	<b>23,007,450</b>		<b>19,119,760</b>	<b>18,263,460</b>
	1,043,347 Units NIBL Sambridhi Fund – Mutual Fund of Rs 10 each fully paid	10,433,470	12,363,662	-	10,433,470	10,433,470
	782,999 Units NMB Sulav Fund – Mutual Fund of Rs. 10 each fully paid	7,829,990	9,787,488	-	7,829,990	7,829,990
	85,630 Units NIBL Pragati Fund – Mutual Fund of Rs. 10 each fully paid	856,300	856,300		856,300	-
<b>1.4</b>	<b>Karja Suchana Kendra Ltd.</b>	<b>1,235,500</b>			<b>1,235,500</b>	<b>1,235,500</b>
	3,530 Ordinary Shares of Rs. 100 fully paid up	353,000	-	-	353,000	353,000
	8,825 Right Shares of Rs 100 fully paid up	882,500	-	-	882,500	882,500
	24,244 Bonus Shares of Rs 100 fully paid up	-	-	-	-	-
	18,299 Bonus Shares of Rs 100 fully paid up					
<b>1.5</b>	<b>Nepal Clearing House Ltd.</b>					
	25,000 Ordinary Shares of Rs. 100 fully paid up	2,500,000	-	-	2,500,000	2,500,000
<b>1.6</b>	<b>National Banking Institute</b>					
	12,000 Shares of Rs. 100 fully paid up	1,200,000	-	-	1,200,000	1,200,000
<b>1.7</b>	<b>Nepal SBI Merchant Banking Ltd.</b>					
	10,00,000 Shares of Rs. 100 fully paid up	100,000,000	-	-	100,000,000	100,000,000
<b>2.</b>	<b>Investment in Debentures and Bonds</b>					
2.1	.....					
2.2	.....					
2.3	.....					
	<b>Total Investment</b>	<b>149,075,260</b>	<b>287,149,235</b>	<b>-</b>	<b>149,075,260</b>	<b>148,218,960</b>
<b>3.</b>	<b>Provision for Loss</b>					
3.1	Up to previous year					6,125,000
3.2	Additions/Write back this year					(6,125,000)
	<b>Total Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Net Investment</b>	<b>149,075,260</b>	<b>287,149,235</b>	<b>-</b>	<b>149,075,260</b>	<b>148,218,960</b>

**INVESTMENT (Held for Trading)****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	Cost Price	Previous Market Price (A)	Current Market Price (B)	This Year Profit / (Loss) (B-A) Rs.	Previous Year Profit / (Loss) Rs.	Remarks
1.	Nepal Government Treasury Bills	-	-	-	-	-	-
2.	Nepal Government Saving Bonds	-	-	-	-	-	-
3.	Nepal Government Other securities	-	-	-	-	-	-
4.	Nepal Rastra Bank Bonds	-	-	-	-	-	-
5.	Foreign Securities	-	-	-	-	-	-
6.	Shares of Domestic Licensed Institution	-	-	-	-	-	-
7.	Debenture and Bond of Domestic Licensed Institution	-	-	-	-	-	-
8.	Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	-
9.	Foreign Bank Investment (Placement)	-	-	-	-	-	-
10.	Interbank Lending	-	-	-	-	-	-
<b>11.</b>	<b>Other Investments</b>						
11.1	1,043,347 Units NIBL Sambidhi Fund - Mutual Fund of Rs 10 each fully paid	10,433,470	13,772,180	12,363,662	(1,408,518)	3,234,375	-
11.2	782,999 Units NMB Sulav Fund - Mutual Fund of Rs. 10 each fully paid	7,829,990	11,040,286	9,787,488	(1,252,798)	3,210,296	-
11.3	85,630 Units NIBL Pragati Fund - Mutual Fund of Rs. 10 each fully paid	856,300	-	856,300	-	-	-
	<b>Total Investment</b>	<b>19,119,760</b>	<b>24,812,466</b>	<b>23,007,450</b>	<b>(2,661,316)</b>	<b>6,444,671</b>	<b>-</b>

**INVESTMENT (Held to Maturity)****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	Cost Price (A)	Impairment Till Date (B)	Impairment This Year (C)	This Year Profit / (Loss) (A-B-C) Rs.	Previous Year Profit / (Loss) Rs.	Remarks
1.	Nepal Government Treasury Bills	1,841,907,531	-	-	-	-	-
2.	Nepal Government Saving Bonds	-	-	-	-	-	-
3.	Nepal Government Other securities	5,800,000,000	-	-	-	-	-
4.	Nepal Rastra Bank Bonds	-	-	-	-	-	-
5.	Foreign Securities	-	-	-	-	-	-
6.	Shares of Domestic Licensed Institution	-	-	-	-	-	-
7.	Debenture and Bond of Domestic Licensed Institution	-	-	-	-	-	-
8.	Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	-
9.	Foreign Bank Investment (Placement)	13,248,350,000	-	-	-	-	-
10.	Other Investments	-	-	-	-	-	-
	<b>Total Investment</b>	<b>20,890,257,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**INVESTMENT (Available for Sale)****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	Cost Price	Previous Market Price (A)	Current Market Price (B)	This Year Investment Adjustment Reserve (B-A)	Previous Year Profit /(Loss) Rs.	Remarks
1.	Nepal Government Treasury Bills	-	-	-	-	-	-
2.	Nepal Government Saving Bonds	-	-	-	-	-	-
3.	Nepal Government Other securities	-	-	-	-	-	-
4.	Nepal Rastra Bank Bonds	-	-	-	-	-	-
5.	Foreign Securities	-	-	-	-	-	-
6.	Shares of Domestic Licensed Institution	-	-	-	-	-	-
7.	Debenture and Bond of Domestic Licensed Institution	-	-	-	-	-	-
8.	Shares, Debentures, and Bond of Domestic Entity						
	Listed	25,020,000	388,723,660	264,141,785	-	-	-
	Not Listed	104,935,500	-	-	-	-	-
9.	Foreign Bank Investment (Placement)	-	-	-	-	-	-
10.	Interbank Lending	-	-	-	-	-	-
<b>11.</b>	<b>Other Investments</b>	-	-	-	-	-	-
	<b>Total Investment</b>	<b>129,955,500</b>	<b>388,723,660</b>	<b>264,141,785</b>	-	-	-

**Note:**

- Even though the current market price is higher than the cost price, these have not been marked to market.
- No Investment Adjustment Reserve has been maintained for investment in Karja Suchana Kendra Ltd., Nepal Clearing House Ltd., and National Banking Institute and fully owned subsidiary Nepal SBI Merchant Banking Ltd. as NRB Directive No 8/ 2073 has exempted maintenance of the investment reserve against such investments.

## CLASSIFICATION OF LOANS, ADVANCES AND BILLS PURCHASE & PROVISIONING

**Ashad end 2074 (15 July 2017)**

S.N.	Particulars	Loans & Advances						Bills Purchased/Discounted			This Year (Rs.)	Previous Year (Rs.)
		Domestic			Foreign	Total	Domestic	Foreign	Total			
		Deprived Sector		Other								
		Insured	Uninsured									
<b>1.</b>	<b>Performing Loan</b>	-	<b>3,079,212,953</b>	<b>58,615,312,264</b>	<b>379,342,494</b>	<b>62,073,867,711</b>	-	<b>1,614,069,307</b>	<b>1,614,069,307</b>	<b>63,687,937,018</b>	<b>47,476,998,748</b>	
1.1	Pass	-	3,079,212,953	58,112,942,452	375,656,669	61,567,812,074	-	1,614,069,307	1,614,069,307	63,181,881,381	47,249,886,008	
1.2	Watch List	-	-	502,369,812	3,685,825	506,055,637	-	-	-	506,055,637	227,112,740	
<b>2.</b>	<b>Non-Performing Loan</b>	-	<b>377,923</b>	<b>63,737,110</b>	-	<b>64,115,033</b>	-	<b>80,038</b>	<b>80,038</b>	<b>64,195,071</b>	<b>65,981,814</b>	
2.1	Restructured/Rescheduled	-	-	28,193	-	28,193	-	-	-	28,193	88,347	
2.2	Sub-Standard	-	-	-	-	-	-	-	-	-	-	
2.3	Doubtful	-	-	-	-	-	-	-	-	-	-	
2.4	Loss	-	377,923	63,708,917	-	64,086,840	-	80,038	80,038	64,166,878	65,893,467	
<b>A.</b>	<b>Total Loan</b>	-	<b>3,079,590,876</b>	<b>58,679,049,374</b>	<b>379,342,494</b>	<b>62,137,982,744</b>	-	<b>1,614,149,345</b>	<b>1,614,149,345</b>	<b>63,752,132,089</b>	<b>47,542,980,562</b>	
<b>3.</b>	<b>Loan Loss Provision</b>	-	-	-	-	-	-	-	-	-	-	
3.1	Pass	-	30,792,130	58,712,942	3,756,567	621,678,121	-	16,140,693	16,140,693	637,818,814	472,557,667	
3.2	Watch List	-	-	25,118,491	184,291	25,302,782	-	-	-	25,302,782	28,906,395	
3.3	Restructured/Rescheduled	-	-	28,193	-	28,193	-	-	-	28,193	88,347	
3.4	Sub-Standard	-	-	-	-	-	-	-	-	-	-	
3.5	Doubtful	-	-	-	-	-	-	-	-	-	-	
3.6	Loss	-	377,923	63,708,917	-	64,086,840	-	80,038	80,038	64,166,878	65,893,467	
<b>B.</b>	<b>Total Provisioning</b>	-	<b>31,170,053</b>	<b>675,985,025</b>	<b>3,940,858</b>	<b>711,095,936</b>	-	<b>16,220,731</b>	<b>16,220,731</b>	<b>727,316,667</b>	<b>567,445,876</b>	
<b>4.</b>	<b>Provisioning up to previous year</b>	-	-	-	-	-	-	-	-	-	-	
4.1	Pass	-	21,450,714	443,234,983	1,846,279	466,531,976	-	6,025,691	6,025,691	472,557,667	417,772,163	
4.2	Watch List	-	-	28,906,395	-	28,906,395	-	-	-	28,906,395	149,629	
4.3	Restructured/Rescheduled	-	-	88,347	-	88,347	-	-	-	88,347	53,900	
4.4	Sub-Standard	-	-	-	-	-	-	-	-	-	-	
4.5	Doubtful	-	-	-	-	-	-	-	-	-	-	
4.6	Loss	-	377,923	65,435,506	-	65,813,429	-	80,038	80,038	65,893,467	60,229,715	
<b>C.</b>	<b>Total previous year's provision</b>	-	<b>21,828,637</b>	<b>537,665,231</b>	<b>1,846,279</b>	<b>561,340,147</b>	-	<b>6,105,729</b>	<b>6,105,729</b>	<b>567,445,876</b>	<b>492,696,415</b>	
<b>D.</b>	<b>Written Back from Previous Year</b>	-	-	<b>28,034,555</b>	-	<b>28,034,555</b>	-	-	-	<b>28,034,555</b>	<b>36,596,183</b>	
<b>E.</b>	<b>Additional Provision of Current Year</b>	-	-	<b>187,905,345</b>	-	<b>187,905,345</b>	-	-	-	<b>187,905,345</b>	<b>111,345,644</b>	
	<b>Changes in this year</b>	-	-	<b>159,870,790</b>	-	<b>159,870,790</b>	-	-	-	<b>159,870,790</b>	<b>74,749,461</b>	
	<b>Net Loan (A-B)</b>	-	<b>3,048,420,823</b>	<b>58,003,064,349</b>	<b>375,401,636</b>	<b>61,426,886,808</b>	-	<b>1,597,928,614</b>	<b>1,597,928,614</b>	<b>63,024,815,422</b>	<b>46,975,534,686</b>	

Note: Total Exposure under Deprived Sector is Rs. 30,795.91 Lakh (Excluding Investment in share of RMDC and Nepal Grameen Bikas Bank Rs. 250.20 Lacs)

**SECURITY WISE LOANS, ADVANCES AND BILLS PURCHASED****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
<b>A.</b>	<b>Secured</b>	<b>63,752,341,581</b>	<b>47,542,980,562</b>
1.	Against Movable/Immovable Assets	59,283,177,588	43,211,505,638
2.	Against Guarantee of Local Licensed Institutions	-	-
3.	Against Government Guarantee	156,120,721	156,120,721
4.	Against Internationally Rated Bank Guarantee	-	-
5.	Against Export Documents	65,637,592	1,091,615,241
<b>6.</b>	<b>Against Fixed Deposit Receipts</b>	<b>1,088,792,601</b>	<b>930,780,088</b>
a.	Own FDR	1,088,792,601	930,780,088
b.	FDR of Other Licensed Institutions	-	-
7.	Against Government Bonds	-	-
8.	Against Counter Guarantee	-	-
9.	Against Personal Guarantee	-	-
10.	Against Other Securities	3,158,613,079	2,152,958,874
<b>B.</b>	<b>Unsecured</b>	<b>-</b>	<b>-</b>
	<b>Total (A + B)</b>	<b>63,752,341,581</b>	<b>47,542,980,562</b>

SCHEDULE 14

**FIXED ASSETS****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	ASSETS					This Year (Rs.)	Previous Year (Rs.)
		Buildings	Vehicles	Machinery	Office Equipment	Others		
<b>1.</b>	<b>Cost Price</b>							
a.	Previous Year balance	-	278,636,018	288,085,066	502,653,245	134,718,034	1,204,092,363	1,112,401,121
b.	Addition during the year	-	6,606,200	46,889,622	153,266,161	27,148,862	233,910,845	108,174,438
c.	Revaluation/Written Back this year	-	-	-	-	-	-	-
d.	Sold during the year	-	-	(2,762,224)	(7,049,889)	(2,390,571)	(12,202,684)	(16,483,196)
e.	Write off during the year	-	-	-	-	-	-	-
	<b>Total Cost (a+b+c+d+e)</b>	-	<b>285,242,218</b>	<b>332,212,464</b>	<b>648,869,517</b>	<b>159,476,325</b>	<b>1,425,800,524</b>	<b>1,204,092,363</b>
<b>2.</b>	<b>Depreciation</b>							
a.	Up to the Previous Year	-	134,096,073	249,051,268	380,313,215	69,826,604	833,287,160	741,548,849
b.	For this year	-	32,509,222	17,524,303	52,567,641	9,558,522	112,159,688	106,010,985
c.	Depreciation on revaluation/Write Back	-	-	-	-	-	-	-
d.	Depreciation on Assets Sold/Write off	-	-	(2,758,192)	(6,817,600)	(1,736,306)	(11,312,098)	(14,272,674)
	<b>Total Depreciation</b>	-	<b>166,605,295</b>	<b>263,817,379</b>	<b>426,063,256</b>	<b>77,648,820</b>	<b>934,134,750</b>	<b>833,287,160</b>
<b>3.</b>	<b>Book Value (WDV) (1-2)</b>	-	<b>118,636,923</b>	<b>68,395,085</b>	<b>222,806,261</b>	<b>81,827,505</b>	<b>491,665,774</b>	<b>370,805,203</b>
<b>4.</b>	<b>Land</b>	259,160,000	-	-	-	-	259,160,000	259,160,000
<b>5.</b>	<b>Capital Construction (Pending Capitalization)</b>	-	-	-	-	-	-	-
<b>6.</b>	<b>Leasehold Assets</b>	-	-	-	-	-	-	-
	<b>Total (3+4+5+6)</b>	<b>259,160,000</b>	<b>118,636,923</b>	<b>68,395,085</b>	<b>222,806,261</b>	<b>81,827,505</b>	<b>750,825,774</b>	<b>629,965,203</b>

## NON BANKING ASSETS

### Ashad end 2074 (15 July 2017)

S.N.	Name & Address of Borrower or Party	Date of acquisition of Non Banking Assets	Total Amount of Non Banking Assets Rs.	Loss Provision		This Year Net Non Banking Assets (Rs)	Previous Year Rs. (Net NBA)
				In Percentage	In Amount Rs.		
						-	-
						-	-
	<b>Total</b>		-			-	-

## SCHEDULE 16

## OTHER ASSETS

### Ashad end 2074 (15 July 2017)

S.N.	Particulars		This Year (Rs.)	Previous Year (Rs.)
1.	Stock of Stationery		10,428,691	6,404,241
2.	Income receivable on Investment		139,418,012	127,098,583
3.	Accrued Interest on Loan	75,933,918		57,375,025
	Less: Interest Suspense Account	(75,933,918)	-	(57,375,025)
4.	Commission Receivable		-	-
5.	Sundry Debtors		170,666,461	61,712,031
6.	Staff Loan & Advances		1,039,413,854	693,081,415
7.	Pre Payments		19,443,995	15,579,665
8.	Cash in Transit		-	-
9.	Other Transit Items (Including Cheques)		-	-
10.	Drafts paid without notice	22,359,375		22,359,375
	Less: Provision	(22,359,375)	-	(22,359,375)
11.	Expenses not written off (Govt. Development Bond Premium)		-	-
12.	Branch Adjustment Account		-	-
13.	Deferred Tax Assets		187,360,538	152,263,890
<b>14.</b>	<b>Others</b>		<b>213,353,693</b>	<b>172,577,687</b>
a)	Advance Income Tax (Net of Liability)		171,842,525	117,396,152
b)	Others		41,511,168	55,181,535
	<b>Total</b>		<b>1,780,085,244</b>	<b>1,228,717,512</b>

## SCHEDULE 16 (KA)

## OTHER ASSETS (Additional Details)

### Ashad end 2074 (15 July 2017)

S.N.	Particulars	This Year (Rs.)				Previous Year (Rs.)
		Up to 1Year	1 to 3 years	Above 3years	Total	
1.	Accrued Interest on Loan	33,056,493	27,355,167	15,522,258	75,933,918	57,375,025
2.	Drafts Paid without notice	-	-	22,359,375	22,359,375	22,359,375
3.	Branch Adjustment Account	-	-	-	-	-
4.	Local/ Foreign Agency Account	-	-	-	-	-
	<b>Total</b>	<b>33,056,493</b>	<b>27,355,167</b>	<b>37,881,633</b>	<b>98,293,293</b>	<b>79,734,400</b>

**CONTINGENT LIABILITIES****Ashad end 2074 (15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Claims on institution not accepted by the Institution	170,000	170,000
2.	Letter of Credit (Full Amount, without deducting margin)	5,973,544,394	2,971,148,369
a.	Less than 6 months maturity	5,973,544,394	2,971,148,369
b.	More than 6 months maturity	-	-
3.	Rediscounted Bills	-	-
4.	Unexpired Guarantees/Bonds	1,610,565,798	1,402,929,094
a.	Bid Bonds	81,278,259	103,970,085
b.	Performance Bonds	1,529,287,539	1,298,959,009
c.	Other Guarantee/Bonds	-	-
5.	Unpaid portion of partly paid shares	-	-
6.	Forward Exchange Contract Liabilities	757,609,635	118,503,754
7.	Bills under Collection	137,754,358	130,478,627
8.	Acceptance & Endorsement	260,245,322	339,965,365
9.	Underwriting Commitment	-	-
10.	Irrevocable Loan Commitment*	10,955,443,307	8,450,256,534
11.	Guarantee issued against on Counter Guarantee of Internationally Rated Banks	5,228,577,710	4,860,461,906
12.	Advance Payment Guarantee	33,783,667	70,417,408
13.	Financial Guarantee for Credit Facility	4,805,000	-
14.	Contingent Liabilities on Income Tax	3,892,740	3,892,740
15.	Others (resigned staff remuneration)	893,575	893,575
	<b>Total</b>	<b>24,967,285,506</b>	<b>18,349,117,372</b>

## INTEREST INCOME

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
<b>A.</b>	<b>On Loans, Advances and Overdraft</b>	<b>5,342,373,750</b>	<b>3,681,230,116</b>
1.	Loans & Advances	4,347,049,537	2,949,248,246
2.	Overdraft	995,324,213	731,981,870
<b>B.</b>	<b>On Investment</b>	<b>287,481,026</b>	<b>157,052,971</b>
1.	Nepal Government Securities	268,072,851	110,086,091
a.	Treasury Bills	39,921,780	21,284,261
b.	Development Bonds	228,151,071	88,801,830
c.	National Saving Certificates	-	-
2.	Foreign Securities	-	-
3.	Nepal Rastra Bank Bonds (Reverse Repo & Deposit Collection) <sup>1)</sup>	3,162,644	44,929,064
4.	Debenture & Bonds	-	-
5.	Interest on Inter Bank Lending	16,245,531	2,037,816
a.	Banks/Financial Institutions	16,245,531	2,037,816
b.	Other Organizations	-	-
<b>C</b>	<b>On Agency Balances</b>	<b>-</b>	<b>-</b>
1.	Local Banks/Financial Institutions	-	-
2.	Foreign Banks	-	-
<b>D.</b>	<b>On Money at Call and Short Notice</b>	<b>-</b>	<b>-</b>
1.	Local Banks/Financial Institutions	-	-
2.	Foreign Banks	-	-
<b>E.</b>	<b>On Others</b>	<b>281,305,750</b>	<b>142,979,253</b>
1.	Certificate of Deposits	-	-
2.	Inter-Bank Loan	-	-
3.	Others	281,305,750	142,979,253
a.	Placement with Foreign Banks	251,319,674	120,893,885
b.	Others	29,986,076	22,085,368
	<b>Total</b>	<b>5,911,160,526</b>	<b>3,981,262,340</b>

## INTEREST EXPENSES

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
<b>A.</b>	<b>ON DEPOSIT LIABILITIES</b>	<b>2,824,726,665</b>	<b>1,445,227,871</b>
<b>1.</b>	<b>Fixed Deposits</b>	<b>1,991,680,364</b>	<b>874,852,487</b>
1.1	Local Currency	1,912,308,628	801,177,437
1.2	Foreign Currency	79,371,736	73,675,050
<b>2.</b>	<b>Saving Deposits</b>	<b>561,010,580</b>	<b>472,143,942</b>
2.1	Local Currency	559,852,286	471,200,829
2.2	Foreign Currency	1,158,294	943,113
<b>3.</b>	<b>Call Deposits</b>	<b>272,035,721</b>	<b>98,231,442</b>
3.1	Local Currency	243,647,879	85,943,975
3.2	Foreign Currency	28,387,842	12,287,467
<b>4.</b>	<b>Certificate of Deposits</b>	<b>-</b>	<b>-</b>
<b>B.</b>	<b>ON BORROWINGS</b>	<b>169,756,404</b>	<b>119,923,057</b>
1.	Debentures & Bonds	97,800,000	97,800,000
2.	Loan from Nepal Rastra Bank	-	-
3.	Inter Bank /Financial Institutions Borrowing	71,956,404	22,123,057
4.	Other Corporate Institutions		
5.	Other Borrowings		
<b>C.</b>	<b>ON OTHERS</b>		
	<b>Total</b>	<b>2,994,483,069</b>	<b>1,565,150,928</b>

## COMMISSION AND DISCOUNT INCOME

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
<b>A.</b>	<b>Bills Purchase &amp; Discount</b>	<b>147,730</b>	<b>1,937</b>
1.	Local	-	-
2.	Foreign	147,730	1,937
<b>B.</b>	<b>Commission</b>	<b>236,813,655</b>	<b>176,119,169</b>
1.	Letters of Credit	60,365,589	31,200,417
2.	Guarantees	94,851,058	77,486,550
3.	Collection Fees	3,047,600	1,394,613
4.	Remittance Fees	78,549,408	66,037,589
5.	Credit Card	-	-
6.	Share Underwriting/ Issue	-	-
7.	Government Transactions	-	-
8.	Agency Commission (E pra)	-	-
9.	Exchange Fee	-	-
<b>C.</b>	<b>Others</b>	<b>250,633,505</b>	<b>289,676,201</b>
1.	Card Transactions	239,594,189	281,287,722
2.	Agency Commission	4,438,521	8,233,516
3.	POS Acquiring	6,361,629	
4.	Others	239,166	154,963
	<b>Total</b>	<b>487,594,890</b>	<b>465,797,307</b>

## OTHER OPERATING INCOME

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Safe Deposit Lockers Rental	7,891,090	5,814,798
2.	Issue & Renewals of Credit Cards	-	-
3.	Issue & Renewals of ATM Cards	29,746,038	24,747,048
4.	Telex / T.T.	57,054,302	47,544,733
5.	Service Charges	310,013,081	210,022,758
6.	Renewal Fees	15,156,805	11,523,020
7.	Others	28,027,651	18,431,797
	<b>Total</b>	<b>447,888,967</b>	<b>318,084,154</b>

SCHEDULE 22

## EXCHANGE FLUCTUATION GAIN/(LOSS)

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
a.	a. Revaluation Gain (Loss)	15,479,363	7,673,796
b.	b. Trading Gain (except Exchange Fees)	205,443,082	128,696,143
	<b>Total Gain/ (Loss)</b>	<b>220,922,445</b>	<b>136,369,939</b>

SCHEDULE 23

## STAFF EXPENSES

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Salary	338,322,809	272,387,973
2.	Allowances	222,495,214	184,921,493
3.	Contribution to Provident Fund	31,487,594	25,272,592
4.	Training Expenses	10,930,273	7,977,359
5.	Uniform	1,060,488	542,790
6.	Medical	10,103,197	9,239,366
7.	Insurance	26,542,770	22,835,808
8.	Pension, Gratuity and Leave Provision	129,394,176	7,559,700
9.	Others (Canteen)	20,136,352	18,250,015
	<b>Total</b>	<b>790,472,873</b>	<b>548,987,096</b>

## OTHER OPERATING EXPENSES

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	House Rent	135,318,115	125,707,425
2.	Electricity & Water	25,764,266	18,521,347
3.	Repair & Maintenance	27,276,518	31,268,144
a.	Building (on lease)	3,545,936	3,129,103
b.	Vehicles	4,446,814	3,189,452
c.	Others(Computer, Office Equipment, Furniture )	19,283,768	24,949,589
4.	Insurance	9,426,751	8,566,408
5.	Postage, Telex, Telephone & Fax	12,598,093	12,486,540
6.	Small equipments	1,151,482	1,051,920
7.	Travelling Allowances & Expenses	18,399,173	18,302,795
8.	Printing & Stationery	37,329,191	30,495,805
9.	Books & Periodicals	1,540,317	1,382,995
10.	Advertisements & Promotion	29,552,955	12,633,025
11.	Legal Expenses	1,403,039	1,614,807
12.	Donations	-	2,660,772
13.	Expenses relating to Board of Directors	1,829,158	2,165,991
a.	Meeting Fees	1,050,000	894,700
b.	Other Expenses	779,158	1,271,291
14.	Annual General Meeting Expenses	1,616,238	1,431,972
15.	Expenses relating to Audit	2,316,500	2,443,625
a.	Audit Fees	2,316,500	2,316,500
b.	Other Expenses	-	127,125
16.	Commission on Remittances	-	-
17.	Depreciation on Fixed Assets	112,159,687	106,010,985
18.	Amortization of Preliminary Expenses	-	-
19.	Share Issue expenses	4,104,380	-
20.	Technical Services Fee	20,968,086	21,085,911
21.	Entertainment	1,553,019	1,738,691
22.	Written Off Expenses	-	-
23.	Security Expenses	66,655,356	52,850,433
24.	Credit & Deposit Guarantee Premium	25,347,233	22,200,000
25.	Commission and Discount	-	-
<b>26.</b>	<b>Others</b>	<b>218,413,660</b>	<b>142,175,436</b>
a)	Information Technology Support Cost	38,784,333	30,501,219
b)	Fuel	16,011,923	16,831,497
c)	Bank Promotion	14,444,315	3,371,196
d)	Nostro Transaction Charges	2,572,386	2,536,786
e)	Outsourcing Expenses	11,229,170	12,023,182
f)	Credit Information Report Charge	9,520,320	7,102,760
g)	Master Card and Visa Charges	58,490,171	18,026,108
h)	POS Acquiring	2,848,537	-
i)	Hiring of Vehicle	2,586,342	2,952,479
j)	Local and Vehicle Tax	4,982,812	3,553,053
k)	Residence Upkeep Expenses	1,346,579	1,381,227
l)	Cash Management Expenses	2,034,275	1,860,042
m)	Other Canteen Expenses	12,445,238	9,583,705
n)	Electronic Cheque Clearing Charges	7,564,869	4,006,838
o)	Fees, Consultancy and Professional Charges	13,071,084	9,415,309
p)	Festival Expenses	1,124,699	965,737
q)	Membership Fee	631,500	939,000
r)	Sundries Expenses	5,782,278	12,360,985
s)	CSR Expenses	5,819,882	-
t)	Consumables	804,112	-
u)	Cleaning Charge	6,318,835	4,764,313
	<b>Total</b>	<b>754,723,217</b>	<b>616,795,027</b>

## PROVISION FOR POSSIBLE LOSSES

For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Increase in Loan Loss Provision	187,905,345	111,345,644
2.	Increase in Provision for Loss on Investment	-	-
3.	Provision Against Non-Banking Assets	-	-
4.	Provision Against Other Assets	-	-
	<b>Total</b>	<b>187,905,345</b>	<b>111,345,644</b>

SCHEDULE 26

## INCOME/ (EXPENSES) FROM NON-OPERATING ACTIVITIES

For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Profit/ (Loss) on Sale of Investments	-	-
2.	Profit/ (Loss) on Sale of Assets	(122,258)	(1,706,121)
3.	Dividend (Net)	6,498,413	3,991,542
4.	Subsidies received from Nepal Rastra Bank	-	-
a.	Reimbursement of losses of specified branches	-	-
b.	Interest Indemnity	-	-
c.	Exchange Counter	-	-
5.	Others		
a.	Loss on revaluation of Mutual Funds (HFT)	(2,661,316)	6,444,671
b.	Others	1,908,168	1,234,872
	<b>Total Non-Operating Income/ (Expenses)</b>	<b>5,623,007</b>	<b>9,964,964</b>

SCHEDULE 27

## PROVISION FOR POSSIBLE LOSSES WRITE BACK

For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Loan Loss Provision Write Back	28,034,555	36,596,183
2.	Provision against Non Banking Assets Write Back	-	-
3.	Investment Provision Write Back	-	6,125,000
4.	Provision against other Assets Write Back	-	-
	<b>Total</b>	<b>28,034,555</b>	<b>42,721,183</b>

## INCOME/(EXPENSES) FROM EXTRA ORDINARY ACTIVITIES

**For the period from 1 Shrawan 2073 to 31 Ashad end 2074 (16 July 2016 to 15 July 2017)**

S.N.	Particulars	This Year (Rs.)	Previous Year (Rs.)
1.	Recovery of Write off Loan	-	-
2.	Voluntary Retirement Scheme Expenses	-	-
3.	Loan Write -Offs (4.28 (ka) )	-	-
4.	Other Income/(expenses) (recovery of principal/interest from written off loans)	19,000,000	-
	<b>Total</b>	<b>19,000,000</b>	-

SCHEDULE 28 (KA)

## DETAIL OF LOAN WRITTEN-OFF

**FY 2073/74 (FY 2016/17)**

S.N.	Types of Loan	Written off amount Rs.	Type of Security & Amount	Basis of valuation of collateral	Loan Sanction Authority /Designation	Effort made for recovery of loans	Remarks
1	Working Capital Loan	-	-	-	-	-	-
2	Project Loan	-	-	-	-	-	-
3	Fixed Capital Loan	-	-	-	-	-	-
4	Personal Loan	-	-	-	-	-	-
5	Other Loan	-	-	-	-	-	-
	<b>Total Loan</b>	-					

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SCHEDULE 29

## STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/ CHIEF EXECUTIVE /PROMOTERS/EMPLOYEES AND SHAREHOLDERS

**Ashad end 2074 (15 July 2017)**

Details of Loans & Advances including Bills Purchased and discounted provided to Directors, CEO, Promoters, Employees and Shareholders (included in total loans & advances) and their undivided family members or Company in which such family members are the Managing Agent or Guarantor of such company is as under:

S.N.	Name of Promoter/ Director/ Chief Executive	Outstanding up to Last Year		Recovered in Current Year		Additional Lending in this year	Outstanding as at Ashad end 2074	
		Principal	Interest	Principal	Interest		Principal	Interest
<b>A.</b>	<b>Directors</b>							
1.	.....							
<b>B.</b>	<b>Chief Executive</b>							
1.	.....							
2.	.....							
<b>C.</b>	<b>Promoters</b>							
1.	.....							
2.	.....							
<b>D.</b>	<b>Employees</b>							
1.	.....							
2.	.....							
<b>E.</b>	<b>Shareholders</b>							
1.	.....							
2.	.....							
	<b>Total</b>							

## CAPITAL ADEQUACY TABLE

**Ashad end 2074 (15 July 2017)**

(Rs. in '000)

S.N.	Particulars	As on Ashad end 2074 (Rs.)	Previous Year (Rs.)
<b>1.1</b>	<b>RISK WEIGHTED EXPOSURES</b>		
a	Credit Risk	67,288,103	54,579,259
b	Operational Risk	4,263,970	3,699,700
c	Market Risk	746,800	542,090
	<b>Total Risk Weighted Exposures</b> (Before adjustments of Pillar II)	<b>72,298,873</b>	<b>58,821,049</b>
	<b>Adjustments under Pillar II</b>		
	<i>Add: SRP 6.4a (7) 2% of the Gross Income as per NRB Direction</i>	663,958	564,177
	<i>Add: SRP 6.4a (9) 2% of the total RWE as per NRB Direction</i>	1,445,977	1,176,421
	<b>Total Risk Weighted Exposures</b> (After adjustments of Pillar II)	<b>74,408,808</b>	<b>60,561,647</b>
<b>1.2</b>	<b>CAPITAL FUND</b>		
<b>(A)</b>	<b>Core Capital (Tier I)</b>	<b>10,067,869</b>	<b>6,651,754</b>
a	Paid-up Equity Share Capital	6,924,893	3,883,736
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus Equity Shares	1,075,107	1,089,344
e	Statutory General Reserves	1,694,804	1,390,157
f	Retained Earnings	-	-
g	Accumulated Profit/(Loss)	2,779	29,056
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	12,463	-
j	Dividend Equalization Reserves	-	-
k	Debenture Redemption Reserves	459,461	359,461
l	Other Free Reserve	187,361	152,264
m	Less: Goodwill	-	-
n	Less: Deferred Tax Assets	(187,361)	(152,264)
o	Less: Intangible Assets	(1,638)	-
p	Less: Investment in equity in licensed Financial Institutions	-	-
q	Less: Investment in equity of institutions with financial interests	(100,000)	(100,000)
r	Less: Investment in equity of institutions in excess of limits	-	-
s	Less: Investments arising out of underwriting commitments	-	-
t	Less: Reciprocal crossholdings	-	-
u	Less: Purchase of land & building in excess of limit and unutilized	-	-
v	Less: Other	-	-
	<b>Adjustments under Pillar II</b>		
	<i>Less: SRP 6.4a(1) Shortfall in Provision</i>	-	-
	<i>Less: SRP 6.4a(2) Loans and Facilities extended to Related Parties and Restricted Lending</i>	-	-
<b>(B)</b>	<b>Supplementary Capital (Tier II)</b>	<b>1,624,209</b>	<b>1,517,909</b>
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt (Unsecured)	920,000	1,000,000
c	Hybrid Capital Instruments	-	-
d	General Loan Loss Provision	663,122	501,464
e	Exchange Equalization Reserve	19,815	15,945
f	Investment Adjustment Reserve	500	500
g	Assets Revaluation Reserve	-	-
h	Other Reserves	20,772	-
	<b>Total Capital Fund (Tier I and Tier II)</b>	<b>11,692,078</b>	<b>8,169,663</b>
<b>1.3</b>	<b>CAPITAL ADEQUACY RATIOS</b>		
	Tier 1 Capital to Total Risk Weighted Exposures	13.53%	10.98%
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	15.71%	13.49%

# RISK WEIGHTED EXPOSURE FOR CREDIT RISK

SCHEDULE 30 (KHA)

Ashad end 2074 (15 July 2017)

(Rs. in '000)

A. ASSETS	Ashad end 2074					Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Risk Weighted Exposure
	a	b	c	d=a-b-c	e	f=d*e	Net Value
Cash Balance	1,984,553	-	-	1,984,553	0%	-	1,799,377
Balance With Nepal Rastra Bank	7,313,016	-	-	7,313,016	0%	-	6,428,010
Gold	-	-	-	-	0%	-	-
Investment in Nepalese Government Securities	7,641,908	-	-	7,641,908	0%	-	5,849,950
All Claims on Government of Nepal	156,121	-	-	156,121	0%	-	156,121
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-
All claims on Nepal Rastra Bank	12,084	-	-	12,084	0%	-	13,187
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 MDB's recognized by the framework	-	-	-	-	0%	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-
Claims on domestic banks that meet capital adequacy requirements	4,265,555	-	-	4,265,555	20%	853,111	2,064,102
Claims on domestic banks that do not meet capital adequacy requirements	149,934	-	-	149,934	100%	149,934	-
Claims on foreign bank (ECA Rating 0-1)	223,635	-	-	223,635	20%	44,727	264,881
Claims on foreign bank (ECA Rating 2)	8,766	-	-	8,766	50%	4,383	196,528
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	14,853,364	-	-	14,853,364	20%	2,970,673	14,462,213
Claims on Domestic Corporates	39,227,899	-	549,391	38,678,508	100%	38,678,508	29,082,786
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)	17,234,572	-	140,802	17,093,770	75%	12,820,328	12,358,506
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-	-
Claims secured by residential properties	2,074,429	-	-	2,074,429	60%	1,244,657	1,731,081
Claims not fully secured by residential properties	-	-	-	-	150%	-	-
Claims secured by residential properties (Overdue)	34,976	14,155	-	20,821	100%	20,821	7,719
Claims secured by Commercial real estate	404,234	-	-	404,234	100%	404,234	371,500
Past due claims (except for claims secured by residential properties)	121,419	49,961	-	71,458	150%	107,187	65,427
High Risk claims	2,177,819	-	535,215	1,642,604	150%	2,463,906	1,065,199
Investments in equity and other capital instruments of institutions listed in stock exchange	48,027	-	-	48,027	100%	48,027	49,832
Investments in equity and other capital instruments of institutions not listed in the stock exchange	4,936	-	-	4,936	150%	7,404	4,936
Staff loan secured by residential property	646,414	-	-	646,414	60%	387,848	391,467
Interest Receivable/claim on government securities	71,108	-	-	71,108	0%	-	60,197
Cash in transit and other cash items in the process of collection	80	80	-	-	20%	-	-
Other Assets	3,305,563	1,693,259	-	1,612,304	100%	1,612,304	1,255,309
<b>TOTAL (A)</b>	<b>101,960,412</b>	<b>1,757,455</b>	<b>1,225,408</b>	<b>98,977,549</b>		<b>61,818,052</b>	<b>77,678,328</b>

CONTINUED...

## SCHEDULE 30 (KHA)

## RISK WEIGHTED EXPOSURE FOR CREDIT RISK

Ashad end 2074 (15 July 2017)

(Rs. in '000)

B. Off Balance Sheet Exposures	Ashad end 2074					Previous Year		
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposure
	a	b	c	d=a-b-c	e	f=d*e		
Revocable Commitments					0%	-	-	-
Bills Under Collection	137,754			137,754	0%	-	130,479	-
Forward Exchange Contract Liabilities	757,610			757,610	10%	75,761	118,504	11,850
LC Commitments With Original Maturity Upto 6 months domestic counterparty	5,973,544		140,947	5,832,597	20%	1,166,519	2,834,778	566,956
Foreign counterparty (ECA Rating 0-1)					20%	-	-	-
Foreign counterparty (ECA Rating 2)					50%	-	-	-
Foreign counterparty (ECA Rating 3-6)					100%	-	-	-
Foreign counterparty (ECA Rating 7)					150%	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty					50%	-	-	-
Foreign counterparty (ECA Rating 0-1)					20%	-	-	-
Foreign counterparty (ECA Rating 2)					50%	-	-	-
Foreign counterparty (ECA Rating 3-6)					100%	-	-	-
Foreign counterparty (ECA Rating 7)					150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	1,610,566		125,224	1,485,342	50%	742,671	1,295,849	647,925
Foreign counterparty (ECA Rating 0-1)	-				20%	-	7,315	1,463
Foreign counterparty (ECA Rating 2)					50%	-	-	-
Foreign counterparty (ECA Rating 3-6)					100%	-	4,823,887	4,823,887
Foreign counterparty (ECA Rating 7)					150%	-	-	-
Underwriting commitments					50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral					100%	-	-	-
Repurchase Agreements					100%	-	-	-
Advance Payment Guarantee	33,784		13,358	20,426	100%	20,426	64,743	64,743
Financial Guarantee	4,805		287	4,518	100%	4,518	-	-
Acceptances and Endorsements	260,245		123	260,122	100%	260,122	338,564	338,564
Unpaid portion of Partly paid shares and Securities					100%	-	-	-
Irrevocable Credit commitments (short term)	10,955,443		209,315	10,746,128	20%	2,149,226	8,246,887	1,649,377
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	5,228,578			5,228,578	20%	1,045,716		
Irrevocable Credit commitments (long term)					50%	-	-	-
Other Contingent Liabilities	4,786			4,786	100%	4,786	4,786	4,786
Contingent Liabilities for Guarantee Claimed not accepted/ honoured	170		17	153	200%	306	153	306
<b>TOTAL (B)</b>	<b>24,967,285</b>	<b>-</b>	<b>489,271</b>	<b>24,478,014</b>		<b>5,470,051</b>	<b>17,865,945</b>	<b>8,109,857</b>
<b>Total RWE for Credit Risk Before Adjustment (A + B)</b>	<b>126,927,697</b>	<b>1,757,455</b>	<b>1,714,679</b>	<b>123,455,563</b>		<b>67,288,103</b>	<b>95,544,273</b>	<b>54,579,259</b>
<i>Adjustments under Pillar II</i>								
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)								
<b>Total RWE for Credit Risk after Bank's adjustments under Pillar II</b>	<b>126,927,697</b>	<b>1,757,455</b>	<b>1,714,679</b>	<b>123,455,563</b>		<b>67,288,103</b>	<b>95,544,273</b>	<b>54,579,259</b>

## ELIGIBLE CREDIT RISK MITIGANTS

**Ashad end 2074 (15 July 2017)**

(Rs. in '000)

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)									
<b>Balance Sheet Exposures</b>											
Cash Balance											
Balance With Nepal Rastra Bank											
Gold											
Investment in Nepalese Government Securities											
All Claims on Government of Nepal											
Investment in Nepal Rastra Bank securities											
All claims on Nepal Rastra Bank											
Claims on Foreign Government and Central Bank (ECA 0-1)											
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 BIS, IMF, ECB, EC and MDB's recognized by the framework											
Claims on Other Multilateral Development Banks											
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 operating with a buffer of 1% above their respective regulatory capital requirement											
Claims on Domestic Corporates	549,391										549,391
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)	139,953		849								140,802
Regulatory Retail Portfolio (Overdue)											
Claims fulfilling all criterion of regularity 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 claims secured by residential properties)											
High Risk claims	535,215										535,215
Investments in equity and other capital instruments of institutions listed in stock exchange											
Investments in equity and other capital instruments of institutions not listed in the stock exchange											
Other Assets (as per attachment)											
<b>Total</b>	<b>1,224,559</b>	<b>-</b>	<b>849</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,225,408</b>

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## ELIGIBLE CREDIT RISK MITIGANTS

### Ashad end 2074 (15 July 2017)

(Rs. in '000)

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	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)	
<b>Off Balance Sheet Exposures</b>										
Revocable Commitments										-
Bills Under Collection										
Forward Exchange Contract Liabilities										
LC Commitments With Original Maturity Upto 6 months domestic counterparty	140,947									140,947
Foreign counterparty (ECA Rating 0-1)										-
Foreign counterparty (ECA Rating 2)										-
Foreign counterparty (ECA Rating 3-6)										-
Foreign counterparty (ECA Rating 7)										-
LC Commitments With Original Maturity Over 6 months domestic counterparty										-
Foreign counterparty (ECA Rating 0-1)										-
Foreign counterparty (ECA Rating 2)										-
Foreign counterparty (ECA Rating 3-6)										-
Foreign counterparty (ECA Rating 7)										-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	125,224									125,224
Foreign counterparty (ECA Rating 0-1)										-
Foreign counterparty (ECA Rating 2)										-
Foreign counterparty (ECA Rating 3-6)										-
Foreign counterparty (ECA Rating 7)										-
Contingent Liabilities for Guarantee Claimed not accepted/ honoured	17									17
Underwriting commitments										-
Lending of Bank's Securities or Posting of Securities as collateral										-
Repurchase Agreements										-
Advance Payment Guarantee	2,474								10,884	13,358
Financial Guarantee	287									287
Acceptances and Endorsements	123									123
Unpaid portion of Partly paid shares and Securities			50.89							209,315
Irrevocable Credit commitments (short term)	209,264									
Irrevocable Credit commitments (long term)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										
Other Contingent Liabilities										
<b>Total</b>	<b>478,336</b>	<b>-</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,884</b>	<b>489,271</b>
<b>Grand Total</b>	<b>1,702,895</b>	<b>-</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,884</b>	<b>1,714,679</b>

## RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

**Ashad end 2074 (15 July 2017)**

(Rs. in '000)

S.N.	Particulars	FY 2070/71	FY 2071/72	FY 2072/73	As on Ashad end 2073
1.	Net Interest Income	1,745,043	2,047,484	2,416,111	
2.	Commission and Discount Income	320,425	340,354	465,797	
3.	Other Operating Income	217,267	307,691	318,084	
4.	Exchange Fluctuation Income	107,807	119,469	136,370	
5.	Addition/Deduction in Interest Suspense during the period	(3,285)	5,888	(16,571)	
<b>6.</b>	<b>Gross income (a)</b>	<b>2,387,257</b>	<b>2,820,886</b>	<b>3,319,791</b>	
<b>7.</b>	<b>Alfa (b)</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	
<b>8.</b>	<b>Fixed Percentage of Gross Income [c=(a×b)]</b>	<b>358,089</b>	<b>423,133</b>	<b>497,969</b>	
<b>9.</b>	<b>Capital Requirement for operational risk (d) (average of c)</b>			<b>426,397</b>	<b>369,970</b>
<b>10.</b>	<b>Risk Weight (reciprocal of capital requirement of 10%) in times (e)</b>			<b>10</b>	<b>10</b>
<b>11.</b>	<b>Equivalent Risk Weight Exposure [f=(d×e)]</b>			<b>4,263,970</b>	<b>3,699,700</b>
	<i>SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)</i>				
1.	Total Credit and Investment (net of Specific Provision)			-	
2.	Capital Requirement for Operational Risk			-	
<b>3.</b>	<b>Risk Weight (reciprocal of capital requirement of 10%) in times</b>			<b>10</b>	<b>10</b>
<b>4.</b>	<b>Equivalent Risk Weight Exposure (g)</b>			<b>-</b>	
<b>5.</b>	<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>4,263,970</b>	<b>3,699,700</b>

SCHEDULE 30 (NGA)

## RISK WEIGHTED EXPOSURE FOR MARKET RISK

**Ashad end 2074 (15 July 2017)**

(Rs. in '000)

S.N.	Currency	As on Ashad end 2074			Relevant Net Open Position Ashad end 2073 (NPR)
		Net Open Position (FCY)	Net Open Position (NPR)	Relevant Net Open Position (NPR)	
1.	INR	905,130.15	1,448,887	1,448,887	1,069,429
2.	USD	153.53	15,829	15,829	7,803
3.	EUR	29.36	3,456	3,456	47
4.	GBP	6.30	843	843	690
5.	CHF	0.00	-	-	50
6.	AUD	35.51	2,854	2,854	4,808
7.	CAD	0.92	74	74	305
8.	SGD	0.13	10	10	436
9.	JPY	22,581.18	20,662	20,662	463
10.	HKD	66.45	878	878	117
11.	DKK	6.80	108	108	40
12.	SEK				
13.	SAR				
14.	QAR				
15.	AED				
16.	MYR				
17.	KRW				
18.	CNY				
19.	KWD				
20.	BHD				
(a)	Total Open Position			1,493,601	1,084,188
(b)	Fixed Percentage			5%	5%
(c)	Capital Charge for Market Risk (=a×b)			74,680	54,209
(d)	Risk Weight (reciprocal of capital requirement of 10%) in times			10	10
(e)	Equivalent Risk Weight Exposure (=c×d)			746,800	542,090

## LEVERAGE RATIO

At the month end of Asadh, 2074

(Rs. in '000)

S.N.	Particulars	As on Ashad 2074 (Rs.)	Previous Year End (Rs.)
	<b>Exposure Measure</b>	<b>124,881,243</b>	<b>96,875,141</b>
A.	1. On Balance Sheet Assets (Net of Specific Provision)	100,202,957	78,778,288
	2. Repurchase Agreements and Securities Finance		
	3. Derivatives		
	4. Off Balance Sheet Exposure	24,967,285	18,349,117
	Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	288,999	252,264
	<b>Capital Measure</b>	<b>10,067,869</b>	<b>6,651,754</b>
B.	1. Common Equity Tier 1 Capital ( After Regulatory Adjustment)	10,067,869	6,651,754
	2. Additional Tier 1 Capital	-	-
C.	<b>Leverage Ratio in Percentage</b>	<b>8.06%</b>	<b>6.87%</b>

## DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK

Asadh end 2074 (15 July 2017)

### 1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

#### i. Core Capital (Tier I)

(Rs. in Lakhs)

S.N.	Particulars	Amount (Rs.)
A.	Paid-up Equity Share Capital	69,249
B.	Share Premium	0
C.	Statutory General Reserve	16,948
D.	Proposed Bonus Equity Shares	10,751
E.	Accumulated Profit/(Loss)	28
F.	Capital Adjustment Reserve	125
G.	Debenture Redemption Reserve	4,595
H.	Other Free Reserve	1,874
I.	Less: Deferred Tax Assets	-1,874
J.	Less: Intangible Assets	-16
K.	Less: Investment in equity of institutions with financial interests	-1,000
	<b>Total Core Capital (Tier I)</b>	<b>100,680</b>

#### ii. Supplementary Capital (Tier II)

(Rs. in Lakhs)

S.N.	Particulars	Amount (Rs.)
A.	Subordinate Term Debt	9,200
B.	General Loan Loss Provision	6,631
C.	Investment Adjustment Reserve	5
D.	Exchange Equalization Reserve	198
E.	Other Reserves	208
	<b>Total Supplementary Capital (Tier II)</b>	<b>16,242</b>

**iii. Information about Subordinate Term Debt**

(Rs. in Lakhs)

1. 12.5% Nepal SBI Bank Debentures 2078 of Rs.1,000 each (Unsecured) issued on 12.02.2012 and maturing on 11.02.2022 of Rs. 4,000.00 lacs;	
2. 8% Nepal SBI Bank Debentures 2079 of Rs.1,000 each (Unsecured) issued on 03.02.2013 and maturing on 02.02.2023 of Rs. 4,000.00 lacs and	
3. 7.9% Nepal SBI Bank Debentures 2080 of Rs. 1,000 each (Unsecured) issued on 20.04.2014 and maturing on 19.04.2024.	
- Outstanding Amount	10,000
Fixed Maturity Period of 10 Years	
Interest Payment - Half Yearly	
At the time of liquidation, right of claims will be only after depositors	
Redeemable and Non-Convertible	
- Outstanding Balance of Redemption Reserve	4,595
- Amount raised during the year	
- Amount released during the year due to maturity	
- Amount Eligible to be reckoned as Capital Fund	9,200

**iv. Deduction Form Capital**

(Rs. in Lakhs)

Particulars	Amount (Rs.)
Deferred Tax Assets	1,874
Intangible Assets	16
Investment in equity of institutions with financial interests	1,000
<b>Total</b>	<b>2,890</b>

**v. Total Qualifying Capital**

(Rs. in Lakhs)

Particulars	Amount (Rs.)
Total Core Capital (Tier I)	100,680
Total Supplementary Capital (Tier II)	16,242
Total Capital Fund (Tier I + Tier II)	116,922
<b>Total</b>	<b>2,890</b>

**v. Total Qualifying Capital**

<b>Capital Adequacy Ratio (Percentage)</b>	<b>15.71%</b>
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**vii. Summary of the bank's internal approach to assess the adequacy of capital to support current and future activities:**

The Bank has Internal Capital Adequacy Assessment Process (ICAAP) Policy, which is revised every year to support current and future activities. The ICAAP review process is intended to ensure that we have adequate capital to support all the risks in business, to improve upon them over time and achieve better risk management techniques in monitoring and managing risks. ICAAP Committee meets at monthly intervals to review the internal capital assessment commensurate with the risk profile and review the portfolios which require capital charge.

## 2. RISK EXPOSURE

### i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk

(Rs. in Lakhs)

S.N.	Particulars	Amount (Rs.)
A.	Risk Weighted Exposure for Credit Risk	672,881
B.	Risk Weighted Exposure for Operational Risk	42,640
C.	Risk Weighted Exposure for Market Risk	7,468
D.	Add: 2% of the total RWE as per NRB Direction.	14,460
E.	Add: 2% of the Gross Income as per NRB Direction	6,640
	<b>Total Risk Weighted Exposure (A+B+C+D)</b>	<b>744,089</b>

### ii. Risk Weighted Exposure under each 11 Categories of Credit Risk

(Rs. in Lakhs)

S.N.	Categories	Amount (Rs.)
1.	Claims on Government and Central Bank	-
2.	Claims on Other Official Entities	-
3.	Claims on Banks	40,228
4.	Claims on Corporate and Securities Entities	386,785
5.	Claims on Regulatory Retail Portfolio	128,203
6.	Claims Secured by Residential Properties	12,655
7.	Claims Secured by Commercial Real Estate	4,042
8.	Past Due Claims	1,072
9.	High Risk Claims	24,639
10.	Other Assets	20,556
11.	Off Balance Sheet Items	54,701
	<b>Total</b>	<b>672,881</b>

### iii. Amount of Non Performing Assets (Gross and Net Amount)

(Rs. in Lakhs)

S.N.	Particulars	Gross Amount	Provision	Net Amount
A.	Restructured	0.28	0.28	-
B.	Sub-standard	0.00	0.00	-
C.	Doubtful	0.00	0.00	-
D.	Loss	641.67	641.67	-
	<b>Total</b>	<b>641.95</b>	<b>641.95</b>	-

### iv. Non Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
- Gross NPA to Gross Advances	0.10%
- Net NPA to Net Advances	0.00%

### v. Movement of Non Performing Assets

(Rs. in Lakhs)

S.N.	Particulars	Opening Balance (Ashad End 2073)	Closing Balance (Ashad End 2074)	Movement
	Non Performing Loan			
1.	Restructured Loan	0.88	0.28	-0.60
2.	Sub-Standard	0.00	0.00	0.00
3.	Doubtful	0.00	0.00	0.00
4.	<b>Loss</b>	<b>658.93</b>	<b>641.67</b>	<b>-17.26</b>

**vi. Write Off Of Loans and Interest Suspense:**

Nil.

**vii. Movement Of Loan Loss Provison and Interest Suspense Loan Loss Provision**

(Rs. in Lakhs)

S.N.	Particulars	Opening Balance (Ashad End 2073)	Closing Balance (Ashad End 2074)	Movement
1.	Pass	4,726	6,378	1,652
2.	Watch List	289	253	(36)
3.	Restructure	0.88	0.28	(0.60)
4.	Sub-Standard	-	-	-
5.	Doubtful	-	-	-
6.	Loss	659	642	(17)
	<b>Total Loan Loss Provison</b>	<b>5,675</b>	<b>7,273</b>	<b>1,598</b>

**viii. Interest Suspense**

(Rs. in Lakhs)

S.N.	Particulars	Opening Balance (Ashad End 2073)	Closing Balance (Ashad End 2074)	Movement
1.	Interest Suspense	574	759	185

**ix. Details of Additional Loan Loss Provision**

(Rs. in Lakhs)

S.N.	Particulars	Ashad End 2074
1.	Pass	1,653
2.	Watch List	-
3.	Restructure	-
4.	Sub-Standard	-
5.	Doubtful	-
6.	Loss	226
	<b>Total</b>	<b>1,879</b>

## x. Segregation of the Bank's Investment Portfolio.

Investments are segregated as per NRB Directive as follows:

### A. Investment Held for Trading

(Rs. in Lakhs)

S.N.	Particulars	Cost Price	Previous Market Price (A)	Current Market Price (B)	This Year Profit / (Loss) (B-A) Rs.	Previous Year Profit / (Loss) Rs.	Remarks
	Mutual Fund Investments:						
1.	1,043,347 Units NIBL Sambridhi Fund - Mutual Fund of Rs 10 each fully paid	104.33	137.72	123.64	(14.08)	33.39	
2.	782,999 Units NMB Sulav Fund - Mutual Fund of Rs. 10 each fully paid	78.30	110.40	97.87	(12.53)	32.10	-
3.	85,630 Units NIBL Pragati Fund - Mutual Fund of Rs. 10 each fully paid	8.56	8.56	8.56	-	-	
	<b>Total Investment</b>	<b>191.19</b>	<b>256.68</b>	<b>230.07</b>	<b>(26.61)</b>	<b>65.49</b>	-

### B. Investment Held to Maturity

(Rs. in Lakhs)

S.N.	Particulars	Cost Price (a) Rs.	Impairment Till Date (b) Rs.	Impairment This Year (c) Rs.	"This Year Profit / (Loss) (a-b-c) Rs."	Previous Year Profit / (Loss) Rs.	Remarks
1.	Nepal Government Treasury Bills	18,419.08	-	-	-	-	
2.	Nepal Government Other securities	58,000.00	-	-	-	-	
3.	Foreign Bank Investment (Placement)	132,483.50	-	-	-	-	
	<b>Total Investment</b>	<b>208,902.58</b>	-	-	-	-	

### C. Investment Available for Sale

(Rs. in Lakhs)

S.N.	Particulars	Cost Price Rs.	Previous Market Price (a) Rs.	Current Market Price (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit / Loss Rs.	Remarks
1.	Shares, Debentures and Bond of Domestic Entity						
	Listed	250.20	3,887.24	2,641.42	-	-	
	Not Listed*	1,049.36	-	-	-	-	
	<b>Total Investment</b>	<b>1,299.56</b>	<b>3,887.24</b>	<b>2,641.42</b>	-	-	

\* No Investment Adjustment Reserve has been maintained for investment in Karja Suchana Kendra Ltd., Nepal Clearing House Ltd., and National Banking Institute and fully owned subsidiary Nepal SBI Merchant Banking Ltd. as NRB Directive No 8/ 2073 has exempted maintenance of the investment reserve against such investments.

\*\* Valuation of listed shares has been taken lower of cost price or market price

### 3. RISK MANAGEMENT FUNCTION

#### i. Strategies and Policies

Credit risk process is a joint effort between its marketing and credit areas. Credit officers are engaged in analyzing inherent risks in the customer's business, ability to repay and structure a facility that simultaneously accommodates the financing needs, while assuring security, protection and control of the bank's assets and collateral.

#### ii. The Structure and Organization of the Relevant Risk Management Function

"A comprehensive Risk Management System has been ensured to deal with various types of risks. The risk management function is overseen by the Board of Directors through the Risk Management Committee of the Board (RMCB) and Audit Committee of the Board (ACB). Besides, there are Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) for formulating and reviewing the risk management policies and monitoring their implementation in the matters related to credit, market and operational risks. The progress of the action implementation is reviewed by the Bank's Board, including review of the decisions of the Central Management Committee. The Bank has already migrated to Basel-II norms and the Capital to Risk Weighted Assets Ratio (CRAR) is also being worked out as per the guidelines of Basel-II. The

Bank also plans to go for Operational Risk Management Solution software in near future for assessing the Operational Risk on an ongoing basis. To control, obviate and mitigate the operational risk, the Bank has put in place comprehensive operational guidelines and has also issued various manuals, such as Cash Module Manual, IT manual, Finacle Job cards, TFCPC manual, Internet Banking guidelines, Mobile Banking operational guidelines, Credit assessment and process guidelines for the operating units.

The Risk structures are being revisited at frequent intervals and the requisite policies, systems are being introduced and kept updated. For both credit and market risks, stress testing is being done regularly. With all branches on Core Banking Solution (CBS), Credit Information and MIS works on a robust platform. The Bank has direct access to the CIB database which have been allocated to our operating units/offices, enabling them to generate Credit Information Report on borrowers / prospective borrowers from this database. An MIS website is maintained by Bank to provide easy access to the central database, which is being extensively used by the operating units. Various returns to be submitted to regulatory agencies are now being centrally generated at Corporate office level, thus enabling branches to focus more on business development and customer services.

The Bank has Integrated Risk Management Department headed by

Chief Risk Officer (CRO) to strengthen the Risk Management structure, which includes assessing, identifying, monitoring and reducing pertinent business risk that could interface with the Bank's objectives and goal."

#### iii. The Scope and Nature of Risk Reporting and / or Measurement Systems

Risk reporting / measurement system is done through regular customer interactions, site inspections & annual reviews. These are continuous processes. Further, review of the bank's performance is conducted every quarter and findings are reported to the BOD.

#### iv. Policies for Hedging and / or the mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigates

Policies for mitigating risks & strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions / visits, during annual reviews, quarterly reviews and at meetings at various levels.

#### v. Eligible CRM (Credit Risk Mitigants)

(Rs. in Lakhs)

Particulars	Eligible CRM
Deposits with Bank	17,029
Govt. & NRB Securities	-
Gold	9
G'tee of domestic banks	-
G'tee of foreign banks	109
<b>Total</b>	<b>17,147</b>

## PRINCIPAL INDICATORS

(For 5 years)

S.N.	Particulars	Indicators	Fiscal Year				
			2069/2070	2070/2071	2071/2072	2072/2073	2073/2074
1.	Percent of Net Profit/Gross Income	%	16.47	19.97	23.22	27.17	21.55
2.	Earnings Per Share	Rs.	32.75	34.83	34.84	34.29	30.61
3.	Market Value per Share (as on mid July, date of closing)	Rs.	850.00	1,280.00	887.00	1,875.00	925.00
4.	Price Earning Ratio	Times	25.95	36.75	25.46	54.68	30.22
5.	Dividend (including bonus) on share capital	%	20.00	22.07	28.42	29.53	16.34
6.	Cash Dividend on Share Capital	%	7.50	7.0237	1.42	1.48	0.82
7.	Interest Income/Loans & Advances	%	11.20	9.55	8.81	7.74	8.38
8.	Staff Expenses/Total Operating Expenses	%	46.61	46.68	51.71	47.09	51.16
9.	Interest Expenses/Total Deposit and Borrowings	%	4.16	4.02	3.37	2.22	3.40
10.	Exchange Gain/Total Income	%	2.18	2.33	2.60	2.78	3.13
11.	Staff (Statutory) Bonus/Total Staff Expenses	%	21.04	22.85	22.00	25.91	21.58
12.	Net Profit/Loans & Advances	%	2.64	2.58	2.63	2.80	2.39
13.	Net Profit/ Total Assets	%	1.19	1.51	1.80	1.70	1.53
14.	Total Credit/Deposit	%	49.55	65.54	78.39	72.90	78.07
15.	Total Operating Expenses/Total Assets	%	5.22	5.21	4.79	3.48	4.55
<b>16.</b>	<b>Adequacy of Capital Fund on Risk Weightage Assets</b>						
a.	Core Capital	%	9.59	10.19	11.18	10.98	13.53
b.	Supplementary Capital	%	2.80	3.09	2.84	2.51	2.18
c.	Total Capital Fund	%	12.39	13.28	14.03	13.49	15.71
17.	Liquidity (CRR)	%	9.58	9.32	10.92	8.33	10.04
18.	Non Performing Credit/Total Credit	%	0.37	0.26	0.19	0.14	0.10
19.	Base Rate (For the month of Ashadh)	%	9.86	8.78	7.71	5.98	8.98
20.	Weighted Average Interest Rate Spread	%	3.38	3.45	3.85	4.00	3.68
21.	Book Net worth	Rs.	3,798,957,417	4,535,798,670	5,645,914,521	6,920,462,451	10,397,954,975
22.	Total Shares	No.	23,557,385	26,502,058	30,580,595	38,837,356	69,248,930
23.	Total Employees	No.	538	607	596	679	768
24.	Return on Average Shareholder's Equity	%	20.31	22.85	21.51	22.16	20.41
25.	Return on Average Assets	%	1.19	1.50	1.70	2.00	1.68
26.	Book Value Per Share	Rs.	161.26	171.15	184.62	178.19	150.15
27.	Cost to Income Ratio	%	40.68%	39.70%	37.94%	34.94%	37.94%
28.	ATM/CDM/CRM Terminals	No.	75	75	78	85	96
29.	POS Terminals	No.	-	-	-	-	175
30.	Branches	No.	56	56	56	62	62

# PRINCIPAL ACCOUNTING POLICIES

**Financial Year from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)**

## 1. General information and Basis of Preparation of Financial Statement

a. Nepal SBI Bank Limited is a limited liability public listed company domiciled in Nepal. The registered office of the "Bank" is situated at Kesharmahal, Kathmandu, Nepal. It is a Joint Venture of State Bank of India, incorporated in India, which holds 55% shares in the Bank.

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 licensed institution.

## b. Approval of Financial Statements

The Financial Statements for the year ended 31st Ashad 2074 (15th July 2017) were authorised for issue by the Board of Directors on its meeting held on 27 October 2017 and have recommended for approval of shareholders in the Annual General Meeting.

## c. Statement of Compliance

The Financial Statements have been prepared as prescribed in Directives issued by the Nepal Rastra Bank (NRB) and Banks & Financial Institutions Act 2073.

## d. Basis of Financial Statements Preparation

The Financial Statements are prepared under the historical cost convention basis and on the accrual basis of accounting, except for interest income on loans and advances, which is accounted for on cash basis as per NRB directive, investment available for sale. The figures in Financial Statements are presented in Nepalese Rupees and have been rounded to the nearest Rupee.

## e. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount and application

of policies of the assets, income, expenses and disclosure relating to the contingent liabilities in the Financial Statements. Management believes that estimates used in the preparation of financial statements are prudent and reasonable.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. These policies have been consistently applied to all the years presented except otherwise stated.

## 2. Interest Income Recognition

Interest income from loans and advances is recognised on cash basis as per the Directives of Nepal Rastra Bank, which is not in line with, recognition of interest income using the effective interest method, Paragraph 30 of NAS 18 - Revenue.

Interest income from investments and staffs loans, booked as other assets, is recognised on accrual basis.

## 3. Commission and Fee Income Recognition

Commission and fee income mainly comprises fees received from customers for guarantees, letter of credit and other services provided by the Bank. Such income is recognised as revenue on cash basis at the time the services are provided.

## 4. Dividend Income Recognition

Dividend on equity share is recognised as income when the right to receive is established.

## 5. Foreign Currency Transactions and Balances

Foreign currency assets and liabilities are translated into Nepalese Rupees at the prevailing middle rate ruling on the Balance Sheet date.

Income arising from the difference between buying and selling rates of foreign exchange transactions are recorded on a daily basis and shown as "Trading Gain/loss on Foreign Exchange"

Gains/losses arising due to fluctuation in exchange rate of different foreign currencies is accounted for on daily basis as "Revaluation Gain/Loss". As per Directives of Nepal Rastra Bank, 25% of the revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account.

## 6. Interest Expense Recognition

Interest payable on deposit liabilities, debenture bond borrowings and other liabilities are accounted for on accrual basis.

## 7. Presentation of Loans, Advances and Bills Purchased

Loans, advances and bills purchased are presented in the Balance Sheet net off with its provisions in accordance with the Directives issued by Nepal Rastra Bank. The loans, advances and bills purchased are classified and presented as per the Directives of Nepal Rastra Bank.

## 8. Loan Loss Provision

Provision for possible losses on loans, advance and bills purchased has been made to cover risks inherent in bank's loan portfolio. Provision for possible losses on loans, advances and bills purchased are made at the rates ranging from 1% to 100% according to classification of such assets and permitted as per Directives of Nepal Rastra Bank.

## 9. Loan (Book) Write off

Unrecoverable loans and advances graded "Loss" in compliances with NRB Directives are written off in the books as per criteria/ policy upon approval of the Board of Directors. Amount recovered against loans written off are recognised as income in the year of recovery.

## 10. Loans to the Staffs

Loans and advances granted to the staffs in accordance the Staff Loan Schemes as prescribed by staff bye laws are presented under Other Assets as prescribed in the Directives of Nepal Rastra Bank.

## 11. Investments

The Bank has segregated its investment portfolio into following

three categories in compliance with NRB Directives:

**a. Held for Trading:**

An investment that is made for the purpose of generating a profit from short term fluctuations in price is classified under this category. An asset is classified as held for trading even if it is a part of a portfolio of similar assets for which there is a pattern of trading for the purpose of generating a profit from short term fluctuations in price. These investments are marked to market and differences reflected in the profit and loss account.

**b. Held to Maturity:**

Investments made with positive intent and ability of the bank to hold till maturity is classified as held to maturity investments. The held to maturity investments are valued at historical cost.

**c. Available for Sale:**

All other investments that are neither "held for trading" nor "held to maturity" are classified under this category. These investments are marked to market on a regular basis and the difference is adjusted through reserves. As the market price is higher than the cost price of such investments, the investments have been recognised at cost price as per NRB directive.

Bank maintains Investment Adjustment Reserve (eligible as Tier 2 capital) to the extent of 2% of available for sale portfolio as per Directives of Nepal Rastra Bank.

**12. Fixed Assets and Depreciation**

- i) Fixed assets are stated at cost less accumulated depreciation.
- ii) Land is not depreciated.
- iii) Asset with a value less than Rs 5,000 is charged off as a revenue expense in the year of purchase irrespective of its useful life.
- iv) Fixed assets and cost on improvements and renovation of leasehold properties are depreciated at rates based upon their expected useful lives, using the straight-line method and grouped under 'Others' in schedule 14. The estimated useful lives and depreciation rates of fixed assets are as follows:

Asset Heads	Useful Life (years)	Depreciation Rate (%)
Equipments and Computer & Accessories	2.5 -5	40 – 20
Furniture	6.67-10	15 - 10
Civil Construction (Leasehold assets)	13.33	7.50
Vehicle	6.66	15

**13. Intangible Assets**

**a. Basis of Recognition**

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the bank and the cost of the assets can be measured reliably.

**b. Measurement**

**Software:** Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. These intangible assets are carried at its cost, less accumulated depreciation and any impairment losses. These assets are included under the account head "Computers and Accessories" and amortized accordingly.

**14. Non-Banking Assets (NBA)**

Non-Banking Assets represent properties that are acquired in full or partial satisfaction of debts.

The Bank has adopted a policy of acquiring properties that are placed as collateral in full or partial satisfaction of debts as per prevailing laws and guidelines. The value of such properties is determined as per Directives of Nepal Rastra Bank.

Non-Banking Assets are stated net of provision for losses in the Balance Sheet as per NRB Directives.

**15. Employee Benefits**

**Short Term Employee Benefit**

The undiscounted amount of short-term employee benefits, such as salaries, medical benefit, staff bonus etc. which are expected to be paid in exchange for the service rendered by employees is recognised during the period when the employee renders the service.

The Bank offers leave encashment facility to its confirmed employees which may be encashed during the service period as per the Staff Service Rule of the Bank and unused leave up to prescribed limit in Staff Service

Rule is accumulated and paid at the time of separation from service. Provision for leave has been made as per actuarial valuation.

**Defined Contribution Plan**

Bank contributes 10% of Basic Salary of all permanent employees as provident fund and deposited into Employee Provident Fund along with same amount contributed by employee. Employee Provident Fund is an approved retirement fund which is independently administrated. Bank's contribution is charged as expense when employee has rendered service to bank.

Bank pays insurance premium of life insurance and group accidental policy of its permanent employee as per Staff Service Rules of the Bank. Insurance policy is in the name of a specified plan participant and bank has no legal liability to cover any loss on the policy and insurer has sole responsibility for paying the benefit. The amount of insurance premium paid is charged as expense for the period.

**Defined Benefit Plan**

Permanent employee of bank is eligible for gratuity payment on their separation from service as per Staff Service Rule of the Bank. Provision for gratuity has been made as per actuarial valuation. Gratuity payables have not been funded.

**16. Stationery Stock**

Stationery purchased is stated at cost and charged to revenue at the time of consumption.

**17. Provision for Taxation**

Provision for taxation is computed on the basis of the Income Tax Act 2058 and amendments thereto.

**18. Deferred Tax**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the laws that have been enacted or subsequently enacted on the reporting date.

Deferred tax assets arising from temporary difference are recognized to the extent there is certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are presented under "Other Assets or Liabilities" as Per NAS 12 and NRB Directives No. 4/74. An amount equal to total of deferred tax income is transferred to Deferred Tax Reserve under Other Reserve presented in Schedule 4.2.

### 19. Lease

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation

so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 20. Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation

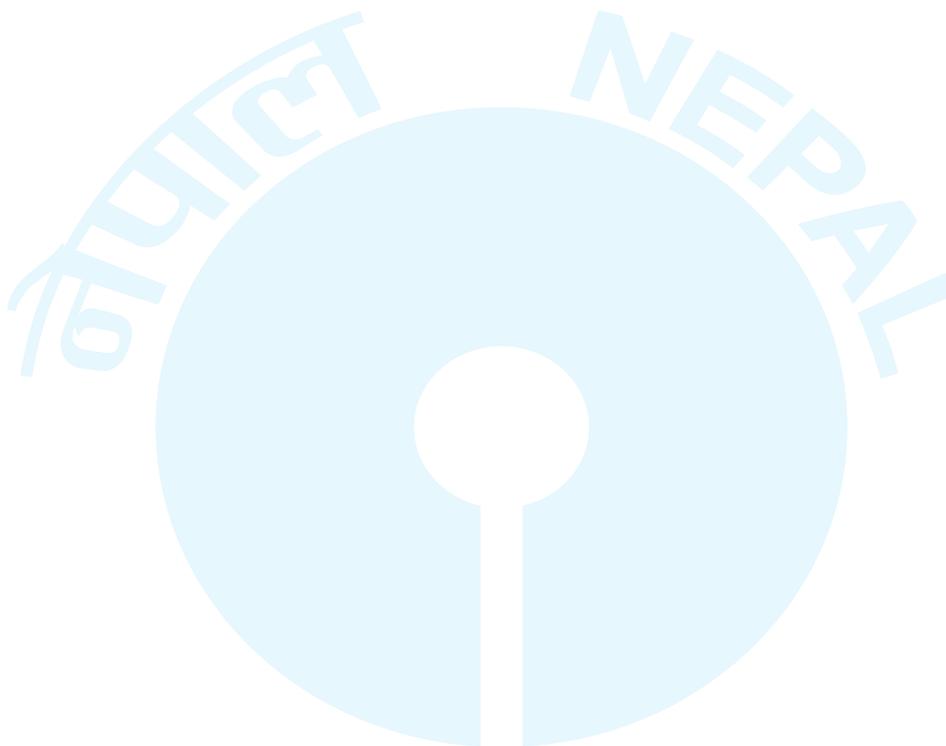
that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continuously and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under contingent liabilities under Forward Exchange Contract liabilities. These include notional principal on outstanding forward rate agreements.

### 21. Cash & Cash Equivalents

Cash & cash equivalents comprise cash and bank balances.



# NOTES TO ACCOUNTS

Financial Year from 1 Shrawan 2073 to 31 Ashad 2074 (16 July 2016 to 15 July 2017)

## 1. SHAREHOLDERS' EQUITY

### 1.1 Change in Paid-up Capital

Particulars	This Year Rs.	Previous Year Rs.	Change	Remarks
Paid-up Share Capital	6,924,892,999	4,973,079,112	1,951,813,887	Rs. 6,776,787 raised by issue of FPO and Rs. 1,945,037,100 raised by right issue.

### 1.2 Proposed increase in Paid-up Share Capital

The Bank's Board meeting held on 27 October 2017 has proposed to issue Rs. 1,075,107,001.00 as bonus share and Rs. 56,584,579.00 Cash Dividend. After approval of proposed issue of bonus share and cash dividend by Annual General Meeting, the Bank's Paid-up Share Capital will be Rs. 8,000,000,000.00 Such proposed bonus share is presented under Share Capital as per NRB Directives.

### 1.3 Paid-up Share Capital

Paid up share capital of the Bank has moved over the years as follows:

Financial Year	Cumulative Paid-up Share Capital Rs.	Remarks
2050/051 (1993/94)	119,820,000.00	Opening Share Capital at Rs. 100 Paid up. First issue of Share Capital was Rs. 120,000,000.00
2051/052 (1994/95)	119,871,000.00	Further allotment and subscription of Share Capital of Rs. 51,000.00
2052/053 (1995/96)	119,977,000.00	Further allotment and subscription of Share Capital of Rs. 106,000.00
2053/054 (1996/97)	119,946,000.00	Further allotment and subscription of Share Capital of Rs. 19,000.00 and cancellation of share of Rs. 50,000.00
2054/055 (1997/98)	119,946,000.00	
2055/056 (1998/99)	119,946,000.00	
2056/057 (1999/00)	119,946,000.00	
2057/058 (2000/01)	143,935,200.00	Issuance of 20% Bonus Shares
2058/059 (2001/02)	424,893,300.00	Issuance of 1:2 Right Shares
2059/060 (2002/03)	425,157,300.00	Further allotment previous Right Issue
2060/061 (2003/04)	426,875,900.00	Further allotment previous Right Issue
2061/062 (2004/05)	431,865,600.00	Further allotment previous Right Issue
2062/063 (2005/06)	640,236,100.00	Issuance of 2:1 Right Shares
2063/064 (2006/07)	647,798,400.00	Further allotment previous Right Issue
2064/065 (2007/08)	874,527,840.00	Issuance of 35% Bonus Shares
2065/066 (2008/09)	874,527,840.00	
2066/067 (2009/10)	1,861,324,239.00	Issuance of 40% Bonus Shares and issuance of 2:1 Right Shares
2067/068 (2010/11)	2,102,966,165.00	Issuance of 12.5% Bonus Shares and allotment of previously unsubscribed right issue.
2068/069 (2011/12)	2,355,738,504.00	Issuance of 12.5% Bonus Shares and cancellation of last year's allotment of previously unsubscribed right issue.
2069/070 (2012/13)	2,650,205,804.00	Issuance of 12.5% Bonus Shares
2070/071 (2013/14)	3,049,083,104.00	Issuance of 15.05% Bonus Shares
2071/072 (2014/15)	3,883,735,565.00	Issuance of 27% Bonus Shares
2072/073 (2015/16)	4,973,079,111.62	Issuance of 28% Bonus Shares
2073/074 (2016/17)	6,924,892,998.62	Rs. 6,776,787.00 raised by issue of FPO and Rs. 1,945,037,100.00 raised by right issue.

#### 1.4 Notes on Paid-Up Capital to be raised minimum to Rs. 8,000,000,000.00 as prescribed by Nepal Rastra Bank

Particular	Amount
Paid up capital at the end of Ashad 2074	6,924,892,999
Bonus Share to be proposed for FY2073/74	1,075,107,001
Proceeds received from auction of unsubscribed right shares capitalized on 16.08.2017	46,905,260
<b>Total Paid-Up Capital after issue of Bonus Share to be approved by AGM</b>	<b>8,046,905,260</b>

After issue of unsubscribed right shares on 16.08.2017, the Paid-up Capital (share ownership) pattern is as follows:

Share Ownership	%	Share Capital Rs.
<b>1. Domestic Ownership</b>	<b>45.00%</b>	<b>3,137,309,217</b>
1.1 Nepal Government	-	-
1.2 "A" Class Licensed Institutions	-	-
1.3 Other Licensed Institutions	-	-
1.4 Other Entities	15.00%	1,045,769,739
1.5 General Public	30.00%	2,091,539,478
1.6 Others	-	-
<b>2. Foreign Ownership</b>	<b>55.00%</b>	<b>3,834,489,042</b>
<b>Total</b>	<b>100.00%</b>	<b>6,971,798,259</b>

#### 1.5 General Reserve

As required under the Banks and Financial Institutions Act, 2073, 20% of the current year's net profit amounting to Rs. 304,647,481 has been transferred to General Reserve.

#### 1.6 Share Premium

Share Premium of Rs. 59,025,814.77 received on FPO during last year has been transferred to Profit & Loss Appropriation Account for the purpose of Bonus Shares issue.

#### 1.7 Capital Adjustment Reserve

Rs. 12,463,167.00 has been transferred to Capital Adjustment Reserve, out of this Rs. 5,583,040.00 has been adjusted against accumulated profit up to last year and Rs. 6,880,127.00 from this year. Capital Adjustment Reserve has been created in lieu of interest capitalized for a credit customer.

#### 1.8 Investment Adjustment Reserve

As per NRB Unified Directives 4/2073 and 8/2073, Bank has made Investments Adjustment Reserve as under:

Particulars	Investment Amount	Required Reserve Amount
<b>Opening Balance as on 2073.04.01</b>		<b>5,00,400</b>
1. Investment in Listed Share of Rural Micro-finance Development Center Ltd., Investment Adjustment Reserve @ 2%	18,895,000	377,900
2. Investment in Listed Share of Nepal Grameen Bikash Bank Ltd. Investment Adjustment Reserve @ 2%	6,125,000	1,22,500
3. Investment in Other Corporate Bodies (Exempted Investment)*	14,935,500	-
<b>Closing Balance as on 31.03.2074</b>	<b>129,955,500</b>	<b>5,00,400</b>

\*Exemption to maintain Investment Adjustment Reserve for investment in share of Karja Suchana Kendra Ltd., Nepal Clearing House Ltd., National Banking Institute and fully owned subsidiary Nepal SBI Merchant Banking Ltd has been provided under NRB Directives 4/2073.

## 1.9 Income Tax, Deferred Tax Income and Deferred Tax Reserve

Provision for income tax has been made as per the provisions of Income Tax Act and amendment thereof.

Previous years' tax Rs. 270,000 represents the additional income tax as per self-tax assessment for the FY 2072/73.

Deferred Tax has been calculated as per the "NAS 12 - Income Taxes". The movement in deferred tax assets/ liabilities is as follows:

Particulars / Items	Carrying Amount Rs.	Tax Base Rs.	Deductible Temporary Difference Rs. (A)	Taxable Temporary Difference Rs. (B)	Net Deductible Temporary Difference C = (A) - (B)	Deferred Tax Asset Rs. C * Tax rate @ 30%*
Fixed Assets	491,665,774	612,220,286	120,554,512		120,554,512	36,166,354
Provision for Gratuity and Leave	478,959,919	0	478,959,919		478,959,919	143,687,976
Provision for Draft Fraud	22,359,375	0	22,359,375		22,359,375	6,707,813
Loss on Revaluation of Mutual Funds	26,61,316	0	26,61,316		26,61,316	798,395
<b>Total</b>	<b>992,985,068</b>	<b>612,220,286</b>	<b>621,873,806</b>	<b>0</b>	<b>621,873,806</b>	<b>187,360,538</b>
Opening Balances (2073.04.01)						<b>152,263,891</b>
<b>Differences</b>						<b>35,096,648</b>
Accounted in Profit and Loss Account as Deferred Tax Income						<b>35,096,648</b>

\* Current income tax rate applicable to the bank.

## 1.10 Debenture Redemption Reserve

Debenture Redemption Reserve has been appropriated as under:

S. N.	Debentures	Period	Debenture Amount	Debenture Redemption Reserve as on 01.04.2073 (a)	Debenture Redemption Reserve appropriated during the year (b)	Debenture Redemption Reserve as on 31.03.2074 (a+b)
1	12.5% NSBL Debenture 2078	Issued on: 12.02.2012 Maturity on: 11.02.2022	400,000,000	176,776,256	40,000,000	216,776,256
2	8% NSBL Debenture 2079	Issued on: 03.02.2013 Maturity on: 02.02.2023	400,000,000	137,863,014	40,000,000	177,863,014
3	7.9% NSBL Debenture 2080	Issued on: 20.04.2014 Maturity on: 19.04.2024	200,000,000	44,821,918	20,000,000	64,821,918
	<b>Total</b>		<b>1,000,000,000</b>	<b>359,461,188</b>	<b>100,000,000</b>	<b>459,461,188</b>

## 1.11 Exchange Fluctuation Reserve

Revaluation gain arising out of exchange fluctuation during the year is Rs 15,479,363. As per Directives of Nepal Rastra Bank, 25% of such gain amounting to Rs 3,869,841 has been transferred to Exchange Fluctuation Reserve.

## 2. SUMMARY OF CHANGES IN DEPOSIT LIABILITIES

(Rs. in '000)

Particulars	This Year Rs.	Previous Year Rs.	Growth Amount Rs.	Growth %
Call Deposits	4,358,286	9,173,099	-4,814,813	-52.49%
Current Deposits	6,299,389	5,531,334	768,055	13.89%
Fixed Deposits	41,776,666	23,019,305	18,757,361	81.49%
Margin Deposits	566,626	339,786	226,840	66.76%
Saving Deposits	28,660,382	26,831,779	1,828,603	6.82%
Matured Fixed Deposits	3,197	318,216	-315,019	-99.00%
<b>Total</b>	<b>81,664,549</b>	<b>65,213,519</b>	<b>16,451,030</b>	<b>25.23%</b>

### 3. DEPOSIT INSURANCE

Bank has insured the saving and fixed deposits up to Rs. 200,000 of all natural individuals with Deposit and Credit Guarantee Fund. As on the date of Balance Sheet the total amount of insured deposit is Rs. 1,326.60 crore of 664,456 numbers of customers.

### 4. BILLS PAYABLES

Bills payables include the amount of draft issued by the NSBL and other banks but not presented for payment by the customers.

### 5. OTHER LIABILITIES

#### Provision for Gratuity Rs. 327,726,083

During the FY 2073/74, the Bank has provided Rs. 100,954,825 on account of staff gratuity liability as per actuarial valuation. A sum of Rs. 2,222,634 was paid as gratuity during the year to the staff retired from Bank's service. Separate fund as required by the Labour Rule, 2048 has not been created for staff gratuity liability.

#### Provision for Leave Encashment Rs. 151,233,836

During the FY 2073/74, the Bank has provided Rs. 28,439,351 for accumulated leave as per actuarial valuation. A sum of Rs 3,292,763 was paid against leave entitlement during the year to the staff retired from Bank's service.

#### 5.1 Provision for Staff Bonus

Provision for staff bonus amounting to Rs. 217,512,717 has been computed and provided for at 10% of net profit (before tax) after bonus as per prevailing NRB Directive 04/2073.

#### 5.2 Sundry Creditors

Sundry creditors include the Bankers' Cheque issued for payment against bank's liabilities but not presented for payment.

#### 5.3 Dividends Payable

The total dividend payable as on the Balance Sheet date is as under:

Fiscal Year	Ashad end 2074	Ashad end 2073
FY2052/53	256,200	261,000
FY2053/54	241,000	247,000
FY2054/55	273,400	281,400
FY2055/56	164,800	170,700
FY2056/57	247,700	256,550
FY2059/60	539,988	562,028
FY2062/63	452,799	500,417
FY2063/64	675,631	793,739
FY2066/67	860,513	1,120,737
FY2067/68	988,814	1,320,522
FY2068/69	1,316,361	1,775,664
FY2069/70	2,601,840	3,836,649
FY2070/71	4,217,887	6,566,779
<b>Total</b>	<b>12,836,933</b>	<b>17,693,185</b>

#### 5.4 Others

Other liabilities in schedule 4.7 include the amount to be payable for the business transactions and expenses incurred, TDS payable to the Inland Revenue Office

#### 5.5 Others: Corporate Social Responsibility Fund

1% of net profit for the year of Rs. 15,232,375 has been appropriated as per Nepal Rastra Bank Directive required to be spend in the various areas/ activities as Corporate Social Responsibility next year. For this purpose the Bank has devised a CSR Policy, duly approved by the Board of the Bank.

#### 5.6 Others: Staff Skill Development Fund

3% of staff expenses of last year of Rs. 16,469,613 has been appropriated as per Nepal Rastra Bank Directive required to be expend in the various areas/ activities for staff skill development. During the year, the Bank has been able to spend Rs. 10,930,273 in the various areas/ activities for staff skill development and the remaining balance of Rs. 5,539,340 has been appropriated, which will be spend next year.

#### 5.7 Staff Housing Fund

As the Bank has a provision for extending housing loans to the eligible staff, a separate staff housing fund has not been created as prescribed by the Labour Act, 2048.

## 6. CONTINGENT LIABILITIES

#### 6.1 Contingent Bank Guarantee Liability

Rs. 170,000 has been booked as contingent liability under Claims on institution not accepted by the Institution. The amount represents the Bank Guarantee claimed by Nepal Government Body after expiry of the Bank Guarantee for which Bank is not liable to pay.

#### 6.2 Contingent Liabilities on Income Tax

The Large Taxpayers Office (LTO) can amend the tax returns submitted by the Bank within four years from the date of submission except assessment is inaccurate by reason of fraud. LTO can amend the tax liability of the Bank and order to pay additional tax. However, if the Bank felt that the amended tax assessment by LTO is not justifiable as per prevailing income tax act, the Bank may appeal against the amended tax assessment by LTO. The process of appeal is to be done gradually with Director General of Inland Revenue Department for Administrative Review, then appeal to Revenue Tribunal and at last appeal to Supreme Court.

Till the date of Balance Sheet, Bank's corporate tax up to FY 2065-66 has been settled by the LTO. Similarly, LTO has completed tax audit and amended tax liability for FY 2066/67, FY 2067/68, FY 2068/69 and FY 2069/70. However, Bank has appealed against amended tax liability assessment by LTO for FY 2066/67, FY 2067/68, FY 2068/69 and FY 2069/70 with Revenue Tribunal/IRD. The total contingent tax liability for previous three years, Rs. 3,892,740 has been provided in schedule 17 as contingent tax liabilities.

Tax returns filed under self assessments for the FY 2070-71, FY 2071-72 and FY 2072-73 are yet to be assessed by the LTO.

#### 6.3 Other Contingent Liabilities

Other contingent liabilities of Rs. 893,575 represents for salary in lieu of increment of salary from retrospective date, which may be paid to the resigned staff.

## 7. RECONCILIATION STATUS OF AGENCY ACCOUNTS OUTSTANDING AS ON 15.07.2017

(Rs. in '000)

Particulars	TOTAL		=< 3 MONTHS		>3=< 9 MONTHS		> 9 MONTHS	
	No. of Entries	Net Amount (Rs)	No. of Entries	Net Amount (Rs)	No. of Entries	Net Amount (Rs)	No. of Entries	Net Amount (Rs)
Total Amount (Previous Year's)	3,762 (4,012)	533,785 (316,997)	2778 (2,888)	506,516 (256,178)	279 (210)	12,813 (38,966)	705 (914)	14,456 (21,852)

Un-reconciled amount represents the net amount of un-reconciled debit and credit entries. The Bank regularly following up for settlement of pending amount and is being adjusted in subsequent year in normal course of business.

## 8. SUMMARY OF LOANS AND ADVANCES DISBURSED, RECOVERED AND PRINCIPAL & INTEREST WRITTEN-OFF

(Rs. in '000)

Particulars	This Year	Previous Year
<b>a. Opening Balance</b>	<b>47,542,981</b>	<b>40,471,869</b>
b. Loans Disbursed	26,232,918	278,857,989
c. Loans Recovered	10,023,767	271,786,877
d. Loans Written Off	-	-
<b>Closing Balance (a+b-c-d)</b>	<b>63,752,132</b>	<b>47,542,981</b>
Interest Written Off	-	12,927

## 9. DETAILS OF LEASEHOLD ASSETS AND SOFTWARE COST AMORTIZED

Particulars	Balance as on 15 July 2016	Added/ (Sold ) during the year (Rs)	Amortized During the Year (Rs)	Balance as on 15 July 2017 (Rs)
Lease hold Assets	60,555,807	22,881,433	6,659,947	76,777,293
Software	1,988,780	1,041,773	1,392,150	1,638,403
<b>Total</b>	<b>62,544,587</b>	<b>23,923,206</b>	<b>8,052,097</b>	<b>78,415,696</b>

## 10. OTHER ASSETS

### 10.1 Stationery Stock

As at balance sheet date, the Bank has closing stock of stationery of Rs. 10,428,691. There is no material items that are disposable at the balance sheet date were held in possession.

### 10.2 Income receivable on Investment

Income receivable on investments includes interest accrued on placements, bonds and treasury bills as follows:

Particulars	Local Currency	Foreign Currency	Total
Interest Accrued on Placements		68,310,050	68,310,050
Interest Accrued on Development Bonds	66,948,159		66,948,159
Amortization of Discount on Treasury bill	4,159,803		4,159,803
	<b>71,107,962</b>	<b>68,310,050</b>	<b>139,418,012</b>

### 10.3 Accrued Interest Receivable of Loan (adjusted with interest suspense)

As at balance sheet date, the Bank's accrued interest receivable on loans, advances and bills purchased is Rs. 75,933,918 as presented in the financial statements under Schedule 16 "Other Assets". These comprise of interest on loans, advances and bills purchased that have accrued but not yet realized in cash at the balance sheet date. The portion of interest that has not yet fallen due stood at Rs. 33,056,492, frozen interest at Rs. 15,522,258 and under overdue status at Rs. 27,355,168.

The bank has recognized interest suspense equivalent to the entire accrued interest that has not been realized in cash. This treatment is in compliance with the regulatory provisions.

### 10.4 Sundry Debtors

Sundry Debtors mainly comprise of accounts receivables from business partners like MasterCard, VISA international and Parent Company SBI against ATM card transactions.

## 10.5 Staff Loans and Advances

Staff Loans and Advances are extended in line with the Staff Service Bye Law and Staff Loan Scheme of the bank. Loans extended to staff have increased during the year as more staff became eligible and availed such facilities.

The loans outstanding as at the balance sheet date were as under:

Staff Loans and Advance	As on Ashad 2074	As on Ashad 2073	Increase/ -Decrease
Housing Loan	281,854,591	334,828,476	-52,973,885
Overdraft and Consumer Loan	373,576,939	296,808,206	76,768,733
Housing Loan backed by Life Insurance Policy	376,017,681	56,638,764	319,378,917
Interest Receivable on Housing Loan backed by Life Insurance Policy	7,693,917	4,507,491	3,186,426
Other Interest Receivable	270,725	298,478	-27,753
<b>Total (in Other Assets schedule 16)</b>	<b>1,039,413,854</b>	<b>693,081,415</b>	<b>346,332,439</b>

## 10.6 Prepayments

Following is the breakdown of prepayments amount presented in financial statements under Schedule 16 "Other Assets".

Prepaid Items:	As on Ashad 2074	As on Ashad 2073	Increase/ -Decrease
Rent	7,220,044	7,040,658	179,386
Insurance	6,464,470	6,207,000	257,470
Office Expenses	5,759,481	2,332,007	3,427,474
<b>Total</b>	<b>19,443,995</b>	<b>15,579,665</b>	<b>3,864,330</b>

## 10.7 Draft Paid Without Notice (FY A.D. 1998/99 – B.S.2055/56)

Bank had filed a case with the Kathmandu District Court for recovery of Rs 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 Rs 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 Rs 22,359,375 since 15.07.2005.

As previous year, Rs 9,640,625 received from insurance company and collecting banks has been netted with the total amount of Draft paid without notice; Rs 9,640,625 of previous year's amount has also been regrouped. As a result, previous year total other assets and other liabilities have been reduced by Rs. 9,640,625.

## 10.8 Others (schedule 16)

Others include Rs. 28,304,505 as advance against construction and deposits for service availing by the banks, Rs. 1,122,467 as receivables from customers and Rs. 12,084,196 receivable from NRB against reimbursement of NRB bond and export incentives.

## 11. WEIGHTED AVERAGE INTEREST SPREAD

Particulars	Rate %
Average Rate of Return on Interest Earning Assets i.e. Loan and Advances (including staff loans), Investments in Fixed Deposits and Shares)	7.22
Average Cost of Fund on Deposits, Borrowings, Debenture and Interbank borrowing)	3.54
Average Net Spread (overall)	3.68

## 12. SUMMARY OF CONCENTRATION EXPOSURE

Particulars	Loans, Advances & Bills Purchased	Deposits	Contingent Liabilities
Total amount as on 15/07/2017	63,752,132	81,664,549	13,869,302
Highest exposure to a single unit (group)	1,450,783	6,260,078	921,953
<b>Percentage of exposure to single unit/total</b>	<b>2.27%</b>	<b>7.67%</b>	<b>6.65%</b>

### 13. LOAN AGAINST COLLATERAL OF ITS OWN ASSETS

Development Bond of Rs. 1,600,000,000.00 has been pledged for borrowing of USD 12,500,000.00 from Agricultural Development Bank Ltd.

### 14. LEASE

#### 14.1 Finance Lease

The Bank has not entered into finance lease and does not have any obligation in respect of such.

#### 14.2 Operating Lease

The Bank has entered into a lease arrangement for office premises and ATM space outside of the branch for different periods continuing from previous years, which can be terminated by either party on prior notice of the period of 90 to 180 days. Details of lease payment are as follows:

Particulars	This Year Rs	Previous Year Rs
Amount due during the Current Period	135,318,115	125,707,425
Amount due within one year from the balance sheet date	142,084,021	131,992,796
Amount due in the period from second year to sixth year from balance sheet date	659,269,857	612,446,573
Amount due for the remaining period after sixth year from balance sheet date	181,299,211	168,422,808

### 15. RELATED PARTY INFORMATION AND BALANCES

#### 15.1 Related Party Information

The following are the details of related parties:

Particulars	Relationship	Remarks
State Bank of India	Parent Company	55.00 % holding in the Bank
Employee Provident Fund (EPF)	Promoter	15.00 % holding in the Bank
Mr. Krishna Prasad Acharya	Directors nominated by EPF	
Mr. Anukool Bhatnagar	Managing Director & CEO	Key Management Personnel
Mr. Subhakanta Kanungo (Since 22.09.2016)	Chief Operating Officer & Dy. CEO	Key Management Personnel
Mr. Priya Ranjan	Chief Financial Officer	Key Management Personnel
Subsidiaries of State Bank of India	Fellow Subsidiaries	
Mr. Nirajan Kumar Tibrewala	Public Director	
Mr. Sanjay Kumar Sureka	Public Director	
Mr. Keshav Raj Acharya	Professional Director	
Mr. Siddhartha Sengupta	Directors nominated by SBI	
Mr. Sujit Kumar Varma	Directors nominated by SBI	
Mr. V K Tyagi (Since 18.06.2017)	Directors nominated by SBI	
Nepal SBI Merchant Banking Ltd.	Fully owned Subsidiary	

#### 15.2 Key Management Personnel

Salary to the key management personnel is borne by State Bank of India, the parent company under the Technical Service Agreement (TSA) entered with the Bank which is approved by Nepal Rastra Bank. The key management personnel are also provided with living, medical and other related facilities as per TSA.

### 15.3 Related Party Balances/Transactions

The details of the related party transactions are as follows:

(Rs. in '000)

S. N.	Related Parties	Particulars	This Year	Previous Year
1.	State Bank of India	Technical Service Fee (Expenses)	20,968	21,086
2.	State Bank of India & Fellow Subsidiaries	Receivable against placement (asset)	13,248,350	13,353,493
3.	State Bank of India & Fellow Subsidiaries	Against outstanding Agency Balance (Asset)	1,605,014	1,175,622
4.	State Bank of India & Fellow Subsidiaries	Interest recognized as income during the year (Income)	244,852	120,894
5.	State Bank of India	Card Transactions outstanding (Receivable) at the end of FY	147,922	55,720
6.	Employee Provident Fund	Deposits	6,260,078	3,075,130
7.	Board Meeting Fee to Board of Directors	12 no. of Board Meetings 18 no. of Audit Committee Meetings 7 no. of Risk Management Committee Meetings 3 no. of Employee Service Facility Committee Meetings	1,050	895
8.	Board Meeting Other Expenses	Food, Lodging and Snacks Expenses for various Board level meetings	569	635
		Travelling & Halting Expenses for various Board level meetings	210	636
9.	Nepal SBI Merchant Banking Ltd. (NSMBL)	Deposit maintained with NSBL	98,455	100,203
10.	Nepal SBI Merchant Banking Ltd.	Interest Paid on Deposit to NSMBL	5,401	421
11.	Nepal SBI Merchant Banking Ltd.	Management fee accrued and receivable from NSMBL	720	-
12.	Nepal SBI Merchant Banking Ltd.	RTS, D-Mat Service Charge accrued and payable to NSMBL	1,012	-
13.	Nepal SBI Merchant Banking Ltd.	Others to be received from NSMBL	165	87

### 16. REGROUPED/ REARRANGE

Figures are regrouped/ rearranged wherever necessary for consistent presentation and comparison. Such regroup/ rearranged has been made in Cash Flow Statement and schedule 16: Other Assets

**17. CLASSIFICATION OF ASSETS AND LIABILITIES BASED ON MATURITY AS ON ASHAD END 2074 (15 JULY 2017)**

(Rs. in Lakhs)

S.N.	Particulars	1-7 days	8-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Particulars
	<b>Assets</b>								
1	Cash Balance	19,846							19846
2	Balance with Banks & FIs	112,451							112451
3	Investment in Foreign Banks	2,062	3,093	23,713	50,004	2,062	51,550	-	132484
4	Call Money								0
5	Government Securities	-	4,985	8,468	4,966	-	-	-	18419
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-	58,000	58000
7	Inter Bank & FI Lending	-							0
8	Loans & Advances	10,727	52,262	139,629	104,965	87,480	99,293	143,166	637523
9	Interest Receivable	8	24,476	444	657	17	240		25841
10	Reverse Repo	-	-	-	-	-	-	-	0
11	Acceptance Receivable	-							0
12	Payments under S.No. 20,21 & 22	14,585	7,933	51,474	40,668	23,743	33,530	68,788	240720
13	Others	14,591						105	14696
	<b>Total (A)</b>	<b>174270</b>	<b>92749</b>	<b>223729</b>	<b>201260</b>	<b>113302</b>	<b>184613</b>	<b>270058</b>	<b>1259981</b>
	<b>Liabilities</b>								
14	Current Deposits	25039						43673	68713
15	Saving Deposits (including call)	70390	8713					251064	330167
16	Fixed Deposits	2254	8249	33076	101572	134002	87092	51523	417767
17	Debentures/Bonds							10000	10000
18	Borrowings	8248	3093	21136	20620	0	0	0	53097
	Call/Short Notice								0
	Inter-bank/Financial Institutions	8248	3093	21136	20620	0	0	0	53097
	Refinance								0
	Others								0
19	Other Liabilities and Provisions	14833	1142	3683	1152	1002	1035	6461	29308
	Sundry Creditors	1987							1987
	Bills Payable	2876							2876
	Interest Payable	7	614	24	23	0	0	0	667
	Provisions	8072	528	3659	1130	1002	1035	6461	21887
	Others	1891							1891
20	Acceptance Liabilities	1435	364	698	106				2602
21	Irrevocable Loan Commitment	1614	3332	17434	36336	23480	27398	9	109603
22	Letter of Credit/Guarantee	16709	7474	41533	19908	10141	13031	19718	128514
23	Repo								0
24	Payable under s.no.11								0
25	Others							9341	9341
	<b>Total (B)</b>	<b>140522</b>	<b>32368</b>	<b>117559</b>	<b>179694</b>	<b>168624</b>	<b>128555</b>	<b>391790</b>	<b>1159112</b>
	<b>Net Financial Assets (A-B)</b>	<b>33749</b>	<b>60382</b>	<b>106170</b>	<b>21565</b>	<b>-55323</b>	<b>56058</b>	<b>-121732</b>	<b>100868</b>
	<b>Cumulative Net Financial Assets</b>	<b>33749</b>	<b>94130</b>	<b>200300</b>	<b>221865</b>	<b>166542</b>	<b>222600</b>	<b>100868</b>	<b>0</b>

## PARTICULARS REGARDING LOAN AVAILED BY THE PROMOTER/PROMOTER GROUP SHAREHOLDERS FROM ANY BANK/FINANCIAL INSTITUTION AGAINST PLEDGE OF SHARES HELD BY THEM

S.N.	Name of the Promoter/Promoter Group Shareholders	Shares Held by Promoters		Particulars of the Loan			Remarks
		Total Number Of Shares	Percentage Of the Total Paid Up Capital	Name of the Lending Bank/ Financial Institution	Loan Amount	Number Of Shares Pledged	
1	State Bank of India (SBI)	38,344,890	55.37%	NA	Nil	Nil	
2	Karmachari Sanchaya Kosh	10,457,697	15.10%	NA	Nil	Nil	

## COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT FOR THE FY 2073/74

(Rs. in '000)

S.N.	Particulars	As per Unaudited Finalcial Statement as on 15.07.2017 Rs.	As per Audited Finalcial Statement as on 15.07.2017 Rs.	Variance		Reason for Variance
				In Amount Rs.	In %	
<b>1</b>	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>99,829,242</b>	<b>99,828,628</b>	<b>(614)</b>	<b>0.00%</b>	
1.1	Paid Up Capital	6,924,893	8,000,000	1,075,107	-	Proposed bonus share
1.2	Reserve and Surplus	3,509,485	2,397,955	(1,111,530)	-31.67%	Proposed bonus share and Reclassification of CSR and Staff Skill Dev. Fund.
1.3	Debenture and Bond	1,000,000	1,000,000	-	-	
1.4	Borrowings	5,309,655	5,309,655	-	-	
1.5	Deposits (a+b)	81,664,548	81,664,548	-	-	
	a. Domestic Currency	72,200,637	72,200,637	-	-	
	b. Foreign Currency	9,463,911	9,463,911	-	-	
1.6	Income Tax Liability	-	-	-	-	
1.7	Other Liabilities	1,420,661	1,456,470	35,809	2.52%	Proposed bonus share and Reclassification of CSR and Staff Skill Dev. Fund.
<b>2</b>	<b>Total Assets (2.1 to 2.7)</b>	<b>99,829,242</b>	<b>99,828,628</b>	<b>-</b>	<b>-</b>	
2.1	Cash and Bank Balance	13,229,681	13,229,681	-	-	
2.2	Money at Call and Short Notice	-	-	-	-	
2.3	Investments	21,043,220	21,043,220	-	-	
2.4	Loans and Advances (Net)	63,025,023	63,024,816	(207)	-	Additional provision
	a. Real Estate Loan	4,862,429	4,862,429	-	-	
	1. Residential Real Estate Loan (Except Personal Home Loan up to Rs. 10 Million)	722,412	722,412	-	-	
	2. Business Complex & Residential Apartment Construction Loan	419,992	419,992	-	-	
	3. Income Generating Commercial Complex Loan	-	-	-	-	
	4. Other Real Estate Loan (Including Land Purchase & Plotting)	3,720,025	3,720,025	-	-	
	b. Personal Home Loan of Rs. 10 Million or Less	1,799,446	1,799,446	-	-	
	c. Margin Type Loan	-	-	-	-	
	d. Term Loan	3,807,416	3,807,416	-	-	
	e. Overdraft Loan / TR Loan / WC Loan	32,592,879	32,592,672	(207)	-	Additional provision
	f. Others	19,962,853	19,962,853	-	-	
2.5	Fixed Assets (Net)	750,826	750,826	-	-	
2.6	Non Banking Assets (Net)	-	-	-	-	
2.7	Other Assets	1,780,492	1,780,085	(407)	-0.02%	Decrease in Advance in tax.
<b>3</b>	<b>Particulars</b>	<b>As per Unaudited Finalcial Statement as on 15.07.2017 Rs.</b>	<b>As per Audited Finalcial Statement as on 15.07.2017 Rs.</b>	<b>Variance</b>		<b>Reason for Variance</b>
				<b>In Amount Rs.</b>	<b>In %</b>	
3.1	Interest Income	5,911,370	5,911,161	(209)	-	Adjustment of AIR / Income
3.2	Interest Expenses	2,994,483	2,994,483	-	-	
	<b>A. Net Interest Income (3.1-3.2)</b>	<b>2,916,887</b>	<b>2,916,678</b>	<b>(209)</b>	<b>-</b>	Adjustment of AIR / Income
3.3	Fees, Commission and Discount	487,595	487,595	-	-	
3.4	Other Operating Income	447,953	447,889	(64)	-0.01%	Adjustment in Income relating to FY2073.74.
3.5	Foreign Exchange Gain/Loss (Net)	220,922	220,922	-	-	
	<b>B. Total Operating Income (A.+3.3+3.4+3.5)</b>	<b>4,073,357</b>	<b>4,073,084</b>	<b>(273)</b>	<b>-0.01%</b>	Due to above reason.
3.6	Staff Expenses	790,473	790,473	-	-	
3.7	Other Operating Expenses	754,707	754,723	16	0.00%	Provision of expenses relating to FY2073.74
	<b>C. Operating Profit Before Provision (B.-3.6-3.7)</b>	<b>2,528,177</b>	<b>2,527,888</b>	<b>(289)</b>	<b>-0.01%</b>	
3.8	Provision for Possible Losses	187,907	187,905	(2)	-	
	<b>D. Operating Profit (C.-3.8)</b>	<b>2,340,270</b>	<b>2,339,983</b>	<b>(287)</b>	<b>-0.01%</b>	Due to above reason.
3.9	Non Operating Income/Expenses (Net)	5,608	5,623	15	0.27%	Income relating to FY2073.74 increased.
3.10	Write Back of Provision for Possible Loss	28,035	28,035	-	-	
	<b>E. Profit From Regular Activities (D + 3.9+3.10)</b>	<b>2,373,913</b>	<b>2,373,641</b>	<b>(272)</b>	<b>-0.01%</b>	Due to above reason.
3.11	Extraordinary Income/Expenses (Net)	19,000	19,000	-	-	
	<b>F. Profit before Bonus and Taxes (E + 3.11)</b>	<b>2,392,913</b>	<b>2,392,641</b>	<b>(272)</b>	<b>-0.01%</b>	Due to above reason.
3.12	Provision for Staff Bonus	217,537	217,513	(24)	-0.01%	Due to above reason.
3.13	Provision for Tax	651,520	651,890	370	0.06%	Adjustment of Expenses/ Income in income tax calculation.
	<b>G. Net Profit/Loss (F-3.12-3.13)</b>	<b>1,523,856</b>	<b>1,523,238</b>	<b>(618)</b>	<b>-0.04%</b>	Due to above reason.

## UNAUDITED FINANCIAL RESULTS (QUARTERLY)

As at end of the 4th Quarter (31/03/2074) of the Fiscal Year 2073/74

(Rs. in '000)

S.N.	Particulars	This Quarter Ending Ashad 2074 (15.07.2017) Unaudited	Previous Quarter Ending Chaitra 2073 (13.04.2017) Unaudited	Previous Year Corresponding Quarter ending Ashad 2073 (15.07.2016) Audited
<b>1</b>	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>99,829,242</b>	<b>100,972,018</b>	<b>78,515,345</b>
1.1	Paid Up Capital	6,924,893	4,979,856	4,973,079
1.2	Reserve and Surplus	3,509,485	3,110,810	1,947,382
1.3	Debenture and Bond	1,000,000	1,000,000	1,000,000
1.4	Borrowings	5,309,655	4,843,350	4,184,700
1.5	Deposits (a+b)	81,664,548	85,467,303	65,213,520
	a. Domestic Currency	72,200,637	76,534,585	54,931,661
	b. Foreign Currency	9,463,911	8,932,718	10,281,859
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	1,420,661	1,570,699	1,196,664
<b>2</b>	<b>Total Assets (2.1 to 2.7)</b>	<b>99,829,242</b>	<b>100,972,018</b>	<b>78,515,345</b>
2.1	Cash and Bank Balance	13,229,681	16,340,071	10,389,818
2.2	Money at Call and Short Notice	-	600,000	-
2.3	Investments	21,043,220	19,878,675	19,291,309
2.4	Loans and Advances (Net)	63,025,023	61,715,242	46,975,534
	a. Real Estate Loan	4,862,429	4,970,034	3,135,787
	1. Residential Real Estate Loan (Except Personal Home Loan up to Rs. 10 Million)	722,412	698,708	428,242
	2. Business Complex & Residential Apartment Construction Loan	419,992	435,264	367,785
	3. Income Generating Commercial Complex Loan	-	-	-
	4. Other Real Estate Loan (Including Land Purchase & Plotting)	3,720,025	3,836,062	2,339,760
	b. Personal Home Loan of Rs. 10 Million or Less	1,799,446	1,751,575	1,760,548
	c. Margin Type Loan	-	-	-
	d. Term Loan	3,807,416	3,557,590	2,779,704
	e. Overdraft Loan / TR Loan / WC Loan	32,592,879	33,235,590	25,676,495
	f. Others	19,962,853	18,200,453	13,623,000
2.5	Fixed Assets (Net)	750,826	697,233	629,965
2.6	Non Banking Assets (Net)	-	-	-
2.7	Other Assets	1,780,492	1,740,797	1,228,719
<b>3</b>	<b>Profit and Loss Account</b>	<b>This Quarter Ending Ashad 2074 (15.07.2017) Unaudited</b>	<b>Previous Quarter Ending Chaitra 2073 (13.04.2017) Unaudited</b>	<b>Previous Year Corresponding Quarter ending Ashad 2073 (15.07.2016) Audited</b>
3.1	Interest Income	5,911,370	4,034,770	3,981,262
3.2	Interest Expenses	2,994,483	1,839,066	1,565,151
	A. Net Interest Income (3.1-3.2)	2,916,887	2,195,704	2,416,111
3.3	Fees, Commission and Discount	487,595	468,149	465,797
3.4	Other Operating Income	447,953	204,729	318,084
3.5	Foreign Exchange Gain/Loss (Net)	220,922	159,691	136,370
	B. Total Operating Income (A.+3.3+3.4+3.5)	4,073,357	3,028,273	3,336,362
3.6	Staff Expenses	790,473	579,279	548,987
3.7	Other Operating Expenses	754,707	517,392	616,794
	C. Operating Profit Before Provision (B.-3.6-3.7)	2,528,177	1,931,602	2,170,581
3.8	Provision for Possible Losses	187,907	181,049	111,346
	D. Operating Profit (C.-3.8)	2,340,270	1,750,553	2,059,235
3.9	Non Operating Income/Expenses (Net)	5,608	4,886	9,965
3.10	Write Back of Provision for Possible Loss	28,035	23,609	42,720
	E. Profit From Regular Activities (D + 3.9+3.10)	2,373,913	1,779,048	2,111,920
3.11	Extraordinary Income/Expenses (Net)	19,000	-	-
	F. Profit before Bonus and Taxes (E + 3.11)	2,392,913	1,779,048	2,111,920
3.12	Provision for Staff Bonus	217,537	161,732	191,993
3.13	Provision for Tax	651,520	512,916	588,046
	G. Net Profit/Loss (F-3.12-3.13)	1,523,856	1,104,400	1,331,881
<b>4</b>	<b>Ratios</b>	<b>At the End of this Quarter</b>	<b>At the End of Previous Quarter</b>	<b>At the End of Corresponding Previous Year Quarter</b>
4.1	Capital Fund to Risk Weighted Assets (RWA)	15.76%	12.88%	13.49%
4.2	Non Performing Loan (NPL) to Total Loan	0.10%	0.12%	0.14%
4.3	Total Loan Loss Provision to Total NPL	1132.98%	1003.00%	860.00%
4.4	Cost of Fund (Annualized)	3.54%	2.96%	2.55%
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	75.00%	72.09%	76.57%
4.6	Base Rate	8.98%	8.21%	5.98%
4.7	Average Monthly Interest Rate Spread LCY (Calculated as per NRB Directives)	4.45%	4.33%	4.99%
	Additional Information			
	Average Yield total Assets (Local Currency) (Annualized)	8.19%	7.65%	7.11%
	Return on Equity (Annualized)	20.42%	20.35%	22.16%
	Return on Assets (Annualized)	1.68%	1.67%	2.00%



# नेपाल राष्ट्र बैंक

## बैंक सुपरिवेक्षण विभाग

प.सं.बै.सु.वि./अफसाइट/एजिएम/१३/२०७३-७४

नेपाल एसबिआईबैंक लिमिटेड  
हात्तीसार, काठमाडौं।



केन्द्रीयकार्यालय  
बालुवाटार, काठमाडौं।

फोन नं.: ४४१९८०५, ७

फ्याक्स नं.: ४४१०१५९

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पोष्ट बक्स: ७३

मिति: २०७४।०८।१४

### विषय: लाभांश घोषणा/वितरण तथा वित्तीय विवरण प्रकाशन सम्बन्धमा।

महाशय,

त्यस बैंकबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ४७ को उपदफा (२) का प्रावधानहरु पालना गरेको देखिएको हुँदा, ऐ. ऐनको उपदफा (१) बमोजिम प्रस्तावित रु. १,०७,५१,०७,००१/- बराबरको शेयर लाभांश र कर प्रयोजनको लागि रु. ५,६५,८४,५७९/- नगद लाभांश अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट स्वीकृत भएको अवस्थामा मात्रै वितरण गर्न स्वीकृतिका साथै आ.व. २०७३/७४ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशन सहित सार्वजनिक गर्न मात्र सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार जानकारी गराउँदछु।

- बैंकको वाह्य लेखापरिक्षण प्रतिवेदनमा उल्लेख गरिएका कैफियतहरु पूर्ण रूपले सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था मिलाउन हुन।
- यस बैंकबाट जारी गरिएको एकीकृत निर्देशन नं. १० को बुँदा नं. ७ बमोजिम इजाजतपत्र प्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेयरमा लगानी गर्दा चूक्ता पूँजीको बढीमा १५ प्रतिशत र अन्य बैंक तथा वित्तीय संस्थाहरुमा चूक्ता पूँजीको बढीमा १ प्रतिशतसम्म मात्र लगानी गर्न सकिने व्यवस्था रहेकोले उल्लिखित सीमाभन्दा बढी शेयर धारण गर्ने संस्थापक शेयरधनीहरु रहेमा ती संस्थापक शेयरधनीहरुलाई सो सीमाभित्र नल्याएसम्म प्रस्तावित नगद लाभांश तथा वोनश शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।

उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नुहुन।

भवदीय,

(धनञ्जय पराजुली)

सहायक-निर्देशक

बोधार्थ :

- नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग।
- बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, नेपाल एसबिआई बैंक लिमिटेड।

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL SBI BANK LIMITED

We have audited the accompanying consolidated financial statements of the Group (Nepal SBI Bank Limited and its subsidiary), which comprise the Consolidated Statement of Financial Position as at Ashad 31, 2074 (July 15, 2017), 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 a summary of Principal Accounting Policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Nepal Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

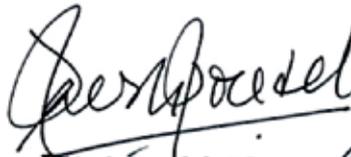
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, the consolidated financial position of Nepal SBI Bank Limited and its subsidiary as at Ashad 31, 2074 (July 15, 2017) and of the results of its consolidated financial performance and its consolidated cash flows for the year then ended in compliance with the Nepal Financial Reporting Standards.

Place: Kathmandu  
Date: November 16, 2017

  
Rajesh Poudel, FCA  
Partner  
P.L. Shrestha & Co.,  
Chartered Accountants



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 15 July 2017

(NRs.)

Particulars	Notes	15-Jul-2017	Restated	Restated
			15-Jul-2016	17-Jul-2015
<b>ASSETS</b>				
Cash Balance	1.1.1	1,984,553,390	1,799,377,843	1,753,912,290
Balances at central banks	1.1.2	7,313,015,502	6,428,009,789	4,662,434,374
Items in the course of collection from other banks		-	-	-
Balances with other banks and financial institutions	1.1.3	3,932,112,099	2,162,431,432	2,019,400,868
Trading assets	1.1.8	23,007,450	24,812,466	18,367,795
Financial assets designated at fair value	1.1.4	1,841,907,531	999,950,000	2,102,429,750
Other Government Securities	1.1.5	5,800,000,000	4,850,000,000	1,646,109,184
Loans and advances to banks	1.1.6	13,248,350,000	13,286,591,426	5,530,519,902
Loans and advances to customers	1.1.7	63,005,200,985	46,998,925,697	39,880,327,607
Investment in Corporate Securities	1.1.8	195,183,128	301,389,784	103,220,720
Prepayments, accrued income and other assets	1.1.9	1,510,553,724	1,016,433,245	800,101,009
Current tax assets	8.1	175,841,954	117,459,267	38,043,002
Goodwill and intangible assets		-	-	-
Property Plant and Equipment	5	747,075,518	622,635,869	620,367,926
Deferred tax assets	4	97,192,162	34,055,075	98,787,529
<b>Total assets</b>	<b>8.2</b>	<b>99,873,993,443</b>	<b>78,642,071,893</b>	<b>59,274,021,955</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Deposits by banks and financial institutions	1.2.1	845,732,830	569,687,560	505,648,607
Customer accounts	1.2.3	80,720,360,147	64,543,628,728	51,122,573,347
Inter Bank Borrowings	1.2.2	5,309,655,155	4,184,700,000	-
Bills Payable	1.2.4	219,745,914	262,939,794	178,342,832
Accruals, deferred income and other liabilities	1.2.5	766,162,054	547,490,727	442,856,892
Defined Benefit Plan Obligation (net)	9.2.2	477,632,051	353,753,272	351,547,087
Deferred tax liabilities		-	-	-
Debt securities in issue - debentures	1.2.6	1,000,000,000	1,000,000,000	1,000,000,000
<b>Total liabilities</b>		<b>89,339,288,151</b>	<b>71,428,145,006</b>	<b>53,600,968,765</b>
<b>Equity</b>				
Called up share capital	6	6,924,892,999	3,883,735,565	3,058,059,500
Share premium account		-	-	79,159,949
Other reserves	7	2,448,963,421	2,071,052,501	1,710,446,080
Retained earnings	7	1,160,848,872	1,225,083,746	825,387,660
<b>Total equity</b>		<b>10,534,705,292</b>	<b>7,179,871,812</b>	<b>5,673,053,190</b>
Non-Controlling Interest		-	-	-
<b>Total equity and liabilities</b>		<b>99,873,993,443</b>	<b>78,642,071,893</b>	<b>59,274,021,955</b>

The accompanying notes are an integral part of the consolidated statements.

(Priya Ranjan)  
Chief Financial Officer

(Anukool Bhatnagar)  
Managing Director

(Deepak Rauniar)  
Chairperson

(Sujit Kumar Varma)  
Director

(Vijay Kumar Tyagi)  
Director

(Keshav Raj Acharya)  
Director

As per our attached report of even date

Director

(CA. Rajesh Poudel), Partner  
P.L. Shrestha & Co.,  
Chartered Accountants

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 15 July 2017 (2016-17)

(NRs.)

Particulars	Notes	15-Jul-2017	Restated	Restated
			15-Jul-2016	17-Jul-2015
<b>Interest income</b>	11.1	5,991,658,675	4,007,446,593	3,849,741,687
<b>Interest expense</b>	11.2	(2,989,081,666)	(1,564,730,163)	(1,773,842,303)
Net interest income		<b>3,002,577,009</b>	<b>2,442,716,430</b>	<b>2,075,899,384</b>
Fees and Commission income (net)	11.3	869,646,476	750,429,298	561,171,967
Net trading income	11.4	220,922,445	136,369,939	119,469,424
<b>Net income from financial instruments designated at fair value</b>		(2,661,316)	6,444,671	104,335
<b>Other operating income</b>	11.5	27,284,323	3,520,293	30,644,349
Net operating income		<b>4,117,768,937</b>	<b>3,339,480,631</b>	<b>2,787,289,459</b>
<b>Loan impairment charges and other credit risk provisions</b>	14	(157,495,726)	(75,481,671)	(136,482,110)
<b>Reversal of Loan impairment charges and other credit risk provisions</b>	14	28,034,555	36,596,183	52,123,586
<b>Other impairments (net of reversals)</b>		-	6,125,000	(6,493,369)
Net operating income		<b>3,988,307,765</b>	<b>3,306,720,143</b>	<b>2,696,437,566</b>
<b>Employee compensation and benefits</b>	9.1	(957,608,755)	(814,810,189)	(697,512,732)
<b>General and administrative expenses</b>	12	(654,677,722)	(523,823,270)	(412,190,187)
<b>Depreciation and impairment of property, plant and equipment</b>		(114,411,083)	(106,989,566)	(116,652,563)
<b>Amortisation and impairment of intangible assets</b>		-	-	-
Total operating expenses		(1,726,697,560)	(1,445,623,025)	(1,226,355,482)
Operating profit		2,261,610,206	1,861,097,119	1,470,082,084
<b>Share of profit in associates and joint ventures</b>		-	-	-
Profit before tax		<b>2,261,610,206</b>	<b>1,861,097,119</b>	<b>1,470,082,084</b>
<b>Taxes</b>				
<b>Income Taxes</b>	8.3	(692,068,166)	(593,135,489)	(526,879,199)
<b>Deferred Taxes</b>	8.3	10,676,587	15,841,055	923,466
Profit for the year		<b>1,580,218,627</b>	<b>1,283,802,685</b>	<b>944,126,351</b>
<b>Profit attributable to shareholders of the parent company</b>		<b>1,580,218,627</b>	<b>1,283,802,685</b>	<b>944,126,351</b>
<b>Profit attributable to non-controlling interests</b>		-	-	-
<b>Earning per share</b>				
<b>Basic</b>	15	32.57	39.07	37.71
<b>Diluted</b>	15	32.57	39.07	37.71

The accompanying notes are an integral part of the consolidated statements.

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# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 15 July 2017 (2016-17)

(NRs.)

Particulars	Notes	15-Jul-2017	Restated	Restated
			15-Jul-2016	17-Jul-2015
<b>Profit for the year</b>		<b>1,580,218,627</b>	<b>1,283,802,685</b>	<b>944,126,351</b>
<b>Other comprehensive income/(expense)</b>				
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>				
Available-for-sale investments				
– fair value gains / (Losses)	3	(106,206,656)	192,044,064	79,390,220
– fair value gains reclassified to the income statement on disposal		-	-	-
– amounts reclassified to the income statement in respect of impairment losses		-	-	-
– income taxes		31,861,997	(57,613,219)	(23,817,066)
Exchange differences and other		-	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Actuarial gains on defined benefit plans				
– before income taxes	9.2.2	59,517,390	52,707,248	(20,319,061)
– income taxes		20,471,160	(22,960,290)	9,325,585
Other comprehensive income for the year, net of tax		-	-	-
<b>Total comprehensive income for the year</b>		<b>1,585,862,518</b>	<b>1,447,980,488</b>	<b>988,706,028</b>
<b>Total comprehensive income for the year attributable to:</b>				
– shareholders of the parent company		<b>1,585,862,518</b>	<b>1,447,980,488</b>	<b>988,706,028</b>
– non-controlling interests		-	-	-
<b>Total comprehensive income for the year</b>		<b>1,585,862,518</b>	<b>1,447,980,488</b>	<b>988,706,028</b>

The accompanying notes are an integral part of the consolidated statements.

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# CONSOLIDATED STATEMENT OF CASH FLOWS

for the period 16 July 2016 - 15 July 2017

(NRs.)

Particulars	Notes	2016-17	Restated
		NRs '000	2015-16 NRs '000
<b>Cash flows from operating activities</b>			
Profit / (loss) before taxation		2,261,610,206	1,861,097,119
Adjustments for non-cash items and non operating adjustments			
Depreciation		114,411,083	106,989,566
Loss (Gain) on disposal of assets		122,258	1,706,121
Dividend income		(6,498,413)	(3,991,542)
Defined benefit plan net charge		(7,293,330)	5,288,167
Changes in Operating assets and Liabilities			
Change in operating assets		(18,017,439,743)	(19,150,300,974)
Change in operating liabilities		17,849,019,438	18,000,788,484
Contributions to defined benefit schemes		-	(0)
Defined benefits paid		(5,302,290)	(3,081,982)
Taxes paid		(745,369,103)	(672,515,004)
<b>Net cash from operating activities</b>		<b>1,443,260,106</b>	<b>145,979,954</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(239,749,297)	(108,270,082)
Disposal of property, plant and equipment		776,308	(2,693,549)
Investment in subsidiaries, associates & joint ventures		-	(100,000,000)
Purchase of investment securities		(856,300)	-
Disposal and maturity of investment securities		-	-
Dividends received from investment in securities		6,498,413	3,991,542
<b>Net cash used in investing activities</b>		<b>(233,330,876)</b>	<b>(206,972,089)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary and preference share capital, net of expenses		1,951,813,887	-
Debenture		-	-
Dividends paid to ordinary shareholders, net of scrip		(62,190,123)	(53,178,261)
<b>Net cash (used in)/from financing activities</b>		<b>1,889,623,764</b>	<b>(53,178,261)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,099,552,993</b>	<b>(114,170,395)</b>
Cash and cash equivalents at beginning of the period		5,759,800,008	5,873,970,403
<b>Effect of exchange rate changes on cash &amp; cash equivalents</b>			
<b>Cash and cash equivalents at end of the period</b>		<b>8,859,353,002</b>	<b>5,759,800,008</b>

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 15 July 2017 (2016-17)

(NRs.)

Particulars	Called up Share Capital	Capital premium	Retained earnings	General Reserve	Other	Capital Adjustment Reserve	Debtore Redemption Reserve	Available-for-sale fair value reserve	Foreign exchange reserve	Total Shareholder's Fund
<b>At 15 July 2016 (previously reported)</b>	<b>3,883,735,565</b>	-	<b>1,225,083,746</b>	<b>1,390,157,003</b>	<b>34,055,075</b>	-	<b>359,461,188</b>	<b>271,434,284</b>	<b>15,944,951</b>	<b>7,179,871,812</b>
Capital Adjustment			(5,583,040)			5,583,040				-
Adjustments	1,089,343,547		(1,089,343,547)							-
NFRS Adjustments (op adjustments)	-		(74,575,499)							(74,575,499)
<b>Restated</b>	<b>4,973,079,112</b>	-	<b>55,581,661</b>	<b>1,390,157,003</b>	<b>34,055,075</b>	<b>5,583,040</b>	<b>359,461,188</b>	<b>271,434,284</b>	<b>15,944,951</b>	<b>7,105,296,314</b>
Profit for the year and Other comprehensive income (net of tax)			1,585,862,518							1,585,862,518
Public Issue	6,776,787	59,025,815								65,802,602
Right Issue	1,945,037,100									1,945,037,100
NFRS Adjustments	-		(146,651,179)							(146,651,179)
AFS Reserve			106,206,656					(106,206,656)		
Transfer to General Reserve			(304,647,481)	304,647,481						
Public issue premium		(59,025,815)	59,025,815							
Exchange Fluctuation Fund			(3,869,841)						3,869,841	
Capital Adjustment			(6,880,127)			6,880,127				
Consolidation			129,652							129,652
Proposed Bonus Shares	-		-							
Debtore Redemption Reserve			(100,000,000)				100,000,000			
Proposed Cash Dividend			-							
Deferred Tax Reserve			(63,137,087)		63,137,087					
Corporate Social Responsibility			(5,539,340)							(5,539,340)
Employee Capacity Development			(15,232,375)							(15,232,375)
<b>At 15 Jul 2017</b>	<b>6,924,892,999</b>	-	<b>1,160,848,872</b>	<b>1,694,804,484</b>	<b>97,192,162</b>	<b>12,463,167</b>	<b>459,461,188</b>	<b>165,227,628</b>	<b>19,814,792</b>	<b>10,534,705,292</b>

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 15 July 2017 (2016-17)

Particulars	Called up Share Capital	Capital premium	Retained earnings	General Reserve	Other	Capital Adjustment Reserve	Debenture Redemption Reserve	Available-for-sale fair value reserve	Foreign exchange reserve	Total Shareholder's Fund
<b>At 17 July 2015 (previously reported)</b>	3,058,059,500	79,159,949	825,387,660	1,123,780,642	98,787,529	135,000,000	259,461,188	79,390,220	14,026,502	5,673,053,190
Adjustments	825,676,065	-	(825,676,065)	-	-	-	-	-	-	-
NFRS Adjustments (op adjustments)			64,723,512							64,723,512
<b>Restated</b>	<b>3,883,735,565</b>	<b>79,159,949</b>	<b>64,435,107</b>	<b>1,123,780,642</b>	<b>98,787,529</b>	<b>135,000,000</b>	<b>259,461,188</b>	<b>79,390,220</b>	<b>14,026,502</b>	<b>5,737,776,701</b>
Profit for the year and Other comprehensive income (net of tax)			1,447,980,488							1,447,980,488
NFRS Adjustments			(5,885,377)							(5,885,377)
Investment Adjustment Reserve			(192,044,064)					192,044,064		
Transfer to General Reserve			(266,376,361)	266,376,361						
Capital Adjustment Reserve			135,000,000			(135,000,000)				
Subsidiary Post Acquisition Profit			-							
Proposed Cash Dividend			-							
Proposed Bonus Shares			-							
Share Premium		(79,159,949)	79,159,949							
Exchange Fluctuation Fund			(1,918,449)						1,918,449	
Debenture Redemption Reserve			(100,000,000)				100,000,000			
Deferred Tax Reserve			64,732,454		(64,732,454)					
<b>At 15 Jul 2016</b>	<b>3,883,735,565</b>	<b>-</b>	<b>1,225,083,746</b>	<b>1,390,157,003</b>	<b>34,055,075</b>	<b>-</b>	<b>359,461,188</b>	<b>271,434,284</b>	<b>15,944,951</b>	<b>7,179,871,812</b>

(NRS.)

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 15 July 2017 (2016-17)**

(NRS.)

Particulars	Called up Share Capital	Capital premium	Retained earnings	General Reserve	Other	Capital Adjustment Reserve	Debtore Redemption Reserve	Available-for-sale fair value reserve	Foreign exchange reserve	Total Shareholder's Fund
<b>At 15 July 2014 (previously reported)</b>	<b>2,650,205,804</b>	<b>-</b>	<b>5,815,251</b>	<b>1,110,693,413</b>	<b>670,694,033</b>	<b>85,000,000</b>			<b>13,390,169</b>	<b>4,535,798,670</b>
Adjustments	398,877,300				(398,877,300)					-
NFRS Adjustments (op adjustments)	-		-		(159,461,188)		159,461,188			-
<b>Restated</b>	<b>3,049,083,104</b>	<b>-</b>	<b>5,815,251</b>	<b>1,110,693,413</b>	<b>112,355,545</b>	<b>85,000,000</b>	<b>159,461,188</b>		<b>13,390,169</b>	<b>4,535,798,670</b>
Profit for the year and Other comprehensive income (net of tax)			988,706,028							988,706,028
Share Issue	8,976,396									8,976,396
NFRS Adjustments			60,412,146							60,412,146
Investment Adjustment Reserve			(79,390,220)					79,390,220		-
Transfer from General Reserve			200,000,000	(200,000,000)						-
Transfer to General Reserve			(213,087,229)	213,087,229						-
Capital Adjustment Reserve			(50,000,000)			50,000,000				-
Proposed Cash Dividend			-							-
Proposed Bonus Shares			-							-
Share Premium		79,159,949								79,159,949
Exchange Fluctuation Fund			(636,333)						636,333	-
Debtore Redemption Reserve			(100,000,000)				100,000,000			-
Deferred Tax Reserve			13,568,016		(13,568,016)					-
<b>At 16 Jul 2015</b>	<b>3,058,059,500</b>	<b>79,159,949</b>	<b>825,387,660</b>	<b>1,123,780,642</b>	<b>98,787,529</b>	<b>135,000,000</b>	<b>259,461,188</b>	<b>79,390,220</b>	<b>14,026,502</b>	<b>5,673,053,190</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## A. ABOUT NEPAL SBI BANK LIMITED

Nepal SBI Bank Limited, referred to as the bank hereinafter, is a limited liability publicly listed company registered in Nepal. The 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 55.37% 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 etc. NSBL payment gateway is provided for easy processing of trade / non-trade remittance to and from India this is in addition to SBI Nepal Express Remit for sending remittance from India to Nepal.

## B. STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs) issued by Accounting Standard Board - Nepal pronounced on 13 Sep 2013. These standards require financial statements to be prepared under accrual basis.

Historical cost convention has been used for financial statement recognition and measurement except otherwise required by NFRS. Where other method(s), other than historical costs, such as fair value has been applied these have been disclosed in accordance with the applicable reporting framework.

## C. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements for the year ended 31st Ashad 2074 (15th July 2017) have been authorised for issue by the Board of Directors in its meeting held on 15/11/2017 and have recommended for approval of shareholders in the Annual General Meeting.

## D. BASIS OF PREPARATION

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 are in compliance with directive of Nepal Rastra Bank and relevant business practices followed by the bank unless as adjusted for compliance for NFRS

### i. Future accounting and reporting developments

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:

#### IFRS 9 – Financial instruments

IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments.

#### Impairment

IFRS 9 introduces a revised impairment model, which will require entities to recognise expected credit losses based on unbiased forward-looking information, replacing the existing incurred loss model, which only recognises impairment if there is objective evidence that a loss is already incurred.

#### Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

- 1) the business model within which financial assets are managed, and
- 2) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

#### IFRS 15 – Revenue from Contracts with Customers

In 2014, the IASB issued IFRS15 Revenue from Contracts with Customers, which will replace IAS18 Revenue and IAS11 Construction

Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard will establish a more systematic approach for revenue measurement and recognition.

#### IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The expected effective date as announced by IASB is 1 January 2019.

### ii. Presentation of financial statements

The financial statements have been presented in the nearest Nepalese Rupees (NPR). The statement of profit or loss has been prepared using classification 'by nature' method.

The cash flows from operation within the statement of cash flows have been derived using the indirect method.

### iii. Presentation currency

Nepalese Rupees (NPR) is the functional and presentation currency.

### iv. Current non-current distinction

Assets and liabilities are bifurcated in current and non current based on their respective maturity. Such information has been disclosed in respective notes wherever applicable. Unless specifically disclosed as non-current assets and liabilities are current assets and current liabilities.

### v. Discounting

When the realisation 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 company.

### vi. Accounting policies, critical accounting estimates and judgements

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. When policies are not guided by the reporting framework, IFRS, other reporting standards and generally accepted accounting principles are followed.

In preparation of the financial statements the bank is required to make estimates and apply judgements for recognition and measurement of elements in the financial statements.

#### vii. Going concern

The financial statements are prepared on the assumption that the bank is a going concern and will continue in operation for the foreseeable future.

#### viii. Consolidation

All entities where the Bank has controlling interest have been consolidated.

#### ix. Reporting dates

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
Opening NFRS SFP* date	1 Shrawan 2072	17 July 2015
Comparative SFP* Date	31 Ashadh 2073	16 July 2016
Comparative reporting period	1 Shrawan 2072 - 31 Ashadh 2073	17 July 2015 - 16 July 2016
First NFRS SFP* Date	31 Ashadh 2074	15 July 2017 First NFRS reporting period
First NFRS reporting period	1 Shrawan 2073 - 31 Ashadh 2074	17 July 2016 - 15 July 2017

\*SFP = Statement of financial position

#### x. 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 of the qualitative characteristics.

## E. EXPLANATORY NOTES

### 1. FINANCIAL INSTRUMENTS

#### Accounting Policies

##### Financial assets and liabilities

The Bank applies NAS 39 Financial Instruments: Recognition and Measurement for the recognition, classification and measurement, and derecognition of financial assets and financial liabilities, the impairment of financial assets, and hedge accounting.

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 favourable 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.

Financial assets are classified under four categories as required by NAS 39, namely,

S.N.	NAS 39 classification - Financial Assets	Subsequent measurement
1	Fair Value through Profit or Loss	At Fair Value – through P&L
2	Held to Maturity	At Amortised cost using effective interest rate
3	Loans & Receivables	At Amortised cost using effective interest rate
4	Available for Sale	At Fair Value – through Equity

A financial liability is any liability that is:

- (a) contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable 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.

Financial Liabilities are classified under two categories as required by NAS 39, namely,

S.N.	NAS 39 classification - Financial Liabilities	Subsequent measurement
1	Fair Value through Profit or Loss	At Fair Value – through P&L
2	Other Financial Liabilities	At Amortised cost using effective interest rate

#### Recognition

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

#### Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may be held at fair value or amortised cost depending on the Bank's intention towards the assets and the nature of the assets and liabilities, mainly determined by their contractual terms.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Bank's policies for determining the fair values of the assets and liabilities are set out in Note 3.

### Derecognition

The Bank derecognises a financial asset, or a portion of a financial asset, from its balance sheet 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 derecognised when the liability has been settled, has expired or has been extinguished.

### Critical accounting estimates and judgements

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity or prepayment rates.

## EXPLANATIONS

### 1.1 FINANCIAL ASSETS

As at 15 July 2017								NRs.
Financial Assets	Notes	Assets at fair value			Assets at amortised costs		Total	
		Trading	Designated at FVTPL	Available for sale	Loans and Receivables	Loans and Receivables		
Cash at vault	1.1.1				1,984,553,390		1,984,553,390	
Balance with central bank	1.1.2				7,313,015,502		7,313,015,502	
Treasury bills	1.1.4		1,841,907,531				1,841,907,531	
Government bond	1.1.5					5,800,000,000	5,800,000,000	
Balances with banks	1.1.3				3,932,112,099		3,932,112,099	
Loans and Advances to banks	1.1.6				13,248,350,000		13,248,350,000	
Loans and Advances to Customers	1.1.7				63,005,200,985		63,005,200,985	
Investment in corporate securities	1.1.8	23,007,449		195,183,128			218,190,578	
Other Financial Assets	1.1.9				1,503,040,413		1,503,040,413	
		<b>23,007,449</b>	<b>1,841,907,531</b>	<b>195,183,128</b>	<b>90,986,272,389</b>	<b>5,800,000,000</b>	<b>98,846,370,498</b>	
As at 16 July 2016								NRs.
Cash at vault	1.1.1				1,799,377,843		1,799,377,843	
Balance with central bank	1.1.2				6,428,009,789		6,428,009,789	
Treasury bills	1.1.4		999,950,000				999,950,000	
Government bond	1.1.5					4,850,000,000	4,850,000,000	
Balances with banks	1.1.3				2,162,431,432		2,162,431,432	
Loans and Advances to banks	1.1.6				13,286,591,426		13,286,591,426	
Loans and Advances to Customers	1.1.7				46,998,925,697		46,998,925,697	
Investment in corporate securities	1.1.8	24,812,466		301,389,784			326,202,250	
Other Financial Assets	1.1.9				1,016,808,714		1,016,808,714	
		<b>24,812,466</b>	<b>999,950,000</b>	<b>301,389,784</b>	<b>71,692,144,901</b>	<b>4,850,000,000</b>	<b>77,868,297,151</b>	
As at 16 July 2015 (opening NFRS FS)								NRs.
Cash at vault	1.1.1				1,753,912,290		1,753,912,290	
Balance with central bank	1.1.2				4,662,434,374		4,662,434,374	
Treasury bills	1.1.4		2,102,429,750				2,102,429,750	
Government bond and securities	1.1.5					1,646,109,184	1,646,109,184	
Balances with banks	1.1.3				2,019,400,868		2,019,400,868	
Loans and Advances to banks	1.1.6				5,530,519,902		5,530,519,902	
Loans and Advances to Customers	1.1.7				39,880,327,607		39,880,327,607	
Investment in corporate securities	1.1.8	18,367,795		103,220,720			121,588,515	
Other Financial Assets	1.1.9				798,629,916		798,629,916	
		<b>18,367,795</b>	<b>2,102,429,750</b>	<b>103,220,720</b>	<b>54,645,224,957</b>	<b>1,646,109,184</b>	<b>58,515,352,406</b>	

### 1.1.1 Cash balance

Cash Balance has been classified as Loans and Receivables, under Financial Assets in accordance with NAS 39 Financial Instruments – Recognition and Measurement. The carrying value of cash is the fair value. The bank is required to maintain a level of liquidity in the form of cash under operational requirements.

Cash at vault and cash in transit are insured for physical risks. Cash is subject to risks of changes in time value of money. Cash held in foreign currency denomination, which are converted, using the closing rates, are subject to risk of movement in currency prices. The Bank has the system to continuously monitor and timely manage risks.

Cash Balance			NRs.
		Restated	Restated
	15-Jul-2017	15-Jul-2016	17-Jul-2015
Cash at Vault			
LCY	1,972,864,988	1,783,291,038	1,716,561,889
FCY	11,688,402	16,086,232	37,350,401
NSMBL Cash	-	573	-
Cash in Transit			
LCY			
	<b>1,984,553,390</b>	<b>1,799,377,843</b>	<b>1,753,912,290</b>

### 1.1.2 Balance with central bank

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

These balances have been classified as Loans and Receivables under NAS 39 Financial Instruments – Recognition and Measurement. The carrying value of these balances is considered to be the fair value. The bank perceives no apparent risks with these balances except the changes in foreign exchange rates and time value of money, as these balances do not generate any returns.

Balance with Central Bank			NRs.
		Restated	Restated
	15-Jul-2017	15-Jul-2016	17-Jul-2015
LCY	7,279,602,614	6,408,950,293	4,636,402,359
FCY			
INR	-	-	-
Others (convertible)	33,412,888	19,059,496	26,032,015
	<b>7,313,015,502</b>	<b>6,428,009,789</b>	<b>4,662,434,374</b>

### 1.1.3 Balance with other banks and financial institutions

These balances have been classified as Loans and Receivables under NAS 39 Financial Instruments – Recognition and Measurement. The carrying value of these balances is considered to be the fair value.

The Bank monitors and manages risks associated with these balances on regular basis.

Balances with other banks and financial institutions			NRs.
		Restated	Restated
	15-Jul-2017	15-Jul-2016	17-Jul-2015
Local banks			
LCY	2,094,696,596	525,399,746	729,842,302
FCY			
INR	-	-	-
Other FCY	-	-	-
Foreign Banks (FCY)			
INR	1,700,188,078	1,229,373,117	1,032,479,180
Others FCY	137,227,425	407,658,569	257,079,386
	<b>3,932,112,099</b>	<b>2,162,431,432</b>	<b>2,019,400,868</b>

#### 1.1.4 Treasury bills

The Bank has classified these instruments by designating them as fair value through profit or loss. These instruments have the maturity of less than on year. The valuations of these bills are assessed on the basis of the similar bills on issue, and the prices of similar bills have been considered as observable inputs. There have been no material changes in the value of these instruments from the date of recognition to the date of reporting.

Since these instruments are sovereign backed, have a very short maturity and high liquidity these are considered to be risk free investments. The fixed returns on these bills are considered to adequately cover for any associated risks.

Financial Assets Designated at Fair Value				NRs.
		Restated	Restated	
	15-Jul-2017	15-Jul-2016	17-Jul-2015	
Govt. of Nepal Treasury Bills	1,841,907,531	999,950,000	2,102,429,750	
	<b>1,841,907,531</b>	<b>999,950,000</b>	<b>2,102,429,750</b>	

#### 1.1.5 Other governments securities

Government of Nepal Bonds and Central bank 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 the intrinsic returns of these instruments adequately compensates for associated risk, if any.

Other Government Securities				NRs.
		Restated	Restated	
	15-Jul-2017	15-Jul-2016	17-Jul-2015	
Govt of Nepal Bonds / Securities	5,800,000,000	4,850,000,000	456,109,184	
Central Bank Bonds	-	-	-	
Central Bank Deposits in Collection	-	-	1,190,000,000	
	<b>5,800,000,000</b>	<b>4,850,000,000</b>	<b>1,646,109,184</b>	

Other Government Securities				NRs.
Current	-	-	1,646,109,184	
Non-Current	5,800,000,000	4,850,000,000	-	
	<b>5,800,000,000</b>	<b>4,850,000,000</b>	<b>1,646,109,184</b>	

#### 1.1.6 Loans and advances to banks

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

Risks associated with these balances are regularly monitored and managed. The bank considers that the returns on these instruments are sufficient to cover for associated risks, if any.

Loans and Advances to Bank				NRs.
		Restated	Restated	
	15-Jul-2017	15-Jul-2016	17-Jul-2015	
Local Banks and FI	-	-	101,600,000	
Foreign Banks	13,248,350,000	13,286,591,426	5,428,919,902	
Less: Specific Impairment	-	-	-	
<b>Less: Portfolio Impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>13,248,350,000</b>	<b>13,286,591,426</b>	<b>5,530,519,902</b>	

### 1.1.7 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) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset.

Risks associated with Loans and Advances to customers are regularly monitored and managed.

Loans and Advances to Customers			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Loans and Advances to Customers	63,702,108,034	47,530,507,600	40,399,358,547
Less:			
Specific Impairment	(607,409,195)	(454,244,452)	(375,093,132)
Portfolio Impairment	(89,497,853)	(77,337,451)	(143,937,809)
	<b>63,005,200,985</b>	<b>46,998,925,697</b>	<b>39,880,327,607</b>

Loans and Advances to Customers			NRs.
	15-Jul-2017	15-Jul-2016	17-Jul-2015
Current	48,688,600,985	37,140,525,697	31,825,327,607
Non-Current	14,316,600,000	9,858,400,000	8,055,000,000
	<b>63,005,200,985</b>	<b>46,998,925,697</b>	<b>39,880,327,607</b>

### 1.1.8 Investments in Corporate Securities

Investments in corporate securities have been carried at fair value. These instruments are bifurcated in two different classifications.

- Investment in Mutual Fund Units – 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.
- Investments in Other Corporate securities, whether listed or otherwise have been classified as Available for sale, recognised at fair value through other comprehensive income.

#### Investments in corporate securities classified as Available for sale

- Rural Microfinance Development Centre (RMDC) and Nepal Grameen Bikas Bank Limited (NGBBL) - These investments have been made a part of regulatory compliances, as these qualify for mandatory priority / deprived sector lending that is to be made by the bank. These securities are listed in the stock market. The Bank holds promoters shares of these companies which are not separately traded, however the market price of these securities have been considered for determining their fair values. The Bank does not have intention to dispose these investments.
- 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 bank and Financial Institutions. These securities are not listed and/or traded in the market. The cost prices of these investments are considered to represent the fair values.

Risks associated with these assets are regularly monitored and managed. A specific impairment was observed during the year 2014-15 in NGBBL, which was formed by merging the erstwhile regional grameen bikas banks (rural development banks). The financial turnaround after the merger resulted in reversal of the impairment in the year 2015-16.

Investments in Corporate Securities			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Corporate Securities (Available for Sale)	195,183,128	301,389,784	109,345,720
Mutual Fund Units (Held for Trading)	23,007,450	24,812,466	18,367,795
Less:			
Specific Impairment	-	-	(6,125,000)
	<b>218,190,578</b>	<b>326,202,250</b>	<b>121,588,515</b>

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Corporate securities (Detailed Analysis)				NRs.
		Restated	Restated	
	15-Jul-2017	15-Jul-2016	17-Jul-2015	
<b>Investment at Cost</b>				
Rural Microfinance Development Centre	18,895,000	18,895,000	18,895,000	
Nepal Gramen Bikaas Bank Limited	6,125,000	6,125,000	6,125,000	
Credit Information Bureau	1,235,500	1,235,500	1,235,500	
Nepal Clearing House Limited	2,500,000	2,500,000	2,500,000	
National Banking Institute	1,200,000	1,200,000	1,200,000	
Nepal SBI Merchant Banking Limited	-	-	-	
Mutual Funds				
– NIBL Sambriddhi	10,433,470	10,433,470	10,433,470	
– NMB Sulav	7,829,990	7,829,990	7,829,990	
– NIBL Pragati	856,300	-	-	
	<b>49,075,260</b>	<b>48,218,960</b>	<b>48,218,960</b>	
<b>Number of shares / Units</b>				
Rural Microfinance Development Centre	251,491	228,629	207,845	
Nepal Gramen Bikaas Bank Limited	92,810	92,810	61,250	
Credit Information Bureau	54,898	36,599	36,599	
Nepal Clearing House Limited	25,000	25,000	25,000	
National Banking Institute	12,000	12,000	12,000	
Nepal SBI Merchant banking Limited	1,000,000	1,000,000	-	
Mutual Funds				
– NIBL Sambriddhi	1,043,347	1,043,347	1,043,347	
– NMB Sulav	782,999	782,999	782,999	
– NIBL Pragati	85,630	-	-	
<b>Market Price</b>				
Rural Microfinance Development Centre	137,241,168	223,450,350	95,860,820	
Nepal Gramen Bikaas Bank Limited	48,752,159	70,579,534	6,125,000	
Credit Information Bureau	5,489,800	3,659,900	3,659,900	
Nepal Clearing House Limited	2,500,000	2,500,000	2,500,000	
National Banking Institute	1,200,000	1,200,000	1,200,000	
Nepal SBI Merchant banking Limited	-	-	-	
Mutual Funds				
– NIBL Sambriddhi	12,363,662	13,772,180	10,537,805	
– NMB Sulav	9,787,488	11,040,286	7,829,990	
– NIBL Pragati	856,300	-	-	
	<b>218,190,577</b>	<b>326,202,250</b>	<b>127,713,515</b>	

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Numbers of Shares / units					Market Price
15-Jul-17	Ordinary	Right	Bonus	Total	Per share / unit
RMDC	51,950	137,000	62,541	251,491	775.00 *
NGBBL	30,000	31,250	31,560	92,810	746.00 *
CIB	3,530	8,825	42,543	54,898	not listed
NCHL	25,000	-	-	25,000	not listed
NBI	12,000	-	-	12,000	not listed
NSMBL	1,000,000	-	-	1,000,000	not listed
MF Units					
– NIBL Sambriddhi	1,043,347	-	-	1,043,347	11.85
– NMB Sulav	782,999	-	-	782,999	12.50
– NIBL Pragati	85,630	-	-	85,630	10.00
15-Jul-16	Ordinary	Right	Bonus	Total	Per share / unit
RMDC	51,950	137,000	39,679	228,629	1,388.00 *
NGBBL	30,000	31,250	31,560	92,810	1,080.00 *
CIB	3,530	8,825	24,244	36,599	not listed
NCHL	25,000	-	-	25,000	not listed
NBI	12,000	-	-	12,000	not listed
NSMBL	1,000,000	-	-	1,000,000	not listed
MF Units					
– NIBL Sambriddhi	1,043,347	-	-	1,043,347	13.20
– NMB Sulav	782,999	-	-	782,999	14.10
– NIBL Pragati	-	-	-	-	-
16-Jul-15	Ordinary	Right	Bonus	Total	Per share / unit
RMDC	51,950	137,000	18,895	207,845	655.00 *
NGBBL (note)	30,000	31,250	-	61,250	not traded
CIB	3,530	8,825	24,244	36,599	not listed
NCHL	25,000	-	-	25,000	not listed
NBI	12,000	-	-	12,000	not listed
NSMBL	-	-	-	-	not listed
MF Units					
– NIBL Sambriddhi	1,043,347	-	-	1,043,347	10.10
– NMB Sulav	782,999	-	-	782,999	10.00
– NIBL Pragati	-	-	-	-	-

\* Though the investments in RMDC and NGBBL are listed in the active market, bank holds promoter shares in those companies. Promoter shares in these companies are not listed for trading. The market value is determined by taking the average percentage of ordinary shares that the promoter shares fetch from the market considering other listed promoter shares in Nepal Stock Exchange.

### 1.1.9 Prepayments, accrued income and other assets

The assets that fall under the classification of financial instruments are carried at amortised costs and those other assets that do not fall within the definition are carried at cost. These instruments are regularly monitored for impairment.

Prepayments, accrued income and other assets			NRs.
		Restated	Restated
	15-Jul-2017	15-Jul-2016	17-Jul-2015
<b>Financial Assets</b>			
Interest Receivable - Customer Loan	75,933,918	57,375,025	73,945,606
Income Receivable - Investments	139,418,012	127,098,583	48,878,619
Sundry Debtors	170,666,461	62,338,707	124,650,115
Loans and Advances to Staff	1,039,413,854	693,081,415	493,465,110
Draft paid without notice	22,359,375	22,359,375	22,359,375
NSMBL Other Assets	13,737,625	750	
Advance Tax			
Premium on GoN Bond	-	-	-
Others	41,511,168	54,554,859	35,331,091
	<b>1,503,040,413</b>	<b>1,016,808,714</b>	<b>798,629,916</b>
<b>Non-Financial Assets</b>			
Inventory	10,428,691	6,404,241	4,518,922
Prepayments	19,443,995	15,579,665	19,311,546
	29,872,686	21,983,906	23,830,468
<b>Total</b>	<b>1,532,913,099</b>	<b>1,038,792,620</b>	<b>822,460,384</b>
<b>Impairments</b>			
Draft Paid without notice	22,359,375	22,359,375	22,359,375
	22,359,375	22,359,375	22,359,375
<b>Total</b>	<b>1,510,553,724</b>	<b>1,016,433,245</b>	<b>800,101,009</b>

Prepayments, accrued income and other assets			NRs.
		Restated	Restated
	15-Jul-2017	15-Jul-2016	17-Jul-2015
Current	601,066,602	409,987,007	368,319,038
Non-Current	909,487,122	606,446,238	431,781,971
	<b>1,510,553,724</b>	<b>1,016,433,245</b>	<b>800,101,009</b>

## 1.1 LIABILITIES

As at 15 July 2017		Liabilities at fair value		Liabilities at amortised costs	Total
Financial Liabilities	Notes	Trading	Designated at FVTPL		
Deposit by Bank	1.2.1			845,732,830	845,732,830
Customer Accounts	1.2.3			80,720,360,147	80,720,360,147
Bills Payable	1.2.4			219,745,914	219,745,914
Borrowings	1.2.2			5,309,655,155	5,309,655,155
Debenture and debt in issue	1.2.6			1,000,000,000	1,000,000,000
Other Financial Liabilities	1.2.5			766,162,054	766,162,054
		-	-	<b>88,861,656,100</b>	<b>88,861,656,100</b>
As at 16 July 2016		Liabilities at fair value		Liabilities at amortised costs	Total
Financial Liabilities	Notes	Trading	Designated at FVTPL		
Deposit by Bank	1.2.1			569,687,560	569,687,560
Customer Accounts	1.2.3			64,543,628,728	64,543,628,728
Bills Payable	1.2.4			262,939,794	262,939,794
Inter Bank Borrowing	1.2.2			4,184,700,000	4,184,700,000
Debenture and debt in issue	1.2.6			1,000,000,000	1,000,000,000
Other Financial Liabilities	1.2.5			547,490,727	547,490,727
		-	-	<b>71,108,446,809</b>	<b>71,108,446,809</b>
As at 16 July 2015 (opening NFRS FS)		Liabilities at fair value		Liabilities at amortised costs	Total
Financial Liabilities	Notes	Trading	Designated at FVTPL		
Deposit by Bank	1.2.1			505,648,607	505,648,607
Customer Accounts	1.2.3			51,122,573,347	51,122,573,347
Bills Payable	1.2.4			178,342,832	178,342,832
Inter Bank Borrowing	1.2.2			-	-
Debenture and debt in issue	1.2.6			1,000,000,000	1,000,000,000
Other Financial Liabilities	1.2.5			442,856,892	442,856,892
		-	-	<b>53,249,421,678</b>	<b>53,249,421,678</b>

### 1.2.1 Deposits by banks and financial institutions

Deposits by banks and financial institutions				NRs.
		Restated	Restated	
	15-Jul-2017	15-Jul-2016	17-Jul-2015	
Non-Interest Bearing				
Current Accounts LCY				
Class A BFI *	90,878,382	3,666,250	7,412,697	
Other BFI **	3,139,729	6,829,916	23,281,321	
Current Accounts FCY				
Class A BFI	-	-	-	
Other BFI	-	-	-	
Interest Bearing				
Call Deposits LCY				
Class A BFI	-	-	-	
Other BFI	235,152,804	559,191,394	474,954,589	
Call Deposits FCY				
Class A BFI	-	-	-	
Other BFI	<b>516,561,915</b>	-	-	
	<b>845,732,830</b>	<b>569,687,560</b>	<b>505,648,607</b>	

## 1.2.2 Inter bank borrowings

These are short-term borrowings from other banks and financial institutions. These are recognised at amortised costs.

Items in the course of transmission to other banks				NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015	
Borrowing - Inter bank	5,309,655,155	4,184,700,000	-	-
	<b>5,309,655,155</b>	<b>4,184,700,000</b>		-

## 1.2.3 Customer accounts

All customer deposits are accounted for at amortised costs. For interest bearing accounts the inherent rates represent the effective interest rate.

Customer Accounts				NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015	
<b>Non Interest Bearing</b>				
<b>Current Account deposits (LCY)</b>				
GoN	19,850,127	41,925,439	132,191,612	
Other Organised Bodies	5,715,810,490	5,014,376,078	4,293,755,994	
Individuals	178,469,389	162,253,139	128,560,745	
Others	-	85,990	-	
<b>Current Account deposits (FCY)</b>				
GoN	-	-	-	
Other Organised Bodies	259,253,690	280,499,373	220,185,349	
Individuals	31,987,900	21,698,289	12,660,739	
Others	-	-	-	
<b>Margin deposits (LCY)</b>				
Guarantee Margin	127,629,693	90,970,412	89,849,568	
LC Margin	438,996,519	248,815,626	234,521,664	
Others (LCY)				
Other Organised Bodies	50,000	6,399,261	1,743,740	
Individuals	3,147,913	311,817,326	195,726,350	
<b>Interest Bearing</b>				
<b>Saving Account deposits (LCY)</b>				
Other Organised Bodies	243,944,333	561,535,523	510,489,754	
Individuals	28,171,806,868	26,080,040,259	20,781,151,811	
Others	-	-	-	
<b>Saving Account deposits (FCY)</b>				
Other Organised Bodies	593,700	-	1,055,668	
Individuals	244,037,267	186,782,212	192,702,879	
Others	-	3,421,194	-	
<b>Fixed deposits (LCY)</b>				
Other Organised Bodies	25,560,141,401	11,691,110,865	8,582,225,703	
Individuals	7,953,059,705	6,259,111,495	5,946,020,567	
Others	-	-	-	
<b>Fixed deposits (FCY)</b>				
Other Organised Bodies	8,183,465,000	5,069,081,729	4,601,232,454	
Individuals	-	-	-	
Others	-	-	-	
<b>Call deposits (LCY)</b>				
Other Organised Bodies	3,369,173,496	3,575,019,195	3,271,231,435	
Individuals	218,942,656	281,968,285	287,528,837	
Others	-	-	-	
<b>Call deposits (FCY)</b>				
Other Organised Bodies	-	4,656,717,038	1,639,738,478	
Individuals	-	-	-	
Others	-	-	-	
	<b>80,720,360,147</b>	<b>64,543,628,728</b>	<b>51,122,573,347</b>	

CONTINUED...

Customer Accounts			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Current	46,094,360,147	33,710,928,728	26,937,973,347
Non-Current	34,626,000,000	30,832,700,000	24,184,600,000
	<b>80,720,360,147</b>	<b>64,543,628,728</b>	<b>51,122,573,347</b>

#### 1.2.4 Bills payable

Bills payables			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
LCY	64,419,879	115,145,664	40,798,632
FCY	155,326,035	147,794,130	137,544,200
	<b>219,745,914</b>	<b>262,939,794</b>	<b>178,342,832</b>

#### 1.2.5 Accruals, deferred income and other liabilities

These are financial liabilities, measured at amortised cost.

Items in the course of transmission to other banks			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Financial Liabilities			
Employee Welfare	-	-	2,030,351
Employee Bonus	217,512,718	191,992,836	155,745,918
Interest payable on deposits	66,743,073	31,107,271	39,611,740
Interest payable on borrowings	55,395,151	53,636,005	49,133,537
Sundry Creditors	90,200,629	17,632,265	9,661,829
Dividend payable	12,836,933	17,693,185	27,414,811
Others			
TDS Payable	96,287,319	45,847,451	50,718,926
Others	162,202,882	163,399,291	95,490,312
NSMBL Payables	5,863,553	296,783	-
Lease Rent SLM Liability	38,348,081	25,885,640	13,049,468
Corporate Social Responsibility	15,232,375	-	-
Staff Capacity Building	5,539,340	-	-
	<b>766,162,054</b>	<b>547,490,727</b>	<b>442,856,892</b>

#### 1.2.6 Debt securities in Issue - debentures

Debentures are recognised at amortised cost using effective interest rates. The coupon rates of these instruments represent the 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.

Debt securities in issue - Debentures			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
12.5% Debenture 2012, maturity on 2022	400,000,000	400,000,000	400,000,000
8% Debenture 2013, maturity on 2023	400,000,000	400,000,000	400,000,000
7.9% Debenture 2014, maturity on 2024	200,000,000	200,000,000	200,000,000
	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>

Debentures			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Current	-	-	-
Non-Current	1,000,000,000	1,000,000,000	1,000,000,000
	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>

## 2. RISK MANAGEMENT

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.

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. 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.

Market Risk as defined by Market Risk Management policy of the Bank, is the risk of probable loss due to adverse changes in the market value of the Bank's assets and liabilities. The Market Risk Management Committee (MRMC) has the overall responsibility to monitor/manage

various market risk exposures of the Bank through Market Risk limits, stop loss limits, etc., at a more granular level. It is involved in identification, assessment, monitoring, reporting and analysis of Market risks profile associated with Treasury Operations.

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.

All the Staffs are well trained about risks and are guided on the areas of their operation. We continue to strengthen our risk management system through various measures to address the risks posed by a multitude of factors, which ultimately help us reaffirm our position as one of the best-managed bank 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.

## 3. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

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

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the bank's financial assets and liabilities, quoted prices are

not available, and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract, and then discount these values back to a present value based on interest rate yields and volatility of currency rates.

For financial liabilities of the bank 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 unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

## Valuation

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.

### Quoted market prices – Level 1

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.

### Valuation technique using observable inputs – Level 2

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

### Valuation technique using significant unobservable inputs –

### Level 3

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.

## 3.1 FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

Assets and Liabilities 16-17	Carrying amount	Quoted market prices	Observable Inputs	Unobservable inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
<b>FVtPL</b>				
Treasury Bill (designated at FV)	1,841,907,531		1,841,907,531	
Corporate Securities-MF Units (HFT)	23,007,450	23,007,450		
<b>AFS</b>				
Corporate Securities	195,183,128	185,993,328		9,189,800
Assets and Liabilities 15-16	Carrying amount	Quoted market prices	Observable Inputs	Unobservable inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
<b>FVtPL</b>				
Treasury Bill (designated at FV)	999,950,000		999,950,000	
Corporate Securities-MF Units (HFT)	24,812,466	24,812,466		
<b>AFS</b>				
Corporate Securities	301,389,784	294,029,884		7,359,900
Assets and Liabilities 14-15	Carrying amount	Quoted market prices	Observable Inputs	Unobservable inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
<b>FVtPL</b>				
Treasury Bill (designated at FV)	2,102,429,750		2,102,429,750	
Corporate Securities-MF Units (HFT)	18,367,795	18,367,795		
<b>AFS</b>				
Corporate Securities	103,220,720	95,860,820		7,359,900

## 3.2 LEVEL-3 MOVEMENT ANALYSIS

Corporate securities that have not been listed or actively traded in the market have been valued using the level 3 techniques. The costs of these securities are considered

to be the fair value on the basis of the available financial statement analysis of those entities. There have been no depletion in the capital of these companies and their financial statements indicate sound performances.

### 3.3 COMPARISON OF CARRYING AMOUNTS AND FAIR VALUES FOR FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Assets and Liabilities 16-17	Carrying amount	(Fair Value)	Quoted market prices	Observable Inputs	Unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>					
Cash at vault	1,984,553,390	1,984,553,390		1,984,553,390	
Balance with central bank	7,313,015,502	7,313,015,502		7,313,015,502	
Government bond	5,800,000,000	5,800,000,000		5,800,000,000	
Balances with banks	3,932,112,099	3,932,112,099		3,932,112,099	
Loans and Advances to banks	13,248,350,000	13,248,350,000		13,248,350,000	
Loans and Advances to Customers	63,005,200,985	63,005,200,985			63,005,200,985
Other Financial Assets	1,503,040,413	1,503,040,413			1,503,040,413
<b>Liabilities</b>					
Deposit by Bank	845,732,830	845,732,830		845,732,830	
Customer Accounts	80,720,360,147	80,720,360,147			80,720,360,147
Bills Payable	219,745,914	219,745,914			219,745,914
Borrowings	5,309,655,155	5,309,655,155		5,309,655,155	
Debenture and debt in issue	1,000,000,000	1,000,000,000		1,000,000,000	
Other Financial Liabilities	766,162,054	766,162,054			766,162,054
Assets and Liabilities 15-16	Carrying amount	(Fair Value)	Quoted market prices	Observable Inputs	Unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>					
Cash at vault	1,799,377,843	1,799,377,843		1,799,377,843	
Balance with central bank	6,428,009,789	6,428,009,789		6,428,009,789	
Government bond	4,850,000,000	4,850,000,000		4,850,000,000	
Balances with banks	2,162,431,432	2,162,431,432		2,162,431,432	
Loans and Advances to banks	13,286,591,426	13,286,591,426		13,286,591,426	
Loans and Advances to Customers	46,998,925,697	46,998,925,697			46,998,925,697
Other Financial Assets	1,016,808,714	1,016,808,714			1,016,808,714
<b>Liabilities</b>					
Deposit by Bank	569,687,560	569,687,560		569,687,560	
Customer Accounts	64,543,628,728	64,543,628,728			64,543,628,728
Bills Payable	262,939,794	262,939,794			262,939,794
Borrowings	4,184,700,000	4,184,700,000		4,184,700,000	
Debenture and debt in issue	1,000,000,000	1,000,000,000		1,000,000,000	
Other Financial Liabilities	547,490,727	547,490,727			547,490,727
Assets and Liabilities 14-15	Carrying amount	(Fair Value)	Quoted market prices	Observable Inputs	Unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>					
Cash at vault	1,753,912,290	1,753,912,290		1,753,912,290	
Balance with central bank	4,662,434,374	4,662,434,374		4,662,434,374	
Government bond	1,646,109,184	1,646,109,184		1,646,109,184	
Balances with banks	2,019,400,868	2,019,400,868		2,019,400,868	
Loans and Advances to banks	5,530,519,902	5,530,519,902		5,530,519,902	
Loans and Advances to Customers	39,880,327,607	39,880,327,607			39,880,327,607
Other Financial Assets	798,629,916	798,629,916			798,629,916
<b>Liabilities</b>					
Deposit by Bank	505,648,607	505,648,607		505,648,607	
Customer Accounts	51,122,573,347	51,122,573,347			51,122,573,347
Bills Payable	178,342,832	178,342,832			178,342,832
Borrowings	-	-		-	-
Debenture and debt in issue	1,000,000,000	1,000,000,000		1,000,000,000	
Other Financial Liabilities	442,856,892	442,856,892			442,856,892

## Cash at vault

There is no or minimal difference between the fair value and the carrying value of cash held by the bank.

## Balances with Central bank, Financial Institutions and Loans and advances to banks

There is minimal difference between the fair value and carrying amount due to the short-term nature of the lending (i.e. predominantly overnight deposits) and the high credit quality of counterparties.

## Loans and advances to customers

The fair value of loans and advances to customers, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. The carrying amount and the fair value of the receivable balances are considered similar since these loans and advances to customers are adequately covered by the collateral securities and guarantees by the borrowers.

Items in the course of transmission to other banks	15-Jul-2017	15-Jul-2016	17-Jul-2015
<b>A. Secured</b>	<b>63,752,341,581</b>	<b>47,542,980,562</b>	<b>40,471,869,460</b>
1. Against Movable/Immovable Assets	59,283,177,588	43,211,505,638	36,811,569,369
2. Against Guarantee of Local Licensed Institutions	-	-	-
3. Against Government Guarantee	156,120,721	156,120,721	156,120,721
4. Against Internationally Rated Bank Guarantee	-	-	-
5. Against Export Documents	65,637,592	1,091,615,241	1,055,433,528
6. Against Fixed Deposit Receipts	1,088,792,601	930,780,088	785,968,753
a. Own FDR	1,088,792,601	930,780,088	785,968,753
b. FDR of Other Licensed Institutions	-	-	-
7. Against Government Bonds	-	-	-
8. Against Counter Guarantee	-	-	-
9. Against Personal Guarantee	-	-	-
10. Against Other Securities	3,158,613,079	2,152,958,874	1,662,777,089
<b>B. Unsecured</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A + B)</b>	<b>63,752,341,581</b>	<b>47,542,980,562</b>	<b>40,471,869,460</b>

## Government Bond and Central bank Bonds

The fair value of these bonds calculated by the use of discounted cash flow techniques. The amortised costs of these assets discounted using the effective interest rate represents the fair value as these are highly liquid instruments backed by sovereign guarantee.

## Other Financial Assets

The fair values of other financial assets are considered to be equivalent to the carrying amount as these assets are regularly monitored for impairment and are expected to be collected and / or settled in ordinary course of business.

## Deposits from banks, inter-bank borrowing, customer accounts (deposits) and bills payable

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently such as customer accounts

and other deposits and short term debt securities.

The fair value for deposits with longer term maturities such as time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently the fair value discount is minimal.

## Debenture debt securities in issue

Fair values of other debt securities in issue, such as debentures, that are not quoted in the market are considered to be the carrying value where the amortised cost using effective interest approximates the discounted value.

## Other Financial Liabilities

The fair values of other financial liabilities are considered to be equivalent to the carrying amount as these assets are expected to be settled in ordinary course of business.

## 4. PROPERTY PLANT AND EQUIPMENT

### Accounting Policies

The Bank applies IAS 16 Property, Plant and Equipment and IAS 40 Investment Properties. Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Bank uses the following useful lives in calculating depreciation of property plant and equipment:

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	

Low value assets costing less than NRs 5,000 each are charged as operational expenses in the year of purchase.

### Explanations

Bank owns a land property acquired for the purpose of construction of its corporate office. Freehold land has been recognised at cost as the bank uses cost model for recognition of property plant and equipment. Land has been revalued by the enlisted valuator of the Bank. While conducting valuation, the market rate and government prescribed minimum rate has been considered at ration of 60:40 respectively. The adjusted marketed value is Rs. 30 crore against the cost Rs. 25.91 crore. The regulatory provisions require the revaluation gain not to be considered for minimum capital maintenance purpose and property plant and equipment are given risk weight of 100%.

Subsidiary's property plant and equipment has been adjusted for the common accounting policy of the group.

Description 15-16	LAND	BUILDINGS & LEASEHOLD	MACHINERY	FURNITURE & FIXTURE	OFFICE EQUIPMENT	VEHICLES	TOTAL
Original Cost (Rs.)							
As at 17 July 2015	259,160,000	121,749,934	49,833,022	211,857,389	491,198,536	237,816,740	1,371,615,620
Additions	-	5,713,288	2,205,551	12,017,201	47,514,766	40,819,277	108,270,082
Adjustment (disposals and transfers)	-	(2,904,074)	-	(4,653,968)	(8,925,154)	-	(16,483,196)
<b>As at 15 July 2016</b>	<b>259,160,000</b>	<b>124,559,148</b>	<b>52,038,573</b>	<b>219,220,621</b>	<b>529,788,148</b>	<b>278,636,017</b>	<b>1,463,402,507</b>
Depreciation (Rs.)							
As at 17 July 2015	-	56,969,924	42,264,107	140,305,379	417,532,984	94,175,301	751,247,695
Charge for the year	-	9,653,282	3,451,934	21,130,605	38,497,980	34,255,765	106,989,566
Attributable to sold/transferred/written off	-	(3,511,580)	-	(4,745,282)	(9,213,761)	-	(17,470,624)
<b>As at 15 July 2016</b>	<b>-</b>	<b>63,111,626</b>	<b>45,716,041</b>	<b>156,690,702</b>	<b>446,817,202</b>	<b>128,431,066</b>	<b>840,766,637</b>
Impairment Charge	-	-	-	-	-	-	-
Capital Work in Progress							
<b>As at 15 July 2016</b>	<b>259,160,000</b>	<b>61,447,522</b>	<b>6,322,532</b>	<b>62,529,920</b>	<b>82,970,945</b>	<b>150,204,950</b>	<b>622,635,869</b>
As at 17 July 2015	259,160,000	64,780,010	7,568,916	71,552,010	73,665,552	143,641,438	620,367,926
Description 16-17	LAND	BUILDINGS & LEASEHOLD	MACHINERY	FURNITURE & FIXTURE	OFFICE EQUIPMENT	VEHICLES	TOTAL
Original Cost (Rs.)							
As at 15 July 2016	259,160,000	124,559,148	52,038,573	219,220,621	529,788,148	278,636,017	1,463,402,507
Additions	-	26,396,041	47,690,531	68,170,789	87,345,019	10,146,919	239,749,299
Adjustment (disposals and transfers)	-	-	(2,762,224)	(2,401,071)	(7,049,889)	-	(12,213,184)
<b>As at 15 July 2017</b>	<b>259,160,000</b>	<b>150,955,189</b>	<b>96,966,880</b>	<b>284,990,339</b>	<b>610,083,277</b>	<b>288,782,936</b>	<b>1,690,938,622</b>
Depreciation (Rs.)							
As at 15 July 2016	-	63,111,626	45,716,041	156,690,702	446,817,202	128,431,066	840,766,637
Charge for the year	-	10,716,284	7,274,142	22,113,273	40,562,876	33,744,508	114,411,083
Attributable to sold/transferred/written off	-	-	(2,758,192)	(1,736,306)	(6,820,120)	-	(11,314,618)
<b>As at 15 July 2017</b>	<b>-</b>	<b>73,827,909</b>	<b>50,231,991</b>	<b>177,067,669</b>	<b>480,559,958</b>	<b>162,175,575</b>	<b>943,863,103</b>
Impairment Charge	-	-	-	-	-	-	-
Capital Work in Progress							
<b>As at 15 July 2017</b>	<b>259,160,000</b>	<b>77,127,280</b>	<b>46,734,889</b>	<b>107,922,670</b>	<b>129,523,319</b>	<b>126,607,361</b>	<b>747,075,518</b>
As at 15 July 2016	259,160,000	61,447,522	6,322,532	62,529,920	82,970,945	150,204,950	622,635,869

## 5. INTANGIBLE ASSETS

### Accounting Policies

#### 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 licences. They are initially recognised 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.

#### Explanations

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.

## 6. CALLED UP SHARE CAPITAL

### Accounting Policies

The Bank applies NAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of

transaction costs.

Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

### Explanations

Share capital detail				NRs.
	15-Jul-2017	No of share	Value per share	Capital in Value
Authorised capital		100,000,000	NPR100	10,000,000,000
Issued capital		69,717,983	NPR100	6,971,798,259
Paid up capital		69,248,930	NPR100	6,924,892,999
	15-Jul-2016	No of share	Value per share	Capital in Value
Authorised capital		100,000,000	NPR100	10,000,000,000
Issued capital		64,905,124	NPR100	6,490,512,353
Paid up capital		38,837,356	NPR100	3,883,735,565
	17-Jul-2015	No of share	Value per share	Capital in Value
Authorised capital		70,000,000	NPR100	7,000,000,000
Issued capital		30,580,595	NPR100	3,058,059,500
Paid up capital		30,580,595	NPR100	3,058,059,500

Movements in paid up share capital				NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015	
Opening Share Capital	3,883,735,565	3,058,059,500	2,650,205,804	
Bonus Share Capital	1,089,343,547	825,676,065	398,877,300	
Right Issue	1,945,037,100	-	-	
Further Public Offer	6,776,787	-	8,976,396	
Issue Expense adjusted	-	-	-	
Total Capital Increase	3,041,157,434	825,676,065	407,853,696	
<b>Closing Share capital</b>	<b>6,924,892,999</b>	<b>3,883,735,565</b>	<b>3,058,059,500</b>	

Shareholder Category			
	15-Jul-2017	15-Jul-2016	17-Jul-2015
	% of holding	% of holding	% of holding
Domestic Ownership			
Employee Provident Fund, Nepal	15.10%	15.03%	15.03%
General Public	29.53%	29.88%	29.88%
Foreign Ownership			
State Bank of India (SBI)	55.37%	55.09%	55.09%
Closing Share capital	6,924,892,999	3,883,735,565	3,058,059,500

No shareholder other than employee provident fund, Nepal and State bank of India, hold more that 0.5% of the share capital.

Financial Year	Cumulative Paid-up Share Capital	Remarks
2050/051 (1993/94)	119,820,000.00	Opening Share Capital at NRs. 100 Paid up. First issue of Share Capital was NRs. 120,000,000
2051/052 (1994/95)	119,871,000.00	Further allotment and subscription of Share Capital of NRs. 51,000
2052/053 (1995/96)	119,977,000.00	Further allotment and subscription of Share Capital of NRs. 106,000
2053/054 (1996/97)	119,946,000.00	Further allotment and subscription of Share Capital of NRs. 19,000.00 and cancellation of share of NRs. 50,000
2054/055 (1997/98)	119,946,000.00	
2055/056 (1998/99)	119,946,000.00	
2056/057 (1999/00)	119,946,000.00	
2057/058 (2000/01)	143,935,200.00	Issuance of 20% Bonus Shares
2058/059 (2001/02)	424,893,300.00	Issuance of 1:2 Right Shares
2059/060 (2002/03)	425,157,300.00	Further allotment previous Right Issue
2060/061 (2003/04)	426,875,900.00	Further allotment previous Right Issue
2061/062 (2004/05)	431,865,600.00	Further allotment previous Right Issue
2062/063 (2005/06)	640,236,100.00	Issuance of 2:1 Right Shares
2063/064 (2006/07)	647,798,400.00	Further allotment previous Right Issue
2064/065 (2007/08)	874,527,840.00	Issuance of 35% Bonus Shares
2065/066 (2008/09)	874,527,840.00	
2066/067 (2009/10)	1,861,324,239.00	Issuance of 40% Bonus Shares and issuance of 2:1 Right Shares
2067/068 (2010/11)	2,102,966,165.00	Issuance of 12.5% Bonus Shares and allotment of previously unsubscribed right issue.
2068/069 (2011/12)	2,355,738,504.00	Issuance of 12.5% Bonus Shares and cancellation of last year's allotment of previously unsubscribed right issue.
2069/070 (2012/13)	2,650,205,804.00	Issuance of 12.5% Bonus Shares
2070/071 (2013/14)	3,049,083,104.00	Issuance of 15.05% Bonus Shares
2071/072 (2014/15)	3,883,735,565.00	Issuance of 27% Bonus Shares
2072/073 (2015/16)	4,973,079,111.62	Issuance of 28% Bonus Shares
2073/074 (2016/17)	6,924,892,998.62	NRs. 6,776,787 raised by issue of FPO and NRs. 1,945,037,100 raised by right issue.

## 7. RESERVES

### Explanations

Reserves	NRs.		
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Capital premium	-	-	79,159,949
Retained earnings	1,160,848,872	1,225,083,746	825,387,660
General Reserve	1,694,804,484	1,390,157,003	1,123,780,642
Capital Adjustment Reserve	12,463,167	-	135,000,000
Debenture Redemption Reserve	459,461,188	359,461,188	259,461,188
Available-for-sale fair value reserve	165,227,628	271,434,284	79,390,220
Foreign exchange reserve	19,814,792	15,944,951	14,026,502
Other	97,192,162	34,055,075	98,787,529
	<b>3,609,812,293</b>	<b>3,296,136,247</b>	<b>2,614,993,690</b>

### 7.1 Capital Premium

Any premium collected on issue of shares to the public is credited to this reserve. This reserve is utilised only for issue of the bonus share capital.

### 7.2 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.

### 7.3 Capital Adjustment Reserve

Under the regulatory requirement to enhance capital base of the bank, bank appropriates a portion of the reserves to this account to meet the capital enhancement requirement.

### 7.4 Debenture 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. (for maturity of the debentures please refer to our note 1.2.6)

### 7.5 AFS Reserve

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

## 7.6 Foreign exchange 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. (also refer Note 20)

## 7.7 Others

Any other appropriation to and from retained earning is taken to this reserve.

## Movement in Reserves

All movements in the reserves are detailed in Statement of Changes in Equity.

## 8. TAXES

### Accounting Policies

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 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 realised 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.

### Explanations

## 8.1 Tax assets and liabilities

Net Tax Asset / (Liability)				NRs.
	Tax Liability	Advance Tax Paid	Net Tax Asset/(Liability)	Cumulative
2012-13 (2069/70)	364,096,009	402,392,231	38,296,222	38,296,222
2013-14 (2070/71)	406,083,233	427,048,139	20,964,906	59,261,128
2014-15 (2071/72)	526,879,199	505,661,073	(21,218,126)	38,043,002
2015-16 (2072/73)	593,098,739	672,515,004	79,416,265	117,459,267
2016-17 (2073/74)	686,986,416	745,369,103	58,382,687	175,841,954

## 8.2 Deferred Taxes

Particulars 16-17	Carrying Amount	Tax Base	Temporary Diff
<b>Assets</b>			
Property, Plant & Equipment	741,543,198	612,220,286	129,322,912
AFS Investment	195,183,128	29,955,500	165,227,628
Interest receivable	75,933,918	-	75,933,918
Loans and Advances	63,005,200,985	63,024,815,422	(19,614,437)
Corporate Securities at FV	23,007,450	19,119,760	3,887,690
<b>Liability and Provisions</b>			
Defined Benefit Plan Prov	477,632,051	-	(477,632,051)
Impairment of Draft Paid	22,359,375	-	(22,359,375)
Performance bonus Prov	217,512,717	-	(217,512,717)
Lease Liability	38,348,081	-	38,348,081
<b>Total</b>			<b>(324,398,351)</b>
	Tax Rate @	30%	<b>(97,319,505)</b>
	NSMBL DefTax	25%	<b>127,343</b>
			<b>(97,192,162)</b>
	Deferred Tax Liability / (Asset) - 16.07.2016		<b>(34,055,075)</b>
	Deferred Tax Expense / (Income) - 2016-17		<b>(63,137,087)</b>
	Deferred Tax liability / (Asset) - 15.07.2017		<b>(97,192,162)</b>
	Deferred Tax Expense / (Income) - 2016-17 P&L		<b>(10,676,587)</b>
	Deferred Tax Expense / (Income) - 2016-17 OCI		<b>(52,333,157)</b>
Particulars 15-16	Carrying Amount	Tax Base	Temporary Diff
<b>Assets</b>			
Property, Plant & Equipment	622,635,869	500,910,989	121,724,880
AFS Investment	301,389,784	29,955,500	271,434,284
Interest receivable	57,375,025	-	57,375,025
Loans and Advances	46,998,925,697	46,975,534,686	23,391,011
Corporate Securities at FV	24,812,466	18,263,460	6,549,006
<b>Liability and Provisions</b>			
Defined Benefit Plan Prov	353,753,272	-	(353,753,272)
Impairment of Draft Paid	22,359,375	-	(22,359,375)
Performance bonus Prov	191,992,836	-	(191,992,836)
Lease Liability	25,885,640	-	(25,885,640)
<b>Total</b>			<b>(113,516,917)</b>
	Tax Rate @	30%	<b>(34,055,075)</b>
	Deferred Tax Liability / (Asset) - 17.07.2015		<b>(98,787,529)</b>
	Deferred Tax Expense / (Income) - 2015-16		<b>64,732,454</b>
	Deferred Tax Liability / (Asset) - 15.07.2016		<b>(34,055,075)</b>
	Deferred Tax Expense / (Income) - 2015-16 P&L		<b>(15,841,055)</b>
	Deferred Tax Expense / (Income) - 2015-16 OCI		<b>80,573,509</b>
Particulars 14-15	Carrying Amount	Tax Base	Temporary Diff
<b>Assets</b>			
Property, Plant & Equipment	620,367,926	487,651,499	132,716,427
AFS Investment	109,345,720	29,955,500	79,390,220
Interest receivable	73,945,606	-	73,945,606
Loans and Advances	39,880,327,607	39,979,173,045	(98,845,438)
Corporate Securities at FV	18,367,795	18,263,460	104,335
<b>Liability and Provisions</b>			
Defined Benefit Plan Prov	351,547,087	-	(351,547,087)
Impairment of Draft Paid	22,359,375	-	(22,359,375)
Performance bonus Prov	155,745,918	-	(155,745,918)
Lease Liability	13,049,468	-	13,049,468
<b>Total</b>			<b>(329,291,763)</b>
	Tax Rate @	30%	<b>(98,787,529)</b>
	Deferred Tax Liability / (Asset) - 15.07.2014		<b>(112,355,544)</b>
	Deferred Tax Expense / (Income) - 2014-15		<b>13,568,015</b>
	Deferred Tax Liability / (Asset) - 15.07.2015		<b>(98,787,529)</b>
	Deferred Tax Expense / (Income) - 2014-15 P&L		<b>(923,466)</b>
	Deferred Tax Expense / (Income) - 2014-15 OCI		<b>14,491,481</b>

### 8.3 Current Tax Expense

Taxes	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Income Taxes			
For Current Period	686,716,416	579,357,379	503,887,138
For NSMBL	5,081,750	36,750	-
For Previous period	270,000	13,741,360	22,992,061
Deferred Taxes (income)/expense	(10,803,930)	(15,841,055)	(923,466)
Deferred Tax NSMBL	127,343	-	-
	<b>681,391,579</b>	<b>577,294,434</b>	<b>525,955,733</b>

### 8.4 Reconciliation with the reported profit and tax profit

Reconciliation with Tax Profit	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Profit before tax as per Financial Statement	2,261,610,206	1,861,097,119	1,470,082,084
Adjustments	27,444,515	70,094,145	209,541,708
Profit for Tax Purpose	2,289,054,721	1,931,191,264	1,679,623,792
Tax rate	30%	30%	30%
	<b>686,716,416</b>	<b>579,357,379</b>	<b>503,887,138</b>
NSMBL Profit before tax	20,821,942	155,758	-
Adjustments	(494,942)	(8,758)	-
Profit for Tax Purpose	20,327,000	147,000	-
Tax rate	25%	25%	25%
	<b>5,081,750</b>	<b>36,750</b>	-

The adjustments are done on the basis of the allowable or disallowable incomes and expenses under the provisions of the income tax act and regulations.

### 8.5 Other Tax Matters

Till the reporting date Bank's corporate tax up to FY 2008-09 has been settled by the LTO. Similarly, LTO has completed tax audit and amended tax liability for FY 2009/10, FY 2010/11, FY 2011/12 and FY 2012/13. However, Bank has appealed against amended tax liability assessment by LTO for FY 2009/10, FY 2010/11, FY 2011/12 and FY 2012/13 with Revenue Tribunal/ IRD. The total contingent tax liability for previous three years, NRs. 3,892,740 has been provided under contingent tax liabilities.

The Large Taxpayers Office (LTO) can amend the tax returns submitted by the Bank within four years from the date of

submission except assessment is inaccurate by reason of fraud. LTO can amend the tax liability of the Bank and order to pay additional tax. However, if the Bank felt that the amended tax assessment by LTO is not justifiable as per prevailing income tax act, the Bank may appeal against the amended tax assessment by LTO. The process of appeal is to be done gradually with Director General of Inland Revenue Department for Administrative Review, then appeal to Revenue Tribunal and at last appeal to Supreme Court.

Tax returns filed under self-assessments for the FY 2013-14, FY 2014-15 and FY 2015-16 are yet to be assessed by the LTO.

## 9. EMPLOYEE BENEFITS

### Accounting Policies

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 recognises contributions due in respect of the accounting period to profit and loss. Any contributions unpaid at the reporting date are included as a liability.

### Post retirement benefits - Defined Benefit Schemes

The bank operates gratuity, accumulated annual leave

payments and sick leave payments as post retirement benefits as defined benefit schemes. Liabilities under each of those schemes are valued at fair value using actuarial remeasurements. Bank intends to fund the liabilities with scheme assets, through there are no scheme assets as at reporting date. Bank presents obligation less the fair value of the assets after applying the asset ceiling test.

Changes in scheme liabilities or assets (remeasurements) 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.

Remeasurements 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).

## Explanations

### 9.1 Current employee benefits costs

Staff Expenses	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Salary	338,322,809	272,387,973	227,472,299
Allowances	222,495,214	184,921,493	156,364,147
Training	10,930,273	7,977,359	841,475
Uniform	1,060,488	542,790	863,657
Medical expenses	10,103,197	9,239,366	8,306,305
Insurance	26,542,770	22,835,808	21,108,882
Food	20,136,352	18,250,015	16,985,394
Notional Interest	26,793,281	23,394,542	9,854,408
Defined Contribution Plan Expenses	31,487,594	25,272,592	21,948,148
Defined Benefit Plan Expenses	52,224,060	57,995,415	78,022,099
Employee statutory bonus	217,512,717	191,992,836	155,745,918
	<b>957,608,755</b>	<b>814,810,189</b>	<b>697,512,732</b>

#### 9.1.1 Employee statutory bonus

Staff are paid statutory bonus in accordance with the prevalent provisions of the Bonus Act. Employee bonus is calculated as 10% of the profit for the period.

#### 9.1.2 Salary and allowances

Salaries and allowances, except staff statutory bonus and post employee benefits, are charged for the period when the employees render the services and employees become entitled under the staff rules of the Bank.

### 9.2 Post employment benefits

#### 9.2.2 Defined benefit plan

#### 9.2.1 Defined contribution plan

Defined contribution plan pertain to the bank's contribution toward the provident fund, which the staff are entitled at the time of retirement. 10% of basis salary is paid into the plan on monthly basis and charged for the period when the bank receives services from the staff.

The plan assets are accumulated by a separately registered employee retirement plan managed by the bank's staff. Entire fund of the plan is invested in the bank's own term deposits. The bank does not have any obligation to pay after the fixed contribution is paid into the plan, even if the plan does not hold sufficient assets.

Defined Benefit Plan Obligation	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
PV of Opening DBP Obligation	353,753,271	351,547,087	259,355,178
Current Service Costs	30,804,090	51,870,655	43,317,394
Finance Cost (unwinding)	30,139,780	29,951,812	23,938,483
Benefits Paid (Actual)	(5,302,290)	(3,081,982)	(6,149,251)
Actuarial (Gain) or Loss	68,237,200	(76,534,300)	31,085,283
<b>PV of Closing DBP Obligation</b>	<b>477,632,051</b>	<b>353,753,272</b>	<b>351,547,087</b>

Defined Benefit Plan Assets				NRs.
	2016-17	Restated 2015-16	Restated 2014-15	
FV of Closing DBP Assets	-	-	-	-
Net Defined Benefit Plan Obligation	477,632,051	353,753,272	351,547,087	
	<b>(5,302,290)</b>	<b>(3,081,982)</b>	<b>(6,149,251)</b>	
Charge to SoPL	52,224,060	57,995,415	78,022,099	
Charge / (credit) to SOCI	(59,517,390)	(52,707,248)	20,319,061	
<b>Charge for the year</b>	<b>(7,293,330)</b>	<b>5,288,167</b>	<b>98,341,160</b>	

Actuarial remeasurements on the leave benefits have been charged directly to the profit and loss.

Defined Benefit Plan Obligation 2017				NRs.
	Gratuity	Compensated Leave	Total	
<b>Opening DBP Obligation</b>	<b>228,329,449</b>	<b>125,423,822</b>	<b>353,753,271</b>	
Current Service Costs	21,806,040	8,998,050	30,804,090	
Finance Cost (unwinding)	19,453,670	10,686,110	30,139,780	
Benefits Paid (Actual)	(2,044,910)	(3,257,380)	(5,302,290)	
Actuarial (Gain) or Loss	59,517,390	8,719,810	68,237,200	
<b>Closing DBP Obligation</b>	<b>327,061,639</b>	<b>150,570,412</b>	<b>477,632,051</b>	

Defined Benefit Plan Obligation 2016				NRs.
	Gratuity	Compensated Leave	Total	
<b>Opening DBP Obligation</b>	<b>226,905,471</b>	<b>124,641,616</b>	<b>351,547,087</b>	
Current Service Costs	36,518,253	15,352,402	51,870,655	
Finance Cost (unwinding)	19,332,346	10,619,466	29,951,812	
Benefits Paid (Actual)	(1,719,373)	(1,362,609)	(3,081,982)	
Actuarial (Gain) or Loss	(52,707,248)	(23,827,052)	(76,534,300)	
<b>Closing DBP Obligation</b>	<b>228,329,449</b>	<b>125,423,822</b>	<b>353,753,271</b>	

Defined Benefit Plan Obligation 2015				NRs.
	Gratuity	Compensated Leave	Total	
<b>Opening DBP Obligation</b>	<b>167,400,360</b>	<b>91,954,818</b>	<b>259,355,178</b>	
Current Service Costs	27,959,139	15,358,255	43,317,394	
Finance Cost (unwinding)	15,451,053	8,487,430	23,938,483	
Benefits Paid (Actual)	(4,224,141)	(1,925,110)	(6,149,251)	
Actuarial (Gain) or Loss	20,319,061	10,766,222	31,085,283	
<b>Closing DBP Obligation</b>	<b>226,905,471</b>	<b>124,641,616</b>	<b>351,547,087</b>	

### 9.2.3 Actuarial assumption

Actuarial valuation of defined benefit plan obligation is done on the basis of the following assumption

	2016-17	2015-16	2014-15
Discount Rate	9.5%	8.5%	8.5%
Salary Escalation Rate	6.5%	8%	8%
Expected Return on Assets	NA	NA	NA
Mortality Rate	Nepal Assured Mortality 2009	Nepal Assured Mortality 2009	Nepal Assured Mortality 2009
Withdrawal Rate 20-58			
20-35	3%	3%	3%
36-58	1%	1%	1%

### 9.2.4 Sensitivity analysis

	2016-17	2015-16	2014-15
<b>Discount Rate</b>			
Effect on DBO – increase of discount rate by 1%	-10%	-10%	-10%
Effect on DBO – decrease of discount rate by 1%	12%	12%	12%
<b>Salary Escalation Rate</b>			
Effect on DBO – increase of salary rate by 1%	12%	12%	12%
Effect on DBO – decrease of salary rate by 1%	-10%	-10%	-10%
36-58	1%	1%	1%

## 10. PROVISIONS

### Accounting Policies

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.

## 11. REVENUE

### Accounting Policies

The Bank applies NAS 39 Financial Instruments: Recognition and Measurement. Interest income on loans and advances at amortised cost, available for sale debt investments, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Bank to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), in the normal course of business there are no individual estimates that are material to the results or financial position.

### Explanations

Revenue			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
Interest Income X.1	5,991,658,675	4,007,446,593	3,849,741,687
Less: Interest Expense X.2	(2,989,081,666)	(1,564,730,163)	(1,773,842,303)
Net Interest Income	3,002,577,009	2,442,716,430	2,075,899,384
Fees and Commission Income	869,646,476	750,429,298	561,171,967
Trading Income (net)	220,922,445	136,369,939	119,469,424
Other Operating Income	27,284,323	3,520,293	30,644,349
<b>Total Revenue</b>	<b>4,120,430,253</b>	<b>3,333,035,960</b>	<b>2,787,185,124</b>

### 11.1 Interest income

Interest Income			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
Interest Income from			
Loans to Customers			
Loans and Advances (other than overdraft)	4,382,195,512	2,970,167,724	2,853,707,280
Overdraft	995,324,213	731,981,870	726,833,523
Reversal of suspended interest	18,558,893	(16,570,581)	5,887,696
Deposits with banks and financial institutions			
Local banks	16,245,531	2,037,816	1,517,298
Foreign banks	251,319,674	120,893,885	156,920,315
Government Securities			
Treasury bills	39,921,780	21,284,261	13,972,448
GoN Development Bonds	228,151,071	87,242,644	53,599,809
Central bank Bonds	3,162,644	44,929,064	3,603,397
Notional Interest on Staff Loan	26,793,281	23,394,542	9,854,408
Others	29,986,076	22,085,368	23,845,513
	<b>5,991,658,675</b>	<b>4,007,446,593</b>	<b>3,849,741,687</b>

## 11.2 Interest expense

Interest Expense	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Interest Expense on			
Customers accounts			
Term deposits			
LCY	1,912,308,628	801,177,437	934,103,254
FCY	79,371,736	73,675,050	136,674,202
Saving deposits			
LCY	559,852,286	471,200,829	455,344,220
FCY	1,158,294	943,113	797,716
Call deposits			
LCY	243,647,879	85,943,975	141,108,379
FCY	28,387,842	12,287,467	5,886,836
NSMBL Interest	(5,401,403)	(420,765)	-
Debentures and bonds	97,800,000	97,800,000	97,800,000
NRB deposits	-	-	-
Inter bank / financial institution borrowings	71,956,404	22,123,057	2,127,696
	<b>2,989,081,666</b>	<b>1,564,730,163</b>	<b>1,773,842,303</b>

## 11.3 Fees and commission income

The Bank applies IAS 18 Revenue for recognising Fees and commissions charged for services provided or received by the Bank. These are recognised as the services are provided, for example on completion of the underlying transaction.

Fees and Commission Income (net)	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Discount			
Local Bills	-	-	-
Foreign Bills	147,730	1,937	69,217
Commission			
Letter of Credit	60,365,589	31,200,417	30,436,467
Guarantee	94,851,058	77,486,550	45,583,790
Card Commission	239,594,189	281,287,722	193,684,783
Agency Commission	4,438,521	8,233,516	8,462,230
POS Commission	6,361,629	-	-
Other - commissions	239,166	154,963	185,343
Fees			
Collection fee	3,047,600	1,394,613	2,284,987
Remittance fee	78,549,408	66,037,589	59,647,220
Credit / Debit card			
Safe Deposit Lockers Rental	7,891,090	5,814,798	5,417,326
Issue & Renewals of Credit Cards	-	-	-
Issue & Renewals of ATM Cards	29,746,038	24,747,048	68,487,425
Telex / T. T.	57,054,302	47,544,733	39,986,752
Service Charges	224,843,051	176,630,318	83,770,905
Renewal Fees	15,156,805	11,523,020	8,272,250
Others - fees	27,307,651	18,431,797	14,883,272
NSMBL Fee Income (Net)	20,052,649	(59,723)	-
	<b>869,646,476</b>	<b>750,429,298</b>	<b>561,171,967</b>

#### 11.4 Net trading income

Net trading income includes income arising from the sale and purchase of trading positions, margins that are achieved through market making and customer business and from changes in fair value caused by movements in exchange rates.

These also include the net gains (loss) on translation of period end balances carried in foreign exchange to Nepalese Rupees.

Net Trading Income			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
Foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities (also refer Note 20)	220,922,445	136,369,939	119,469,424
	<b>220,922,445</b>	<b>136,369,939</b>	<b>119,469,424</b>

#### 11.5 Other operating income

Other Operating Income			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
Gains less losses from disposal of financial investments	-	-	-
Dividend income	6,498,413	3,991,542	4,645,381
Gain/(loss) on disposal of Property Plant & Equipment	(122,258)	(1,706,121)	252,153
Other operating income			
Written off loans recovered	-	-	5,085,368
Recovery of written off interest	19,000,000	-	14,954,613
Others	1,908,168	1,234,872	5,706,834
	<b>27,284,323</b>	<b>3,520,293</b>	<b>30,644,349</b>

## 12. GENERAL ADMINISTRATIVE EXPENSES

### Explanations

General Administrative Expenses	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Premises expenses	243,746,114	213,044,480	173,167,227
Lease Rental	147,780,556	138,543,597	103,894,540
Water and Electricity	25,764,266	18,521,347	18,103,085
Premises Repair and maintenance	3,545,936	3,129,103	831,866
Security	66,655,356	52,850,433	50,337,736
Office cleaning	-	-	-
Repair and maintenance other than premises	23,730,582	28,139,041	24,895,394
Vehicles	4,446,814	3,189,452	3,045,453
Office Equipment and Furniture	19,283,768	24,949,589	21,849,941
Others	-	-	-
Insurance	9,426,751	8,566,408	8,621,247
Communication: Telephone, Postage	12,598,093	12,486,540	10,392,487
Small equipment charged off	1,151,482	1,051,920	427,472
Travel expenses and allowances	18,399,173	18,302,795	12,229,200
Printing and stationery	37,329,191	30,495,805	23,425,593
Books and periodicals	1,540,317	1,382,995	1,274,159
Advertisement and business promotion	29,552,955	12,633,025	5,081,499
Legal expenses	1,403,039	1,614,807	1,443,807
Donations	-	2,660,772	5,000,000
Board of Directors expenses	1,829,158	2,165,991	1,375,192
Setting fee	1,050,000	894,700	1,052,500
Other expenses	779,158	1,271,291	322,692
General meeting expenses	1,616,238	1,431,972	2,633,899
Audit Fee	2,316,500	2,443,625	365,189
Statutory audit fee	2,316,500	2,316,500	271,200
Audit expenses	-	127,125	93,989
Share Issue Expenses	290,091	-	-
Technical Service fees	20,968,086	21,085,911	19,713,695
Entertainment	1,553,019	1,738,691	1,443,383
Credit & Deposit Guarantee Premium	25,347,233	22,200,000	19,533,106
Other expenses			
Information Technology Support Cost	38,784,333	30,501,219	22,973,235
Fuel	16,011,923	16,831,497	21,087,003
Bank Promotion	14,444,315	3,371,196	349,338
Nostro Transaction Charges	2,572,386	2,536,786	2,599,498
Outsourcing Expenses	11,229,170	12,023,182	7,539,254
Credit Information Report Charge	9,520,320	7,102,760	6,665,400
Master Card and Visa Charges	58,490,171	18,026,108	4,455,403
NSMBL Operating Expenses	3,466,039	203,056	-
Other operating expenses	67,361,042	51,782,688	35,498,507
	<b>654,677,722</b>	<b>523,823,270</b>	<b>412,190,187</b>

## 13. AUDIT FEES

### Explanations

Audit fees and expenses are pre approved by the annual general meeting of the shareholders in accordance with the Companies Act 2007. Auditors' remuneration is inclusive of consultancy, legal and professional fees and general expenses and comprises as following:

Audit Fees and expenses	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Audit Fees	2,316,500	2,316,500	271,200
Other audit related expenses	-	127,125	93,989
	<b>2,316,500</b>	<b>2,443,625</b>	<b>365,189</b>

## 14. IMPAIRMENTS

### Accounting Policies

#### Loans and other assets held at amortised cost

In accordance with IAS 39, the Bank assesses at reporting date whether there is objective evidence that loan assets or available for sale financial investments (debt or equity) will not be recovered in full and, wherever necessary, recognises an impairment loss in the statement of profit and loss.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- a breach of contract, such as a default or delinquency in interest or principal payments
- becoming aware of significant financial difficulty of the issuer or obligor
- the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties and
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are banked together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the Bank of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit and loss.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the statement of profit and loss.

#### Impairment of available for sale debt instruments

Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in the AFS reserve is removed from reserves and recognised in the statement of profit and loss. This may be reversed if there is evidence that the circumstances of the issuer have improved.

#### Impairment of available for sale equity instruments

Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in the AFS reserve is removed from reserves and recognised in the statement of profit and loss. Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

#### Critical accounting estimates and judgements

The calculation of impairment involves the use of judgement, based on the Bank's experience of managing credit risk. Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence

periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original

effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows.

The loans and advances that are not specifically (individually) impaired are assessed for impairment on portfolio basis. The Bank has categorised these non-impaired loans and advances under single category considering the similar risk characteristics as these loans are backed by collateral security and or personal guarantee of the borrower, they belong to the same economic environment and social condition. The bank's previous experience also indicates the similar rate of default among different loans and advances products.

Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

### Explanations

Impairment Charge			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
Impairment charges on Loans & Advances to Customers and credit risk	157,495,726	75,481,671	136,482,110
Reversal of Impairment Charged on Loans and Advances	(28,034,555)	(36,596,183)	(52,123,586)
Impairment on investments	-	-	6,125,000
Reversal of impairment on Investments	-	(6,125,000)	-
Other Impairments (other assets)	-	-	368,369
	<b>129,461,171</b>	<b>32,760,488</b>	<b>90,851,893</b>

## 15. EARNING PER SHARE (EPS)

### Accounting Policies

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.

### Explanations

Earning per share			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
Earning attributable to equity shareholders	1,523,237,401	1,331,881,801	1,065,436,141
Weighted average number of shares for the period	46,762,269	34,086,891	28,250,239
Basic Earning Per Share (NPR)	32.57	39.07	37.71
Diluted Earning Per Share (NPR)*	32.57	39.07	37.71

\*There are no shares or instruments that have potential diluting effect on the earning per share

## 16. DISTRIBUTION TO SHAREHOLDERS (BONUS SHARES AND CASH DIVIDENDS)

The bank's board proposed following distribution to the shareholders for the respective financial periods. The proposed distributions for the periods 2014-15 and 2015-16 has been approved by the Bank's annual general meetings of the shareholders and have been accounted for in the subsequent financial period.

Distribution for 2016-17 has been proposed board and is yet to be approved by the annual general meeting.

Proposed Distributions (Dividends & Bonus Shares)				NRs.
	2016-17	Restated 2015-16	Restated 2014-15	
Cash Dividends declared	56,584,579	57,333,871	43,456,635	
Bonus Shares	1,075,107,001	1,089,343,547	825,676,065	
<b>Total</b>	<b>1,131,691,580</b>	<b>1,146,677,418</b>	<b>869,132,700</b>	
	32.57	39.07	37.71	
<b>% of share capital</b>				
Cash Dividends declared	0.81%	1.53%	1.42%	
Proposed Bonus Shares	15.53%	28.00%	27.00%	

## 17. RELATED PARTIES DISCLOSURES

### Accounting Policies

Parties are considered to be 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.

### 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				NRs.
Transaction during the year	2016-17	2015-16	2014-15	
Technical Service Fees	20,968,086	21,085,911	19,713,695	
Interest on placements	244,851,838	120,893,885	161,178,000	
Year end Balance				
Placements	13,248,350,000	13,286,591,426	5,428,919,902	
Nostro Balances	1,605,014,020	1,175,621,954	1,009,062,000	
Card Transaction Receivables	147,922,005	55,719,921	123,095,000	

### Subsidiary

Transactions between the Bank and its subsidiaries, Nepal SBI Merchant Banking Limited, also meet the definition of related party transactions. Where these are eliminated on consolidation.

Subsidiary - Nepal SBI Merchant banking Company Ltd				NRs.
Transaction during the year	2016-17	2015-16	2014-15	
Interest Paid on Deposit to NSMBL	5,401,403	420,765	-	
Management fee accrued and receivable from NSMBL	720,000	-	-	
RTS, D-Mat Service Charge accrued and payable to NSMBL	1,012,481	-	-	
Year end Balance				
Others to be received from NSMBL	165,410	86,672	-	
Deposit maintained with NSBL	98,455,306	100,203,436	-	

### Other Principal Promoter (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				NRs.
Year end Balance	2016-17	2015-16	2014-15	
Deposits	6,260,078,151	3,075,129,552	588,433,000	

## 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.

Directors				NRs.
Transaction during the year	2016-17	2015-16	2014-15	
12 no. of Board Meetings	1,050,000	894,700	1,052,500	
18 no. of Audit Committee Meetings	-	-	-	
7 no. of Risk Management Committee Meetings	-	-	-	
3 no. of Employee Service Facility Committee Meetings	-	-	-	
Food, Lodging Expenses for Board level meetings	569,000	635,291	322,692	
Travelling & Halting Expenses for Board level meetings	210,158	636,000	-	

## Key Management Personnel

There is no observation of the transactions between bank and Key Management Personnel other than as prescribed under staff service bye-laws and relating to remuneration.

## 18. OPERATING SEGMENTS

### Accounting Policies

The Bank's segmental reporting is in accordance with IFRS 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 arms 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.

### Explanations

The Bank has, for focused management purpose determined segments as Special Business Units (SBUs). Performances are measured for each of the SBUs. Those that are not under the SBU definition are shown under others.

2016-17	Durbarmarg	Commercial	RO-Biratnagar	RO-Nepalgunj	RO-Kathmandu	Others	Total
Revenue	275,265,195	906,310,475	1,699,455,028	1,516,009,196	1,789,138,091	920,672,617	<b>7,106,850,603</b>
Profit	(1,285,974,223)	757,566,626	1,171,066,746	921,053,944	809,510,008	(111,612,895)	<b>2,261,610,206</b>
Deposit	37,062,274,784	2,012,939,283	10,227,287,501	12,371,594,165	19,891,997,243	-	<b>81,566,092,977</b>
Advances	2,727,548,633	8,966,414,939	17,887,410,958	15,350,320,326	18,073,506,130	-	<b>63,005,200,985</b>
Assets	3,884,497,945	9,137,580,246	19,173,777,937	16,815,857,334	19,116,443,798	31,745,836,184	<b>99,873,993,443</b>
Liabilities	3,474,761,239	8,173,748,605	17,151,328,519	15,042,121,298	17,100,041,983	28,397,286,507	<b>89,339,288,151</b>
2015-16	Durbarmarg	Commercial	RO-Biratnagar	RO-Nepalgunj	RO-Kathmandu	Others	Total
Revenue	183,838,459	675,559,889	1,137,949,818	1,008,973,199	1,256,863,426	641,026,004	<b>4,904,210,794</b>
Profit	(359,683,048)	573,915,946	656,432,431	511,173,116	494,183,001	(14,924,327)	<b>1,861,097,119</b>
Deposit	24,415,457,737	1,311,656,533	9,335,218,577	10,461,738,496	19,589,244,945	-	<b>65,113,316,288</b>
Advances	1,724,732,335	8,068,757,110	13,002,318,581	10,607,741,157	13,595,376,513	-	<b>46,998,925,697</b>
Assets	2,487,582,169	8,217,968,478	14,477,855,686	12,129,351,318	14,538,309,656	26,791,004,586	<b>78,642,071,893</b>
Liabilities	2,260,470,641	7,467,683,563	13,156,054,957	11,021,964,578	13,210,989,594	24,345,036,747	<b>71,462,200,081</b>
2014-15	Durbarmarg	Commercial	RO-Biratnagar	RO-Nepalgunj	RO-Kathmandu	Others	Total
Revenue	185,212,676	642,493,392	1,102,048,966	956,897,438	1,152,667,657	521,811,634	<b>4,561,131,762</b>
Profit	(496,816,843)	540,138,235	618,736,201	469,563,807	424,997,135	(86,536,451)	<b>1,470,082,084</b>
Deposit	19,445,705,699	560,884,239	8,264,935,475	8,886,763,552	14,469,932,989	-	<b>51,628,221,954</b>
Advances	1,266,160,660	7,331,783,979	11,333,825,510	8,761,357,160	11,187,200,298	-	<b>39,880,327,607</b>
Assets	1,871,827,033	7,465,513,663	12,463,748,857	10,190,413,698	12,484,208,704	14,798,310,001	<b>59,274,021,955</b>
Liabilities	1,692,676,471	6,750,997,342	11,270,856,796	9,215,100,111	11,289,358,453	13,381,979,592	<b>53,600,968,765</b>

## 19. ASSETS HELD FOR SALE

### Accounting Policies

The Bank Applies IFRS 5 Assets held for Sale and Discontinued Operation for assets classified as non-banking assets. The non-banking assets as defined by the central bank are those assets, pledged as collaterals that the bank has taken over as the result of foreclosure of the loans and advances. These assets are immediately put under for sale and the management is committed to sale.

These assets are shown as a separate line item in the financial statements at fair value less cost to sale.

### Explanations

There are no non-banking assets with the bank, therefore there are no assets that are to be recognised under Assets held for sale.

## 20 FOREIGN CURRENCIES

### Accounting Policies

The Bank applies IAS 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 the income statement.

### Explanations

Foreign Currency Exchange Gain	NRs.		
	2016-17	Restated 2015-16	Restated 2014-15
Translation gain/(loss) as a result of translation of year end balances of monetary assets and liabilities held at foreign currencies	15,479,363	7,673,796	2,545,328
Net Transaction gain/(loss) due to changes in foreign exchange rates	205,443,082	128,696,143	116,924,096
	<b>220,922,445</b>	<b>136,369,939</b>	<b>119,469,424</b>
25% of the translation gain to be set aside in reserves	3,869,841	1,918,449	636,332

## 21. EVENTS AFTER REPORTING PERIOD

### Accounting Policies

The Bank follows NAS 10 Events After Reporting Period for accounting and report for the events that occur after the reporting period. Bank classifies those events as adjusting and non-adjusting in

### Explanations

There are no material events both adjusting or non-adjusting for the reporting periods.

## 22. COMMITMENTS AND CONTINGENCIES

### Accounting Policies

Contingent 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. Contingent liabilities are not classified as on-SFP but are only disclosed unless the outflow of economic resources is probable.

### Explanations

Contingent Liabilities and Commitments				NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015	
<b>A. Contingent Liabilities</b>				
Claims on Bank not acknowledged as liabilities	170,000	170,000	170,000	
Irrevocable Letter of Credits				
Maturity period of less than 6 months	5,973,544,394	2,971,148,369	2,111,273,300	
Maturity period of more than 6 months	-	-	-	
Unexpired Guarantees				
Bid Bonds	81,278,259	103,970,085	84,461,338	
Performance Bonds	1,529,287,539	1,298,959,009	810,241,292	
Guarantees against counter guarantee of International Rated Banks	5,228,577,710	4,860,461,906	4,350,958,991	
Financial Guarantees	4,805,000	-	101,600,000	
Advance Payment Guarantee	33,783,667	70,417,408	134,033,371	
Other Guarantees				
Contingent Liabilities on Taxes	3,892,740	3,892,740	9,294,795	
Other Contingent Liabilities	893,575	893,575	11,411,229	
	<b>12,856,232,884</b>	<b>9,309,913,092</b>	<b>7,613,444,316</b>	
<b>B. Rediscounted Bills</b>				
	-	-	-	
<b>C. Bills for Collections</b>				
	<b>137,754,358</b>	<b>130,478,627</b>	<b>20,793,300</b>	
<b>D. Commitments</b>				
O/s liabilities of forward exchange contracts	757,609,635	118,503,754	66,218,843	
Acceptances and Endorsements	260,245,322	339,965,365	354,675,594	
Underwriting Commitments	-	-	-	
Irrevocable Loan Commitments	10,955,443,307	8,450,256,534	5,961,257,307	
Other Commitments	-	-	-	
	<b>11,973,298,264</b>	<b>8,908,725,653</b>	<b>6,382,151,744</b>	
<b>Grand Total</b>	<b>24,967,285,506</b>	<b>18,349,117,372</b>	<b>14,016,389,360</b>	

Contingent Liabilities and Commitments				NRs.
Current	23,162,685,506	16,630,117,372	12,043,689,360	
Non-Current	1,804,600,000	1,719,000,000	1,972,700,000	
	<b>24,967,285,506</b>	<b>18,349,117,372</b>	<b>14,016,389,360</b>	

## 23. CASH AND CASH EQUIVALENTS

### Accounting Policies

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise 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 are not considered to be part of cash equivalents.

### Explanations

Cash and cash equivalents	NRs.		
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Cash at vault	1,984,553,390	1,799,377,843	1,753,912,290
Balances with Central bank	7,313,015,502	6,428,009,789	4,662,434,374
Balances with banks	3,932,112,099	2,162,431,432	2,019,400,868
Less restricted balances*	(4,370,327,989)	(4,630,019,056)	(2,561,777,129)
<b>Total</b>	<b>8,859,353,002</b>	<b>5,759,800,008</b>	<b>5,873,970,403</b>

\*Note: Restricted balance comprise minimum balance required to be held at central bank

## 24. INTERIM REPORTING

### Accounting Policies

The Bank follows requirement of Security Exchange Board of Nepal (SEBON), Nepal Stock Exchange (NEPSE) and directives issued by the central bank (NRB) for publishing interim financial reporting. These requirements are materially aligned with the requirements of NAS 34.

## 25. FIRST TIME ADOPTION OF NFRS RECONCILIATIONS

The Bank has applied NFRS 1 First Time Adoption of NFRS in converting the previously reported financial statements to NFRS.

### SFP AS AT 15 JULY 2017 (FY 2016-17) (Reconciliation with the regulatory financial statement)

Particulars	NFRS SFP	Regulatory Reported	Differences	Justification
Cash Balance	1,984,553,390	1,984,553,390	-	
Balances at central banks	7,313,015,502	7,313,015,502	-	
Items in the course of collection from other banks	-	-	-	
Balances with other banks and financial institutions	3,932,112,099	3,932,112,099	-	
Trading assets	23,007,450	23,007,450	-	
Financial assets designated at fair value	1,841,907,531	1,841,907,531	-	
Other Government Securities	5,800,000,000	5,800,000,000	-	Amortised cost
Loans and advances to banks	13,248,350,000	13,248,350,000	-	
Loans and advances to customers	63,005,200,985	63,024,815,422	(19,614,437)	EIR, Impairment
Investment in Corporate Securities	195,183,128	129,955,500	65,227,628	AFS Fair Value
Prepayments, accrued income and other assets	1,510,553,724	1,420,882,181	89,671,543	Accrual
Current tax assets	175,841,954	171,842,525	3,999,429	
Goodwill and intangible assets	-	-	-	
Property Plant and Equipment	747,075,518	750,825,774	(3,750,256)	Useful Life
Deferred tax assets	97,192,162	187,360,538	(90,168,376)	OCI, other adj
<b>Total Assets</b>	<b>99,873,993,443</b>	<b>99,828,627,912</b>	<b>45,365,531</b>	
Deposits by banks and financial institutions	845,732,830	845,732,830	-	
Customer accounts	80,720,360,147	80,818,815,835	(98,455,688)	Consolidation
Inter Bank Borrowings	5,309,655,155	5,309,655,155	-	
Bills Payable	219,745,914	219,745,914	-	
Accruals, deferred income and other liabilities	766,162,054	757,763,284	8,398,770	Lease, retirement benefit
Defined Benefit Plan Obligation (net)	477,632,051	478,959,919	(1,327,868)	actuarial
Deferred tax liabilities	-	-	-	
Debt securities in issue - debentures	1,000,000,000	1,000,000,000	-	
<b>Total liabilities</b>	<b>89,339,288,151</b>	<b>89,430,672,937</b>		
Called up share capital	6,924,892,999	8,000,000,000	(1,075,107,001)	Bonus Shares
Share premium account	-	-	-	
Other reserves	2,374,404,570	2,395,176,285	(20,771,715)	
Retained earnings	1,235,407,723	2,778,690	1,232,629,033	Refer Note 7
<b>Total equity</b>	<b>10,534,705,292</b>	<b>10,397,954,975</b>		
Non-Controlling Interest				
<b>Total Equity and Liabilities</b>	<b>99,873,993,443</b>	<b>99,828,627,912</b>	<b>45,365,531</b>	

## SFP AS AT 15 JULY 2016 (FY 2015-16)

### Reconciliation with previously reported (including regulatory reporting)

Particulars	NFRS SFP	Regulatory Reported	Differences	Justification
Cash Balance	1,799,377,843	1,799,377,270	573	consolidation
Balances at central banks	6,428,009,789	6,428,009,789	-	
Items in the course of collection from other banks	-	-	-	
Balances with other banks and financial institutions	2,162,431,432	2,162,431,432	-	
Trading assets	24,812,466	24,812,466	-	
Financial assets designated at fair value	999,950,000	999,950,000	-	
Other Government Securities	4,850,000,000	4,850,000,000	-	Amortised cost
Loans and advances to banks	13,286,591,426	13,286,591,426	-	
Loans and advances to customers	46,998,925,697	46,975,534,686	23,391,011	EIR, Impairment
Investment in Corporate Securities	301,389,784	129,955,500	171,434,284	AFS Fair Value
Prepayments, accrued income and other assets	1,016,433,245	959,057,470	57,375,775	Accrual
Current tax assets	117,459,267	117,396,152	63,115	consolidation
Goodwill and intangible assets	-	-	-	
Property Plant and Equipment	622,635,869	629,965,203	(7,329,334)	Useful Life
Deferred tax assets	34,055,075	152,263,890	(118,208,815)	OCI, other adj
<b>Total Assets</b>	<b>78,642,071,893</b>	<b>78,515,345,284</b>	<b>126,726,609</b>	
Deposits by banks and financial institutions	569,687,560	569,687,560	-	
Customer accounts	64,543,628,728	64,643,832,164	(100,203,436)	consolidation
Inter Bank Borrowings	4,184,700,000	4,184,700,000	-	
Bills Payable	262,939,794	262,939,794	-	
Accruals, deferred income and other liabilities	547,490,727	578,642,175	(31,151,448)	Lease, retirement
Defined Benefit Plan Obligation (net)	353,753,272	355,081,140	(1,327,868)	actuarial
Deferred tax liabilities	-	-	-	
Debt securities in issue - debentures	1,000,000,000	1,000,000,000	-	
<b>Total liabilities</b>	<b>71,462,200,081</b>	<b>71,594,882,833</b>		
Called up share capital	3,883,735,565	4,973,079,112	(1,089,343,547)	Bonus Shares
Share premium account	-	-	-	
Other reserves	1,918,327,433	1,918,327,433	-	
Retained earnings	1,377,808,814	29,055,906	1,348,752,908	Refer Note 7
<b>Total equity</b>	<b>7,179,871,812</b>	<b>6,920,462,451</b>		
Non-Controlling Interest	-	-	-	
<b>Total Equity and Liabilities</b>	<b>78,642,071,893</b>	<b>78,515,345,284</b>	<b>126,726,609</b>	

## SFP AS AT 17 JULY 2015 (FY 2014-15)

### Reconciliation with previously reported (including regulatory reporting)

Particulars	NFRS SFP	Regulatory Reported	Differences	Justification
Cash Balance	1,753,912,290	1,753,912,290	-	
Balances at central banks	4,662,434,374	4,662,434,374	-	
Items in the course of collection from other banks	-	-	-	
Balances with other banks and financial institutions	2,019,400,868	2,019,400,868	-	
Trading assets	18,367,795	18,367,795	-	
Financial assets designated at fair value	2,102,429,750	2,102,429,750	-	
Other Government Securities	1,646,109,184	1,644,550,000	1,559,184	Amortised cost
Loans and advances to banks	5,530,519,902	5,530,519,902	-	
Loans and advances to customers	39,880,327,607	39,979,173,045	(98,845,438)	EIR, Impairment
Investment in Corporate Securities	103,220,720	23,830,500	79,390,220	AFS Fair Value
Prepayments, accrued income and other assets	800,101,009	727,404,949	72,696,060	Accrual
Current tax assets	38,043,002	38,043,002	-	
Goodwill and intangible assets	-	-	-	
Property Plant and Equipment	620,367,926	630,012,272	(9,644,346)	Useful Life
Deferred tax assets	98,787,529	147,211,706	(48,424,177)	OCI, other adj
<b>Total Assets</b>	<b>59,274,021,955</b>	<b>59,277,290,453</b>	<b>-3,268,498</b>	
Deposits by banks and financial institutions	505,648,607	505,648,607	-	
Customer accounts	51,122,573,347	51,122,573,347	-	
Inter Bank Borrowings	-	-	-	
Bills Payable	178,342,832	178,342,832	-	
Accruals, deferred income and other liabilities	442,856,892	473,264,059	(30,407,167)	Lease , retirement
Defined Benefit Plan Obligation (net)	351,547,087	351,547,087	-	
Deferred tax liabilities	-	-	-	
Debt securities in issue - debentures	1,000,000,000	1,000,000,000	-	
<b>Total liabilities</b>	<b>53,600,968,765</b>	<b>53,631,375,932</b>		
Called up share capital	3,058,059,500	3,883,735,565	(825,676,065)	Bonus Shares
Share premium account	79,159,949	79,159,949	-	
Other reserves	1,679,857,939	1,679,857,939	-	
Retained earnings	855,975,802	3,161,068	852,814,734	Refer Note 7
<b>Total equity</b>	<b>5,673,053,190</b>	<b>5,645,914,521</b>		
Non-Controlling Interest	-	-	-	
<b>Total Equity and Liabilities</b>	<b>59,274,021,955</b>	<b>59,277,290,453</b>	<b>-3,268,498</b>	

Adjustments to other Statements of changes in equity for conversion of financial statement in accordance with NFRS is given in the following reconciliation.

SOCE Adjustments (reconciliation)			NRs.
	15-Jul-2017	Restated 15-Jul-2016	Restated 17-Jul-2015
Share Issue expenses	-	-	-
	-	-	-
Govt securities Amortised cost adjustment		(309,638)	
PPE useful life adjustment	7,477,251	9,644,346	
Loan Impairment (specific)	(17,550,758)	41,408,134	
Loan Impairment (portfolio)	(18,313,215)	(15,073,608)	
Proposed Dividend	(57,333,871)	(43,456,635)	
DBP Liability	(1,327,868)		
Service Income (EIR Adjustments)	33,392,440	86,873,103	
L&A (EIR Adjustments)	(20,919,478)	(14,362,190)	
	<b>(74,575,499)</b>	<b>64,723,512</b>	-
Interest Suspense adjustment			68,057,910
Govt securities Amortised cost adjustment			309,638
Interest income Govt securities		1,559,186	1,688,945
PPE useful life adjustment	(9,282,576)	(7,477,251)	(9,644,346)
Depreciation	1,805,325	976,354	
Share issue	(3,814,289)		
Actuarial SOCI	(59,517,390)	(52,707,248)	
DBP Expenses	(77,170,116)	50,435,715	
DBP Liability	1,327,868	1,327,868	
	<b>(146,651,179)</b>	<b>(5,885,377)</b>	<b>60,412,146</b>

The reconciliation of performance (results) between the regulatory financial statements that have been previously reported and the NFRS financial statements is given as follows.

Result Reconciliation			NRs.
	2016-17	Restated 2015-16	Restated 2014-15
<b>Regulatory Profit Reported</b>	<b>1,523,237,401</b>	<b>1,331,881,801</b>	<b>1,065,436,141</b>
DBP expenses adjustments	77,170,116	(50,435,715)	20,319,061
Interest suspense reversed	18,558,893	(16,570,581)	5,887,696
Govt Bond EIR Adjust	-	(1,559,186)	(1,688,945)
Depreciation	(1,805,325)	(976,354)	-
Specific Impairment L&A	0	17,550,758	(41,408,134)
Portfolio Impairment L&A	30,409,619	18,313,215	15,073,608
Lease expense SLM Adjust	(12,462,441)	(12,836,172)	(13,049,468)
Share issue expenses	3,814,289	-	-
Reversal of Def Tax Charge / Credit	(35,096,648)	(5,052,184)	(34,856,162)
NFRS Def Tax Charge	10,803,930	15,841,055	923,466
Service Fee Reversed (EIR)	(85,170,030)	(33,392,440)	(86,873,103)
Interest Income EIR	35,145,975	20,919,478	14,362,190
consolidation	15,612,850	119,008	-
<b>NFRS Profit</b>	<b>1,580,218,629</b>	<b>1,283,802,684</b>	<b>944,126,351</b>

## 26. RESTATEMENT OF PRIOR PERIOD BALANCES

Previously reported financial statements and financial statements for the current financial year as reported in the regulatory financial statements has been restated in compliances with the requirements of NFRS.

## 27. EXCEPTIONAL ITEMS

Exceptional items wherever they occur are disclosed separately.

## 28. INVESTMENT IN SUBSIDIARIES

### Accounting Policies

The Bank applies NFRS 3 Business combination and NFRS 10 Consolidated Financial Statements for recognising and reporting business combinations. Business combinations are recognised only when the Bank has control over the invested entity.

All assets and liabilities, incomes and expenses are consolidated in the financial statements. The post acquisition profit or loss is credited directly to equity through statement of changes in equity.

### Explanations

Investments in Nepal SBI Merchant Banking Limited were made in the year 2015-16 where the bank own 100% of the shares in the company. Therefore there are no non-controlling interests in the subsidiary.

## 29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### Accounting Policies

The Bank applies IAS 28 Investments in Associates and IFRS 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 recognise 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.

### Explanations

Bank does not have investments that meet the definition of Associates or Joint Ventures

\_\_\_\_\_  
(Priya Ranjan)  
Chief Financial Officer

\_\_\_\_\_  
(Anukool Bhatnagar)  
Managing Director

\_\_\_\_\_  
(Deepak Rauniar)  
Chairperson

\_\_\_\_\_  
(Sujit Kumar Varma)  
Director

\_\_\_\_\_  
(Vijay Kumar Tyagi)  
Director

\_\_\_\_\_  
(Keshav Raj Acharya)  
Director

As per our attached report of even date

\_\_\_\_\_  
Director

\_\_\_\_\_  
(CA. Rajesh Poudel), Partner  
P.L. Shrestha & Co,  
Chartered Accountants

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL SBI BANK LIMITED

We have audited the accompanying financial statements of Nepal SBI Bank Limited, which comprise the Statement of Financial Position as at Ashad 31, 2074 (July 15, 2017), 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 a summary of Principal Accounting Policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

### Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, the financial position of Nepal SBI Bank Limited as at Ashad 31, 2074 (July 15, 2017) and of the results of its financial performance and its cash flows for the year then ended in compliance with the Nepal Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

On the basis of 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 Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows and attached Schedules dealt with by this report are prepared as per procedure and format prescribed by Nepal Financial Reporting Standards and are in agreement with the books of account maintained by the Bank.
- iii. The proper books of accounts as required by the law have been kept by the Bank.



113/19 Surung Galli, Maharajgunj, Kathmandu, Nepal. Tel: 4412207

Also at: Narayan Gopal Sadak, Maharajgunj, P.O. Box No. 3516, Tel: (00-977-1) 4720986, 4720880, E-mail: info@pls.com.np

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# P.L. Shrestha & Co.

Chartered Accountants



- iv. During our examination of the books of account of the Bank, we have not come across any cases where any office holder of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank.
- v. The Bank has not written off any Loan and Advances during the period.
- vi. The Bank has been functioning as per the Directives of Nepal Rastra Bank.
- vii. We have not come across any fraudulence in the accounts, based on our sample examination of the books, and
- viii. The returns received from branches of the Bank though the statements are independently not audited were adequate for the purpose of our audit.

Place: Kathmandu  
Date: November 16, 2017

A handwritten signature in black ink, appearing to read 'Rajesh Poudel'.

Rajesh Poudel, FCA  
Partner  
PL Shrestha and Co.  
Chartered Accountants



113/19 Surung Galli, Maharajgunj, Kathmandu, Nepal. Tel: 4412207

Also at: Narayan Gopal Sadak, Maharajgunj, P.O. Box No. 3516, Tel: (00-977-1) 4720986, 4720880, E-mail: info@pls.com.np

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# STATEMENT OF FINANCIAL POSITION

As at 15 July 2017

	Notes	Restated		
		15-Jul-2017	15-Jul-2016	Restated 17-Jul-2015
<b>Assets</b>				
Cash Balance		1,984,553,390	1,799,377,270	1,753,912,290
Balances at central banks		7,313,015,502	6,428,009,789	4,662,434,374
Items in the course of collection from other banks		-	-	-
Balances with other banks and financial institutions		3,932,112,099	2,162,431,432	2,019,400,868
Trading assets		23,007,450	24,812,466	18,367,795
Financial assets designated at fair value		1,841,907,531	999,950,000	2,102,429,750
Other Government Securities		5,800,000,000	4,850,000,000	1,646,109,184
Loans and advances to banks		13,248,350,000	13,286,591,426	5,530,519,902
Loans and advances to customers		63,005,200,985	46,998,925,697	39,880,327,607
Investment in Corporate Securities		295,183,128	401,389,784	103,220,720
Prepayments, accrued income and other assets		1,496,816,099	1,016,432,495	800,101,009
Current tax assets		171,842,525	117,396,152	38,043,002
Goodwill and intangible assets		-	-	-
Property Plant and Equipment		741,543,198	622,487,952	620,367,926
Deferred tax assets		97,319,505	34,099,450	128,787,529
<b>Total assets</b>		<b>99,950,851,412</b>	<b>78,741,903,913</b>	<b>59,304,021,955</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Deposits by banks and financial institutions		845,732,830	569,687,560	505,648,607
Customer accounts		80,818,815,835	64,643,832,164	51,122,573,347
Inter Bank Borrowings		5,309,655,155	4,184,700,000	-
Bills Payable		219,745,914	262,939,794	178,342,832
Accruals, deferred income and other liabilities		760,298,501	547,193,944	442,856,892
Defined Benefit Plan Obligation (net)		477,632,051	353,753,272	351,547,087
Deferred tax liabilities		-	-	-
Debt securities in issue - debentures		1,000,000,000	1,000,000,000	1,000,000,000
<b>Total liabilities</b>		<b>89,431,880,286</b>	<b>71,562,106,734</b>	<b>53,600,968,765</b>
<b>Equity</b>				
Called up share capital		6,924,892,999	3,883,735,565	3,058,059,500
Share premium account		-	-	79,159,949
Other reserves		2,449,090,764	2,071,096,876	1,740,446,080
Retained earnings		1,144,987,363	1,224,964,738	825,387,660
<b>Total equity</b>		<b>10,518,971,126</b>	<b>7,179,797,179</b>	<b>5,703,053,190</b>
<b>Non-Controlling Interest</b>		-	-	-
<b>Total equity and liabilities</b>		<b>99,950,851,412</b>	<b>78,741,903,913</b>	<b>59,304,021,955</b>

(Priya Ranjan)  
Chief Financial Officer

(Anukool Bhatnagar)  
Managing Director

(Deepak Rauniar)  
Chairperson

(Sujit Kumar Varma)  
Director

(Vijay Kumar Tyagi)  
Director

(Keshav Raj Acharya)  
Director

As per our attached report of even date

Director

(CA. Rajesh Poudel), Partner  
P.L. Shrestha & Co.,  
Chartered Accountants

# STATEMENT OF PROFIT OR LOSS

## For the year ended 15 July 2017 (2016-17)

	Notes	Restated		
		2016-17	2015-16	2014-15
Interest income		5,991,658,675	4,007,446,593	3,849,741,687
Interest expense		(2,994,483,069)	(1,565,150,928)	(1,773,842,303)
<b>Net interest income</b>		<b>2,997,175,606</b>	<b>2,442,295,665</b>	<b>2,075,899,384</b>
<b>Fees and Commission income (net)</b>		<b>850,313,827</b>	<b>750,489,021</b>	<b>561,171,967</b>
<b>Net trading income</b>		<b>220,922,445</b>	<b>136,369,939</b>	<b>119,469,424</b>
Net income from financial instruments designated at fair value		(2,661,316)	6,444,671	104,335
Other operating income		27,284,323	3,520,293	30,644,349
<b>Net operating income before loan impairment charges &amp; other credit risk provisions</b>		<b>4,093,034,885</b>	<b>3,339,119,589</b>	<b>2,787,289,459</b>
Loan impairment charges and other credit risk provisions		(157,495,726)	(75,481,671)	(136,482,110)
Reversal of Loan impairment charges and other credit risk provisions		28,034,555	36,596,183	52,123,586
Other impairments (net of reversals)		-	6,125,000	(6,493,369)
<b>Net operating income</b>		<b>3,963,573,713</b>	<b>3,306,359,101</b>	<b>2,696,437,566</b>
Employee compensation and benefits		(957,608,755)	(814,810,189)	(697,512,732)
General and administrative expenses		(651,211,682)	(523,620,214)	(412,190,187)
Depreciation and impairment of property, plant and equipment		(113,965,012)	(106,987,339)	(116,652,563)
Amortization and impairment of intangible assets		-	-	-
<b>Total operating expenses</b>		<b>(1,722,785,449)</b>	<b>(1,445,417,741)</b>	<b>(1,226,355,482)</b>
<b>Operating profit</b>		<b>2,240,788,264</b>	<b>1,860,941,360</b>	<b>1,470,082,084</b>
Share of profit in associates and joint ventures		-	-	-
<b>Profit before tax</b>		<b>2,240,788,264</b>	<b>1,860,941,360</b>	<b>1,470,082,084</b>
Taxes				
Income Taxes		(686,986,416)	(593,098,739)	(526,879,199)
Deferred Taxes		10,886,898	(14,114,569)	30,923,466
<b>Profit for the year</b>		<b>1,564,688,746</b>	<b>1,253,728,052</b>	<b>974,126,351</b>
Profit attributable to shareholders of the parent company		1,564,688,746	1,253,728,052	974,126,351
Profit attributable to non-controlling interests		-	-	-
<b>Earnings per share</b>				
Basic		33.46	36.78	34.48
Diluted		33.46	36.78	34.48

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Director

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# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 15 July 2017 (2016-17)

	Notes	Restated		
		2016-17	2015-16	Restated 2014-15
<b>Profit for the year</b>		<b>1,564,688,746</b>	<b>1,253,728,052</b>	<b>974,126,351</b>
<b>Other comprehensive income/(expense)</b>				
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>				
Available-for-sale investments				
– fair value gains / (Losses)		(106,206,656)	192,044,064	79,390,220
– fair value gains reclassified to the income statement on disposal		-	-	-
– amounts reclassified to the income statement in respect of impairment losses		-	-	-
– income taxes		31,861,997	(57,613,219)	(23,817,066)
Exchange differences and other		-	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Actuarial gains on defined benefit plans				
– before income taxes		59,517,390	52,707,248	(20,319,061)
– income taxes		20,471,160	(22,960,290)	9,325,585
Other comprehensive income for the year, net of tax		-	-	-
<b>Total comprehensive income for the year</b>		<b>1,570,332,637</b>	<b>1,417,905,855</b>	<b>1,018,706,028</b>
Total comprehensive income for the year attributable to:				
– shareholders of the parent company		1,570,332,637	1,417,905,855	1,018,706,028
– non-controlling interests		-	-	-
<b>Total comprehensive income for the year</b>		<b>1,570,332,637</b>	<b>1,417,905,855</b>	<b>1,018,706,028</b>

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Chartered Accountants

# STATEMENT OF CASH FLOWS

## for the period 16 July 2016 - 15 July 2017

	Notes	Restated	
		2016-17	2015-16
<b>Cash flows from operating activities</b>			
Loss / (profit) before taxation		2,240,788,264	1,860,941,360
Adjustments for non-cash items and non operating adjustments			
Depreciation		113,965,012	106,987,339
Loss (Gain) on disposal of assets		122,258	1,706,121
Dividend income		(6,498,413)	(3,991,542)
Defined benefit plan net charge		(7,293,330)	5,288,167
Changes in Operating assets and Liabilities			
Change in operating assets		(17,994,557,461)	(19,250,200,359)
Change in operating liabilities		17,841,575,268	18,100,695,137
Contributions to defined benefit schemes			
Defined benefits paid		(5,302,290)	(3,081,982)
Taxes paid		(745,369,103)	(672,515,004)
<b>Net cash from operating activities</b>		<b>1,437,430,205</b>	<b>145,829,237</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(233,910,844)	(108,119,937)
Disposal of property, plant and equipment		768,328	(2,693,549)
Investment in subsidiaries, associates & joint ventures		-	(100,000,000)
Purchase of investment securities		(856,300)	-
Disposal and maturity of investment securities		-	-
Dividends received from investment in securities		6,498,413	3,991,542
<b>Net cash used in investing activities</b>		<b>(227,500,403)</b>	<b>(206,821,944)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary and preference share capital, net of expenses		1,951,813,887	-
Debenture		-	-
Dividends paid to ordinary shareholders, net of scrip		(62,190,123)	(53,178,261)
<b>Net cash (used in)/from financing activities</b>		<b>1,889,623,764</b>	<b>(53,178,261)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,099,553,566</b>	<b>(114,170,968)</b>
Cash and cash equivalents at beginning of year		5,759,799,435	5,873,970,403
Effect of exchange rate changes on cash & cash equivalents			
<b>Cash and cash equivalents at end of year</b>		<b>8,859,353,002</b>	<b>5,759,799,435</b>

\_\_\_\_\_  
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Director

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## STATEMENT OF CHANGES IN EQUITY

For the year ended 15 July 2017 (2016-17)

Particulars	Called up Share Capital	Capital premium	Retained earnings	General Reserve	Other	Capital Adjustment Reserve	Debt Redemption Reserve	Available-for-sale fair value reserve	Foreign exchange reserve	Total Shareholder's Fund
<b>At 15 July 2016 (previously reported)</b>	<b>3,883,735,565</b>	-	<b>1,224,964,738</b>	<b>1,390,157,003</b>	<b>34,099,450</b>	-	<b>359,461,188</b>	<b>271,434,284</b>	<b>15,944,951</b>	<b>7,179,797,179</b>
Capital Adjustment			(5,583,040)			5,583,040				-
Adjustments	1,089,343,547		(1,089,343,547)							-
NFRS Adjustments (opening adjustments)	-		(74,575,499)							(74,575,499)
<b>Restated</b>	<b>4,973,079,112</b>	-	<b>55,462,652</b>	<b>1,390,157,003</b>	<b>34,099,450</b>	<b>5,583,040</b>	<b>359,461,188</b>	<b>271,434,284</b>	<b>15,944,951</b>	<b>7,105,221,680</b>
Profit for the year and Other comprehensive income (net of tax)			1,570,332,637							1,570,332,637
Public Issue	6,776,787	59,025,815								65,802,602
Right Issue	1,945,037,100									1,945,037,100
NFRS Adjustments	-		(146,651,179)							(146,651,179)
AFS Reserve			106,206,656					(106,206,656)		
Transfer to General Reserve			(304,647,481)	304,647,481						
Public issue premium		(59,025,815)	59,025,815							
Exchange Fluctuation Fund			(3,869,841)						3,869,841	
Capital Adjustment			(6,880,127)			6,880,127				
Consolidation			-							
Proposed Bonus Shares	-		-							
Debt Redemption Reserve			(100,000,000)				100,000,000			
Proposed Cash Dividend			-							
Deferred Tax Reserve			(63,220,055)		63,220,055					
Corporate Social Responsibility			(5,539,340)							(5,539,340)
Employee Capacity Development			(15,232,375)							(15,232,375)
<b>At 15 Jul 2017</b>	<b>6,924,892,999</b>	-	<b>1,144,987,363</b>	<b>1,694,804,484</b>	<b>97,319,505</b>	<b>12,463,167</b>	<b>459,461,188</b>	<b>165,227,628</b>	<b>19,814,792</b>	<b>10,518,971,126</b>

CONTINUED...

## STATEMENT OF CHANGES IN EQUITY

For the year ended 15 July 2017 (2016-17)

Particulars	Called up Share Capital	Capital premium	Retained earnings	General Reserve	Other	Capital Adjustment Reserve	Debenture Redemption Reserve	Available-for-sale fair value reserve	Foreign exchange reserve	Total Shareholder's Fund
<b>At 17 July 2015 (previously reported)</b>	<b>3,058,059,500</b>	<b>79,159,949</b>	<b>825,387,660</b>	<b>1,123,780,642</b>	<b>128,787,529</b>	<b>135,000,000</b>	<b>259,461,188</b>	<b>79,390,220</b>	<b>14,026,502</b>	<b>5,703,053,190</b>
Adjustments	825,676,065		(825,676,065)		-					-
NFRS Adjustments (opening adjustments)			64,723,512							64,723,512
<b>Restated</b>	<b>3,883,735,565</b>	<b>79,159,949</b>	<b>64,435,107</b>	<b>1,123,780,642</b>	<b>128,787,529</b>	<b>135,000,000</b>	<b>259,461,188</b>	<b>79,390,220</b>	<b>14,026,502</b>	<b>5,767,776,701</b>
Profit for the year and Other comprehensive income (net of tax)			1,417,905,855							1,417,905,855
NFRS Adjustments			(5,885,377)							(5,885,377)
Investment Adjustment Reserve			(192,044,064)					192,044,064		
Transfer to General Reserve			(266,376,361)	266,376,361						
Capital Adjustment Reserve			135,000,000			(135,000,000)				
Subsidiary Post-Acquisition Profit			-							
Proposed Cash Dividend			-							
Proposed Bonus Shares			-							
Share Premium		(79,159,949)	79,159,949							
Exchange Fluctuation Fund			(1,918,449)						1,918,449	
Debenture Redemption Reserve			(100,000,000)				100,000,000			
Deferred Tax Reserve			94,688,078		(94,688,078)					
<b>At 15 Jul 2016</b>	<b>3,883,735,565</b>	<b>-</b>	<b>1,224,964,738</b>	<b>1,390,157,003</b>	<b>34,099,450</b>	<b>-</b>	<b>359,461,188</b>	<b>271,434,284</b>	<b>15,944,951</b>	<b>7,179,797,179</b>

CONTINUED...

## STATEMENT OF CHANGES IN EQUITY

### For the year ended 15 July 2017 (2016-17)

Particulars	Called up Share Capital	Capital premium	Retained earnings	General Reserve	Other	Capital Adjustment Reserve	Debture Redemption Reserve	Available-for-sale fair value reserve	Foreign exchange reserve	Total Shareholder's Fund
<b>At 15 July 2014 (previously reported)</b>	<b>2,650,205,804</b>	-	<b>5,815,251</b>	<b>1,110,693,413</b>	<b>670,694,033</b>	<b>85,000,000</b>			<b>13,390,169</b>	<b>4,535,798,670</b>
Adjustments	398,877,300				(398,877,300)					-
NFRS Adjustments (opening adjustments)	-		-		(159,461,188)		159,461,188			-
<b>Restated</b>	<b>3,049,083,104</b>	-	<b>5,815,251</b>	<b>1,110,693,413</b>	<b>112,355,545</b>	<b>85,000,000</b>	<b>159,461,188</b>		<b>13,390,169</b>	<b>4,535,798,670</b>
Profit for the year and Other comprehensive income (net of tax)			1,018,706,028							1,018,706,028
Share Issue	8,976,396									8,976,396
NFRS Adjustments			60,412,146							60,412,146
Investment Adjustment Reserve			(79,390,220)					79,390,220		-
Transfer from General Reserve			200,000,000	(200,000,000)						-
Transfer to General Reserve			(213,087,229)	213,087,229						-
Capital Adjustment Reserve			(50,000,000)			50,000,000				-
Proposed Cash Dividend			-							-
Proposed Bonus Shares			-							-
Share Premium		79,159,949								79,159,949
Exchange Fluctuation Fund			(636,333)						636,333	-
Debture Redemption Reserve			(100,000,000)				100,000,000			-
Deferred Tax Reserve			(16,431,984)		16,431,984					-
<b>At 16 Jul 2015</b>	<b>3,058,059,500</b>	<b>79,159,949</b>	<b>825,387,660</b>	<b>1,123,780,642</b>	<b>128,787,529</b>	<b>135,000,000</b>	<b>259,461,188</b>	<b>79,390,220</b>	<b>14,026,502</b>	<b>5,703,053,190</b>

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2017

## A. About Nepal SBI Bank Limited

Nepal SBI Bank Limited, referred to as the bank hereinafter, is a limited liability publicly listed company registered in Nepal. The 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 55.37% 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 etc. NSBL payment gateway is provided for easy processing

of trade / non-trade remittance to and from India this is in addition to SBI Nepal Express Remit for sending remittance from India to Nepal.

## B. Separate Financial Statements

This separate financial statement has been prepared in accordance with NAS 27 Separate Financial Statements. The investment in subsidiary, namely investment in Nepal SBI Merchant Bank Limited, which has been consolidated in the consolidated financial statement, has been recognized at cost under the options provided by NAS 27.

## C. Statement of compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs) issued by Accounting Standard Board - Nepal pronounced on 13 Sep 2013. These standards require financial statements to be prepared under accrual basis.

Historical cost convention has been used for financial statement recognition and measurement except otherwise required by NFRS. Where other method(s), other than historical costs, such as fair value has been applied these have been disclosed in accordance with the applicable reporting framework.

## D. Approval of financial statements

The Financial Statements for the year ended 31st Ashad 2074 (15th July 2017) have been authorised for issue by the Board of Directors in its meeting held on 15/11/2017 and have recommended for approval of shareholders in the Annual General Meeting. The Bank's Board meeting held on 27 October 2017 has proposed to issue Rs. 1,075,107,001.00 as bonus share and Rs. 56,584,579.00 as Cash Dividend and have recommended for approval from shareholders in the Annual General Meeting.

## E. Reporting dates

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
Opening NFRS SFP* date	1 Shrawan 2072	17 July 2015
Comparative SFP* Date	31 Ashadh 2073	16 July 2016
Comparative reporting period	1 Shrawan 2072 - 31 Ashadh 2073	17 July 2015 - 16 July 2016
First NFRS SFP* Date	31 Ashadh 2074	15 July 2017
First NFRS reporting period	1 Shrawan 2073 - 31 Ashadh 2074	17 July 2016 - 15 July 2017

## F. Basis of Preparation, Accounting Policies and Explanatory Notes

The basis of preparation, accounting policies and explanatory notes are same for this separate financial statement as what has been reported in the consolidated financial statements except for the impact of the following adjustments:

Consolidation SFP 2016-17	2016-17	2015-16	2014-15
PPE	5,532,320	147,918	
Other Assets	17,737,054	63,865	
Cash		573	
Call Deposit	18,455,688	100,203,436	
Fixed Deposit	80,000,000	-	
Other Liabilities & Payables	(5,863,553)	(296,783)	
Investment in NSMBL	(100,000,000)	(100,000,000)	
Deferred Tax	(127,343)		
Opening Adjustment	(2,309)		
Accumulated Profit	(15,731,857)	(119,008)	
Net Impact	0	0	
Consolidation SoPL	2016-17	2015-16	2014-15
Interest Income	5,401,403	420,765	
Fees and Commission Income]	21,192,232	-	
Direct Expenses	(1,859,583)	(59,723)	
Admin Expenses	(3,466,038)	(203,057)	
Depreciation	(446,071)	(2,227)	
Current Taxes	(5,081,750)	(36,750)	
Deferred Taxes	(127,343)	-	
Net Impact	15,612,850	119,008	

## G. Other Information

Details of the Company's other relevant information are as set out in notes to the consolidated financial statements.

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As per our attached report of even date

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Chartered Accountants

**SUBSIDIARY INFORMATION**  
**NEPAL SBI MERCHANT BANKING LIMITED**  
**(NSMBL)**

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Nepal SBI Merchant Banking Limited (NSMBL) have pleasure in presenting this Annual Report together with the audited statement of financial position and statement of profit or loss & other comprehensive income as of/for the year ended on 31st Ashad 2074 (15-07-2017).

## NSMBL: A BRIEF ACCOUNT

Nepal SBI Merchant Banking Limited was incorporated under the Companies Act, 2063 with the Office of the Company Registrar with Reg. No. 148059/72/073 on 19th April, 2016. It is a wholly owned subsidiary of Nepal SBI Bank Limited with paid-up capital of Rs.10.00 crore. The Company got the license to carry out Merchant Banking activities from Securities Board of Nepal on 9-12-2016. Objectives of the Company among others are to provide qualitative and reliable services of different types as a Securities Business Person, to organize required activities to promote reliability of the investors towards Capital Markets, to coordinate with Nepal Securities Board for development and expansion of related services in New and the existing Capital Markets and providing quality service by obtaining approval wherever necessary, to provide facilities relevant to Capital Markets in rural and urban sectors by properly mobilizing available skill, labour and capital, and to assist by actively participating for the overall development of capital markets of the Country by providing necessary financial resources, technical and managerial consultancy services, training and technology for the purpose etc.

## WORLD ECONOMY

International Monetary Fund (IMF) projects the world economy to grow 3.5 percent in 2017 and 3.6 percent in 2018. Such growth was estimated 3.1 percent in 2016. Advanced economies, which expanded by 1.7 percent in 2016, are projected to grow at a same rate of 2.0 percent in 2017 and 2018.

Improvement in the world economy is likely to have positive impact on the least developed economies including Nepal. However, slow productivity growth and inward looking policies in advanced economies could possibly have downside risks to emerging market and least developed countries.

Indian economy is projected to expand by 7.2 percent in 2017 and 7.7 percent in 2018. Such growth was 6.8 percent in 2016. Chinese economy, which grew 6.7 percent in 2016, is projected to expand 6.6 percent in 2017 and 6.2 percent in 2018. International Monetary Fund projects the consumer price inflation of advanced economies to remain at 2.0 percent in 2017 and 1.9 percent in 2018. Such rate was 0.8 percent in 2016.

Expansion in aggregate demand is expected to have an inflationary pressure ahead. Likewise, the inflation in India is projected to remain 4.8 percent in 2017 and 5.1 percent in 2018. Such rate was 4.9 percent in 2016. Similarly, inflation in China is projected to remain at 2.4 percent in 2017 and 2.3 percent in 2018; slightly on the higher side compared to that of 2.0 percent in 2016. US Federal Reserve has been normalizing the unconventional monetary policy since December 2015. The Federal Reserve adopted such unconventional stance after the global financial crisis of 2008. The Fed increased target range for Fed Fund rate by 0.25 percentage point to the band of 1.0 percent and 1.25 percent on 14 June 2017. However, monetary stance is expected to remain expansionary in Eurozone and Japan.

The IMF's Global Financial Stability Report 2017 states the gradual improvement in the financial stability. The Report credits such improvement to the expansion in economic activities, and a rise in long-term interest rates, thereby increasing the earnings of banks and insurance companies. Nevertheless, the IMF mentions a cautionary note on international trade and capital flows resulting in from the recent political development around the world along with an inclination towards protectionism.

## ECONOMIC ENVIRONMENT IN NEPAL

The real gross domestic product (GDP) at basic price is estimated to grow 6.9 percent in 2016/17 compared to a growth of 0.01 percent in the previous year. This is slightly above the target (6.5 percent) mainly because of the good monsoon rains, improvement in power supply and normal supply situation.

The share of consumption in the gross domestic product of Rs. 2599 billion for 2016/17 is 89.75 percent, while the share of savings is 10.25 percent. The

ratio of gross national savings to GDP is estimated to remain at 43.78 percent. The national savings ratio is higher due to the significant inflow of remittance. In the review period, the gross fixed capital formation to GDP ratio is expected to increase to 33.8 percent and gross capital formation to GDP ratio is expected to reach 42.51 percent. The ratio of net exports to GDP is estimated to remain negative at 32.26 percent. Consumer price inflation averaged 4.6 percent in the first eleven months of 2016/17. Such inflation in 2015/16 was 9.9 percent. On y-o-y basis, the consumer inflation remained 2.8 percent in June 2017. Inflation, on average, was expected to contain at 7.5 percent for 2016/17. However, it remained low mainly because of the base price effect and improved supply situation.

GoN had announced a total budget of Rs. 1049 billion for 2016/17. Of this, the estimates for capital spending and current spending were Rs. 312 billion and Rs. 617 billion respectively.

The bullish drive in the stock market in the previous year remained normal in 2016/17. Stability in the stock market follows the macro prudential measures introduced by NRB. These, among others, consist of the policies lowering the concentration risk of BFI's in the stock market and real estate transactions, and encouraging credit disbursement to the priority sector.

## THE INDUSTRY CLIMATE

In mid July 2017, the number of companies in NEPSE stood at 196. Commercial banks stood at 27, development banks at 39, finance companies at 31 and microfinance development banks at 32. However, financial access has widened along with the expansion of the branch network. The total number of BFI's branches increased to 3173 in mid-July 2017 from 2896 a year ago.

Deposits at banks and financial institutions (BFIs) increased 13.15 percent in the review year compared to an increase of 18.94 percent in the previous year. Deposits at commercial banks and development banks increased 18.62 percent and decreased 14.07 percent respectively, while that of finance companies decreased 18.89 percent in the review year. In the previous year, the deposits at commercial banks and development banks had increased 20.62 percent and 17.52 percent respectively,

while that of finance companies had decreased 10.67 percent. The merger and acquisition drive in the review year resulted in a contraction in finance companies' deposit.

As per the Capital Augmentation Directives of Nepal Rastra Bank, Bank's and Financial Institutions have been floating shares in the market in form of further public offering, rights issue and bonus issue which has created scope for Merchant bankers to increase the size of their of business.

The number of Merchant Bankers licensed by SEBON as on 2017.03.06 reached to 23. SEBON has opened application for licensing of Merchant Bankers, there will be high competition among the merchant bankers in near future.

The apex regulator of securities market in Nepal- SEBON- has widened the scope and functioning of the merchant bankers through amendment in the Securities Businessperson (Merchant Banker) regulation, 2064. The Securities Businessperson (Merchant Banker) (First Amendment) regulation, 2074 came into effect from 2074/04/03 which has included the advisory/consultancy services which comprises of corporate Restructuring, valuation, Business Plan, Loan Syndication, Working Capital Financing, Venture Capital, Private Equity, Fund Management like Hedge Fund, advisory services like Assets Management etc. In order to ensure smooth functioning of the merchant banking and to carry out the new functions the new regulation has also increased the mandatory capital ceiling to Rs. 200 Million. The increase in the capital aims to ensure infrastructural and institutional strengthening of the merchant banking industry.

## CAPITAL MARKET

Total amount of shares approved by securities Board of Nepal (SEBON), an apex regulator of Securities Markets in Nepal, for primary issuance to public

during the FY 2016/17 was of Rs. 13753.04 Million out of Rs. 59395.46 Million approved for registered securities including ordinary shares, right shares, mutual fund and debentures which was 212.74% increase in total amount compared to the previous fiscal year. Out of total approvals for public issues, Rs. 1508.42 million, 7994.62 Million and 4250 Million got approval for initial public offering (IPO), further public offering (FPO) and Mutual Fund respectively during the FY 2016/17.

76 Companies got approval from SEBON to issue right shares amounting to Rs. 45642.42 million showing increment of 385.53% in amount compared to the previous year. The increase in the issuance of right share was attributed to the NRB directive to BFIs regarding capital increment to mandatory level within in the FY 2073/74 B.S. Thus the activities in primary market have been increased significantly during the FY.

The NEPSE index, on y-o-y basis, decreased 7.89 percent to 1,582.67 points in mid-July 2017 from 1718.15 points in mid- July 2016. The stock market capitalization, on y-o-y basis, decreased 1.76 percent to Rs. 1856.8 billion in mid-July 2017. The ratio of market capitalization-to-GDP stood at 71.44 percent in mid-July 2017. Of the total market capitalization, the share of banks, financial institutions and insurance companies stood at 85.4 percent, hydropower 4.15 percent, manufacturing and processing companies 2.26 percent, hotels 1.58 percent, trading 0.06 percent, and others 6.5 percent respectively.

The annual turnover of the securities increased 24.52 percent to Rs. 204.79 Billion in 2016/17 from Rs. 164.65 billion in the previous year. Due to the merger and acquisitions of BFIs, total number of companies listed at the NEPSE decreased to 208 in mid-July 2017 from 230 in mid-July 2016. Of the listed companies, 165 are BFIs (including insurance companies), 18 manufacturing and processing

industries, 14 hydropower companies, 4 each hotels and trading institutions and 3 other sectors.

Total paid-up capital of the listed companies increased by 41.9 percent to Rs. 289.59 billion in mid-July 2017 from the level of Rs. 204.02 billion a year ago. Total additional securities worth Rs. 133.98 billion were listed in the NEPSE during 2016/17. Of the additional securities listed, ordinary shares amounted to Rs. 4.67 billion, right shares Rs. 29.64 billion, bonus shares Rs. 36.42 billion, government securities Rs. 62 billion and the mutual fund Rs. 1.25 billion.

SEBON has implemented Securities Registration and Issue Regulation, 2073 and Securities Issuance and Allotment Guidelines, 2074. The new regulation encourages the real sector companies to go public with the modality of Free Pricing with Some Cap and has provision for international financial institutions like IFC, ADB, etc. to issue bond in local currency. The other major changes in the new regulation are setting standard of premium pricing in the primary offering and FPO, allotting, if possible, atleast 10 shares to all the applicants of primary offering, allowing only natural persons to participate in the primary offering, etc.

With the introduction of ASBA (Application Supported by Blocked Amount) in Public Issues by SEBON, the reach of retail investor-particularly who are outside the capital- to the primary capital market has increased during the fiscal year. The successful implementation of ASBA from 2073 Magh has been made effective through 2500 branches of 55 BFIs. SEBON has made ASBA compulsory with effect from Shrawan 1st 2074. ASBA has been very effective in the decentralization of the primary capital market and also provides hassle free services to the investors. It has made pullic issues more simple and transparent. It has been very helpful in reducing the cost and time associated with the process of issuance and registration of public offerings.

## REVIEW OF THE FY 2073/74 (2016-17)

NSMBL got license to carry out merchant banking activities from SEBON only on 9.12.2016, the Company's activities were primarily confined to marketing of its business. During the year the Company entered into Registrar to Shares (RTS) service agreement with its parent and looking after various security services of the parent company as entrusted by the Parent. During the year NSMBL worked as collection centre for collection of application of various issues. Moreover, effort has been given for successful completion of FPO and Rights Issue of Nepal SBI Bank Limited as assigned by the Issue Manager of the respective issue.

The company started online D-mat service to the D-mat customers of Nepal SBI Bank Limited. Further, the company is the first in Nepal to launch online ASBA service on behalf of its parent. The brief progress of the Company during the year is as under:

S.N.	Particulars	FY 2073/74 (Amount in Rs.)
1.	Share Capital	100,000,000
2.	Reserve and Surplus	15,731,450
3.	Trade & other Payables	5,862,703
4.	Deferred Tax Liability	126,157
<b>5.</b>	<b>Total Equity &amp; Liabilities</b>	<b>121,720,320</b>
6.	Property, Plant & Equipment plus Intangible (Net)	5,527,578
7.	Cash and Bank Balance	18,455,688
8.	Investment	80,000,000
9.	Other Assets	17,737,054
<b>10.</b>	<b>Total Assets</b>	<b>121,720,320</b>
11.	Total Income	26,593,635
12.	Total Expenditure	5,325,622
13.	Operating Income	21,268,013
14.	Depreciation & Amortization	450,350
15.	Profit Before Income tax	20,817,663
16.	Provision for tax	5,080,910
17.	Deferred tax (income)/Expenses	123,926
<b>18.</b>	<b>Net Profit/(loss)</b>	<b>15,612,827</b>
19.	No. of Shares	1,000,000
<b>20.</b>	<b>Income per Shares</b>	<b>15.61</b>
<b>21.</b>	<b>Net worth (Book Value)</b>	<b>115.73</b>

## CHANGES IN THE BOARD OF DIRECTORS

As per resolution adopted by the 1st Annual General Meeting of the company held on 30th November 2016 Mrs. Hasana Sharma has been inducted in the Board of NSMBL as an independent director on 30th January 2017. Further, Mr. Subhakanta Kanungo, Dy. CEO and COO, NSBL has also been appointed as fourth nominee director in the Board of NSMBL by Nepal SBI Bank Limited on 30th January 2017.

On behalf of the Board of Directors we welcome Ms. Hasana Sharma and Mr. Subhakanta Kanungo as new members on the Board of the NSMBL.

## STATUTORY AUDITORS

M/S RPB & Associates, Chartered Accountants, conducted the statutory audit of the Company for the FY 2073-74 as appointed by the 1st Annual General Meeting of the of NSMBL and is eligible

for continuance. Board/Audit Committee has recommended to the AGM for M/S RPB & Associates, Chartered Accountants as Statutory Auditors of the Company for the year 2074-75.

## FURTHER INFORMATION AND DISCLOSURES

All the statutory requirements on disclosure of information—including under Section 109(4) of the Companies Act, 2063 has been enclosed as annexure. Financial Statements including Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income and Cash Flow Statement prepared according to Nepal Financial Reporting Standard (NFRS) and other relevant laws and notes to financial statements thereto can be found subsequently.

## PATH AHEAD

NSMBL got the license to carry out merchant banking activities from SEBON only on 9.12.2016 and the Company's activities were primarily confined to marketing of its business. Core functions permitted by SEBON are Issue Management Service, Registrar to Share (RTS), Underwriting and Portfolio Management Service. After obtainment of license, we have been rendering RTS & administration & Management of DP service to the parent company. The company will focus on following activities during FY 2074/75.

- Increasing paid up capital at least to Rs. 20 crore by way of issuing bonus share and infusion of addition capital from the parent company i.e. rights issue. Providing financial advisory service like Capital restructuring, valuation, business plan, loan syndication, working capital management, venture capital financing, private equity, hedge fund and likewise other advisory services.
- Increase Issue Management Activities.
- Increase customer base of PMS product already launched.
- Developing Mutual Fund Scheme and managing it.
- Building team for research and analysis.
- Tieup or collaboration with SBI Group Companies in technical fronts, whenever necessary.

## OUR STRATEGIES FOR THE CURRENT YEAR (2073-74)

During the year our strategies will be focused on developing technology based products to satisfy the need of the customers while leveraging income generation activities such as Issue Management, portfolio management, underwriting etc. Further, the Company will focus on introducing industry based products and services by domestication of internationally recognized products. The Company may have necessary tieup or collaboration with SBI Group Companies in technical fronts. As SEBON has widened the scope of Merchant Bankers, efforts will be given for providing Advisory Services. Providing advisory services to the various companies shall be our one of the major target during the current fiscal year.

## PROGRESS REPORT FOR THE CURRENT YEAR

During the first quarter of FY 2074/75 the company earned gross income of Rs. 2,635,105.00. The Company entered into agreement with Samudayik Laghubitta Bittiya Santha Limited for issue and sales management of their Initial Public Offering (IPO). NSMBL executed underwriting agreement with Samudayik Laghubitta Bittiya Santha Limited and Nepal Seva Laghubitta Bittiya Sanstha Ltd. for underwriting of their IPO. Further, NSMBL has been appointed by United Finance Limited as their consultant/advisor for auxiliary services for bringing foreign strategic partner i.e. Muthoot Finance from India.

# ACKNOWLEDGEMENT

The Board of Directors is grateful to the regulators, esteemed shareholders and the public at large for their patronage shown to the Company. The Board of Directors also expresses its sincere thanks to the Office of the Company Registrar (OCR), Securities Board of Nepal (SEBON), Nepal Stock Exchange Limited, CDS and Clearing Limited and other regulatory bodies for their valuable support and guidance throughout the year.

The Board of Directors also places on record its appreciation of the commitment, sense of involvement and dedication exhibited by the personnel/employees deputed to the NSMBL while discharging their concurrent function.

For and on behalf of the Board of Directors

**Mr. Priya Ranjan**  
Chairperson  
Kathmandu  
Date: 2074/08/11

## ANNEXURE TO BOD REPORT

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

- (i) **Industrial or professional relations of the company:**  
The Company has cordial and professional relationship with regulators and stakeholders. The company has always attuned high priority to the compliance of related laws and directives issued by the regulators from time to time.
- (ii) **Major things affecting the transactions:**  
Any changes in the legal provision relating to Securities laws basically Merchant Banking regulation, tax laws may affect the transaction of the Company.
- (iii) **If there are any remarks in the audit report, the comments of the board of directors on such remarks:**  
Some minor comments incorporated in management letter, which are noted for future compliance.
- (iv) **Amount recommended for payment by way of dividend:**  
No dividend was declared last year. Whereas, Rs.11,111,111.00 (i.e.11.11%) of existing paid up capital is proposed to pay stock dividend from forthcoming AGM.
- (v) **In the event of forfeiture of shares, details regarding the number of forfeited shares, face value of such shares, total amount received by the company for such shares prior to the forfeiture thereof, proceeds of sale of such shares after the forfeiture thereof, and refund of amount, if any, made for such forfeited shares:**  
No shares have been forfeited by the Company during the fiscal year 2073/74.
- (vi) **Major transactions completed by the company and its subsidiary company in the financial year and any material changes taken place in the transactions of the company during that period:**  
The Company has carried out transaction that are permitted to carry as per the prevailing laws. The highlights of the business have been detailed in the Directors' Report/ Annual Report.
- (vii) **Disclosures made by the substantial shareholders of the company to the company in the previous financial year:**  
The information provided by the promoter shareholder Nepal SBI Bank Ltd. have been maintained by the company.
- (viii) **Details of shareholding taken by the directors and officers of the company in the previous financial year and, in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect:**  
NSBL is wholly owned shareholder of NSMBL and the directors of the company have been nominated by NSBL and the directors have no shareholding and involvement of trading thereon.
- (ix) **Details of disclosures made about the personal interest of any director and his/her close relative in any agreements related with the company during the previous financial year:**  
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 Company signed during the financial year 2073/74.
- (x) **In the event that the company has bought its own shares (buy-back), the reasons for such buy-back, number and face value of such shares, and amount paid by the company for such buy-back:**  
The Company has not so far purchased any of its own shares.
- (xi) **Whether there is an internal control system in place or not; and details of such system, if it is in place:**  
System is being developed including constitution of various committees with the formulation of Financial Administration Policy 2074, Investment Policy 2074 as well as other policies.

**(xii) Details of total management expenses during the previous financial year:**

S. N.	Particulars	Amount in Rupees
1	Management Service Fee	7,20,000
2	Other Operating Expenses	46,05,622

**(xiii) Name-list of the members of audit committee, remuneration, allowances and facilities received by them, details of the functions performed by that committee, and details of suggestions, if any, made by that committee:**

There was not Audit Committee formed during the FY 2073/74. The Board at its 12th meeting held on 27th November 2017 approved constitution of the Audit Committee as under:

- Independent Director - Coordinator
- HOD-Finance and Planning Department of Parent (NSBL)-Member
- Professional CA designated by the Chartered Accountancy Firm outsourced by the Company (NSMBL) - Member Secretary.

**(xiv) Amount, if any, outstanding and payable to the company by any director, managing director, chief executive, substantial shareholder or his/her close relative or by any firm company, corporate body in which he/she is involved:**

Nil

**(xv) Amount of remuneration, allowances and faculties paid to the director, managing director, chief executive and officer:**

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

A total of Rs. 16,000.00 was paid to the independent director (@Rs.8,000 per meeting) for attending 2 meetings of the Board during the FY 2073/74. No amount was paid to other directors for attending the

meetings.

**2. Managing Director & Other Office Bearers:**

- Managing Director: No remuneration was paid to the Managing Director. Managing Director appointed has been assuming his concurrent charge as the Company Secretary and Head Law & Shares of the Nepal SBI Bank Ltd. and salary and allowance to him is paid by NSBL.
- Other Office Bearers: During this fiscal year company has paid Rs. 7,20,000 as a management service fee against service of deputed staffs from the parent company except Managing Director.

**(xvi) Amount of dividends remaining unclaimed by the shareholders:**

None

**(xvii) Details of sale and purchase of properties pursuant to Section 141:**

None

**(xviii) Details of transactions carried on between the associated companies pursuant to Section 175:**

None

**(xix) Other required information:**

*a) Amount of penalty paid by the Directors, office bearers and shareholder as per section 81 of the Companies Act, 2063:*

Nil

*b) Information in regard to close relative of the Directors or office Bearers working at the office (office of the company Registrar), securities Board of Nepal or any other regulators in an officer or above level as required under section 45 of the Company Directives:*

Nil

**Mr. Priya Ranjan**  
Chairperson  
Kathmandu  
Date: 2074/08/11

**Independent Auditor's Report  
To the Shareholders of Nepal SBI Merchant Banking Limited**

*Report on the Financial Statements*

We have audited the accompanying Financial Statements of **Nepal SBI Merchant Banking Limited (NSMBL)**, which comprise the statement of financial position as at 31 Ashadh, 2074 (corresponding to 15 July, 2017), and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

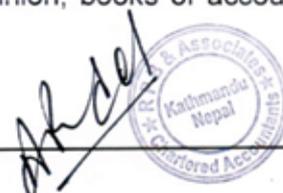
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements presents fairly, in all material respects the financial position of Nepal SBI Merchant Banking Limited as at 31 Ashadh, 2074 (15 July, 2017), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

**Report on Other Legal and Regulatory Requirements**

1. We have obtained all the information and explanations, which were considered necessary for the purpose of our audit.
2. Based on books of account we have audited, in our opinion, books of account of NSMBL have been kept as required by current applicable laws.



3. Financial Statement relating with this report are prepared as per the framework prescribed by prevailing laws and are in agreement with the books of account maintained by NSMBL.
4. During our examination of the books of account of NSMBL and based on the information and explanations provided to us, we have not come across the cases where NSMBL, its Board of Directors or any members thereof or any representative or any office holder or any employee have acted contrary to the provisions of Act, or Rules, Directives, Orders of the Securities Board of Nepal, Companies Act and other prevailing laws or caused loss or damage to NSMBL.
5. The transactions of NSMBL are operated satisfactorily and within the authority of the Company.
6. NSMBL has formed internal audit committee but the internal audit of NSMBL has not been done till the date of our audit.



CA. Abhaya Poudel  
Partner

Date: 10 Kartik, 2074 (27 October, 2017)  
Place: Kathmandu, Nepal

# STATEMENT OF FINANCIAL POSITION

As at 31 Ashadh 2074 (15 July 2017)

Particulars	Notes	As at 31 Ashadh 2074 (15 July 2017)	As at 31 Ashadh 2073 (15 July 2016)
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property Plant & Equipment	3	4,790,477	148,084
Intangibles	4	737,101	-
		<b>5,527,578</b>	<b>148,084</b>
<b>Current Assets</b>			
Inventory		-	-
Advance, Receivable and Other assets	5	17,737,054	63,865
Investments	6	80,000,000	-
Cash & Cash Equivalents	7	18,455,688	100,204,009
		<b>116,192,742</b>	<b>100,267,874</b>
<b>Total Assets</b>		<b>121,720,320</b>	<b>100,415,958</b>
<b>Equity &amp; Liabilities</b>			
Share Capital	8	100,000,000	100,000,000
Reserve & Surplus	9	15,731,450	116,944
		<b>115,731,450</b>	<b>100,116,944</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liability	10	126,157	2,231
		<b>126,157</b>	<b>2,231</b>
<b>Current Liabilities</b>			
Current Liabilities & Provision		-	-
Trade & Other Payable	11	5,862,713	296,783
		<b>5,862,713</b>	<b>296,783</b>
<b>Total Equity and Liabilities</b>		<b>121,720,320</b>	<b>100,415,958</b>

(Puspa Sharma)  
Chief Financial Officer

(Ramesh Ghimire)  
Managing Director / CEO

(Priya Ranjan)  
Chairman

(Anukool Bhatnagar)  
Director

(Hasana Sharma)  
Director

(Subhakanta Kanungo)  
Director

As per our attached report of even date

(CA. Abhaya Poudel), Partner  
R.P.B. & Associates,  
Chartered Accountants

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 Shrawan 2073 to 31 Ashadh 2074 (16 July 2016 to 15 July 2017)

Particulars	Notes	For the period ended 31 Ashadh 2074 (15 July 2017)	For the period ended 31 Ashadh 2073 (15 July 2016)
<b>Income:</b>			
Fees & other income	12	21,192,232	-
Finance Income	13	5,401,403	420,765
		<b>26,593,635</b>	<b>420,765</b>
<b>Total Income</b>			
Direct Expenses	14	1,859,583	59,723
Administrative Expenses	15	3,466,039	203,057
		<b>5,325,622</b>	<b>262,780</b>
<b>Income Before Depreciation &amp; Taxes</b>		<b>21,268,013</b>	<b>157,985</b>
Depreciation	3	409,353	2,061
Amortization	4	40,997	
Provision for Investment Written Back		-	-
<b>Income/(Loss) Before Tax</b>		<b>20,817,663</b>	<b>155,925</b>
Current Taxes		5,080,910	36,750
Deferred Tax (Income)/Expenses		123,926	2,231
<b>Net Income/(Loss) For the Year</b>		<b>15,612,827</b>	<b>116,944</b>
<b>Other Comprehensive Income:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-	-
Net movement on cash flow hedges		-	-
Income Tax effect		-	-
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains and losses on defined benefit plans		-	-
Income Tax effect		-	-
<b>Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>15,612,827</b>	<b>116,944</b>
Attributable to: Equit holders of parent		<b>15,612,827</b>	<b>116,944</b>
Earning Per Share (Basic)		<b>15.61</b>	<b>0.11</b>

(Puspa Sharma)  
Chief Financial Officer

(Ramesh Ghimire)  
Managing Director / CEO

(Priya Ranjan)  
Chairman

(Anukool Bhatnagar)  
Director

(Hasana Sharma)  
Director

(Subhakanta Kanungo)  
Director

As per our attached report of even date

(CA. Abhaya Poudel), Partner  
R.P.B. & Associates,  
Chartered Accountants

## STATEMENT OF CASH FLOWS

**For the period from 1 Shrawan 2073 to 31 Ashadh 2074 (16 July 2016 to 15 July 2017)**

Particulars	For the period ended 31 Ashadh 2074 (15 July 2017)	For the period ended 31 Ashadh 2073 (15 July 2016)
<b>Cash flow from Operating Activities</b>		
<b>Net Income for the year</b>	<b>15,612,827</b>	<b>116,944</b>
<b><u>Adjustments</u></b>		
Income Tax expense recognized in profit or loss	5,080,910	36,750
Depreciation	409,353	2,061
<b>Amortization</b>	<b>40,997</b>	
Deferred Tax	123,926	2,231
<b><u>Movements in Working Capital</u></b>		
Add/ (Less): Increase / (Decrease) in Current Liabilities	485,020	260,033
Add/ (Less): (Increase) / Decrease in Other Assets	(17,673,189)	(63,865)
<b>Income Taxes Paid</b>	<b>-</b>	<b>-</b>
Write off other assets	10,289	-
	<b>(11,522,694)</b>	<b>237,210</b>
<b>Net Cash flow from Operating Activities (A)</b>	<b>4,090,133</b>	<b>354,154</b>
<b>Cash from Investing Activities</b>		
<b>Acquisition of property, plant and equipment</b>	<b>(5,838,454)</b>	<b>(150,145)</b>
<b>Investments</b>	<b>(80,000,000)</b>	
<b>Net Cash flow from Investing Activities (B)</b>	<b>(85,838,454)</b>	<b>(150,145)</b>
<b>Cash from Financing Activities</b>		
Issue of Share Capital	-	100,000,000
<b>Net Cash flow from Financing Activities (C)</b>	<b>-</b>	<b>100,000,000</b>
<b>Net Increase/(Decrease) in Cash (A+B+C)</b>	<b>(81,748,321)</b>	<b>100,204,009</b>
Cash at the beginning of the Year	100,204,009	-
<b>Cash and Bank balance at the End of the Year</b>	<b>18,455,688</b>	<b>100,204,009</b>

\_\_\_\_\_  
(Puspa Sharma)  
Chief Financial Officer

\_\_\_\_\_  
(Ramesh Ghimire)  
Managing Director / CEO

\_\_\_\_\_  
(Priya Ranjan)  
Chairman

\_\_\_\_\_  
(Anukool Bhatnagar)  
Director

\_\_\_\_\_  
(Hasana Sharma)  
Director

\_\_\_\_\_  
(Subhakanta Kanungo)  
Director

As per our attached report of even date

\_\_\_\_\_  
(CA. Abhaya Poudel), Partner  
R.P.B. & Associates,  
Chartered Accountants

## STATEMENT OF CHANGES IN EQUITY

**For the period from 1 Shrawan 2073 to 31 Ashadh 2074 (16 July 2016 to 15 July 2017)**

Particulars	Share Capital	Share Premium	Revaluation Reserve	Transalation Reserve	Accumulated Profit	Total Amount
Balance as of 1st Shrawan 2073 (15 July 2016)	100,000,000	-	-	-	116,944	100,116,944
Changes in accounting Policy	-	-	-	-	-	-
Restated Balance	-	-	-	-	1,679	1,679
Net Profit/(Loss) for the year	-	-	-	-	15,612,827	15,612,827
Issue of Share Capital	-	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	-
<b>Balance as on 31, Ashadh 2074 (15 July 2017)</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,731,450</b>	<b>115,731,450</b>

\_\_\_\_\_  
(Puspa Sharma)  
Chief Financial Officer

\_\_\_\_\_  
(Ramesh Ghimire)  
Managing Director / CEO

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Director

\_\_\_\_\_  
(Subhakanta Kanungo)  
Director

As per our attached report of even date

\_\_\_\_\_  
(CA. Abhaya Poudel), Partner  
R.P.B. & Associates,  
Chartered Accountants

# NOTES TO FINANCIAL STATEMENTS

(Amount in Nepalese Rupees except otherwise stated)

Year ended 31 Ashadh 2074 (15 July 2017)

## 1. CORPORATE INFORMATION

Nepal SBI Merchant Banking Limited (NSMBL) is a limited liability Company incorporated on 07 Baisakh 2073 (19 April, 2016) 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 and portfolio management.

NSMBL is wholly owned downstream subsidiary of Nepal SBI Bank Ltd (NSBL). The company has its registered office at Hattisar, Kathmandu, Nepal.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements of the NSMBL have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standard Board Nepal (ASB Nepal).

For all periods up to 31 Ashadh, 2073 (15 July 2016), the NSMBL prepared its financial statements in accordance with Nepal Accounting Standards (Local GAAP). These financial statements for the year ended 31 Ashadh, 2074 (15 July 2017) are the first financial statements the NSMBL has prepared in accordance with NFRS. Since these are the first financial statements as per NFRS, the principles laid down in NFRS-1 "First Time Adoption of Nepal Financial Reporting Standards" have been followed.

Reconciliations and descriptions of the effect of the transition from Nepal Accounting Standards (Local GAAP) to NFRS on the Company's equity and its net income are given in notes to the account.

### 2.2 USE OF ESTIMATES, ASSUMPTION & JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates & assumptions that affect application of policies and reported amount of assets & liabilities, income & expenses. Accordingly, actual results may differ from those estimates. Management believes that estimates used in the preparation of financial

statements are prudent & reasonable.

Estimates and assumptions are reviewed periodically. Revisions to accounting estimates are recognized prospectively.

### 2.3 SUMMARY OF PRINCIPLE 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 disclosed.

#### 2.3.1 Financial Risk Management

NSMBL's activities expose it to varieties of risks – credit risk, interest rate risk and liquidity risk. The Company's overall risk management program focuses on unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

##### 2.3.1.1 Credit Risk

NSMBL considers that it has limited exposures to concentrations of credit risk with respect to trade accounts receivable.

##### 2.3.1.2 Interest Rate Risk

NSMBL does not have exposures to concentrations of interest rate risk as the company has no borrowings.

##### 2.3.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and maintaining adequate credit facilities. NSMBL has managed working capital and limited exposures to concentrations of liquidity risk.

#### 2.3.2 Current and non-current classification

The NSMBL presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.3.3 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the NSMBL and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The NSMBL assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

## Rendering of Services

Revenue is generally recognized on the completion of service on accrual basis. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

## Interest Income

Interest income on Fixed Deposit/call Deposit is recognized on accrual basis. Interest income is included in finance income in the statement of profit or loss.

NSMBL generates revenue from issue management service, registrar to shares, underwriting and portfolio management.

### 2.3.4 Taxes

#### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in Nepal.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements,

when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

#### 2.3.5 Investment

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

#### 2.3.6 Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

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 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 part 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 recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

#### 2.3.7 Property, plant and equipment

Items of property, plant and equipment are initially recognized 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 recognized 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 recognized 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 recognized in profit or loss.

##### 2.3.7.1 Depreciation

Depreciation is provided on items of property, plant and equipment so as to write-off their carrying value over the expected useful economic lives.

Depreciation has been computed on Straight Line Method. The estimated useful lives for the assets are as follows:

	Years
Leasehold Asset	13.33
Furniture and Fixtures	6.67 to 10
Office Equipment	4 to 5
Motor Vehicles	6.67

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and building are expensed through the statement of comprehensive income (e.g. through depreciation, impairment).

An item of property, plant and machinery is derecognized on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from disposal of an item of property, plant and equipment is the difference between the net disposal proceed, if any and the carrying amount. On disposal of the asset, the balance of the revaluation reserve is transferred to retained earnings.

### 2.3.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangibles assets are assessed as either finite or indefinite.

Intangibles assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

#### 2.3.8.1 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.

### Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortized from the date of initial recognition; other intangible assets are amortized from the date they are available for use.

The estimated useful lives of computer software is considered as five years.

### 2.3.9 Trade and other Receivables

Trade and other receivables are stated at their cost less provision for impairment. The amount of the provision is recognized in the statement of profit or loss.

### 2.3.10 Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Net realizable 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.

### 2.3.11 Cash and Cash Equivalent

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

### 2.3.12 Impairment

The carrying amounts of the company's assets, other than biological assets, investment property, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that are not yet available for use, the recoverable amount are estimated at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

### 2.3.13 Share Capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the

definition of a financial liability or financial asset. The company's equity shares are classified as equity instruments.

### 2.3.14 Provisions and Contingencies

Provisions are recognized when the NSMBL has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed after an evaluation of the facts and legal aspects of the matters involved.

### 2.3.15 Trade and other payables

Trade and other payables are stated at their cost.

### 2.3.16 Segment Information

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.

### 2.3.17 Financial Instruments — Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i) Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available For Sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The NSMBL determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date on which the NSMBL commits to purchase or sell the asset.

## Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance income (positive net changes in fair value) or finance costs (negative net changes in fair value) in the statement of profit or loss.

The NSMBL doesn't have any financial assets, which have been designated upon initial recognition as at fair value through profit or loss.

### Loans and Receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

The NSMBL doesn't have any financial assets, which have been designated upon initial recognition as loans and receivables.

### Available-for-sale (AFS) financial investments

AFS financial investments include equity and debt securities. Equity investments classified as available-for-sale are those neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for

an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as OCI in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, at which time, the cumulative loss is reclassified to the statement of profit or loss in finance cost and removed from the AFS reserve. Interest income on AFS debt securities is calculated using the effective interest method and is recognized in profit or loss.

The NSMBL doesn't have any financial assets, which have been designated upon initial recognition as AFS financial investments

### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is recognized when:

- The rights to receive cash flows from the asset have expired, or
- The NSMBL has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the NSMBL has transferred substantially all the risks and rewards of the asset, or (b) the NSMBL has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

When the NSMBL has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of its continuing involvement in it. In the case, the NSMBL also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the NSMBL has retained.

## ii) Impairment of financial assets

The NSMBL assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### iii) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

#### Subsequent Measurement

The measurement of financial liabilities depends on their classification, as follows:

#### Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities upon initial recognition as at fair value through profit or loss

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the NSMBL that are not designated as hedging

instruments in hedge relationships as defined in NAS-39.

### **Gains or losses on liabilities held-for-trading are recognized in the statement of profit or loss.**

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in NAS 39 are satisfied. The NSMBL has not designated any financial liabilities as at fair value through profit or loss.

### **Loans and borrowings**

After the initial recognition, interest bearing loans and borrowings are subsequently measured at amortized costs using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

This category generally applies to the interest – bearing loans and borrowings.

### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an derecognition of the original liability and the recognition of new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### **2.3.18 Interim Financial Reporting**

NAS 34, 'Interim Financial Reporting' doesn't mandate NSMBL to publish interim financial reports, how frequently, or how soon after the end of the interim period. Since, the shares of NSMBL are not listed and is wholly owned by SBI Nepal Bank Ltd. NSMBL is not required by any regulatory or other bodies which may govern its operating activities to publish interim financial reports.

### **2.4 FIRST –TIME ADOPTION OF NFRS**

These financial statements, for the year ended 31 Ashadh 2074 (15 July 2017), are the first the NSMBL has prepared in accordance with NFRS. For periods up to and including the year ended 31 Ashadh 2073 (15 July 2016), the NSMBL prepared its financial statements in accordance

with Nepal Accounting Standards "NAS" (Local GAAP).

Accordingly, the NSMBL has prepared financial statements that comply with NFRS applicable as at 31 Ashadh 2074 (15 July 2017) together with the comparative period data for the year ended 31 Ashadh 2073 (15 July 2016).

The date of transition of NSMBL is 1 Shrawan, 2072 (18 July 2015). Since, the NSMBL was incorporated after 1 Shrawan, 2072 (18 July 2015), the statement of financial position as at 1 Shrawan, 2072 (18 July 2015) has not been prepared. Hence, principal adjustments have been made to the Statement of Profit or Loss.

### **Exemptions applied**

NFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements. However, the NSMBL is not required to prepare the statement of financial position as at 1 Shrawan, 2072 (18 July 2015), no exemptions from retrospective application has been applied.

### **Estimates**

The estimates at 31 Ashadh 2073 (15 July 2016) are consistent with those made for the same dates in accordance with NAS apart from the life of Property, plant and equipment as there was an objective evidence that those estimates were in error.

## RECONCILIATION OF EQUITY

### Reconciliation of Equity as at 31 Ashadh 2073 (15 July 2016)

Particulars	Notes	NAS (Local GAAP)	Remeasurements	NFRS for the year ended 31 Ashadh 2073 (15 July 2016)
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property Plant & Equipment				
Gross Block		150,145		150,145
Less: Accumulated Depreciation		10,987	(8,926)	2,061
Net Block		139,158		148,084
		<b>139,158</b>	<b>(8,926)</b>	<b>148,084</b>
<b>Current Assets</b>				
Advance, Receivable and Other assets		63,865		63,865
Short Term Investments		-		
Cash & Cash Equivalents		100,204,009		100,204,009
		100,267,874		100,267,874
<b>Total Assets</b>		<b>100,407,032</b>	<b>(8,926)</b>	<b>100,415,958</b>
<b>Equity &amp; Liabilities</b>				
Share Capital		100,000,000		100,000,000
Reserve & Surplus		110,249	(6,695)	116,944
<b>Total Equity</b>		<b>100,110,249</b>		<b>100,116,944</b>
<b>Non Current Liabilities</b>				
Deferred Tax Liability		-	(2,231)	2,231
		-	(2,231)	-
<b>Current Liabilities</b>				
Current Liabilities & Provision		-	-	-
Trade & Other Payable		296,783	-	296,783
		296,783	-	296,783
<b>Total Liabilities</b>		<b>296,783</b>		<b>296,783</b>
<b>Total Equity and Liabilities</b>		<b>100,407,032</b>	<b>(8,926)</b>	<b>100,415,958</b>

# RECONCILIATION OF TOTAL COMPREHENSIVE INCOME

for the year ended 31 Ashadh 2073 (15 July 2016)

Particulars	Notes	NAS (Local GAAP)	Remeasurements	NFRS for the year ended 31 Ashadh 2073 (15 July 2016)
<b>Income:</b>				
Fees & other income				
Interest Income		420,765		420,765
<b>Total Income</b>		<b>420,765</b>		<b>420,765</b>
Direct Expenses		-		-
Administrative Expenses		262,780		262,780
		<b>262,780</b>		<b>262,780</b>
<b>Income Before Depreciation &amp; Taxes</b>		<b>157,985</b>		<b>157,985</b>
Depreciation		10,987	(8,926)	2,061
Depreciation (Disposal)		-	-	-
Amortization		-	-	-
Provision for Investment Written Back		-	-	-
<b>Income/(Loss) Before Tax</b>		<b>146,998</b>		<b>155,924</b>
Current Taxes		36,750		36,750
Deferred Tax (Income)/Expenses		-	2,231	2,231
<b>Net Income/(Loss) For the Year</b>		<b>110,248</b>	<b>(6,695)</b>	<b>116,943</b>
<b>Other Comprehensive Income:</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations				
Net movement on cash flow hedges				
Income Tax effect				
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>				
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains and losses on defined benefit plans				
Income Tax effect				
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods				
Other comprehensive income for the year, net of tax				
<b>Total comprehensive income for the year, net of tax</b>		<b>110,248</b>		<b>116,943</b>

## NOTES TO THE RECONCILIATION OF EQUITY AS AT 31 ASHADH 2073 (15 JULY 2016) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 ASHADH 2073 (15 JULY 2016).

### A. Depreciation

Under local GAAP, depreciation on Property, plant and equipment was charged in line with the Income Tax Act, 2058. NAS 16, Property, plant and equipment doesn't permit recognition of depreciation calculated in line with Income Tax Act, 2058. Thus, the depreciation difference of Rs. 8,960 has been recognized in the Statement of Profit or Loss.

### B. Deferred Tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies, the NSMBL has to account for such differences. Deferred tax adjustments are recognized in correlation to the underlying transaction in Statement of Profit or Loss.

### Standards issued but not yet effective (Accounting Pronouncements)

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the NSMBL financial statements have not been adopted. The NSMBL intends to adopt these standards, if applicable, when they become effective.

### Other Explanatory Notes

## 3. PROPERTY, PLANT AND EQUIPMENT

Descriptions	Leasehold Assets	Furniture & Fixtures	Office Equipments	Vehicles	Total
As at 1 Shrawan 2073 (16 July 2016)	45,765	53,788	50,592	-	104,380
Additions During the Year	1,381,084	31,640	152,678	3,540,719	5,106,121
Adjustment	-	-	(10,500)	-	(10,500)
As at 31 Ashadh 2074 (15 July 2017)	1,381,084	85,428	192,770	3,540,719	5,200,001
<b>Depreciation:</b>					
As at 1 Shrawan 2073 (16 July 2016)	-	442	1,619	-	2,061
During the Year	61,534	7,480	27,142	313,197	409,353
Adjustment	-	-	(1,890)	-	(1,890)
As at 31 Ashadh 2074 (15 July 2017)	61,534	7,922	26,871	313,197	409,524
<b>Net Block</b>	<b>1,319,550</b>	<b>77,506</b>	<b>165,899</b>	<b>3,227,522</b>	<b>4,790,477</b>

## 4. INTANGIBLES

Intangibles comprises of Computer Software.

Service	Useful Life-Years	Opening Balance	Renewal/ Addition	Amortized during the Year	Closing Balance on 31 Ashadh 2074 (15 July 2017)
Online D-mat Software	5	-	325,000	27,950	297,050
Web site -NSMBL	5	-	75,000	6,450	68,550
Tally Accounting Software	5	-	39,098	3,206	35,892
Share Plus Software	5	-	197,750	1,978	195,772
Professional Share Issue Management System (PSIMS)	5	-	141,250	1,413	139,837
<b>Total</b>			<b>778,098</b>	<b>40,997</b>	<b>737,101</b>

## 5. ADVANCES, RECEIVABLE AND OTHER ASSETS

Particulars	As at 31 Ashadh 2074 (15 July 2017)	As at 31 Ashadh 2073 (15 July 2016)
Advance Tax	3,999,429	63,115
Other Deposit	11,100	750
Prepaid Insurance	16,400	-
NMB Capital Ltd.	13,583,055	-
Nepal SBI Bank Ltd.	127,070	-
<b>Total Amount</b>	<b>17,737,054</b>	<b>63,865</b>

## 6. INVESTMENTS

NSMBL has investments in the nature of fixed deposit amounting to Rs. 86,000,000 held with Nepal SBI Bank Ltd.

## 7. CASH AND CASH EQUIVALENTS

Particulars	As at 31 Ashadh 2074 (15 July 2017)	As at 31 Ashadh 2073 (15 July 2016)
Cash in Hand	-	573
<b>Bank Balance:</b>	-	-
Call Deposit A/c-81	18,455,688	100,203,436
<b>Total Amount</b>	<b>18,455,688</b>	<b>100,204,009</b>

## 8. SHARE CAPITAL

Particulars	As at 31 Ashadh 2074 (15 July 2017)	As at 31 Ashadh 2073 (15 July 2016)
<b>Authorized Capital</b>		
1000000 equity shares of Rs. 100 each	100,000,000	100,000,000
<b>Issued Capital</b>		
1000000 equity shares of Rs. 100 each	100,000,000	100,000,000
<b>Paid Up Capital</b>		
1000000 equity shares of Rs. 100 each	100,000,000	100,000,000
<b>Total Amount</b>	<b>100,000,000</b>	<b>100,000,000</b>

## 9. RESERVE AND SURPLUS

Particulars	As at 31 Ashadh 2074 (15 July 2017)	As at 31 Ashadh 2073 (15 July 2016)
Accumulated Profit & (Loss)	116,944	116,944
Restated Balance	1,679	-
Profit During the year	15,612,827	-
<b>Total Amount</b>	<b>15,731,450</b>	<b>116,944</b>

## 10. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax liabilities are recognized for temporary difference in tax base and financial base of the assets. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

S.N.	Particulars	Carrying Amount	Tax Base	Temporary Difference
1	Property, Plant and Equipment	4,790,477	4,325,998	464,479
2	Intangibles	737,101	696,952	40,149
	<b>Total</b>	<b>5,527,578</b>	<b>5,022,950</b>	<b>504,628</b>
	Tax Rate			25%
	Deferred Tax Liability			126,157
	Opening Deferred Tax Liability			2,231
	Transfer to Statement of Profit or Loss			123,926

## 11. TRADE AND OTHER PAYABLES

Particulars	As at 31 Ashadh 2074 (15 July 2017)	As at 31 Ashadh 2073 (15 July 2016)
A.F.E. Home Decoration Pvt.Ltd.	53,788	53,788
TDS Payable	15,216	8,420
Audit Fee Payable	83,625	44,600
Provision for tax	5,080,910	36,750
Nepal SBI Bank Ltd.	-	86,672
Payable against Right Subscription- NSBL	67,482	-
Professional Computer System	339,000	-
Ram Kumar Majhi	70	-
Ashra International Pvt. Ltd.	208,123	-
Payable to SEBON	13,726	-
Ram Khadka	-	11,986
Manoj Kumar Chaudhary	-	7,225
Provision for telephone expenses	773	1,700
Manoj Kumar Shrestha	-	2,250
Digit-All Pvt Ltd.	-	43,392
<b>Total Amount</b>	<b>5,862,713</b>	<b>296,783</b>

## 12. SEGMENT REPORTING

The NSMBL has one segment focusing on issue management services, registrar to shares, underwriting and portfolio management in Nepal. No additional disclosure is included in relation to segment reporting, as the NSMBL's activities are limited to one business and geographic segment.

Particulars	For period ended 31 Ashadh 2074 (15 July 2017)	For period ended 31 Ashadh 2073 (15 July 2016)
Administration & Management Fee-NSBL DP	274,521	-
Collection & Refund Commission	508,025	-
Other Income-D-Mat	431,503	-
Other Income-RTS	149,008	-
RTS Service Fee	274,521	-
Interest Sharing Income	19,511,854	-
ASBA Commission sharing income	42,800	-
<b>Total Amount</b>	<b>21,192,232</b>	<b>-</b>

## 13. FINANCE INCOME

The NSMBL has earned an interest income amounting to Rs. 5,401,403 on account of Fixed Deposits with Nepal SBI Bank Ltd for the period ended 31 Ashadh 2074 (15 July 2017).

## 14. DIRECT EXPENSES

Expenses are recognized on Accrual Basis. Employee cost relating to depute staffs has been booked in the Statement of Profit or Loss in terms of management service fee. As per Service Level Agreement between NSBL & NSMBL dated 9 December 2016, annual management service fee is NPR 1.2 million however; it is considered for 219 days from the date of license obtained from the SEBON. Before obtaining license, deputed staff has taken concurrent charge of share department of parent company.

Particulars	For period ended 31 Ashadh 2074 (15 July 2017)	For period ended 31 Ashadh 2073(15 July 2016)
Management Service Fee	720,000	-
Outsourcing Driver Service charge	301,990	26,812
Outsourcing Messenger Service Charge	649,820	30,661
Canteen Expenses	110,309	2,250
SEBON & CDSCL Charges	77,464	-
<b>Total Amount</b>	<b>1,859,583</b>	<b>59,723</b>

## 15. ADMINISTRATIVE EXPENSES

Particulars	For period ended 31 Ashadh 2074 (15 July 2017)	For period ended 31 Ashadh 2073(15 July 2016)
Advertisement Expenses	35,340	-
AGM Expenses	50,594	-
Audit Fee	84,750	45,200
Bank Charges	130	-
Board Meeting Allowance	21,883	36,000
Business Promotion & Hospitality Exp.	2,239	-
Cleaning Expenses	74,880	-
Data Entry & Checking Expenses	57,682	-
Fuel Expense	165,325	-
Insurance Premium	22,961	-
IPO/FPO Forms Expenses	200	-
Kitchen Expenses	46,720	-
Lodging & Fooding Expenses	33,276	-
Write off Other Assests (Bicycle)	10,289	-
Meeting Expenses	14,745	-
Membership Expenses (Merchant Association of Nepal)	300,000	-
Newspaper and Magazine Expenses	11,920	-
Office Maintenance Expenses	3,620	-
Office Shifting Expenses	18,150	-
Parking Expenses	4,250	-
Printing & Stationery Exp.	19,368	1,000
Publication Expenses	68,655	-
Rent Expenses	1,805,100	11,452
Repair & Maintenance Expenses	57,597	200
SEBON Licence Fees	350,000	-
Security Guard Expenses	29,216	-
Telephone Expenses	14,552	3,200
Water & Electricity Expenses	158,481	-
Legal expenses	-	38,500
Pre Incorporation expenses	-	40,000
SEBON Application Charge	-	25,000
Rates & Taxes	-	1,500
Miscellaneous expenses	4,116	1,005
<b>Total Amount</b>	<b>3,466,039</b>	<b>203,057</b>

## 16. RELATED PARTY

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions.

### The holding company

The ultimate holding company of the NSMBL Limited is Nepal SBI Bank Ltd., which is based and listed in Nepal.

### Entity with significant influence over the Group

Nepal SBI Bank Ltd owns 100% of the ordinary shares in NSMBL.

### Terms and conditions of transaction with related parties

The related parties transactions are made at terms equivalent to those that prevail in arm's length transactions

The following table provides the total amount of transaction that has been entered into with related parties for the relevant financial year.

### Related Parties Disclosures

Nepal SBI Merchant Banking Limited has the following related parties:

S.N.	Name	Relationship
1	Nepal SBI Bank Limited	Holding Company

### The transactions and balances of the following related party have been narrated below.

Particulars	Period ended 31 Ashadh 2074 (15 July 2017)	Period ended 31 Ashadh 2073 (15 July 2016)
Relationship	Holding Company	Holding Company
Nature of Transactions		
Opening balance of (payable)/receivable	(86,672)	-
Interest Income on Call Deposit	5,401,403	420,765
Reimbursement of sub lease rent	15,000	11,452
Management Service Fee (Gross)	720,000	-
RTS, Administration & Management of D-Mat Service & ASBA sharing income	1,172,353	-
<b>Closing balance of (payable)/receivable</b>	<b>127,070</b>	<b>(86,672)</b>

## 17. EARNING PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The company does not have any financial instruments with potential dilutive effect. Therefore, the basic and diluted earnings per share are the same.

The following table reflects the income and share data used in the basic EPS computation:

Particulars	Period ended 31 Ashadh 2074 (15 July 2017)	Period ended 31 Ashadh 2074 (15 July 2017)
Income attributable to equityholders of Parent	15,612,827	116,944
Weighted number of shares outstanding during the period	1,000,000	1,000,000
Earning Per Share (Basic and diluted)	15.61	0.11

**Note:** There have been no other transaction involving ordinary shares between the reporting date and the date of authorization of the these financial statements.

## 18. PROPOSED INCREASE IN PAID-UP SHARE CAPITAL

The Company's board meeting held on 10 Kartik 2074 (27 October 2017) has proposed to issue 11.11% bonus shares (net of TDS) of existing paid-up capital of Rs. 100,000,000. After the approval of proposed issue of shares by Annual General Meeting, the Company's share capital will be Rs. 111,111,111.

## 19. EMPLOYEE BENEFITS

Since all the employees of the Company are deputed from holding company through management service agreement, amount on account of employee benefits like gratuity, leave encashment, provident fund, bonus etc have not been accounted for in the Financial Statements.

## 20. POST BALANCE SHEET EVENTS

There have been no post balance sheet event that have come to our attention other than the one specified in Note No. 18.

## 21. KEY MANAGEMENT PERSONNEL

Key Management Personnel of Nepal SBI Merchant Banking Limited includes;

Mr. Ramesh Ghimire	Managing Director/CEO
Mr. Puspa Sharma	Chief Financial Officer

## 22. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements of Nepal SBI Merchant Banking Limited ('NSMBL' or 'the Company') for the year ended 31 Ashadh, 2074 (15 July, 2017) were authorized for issue in accordance with a resolution of the directors dated 10 Kartik 2074 (27 October 2017).

## 23. RE-GROUPING, RE-ARRANGING AND ROUNDING OFF

The previous year figure has been re-grouped and re-arranged wherever found necessary for better presentation of Financial Statements. The figures presented in financial statements have been rounded off to the nearest rupee.

## Regional Offices

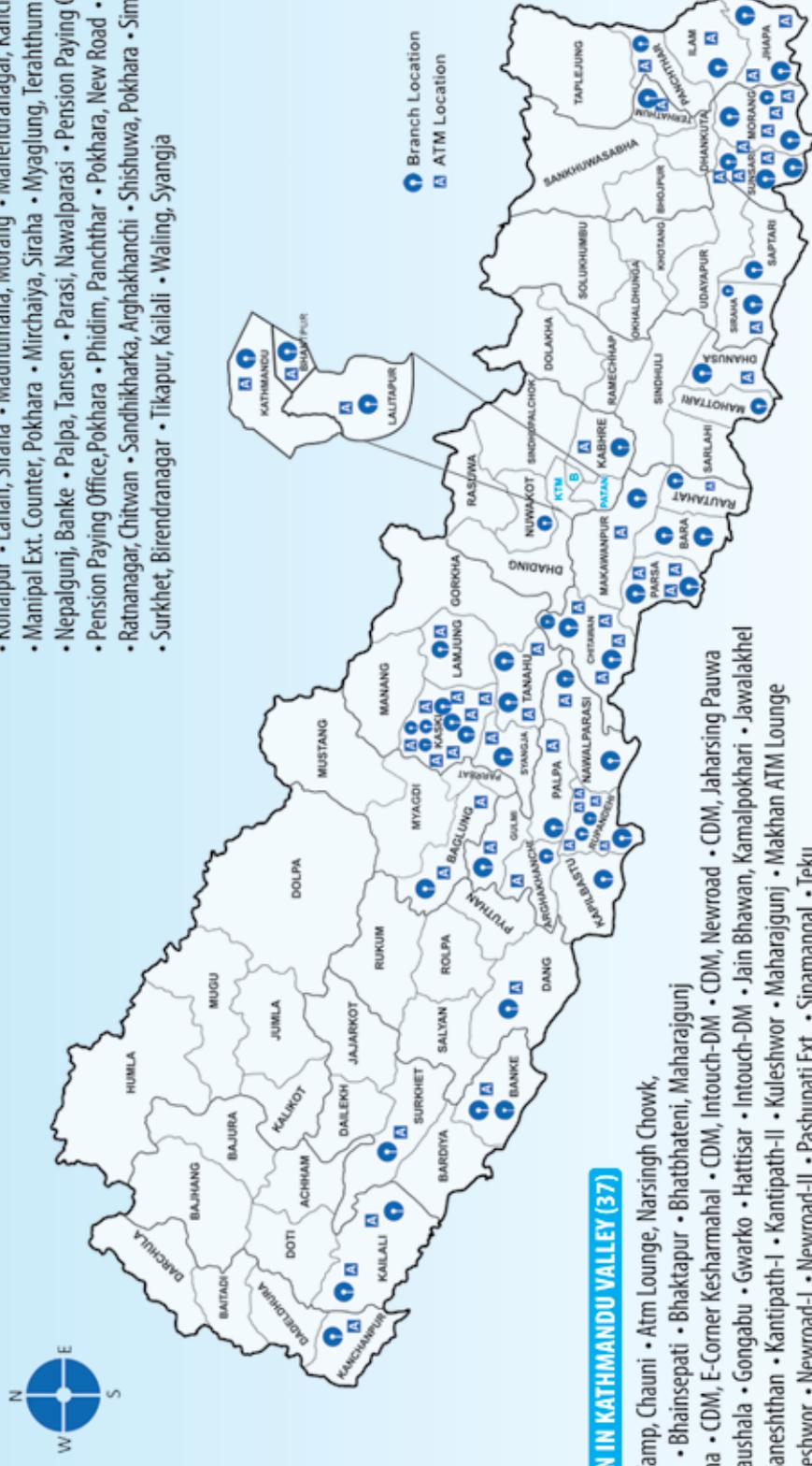
- Central Regional Office, Kathmandu
- Eastern Regional Office, Biratnagar
- Western Regional Office, Nepalgunj

## Branch / Extension Counters within Kathmandu Valley (21)

- Bhainsepati, Lalitpur • Bhaktapur • Boudha • Commercial Branch, Lainchaur
- Dally • Durbar Marg Main Branch • EOI Ext. Counter, Lazimpat, Ktm.
- Gaushala • Gongabu • Gwarko, Lalitpur • IVSC, Lazimpat, Ktm. • Kalanki
- Kuleshwar • Maharajgunj • New Baneshwor • New Road
- Pashupatinath Ext. Counter, Pashupati • Patan • Sinamangal • Teku • Thamel

## Branch / Extension Counters Outside Kathmandu Valley (54)

- Abu Khaireni, Tanahu • Baglung • Banepa • Bardibas, Mahottari • Bargachhi, Morang • Battar, Nuwakot
- Beshisahar, Lamjung • Bhairahawa, Rupandehi • Biratnagar, Morang • Birgunj, Parsa • Birtamod, Jhapa
- Birauta • Butwal, Rupandehi • CGI Ext. Counter, Birgunj • Chandranigahpur, Rautahat • Chandrauta, Kapilvastu
- Damak, Jhapa • Damauli, Tanahu • Dang, Ghorahi • Dhangadi, Kailali • Dharan, Sunsari • Gulmi, Tamghas
- Hakim Chowk, Bharatpur • Hetauda, Makwanpur • Ilam • Itahari, Sunsari • Janakpur, Dhanusha • Kawasoti
- Kohalpur • Lahan, Siraha • Madhumalla, Morang • Mahendranagar, Kanchanpur • Manigram
- Manipal Ext. Counter, Pokhara • Mirchैया, Siraha • Myaglung, Terathum • Narayangarh, Chitwan
- Nepalgunj, Banke • Palpa, Tansen • Parasi, Nawalparasi • Pension Paying Office, Dharan
- Pension Paying Office, Pokhara • Phidim, Panchthar • Pokhara, New Road • Rajbiraj, Saptari • Rampur, Parsa
- Ratnagar, Chitwan • Sandhikharka, Arghakhanchi • Shishuwa, Pokhara • Simara, Bara • Srijana Chowk, Pokhara
- Surkhet, Birendranagar • Tikapur, Kailali • Waling, Syangja



## EXISTING ATM LOCATION IN KATHMANDU VALLEY (37)

- Annapurna Lounge • Army Camp, Chauni • Atm Lounge, Narsingh Chowk,
- Babarmahal • BGSN, Thamel • Bhaktapur • Bhatbhateni, Maharajgunj
- Bhatbhateni, Tangal • Boudha • CDM, E-Corner Kesharmahal • CDM, Intouch-DM • CDM, Newroad • CDM, Jaharsing Pauwa
- Dally • Embassy of India • Gaushala • Gongabu • Gwarko • Hattisar • Intouch-DM • Jain Bhawan, Kamalpokhari • Jawalakhel
- Kalanki Branch • Kamaladi Ganeshthan • Kantipath-I • Kantipath-II • Kuleshwar • Maharajgunj • Makhn ATM Lounge
- Mobile ATM-KTM • New Baneshwor • Newroad-I • Newroad-II • Pashupati Ext. • Sinamangal • Teku

## EXISTING ATM LOCATION OUTSIDE KATHMANDU VALLEY (66)

- Abukhaireni • Baglung • Banepa • Bargachi • Battar • BBSM-Nayangarh • Beshisahar • Bhairahawa • Biratnagar • Birauta, Pokhara • Birgunj-I • Birgunj-II • Birtamod
- BPKHS, Dharan • Bus Park, Palpa • Butwal-I • Butwal-II • Butwal-III • Chandranigahpur • Chaundrauta, Kapilvastu • Dabur Nepal, Rampur • Damak • Damauli
- Dang • Dhangadhi • Dharan • Gulmi • Hakim Chowk • Hetauda • Ilam • Itahari • Janakpur • Kawasoti • Kohalpur • Lahan • Lake Side, Pokhara • Lions Chowk,
- Narayangarh • Madhumalla • Mahendra Chowk, Biratnagar • Mahendranagar, Kanchanpur • Manigram • Manipal Hospital, Pokhara • Mobile ATM-POK • Myaglung
- Narayangarh • Narayangarh 3<sup>rd</sup> • Nepalgunj • Parasi • Phidim • Pokhara-I • Pokhara-II • PPO Dharan • PPO Pokhara-I • PPO Pokhara-II • Rajbiraj • Ratnagar • Sandhikharka
- Shrijanachowk • Simara • Sishuwa • Sonauli • Surkhet • Tikapur • Upallo Chaur, Baglung • Waling



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Corporate Office, Kathmandu

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पेमेन्ट गेटवे



## Merchant Acquiring Business (POS Terminal)



NSBL  
POS  
SERVICES



Restaurant



Airlines



Cinema



Mall



Hotels

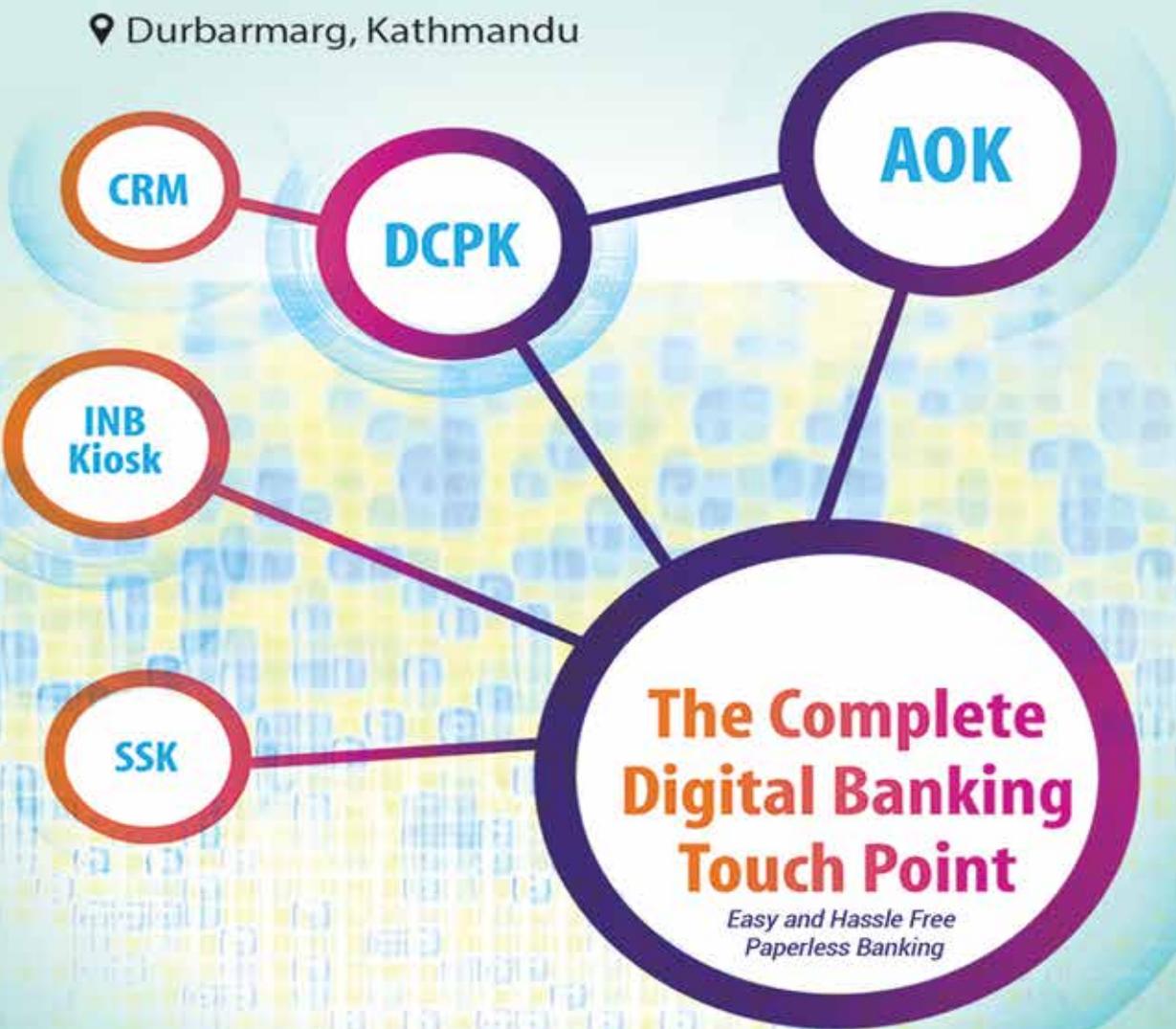


Shopping



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📍 Durbarmarg, Kathmandu



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