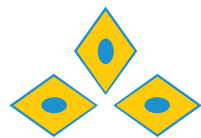


Annual Report

2017-2018

GEAR UP FOR GROWTH

18 Years &
Making a Difference



कुमारी बैंक लिमिटेड
KUMARI BANK LIMITED
सबैका लागि, सधैँका लागि

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About the Company

Kumari Bank Limited came into existence as the fifteenth commercial Bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The Bank has Paid-up capital of NPR 7,163,394,973.49 of which 51% is contributed from promoters and remaining from public.

Kumari Bank Limited has been providing a wide-range of modern banking services through 105 points of representation located in various urban, semi urban part and rural parts of the country, with 74 outside valley branches, 25 inside valley branches, 3 extension counters and 3 Branchless Banking Units.

The Bank has pioneered in providing modern banking services like Internet Banking and Mobile Banking services. With the

implementation of Core Banking Software, FINACLE (version 10), the Bank is confident that it will be able to provide a robust, ultra-modern banking platform for all customers throughout the country.

The Bank has been offering both Domestic and International Visa Debit Card and Credit Card, accessible in all VISA linked ATMs in Nepal and India, providing additional services to the customers through its 84 ATMs throughout the country and several POS terminals. Along with this, the Bank has also been offering latest Mobile Banking, Internet banking and Viber Banking services. The Bank has been able to get recognition as an innovative and fast-growing institution striving to enhance customer value and satisfaction backed by transparent business practices, professional management, corporate governance, and Total Quality Management as the organizational mission.

The Bank signed an agreement to acquire Kasthamandap Development Bank Ltd., Paschimanchal Finance Co. Ltd., Mahakali Bikash Bank Ltd. and Kankrebihar Bikash Bank Ltd. by the end of Asadh 2074; with an objective to fulfill the directive forwarded by Nepal Rastra Bank to attain the Paid-up capital of NPR 8 billion. The acquisition with four institutions extended the branch network to 74 branches, increased Bank's loan investment up to NPR 40 billion and deposit up to NPR 50 billion.

The key focus of the Bank is always centered on serving unfulfilled needs of all customers by offering swift and modern technology-driven banking products and services, thereby leaving the impression as a financial institution truly committed to enhancing customer satisfaction, convenience and value.



| VISION

Our vision is to be the preferred financial partner to our customers, a center of career growth to our employees, and to maximize our shareholders' value, while contributing to our nation's financial sector and to its economic welfare.

| MISSION

Our mission is to deliver innovative products and services to our customers, use these innovative products to achieve financial inclusion, and do so by exemplifying good corporate governance, proactive risk management practices, and superior corporate social responsibility.



Message from the Chairman

Dear Shareholders,

The year gone by was again, a challenging year for the entire banking industry. The Bank successfully evolved out of enhanced capital requirement and there was major consolidation of the financial sector with mergers and acquisitions. Kumari Bank also consolidated its position and was able to create a synergy from the previous year's acquisition of the four Financial Institutions. It is a matter of great pleasure to report that the Bank was able to demonstrate commendable growth in its business portfolio and revenue streams despite constraints in the overall operating environment.

During this year, the Bank successfully migrated from its legacy banking software to newer, higher end Core Banking Software "Finacle". The entire migration to the newer software was achieved in a record time of five months and we are proud to receive an honor from Infosys as Accelerated Transformation Award 2019 (winner).

I attribute the success to the impeccable professional abilities

of our employees. Their untiring dedication and team efforts have placed the Bank to higher path of growth. On behalf of all the shareholders, I would like to express my sincere gratitude to all employees and the Senior Management that has constantly guided and motivated the entire team to lead us to a direction, which will soon make us a strong and dominant player in the market and a Bank to be reckoned. I would like to restate our commitment to make your Bank one of the finest institutions in the country, not only in the terms of the size of the Balance Sheet but also in areas of fiscal discipline, good governance, robust control and risk management frameworks. Needless to say that good governance and transparency will be paramount to our Business philosophy.

The highlight of the performance in the FY 2076 was the growth in profitability by 23.00%. We closed the year at a profit of NPR 1.23 billion. Similarly deposit increased by 21.00% closing at NPR 84.40 billion and the loan portfolio increased by 22.00% to NPR 76.58 billion. The Bank's other

income fees and commission also increased by 21.00% to NPR 474.00 million.

The Bank is rigorously engaged, to make Banking more easy and accessible for every one and to this effect multiple delivery channels are being rolled out. We believe that technology provides the cutting edge in banking and accordingly development of efficient technological platform and continuous up gradation will be our regular features. Moving ahead, the Bank has reengineered its business to enhance our service standard and at the same time we have strengthened our risk management process and control mechanisms.

On behalf of the Board and all the shareholders, I would like to THANK our customers for believing and supporting us and to the Central Bank for their valuable guidance.

.....
Sincerely yours,

Santosh Kumar Lama

Chairman, Kumari Bank

| BOARD OF DIRECTORS



MR. SANTOSH KUMAR LAMA
Chairman



MR. UTTAM PRASAD BHATTARAI
Director (Promoter Group)



MR. BINOD DABADI
Director (Promoter Group)



MR. KRISHNA PRASAD GYAWALI
Director (Public Group)



MR. RISHI AGRAWAL
Director (Promoter Group)



DR. GANESH PRASAD PATHAK
Independent Director



ANNUAL REPORT OF BOARD OF DIRECTORS

EIGHTEENTH ANNUAL GENERAL MEETING

Dear Shareholders,

We cordially invite all shareholders, invited representatives, auditor, journalists and support staffs on behalf of the Board of Directors, who are present here in the 18th Annual General Meeting (AGM) of Kumari Bank Ltd.

In this 18th Annual General Meeting (AGM) of the Bank, we are present here to submit the financial statement of the fiscal year 2074/75 BS. Together with the annual report we shall make here a brief presentation on the achievements of this Bank in this current fiscal year and the plans in future. Upon learning from the mixed experiences of the past, we have completed 18 years of our inception by employing the challenges and opportunities in Bank's favor as the time demands. We always nurture the objectives to render quality services to our customers, to give as much returns to the investors as possible, to maintain corporate good governance and moral conduct in the institution, and to fully observe the laws and rules put in place by the nation. We extend our deepest thanks to those who have helped and wished our best, directly or indirectly, in the successful realization of these goals. This Bank has succeeded in becoming a successful and strong institution from the invaluable support and partnership of people like you. We express our trust that even in the days to come, you shall be equally contributing towards the progress of this Bank.

The major financial indicators till the date of preparation of balance sheet are as follows:

1. Review of the Financial Indicators of Previous Years

Table 1
Financial Synopsis of the Bank in the Past 5 Years (Amount in NPR millions)

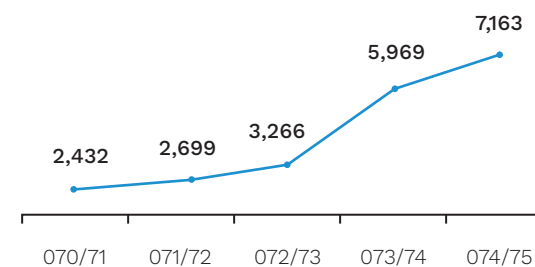
Head/FY	2070/71	2071/72	2072/73	2073/74	2074/75
Paid up Capital	2,431.68	2,699.17	3,265.99	6,882.78	7,163.39
Deposits	27,578.38	33,421.91	37,950.53	52,037.39	69,651.22
Loans and Advances	22,808.50	27,070.39	30,111.45	45,195.17	62,740.97
Investment	3,672.10	5,299.47	7,742.97	8,039.52	8,803.00
Fixed Assets (Net)	235.78	259.46	265.41	358.07	544.76
Total Assets	31,020.60	37,374.51	42,416.51	60,993.26	82,723.55
Net Interest Income	835.47	925.77	1,175.43	1,297.37	2,032.69
Other Income	330.83	297.55	338.61	389.22	618.61
Operating Expenses	461.82	538.08	581.11	659.42	1,261.97
Operating Profit/ (Loss) before Loan Loss Provision	704.48	685.24	932.94	1,027.17	1,413.84
Net Profit	341.65	394.79	716.06	660.74	1,041.89
Non Performing Loan Ratio (%)	4.03	2.49	1.15	1.86	1.05

The Bank's financial indicators for the past years have been positive, systematic and progress oriented. In recent years, the inactive assets have been vastly managed, and the risks associated with Bank's business have been properly assessed. As Nepal's fiscal market, political milieu and industrial sectors are prone to frequent upheavals, we have made up our mind that we should always be balanced and sustainable in the growth of our businesses and ventures.

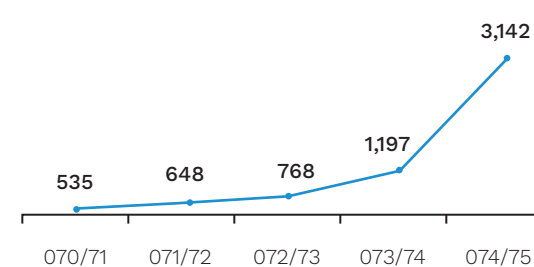
As compared to the fiscal year (FY) of 2073/74 BS, in the FY of 2074/75 BS, Credit, Deposit and Investment have risen to 38.82%, 33.85% and 9.60% respectively, reaching NPR 62.74 billion, NPR 69.65 billion and NPR 8.80 billion. Similarly the Net Interest Income has recorded an increase of 41.39% reaching NPR. 2.03 billion and total Operating Expenses increased by 65.28% reaching NPR 1.26 billion. The Operating Profit before Loan Loss Provision in the FY of 2074/75 has marked a surge of 29.09% reaching NPR 1.41 billion. Thus, the Net Profit of NPR 790 million in the FY 2073/74 has risen to NPR 1.04 billion in FY 2074/75, registering a growth of 31.36%.

The graphs of some major financial indicators of the Bank in the past 5 years are presented as follows (Amount in NPR millions):

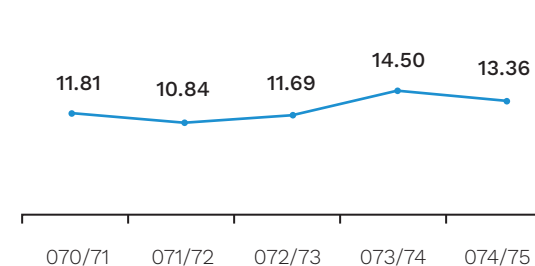
• Paid Up Capital



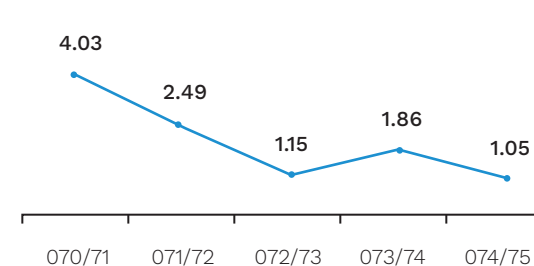
• Reserves and Funds



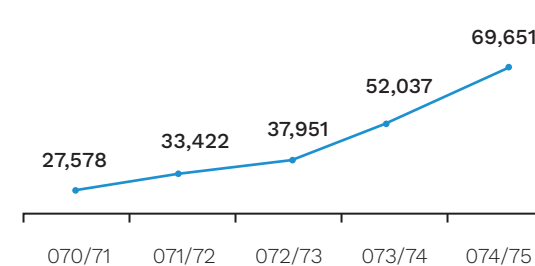
• Capital Adequacy Ratio (%)



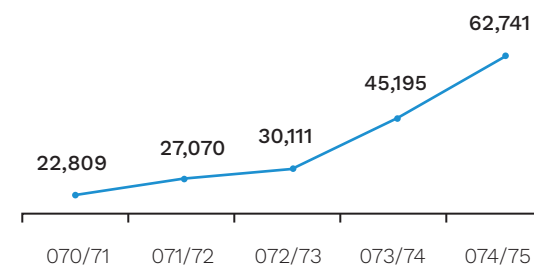
• Non - Performing Loan Ratio (%)



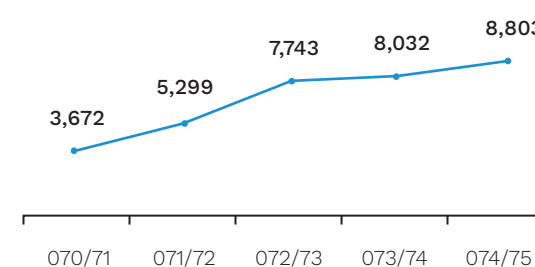
• Deposits



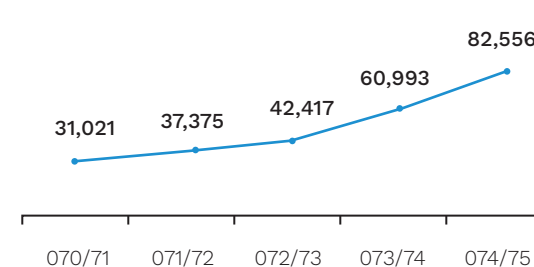
• Loans and Advances



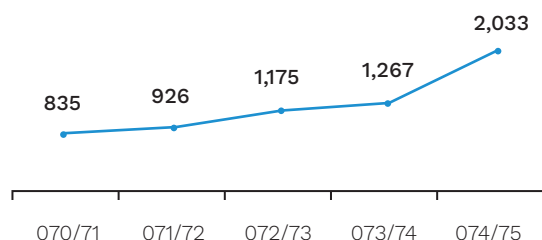
• Investment



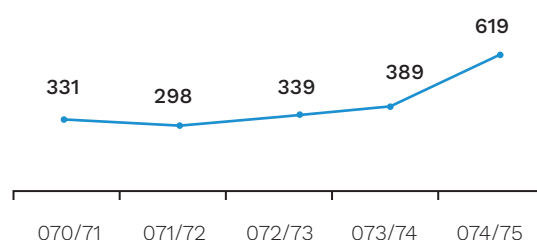
• Total Assets



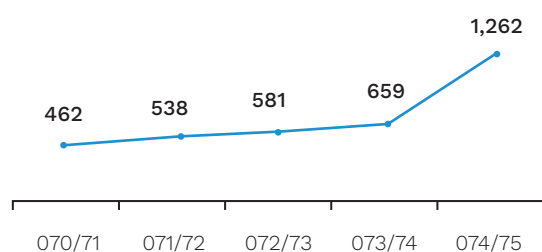
• Net Interest Income



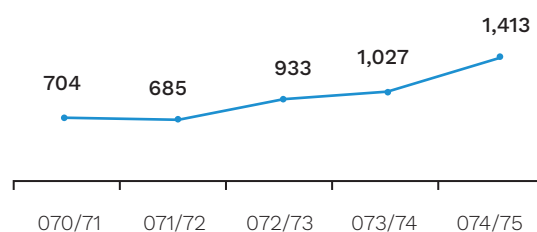
• Other Operating Income



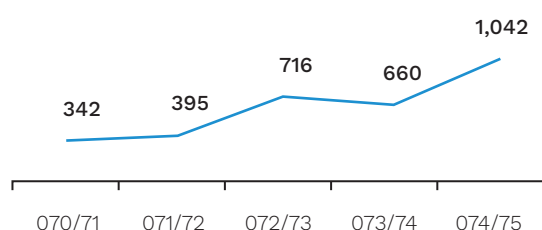
• Operating Expenses



• Operating Profit before Loan Loss Provision



• Net Profit



2. A Review of International and National Economies

In the review year, the economic growth has been constant since the last year. It has cast a positive impact in least developed countries like Nepal. International Monetary Fund has predicted that the growth rate of world economy will be 3.50% in the year 2019, as compared to 3.70% in the years 2017 and 2018. The Fund holds that though the economies of developed nations constricted in this period, those of the developing nations are still upbeat. The Fund has predicted that the growth rate of developed economies by 2.00% in the year 2019, as compared to 2.30% in the year 2018. Similarly, it has forecasted that the growth rate of developing economies by 4.50% in the year 2019, as compared to 4.60% in the year 2018. The inflation rate of developed nations stood at 2.00% in 2017 and 2018 whereas it will hover around 1.70% in 2019. However, this rate was only 0.80% in 2016. The Fund projects that inflated rates of developing nations shall be 5.10% in 2019 from 4.90% in 2018. Countries like USA, Eurasia and India have adopted a rigid monetary policy in 2018 whereas Japan and China have opted for a flexible one. The Chinese economy grew by 6.60% in 2018 and is estimated to grow by 6.20% in 2019. The Fund predicts that Indian economy will register a growth of 7.50% in 2019 from 7.30% in 2018.

The Nepali economy took an upward trend since the FY 2073/74. The macro-economic indicators were within control in the FY 2074/75 and the overall economic activities remained positive. The economic growth rate in 2073/74 stood at 7.40% and is predicted to be 5.90% in 2074/75. Though the annual growth rate in agriculture remained at 2.80% due to flash floods in Terai, the industries sector and service sector recorded a growth of 8.80% and 6.60% respectively, leading to an encouraging economic growth in the FY 2074/75. In line with economic growth, Nepali economy has become worth NPR 307.00 billion. The macro economic growth rate of the country in 2074/75 is found to be dynamic.

Gross Domestic Product

As per the Central Bureau of Statistics (CBS), the growth in gross domestic product (GDP), in FY 2073/74 was 6.30% in base price. The growth rate is predicted similar for FY 2074/75. Since the past 2 years, the gross domestic savings (GDS) has grown in proportion of GDP. This ratio is projected to reach 15.00% in 2074/75. Due to remittance flow, the ratio of GDS to GDP in FY 2074/75 has reached 43.90%. The total capital formation ratio has grown to 51.80% whereas the resource gap will reach 7.80%, as shown in estimates.

In the review year, the ratio of net exports is expected to remain -36.70% with the GDP. This ratio was -32.26% in the previous year. This indicates the contribution of internal demand in the growth of GDP at the current fiscal year.

Inflation

The annual average consumer inflation stood at 4.10% in the first 11 months of FY 2074/75. It was 4.50% in the previous FY. The consumer inflation is estimated at 4.97% in the Asadh month of 2075.

Whereas it was aimed to keep consumer inflation at 6.50% for the FY 2075/76, the average consumer inflation has remained at 4.20% in the first 6 months. The consumer inflation was 4.60% for the month of Poush, 2075 based in annual point system. Inflation is well within control due to favorable climate, low international inflation and improvements in supply management.

Foreign Trade

Total goods exports increased by 11.39% in FY 2074/75 to reach NPR 81.35 billion. In the same period total goods import jumped by 26.49% to reach 1,245.10 billion. The export and import growth rate was 3.96% and 27.05% in the same period during the previous year. As such, in the review period, the total trade deficit surged by 28.00% to reach 1,163.50 billion. This trade deficit had raised by 29.00% in the previous year. In the review year, the ratio of trade deficit was 34.40% with the GDP. That ratio stood at 22.31% in the previous year.

The export import ratio in the review year stands at 15.30%. In other words, the size of imports is 15 times bigger than the size of exports. That ratio was 13.40% in the previous year.

Services

The service sector has grown by around 7.00% in the review year as against 6.90% in the previous year. The economic activities of wholesale and retail businesses, hotels and restaurants, transportation, communications and storage, financial intermediaries, real estate and commercial services, public administration, defence, education, health and other community as well as personal services come under the service sector. The contribution of service sector in GDP for the past 10 years was 51.50% in average and its average growth rate stands at 3.60%.

The FY of 2075/76 shows a notable growth in service sector also owing to positive factors like surge in tourist arrival, expansion in trade, remarkable progress in the opening of Banks and financial institutions, and the uptick in public administrative activities along with the implementation of federalism.

Remittance Flow

The remittance sent by Nepali migrant workers increased by 7.30% in the review year. This flow had increased by 5.30% in the previous year. The ratio of remittance flow with the GDP in review year stands at nearly 30.00%. This ratio was 17.31% the previous year. The number of workers migrating for foreign employment, having a direct effect in remittance flow has swelled in the review year, leading to a surge in this income.

The remittance flow has grown by 30.20% in the first 6 months of current fiscal year reaching NPR 443.36 billion. The flow had reduced by 0.50% in the same period during previous year. The increase rate of remittance flow has surged is 17.60% in US dollars.

Current Account and Balance of Payments

The balance of payments stood at NPR 4.34 billion in the first 11 months of review year. The balance was NPR 82.11 billion in the previous year. However, the banking sector has the foreign exchange reserves to sustain imports in goods and services for 9.6 months. The trade deficit has swollen by 32.10% in the first 6 months of FY 2075/76. Due to a gaping deficit in trade, the loss in current account stands at NPR 152.16 billion and the loss in balance of payments stands at NPR 63.68 billion.

Foreign Exchange Reserves

Foreign exchange reserves have increased by 3.00% to reach NPR 1,076.36 billion on the last day of Asadh, 2075 from NPR 1,070.26 billion of the same date in 2074. The total foreign exchange reserves were NPR 1,058.20 billion on the last day of Poush, 2075. Based on the imports of FY 2074/75, the foreign exchange reserves currently maintained in the Banks are adequate to fund the imports in goods and services for 8.9 months and 7.8 months respectively.

Government Revenue

Revenue of Government of Nepal rose by 19.00% in FY 2074/75 to reach NPR 680 billion. That accounts to 93.15% of the annual revenue target of NPR 730.05 billion. The government revenue surged by 12.85% to reach NPR 544.76 billion in the previous year. The revenue and GDP ratio stands at 25.97% during the review period. That ratio was 20.96% in the FY 2073/74.

Government Expenditure

Total government expenditure based on the cash flow of first 8 months of FY 2074/75 has reached NPR 529.07 billion. The government expenditure in the previous year had reached NPR 551.40 billion. The current expenditure based on cash flow of first 8 months of FY 2074/75 has reached NPR 403.12 billion with an increment of 37.40%. The current expenditure of the previous fiscal year saw a growth of 20.80%. The current expenditure now stands at 84.29% of the budget estimates.

The capital expenditure based on the cash flow of first 8 months of review year has risen by 38.90% from the previous year to reach NPR 94.24 billion. The capital expenditure had grown by 45.80% in the previous year. The deposits of Commercial Banks, Development Banks and Finance companies have increased by 18.07%, 26.08% and 21.29% respectively in the review year. The deposits of Commercial Banks increased by 9.20% in the previous year while Development Banks and Finance Companies had posted a deposit growth of 0.10% and 9.90% respectively.

Credit Flow

The credit flow in private sectors by the Banks and Financial Institutions has risen by 21.00% in the FY 2074/75 compared to 21.80% in the previous year.

By Jestha month of review year, the Commercial Banks, Development Banks and Finance companies were responsible for disbursing credit at the rate of 5.20%, 8.00% and 5.00% respectively. A total of 5.90% of credit passed towards the disadvantaged sections of society within the last day of Poush month in the FY 2075/76, from the Banks and Financial Institutions. In the previous year, the share of agriculture, energy, tourism, small and medium industries in total credit disbursement stood at 17.50% which reached 23.60% in Jestha month of review year. The same share stood at 18.54% in the last day of Poush, 2075.

Liquidity Management

Nepal Rastra Bank has absorbed liquidity worth NPR 135.50 billion in the FY 2074/75, while it injected liquidity worth NPR 37.62 billion. Once the revised interest rate corridor came into effect, it had injected liquidity time and again worth NPR 69.72 billion at 5.00% repo rate. Similarly, the Bank has absorbed liquidity worth NPR 38.15 billion at the rate of 3.00% of deposit collection. It has injected liquidity worth NPR 6.72 billion in the first 6 months of FY 2075/76 whereas it has absorbed liquidity worth NPR 135 billion in the same period. The Bank had injected liquidity worth NPR 23.58 billion and had absorbed liquidity worth NPR 129.20 billion in the same period of previous FY.

Interbank Transactions and Use of Permanent Liquidity Benefit

In the FY 2074/75, the commercial Banks and other financial institutions have conducted interbank transactions worth NPR 1,150.50 billion and NPR 48.62 billion respectively, making a total of NPR 1,199.12 billion. Within the first 6 months of FY 2075/76, the Commercial Banks and other Financial Institutions have conducted interbank transactions worth NPR 714.90 billion and NPR 143.83 billion making a total of NPR 858.73 billion. During the same period of last fiscal year, the Commercial Banks and other Financial Institutions worth NPR 585.28 billion and NPR 9.63 billion respectively totalling transaction of NPR 594.91 billion.

Interest Rate

The weighted interest rate average of 91 day treasury bills in Asadh, 2074 was 1.03% which reached 4.38% in Jestha, 2075. It fell to 0.86% in Poush, 2075. Similarly, the weighted interest rate average of interbank transactions among Commercial Banks was 2.46% in Asadh 2074 which reached 4.18% in Jestha. It fell to 2.84% in Poush, 2075.

The weighted interest rate average of Commercial Banks in Jestha, 2075 stands at 6.61% which reached 6.72% in Poush, 2075. This margin in interest rate was 5.40% in Asadh of previous year. Similarly, the average base interest rate of Commercial Banks has surged to 10.47% in Asadh, 2075 up from 9.40% during Asadh, 2074. The average base interest rate of Commercial Banks remained at 9.80% in Poush, 2075.

Merger/Acquisition

After the Banks and Financial Institutions Merger By-Rules came into force, a total of 162 Banks and financial institutions merged by Asadh, 2075 to become 41 units.

Presence of Banks and Financial Institutions

As a result of merger and acquisitions, the number of Banks and Financial Institutions licensed by the Nepal Rastra Bank stood at 151 by the last date of Asadh, 2075. The number comprises of 28 Commercial Banks, 33 Development Banks, 25 Finance Companies and 65 Micro Credit Banks. Though the number of Banks

and Financial Institutions has dwindled, their branch networking has only grown. A total of 6,651 branches of these institutions are active in the last date of Asadh, 2075. The number of Banks and Financial Institutions increased to 157 by the last day of Poush, 2075. The total number of branches also surged to 7591 by the last day of Poush, 2075. Out of the 753 local levels formed under the federal system, the presence of Commercial Banks may be seen at 631 levels by the last date of Asadh, 2075 and at 704 levels by the last day of Magh, 2075.

Capital Market

By the last date of Asadh, 2075 the NEPSE index reached to 1212.36 points. That point was 1582.67 during the same period of previous year. Despite the policy to add capital in the Banks and financial institutions and the expectations among investors that political transition shall come to an end, the share market indicators have fallen due to policies and programs adverse to the this market.

The total transaction amount in FY 2074/75 has dwindled by 40.79% from the previous fiscal year to remain at NPR 121.39 billion.

(Source: Nepal Rastra Bank, Monetary Policy of the FY 2075/76 and Mid Year Review of FY 2075/76 by the Bank)

3. Performance Review of Bank in the FY 2074/75 and the Way Forward

Upon reviewing the financial statements of review period, it is evident that the Bank's transactions have constantly increased in a healthy manner. Due to the rise in its transactions, the size of Bank's balance sheet surged by 34.69% from the previous fiscal year to reach 82.72 billion in the current fiscal year.

- a. **Capital Management:** The current paid up capital of Bank is at NPR 7.16 billion. The current capital of Bank shall reach NPR 8.68 billion by including NPR 913.30 million on behalf of proposed 12.75% of share dividends for the FY 2073/74 and NPR 60.88 million on behalf of proposed 8.50% of share dividends for the FY 2074/75. Once the proposed share dividends are approved for those fiscal years, the paid up capital of Bank shall reach NPR 8.00 billion mark, as directed by the Nepal Rastra Bank.
- b. **Deposits:** As compared to the previous fiscal year, the deposits in Bank have increased by 33.85% to reach a total of NPR 69.65 billion by the last day of Asadh, 2075.

Table 2

Comparative Deposit Status of the Bank (Amount in NPR millions)

Deposit	FY 2074/75	Percent of Total Deposits	FY 2073/74	Percent of Total Deposits	Increased Amount	Increase in Percent
Current	3,432	4.93	2,179	4.19	1,253	57.48
Savings	16,383	23.52	13,393	25.74	2,990	22.33
Call	17,285	24.82	8,243	15.84	9,042	109.7
Fixed	32,551	46.73	28,223	54.24	4,329	15.34
Total	69,651	100.00	52,037	100.00	17,614	33.85

- c. **Loans and Advances:** By the end of FY 2073/74, the total credit issued by this Bank was NPR 45.19 billion which rose by 38.82% until the end of review year to reach NPR 62.74 billion. The Bank has diversified its credit and has been lending credits in sectors like personal loans, education loans, small and medium businesses loans, agriculture and productive loans, disadvantaged group loans, institutional loans and development projects loan. During the review period, the ratio of inactive loans in the whole credit stood at 1.05%. The recession in real estate business has improved somewhat in the review year. A significant volume of bad debts are recovered during the review year. This has led to a drastic reduction in the ratio of inactive loans in this year, as compared to previous years. We like to announce herein that the Bank has been proactive in regularizing more of its inactive loans.
- d. **Investment:** In line with the Bank's objective of gaining returns from overall resources by maintaining healthy liquidity, the policy of Bank investing in riskless assets to be issued by Nepal Rastra Bank such as treasury bills, development bonds, etc. has been given continuity. The Bank has been cautiously investing in the local and international currency market as well as in the shares and debentures of various institutions. It has invested a sum of NPR 3.48 billion in the treasury bills of Government of Nepal and NPR 5.11 billion in the development bonds. The total investment of Bank has been at NPR 8.80 billion by the last date of Asadh, 2075. The Bank has also invested in shares of some institutions.
- e. **Profits:** Along with the overall businesses, a welcome growth has been seen in every revenue sectors of the Bank in the review year. Moreover, the Bank has succeeded in limiting the growth of Operating Expenses at the rate of 55.28% in the review year. A huge chunk of inactive loans is also recovered. The

interest revenue coming from credit and investment has risen by 82.08% in the FY 2074/75 from the FY 2073/74 to reach NPR 6.80 billion. The interest cost has also increased by 107.51% to reach NPR 4.77 billion.

This way, the net interest income of the Bank raised by 41.39% in the FY 2074/75 and reached NPR 2.03 billion. The Bank's income from fees and commissions arising through credit, deposits and other services has risen by 44.71% to reach NPR 370.00 million in FY 2074/75. The foreign exchange income has touched NPR 170.00 million after posting a growth of 56.37%.

Thus, the Total Operating Income of the Bank has reached NPR 2.65 billion in the FY 2074/75 which marks an uptick of 44.14% from the previous fiscal year. Similarly, while looking at the expenses, the personnel expense and other operating expense have raised by 54.61% and 56.45% respectively to reach NPR 800.00 million and NPR 460.00 million respectively. The Operating Profit before Loan Loss Provision in FY 2074/75 have increased by 29.09% from the previous fiscal year to stay at 1.41 billion. The Net Profit of this Bank that were at NPR 793.10 million in the FY 2073/74 have now climbed to NPR 1.04 billion in FY 2074/75, marking a growth of 31.36%.

- f. Contribution in the Government Revenue:** Whereas the Bank had paid NPR 300.00 million to the Government of Nepal as institutional tax in the FY 2073/74, it has already paid NPR 440 million as advance of the same tax.

g. Products and Services

Kumari Bank has been developing its products and services in a contemporary manner by focusing on its customer needs and the evolution of technology. The services being run by the Bank currently, such as Kumari Swastha Jeevan Bachat Khata, Share Demat Account, ASBA system, Internet and Mobile Banking, Prepaid Cards, and several saving accounts with a wide array of benefits have found popularity among the people. The Bank has been running remittance services by sealing agreements with 26 remittance companies. Out of them 7 are international and 19 are national companies. The Bank has more than 1500 remittance agents and more than 5000 remittance payout locations.

The Bank has been continuously striving to ensure easy access for its customers in its products and services. The Bank has been rendering to its customers – services beneficial and essential for them in the current competitive market. Right from its inception, it is evident that this Bank has been offering modern and latest products as well as services of various kinds. The Bank has been able to carve a niche in the financial market by its embodiment of modern technology in the services that it provides. Our Visa Electron dollar debit cards are accessible across Nepal, India and the whole world through the VISA network.

h. Branch Expansion

The Bank, in this fiscal year, has added 12 new branches within its network. Now, the Bank has a total of 86 branches, 24 inside and 62 outside of Kathmandu valley. Similarly, the Bank currently has 2 extension counters and a total of 63 ATMs across Nepal.

i. Corporate Good Governance

We have always attached high priority to corporate good governance and moral conduct. For a financial institution that runs on the moneys of shareholders and depositors for the most part, corporate good governance and moral conduct are essential virtues. The Board of Directors is continually active in developing transparent and strong corporate good governance in all of Bank's activities and in moving ahead with the Bank's functioning as well as to make it felt by others.

j. Risk Management

A separate Risk Management Sub Committee has been formed with a view to identify the underlying risks in the Bank and to manage the risks that may appear in future, on a timely manner.

Policies and guidelines have been put in place for managing the countless risks that we have faced and may face in future. The Bank has been properly managing the risks associated with credit, operations, market and other areas in its daily business and has pursued a policy of turning the internal control system even more robust and effective. Various policies, rules and circulars have been framed and put to use on several issues such as credit management, customer identification, stress test and other matters of daily functioning.

- a. Credit Risk Management:** A separate Credit Risk Management Department has been raised in the Bank so as to detect the credit related risks in time. Prior to sanctioning loans, this Department shall make a detailed study of all the risks associated with loans, standards set by the regulatory agency, compliance with the internal rules and policies, and the risks centering on the sector and debtor. This Department shall examine the contemporary affairs, predict the risks that may appear in future and will make recommendations on the revision of internal rules and policies in

this matter. Moreover, it will reorganize the credit portfolio and fix grades of credit, credit sector, debtor, etc. on the basis of risk potential.

- b. Operations Risk Management:** Operations risk shall always lurk in banking transactions. With the advancement of technology, newer risks show up which cannot be eliminated in full. In order to properly manage these risks, the rules and policies as well as the internal control system of the Bank needs to be updated and brisk. There is a separate Operations Risk Management Department at the Bank to look into this matter. This Department is entrusted to identify in time, the potential risks associated with the internal control system, process and manpower of Bank, and has been offering the needful advice, suggestions and counseling on how to mitigate these risks. All activities of Bank Operation are based on clearly defined working system and workflow as well as the determined rules. This has led us to believe that the operations risks are adequately taken care of.
- c. Liquidity Risk Management:** By learning as experience, the unexpected upheavals in liquidity in the past and the resulting impact on the net interest income of the Bank, a deep study of current and future status of liquidity has been made and strategies on deposit collection, interest rate fixation and long as well as short term investment have been set accordingly. The ALCO/Pricing Committee currently active in the Bank reviews this type of risk.
- d. Market Risk Management:** The Bank is always vigilant on the risk factors associated with market. It regularly reviews those factors and devises strategies correspondingly. In order to mitigate the risks emanating from the fluctuations in foreign exchange rates, the Bank has pursued a policy and procedure to regularly watch the same. The needful rules and policies are framed similarly to review the market interest rates on a regular basis. The ALCO/Pricing Committee currently active in the Bank reviews this type of risk.

k. Social Responsibility

In addition to its commercial goals, the Bank is also much aware of its social responsibility.

a. Education:

- The Bank has created a Kumari Education Fund for aiding in the higher education of Kumari residing at Kumari Ghar, Basantapur, and has been providing an annual sum of NPR 50,000.00 in the account. Similarly, the Bank offered a lump sum of NPR 1,55,000.00 for supporting the higher education of former Living Goddess Matina Shakya from Kathmandu.
- The Bank is offering scholarships to the needy children through an NGO named HOPAD Child and Women Promotion Society.
- The Bank has rendered financial assistance for supporting education of HIV and AIDS affected children being attended by a welfare organization named SAATH.
- The Bank distributed English medium books and educational materials to the children of disadvantaged communities studying in Shree Kamal Basic School, Kamalpokhari.
- The Bank distributed furniture to the Durga Laxmi Campus of Attariya, Kailali so as to help in its academic initiative.
- The Bank offered financial assistance for the basic education and residence of disadvantaged children being attended by Bal Sarathi organization.
- The Narayangadh branch of Bank offered academic scholarships as well as uniforms and educational materials to 5-10 studious students from minority communities studying at Shishu Kalyan Basic School, Chitwan.

b. Health

- The Bank has been organizing blood donation events from time to time. The Putalisadak, Biratnagar, Nijgadh and Butwal branches of the Bank have held blood donation events in coordination with Nepal Red Cross Society in this fiscal year. The donators and volunteers are offered snacks and beverages from the Bank's financial assistance.
- The Bank, in its Putalisadak branch, held a health checkup program in partnership with the Norvic International Hospital.

c. Heritages

- The Bank has been offering financial and material assistance of various sorts on occasion of Kumari Puja and Indra Jatra festival, observed each year.
- The Dhangadhi branch renovated a local temple in Dhangadhi.
- The Mangalbazar, Lalitpur branch of Bank distributed drinking water on the occasion of Matya Jatra and Krishna Janmasthan festival.

- The Buddhanilkantha branch distributed drinking water on the occasion of Haribodhani Ekadashi, at the Buddhanilkantha temple.

d. Environment

- For environmental sanitation purposes, the Bank distributed 20 dustbins in partnership with the Kapurkot Rural Municipality of Salyan.
- On the occasion of World Environment Day, 2018, as per the directives of Nepal Rastra Bank, under the program of One Staff, One Sapling, Kumari Bank undertook sapling plantation programs in the army gate of Tribhuvan International Airport, Naxal branch premises and through various other branches spread across the nation.

e. Others

- Similarly, with an objective to support in social security, CCTV cameras have been installed by the Nepalgunj, Birgunj and Okhaldhunga branches in those places.
- The New Road, Beni branch offered financial assistance to the under construction women friendly building being built by the District Police Office, Myagdi.
- The Birendranagar branch, at an event, distributed wheelchairs and crutches to the differently abled.

l. Sub Committees formed by the Board of Directors

In order to realize the prevailing laws and the policies adopted by the Bank, the following committees and sub-committees are active currently:

- Audit Committee:** Pursuant to Section 164 of the Companies Act, an audit committee led by non-executive director Binod Dawadi and comprising of director Naresh Dugad as member and Head of the Internal Audit Department of the Bank as its member secretary, is in place. The Internal Audit Department of the Bank directly tables its report at this Committee.
- Human Resource Sub-Committee:** In order to prepare then necessary plans, policies and criteria in areas such as selection, hiring, appointment, career growth, services and pension of employees, and to place them before the Board of Directors, a Human Resource Sub-Committee led by director Dr. Shobha Kanta Dhakal and comprising of Chief Executive Officer, Senior Deputy Chief Executive Officer (Supervisor of Accounts Department) and Head of the Human Resource Department of this Bank as its members, is in place.
- Risk Management Sub-Committee:** In order to correctly identify the risks inherent in the Bank and to frame the needful policies and rules, a Risk Management Sub-Committee led by director Uttam Prasad Bhattarai and comprising of Chief Operations Officer and Chief Risk Officer as its member and member secretary respectively, is in place.
- Money Laundering Sub-Committee:** In order to frame needful polices and rules on internal liability and work division at the Bank, on bases and system of risk assessment, identification of risk borne customers, and on updated monitoring system, a Money Laundering Sub-Committee led by director Krishna Prasad Gyawali and comprising of director Dr. Shobha Kanta Dhakal and comprising of Chief Risk Officer and Chief Operations Officer as its members and Head of Compliance and Operations Risk as its member secretary, is in place.
- Other Committees at the Management Level:** In addition to the above committees and sub-committees, in order to discharge the Bank's functions in an effective manner, Management Committee, Management Advisory Committee, Bad Loans Recovery Committee, ALCO/Pricing Committee led by the Chief Executive Officer are also in place. Similarly, Recruitment Committee, Labor Relations Committee, Discipline and Performance Appraisal Committee and Procurement Committee are also active in the Bank. The officials of the above committees are not paid any kind of allowance or additional remuneration or perks.

m. Human Resources

The staffs play an instrumental role in the overall progress of Bank. The Human Resource Policy of the Bank reflects the need to provide trainings to its staffs in Nepal and abroad for enhancing their competence, professional capacity, managerial skills and productivity; and to appoint staffs with high qualifications and professional capacities. The Bank has turned its focus on capacity building of existing manpower and to teach them newer skills, so that a balance may be struck between the risks and returns of the Bank.

At the end of review period, the Bank employs a total of 796 staffs, both permanent and contractual. During the review period, our staffs were also involved in various sports and social activities.

Achievements of the Current Year

The financial status of Bank by the last day of Poush, 2075 is as follows:

Table 3

Financial Synopsis of the Current Year (Amount in NPR millions)

Head	By last day of Poush, 2075	By last day of Poush, 2074	Variation in NPR	Variation Percentage
Paid up Capital	7,163,395	5,969,496	1,193,899	20.00
Deposits	75,351,991	57,680,957	17,671,034	30.64
Loans and Advances	71,187,937	50,924,405	20,263,532	39.79
Investment	9,846,078	9,293,353	552,725	5.95
Interest Income	4,428,078	3,019,176	1,408,902	46.67
Interest Expenses	2,910,970	2,110,517	800,453	37.93
Net Interest Income	1,517,109	908,660	608,449	66.96
Other Operating Income	354,504	253,466	101,038	39.86
Operating Expenses	735,790	584,293	151,497	25.93
Operating Profit before Loan Loss Provision	1,135,822	608,198	527,625	86.75
Net Profit	676,244	522,042	154,202	29.54
Non-Performing Loan Ratio	1.22%	1.61%	-0.39%	-24.01%
Capital Adequacy Ratio	12.81%	14.48%	-1.67%	-11.53%
Base Rate	11.55%	11.17%	0.38%	3.4%
Interest Spread (as prescribed by the Nepal Rastra Bank)	3.38%	2.80%	0.58%	20.71%

Goals and Programs of the Current Year

The financial plans of the Bank for the current year are as follows:

The goal is to increase the credit and investment of Bank by 20.00% and 36.00% respectively reaching a total of NPR 74.94 billion and NPR 14.05 billion. Similarly the goal is to increase the total bank deposits by 25.00% and attain the figure of NPR 84.19 billion. It is predicted that the net interest income shall rise by 46.00%, Other Operating Income by 37.00%, and Other Operating Expenses by 48.00%, thereby touching the figures of NPR 2.94 billion; NPR 790.00 million and NPR 1.62 billion respectively.

Likewise, it is estimated that the Operating Profit before Loan Loss Provision shall surge by 41.00% to reach NPR 2.11 billion. In the review year, after arduous efforts, we were successful in bringing down Non-Performing Loan Ratio to 1.05% from 1.86% in the previous year. Efforts are on even in the current fiscal year to recover some inactive loans. Thus, the Bank has projected to score an increase of 24.00% in its net profits to attain the figure of NPR 1.26 billion.

The Bank is planning to enhance the quality of its assets and to maintain it, to increase the productivity of its staffs, to make the Bank profit oriented as well as to render effortless and quality services among its customers, with a view to further consolidate this institution. By developing newer products and service for making the lives of its customers easy and simple, the Bank wishes to contribute in financial sector reforms.

Further, it aspires to bring people out of the financial access into the banking perimeter, and to contribute in overall economic development of the nation by offering credit to the small and medium enterprises. Upon considering the state of affairs, plans are afloat in the current fiscal year to expand additional branches, to offer banking services through Kumari Mobile Banking services in areas where the Bank is not present, and to offer competitive banking services by expanding its services and technology thereof.

4. Industrial and Professional Relations of the Company

The Bank has been maintaining cordial relations with all industrial and professional parties and expresses our commitment to strive for maintaining such relationship even in the days to come, and to use it transparently in the interests of Bank.

5. Changes in the Board of Directors and the Reasons Thereof

In the review period, a post of director was lying vacant following the resignation tendered by Rasendra Bahadur Malla representing the shareholders, which was approved by the meeting of Board of Directors on January 30, 2017. In his place, the meeting of Bank Board of Directors on August 28, 2017, appointed Krishna Prasad Gyawali for the remainder of term.

6. Major Factors Affecting the Business

During the review year, negative impact was cast on the Bank's commercial activities for some time due to blockades at customs points and hurdles in supply system. Still, some problems still persist such as confusing political environment, target to meet NPR 8.00 billion in paid up capital, unprecedented liquidity changes in the market, lack of government expenses in time, dearth of workers in industrial sectors, etc.

The prime trigger for development of banking sector lies in the development of other industrial and commercial sectors in the nation, which may be achieved only by political stability. After the promulgation of new Constitution, the nation is still reeling under political uncertainty. Consensus is still eluding the political parties. Today, there is an acute shortage of investable funds in the market. All these factors are capable to cast a direct impact on the Bank's commercial activities.

7. Response of Board of Directors on the Audit Report

Setting aside some normal comments on the Bank's regular operations, no especially adverse comments are raised in the Audit Report. The Bank management is already instructed to enforce the suggestions and inputs put forth by the auditor. The comments and directives issued by Nepal Rastra Bank while approving the financial statements of FY 2074/75 on January 30, 2019 are attached in the annual report booklet. The Bank management is already instructed to enforce those comments and directives for reforms.

8. Amount Recommended for Distribution of Dividends

The Bank has proposed a bonus dividend for the FY 2074/75 equivalent to NPR 608.88 million at the rate of 8.50% of the total paid up share capital.

9. Details of Forfeited Shares

No shares have been forfeited during the reporting period.

10. Progresses made by the Bank and its Sister Company

The Bank has registered a sister company under its 100 percent ownership named Kumari Capital Ltd. at the Office of Company Registrar on October 17, 2017. The progresses made by the Bank and its sister company have been included in various clauses of this report.

11. Major transactions accomplished by the Bank and its sister company in the FY 2074/75 and any significant changes seen in the company's business in that period:

The Bank has registered a sister company under its 100 percent ownership named Kumari Capital Ltd. at the Office of Company Registrar on October 17, 2017. However, no significant changes are seen in any of its sister companies and no important changes are witnessed in the Bank's business, other than included in this report.

12. Information provided by basic shareholders of the Bank: None.

13. Details of the share ownership acquired by the directors and officials of the Bank in the previous fiscal years and if they are involved in share transactions of the company, information gleaned by the company from them:

No information is available.

14. Information on any individual interest of any director or his/her relatives in agreements made with the Bank: No information is available.

15. Details of shares bought back: None.

16. Information on Internal Control System: There is a separate Department in the Bank for maintaining internal control system. That Department is always active in mitigating the risks associated with the Bank's credit, operations and market. The Internal Audit Department reviews the efficacy of internal control system on a regular basis, during the audit process.

17. Details of the Total Management Expenses of Bank:

The details of management expenses of the Bank for the FY 2074/75 have been as follows:

Staffs Expenses: NPR 801,840,723.00

Other Operating Expenses: NPR 460,131,642.00

The detailed statement of Bank's total management expenses has been quoted in Appendices 4.36, 4.37 and 4.38 of its annual report.

18. Information on the Audit Committee Review:

Pursuant to Section 164 of the Companies Act, an audit committee led by non-executive director Binod Dawadi and comprising of director Naresh Dugad as member and Head of the Internal Audit Department of the Bank, Ganesh Kumar K.C. as its member secretary, is in place. The Internal Audit Department of the Bank directly tables its report at this Committee. A total of 16 meetings took place of the Committee in the FY 2074/75. Meeting allowance has been provided to the members of this Committee on par with the members of Board of Directors, save for the member secretary.

The proceedings of this Committee are consonant with the guidelines of Nepal Rastra Bank and the provisions of Companies Act. The report of internal audit has shown no serious remarks of any kind about the Bank's actions or decisions. The Audit Committee has been reviewing the Bank's internal control system and offering suggestions on its compliance on a regular basis to the management and is also frequently intimating the Board of Directors in this connection. Pursuant to the inputs received from the Audit Committee, the Bank has been improvising its proceedings in a regular manner.

19. In case any dues are payable to the Bank by a director, managing director, executive head, basic shareholders of the Bank or their relatives or a firm, company or body corporate, in which they are involved, then the details thereof: None.**20. Remuneration, Allowance and Perks paid to the a director, managing director, executive head and officials:**

a. **Directors:** The Bank's directors are provided with meeting allowances for having participated in the meetings of Board and Sub-Committees formed by it, as provided in the Rules, at the rate of NPR 10,000.00 per meeting for Chairman and NPR 8,000.00 per meeting for members thereof. Moreover, the Chairman and Members of Board of Directors are paid a sum of NPR 10,000.00 per month as communications and magazine benefits. The Bank has awarded no other perks to the directors. A sum of NPR 4,855,144.00 has been paid to the directors in the FY 2074/75, on behalf of meeting allowances and communications and magazine benefits.

b. Annual Salaries, Allowances and Perks for Chief Executive Officer and other officials/managers in the FY 2074/75:

Table 4
(Amount in NPR)

Remuneration and Perks	Chief Executive Officer	Managers
Salary	8,568,000	75,123,907
Allowances	3,954,456	23,621,456
Provident Fund	-	7,512,456
Vehicle Repair	-	1,392,434
Medical Treatment (annual + cumulative)	-	4,358,613
Dashain Allowance	1,043,538	7,060,520
Leave (annual + cumulative)	714,000	13,060,199
Gratuity		12,236,984
Others	-	1,620,694
Total	14,279,994	145,987,198

The above salaries and allowances are for the officials from the Assistant Manager to the Chief Executive Officer level. It also includes the salaries and allowances received by the staffs resigned from the Bank in FY 2074/75 and the newly hired staffs, during their tenures.

The following perks other than the above salaries and allowances are also provided:

1. The Chief Executive Officer and Assistant General Managers are given auto loan together with driver and fuel and vehicle repair allowance. Other managerial officials are granted auto loan, fuel and repair allowance as per the Vehicle Policy of the Bank.
2. All the permanent staffs are granted loans for purchasing vehicles, real estate and also personal loan as per the Bank's Human Resource Policy.
3. Magazines and phone/mobile facilities as per the Bank's Human Resource Policy.
4. Group accident insurance of the staffs is also made as per the Bank's policy.

21. Dividends due to be received by the shareholders: Out of the 12.00% cash dividends of FY 2066/67 and 7.00% cash dividends of FY 2068/69, the dividends due to be received by the shareholders until the last date of Asadh 2075, amounts to NPR 5,565,551.00. After acquisition, a sum of NPR 3,120,034.00 in additional cash dividends is still to be received by the shareholders till the last date of Asadh 2075.

22. Details of Purchase or Sale of Assets as per Section 141 of the Companies Act, 2007: None.

23. Details of Transactions between related companies as per Section 175 of the Companies Act, 2007: None.

24. Other matters to be revealed in the report of Board of Directors as per the Companies Act, 2007 and the prevailing laws: None.

25. Other Matters

It is evident that the Bank has been conducting integrated business from June 30, 2017 after it acquired the erstwhile Kasthamandap Development Bank Ltd., Mahakali Development Bank Ltd., Kakre Bihar Development Bank Ltd., and the Paschimanchal Finance Co. Ltd. After the acquisition, the paid up capital of company reached NPR 5,969,495,823.15. Since only profits would not help in acquiring the target of NPR 8.00 billion in paid up capital as required by the Nepal Rastra Bank, upon issuing right shares equivalent of 20.00% of the paid up capital forthwith, equivalent to NPR 1.19 billion it took the time until the last date of Asadh 2075.

Thus, we could not convene the 17th AGM for the FY 2073/74 within FY 2074/75. Since we could not the 17th AGM of Bank in time, there arose a legal compulsion to first obtain the approval of Office of Company Registrar for appointing an auditor for the FY 2074/75. Hence, it took extra time to complete the audit process for the FY 2074/75, as we had to seek such approval. As such, since the FY 2075/76 has already begun, following the suggestions from shareholders as well, it was deemed better to hold the 17th and 18th AGMs of the Bank together, rather than organizing an AGM for the FY 2073/74.

Though the tenure of current Board of Directors has expired from the 16th AGM, also on the basis of By-Rule 13(1)(m) of the Merger and Acquisition By-Rules, 2016 issued by the Nepal Rastra Bank, we like to kindly remind that the previous 16th AGM had decided to give continuity to this Board till the holding of next election. Though, we have received mandate from the AGM to function until next election, the Banks and Financial Institutions Act, 2017 provides that the tenure of Board of Directors shall be a maximum of 4 years.

The same Act stipulates that the strength of Board shall be between 5 and 7 members. The By-Rules of this Bank provides for a Board that may accommodate up to 8 individuals. Clause 10 of the Memorandum of Association (MoA) and Rule 41 of the Articles of Association (AoA) specify that the provisions of MoA and AoA shall be ipso facto void till their inconsistency with the prevailing Act.

Moreover, as the tenure of Board of Directors has exhausted, there is a need to hold elections for a newer one. On the other hand, AoA of the Bank provides for a 8 member Board comprising 4 from among the promoter shareholders, 3 from among the public shareholders and a professional director. Pursuant to the provisions in Banks and Financial Institutions Act, 2017, only a 5 to 7 member Board of Directors may be formed. It has posed a question before us on how many directors shall represent from how many clusters which may not be resolved until we amend our AoA.

Still, the Banks and Financial Institutions Act, 2017 has allowed for a maximum of 7-member Board of Directors out of which one should be an independent director. Similarly, the Companies Act requires that in a Board of Directors of a public company having women shareholders, at least one woman should be appointed or elected as a director without exception.

In this backdrop, we may create a 7-member Board of Directors out of which one should be a woman and another should be an independent director. The meeting of Board of Directors dated 31.12.2018 has already appointed Dr. Ganesh Prasad Pathak as an independent director for a term of 4 years. This has led to another question that if a woman is to be included in the Board, and if we are to propose even a 7-member Board, then we face an uphill task of how to elect other 6 directors from different representation groups.

Hence, until the AoA and MoA of this Bank are amended and updated from the AGM, in order to find solution to questions like how many members shall constitute the Board? How many directors are to be elected from how many clusters? etc., the Board of Directors was involved in an intense discussion and it also solicited professional legal advice in this connection. From which it was decided that suitable decisions shall be taken considering various factors like the best interests of Bank, repute of the Bank and corporate good governance.

Accordingly, a meeting of Board of Directors of this Bank on April 08, 2019 decided unanimously that the Bank shall feature a 5-member Board including a woman. It was further decided that 2 directors from among the promoter shareholders and 2 directors from among the public shareholders shall be elected from this very

AGM. As the remaining one independent director has already been appointed by the Board of Directors, his tenure was fixed for 4 years as per the provisions of Act.

Since, Section 129 of the Banks and Financial Institutions Act, 2017 provides that the matters prescribed in this Act, the subordinate Rules, By-Rules, Procedures or an order or directive passed as per this Act or its subordinate Rules shall be governed accordingly, and as for other matters, the Nepal Rastra Bank Act and other prevailing laws shall govern. Being so, as the provisions of AoA and MoA of this Bank that were inconsistent with the Act have ipso facto been made void, we have already notified our respected shareholders that Election Officer has been appointed for election purposes after providing for a woman director as per Section 86 of the Companies Act, 2007.

Similarly, we are all aware that the 16th AGM of this Bank held previously had granted authority to the Board of Directors to discharge functions such as forming a merger committee for commissioning merger or acquisition of/with other suitable banks and financial institutions, appointing DDA for undertaking merger related duties, to fix his or her remuneration and to perform other pertinent tasks in this connection. Pursuant to that decision, a Merger Committee has been formed led by director Uttam Prasad Bhattarai in this regard and we like to notify that necessary initiatives are being taken to this end.

Vote of Thanks

We extend our heartfelt thankfulness to our respected shareholders, customers, officials at various departments in the Nepal Rastra Bank, Office of the Company Registrar, Securities Board of Nepal, Nepal Stock Exchange Ltd., CDS & Clearing Ltd., all other parties rendering direct and indirect support and also the general public for aiding in boosting the morale of this Bank.

We also express our gratitude to our statutory auditor BRS Neupane and Co. for having completed the audit in time and for presenting the Bank with proper, professional suggestions. We like to specially thank the management and staffs of Bank for having diligently served the Bank with invaluable effort and time, tying their own progress with that of the Bank.

Finally, once again, we like to recall the gospel that the bank and its customers are two sides of the same coin, and accept the fact that the Bank has reached its present heights through the fond love and trust laid down by our valued customers. We extend our gratitude towards our customers with a resolve that we would strive for expanding love and formidable relationship among them.

Thank you!

On behalf of Board of Directors

.....
Mr. Uttam Prasad Bhattarai
(Director)

.....
Mr. Santosh Kumar Lama
(Chairman)

Date: April 08, 2019

Annual Report concerning Rule 26(2) of the Securities Registration and Issuance Rules, 2016

1. Report of the Board of Directors: Attached with the annual report.

2. Auditor's Report: Attached with the annual report.

3. Audited Financial Statements: Attached with the annual report.

4. Details on Legal Action

- In case any case is filed by or against the Bank: Save for some cases filed by the Bank relating to the flow of loans in course of Bank's daily functioning, no cases are active that might inflict financial burden on the Bank.
- In case any case is filed by or against any promoter or director of the Bank on a criminal offence or defiance of the prevailing rules: The Bank has no knowledge to this effect.
- In case a case is filed against any promoter or director of the Bank on financial crimes: The Bank has no knowledge to this effect.

5. Analysis of Share Transactions and Progress of the Body Corporate

- Opinion of Bank Management as to the Bank's share transactions in the securities market: The Bank elicits no special opinion in this connection as the price and transaction of shares are determined by open market.
- The highest, lowest and final price of the Bank's shares in the fiscal year of 2074/75 BS together with the total number of shares traded and transaction days:

Trimester	Highest Price of Shares in NPR	Lowest Price of Shares in NPR	Final Price of Shares in NPR	Total Transaction	Total no. of shares traded	Total transaction days in each trimester
First trimester (Last day of Ashoj month, 2074)	341	280	308	4246	12,41,218	56
Second trimester (Last day of Poush month, 2074)	320	279	285	3675	10,03,919	57
Third trimester (Last day of Chaitra month, 2074)	290	219	250	4679	16,52,122	56
Fourth trimester (Last day of Asadh month, 2075)	261	237	253	3811	15,31,515	60

6. Problems and Challenges

a. Problems and Challenges

1. Internal:

- Retaining competent and talent pool.
- Rising operation costs
- Increasing operational capacity by reducing inherent risks

2. External:

- Financial and political condition of the country
- Lack of investment friendly climate
- Competitive banking market
- Maximum dearth of banking liquidity

b. Strategies adopted by the management to mitigate those problems and challenges:

- To correctly identify the capacities of bank staffs and to build their career as well as competency.
- To expend money in an economic manner only after rightly identifying the needs.
- To develop newer products and services as per the changing life style of customers and the market demands.
- To determine the price of interest sensitive assets and liabilities as per the liquidity situation prevailing in the market.
- To diversify loans and properly manage the inactive debts right in time.
- To frame an action plan as per the times by analyzing the risks inherent in banking business and to implement it in a proper way.

7. Corporate Good Governance

The directors are liable and accountable for enforcing in the Bank, corporate good governance of a high level. The Bank is aware that corporate good governance is the guiding light behind its administrative proceedings. The Board of Directors is continually active in developing transparent and strong corporate good governance in all of Bank's activities and in moving ahead with the Bank's functioning as well as to make it felt by others.

Various committees and sub-committees have been constituted to materialize the prevailing laws and the policies adopted by the Bank. The scope of action of various departments, such as credit, risk management and operations, which run the risk of inter-departmental conflict of interests, are well bifurcated. With a view to enforce in the Bank, corporate good governance of a high level, the circulars and directives issued by the Nepal Rastra Bank are adhered to in whole.

8. Details on the variation of 20 or more percent in the statements projected in the prospectus and in the audited statements:

Though there are some variations in the statements projected in the prospectus and in the audited statements for the fiscal year of 2074/75 BS, they do not equal or exceed 20 percent. The audited statements for the fiscal year of 2074/75 BS do comply with the Nepal Financial Reporting Standards (NFRS) and some variation appeared as a result of changes witnessed in that reporting system.

9. Details on the Special Incidents or Circumstances concerning Rule 22(5):

- Pursuant to the decision of Board of Directors of the Bank on August 25, 2017, Mr. Krishna Prasad Gyawali has been appointed as the Director of Bank. He administered oath of office on August 28, 2017 before the Board.
- In order to provide more efficient and modern services to its customers, the Bank changed the existing Core Banking Software to Finacle Systems. The Bank sealed an agreement with Edgeverve Systems Ltd. to this effect on September 21, 2017.
- In course of expanding its services and making them contemporary as well as diversified, the Bank has registered a sister company under its 100 percent ownership named Kumari Capital Ltd. at the Office of Company Registrar on October 17, 2017, and is in the process of obtaining trade approval from the Securities Board.
- Pursuant to the decision to issue right shares worth NPR 1.19 billion as endorsed by the 16th Annual General Meeting (AGM) of the Kumari Bank Ltd., those right shares were included in the Bank's capital on the last day of Asadh, 2075.



Gear Up for Growth

We, at Kumari Bank, know that organizational targets and milestones can only be achieved, when the foundations of an organization in the form of capital-adequacy, asset-quality, liquidity, competent management, deposit and loan-portfolio, and regulatory and risk-assessment guidelines or frameworks are in robust-condition to withstand unforeseen anomalies. That is possible only with strong banking knowledge and expertise at hand, and when the core organizational values of genuine care for our customers' needs, honesty, integrity, transparency and compliance with all regulatory guidelines set forth are met,

along with synchronized efforts of the young and experienced pool of talented and motivated human capital. With this view in mind, the Kumari Bank team, as a whole, has geared itself up for unprecedented growth, since the root of all transformation lies deep within the psyche of its human capital.

The motto that we've taken to heart this promising year is "Gear Up for Growth". Throughout the year, we strived to transform the way we think and act, which fortunately was reflected in the way, we as Bankers responded to the dynamic Banking needs of the general public. We stood resolute

in the face of various unfavorable circumstances, and actively responded to the changing concerns demands of our consumers. That was one of the keys to the tremendous growth, which the Bank has achieved this year.

The tall-targets we have all set for ourselves and the synchronized efforts of the focused and highly-driven pool of talent has fortunately have paved the way for unprecedented growth and market-leadership, within the Banking realm, for the days to come. In conclusion, we are immensely proud to end on a positive-note of significant growth.



Message from the CEO

Dear Shareholders,

It is with great pride I would like to inform you that we have successfully completed our 18th year of operations in the Nepalese banking industry. The Bank over all these years has not only helped businesses and individuals make real progress in their lives, but our contribution towards the society has had a deeper impact beyond the economic growth of the nation.

Nepalese banks have evolved tremendously over the last two decades – from providing basic banking services with little to no effective competition in the pre-liberalization era, to becoming market-driven global banks. The combination and contribution of the public sector and private sector banks over all these years and independent institutions focusing development in the infrastructure and tourism sectors have made tremendous impact on the society and economy.

The Bank issued 21.25% bonus shares, i.e. 12.75% bonus shares for the FY 2073/74 & 8.50% bonus shares for the 2074/75 on its Total Paid-up Capital to its shareholders. The Paid-up Capital of the Bank

reached NPR 8.68 billion after issuing the mentioned bonus share. At the end of Chaitra of FY 2075/76, Bank's Total Deposit and Total Loan reached NPR 77.29 billion and NPR 73.24 billion respectively. At the same time, the Bank earned Operating Profit of NPR 1.42 billion and Net profit of NPR 1.00 billion.

We, our team of vibrant bankers believe in providing exceptional customer service which is the driving force for each of us. We convey a friendly, approachable demeanor and our attitude presents a Warm, Friendly, Welcoming, Personalized, Attentive customer environment. We are Professional, Dedicated, Experienced and Diligent in our work. As an organization, empowering our employees to exceed customer expectations and rewarding the stakeholders for their support & collaboratively engaging our regulatory authorities are the foundation of our business.

Furthermore, post mergers and acquisitions, Kumari Bank has been offering direct employment to 829 individuals. Total bank credit and deposits have grown nearly 70

times and 55 times, respectively. The Bank has not only aided in economic expansion but have also been facilitating in infrastructural development and growth in deprived sectors/ priority sectors such as hydropower, public infrastructure and agriculture. The Bank has been playing a key role in driving the financial inclusivity agenda, extending financial outreach via several activities such as: expanding network to rural parts of the country, launching of Branchless Banking (BLB) facility, introducing innovative products and services, with sound footprint assure the geographical landscape of Nepal and with the technology to support our world class multiple delivery channels. Leveraged by the efficient human resource that we possess, I can with confidence assure that the Bank is destined to play dominant role in the financial sector of Nepal in the days to come.

Sincerely yours,

Surender Bhandari

Chief Executive Officer

EXECUTIVE MANAGEMENT TEAM



From Left to Right: Mr. Angir Man Singh, Mr. Ram Chandra Khanal, Mr. Manish Timilsina, Mr. Rajib Giri, Mr. Surender Bhandari, Mr. Anuj Mani Timilsina and Mr. Umesh Singh Bhandari.

SENIOR MANAGEMENT TEAM



From Left to Right (Back Row): Mr. Narayan Prasad Ghimire, Mr. Apoorba Prasad Joshi, Mr. Rohit Singh, Mr. Binod Narasinha Shrestha, Mr. Anish Tamrakar and Mr. Ganesh Kumar K.C.

From Left to Right (Front Row): Mr. Rajesh Shrestha, Mr. Narendra Prasad Chhatkuli and Mr. Bikas Khanal.

MANAGEMENT TEAM



From Left to Right (Back Row):

1. Mr. Angir Man Singh
Chief Risk Officer
2. Mr. Umesh Singh Bhandari
Chief Business Support Officer
3. Mr. Milan Kuinkel
Relationship Manager – Credit
4. Mr. Biswas Raj Aryal
Branch Manager, New Road Branch
5. Mr. Binod Narasinha Shrestha
Head – Central Logistics
6. Mr. Anish Tamrakar
Chief – Digital Banking
7. Mr. Ishwor Gurung
Internal Audit Department
8. Mr. Prabin Jha
Head-SME Credit & Deprived Sector Lending

9. Mr. Rajesh Shrestha
On Deputation as CEO of Kumari Capital Limited
10. Ms. Rosita Shah
Branch Manager, Thamel Branch
11. Ms. Smrity Joshi
Branch Manager, Chabahil Branch
12. Mr. Rohit Singh
Head – Human Resources
13. Ms. Sipa Regmi
Head – Corporate Communication & CSR
14. Mr. Pankaj Rana
Head – Card
15. Ms. Rena Rijal
Head – Deposit Marketing & Institutional Banking
16. Ms. Namita Shakya
Head – Central Operations
17. Mr. Deepak Khanal
Recovery Department

18. Mr. Bishwa Mani Regmi
Head- Retail Credit and Branch Manager, Putalisadak
19. Mr. Narayan Prasad Ghimire
Head- Information Technology
20. Mr. Bikas Khanal
Head – Credit Risk Management
21. Mr. Nirmal Kumar Khatiwada
Head – Operations Risk Management & Compliance
22. Mr. Nabin Raj Poudel
Head – Corporate Credit
23. Mr. Sanjeeb Sainju
Head- Recovery, NPA and Debt Service Management
24. Mr. Ganesh Kumar KC
Head – Internal Audit

From Left to Right (Front Row):

1. Mr. Apoorba Prasad Joshi
Head – Branch Operations
2. Mr. Ram Chandra Khanal
Chief Operations
3. Mr. Anuj Mani Timilsina
Chief Business and Operating Officer
4. Mr. Surender Bhandari
Chief Executive Officer
5. Mr. Rajib Giri
Chief Marketing and Strategy Officer
6. Mr. Manish Timilsina
Chief – Credit
7. Mr. Narendra Prasad Chhatkuli
Chief- Legal, Shares & Company Secretary

Product Review



KUMARI BIG SAVINGS KHATA

Kumari Big Savings Khata is a premium saving account with value added banking services as the name suggests. In addition to competitive interest rate, we offer privileged banking services with 50% discount on Balance Certificate issuance charges and 25% discount while availing Locker facility. We also offer free internet banking facility in the account with minimum balance of NPR 5,000.00.



NAGARIK BACHAT KHATA

With minimum balance of only NPR 10.00, we offer free first year Visa Debit Card and free first year Mobile Banking registration. Including all other banking services, we also offer 50% discount on annual charge while availing Locker Facility from any our service outlets



KUMARI REMIT BACHAT KHATA

Kumari Remit Bachat Khata is a saving deposit product targeted to the migrant workers and their relatives. It is a service via which the account holders can send their hard earned money in a safe and secured way in their account and also send payment request to the bank for the payment of fund to the beneficiary (his/ her relative) against ID details.



KUMARI SALARY SAVING ACCOUNT

Kumari Salary Saving Account (KSSA) is a custom tailored saving product designed for salaried individuals for hassle free salary distribution process. This product provides competitive interest rate along with free accidental death coverage up to NPR 700,000.00. We also offer free mobile banking and Visa Debit Card for first year and 50% waiver then onwards.



50 PLUS SAVINGS

50 Plus saving account is targeted towards senior citizens aged 50 years and above.

We offer privilege services to our account holders along with other banking services like Visa Debit Card, Internet/ Mobile Banking, etc. Another additional feature associated with this account is 25% discount on locker facility.



KUMARI SMART BACHAT KHATA

Kumari Smart Bachat Khata offers account opening facility at Zero balance. We believe in providing banking access to everyone, offering a gamut of services, and let people feel the power of Zero.



SABAIKO BACHAT KHATA

This savings account was launched as a part of our National Campaign “सोलो बैंक खाता अभियान, २०७६” and has been promoting with a national slogan “समुद्धिर्गम जोडौं नाता: सबै नेपालीको बैंक खाता”. This savings account is specially intended towards the individuals with no access to banking services and required minimum balance of NPR 100.00 shall be deposited by the bank itself on behalf of the customer. We also offer free Any Branch Banking Services (ABBS) and free Internet Banking Facility in this particular savings account.



KUMARI SWASTHA JEEVAN BACHAT KHATA

Kumari Swastha Jeevan Bachat Khata (KSJBK) is a saving deposit product introduced with value added medical benefits along with modern banking services. Accountholders can avail “co-branded VISA Debit card” with privileged services and discounts offered at Medanta, Medicity- New Delhi, India; Norvic Hospital, Grande Hospital, Vayodha Hospital, Nepal Medicit Hospital, Alka Hospital, Chirayu National Hospital, and many more. These partner hospitals offer discounts up to 20% to KSJB account holders on several of its services while paying through our co-branded visa card. In addition, the account holders of KSJBK are also entitled to receive hospitalization insurance up to a sum of NPR. 10,000.00 per year for free.



SUBHA LAXMI SAVINGS

This saving account is especially designed towards women of 18 years and above. Attractive interest rate on daily balance is provided to encourage savings habit particularly among ladies. Besides, other features like 50% discount in locker, Visa Debit Card and Internet/ Mobile Banking facilities are also offered to the customers.



TWINKLE STAR SAVINGS

Twinkle Star Savings Account is exclusively targeted to children of 18 years and below. This is an ideal account for children to instill saving habit from a very young age as we offer KBL branded “Khutruke” to all our minor account holders. The minimum balance requirement in the account is NPR 1,000.00 only and the bank makes special consideration in Education Loan Processing fees after the age of 18.

Corporate Social Responsibility

Glimpses of few CSR Activities undertaken by the Bank in FY 2074/75:

- Educational scholarship handover to **Former Goddess Kumari of Basantapur, Ms. Matina Shakya** upon her retirement.



- Educational support to the children living with HIV/AIDS through **“SAATH”**.



- Provided English Medium course books & Stationeries to deprived students of **“Shree Kamal Adharbhat Vidhyalaya”**.



- Financial contribution to support deprived children from **“Bal Sarathi”** in terms of education and shelter.



- As per the mandatory participation notice forwarded by **Nepal Rastra Bank, under the “one employee, one tree” plantation programme to be undertaken by all BFIs, on the occasion of World Environment Day, 2018**; Kumari Bank initiated for Trees Plantation Program in Tribhuvan International Airport, Army Gate (Baba Ashram) and Naxal branch premise. Similary various branches carried out trees plantation program on the very occasion.



- Blood Donation program organized by **KBL Employees Union** on the occasion of Bank's Anniversary, 3rd April 2018 held at Putalisadak office in co-ordination with **“Nepal Red Cross Society”**.



- Health Camp organized in Kumari Bank, Putalisadak in co-ordination with **Norvic Int'l Hospital**.



- A plan to go for educational scholarship program including dress, stationeries, fees etc. to 5-10 bright students from marginal community of government school of Narayangadh for a year.



- Kumari Bank's Dhangadhi and Attariya Branches jointly hands over Galvanized Sheets for maintenance of Temple and cow shed construction Godavari Dhaam.



- Sponsoring educational fees of 2 orphan children, Nishan Limbu and Dhan Devi Rokaya through "**HOPAD**" **Child and Women Promotion Society**.



- Financial Literacy Class undertaken for the students of 11 & 12 of Shree Shiva Saraswati School, Rising, Tanahun and also distributed stationeries to the Nursery students of the school by Pokhara in co-ordination with Chipledhunga and Damauli branch of Kumari Bank.
- CCTV Installation via Okhaldhunga Branch.
- Contribution towards Environment for cleanliness by providing painted Dustbins in collaboration with Kapurkot gaupalika, Salyan.
- CCTV Installation in co-ordination with Chamber of Business and Industry initiated by Nepalgunj Branch.
- Financial support to construct "Women Friendly Building" by District Police Office, Myagdi via Beni Branch.

BRS Neupane & Co.
Chartered Accountants
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**BRS Neupane
& Co.**

**Independent Auditors' Report
The Shareholders of Kumari Bank Limited**

We have audited the accompanying consolidated financial statements of **Kumari Bank Limited** (the "Bank"), and its subsidiary and associate (the "Group"), which comprise the consolidated statement of financial position as at 32nd Ashad, 2075 (corresponding July 16, 2018), consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of change in equity, consolidated statement of cash flows, consolidated statement of distributable profit for the year then ended, and significant accounting policies, notes to account 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 fair 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 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 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 obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters Paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the financial statements of Bank and the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Kumari Bank Limited as at 32nd Ashad, 2075 (Corresponding July 16, 2018) and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and Company Act 2063.

Other Matters

We did not audit the financial statements and other financial information of a subsidiary whose financial statements reflect total assets of NPR 200 Million and net assets of NPR199.69 Million as at 16 July 2018 and net loss of NPR 0.31 Million and net cash inflows amounting to NPR 200 Million for the year then ended. These financial statements and other financial information have been audited by other auditor whose reports have been furnished to us by the management, and our opinion on the financial statements in so far as it reflects to the accounts and disclosures included in respect of these subsidiaries as based solely on the report of the other auditors.

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

Report on other Legal and Regulatory Requirements

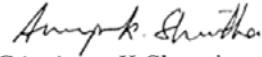
We have obtained information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit, In our opinion, consolidated statement of financial position, consolidated statement of profit or loss account, consolidated statement of comprehensive income, consolidated statement of change in equity, consolidated statement of cash flows, consolidated statement of distributable profit for the year then ended, and significant accounting policies, notes to account and other explanatory notes, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of accounts of the bank and its subsidiaries and associate included in the Group; and proper books of account as required by law have been kept by the bank.

In our opinion the returns from the branches are adequate for the purpose of the audit though the statements are independently not audited.

In our opinion, so far as appeared from our examination of the books, the bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.

To the best of our information and according to explanations given to us and from our examination of the books of accounts of the bank necessary for our audit purpose, we have not come across cases where board of directors or any employees of the bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the bank and violated any directives of Nepal Rastra Bank or acted in a manner to put at risk the interest and security of the bank, its depositors and investors.

Date : 09 January 2019
Place : Kathmandu, Nepal


CA. Anup K. Shrestha
Managing Partner



Kumari Bank Limited

Consolidated Statement of Financial Position

As on 32 Asadh 2075 (As at 16 July 2018)

Particulars	Note	Group	Bank		
		As at 16 July 2018	As at 16 July 2018	As at 15 July 2017	Restated as at 16 July 2016
Assets					
Cash and Cash Equivalents	4.1	3,780,643,820	3,780,643,820	4,734,754,206	3,627,601,100
Due from Nepal Rastra Bank	4.2	5,582,760,819	5,582,760,819	4,910,801,029	3,104,484,533
Placement with Bank and Financial Institutions	4.3	714,095,685	714,095,685	1,484,107,257	1,720,307,330
Derivative Financial Instruments	4.4	-	-	23,185,586	25,644,216
Other Trading Assets	4.5	-	-	-	-
Loans and Advances to BFIs	4.6	1,778,934,583	1,778,934,583	1,139,156,439	704,242,556
Loans and Advances to Customers	4.7	60,596,575,817	60,596,575,817	43,557,019,674	29,149,470,116
Investment Securities	4.8	8,802,903,890	8,802,903,890	4,728,824,499	3,812,743,021
Current Tax Assets	4.9	113,783,100	113,783,100	45,246,585	58,773,373
Investment in Subsidiaries	4.10	-	200,000,000	-	-
Investment in Associates	4.11	54,656,797	20,000,000	20,000,000	20,000,000
Investment Property	4.12	134,171,003	134,171,003	160,183,594	180,540,628
Property and Equipment	4.13	434,304,421	434,304,421	350,648,737	262,223,434
Goodwill and Intangible Assets	4.14	110,453,429	110,453,429	7,418,721	3,190,993
Deferred Tax Assets	4.15	-	-	-	-
Other Assets	4.16	454,639,100	454,924,100	254,818,102	69,240,732
Total Assets		82,557,922,464	82,723,550,667	61,416,164,427	42,738,462,031

Particulars	Note	Group	Bank		
		As at 16 July 2018	As at 16 July 2018	As at 15 July 2017	Restated as at 16 July 2016
Liabilities					
Due to Bank and Financial Institutions	4.17	9,904,187,331	10,104,187,331	3,333,547,375	4,971,257,613
Due to Nepal Rastra Bank	4.18	539,557,578	539,557,578	1,019,287,000	1,186,128,000
Derivative Financial Instruments	4.19	6,111,249	6,111,249	-	-
Deposits from Customers	4.20	59,546,335,519	59,546,335,519	47,691,769,932	31,793,139,531
Borrowings	4.21	-	-	-	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	2,231,750	2,231,750	1,541,463	474,600
Deferred Tax Liabilities	4.15	20,755,147	20,755,147	96,106,573	142,965,690
Other Liabilities	4.23	1,963,702,048	1,963,673,797	1,010,542,306	485,157,555
Debt Securities Issued	4.24	-	-	-	-
Subordinated Liabilities	4.25	-	-	-	-
Total Liabilities		71,982,880,622	72,182,852,371	53,152,794,649	38,579,122,989
Equity					
Share Capital	4.26	7,163,394,973	7,163,394,973	5,969,495,823	2,699,166,532
Share Premium		54,803,159	54,803,159	-	-
Retained Earnings		1,561,982,608	1,527,639,061	1,154,599,291	713,309,068
Reserves	4.27	1,794,861,101	1,794,861,101	1,139,274,663	746,863,442
Total Equity Attributable to Equity Holders		10,575,041,842	10,540,698,296	8,263,369,778	4,159,339,042
Non Controlling Interest		-	-	-	-
Total Equity		10,575,041,842	10,540,698,296	8,263,369,778	4,159,339,042
Total Liabilities and Equity		82,557,922,464	82,723,550,667	61,416,164,427	42,738,462,031
Contingent Liabilities and Commitments	4.28	28,659,217,390	28,659,217,390	16,559,995,056	11,610,474,145.75
Net Assets Value per share		147.63	147.15	138.43	154.10

Surender Bhandari
Chief Executive Officer

Santosh Kumar Lama
Chairman

Dr. Shobha Kant Dhakal
Director

Uttam P. Bhattarai
Director

Anuj Mani Timilsina
Senior Deputy
Chief Executive Officer

Rishi Agrawal
Director

Krishna Prasad Gyawali
Director

Ram Chandra Khanal
Chief Operations

Punaram Bhandari
Director

Er. Binod Dawadi
Director

Aswin Babu Shrestha
Head- Finance & MIS

As per our Report of even date

CA. Anup Shrestha
Managing Partner
BRS Neupane & Co.
Chartered Accountants

Date: 7 January 2019
Place: Durbarmarga, Kathmandu

Kumari Bank Limited

Consolidated Statement of Profit or Loss

For the year ended 32 Asadh 2075 (16 July 2018)

Particulars	Note	Group	Bank	
		Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2016
Interest Income	4.29	6,804,011,381	6,804,011,381	3,736,879,327
Interest Expense	4.30	4,771,333,239	4,771,333,239	2,299,277,448
Net Interest Income		2,032,678,141	2,032,678,141	1,437,601,879
Fee and Commission Income	4.31	396,815,439	396,815,439	278,880,211
Fee and Commission Expense	4.32	27,322,461	27,322,461	23,538,573
Net Fee and Commission Income		369,492,978	369,492,978	255,341,638
Net Interest, Fee and Commission Income		2,402,171,119	2,402,171,119	1,692,943,517
Net Trading Income	4.33	148,951,414	148,951,414	85,261,574
Other Operating Income	4.34	100,163,792	100,163,792	61,126,449
Total Operating Income		2,651,286,325	2,651,286,325	1,839,331,539
Impairment Charge/ (Reversal) for Loans and Other Losses	4.35	31,946,183	31,946,183	(56,011,027)
Net Operating Income		2,619,340,142	2,619,340,142	1,895,342,566
Operating Expense				
Personnel Expenses	4.36	801,840,723	801,840,723	518,630,168
Other Operating Expenses	4.37	381,230,622	380,917,372	248,154,532
Depreciation & Amortisation	4.38	79,214,269	79,214,269	45,947,101
Operating Profit		1,357,054,527	1,357,367,777	1,082,610,764
Non Operating Income	4.39	59,185,879	24,529,083	68,622,159
Non Operating Expense	4.40	-	-	-
Profit Before Income Tax		1,416,240,406	1,381,896,860	1,151,232,923
Income Tax Expense	4.41			
Current Tax		411,550,374	411,550,374	312,467,322
Deferred Tax		(71,546,219)	(71,546,219)	45,622,607
Profit for the Period		1,076,236,251	1,041,892,704	793,142,994
Profit Attributable to:				
Equity-holders of the Bank		1,076,236,251	1,041,892,704	793,142,994
Non-Controlling Interest		-	-	-
Profit for the Period		1,076,236,251	1,041,892,704	793,142,994
Earnings per Share				
Basic Earnings per Share		15.02	14.54	13.29
Diluted Earnings per Share		15.02	14.54	13.29

Surender Bhandari
Chief Executive Officer

Santosh Kumar Lama
Chairman

Dr. Shobha Kant Dhakal
Director

Uttam P. Bhattarai
Director

Anuj Mani Timilsina
Senior Deputy
Chief Executive Officer

Rishi Agrawal
Director

Krishna Prasad Gyawali
Director

Ram Chandra Khanal
Chief Operations

Punaram Bhandari
Director

Er. Binod Dawadi
Director

Aswin Babu Shrestha
Head- Finance & MIS

Date: 7 January 2019
Place: Durbarmarga, Kathmandu

As per our Report of even date

CA. Anup Shrestha
Managing Partner
BRS Neupane & Co.
Chartered Accountants

Kumari Bank Limited**Consolidated Statement of Other Comprehensive Income**

For the year ended 32 Asadh 2075 (16 July 2018)

Particulars	Note	Group	Bank	
		Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Profit for the year		1,076,236,251	1,041,892,704	793,142,994
Other Comprehensive Income, Net of Income Tax				
a) Items that will not be reclassified to profit or loss				
Gains/(losses) from investment in equity instruments measured at fair value		(31,455,886)	(31,455,886)	15,261,188
Gains/(losses) on revaluation		-	-	-
Actuarial gains/(losses) on defined benefit plans		18,771,860	18,771,860	(79,870,248)
Income tax relating to above items		3,805,208	3,805,208	19,382,718
Net other comprehensive income that will not be reclassified to profit or loss		(8,878,818)	(8,878,818)	(45,226,342)
b) Items that are or may be reclassified to profit or loss				
Gains/(losses) on cash flow hedge		-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)		-	-	-
Income tax relating to above items		-	-	-
Reclassify to profit or loss		-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-
c) Share of other comprehensive income of associate accounted as per equity method		-	-	-
Other Comprehensive Income for the year, Net of Income Tax		(8,878,818)	(8,878,818)	(45,226,342)
Total Comprehensive Income for the Period		1,067,357,433	1,033,013,886	747,916,652
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank		1,067,357,433	1,033,013,886	747,916,652
Non-Controlling Interest		-	-	-
Total Comprehensive Income for the Period		1,067,357,433	1,033,013,886	747,916,652

Surender Bhandari
Chief Executive Officer

Santosh Kumar Lama
Chairman

Dr. Shobha Kant Dhakal
Director

Uttam P. Bhattarai
Director

Anuj Mani Timilsina
Senior Deputy
Chief Executive Officer

Rishi Agrawal
Director

Krishna Prasad Gyawali
Director

Ram Chandra Khanal
Chief Operations

Punaram Bhandari
Director

Er. Binod Dawadi
Director

Aswin Babu Shrestha
Head- Finance & MIS

As per our Report of even date

Date: 7 January 2019
Place: Durbarimarga, Kathmandu

CA. Anup Shrestha
Managing Partner
BRS Neupane & Co.
Chartered Accountants

Kumari Bank Limited

Consolidated Statement of Cash Flow Statement

For the year ended 32 Asadh 2075 (16 July 2018)

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest Received	6,670,723,170	6,670,723,170	3,728,469,923
Fee and Other Income Received	396,815,439	396,815,439	278,880,211
Dividend Received	-	-	-
Receipts from Other Operating Activities	237,339,502	237,339,502	201,382,233
Interest Paid	(4,771,333,239)	(4,771,333,239)	(2,299,277,448)
Commissions and Fees Paid	(27,322,461)	(27,322,461)	(23,538,573)
Cash Payment to Employees	(711,578,278)	(711,578,278)	(348,293,224)
Other Expenses Paid	(380,917,372)	(380,917,372)	(248,154,532)
Operating Cash Flows before Changes in Operating Assets and Liabilities	1,413,726,760	1,413,726,760	1,289,468,590
(Increase) Decrease in Operating Assets	-	-	-
Due from Nepal Rastra Bank	(671,959,791)	(671,959,791)	(1,806,316,496)
Placement with Banks and Financial Institutions	770,011,571	770,011,571	236,200,073
Other Trading Assets	-	-	-
Loans and Advances to BFIs	(646,226,589)	(646,226,589)	(439,299,199)
Loans and Advances to Customers	(16,959,434,523)	(16,959,434,523)	(14,431,213,432)
Other Assets	(176,920,413)	(176,920,413)	(183,118,739)
Increase (Decrease) in Operating Liabilities	-	-	-
Due to Banks and Financial Institutions	6,770,639,956	6,770,639,956	(1,637,710,237)
Due to Nepal Rastra Bank	(479,729,422)	(479,729,422)	(166,841,000)
Deposit from Customers	11,854,565,588	11,854,565,588	15,898,630,400
Borrowings	-	-	-
Other Liabilities	897,339,434	897,339,434	363,054,500
Net Cash Flow from Operating Activities before Tax Paid	2,772,012,572	2,772,012,572	(877,145,539)
Income Tax Paid	(483,892,096)	(483,892,096)	(391,422,258)
Net Cash Flow from Operating Activities	2,288,120,475	2,288,120,475	(1,268,567,797)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
Purchase of Investment Securities	(4,274,079,391)	(4,274,079,391)	(916,081,477)
Receipts from Sale of Investment Securities	15,213,178	15,213,178	-
Purchase of Property and Equipment	(159,011,609)	(159,011,609)	(132,398,238)
Receipts from Sale of Property and Equipment	5,843,136	5,843,136	100,201
Purchase of Intangible Assets	(106,893,052)	(106,893,052)	(6,201,894)
Purchase of Investment Properties	26,012,591	26,012,591	20,357,034
Receipts from Sale of Investment Properties	10,024,429.30	10,024,429.30	97,199,840
Interest Received	-	-	-
Dividend Received	5,224,044	5,224,044	1,857,697
Net Cash Used in Investing Activities	(4,477,666,675)	(4,477,666,675)	(935,166,838)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-
Receipts from Issue of Debt Securities	-	-	-
Repayments of Debt Securities	-	-	-
Receipts from Issue of Subordinated Liabilities	-	-	-
Repayments of Subordinated Liabilities	-	-	-
Receipt from Issue of Shares (Including Premium)	1,235,435,814	1,235,435,814	1,336,175,098
Dividends Paid	-	-	-
Interest Paid	-	-	-
Other Receipts/Payments (From acquisition)	-	-	1,974,712,643
Net Cash from Financing Activities	1,235,435,814	1,235,435,814	3,310,887,741
Net Increase (Decrease) in Cash and Cash Equivalents	(954,110,386)	(954,110,386)	1,107,153,107
Cash and Cash Equivalents at Shrawan 01, 2074	4,734,754,206	4,734,754,206	3,627,601,100
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-	-
Cash and Cash Equivalents at Asadh 32, 2075	3,780,643,820	3,780,643,820	4,734,754,206

Surender Bhandari
Chief Executive Officer

Santosh Kumar Lama
Chairman

Dr. Shobha Kant Dhakal
Director

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Director

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Senior Deputy
Chief Executive Officer

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Chief Operations

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Director

Aswin Babu Shrestha
Head- Finance & MIS

Date: 7 January 2019
Place: Durbarmarga, Kathmandu

As per our Report of even date

CA. Anup Shrestha
Managing Partner
BRS Neupane & Co.
Chartered Accountants

Kumari Bank Limited

Consolidated Statement of Changes in Equity

For the year ended 32 Asadh 2075 (16 July 2018)

Particulars	Attributable to Equity-Holders of the Bank										Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	CSR Reserve	Other Reserve	Total	
Balance at Shrawan 01, 2073	2,699,166,531.60	-	689,584,085.97	29,181,618.89	-	-	-	705,194,052.39	-	34,187,347.43	4,157,313,636.28	-
Adjustment/Restatement	-	-	-	-	-	2,025,405.90	8,115,016.00	-	-	(8,115,016.00)	2,025,405.90	-
Adjustment/Restated Balance as at Shrawan 01, 2073	2,699,166,531.60	-	689,584,085.97	29,181,618.89	-	2,025,405.90	-	713,309,068.39	-	26,072,331.43	4,159,339,042.18	-
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	793,142,994.48	-	-	793,142,994.48	-
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	10,682,831.25	-	-	-	-	10,682,831.25	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-	-	10,682,831.25	-	793,142,994.48	-	(55,909,173.60)	747,916,652.13	-
Transfer to Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	132,148,337.51	-	-	-	-	(132,148,337.51)	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	-	-	-	-	(5,296,829.28)	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	5,296,829.28	-	-	-	(6,607,416.88)	6,607,416.88	-	-	-
- Regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Other reserve	-	-	-	-	-	-	-	(9,341,791.75)	-	9,341,791.75	-	-
Transfer from Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Other reserve	-	-	-	-	-	-	-	293,933,748.44	-	(293,933,748.44)	-	-
Additional from Acquisition (Transfer from acquired entity)	1,353,921,054.25	22,611,861.00	254,878,819.45	830,293.53	-	-	-	20,002,791.44	-	322,467,823.71	1,974,712,643.38	-
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued (Right)	1,349,583,266.00	-	-	-	-	-	-	-	-	-	1,349,583,266.00	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	566,824,971.64	-	-	-	-	-	-	(566,824,971.64)	-	-	-	-
Cash Dividend Paid	-	(22,611,861.00)	-	-	-	-	-	(29,786,943.99)	144,460.26	(144,460.26)	(29,786,943.99)	-
Other adjustment (Share premium)	-	-	-	-	-	-	-	84,216,979.13	6,160,518.13	-	6,160,518.13	-
Total Contributions by and Distributions	3,270,329,291.89	-	387,027,156.95	6,127,122.81	-	10,682,831.25	-	441,290,222.44	6,751,877.14	(18,177,766.84)	4,104,030,735.65	-
Balance at Asadh 31, 2074	5,969,495,823.49	-	1,076,611,242.92	35,308,741.70	-	12,708,237.15	-	1,154,599,290.83	6,751,877.14	7,894,564.59	8,263,369,777.82	-
Balance at Shrawan 01, 2074	5,969,495,823.49	-	1,076,611,242.92	35,308,741.70	-	12,708,237.15	-	1,154,599,290.83	6,751,877.14	7,894,564.59	8,263,369,777.82	-
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	1,076,236,250.68	-	-	1,076,236,250.68	-

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Particulars	Attributable to Equity-Holders of the Bank											Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	CSR Reserve	Other Reserve	Total		
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	(22,019,119.93)	-	-	-	-	(22,019,119.93)	-	(22,019,119.93)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	13,140,302.00	13,140,302.00	-	13,140,302.00
Exchange gains/(losses)/arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-	-	(22,019,119.93)	-	1,076,236,250.68	-	13,140,302.00	1,067,357,432.75	-	1,067,357,432.75
Transfer to Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	208,378,540.82	-	-	-	-	(208,378,540.82)	-	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	4,376,843.90	-	-	-	(4,376,843.90)	-	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	(10,418,927.04)	10,418,927.04	-	-	-	-
- Regulatory reserve	-	-	-	-	477,170,416.21	-	-	(477,170,416.21)	-	-	-	-	-
- Other reserve	-	-	-	-	-	-	-	868,392.00	-	(868,392.00)	-	-	-
Transfer from Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	1,210,121.00	(1,210,121.00)	-	-	-	-
- Regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
- Staff Related reserve	-	-	-	-	-	-	-	-	-	(2,632,506.74)	(2,632,506.74)	-	(2,632,506.74)
- Other reserve	-	-	-	-	-	-	-	31,168,452.00	-	(31,168,452.00)	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued (Right)	1,193,899,150.00	-	-	-	-	-	-	-	-	-	1,193,899,150.00	-	1,193,899,150.00
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Premium	-	54,803,159.25	-	-	-	-	-	-	-	-	54,803,159.25	-	54,803,159.25
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions by and Distributions	1,193,899,150.00	54,803,159.25	208,378,540.82	4,376,843.90	477,170,416.21	(22,019,119.93)	-	409,138,487.70	9,208,806.04	(21,529,048.74)	2,313,427,235.26	-	- 2,313,427,235.26
Balance at Asadh 32, 2075	7,163,394,973.49	54,803,159.25	1,284,989,783.75	39,685,585.59	477,170,416.21	(9,310,882.78)	-	-1,563,737,778.54	15,960,683.18	(13,634,484.15)	10,576,797,013.08	-	-10,576,797,013.08

Kumari Bank Limited

Consolidated Statement of Changes in Equity

For the year ended 32 Asadh 2075 (16 July 2018)

Particulars	Bank										Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	CSR Reserve	Other Reserve	Total	
Balance at Shrawan 01, 2073	2,699,166,531.60	-	689,584,085.97	29,181,618.89	-	2,025,405.90	-	705,194,052.39	-	34,873,474.3	4,157,313,636.28	4,157,313,636.28
Adjustment/Restatement	-	-	-	-	-	-	-	8,115,016.00	-	(8,115,016.00)	2,025,405.90	2,025,405.90
Adjustment/Restated Balance as at Shrawan 01, 2073	2,699,166,531.60	-	689,584,085.97	29,181,618.89	-	2,025,405.90	-	713,309,068.39	-	26,072,331.43	4,159,339,042.18	4,159,339,042.18
Comprehensive Income for the year	-	-	-	-	-	-	-	793,142,994.48	-	-	793,142,994.48	-
Profit for the year	-	-	-	-	-	-	-	793,142,994.48	-	-	793,142,994.48	-
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	10,682,831.25	-	-	-	-	10,682,831.25	-	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	(55,909,173.60)	(55,909,173.60)	(55,909,173.60)
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-	-	-	-	793,142,994.48	-	(55,909,173.60)	747,916,652.13	-
Transfer to Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	132,148,337.51	-	-	-	-	(132,148,337.51)	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	5,296,829.28	-	-	-	(5,296,829.28)	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	6,607,416.88	-	-	-
- Regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Other reserve	-	-	-	-	-	-	-	(9,341,791.75)	-	9,341,791.75	-	-
Transfer from Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	-
- Other reserve	-	-	-	-	-	-	-	-	-	(293,933,748.44)	-	-
Additional from Acquisition (Transfer from acquired entity)	1,353,921,054.25	22,611,861.00	254,878,819.45	830,293.53	-	-	-	20,002,791.44	-	322,467,823.71	1,974,712,643.38	1,974,712,643.38
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued (Right)	1,349,583,266.00	-	-	-	-	-	-	-	-	-	1,349,583,266.00	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustment (Share premium)	-	(22,611,861.00)	-	-	-	-	-	(566,824,971.64)	-	-	(29,786,943.99)	(29,786,943.99)
Total Contributions by and Distributions	3,270,329,291.89	-	387,027,156.95	6,127,122.81	-	-	-	84,216,579.13	144,460.26	(144,460.26)	6,160,518.13	6,160,518.13
Balance at Asadh 31, 2074	5,969,495,823.49	-	1,076,611,242.92	35,308,741.70	-	10,682,831.25	-	441,290,222.44	6,751,877.14	(18,177,766.84)	4,104,030,735.65	4,104,030,735.65
Balance at Shrawan 01, 2074	5,969,495,823.49	-	1,076,611,242.92	35,308,741.70	-	12,708,237.15	-	1,154,599,290.83	6,751,877.14	7,894,564.59	8,263,369,777.82	-
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	(22,018,119.93)	-	-	-	-	-	(22,018,119.93)	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	13,140,302.00	13,140,302.00	-

(...continued on next page)

Particulars	Bank											Non-Controlling Interest	Total Equity
	Attributable to Equity-Holders of the Bank												
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	CSR Reserve	Other Reserve	Total		
Total Comprehensive Income for the year	-	-	-	-	-	(22,019,119.93)	-	1,041,892,704.12	-	13,140,302.00	1,033,013,886.19	-	1,033,013,886.19
Transfer to Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	208,378,540.82	-	-	-	-	(208,378,540.82)	-	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	4,376,843.90	-	-	-	(4,376,843.90)	-	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	(10,418,927.04)	10,418,927.04	-	-	-	-
- Regulatory reserve	-	-	-	-	47,770,416.21	-	-	(47,770,416.21)	-	-	-	-	-
- Other reserve	-	-	-	-	-	-	-	868,392.00	-	(868,392.00)	-	-	-
Transfer from Reserves during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
- General Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange Equalisation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
- Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	1,210,121.00	(1210121.00)	-	-	-	-
- Regulatory reserve	-	-	-	-	-	-	-	(1,755,171.26)	-	(2,632,506.74)	(4,387,678.00)	-	-
- Staff Related reserve	-	-	-	-	-	-	-	3168,452.00	-	(3168,452.00)	-	-	-
- Other reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued (Right)	1193,899150.00	-	-	-	-	-	-	-	-	-	1193,899150.00	-	1193,899150.00
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Premium	-	54,803159.25	-	-	-	-	-	-	-	-	54,803159.25	-	54,803159.25
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions by and Distributions	1193,899,150.00	54,803159.25	208,378,540.82	4,376,843.90	47,770,416.21	(22,019,119.93)	-	373,039,769.89	9,208,806.04	(21,529,048.74)	2,277,328,517.44	-	2,277,328,517.44
Balance at Asadh 32, 2074	7163,394,973.49	54,803159.25	1,284,989,783.75	39,685,585.59	47,770,416.21	(9,310,882.78)	-	1,527,639,060.72	15,960,683.18	(13,634,484.15)	10,540,698,295.26	-	10,540,698,295.26

Notes to the Financial Statements

Year Ended 16th July 2018

1. BANK

1.1 General

Kumari Bank Limited (hereinafter referred to as "The Bank") is a public limited company, incorporated on 10th December 1999 and domiciled in Nepal. The registered office of the Bank is located at Durbarmarga, 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. The Bank is listed in Nepal Stock Exchange Limited for public trading of stocks.

1.2 Financial Statements

The Financial Statement of Bank for the year ended 16 July, 2018 comprises Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Financial Statements, Significant Accounting Policies of the Company and Statement of Financial Position and reconciliation as at the transition date (i.e. 17 July, 2016)

1.3 Principal Activities and Operations Bank

The principal activities of the Bank are to provide full-fledged wide range of commercial banking services including, agency services, trade finance services, card services, e-commerce products and services, remittance and bullion trading services to its customers, provided through wide branch networks, extension counters, ATMs with latest technological banking support services.

Subsidiary and Associates

Subsidiary	Principal Activities	Ownership as on:	
		16th July 2018	15th July 2017
Kumari Capital Limited	The Subsidiary is opened to Provide merchant/ investment banking services such as Management of public offerings, portfolio management, underwriting of securities, management of mutual fund schemes, depository participant's service under Central Depository Service (CDS) and other merchant banking services. The final approval from Securities Board of Nepal is under process.	100%	-

Associate	Principal Activities	Ownership as on:	
		16th July 2018	15th July 2017
National Microfinance Bittiya Sanstha Limited	The Associate is of the bank is microfinance banking institute with license to operate as a D class financial institution from Nepal Rastra Bank. The Principal Activity of the associate is to provide one window financial solutions to the customers with wide range of banking product and services customized to the requirement of remote area customer needs.	20%	20%

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of Bank for the year ended 16th July, 2018 comprising Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements (including Significant Accounting Policies), have been prepared in accordance with Nepal Financial Reporting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of all applicable laws and regulations.

2.2. Reporting Period and Approval of Financial Statements

a. Reporting Period

The Bank has prepared the financial statements for the first time in accordance with NFRS depicting financial performance for FY 2017/18 and financial position of 16th July 2018 and the comparatives of FY 2016/17. Hence the date of transition to NFRS is 17th July, 2016. The comparative figures including the opening balance on the date of transition have been re-classified and re-measured as per NFRS.

b. Responsibility for Financial Statements

The preparation and presentation of Financial Statements including consolidated financial statements is the responsibility of the Board of Directors as per the governing provisions.

c. Approval of Financial Statements by Directors

The accompanied Financial Statements have been authorized to issue by the Board of Directors vide its resolution dated 9 January 2019 and recommended for its approval by the Annual General Meeting of the shareholders.

2.3. Functional and Presentation Currency

The Financial Statements of Bank and Group are presented in Nepalese Rupees (Rs.), which is the currency of the primary economic environment in which the Bank operates. There was no change in Bank's presentation and functional currency during the year under review.

2.4. Use of Estimates, Assumptions and Judgments

The preparation of Financial Statements in conformity with Nepal Financial Reporting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ due to these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect in the Financial Statements are as follows:

2.4.1 Going Concern

The Directors have made an assessment of Bank's ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may provide significant doubt upon Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.4.2 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can be derived from active markets, they are derived from observable market data. However, if this is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 3.4.

2.4.3 Impairment of Financial Assets – Loans and Advances

The Bank review its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. The bank has conducted objective evidence test for individual impairment through different parameters like inability to meet loan agreements, substantial drop in profits/ turnover, significant adverse cash flows, significant adverse net worth situation, problematic borrower financial position, etc. Mainly, management judgment is required in the estimation of the amount and timing of the expected future cash flows for determination of the impairment loss.

These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio such as levels of arrears, credit quality, portfolio size etc. and judgments based on current economic conditions.

Loans and advances have been impaired as the higher of amount derived as per the norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39, as per Carve-out pronounced by Institute of Chartered Accountants of Nepal on 20th September 2018.

The impairment loss on loans and advances is disclosed in Note 4.6 and 4.7 to the financial statements.

2.4.4 Impairment of Investments Measured through OCI

Bank reviews its investments classified as available for sale, at each reporting date to assess whether they are impaired. Objective evidence that an available for sale debt security is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. The Bank also records impairment charges on available for sale equity investments where there is significant or prolonged decline in fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

2.4.5 Taxation

The Bank is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Details on deferred tax assets/liability are disclosed in Note 4.15 to the financial statements.

2.4.6 Defined Benefit Plans

The cost of the defined benefit obligations and the present value of their obligations are determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future liability increases if any. Due to the long term nature of these plans, such estimates are subject to uncertainty.

All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the average interest rates of Nepal government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future salary increase rates of Bank and attrition rate are based on the past period's attrition average rates.

2.4.7 Fair Value of Property, Plant and Equipment

The freehold land and buildings of the bank are not reflected at fair value and no revaluation has been carried at the reporting date. Under NFRS 1, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to NFRSs as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

- a. Fair value; or
- b. Cost or depreciated cost in accordance with NFRSs, adjusted to reflect, for example, changes in a general or specific price index

Previous GAAP has been considered the fair value for Property and Equipment on the basis that these assets value are comparable to fair value.

2.4.8 Useful Life-time of the Property, Plant and Equipment

Property, Plant and Equipment is recognized on cost model. Cost includes the purchase price and other directly attributable costs to the acquisition of individual asset item. Bank reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

a. Fixed Assets

Fixed assets except land are stated at acquisition cost less accumulated depreciation. Acquisition cost includes expenditures that are directly attributable to the acquisition of the assets.

Assets with a value less than Rs. 10,000 are charged off as a revenue expense irrespective of its useful life in the year of purchase.

Leasehold improvements are capitalized at cost and amortized over the period of five years. The amount of amortization is charged as revenue expenses.

b. Computer Software

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software and are amortized over their useful life estimated as 5 years from the date of acquisition.

Depreciation on newly acquired property and equipments are charged from the next month of booking. Depreciation of property and equipment ceases when it is derecognized at the time of its disposal.

2.4.9 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

2.4.10 Provisions for Liabilities and Contingencies

The Bank receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits.

2.5. Changes in Accounting Policies

The bank has changed its accounting policies, wherever required, to ensure compliance with NFRS. Detailed accounting policies are mentioned in Note 3. The effect of change in accounting policy at the date of transition has been given to the retained earnings (and reserves, if applicable).

2.6. New Standards in Issue But Not Yet Effective

There have been amendment to the Standards issued by IASB and applicability of the new Standards has been notified for IFRS. But, the amendments and new standards become applicable only when ASB-Nepal pronounces them. The new Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Bank will adopt these standards when they become effective.

i. IFRS 9- Financial Instruments

IFRS 9 states a logical principle base to classify financial assets and financial liabilities which is driven by cash flow characteristics and the business model in which an assets or liability is held. Further this standard recommends the assessment of impairment based on more timely recognition of expected credit losses and entities are required to account for expected credit losses from the initial recognition of financial instruments and it lowers the threshold for recognition of full life time expected losses by aligning financial accounting treatment with risk management activities.

IFRS 9 has become effective from 1 January 2018 and has an effect on classification and measurement of the Bank's financial assets. IFRS 9, as issued reflects the first phase of work on replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities.

ii. IFRS 15- Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Financial instruments, leases and insurance contracts are out of scope and so this Standard is not expected to have a significant impact on the Bank. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

iii. IFRS 16- Leases

The IASB issued IFRS 16- Leases to replace IAS 17- Leases. IFRS 16 requires lessees to recognize a right to use asset and a liability for future payments arising from a lease contract. Accounting

requirements for lessor remain aligned to the current approach under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

2.7. New standards and Interpretation Not Adapted

NFRS 1 First- time adoption of Nepal Accounting Standards allows first time adopters certain exemptions from the retrospective application of certain NFRS.

The Bank has elected to disclose the following amounts prospectively from the date of transition:

- i. The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
- ii. The experience adjustments arising on the plan liabilities and the plan assets.
- iii. The Bank has designated unquoted equity instruments held at 16th July 2018 as investments measured at fair value through OCI.

2.8. Discounting

When the realization of assets and settlement of obligation is for more than one year, the Bank considers the discounting of such assets and liabilities where the impact is material. Various internal and external factors have been considered for determining the discount rate to be applied to the cash flows of company. The Bank has a policy to treat share/debenture issue expenses up to 1% of share/debentures issue price as immaterial. Considering those expenses as immaterial and impracticable to determine reliably, same has not been considered in computation of effective interest rate as per Carve-out (optional) pronounced on 20th September 2018.

Employee benefits has been determined by considering discount rate as the average yield on government bonds issued during the period having maturity of five years or more.

2.9. Materiality and Aggregation

In compliance with Nepal Accounting Standard - NAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.10. Comparative Information

The Financial Statement of the Bank provides comparative information in respect of previous periods. The accounting policies have been consistently applied by Bank with those of the previous financial year in accordance with NAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new NFRS. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and deviations if any have been disclosed accordingly.

3.1. Basis of Measurement

The Financial Statements of Bank have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Available for sale investments (quoted) are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Financial assets and financial liabilities held at amortized cost at measured using a rate that is a close approximation of effective interest rate.

3.2. Basis of Consolidation

a. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Nepal Accounting Standard - NFRS 03 (Business Combinations). The Bank measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is immediately recognized in the profit or loss.

The Bank elects on a transaction-by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

The Bank has applied Exemptions for NFRS 3 as stated in Appendix C as below:

A first-time adopter may elect not to apply NFRS 3 retrospectively to past business combinations (business combinations that occurred before the date of transition to NFRSs). However, if a first-time adopter restates any business combination to comply with NFRS 3 it shall restate all later business combinations and shall also apply NFRS 10 from that same date.

b. Non-Controlling Interest (NCI)

Non-controlling interest (NCI), also known as minority interest, is an ownership position whereby a shareholder owns less than 50% of outstanding shares and has no control over decisions. Non-controlling interests are measured at the net asset value of entities and do not account for potential voting rights.

For each business combination, the Group elects to measure any non-controlling interest in the acquiree at fair value.

Changes in group interest in subsidiary that do not result in the loss of control are accounted for transactions of owners in the capacity of owners. Adjustments to non-controlling interest are based on proportionate amount of net assets of subsidiary.

Since, the subsidiary is 100% owned, there is no case of NCI for the bank.

c. Subsidiaries

Subsidiaries are entities that are controlled by the Bank. The Bank is presumed to control an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's Subsidiaries are prepared for the same reporting period as per the Bank, using consistent accounting policies.

The cost of acquisition of a Subsidiary is measured as the fair value of the consideration, including contingent consideration, given on the date of transfer of title. The acquired identifiable assets, liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, the Bank continues to recognize the investments in Subsidiaries at cost.

When a Subsidiary is acquired or sold during the year, operating results of such Subsidiary is included from the date of acquisition or to the date of disposal.

This Subsidiary of the Bank has been incorporated in Nepal.

d. Loss of Control

When the Bank loses control over a Subsidiary, it derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Bank recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant NFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with relevant NFRS or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Bank recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

e. Special Purpose Entity (SPE)

A special purpose vehicle/entity is a "bankruptcy-remote entity" that a parent company uses to isolate or securitize assets and it often holds this off-balance sheet. Some also call this a "bankruptcy-remote entity" or "variable interest entities" since its operations are limited to the acquisition and financing of specific assets as a method of isolating risk. A special purpose

vehicle/entity is a subsidiary company with an asset/liability structure and legal status that makes its obligations secure, even if the parent company goes bankrupt.

The Bank does not have any special purpose entity.

f. Transaction Elimination on Consolidation

Intra group balances and transactions, any unrealized income and expenses arising from intra group transactions, are eliminating in preparing the consolidated financial statements. Unrealized gains/losses arising from transactions with equity accounted investees are eliminated against the investments to the extent of group interest of investee.

3.3. Cash and Cash Equivalent

Cash and Cash Equivalents include cash in hand, balances with banks, placements with banks and money at call and at short notice with original maturity less than three months from the date of acquisition date that are subject to an insignificant risk of changes in their fair value, and are used for short term commitments.

Details of the Cash and Cash Equivalents are given in Note 4.1 to the Financial Statements.

3.4. Financial Assets and Financial Liabilities

a. Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

b. Classification and Measurement

Financial Assets

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

Classification and Subsequent Measurement of Financial Instruments

Classification and Subsequent Measurement of Financial Assets

At the inception, a financial asset is classified into one of the following:

- a. Financial assets at fair value through profit or loss
 - i. Financial assets held for trading
 - ii. Financial assets designated at fair value through profit or loss
- b. Held to Maturity Financial Assets
- c. Loans and Receivables
- d. Financial Assets available for Sale

The subsequent measurement of financial assets depends on their classification.

Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

i. Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category also includes derivative financial instruments entered into by Bank that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standards NAS 39 (Financial Instruments: Recognition and Measurement).

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in 'Net trading income'. Dividend income is recorded in 'Net trading income' when the right to receive the payment has been established.

Bank evaluates its held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them in the near future is still appropriate. When Bank is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, Bank may elect to reclassify these financial assets.

Financial assets held for trading include instruments such as government securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

ii. **Financial Assets Designated at Fair Value through Profit or Loss**

Bank designates financial assets at fair value through profit or loss in the following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets
- The assets are part of a group of Financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The asset contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial instruments designated at fair value through profit or losses' in the Statement of Profit or Loss. Interest earned is accrued under 'Interest income', using the effective interest rate method, while dividend income is recorded under 'Other operating income' when the right to receive the payment has been established.

The Bank has not designated any financial assets upon initial recognition as designated at fair value through profit or loss.

Held to Maturity Financial Assets

Held to Maturity Financial Assets are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold to maturity. After the initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate, less impairment. The amortization is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss.

Loans and Receivables from Customers

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment through contractual cash flows, other than because of credit deterioration.

Loans and Advances mainly represent loans and advances to customers, Banking and Financial Institutions. After initial measurement, loans and receivables are subsequently measured at amortized cost using a rate that closely approximates effective interest rate, less allowance for impairment. Within this category, loans and advances to the customers have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment are recognized in 'Impairment charge / reversal for loans and other losses' in the Statement of Profit or Loss.

Financial Assets Available for Sale

Available for sale financial assets include equity and debt securities. Equity Investments classified as 'Available for Sale' are those which are neither classified as 'Held for Trading' nor 'Designated at fair value through profit or loss'. Debt securities in this category are intended to be held for

an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through 'Other comprehensive income / expense' in the 'Available for sale reserve'. When the investment is disposed of the cumulative gain or loss previously recognized in equity is recognized in the Statement of Profit or Loss under 'Other operating income'. Where Bank holds more than one investment in the same security, they are deemed to be disposed of on weighted average basis. Interest earned whilst holding 'Available for sale financial investments' is reported as 'Interest income' using the effective interest rate. Dividend earned whilst holding 'Available for sale financial investments' are recognized in the Statement of Profit or Loss as 'other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under 'Impairment charge for loans and other losses' and removed from the 'Available for sale reserve'.

Financial assets under AFS that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in income statement and other changes in the carrying amount are recognized in other comprehensive income.

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield, option volatilities and currency rates. When such evidence exists, the Bank recognizes a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and fair value.

When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognized immediately in the income statement. Instead, it is recognized over the life of the transaction on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Financial Liabilities

Classification and Subsequent Measurement of Financial Liabilities

At the inception, Bank determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- a. Financial liabilities at fair value through profit or loss
 - i. Financial liabilities held for trading
 - ii. Financial liabilities designated at fair value through profit or loss
- b. Financial liabilities at amortized cost

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 designated upon initial recognition as fair value through profit or loss. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

i. Financial Liabilities Held for Trading

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instrument entered into by Bank that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement).

ii. Financial Liabilities Designated at Fair Value through Profit or Loss

Bank designates financial liabilities at fair value through profit or loss at following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the liabilities.

- The liabilities are part of a group of Financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The liability contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial Liabilities at Amortized Cost

Financial instruments issued by Bank that are not classified as fair value through profit or loss are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in Bank having an obligation either to deliver cash or another financial asset to another Bank, or to exchange financial assets or financial liabilities with another Bank under conditions that are potentially unfavorable to the Bank or settling the obligation by delivering variable number of Bank's own equity instruments.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortization is included in 'Interest Expenses' in the Statement of Profit or Loss. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized.

Reclassification

i. Reclassification of Financial Instruments 'At Fair Value through Profit or Loss',

Bank does not reclassify derivative financial instruments out of the fair value through profit or loss category when it is held or issued.

Non-derivative financial instruments designated at fair value through profit or loss upon initial recognition is not reclassified subsequently out of fair value through profit or loss category.

Bank may, in rare circumstances reclassify financial instruments out of fair value through profit or loss category if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired principally for the purpose of selling or repurchasing in the near term. Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of 'Loans and Receivables' as at that date is reclassified out of the fair value through profit or loss category only if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Any gain or loss already recognized in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Statement of Profit or Loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of the future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

ii. Reclassification of 'Available for Sale' Financial Instruments

Bank may reclassify financial assets out of available for sale category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

A financial asset classified as available for sale that would have met the definition of loans and receivables at the initial recognition may be reclassified out of available for sale category to the loans and receivables category if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Difference between the new amortized cost and the maturity value is amortized over the remaining life of the asset using the effective interest rate. Any gain or loss already recognized in Other Comprehensive Income in respect of the reclassified financial instrument is accounted as follows:

1. Financial Assets with Fixed Maturity :

Gain or loss recognized up to the date of reclassification is amortized to profit or loss over the remaining life of the investment using the effective interest rate. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

2. Financial Assets without Fixed Maturity :

Gain or loss recognized up to the date of reclassification is recognized in profit or loss only when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

iii. Reclassification of 'Held to Maturity' Financial Instruments

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as amortized at cost, Bank may reclassify such financial assets as at fair value through OCI and re-measured at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognized in equity through other comprehensive income.

However, if Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity [other than in certain specific circumstances permitted in Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement)], the entire category would be tainted and would have to be reclassified as 'Investment measured at fair value through OCI'. Furthermore, Bank would be prohibited from classifying any financial assets as 'Held to Maturity' during the following two years. These reclassifications are at the election of management and determined on an instrument by instrument basis.

c. De-recognition

De-recognition of Financial Assets

Bank derecognizes a financial asset (or where applicable a part of financial asset or part of a group of similar financial assets) when:

- The rights to receive cash flows from the asset have expired; or
- Bank has transferred its rights to receive cash flows from the asset or
- Bank 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 Bank has transferred substantially all the risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Bank has retained.

When Bank's continuing involvement that takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received by Bank that Bank could be required to repay.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to income statement as gains and losses from investment securities.

De-recognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability

and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreement to repurchase at a specified future date are not de-recognized from the Statement of Financial Position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the Statement of Financial Position as a liability with a corresponding obligation to return it, including accrued interest under 'Securities sold under repurchase agreements', reflecting the transaction's economic substance to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the bank has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its Statement of Financial Position as 'Financial assets held for trading pledged as collateral' or 'Financial assets available for sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, under "Reverse repurchase agreements" reflecting the transaction's economic substance to the Bank. The difference between the purchase and resale prices is recorded as 'Interest income' and is accrued over the life of the agreement using the effective interest rate. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held for trading' and measured at fair value with any gains or losses included in 'Net trading income'.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

Amortized Cost Measurement

The Amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of principal market, in the most advantageous market for asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 - Valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 - Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Level 1

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument or dealer price quotations (assets and long positions are measured at a bid price, liabilities and short positions are measured at an asking price), without any deduction for transaction costs.

A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (day 1 profit or loss) is deferred and recognized only when the inputs become observable or on de-recognition of the instrument.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

d. Impairment

At each reporting date, Bank assesses whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events, that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter

bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of Financial Assets carried at Amortized Cost

For financial assets carried at amortized cost, such as amounts due from banks, held to maturity investments etc., Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. In the event Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, financial assets in a group with similar credit risk characteristics are collectively assessed for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current rate closely approximates effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new closely approximates effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of collateralized financial assets reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Individually Assessed Financial Assets

The criteria used to determine whether there is objective evidence of impairment include and not limited to:

- Known Cash Flow difficulties experienced by the borrowers;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial reorganization; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the impairment charges for loans and other losses.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following common factors are considered:

- Bank's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;

- The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the company;
- The realizable value of security and likelihood of successful repossession;

Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that is not considered individually significant.

Incurred But Not Yet Identified Impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.

Homogeneous Groups of Financial Assets

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the group.

Bank Uses the Following Method to Calculate Historical Loss Experience on Collective Basis:

After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology the movement in the outstanding balance of customers into default categories over the periods is used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Production (GDP) Growth
- Inflation
- Interest rates
- Changes in government laws and regulations
- Property prices
- Payment status

But, the amount of provision to be created against Loans and Advances shall be higher of the following two amounts:

- i. Impairment calculated as per Impairment Assessment Methodology as described above or,
- ii. Loan Loss Provision calculated as per the provisions of Unified Directives issued by Nepal Rastra Bank.

Reversal of Impairment

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

Write-off of Financial Assets Measured at Amortized Cost

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

Impairment of Rescheduled Loans and Advances

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual impairment assessment, calculated using the loan's original effective interest rate (EIR).

Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the central bank (Nepal Rastra Bank). Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

Collateral Repossessed or Where Properties have Devolved to the Bank

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Bank in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Bank as part settlement of debt, has not been occupied for business use.

These assets are shown as Legally Repossessed Collateral under "Investment Property."

Impairment of Financial Assets – Available for Sale

For financial investments measured at fair value through OCI, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as fair value through OCI, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from equity and recognized in the Statement of profit or loss. However, any subsequent increase in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

Bank writes-off certain financial investments measured at fair value through OCI when they are determined to be uncollectible.

3.5. Trading Assets

Financial assets such as government securities, equity etc. held for short term with an intention to trade have been classified as trading assets. Trading assets are measured at fair value with any changes in fair value being recognized in Profit or Loss.

3.6. Derivative Assets and Derivative Liabilities

Derivative financial instruments such as forward foreign exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing model which incorporates various inputs including foreign exchange spot and forward premiums.

Forward contracts are the contracts to purchase or sell a specific quantity of a financial instrument, a commodity, or a foreign currency at a specified price determined at the outset, with delivery or settlement at a specified future date. Settlement is at maturity by actual delivery of the item specified in the contract, or by a net cash settlement.

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value on the statement of financial position regardless of whether they are held for trading or non-trading purposes. Changes in fair value on derivatives held for trading are included in net gains/ (losses) from financial instruments in fair value through profit or loss on financial assets/ liabilities at fair value through profit or loss.

3.7. Property and Equipment Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Revaluation Model

The Bank has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized. The gain or losses arising from de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

Depreciation

Depreciation is calculated by using the straight line method on cost or carrying value of property, plant & equipment other than freehold land.

The depreciable amount of an item of property, plant and equipment is allocated on systematic basis over its useful life and is depreciated as follows:

Asset Category	Rate of Depreciation per annum (%)	
	For the year ended 16 July 2018	For the year ended 15 July 2017
Buildings	5%	5%
Vehicles	20%	20%
Office Equipment	25%	25%
Furniture & Fixtures (Metal & Wooden)	25%	25%
Computer Hardware	25%	25%
Battery	3 Years	3 Years
Leasehold Properties	10 Years	5 Years

Depreciation on newly acquired property and equipments are charged from the next month of booking. Depreciation of property and equipment ceases when it is de-recognized at the time of its disposal.

Changes in Estimates

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

3.8. Intangible Assets

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

Asset Category	For the year ended 16 July 2018	For the year ended 15 July 2017
Computer Software	5 years	5 years

De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

3.9. Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under Fair Value in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

De-recognition

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.10. Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and

at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in Subsidiaries, 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 difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

3.11. Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding. Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Sub-ordinate liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

3.12. Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net off any reimbursement.

3.13. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Interest Income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as measured at fair value through OCI and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over the period, which include service fees and commission income.

Dividend Income

Dividend income is recognized when the right to receive payment is established.

Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities.

Net income from other financial instrument measured at fair value through Profit or Loss

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instruments are designated at fair value through profit or loss. The bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

3.14. Interest Expense

For all financial liabilities measured at amortized cost, interest expense is recognised using the EIR. EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities or a shorter period, where appropriate, to the net carrying amount of the financial liability.

3.15. Employee Benefits**Employee Benefits Include:**

- **Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:**
 - i. Wages, salaries and social security contributions;
 - ii. Paid annual leave and paid sick leave;
 - iii. Profit sharing and bonuses, and
 - iv. Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- **Post-employment Benefits, Such as the Following:**
 - i. Retirement benefits (E.g.: pensions, lump sum payments on retirement); and
 - ii. Other post-employment benefits such as post-employment life insurance and post-employment medical care;
 - Other long term employee benefits and
 - Termination benefits

1. Post Employments Benefits**Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which the Bank makes fixed contribution into a separate Bank account (a fund) and will have no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under 'Personnel Expense' as and when they become due. Unpaid contributions are recorded as a liability under 'Other Liabilities' in Notes 4.23.

Bank contributed 10% of the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity and leave encashment has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

- **Gratuity**

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period. The discount rate is the average yield on government bonds issued during the period having maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 16th July, 2018 (current service cost) has been recognized in the Statement of Profit or Loss under 'Personnel Expenses' together with the net interest expense. Bank recognizes the total actuarial gain/(loss) that arises in computing Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (58 years), early withdrawal from service and retirement on medical grounds.

Other Long Term Employee Benefits

Other long term employee benefits are all employee benefits other than short term employee benefits, post employment benefits and terminal benefits. Accordingly, leave encashment plan of the Bank has been considered as other long term employee benefits as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

- **Unutilized Accumulated Leave**

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the average yield on government bonds issued during the period having maturity of five years or more. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

3.16. Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When Bank is the lessor under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in, 'Loans & receivables from other customers', as appropriate. Interest income receivable is recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When Bank is a lessee under finance leases, the leased assets are capitalized and included in 'Property, Plant and Equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When Bank is the lessee, leased assets are not recognized on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'Other operating income', respectively.

The bank recognized accrued lease for the period as an expense on incremental basis (as per lease term) considering the general inflation as per Carve-out (optional) pronounced on 20th September 2018.

3.17. Foreign Currency Translation

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for-sale equity instruments are recognized in other comprehensive income.

3.18. Financial Guarantee and Loan Commitments

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured as defined in the Nepal Accounting Standard- NAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. They carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank to form part of commitments of the Bank. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. But these contingent liabilities do contain credit risk and are therefore form part of the overall risk of the Bank.

Financial guarantees are initially recognized in the Statement of Financial Position (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the Statement of Profit or Loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to the financial guarantees is recorded in the Statement of Profit or Loss under 'Impairment Charges for Loans & other losses'. The premium received is recognized in

the Statement of Profit or Loss under 'Net fees and commission income' on a straight line basis over the life of the guarantee.

3.19. Share Capital and Reserves

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus contributions from holders of equity claims, minus distributions to holders of equity claims.

3.20. Earnings Per Share Including Diluted

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Earnings per share is calculated and presented in consolidated statement of profit or loss.

3.21. Segment Reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this NFRS, an entity's post-employment benefit plans are not operating segments.

The bank has identified the key segments of business on the basis of nature of operations that assists the Executive Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. The business segments identified are Banking (including loan, deposit and trade operations), Payment solutions (Cards), Remittance, Treasury and Micro Banking. All operations between the segments are conducted on pre-determined transfer price. Treasury department acts as the fund manager of the Bank.

3.22. Employee Bonus

Employee bonus shall be calculated at the rate of 10% of Profit before bonus and tax.

3.23. Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend is deducted from equity when they are declared and no longer at the discretion of the Bank. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

3.24. Cash Flow Statement

The cash flow statement has been prepared using 'The Direct Method', whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

3.25. Comparative Figures

The comparative figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

3.26. First Time Adoption of NFRS

As stated in Note 2.1, these are the Bank's first financial statements prepared in accordance with NFRS.

The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 16th July 2018, the comparative information presented for the year ended 15th July 2017 and in the preparation of an opening NFRS based Statement of Financial Position at 17th July 2016 (the date of transition).

Kumari Bank Limited

Notes forming part of Financial Statements

Cash and Cash Equivalent

4.1

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Cash in Hand	2,033,651,302	2,033,651,302	1,420,605,578
Balances with BFIs	1,199,589,518	1,199,589,518	1,441,547,628
Money at Call and Short Notice	-	-	515,500,000
Other	547,403,000	547,403,000	1,357,101,000
Total	3,780,643,820	3,780,643,820	4,734,754,206

Cash and cash equivalent is measured in its carrying value. Balance with BFIs include balance maintained at various Banks and financial institutions. Other items in cash and cash equivalent includes interbank placements and other investments with maturity above 7 days and within 3 months, based on original maturity.

Due from Nepal Rastra Bank

4.2

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Statutory Balances with NRB	5,548,147,227	5,548,147,227	4,899,649,168
Securities purchased under Resale Agreement	-	-	-
Other Deposit and Receivable from NRB	34,613,593	34,613,593	11,151,861
Total	5,582,760,819	5,582,760,819	4,910,801,029

Balance with Nepal Rastra Bank is measured in its carrying amount. Balance with NRB is principally maintained as a part of regulatory cash reserve ratio required by NRB. Other deposit and receivables from NRB includes balance at NRB in foreign currency.

Placements with Banks and Financial Institutions

4.3

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Placement with Domestic BFIs	-	-	38,280,684
Placement with Foreign BFIs	714,095,685	714,095,685	1,445,826,573
Less: Allowances for Impairment	-	-	-
Total	714,095,685	714,095,685	1,484,107,257

Placement with domestic as well as foreign BFIs with original maturities more than three months from the purchase date are presented above.

Derivative Financial Instruments**4.4**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Held for Trading			
Interest Rate Swap	-	-	-
Currency Swap	-	-	-
Forward Exchange Contracts	-	-	-
Others	-	-	-
Held for Risk Management	-	-	-
Interest Rate Swap	-	-	-
Currency Swap	-	-	-
Forward Exchange Contracts	-	-	23,185,586
Others	-	-	-
Total		-	23,185,586

The Forward Exchange Contracts are derivative products used by the bank for hedging purpose as a regular treasury activities. The gross derivative assets and derivative liabilities are netted off and shown separately in the financial statements as derivative assets or liabilities as a part of risk management.

Other Trading Assets**4.5**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Treasury Bills	-	-	-
Government Bonds	-	-	-
NRB Bonds	-	-	-
Domestic Corporate Bonds	-	-	-
Equities	-	-	-
Other Trading Assets	-	-	-
Total	-	-	-
Pledged			
Non-Pledged			

Loans and Advances to BFIs**4.6**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Loans to Micro-Finance Institutions	1,796,881,415	1,796,881,415	1,150,654,826
Other	-	-	-
Less: Allowances for Impairment	(17,946,832)	(17,946,832)	(11,498,387)
Total	1,778,934,583	1,778,934,583	1,139,156,439

Loans to Micro-Finance Institutions

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Loans to Micro-Finance Institutions	1,794,683,167	1,794,683,167	1,149,838,674
Accrued Interest	2,198,248	2,198,248	816,152
Total	1,796,881,415	1,796,881,415	1,150,654,826

Allowances for Impairment**4.6.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Balance at Shrawan 01	11,498,387	11,498,387	7,113,071
Impairment Loss for the year:	-	-	-
Charge for the year	6,448,445	6,448,445	4,385,316
Recoveries/Reversal	-	-	-
Amount Written Off	-	-	-
Balance at Asadh End	17,946,832	17,946,832	11,498,387

Loan and advances provided to microfinance financial institution are presented under this head.

Loans and Advances to Customers**4.7**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Loans and Advances measured at Amortized Cost	61,717,696,530	61,717,696,530	44,652,642,648
Less: Impairment Allowances -			
Collective Impairment	(626,268,801)	(626,268,801)	(498,583,195)
Individual Impairment	(494,851,912)	(494,851,912)	(597,039,779)
Net Amount	60,596,575,817	60,596,575,817	43,557,019,674
Loans and Advances measured at FVTPL	-	-	-
Total	60,596,575,817	60,596,575,817	43,557,019,674

Loans and advances are assessed individually and collectively as per incurred loss model which is compared with the loss provision prescribed by NRB directive no. 2. Higher of the loss as per incurred loss model and NRB directive is considered for impairment. Accrued Interest Receivable on loans have been considered under Loans and Advances measured at Amortized Cost. Loan to employees provided according to the Employee Bylaws of the bank is presented under this head, which is also measured at amortized cost.

Analysis of Loans and Advances - By Product**4.7.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Product			
Term Loans	17,058,530,000	17,058,530,000	9,240,579,913
Overdraft	15,472,561,432	15,472,561,432	12,373,672,748
Trust Receipt/Import Loans	2,753,670,000	2,753,670,000	852,447,303
Demand and other Working Capital Loans	11,356,320,000	11,356,320,000	6,990,956,815
Personal Residential Loans	6,066,970,000	6,066,970,000	5,551,866,327
Real Estate Loans	2,029,610,000	2,029,610,000	2,227,255,444
Margin Lending Loans	1,010,990,000	1,010,990,000	1,437,722,687
Hire Purchase Loans	3,462,180,000	3,462,180,000	2,846,485,177
Deprived Sector Loans	915,433,796	915,433,796	1,087,619,873
Bills Purchased	8,950,000	8,950,000	1,120,525
Staffs Loans	451,721,286	451,721,286	308,658,170
Other	811,075,082	811,075,082	1,435,605,771
Sub-Total	61,398,011,595	61,398,011,595	44,353,990,753
Interest Receivable	319,684,934	319,684,934	298,651,895
Grand Total	61,717,696,530	61,717,696,530	44,652,642,648

Analysis of Loans and Advances - By Currency**4.7.2**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Nepalese Rupee	59,251,279,740	59,251,279,740	43,972,425,470
Indian Rupee	-	-	-
United States Dollar	2,466,416,790	2,466,416,790	680,217,178
Great Britain Pound	-	-	-
Euro	-	-	-
Japanese Yen	-	-	-
Chinese Yuan	-	-	-
Other	-	-	-
Grand Total	61,717,696,530	61,717,696,530	44,652,642,648

Analysis of Loans and Advances - By Collateral**4.7.3**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Secured			
Moveable/Immoveable Assets	56,643,079,166	56,643,079,166	41,251,574,337
Gold and Silver	14,827,292	14,827,292	61,611,089
Guarantee of Domestic BFIs	344,395,197	344,395,197	451,111,189
Government Guarantee	151,189,015	151,189,015	146,624,019
Guarantee of International Rated Bank	-	-	-
Collateral of Export Document	58,642,243	58,642,243	11,633,035
Collateral of Fixed Deposit Receipt	238,661,302	238,661,302	747,472,187
Collateral of Government Securities	768,960	768,960	-
Counter Guarantee	42,671,492	42,671,492	-
Personal Guarantee	248,263,411	248,263,411	65,027,108
Other Collateral	3,975,198,453	3,975,198,453	1,917,589,685
Subtotal	61,717,696,530	61,717,696,530	44,652,642,648
Unsecured	-	-	-
Grand Total	61,717,696,530	61,717,696,530	44,652,642,648

Allowance for Impairment**4.7.4**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Specific Allowance for Impairment			
Balance at Shrawan 01	498,583,195	498,583,195	306,899,048
Impairment Loss for the year			
Charge for the year	127,685,606	127,685,606	191,684,147
Recoveries/Reversals during the year	-	-	-
Write-Offs	-	-	-
Exchange Rate Variance on Foreign Currency	-	-	-
Other Movement	-	-	-
Balance at Asadh End	626,268,801	626,268,801	498,583,195
Collective Allowances for Impairment			
Balance at Shrawan 01	597,039,779	597,039,779	310,927,668
Impairment Loss for the year	-	-	-
Charge/(Reversal) for the year	(102,187,868)	(102,187,868)	286,112,112
Exchange Rate Variance on Foreign Currency	-	-	-
Other Movement	-	-	-
Balance at Asadh End	494,851,912	494,851,912	597,039,779
Total Allowances for Impairment	1,121,120,713	1,121,120,713	1,095,622,974

Investment Securities**4.8**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Investment Securities measured at Amortized Cost	8,651,998,610	8,651,998,610	4,675,074,363
Investment in Equity measured at FVTOCI	150,905,280	150,905,280	53,750,136
Total	8,802,903,890	8,802,903,890	4,728,824,499

The total investment of the Bank in the financial instruments is presented under this account head in two categories; investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income.

Investment Securities Measured at Amortized Cost**4.8.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Debt Securities	-	-	-
Government Bonds	5,111,140,225	5,111,140,225	3,345,463,408
Government Treasury Bills	3,483,641,384	3,483,641,384	1,274,488,629
Nepal Rastra Bank Bonds	-	-	-
Nepal Rastra Bank Deposit Instruments	-	-	201,350,000
Other	57,217,001	57,217,001	55,122,325
Less: Specific Allowances for Impairment	-	-	-
Total	8,651,998,610	8,651,998,610	4,876,424,363

Investment in Equity Measured at FVTOCI**4.8.2**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Equity Instruments			
Quoted Equity Securities	139,398,580	139,398,580	42,243,436
Unquoted Equity Securities	11,506,700	11,506,700	11,506,700
Total	150,905,280	150,905,280	53,750,136

Information Relating to Investment in Equities

4.8.3

Presented below are information relating the Group's investments in equities and mutual funds classified as FVTOCI investments.

Particulars	Group				Bank			
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2018		As at 15 July 2017	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in Quoted Equity								
Shikhar Insurance Co. Ltd. (SICL)	8,654,357	6,422,200	-	-	8,654,357	6,422,200	-	-
6520 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 5650 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 870 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Premier Insurance Co. Ltd. (PIC)	1,881,048	1,465,875	-	-	1,881,048	1,465,875	-	-
1303 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 1148 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 155 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Prime Life Insurance Co Ltd. (PLIC)	2,582,271	2,040,500	-	-	2,582,271	2,040,500	-	-
3850 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 3200 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 650 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Siddhartha Insurance Ltd. (SIL)	2,639,866	1,518,000	-	-	2,639,866	1,518,000	-	-
2200 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 2000 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 200 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Chilime Hydropower Company Limited (CHCL)	1,631,755	1,580,000	1,541,962	1,077,300	1,631,755	1,580,000	1,541,962	1,077,300
2000 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 1190 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 810 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Sagarmatha Insurance Co. Ltd. (SIC)	3,068,385	2,814,000	-	-	3,068,385	2,814,000	-	-
2100 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
NLG Insurance Co Ltd. (NLG)	4,527,922	3,747,900	-	-	4,527,922	3,747,900	-	-
4030 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 3530 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 500 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Nepal Grameen Bikash Bank Limited (GBLBS)	5,214,085	4,677,190	-	-	5,214,085	4,677,190	-	-
7630 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Sanima Mai Hydropower Ltd. (SHPC)	6,881,903	4,920,000	-	-	6,881,903	4,920,000	-	-
15000 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Nirdhan Utthan Bank (NUBL)	716,915	593,920	-	-	716,915	593,920	-	-
580 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
National Microfinance Bittiya Sanstha Ltd. (NMFBS)	-	8,856	-	1,900	-	8,856	-	1,900
4 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Bonus Shares 4 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Ridi Hydropower Development Company Ltd. (RHPC)	-	123	35,400	84,196	-	123	35,400	84,196
1 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Bonus Shares 1 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Swabalamban Laghubitta Bittiya Sanstha Limited (SWBBL)	-	1,240	-	316,575	-	1,240	-	316,575
1 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Bonus Shares 1 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Jalvidhyut lagani tatha bikas co. Ltd. (HIDCL)	4,958,700	7,685,985	-	-	4,958,700	7,685,985	-	-
49587 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Nepal Telecom (NTC)	43,283,881	41,014,085	7,010,075	6,905,250	43,283,881	41,014,085	7,010,075	6,905,250
56885 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Butwal Power Co. Ltd. (BPCL)	27,083,562	21,599,191	-	-	27,083,562	21,599,191	-	-
47263 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Lumbini General Insurance Co. Limited	6,955,200	8,976,100	2,977,100	6,408,090	6,955,200	8,976,100	2,977,100	6,408,090
89761 Promoter Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Promoter Shares 69552 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 20209 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Nepal Life Insurance Co. Ltd. (NLIC)	5,807,932	5,250,000	3,603,825	6,789,828	5,807,932	5,250,000	3,603,825	6,789,828
5000 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 4803 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 197 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Hydroelectricity Investment and Development Company	-	-	7,275,400	14,332,538	-	-	7,275,400	14,332,538

(...continued on next page)

Particulars	Group				Bank			
	As at 16 July 2018		As at 15 July 2017		As at 16 July 2018		As at 15 July 2017	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Sana Kissan Bikas Bank Limited	-	-	-	1,778,368	-	-	-	1,778,368
Rural Microfinance Development Centre Limited	-	-	751,750	-	-	-	-	751,750
Nagbeli Laghubitta Bikas Bank Limited	-	-	2,500	126,000	-	-	2,500	126,000
Laxmi Laghubitta Bittiya Sanstha Limited	-	-	4,100	76,301	-	-	4,100	76,301
Barun Hydropower Co. Limited	-	-	1,000	2,530	-	-	1,000	2,530
Mero Microfinance Bittiya Sanstha Limited	-	-	4,100	90,364	-	-	4,100	90,364
Ngadi Group Power Limited	-	-	57,900	152,277	-	-	57,900	152,277
Khani Khola Hydropower Limited	-	-	1,600	3,328	-	-	1,600	3,328
RSDC Laghubitta Bittiya Sanstha Limited	-	-	2,800	94,400	-	-	2,800	94,400
Forward Community Microfinance Bittiya Sanstha Limited	-	-	2,600	83,746	-	-	2,600	83,746
Kalika Microcredit Development Bank Limited	-	-	421,960	1,030,080	-	-	421,960	1,030,080
Nerude Laghubitta Bikas Bank Limited	-	-	40,400	1,034,425	-	-	40,400	1,034,425
Mutual Fund:								
Nabil Equity Fund (NEF)	281,620	277,677	281,620	281,620	281,620	277,677	281,620	281,620
Of 28,162 ordinary share of Rs.10	-	-	-	-	-	-	-	-
NMB Hybrid Fund L (NMBHF1)	394,350	382,125	394,350	394,350	394,350	382,125	394,350	394,350
Of 39,435 ordinary share of Rs.10	-	-	-	-	-	-	-	-
NIBL Pragati Fund (NIBL PF)	428,220	385,398	428,220	428,220	428,220	385,398	428,220	428,220
Of 42,822 ordinary share of Rs.10	-	-	-	-	-	-	-	-
Laxmi Equity Fund (LEMF)	1,462,390	1,184,536	-	-	1,462,390	1,184,536	-	-
Of 1,46,239 ordinary share of Rs.10	-	-	-	-	-	-	-	-
Siddhartha Equity Fund (SEF)	9,677,480	9,251,671	-	-	9,677,480	9,251,671	-	-
Of 9,67,748 ordinary share of Rs.10	-	-	-	-	-	-	-	-
Sanima Equity Fund (SAEF)	4,568,000	4,367,008	-	-	4,568,000	4,367,008	-	-
Of 4,56,800 ordinary share of Rs.10	-	-	-	-	-	-	-	-
Citizens Mutual Fund (CMF-1)	5,000,000	4,640,000	-	-	5,000,000	4,640,000	-	-
Of 5,00,000 ordinary share of Rs.10	-	-	-	-	-	-	-	-
NIC Asia Growth Fund (NICGF)	5,000,000	4,595,000	-	-	5,000,000	4,595,000	-	-
Of 5,00,000 ordinary share of Rs.10	-	-	-	-	-	-	-	-
Investment in Unquoted Equity								
Credit Information Centre Limited	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
39,399 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Ordinary Shares 13300 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Bonus Shares 26,099 Kitta of Rs. 100 each	-	-	-	-	-	-	-	-
Nepal Clearing House Limited	3,976,700	3,976,700	3,976,700	3,976,700	3,976,700	3,976,700	3,976,700	3,976,700
39,767 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Nepal Electronic Payment System Limited	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
50000 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
National Banking Training Institute	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
12,000 Ordinary Shares of Rs. 100 each, fully paid	-	-	-	-	-	-	-	-
Total	164,206,541	150,905,280	35,593,612	53,750,136	164,206,541	150,905,280	35,593,612	53,750,136

Current Tax Assets

4.9

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Current Tax Assets			
Current year Income Tax Assets	525,333,474	525,333,474	357,713,907
Tax Assets of Prior Periods	-	-	-
Current Tax Liabilities			
Current year Income Tax Liabilities	411,550,374	411,550,374	312,467,322
Tax Liabilities of Prior Periods	-	-	-
Total	113,783,100	113,783,100	45,246,585

Current tax assets of the Bank includes advance tax paid by the Bank and tax deducted at source (TDS) on behalf of the Bank. In the same way the current income tax liabilities include the tax payable to the Government computed as per the provisions of the income tax act 2058 under self assessment tax return filed.

4.10

4.10.1

4.10.2

4.10.3

4.10.4

As the subsidiary is wholly owned by the Bank, hence non controlling interest does not exist as on the reporting date.

Investment in Associates**4.11**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Investment in Quoted Associates	54,656,797	20,000,000	20,000,000
Investment in Unquoted Associates	-	-	-
Total Investment	54,656,797	20,000,000	20,000,000
Less: Impairment Allowances	-	-	-
Net Carrying Amount	54,656,797	20,000,000	20,000,000

Investment in Quoted Associates**4.11.1**

Particulars	Group	Bank			
	As at 16 July 2018	As at 16 July 2018		As at 15 July 2017	
	Cost	Cost	Fair Value	Cost	Fair Value
National Microfinance Bittiya Sanstha Limited					
Promoter Shares 200000 Kitta of Rs. 100 each	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Bonus Shares 40712 Kitta of Rs. 100 each	-	-	-	-	-
Total	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000

Investment in Unquoted Associates**4.11.2**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
.....Ltd.			
.....Shares of Rs. Each			
.....Ltd.			
.....Shares of Rs. Each			
Total			

Information Relating to Associates of the Bank**4.11.3**

Particulars	Group	Bank	
	Percentage of Ownership held by Bank	Percentage of Ownership held by Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
National Microfinance Bittiya Sanstha Limited	20.00%	20.00%	20.00%
Promoter Shares 200000 Kitta of Rs. 100 each			

Equity Value of Associates**4.11.4**

Particulars	Group	Bank	
	Percentage of Ownership held by Bank	Percentage of Ownership held by Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
National Microfinance Bittiya Sanstha Limited	20.00%		

Investment Properties**4.12**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Investment Properties measured at Fair Value			
Balance as on Shrawan 01.	160,183,594	160,183,594	180,540,628
Addition/(Disposal) during the year.	(26,012,591)	(26,012,591)	(20,357,034)
Net Changes in fair value during the year.	-	-	-
Adjustment/Transfer.	-	-	-
Net Amount	134,171,003	134,171,003	160,183,594
Investment Properties measured at Cost			
Balance as on Shrawan 01	-	-	-
Addition/(Disposal) during the year	-	-	-
Net Changes in fair value during the year	-	-	-
Adjustment/Transfer	-	-	-
Net Amount	-	-	-
Total	134,171,003	134,171,003	160,183,594

Kumari Bank Limited

Notes Forming Part of Financial Statements

Property and Equipment

4.13

Particulars	Group									
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & others	Total Asadh end 2075	Total Asadh end 2074
Cost										
As on Shrawan 01	85,593,635	4,814,041	118,905,737	152,567,115	136,732,384	97,229,090	-	95,031,752	-	690,873,755
Addition during the year	-	-	-	-	-	-	-	-	-	-
Acquisition	5,378,520	30,630,234	40,143,187	5,827,597,09	52,042,613	2,361,242	-	152,503,509.98	-	288,886,904
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(1,585,997)	-	(13,943,900)	-	-	(5,067,854)	-	(20,597,751)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Asadh end 2074	90,972,155	35,444,275	157,462,928	158,394,712	174,831,097	99,590,333	-	242,467,408	959,162,908	959,162,908
Addition during the Year										
Acquisition	-	-	31,381,974	17,639,882	74,069,736	4,954,150	-	38,464,076	166,509,819	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(163,674)	(7,727,287)	(26,525,211)	(2,197,956)	-	(12,650,167)	(49,264,294)	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Asadh end 2075	90,972,155	35,444,275	188,681,229	168,307,307	222,375,622	102,346,527	-	268,281,318	1,076,408,433	-
Depreciation and Impairment										
As on Shrawan 01	-	1,881,129	118,260,999	119,532,213	68,981,527	66,351,030	-	81,769,516	-	456,776,414
Depreciation charge for the year	-	179,627	7,201,093	5,302,449	14,609,188	4,641,190	-	12,039,388	-	43,972,935
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(1,580,347)	-	(6,796,881)	-	-	(4,500,194)	-	(12,877,423)
Adjustments	-	14,764,450	-	-	14,293,691	-	-	91,845,474	-	120,903,614
As on Asadh end 2074	-	16,825,206	123,881,744	124,834,663	91,087,524	70,992,220	-	181,154,183	608,775,540	608,775,540
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	930,953	14,013,694	10,674,222	23,345,318	7,489,645	-	18,902,092	75,355,925	-
Disposals	-	-	(163,674)	(7,555,973)	(2,013,570)	(2,050,370)	-	(11,982,498)	(41,766,084)	-
Adjustments	-	-	-	-	-	-	-	-	-	-
As on Asadh end 2075	-	17,756,160	137,731,765	127,952,912	94,419,272	76,431,495	-	188,073,777	642,365,381	261,369
Capital Work in Progress 2073	-	261,369	-	-	-	-	-	-	-	261,369
Capital Work in Progress 2074	-	261,369	-	-	-	-	-	-	-	-
Capital Work in Progress 2075	-	261,369	-	-	-	-	-	-	261,369	-
Net Book Value										
As on Asadh end 2073	85,593,635	3,194,281	644,738	33,034,901	67,750,857	30,878,060	-	13,262,237	-	-
As on Asadh end 2074	90,972,155	18,880,438	33,581,184	33,560,049	83,743,573	28,598,112	-	61,313,225	-	350,648,737
As on Asadh end 2075	90,972,155	17,949,484	50,949,464	40,354,395	127,956,350	25,915,031	-	80,207,540	434,304,421	-

Particulars	Bank									
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & others	Total Asadh end 2075	Total Asadh end 2074
Cost										
As on Shrawan 01	85,593,635	4,814,041	118,905,737	152,567,115	136,732,384	97,229,090	-	95,031,752	-	690,873,755
Addition during the year	-	-	-	-	-	-	-	-	-	-
Acquisition	5,378,520	30,630,234	40,143,187	5,827,597,09	52,042,613	2,361,242	-	152,503,509,98	-	288,886,904
Capitalization	-	-	-	-	(13,943,900)	-	-	(5,067,854)	-	-
Disposal during the year	-	-	(1,585,997)	-	-	-	-	-	-	(20,597,751)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Asadh end 2074	90,972,155	35,444,275	157,462,928	158,394,712	174,831,097	99,590,333	-	242,467,408	959,162,908	959,162,908
Addition during the Year	-	-	-	-	-	-	-	-	-	-
Acquisition	-	-	31,381,974	17,639,882	74,069,736	4,954,150	-	38,464,076	166,509,819	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(163,674)	(7,727,287)	(26,525,211)	(2,197,956)	-	(12,650,167)	(49,264,294)	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Asadh end 2075	90,972,155	35,444,275	188,681,229	168,307,307	222,375,622	102,346,527	-	268,281,318	1,076,408,433	-
Depreciation and Impairment										
As on Shrawan 01	-	1,881,129	118,260,999	119,532,213	68,981,527	66,351,030	-	81,769,516	-	456,776,414
Depreciation charge for the year	-	179,627	7,201,093	5,302,449	14,609,188	4,641,190	-	12,039,388	-	43,972,935
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(1,580,347)	-	(6,796,881)	-	-	(4,500,194)	-	(12,877,423)
Adjustments	-	14,764,450	-	-	14,293,691	-	-	91,845,474	-	120,903,614
As on Asadh end 2074	-	16,825,206	123,881,744	124,834,663	91,087,524	70,992,220	-	181,154,183	608,775,540	608,775,540
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	930,953	14,013,694	10,674,222	23,345,318	7,489,645	-	18,902,092	75,355,925	-
Disposals	-	-	(163,674)	(7,555,973)	(20,013,570)	(2,050,370)	-	(11,982,498)	(41,766,084)	-
Adjustments	-	-	-	-	-	-	-	-	-	-
As on Asadh end 2075	-	17,756,160	137,731,765	127,952,912	94,419,272	76,431,495	-	188,073,777	642,365,381	261,369
Capital Work in Progress 2073	-	261,369	-	-	-	-	-	-	261,369	-
Capital Work in Progress 2074	-	261,369	-	-	-	-	-	-	-	-
Capital Work in Progress 2075	-	261,369	-	-	-	-	-	-	261,369	-
Net Book Value	-	-	-	-	-	-	-	-	-	-
As on Asadh end 2073	85,593,635	3,194,281	644,738	33,034,901	67,750,857	30,878,060	-	13,262,237	-	-
As on Asadh end 2074	90,972,155	18,880,438	33,581,184	33,560,049	83,743,573	28,598,112	-	61,313,225	-	350,648,737
As on Asadh end 2075	90,972,155	17,949,484	50,949,464	40,354,395	127,956,350	25,915,031	-	80,207,540	434,304,421	-

Goodwill and Intangible Assets**4.14**

Particulars	Group					
	Goodwill	Software		Other	Total Asadh end 2075	Total Asadh end 2074
		Purchased	Developed			
Cost						
As on Shrawan 01	-	45,716,458	-	-	-	45,716,458
Addition during the year	-	-	-	-	-	-
Acquisition	-	26,170,536	-	-	-	26,170,536
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asadh end 2074	-	71,886,993	-	-	71,886,993	71,886,993
Addition during the Year	-	-	-	-	-	-
Acquisition	-	106,893,052	-	-	106,893,052	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asadh end 2075	-	178,780,046	-	-	178,780,046	-
Amortisation and Impairment						
As on Shrawan 01.	-	42,525,465	-	-	-	42,525,465
Amortisation charge for the year	-	1,974,166	-	-	-	1,974,166
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	19,968,642	-	-	-	19,968,642
As on Asadh end 2074	-	64,468,273	-	-	64,468,273	64,468,273
Impairment for the year	-	-	-	-	-	-
Amortisation charge for the year	-	3,858,344	-	-	3,858,344	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asadh end 2075	-	68,326,617	-	-	68,326,617	-
Capital Work in Progress	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-
As on Asadh end 2073	-	3,190,993	-	-	-	-
As on Asadh end 2074	-	7,418,721	-	-	-	7,418,721
As on Asadh end 2075	-	110,453,429	-	-	110,453,429	-

Particulars	Bank					
	Goodwill	Software		Other	Total Asadh end 2075	Total Asadh end 2074
		Purchased	Developed			
Cost						
As on Shrawan 01	-	45,716,458	-	-	-	45,716,458
Addition during the year	-		-	-	-	-
Acquisition	-	26,170,536	-	-	-	26,170,536
Capitalization	-		-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asadh end 2074	-	71,886,993	-	-	71,886,993	71,886,993
Addition during the Year	-		-	-	-	-
Acquisition	-	106,893,052	-	-	106,893,052	-
Capitalization	-		-	-	-	-
Disposal during the year	-		-	-	-	-
Adjustment/Revaluation	-		-	-	-	-
Balance as on Asadh end 2075	-	178,780,046	-	-	178,780,046	
Amortisation and Impairment						
As on Shrawan 01.	-	42,525,465	-	-	-	42,525,465
Amortisation charge for the year	-	1,974,166	-	-	-	1,974,166
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	19,968,642	-	-	-	19,968,642
As on Asadh end 2074	-	64,468,273	-	-	64,468,273	64,468,273
Impairment for the year	-	-	-	-	-	-
Amortisation charge for the year	-	3,858,344	-	-	3,858,344	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asadh end 2075	-	68,326,617	-	-	68,326,617	
Capital Work in Progress	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-
As on Asadh end 2073		3,190,993				
As on Asadh end 2074	-	7,418,721	-	-	-	7,418,721
As on Asadh end 2075	-	110,453,429	-	-	110,453,429	

Deferred Tax**4.15**

Particulars	Group		
	Deferred Tax Assets	Deferred Tax Liabilities	As at 16 July 2018
			Net Deferred Tax Assets /(Liabilities)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	-	82,318,571.66	(82,318,571.66)
Investment Properties	-	-	-
Investment Securities	3,990,378.34	-	3,990,378.34
Property and Equipment	1,578,578.08	-	1,578,578.08
Employees' Defined Benefit Plan	55,994,468.61	-	55,994,468.61
Lease Liabilities	-	-	-
Provisions	-	-	-
Other Temporary Differences	-	-	-
Deferred tax on temporary differences	61,563,425.02	82,318,571.66	(20,755,146.63)
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred Tax Asset (Liabilities) as on year end of the year	-	-	(20,755,146.63)
Deferred Tax Asset/ (Liabilities) as on Shrawan 01 2074	-	-	(96,106,572.93)
Origination/(Reversal) during the year	-	-	(75,351,426.30)
Deferred Tax expense (income) recognized in profit or loss	-	-	71,546,218.61
Deferred Tax expense (income) recognized in OCI	-	-	3,805,207.69
Deferred Tax expense (income) recognized directly in Equity	-	-	0.00

Particulars	Bank		
	Deferred Tax Assets	Deferred Tax Liabilities	As at 15 July 2017
			Net Deferred Tax Assets /(Liabilities)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs			
Loans and Advances to Customers	-	82,318,571.66	(82,318,571.66)
Investment Properties	-	48,055,078.20	(48,055,078.20)
Investment Securities	-	5,446,387.35	(5,446,387.35)
Property and Equipment	6,900,894.37	-	6,900,894.37
Employees' Defined Benefit Plan	32,812,569.90	-	32,812,569.90
Lease Liabilities	-	-	-
Provisions	-	-	-
Other Temporary Differences	-	-	-
Deferred tax on temporary differences	39,713,464.27	135,820,037.20	(96,106,572.93)
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred Tax Asset (Liabilities) as on year end of the Year	-	-	(96,106,572.93)
Deferred Tax Asset/ (Liabilities) as on Shrawan 01 2073	-	-	(69,866,684.47)
Origination/(Reversal) during the year	-	-	26,239,888.46
Deferred Tax expense (income) recognized in profit or loss	-	-	(45,622,606.61)
Deferred Tax expense (income) recognized in OCI	-	-	19,382,718.15
Deferred Tax expense (income) recognized directly in Equity	-	-	(0.00)

Other Assets**4.16**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Assets held for Sale	-	-	-
Other Non-Banking Assets	-	-	-
Bills Receivable	-	-	-
Accounts Receivable	32,854,353	33,139,353	44,932,978
Accrued Income	435,729	435,729	2,008,594
Prepayments and Deposits	20,955,719	20,955,719	68,633,673
Income Tax Deposit	25,820,871	25,820,871	13,509,197
Deferred Employee Expenditure	6,546,457	6,546,457	31,264,088
Other Assets	368,025,972	368,025,972	94,469,572
Total	454,639,100	454,924,100	254,818,102

Due to Banks and Financial Institutions**4.17**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Money Market Deposits	-	-	-
Interbank Borrowing	519,400,000	519,400,000	7,217,000
Other Deposits from BFIs	9,384,787,331	9,584,787,331	3,326,330,375
Settlement and Clearing Accounts	-	-	-
Other Deposits from BFIs	-	-	-
Total	9,904,187,331	10,104,187,331	3,333,547,375

Balances maintained by other local financial institutions with the Bank is presented under this head.

Due to Nepal Rastra Bank**4.18**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Refinance from NRB	19,457,578	19,457,578	-
Standing Liquidity Facility	-	-	-
Lender of Last Resort facility from NRB	-	-	-
Securities sold under repurchase agreements	-	-	-
Other Payable to NRB	520,100,000	520,100,000	1,019,287,000
Total	539,557,578	539,557,578	1,019,287,000

The amount payable to NRB shall include amount of refinance from NRB, standing liquidity facilities, lender of last resort facility, sale and purchase agreements. Other payable to NRB includes deposit from NRB.

Derivative Financial Instruments**4.19**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Interest Rate Swap		-	-
Currency Swap		-	-
Forward Exchange Contracts		-	-
Others		-	-
Held for Risk Management			
Interest Rate Swap		-	-
Currency Swap		-	-
Forward Exchange Contracts.	6,111,249	6,111,249	-
Others		-	-
Total	6,111,249	6,111,249	-

The Forward Exchange Contracts are derivative products used by the Bank for hedging purpose as a regular treasury activities. The gross derivative assets and derivative liabilities are netted off and shown separately in the financial statements as derivative assets or liabilities as a part of risk management.

Deposits from Customers**4.20**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Institutional Customers:			
Term Deposits.	19,374,110,000	19,374,110,000	13,695,671,151
Call Deposits	8,207,931,931	8,207,931,931	5,486,844,366
Current Deposits.	1,767,316,095	1,767,316,095	1,201,974,810
Others.	55,173,200	55,173,200	214,642,763
Individual Customers:	-		
Term Deposits	11,741,637,703	11,741,637,703	13,179,116,415
Saving Deposits	16,328,222,121	16,328,222,121	13,178,444,806
Current Deposits	924,895,616	924,895,616	212,562,361
Others	1,147,048,853	1,147,048,853	522,513,260
Total	59,546,335,519	59,546,335,519	47,691,769,932

Deposits from customers include accrued interest payable as on reporting date.

Currency Wise Analysis of Deposit From Customers**4.20.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Nepalese Rupee	58,832,361,245	58,832,361,245	45,905,812,794
Indian Rupee	-		
United States Dollar	703,731,713	703,731,713	1,776,488,382
Great Britain Pound	3,968,019	3,968,019	3,666,315
Euro	6,272,703	6,272,703	5,801,622
Japanese Yen	-		
Chinese Yuan	-		
Other	1,839	1,839	818
Total	59,546,335,519	59,546,335,519	47,691,769,932

Currency wise deposit include NPR converted value of deposit on different currencies as on reporting date.

Borrowings**4.21**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Domestic Borrowings			
Nepal Government	-	-	-
Other Institutions.	-	-	-
Other	-	-	-
Sub Total	-	-	-
Foreign Borrowings			
Foreign Banks and Financial Institutions	-	-	-
Multilateral Development Banks	-	-	-
Other Institutions	-	-	-
Sub Total	-	-	-
Total	-	-	-

Provisions**4.22**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Provisions for Redundancy	-	-	-
Provisions for Restructuring	-	-	-
Pending Legal Issues and Tax Litigation	-	-	-
Onerous Contracts	-	-	-
Other Provisions	2,231,750	2,231,750	1,541,463
Total	2,231,750	2,231,750	1,541,463

The other provision is created for the audit fee payable for each reporting periods.

Movement in Provision**4.22.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Balance at Shrawan 01	1,541,463	1,541,463	474,600
Provisions made during the year	690,287	690,287	1,066,863
Provisions used during the year	-	-	-
Provisions reversed during the year	-	-	-
Unwind of Discount	-	-	-
Balance at Asadh end	2,231,750	2,231,750	1,541,463

Other Liabilities**4.23**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Liabilities for employees defined benefit obligations	58,196,783	58,196,783	82,417,601
Liabilities for long service leave	109,679,585	109,679,585	106,827,880
Short term employee benefits	-	-	-
Bills payable	198,601,977	198,601,977	40,817,616
Creditors and accruals	931,306,841	931,306,841	279,178,516
Interest payable on deposits	26,788,866	26,788,866	241,821,085
Interest payable on borrowing	135,476	135,476	-
Liabilities on deferred grant income	-	-	-
Unpaid Dividend	8,684,586	8,684,586	8,892,231
Liabilities under Finance Lease	-	-	-
Employee bonus payable	153,544,096	153,544,096	119,472,538
Other Liabilities	476,763,838	476,735,587	131,114,838
Total	1,963,702,048	1,963,673,797	1,010,542,306

Defined Benefit Obligation**4.23.1**

The amounts recognised in the statements of financial positions are as follows :

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Present value of unfunded obligations			
Present value of funded obligations	275,113,564	275,113,564	248,493,105
Total present value of obligations	275,113,564	275,113,564	248,493,105
Fair value of plan assets	216,916,781	216,916,781	166,075,504
Present value of net obligations	58,196,783	58,196,783	82,417,601
Recognised liability for defined benefit obligations	58,196,783	58,196,783	82,417,601

Plan Assets**4.23.2****Actual Plan Assets**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Equity securities			
Government bonds			
Bank deposit	216,916,781	216,916,781	166,075,504
Other			
Total	216,916,781	216,916,781	166,075,504

Actual Return on Plan Assets

Movement in the Present Value of Defined Benefit Obligations**4.23.3**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Defined benefit obligations at Shrawan 1	248,493,105	248,493,105	146,908,822
Actuarial losses	(18,771,860)	(18,771,860)	79,870,248
Benefits paid by the plan	(7,118,535)	(7,118,535)	(9,148,043)
Current service costs and interest	52,510,854	52,510,854	30,862,078
Defined benefit obligations at Asadh end	275,113,564	275,113,564	248,493,105

Movement in the Fair Value of Plan Assets**4.23.4**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Fair value of plan assets at Shrawan 1	166,075,504	166,075,504	110,147,774
Contributions paid into the plan	57,959,812	57,959,812	65,075,773
Benefits paid during the year	(7,118,535)	(7,118,535)	(9,148,043)
Actuarial (losses) gains	-	-	-
Expected return on plan assets	-	-	-
Fair value of plan assets at Asadh end	216,916,781	216,916,781	166,075,504

Amount Recognised in Profit or Loss**4.23.5**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Current service costs	33,286,531	33,286,531	11,356,132
Interest on obligation	19,224,323	19,224,323	19,505,946
Expected return on plan assets	-	-	-
Total	52,510,854	52,510,854	30,862,078

Amount Recognised in Other Comprehensive Income**4.23.6**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Actuarial (gain)/loss	(18,771,860)	(18,771,860)	79,870,248
Total	(18,771,860)	(18,771,860)	79,870,248

Actuarial Assumptions**4.23.7**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Discount rate	9%	9%	8%
Expected return on plan asset	0%	0%	0%
Future salary increase	9%	9%	9%
Withdrawal rate	9%	9%	9%

Debt Securities Issued**4.24**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Debt securities issued designated as at fair value through profit or loss	-	-	-
Debt securities issued at amortised cost	-	-	-
Total	-	-	-

Subordinated Liabilities**4.25**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Redeemable preference shares		-	-
Irredeemable cumulative preference shares (liabilities component)		-	-
Other		-	-
Total		-	-

Share Capital**4.26**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Ordinary shares	7,163,394,973	7,163,394,973	5,969,495,823
Convertible preference shares (equity component only)	-	-	-
Irredeemable preference shares (equity component only)	-	-	-
Perpetual debt	-	-	-
Total	7,163,394,973	7,163,394,973	5,969,495,823

Ordinary Shares**4.26.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Authorized Capital			
a) 100,000,000 Ordinary Shares of Rs. 100 each		10,000,000,000	10,000,000,000
Issued capital			
a) 71,633,950 Ordinary Shares of Rs. 100 each		7,163,394,973	5,969,495,823
Subscribed and paid up capital			
a) 71,633,950 Ordinary Shares of Rs. 100 each		7,163,394,973	5,969,495,823
Total		7,163,394,973	5,969,495,823

Ordinary Share Ownership**4.26.2**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
	Percent	Percent	Amount
Domestic ownership			
Nepal Government	-	-	-
"A" class licensed institutions	-	-	-
Other licensed institutions	-	-	-
Other Institutions	4.58%	2.26%	134,910,606
Public	95.42%	97.74%	5,834,585,218
Other	-	-	-
Foreign ownership	-	-	-
Total	100%	100%	5,969,495,823

Reserves**4.27**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Statutory general reserve	1,284,989,784	1,284,989,784	1,076,611,243
Exchange equalisation reserve	39,685,586	39,685,586	35,308,742
Corporate social responsibility reserve	15,960,683	15,960,683	6,751,877
Capital Redemption reserve	-	-	-
Regulatory reserve	477,170,416	477,170,416	-
Investment adjustment reserve	5,000,000	5,000,000	5,868,392
Capital reserve	-	-	-
Assets revaluation reserve	-	-	-
Fair value reserve	(9,310,883)	(9,310,883)	12,708,237
Dividend equalisation reserve	-	-	-
Actuarial gain/(losses)	(50,883,888)	(50,883,888)	(64,024,190)
Special reserve	-	-	-
Other reserve	32,249,404	32,249,404	66,050,362
- Employee Training Reserve	1,755,171	1,755,171	4,387,678
- Capital Adjustment Reserve	30,494,232	30,494,232	30,494,232
- Deferred Tax Reserve	-	-	31,168,452
Total	1,794,861,101	1,794,861,101	1,139,274,663

Statutory General Reserve

General reserve maintained as per the regulatory requirements. The regulatory requirement to set aside 20% of net profit until the reserve is twice the paid up capital and thereafter minimum 10% of the net profit

Exchange Equalization Reserve

Exchange equalization is maintained as per requirement of NRB Directive, which is set at 25% of foreign exchange revaluation gain on the translation to the reporting currency. This reserve is accumulation of such gains over the years

Corporate Social Responsibility Reserve

Corporate Social Responsibility Reserve is created as per NRB directive, which is set aside of 1% of net profit of previous year. The balance in the reserve is the amount which is not exhausted in the current fiscal year to be utilized for Corporate Social Responsibility Objective in the coming years.

Regulatory Reserve

Regulatory Reserve is created due to the changes in the NFRS conversion and adoption with effect in the retained earnings of the Bank

Investment Adjustment Reserve

Investment Adjustment Reserve is created as per the directive of NRB created against the quoted as well as unquoted investments

Fair Value Reserve

The fair value reserve is created against the valuation of the investment of the Bank as per the fair valuation of the investment made, quoted as available for sale investments.

Actuarial gain/(losses)

The reserve created against the actuarial valuation of gratuity benefit to the employee of the Bank

Other Reserves

Other Reserves include reserve created for the Employee Training Reserve created as per the NRB directive, the allocation is utilized in the current year and remaining balances is transferred to training reserve which is created to be utilized for training expenses in coming years. In the previous year, the other reserve also includes deferred tax reserve. Capital Adjustment Reserve is created against the income recognition by capitalization in loans, for which capitalization is allowed by NRB, but distribution is not done till the settlement of the capitalized interest part, this is also included in the other reserves.

Contingent Liabilities and Commitments**4.28**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Contingent liabilities	15,644,795,580	15,644,795,580	7,660,960,577
Undrawn and undisbursed facilities	12,947,087,657	12,947,087,657	8,843,615,448
Capital commitment	-	-	-
Lease Commitment	-	-	-
Litigation	67,334,153	67,334,153	55,419,030
Total	28,659,217,390	28,659,217,390	16,559,995,056

Contingent Liabilities and Commitments**4.28.1**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Acceptance and documentary credit	4,470,584,001	4,470,584,001	2,945,266,319
Bills for collection	-	-	-
Forward exchange contracts	5,721,331,009	5,721,331,009	2,529,874,424
Guarantees	5,452,880,571	5,452,880,571	2,185,819,834
Underwriting commitment	-	-	-
Other commitments	-	-	-
Total	15,644,795,580	15,644,795,580	7,660,960,577

Undrawn and Undisbursed Facilities**4.28.2**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Undisbursed amount of loans	6,771,625,329	6,771,625,329	5,790,967,849
Undrawn limits of overdrafts	4,219,957,486	4,219,957,486	2,264,778,131
Undrawn limits of credit cards	39,343,663	39,343,663	-
Undrawn limits of letter of credit	1,888,557,569	1,888,557,569	774,420,080
Undrawn limits of guarantee	27,603,611	27,603,611	13,449,388
Total	12,947,087,657	12,947,087,657	8,843,615,448

Capital Commitments**4.28.3**

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

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Capital commitments in relation to Property and Equipment			
Approved and contracted for			
Approved but not contracted for			
Sub total			
Capital commitments in relation to Intangible assets			
Approved and contracted for			
Approved but not contracted for			
Sub total			
Total			

Lease Commitments**4.28.4**

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Operating lease commitments			
Future minimum lease payments under non cancellable operating lease, where the Bank is lessee			
Not later than 1 year			
Later than 1 year but not later than 5 years			
Later than 5 years			
Sub total			

Finance Lease Commitments

Particulars	Group	Bank	
	As at 16 July 2018	As at 16 July 2018	As at 15 July 2017
Finance lease commitments			
Future minimum lease payments under non cancellable operating lease, where the Bank is lessee			
Not later than 1 year			
Later than 1 year but not later than 5 years			
Later than 5 years			
Sub total			
Grand total			

Litigation**4.28.5**

Tax settlement up to the FY 2066/67 has been completed. Against tax reassessment order of FY 2067/68, 2068/69 and 2069/70, the Bank has filed a case at Revenue Tribunal. For the FY 2070/71, the Bank has filed a case for Administrative Review. The Bank had acquired Kasthamandap Development Bank on 15th Asadh 2074, whose tax assessment of FY 2066/67 and 2067/68 case is filed at Administrative Review; and Administrative Review had asked for clarification from the Large Tax Payer's Office, which is under process.

Kumari Bank Limited

Notes forming part of Financial Statements

Interest Income

4.29

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Cash and cash equivalent	18,326,032.3	18,326,032	18,968,463
Due from Nepal Rastra Bank	-	-	-
Placement with Bank and financial institutions	22,661,485.5	22,661,486	24,617,748
Loan and advances to Bank and financial institutions	-	-	-
Loans and advances to customers	6,399,371,289.9	6,399,371,290	3,555,789,579
Investment securities	307,469,283.7	307,469,284	119,979,282
Loan and advances to staff	56,183,289.2	56,183,289	17,524,256
Other Interest Income	-	-	-
Total interest income	6,804,011,380.6	6,804,011,381	3,736,879,327

Interest Expenses

4.30

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Due to Bank and financial institutions	20,181,839.3	20,181,839	17,809,063
Due to Nepal Rastra Bank	-	-	-
Deposits from customers	4,751,151,400.2	4,751,151,400	2,281,468,385
Borrowing	-	-	-
Debt securities issued	-	-	-
Subordinated liabilities	-	-	-
Other Charges	-	-	-
Total interest expense	4,771,333,239.5	4,771,333,239	2,299,277,448

Fees and Commission Income

4.31

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Loan administration fees	180,868,609.0	180,868,609	121,514,576
Service fees	1,170,567.9	1,170,568	1,349,890
Consortium fees	-	-	-
Commitment fees	879,072.0	879,072	1,037,721
DD/TT/Swift fees	7,520,350.1	7,520,350	5,708,552
Credit card/ATM issuance and renewal fees	60,458,365.6	60,458,366	62,009,802
Prepayment and swap fees	16,598,982.0	16,598,982	9,499,267
Investment Banking fees	-	-	-
Asset management fees	-	-	-
Brokerage fees	-	-	-
Remittance fees	24,215,548.0	24,215,548	22,508,952
Commission on letter of credit	45,713,833.4	45,713,833	24,056,504
Commission on guarantee contracts issued	52,740,251.6	52,740,252	25,685,339
Commission on share underwriting/issue	-	-	-
Locker rental	2,704,484.9	2,704,485	2,427,527
Other fees and commission income	3,945,374.4	3,945,374	3,082,082
Total Fees and Commission Income	396,815,438.91	396,815,439	278,880,211

Fees and Commission Income**4.32**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
ATM management fees	7,552,518.2	7,552,518	750,502
VISA/Master card fees	13,717,375.8	13,717,376	18,671,866
Guarantee commission	-	-	-
Brokerage	-	-	-
DD/TT/Swift fees.	5,863,699.0	5,863,699	4,116,205
Remittance fees and commission	-	-	-
Other fees and commission expense	188,868.0	188,868	-
Total Fees and Commission Expense	27,322,461.0	27,322,461	23,538,573

Net Trading income**4.33**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Changes in fair value of trading assets	-	-	-
Gain/loss on disposal of trading assets	-	-	-
Interest income on trading assets	-	-	-
Dividend income on trading assets	-	-	-
Gain/loss foreign exchange transaction	148,951,414.0	148,951,414	85,261,574
Other	-	-	-
Net trading income	148,951,414.0	148,951,414	85,261,574

Other Operating Income**4.34**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Foreign exchange revaluation gain	17,507,375.6	17,507,376	21,187,317
Gain/loss on sale of investment securities	15,213,178.3	15,213,178	-
Fair value gain/loss on investment properties	-	-	-
Dividend on equity instruments	5,224,043.6	5,224,044	1,857,697
Gain/loss on sale of property and equipment	5,843,135.6	5,843,136	100,201
Gain/loss on sale of investment property	10,024,429.3	10,024,429	11,670,050
Operating lease income	-	-	-
Gain/loss on sale of gold and silver	11,136,810.0	11,136,810	9,408,305
Other Operating Income	35,214,819.5	35,214,819	16,902,878
Total	100,163,791.9	100,163,792	61,126,449

Impairment Charge/(Reversal) for Loan and Other Losses**4.35**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Impairment charge/(reversal) on loan and advances to BFIs	6,448,444.9	6,448,445	4,385,316
Impairment charge/(reversal) on loan and advances to customers	25,497,738.3	25,497,738	25,133,448
Impairment charge/(reversal) on financial Investment	-	-	-
Impairment charge/(reversal) on placement with BFIs	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-
Impairment charge/(reversal) on investment properties	0.0	0	(85,529,790)
Total	31,946,183.3	31,946,183.3	(56,011,027)

Personnel Expenses**4.36**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Salary	279,271,267.6	279,271,268	149,065,074
Allowances	158,670,012.9	158,670,013	109,531,742
Gratuity Expense	52,510,854.0	52,510,854	30,862,078
Provident Fund	24,939,085.9	24,939,086	13,987,010
Uniform	-	-	2,648,130
Training & development expense	9,080,893.0	9,080,893	5,281,185
Leave encashment	30,762,438.0	30,762,438	61,854,237
Medical	17,980,850.4	17,980,850	10,627,184
Insurance	18,756,192.0	18,756,192	10,403,465
Employees incentive	-	-	-
Cash-settled share-based payments	-	-	-
Pension expense	-	-	-
Finance expense under NFRS	27,668,851.5	27,668,851	6,939,831
Other expenses related to staff	28,656,181.9	28,656,182	15,657,636
Subtotal	648,296,627.1	648,296,627	416,857,571
Employees Bonus	153,544,095.5	153,544,096	101,772,598
Grand total	801,840,722.7	801,840,723	518,630,168

Other Operating Expense**4.37**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Directors' fee	3,440,000.0	3,440,000	3,533,333
Directors' expense	1,415,143.9	1,415,144	1,193,997
Auditors' remuneration	1,469,000.0	1,469,000	949,200
Other audit related expense	790,999.9	762,750	665,921
Professional and legal expense	3,281,264.9	3,281,265	1,537,379
Office administration expense	73,736,786.4	73,736,786	53,158,492
Operating lease expense	99,765,431.5	99,765,431	69,502,314
Operating expense of investment properties	-	-	-
Corporate social responsibility expense	1,210,121.0	1,210,121	490,372
Onerous lease provisions	-	-	-
Other Expenses	196,121,874.6	195,836,875	117,123,523
Total	381,230,622.2	380,917,372	248,154,532

Depreciation and Amortisation**4.38**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Depreciation on property and equipment	75,355,925.4	75,355,925	43,972,935
Depreciation on investment property	-	-	-
Amortisation of intangible assets	3,858,344.0	3,858,344	1,974,166
Total	79,214,269.5	79,214,269	45,947,101

Non Operating Income**4.39**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Recovery of loan written off	-	-	-
Other income	59,185,879.2	24,529,083	68,622,159
Total	59,185,879.2	24,529,082.6	68,622,159

Non Operating Expenses**4.40**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Loan written off	-	-	-
Redundancy provision	-	-	-
Expense of restructuring	-	-	-
Other expense.	-	-	-
Total	-	-	-

Income Tax Expenses**4.41**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Current tax expense			
Current year	(411,550,374.4)	(411,550,374)	(312,467,322)
Adjustments for prior years	-	-	-
Deferred tax expense			
Origination and reversal of temporary differences	71,546,218.6	71,546,219	(45,622,607)
Changes in tax rate	-	-	-
Recognition of previously unrecognised tax losses	-	-	-
Total income tax expense	(340,004,155.8)	(340,004,155.8)	(358,089,929)

Reconciliation of Tax Expense and Accounting Profit**4.41.1**

Particulars	Group	Bank	
	Year Ended 16 July 2018	Year Ended 16 July 2018	Year Ended 15 July 2017
Profit before tax	-	1,381,896,859.9	1,017,725,976
Tax amount at tax rate of 30 %	-	-	-
Add: Tax effect of expenses that are not deductible for tax purpose	-	39,700.0	26,500
Less: Tax effect on exempt income	-	5,224,043.6	1,857,697
Add/less: Tax effect on other items	-	(4,877,934.9)	25,662,962
Add/less: Deferred tax expense	-	71,546,218.6	(45,622,607)
Total income tax expense	-	411,550,374.4	312,467,322
Effective tax rate	-	29.78	30.70

NOTES TO THE FINANCIAL STATEMENTS

Year ended 16th July 2018

5. Disclosures and Additional Information

5.1. Risk Management

5.1.1.a. Risk Management Framework

All of the Bank's activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The Bank has placed high importance to identification, assessment and well thought out handling of all the prominent risk that it faces or likely to face in execution of its activities. The Bank is quite aware about the risk profile of the business and is committed to establish a strong Risk Management System in the Bank. An established risk management framework ensures oversight of and accountability for the effective management of risk at Country and regional business levels. For managing risks effectively, the Bank has an independent risk management department to assess its position regarding each separate risk area including Credit Risk, Market Risk, Operational Risk, Compliance & Legal Risk and Reputation Risk. The management through Risk Management Committee (RMC) comprising 4 members, 2 of which represent BOD and one from Operating Unit and another one from Credit Risk. Risk management is an all round practice in the Bank. Every business unit and department is well informed about its activities and risks corresponding to those activities.

5.1.1.b. Risk Appetite and Tolerance Limits for Key Types of Risks

Risk appetite in the context of Kumari Bank Limited is defined as the level and nature of risk that the Bank is willing to take for pursuing its mission on behalf of its shareholders, subject to constraints imposed by other stakeholders, such as debt holders, regulators, and customers. It provides a framework for strategic decision making for the Bank.

The Board of Directors of the Bank is responsible for setting the Bank's tolerance for the risks. The Bank sets out the aggregated level and risk types it accepts in order to achieve its business objectives in the Risk Management Policy of the Bank. Risk strategy of the Bank shall reflect the Bank's business preferences and conduct, and shall be aligned with its risk tolerance capacity.

The Bank's actual performance is reported against approved risk profile and risk appetite, enabling senior management to monitor the risk profile and guide business activity to balance risk and return. The Bank shall state the business it wants to undertake sector wise, location wise and product wise. Accordingly the Bank shall formulate a risk tolerance level or risk appetite.

Following steps shall be undertaken to formulate a risk appetite statement for the Bank:

Steps	Description
1. Identify & Classify Risks	Identification of all material risks. Classify the risks as acceptable or unacceptable risks.
2. Identify risk return matrices	Identify risk and return measures based on benchmarking with the peers. For example, proportion of NPL to total loans serves as a good measure to quantify risk appetite for credit risk.
3. Identify peer group	The peer group of the Bank shall comprise of Bank's functioning in same or similar geographical regions, comparable size and business strategies.
4. Analyse, measure and formulate risk appetite statements	Measures chosen are scrutinized among the peers for identifying drivers and set tolerance limits for risk measures and target levels for return measures. These risk appetite statements shall drive the business growth strategy of the Bank.

The risk appetite is proposed by the management and reviewed by the board level risk management committee.

5.1.1.c. Stress Testing

Stress Testing is the process where a number of statistically defined possibilities are determined based on the most damaging combination of events, and the loss they would produce. It is a valuable risk management tool which studies the impact of unlikely but not impossible stress events. A stress event is an exceptional but credible event to which a Bank's portfolio is exposed. As a part of its risk measurement mechanism, Kumari Bank Ltd. puts an emphasis on evaluating where the Bank stands under stressful market conditions. It helps to provide information on the kinds of conditions under which strategies or position, the Bank would be most vulnerable and thus, strategies are devised such that such circumstance doesn't arise and/or to ensure least impact upon the Bank from such scenarios even if they do occur.

In conducting stress tests, the Bank gives special consideration to instruments or markets where concentrations exist as such positions may be more difficult to liquidate or offset in stressful situations. The Bank considers both historical market events as well as forward-looking scenarios and also considers worst case scenarios in addition to more probable events. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses. For example, credit shock scenario is measured in terms of deterioration of assets quality in terms of the adequacy of capital of the Bank.

The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the stress scenarios in Credit Shocks, Market Shocks, Liquidity Shock and other factors of stress scenarios in the banking sector. The Board of the Bank has responsibility for reviewing stress exposures and, where management oversight, monitoring, evaluation and reporting at regular intervals. Regular stress test scenarios are applied and the report on regular basis reviewed by the Board of the Bank along with discussions at Risk Management Committee (RMC).

The Stress Testing Mechanism at KBL Aims to Address:

- a. Concentration risk;
- b. Illiquidity of markets in stressed market conditions;
- c. Credit Shocks- CAR perspectives and NPL perspectives;
- d. Market Interest rate risk scenarios;
- e. Exchange rate and equity investment fluctuations risks; and
- f. Other Risks

KBL's stress tests are both of a quantitative and qualitative nature, incorporating credit risk, market risk and liquidity risk aspects. Quantitative criteria identify plausible stress scenarios to which Bank could be exposed. Qualitative criteria emphasizes that two major goals of stress testing are to evaluate the capacity of the Bank's capital to absorb potential large losses and to identify steps the Bank can take to reduce its risk and conserve capital. This assessment is integral to setting and evaluating the Bank's strategy and the results of stress testing are routinely communicated to RMC and the board of the Bank.

The Bank carries out stress testing in three broad areas based on credit shocks, market shocks and liquidity shocks which are discussed below:

i. Credit Shocks :

The Bank subjects its portfolios to a series of simulated stress scenarios. The Bank stresses its portfolios with the shocks of the magnitude experienced elsewhere, even when the Bank has never been exposed to those in the past.

The Bank has formulated stress testing framework where various historical scenarios have been analyzed. The Bank carries out stress testing in line with the stress testing framework on a regular basis as prescribed by Stress Testing Framework or NRB guidelines issued from time to time, under Case basis or collective basis of CAR and NPL perspective along with Concentration stress risks.

ii. **Market Shocks:**

In addition to the above credit shocks, the Bank has also developed stress tests which it identifies as most adverse based on the characteristics of its market portfolio. The interest rate risks, exchange rate risks and equity price risks are evaluated and the results are reviewed periodically.

iii. **Liquidity Shocks:**

Stress test scenarios are continually reviewed and updated for the liquidity risk scenarios whereby, various factors as impact of continual withdrawals on case or collective basis on CAR and liquidity positions are stressed. Also, concentration risks are also evaluated and the various scenarios are developed to assess the risks possessed due to high level of deposit concentrations.

Results of Stress Testing

The result of stress testing is communicated to the Board of Directors and senior management on regular basis. The same is also discussed in detail in Risk Management Committee. The report of stress testing is also shared with Nepal Rastra Bank as per the requirement of Unified Directives issued by Nepal Rastra Bank.

Scenario Analysis and Sensitivity Analysis

Scenario analysis and sensitivity analysis is conducted through the model developed by Bank Supervision Department, Nepal Rastra Bank. However, on need basis, the Bank also adopts other techniques and develops other scenarios on case to case basis.

5.1.2.a. Credit Risk

Credit risks are the risk associated with the probability of default of loan provided by the Bank. Hence, the credit risks comprises of the highest risk exposure of the Bank. Management of the credit risks largely signifies the risk management of the Bank as whole.

Credit risk:

- Is measured as the amount which could be lost if a customer or counterparty fails to make repayments.
- Is monitored within limits, approved by individuals within a framework of delegated authorities. These limits represent the peak exposure or loss to which the Bank could be subjected should the customer or counterparty fail to perform its contractual obligations;
- Is managed through a robust risk control framework which outlines clear and consistent policies, principles and guidance for credit risk management.

5.1.2.b. Credit Risk Management

The Bank has its own Credit Risk Policy and Strategy to handle the Credit Risk Management philosophy that involves a continual measurement of probability of default/loss; identification of possible risks and mitigations. In order to manage and eliminate the credit risk, the Bank has a practice of maintaining the best quality assets in its book. The Bank's Credit Policy elaborates detailed procedures for proper risk management. The Bank has delegated credit approval limits to various officials to approve and sanction various amount of credit request based on their individual expertise and risk judgment capability.

As a check and balance mechanism, each credit case requires dual approval. Regular monitoring of the credit portfolio ensures that the Bank does not run the risk of concentration of portfolio in a particular business sector or a single borrower. Similarly the Bank also exercises controlled investment policy with adequately equipped resource looking after the investment decisions.

To cap these all, the Bank has strong Credit processing channels in place comprising of various Directors from the Board of the Bank which reviews all credit proposals beyond a specified amount.

5.1.2.c. Impairment Assessment and Credit Risk Mitigation

The Bank creates impairment allowances for impaired loans promptly and appropriately.

Impairment Assessment Methodology

a. Impairment of Financial Assets carried at Amortized Cost

The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant. When an account is classified as default or when the Bank no longer expects to recover the principle or interest due on a loan in full or in accordance with the original terms and conditions, it is assessed for impairment. If exposures are secured, the current net realizable value of the collateral will be taken into account when assessing the need for an impairment allowance. When the net present value of the collateral is sufficiently adequate to cover the outstanding facilities, impairment is not calculated for such cases.

In the event Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics such as collateral type, past due status and other relevant factors and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Impairment is assessed on a collective basis in two circumstances

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans those are not considered individually significant.

Incurred But Not Yet Identified Impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Homogeneous Groups of Financial Assets

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the group.

Bank uses the following method to calculate historical loss experience on collective basis:

After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology, the movement in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Production (GDP) Growth
- Inflation
- Interest rates
- Changes in government laws and regulations
- Property prices
- Payment status

But, the amount of provision to be created against Loans and Advances shall be higher of the following two amounts:

- i. Impairment calculated as per Impairment Assessment Methodology as described in Pt. 5.1.2. c above or,
- ii. Loan Loss Provision calculated as per the provisions of Directive No. 2, Unified Directives, 2075.

Impairment calculation by following the methodology described in Pt. 5.1.2.c above

- i. Firstly, top borrowers constituting around 25%-30% of total funded exposure of the Bank is subjected to Individual Impairment Testing in each FY 2072-73, 2073-74 and 2074-75.
- ii. Loans and advances as filtered out following pt-(i) were tested for individual impairment including following criteria but not limited to:
 - Known Cash Flow difficulties experienced by the borrowers;
 - Past due contractual payments of either principal or interest;
 - Breach of loan covenants or conditions;
 - The probability that the borrower will enter bankruptcy or other financial reorganization; and
 - A significant downgrading in credit rating by an external credit rating agency.
 - Bank's aggregate exposure to the customer;
 - The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
 - The amount and timing of expected receipts and recoveries;
 - The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the company;
 - The realizable value of security and likelihood of successful repossession;
- iii. As per the impairment testing conducted as per Pt. (ii), only few loans and advances were identified as individually impaired in each FY 2072-73, 2073-74 and 2074-75.

Amount (NPR)

Particulars	2072/73	2073/74	2074/75
Total Individual Impairment as per NAS 39	4,520,274	45,268,467	19,017,389

- iv. All loans and advances were then grouped into homogenous types such as home loans, auto loans, term loans, etc to calculate collective impairment.
- v. Collective impairment was calculated following net flow rate method. Under this methodology, the movements in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.
- vi. Collective impairment as per the method mentioned in Pt. (v) in each FY 2072-73, 2073-74 and 2074-75 is shown below:

Particulars	Amount (NPR)		
	2072/73	2073/74	2074/75
Total Collective Impairment as per paragraph 63 of NAS 39	133,033,132	243,610,882	318,013,320

Write Off of Loans and Receivables

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

Collateral Management

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

Credit Risk Mitigants Availed under CRM

Types of eligible credit risk mitigants used and the benefits availed under CRM as at 16 July 2018 are as follows:

Particulars	Eligible CRM (NPR 000)
Deposit with Bank	292,786
Deposit with Other Bank / FI	-
Total	292,786

b. Impairment of Financial Assets – Available for Sale

For available for sale financial investments, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from equity and recognized in the Statement of profit or loss. However, any subsequent increase in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

Bank writes-off certain available for sale financial investments when they are determined to be uncollectible.

5.1.3.a. Liquidity Risk

Liquidity is crucial to the ongoing viability of any financial institution. Liquidity risk is the potential for loss to a Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity is the ability of an institution to transform its assets into cash or its equivalent in a timely manner at a reasonable price to meet its commitments as they fall due. Liquidity risk is considered a major risk for Banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. In such a situation Banks often meet their liquidity requirements from market. Funding through market depends upon liquidity in the market and borrowing Bank's liquidity.

Liquidity Risk is:

- **Measured** using maturity ladder analysis
- **Monitored** against the Bank's liquidity risk management framework and overseen by Asset and Liability Management Committee.
- **Managed** on a stand-alone basis with no reliance on any related party or the Nepal Rastra Bank, unless this represents routine established business as usual market practice.

5.1.3.b. Management of Liquidity Risk

The board has ensured that the Bank has necessary liquidity risk management framework and Bank is capable of confronting uneven liquidity scenarios. The Bank has formulated liquidity risk management policy, risk management policies which are recommended by senior management and approved by the Board of Directors. The Bank utilizes flow measures to determine its cash position. A maturity ladder analysis estimates a Bank's inflows and outflows and thus net deficit or surplus (GAP) over a time horizon. A maturity ladder is a useful device to compare cash inflows and outflows both on a day-to-day basis and over a series of specified time periods as presented in the NRB Ni.Fa.No.5.1 under NRB Directives No. 5.

Liquidity of the Bank is assessed, measured and maintained by Financial Market Department by ensuring minimal compliance with Nepal Rastra Bank prescribed ratios such as CRR, SLR, and Credit to Deposit Ratio and Liquidity Coverage Ratio. The department also maintains investments over and above the prescribed limit to cope up with the unprecedented liquidity risks that the Bank is ever exposed to.

5.1.3.a. Market Risk

Market risks are the risk of losses in on-balance sheet and off-balance sheet positions arising from adverse movements in market prices. The major constituents of market risks are:

- a. The risks pertaining to interest rate related instruments;
- b. Foreign exchange risk (including gold positions) throughout the Bank; and
- c. The risks pertaining to investment in equities and commodities.

5.1.3.b. Management of Market Risk

The Bank has Asset Liability Management (ALM) Policy, Market Risk Management Policy, Investment Policy along with Treasury manuals in place, which serves as a guide to address the market risk of the Bank. As for the monitoring of market and liquidity risk, the Bank has an active Assets and Liability Management Committee (ALCO) in place which meets regularly and takes stock of the Bank's assets and liability position and profile of assets & liabilities, monitors risks arising from changes in exchange rates in foreign currencies. All foreign exchange positions are managed by financial market consisting of front office dealers with specific dealing limits and an independent back office. The back office executes the deals made by the dealers and also monitors the liquidity position of the Bank. For the purpose of proper check and control, the front dealing room of financial market and the back office has different reporting line.

Apart from Financial Market (or front office) and back office, the Bank also has Treasury Mid Office; which works as a third eye which assesses the risks and timely evaluates and report to the senior management, whose reporting chain is also separate to the front and back office.

5.1.3.c. Market Risk Assessment Methodology

Out of the various components of market risk, foreign exchange risk is the predominant risk in Nepal. Thus, a net open position approach has been adopted to measure the operational risk exposure of the Bank in aggregation and the capital requirement in commensurate of the same as set out by Capital Adequacy Framework issued by Nepal Rastra Bank.

5.1.4.a. Operational Risk

Operational risks are risk of loss resulting from inadequate internal processes, people and systems, or from external events. Operational risks are highly important as it entails cent percent loss to the Bank in the event of its occurrence.

5.1.4.b. Management of Operational Risk

As a part of monitoring operational risks, the Bank has devised operational manuals for various Banking functions, which are reviewed and modified time to time as per the changing business context.

The Bank has adopted dual control mechanism in its all operational activities where each and every financial and non financial transaction is subject to approval from an authority higher than the transaction initiator. Regular review meetings are conducted to assess the adequacy of risk monitoring mechanism and required changes are made as and when felt necessary. Independent reconciliation unit is established to conduct daily reconciliation of all Nostro / agency accounts, Inter-Branch and Inter-Department account.

The Bank has independent internal audit, which reports to the Audit Committee of the Bank. The Audit Committee meets frequently and reviews the business process and financial position of the Bank. In order to have better focus on managing operational risks across branches and to monitor them from Head Office level, the Bank has separate Branch Operation Department and Operation Risk Management & Compliance Department at Head Office. The Bank has strong MIS in place to monitor the regular operational activities.

5.1.4.c. Operational Risk Assessment Methodology

Operational risks are assessed employing the Basic Indicators Approach as set out by Capital Adequacy Framework issued by Nepal Rastra Bank. The Basic Indicators Approach assesses operational risk in aggregation and is calculated by multiplying the operational risk capital charge by 10. Bank assesses the operational risk based on the past operational loss due to system failure, staff embezzlement and other external factors which is considered at the time of calculation of economic capital.

5.1.5.a. Fair Value of Financial Assets and Liabilities

Fair value is a market-based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair Values are Determined According to the Following Hierarchy:

Level-1 Inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Held for trading and available for sale investments have been recorded using Level 1 inputs.

Level-2 Inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level-3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability.

5.2. Capital Management

i. Qualitative Disclosures

Capital management approach is driven by its desire to maintain a strong capital base to support the development of its business and to meet the regulatory capital requirements. Capital planning and management is essential to ensure adequate level of capital is available at all times. In order to be prepared for distressed economic environments, capital management plan of the Bank incorporate various potential scenarios and is responsive to changes in the economy, market, competitive or political landscape, or other external factors.

Following elements are taken into consideration while devising an effective capital management plan for the Bank:

- Minimum capital requirements as per NRB
- Business growth prospects and risks
- Potential capital raising instruments such as equity, preference stocks, bonds etc
- Various stress scenarios
- Others as considered necessary by the senior management

Paid up Share Capital of the Bank

Over the years the Bank has raised share capital as follows:

Fiscal Year	Cumulative Paid up Capital	Remarks
2057/58	350,000,000	
2058/59	350,000,000	
2059/60	350,000,000	
2060/61	500,000,000	Initial Public Offering of NPR. 150.00 million
2061/62	625,000,000	Right share issue of NPR. 125.00 million (25%)
2062/63	750,000,000	Bonus share issue of NPR. 125.00 million (20%)
2063/64	900,000,000	Bonus share issue of NPR. 150.00 million (20%)
2064/65	1,070,000,000	Right share issue of NPR. 180.00 million (20%). NPR. 170 million capitalized on balance sheet date and balance on subsequent year.
2065/66	1,186,099,200	In the fiscal year 2064/65, the Bank had proposed 10% bonus share and 15 % right share. 10 % bonus share had been capitalized as on balance sheet date pending issuance of right share.
2066/67	1,306,015,920	In the FY 2065/66, the Bank had issued 10% bonus share including to those who were released from black list during the year. Further, right share of NPR. 1,080,000.00 issued on FY 2064/65 relating to blacklisted shareholders are included in current year's capital subsequent to their release from black list.
2067/68	1,603,800,000	In the FY 2067/68, the Bank capitalized NPR. 178,200,000.00 (15%) share capital which was approved for issuance in fiscal year 2064/65 Further, the Bank auctioned 7841 numbers of shares that include right and bonus shares of subsequent years relating to right share approved in FY 2064/65 but issued only in FY 2067/68. Bonus share at the rate of 8% (NPR. 118,800,000.00 had been proposed in the FY 2067/68.
2068/69	1,603,800,000	-
2069/70	1,828,332,000	14% bonus share of NPR. 224.532.00 million issued in the FY 2069/70.
2070/71	2,431,681,560	33% bonus share of NPR. 603,349,560.00 issued in the FY 2070/71

(...continued on next page)

Fiscal Year	Cumulative Paid up Capital	Remarks
2071/72	2,699,166,532	11% bonus share of NPR. 267,484,972.00 issued in the FY 2071/72
2072/73	3,265,991,503	21% bonus share of NPR. 566,824,971.00 issued in the FY 2072/73
2073/74	5,969,495,823	50% right share issued amounting to NPR. 1,349,583,266.00 before acquisition plus share capital of NPR. 1,353,921,054.00 added from acquisition.
2074/75	7,163,394,973	20% right share issued amounting to NPR. 1,193,559,650.00

The proposed bonus share for the FY 2073/74 is proposed on 3rd December 2018 amounting to NPR. 913.00 Million; subsequent to approval from AGM of the Bank, the capital of the Bank will reach NPR. 8076.00 Million including 20 percent right share issued in FY 2074-75.

ii. Quantitative Disclosures

1. Capital Structure and Capital Adequacy

• Tier 1 Capital and a Breakdown of its Components:

		NPR. in '000
S.N.	Particulars	Amount
	Tier 1 Capital (Core Capital) (CET1+ AT1)	9,770,377
	Common Equity Tier 1 (CET 1)	9,770,377
a.	Paid Up Equity Share Capital	7,163,395
b.	Equity Share Premium	54,803
c.	Proposed Bonus Equity shares	
d.	Statutory General Reserves	1,284,990
e.	Retained Earnings	1,527,639
f.	Current year cumulative profit/(Loss)	
g.	Capital Adjustment Reserve	30,494
h.	Capital Redemption Reserve	
i.	Other Free Reserves	17,716
j.	Less: Intangible Assets	
k.	Less: Investment in equity of institutions with financial interests	200,000
l.	Less: Purchase of land and building in excess of limit and unutilized	108,660
m.	Less: Other Deductions	
	Additional Tier 1 (AT1)	-

• Tier 2 Capital and a Breakdown of its Components:

		NPR. in '000
S.N.	Particulars	Amount
a.	Cumulative and/or Redeemable Preference Shares	
b.	Subordinated Term Debt	
c.	Hybrid Capital Instruments	
d.	General Loan Loss Provision	647,864
e.	Investment Adjustment Reserve	5,000
f.	Assets Revaluation Reserve	
g.	Exchange Equalization Reserve	39,686
h.	Other Reserves	
	Total Tier 2 Capital	692,550

• Deductions from Capital:

The Bank has investments of NPR. 200.00 million in the equity shares of Kumari Capital Ltd. which has been deducted from the core capital while computing capital adequacy.

- Total Qualifying Capital:**

NPR. in '000

Particulars	Amount
Common Equity Tier 1 (CET1)	9,770,377
Additional Tier 1 (AT1)	-
Supplementary Capital (Tier 2)	692,550
Total Capital Fund	10,462,927

- Capital Adequacy Ratio:**

Adequacy Ratio	Amount
Common Equity Tier 1 Ratio	12.48%
Core Capital Ratio - Tier 1	12.48%
Total Capital Adequacy Ratio (Tier 1 & Tier 2)	13.36%

- Internal Approach of the Bank to Assess Capital Adequacy**

In order to be prepared for distressed economic environments, the Bank assesses the adequacy of its capital by incorporating various potential scenarios and being responsive to changes in the economy, market, competitive or political landscape, or other external factors.

Banks are faced with the challenge of developing internal procedures and systems in order to ensure that they possess adequate capital resources in commensuration with all material risks posed to it by its operating activities. The Bank has devised Internal Capital Adequacy Assessment Process (ICAAP), which is a set of policies, methodologies, techniques and procedures to assess the capital adequacy requirements in relation to Bank's risk profile and effectiveness of its risk management, control environment and strategic planning.

Following elements are taken into consideration while assessing capital adequacy of the Bank:

- Minimum capital requirements as per NRB
- Business growth prospects and risks
- Potential capital raising instruments such as equity, preference stocks, bonds etc
- Various stress scenarios
- Others as considered necessary by the senior management

2. Risk Exposures

- Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk:**

NPR. in '000

Particulars	Amount
Risk Weighted Exposure for Credit Risk	73,058,635
Risk Weighted Exposure for Operational Risk	2,209,160
Risk Weighted Exposure for Market Risk	41,658
Adjustments under Pillar II:	
Add: 4% of Gross income of last FY due to supervisor is not satisfied with sound practice of management of operational risk (6.4 a 7)	728,000
Add: 3% of the total RWE due to supervisor is not satisfied with the overall risk management policies and procedures of the Bank (6.4 a 9)	2,259,283
Total Risk Weighted Exposure (After Pillar II Adjustment)	78,296,737

• **Risk Weighted Exposures Under Different Categories of Credit Risk:**

NPR. in '000

S.N.	Categories	Risk Weighted Exposure
1.	Claims on Government & Central Bank	-
2.	Claims on Other Financial Entities	-
3.	Claims on domestic Banks that meet capital adequacy requirements	97,784
4.	Claims on domestic Banks that do not meet capital adequacy requirements	-
5.	Claims on Foreign Banks (ECA 0-1)	151,510
6.	Claims on foreign Bank (ECA 2)	379,859
7.	Claims on foreign Bank (ECA Rating 3-6)	-
8.	Claims on foreign Bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	90,771
9.	Claims on Domestic Corporate	37,625,223
10.	Claim on Foreign Corporate (ECA 0-1)	-
11.	Claim on Foreign Corporate (ECA 7)	-
12.	Claims on Regulatory Retail Portfolio (not overdue)	8,555,089
13.	Claims secured by residential properties	3,048,227
14.	Claims secured by residential properties (overdue)	29,494
15.	Claims Secured by Commercial Real Estate	1,515,910
16.	Past due claims(except for claim secured by residential properties)	208,323
17.	High Risk Claims	9,451,708
18.	Investments in equity and other capital instruments of institutions listed in the stock exchange	172,700
19.	Investment in Equity of Institution not listed in the Stock Exchange	317,260
20.	Staff Loan secured by residential property	156,111
21.	Cash in transit and other cash items in the process of collection	-
22.	Other Assets	4,531,971
23.	Off Balance Sheet Items	6,726,696
Total		73,058,635

• **Total Risk Weighted Exposure Calculation Table:**

NPR. in '000

Particulars	Amount
Total Risk Weighted Exposures	78,296,737
Tier 1 Capital (Core Capital) (CET1+AT1)	9,770,377
Total Capital Fund	10,462,927
Total Core Capital to Total Risk Weighted Exposures %	12.48
Total Capital Fund to Total Risk Weighted Exposures %	13.36

Details of Non-Performing Assets

• **Amount of Non-Performing Assets (both Gross and Net):**

NPR. in '000

Non-Performing Assets	Amount	Loan Loss Provision	Net NPL
Restructured/Rescheduled	46,580	5,822	40,757
Sub-Standard	119,690	29,923	89,768
Doubtful	70,909	35,454	35,454
Loss	420,004	420,004	-
Total	657,183	491,203	165,980

3. Compliance with External Requirement

The Bank is required to comply with the minimum Capital Adequacy Requirements of Nepal Rastra Bank. For the year ended 16 July 2018, such Capital Adequacy Requirement was set at 11% of Total Risk Weighted Exposures of the Bank.

During the year ended 16 July 2018, the Bank has complied with such minimum Capital Adequacy Requirements.

5.3. Classification of Financial Assets and Financial Liabilities

Financial Assets

NAS 39 requires financial assets to be classified in one of the following categories:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held to maturity investments

Financial assets at fair value through profit or loss have two sub-categories:

- Financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
- Held for trading

Financial Liabilities

NAS 39 recognizes two classes of financial liabilities:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest rate method

The category of financial liability at fair value through profit or loss has two sub-categories:

- Financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition
- Held for trading

5.4. Operating Segment information

1. General Information

a. Factors used to identify the Bank's reportable segments

The Bank has identified the key segments of business on the basis of nature of Banking operations. It helps the management to assess the performance of the business segments. The business segments identified are Banking (including loans, deposits and trade operations), Cards, Remittance and Treasury.

b. Types of products and services from which each reportable segment derives its revenues

a. Remittance Services

1. Remittance fee and commission
2. Other remit related fees and commission

b. Card Business

1. Interchange Income (VISA/NIBL)
2. Credit Card
3. Debit Card
4. Prepaid Card
5. ATM Fees
6. Merchant Settlement Fees and commission
7. Other Fees and Commission

c. Treasury

1. Interest Income from placements and investments
2. Purchase and Sale of shares/bonds and other financial instruments
3. Bullion Trading Income
4. Dividend Income on Investments
5. Forex Gain

6. Rebate from Nostro Banks
7. Other Fees and Commission income

d. Banking

1. Income from Loan Products
2. Income from Bills Purchase and Discounting
3. Income from issuance of Letter of Credit
4. Income from issuance of Bank Guarantee
5. Income from Document Collection
7. Income from Bancassurance
8. Profit on sale of assets
9. Profit on sale of Non Banking Assets
10. Income from other Banking Services

**2. Information about Profit or Loss, Assets and Liabilities
2074-75**

In '000

Particulars	Remittance Services	Card Business	Treasury Business	Banking	Total
a. Revenue from external customers	24,216	61,981	549,930	6,813,815	7,449,942
b. Intersegment revenues	-	-	-	-	-
c. Net Revenue	24,216	61,981	549,930	6,813,815	7,449,942
d. Interest Revenue	-	1,523	348	6,802,140	6,804,011
e. Interest Expense	-	-	20,182	4,751,151	4,771,333
f. Net interest revenue (b)	-	1,523	(19,833)	2,050,989	2,032,678
g. Depreciation and Amortization	101	852	51	78,211	79,214
h. Segment profit/(loss)	7,244	8,517	511,522	830,085	1,357,368
i. Entity's interest in the profit or loss of associates accounted for using equity method					-
j. Other material non-cash items:				-	
k. Impairment of assets	-	(1,419)	-	(30,527)	(31,946)
l. Segment assets	2,242	26,768	9,867,290	72,827,250	82,723,551
m. Segment liabilities	2,242	26,768	9,867,290	72,827,250	82,723,551

3. Measurement of Operating Segment Profit or Loss, Assets and Liabilities

a. Basis of Accounting

All transactions between the reportable segments are accounted as separate unit and allocation is based upon use of resources and output derived from the reportable segments.

b. Nature of differences between the measurements of the reportable segments' profits or losses and the Bank's profit or loss before income tax

There is no difference between the measurement of the reportable segments' profit and the Bank's profit before income tax.

c. Nature of differences between the measurements of the reportable segments' assets and the Bank's asset

There is no difference between the measurement of the reportable segments' assets and the Bank's asset.

d. Nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any

No changes are made in the measurement methods used to determine reported segment profit or loss from prior periods.

e. Nature and effect of any asymmetrical allocations to reportable segments

No asymmetrical allocations are made to reportable segments.

4. Reconciliations**a. Revenue**

	2074-75	2073-74
Total revenues for reportable segments	7,449,942,025.32	4,162,147,560.05
Other revenues	-	-
Elimination of intersegment revenues	-	-
Entity's revenues	7,449,942,025.32	4,162,147,560.05

b. Profit or loss

	2074-75	2073-74
Total profit or loss for reportable segments	1,357,367,777	1,151,231,923
Other profit or loss	-	-
Elimination of intersegment profits	-	-
Unallocated amounts:	-	-
Profit before income tax	1,357,367,777	1,151,231,923

c. Assets

	2074-75	2073-74
Total assets for reportable segments	82,723,550,667	61,728,631,749
Other assets	-	-
Unallocated amounts	-	-
Entity's assets	82,723,550,667	61,728,631,749

d. Liabilities

	2074-75	2073-74
Total liabilities for reportable segments	82,723,550,667	61,728,631,749
Other liabilities	-	-
Unallocated liabilities	-	-
Entity's liabilities	82,723,550,667	61,728,631,749

5. Information About Products and Services

S.N.	Particulars	2074-75	2073-74
a) Remittance Services		24,215,547.99	22,508,951.56
1.	Remittance fee and commission	24,215,547.99	22,508,951.56
2.	Other fees and commission		
b) Card Business		61,981,352.21	62,009,801.71
1.	Interchange Income (VISA/CUP/NEPS)	10,928,977.85	8,752,561.69
2.	Credit Card	2,859,105.98	539,237.48
3.	Debit Card	6,810,288.02	7,631,669.50
4.	Prepaid Card	112,750.00	298,000.00
5.	ATM Fees	7,552,518.20	750,502.40
6.	Merchant Settlement Fees and commission	759,825.25	-
7.	Other Fees and Commission	32,957,886.91	44,037,830.64
c) Treasury		549,930,134.94	283,420,925.65
1.	Interest Income from placements and investments	348,456,801.43	163,565,492.98
2.	Purchase and Sale of shares/bonds and other financial instruments	15,213,178.30	-
3.	Bullion Trading Income	11,136,810.00	9,408,305.00
4.	Dividend Income on Investments	5,224,043.62	1,857,697.25

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S.N.	Particulars	2074-75	2073-74
5.	Forex Gain	166,458,789.59	106,448,890.71
6.	Rebate from Nostro Banks	3,440,512.00	2,140,539.71
7.	Other Fees and Commission income		
d)	Banking	6,813,814,990.18	3,794,207,881.13
1.	Income from Loan Products	6,455,554,579.13	3,573,313,834.03
2.	Income from Bills Purchase and Discounting	37,867.71	115,526.86
3.	Income from issuance of Letter of Credit	45,713,833.38	24,056,504.40
4.	Income from issuance of Bank Guarantee	52,740,251.56	25,685,338.78
5.	Income from Document Collection	944,599.50	1,186,129.60
6.	Income from Bancassurance	4,792,953.69	-
8.	Profit on sale of assets	5,843,135.57	100,200.87
9.	Profit on sale of Non Banking Assets	10,024,429.30	11,670,050.25
10.	Income from other Banking Services	238,163,340.34	158,080,296.34
	Total Revenue	7,449,942,025.32	4,162,147,560.05

6. Information About Geographical Areas (Total Operating Income)

	2074-75	2073-74
a. Domestic	2,651,286,325	1,839,331,539
Province 1	898,266,418	598,216,087
Province 2	322,915,422	219,897,923
Province 3	673,624,062	454,953,856
Province 4	164,060,115	149,714,303
Province 5	364,071,978	256,909,349
Province 6	117,477,006	102,815,965
Province 7	110,871,321	56,824,053
b. Foreign	-	-
Total	2,651,286,325	1,839,331,539

7. Information About Major Customers

None of the external customer of the Bank individually contributes 10% or more to the Bank's revenue as at Asadh 32, 2075 as well as Asadh 31, 2074.

5.5. Share Options and Share Based Payment

A share-based payment is a transaction in which the bank receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.

The Bank has not entered into any share option or share based payment contract as of Asadh 32, 2075.

5.6. Contingent Liabilities and Commitment

Contingent Liabilities:

Where the Bank undertakes to make a payment on behalf of its customers for guarantees issued, such as for performance bonds or as irrevocable letters of credit as part of the Bank's transaction Banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs, for bids or offers.

Commitments:

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

Please refer Note No. 4.28 (including Note No. 4.28.1- 4.28.5) for detail of contingent liabilities and commitments as at Asadh 32, 2075 and Asadh 31, 2074.

5.7. Related Parties Disclosures

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 operational decisions and include major shareholders, subsidiary companies, associates, retirement funds, directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

a) Subsidiary

Transactions between the Bank and its subsidiary, Kumari Capital Limited, meet the definition of related party as defined under NAS-24 "Related Party Disclosures".

Transactions during the year	2074-75 (NPR)	2073-74 (NPR)	2072-73 (NPR)
• Equity Investment by Kumari Bank Limited on Kumari Capital Ltd.	200,000,000.00	-	-
• Call Deposits held by Kumari Capital Limited at Kumari Bank Ltd.	200,000,000.00	-	-
• Expenses of Kumari Capital Limited paid by Kumari Bank Ltd, reimbursable	285,000.00	-	-

Final approval from SEBON is under process of Kumari Capital Limited

b) Associates

Transactions between the Bank and its associates also meet the definition of related parties. The Bank considers an investee as its associate if the Bank can exercise significant influence in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Bank does not exercise significant influence in the financial and operating policy decisions of any of its investees as at and Asadh 32, 2075 and Asadh 31, 2074.

The Bank has appointed its employee as a director in case of following investees but do not exercise significant influence in their financial and operating policy decisions:

Transactions during the year	2074-75 (NPR)	2073-74 (NPR)	2072-73 (NPR)
National Microfinance Bittiya Sanstha Limited			
Investment in shares	20,000,000	20,000,000	20,000,000
Shareholding %	20%	20%	20%

c) Directors and Other Key Managerial Personnel (KMP)

Key Management Personnel and their immediate family members are also considered to be related parties for disclosure purpose as per NAS-24 "Related Party Disclosures".

As per Nepal Financial Reporting Standard (NAS 24) "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. The Bank considers the members of its Board, Chief Executive Officer and all managerial level executives as Key Management Personnel (KMP) of the Bank.

Following is a List of Board of Directors and CEO Bearing Office at Asadh 32, 2075.

Mr. Santosh Kumar Lama	Chairman
Dr. Shobha Kant Dhakal	Director
Mr. Uttam P. Bhattarai	Director
Mr. Naresh Dugar	Director
Mr. Krishna Prasad Gyawali	Director
Mr. Puna Ram Bhandari	Director
Er. Binod Dawadi	Director
Mr. Surender Bhandari	Chief Executive Officer

Mr. Surender Bhandari has been appointed as Chief Executive Officer on 16 July 2017.

Compensation to the Members of the Board

All members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to directors are as under:

Board Meeting fees Rs. 3,440,000

Other benefits Rs. 1,415,144

These allowances and benefits are approved by the Annual General Meeting of the Bank.

Compensation to Chief Executive Officer of the Bank

In '000

Nature of Compensation	Total Compensation (NPR)	
	2074-75	2073-74
Short-term employee benefits	12,522	5,224
Employee Bonus	-	2,388
Post employee benefits	-	602
Festival Allowances and payment against annual leave	1,758	720
Other Allowances	55	968
Total	14,335	9,902

Compensation to Senior Management Personnel of the Bank

In '000

Nature of Compensation	Total Compensation (Rs.)	
	2074-75	2073-74
Short-term employee benefits	31,754	4,591
Employee Bonus	5,593	1,640
Post employee benefits	1,155	-
Festival Allowances and payment against annual leave	3,444	562
Other Allowances	1,454	523
Total	43,400	7,316

Senior Management Personnel indicates staffs of AGM level and above

d) Loans and Deposits of Directors and Other Key Managerial Personnel (KMP); Along with Close Family Members (CFMs)

Particulars	In '000	
	2074-75	2073-74
Loans and Receivables	34,020	7,277
Credit Cards	229	18
Deposits	44,341	46,679

The above figures indicate the details of directors and staffs of AGM level and above and identified close family members of KMPs.

5.8. Merger and Acquisition

The Bank had acquired erstwhile Kasthamandap Development Bank Limited, Paschimanchal Finance Company Limited, Mahakali Bikas Bank Limited and Kakre Bihar Bikas Bank Limited and had started joint operation from 16th Asadh 2074. The merger had been accounted for using "Interest Pooling Method".

The acquisition had been effected on the comparative period (i.e. on the FY 2073-74) on 15th of Asadh 2074 under interest pooling method, whereby no goodwill is calculated. The Bank has accordingly restated:

- the carrying amounts of assets and liabilities recognized at the date of acquisition or merger

The comparative period profitability reflects, position of the Kumari Bank Limited before acquisition along with 15 days profitability after acquisition, as all the profit of the acquired institutions are transferred to the reserve of the Bank.

Apart from the acquisition mentioned above, the Bank has not entered into any merger or acquisition activity.

5.9. Additional Disclosures of Non-consolidated Entities

Nepal Financial Reporting Standard (NAS 24) "Disclosure of Interests in Other Entities", is applicable when an entity has interest in any of the following:

- Subsidiaries
- Joint arrangements (joint operations or joint ventures)
- Associates
- Unconsolidated structured entities

The Bank has already disclosed its interests in subsidiaries and associates in 5.7. Related parties' disclosures. The Bank does not have any interest in any form of joint arrangements or unconsolidated structured entities as on Asadh 32, 2075 as well as Asadh 31, 2074.

5.10. Events After Reporting Period

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date the Financial Statements are authorized for issue.

The Bank follows NAS-10 "Events after the Reporting Period" to account for and report the events that have occurred after the reporting period.

As per NRB Directive 12(6), where a licensed institution wishes to provide a loan to the family members of any black-listed individual, it may provide accordingly to the decision of the Board of Directors. However, provision on such loan shall be provided double of the required amount under the existing arrangement and provision in excess of one hundred percent shall not be necessary.

Such item is noticed after statutory audit in the case of Cimex Trading Pvt Ltd, for which additional provision of NPR. 407,365.96 is provided as per the stated provision of the NRB. Along with additional provision of NPR. 2,10,95,059.74 is provided after review from NRB supervision.

Disclosure Effect of Transition from Previous GAAP to NFRSs**5.11**

The Bank has prepared the opening Statement of Financial Position as per NFRS as of 1st Shrawan, 2073 (16th July 2016) (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- reclassifying items from previous GAAP to NFRS as required under NFRS,
- not recognizing items of assets and liabilities which are not permitted by NFRS and
- applying NFRS in measurement of recognized assets and liabilities

Reconciliation of Equity**5.11.1**

Particulars	Explanatory Note	"As at 01.04.2073" (Date of Transition)	"As at 31.03.2074" (End of last period presented under previous GAAP)
Total equity under Previous GAAP	-	4,063,380,822	8,080,236,593
Adjustments under NFRSs:			
<i>Impairment on loan and advances</i>	1	-	-
<i>Fair value & employees benefit accounting of staff loan</i>	-	-	-
<i>Lease accounting</i>	-	-	-
<i>Measurement of investment securities at fair value</i>	2	2,025,406	12,708,237
<i>Revaluation of property & equipment</i>	-	-	-
<i>Recognition of investment property</i>	3	126,378,439	112,128,516
<i>Amortisation of debt securities issued</i>	-	-	-
<i>Deferred tax</i>	4	(90,521,883)	(73,773,559)
<i>Defined benefit obligation of employees</i>	5	(83,030,770)	(142,994,456)
<i>Goodwill/Bargain purchase gain</i>	-	-	-
<i>Interest income</i>	6	141,107,028	274,395,239
<i>Other</i>			
- <i>Investment Provision Reversal/(Charged)</i>	7	-	669,208
Total Adjustment to equity	-	95,958,220	183,133,185
Total Equity under NFRSs	-	4,159,339,042	8,263,369,778

Explanatory Note:**1. Impairment on Loan and Advances**

Loans and advances are assessed individually and collectively as per incurred loss model which is compared with the loss provision prescribed by NRB directive no. 2. As per recent Carve Outs, Higher of the loss as per incurred loss model and NRB directive is considered for impairment.

2. Measurement of Investment Securities at Fair Value

Investments were measured at cost less diminution in value. Under NFRS, these financial assets have been classified as financials investment held for sale(FVTOCI). On the date of transition to NFRS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP, resulting in an increase in the carrying amount as explained in the table below. These changes have been recognised under Other Comprehensive Income (OCI).

Particulars	(16-Jul-2016)	(15-Jul-2017)
Increase in carrying amount due to fair value	2,893,437.00	18,154,625
Deferred tax impact on the increased amount	868,031.10	5,446,387
Net Increase in Equity	2,025,405.90	12,708,237.15

3. Investment Properties/Non Banking Asset

Under previous GAAP, Non Banking Assets (NBA) were recognised as per Directives of Nepal Rastra Bank and 100% provision were made. Under NFRS, these NBA have been classified as Non Current Assets held for sale and measured at lower of their carrying amount and fair value less cost to sell. On the date of transition to NFRS, provision as per the Directives of NRB had been reversed, resulting in an increase in the carrying amount as explained in the table below.

Particulars	(16-Jul-2016)	(15-Jul-2017)
Increase in carrying amount due to reversal of provision on NBA	126,378,439.29	112,128,515.79
Net increment in total equity	126,378,439.29	112,128,515.79

4. Deferred Tax

Deferred tax are mainly created due to accrual interest income booking, reversal of loan loss provision, reversal of investment, Premium amortization of Bonds and actuarial valuation impact of defined benefit obligation. Below are the impact on equities as a result of NFRS implementation.

Particulars	(16-Jul-2016)	(15-Jul-2017)
Reversal of DTA as per GAAP	(2,586,412.39)	(31,168,451.74)
DTL created as per NFRS	87,935,470.66	42,605,107.39
Net decrease in Equity	(90,521,883.05)	(73,773,559.13)

5. Defined Benefit Obligation of Employees

As per the Actuarial Valuation of defined benefit obligations mainly -gratuity and leave encashment, the increase or decrease in liability has been incorporated. The net recognized amount, is the sum of cumulative excess of contributions to the plan over Net Annual Expense and other plan-related charges to Income due either to business combination or accelerated recognition pursuant to NAS 19. Below is the impact of same.

Particulars	(16-Jul-2016)	(15-Jul-2017)
Net increase (decrease) in gratuity fund	35,188,687.50	67,995,473.75
Net increase (decrease) in leave encashment fund	47,842,082.84	74,998,982.35
Net decrease in Equity	83,030,770.34	142,994,456.10

6. Interest Income

NRB Directives requires Banks to book their income on accrual basis, except for interest receivables on loan and advances which are accounted for on cash basis. Interest income from loan and advances are transferred to suspense account until the amounts is realized. NFRS requires that incomes on loans are accounted for on an effective interest-rate basis and recognised under accrual basis. Below is the impact of accrual accounting in equity.

Particulars	(16-Jul-2016)	(15-Jul-2017)
Accrual interest income booking of loans and advances	141,107,028.49	274,395,238.85
Net Increase in Equity	141,107,028.49	274,395,238.85

7. Other

Below are the necessary adjustment required of GAAPs financial statements to be in par with NFRS financial statements.

Particulars	(16-Jul-2016)	(15-Jul-2017)
a) Reversal of investment provision	-	669,208
Net Increase in Equity	-	669,208

Reconciliation of Profit or Loss**5.11.2**

Particulars	Explanatory Note	" For the year ended 31.03.2018 " (the latest period presented under previous GAAP) Profit/(Loss) for the year
Previous GAAP		660,741,688
Adjustments under NFRSs:		
Interest income	1	140,228,041
Impairment of loan and advances		-
Employees benefit amortisation under staff loan	2	(6,939,831)
Defined benefit obligation of employee	3	19,906,562
Operating lease expense		-
Amortisation expense of debt securities		-
Other operating income		-
Interest expense		-
Depreciation & Amortisation		-
Deferred tax income/Expense	4	(7,212,750)
Others	5	
- Investment provision charged/Reversal		669,208
- Provision of Investment Properties/non Banking Assets Reversal		(14,249,923)
Total Adjustment to profit or loss		132,401,307
Profit or loss under NFRSs		793,142,994
Other Comprehensive Income	6	(45,226,342)
Total Comprehensive income under NFRSs		747,916,652

***Explanatory Note:**

1. Interest income	
Accrual Interest income accounting of loans and advances	133,288,210
Accrual Interest income accounting of staff loans	6,939,831
	140,228,041
2. Employees benefit amortisation under staff loan	
Finance expense under NFRS/Employee benefit amortization	(6,939,831)
3. Defined benefit obligation of employee	
Decrease in gratuity expense due to actuarial valuation	10,270,200
Decrease in leave encashment expense due to actuarial valuation	(58,985,797)
Additional Expenses charged as per actuary	68,622,159
	19,906,562
4. Deferred tax expense	
Increase in loan loss provision due to booking of AIR	(39,986,463)
Provision for leave encashment	13,429,365
Provision for Gratuity	(10,264,109)
Property plant and equipment	9,052,565
Adjustment for merger	73,099,006
Actuarial gain or loss on Gratuity	(23,961,074)
Reversal of Deferred tax under Gaap	(28,582,039)
Deferred Tax expenses as per NFRS	(7,212,750)

5. Others'

A) Investment provision reversal

Reversal of investment provision required

669,208

B) Reversal of Provision of Investment Properties (NBA)

Provision of Investment Properties (NBA) in 2072/73

126,378,439

Provision of Investment Properties (NBA) in 2073/74

112,128,516

Increase in Provision of NBA

(14,249,923)

6. Other comprehensive income

Gains/(losses) from investment in equity instruments measured at fair value

15,261,188

Actuarial gains/(losses) on defined benefit plans

(79,870,248)

Income tax relating to above items

19,382,718

(45,226,342)

Effect of NFRSs Adoption for the Statement of Financial Position

5.11.3

Particulars	Explanatory Note	“As at 01.04.2073 (Date of Transition)”		“As at 31.03.2074 (End of last period presented under previous GAAP)”		
		Previous GAAP	Effect of Transition to NFRSs	Operating NFRSs statement of Financial Position	Previous GAAP	Cumulative Effect of Transition to NFRSs
Assets						Amount as per NFRSs
Cash and cash equivalent	-	3,627,601,100	-	3,627,601,100	4,734,754,206	-
Due from Nepal Rastra Bank	-	3,104,484,533	-	3,104,484,533	4,910,801,029	-
Placement with Bank and Financial Institutions	-	1,720,307,330	-	1,720,307,330	1,484,107,257	-
Derivative financial instruments	-	25,644,216	-	25,644,216	23,185,586	-
Other trading assets	-	-	-	-	-	-
Loan and advances to B/FIs	-	704,242,556	-	704,242,556	1,139,156,439	-
Loans and advances to customers	3.1	29,033,426,034	116,044,081	29,149,470,116	43,313,888,522	243,131,151
Investment securities	3.2	3,809,849,584	2,893,437	3,812,743,021	4,710,000,666	18,823,833
Current tax assets	-	58,773,373	-	58,773,373	45,246,585	-
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	-	20,000,000	-	20,000,000	20,000,000	-
Investment property	3.3	-	180,540,628	180,540,628	-	160,183,594
Property and equipment	-	262,223,434	-	262,223,434	350,648,737	-
Goodwill and Intangible assets	-	3,190,993	-	3,190,993	7,418,721	-
Deferred tax assets	3.4	2,586,412	(2,586,412)	-	31,168,452	(31,168,452)
Other assets	3.5	44,177,785	25,062,947	69,240,732	223,554,014	31,264,088
Total Assets	-	42,416,507,350	321,954,681	42,738,462,031	60,993,930,212	422,234,214
Liabilities						
Due to Bank and Financial Institutions	-	4,971,257,613	-	4,971,257,613	3,333,547,375	-
Due to Nepal Rastra Bank	-	1,186,128,000	-	1,186,128,000	1,019,287,000	-
Derivative financial instruments:	-	-	-	-	-	-
Deposits from customers	-	31,793,139,531	-	31,793,139,531	47,691,769,932	-
Borrowing	-	-	-	-	-	-
Current Tax Liabilities	-	-	-	-	-	-
Provisions	-	474,600	-	474,600	1,541,463	-
Deferred tax liabilities	3.6	-	142,965,690	142,965,690	-	96,106,573
Other liabilities	3.7	402,126,784	83,030,770	485,157,555	867,547,850	142,994,456
Debt securities issued	-	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-	-
Total liabilities	-	38,353,126,528	225,996,460	38,579,122,989	52,913,693,620	239,101,029
Equity						
Share capital	-	2,699,166,532	-	2,699,166,532	5,969,495,823	-
Share premium	-	-	-	-	-	-
Retained earnings	3.8	619,376,254	93,932,814	713,309,068	984,174,344	170,424,948
Reserves	3.9	744,838,036	2,025,406	746,863,442	1,126,566,426	12,708,237
Total equity attributable to equity holders	-	4,063,380,822	95,958,220	4,159,339,042	8,080,236,593	183,133,185
Non-controlling interest	-	-	-	-	-	-
Total equity	-	4,063,380,822	95,958,220	4,159,339,042	8,080,236,593	183,133,185
Total liabilities and equity	-	42,416,507,350	321,954,681	42,738,462,031	60,993,930,213	422,234,214

* Explanatory note is required for each line item which has been impacted by transition

5.11.3. Explanatory Note on Effect of NFRSs Adoption for the Statement of Financial Position

Particulars	"As at 01.04.2073 (Date of Transition)"	"As at 31.03.2074 (End of last period presented under previous GAAP)"
3.1 Loans and advances to customers		
Loans and advances as per GAAP	29,033,426,034	43,313,888,522
Accrued Interest	141,107,028	274,395,239
Remeasurement of Staff Loan	(25,062,947)	(31,264,088)
Difference in GAAP and NFRS	116,044,081	243,131,151
Balance as per NFRS	29,149,470,116	43,557,019,673
3.2 Investment Securities		
Investment in securities as per GAAP	3,809,849,584	4,710,000,666
Change in Fair Value as per NFRS	2,893,437.00	18,823,833
Difference	2,893,437	18,823,833
Balance as per NFRS	3,812,743,021	4,728,824,498
3.3 Investment Properties		
Gross Investment Properties (NBA) as per GAAP	180,540,628	160,183,594
Less: Provision for NBA	180,540,628	(160,183,594)
Net Investment Properties as per GAAP	-	-
Reversal of Provision for Investment Properties (NBA)	180,540,628	160,183,594
3.4 Deferred Tax		
Deferred Asset/(Liabilities)Tax as per GAAP	2,586,412	31,168,452
Reversal of Deferred Tax assets	(2,586,412)	(31,168,452)
Closing Deferred Asset/(Liabilities)Tax as per NFRS	-	-
As per previous GAAP, deferred tax assets were created, which was reversed and deferred tax liability was shown.		
3.5 Other assets		
Other Asset as per GAAP	44,177,785	223,554,014
Staff Loan amortization	25,062,947	31,264,088
Total Other Assets as per NFRS	69,240,732	254,818,102
3.6 Deferred Tax Liabilities		
Deferred Asset/(Liabilities)Tax as per GAAP	-	-
Deferred Asset/(Liabilities)Tax as per NFRS		
Increase in Fair Value	(868,031.10)	(5,446,387.35)
NBA provision reversal	(54,162,188.27)	(48,055,078.20)
Increase in loan due to booking of AIR	(42,332,108.55)	(82,318,571.66)
Provision for Gratuity	10,556,606.25	(13,954,682.17)
Provision for Leave Encashment	14,352,624.85	22,499,694.70
Adjustment for merger	(73,099,006.00)	-
Deferred tax asset Reversal under NFRS	2,586,412.39	31,168,451.74
Closing Deferred Asset/(Liabilities)Tax as per NFRS Equity	(142,965,690.43)	(96,106,572.93)
3.7 Other liabilities		
Other Liabilities as per GAAP	402,126,784	867,547,850
Additional Provision of Gratuity	35,188,688	67,995,474
Additional Provision of Leave	47,842,083	74,998,982
Total liabilities as per NFRS	485,157,555	1,010,542,306
3.8 Retained earnings		
Opening retained earning as per GAAP	619,376,254	984,174,344
Defined Benefit Obligation	(83,030,770.34)	(67,995,474)
AIR of Loan	141,107,028	274,395,239
Provision reversal of Investment Property	126,378,439	112,128,516
Reversal of Provision on Investment	-	669,208
Leave Encashment Actuarial Gain/Loss	-	(74,998,982)
Deferred Tax	(90,521,883)	(73,773,559)
Total	713,309,068	1,154,599,291
3.9 Reserve		
Opening Reserve as per GAAP	744,838,036	1,126,566,426
Fair Value Reserve	2,025,406	12,708,237
Total	746,863,442	1,139,274,663

5.11.4. Effect of NFRSs Adoption for Statement of Profit or Loss and Other Comprehensive Income

Particulars	Explanatory Note	“For the year ended 31.03.2074 (the latest period presented under previous GAAP)”		
		Previous GAAP	Effect of Transition to NFRSs	Amount as per NFRSs
Interest income	EN	3,596,651,286	140,228,041	3,736,879,327
Interest expense	-	(2,299,277,448)	-	(2,299,277,448)
Net interest income	-	1,297,373,838	140,228,041	1,437,601,879
Fee and commission income	-	278,880,211	-	278,880,211
Fee and commission expense	-	(23,538,573)	-	(23,538,573)
Net fee and commission income	-	255,341,638	-	255,341,638
Net interest, fee and commission income	-	1,552,715,476	140,228,041	1,692,943,517
Net trading income	-	85,261,574	-	85,261,574
Other operating income	-	61,126,449	-	61,126,449
Total operating income	-	1,699,103,498	140,228,041	1,839,331,539
Impairment charge/(reversal) for loans and other losses	EN	75,698,852	(19,687,825)	56,011,027
Net operating income	-	1,774,802,350	120,540,216	1,895,342,566
Operating expense				
Personnel expenses	EN	(462,974,741)	(55,655,428)	(518,630,168)
Other operating expenses	-	(248,154,532)	-	(248,154,532)
Depreciation & Amortisation	-	(45,947,101)	-	(45,947,101)
Operating Profit	-	1,017,725,976	64,884,788	1,082,610,764
Non operating income	EN	-	68,622,159	68,622,159
Non operating expense	-	-	-	-
Profit before income tax	-	1,017,725,976	133,506,947	1,151,232,923
Income tax expense				
Current Tax	-	(312,467,322)	-	(312,467,322)
Deferred Tax	EN	(44,516,966)	(1,105,640)	(45,622,607)
Profit for the year	-	660,741,688	132,401,307	793,142,994
Other comprehensive income	EN	-	(45,226,342)	(45,226,342)
Total Comprehensive Income	-	660,741,688	87,174,965	747,916,652

* Explanatory note is required for each line item presented in adjustment on which transition effect has been arisen

5.11.5. Effect of NFRSs Adoption for Statement of Cash Flows

Particulars	Explanatory Note	“For the year ended 31.03.2074 (the latest period presented under previous GAAP)”		
		Previous GAAP	Effect of Transition to NFRSs	Amount as per NFRSs
Net cash flows from operating activities	EN	948,178,362	(2,216,746,159)	(1,268,567,797)
Net cash flows from investing activities	EN	(1,047,322,662)	112,155,824	(935,166,838)
Net cash flows from financing activities	EN	3,356,114,085	(45,226,343)	3,310,887,741
Net increase/(decrease) in cash and cash equivalent	-	3,256,969,784	(2,149,816,678)	1,107,153,107
Cash and cash equivalent at the beginning of the period	EN	4,511,195,632	(883,594,532)	3,627,601,100
Cash and cash equivalent at the end of the period	-	7,768,165,416	(3,033,411,210)	4,734,754,206

Explanatory Note :

1. The changes in net cash flows from operating activities, investing activities and financing activities is due to regrouping and reclassification of items required under NFRS which is different from regulatory GAAPs financial statements.
2. The changes in cash and cash equivalents at the end of the period is due to regrouping and reclassification of items i.e statutory balance with NRB, required under NFRS which is different from regulatory GAAPs financial statements.

Effect of NFRS Adoption

	Up to 1 Sawan 2073	During 2073/74	Total till 2073/74	During 2074/75	Total till 2074/75
Profit of loss					
a. Interest receivable (-)/previous accrued interest received (+)	141,107,028	133,288,210	274,395,239	8,409,404	282,804,643
b. Short loan loss provision in accounts (-)/reversal (+)					
c. Short provision for possible losses on investment (-)/reversal (+)	-	(669,208.33)	(669,208.33)	(17,390,456.79)	(18,059,665.12)
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	180,540,628	(20,357,033.57)	160,183,594	(26,012,591.04)	134,171,003
e. Deferred tax assets recognised (-)/ reversal (+)			-		-
f. Goodwill recognised (-)/ impairment of Goodwill (+)					
g. Bargain purchase gain recognised (-)/resersal (+)					
i. Staff loan amortisation	(25,062,947.09)	(6,939,830.54)	(32,002,777.63)	(27,668,851.46)	(59,671,629.09)
j. Interest income on staff loan	25,062,947	6,939,831	32,002,778	27,668,851.46	59,671,629
k. Amortisation of Debt Securities			-		-
l. Cash dividend paid		29,786,944	29,786,944		29,786,944
Total	321,647,656	142,048,912	463,696,569	(34,993,643.80)	428,702,925
Other Comprehensive Item					
a. Actuarial loss recognised (-)/reversal (+)	(8,115,016.00)	(55,909,173.60)	(64,024,189.60)	13,140,302	(50,883,887.60)
b. Fair Value Reserve	2,025,406	10,682,831	12,708,237	(22,019,119.93)	(9,310,882.78)
c. Revaluation reserve			-		-
Total	(6,089,610.10)	(45,226,342.35)	(51,315,952.45)	(8,878,817.93)	(60,194,770.38)
Grand Total	315,558,046	96,822,570	412,380,616	(43,872,461.73)	368,508,154
Changes in Equity that requires Regulatory Adjustment	329,762,672.05	158,157,519.14	485,894,785.29	(8,724,369.08)	477,170,416.21
Changes in Equity that does not require Regulatory Adjustment	(14,204,626.10)	(61,334,949.04)	(73,514,169.24)	(35,148,092.66)	(108,662,261.89)

5.12. Availment of Carve-outs Notified by Institute of Chartered Accountants of Nepal

The Institute of Chartered Accountants of Nepal has notified 7 Carve-outs in NFRS which allows alternative treatment. Out of the 7 Carve-outs, the Bank has availed following Carve-outs while preparing its financial statements for FY 2074/75:

- a. Carve-Out: 2 - NAS 17: Lease (Operating lease in the financial statements of Lessees)
- b. Carve-Out: 5 - NAS 39: Financial Instruments: Recognition and Measurement (Incurred Loss Model to measure the Impairment Loss on Loan and Advances)
- c. Carve-Out: 6 - NAS 39: Financial Instruments: Recognition and Measurement (Impracticability to determine transaction cost of all previous years which is the part of effective interest rate)
- d. Carve-Out: 7 - NAS 39: Financial Instruments: Recognition and Measurement (Impracticability to determine interest income on amortized cost)

a. Carve-Out : 2 - NAS 17: Lease (Operating Lease in the Financial Statements of Lessees)

As per NAS-17, lease payments under an operating lease shall be recognized as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The Carve-out allows lessees to recognize lease payments as an expense on a straight line basis over the term unless either:

- i. Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- ii. The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

The Bank has availed Carve-out mentioned in Pt. a (i) mentioned above and has amortized lease payments over the period as per the lease agreements.

b. Carve-Out : 5 - NAS 39: Financial Instruments: Recognition and Measurement (Incurred Loss Model to measure the Impairment Loss on Loan and Advances)

As per NAS-39, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.

The Carve-out requires Banks to measure impairment loss on loans and advances as the higher amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS-39; and shall apply paragraph 63 to measure the impairment loss on financial assets and other assets other than loan and advances. The Bank shall disclose the impairment loss as per the Carve-out and the amount of impairment loss determined as per paragraph 63.

The Bank has availed the Carve-out and has accordingly recognized impairment loss on loans and advances as the higher amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS-39. The detail of impairment loss on loans and advances are as follows:

Particulars	Amount (NPR.)		
	2072/73	2073/74	2074/75
• Total Loan loss provision as per norms prescribed by Nepal Rastra Bank (NRB Directive No. 2)	624,939,786	1,107,121,361	1,139,067,544
• Total Impairment as per paragraph 63 of NAS 39	137,553,406	288,879,350	337,030,710

As, Loan loss provision as per norms prescribed by Nepal Rastra Bank is higher in all 3 years, impairment loss on loans and advances is made accordingly.

The Bank has classified total loan loss provision mentioned above into 2 categories viz. Individual Impairment and Collective Impairment. The Bank has classified general loan loss

provision as Collective Impairment and specific loan loss provision as Individual Impairment.

c) Carve-out : 6- NAS 39: Financial Instruments: Recognition and Measurement (Impairability to Determine Transaction Cost of all Previous Years Which is the Part of Effective Interest Rate)

As per NAS-39, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses while calculating the effective interest rate. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate. (see NAS 18 – Revenue)

The Carve-out states that the effective interest rate calculation shall include all fees and points paid or received, unless it is immaterial or impracticable to determine reliably.

The Bank has availed this Carve-out and has not considered all fees and points paid or received which are impracticable to measure reliably while determining effective interest rate.

d) Carve-Out : 7 - NAS 39: Financial Instruments: Recognition and Measurement (Impairability to Determine Interest Income on Amortized Cost)

As per NAS-39, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The Carve-out states that once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The Bank has availed this Carve-out and has calculated interest income on gross carrying amount of financial assets rather than calculating the interest income on amortized cost.

5.13. Dividend and Bonus

Bank's BOD meeting held on 9 January 2019 has decided to propose NPR. 60,88,88,566.00 (8.50 % of the existing capital of NPR. 7,16,33,94,973.00) as stock dividend from the distributable reserves up to FY 2074/75.

5.14. Unpaid Dividend

Out of total cash dividend proposed in FY 2066/67 & FY 2068/69 which were distributed in FY 2067/68 & FY 2069/70 respectively, cash dividend of NPR. 5,565,551.48 is still payable because shareholders have not yet collected the dividend. Also, dividend payable amounting to NPR. 31,20,034.21 stands payable as of Asadh 2075 for the payable of the acquisition institutions.

5.15. Provision for Staff Bonus

Provision for staff bonus has been provided at 10% of net profit before providing for income tax provision. This provision has been made as per Bonus Act 2030.

5.16. General Reserve

20 percent of the profit after tax is transferred to General Reserves as per Section 44 of Banks and Financial Institutions Act 2073. In FY 2074/75, the Bank has transferred NPR. 208,378,540.00 to the General Reserve Fund from the current year's profit.

5.17. Exchange Fluctuation Fund

25 percent of the revaluations gain on foreign exchange is transferred to exchange fluctuation fund as per Section 45 of Banks and Financial Institutions Act 2073. In FY 2074/75, the revaluation gain on foreign exchange amounts to NPR. 17,507,375.00. Therefore, the Bank has transferred Rs. 4,376,844 to Exchange Fluctuation Fund from the current year profit. The balance in Exchange Fluctuation Fund stands at NPR. 39,685,586.00 as on Asadh 32, 2075.

5.18. Investment Adjustment Reserve

Investment adjustment reserve has been created on Investment classified as 'Available for Sale'. Total outstanding investment adjustment reserve as at Balance Sheet date is NPR. 5,000,000.00 Investment adjustment reserve created up to FY 2073/74 has been reversed in current year following provisions of Unified NRB Directives, 2075. The amount of write back equals to NPR. 5,868,392.00

In NPR.

Particulars	Cost Price NPR	% Reserve	Investment Adjustment Reserve
1. Investment in Shares			
Credit Information Center Limited	1,330,000	Exemption by NRB	-
Nepal Clearing House Limited	3,976,700	Exemption by NRB	-
National Banking Training Institute	1,200,000	Exemption by NRB	-
Kumari Capital Ltd	200,000,000	First Year of Investment	-
Nepal Electronic Payment System Ltd	5,000,000	100%	5,000,000
Total Investment	211,506,700		5,000,000

5.19. Interest Capitalization

Following are the loans, interest on which is capitalized to recognize income in accordance with NRB approval. These loans are the project loans interest on which was capitalized for moratorium period. Detail of such loans and interest recognized in FY 2074/75 is as follows:

Amount in NPR

S.N.	Name of the client	Type	Capitalized Interest	NRB approval date
1.	HIMALAYAN HYDROPOWER	Term Loan	3,115,028.17	06/30/2074
2.	CIVIL HYDROPOWER PVT. LTD	Term Loan	21,801,624.93	03/07/2074
3.	PASHUPATI ENVIRONMENTAL POWER CO. PVT LTD	Term Loan	7,896,045.63	09/13/2073
4.	SINGATI HYDRO ENERGY PVT LTD	Term Loan	5,434,564.20	6/24/2075
5.	BINDHYABASINI HYDROPOWER LTD	Term Loan	5,464,646.58	03/29/2073
6.	BINDHYABASINI HYDROPOWER LTD	Term Loan	1,002,811.71	3/8/2074
7.	UNIVERSAL POWER CO. LTD	Term Loan	3,990,783.80	9/30/2074
8.	SANIGAD HYDRO PVT LTD	Term Loan	778,695.35	12/30/2074
Total			49,484,200.37	

5.20. Other Reserves

Employee Related Reserve Fund

As per NRB circular, the Bank is required to expend at least 3% of total staff expenses of previous year 073/74 in employees training and development. If the required amount could not be spent for the purpose, employees related reserve fund should be created for the shortfall amount. As of Balance Sheet date, the Bank's Employee Related Reserve Fund stands at NPR. 1,755,171.00

Particulars	Amount (NPR)
• Opening balance as on 1st Shrawan 2074 (A)	4,387,678
• 3% of Total Employee expenses for FY 2073/74 (B)	10,836,064
• Actual Expense incurred in Employee training and development in FY 2074/75 (C)	13,468,571
• Reserve to be created for shortfall amount or reduced for excess (D=B-C)	(2,632,506)
Closing balance as on 32nd Asadh 2075 (A+D)	1,755,171

CSR Reserves

As per NRB circular, the Bank has to transfer 1% of current year's profit to CSR fund. The Bank has transferred NPR 10,418,927.00 to CSR Fund from net profit of FY 074/75. As of Balance Sheet date, the Bank's CSR fund stands at NPR. 15,960,683.00

Particulars	Amount (NPR)
• Opening balance as on 1st Shrawan 2074 (A)	6,751,877
• 1% of Net profit for FY 2074/75 to be transferred to CSR Fund (B)	10,418,927
• CSR expenses incurred out of CSR Fund in FY 2074-75 (C)	1,210,121
• Closing balance as on 32nd Asadh 2075 (A+B-C)	15,960,683

Capital Adjustment Reserve

Interest income recognized by capitalizing interest income for the loans provided under National Priority after approval for such capitalization from Nepal Rastra Bank. The total capital adjustment reserve created in the FY 2073-74 is carried forward in the current year, while no addition to the capital adjustment reserve is required to be created as per NRB directive.

5.21. Summary of Loans and Advances Disbursed, Recovered and Principal & Interest Written-off (except for Staff Loans and advances and interest accrued)

The loan and advances disbursed, recovered and written off during the year is given below:

(NPR in million)

Particulars	Amount
Opening Loans and Advances	45,195.17
Loans and Advances disbursed during the year	84,828.08
Loans and Advances recovered during the year	67,282.28
Loans and Advances written off during the year	0.00
Closing Loans and Advances	62,740.97
Interest written off	0.00

5.22. Weighted Average Interest Rate Spread

Particulars	Rate (%)
Average Rate of return from loans and advances & investments	11.61
Average Rate of interest on deposits & borrowings	8.49
Net Spread	3.12

5.23. Summary of Concentration of exposure

No balance sheet and off balance sheet transaction have been highly concentrated to a single person, firm, organization or to a particular sector. Detail of highest exposure to a single person or organization is as follows:

NPR In Million

Particulars	Total Exposure	Maximum concentration to a single customer	
		Amount	%
Loans & Advances	62,740.97	1,593.30	2.54
Deposits	69,651.22	2,052.62	2.95
Off Balance Sheet Items	9,923.46	559.21	5.64

5.24. Summary of Changes in deposit during the year

Growth in deposits during the year is given below:

NPR In Million

Particulars	This Year (NPR)	Last Year (NPR)	Changes in amount
1. Current Deposit	3,198	1,796	1,402
a. Local Currency	3,153	1,740	1,413
b. Foreign Currency	44	56	(11)
2. Saving Deposit	16,383	13,393	2,990
a. Local Currency	16,277	13,265	3,013
b. Foreign Currency	106	128	(22)
3. Fixed Deposit	32,551	28,223	4,329
a. Local Currency	31,925	27,495	4,430
b. Foreign Currency	626	728	(101)
4. Call Deposit	17,285	8,243	9,042
a. Local Currency	17,018	7,148	9,870

(...continued on next page)

Particulars	This Year (NPR)	Last Year (NPR)	Changes in amount
b. Foreign Currency	267	1,095	(828)
5. Margin Deposit	234	383	(149)
a. Local Currency	234	383	(149)
b. Foreign Currency	-	-	-
Total Deposit	69,651	52,037	17,614

5.25. Classification of Assets and Liabilities based on Maturity

NPR In Million

S.N.	Particulars	1-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Total
Assets							
1.	Cash Balance	2,034	-	-	-	-	2,034
2.	Balance with Banks & FIs	6,782	-	-	-	-	6,782
3.	Investment in Foreign Banks	887	219	-	-	-	1,107
4.	Call Money	121	-	-	-	-	121
5.	Government Securities	1,626	1,564	261	-	5,050	8,501
6.	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7.	Inter Bank & FI Lending	33	-	-	-	-	33
8.	Loans & Advances	7,525	10,240	6,930	5,183	22,862	62,741
9.	Interest Receivable	335	16	4	-	63	418
10.	Reverse Repo	-	-	-	-	-	-
11.	Acceptance Receivable	-	-	-	-	-	-
12.	Payments under S.No. 20,21 & 22	2,164	619	26	490	9,017	12,316
13.	Others	733	244	244	244	985	2,451
	Total (A)	32,241	12,902	7,465	5,918	37,977	96,503
Liabilities							
14.	Current Deposits	1,476	492	492	492	328	3,280
15.	Saving Deposits (including call)	8,417	1,683	1,683	1,683	20,201	33,668
16.	Fixed Deposits	7,164	7,002	5,352	8,432	4,602	32,551
17.	Debentures/Bonds	-	-	-	-	-	-
18.	Borrowings	532	5	2	-	-	539
	Call/Short Notice	-	-	-	-	-	-
	Inter-bank/Financial Institution	519	-	-	-	-	519
	Refinance	12	5	2	-	-	19
	Others	-	-	-	-	-	-
19.	Other Liabilities and Provisions	136	36	36	36	-	245
	Sundry Creditors	-	-	-	-	-	-
	Bills Payable	105	35	35	35	-	210
	Interest Payable	27	-	-	-	-	27
	Provisions	-	-	-	-	-	-
	Others	4	1	1	1	-	9
20.	Acceptance Liabilities	492	43	-	-	91	626
21.	Irrevocable Loan Commitment	1,388	1,966	1,966	1,966	1,966	9,250
22.	Letter of Credit/Guarantee	2,744	1,213	375	1,978	2,988	9,298
23.	Repo	-	-	-	-	-	-
24.	Payable under s.no.11	-	-	-	-	-	-
25.	Others	759	253	253	253	-	1,519
	Total (B)	23,108	12,693	10,159	14,840	30,176	90,976
	Net Financial Assets (A-B)	9,133	209	(2,694)	(8,923)	7,801	5,527
	Cumulative Net Financial Assets	9,133	9,343	6,649	(2,274)	5,527	(0)

5.26. Reconciliation Status

The Bank reconciles branches and other agency accounts regularly. The difference has been identified, reviewed and reconciled and it has been or will be adjusted in due course of business.

NPR. in '000

Reconciliation status	Ledger	Statement Credit	Ledger Credit	Statement Debit
• Less than 1 Month	234,276.52	51,944.02	99,329.91	2,917.53
• More than 1 Month To Less than 3 Months	4,725.04	332.82	10,100.46	76.77
• More than 3 Months To Less than 9 Months	4,574.97	-	-	31.10
• More than 9 Months	26.97	-	-	3.66
Total	243,603.50	52,276.84	109,430.37	3,029.06

5.27. Details of Software Application (Intangible Assets)

Amount in NPR

Net Opening Balance	Net Additions during the year	Amortization during the year	Net Closing Balance
7,418,719	106,893,052	3,858,344	110,453,427

5.28. Capital Work in Progress (WIP)

Carrying amount of capital work-in-progress includes cost incurred for the soil testing work for building construction site at Naxal. As of the balance sheet date, the carrying amount of WIP is NPR. 261,369.

5.29. Disclosure of Actuarial Valuation of Gratuity and Leave

Particulars	2072-73		2073-74		2074-75	
	Gratuity (Funded)	Annual Leave Encashment (Non Funded)	Gratuity (Funded)	Annual Leave Encashment (Non Funded)	Gratuity (Funded)	Annual Leave Encashment (Non Funded)
Change in Present Value Obligations						
PV of Obligation at beginning of the year	-	-	146,908,822	62,063,331	248,493,105	106,827,880
Interest Cost	-	-	11,356,132.00	4,281,479	33,286,531	7,429,801
Current Service Cost	146,908,822	62,063,331	19,505,946	11,462,483	19,224,323	18,732,625
Benefit paid	(11,592,880)	(14,047,348)	(9,148,043)	(17,089,688)	(7,118,535)	(27,910,733)
Actuarial (Gain)/ Loss	11,592,880	14,047,348	79,870,248	46,110,275	(18,771,860)	4,600,012
Liability at the end of the year	146,908,822	62,063,331	248,493,105	106,827,880	275,113,564	109,679,585
Change in Fair Value of Plan Assets						
Fair Value of Plan Asset at Beginning of the Year	-	-	110,147,774	-	166,075,504	-
Contribution by Employer	121,740,654	-	65,075,773	-	57,959,812	-
Benefit paid	(11,592,880)	-	(9,148,043)	-	(7,118,535)	-
Actuarial (Gain)/ Loss on Plan Assets	-	-	-	-	-	-
Fair Value of Plan Asset at End of the Year	110,147,774	-	166,075,504	-	216,916,781	-
Amount Recognized in Statement of Financial Position						
Present Value of Obligations at Year End	146,908,822	62,063,331	248,493,105	106,827,880	275,113,564	109,679,585
Fair Value of Plan Assets at Year End	110,147,774	-	166,075,504	-	216,916,781	-
Funded Status	(36,761,048)	(62,063,331)	(82,417,601)	(106,827,880)	(58,196,783)	(109,679,585)
Unrecognized Actuarial (Gain)/Loss at Year End						
Unrecognized Past Service Cost						
Net Asset/(Liability) Recognized in Balance Sheet	(36,761,048)	(62,063,331)	(82,417,601)	(106,827,880)	(58,196,783)	(109,679,585)

5.30. Disclosure of Non Banking Assets

As at Asadh 32, 2075, Non Banking Assets assumed by Bank are as follows:

Name of Borrower/Party	Date of assuming of Non-Banking Assets	Total Non-Banking Assets NPR
Opportunity Manpower Service	27-Jan-14	2,892,225.09
Sukunda Group	12-Feb-16	44,829,351.16
Sukunda Group	25-Feb-16	919,637.00
Bishnu Kumari Galla Bhandar	15-Jul-08	242,554.83
Rina Darji	22-Jan-17	837,270.00
Jite Kami	22-Jan-17	811,812.00
Jyam Maya B.K.	22-Jan-17	840,213.00
Uma Kumari Ghimire	22-Jan-17	820,283.00
Sita Nepali	22-Jan-17	839,711.00
Lul Bdr. B.K.	22-Jan-17	842,190.00
Sunil B.K.	22-Jan-17	837,509.00
Moti Kala Damai	22-Jan-17	841,806.00
Kamal Prasad Gyawali	30-Jan-17	1,751,787.00
Tul Prd. Gauchan	30-Jan-17	737,844.00
Bhim Bdr. Khasu	30-Jan-17	1,060,001.00
Suntala Khatri Chettri	30-Jan-17	1,048,480.00
Gita Balal	9-Mar-17	615,257.00
Ram Bdr. Bhujel	9-Mar-17	1,040,544.00
ChabiRaj Gurung	9-Mar-17	942,378.00
Gun Bdr. Bishwokarma	9-Mar-17	1,013,233.00
Sunil Kumar Shrestha	9-Mar-17	883,901.00
Nirmala Shrestha	9-Mar-17	956,138.00
Gyan Bdr. Damai	9-Mar-17	762,531.00
Aaiet Siri Tamang	9-Mar-17	657,603.00
Tika Bdr. Sunar	13-Apr-17	872,791.00
Dil Bdr. Nepali	13-Apr-17	790,522.00
Hum Bdr. Sarki	13-Apr-17	774,201.00
Mohan Bdr. Gurung	13-Apr-17	756,633.00
Poti Maya Gurung	13-Apr-17	783,816.00
Ram Krishna Kami	13-Apr-17	859,909.00
Sumitra Sunari Magar	13-Apr-17	680,235.00
Mitre Damai	13-Apr-17	824,395.00
Tau Maya Gurung	13-Apr-17	901,786.00
Bhobisara Chidi	13-Apr-17	691,073.00
Padam Bdr. Malla	13-Apr-17	784,664.00
Deepak B.K.	13-Apr-17	814,572.00
Gyan Bahadur Gurung	21-Apr-17	787,845.00
MinaSara Ale	3-May-17	751,759.00
Fulmaya Pulami	3-May-17	889,608.00
Tilisara Gharti	3-May-17	925,684.00
Gitasara Darlami	3-May-17	745,537.00
Janga Bdr. Damai	3-May-17	691,001.00
Jamuna Sarki	3-May-17	1,022,564.00
Bhagwati Timilsina	3-May-17	920,123.00
Krishna Ratana	3-May-17	1,043,864.00
Fanimaya Darlami	3-May-17	1,142,127.00
Chowk Bdr. Rakhal	3-May-17	829,483.00
RamKrishna Kami	3-May-17	792,528.00
Sambhu Sunar	3-May-17	793,771.00
Laxmi Bishwokarma	3-May-17	793,771.00
Arjun Bdr. Bishwokarma	3-May-17	793,814.00
Dal Bdr. Kami	3-May-17	838,702.00
Krishna Bdr. B.K	3-May-17	793,771.00
Basanti Khadka	3-May-17	820,719.00
Gita Saru	3-May-17	728,194.00
Chabi Lal Sinjali	28-May-17	830,667.00

(...continued on next page)

Name of Borrower/Party	Date of assuming of Non-Banking Assets	Total Non-Banking Assets Rs.
Sonu Tamang	28-May-17	830,348.00
Damaya Gurung	28-May-17	713,768.00
Umi Sara Singjali	15-Jun-17	614,883.00
Amita Gaha	15-Jun-17	676,950.00
Pratap Pariyar	15-Jun-17	636,328.00
KaliMaya Darji	15-Jun-17	532,219.00
Som Bdr. Sarki	15-Jun-17	757,340.00
Bir Bdr. Bishwokarma	15-Jun-17	758,314.00
Dhan Bdr. Kami	15-Jun-17	639,698.00
Uday Raj Tharu	15-Jun-17	531,206.00
Dhan Bdr. Bishwokarma	15-Jun-17	635,109.00
Maya Gharti	15-Jun-17	531,723.00
Khim Bdr. Sunar	15-Jun-17	529,701.00
Kashiram Gahatraj	15-Jun-17	529,709.00
Sita Sunar	15-Jun-17	533,826.00
Karan Bdr. Kami	15-Jun-17	533,834.00
Sushila Darji	15-Jun-17	531,912.00
Santa Lal Sunar	15-Jun-17	482,146.00
Khum Bdr. Sartunge	15-Jun-17	531,733.00
Kamal Bishwokarma	15-Jun-17	532,285.00
Jagat Bdr. Ale	15-Jun-17	532,089.00
Ram Bdr. B.K.	15-Jun-17	532,297.00
Min Bdr. Shreenet	15-Jun-17	532,627.00
Sita Pariyar	15-Jun-17	532,532.00
Fulmati Darji Bhane Fulmati	15-Jun-17	595,199.00
Man Kumari Rana	15-Jun-17	531,758.00
Bishnu Maya Gurung	15-Jun-17	594,308.00
Deepak Gahatraj	15-Jun-17	530,056.00
Chandra Bdr. Midhun	15-Jun-17	531,557.00
Tila Chaudhary	15-Jun-17	533,119.00
Shankar Nepali	15-Jun-17	531,912.00
Manakamana Diagnostic & Imaging Center	15-Oct-15	10,086,674.36
Raj kumar Tamang	5-Feb-16	5,890,530.10
Narayan Karki	28-Nov-16	4,000,000.00
Buddhi Hotel	1-Jun-17	1,807,084.41
Shree Ajima Grocery	27-Jun-17	51,840.00
Jeni Karmacharya	27-Jun-17	800,000.00
Total		134,171,002.95

5.31. Rounding off and Comparative Figures

Figures are rounded to nearest rupees. Previous year's figure has been regrouped or rearranged where necessary.

Kumari Bank Limited**Statement of Distributable Profit or Loss**

Notes forming part of Financial Statements
(As per NRB Regulation)

Interest Income

Particulars	Bank	
	As at 16 July 2018	As at 15 July 2017
Net profit or (loss) as per statement of profit or loss	1,041,892,704.12	793,142,994.48
Appropriations:		
a. General reserve	(208,378,540.82)	(132,148,337.51)
b. Foreign exchange fluctuation fund	(4,376,843.90)	(5,296,829.28)
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(9,208,806.04)	(6,607,416.88)
e. Employees' training fund	(1,755,171.26)	(4,071,551.00)
f. Capital adjustment fund	-	3,275,737.00
g. Investment Adjustment Reserve	868,392.00	(5,270,240.00)
h. Other Reserve	31,168,452.00	(201,734,134.06)
Profit or (loss) before regulatory adjustment	850,210,186.10	441,290,222.76
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(282,804,642.88)	
b. Short loan loss provision in accounts (-)/reversal (+)	-	
c. Short provision for possible losses on investment (-)/reversal (+)	(9,310,882.78)	
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	(134,171,002.95)	
e. Deferred tax assets recognised (-)/ reversal (+)	-	
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	
g. Bargain purchase gain recognised (-)/reversal (+)	-	
h. Actuarial loss recognised (-)/reversal (+)	(50,883,887.60)	
i. Other (+/-)	-	
Distributable profit or (loss)	373,039,769.89	441,290,222.76

Kumari Bank Limited

Statement of Distributable Profit or Loss

Notes forming part of Financial Statements
(As per NRB Regulation)

Comparison Unaudited and Audited Financial Statements as of FY 2074/75

NPR. in '000'

Assets	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Cash and cash equivalent	3,353,911	3,780,644	426,733	12.72%	Due to Reclassification
Due from NRB and placements with BFIs	6,723,854	6,296,857	(426,998)	-6.35%	Due to Reclassification
Loan and advances	62,940,072	62,375,510	(564,561)	-0.90%	Reclassification of Staff Loan and Advance
Investments Securities	9,036,376	8,802,904	(233,472)	-2.58%	Due to Reclassification
Investment in subsidiaries and associates	-	220,000	220,000	100.00%	Due to Reclassification
Property And Equipment	436,121	568,475	132,355	30.35%	Due to Reclassification
Goodwill and intangible assets	111,025	110,453	-	0.00%	
Other assets	1,186,783	568,707	(618,076)	-52.08%	Due to Reclassification
Total Assets	83,788,141	82,723,551	(1,064,019)	-1.27%	
Capital and Liabilities					
Paid up Capital	7,163,055	7,163,395	339	0.00%	Due to Fraction Share
Reserves and surplus	4,531,742	3,377,303	(1,154,439)	-25.47%	Due to appropriation of regulatory and other reserves
Deposits	69,677,722	70,190,080	512,359	0.74%	Due to Reclassification
Borrowings	539,116	-	(539,116)	-100.00%	Due to Reclassification
Bond and Debenture	-	-	-	0.00%	
Other liabilities and provisions	1,876,505	1,992,772	116,266	6.20%	Due to Reclassification
Total Capital and Liabilities	83,788,141	82,723,551	(1,064,590)	-1.27%	-
Statement of Profit or Loss					
Interest income	6,819,637	6,804,011	(15,626)	-0.23%	Due to Reclassification of Income
Interest expense	4,771,172	4,771,333	161	0.00%	Due to Reclassification of Expense
Net interest income	2,048,465	2,032,678	(15,786)	-0.77%	
Fee and commission income	396,283	396,815	533	0.13%	Due to Reclassification of Income
Fee and commission expense	21,109	27,322	6,213	29.43%	Due to Reclassification of Expense
Net fee and commission income	375,173	369,493	(5,680)	-1.51%	
Other operating income	208,885	249,115	40,230	19.26%	Due to Reclassification of Income
Total operating income	2,632,523	2,651,286	18,764	0.71%	
Impairment charge/(reversal) for loans and other losses (31,587)		31,946	63,533	-201.14%	Due to Carve-out on NFRS
Net operating income	2,664,110	2,619,340	(44,770)	-1.68%	
Personnel expenses	786,127	801,841	15,714	2.00%	Due to Actuarial Valuation
Other operating expenses	453,009	460,132	7,123	1.57%	Due to Reclassification
Operating profit	1,424,974	1,357,368	(67,606)	-4.74%	
Non operating income/expense	33,034	24,529	(8,505)	-25.75%	Due to Reclassification
Profit before tax	1,458,008	1,381,897	(76,111)	-5.22%	
Income tax	429,211	340,004	(89,207)	-20.78%	Change in income and effect of Deferred Tax
Profit /(loss) for the period	1,028,797	1,041,893	13,096	1.27%	
Other comprehensive income	(19,638)	(8,879)	10,759	-54.79%	Due to effects of above changes
Total comprehensive income	1,009,159	1,033,014	23,855	2.36%	
Distributable Profit	1,009,159	1,041,893	32,734	3.24%	
Net profit/(loss) as per profit or loss	1,028,797	1,041,893	13,096	1.27%	
Add/Less: Regulatory adjustment as per NRB Directive (27,303)		477,170	504,474	-1847.65%	
Free profit/(loss) after regulatory adjustments	1,001,493	564,722	(436,771)	-43.61%	

Kumari Bank Limited**Unaudited Financial Results (Quarterly)**

As at Third Quarter (13 April 2018) of the Fiscal Year 2017/18

As per NRB Circular No. Bai.Bi.Ni.Bi/Niti/Paripatra/KaKhaGa/10/074/75 and Bai.Bi.Ni.Bi/Niti/Paripatra/KaKhaGa/23/074/75

As per NFRS

NPR '000

Statement of Financial Position	This Quarter Ending	Previous Quarter Ending	Corresponding Year Previous Quarter Ending
Assets			
Cash And Cash Equivalent	3,353,911	1,924,747	3,377,694
Due From NRB And Placements with BFIs	6,723,854	5,244,571	7,552,613
Loan And Advances	62,940,072	57,014,020	45,254,113
Investment Securities	9,036,376	8,548,386	5,273,019
Property And Equipment	436,121	393,978	350,649
Goodwill And Intangible Assets	111,025	12,766	7,419
Other Assets	1,186,783	1,554,466	790,083
Total Assets	83,788,141	74,692,934	62,605,590
Capital And Liabilities			
Paid Up Capital	7,163,055	5,969,496	5,969,496
Reserves And Surplus	4,531,742	4,101,608	3,260,720
Deposits	69,677,722	61,859,926	52,279,208
Borrowings	539,116	1,469,278	7,217
Bond And Debenture	-	-	-
Other Liabilities And Provisions	1,876,505	1,292,626	1,088,948
Total Capital And Liabilities	83,788,141	74,692,934	62,605,590

Statement of Profit or Loss	Up to this Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
Interest Income	6,819,637	4,748,951	3,733,665
Interest Expense	(4,771,172)	(3,345,250)	(2,299,277)
Net Interest Income	2,048,465	1,403,701	1,434,388
Fees and Commission Income	396,283	263,247	278,716
Fees and Commission Expense	(21,109)	(13,448)	(19,422)
Net Fees and Commission Income	375,173	249,799	259,294
Other Operating Income	208,885	114,772	59,433
Total Operating Income	2,632,523	1,768,273	1,753,115
Impairment Charge/ (Reversal) for Loans and Other Losses	31,587	43,129	524,099
Net Operating Income	2,664,110	1,811,402	2,277,213
Personnel Expenses	(786,127)	(545,504)	(466,701)
Other Operating Expenses	(453,009)	(301,081)	(298,218)
Operating Profit	1,424,974	964,817	1,512,295
Non-Operating Income/Expenses	33,034	60,331	87,119
Profit Before Tax	1,458,008	1,025,147	1,599,414
Income Tax	(429,211)	(302,432)	(509,059)
Profit /(Loss) For the Period	1,028,797	722,715	1,090,356
Other Comprehensive Income	(19,638)	(39,591)	71,022
Total Comprehensive Income	1,009,159	683,124	1,161,378

Distributable Profit

Net Profit/ (Loss) as per Profit or Loss	1,009,159	683,124	1,161,378
Add/Less: Regulatory Adjustment as per NRB Directive	(7,666)	22,552	(461,004)
Free Profit/ (Loss) after Regulatory Adjustments	1,001,493	705,676	700,374

Ratios

Capital Fund to RWA	13.93%	14.09%	16.15%
Non-Performing Loan (NPL) to Total Loan (As per NRB Directive)	1.01%	1.24%	1.86%
Total Loss Loan Provision to Total NPL (As per NRB Directive)	177.12%	152.57%	130.81%
Costs of Funds	8.25%	8.67%	5.93%
Credit to Deposit Ratio (As per NRB Directive)	76.54%	78.69%	78.00%
Base Rate	11.60%	11.62%	11.31%
Basic Earnings Per Share	13.98	15.76	11.73
Diluted Earnings Per Share	13.98	15.76	11.73

Notes to NFRS Compliant Financials as per NRB Circular no Bai.Bi.Ni.Bi/Niti/Paripatra/KaKhaGa/23/074/75

1. On Implementation of NFRS, the previous period's figure have been regrouped / rearranged / restated wherever necessary as per the format prescribed by NRB.
2. Above figures are subject to change upon otherwise directions of Statutory Auditor and/or Regulatory Authorities.
3. Loan and Advances include interest receivables and are presented net of impairment charges.
4. Personnel Expenses include employment bonus provision calculated at 10 percent of profit calculated as per NRB Directive no. 4
5. Interest income on loans and advances to customers are shown on accrual basis
6. Taxation shown is as per profit of the financial statement shown as per NRB directive no 4
7. Property and Equipment line item has been inserted and disclosed separately in above financials.

Segment Reporting

The Bank has identified segment on the basis of nature of banking operations of the bank. The segment identified are Banking Operations (including loan, deposit and corporate office), Financial Market (Treasury), Card and Remittance. The bank evaluates profit of its segments before tax.

Segment Results

Particulars	Banking	Treasury	Card	Remittance	Total
Segment Assets	75,032,500	8,724,803	28,398	2,440	83,788,141
Segment Liabilities	75,032,500	8,724,803	28,398	2,440	83,788,141
Interest Income	6,469,293	348,821	1,523	-	6,819,637
Interest Expense	(4,750,867)	(20,305)	-	-	(4,771,172)
Net Interest Income	1,718,426	328,515	1,523	-	2,048,465
Fees and Commission Income	323,247	2,944	60,298	9,793	396,283
Fees and Commission Expense	-	(73)	(21,037)	-	(21,109)
Net Fees and Commission Income	323,247	2,872	39,261	9,793	375,173
Net Interest, Fees and Commission Income	2,041,673	331,387	40,784	9,793	2,423,638
Net Trading Income	-	33,034	-	-	33,034
Other Operating Income	58,531	150,354	-	-	208,885
Total Operating Income	2,100,204	514,776	40,784	9,793	2,665,557
Impairment Charge (Reversal)For loans and Other Losses	32,966	-	(1,379)	-	31,587
Net Operating Income	2,133,170	514,776	39,405	9,793	2,697,144
Operation Expense					
Personnel Expenses	(740,445)	(11,747)	(23,494)	(10,442)	(786,127)
Other Operating Expenses	(437,171)	(5,279)	(5,279)	(5,279)	(453,009)
Operating Profit	955,554	497,749	10,632	(5,928)	1,458,008
Non-Operating Income / (Expenses)	-	-	-	-	-
Segment Result Before Income Tax	955,554	497,749	10,632	(5,928)	1,458,008

Kumari Bank Limited

Reconciliation of Net Profit of Financial Statement as per NRB Directive No. 4 and NFRS compliant Financial Statements

Particulars	This Quarter Ending	Previous Quarter Ending	Corresponding Year Previous Quarter Ending
Profit after tax as per NRB Directive No. 4	1,001,493	705,676	700,374
Reversal of difference in Interest Income on loans to customers due to accounting for as per accrual basis of accounting in accordance with NFRS	11,785	28,685	133,288
Interest Income on Staff Loans accrued as per NFRS	33,283	33,324	3,726
Impairment Charge/ (Reversal) for Loans and Other Losses	15,519	(11,646)	408,768
Amortization of Prepaid Employee Benefit on staff loan as per NFRS	(33,283)	(33,324)	(3,726)
Deferred Tax effect on above adjustments	-	-	(152,074)
Net NFRS Adjustments for the year	1,028,797	722,715	1,090,356
Profit after tax as per NFRS	1,028,797	722,715	1,090,356
Difference	-	-	-
Increase/(Decrease)	27,303	17,039	389,982

Kumari Bank Limited

Principal Indicators

(For 7 years)

Particulars	Indicators	As per GAAP					As per NFRS	
		F. Y. 2011/12	F. Y. 2012/13	F. Y. 2013/14	F. Y. 2014/15	F. Y. 2015/16	F. Y. 2016/17	F. Y. 2017/18
1. Net Profit/Gross Income	%	26.95%	23.99%	29.29%	32.27%	47.29%	42.58%	38.90%
2. Earnings Per Share (Basic)	Rs.	1718	1817	18.69	16.24	26.53	13.29	14.54
3. Market Value per Share	Rs.	242	260	536	380	-	327.00	199.00
4. Price Earning Ratio	Ratio	14.09	14.31	28.68	23.41	0.00	24.61	13.68
5. Stock Dividend on share capital	%	0.00%	14.00%	33.00%	11.00%	21.00%	12.75%	0.00%
6. Cash Dividend on share Capital	%	7.00%	0.74%	1.74%	0.58%	1.10%	0.00%	0.00%
7. Interest Income/Loans & Advances	%	12.26%	11.72%	10.19%	8.81%	8.56%	8.36%	10.91%
8. Employee Expenses/Total Operating Expenses	%	47.82%	46.93%	48.01%	52.83%	54.48%	51.29%	51.37%
9. Interest Expenses to Total Deposit and Borrowings	%	7.38%	5.87%	5.67%	4.47%	4.00%	4.51%	6.85%
10. Exchange Fluctuation Gain/Gross Income	%	4.32%	4.69%	7.30%	7.79%	7.20%	5.71%	6.21%
11. Staff Bonus/ Total Employee Expenses	%	16.84%	17.03%	18.32%	16.60%	24.91%	24.41%	23.68%
12. Net Profit/Loans & Advances	%	1.52%	1.45%	1.50%	1.46%	2.38%	1.77%	1.67%
13. Net Profit/ Total Assets	%	1.10%	1.03%	1.10%	1.06%	1.69%	1.29%	1.26%
14. Total Credit/Deposit	%	82.33%	79.47%	82.70%	81.00%	79.34%	87.60%	89.55%
15. Total Operating Expenses/Total Assets	%	1.62%	1.54%	1.49%	1.44%	1.37%	0.48%	0.56%
16. Adequacy of Capital Fund on Risk Weightage Assets								
a. Core Capital	%	11.30%	11.24%	10.85%	9.89%	10.75%	13.55%	12.48%
b. Supplementary Capital	%	0.90%	0.93%	0.96%	0.96%	0.94%	0.95%	0.88%
c. Total Capital Fund	%	12.20%	12.17%	11.81%	10.84%	11.69%	14.50%	13.36%
17. Liquidity (CRR)	Ratio	13.52%	12.43%	13.62%	7.48%	8.74%	10.33%	6.85%
18. Non Performing Loans/Total Loans	%	2.21%	2.89%	4.03%	2.49%	1.15%	1.86%	1.05%
19. Weighted Average Interest Rate Spread	%	4.27%	4.62%	3.71%	3.17%	3.59%	3.26%	3.12%
20. Book Net worth Per Share (Basic)	Rs.	148	166	162	138	149	135	131
21. Total Shares	Number	16,038,000	18,283,320	24,316,816	26,991,665	32,659,915	68,827,854	80,767,278
22. Total Employees	Number	327	377	362	392	385	755	796

S. Dangol & Associates
Chartered Accountants

Chakupat, Kupondole
Lalitpur, Nepal
Tel No.- 977-1-5260809
E-mail:- s.dangol.associates7@gmail.com

**AUDIT REPORT
TO THE SHAREHOLDERS OF
KUMARI CAPITAL LIMITED**

We have audited the attached financial statements of **M/S Kumari Capital Limited, Kathmandu, Nepal** which comprises the Balance sheet as at **Ashad 32, 2075 (July 16, 2018)** and the Income Statement, Statement of Changes in Equity & Cash Flow Statement for the Year then ended & the summary of significant accounting policies & other explanatory notes.


These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and to the best of our information and explanation given to us and based on the audit work carried out by us, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, the Balance Sheet, Income Statement and the Cash Flow Statement referred in this report have been prepared in accordance with Companies Act, 2063 and are in agreement with the books of account maintained by the Company;
3. In our opinion, proper books of account as required by prevailing law have been kept by the company so far as appears from our examination of such books;
4. In our opinion, the aforementioned financial statements read together with notes on accounts annexed herewith, are presented fairly, in all material respects, the financial position of the company as of **32nd, Ashad 2075**, the results of its operation and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Companies Act, 2063.
5. To the best of our information and according to explanations given to us and from our examination of the books of account of the company necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employee of the company have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the company.

For: S. Dangol & Associates
Chartered Accountants


Suman Dangol, FCA
Proprietor

Place: Lalitpur, Nepal
Date: Mangsir 25, 2075 (11 December 2018)

Kumari Capital Limited**Balance Sheet**

As at 32 Asadh 2075 (16 July 2018)

Capital and Liabilities	Current Year (NPR)	Previous Year (NPR)
1. Share Capital	200,000,000	-
2. Reserves and Funds	(313,250)	-
3. Proposed Dividend & Dividend Payables	-	-
4. Income Tax Liabilities	-	-
5. Other Current Liabilities	313,250	-
Total Capital and Liabilities	200,000,000	-
Assets	Current Year (NPR)	Previous Year (NPR)
1. Cash Balance	-	-
2. Balance with Banks/Financial Institution	200,000,000	-
3. Investment	-	-
4. Fixed Assets	-	-
5. Other Current Assets	-	-
Total Assets	200,000,000	-

Anuj Mani Timilsina
Chairman

Ram Chandra Khanal
Director

Narendra Prasad Chhatkuli
Director

Date: 10 December 2018
Place: Kathmandu

As per our Report of even date

CA. Suman Dangol
Managing Partner
S. Dangol & Associates
Chartered Accountants

Kumari Capital Limited**Income Statement**

For the Period ended 32 Asadh 2075 (For the Period ended 16 July 2018)

Particulars	Current Year (NPR)	Previous Year (NPR)
A. Incomes		
Income from Merchant Banking Activities	-	-
Fund Management & Depository Fee	-	-
Dividend on Seed Investments	-	-
Interest on Deposits	-	-
Collection Commissions	-	-
Underwriting Income	-	-
Scheme Issue Management Fee	-	-
Other Income	-	-
Total (A)	-	-
B. Expenditures		
Office Rent	-	-
Staff Related Expenses	-	-
License Fee	125,000	-
Registration Expenses	160,000	-
SEBON Commissions	-	-
Office and Administration Expenses	-	-
BOD Meeting Expenses	-	-
Audit Fee	28,250	-
AGM Expenses	-	-
Depreciation	-	-
Marketing Expenses	-	-
Total (B)	313,250	-
Net Profit/Loss	(313,250)	-

Anuj Mani Timilsina
Chairman

Ram Chandra Khanal
Director

Narendra Prasad Chhatkuli
Director

Date: 10 December 2018
Place: Kathmandu

As per our Report of even date

CA. Suman Dangol
Managing Partner
S. Dangol & Associates
Chartered Accountants

Kumari Capital Limited**Profit and Loss Appropriation Account**

For the Period ended 32 Asadh 2075 (For the Period ended 16 July 2018)

Particulars	Current Year (NPR)	Previous Year (NPR)
Income		
1. Accumulated Profit up to Last Year	-	-
2. This Year's Profit	(313,250)	-
3. Share Premium	-	-
Total	(313,250)	-
Expenses		
1. Accumulated Loss up to Last Year	-	-
2. Current Year's Loss	-	-
3. Dividend Equalization Fund	-	-
4. Proposed Cash Dividend	-	-
5. Proposed Bonus Share	-	-
6. Previous Year's Tax Adjustment	-	-
7. Deferred Tax Fund	-	-
Total	-	-
17. Accumulated Profit/(Loss)	(313,250)	-

Anuj Mani Timilsina
Chairman

Ram Chandra Khanal
Director

Narendra Prasad Chhatkuli
Director

Date: 10 December 2018
Place: Kathmandu

[As per our Report of even date](#)

CA. Suman Dangol
Managing Partner
S. Dangol & Associates
Chartered Accountants

Kumari Bank Limited**Cash Flow Statement**

For the Period ended 32 Asadh 2075 (For the Period ended 16 July 2018)

Particulars	Current Year (NPR)	Previous Year (NPR)
(A) Cash Flow from Operating Activities	-	-
1. Cash Received	-	-
1.1 Interest Income	-	-
1.2 Commission and Fee Based Income	-	-
1.3 Other Income	-	-
2. Cash Payment	(313,250)	-
2.1 Interest Expenses	-	-
2.2 Staff Expenses	-	-
2.3 Office Overhead Expenses	(313,250)	-
2.4 Income Tax Paid	-	-
2.5 Other Expenses	-	-
Cash Flow before Changes in Working Capital	313,250	-
Increase /(Decrease) of Current Assets	-	-
1. (Increase)/Decrease in Short Term Investment	-	-
2. (Increase)/Decrease in Other Current Assets	-	-
Increase /(Decrease) of Current Liabilities	313,250	-
1. Increase/(Decrease) in Short Term Borrowings	-	-
2. Increase/(Decrease) in Other Current Liabilities	313,250	-
(B) Cash Flow from Investment Activities	-	-
1. (Increase)/Decrease in Long-term Investment	-	-
2. (Increase)/Decrease in Fixed Assets	-	-
3. Interest income from Long Term Investment	-	-
4. Dividend Income	-	-
5. Others	-	-
(C) Cash Flow from Financing Activities	200,000,000	-
1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	-
2. Increase/(Decrease) in Share Capital	200,000,000	-
3. Increase/(Decrease) in Other Liabilities	-	-
(E) This Year's Cash Flow from All Activities	200,000,000	-
(F) Opening Balance of Cash and Bank Balances	-	-
(G) Closing Balance of Cash and Bank Balances	200,000,000	-

Anuj Mani Timilsina
Chairman

Ram Chandra Khanal
Director

Narendra Prasad Chhatkuli
Director

Date: 10 December 2018
Place: Kathmandu

As per our Report of even date

CA. Suman Dangol
Managing Partner
S. Dangol & Associates
Chartered Accountants

Kumari Bank Limited

Statement of Changes in Equity

For the Period ended 32 Asadh 2075 (For the Period ended 16 July 2018)

Particulars	Share Capital	Accumulated "Profit/Loss"	Share Premium	Deferred Tax Fund	Other Reserve & Fund	Total Amount (NPR)
Opening Balance	-	-	-	-	-	-
Adjustments	200,000,000	(313,250)	-	-	-	199,686,750
Capital Issued	200,000,000					200,000,000
Net Profit for the Period		(313,250)				(313,250)
Declaration of Dividend		-				-
Right Share Issued						-
Proposed Bonus Share	-	-				-
Previous Year tax Adjustment						-
Deferred Tax Fund		-		-		-
Share Premium						-
Closing Balance	200,000,000	(313,250)	-	-	-	199,686,750

Anuj Mani Timilsina
Chairman

Ram Chandra Khanal
Director

Narendra Prasad Chhatkuli
Director

Date: 10 December 2018
Place: Kathmandu

As per our Report of even date

CA. Suman Dangol
Managing Partner
S. Dangol & Associates
Chartered Accountants

Kumari Bank Limited

Significant Accounting Policies and Notes to the Accounts

As on Asadh 32, 2075 (16 July 2018)

Significant Accounting Policies

The Principal accounting policies are adopted in preparation of financial statements, which have been consistently applied unless otherwise stated.

1.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Accounting Standards (NAS).

1.2 Basis of Preparation

The Financial Statements are presented in NPR, rounded to the nearest Rupee. They are prepared on Accrual Cost Concept. The Financial Statements are in conformity with NAS and GAAP principles.

Notes to the Accounts

1. Share Capital

Kumari Capital Limited is 100% Subsidiary of Kumari Bank Limited, with paid up capital of NPR. 200,000,000.00 (NPR. Two Hundred Millions) and Authorized capital of NPR. 500,000,000.00 (NPR. Five Hundred Millions)

2. Reserve and Surplus

Reserve and Surplus is net loss of NPR. 313,250.00, pre-incorporation expenses for registration and audit expenses have been incurred.

3. Income Tax

The net position of the period is loss hence; no Income tax has been recognized.

4. Related Party Transaction:

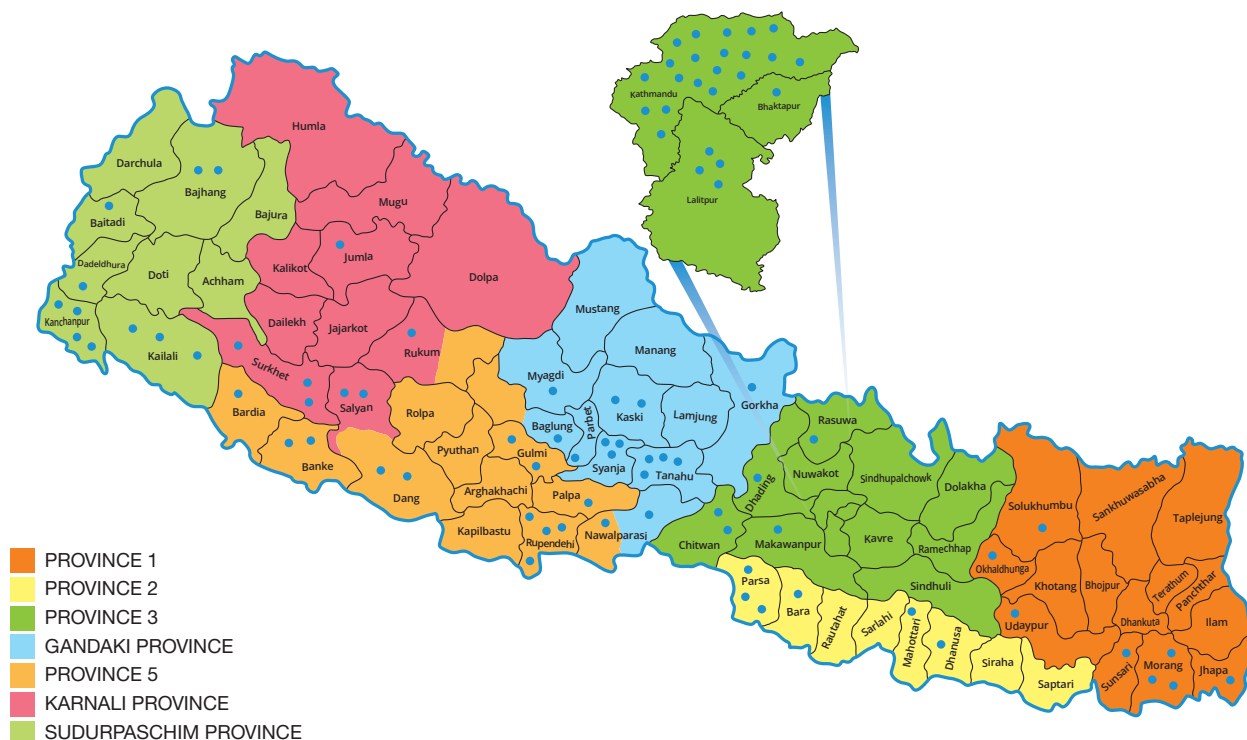
- 100% share capital is investment of its parent company Kumari Bank Limited
- Bank account of Kumari Capital Limited is opened at Kumari Bank Limited with the value of its total Share capital investment.
- Initial costs for registration of the company have been incurred by its parent company; Kumari Bank Limited.
- Other Small transactions are considered as immaterial transactions.

5. Event after Balance Sheet date.

Kumari Capital Limited; has applied for final approval from Securities Board of Nepal on 6th December 2018.

Kumari Bank Limited

Branch Network



INSIDE VALLEY BRANCHES

PROVINCE 3

Corporate Office

Tangal, Kathmandu
Tel: 01-4443075-79

Durbar Marg Branch

Annapurna Arcade,
Durbar Marg, Kathmandu
Tel: 01-4221311 / 14 / 32
Fax: 01-4226644

Putalisadak Branch

Putalisadak, Kathmandu
Tel: 01-4232112 / 13
Fax: 01-4231960

New Road Branch

New Road, Kathmandu
Tel: 01-5713375/79
01-5713323/88/92
01-5713412 / 32/ 33/ 36/ 56
Fax: 01-4238365

Mangal Bazar Branch

Mahapal, Mangal Bazar, Lalitpur
Tel: 01-5529701
Fax: 01-5529712

Baneshwor Branch

Old Baneshwor, Kathmandu
Tel: 01-4499322
Fax: 01-4497120

Budhanilkantha Branch

Narayanthan Milan Chowk
Budhanilkantha, Kathmandu
Tel: 01-4377718
Fax: 01-4372278

Koteshwor Branch

Tinkune, Koteshwor, Kathmandu
Tel: 01-5199221 / 5199372 / 5199117
Fax: 01-5199725

Kalanki Branch

Purano Kalimati, Kalanki, Kathmandu
Tel: 01-4037251/ 52
Fax: 01-4037253

Kumaripati Branch

Kumaripati, Lalitpur
Tel: 01-5556025/ 26
Fax: 01-5556027

Boudha Branch

Boudha, Kathmandu
Tel: 01-4913075/76

New Baneshwor Branch

New Baneshwor, Kathmandu
Tel: 01-4785654
Fax: 01-4785653

Chabahil Branch

Chuchepati, Chabahil, Kathmandu
Tel: 01-4484434
Fax: 01-4490978

Satdobato Branch

Tutepaani, Satdobato, Lalitpur
Tel: 01-5151250
Fax: 01-5151164

Gongabu Branch

Buddha Mall, Gongabu, Kathmandu
Tel: 01-4385456 / 807 / 09
Fax: 01-4385644

Sanobharyang Branch

Namgyelchowk, Echangu
Sanobharyang, Kathmandu
Tel: 01-4279808
Fax: 01-4891024

Thali Branch

Thali Chowk, Kathmandu
Tel: 01-4451431 / 86 / 4451285

Kalimati Branch

Kalimati, Kathmandu
Tel: 01-4271845
Fax: 01-4271847

Golfutar Branch

Golfutar, Kathmandu
Tel: 01-4378873
Fax: 01-4378929

Thahity Branch

Thahity, Kathmandu
Tel: 01-4255005 / 4257141 / 4258400

Thamel Branch

Chayadevi Complex, 3rd Floor
Tridevi Marga, Thamel, Kathmandu
Tel: 01-5252022 / 23
Fax: 01-5252024

Naxal Branch

Naxal, Kathmandu
Tel: 01-4445495/96
Fax: 01-4445500

Bagmati Branch

Bagmati Gaupalika - 5 Gha,
Bhattedanda, Lalitpur

Jagati Branch

Jagati Chowk, Bhaktapur
Tel: 01-6616006/07

Tokha Branch

Tokha Grande Hospital Road, Kathmandu
Tel: 01-4386827
Fax: 01-4386828

Rastriya Beema Sasthan, Extention Counter

Ramshah Path, Kathmandu
Tel: 01-4262520 / 886
Fax: 01-4262610

Jhamsikhel Branch

Jhamsikhel, Lalitpur Metropolitan-3
Tel: 9851097906

OUTSIDE VALLEY BRANCHES

PROVINCE 1

Biratnagar Branch

Goshwara Road, Biratnagar-9,
Morang, Byapaar Sangh Building
Tel: 021-537101/ 02 / 03/ 04
Fax: 021-537105

Birtamod Branch

Purano Bhadrapur Line, Anarmani, Jhapa
Tel: 023-541028
Fax: 023-543822

Itahari Branch

Pathivaraa Market, Itahari, Sunsari
Tel: 025-586661 / 59
Fax: 025-586658

Namche Branch

Namche Bazar, Solukhumbu
Tel: 038-540414
Fax: 038-540388

Okhaldhunga Branch

Ram Bazar, Okhaldhunga-4
Tel: 037-520626
Fax: 037-520627

Pathari Branch

Pathari Sanischare Municipality, Ward No. 1,
Pathari, Morang
Tel: 021-556132

Urlabari Branch

Itahara Road, Urlabari-4, Morang
Tel: 021-541901/ 02
Fax: 021-541906

Belaka Branch

Belaka -9, Rampur, Udayapur

Chisankhugadi Branch

Chisankhugadi, Rural Municipality - 5
Serna, Okhaldhunga

PROVINCE 2

Bhangaha Branch

Bhangaha-5, Mahottari

Birgunj Branch

Ghadiarwa, Birgunj, Parsa
Tel: 051-524812 / 13
Fax: 051-524817

Dryport Branch

Sirsiya, Parsa
Tel: 051-590022
Fax: 051-590023

Mahendranagar Branch

Mahendranagar-5, Dhanusa
Tel: 041-540351
Fax: 041-540360

Nijgadh Branch

Nijgadh-7, Bara
Tel: 053-540483
Fax: 053-540484

National Medical College

Birgunj, Parsa
Phone: 051-621890

Barathawa Branch:

Barathathawa Municipality, Ward No. 07, Bara-
hathawa, Sarlahi
Tel: 046-540387

Bardibas Branch

Bardibas Municipality, Ward No. 01 Bardibas,
Mahottari
Tel: 044-550558/580/680

PROVINCE 3

Amachhodingbo Branch

Amachhodingbo Gaupalika -5, Chilime, Rasuwa

Hetauda Branch

Nayasadak, Hetauda Sub-Metropolitan-04
Tel: 057-524143 / 243

Narayangadh Branch

Kamalnagar Chowk, Bharatpur, Chitwan
Tel: 056-571092 / 2091
Fax: 056-571090

Sauraha Branch

Hattichowk, Ratna Nagar - 6, Chitwan
Tel: 056-580491
Fax: 056-580490

Siddhalekh Branch

Siddhalekh Gaupalika -4, Bungchung, Dhading
Tel: 01-6227413

GANDAKI PROVINCE

Baglung Branch

Mahendrapath, Baglung
Tel: 068-522472/ 73
Fax: 068-522474

Beni Branch

Beni Bazar, Myagdi
Tel: 069-520151/521020
Fax: 069-520962

Birauta Branch

Birauta, Pokhara - 17
Tel: 061-467760/ 61
Fax: 061-467762

Chumnumbri Branch

Chumnumbri Gaupalika -3, Filim
Gorkha, Gandaki
Tel: 01-6227410

Damauli Branch

New Road, Vyasnagar - 2, Tanahun
Tel: 065-561787
Fax: 065-561788

Dulegaunda Branch

Shuklagandaki Municipality-04,
Uniquechowk, Dulegaunda,Tanahun
Tel: 065-414304/ 25

Ghiring Branch

Ghiring Gaupalika -3, Manpur, Tanahun
Tel: 065-620003

Harinash Branch

Harinash Gaupalika - 4, Chittre Bhanjyang,
Syangja
Tel: 063-620004

Kawasoti Branch

Sabhapati Chowk, Kawasoti-5, Nawalparasi
Tel: 078-540524/ 25
Fax: 078-540526

Kushma Branch

Melmilaap Chowk, Kushma
Tel: 067-421145
Fax: 067-421145

Pokhara Branch

BBC Building, BP Chowk
Chipledhunga, Pokhara, Kaski
Tel: 061-540266 / 67
Fax: 061-541717

Rhising Branch

Rhising Gaupalika -2, Pokhari, Tanahun
Tel: 065-620002

Syangja Branch

Putalibazar-1, Syangja
Tel: 063-420370 / 71

Waling Branch

Waling Nagarpalika, Syangja
Tel: 063-440310

PROVINCE 5

Bansgadhi Branch

Bansgadhi Nagarpalika, Bardia
Tel: 084-400179/ 181

Bhairahawa Branch

Narayanpath, Siddharthanagar - 8, Rupandehi
Tel: 071-521008/ 09
Fax: 071-521000

Butwal Branch

Rammandir Line, Butwal-6, Rupandehi
Tel: 071-551546/ 47
Fax: 071-551545

Driver Tole Branch

Tillotama-4, Driver Tole, Rupandehi
Tel: 071-414350 / 071-414403

Kaligandaki Branch

Kaligandaki Gaupalika - 4,
Purtighat, Gulmi

Kohalpur Branch

New Road Chowk, Kohalpur-3, Banke
Tel: 081-541264
Fax: 081-541095

Narayanpur Branch

Narayanpur, Ghorahi, Dang
Tel: 082-530258/ 59

Nepalgunj Branch

Dhambhoji chowk, Nepalgunj-1, Banke
Tel: 081-528062/ 63
Fax: 081-528061

Palpa Branch

Tansen-4, Makkhan Tole, Palpa
Tel: 075-522690

Parasi Branch

Ramgram Municipality, Ward No. 3,
Parasibazaar, Nawalparasi
Tel: 078-520391/ 92

Ridi Branch

Ridi Bazar, Gulmi
Tel: 079-400098
Fax: 079-993790816

Sukrapath Branch

Sukrapath, Butwal -10, Rupandehi
Tel: 071-541609 / 924

Tulsipur Branch

"Ka" Line, Tulsipur-5, Dang
Tel: 082-521775/ 76
Fax: 082-521778

Thakurbaba Branch:

Thakurbaba, Bardiya
Phone: 084-403203/ 04

KARNALI PROVINCE

Babiachaur Branch

Babiachaur-1, Surkhet
Tel: 083-416031/ 32

Kanakasundari Branch

Kanakasundari Gaupalika -3, Gothijjula, Jumla,
Karnali

Kapurkot Branch

New Road, Kapurkot-3, Salyan
Tel: 088 - 410011
Fax: 088 - 410010

Mehelkuna Branch

Mehelkuna-1, Surkhet
Tel: 083-410003

Musikot Khalanga Branch

Tallao Bazar, Musikot-1, Khalanga, Rukum
Tel: 088-530308
Fax: 088-530339

Salyan Branch

Khalanga-5, Old Buspark, Salyan
Tel: 088-520317/ 18
Fax: 088-520319

Surkhet Branch

Tallo Bazaar, Birendra Nagar, Surkhet
Tel: 083-521256/ 2256
Fax: 083-521109

SUDURPASCHIM PROVINCE

Attariya Branch

Godawari Municipality Ward No. 02, Mahendranagar
Road, Attariya, Kailali
Tel: 091-551334 / 088

Belauri Branch

Belauri Na. Pa. 6, Kanchanpur
Tel: 099-580099

Campus Chowk Branch

Campus Chowk, Dhangadhi-8, Kailali
Tel: 091-522869
Fax: 091-520969

Chandani Dodhara Branch

Dodhara Chandani, Na. Pa. 5 Kanchanpur
Tel: 099-400001
Fax: 099-400002

Chhabispathivera Branch

Chhabispathivera Gaupalika
Bysasi, Bajhang

Dadeldhura Branch

Amargadhi Na. Pa. 5 Bagbazaar
Tel: 096-420423

Dhangadi Branch

Ratopul, Dhangadi-7, Kailali
Tel: 091-526036/ 37
Fax: 091-526038

Dilasaini Branch

Dilasaini Gaupalika - 9, Gokuleswor, Baitadi

Durgathali Branch

Durgathali Gaupalika
Chaudhaari, Bajhang

Jhalari Branch

Jhalari Bazaar-7, Kanchanpur
Tel: 099-540171
Fax: 099-540172

Kanchanpur Branch

Campus Road-4,
Mahendranagar, Kanchanpur
Tel: 099-521365
Fax: 099-525790

Kumari Bank Limited

ATM Network

Attariya ATM

Kumari Bank Limited, Attariya, Kailali

Baglung ATM

Kumari Bank Limited, Mahendra Path, Baglung

Basundhara ATM

Green City Hospital (Ground Floor) ,
Basundhara, KTM

Belaury ATM

Belaury, Kanchanpur

Bhairahawa ATM

Kumari Bank Limited, Narayan Path,
Bhairahawa

Biratnagar ATM

Kumari Bank Limited, Goshwara Road, Morang
Byapaar Sangh Building, Biratnagar, Morang

Birauta ATM

Kumari Bank Limited, Birauta, Kaski

Birgunj ATM I

Kumari Bank Limited, Adarsha Nagar , Birgunj,
Parsa

Birgunj ATM II

National Medical College

Boudha ATM

Boudha, Kathmandu

Buddha Mall ATM

Buddha Mall, Gongabu

Buddhanilkantha ATM

Kumari Bank Limited, Buddhanilkantha,
Kathmandu

Busy Bee ATM

Lakeside, Pokhara

Butwal ATM

Infront of Kumari Bank Limited, Ram Mandir
Line, Butwal

Chabahil ATM

Chabahil Plaza ATM, Chabahil, Kathmandu

Chhaya Complex ATM

Thamel, Kathmandu

Chhetrapati ATM

Chhetrapati, Kathmandu

China Town, Thamel ATM

China Town premise, Thamel, Kathmandu

Chuchhepati ATM

Kumari Bank Limited, Chuchhepati, Chabahil

Dadeldhura ATM

Kumari Bank Limited, Dadeldhura

Damauli ATM

Kumari Bank Limited, Damauli-2

Dhangadi ATM

Ratopul, Dhangadi, Kailali

Dhumbarahi ATM

Himal Dental Hospital, Dhumbarahi,
Kathmandu

Dingboche ATM

Kumari Bank ATM at the highest altitude of
4,410 metres.

Drivertole ATM

Kumari Bank Limited, Drivertole, Rupandehi

Dryport ATM

Dryport, Birgunj, Parsa

Dulegauda ATM

Kumari Bank Limited, Dulegauda, Tanahun

Durbarmarg ATM

Kumari Bank Limited, Durbarmarg, Kathmandu

Golfutar ATM

Opposite of Everest Bank, Golfutar, KTM

Gongabu ATM

BG Mall (Ground Floor) , Gongabu, KTM

Hallanchowk ATM

Hallanchowk, Pokhara

Itahari ATM I

Kumari Bank Limited, Pathivara Market ,
Dharan Road, Itahari , Sunsari

Itahari ATM II

Reliance Spinning Mills, Itahari-12

Jagati ATM

Jagati, Bhaktapur

Jhalari ATM

Kumari Bank Limited, Jhalari, Kanchanpur

Jhamsikhel ATM

8 Degrees Fine Dine & Venues (opposite St.
Mary's Bus Stop), Jhamsikhel, Lalitpur

Jhapa ATM

Kumari Bank Limited, Birtamode Jhapa

Jyatha ATM

Jyatha, Thamel

Kalanki ATM

Kumari Bank Limited, Near Kalanki Chowk

Kalimati ATM

Kumari Bank Limited, Kalimati, KTM

Kanchanpur ATM

Kumari Bank Limited, Kanchanpur

Kapurkot ATM

Kumari Bank Limited, Kapurkot, Salyan

Kawasoti ATM

Kumari Bank Limited, Sabhapati Chowk,
Kawasoti

Kohalpur ATM

Kumari Bank Limited, Kohalpur

Koteshwor ATM

Koteshwor, Kathmandu

Kumaripati ATM

Kumari Bank Limited, Kumaripati, Lalitpur

Kushma ATM

Kushma, Parbat

Lakeside Pokhara ATM

Lakeside ATM, Center Point, Lakeside, Pokhara

Lazimpat ATM

Big Mart Building (Way to Hotel Radisson),
Lazimpat, Kathmandu

Mahendranagar ATM

Kumari Bank Limited, Mahendranagar

Mangal Bazar ATM

Mangal Bazar, Lalitpur

Mediciti ATM

Nepal Mediciti Hospital premise, Satdobato

Musikot ATM

Kumari Bank Limited, Musikot

Namchebazar ATM

Namchebazar , Solukhumbu

Narayangadh ATM

Kumari Bank Limited Narayangadh Branch,
Pulchowk, Narayangadh

Naxal ATM

Opposite Police Head Quarter, Naxal,
Kathmandu

Nepalgunj ATM

Surkhet Road, Dhambhoji, Nepalgunj

New Baneshwor ATM

Royal Thai Restaurant premise, Near Everest
Hotel, New Baneshwor Chowk, Kathmandu

New Baneshwor ATM II

Next to Investment Bank, Baneshwor, KTM

New Road ATM

Kumari Bank Limited, New Road, Kathmandu

New Road ATM II

Tamrakar Complex (Ground Floor) , New Road,
Kathmandu

Nijhghadh ATM

Kumari Bank Limited, Nijhghadh

Okhaldhunga ATM

Kumari Bank Limited, Rambazar, Okhaldhunga

Old Baneshwor ATM

Kumari Bank Limited, Old Baneshwor,
Kathmandu

Palpa ATM

Kumari Bank Limited, Palpa

Pokhara ATM I

Chiple Dhunga, Pokhara, Kaski

Putalisadak ATM I

Kumari Bank Limited, Right to Main Entrance
Gate, Putalisadak, Kathmandu

Putalisadak ATM II

Kumari Bank Limited, Right to Main Entrance
Gate, Putalisadak, Kathmandu

Putalisadak ATM III

Kumari Bank Limited, Ground Floor (Lobby),
Putalisadak, Kathmandu

Ratna Park ATM

Nepal Electricity Authority Building, Ratna Park,
Kathmandu

Ridi ATM

Ridi, Gulmi

Salyan ATM

Kumari Bank Limited, Khalanga, Salyan

Sano Bharyang ATM

Sanobharyang Chowk, KTM

Sauraha ATM

Bacchauli-2, Sauraha, Chitwan

Sukrapath ATM

Kumari Bank Limited, Sukrapath, Butwal

Surkhet ATM

Birendranagar, Surkhet

Syangja ATM

Kumari Bank Limited, Putalibazar, Syangja

Thahity ATM

Thahity, Kathmandu

Thali ATM

Kumari Bank Limited Premises

Thamel ATM I

Fire Club Building, Thamel, Kathmandu

Thamel ATM II

Hotel Arts (Ground Floor) , Thamel, KTM

Tokha ATM

Tokha, Kathmandu

Tulsipur ATM

D.P. Chowk, Tulsipur, Dang

Urlabari ATM

Kumari Bank Limited, Urlabari, Morang

CORPORATE OFFICE

Tangal, Kathmandu

Tel: 01-4443075-79

P.O. Box: 21128

Email: info@kumaribank.com

www.kumaribank.com