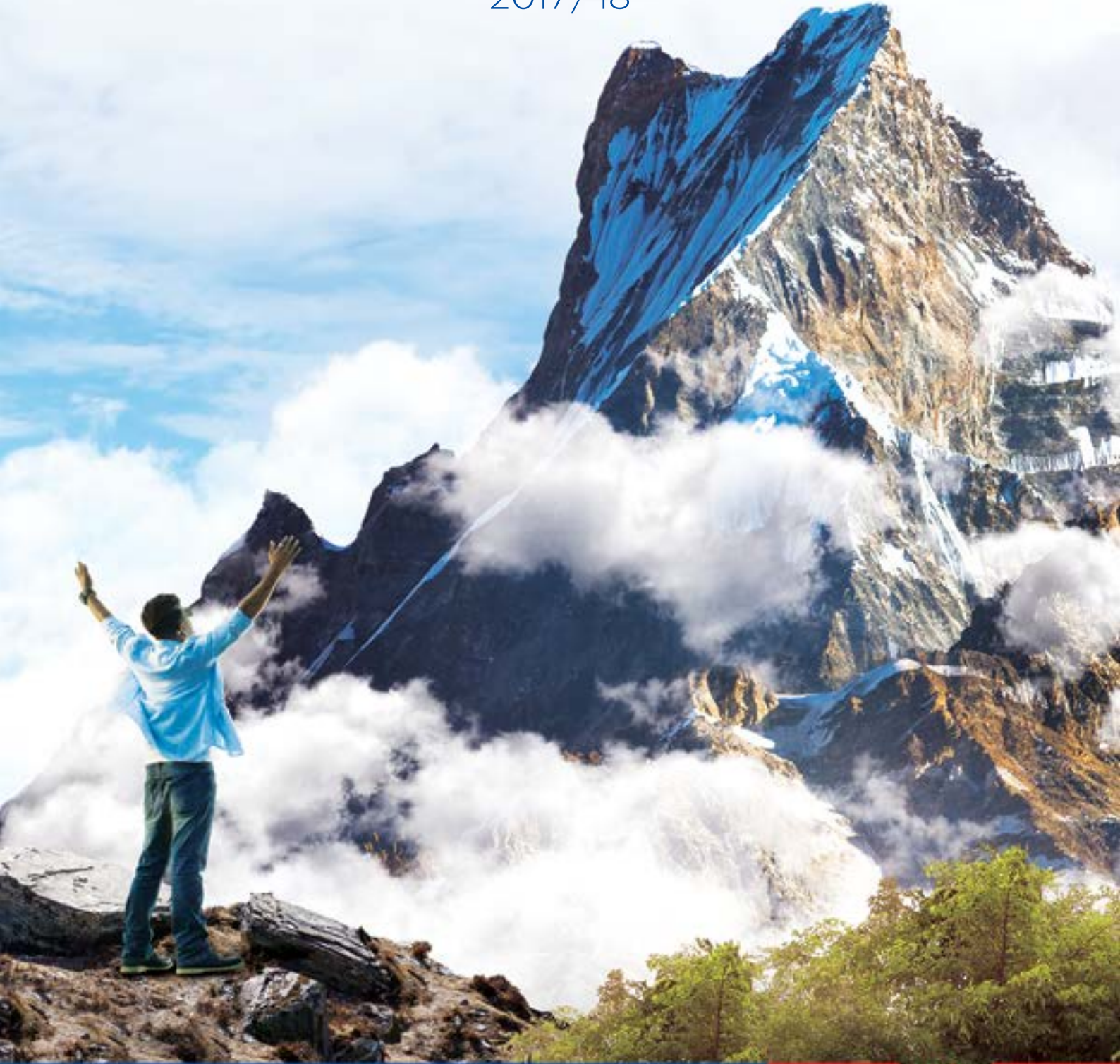


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ANNUAL REPORT

2017/18



Machhapuchchhre Bank Limited

माछापुच्छ्रे बैंक लिमिटेड

सबल, उत्कृष्ट एवं विस्तारित

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ANNUAL REPORT

2017/18

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VISION

To become the bank of the first choice of the people.

MISSION

To be one of the most preferred banks in Nepal, easily recognized as the bank which satisfies and cares for its customers through quality service, innovative products, professionalism and wide branch network, offering full array of financial services using modern technology and with good corporate governance practices.



VALUES

With the objective of supporting the transition from rule based to attitude based behavior, the Bank is functioning with the following five core values:

Integrity:

Highest level of integrity / absolute honesty in all the business conduct and dealings with customers, staff, regulators, and other stakeholders.

Accessibility:

Easy accessibility through traditional as well as modern means of communication.

Value Creation:

For shareholders, customers, employees and the nation.

Quality Service:

Through unmatched professionalism and excellent customer care.

Stewardship of Resources:

With the feeling of ownership and accountability.

BANK'S OVERVIEW

Machhapuchhre Bank Limited (MBL) is a full-fledged national level commercial bank operating in Nepal for the past 18 years. Registered in 1998 with its registered office at the majestically beautiful city of Nepal, Pokhara, MBL started out in the Western Region, but currently stands as one of the most prominent commercial banks, marking its strong presence through its wide and extensive network of 100 branches, 97 Branchless Banking, and 121 ATMs across the country, in all 7 provinces, 14 zones and 47 districts.

With a strong and dedicated team

over 1026 staff, the Bank is committed to its credo of "becoming not just a brick and mortar financial institution, but a service-driven financial enabler, looking to develop well-nurtured long term relationships with our valued and esteemed customer".

With its comprehensive line of business segments developed over the years, the Bank offers a wide range of both conventional as well as digitally driven products and services, all catered towards providing an unmatched customer experience & professionalism for our over 600 thousand customers.

The Bank is equipped with a robust infrastructure and state of the art technology that is dedicated to providing the best banking experience to our customers.

The Bank is powered by a highly robust & stringent risk management system, comprehensive control & monitoring system and a strong policy focus with zero tolerance when it comes in complying with policies and manuals, guidelines, directives and functions with substantial ethics.





CHAIRMAN'S STATEMENT

I feel privileged to share this statement on behalf of Board of Directors of the Bank. I take this opportunity to report that Machhapuchchhre Bank Limited has put a reasonable performance in the Financial Year 2017/18 as well. This year, the Bank focused on the consolidation of the business looking at the environment to ensure expansion of clientele base, overall growth in top lines and reward to all the stake holders.

I would like to ensure that the Board is positive in the Bank's compelling opportunities and believes that the current Management Team has necessary vision to reposition the business for the future. I together with the Board, intend to support the Management Team while challenging appropriately to make sure that the Bank continues to fulfil its obligation towards clients, the employees and the communities.

We understand that digital delivery model is the future of retail banking and is set to transform whole retail banking business. Likewise, we have made remarkable improvements in corporate and institutional banking for sustainable

growth and better returns. We have expanded our Branch and ATM networks so as to provide better services to our clients and customers. Like previous years, we delivered sustainable growth within our risk appetite and stood for the progress and prosperity of the society and community around us.

To talk about the global economy, the momentum of global growth experienced in advanced and emerging market and developing economy groups is expected to carry into upcoming year as well. Favorable global financial conditions and strong sentiment will continue and help maintain the recent acceleration in demand, especially in investment with a noticeable impact on growth in economies with large export. In case of Nepal, economic growth rate indicates positive economic growth of the nation with acceleration in reconstruction and other construction works, expansion of energy sector and production rise in industrial sector.

Looking at the global and Nepalese economic scenarios, we remain positive about our market and its prospects for

economic growth. We are aware of the fact that our financial returns are not yet where they need to be and do not reflect the earnings capability we believe we possess. We are working hard to secure our foundations so that we can focus on realizing the earning potential in near years to come. We are in fact continuously working towards fully re-engaging with our clients, improving productivity and investing in our people and culture. Our efforts will not only help enhance the quality of service that we can provide to our clients, but also improve our ability to capture profitable and safe growth opportunities.

Finally, I take this opportunity to express sincere gratitude towards our Customers, Board Members, Management Team, Staff Members and Regulators for their persistent support that helped add value to the Bank and attain sustainable returns to shareholders.

Roshan K.C.
Chairman

CEO'S
STATEMENT



Dear Valued Shareholders,

Having a successful completion of 20 years of contribution in the financial sector of the country, it feels pleasure to report that overall performance of the Bank remained robust thereby maintaining healthy financial position and standing strong in the financial market of the country.

During 2017/18, it was a bit challenging situation emerged as a result of industry risk related to tightening of liquidity for lending purpose. Despite having such difficulties, the Bank managed to achieve net profit of NPR 1.249 billion which remained somehow at the same level compared to FY 2016-17 of NPR 1.256 billion. Operating profit of bank faintly escalated by 1.74% and reached to NPR 1.80 billion from NPR 1.77 billion. Bank's total deposit reached to NPR 72.47 billion with a growth of 24.15 % (NPR 13.84 billion) and a total loan portfolio of NPR 64.21 billion with a growth of 24.32% (NPR 12.56 billion). Capital Adequacy of Bank remained at 15.36%. Despite such growth in lending portfolio, our rigorous effort for decreasing the Non-Performing Assets (NPA), an important measure of

assets quality, to NPA of 0.44% which is considered better compared to industry average.

Bank has been working aggressively to open new branches and ATMs tailored up to meet the needs of the customers of different segments and in this drive, the Bank additionally operated 31 new branches and 29 new ATMs during the year 2017/18. The Bank is strengthening risk management practice and culture within the Bank so as to be considered as one of the prudent banks in the financial market. The Bank is also providing strong emphasis in Corporate Governance, with prudent banking practice along with proper implementation of risk control measures, proper banking practice, transparency and many more.

It feels pleasure to report that the year was a satisfactory year for us in terms of growth in business volume, assets quality, being considered as one of the good banks which will pave the way for future good prospect of the Bank. Looking ahead 2018/19 is the year of challenge, as well as inspiration and hope and therefore upholding huge team spirit with enthusiastic mindset to encompass

the Bank' goal of serving customers. The team MBL (Machhapuchchhre Bank Limited) shall embrace every opportunities and challenges prevailing in the industry and work on to differentiate from others banks to strive towards good banking practice and achieve overall better financial standing. The Bank shall strive for generating new ideas to achieve the goal as a result of which ensure promoting operation of the Bank with value creation to all the stakeholder.

I express my gratitude to every shareholders for your unwavering support and trust that has driven us to this scale of greater heights. Also, I would like to thank Chairman and Board of directors for the continuous support and guidance to become prudent Bank in the industry embracing sound Corporate Governance, transparency, and proper risk management and compliance practices within the Bank. I look forward to achieve greater height of the Bank in these areas in addition to good financial standing with the support from all the stakeholder in the days to come.

Suman Sharma
Chief Executive Officer



BOARD OF DIRECTORS

(From Left to Right)

- Mr. Bishow Prakash Gautam, Director (Public)
- Mr. Gopikrishna Neupane, Director
- Mr. Roshan K.C., Chairman
- Mr. Jaya Mukunda Khanal, Professional Director
- Mr. Ram Man Shrestha, Director (Public)
- Mr. Omesh Lal Shrestha, Director (Public)



CENTRAL MANAGEMENT COMMITTEE

(From Left to Right)

Mr. Bishwambhar Neupane, Chief Risk Officer

Mr. Sarju Kumar Thapa, Chief Credit Business Officer

Mr. Suman Sharma, Chief Executive Officer

Mr. Santosh Koirala, Deputy Chief Executive Officer

Mr. Narayan Prakash Bhujju, Chief Technology Officer

HEAD OF DEPARTMENT

Mr. Bharat Kumar Lamsal

Head -Risk (Corporate & Business Lending)

Mr. Samir Jung Rayamajhi

Head-Administration and Procurement

Mr. Suvash Jamarkattel

Chief Finance Officer

Mr. Tika Bhattarai

Chief Legal Officer & Company Secretary

Mr. Upendra Malakar

Head-Business Banking

Mr. Bineet Chandra Jha

Deputy Head-Corporate Banking (Infrastructure Lending)

Mr. Binod Kumar Singh

Head-Shares

Mr. Bishal Bhakta Joshi

Head-Central Trade Operations

Mr. Dilli Ram Giri

Head-Risk (SME, Consumer Lending and DSL)

Ms. Indra Thapa

Head-Credit Administration

Mr. Neeraj Man Sainju

Manager-Business Analyst and Global Market

Mr. Sunil Khatiwada

Deputy Chief-Liability Management Officer

Mr. Bipin Udas

Head- Central Clearing

Mr. Ganesh Thapa

Head-Credit and Legal Administration Unit

Mr. Madhav Subedi

Head-Central Operations

Mr. Manish Dahal

Head-Special Asset Management

Mr. Naresh Pradhan

Deputy Head-Consumer Banking

Ms. Richa Pandey

Deputy Chief Human Resources Officer

Mr. Ujjwal Pandey

Deputy Head-Corporate Banking (Corporate Lending)

Mr. Alok Man Shrestha

Head-Digital Banking

Mr. Hem Kumar Shrestha

Head-Information Technology

Mr. Kailash Khatri

Head-Finance

Mr. Khagendra Paudel

Deputy Chief-Internal Audit Officer

Ms. Laxmi Lamichhane Dhakal

Head-Corporate Deposit Relationship

Ms. Manisha Gyawali

Head-Institutional Deposit

Mr. Manish Lal Shrestha

Head-Reconciliation

Ms. Pratima Pandey

Head-Retail Deposit

Mr. Sachin Tamang

Head- E-Banking Operation

Mr. Sudan Prasad Bhandari

Head-Remittance Business

Ms. Sanjuli Juwa Pradhan

Deputy Head-Bancassurance

Mr. Sita Ram Shrestha

Deputy Head-Law

Mr. Amod Shrestha

Head-Deprived Sector Lending

PROVINCE MANAGER

Mr. Bhuvan Singh Khatri

Province Manager, Province-Gandaki

Mr. Ajaya Acharya

Province Manager, Province-1

Mr. Ishwar Bahadur Rawal

Province Manager, Province-5 and Karnali

Mr. Kumar Gnawali

Province Manager, Province-3

Mr. Hari Lal Ayer

Province Manager, Province-Sudur Paschim

Mr. Leela Raj Thapa

Province Manager, Province-2

INTERNATIONAL SCENARIO

The global economic upswing that began around mid-2016 has become broader and stronger. As the global cyclical upswing approaches its two-year mark, the pace of expansion in some economies appears to have peaked and growth has become less synchronized across countries. Among advanced economies, growth divergences between the United States on one side, and Europe and Japan on the other, are widening.

With firmer readings on inflation and strong job creation, the US Federal Reserve continued the course of gradual policy normalization. It raised the target range for the Federal Funds rate to 2.25 till date.

However, growth is becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, higher yields in the United States, sentiment shifts following escalating trade tensions, and domestic political and policy uncertainty. While financial conditions remain generally benign, these factors have resulted in capital inflow reductions, higher financing costs, and exchange rate pressures, more acute in countries with weaker fundamentals or higher political risks.

Central banks in key emerging market economies—including Argentina, India, Indonesia, Mexico, and Turkey—have raised policy rates, responding to inflation and exchange rate pressures (coupled with capital flow reversals in some cases). Long-term yields have also increased in recent months, and spreads have generally widened. Most emerging market equity indices have declined modestly, reflecting, in some cases, concerns about imbalances (e.g., Argentina and Turkey), and, more generally, rising downside risks to the outlook.

Countries Economic Condition

In FY2018, growth in Nepal remained strong at 6.3 percent despite less favorable monsoons and the easing of growth from the rebound following the 2015 earthquake. Continued strong activity in construction boosted private investment. Government activities and programs geared toward earthquake reconstruction and the establishment of offices at decentralized levels underpinned public investment. Private consumption was also a key driver of growth, financed by an uptick in remittances, in the last quarter of 2018. These trends coupled with record tourist

arrivals, the reduction of load shedding, and an expansion of manufacturing capacity, all helped sustain growth. Inflation was 4 percent, anchored by the peg to the Indian rupee. Prices for non-food items grew at 5.5 percent, while food prices rose by 3.1 percent.

The current account deficit showed an expansion to Rs 245 billion compared to a narrow deficit of Rs 10.13 billion in FY 2018. The surge in current account deficits was on account of the elevated level of import of petroleum products, transport equipments and parts, and industrial goods. However, due to increase in remittance, FDI, BOP turned into a surplus by Rs 960 million in the review year compared to a surplus of Rs 82.11 billion in the previous year. Remittance increased 8.6% to Rs. 755.06 billion compared to a growth of 4.6% in the previous year. Budgeted deficit has increased to Rs 268.85 billion from Rs 188.69 billion due to high expenditures in domestic resources. The deficit has been financed by domestic borrowing. The level of foreign exchange reserves is sufficient to cover import of goods and services of 9.4 months.



BANKS STRATEGIES FOR FORTHCOMING YEAR

Bank, in pursuing the one and ultimate motto of "Bank of the first choice of the people", has been continually focusing on serving the customers by employing digital channels, novel business models and ideas which has been foremost goal line in today's evolving digital era. Moving forward to make the brand image of the Bank synonymous to "Quality Service" and making it "the Bank of first choice" and not a "Bank by Convenience" by considering the sense of urgency of moving forward with the digital transformation in the technology centric world, Bank has always thriven for delivering the supreme value products/services. Initiatives for improving the quality services are being taken and has been scaled up.

Addressing on the need of today's market and customers and to gain a stronghold in growing market, a great way to bring in is create a portfolio of curated and vetted mix of offerings. Also, we have been and thinking forward to create a significant value by leveraging back-end assets to create and provide products or services of higher value to customers which helps to address the multiple financial needs through a single, integrated channel.

By moving into ecosystems beyond the traditional that only focused on narrow focus on the core adjacencies, we shall tap onto our existing client base and operational capabilities, strengthen engagement, to a new level in view of customers' needs.

Pursuing with the promising strategies, bank has following strategies:
Tailored to meet the needs of customers segment wise in wide variety of areas, we shall be focusing on opening up the 25 new branches, out of which 2

shall be opened by upgrading existing extension counters. 50 new ATMs, 1040 additional POS terminals/ outlets and 100 additional BLB terminals shall be installed, master cards shall be launched and initiation shall be forwarded for QR payment. Mounting up the Customer Relationship Management by redefining the overall customer experience of our valued customers, we shall introduce new products and services as well as realign products/services to meet varied customer needs. We shall launch special programs for customer retention such as Relationship management for high value depositors, Privilege Cards, Priority Counter, Customer Loyalty Programs, and mainly excellent customer service delivery. Also, we shall be aggressively pushing products & services for card, M3, internet banking, remittance, bancassurance, etc. and continuously work towards developing a seamless and omni-channel service delivery to our customers by expediting e-banking products and services. We have the objective to fully develop & strengthen Bancassurance unit to offer both life and non-life products and services. This year shall be celebrated as the CSR Year in "Education" and thereby run various CSR projects and take CSR initiatives in this field.

We will focus on direct deprived sector lending and less on indirect lending. Also, credit shall be massively focused on cross selling strategies to promote sales of LC, BG and other non-funded business products and services. We shall also explore the prospect of introducing a "Kisan Credit Card (KCC)" as new project for Direct Lending targeted at local farmers. Regarding deposits, we shall remix deposit and strengthen

the structure and aggressively drive and mobilize all staff and extensively mobilize existing customers by launching various new schemes and by promoting existing products and schemes. To target rural municipalities (Gaupalikas and Nagarpalikas) and push deposit products through relationship buildings, Staff Deposit Campaigns" assigning deposit targets to staff and thereby enabling them to contribute through effective reward plans and continue to aggressively reach out to customers through the "Ghar Ghar ma Machhapuchchhre Bank" programs.

With the aim of bringing dramatic changes in the service quality and professionalism at the Bank, the new "Service Excellency Unit" has been established. Our key priority in FY 2018-19 is to strengthen the "Brand Image and Equity" of the bank in the minds of the general people and increase visibility by undertaking aggressive outdoor advertising and also continuing "Internal Branding" to increase the loyalty and sense of belongingness among the Bank staff.

Corporate Social Responsibility has been always been a part of annual business plan of the Bank. Being a social entity and to a better corporate citizen, we are and will actively participate by helping various groups of the society through direct financial assistance in the form of donations, help weaker and underprivileged sections of society where key focus will be on Education with the theme of "MBL with Education".

Finally, we shall act like attacker seeking growth and not merely a defender to hold onto a legacy position.

FORMAL INAGURATION CEREMONY OF THE BRANCHES:



Koteswor Branch



Jahada Branch



Nagarain Branch



Kuleshwor Branch

CORPORATE SOCIAL RESPONSIBILITY

The Bank has handed over Disaster Rescue Management Equipment worth NPR 5.57 Million to Nepal Police. The equipment has been dispatched to all 7 provinces and shall be used in rescue operations during natural disaster/calamities, accident, or any emergencies. The equipment comprised of Collapsed Structure Search & Rescue Equipment, Rope Rescues & Water Rescue Tools Equipment, Fire Fighting Equipment and

Water Induced Disaster Response Tools & Equipment. MBL has been prioritizing on Corporate Social Responsibility (CSR) initiatives for past few years.

Along with sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. MBL has been working in different sectors and regions continuously. MBL also partners with

various social organizations to make a difference among local communities. MBL's focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations. The bank is committed to contributing in the fields of education, health, environment whilst equally prioritizing for women empowerment and financial literacy.

HIGHLIGHTS OF THE YEAR

The Bank has handed over Disaster Rescue Management Equipment worth NPR 5.57 Million to Nepal Police. The equipment has been dispatched to all 7 provinces and shall be used in rescue operations during natural disaster/calamities, accident, or any emergencies.

The equipment comprised of Collapsed Structure Search & Rescue Equipment, Rope Rescues & Water Rescue Tools Equipment, Fire Fighting Equipment and Water Induced Disaster Response Tools & Equipment.

Similarly, in order to facilitate the visitors of Pashupatinath Temple, the Bank has constructed a Locker Room (with 510 units of Locker) and handed over to Pashupati Area Development Trust. With this facility, visitors of the temple can now keep their belongings safely in the locker.

In another CSR initiative, the Bank has handed over an Ambulance purchased with the joint effort and contribution from MBL, Bhojpur Kot Sewa Samaj and the locals of Kot. MBL had provided a financial aid of NPR 500,000 to purchase Ambulance for Temke Mauyung Village Municipality Ward No. 6 and 7 of Bhojpur District. The Ambulance is being used for providing emergency healthcare services to the locals of the village.

The Bank is always committed to environmental sustainability as a result which it has conducted plantation (around 100 plants) in Sapan Tritha Temple, Ward No. 2 of Tokha Municipality in Kathmandu. Likewise, it has also planted around 40 plants with tree guard in the sidewalks of Baluwatar and Narayanchaur (Naxal).

The Bank partnered with Cancer Council Nepal to conduct Anti-Tobacco & Cancer Awareness and financial literacy programs to school/college students and communities of Kathmandu Valley. The program was conducted at around 18 different places of Kathmandu Valley with an attendance of over 400 participants during each program.

Apart from these, the Bank has been actively involved in carrying out financial literacy programs and other numerous CSR activities across Nepal.



IGP of Nepal Police Mr. Sarbendra Khanal shaking hands with Chairman of the Bank Mr. Roshan K.C. during the Rescue Equipment Handover Program



Hon'ble Culture, Tourism and Civil Aviation Minister Mr. Rabindra Adhikari speaking at the Locker Handover Ceremony



Ambulance handover ceremony organized by MBL jointly with Kot Sewa Samaj



Hon'ble Deputy Prime Minister & Minister of Defence Mr. Ishwar Pokhrel and CEO of the bank Mr. Suman Sharma during tree plantation program at Sapan Tirtha Temple, Tokha



Anti-Tobacco & Cancer Awareness program at a School

SOME GLIMPSES OF CSR AND FINANCIAL LITERACY PROGRAMS CONDUCTED BY THE BANK



TECHNOLOGIES

With the rise in technological advancement, Bank has also been impacted where shift from traditional to digital banking has been gradual and remains ongoing. Considering the evolving needs of our valuable customers and to cope with their expectation, Machhapuchchhre Bank Limited is consistently exploring the ways of digitization of traditional banking activities resulting to provide customers with excellence in experience

Machhapuchchhre Mobile Money

Our banking services are now in hands. The quick and easy registration is all customers' needs, to avail our banking services without being reliant on any specific physical location. This is the most convenient way to access the account. Just with the installation of one App in the phone, customers can cherish variants of services;

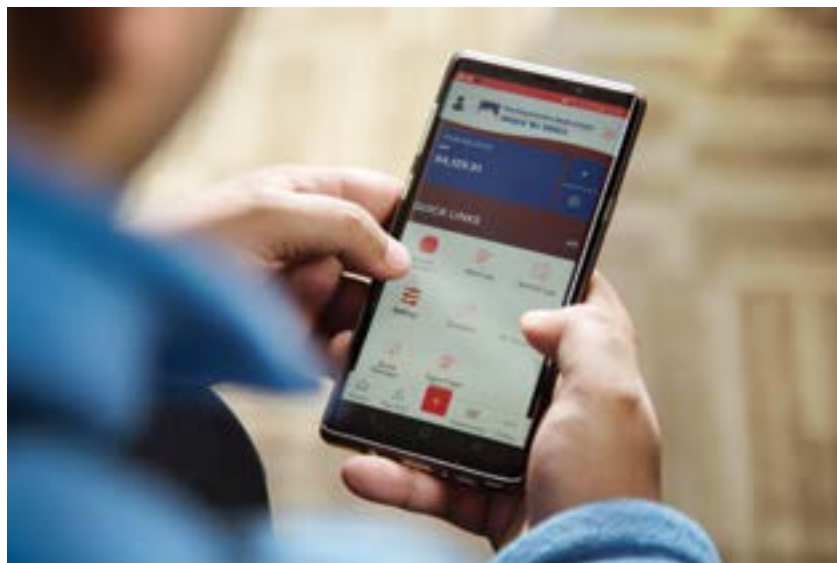
- Fund Transfer
- Balance enquiry
- Statement viewing
- Convenient way to pay bills (Telephone, electricity & other utilities)
- Top up facilities.
- Banking services without internet (SMS Banking)

MBL Internet Banking

We at Machhapuchchhre Bank Limited strive to provide our customers can have simple, quick, secure and convenient online banking experience keeping the track of their finance anytime and anywhere with the use of Internet Banking facility. By using our online-banking service, customers can safely enjoy a host of services including access to your account information, loan account details, detailed statement of accounts, complete track of your transactions, fund transfer to any account in the Bank, utility bill payments, MBL credit card bill payments, activity log, personal updates, etc. The internet banking service is enabled with a two-tier authentication system using verification of a One-Time Password (OTP). Hence, customers can safely transfer funds across accounts using this enhanced security features.

MBL Credit Card

It is a short-term credit facility provided to the customers against screening of



customer against pre-set credit scoring methods. MBL Credit Card is a card that provides its card holder a revolving line of credit, the size of which is generally determined by the income source, financial history and other requirements as per the regulations determined by the Management of the Bank and Nepal Rastra Bank from time to time.

MBL Debit Card

MBL VISA Debit Card allows its customers to access a vast network of ATMs, POS enabled merchants and BLB devices located in various points in Kathmandu and other parts within Nepal. Currently Bank is offering Visa Debit Card to its customers. This card allows our customers to easily access their account

MBL Dollar Prepaid Card

MBL Dollar prepaid cards offer individual travelers the most convenient way to hold and access FCY currency abroad. It is a secured and convenient alternative to carrying physical cash during travel. Customers' demands for FCY exchange facility and foreign currencies shall be addressed effectively with MBL Dollar prepaid cards as physical cash may not be always available with the Bank. Because it is a pre-funded card, one only spends the money loaded on it which helps to minimize frauds and control spending habit of the card holder as well.

ATM

With the purpose of providing convenience to Customers in terms of

cash withdrawal and balance enquiry, we have deployed additional 19 ATM's with makes altogether of 97 ATM's catering different geographical location of our country. Instead of waiting in a long queue at a branches, customers can go to our nearest ATM outlet and facilitate themselves with various banking services.

POS Terminals

Our Debit Card and Credit Card is now enabled with the facility of cash withdrawal at merchant establishments. We have total 380 POS merchant deployed in various major outlets having higher foot fall to encourage our customers to shop, independent of the cash they carry.

Branchless Banking

Branchless Banking is flourishing in Nepal which is catering every unbanked segment aiming to provide easier source of finance and banking services to the customers. Currently, Machhapuchchhre Bank has 21 branchless banking agents with the major focus given to the people residing at rural part of our country, where the physical branches are not feasible.

Services performed under BLB

- Account Opening
- Deposits/ Withdrawals
- Remittance
- Payment of Utility Bills
- ASBA Service etc.

HUMAN RESOURCES

An efficiently run human resources department can provide any organization with structure and the ability to meet business needs through managing company's most valuable resources that is our own people. Thus, MBL has continued to lay great emphasis on human resources development, to make its employees attain global standards in productivity, thereby maximizing value creation for its stakeholders.

We are proud of our employees who are the foundation of the Bank who operates and performs consistently for the growth of the Bank. Human resources department plays an essential role in developing a company's strategy as well as handling the employee-

centered activities of an organization. Human Resources Department of the Bank monitors and ensures that Bank's HR policies are interpreted consistently across the Bank.

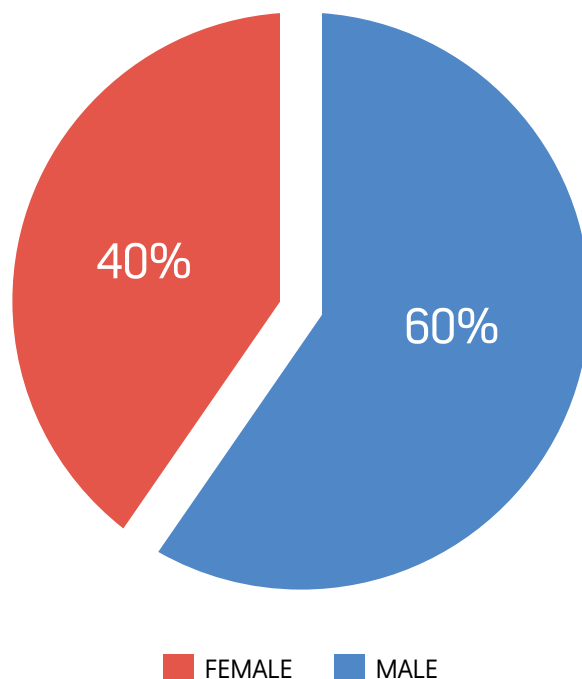
The HRM function is guided by its long-term vision of working in partnership to create an environment where employees can thrive and are enabled to deliver sustainable organizational performance. MBL's integrated Vision and Values framework advocates principles of ethical work culture, open communication, objective career development and transparency in remuneration and pay performance correlation support HR practices employees within the Bank.

HR DETAILS

This fiscal year we hired a total of 319 new talents in different positions. As at the end of financial year 2017/18, our strong people strength was 954 and 1002 as on 16th November, 2018. Diversity is a key enabler for long-term success which enables teams to bring diverse perspectives, make better decisions and manage risk. People with different backgrounds, education, skills and experiences can create sustainable values across the Bank. We are committed to gender diversity and have been providing equal employment opportunity to aspiring candidates who are fairly recruited through vacancies and internal job watch.

COMPOSITION OF MALE AND FEMALE EMPLOYEES

Shareholder	Male	Female	Total
Managerial	64	11	75
Officer	169	92	261
Assistant	263	262	525
Support	74	19	93
Total	570	384	954



HR DEVELOPMENT, MOTIVATION AND REMUNERATION

The Bank is committed towards enrichment of knowledge and skills of human assets. Developing a learning culture is not merely an option but an absolute necessity in today's competitive world. Investment in skills and accelerating employees' professional and personal development are essential components of the Bank's people agenda. We recognize the importance of learning and development to each staff and as it is equally important to strengthen the capability of staff and holding them accountable to enable employees to thrive and meet their full potential. Bank has thus signed Memorandum of Understanding (MOU) with National Banking Institute and Consultant has also been hired for conducting numerous training. Numerous national and international training has been conducted to upgrade

the skills of the employees to ensure constant improvements in performance. Besides training and development activities, placement, transfer, job rotation, job enrichment, job enlargement, succession planning and

is a very important one. Market forces constantly pose a challenge to our HR strategy and retaining the best brains is not easy. Remuneration is one of the major factors affecting one's decision about joining, continuing or leaving

SUMMARY OF EMPLOYEES ATTENDING TRAINING DURING F.Y 2017/18

Trainings	Number of trainings	Number of Staff participated
In- House training	65	2586
External Training	187	499
Total	252	3085

cross functional teams are some of the tools we have been employing for the employee development.

Employees expect a fair return for what they contribute for their jobs. Employee motivation, satisfaction and commitment are the crucial factor towards high productivity which is affected by multiple factors among which financial benefits

an organization. Our Bank comprises of competitive Salary Packages along with various staff benefits and facilities. Our employees receive the benefits of housing loan, vehicle loan and other staff loan facilities as per their individual eligibility as guided by Staff Service Bye Laws.

EMPLOYEES WELLBEING AND INDUSTRIAL RELATIONS

The Bank has been tied up with Insurance Company to provide Medical Insurance to all the staff along with their dependents and children to cover General Medical Expenses as well Group Personal Accident. Respecting the work life balance of our employee, 15 days paid Annual Forced Leave, 9 Days non accumulative Casual Leave, 20 Days Annual Leave and 15 Days Sick Leave have been provided. The number of leave entitlement days pertaining to Maternity leave and Paternity leave has been increased to further ease the lives of working parents with 98 days maternity leave and 15 working days paternity leave. We have a recognized Staff's Union Association in the Bank. The management and the Union execute a collective bargaining exercise once every



Signing of Memorandum of Understanding with National Banking Institute.

two years. Collective Bargaining exercises have been harmonious throughout and

has never resulted disruption in normal banking operations and customer.

CORPORATE GOVERNANCE



The Bank is committed to adopt maximum standard of corporate governance and has in place a robust internal control system to manage the overall risks inherent in its operation.

Basically, Corporate Governance is the system of rules, practices and processes by which Bank is directed and controlled. Corporate governance essentially involves balancing the interests between the Bank & stakeholders. It is fundamentally about improving accountability, fairness, transparency, assurance, leadership and stakeholder management within existing systems.

The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Bank. Corporate governance is the system by which companies are directed and controlled. Corporate governance is intended to increase the accountability of the Bank and to avoid massive disasters before they occur. The objectives of corporate governance areas under:

- Transparency and Full Disclosure
- Accountability.
- Increasing Shareholders' Wealth.
- Ensures corporate success and economic growth.
- Maintains investors' confidence
- Positive impact on the share price

Corporate governance is therefore about what the board of Bank does and how it sets the values of the Bank, and it is to be distinguished from the day to day operational management of the Bank by full-time executives.

BFI's play a vital role in the overall economy of the nation. It is the main source of making monetary activity in the economic market. It creates a huge fund from the tiny deposits from the individuals. It has the responsibility to secure the deposits of the individuals and interest of stakeholders as well. Therefore, governance of the BFI's are directly concerned with the business and security.

Therefore, MBL is committed to adopt maximum standard of corporate

governance. It has developed the mechanism for the internal control system of overall operational & risk through the formation of different committees and development of policies, procedures and manuals. A part from these, the Bank has formed organizational structure & sub committees to define the authorities and channels for the day to day operation and enhance the good governance practice in the Bank as well.

The bank has appointed an external auditor who looks after the overall internal control system and implementation of policies, procedures and manuals in the Bank. On the basis of facts and findings; the external auditors provides suggestion to the Bank by which the Bank can take necessary inhibition / actions for the better improvement.

In line with the compliance of NRB directives & SEBON, the Bank has formed a separate corporate governance monitoring unit and has been monitoring the overall corporate Governance status of the Bank.

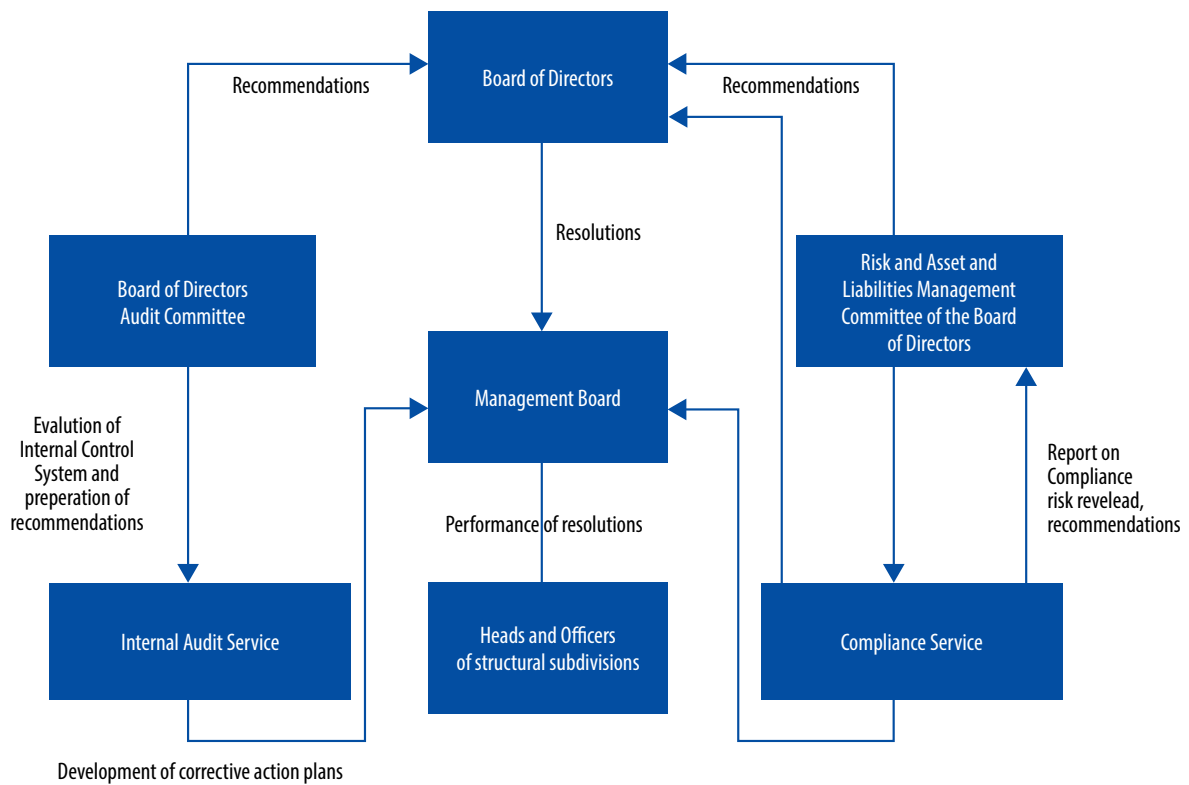
INTERNAL CONTROL SYSTEM

Internal control is a process affected by the Board of Directors, Senior Management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the Bank. The Board of Directors and Senior Management are responsible for establishing the

appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organization must participate in the process.

The main objectives of the internal control process can be categorized as follows:

- Efficiency and effectiveness of activities (performance objectives)
- Reliability, completeness and timeliness of financial and management information (information objectives)
- Compliance with applicable laws and regulations (compliance objectives).



The Board of Directors has the responsibility for approving and periodically reviewing the overall business strategies and significant policies of the Bank; understanding the major risks run by the Bank, setting acceptable levels for these risks and ensuring that the Management Board takes the steps necessary to identify, measure, monitor and control these risks; approving the organizational structure; and ensuring that the Management Board is monitoring the effectiveness of the internal control system. The Board of Directors is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Management Board

has the responsibility for implementing strategies and policies approved by the Board; developing processes that identify, measure, monitor and control risks incurred by the Bank; maintaining an organizational structure that clearly assigns responsibility, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies; and monitoring the adequacy and effectiveness of the internal control system.

The Board of Directors and Management Board are responsible for promoting high ethical and integrity standards, and for establishing a culture within the Bank

that emphasizes and demonstrates to all levels of personnel, the importance of internal control. Heads of functions subject to their functions are responsible for development, documentation, maintenance, monitoring and improvement of internal control procedures.

For an effective internal control system, there are effective channels of communication to ensure that all staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is reaching the appropriate personnel.

SERVICE EXCELLENCE

With the increasing competition that the banks are facing today, rewards will accrue to those who can read precisely what customers want by continuously scanning the environment and delivering the greatest value to customers. While the products and services offered by the banks are almost homogenous, the only way to stand out among the crowd is through exemplary customer service. With an objective of strengthening the customer service and to improve the quality of service delivery and meet regulatory requirements (NRB directive no. 22), the Bank has formed Service Excellence Unit. The purpose

of the unit is to assist the entire Bank to continuously build upon previous service improvement initiatives. We work in an environment where we always have to be ready to accept and make changes along with timely evaluation of our actions. Therefore, the main premise of this unit is continuous improvement that has been established to complement a dynamic work environment.

Because customers have more choices today and the targeted customers are most valuable to the bank, customer service has been taken as a highest priority within Bank. From the view point

of an overall sales process engineering effort, customer service plays an important role in an organization's ability to generate revenue and sales as well as retain proper base of satisfied customers. From that perspective, customer service has been included as a part of an overall approach to systematic improvement of the Bank.

The key to service excellence is not only focusing on what services we provide, but how we deliver them. Moreover, the Bank believes that the customer service is responsibility of every employee involved with the Bank.

CUSTOMER LOYALTY

Customer satisfaction and retention has always remained as the Bank's key agenda. Like previous years, the Bank continued its focus on customer loyalty programs on Father's Day, Mother's Day and International Women's Day.

Delighted customers appraised during the loyalty programs is also contributing the effectiveness of the program. For the customer loyalty programs, the Bank had felicitated loyal customers with 'Khaadas', bouquet and goodies for always believing

and trusting the Bank. These customer loyalty programs were not only limited in Kathmandu based branches but the Bank made sure that all the loyal customers across the country were celebrated and appraised.



1. Rambazar Branch
2. Damauli Branch
3. Pokhara Branch
4. Pepsicola Branch
5. Mahendrapul Branch
6. Banepa Branch
7. Damak Branch

PRODUCTS

Deposit Products:

Machhapuchchhre Bank limited offers various ranges of product and services to its valuable customers and always try to meet expectation of customers. The bank's deposit product portfolio covers customer tailored saving deposits, fixed deposits, call and current deposits.

Saving deposits are associated with individual small scale depositors and targeted for various range of groups such as children, women, youths, students, senior citizens, staffs and customers at a mass. Recently MBL is facilitating accidental insurance in Salary management, Surakshit Talab and Smart Bachat Saving Accounts.

Fixed deposit provides depositors a higher rate of interest than in other regular saving accounts for fixed maturity date. These products are tailored to saving as well as investment needs of both individual and institutions.

Current Deposit is a transactional non-interest bearing account specially designed for business and corporate houses offering account holders to carry out business transactions in an efficient manner.

Call Deposit is a flexible interest bearing saving account for individual and institutions having bulk deposit with the flexibility for unlimited withdraw.

Credit Products

The bank offers a wide range of tailor customized funded and non-funded credit facilities to suit funding requirement of individual and institutional customer.

Retail / Consumer Lending:

It is the provision of financing by the Bank to the general public, rather than to companies. MBL provides different type



of consumer loans products such as Home Loan, Auto Loan, Hire Purchase Loan, Mortgage Loan, Education Loan, Privilege Loan and Loan against share and government securities to individual customers.

Furthermore, the bank is also directed towards providing credit card facility to general public meeting specific criteria of bank.

Corporate Credit:

MBL provides different type of project financing, consortium financing, working capital financing, fixed term loan, and various trade finance service to corporate customers.

Project Financing:

The bank extends long term financing of infrastructure and industrial projects based upon the projected cash flow of the project rather than the balance sheet of its sponsor. The bank has been financing various industries, hydropower projects of different scales, mega hotels backed by project assets and repaid entirely by project cash flow rather than from the general assets or creditworthiness of the project sponsors. MBL acts either as a Lead Bank or a participating Bank



in the consortium of banks formed to finance projects.

Remittance:

Machhapuchchhre Bank Limited has been operating online web based remittance system, whereby the money can be sent and received domestically and internationally, that performs in a real time platform. MBL remit, a remittance product of MBL is a state of art web enabled money transfer system, is an online, real-time remittance processing system that is accessed through the Internet and is offered as an application service.

The bank has been putting a lot of emphasis on the proper channeling of funds from different parts of the world to Nepal. MBL has established worldwide relations with the different business partners, i. e. Exchange Houses, banks and money transfer companies for this purpose.

Remitter can go to any Bank or Exchange House to request to make money transfer to Nepal from abroad, their beneficiary can collect the amount through any of MBL branches or MBL agents in Nepal. The beneficiary can get the money on the same day the fund has been remitted.

Along with instant web based money transfer through MBL Remit or other partners, MBL has other modern money transfer instruments for amount transfer i.e. Manger's cheque (for local payments), Demand Draft (for payment in India and abroad), SWIFT transfer, Online Payment etc.

MBL Remit has providing the remittance services through its 86 branches, 2 extension counters, 38 BLB agents and more than 7000 agents over the country.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MACHHAPUCHCHHRE BANK LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **Machhapuchchhre Bank Limited** (hereinafter referred to as 'the Bank'), that comprises of Statement of Financial Position as at July 16, 2018 (Ashadh 32, 2075) and the related Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended.

Management's Responsibility

The preparation & fair presentation of these financial statements as per the requirement of Nepal Financial Reporting Standards (NFRS) are the responsibility of the bank's management.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards of Auditing and relevant practices. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Report on the requirements of NRB Directives; Company Act, 2063 & BAFIA, 2073

Based on our examination of the financial statements as aforesaid, we report that:

1. We have obtained all the information and explanations required for the purpose of our audit.
2. The Statements of Financial Position, Profit or Loss, Other Comprehensive Income, Cash Flows, Changes in Equity and the Schedules thereto are presented in conformity with the formats prescribed by Nepal Rastra Bank in line with NFRS and are in agreement with the books of accounts maintained by the Bank.
3. The accounts and records of the Bank have been maintained as required by law and practice.
4. Returns received from the branch offices of the Bank were adequate for the purpose of our audit though the statements are independently not audited.

5. The capital fund, risk bearing fund and the provisions for possible impairment of assets of the bank are adequate considering the Directives issued by Nepal Rastra Bank.
6. To the best of our information and according to the explanation given to us and from our examination of the books of accounts of the Bank, we have not come across any case where the Board or Directors or any office bearer of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Bank and violated Directives issued by Nepal Rastra Bank or acted in a manner, as would jeopardize the interest and security of the Bank, its shareholders and its depositors.
7. The business of the Bank has been conducted satisfactorily and operated within its jurisdiction and has been functioning as per NRB Directives.

Opinion

8. In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the Significant Accounting Policies and Notes to Financial Statements, give a true and fair view, in all material respects -
 - in case of Statement of Financial Position, of the state of affairs of the Bank as at July 16, 2018 (Ashadh 32, 2075),
 - in case of Statement of Profit or Loss Account and Other Comprehensive Income, of the operating results of the Bank for the year ended on that date, and
 - in case of Statement of Cash Flows and Changes in Equity, the cash flows and changes in equity of the Bank for the year ended on that date,

in accordance with Nepal Financial Reporting Standards so far as applicable in compliance with the prevailing laws and comply with the directives from Nepal Rastra Bank, Banks and Financial Institutions Act, 2073 and Company Act, 2063.



CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co.
Chartered Accountants
Place: Kathmandu
Date: November 21, 2018

Machhapuchchhre Bank Limited
Statement of Financial Position
As on 16th July 2018

	Note	16th July 2018	Restated 15th July 2017	Restated 16th July 2016
Assets				
Cash and cash equivalent	4.1	2,364,190,960	5,501,151,243	4,289,306,452
Due from Nepal Rastra Bank	4.2	7,096,607,818	5,461,439,334	3,808,028,939
Placement with Bank and Financial Institutions	4.3	1,395,303,965	72,537,416	1,146,381,044
Derivative financial instruments	4.4	-	23,158,000	19,537,601
Other trading assets	4.5	252,058,704	80,247,663	63,212,027
Loan and advances to B/FIs	4.6	1,798,387,585	1,694,247,998	1,316,021,674
Loans and advances to customers	4.7	62,417,217,568	49,958,725,045	42,745,102,218
Investment securities	4.8	7,732,134,169	4,824,095,023	4,803,123,745
Current tax assets	4.9	200,371,773	260,661,183	237,292,912
Investment in subsidiaries	4.10	-	-	-
Investment in associates	4.11	-	-	-
Investment property	4.12	24,870,824	24,870,824	119,519,545
Property and equipment	4.13	877,983,812	697,389,677	714,584,536
Goodwill and Intangible assets	4.14	45,439,230	43,591,779	44,368,101
Deferred tax assets	4.15	-	-	-
Other assets	4.16	583,081,406	485,434,996	386,729,120
Total Assets		84,787,647,814	69,127,550,181	59,693,207,914
Liabilities				
Due to Bank and Financial Institutions	4.17	1,332,347,000	1,302,220,474	2,882,893,000
Due to Nepal Rastra Bank	4.18	637,802,484	160,703,263	1,220,000,000
Derivative financial instruments	4.19	116,400	-	-
Deposits from customers	4.20	71,142,372,641	57,326,856,207	49,423,275,270
Borrowing	4.21	-	-	-
Current Tax Liabilities	4.9	-	-	-
Provisions	4.22	739,627	835,205	-
Deferred tax liabilities	4.15	14,219,601	25,513,528	22,662,633
Other liabilities	4.23	1,303,178,275	1,101,215,388	607,248,687
Debt securities issued	4.24	-	-	-
Subordinated Liabilities	4.25	-	-	-
Total liabilities		74,430,776,028	59,917,344,065	54,156,079,590
Equity				
Share capital	4.26	8,055,693,000	7,051,456,100	3,864,540,000
Share premium		30,881,765	-	-
Retained earnings		807,759,168	1,228,874,295	1,000,955,792
Reserves	4.27	1,462,537,853	929,875,721	671,632,532
Total equity attributable to equity holders		10,356,871,786	9,210,206,116	5,537,128,324
Non-controlling interest		-	-	-
Total equity		10,356,871,786	9,210,206,116	5,537,128,324
Total liabilities and equity		84,787,647,814	69,127,550,181	59,693,207,914
Contingent liabilities and commitment	4.28	11,695,674,529	8,527,991,612	8,444,158,629
Net assets value per share		128.57	130.61	143.28

Suvash Jamarkattel
Chief Finance Officer

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

Date:
Place: Kathmandu, Nepal

Suman Sharma
Chief Executive Officer

Jaya Mukunda Khanal
Director

Omesh Lal Shrestha
Director

Roshan K C
Chairman

Ram Man Shrestha
Director

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Machhapuchchhre Bank Limited
Statement of Profit or Loss
For the year 16th July 2017 to 16th July 2018

	Note	Current Year	Previous Year
Interest income	4.29	7,766,355,770	5,153,024,347
Interest expense	4.30	5,026,556,648	2,791,035,276
Net interest income		2,739,799,122	2,361,989,071
Fee and commission income	4.31	491,068,818	450,844,632
Fee and commission expense	4.32	51,568,932	46,473,195
Net fee and commission income		439,499,886	404,371,437
Net interest, fee and commission income		3,179,299,008	2,766,360,508
Net trading income	4.33	166,803,239	131,304,816
Other operating income	4.34	9,034,108	97,270,826
Total operating income		3,355,136,355	2,994,936,150
Impairment charge/(reversal) for loans and other losses	4.35	152,735,872	101,700,115
Net operating income		3,202,400,483	2,893,236,035
Operating expense			
Personnel expenses	4.36	874,639,789	693,803,759
Other operating expenses	4.37	419,489,928	336,058,649
Depreciation & Amortisation	4.38	100,013,185	86,088,198
Operating Profit		1,808,257,581	1,777,285,429
Non operating income	4.39	3,120,460	17,932,501
Non operating expense	4.40	1,448,209	-
Profit before income tax		1,809,929,832	1,795,217,930
Income tax expense	4.41	560,241,516	538,327,560
Current Tax		558,867,013	532,855,388
Deferred Tax		1,374,503	5,472,172
Profit for the year		1,249,688,316	1,256,890,370
Profit attributable to:			
Equity holders of the Bank		1,249,688,316	1,256,890,370
Non-controlling interest		-	-
Profit for the year		1,249,688,316	1,256,890,370
Earnings per share:			
Basic earnings per share		15.81	23.16
Diluted earnings per share		15.81	23.16

Suvash Jamarkattel
Chief Finance Officer

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

Date:
Place: Kathmandu, Nepal

Suman Sharma
Chief Executive Officer

Jaya Mukunda Khanal
Director

Omesh Lal Shrestha
Director

Roshan K C
Chairman

Ram Man Shrestha
Director

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

Machhapuchchhre Bank Limited
Statement of Comprehensive Income
For the year 16th July 2017 to 16th July 2018

	Note	Current Year	Previous Year
Profit for the year		1,249,688,316	1,256,890,370
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
Gain /(losses) from investments in equity instruments measured at fair value		(15,374,257)	201,015
Gain /(losses) on revaluation		-	-
Actuarial gains/(loss) on defined benefit plans		(26,853,845)	(8,938,602)
Income tax relating to above items		12,668,431	2,621,276
Net other comprehensive income that will not be reclassified to profit or loss		(29,559,671)	(6,116,311)
b) Items that are or may be classified to profit or loss			
Gain /(losses) on cash flow hedge		-	-
Exchange gain/ (losses) (arising from translating financial assets of foreign operation)		-	-
Income tax relating to above items		-	-
Reclassify to profit or loss		-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-
c) Share of other comprehensive income of associate accounted as per equity method		-	-
Other comprehensive income for the period, net of income tax		(29,559,671)	(6,116,311)
Total comprehensive income for the year		1,220,128,644	1,250,774,059
Total comprehensive income attributable to:			
Equity holders of the Bank		1,220,128,644	1,250,774,059
Non-controlling interest		-	-
Total comprehensive income for the year		1,220,128,644	1,250,774,059

Suvash Jamarkattel
Chief Finance Officer

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

Date:
Place: Kathmandu, Nepal

Suman Sharma
Chief Executive Officer

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Machhapuchhre Bank Limited

Statement of changes in equity

For the year 16th July 2017 to 16th July 2018

Attributable to equity holders of the Bank

	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-Controlling Interest	Total Equity
Balance at 16th July 2016	3,864,540,000	-	603,689,330	8,793,320	-	-	-	2,547,686	58,742,416	4,538,312,752	-	4,538,312,752
Adjustment/Restatement	-	-	-	-	-	407,466	-	998,408,106	-	998,815,572	-	998,815,572
Adjusted/Restated balance at 16th July 2016	3,864,540,000	-	603,689,330	8,793,320	-	407,466	-	1,000,955,792	58,742,416	5,537,128,324	-	5,537,128,324
Comprehensive income for the year												
Profit for the year								1,256,890,370		1,256,890,370		1,256,890,370
Other comprehensive income, net of tax												
Gain/(losses) from investments in equity instruments measured at fair value								140,711		140,711		140,711
Gain/(losses) on revaluation								(6,257,021)		(6,257,021)		(6,257,021)
Actuarial gain/(losses) on defined benefit plans								-		-		-
Gain/(losses) on cash flow hedge								-		-		-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)								-		-		-
Total comprehensive income for the year								1,250,774,059		1,250,774,059		1,250,774,059
Transfer to reserve during the year		(79,482,370)						79,482,370		-		-
Transfer from reserve during the year			260,496,686	486,990				(258,102,478)	(2,881,198)	-		-
Transactions with owners, directly recognised in equity												
Share issued	1,932,270,000	79,482,370						-		2,011,752,370		2,011,752,370
Share based payments								-		-		-
Dividends to equity holders								-		-		-
Bonus shares issued	801,890,000							(801,890,000)		-		-
Cash dividend paid								(42,204,737)		(42,204,737)		(42,204,737)
Others								-		-		-
Total contributions by and distributions	2,734,160,000	-	260,496,686	486,990	-	-	-	228,059,214	(2,881,198)	3,220,321,692	-	3,220,321,692
Balance at 15th July 2017	6,598,700,000	-	864,186,016	9,280,311	-	407,466	-	1,229,015,006	55,861,218	8,757,450,016	-	8,757,450,016
Balance at 16th July 2017	6,598,700,000	-	864,186,016	9,280,311	-	407,466	-	1,229,015,006	55,861,218	8,757,450,016	-	8,757,450,016
Adjustment/Restatement						140,711		(140,711)		-		-
Adjusted/Restated balance at 16th July 2017	6,598,700,000	-	864,186,016	9,280,311	-	548,177	-	1,228,874,295	55,861,218	8,757,450,016	-	8,757,450,016
Comprehensive income for the year												
Profit for the year								1,249,688,316		1,249,688,316		1,249,688,316
Other comprehensive income, net of tax												
Gain/(losses) from investments in equity instruments measured at fair value								(10,761,979)		(10,761,979)		(10,761,979)
Gain/(losses) on revaluation								-		-		-
Actuarial gain/(losses) on defined benefit plans								(18,797,692)		(18,797,692)		(18,797,692)
Gain/(losses) on cash flow hedge								-		-		-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)								-		-		-
Total comprehensive income for the year								1,220,128,645		1,220,128,645		1,220,128,645
Transfer to reserve during the year								-		-		-
Transfer from reserve during the year			249,937,663	1,436,237	338,258,835	(10,761,979)		(532,662,132)	(46,208,624)	-		-
Transactions with owners, directly recognised in equity												
Share issued	791,844,000	30,881,765						-		822,725,765		822,725,765
Share based payments								-		-		-
Dividends to equity holders								-		-		-
Bonus shares issued	665,149,000							(665,149,000)		-		-
Cash dividend paid								(443,432,640)		(443,432,640)		(443,432,640)
Others								-		-		-
Total contributions by and distributions	1,456,993,000	30,881,765	249,937,663	1,436,237	338,258,835	(10,761,979)	-	(421,115,127)	(46,208,624)	1,599,421,770	-	1,599,421,770
Balance at 16th July 2018	8,055,693,000	30,881,765	1,114,123,679	10,716,548	338,258,835	(102,13,802)	-	807,759,168	9,652,594	10,356,871,786	-	10,356,871,786

Machhapuchchhre Bank Limited
Statement of Cash Flows
For the year 16th July 2017 to 16th July 2018

	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	7,453,215,409	4,989,829,870
Fees and other income received	491,068,818	450,844,632
Dividend received	-	-
Receipts from other operating activities	169,923,699	149,237,317
Interest paid	(5,026,556,648)	(2,791,035,275)
Commission and fees paid	(51,568,932)	(46,473,195)
Cash payment to employees	(851,508,956)	(628,962,239)
Other expense paid	(419,489,928)	(336,058,649)
Operating cash flows before changes in operating assets and liabilities	1,765,083,462	1,787,382,460
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	(1,635,168,484)	(1,653,410,395)
Placement with bank and financial institutions	(1,322,766,549)	1,073,843,628
Other trading assets	(171,811,041)	(17,035,636)
Loan and advances to bank and financial institutions	(105,175,767)	(382,030,794)
Loans and advances to customers	(12,610,192,215)	(7,310,683,267)
Other assets	(75,820,218)	(102,326,275)
	(15,920,934,274)	(8,391,642,740)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	30,126,526	(1,580,672,526)
Due to Nepal Rastra Bank	477,099,221	(1,059,296,737)
Deposit from customers	13,815,516,434	7,903,580,937
Borrowings	-	-
Other liabilities	101,817,298	420,215,384
Net cash flow from operating activities before tax paid	14,424,559,479	5,683,827,058
Income taxes paid	(498,577,603)	(556,223,659)
Net cash flow from operating activities	(229,868,937)	(1,476,656,881)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(3,904,253,403)	(2,467,560,619)
Receipts from sale of investment securities	980,840,000	2,447,729,081
Purchase of property and equipment	(281,471,169)	(70,845,525)
Receipt from the sale of property and equipment	8,218,283	6,562,997
Purchase of intangible assets	(7,771,792)	(4,576,500)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	645	188,300,000
Interest received	313,140,361	163,194,477
Dividend received	1,762,843	1,474,870
Net cash used in investing activities	(2,889,534,232)	264,278,781
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	369,969,665	2,464,508,470
Dividends paid	(393,271,730)	(42,233,542)
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	(23,302,065)	2,422,274,928
Net increase (decrease) in cash and cash equivalents	(3,142,705,233)	1,209,896,829
Cash and cash equivalents at the beginning of the year	5,501,151,243	4,289,306,452
Effect of exchange rate fluctuations on cash and cash equivalents held	5,744,951	1,947,962
Cash and cash equivalents at the end of the year	2,364,190,961	5,501,151,243

Suvash Jamarkattel
Chief Finance Officer

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

Date:
Place: Kathmandu, Nepal

Suman Sharma
Chief Executive Officer

Jaya Mukunda Khanal
Director

Omesh Lal Shrestha
Director

Roshan K C
Chairman

Ram Man Shrestha
Director

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co
Chartered Accountants

4.1 Cash and Cash Equivalent

	16th July 2018	15th July 2017	16th July 2016
Cash in hand	1,553,734,108	1,962,957,137	2,107,171,464
Balances with B/FIs	655,537,209	2,251,670,730	2,082,153,045
Money at call and short notice	-	-	-
Other	154,919,643	1,286,523,376	99,981,943
Total	2,364,190,960	5,501,151,243	4,289,306,452

4.2 Due from Nepal Rastra Bank

	16th July 2018	15th July 2017	16th July 2016
Statutory balances with NRB	5,572,517,581	5,417,749,386	3,783,673,442
Securities purchased under resale agreement	-	-	-
Other deposit and receivable from NRB	1,524,090,237	43,689,948	24,355,497
Total	7,096,607,818	5,461,439,334	3,808,028,939

4.3 Placements with Bank and Financial Institutions

	16th July 2018	15th July 2017	16th July 2016
Placement with domestic B/FIs	74,209,554	69,699,503	72,337,135
Placement with foreign B/FIs	1,321,094,411	2,837,913	1,074,043,909
Less: Allowances for impairment	-	-	-
Total	1,395,303,965	72,537,416	1,146,381,044

4.4 Derivative Financial Instruments

	16th July 2018	15th July 2017	16th July 2016
Held for trading	-	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Held for risk management	-	23,158,000	19,537,601
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	23,158,000	19,537,601
Other	-	-	-
Total	-	23,158,000	19,537,601

4.5 Other Trading Assets

	16th July 2018	15th July 2017	16th July 2016
Treasury bills	-	-	-
Government bonds	-	-	-
NRB Bonds	252,058,704	80,247,663	63,212,027
Domestic Corporate bonds	-	-	-
Equities	-	-	-
Other	-	-	-
Total	252,058,704	80,247,663	63,212,027
Pledged	-	-	-
Non-pledged	252,058,704	80,247,663	63,212,027

4.6 Loan and Advances to B/FIs

	16th July 2018	15th July 2017	16th July 2016
Loans to microfinance institutions	1,816,520,054	1,711,344,287	1,329,313,493
Other	-	-	-
Less: Allowances for impairment	18,132,469	17,096,289	13,291,819
Total	1,798,387,585	1,694,247,998	1,316,021,674

4.6.1 Allowances for Impairment

	16th July 2018	15th July 2017	16th July 2016
Balance at the beginning of the year	17,096,289	13,291,819	7,641,600
Impairment loss for the year:	1,036,180	3,804,470	5,650,219
Charge for the year	1,036,180	3,804,470	5,650,219
Recoveries/reversal	-	-	-
Amount written off	-	-	-
Balance at Year end	18,132,469	17,096,289	13,291,819

4.7 Loans and Advances to Customers

	16th July 2018	15th July 2017	16th July 2016
Loan and advances measured at amortized cost	63,250,731,379	50,640,539,164	43,329,855,897
Less: Impairment allowances	833,513,811	681,814,119	584,753,678
Collective impairment	654,867,987	549,184,031	443,754,343
Individual impairment	178,645,824	132,630,088	140,999,336
Net amount	62,417,217,568	49,958,725,045	42,745,102,218
Loan and advances measured at FVTPL	-	-	-
Total	62,417,217,568	49,958,725,045	42,745,102,218

4.7.1 Analysis of Loan and Advances - By Product

Product	16th July 2018	15th July 2017	16th July 2016
Term loans	9,125,192,022	6,091,862,077	5,426,476,419
Overdraft	5,123,767,656	7,542,959,671	6,096,245,024
Trust receipt/Import loans	2,899,232,294	713,087,674	1,371,196,209
Demand and other working capital loans	6,600,111,055	5,185,940,165	5,994,062,195
Personal residential loans	5,961,585,585	6,170,923,632	5,440,007,039
Real estate loans	4,635,361,602	3,480,229,341	2,335,662,307
Margin lending loans	228,727,861	121,132,389	65,751,171
Hire purchase loans	6,577,962,331	6,312,442,363	4,167,604,196
Deprived sector loans	1,310,733,623	912,241,980	687,590,756
Bills purchased	-	1,014,106,316	449,768,427
Staff loans	394,488,599	264,755,321	256,606,204
Other	20,089,744,357	12,612,215,989	10,870,685,998
Sub total	62,946,906,986	50,421,896,918	43,161,655,945
Interest receivable	303,824,393	218,642,246	168,199,952
Grand total	63,250,731,379	50,640,539,164	43,329,855,897

4.7.2 Analysis of loan and advances - By Currency

	16th July 2018	15th July 2017	16th July 2016
Nepalese rupee	61,607,378,600	49,626,432,848	42,880,087,469
Indian rupee	-	-	-
United State dollar	1,643,352,779	1,014,106,316	449,768,427
Great Britain pound	-	-	-
Euro	-	-	-
Japanese yen	-	-	-
Chinese yuan	-	-	-
Other	-	-	-
Total	63,250,731,379	50,640,539,164	43,329,855,897

4.7.3 Analysis of Loan and Advances - By Collateral

	16th July 2018	15th July 2017	16th July 2016
Secured			
Movable/immovable assets	61,257,079,022	48,327,317,969	42,073,465,582
Gold and silver	15,461,316	2,797,217	39,501,452
Guarantee of domestic B/Fls	-	-	-
Government guarantee	129,858,823	129,855,266	129,855,266
Guarantee of international rated bank	-	-	-
Collateral of export document	-	-	-
Collateral of fixed deposit receipt	283,218,466	114,308,350	98,772,322
Collateral of Government securities	2,032,268	4,820,971	3,878,892
Counter guarantee	-	-	-
Personal guarantee	104,679,246	-	1,500,411
Other collateral	1,431,221,162	2,050,311,968	982,881,971
Sub total	63,223,550,303	50,629,411,741	43,329,855,897
Unsecured	27,181,076	11,127,423	-
Grant Total	63,250,731,379	50,640,539,164	43,329,855,897

4.7.4 Allowances for Impairment

	16th July 2018	15th July 2017	16th July 2018
Specific allowances for impairment			
Balance at the beginning of the year	132,630,088	140,999,336	191,851,961
Impairment loss for the year:	46,015,736	(8,369,248)	(50,852,625)
Charge for the year	46,015,736	-	-
Recoveries/reversal during the year	-	(8,369,248)	(50,852,625)
Write-offs	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-
Other movement	-	-	-
Balance at Year end	178,645,824	132,630,088	140,999,336
Collective allowances for impairment			
Balance at beginning of the year	549,184,031	443,754,343	358,655,891
Impairment loss for the year:	105,683,956	105,429,688	85,098,451
Charge/(reversal) for the year	105,683,956	105,429,688	85,098,451
Exchange rate variance on foreign currency impairment	-	-	-
Other movement	-	-	-
Balance at Year end	654,867,987	549,184,031	443,754,343
Total allowances for impairment	833,513,811	681,814,119	584,753,678

4.8 Investment Securities

	16th July 2018	15th July 2017	16th July 2016
Investment securities measured at amortized cost	7,618,974,064	4,705,560,661	4,777,672,493
Investment in equity measured at FVTOCI	113,160,105	118,534,362	25,451,252
Total	7,732,134,169	4,824,095,023	4,803,123,745

4.8.1 Investment Securities Measured at Amortized Cost

	16th July 2018	15th July 2017	16th July 2016
Debt securities	-	-	-
Government bonds	6,746,732,047	3,705,028,020	3,004,327,649
Government treasury bills	872,242,017	792,948,543	1,352,894,282
Nepal Rastra Bank bonds	-	-	200,128,877
Nepal Rastra Bank deposits instruments	-	-	-
Other	-	207,584,098	220,321,686
Less: specific allowances for impairment	-	-	-
Total	7,618,974,064	4,705,560,661	4,777,672,493

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

	16th July 2018	15th July 2017	16th July 2016
Equity instruments	113,160,105	118,534,362	25,451,252
Quoted equity securities	93,130,105	98,504,362	25,451,252
Unquoted equity securities	20,030,000	20,030,000	-
Total	113,160,105	118,534,362	25,451,252

4.8.3 Information Relating to Investment in Equities

	16th July 2018		15th July 2017		16th July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity						
Nepal Life Insurance Company Ltd (3,090 Ordinary Shares of Rs. 100 paid up)	2,480,925	3,244,500	2,480,925	4,674,048	-	-
Neco Insurance Ltd (3,990 Ordinary Shares of Rs. 175 paid up)	-	-	-	-	-	698,250
Butwal Power Company Ltd (5,653 Ordinary Shares of Rs. 100 paid up)	4,839,157	2,583,421	4,839,157	3,504,860	4,839,157	4,723,002
NMB Hybrid Fund (12,61,921 Unit of Rs. 10 each)	12,619,210	12,228,014	12,619,210	12,543,495	-	-
Nabil Equity Fund (9,01,202 Unit of Rs. 10 each)	9,012,020	8,885,852	9,012,020	9,012,020	-	-
NIBL Pragati Fund (10,27,407 Unit of Rs. 10 each)	10,274,070	9,246,663	10,274,070	10,274,070	-	-
Laxmi Equity Fund (58,49,587 Unit of Rs. 10 each)	58,495,870	47,381,655	58,495,870	58,495,869	-	-
Sanima Equity Fund (10,00,000 Unit of Rs. 10 each)	10,000,000	9,560,000	-	-	-	-
Investment in unquoted equity						
Credit Information Bureau Ltd (39,399 Ordinary Shares of Rs. 100 paid up)	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
National Banking Institute Ltd (12,000 Ordinary Shares of Rs. 100 paid up)	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Nepal Clearing House Ltd (30,000 Ordinary Shares of Rs. 100 paid up)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Nepal Electronic Payment Systems Ltd (150,000 Promoter Share of Rs. 100 paid up)	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Total	127,751,252	113,160,105	117,751,252	118,534,362	24,869,157	25,451,252

4.9 Current Tax Assets

	16th July 2018	15th July 2017	16th July 2016
Current tax assets	2,433,269,270	1,950,717,446	1,399,608,221
Current year income tax assets	482,551,824	1,602,732,254	347,985,192
Tax assets of prior periods	1,950,717,446	347,985,192	1,051,623,029
Current tax liabilities	2,232,897,497	1,690,056,263	1,162,315,309
Current year income tax liabilities	542,841,234	527,740,954	371,535,063
Tax liabilities of prior periods	1,690,056,263	1,162,315,309	790,780,246
Total	200,371,773	260,661,183	237,292,912

4.10 Investment in Subsidiaries

	16th July 2018	15th July 2017	16th July 2016
Investment in quoted subsidiaries	-	-	-
Investment in unquoted subsidiaries	-	-	-
Total investment	-	-	-
Less: Impairment allowances	-	-	-
Net carrying amount	-	-	-

4.10.1 Investment in Quoted Subsidiaries

	16th July 2018		15th July 2017		16th July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Total						

4.10.2 Investment in Unquoted Subsidiaries

	16th July 2018		15th July 2017		16th July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Total						

4.10.3 Information Relating to Subsidiaries of the Bank

	Percentage of ownership held by the Bank		
	16th July 2018	15th July 2017	16th July 2016
Total			

4.10.4 Non Controlling Interest of the Subsidiaries

	16th July 2018	15th July 2017	16th July 2016
Equity interest held by NCI (%)	-	-	-
Profit/(loss) allocated during the year	-	-	-
Accumulated balances of NCI as on 15th July 2017	-	-	-
Dividend paid to NCI	-	-	-
Equity interest held by NCI (%)	-	-	-
Profit/(loss) allocated during the year	-	-	-
Accumulated balances of NCI as on 16th July 2018	-	-	-
Dividend paid to NCI	-	-	-

4.11 Investment in Associates

	16th July 2018	15th July 2017	16th July 2016
Investment in quoted associates	-	-	-
Investment in unquoted associates	-	-	-
Total investment	-	-	-
Less: Impairment allowances	-	-	-
Net carrying amount	-	-	-

4.11.1 Investment in Quoted Associates

	16th July 2018		15th July 2017		16th July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Total						

4.11.2: Investment in Unquoted Associates

	16th July 2018		15th July 2017		16th July 2016	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Total						

4.11.3 Information Relating to Associates of the Bank

	Percentage of ownership held by the Bank		
	16th July 2018	15th July 2017	16th July 2016
Total			

4.11.4 Equity Value of Associates

	Percentage of ownership held by the Bank		
	16th July 2018	15th July 2017	16th July 2016
Total			

4.12 Investment Properties

	16th July 2018	15th July 2017	16th July 2016
Investment properties measured at fair value			
Balance at the beginning of the year	24,870,824	119,519,545	119,519,545
Addition/disposal during the year	-	(94,648,721)	-
Net changes in fair value during the year	-	-	-
Adjustment/transfer	-	-	-
Net amount	24,870,824	24,870,824	119,519,545
Investment properties measured at cost			
Balance beginning of the year	-	-	-
Addition/disposal during the year	-	-	-
Adjustment/transfer	-	-	-
Accumulated depreciation	-	-	-
Accumulated impairment loss	-	-	-
Net amount	-	-	-
Total	24,870,824	24,870,824	119,519,545

4.13 Property and Equipment

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	Total 16th July 2018	Total 15th July 2017
Cost										
As on July 16, 2016	198,510,472	214,298,253	187,176,351	210,986,597	162,171,891	123,996,298	-	185,267,174	1,282,407,036	1,225,713,692
Addition during the Year	-	-	18,105,461	20,849,740	2,838,500	11,827,445	-	17,224,379	70,845,525	97,085,435
Acquisition	-	-	-	20,849,740	2,838,500	11,827,445	-	17,224,379	52,740,065	78,675,073
Capitalization	-	-	18,105,461	-	-	-	-	-	18,105,461	18,410,362
Disposal during the year	-	-	-	82,707	14,029,817	40,228	-	191,049	14,343,801	40,392,117
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on 15th July 2017	198,510,472	214,298,253	205,281,811	231,753,631	150,980,574	135,783,515	-	202,300,504	1,338,908,760	1,282,407,011
Addition during the Year	-	-	24,891,671	43,935,064	134,833,746	14,005,750	-	63,804,937	281,471,169	70,845,525
Acquisition	-	-	-	43,935,064	134,833,746	14,005,750	-	63,804,937	256,579,497	52,912,264
Capitalization	-	-	24,891,671	-	-	-	-	-	24,891,671	17,933,261
Disposal during the year	-	-	-	1,230,980	20,142,498	298,910	-	5,644,018	27,316,405	14,343,801
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on 16th July 2018	198,510,472	214,298,253	230,173,483	274,457,715	265,671,822	149,490,355	-	260,461,423	1,593,063,523	1,338,908,735
Depreciation and Impairment										
As on July 16, 2016	-	29,416,085	119,809,995	173,960,486	61,139,777	75,793,760	-	107,702,397	567,822,500	519,351,665
Depreciation charge for the Year	-	4,285,965	16,224,169	13,256,437	19,753,434	11,438,679	-	15,776,693	80,735,376	79,628,548
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	81,328	6,850,605	23,920	-	82,940	7,038,794	31,157,738
Adjustment	-	-	-	-	-	-	-	-	-	-
As on July 15, 2017	-	33,702,050	136,034,164	187,135,595	74,042,605	87,208,518	-	123,396,150	641,519,082	567,822,475
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	4,285,965	16,898,419	17,062,721	25,391,328	11,969,820	-	18,480,589	94,088,843	80,735,376
Disposals	-	-	-	1,213,738	13,735,701	271,790	-	5,306,984	20,528,213	7,038,794
Adjustment	-	-	-	-	-	-	-	-	-	-
As on 16th July 2018	-	37,988,015	152,932,583	202,984,578	85,698,233	98,906,548	-	136,569,755	715,079,712	641,519,057
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-
Net Book Value										
As on 15th July, 2016	198,510,472	184,882,168	67,366,356	37,026,111	101,032,114	48,202,538	-	77,564,777	714,584,536	706,362,027
As on 15th July 2017	198,510,472	180,596,203	69,247,648	44,618,036	76,937,968	48,574,997	-	78,904,354	697,389,677	714,584,536
As on 16th July 2018	198,510,472	176,310,238	77,240,900	71,473,137	179,973,589	50,583,807	-	123,891,668	877,983,812	697,389,677

4.14 Goodwill and Intangible Assets

Particulars	Goodwill	Software		Other	Total 16th July 2018	Total 15th July 2017
		Purchased	Developed			
Cost						
As on July 16, 2016	-	86,866,406	-	-	86,866,406	85,744,881
Addition during the Year	-	4,576,500	-	-	4,576,500	1,121,525
Acquisition	-	4,576,500	-	-	4,576,500	1,121,525
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on 15th July 2017	-	91,442,906	-	-	91,442,906	86,866,406
					-	-
Addition during the Year	-	7,771,792	-	-	7,771,792	4,576,500
Acquisition	-	7,771,792	-	-	7,771,792	4,576,500
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on 16th July 2018	-	99,214,698	-	-	99,214,698	91,442,906
Amortization and Impairment						
As on July 16, 2016	-	42,498,305	-	-	42,498,305	36,069,861
Amortization charge for the Year	-	5,352,822	-	-	5,352,822	6,428,443
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on 15th July 2017	-	47,851,126	-	-	47,851,126	42,498,305
					-	-
Amortization charge for the Year	-	5,924,342	-	-	5,924,342	5,352,822
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on 16th July 2018	-	53,775,468	-	-	53,775,468	47,851,126
Capital Work in Progress	-	-	-	-	-	-
Net Book Value						
As on 15th July, 2016	-	44,368,101	-	-	44,368,101	49,675,019
As on 15th July 2017	-	43,591,779	-	-	43,591,779	44,368,101
As on 16th July 2018	-	45,439,230	-	-	45,439,230	43,591,779

4.15 Deferred Tax

	Deferred Tax Assets	Deferred Tax Liabilities	16th July 2018	15th July 2017
			Net Deferred Tax Assets/ (Liabilities)	Net Deferred Tax Assets/ (Liabilities)
Deferred tax on temporary differences on following items				
Loan and Advance to B/FIs	-	514,619	(514,619)	(514,619)
Loans and Advances to customers	-	57,328,459	(57,328,459)	(57,328,459)
Investment properties	-	-	-	-
Investment securities	4,377,344	-	4,377,344	324,393
Property & equipment	-	28,212,592	(28,212,592)	(26,754,518)
Employees' defined benefit plan	65,489,643	-	65,489,643	55,014,728
Lease liabilities	-	-	-	-
Provisions	221,888	-	221,888	250,562
Other temporary differences	-	-	-	-
Deferred tax on temporary differences	70,088,875	86,055,669	(15,966,794)	(29,007,914)
Deferred tax on carry forward of unused tax losses	1,747,193	-	1,747,193	3,494,386
Deferred tax due to changes in tax rate	-	-	-	-
Net Deferred tax asset/(liabilities) as on 16th July, 2018	71,836,068	86,055,669	(14,219,601)	(25,513,528)
Deferred tax (asset)/liabilities as on 16th July, 2017			25,513,528	22,662,633
Origination/(Reversal) during the year			(11,293,927)	2,850,895
Deferred tax expense/(income) recognised in profit or loss			1,374,504	5,472,172
Deferred tax expense/(income) recognised in other comprehensive income			(12,668,431)	(2,621,276)
Deferred tax expense/(income) recognised in directly in equity			-	-
	Deferred Tax Assets	Deferred Tax Liabilities	15th July 2017	15th July 2016
			Net Deferred Tax Assets/ (Liabilities)	Net Deferred Tax Assets/ (Liabilities)
Deferred tax on temporary differences on following items				
Loan and Advance to B/FIs	-	514,619	(514,619)	-
Loans and Advances to customers	-	57,328,459	(57,328,459)	(49,170,864)
Investment properties	-	-	-	-
Investment securities	982,329	657,937	324,393	(174,629)
Property & equipment	-	26,754,518	(26,754,518)	(28,437,879)
Employees' defined benefit plan	55,014,728	-	55,014,728	49,879,160
Lease liabilities	-	-	-	-
Provisions	250,562	-	250,562	-
Other temporary differences	-	-	-	-
Deferred tax on temporary differences	56,247,619	85,255,533	(29,007,914)	(27,904,211)
Deferred tax on carry forward of unused tax losses	3,494,386	-	3,494,386	5,241,578
Deferred tax due to changes in tax rate	-	-	-	-
Net Deferred tax asset/(liabilities) as on 15th July, 2017	59,742,004	85,255,533	(25,513,528)	(22,662,633)
Deferred tax (asset)/liabilities as on 16th July, 2017			22,662,633	
Origination/(Reversal) during the year			2,850,895	
Deferred tax expense/(income) recognised in profit or loss			5,472,172	
Deferred tax expense/(income) recognised in other comprehensive income			(2,621,276)	
Deferred tax expense/(income) recognised in directly in equity			-	

4.16 Other Assets

	16th July 2018	15th July 2017	16th July 2016
Assets held for sale	-	-	-
Other non banking assets	-	-	-
Bills receivable	-	-	-
Accounts receivable	249,151,802	207,561,355	145,754,292
Accrued income	-	-	-
Prepayments and deposit	78,222,677	54,389,511	48,225,069
Income tax deposit	-	-	-
Deferred employee expenditure	240,031,821	203,041,914	179,972,250
Other	15,675,106	20,442,216	12,777,509
a. Stationery at stock	12,765,880	13,147,635	8,205,363
b. Branch adjustment account	2,330,897	2,303,861	3,227,128
c. Others	578,328	4,990,721	1,345,018
Total	583,081,406	485,434,996	386,729,120

4.17 Due to Bank and Financial Institutions

	16th July 2018	15th July 2017	16th July 2016
Money market deposits	-	-	-
Interbank borrowing	-	-	14,291,000
Other deposits from BFls	1,332,347,000	1,302,220,474	2,868,602,000
Settlement and clearing accounts	-	-	-
Total	1,332,347,000	1,302,220,474	2,882,893,000

4.18 Due to Nepal Rastra Bank

	16th July 2018	15th July 2017	16th July 2016
Refinance from NRB	637,802,484	160,703,263	1,220,000,000
Standing Liquidity Facility	-	-	-
Lender of last resort facility from NRB	-	-	-
Securities sold under repurchase agreements	-	-	-
Other payable to NRB	-	-	-
Total	637,802,484	160,703,263	1,220,000,000

4.19 Derivative Financial Instruments

	16th July 2018	15th July 2017	16th July 2016
Held for trading	-	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Held for risk management	116,400	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	116,400	-	-
Other	-	-	-
Total	116,400	-	-

4.20 Deposits from Customers

	16th July 2018	15th July 2017	16th July 2016
Institutional customers:	31,479,902,623	26,371,215,840	12,160,994,995
Term deposits	24,094,628,422	19,725,054,411	1,386,449,297
Call deposits	4,816,952,547	4,444,365,173	8,836,375,037
Current deposits	2,108,277,999	1,770,691,880	1,588,395,625
Other	460,043,656	431,104,376	349,775,036
Individual customers:	39,662,470,018	30,955,640,367	37,262,280,275
Term deposits	17,386,264,826	11,386,875,874	15,727,070,248
Saving deposits	21,790,405,301	19,296,983,301	21,208,578,027
Current deposits	406,060,142	267,555,315	299,886,000
Other	79,739,749	4,225,876	26,746,000
Total	71,142,372,641	57,326,856,207	49,423,275,270

4.20.1 Currency Wise Analysis of Deposit from Customers

	16th July 2018	15th July 2017	16th July 2016
Nepalese rupee	70,769,523,510	55,949,431,374	47,676,300,955
Indian rupee	35,343,313	32,898,458	13,491,192
United State dollar	336,973,788	1,331,133,789	1,727,187,401
Great Britain pound	216,394	132,277	927,537
Euro	206,404	12,901,269	1,203,878
Japanese yen	4,527	260,203	64,522
Chinese yuan	-	-	-
Other (AUD)	104,705	98,836	4,099,785
Total	71,142,372,641	57,326,856,206	49,423,275,270

4.21 Borrowing

	16th July 2018	15th July 2017	16th July 2016
Domestic Borrowing			
Nepal Government	-	-	-
Other Institutions	-	-	-
Other	-	-	-
Sub total	-	-	-
Foreign Borrowing			
Foreign Bank and Financial Institutions	-	-	-
Multilateral Development Banks	-	-	-
Other Institutions	-	-	-
Sub total	-	-	-
Total	-	-	-

4.22 Provisions

	16th July 2018	15th July 2017	16th July 2016
Provision for redundancy	-	-	-
Provision for restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
Onerous contracts	-	-	-
Other	739,627	835,205	-
Total	739,627	835,205	-

4.22.1 Movement in Provision

	16th July 2018	15th July 2017	16th July 2016
Balance at the beginning of the year	835,205	-	-
Provisions made during the year	-	835,205	-
Provisions used during the year	-	-	-
Provisions reversed during the year	95,578	-	-
Unwind of discount	-	-	-
Balance at Year end	739,627	835,205	-

4.23 Other Liabilities

	16th July 2018	15th July 2017	16th July 2016
Liability for employees defined benefit obligations	76,368,663	74,463,973	64,134,663
Liability for long-service leave	141,930,147	108,918,453	102,129,203
Short-term employee benefits	-	-	28,944
Bills payable	-	-	-
Creditors and accruals	132,642,733	66,527,318	63,794,100
Interest payable on deposit	467,799,562	365,895,442	125,680,713
Interest payable on borrowing	3,947,266	1,187,888	1,332,603
Liabilities on deferred grant income	50,291,369	36,963,374	27,530,538
Unpaid Dividend	50,556,546	395,636	424,441
Liabilities under Finance Lease	-	-	-
Employee bonus payable	201,103,315	186,035,021	129,344,514
Other	178,538,674	260,828,283	92,848,968
Total	1,303,178,275	1,101,215,388	607,248,687

4.23.1 Defined benefit obligations

The amounts recognised in the statement of financial position are as follows:

	16th July 2018	15th July 2017	16th July 2016
Present value of unfunded obligations	76,368,663	74,463,973	64,134,622
Present value of funded obligations	219,552,518	161,906,882	135,994,340
Total present value of obligations	295,921,181	236,370,855	200,128,962
Fair value of plan assets	219,552,518	161,906,882	135,994,340
Present value of net obligations	-	-	-
Recognised liability for defined benefit obligations	76,368,663	74,463,973	64,134,622

4.23.2 Plan Assets

Plan assets comprise:

	16th July 2018	15th July 2017	16th July 2016
Equity securities	-	-	-
Government bonds	-	-	-
Bank deposit	-	-	-
Other (Deposit with CIT)	219,552,518	161,906,882	135,994,340
Total	219,552,518	161,906,882	135,994,340
Actual return on plan assets	9,417,677	6,686,482	3,387,000

4.23.3 Movement in the Present Value of Defined Benefit Obligations

	16th July 2018	15th July 2017	16th July 2016
Defined benefit obligations at the beginning of the year	236,370,854	200,129,002	131,608,507
Actuarial losses	23,318,971	4,745,537	44,402,493
Benefits paid by the plan	(7,075,637)	(6,971,600)	(2,924,722)
Current service costs and interest	43,306,993	38,467,916	27,042,684
Defined benefit obligations at Year end	295,921,181	236,370,855	200,128,962

4.23.4 Movement in the Fair Value of Plan Assets

	16th July 2018	15th July 2017	16th July 2016
Fair value of plan assets at the beginning of the year	161,906,882	135,994,340	86,844,872
Contributions paid into the plan	55,303,597	26,197,661	48,687,150
Benefits paid during the year	(7,075,638)	(6,971,601)	(2,924,682)
Actuarial (losses) gains	(3,534,874)	(4,193,065)	(3,560,590)
Expected return on plan assets	12,952,551	10,879,547	6,947,590
Fair value of plan assets at Year end	219,552,518	161,906,882	135,994,340

4.23.5 Amount Recognised in Profit or Loss

	16th July 2018	15th July 2017	16th July 2016
Current service costs	25,261,880	23,264,916	16,893,205
Interest on obligation	18,045,113	15,203,000	10,149,479
Expected return on plan assets	(12,952,551)	(10,879,547)	(6,947,590)
Total	30,354,442	27,588,369	20,095,094

4.23.6 Amount Recognised in Other Comprehensive Income

	16th July 2018	15th July 2017	16th July 2016
Actuarial (gain)/loss	26,853,845	8,938,602	47,963,083
Total	26,853,845	8,938,602	47,963,083

4.23.7 Actuarial Assumptions

	16th July 2018	15th July 2017	16th July 2016
Discount rate	8%	8%	8%
Expected return on plan asset	8%	8%	8%
Future salary increase	8%	8%	8%
Withdrawal rate	12%	12%	12%

4.24 Debt Securities Issued

	16th July 2018	15th July 2017	16th July 2016
Debt securities issued designated as at fair value through profit or loss	-	-	-
Debt securities issued at amortised cost	-	-	-
Total	-	-	-

4.25 Subordinated Liabilities

	16th July 2018	15th July 2017	16th July 2016
Redeemable preference shares	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-
Other	-	-	-
Total	-	-	-

4.26 Share Capital

	16th July 2018	15th July 2017	16th July 2016
Ordinary shares	8,055,693,000	7,051,456,100	3,864,540,000
Convertible preference shares (equity component only)	-	-	-
Irredeemable preference shares (equity component only)	-	-	-
Perpetual debt (equity component only)	-	-	-
Total	8,055,693,000	7,051,456,100	3,864,540,000

4.26.1 Ordinary Shares

	16th July 2018	15th July 2017	16th July 2016
Authorized Capital 100,000,000 Ordinary shares of Rs. 100 each share	10,000,000,000	10,000,000,000	10,000,000,000
Issued capital 80,556,930 Ordinary shares of Rs.100 each share (Previous Year 73,905,440 Ordinary shares of Rs.100 each share)	8,055,693,000	7,390,544,000	5,796,810,000
Subscribed and paid up capital 80,556,930 Ordinary shares of Rs.100 each share (Previous Year 65,987,000 Ordinary shares of Rs.100 each share)	8,055,693,000	6,598,700,000	3,864,540,000
Total	8,055,693,000	6,598,700,000	3,864,540,000

4.26.2 Ordinary Share Ownership

	16th July 2018		15th July 2017		16th July 2016	
	Percent	Amount	Percent	Amount	Percent	Amount
Domestic ownership						
Nepal Government	-	-	-	-	-	-
"A" class licensed institutions	-	-	-	-	-	-
Other licensed intitutions	-	-	-	-	-	-
Other Institutions	10.39	836,714,100	10.46	690,263,100	11.64	449,920,380
Public	89.61	7,218,978,900	89.54	5,908,436,900	88.36	3,414,619,620
Other	-	-	-	-	-	-
Foreign ownership						
	-	-	-	-	-	-
Total	100	8,055,693,000	100	6,598,700,000	100	3,864,540,000

4.27 Reserves

	16th July 2018	15th July 2017	16th July 2016
Statutory general reserve	1,114,123,679	864,186,016	603,689,330
Exchange equalisation reserve	10,716,548	9,280,311	8,793,320
Corporate social responsibility reserve	18,631,633	13,024,834	-
Capital redemption reserve	-	-	-
Regulatory reserve	338,258,835	-	-
Investment adjustment reserve	15,000,000	16,954,425	15,096,783
Capital reserve	-	-	-
Assets revaluation reserve	-	-	-
Fair value reserve	(10,213,802)	548,177	407,466
Dividend equalisation reserve	-	-	-
Actuarial gain / (loss)	(26,853,846)	-	-
Special reserve	-	-	-
Other reserve	2,874,806	25,881,958	43,645,633
a) Employee Skill Enhancement Reserve (Training Reserve)	2,874,806	7,247,716	-
b) Deferred Tax Reserve	-	18,634,242	43,645,633
d) Actuarial Gain/(Loss) Reserve	-	-	-
c) Other Reserve	-	-	-
Total	1,462,537,853	929,875,721	671,632,532

4.28 Contingent Liabilities and Commitments

	16th July 2018	15th July 2017	16th July 2016
Contingent liabilities	6,453,524,828	4,475,734,140	4,336,224,249
Undrawn and undisbursed facilities	4,519,339,402	3,376,004,670	3,648,661,101
Capital commitment	108,195,070	6,178,666	-
Lease Commitment	554,800,462	622,681,377	442,458,492
Litigation	59,814,768	47,392,759	16,814,787
Total	11,695,674,529	8,527,991,612	8,444,158,629

4.28.1 Contingent Liabilities

	16th July 2018	15th July 2017	16th July 2016
Acceptance and documentary credit	2,302,890,959	1,230,987,158	1,559,997,061
Bills for collection	6,435,408	3,841,083	8,045,789
Forward exchange contracts	207,077,250	402,866,592	203,614,015
Guarantees	3,937,121,210	2,838,039,307	2,564,567,384
Underwriting commitment	-	-	-
Other commitments	-	-	-
Total	6,453,524,828	4,475,734,140	4,336,224,249

4.28.2 Undrawn and Undisbursed Facilities

	16th July 2018	15th July 2017	16th July 2016
Undisbursed amount of loans	-	-	-
Undrawn limits of overdrafts	4,440,056,957	3,346,864,092	3,648,661,101
Undrawn limits of credit cards	79,282,445	29,140,577	-
Undrawn limits of letter of credit	-	-	-
Undrawn limits of guarantee	-	-	-
Total	4,519,339,402	3,376,004,670	3,648,661,101

4.28.3 Capital Commitments

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

	16th July 2018	15th July 2017	16th July 2016
Capital commitments in relation to Property and Equipment			
Approved and contracted for	108,195,070	6,178,666	-
Approved but not contracted for	-	-	-
Sub total	108,195,070	6,178,666	-
Capital commitments in relation to Intangible assets			
Approved and contracted for	-	-	-
Approved but not contracted for	-	-	-
Sub total	-	-	-
Total	108,195,070	6,178,666	-

4.28.4 Lease Commitments

	16th July 2018	15th July 2017	16th July 2016
Operating lease commitments			
Future minimum lease payments under non cancellable operating lease, where the bank is lessee			
Not later than 1 year	79,789,391	67,880,915	46,523,889
Later than 1 year but not later than 5 years	268,427,290	282,174,718	209,198,609
Later than 5 years	206,583,782	272,625,744	186,735,994
Sub total	554,800,462	622,681,377	442,458,492
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	554,800,462	622,681,377	442,458,492

4.28.5 Litigation

Under the self-assessment process, bank files its income tax returns which is then reviewed by Large Tax Payers Office usually within four years from the end of financial year. On completion of assesment till FY 2013-14, LTPO has raised an assessment order for disputed tax liability of NPR 59,814,768. Bank has contended such tax liability and has filed appeal to higher authorities. These cases are under administrative review and pending before Revenue Tribunal.

4.29 Interest Income

	Current Year	Previous Year
Cash and cash equivalent	32,885,293	13,563,257
Due from Nepal Rastra Bank	698,630	-
Placement with bank and financial institutions	5,363,296	5,515,606
Loan and advances to bank and financial institutions	210,004,811	63,114,033
Loans and advances to customers	7,149,227,877	4,869,731,859
Investment securities	313,140,361	163,194,477
Loan and advances to staff	55,035,502	37,905,115
Other	-	-
Total interest income	7,766,355,770	5,153,024,347

4.30 Interest Expense

	Current Year	Previous Year
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	19,749,712	39,873,554
Deposits from customers	4,987,811,426	2,746,295,613
Borrowing	18,995,510	4,866,109
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total interest expense	5,026,556,648	2,791,035,276

4.31 Fees and Commission Income

	Current Year	Previous Year
Loan administration fees	180,721,642	177,287,270
Service fees	63,618,526	52,524,629
Consortium fees	4,194,353	-
Commitment fees	26,072,611	21,295,982
DD/TT/Swift fees	12,377,965	10,435,739
Credit card/ATM issuance and renewal fees	54,467,811	50,640,950
Prepayment and swap fees	1,608,992	2,813,050
Investment banking fees	1,287,023	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	32,009,905	26,129,283
Commission on letter of credit	39,738,656	29,230,602
Commission on guarantee contracts issued	43,695,331	30,187,957
Commission on share underwriting/issue	-	-
Locker rental	5,263,820	4,352,880
Other fees and commission income	26,012,183	45,946,290
Total Fees and Commission Income	491,068,818	450,844,632

4.32 Fees and Commission Expense

	Current Year	Previous Year
ATM management fees	21,944,294	15,688,859
VISA/Master card fees	13,299,992	17,323,189
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	5,940,809	4,329,317
Remittance fees and commission	-	-
Other fees and commission expense	10,383,837	9,131,830
Total Fees and Commission Expense	51,568,932	46,473,195

4.33 Net Trading Income

	Current Year	Previous Year
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	166,803,239	131,304,816
Other	-	-
Net Trading Income	166,803,239	131,304,816

4.34 Other Operating Income

	Current Year	Previous Year
Foreign exchange revaluation gain	5,744,951	1,947,962
Gain/loss on sale of investment securities	-	938,725
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	1,762,843	1,474,870
Gain/loss on sale of property and equipment	1,430,091	(742,010)
Gain/loss on sale of investment property	645	93,651,279
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	95,578	-
Total	9,034,108	97,270,826

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

	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	1,036,180	3,804,470
Impairment charge/(reversal) on loan and advances to customer	151,699,692	97,060,440
Impairment charge/(reversal) on financial Investment	-	835,205
Impairment charge/(reversal) on placement with banks and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	152,735,872	101,700,115

4.36 Personnel Expense

	Current Year	Previous Year
Salary	260,760,600	210,574,228
Allowances	127,585,689	96,265,499
Gratuity expense	30,360,458	27,588,369
Provident fund	26,067,626	21,051,947
Uniform	12,878,874	10,692,280
Training & development expense	19,605,972	6,751,370
Leave encashment	83,770,891	50,031,312
Medical	-	-
Insurance	2,121,535	3,097,429
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	12,326,162	7,907,660
Other expenses related to staff	98,058,667	73,808,645
a. Dashain allowance	29,362,980	24,799,469
b. Others	68,695,687	49,009,176
Subtotal	673,536,474	507,768,738
Employees bonus	201,103,315	186,035,021
Grand total	874,639,789	693,803,759

4.37 Other Operating Expense

	Current Year	Previous Year
Directors' fee	1,970,400	2,850,800
Directors' expense	1,266,027	1,239,958
Auditors' remuneration	1,582,000	1,582,000
Other audit related expense	-	-
Professional and legal expense	9,619,496	7,141,666
Office administration expense	68,257,374	57,372,551
Operating lease expense	69,670,573	59,369,749
Operating expense of investment properties	-	-
Corporate social responsibility expense	6,890,084	1,169,437
Onerous lease provisions	-	-
Other	260,233,974	205,332,487
Light, Electricity & Water	31,484,284	25,804,207
Insurance	29,975,836	28,508,500
Postage, Telex, Telephone, Fax	40,526,662	30,886,593
Office Equipment, Furniture & Repairs	35,126,216	21,614,976
Traveling Allowances and Expenses	14,892,058	7,441,025
Stationery and Printing	22,697,068	18,945,973
Advertisements	28,360,717	20,236,555
Legal Expenses	2,322,946	2,532,806
Annual General Meeting Expenses	2,728,048	1,491,802
Security Expenses	52,120,139	47,870,049
Total	419,489,928	336,058,649

4.38 Depreciation & Amortisation

	Current Year	Previous Year
Depreciation on property and equipment	94,088,843	80,735,376
Depreciation on investment property	-	-
Amortisation of intangible assets	5,924,342	5,352,822
Total	100,013,185	86,088,198

4.39 Non Operating Income

	Current Year	Previous Year
Recovery of loan written off	3,120,460	17,932,501
Other income	-	-
Total	3,120,460	17,932,501

4.40 Non Operating Expense

	Current Year	Previous Year
Loan written off	1,448,209	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	1,448,209	-

4.41 Income Tax Expense

	Current Year	Previous Year
Current tax expense	558,867,013	532,855,388
Current year	542,841,233	527,545,251
Adjustments for prior years	16,025,780	5,310,137
Deferred tax expense	1,374,503	5,472,172
Origination and reversal of temporary differences	1,374,503	5,472,172
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	560,241,516	538,327,560

4.41.1 Reconciliation of Tax Expense and Accounting Profit

	Current Year	Previous Year
Profit before tax	1,809,929,832	1,795,217,930
Tax amount at tax rate of 30%	542,978,950	538,565,379
Add: Tax effect of expenses that are not deductible for tax purpose	2,119,910	350,831
Less: Tax effect on exempt income	1,464,991	5,822,211
Add/less: Tax effect on other items	-	-
Total income tax expense	543,633,869	533,093,999
Effective tax rate	30.0%	29.7%

Statement of Distributable Profit or Loss

For the year end 16th July 2018
(As per NRB Regulation)

	Current Year	Previous Year
Net profit or (loss) as per statement of profit or loss	1,249,688,316	1,302,483,429
Appropriations:		
a. General reserve	249,937,663	260,496,686
b. Foreign exchange fluctuation fund	1,436,237	486,990
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	5,606,799	13,024,834
e. Employees' training fund	(4,372,910)	7,247,716
f. Other	(20,588,667)	(23,153,749)
- Deferred Tax Reserve	(18,634,242)	(25,011,391)
- Investment Adjustment Reserve	(1,954,425)	1,857,642
Profit or (loss) before regulatory adjustment	1,017,669,193	1,044,380,950
Regulatory adjustment:		
a. Interest receivable (-)/previous accrued interest received (+)	(275,772,186)	-
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	(24,870,824)	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(26,853,845)	-
i. Other (+/-)	(10,761,980)	-
- Fair Value Reserve	(10,761,980)	-
Distributable profit or (loss)	679,410,359	1,044,380,950

Machhapuchhre Bank Limited
Annexure: Reporting Forms
Form No.1 Capital Adequacy Table
As on 16th July 2018

Rs. in '000'

		16th July 2018	15th July 2017
1.1 RISK WEIGHTED EXPOSURES			
a	Risk Weighted Exposure for Credit Risk	63,079,707	49,628,573
b	Risk Weighted Exposure for Operational Risk	3,475,176	2,721,705
c	Risk Weighted Exposure for Market Risk	30,760	83,808
Total Risk Weighted Exposures (Before adjustments of Pillar II)		66,585,643	52,434,086
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	583,036	46,297
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,997,569	1,573,023
Total Risk Weighted Exposures (a+b+c)		69,166,248	54,053,406
1.2 CAPITAL			
(A) Core Capital (Tier 1)			
a	Paid up Equity Share Capital	9,943,141	8,530,759
b	Equity Share Premium	8,055,693	7,051,456
c	Proposed Bonus Equity Share	30,882	-
d	Statutory General Reserve	665,149	-
e	Retained Earnings	1,114,124	864,186
f	Un-audited current year cumulative profit/ loss	807,759	17,829
g	Capital Redemption Reserve	-	-
h	Capital Adjustment Reserve	-	-
i	Dividend Equalization Reserve	-	-
j	Bargain purchase gain	-	-
k	Other Free Reserve	-	18,634
l	Less : Goodwill	-	-
m	Less: Intangible Assets	45,439	47,985
n	Less: Deferred Tax Assets	-	18,634
o	Less : Investment in equity in licensed Financial Institutions	-	-
p	Less : Investment in equity of institutions with Financial interests	15,000	15,000
q	Less : Investment in equity of institutions in excess of limits	-	-
r	Less : Investments arising out of underwriting commitments	-	-
s	Less : Reciprocal crossholdings	-	-
t	Less: Purchase of Land& Building in excess of limit and unutilized	4,877	4,877
u	Less: Cash Flow Hedge	-	-
v	Less: Defined Benefit Pension Assets	-	-
w	Less: Unrecognized Defined Benefit Pension Liabilities	-	-
x	Less: Negative balance of reserve accounts	-	-
y	Less : Other Deductions	-	-
Adjustment Under Pillar II			
SRP 6.4.a(1)	Less : Shortfall in provision (6.4 a1)	-	-
SRP 6.4.a(2)	Less : Loans and facilities extended to related parties and restricted lending (6.4 a 2)	-	-
Additional Tier 1 (AT1)			
a	Perpetual Non Cumulative Preference Share Capital	-	-
b	Prepetual Debt Instruments	-	-
c	Stock Premium	-	-
(B) Supplementary Capital (Tier 2)		680,585	560,419
a	Cumulative and/or Redeemable Preference Shares	-	-
b	Subordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General Loan Loss Provision	654,868	549,184
f	Exchange Equalization Reserve	10,717	9,280
g	Investment Adjustment Reserve	15,000	1,954
h	Assets Revaluation Reserve	-	-
i	Other Reserves	-	-
Total Capital Fund (Tier 1 and Tier 2)		10,623,726	9,091,177
1.3 CAPITAL ADEQUACY RATIOS			
a	Tier 1 Capital to Total Risk Weighted Exposures	14.38	15.78
b	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	15.36	16.82

Machhapuchchhre Bank Limited

Form No. 2 Risk Weighted Exposure For Credit Risk

Rs. in '000'

Particulars	Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Current Year		Previous Year			
				Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
A. Balance Sheet Exposure									
1 Cash Balance	2,309,221	-	-	2,309,221	0%	-	1,962,957	0%	-
2 Balance With Nepal Rastra Bank	7,096,608	-	-	7,096,608	0%	-	5,461,439	0%	-
3 Gold	-	-	-	-	0%	-	-	0%	-
4 Investment in Nepalese Government Securities	6,746,732	-	-	6,746,732	0%	-	3,671,900	0%	-
5 All other Claims on Government of Nepal	129,845	-	-	129,845	0%	-	162,505	0%	-
6 Investment in Nepal Rastra Bank Securities	872,242	-	-	872,242	0%	-	942,920	0%	-
7 All other Claims on Nepal Rastra Bank	-	-	-	-	0%	-	10,585	0%	-
8 Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	0%	-
9 Claims on Foreign Government and Central Bank (ECA 2)	-	-	-	-	20%	-	-	20%	-
10 Claims on Foreign Government and Central Bank (ECA 3)	-	-	-	-	50%	-	-	50%	-
11 Claims on Foreign Government and Central Bank (ECA 4-6)	-	-	-	-	100%	-	-	100%	-
12 Claims on Foreign Government and Central Bank (ECA 7)	-	-	-	-	150%	-	-	150%	-
13 Claims on BIS, IMF, ECB, EC and On Multilateral Development Banks (MDBs) Recognised by the framework	-	-	-	-	0%	-	-	0%	-
14 Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	100%	-
15 Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	20%	-
16 Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	50%	-
17 Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	100%	-
18 Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	150%	-
19 Claims on domestic banks that meet capital adequacy requirements	2,274,998	-	-	2,274,998	20%	455,000	3,810,594	20%	762,119
20 Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	-	100%	-
21 Claims on Foreign bank (ECA Rating 0-1)	1,256,815	-	-	1,256,815	20%	251,363	1,564,848	20%	312,970
22 Claims on Foreign bank (ECA Rating 2)	324,013	-	-	324,013	50%	162,007	1,059,420	50%	529,710
23 Claims on Foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	-	100%	-
24 Claims on Foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	150%	-
25 Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	78,201	-	-	78,201	20%	15,640	532,458	20%	106,492
26 Claims on Domestic Corporates	24,835,048	-	-	24,835,048	100%	24,835,048	25,375,876	100%	25,375,876
27 Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	20%	-
28 Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	-	50%	-
29 Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	100%	-
30 Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	150%	-
31 Regulatory Retail Portfolio (Not Overdue)	16,786,389	-	291,874	16,494,515	75%	12,370,887	14,906,753	75%	11,180,065
32 Claim fulfilling all criterion of Regulatory Retail except granularity	11,087,942	-	-	11,087,942	100%	11,087,942	-	100%	-
33 Claims secured by residential properties	6,740,138	-	-	6,740,138	60%	4,044,083	6,848,393	60%	4,109,036
34 Claims not fully secured by residential properties	-	-	-	-	150%	-	-	150%	-
35 Claims secured by residential properties (Overdue)	22,830	5,599	-	17,231	100%	17,231	4,987	100%	4,987
36 Claims secured by Commercial real estate	973,656	191,179	-	782,477	100%	782,477	812,529	100%	812,529
37 Past due claims (except for claim secured by residential properties)	342,500	-	-	342,500	150%	26,981	48,085	150%	72,127
38 High Risk claims	1,542,044	-	-	1,542,044	150%	2,313,066	963,841	150%	1,445,762
39 Investment in equity and other capital instrument of institutions listed in the stock exchange	107,721	-	-	107,721	100%	107,721	97,721	100%	97,721
40 Investment in equity and other capital instrument of institutions not listed in the stock	20,030	-	-	20,030	150%	30,045	5,030	150%	7,545
41 Staff Loan Secured by Residential Property	453,985	-	-	453,985	60%	272,391	386,866	60%	232,120

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Machhapuchhre Bank Limited

Form No. 2 Risk Weighted Exposure For Credit Risk

Rs. in '000'

Particulars	Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Current Year		Previous Year	
				Net Value (d=a-b-c)	Risk Weight (e)	Net Value (d=a-b-c)	Risk Weight (e)
42 Interest Receivable/Claim on Government Securities	-	-	-	-	0%	-	0%
43 Cash in transit and other cash items in the process of collection	-	-	-	-	20%	1,014,106	20%
44 Other Assets	1,686,308	-	-	1,686,308	100%	1,519,312	100%
TOTAL	85,687,267	196,778	291,874	85,198,615		58,849,368	46,771,191
B. Off Balance Sheet Exposures							
1 Revocable Commitments	-	-	-	-	0%	-	0%
2 Bills Under Collection	6,435	-	-	6,435	0%	3,841	0%
3 Forward Exchange Contract Liabilities	207,077	-	-	207,077	10%	402,867	10%
4 LC Commitments with original maturity upto 6 months	1,640,332	-	242,915	1,397,416	20%	983,483	20%
5 Foreign Counterparty (ECA 0 -1)	-	-	-	-	20%	-	20%
6 Foreign Counterparty (ECA 2)	-	-	-	-	50%	-	50%
7 Foreign Counterparty (ECA 3 -6)	-	-	-	-	100%	-	100%
8 Foreign Counterparty (ECA 7)	-	-	-	-	150%	-	150%
9 LC Commitments with original maturity over 6 months (domestic Counterparty)	662,559	-	38,791	623,768	50%	311,884	50%
10 Foreign Counterparty (ECA 0 -1)	-	-	-	-	20%	-	20%
11 Foreign Counterparty (ECA 2)	-	-	-	-	50%	-	50%
12 Foreign Counterparty (ECA 3 -6)	-	-	-	-	100%	-	100%
13 Foreign Counterparty (ECA 7)	-	-	-	-	150%	-	150%
14 Bid Bond, Performance Bond and Counter Guarantee	3,838,593	-	138,552	3,700,041	50%	1,850,020	50%
15 Foreign Counterparty (ECA 0 -1)	-	-	-	-	20%	-	20%
16 Foreign Counterparty (ECA 2)	-	-	-	-	50%	-	50%
17 Foreign Counterparty (ECA 3 -6)	-	-	-	-	100%	-	100%
18 Foreign Counterparty (ECA 7)	-	-	-	-	150%	-	150%
19 Underwriting Commitments	-	-	-	-	50%	-	50%
20 Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	100%
21 Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	100%
22 Advance Payment Guarantee	824,103	-	3,730	820,373	100%	820,373	100%
23 Financial Guarantee	150	-	105	045	100%	045	100%
24 Acceptances and Endorsements	-	-	-	-	100%	-	100%
25 Unpaid portion of Partly paid shares and securities	-	-	-	-	100%	-	100%
26 Irrevocable Credit commitments (Short term)	4,440,057	-	-	4,440,057	20%	888,011	20%
27 Irrevocable Credit commitments (Long term)	-	-	-	-	50%	-	50%
28 Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-	20%
29 Other Contingent Liabilities	59,815	-	-	59,815	100%	59,815	100%
30 Unpaid Guarantee claims	-	-	-	-	200%	-	200%
TOTAL	11,679,121	-	424,093	11,255,028		4,230,339	2,857,382
Total RWE for Credit Risk Before adjustment (A) +(B)	97,366,388	196,778	715,967	96,453,642		63,079,707	49,628,573
Adjustment under pillar II	-	-	-	-	-	-	-
Add: 10% of the loan and facilities in excess of Single obligor Limits (6.4 a 3)	-	-	-	-	-	-	-
Add: 1% of contract (sale) value in case of the sale of credit with recourse (6.4 a 4)	-	-	-	-	-	-	-
Total RWE for Credit Risk (After bank's adjustments of Pillar II)	97,366,388	196,778	715,967	96,453,642		63,079,707	49,628,573

Machhapuchchhre Bank Limited Form No. 3 Eligible Credit Risk Mitigants (CRM)

Rs. in '000'

Credit Exposures	Deposits with Bank		Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks		Total
	(a)	(b)								(c)	(d)	
Balance Sheet Exposures												
Claims on Foreign Government and Central Bank (ECA 2)												
Claims on Foreign Government and Central Bank (ECA 3)												
Claims on Foreign Government and Central Bank (ECA 4-6)												
Claims on Foreign Government and Central Bank (ECA 7)												
Claims on Other Multilateral Development Banks												
Claims on Public Sector Entity (ECA 0-1)												
Claims on Public Sector Entity (ECA 2)												
Claims on Public Sector Entity (ECA 3-6)												
Claims on Public Sector Entity (ECA 7)												
Claims on domestic banks that meet capital adequacy requirements												
Claims on domestic banks that do not meet capital adequacy requirements												
Claims on foreign bank ECA Rating 0-1)												
Claims on foreign bank (ECA Rating 2)												
Claims on foreign bank (ECA Rating 3-6)												
Claims on foreign bank (ECA Rating 7)												
Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement												
Claims on Domestic Corporates												
Claims on Foreign Corporates ECA Rating 0-1)												
Claims on Foreign Corporates (ECA Rating 2)												
Claims on Foreign Corporates (ECA Rating 3-6)												
Claims on Foreign Corporates (ECA Rating 7)												
Regulatory Retail Portfolio (Not Overdue)	281,230		-	8,611,500	2,032,268							291,874
Claim fulfilling all criterion of Regulatory Retail except granularity												
Claims secured by residential properties												
Claims not fully secured by residential properties												
Claims secured by residential properties (Overdue)												
Claims secured by Commercial real estate												
Past due claims (except for claim secured by residential properties)												
High Risk claims												
Investment in equity and other capital instrument of institutions listed in the stock exchange												
Investment in equity and other capital instrument of institutions not listed in the stock exchange												
Other Assets (as per attachment)												

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Machhapuchhre Bank Limited Form No. 3 Eligible Credit Risk Mitigants (CRM)

Credit Exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Off Balance Sheet Exposures										
Forward Exchange Contract										291,874
LC Commitments with original maturity upto 6 months	242,915									242,915
Domestic Counterparty										
Foreign Counterparty (ECA 0-1)										
Foreign Counterparty (ECA 2)										
Foreign Counterparty (ECA 3-6)										
Foreign Counterparty (ECA 7)										
LC Commitments with original maturity over 6 months (domestic)	38,791									38,791
Domestic Counterparty										
Foreign Counterparty (ECA 0-1)										
Foreign Counterparty (ECA 2)										
Foreign Counterparty (ECA 3-6)										
Foreign Counterparty (ECA 7)										
Bid Bond, Performance Bond and Counter Guarantee	138,552									138,552
Domestic Counterparty										
Foreign Counterparty (ECA 0-1)										
Foreign Counterparty (ECA 2)										
Foreign Counterparty (ECA 3-6)										
Foreign Counterparty (ECA 7)										
Underwriting Commitments										
Lending of Bank's Securities or Posting of Securities as collateral										
Repurchase Agreements, Assets sale with recourse										
Advance Payment Guarantee	3,730									3,730
Financial Guarantee	105									105
Acceptances and Endorsements										
Unpaid portion of Partly paid shares and securities										
Irrevocable Credit commitments										
Other Contingent Liabilities										
Total	424,093									424,093

Rs. in '000'

Machhapuchhre Bank Limited
Risk Weighted Exposure for Operational Risk
As on 16th July 2018

Rs. in '000'

S.N.	Particulars	Fiscal Year			Previous Year
		2014/15	2015/16	2016/17	
1	Net Interest Income	1,355,922	1,857,320	2,326,992	
2	Commission and Discount Income	91,625	91,420	124,790	
3	Other Operating Income	179,189	226,157	301,239	
4	Exchange Fluctuation Income	79,345	116,511	133,253	
5	Addition/Deduction in Interest Suspense during the period	14,234	23,447	28,907	
6	Gross income (a)	1,720,315	2,314,855	2,915,181	
7	Alfa (b)	15%	15%	15%	
8	Fixed Percentage of Gross Income [c=(a×b)]	258,047	347,228	437,277	
9	Capital Requirement for operational risk (d) (average of c)	347,518			272,170
10	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10			10
11	Equivalent Risk Weight Exposure [f=(d×e)]	3,475,176			2,721,705

SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)

1	Total Credit and Investment (net of Specific Provision) of related month	-			-
2	Capital Requirement for Operational Risk (5% of net credit and investment)	-			-
3	Risk Weight (reciprocal of capital requirement of 10%) in times	10			10
4	Equivalent Risk Weight Exposure (g)	-			-
5	Equivalent Risk Weight Exposure [h=f+g]	3,475,176			2,721,705

Machhapuchchre Bank Limited
Risk Weighted Exposure for Market Risk
As on 16th July 2018

Rs. (In full figure)

S.No.	Currency	Open Position (FCY)	Open Position (NPR)	Relevant Open Position	Previous Year Relevant Open Position
1	INR	25,782,438	41,271,238	41,271,238	130,687,981
2	USD	(57,244)	(6,279,667)	6,279,667	7,090,737
3	GBP	(14,230)	(2,063,350)	2,063,350	239,634
4	EUR	(13,985)	(1,786,794)	1,786,794	4,337
5	THB	41,530	135,886	135,886	73,508
6	CHF	780	85,196	85,196	241,528
7	AUD	7,461	604,528	604,528	162,954
8	CAD	9,145	761,458	761,458	209,948
9	SGD	1,738	139,422	139,422	81,829
10	JPY	(1,595,546)	(1,552,466)	1,552,466	7,498,668
11	HKD	12,100	168,916	168,916	119,456
12	DKK	3,000	51,435	51,435	18,948
13	SEK	50	617	617	617
14	SAR	67,372	1,959,447	1,959,447	767,737
15	QAR	35,691	1,068,910	1,068,910	302,031
16	AED	83,074	2,466,467	2,466,467	1,229,429
17	MYR	14,065	379,010	379,010	358,284
18	KRW	86,000	8,144	8,144	18,267,865
19	CNY	38,846	633,501	633,501	232,850
20	KWD	285	102,560	102,560	11,815
21	BHD	2	576	576	16,593
(a) Total Open Position			38,155,033	61,519,587	167,616,750
(b) Fixed Percentage				5%	5%
(c) Capital Charge for Market Risk (=a×b)				3,075,979	8,380,837
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10	10
(e) Equivalent Risk Weight Exposure (=c×d)				30,759,793	83,808,375

Machhapuchchhre Bank Limited

Significant Accounting Policies

Year ended 16th July 2018

1. GENERAL INFORMATION

Machhapuchchhre Bank Limited (hereinafter referred to as "The Bank") is a public limited company, incorporated on 16 February 1998 as per the then Companies Act 1964 of Nepal, and domiciled in Nepal. The Bank obtained license from Nepal Rastra Bank on 27th September 2000. The registered office of the Bank is located at Lazimpat, Kathmandu, Nepal. The Bank is listed in Nepal Stock Exchange Limited (the sole stock exchange in Nepal) for public trading.

1.1 Principal Activities and Operations

The principal activities of the Bank are to provide full-fledged commercial banking services including, agency services, trade finance services, card services, e-commerce products and services and commodity trading services to its customers through its strategic business units, branches, extension counters, ATMs and network of agents.

1.2 Subsidiary

MBL Capital, subsidiary of Machhapuchchhre Bank, has obtained its registration from Company Registrar Office, however, financial transactions and principal activities of the subsidiary have not been carried till the date of reporting period and therefore it has not been consolidated in preparation of financial statements.

The principal activities as mentioned in the Memorandum of Association and Articles of Association of MBL capital are to provide merchant/investment banking services that include management of public offerings, portfolio management, underwriting of securities, and fund management of mutual fund schemes, depository participant's service under Central Depository Service (CDS) and administration and record keeping of securities of its clients.

2. DIRECTOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS:

Board of Directors is responsible for the preparation and presentation of the Financial Statements of bank in compliance with the requirement of

relevant provisions of the Act, rules, and standards.

3. BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). It has been prepared in the format issued by Nepal Rastra Bank through directive 4, 2075.

Financial statements have been prepared on accrual basis of accounting except cash flow which is prepared on cash basis using direct method.

Financial Statements comprise of:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Other Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to Financial Statements

3.1 Statement of Compliance

The Financial Statement of Bank which comprises components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), issued by Accounting Standards Board and in compliance with BAFIA and directives issued by Nepal Rastra Bank. The deviations, if any, from NFRS are disclosed wherever applicable.

3.2 Reporting Period

Following reporting period has been considered as first time adoption.

Financial Statement	
Opening NFRS Statement of Financial Position	16 th July 2016
Comparatives	15 th July 2017
First NFRS Statement of Financial Position	16 th July 2018

3.3 Approval of Financial Statements by Directors

The accompanied Financial Statements have been authorized by the Board of Directors vide its 383rd resolution and recommended for its approval by 20th Annual General Meeting of the shareholders.

3.4 Functional and Presentation Currency

The Nepalese Rupees (NRs), being the currency of primary economic environment under which bank operates, it has been used as the functional currency. Financial information presented in Nepalese Rupees and rounded up to nearest rupee except where indicated otherwise.

3.5 Accrual Basis of Accounting

The financial statement have been prepared on accrual basis of accounting except specifically mentioned.

3.6 Significant Accounting Judgement, Estimates and Assumptions

Management has made necessary judgement, estimations and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses that is required for the preparation of Financial Statements in conformity with Nepal Financial Reporting Standards (NFRS). Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis. Necessary revisions to accounting estimates are recognized in the period in which such estimate is revised and in any future periods affected. Actual results may differ from these estimates. Any revision in accounting estimate is recognized prospectively in present and future periods as required under NAS 08 Accounting Policies, Changes in Accounting Estimates and Error.

Assumptions used which might result in significant risk of resulting in material adjustment within next financial years are:

- Measurement of defined benefit obligations, fair value of planned assets

- Impairment on loan and advances (Higher of provision for loan loss as per NRB and Impairment loss as per NFRS as per carve out issued by ICAN to be mandatorily implemented till carve out period)
- Impairment of other financial and non-financial assets
- Determination of fair value of financial instruments
- Assessment of Bank's ability to continue as going concern

3.7 Accounting Policies and Changes in Accounting Policies

There are different accounting principles adopted by management and these policies are consistently applied to all years presented except or changes in accounting policies that has been disclosed separately. Being the first time adoption of NFRS for the year ended 16th July 2018, it has applied a number of changes. Opening statement as at 16th July 2016 has been prepared by recognizing all assets and liabilities whose recognition is required by NFRS, not recognizing the assets or liabilities which are not permitted by NFRS, reclassifying the items from previous GAAP to NFRS as required by NFRS, and applying NFRS in measurement of recognized assets and liabilities.

3.8 New Standards and interpretation not adopted

Management has used its assumptions and understandings for preparation of financial statements under compliance with NFRS, however, certain interpretations might vary regarding the recognition, measurement, and other related provisions where the standards are not specific and not clear.

3.9 Discounting

Discounting has been done, using the relevant discount rate, for computing the present value of a payment or stream of payments that is to be received in future in case required under NFRS for any valuations, adjustments. Market interest rates, EIR rates are used for discounting the future payments as required under the provision. It has been applied in the cases where discounting is material.

3.10 Materiality and Aggregation

Each material class of similar items is presented separately in financial statements. Items of dissimilar nature are presented separately unless material.

3.11 Offsetting

Assets and liabilities, income and expense are reported separately and no assets and liabilities, or income and expense are offset unless required or permitted by NFRS.

3.12 Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's financial statement and reclassified whenever necessary to conform to current year presentation.

3.13 Rounding

The statements have been rounded off to nearest Rupees.

4. 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.

4.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss or through OCI are measured at fair value.
- Financial instruments subsequently measured at amortized cost.
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- Derivative financial instruments are measured at fair value.

4.2 Basis of Consolidation

a) Subsidiaries

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

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The Consolidated Financial Statements are prepared for the common financial year end. Since, no such transactions has been carried so far, it has not been consolidated.

4.3 Cash and Cash equivalent

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.4 Balance with Central Bank

Balances with central banks are carried at amortized cost in the Statement of Financial Position.

4.5 Placement with Bank and Financial Institution:

Placements with banks and financial Institutions includes placement with other banks with original maturities of more than three months from the acquisition date.

Placements with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Interest income from placements with banks is included in "Interest income" in the Statement of Profit or Loss. The losses arising from impairment are recognized in "Impairment charge/(reversal)" in the Statement of Profit or Loss.

4.6 Financial Assets and Financial Liabilities

a. Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognize loans and

advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset.

b. Classification

1. Financial Assets

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows;

i. Financial assets measured at amortized cost

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

- Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured

at fair value and changes in fair value are recognized in Statement of Profit or Loss.

- Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

2. Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

- *Financial Liabilities at Fair Value through Profit or Loss*

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

- *Financial Liabilities measured at amortized cost*

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest method.

c. Measurement

Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset

or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

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

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

d. Derecognition

Derecognition of Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all

the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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 Statement of Profit or Loss.

e. Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.

The fair values are determined according to the following hierarchy:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length

basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. All unquoted equity investments are recorded at cost.

f. Impairment

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments.
- When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.

- Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterparty.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost

Financial assets carried at amortized cost (such as amounts due from Banks,

loans and advances to customers as well as held-to-maturity investments is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Bank considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant and assessed on collective basis for those that are not individually significant.

Loans and advances to customers with significant value are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank.

If there is objective evidence that impairment loss has been incurred, the amount of loss is measured at the difference between asset's carrying amount and present value of estimated future cash flows. Carrying amount of the asset is reduced through the use of an allowance account and amount of loss is recognized in profit or loss. All individually significant loans and advances and investment securities are assessed for specific impairment. Those not found to be specifically impaired are collectively assessed for impairment by grouping together loan and advances and held to maturity with similar risk characteristics.

Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to four broad products as follows:

1. Term Loan
2. Auto Loan

3. Home Loan
4. Overdraft

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 other reserves and funds (impairment reserve) in other comprehensive income and statement of changes in equity. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

Impairment of investment in equity instrument classified as fair value though other comprehensive income

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss) is reclassified from equity and recognised in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

4.7 Trading Asset and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as

regarded as fair value through profit & loss account.

4.8 Derivative financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, indices etc. Derivatives are categorized as trading unless they are designated as hedging instruments. All derivatives are initially recognized and subsequently measured at fair value, with all revaluation gains or losses recognized in the Statement of Profit or Loss under Operating Income. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value is determined using the forward market rates ruling on the reporting date.

4.9 Property, Plant 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.

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.

Property and Equipment are measured at cost less accumulated depreciation and accumulated impairment loss if

any. Revaluation model is not used and therefore, Property and Equipment are not revalued and are recognized at cost.

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. Bank has adopted cost model for entire class of property and equipment. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss.

Revaluation Model

The Bank has not applied the revaluation model to the 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 recognised as income to the extent of previous write down. Any decrease in the carrying amount is recognised 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 recognised 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 recognised 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.

Derecognition

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.

Depreciation

Depreciation is calculated by using the straight line method on cost or carrying value of property, plant & equipment other than freehold land. Fixed Assets are depreciated on the basis of expected useful life on Straight Line Method (SLM) basis. Land is not depreciated. Management has determined the expected life of the fixed assets for depreciation purpose as follows:

S.N.	Assets Types	Expected useful life (Years)
1	Building	50
2	Vehicle	7
3	Furniture Wooden	8
4	Furniture Metal	10
5	Office Equipment	10
6	Computers	5
7	Generators and Others	10

The depreciation on the assets purchased and capitalized during the current year has been accounted from the next month of purchase. In case of assets being sold and written off, the depreciation is charged upto the previous month of disposal and gain or loss on the sales transaction is accounted for.

- a) Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.
- b) Assets with a unit value of NPR 5,000 or less are expensed-off during the year of purchase irrespective of its useful life.
- c) Leasehold assets and cost of software licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

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.

4.10 Intangible Assets and Goodwill

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 recognised 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 recognised as an

expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognised 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.

Goodwill

Goodwill, if any that arises upon the acquisition of Subsidiaries is included in intangible assets.

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.

Goodwill is measured at cost less accumulated impairment losses.

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.

Derecognition 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.

4.11 Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. They are either held for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner occupied property. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date. They have been valued at cost or fair value whichever is lower.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances. Accordingly, Investment properties include the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower in accordance with NRB Directives.

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell if their carrying amount is recovered principally through sale rather than continuing use. They are recognized and measured when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Any impairment loss on initial classification and subsequent measurement is recognized as expense. Also, any increase in fair value less cost to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

4.12 Due to Banks and Financial Institution

Due to banks represents credit balances in Nostro Accounts, short-term

borrowings from banks, deposit accepted from "D" class financial Institutions. These are initially recognized at fair value. Subsequent to initial recognition, these are measured at their amortized cost. As per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

4.13 Deposit from Customers

The Bank accepts deposits from its customers under savings account, current account, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

They have been valued at amortized cost. As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking such interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts As per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

4.14 Contingent Liabilities and Commitments

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 readily measured as defined

under NAS 37 – “Provisions, Contingent Liabilities and Contingent Assets”. In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) 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. Guarantees and standby letters of credit 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 also 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. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

4.15 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank is involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations. Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per NAS 37 – “Provisions, Contingent Liabilities and Contingent Assets”.

4.16 Borrowing Cost

Borrowing cost directly attributable to acquisition or construction of asset necessarily takes substantial period of time to get ready for its intended use or sale are capitalized as part of cost of the asset. All other borrowing costs are expensed in the period in which they occur. It includes interest and other costs

that entity incurs in connection with borrowing of funds.

4.17 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.

a) 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.

b) 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.

4.18 Provisions

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 of any reimbursement.

4.19 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognised 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 recognised.

a) Interest Income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss or other comprehensive income.

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

As per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to

which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b) Fee and Commission Income

Fees and Commission Income being the transaction costs integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees and points to be considered for EIR computation unless it is impracticable to determine reliably. Since such transaction costs are not identifiable for separate customer and therefore being impracticable, they have not been considered when computing EIR. They have been booked on accrual basis except commission on guarantees issued by the bank which is recognized as income over the period of the guarantee, except for guarantee commission not exceeding NPR one lakhs is recognized at the time of issue.

Other fee and commission income are recognized on accrual basis.

a. Dividend Income

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

b. Net Trading Income

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

c. Net Income from other financial instrument at fair value through Profit or Loss

Net income from other financial

instruments at fair value through profit or loss relates to non-trading derivatives held for management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

4.20 Interest Expense

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

4.21 Impairment of non-financial Assets

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

4.22 Employment Benefits

Short term employee Benefits:

Short term employee benefits are the benefits that are expected to be settled wholly before 12 months and therefore booked as expense in the period in which employees render the related service. It includes the following:

- Wages, salaries and social security contributions
- Paid annual and paid sick leave
- Profit sharing and bonuses
- Non-monetary benefits

Post-employment benefit

Post-employment benefit includes the following;

a) 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 contribution are recorded as a liability under 'Other Provisions' in Notes 33.

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

b) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment and gratuity has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits). Net Obligation in DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. Bank recognizes all actuarial gains and losses arising from DBP in the Other Comprehensive Income and expenses related to DBP under personnel expense in the Statement of Profit or Loss.

Under NFRS, the actuarial gains and losses form part of re measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Also, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS. Some assumptions used by actuarial valuator for valuation are as under:

1. Discount Rate: It is based on Yield to Maturity Available on Government Bonds having similar term to decrement-adjusted estimated term of liabilities.

2. Expected Return on Planned

Asset: Average long term rate of return expected on investments of Trust Fund.

3. Salary Escalation Rate:

Management estimation of 8% after considering the expected earnings inflation as well as performance and seniority related increase.

4. Withdrawal rate: Management estimation on the basis of 12% on the basis of expected long term future employee turnover within the organization.

5. Mortality Rate: Nepali Assured Lives Mortality issued by Beema Samiti.

c) 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 to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the under 'Personnel

Expenses' together with the net interest expense. Also, actuarial gain/loss have been shown under Other Comprehensive Income (OCI) 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.

d) 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 yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligation. 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.

4.23 Other expense

Other Expense have been recognized in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at profit for the year. Provisions in respect of other expenses are recognized when there is present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.24 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 to & receivables from other customers', as appropriate. Interest income receivable is recognised 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 recognised 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 the basis of terms of lease agreement as allowed by Carve Out issued by ICAN over the periods of the leases and are included in 'Other operating expenses' and 'Other operating income', respectively.

4.25 Foreign Currency Transactions, Translation and Balances

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.

4.26 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitment is the commitment where the Bank has confirmed its

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

4.27 Share Capital and Reserves

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

Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

4.28 Earnings per Share

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.

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 are deducted from equity when they are declared and no longer at the discretion of the Bank. Proposed dividend for the year after reporting period and before the authorization of financial statements has been disclosed in notes to accounts as non-adjusting event.

4.29 Segment Reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management.

For management purposes, the Bank has organized into operating segments based on region. Also, interest income are identifiable product wise separately.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in 2018 or 2017.

Segment results that are reported to the Bank's include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise head office expense, corporate assets, tax assets and liabilities.

4.30 Capital Management

The primary objective of Capital Management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the Risk Appetite of the Bank.

Capital Adequacy

Capital Adequacy Ratio (CAR) is a

measure of the Bank's capital expressed as a percentage of risk-weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios. Bank has maintained capital adequacy in excess of the minimum threshold prescribed by Nepal Rastra Bank.

Bank calculates CAR based on New Capital Adequacy Framework under Basel III requirement in July 2015 issued by NRB. Also, bank monitors the CAR, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as reputation risk, strategic risk, compliance risk, concentration risk, and interest rate risk on banking book.

4.31 Risk Management

Bank needs to manage Credit, Operational, Market, Liquidity and other risks inherent in bank. There are risk management in process to identify, measure, monitor, and control such risks. In order to manage such risks.

Board of the bank is primarily responsible for setting out the risks policies, risk strategies, risk appetite, risk tolerance, risk mitigation etc. Such risks are communicated by the Board down the line for effective and timely implementation adherence. Board of the bank monitors and evaluates the risk on a regular interval and instructs RMC and other related departments, who is responsible for risk management of the bank through CEO/CRO for effective implementation.

In broad sense, Bank's functional structure for risk related matters are presented below;

Board of Directors

Board has critical role to play in overseeing overall risks emanating in the bank business. Board approves, modifies, and review overall policies related to risk areas, advises the management to prepare suitable process. Overall accountability for risk management rests on Board and the level of risks organization accepts. Major responsibilities of Board, but not limited to include:

- a) Define bank's overall risk tolerance in relation to credit risk, market and liquidity risk

- b) Ensure bank's Credit and investment exposure maintained at prudent levels
- c) Ensure related top management responsible for risk management process.
- d) Ensure there is effective, integrated operational risk management framework
- e) Ensure implementation of sound fundamental policies that facilitate identification, measurement, monitoring and control of potential risk.

Risk Management Committee

Risk Management Committee is the sub-committee of the Board, which plays pivotal role in managing overall risk management of bank. RMC shall work as a bridge between Board and CRO/ Management and escalate the important risks matters to Board it has following roles:

AML/ CFT committee

A separate committee is formed to ensure compliance of Anti Money Laundering Act, rules and directive No. 19 issued by Nepal Rastra Bank. Also, in order to enable the strong AML culture in the bank and in addition ensure to apply a uniform policy framework throughout the branches in compliance with internal as well as regulatory standards, committee is formed. It devises appropriate risk management framework to identify, assess and minimize the risk pertaining to ML and FT; and recommend its implementation to management of bank.

Assets and Liability Management Committee

Senior Management Committee is responsible for supervision/management of market risk (mainly interest rate and liquidity risk). It includes the role of monitoring on the structure/ composition of bank's assets and liabilities and decide about product pricing for deposits and advances, deciding on maturity profile, evaluation of market risk and so on.

Credit Risk Management Department

Credit Risk Management is an independent function of the bank which has the objective to reduce the level of NPL, and delinquent borrowers and to improve the risk assets quality of the bank. It is a centralized function which controls overall risk inherent in lending

portfolio and also make an assessment of risk profile in credit files. It includes the assessment/review of purpose of credit, credit assessment of borrower, structuring of credit facilities, disbursement of loan, assessment of waiver policies, and others.

- a) To monitor bank's credit portfolio for risk identification, quantification
- b) Review risk of asset portfolio sector
- c) Periodically review irregular accounts which are NPA
- d) Define bank's overall tolerance to risk.
- e) Identify risk and analyze risk management tools.

Credit Risk Management

In order to manage credit risk, the Bank has established a sound credit appraisal system. The Bank has credit Policies Guidelines and other product papers approved by The Board of Directors which are strictly followed during credit approval/disbursement. The bank performs market/customer analysis to minimize the credit risk.

Operation Risk Management

A separate independent function has been established for effective management of operational risks of bank. The unit performs the job related to identity, measurement, monitoring and reporting of operational risks as a whole and ensure management of operational risk. It evaluates the adequacy of tools and techniques to reduce the operational risk to acceptable level.

The Bank has a strong internal control system so that material fraud and errors can be easily traced. Further, the Bank follows a scientific process for segregation of duty so that internal check be maintained. The Bank follows the operational manual approved by Board of Directors. The Bank has an effective Internal Audit Department which functions to carry out review of internal control system of the bank and ensure that the approved policies, procedures

and manuals are strictly followed. The report of the Internal Audit Department is directly submitted to Audit committee headed by a non-executive director.

Market Risk Management

For the management of Market/Liquidity risk, the Bank has a very effective ALM Policy which defines procedures and authority including setting up various risk limits. Under the ALM policy, the Bank has effective Assets Liabilities Committee (ALCO) which meets periodically and reviews interest rates, liquidity position, liquidity gap, FCY open position, investment portfolio, maturity limit for investment and takes necessary decision as well as circulates various guidelines to concerned departments for effective management of market risk.

Reputational Risk Management

Reputational risk is the risk of possible damage to the Bank's brand and reputation resulting in loss of earnings or adverse impact on market capitalization or could be perceived as by the stakeholders to be inappropriate, unethical, or inconsistent with bank values and beliefs.

The Bank's Corporate Governance Policy establishes the framework for the governance and management of reputational risk. The framework aims to protect the Bank's reputation and restrict the ability to undertake any activities that may cause material damage to the Bank's branding.

The bank has clearly set the code of conduct / code of ethics which defines acceptable and unacceptable behaviors and explicitly disallow behavior that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti-competitive practices, bribery and corruption, or the violation of consumer rights and make clear that employees are expected to conduct themselves

ethically in addition to complying with laws, regulations and company policies.

Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review, AML/CFT/KYC audit, ISO audit as well as Risk based Internal Audit (RBIA) approach. The audits observations are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department, regional offices or branches.

Machhapuchchhre Bank Limited
Notes to Financial Statements
Year ended 16th July 2018

1. PAID-UP CAPITAL

Paid-up share capital of the Bank has increased from year to year as follows:

a) Paid-Up Capital

The structure of the share capital of the Bank is as follows:

- Authorized capital of NPR 10,000,000,000 represented by 100,000,000 Ordinary Shares of NPR 100 each; and
- Issued capital as of balance sheet date is NPR 8,055,693,000 represented by 80,556,930 Ordinary Shares of NPR 100 each.
- Paid-up capital as of balance sheet date is NPR 8,055,693,000 represented by 80,556,930 Ordinary Shares of NPR 100 each.

The Paid-up capital of the Bank as on the balance sheet date is NPR 8,055,693,000 represented by 80,556,930 Ordinary Shares of NPR 100. Paid up share capital of the Bank has increased from year to year as follows:

Financial Year	Paid up Share Capital (NPR)	Remarks
2004/05	550,000,000	Opening Share Capital
2005/06	715,000,000	Issue of 30% right shares
2006/07	821,651,300	14.92% Bonus shares
2007/08	901,339,300	NPR 79,688,000 calls in advance included
2008/09	1,479,269,600	Issue of right shares 10:6 and 12.5% of bonus shares included
2009/10	1,627,196,560	10% Bonus shares included
2010/11	1,627,196,560	
2011/12	2,478,794,560	NPR 851,598,000 paid capital of Standard Finance Limited Merged
2012/13	2,478,794,560	
2013/14	2,776,249,907	12% Bonus shares included
2014/15	3,484,123,196	NPR 174,833,289 calls in advance and NPR 533,040,000 proposed bonus share included

NFRS related adjustment for Paid-up capital

Financial Year	As per GAAP	Adjustment	As per NFRS	Remarks
2015/16 (Transition phase-Opening adjustment)	4,666,430,000	(801,890,000)	3,864,540,000	Issue of right shares NPR 555,250,093 and NPR 801,890,000 proposed bonus share. - Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital
2016/17 (Comparative Year)	7,716,605,100	(665,149,000)	7,051,456,100	Calls in advance of NPR 452,756,100 of 12% right shares and NPR 665,149,000 - Proposed bonus share on the year of issuance not being part of share capital as per NFRS has been reduced from share capital.
2017/18 (First Time Adoption)	8,055,693,000	-	8,055,693,000	

2. RESERVE

a) General Reserve

Section 44 of Bank and Financial Institutions Act 2073 requires the Bank to allocate at least 20% of the net profits of every year to General Reserve until it is twice the paid-up capital. The Bank has appropriated NPR 249,937,663 of the net profits to General Reserve in the current year.

Particulars	This Year	Previous Year
Opening General Reserve	864,186,016	603,689,330
20% of Profit to be transferred	249,937,663	260,496,686
Closing General Reserve	1,114,123,679	864,186,016

b) Exchange Equalization Reserve

Section 45 Bank and Financial Institutions Act 2073 requires, 25% of revaluation gain from foreign currency exchange rate differences to be transferred to Exchange Equalization Reserve and revaluation loss is charged to profit and loss account. 25% of Revaluation profit of foreign currency accounts during the current period amounting NPR 1,436,237 been transferred to exchange fluctuation fund maintained by the Bank.

Particulars	As at 16 July 2018	As at 15 July 2017
Opening Exchange Equalization Reserve	9,280,311	8,793,320
25% of Revaluation gain	1,436,237	486,990
Closing Exchange Equalization Reserve	10,716,548	9,280,311

c) Fair Value Reserve

The net change in fair value of financial assets that are measured at fair value and change in fair value is recognized in other comprehensive income until assets are derecognized. Cumulative amount of change in fair value of financial reserve during this year is negative reserve of NPR 10,213,803.

Particulars	As at 16 July 2018	As at 15 July 2017
Opening Fair Value Reserve	548,177	407,466
Transfer/ Adjustment in Reserve	(10,761,979)	140,711
Closing Fair Value Reserve	(10,213,803)	548,177

d) Assets Revaluation Reserve

Assets are recognized under cost model and they are presented under historical cost. So, no assets have been revalued as on balance sheet date.

e) Skill Enhancement Fund

NRB Directive 6 requires BFIs to incur expenses towards employee training and development equivalent to at least 3% of the preceding year's total staff expenses which amounts NPR 15,233,062 (excluding staff bonus). Unspent amount of training fund carried forward from previous financial year is NPR 7,247,716. Total training expense of this year amounted to NPR 19,605,972. Since 3% of last year training expense could not be expensed out, unspent amount of training fund for current FY is NPR 2,874,806 which has been shown under Employment Skill Enhancement Fund in Statement of Changes in Equity.

Particulars	As at 16 July 2018	As at 15 July 2017
Opening Skill Enhancement Fund	7,247,716	-
Add : 3% of Last Year Staff Expense	15,233,062	13,999,087
Actual Staff Training Expense this year	19,605,972	6,751,370
Closing Skill Enhancement Fund	2,874,806	7,247,716

f) Corporate Social Responsibility Fund

NRB Directive 6 requires BFIs to create Corporate Social Responsibility Fund and appropriate an amount equivalent to 1% of net profit annually into this fund for covering expenditure related to CSR activities in the subsequent year. Accordingly, the Bank had opening reserve of NPR 13,024,834 out of which NPR 6,890,084 has been spent this year for CSR activities. This year, bank has also appropriated 1% of net profit i.e. NPR 12,496,883 and therefore total fund in this amount is NPR 18,631,633 and shown as Corporate Social Responsibility Fund in Statement of Changes in Equity.

Particulars	As at 16 July 2018	As at 15 July 2017
Opening CSR Fund	13,024,834	-
Add : 1% of profit this year	12,496,883	13,024,834
Less: CSR expense this year	6,890,084	-
Closing CSR Fund	18,631,633	13,024,834

g) Regulatory Reserve

The amount to this reserve has been allocated from profit/retained earnings as per the Directive of NRB for the purpose of implementation of NFRSs and is not regarded as free for distribution of dividend. Total adjustments during the transition period FY 2015-16 and FY 2016-17 has been routed through retained earnings and all such cumulative adjustments has been transferred to regulatory reserve in the FY 2017-18, being the first time adoption of NFRS. Details are as presented under:

Details	This Year	Previous Year
Opening Regulatory reserve	-	-
Adjustment	338,258,835	-
Interest Suspense	275,772,186	-
Investment Property Provision	24,870,824	-
Actuarial loss	26,853,845	-
Fair Value of Reserve	10,761,980	-
Closing Regulatory Reserve	338,258,835	-

h) Investment Adjustment Reserve

The Bank has maintained adequate reserve in compliance with NRB Directives 08/2075 for unlisted investments according to which 100% reserve to be created for investments not being listed. Bank has investment in NEPS which is not listed and therefore 100% reserve has already been created in earlier years. Also, 2% reserve that had been created in earlier years for other listed shares has been adjusted this year, since the reserve is not required as per NRB directive 4/2075.

Particulars	As at 16 July 2018	As at 15 July 2017
Opening IAR	16,954,425	15,096,783
Add: Additional Reserve during this year	-	1,857,642
Less: Adjustment in Reserve	(1,954,425)	-
Closing IAR	15,000,000	16,954,425

Investment Adjustment Reserve for the year is presented below:

Particulars	Net Investment	Required Reserve
Unlisted Securities @100%-NEPS	15,000,000	15,000,000
Closing balance	15,000,000	15,000,000

i) Share Premium

Share premium includes the excess amount received against the Face value of the issued shares. During this year, excess of NPR 30,881,765 were received against the 12 % right shares auction. The unsubscribed right shares were auctioned and the amount in excess of fair value is shown under share premium.

3. INVESTMENT SECURITIES

Investment Securities have been valued under fair value or amortized cost as allowed under NFRS 9. Closing Market Price of Securities has been used as the Fair value of the Asset/Securities for investment securities valued at Fair Value through Other Comprehensive Income. Different Fair Value Hierarchy has been considered (Level 1, Level 2 and Level 3) depending upon the availability of information and regarding the valuation of other investments through amortized cost, EIR rate has been used for booking the amortized cost of investment and interest income accordingly.

4. LOANS & ADVANCES TO B/FIS AND CUSTOMERS

Loans & Advances to B/FIs and Customers have been valued under amortized cost as allowed under NFRS 9. Separate Effective Interest Rate (EIR) has not been computed since all the relevant transactions costs for computing EIR are ignored due to impracticability to determine the relevant costs as allowed by Carve Out issued by ICAN.

As per para 63 of NAS 39, an entity shall assess at the end of each reporting period if there is any objective evidence that financial asset or group of financial assets measured at amortized cost is impaired. Bank has applied Para 63 and has computed impairment loss. However, as per the Carve-out issued by ICAN as a mandatory treatment of impairment loss for the transition period for banks and financial institution, impairment loss to be measured at higher of amount derived as per norms prescribed by NRB for loan loss provision and as per para 63. Details of such impairment is as mentioned below:

Particulars	This Year	Previous Year	P/L Impact
Impairment (A)	279,209,527	227,430,727	51,778,806
Provision as per NRB (B)	851,646,280	698,910,408	123,181,886
Impairment to be considered as Alternative Treatment by ICAN (Higher of A or B)	851,646,280	698,910,408	123,181,886

Higher of impairment as per para 63 of NAS 39 and as per the provision norms prescribed by NRB for loans and advances has been considered in preparing financial statements.

5. SEGMENTAL REPORTING

5.1 Segment Analysis

Growth, profitability, risks differs with the bank having different nature of operation and depending upon the location. Reporting segment has been identified on the basis of its geographical business presence in seven province of federal structure of Nepal. The Bank operates in the following segments:

Province wise Loan, Deposit, number of branches and staffs Province wise

Province No.	Loan	Deposit	No of Branch	No of Staff
1	10,151,882	5,661,737	16	114
2	5,341,610	2,472,941	15	98
3	30,516,597	26,865,304	23	230
4	9,401,800	11,638,496	15	137
5	6,749,006	2,564,676	7	65
6	253,786	274,314	5	19
7	2,225,288	514,160	5	30
Head Office	427,282	22,483,091	1	260
Total	65,067,251	72,474,720	87	953

Rs. in '000'

Note: Number of branches do not include the extension counter

5.2 Segment reporting for the year ended 16 July 2018 is given below:

Particulars	Province 1	Province 2	Province 3	Province 4	Province 5	Province 6	Province 7	Total
Revenues from external customers	1,153,592	676,410	3,607,871	1,242,796	897,918	20,317	249,317	7,848,224
Intersegment revenues	323,279	221,963	172,307	-189,113	344,619	-4,338	131,382	1,000,100
Gross revenue	1,476,871	898,374	3,780,179	1,053,682	1,242,537	15,978	380,699	8,848,324
Interest revenue	1,100,510	636,525	3,411,274	1,163,391	858,021	17,460	236,557	7,423,742
Interest expense	263,884	116,298	1,599,773	591,244	128,912	9,472	19,482	2,729,068
Net interest revenue	836,626	520,226	1,811,501	572,147	729,109	7,987	217,075	4,694,673
Depreciation and amortization	7,321	7,415	18,539	13,351	7,110	1,010	2,361	57,109
Segment Profit /Loss	476,711	233,174	1,471,543	647,948	324,944	376	71,318	3,226,018
Entity's interest in profit or loss of associates accounted using equity method								
Other material non-cash items								
Impairment of assets	111,726	71,361	437,069	131,417	74,843	2,525	22,228	851,171
Segment Assets	10,448,220	5,563,991	31,265,742	10,055,417	6,981,831	351,468	2,357,651	67,024,323
Segment liabilities	6,633,109	3,196,178	29,560,338	12,536,642	3,366,235	314,159	745,617	56,352,281

Rs. in '000'

- Revenue from external customers includes the total interest and non-interest revenue. Head Office income and expense has not been considered for segmental reporting.
- Segment assets includes net position of borrowed & lending fund of one segment by another segment and Inter-segment business (Lending & Borrowing) pricing are applied accordingly to the internal policy of bank. Accordingly revenue have been derived and presented in Segment Reporting. Net revenue includes total revenue from external customers aggregated with the intersegment revenues as well.
- Segment profit or loss includes the profit before tax and bonus.
- Impairment of assets includes the total impairment of loan and advances.
- Segment assets and liabilities has been netted off from total assets and liabilities regarding the items that can be offset. (contra items)

5.3 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

Rs. in '000'

Particulars	Amount
Revenues	
Total revenues for reportable segments	8,848,324
Other revenues	588,158
Elimination of intersegment revenues	(1,000,100)
Entity's revenues	8,436,382
Profit or loss	
Total profit or loss for reportable segments	3,226,018
Other profit or loss	
Elimination of intersegment profits	(1,000,100)
Unallocated amounts	(415,989)
Profit before income tax	1,809,929
Assets	
Total assets for reportable segments	67,024,323
Other assets	-
Unallocated amounts	17,784,783
Entity assets	84,809,106
Liabilities	
Total liabilities for reportable segments	56,352,281
Other liabilities	-
Unallocated liabilities	28,456,825
Entity's liabilities	84,809,106

5.4 Information about products and services

Products separately identifiable are Corporate, Deprived Sector Lending, Mid-Sized Business, Retail and Small and Medium Enterprises. Revenue from each category is as mentioned below:

Rs. in '000'

Particulars	Amount
Corporate	2,885,004
DSL	351,440
MSB	640,421
Retail	1,725,976
SME	1,756,389
Treasury & Other	407,123
Total	7,766,355

5.5 Information about geographical areas

Revenue from following geographical areas

Rs. in '000'

Particulars	Amount
Domestic	8,848,324
Province 1	1,476,871
Province 2	898,374
Province 3	3,780,183
Province 4	1,053,682
Province 5	1,242,537
Province 6	15,978
Province 7	380,699
Foreign	-
Total	8,848,324

5.6 Information about major customers

Major customer do not contribute more than 10% of entity's revenue. Entity's dependence on single customer is substantially lower not contributing more than entity's revenue by single customer.

6. TRANSITION FROM PREVIOUS GAAP TO NFRS

6.1 Reconciliation of total equity as at 16 July 2016 and 15 July 2017

Particulars	Explanatory Note	As at 2016.07.16	As at 2017.07.15
		(Date of Transition)	(End of last period presented under previous GAAP)
Total equity under Previous GAAP		5,340,202,752	8,211,005,911
Adjustments under NFRSs:			
Impairment on loan and advances		-	-
Fair value & employees benefit accounting of staff loan	a	211,616	7,907,660
Lease Accounting		-	-
Measurement of investment securities at fair value	b	698,250	2,193,123
Revaluation of property & equipment			
Recognition of investment property	c	119,519,545	24,870,824
Amortization of debt securities issued		-	-
Deferred tax	d	(66,308,265)	(44,147,770)
Defined benefit obligation of employees	e	(63,091,573)	(72,714,970)
Goodwill / Bargain purchase gain		-	-
Interest income	f	163,902,879	192,810,258
Other	g	(211,616)	(7,907,660)
Total Adjustment to equity		154,720,837	103,011,465
Total Equity under NFRSs		5,494,923,589	8,314,017,376

a) Fair value & employees benefit accounting of staff loan

Staff loans are initially recognized at fair value according to NAS 39 – "Financial Instruments: Recognition and Measurement". Fair value is the amount that equals the future cash flows discounted at benchmark interest rates i.e. 8%. The difference between loans granted amount and its initially recognized fair value is treated as pre-paid staff cost and amortized over the loan period. Excess interest income recognized on amortized cost at benchmark rate over the interest income on concessional rates offered to employees result increase in equity.

Particulars	As at 2016.07.16	As at 2017.07.15
Staff loan including AIR	436,578,454	467,797,234
Pre-paid amount	179,972,250	203,041,914
Fair value of staff loan	256,606,204	264,755,321
Interest income of staff loan	211,616	7,907,660

b) Measurement of investment securities at fair value

All investment securities are initially and subsequently measured at fair value through OCI. Unrealized gain or losses are recognized directly in equity in the "fair value reserve" through Other Comprehensive Income. When the investment is disposed of, the cumulative gain or loss previously recognized in fair value reserve is recognized in the Statement of Profit & Loss and reflected in gain/loss on sale of investment

As per previous GAAP, investment securities available for sale valued at mark to market price or cost whichever is lower, however as per NFRS, they are valued at Market price. Fair value of investment securities is recognized as follows.

Particulars	As at 2016.07.16	As at 2017.07.15
Quoted Investment	5,421,252	98,504,363
Unquoted Investment	20,030,000	20,030,000
Total Fair Value of Investment Securities	25,451,252	118,534,363
Cost of Investment Securities	24,869,157	117,751,252
Unrecognized gain or loss	582,095	783,111
Fair value loss recognized as per GAAP	(116,155)	(1,410,013)
Measurement of investment securities at fair value	698,250	2,193,124

c) Recognition of investment property

Non-Banking Assets (NBA) held by bank are classified as investment property and recognized at cost or fair value whichever is lower.

Provision created for NBA assets as per previous GAAP are restated and reversed. Previously, as per NRB directive, separate provision is to be created for NBA, however, under NFRS, impairment testing is done and if to be impaired, they are charged to PL and assets value is impaired. Therefore, under GAAP, NBA is netted off with provision whereas under NFRS, such provision is reversed and restated.

Particulars	As at 2016.07.16	As at 2017.07.15
Provision for NBA	119,519,545	24,870,824
Total	119,519,545	24,870,824

d) Deferred tax

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses. All the adjustments relating to current year are currently tax and all the prior year NFRS adjustments have been deferred.

Particulars	As at 2016.07.16	As at 2017.07.15
Fair value & employees benefit accounting of staff loan	211,616	7,907,660
Interest Suspense reversal	163,902,879	192,810,258
Defined benefit obligation of employees	(63,091,573)	(72,714,970)
Reversal of NBA provision	119,519,545	24,870,824
Measurement of investment securities at fair value	698,250	2,193,124
Amortization of prepaid staff loan	(211,616)	(7,907,660)
Total NFRS adjustment	221,029,102	147,159,236
Deferred Tax	66,308,264	44,147,771

e) Defined benefit obligation of employee: (Gratuity and Leave Liability)

Under previous GAAP, provision for gratuity and leave were created under the relevant provisions of the Act by the Bank without using actuarial valuation report. Actuarial Valuation has been used for valuation of gratuity and leave under NFRS and therefore, additional impact of gratuity and leave liability due to actuarial valuation disclosed as follow.

Particulars	As at 2016.07.16	As at 2017.07.15
Gratuity Liability	64,134,663	74,463,973
Leave Liability	(1,043,090)	(1,749,003)
Additional effect in personal expense	63,091,573	72,714,970

f) Interest Income

Under previous GAAP, NRB had prescribed the cash basis method for recognizing interest income. But, NFRS requires that the all the incomes shall be recognized on accrual basis. Interest suspense created as per NRB in previous periods have been reversed and transferred to retained earnings to comply with NFRS.

Particulars	As at 2016.07.16	As at 2017.07.15
Interest Suspense reversal	163,902,879	192,810,258

g) Other (Amortization of prepaid)

Staff loans are initially recognized at fair value according to NAS 39 – “Financial Instruments: Recognition and Measurement” under NFRS.

Fair value is the Present value of future cash flows discounted at benchmark rate i.e. 8% considered. However, under GAAP, total amount of loan and advance granted is recognized. The difference between granted amount and its fair value is treated as pre-paid staff cost and amortized over the loan period. The amortized cost of staff loan is disclosed as finance charge expenses under personal expenses.

Particulars	As at 2016.07.16	As at 2017.07.15
Finance Charge	211,616	7,907,660

6.2 Effect of NFRS adoption for the statement of profit or loss

Particulars	Explanatory Note	Profit / (Loss) for the Year ended 2016-17
Previous GAAP		1,302,483,429
Adjustments under NFRSs:		
Interest Income	a	36,815,039
Impair of loan and advances		-
Employees benefit amortization under staff loan	b	(7,907,660)
Defined benefit obligation of employee	c	(684,795)
Operating lease expenses		-
Amortization expenses of debt securities		-
Other operating income	d	(94,648,721)
Interest expense		-
Depreciation & Amortization		-
Other (Deferred Tax)	e	19,539,218
Other (Fair value loss recognized)	f	1,293,857
Total Adjustment to profit or loss		(45,593,062)
Profit or loss under NFRSs		1,256,890,367
Other Comprehensive Income		(6,116,311)
Total Comprehensive income under NFRSs		1,250,774,056

a) Interest Income

Under previous GAAP, NRB had prescribed the cash basis method for recognizing interest income. But, NFRS requires that the all the incomes shall be recognized on accrual basis. Interest suspense created as per NRB in previous periods have been reversed and transferred to retained earnings to comply with NFRS. Therefore, additional interest suspense of July 2017 impact is given to FY 2016-17 profit.

Excess interest income at fair value of staff loan, which is equal to amortization cost of pre-paid staff loan, is taken to interest income from staff loan under schedule 4.29

Particulars	Amount
Closing Interest Suspense	192,810,258
Opening Interest Suspense	163,902,879
Additional interest income from interest suspense	28,907,379
Interest income of staff loan	7,907,660
Additional interest income for FY 2016-17	36,815,039

b) Employees benefit amortization under staff loan

The difference between granted amount and its fair value is treated as pre-paid staff cost and amortized over the loan period. The amortized cost of staff loan is disclosed as finance charge expenses under personal expenses.

Particulars	Amount
Pre paid staff loan as at 15th July 2016	179,972,250
Pre paid staff loan as at 15th July 2017	203,041,914
Pre paid staff loan movement	(23,069,664)
New staff loan pre paid	30,977,324
Amortization pre-paid staff loan during FY 2016-17	7,907,660

c) Defined benefit obligation of employee

Provision for gratuity and accumulated leave was provided without using actuarial valuation report under previous GAAP. However, due to use of actuarial report, following impact is given to financial of FY 2016-17

Particulars	As per GAAP	As per actuarial report	Amount
Gratuity Expenses	26,197,661	27,588,369	1,390,708
Leave Expenses	7,645,365	6,939,452	(705,913)
Total Expenses	33,843,026	42,435,481	684,795

d) Other operating income

As per previous GAAP provision amount of non-banking assets disposed during the year is considered as write back of provision. However, at the time of restatement of opening balance for NFRS, provision amount of non-banking assets is transferred to retained earnings and assets recognized at fair value. Accordingly, write back of provision for disposed non-banking assets income is deducted.

Particular	As per GAAP	As per NFRS	Amount
Write back of provision for NBA	94,648,721	-	(94,648,721)
Total Expenses	94,648,721	-	(94,648,721)

e) Other (Deferred Tax)

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses.

Particulars	Amount
Interest Income	36,815,039
Employees benefit amortization under staff loan	(7,907,660)
Fair value loss of investment securities	1,293,857
Defined benefit obligation of employee	(684,795)
Other operating income	(94,648,721)
Total NFRS Adjustment	(65,132,280)
Deferred Tax	19,539,218

f) Other (Fair Value Loss)

Fair Value loss of investment securities has been recognized.

Particulars	Amount
Fair value loss of investment securities	1,293,857
Total	1,293,857

6.3 Effect of NFRSs adoption for the statement of financial position

Particulars	Note	As at 2016.07.16			As at 2017.07.15		
		(Date of Transition)			(End of last presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRSs	Opening NFRSs statement of Financial Position	Previous GAAP	Cumulative Effect of Transition to NFRSs	Amount as per NFRSs
Assets							
Cash and cash equivalent		4,289,306,452		4,289,306,452	5,501,151,243	-	5,501,151,243
Due from Nepal Rastra Bank		3,808,028,939		3,808,028,939	5,461,439,334	-	5,461,439,334
Placement with Bank and Financial Institutions		1,146,381,044		1,146,381,044	72,537,416	-	72,537,416
Derivative financial instruments		19,537,601		19,537,601	23,158,000		23,158,000
Other trading assets		63,212,027		63,212,027	80,247,663		80,247,663
Loan and advances to B/FIs		1,316,021,674	-	1,316,021,674	1,694,247,998	-	1,694,247,998
Loans and advances to customers		42,745,102,218	-	42,745,102,218	49,958,725,045	-	49,958,725,045
Investment securities	A	4,802,425,495	698,250	4,803,123,745	4,821,901,900	2,193,123	4,824,095,023
Current tax assets		237,292,912		237,292,912	260,661,183		260,661,183
Investment in subsidiaries		-		-	-		-
Investment in associates		-		-	-		-
Investment property	B	-	119,519,545	119,519,545	(0)	24,870,824	24,870,824
Property and equipment		714,584,536		714,584,536	697,389,677		697,389,677
Goodwill and Intangible assets		44,368,101		44,368,101	43,591,779		43,591,779
Deferred tax assets	C	43,645,632	(43,645,632)	-	18,634,241	(18,634,241)	-
Other assets	D	222,826,240	163,902,879	386,729,120	292,624,738	192,810,258	485,434,996
Total Assets		59,452,732,871	240,475,043	59,693,207,914	68,926,310,217	201,239,964	69,127,550,181
Liabilities							
Due to Bank and Financial Institutions		2,882,893,000		2,882,893,000	1,302,220,474		1,302,220,474
Due to Nepal Rastra Bank		1,220,000,000		1,220,000,000	160,703,263		160,703,263
Derivative financial instruments		-		-	-		-
Deposits from customers		49,423,275,270		49,423,275,270	57,326,856,207		57,326,856,207
Borrowing		-		-	-		-
Current Tax Liabilities		-		-	-		-
Provisions		-		-	835,205		835,205
Deferred tax liabilities	C	-	22,662,633	22,662,633	(0)	25,513,528	25,513,528
Other liabilities	E	544,157,114	63,091,573	607,248,687	1,028,500,418	72,714,970	1,101,215,388
Debt securities issued		-		-	-		-
Subordinated Liabilities		-		-	-		-
Total liabilities		54,070,325,384	85,754,206	54,156,079,590	59,819,115,566	98,228,499	59,917,344,065
Equity							
Share capital	F	4,666,430,000	(801,890,000)	3,864,540,000	7,716,605,100	(665,149,000)	7,051,456,100
Share premium		-		-	-		-
Retained earnings	G	44,752,423	956,203,369	1,000,955,792	460,854,540	768,019,755	1,228,874,295
Reserves	H	671,225,066	407,466	671,632,532	929,735,011	140,711	929,875,721
Total equity attributable to equity holders		5,382,407,489	154,720,835	5,537,128,324	9,107,194,651	103,011,465	9,210,206,116
Non-controlling interest		-	-	-	-	-	-
Total equity		5,382,407,489	154,720,835	5,537,128,324	9,107,194,651	103,011,465	9,210,206,116
Total liabilities and equity		59,452,732,873	240,475,040	59,693,207,914	68,926,310,217	201,239,964	69,127,550,181

EXPLANATORY NOTES

a) Investment securities

As per previous GAAP, investment securities available for sale valued at mark to market price or cost whichever is lower, however as per NFRS, for the investment securities available for sale recognized through OCI are valued at fair value. In case of listed quoted securities, fair value is the price derived from active market and for unquoted securities, they are valued at cost.

Particular	Effect of Transition to NFRSs	Cumulative Effect of Transition to NFRSs
Fair value of investment securities	25,451,252	118,534,363
Investment cost	24,869,157	117,751,252
Fair value gain /(loss)	582,095	783,111
Fair value loss recognized in previous GAAP	(116,155)	(1,410,012)
Fair value gain recognized as per NFRS	698,250	2,193,123

b) Investment Property

Provision created for NBA assets as per previous GAAP are restated and reversed. Previously, as per NRB directive, separate provision is to be created for NBA, however, under NFRS, impairment testing is done and if to be impaired, they are charged to PL and assets value is impaired. Therefore, under GAAP, NBA is netted off with provision whereas under NFRS, such provision is reversed and restated.

Particular	As at 2016.07.16			As at 2017.07.15		
	GAAP	NFRS	Total Impact	GAAP	NFRS	Total Impact
NBA-land and building	-	119,519,545	119,519,545	-	24,870,824	24,870,824
Total	-	119,519,545	119,519,545	-	24,870,824	24,870,824

c) Deferred Tax Asset/ Liability

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses. All the adjustments relating to current year are currently tax and all the prior year NFRS adjustments have been deferred.

Particular	As at 2016.07.16			As at 2017.07.15		
	GAAP	NFRS	Total Impact	GAAP	NFRS	Total Impact
Interest Suspense	-	163,902,879	49,170,864	-	192,810,258	57,843,077
Defined benefit obligation of employees	-	(63,091,573)	(18,927,472)	-	72,714,970	(21,814,491)
NBA Provision	-	119,519,545	35,855,864	-	24,870,824	7,461,247
Fair value gain/ loss	(116,155)	582,095	209,475	(1,410,012)	783,111	657,937
Deferred Tax Liability	(116,155)	220,912,947	66,308,730	(1,410,012)	145,749,223	44,147,771
Deferred Tax Asset recognized as per GAAP			(43,645,632)			(18,634,241)

d) Other assets

Under previous GAAP, NRB had prescribed the cash basis method for recognizing interest income. But, NFRS requires that the all the incomes shall be recognized on accrual basis. Interest suspense created as per NRB in previous periods have been reversed and transferred to retained earnings and other part to the accrued interest receivable.

Particular	As at 2016.07.16			As at 2017.07.15		
	GAAP	NFRS	Total Impact	GAAP	NFRS	Total Impact
Accrued interest receivable	168,331,541	168,331,541	-	220,357,642	220,357,642	-
Interest Suspense	163,902,879	-	163,902,879	192,810,258	-	192,810,258
Net Impact	4,428,661	168,331,541	163,902,879	27,547,384	220,357,642	192,810,258

e) Other Liabilities

Under previous GAAP, provision for gratuity and leave were created under the relevant provisions of the Act by the Bank without using actuarial valuation report. Actuarial Valuation has been used for valuation of gratuity and leave under NFRS.

Additional impact of gratuity and leave liability due to actuarial valuation over the valuation made under the relevant provisions of the Act by the Bank.

Particular	As at 2016.07.16			As at 2017.07.15		
	GAAP	NFRS	Total Impact	GAAP	NFRS	Total Impact
Net Gratuity Liability (DBO-Planned Asset)	-	64,134,663	64,134,663	-	74,463,973	74,463,973
Leave liability	103,022,091	101,979,001	(1,043,090)	110,667,456	108,918,453	(1,749,003)
Total	103,022,091	166,113,664	63,091,573	110,667,456	183,382,426	72,714,970

f) Share capital

Proposed bonus share, which is once approved by shareholders in general meeting, becomes the real obligation of the firm and is capitalized under equity. Under previous GAAP, as per NRB, such proposed bonus shares were capitalized under equity after decision of distribution has been passed through Board. However, as per NFRS, they are classified under equity after declaration of bonus through AGM.

Particular	As at 2016.07.16			As at 2017.07.15		
	GAAP	NFRS	Total Impact	GAAP	NFRS	Total Impact
Proposed bonus share	801,890,000	-	(801,890,000)	665,149,000	-	(665,149,000)
Total	801,890,000	-	(801,890,000)	665,149,000	-	(665,149,000)

g) Retained earnings

NFRS related adjustments like interest suspense, NBA provision and, fair value adjustments, actuarial valuation, and deferred tax adjustments have been routed through Retained earnings.

Particular	As at 2016.07.16	As at 2017.07.15
Interest Suspense	163,902,879	192,810,258
Defined benefit obligation of employees	(63,091,573)	(72,714,970)
NBA Provision	119,519,545	24,870,824
Fair value gain/ loss	698,250	2,193,123
Deferred Tax	(66,308,266)	(44,147,771)
Proposed bonus share	801,890,000	665,149,000
Fair Value reserve	(407,466)	(140,711)
Total	956,203,369	768,019,755

h) Reserves

NFRS related adjustments have been routed through retained earnings. However, adjustments to be routed through specific reserve like actuarial gain/loss reserve, fair value reserve have been routed through such reserves.

Particular	As at 2016.07.16	As at 2017.07.15
Defined Benefit Obligation through OCI	-	-
Fair Value Reserve Through OCI	(582,095)	(201,016)
Deferred tax -OCI related	174,629	60,305
Total	(407,466)	(140,711)

6.4 Effect of NFRSs adoption for statement of profit or loss and other comprehensive income

Particulars	Note	For the year ended 2017.07.15 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRSs	Amount as per NFRSs
Interest income	a	5,116,209,308	36,815,039	5,153,024,347
Interest expense		2,791,035,276	-	2,791,035,276
Net interest income		2,325,174,032	36,815,039	2,361,989,071
Fee and commission income		450,844,632	-	450,844,632
Fee and commission expense		46,473,195	-	46,473,195
Net fee and commission income		404,371,437	-	404,371,437
Net interest, fee and commission income		2,729,545,469	36,815,039	2,766,360,508
Net trading income		131,304,816	-	131,304,816
Other operating income		97,270,826	-	97,270,826
Total operating income		2,958,121,111	36,815,039	2,994,936,150
Impairment charge/(reversal) for loans and other losses	b	102,993,973	(1,293,858)	101,700,115
Net operating income		2,855,127,138	38,108,897	2,893,236,035
Operating expense				
Personnel expenses	c	685,211,304	8,592,455	693,803,759
Other operating expenses		336,058,649	-	336,058,649
Depreciation & Amortization		86,088,198	-	86,088,198
Operating Profit		1,747,768,987	29,516,442	1,777,285,429
Non operating income	d	112,581,222	(94,648,721)	17,932,501
Non operating expense		-	-	-
Profit before income tax		1,860,350,209	(65,132,279)	1,795,217,930
Income tax expense		557,866,779	(19,539,218)	538,327,560
Current Tax		532,855,388	-	532,855,388
Deferred Tax	e	25,011,391	(19,539,218)	5,472,172
Profit for the period		1,302,483,430	(45,593,061)	1,256,890,370
Other comprehensive income		-	-	(6,116,311)
Total Comprehensive		1,302,483,430	(45,593,061)	1,250,774,059

EXPLANATORY NOTES

a) Interest Income

Under previous GAAP, NRB had prescribed the cash basis method for recognizing interest income. But, NFRS requires that the all the incomes shall be recognized on accrual basis. Interest suspense as on 15th July 2016 created as per NRB directive is reversed to retained earnings. Therefore, additional interest suspense of 15th July 2017 impact is given to FY 2016-17 profit.

Excess interest income at fair value of staff loan, which is equal to amortization cost of pre-paid staff loan, is taken to interest income from staff loan under schedule 4.29

Particulars	Amount
Closing Interest Suspense	192,810,258
Opening Interest Suspense	163,902,879
Additional interest income from interest suspense	28,907,379
Interest income of staff loan	7,907,660
Additional interest income for FY 2016-17	36,815,039

b) Impairment charge/(reversal) for loans and other losses

All investment securities are initially and subsequently measured at fair value through OCI. Unrealized gain or losses are recognized directly in equity in the "fair value reserve" through Other Comprehensive Income. When the investment is disposed off, the cumulative gain or loss previously recognized in fair value reserve is recognized in the Statement of Profit & Loss and reflected in gain / loss on sale of investment securities.

As per previous GAAP, investment securities available for sale valued at mark to market price or cost whichever is lower, however as per NFRS, they are valued at Market price. Fair value loss of investment securities recognized as per previous GAAP transferred to OCI as follows.

Particulars	Amount
Opening fair value loss	116,155
Closing fair value loss	1,410,012
Fair value loss recognized as per GAAP	(1,293,857)

c) Personnel Expense

Provision for gratuity and leave were created under the relevant provisions of the act by the Bank without using actuarial valuation report under previous GAAP. However, additional impact of gratuity and leave liability due to actuarial valuation disclosed as follows:

Staff loans are initially recognized at fair value according to NAS 39 – "Financial Instruments: Recognition and Measurement". The difference between granted amount and its fair value is treated as pre-paid staff cost and amortized over the loan period. The amortized cost of staff loan is disclosed as finance charge expenses under personal expenses.

Particulars	As per GAAP	As per NFRS	Effect of Transition to NFRS
Gratuity Liability	26,197,661	27,588,369	1,390,708
Leave Liability	7,645,365	6,939,452	(705,913)
Finance Charge	-	7,907,660	7,907,660
Additional effect in personal expenses	33,843,026	42,435,481	8,592,455

d) Non-operating income

As per previous GAAP provision amount of non-banking assets disposed during the year is considered as write back of provision. However, at the time of restatement of opening balance for NFRS, provision amount of non-banking assets is transferred to retained earnings and assets recognized at fair value. Accordingly, write back of provision for disposed non-banking assets income is deducted.

Particulars	As per GAAP	As per NFRS	Effect of Transition to NFRS
Write back of provision for NBA	94,648,721	-	(94,648,721)
Effect of Transition to NFRS	94,648,721	-	(94,648,721)

e) Deferred Tax

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses.

Particulars	Effect of Transition to NFRS
Interest Income	36,815,039
Impairment charge/(reversal) for loans and other losses	1,293,857
Personnel Expense	(8,592,455)
Non-operating income	(94,648,721)
Total NFRS Adjustment	(65,132,280)
Deferred Tax	(19,539,218)

6.5 Effect of NFRSs adoption for statement of cash flows

Particulars	Note	For the year ended 2016.07.16 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRSs	Amount as per NFRSs
Net cash flows from operating activities	a	504,033,039	(1,980,689,919)	(1,476,656,880)
Net cash flows from investing activities	b	(190,274,244)	454,553,026	264,278,781
Net cash flows from financing activities	c	1,363,006,996	1,059,267,931	2,422,274,928
Net increase/ (decrease) in cash and cash equivalent		1,676,765,791	(466,868,962)	1,209,896,829
Cash and cash equivalent at the beginning of the period	d	7,997,353,448	(3,708,046,996)	4,289,306,452
Cash and cash equivalent at the end of the period		9,674,119,239	(4,174,915,958)	5,499,203,281

EXPLANATORY NOTES

a) Net cash flows from operating activities

Particulars	Amount NPR
Interest income from investment regrouped to financing activities	(153,555,221)
Receipt from sale of investment property regrouped financing activities	(188,300,000)
Placement with banks regrouped in operating activities	1,073,843,628
Dividend payment as per GAAP	(28,806)
Balance with NRB grouped to operating activities	(1,653,410,395)
Other Adjustment	(1,059,239,126)
Total NFRS effect	(1,980,689,919)

b) Net cash flows from investing activities

Particulars	Amount NPR
Interest income from investment reclassified from operating	153,555,221
Receipt from sale of investment property regrouped from operating	188,300,000
T-Bills with original maturity three months or less regrouped	1,186,541,433
Placement with banks regrouped in operating activities	(1,073,843,628)
Total NFRS effect	454,553,026

c) Net cash flows from financing activities

Particulars	Amount NPR
Refinancing from NRB reclassified to operating from financing activities as per GAAP	(1,059,296,737)
Dividend payment as per GAAP	28,806
Total NFRS effect	(1,059,267,931)

d) Cash and cash equivalent at the beginning of the period

Particulars	Amount NPR
T-Bills with original maturity three months or less regrouped	99,981,943
Balance with NRB grouped to operating activities	(3,808,028,939)
Total NFRS effect	(3,708,046,996)

7. CLASSIFICATION OF FINANCIAL ASSET AND LIABILITY

Rs. in '000'

Particulars	As at		As at	
	16-Jul-18		15-Jul-17	
	Carrying Value	Fair value	Carrying Value	Fair value
Assets				
Assets carried at Amortized Cost				
Cash and cash equivalent	2,364,190	2,364,190	5,501,151	5,501,151
Due from Nepal Rastra Bank	7,096,607	7,096,607	5,461,439	5,461,439
Placement with Bank and Financial Institutions	1,395,303	1,395,303	72,537	72,537
Loans and advances to BFls	1,798,387	1,798,387	1,694,247	1,694,247
Loan and advances to customers	62,417,217	62,417,217	49,958,725	49,958,725
Investment securities at amortized cost	7,619,974	7,619,974	4,705,560	4,705,560
Fair Value through Profit and Loss (FVTPL)				
Derivative financial instruments.	-	-	23,158	23,158
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment securities	113,160	113,160	118,534	118,534
Liabilities				
Liabilities carried at Amortised Cost				
Due to Bank and Financial Institutions	1,332,347	1,332,347	1,302,220	1,302,220
Due to Nepal Rastra Bank	637,802	637,802	160,703	160,703
Deposits from customers	71,142,372	71,142,372	57,326,856	57,326,856
Debt securities issued	-	-	-	-
Fair Value through Profit and Loss (FVTPL)				
Derivative financial instruments	116	116	-	-

8. INTEREST INCOME

Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank. NPR 51,768,171 is capitalized during FY 2016-17.

9. STAFF BONUS

Proposed bonus for staff have been provided for 10% of net profit before such bonus.

10. INTERIM FINANCIAL STATEMENTS

Interim Financial Statements are prepared and published on quarterly basis in accordance with NRB Directives in compliance with statutory and legal requirement within the time frame as prescribed.

11. GRATUITY AND ACCUMULATED LEAVE PROVISION

Gratuity

As per the actuarial valuation, gratuity liability of the bank is NPR 295,921,180. Out of which NPR 219,552,518 has been funded and net amount is shown as liability of bank. Bank has made an additional provision of NPR 59,550,326 for gratuity liability as per the actuarial valuation report this year. However, funding arrangement to CIT has been made on the basis of gratuity liability computed as per relevant provisions of Act. Net liability after deducting the fair value of planned assets from Net Benefit Obligations has been shown as Net liability of bank

Details of actuarial valuation of gratuity and leave are as follows:

Particulars	As at 16 July 2018	As at 15 July 2017
Defined Benefit Obligations	295,921,180	236,370,854
Fair Value of Planned Assets	219,552,518	161,906,882
Net Liability	76,368,662	74,463,972
Expense booked as in PL	30,354,442	27,588,369
Actuarial Gain Loss booked in OCI	26,853,845	8,938,602

Leave

The Bank has recognized an additional provision of NPR 33,011,694 for accumulated leave liability in the current year. Being non-funded arrangement, total amount is booked as liability for bank. Moreover, leave encashment paid in excess of accumulated leave exceeding 90 days each of sick and annual leave is also charged in profit and loss account.

Particulars	As at 16 July 2018	As at 15 July 2017
Defined Benefit Obligations	141,930,147	108,918,453
Fair Value of Planned Assets	-	-
Net Liability	141,930,147	108,918,453

12. DEFERRED TAX ASSET/LIABILITY

Tax effect of all the NFRS adjustment are created and reflected under deferred tax income or expenses. All the adjustments relating to current year are taxed in current period and all the prior year NFRS adjustments have been deferred.

Particulars	Book Base	Tax Base	Difference
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	1,715,397	-	1,715,397
Loans and advances to customers	191,094,863	-	191,094,863
Investment securities	(14,591,147)	-	(14,591,147)
Property & equipment	724,912,569	630,870,596	94,041,973
Employees' defined benefit plan	(218,298,810)	-	(218,298,810)
Provisions	(739,627)	-	(739,627)
Deferred tax on carry forward of unused tax losses	(5,823,977)	-	(5,823,977)
Total	584,227,296		47,398,673
Deferred tax (asset)/liabilities as on 16th July 2018			14,219,602
Deferred tax (asset)/liabilities as on 16th July 2017			25,513,528
Origination/(Reversal) during the year			(11,293,926)
Deferred tax expense/(income) recognised in profit or loss			1,374,504
Deferred tax expense/(income) recognised in other comprehensive income			(12,668,431)

13. SUBSIDIZED INTEREST INCOME AND AMORTIZATION EXPENSE OF PREPAID STAFF LOAN

An endowment life insurance policy is purchased by Bank for insured sum equivalent to the principal of housing loan. The policy is purchased for a period of 20 years or remaining service period of the employee, whichever is earlier. The employees pay insurance premium in respect of policy on monthly basis. Upon maturity of the endowment policy, the proceeds/bonus are accounted towards settlement of interest and principal loan amount in a single installment.

The Bank has recognized an interest receivable of NPR 55,035,503 in the current year and amortizations of prepaid employee expense of NPR 12,326,162. Ban has considered 8% average interest rate as market rate for calculating fair value of staff loans provided at 6%. Difference of fair value of staff loan and book value has been shown in other assets as deferred employee expenditure.

14. WEIGHTED AVERAGE INTEREST RATE SPREAD

The weighted average interest rate spread between Loan and Investment and Deposit Liabilities are shown as below.

Particulars	Annual Average %
Average Interest Rate of Loan and Investment	11.62%
Average Interest Rate of Deposit and Borrowing	7.61%
Average Interest Rate Spread	4.01%

15. LOANS AND ADVANCES EXTENDED TO PROMOTERS

The Bank has not extended any loans to promoters during the year.

16. RELATED PARTY

Nepal Electronic Payment System (NEPS)

The Bank has entered into financial transactions with NEPS having financial interest.

in "NPR"

Related Party	Nature of Relationship	Nature of transaction	Current Year
Nepal Electronic Payment System (NEPS)	Common Directors	Investment in Shares	15,000,000

Bank has transactions relating to ATM and POS management along with monitoring, settlement and reconciliation.

17. KEY MANAGEMENT PERSONNEL

Key management personnel includes the personnel having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors. The Key management of the Bank includes Board members, CEO and other higher level employee of the bank.

Board Members

- a) Mr. Roshan K.C., Chairman
- b) Mr. Gopi Krishna Neupane, Director
- c) Mr. Jaya Mukunda Khanal, Director
- d) Mr. Ram Man Shrestha, Director
- e) Mr. Bishow Prakash Gautam, Director
- f) Mr. Omesh Lal Shrestha, Director

The Chairperson and other members of the Board are paid NPR 10,000 and NPR 8,000 per meeting respectively for Board and Board Level Committees meeting.

Meeting fees paid to three Board Level Committees are as follows:

Particulars	Current Year (NPR)	Previous Year (NPR)
Meeting Fees	1,970,400	2,850,800
Other Expenses	1,266,027	1,239,958

Other Key Management Personnel

Other key Management Personnel includes the personnel with authority and responsibility for planning, directing and controlling activities of entity except directors.

The compensation paid to the above members of management committee has been depicted in table below;

S. No	Particulars	Amount in NPR
1	Short Term Employee Benefits	29,322,958
2	Post-Employment Benefits	1,145,068
3	Other Long Term Benefits	-
4	Termination Benefits	-
5	Share Based Payment	-
Total of Key Management Personnel Compensation		49,456,088

Short term employment benefit excludes medical insurance, income considered under vehicle facility, differential interest income and prize money.

Key management personnel are also eligible for the following benefits:

- Benefits as per Employee Service Regulation of the Bank.
- Bonus out of profit as per Bonus Act.
- Housing loans and advances as per Housing Loan Scheme of the Bank.
- Vehicle facility.

Post-employment benefits includes the retirement payments (gratuity and leave payment) to be made at the time of retirement from service. However, since actuarial basis of accounting has been used and the amount to be benefitted for each employee is not separately identifiable, they have not been disclosed in the amount mentioned above. Actual retirement payment that has been made in this year has been disclosed above.

Total no of Key Management Personnel as on 16th July 2018 (including CEO): 6

18. OPERATIONAL LEASE EXPENSE

Bank has been making lease payments for operating different branches and therefore as provisioned under NAS 17- Lease, lease payments under an operating lease shall be recognized as expense on straight line basis over the lease term or any other systematic basis. However, as per Carve out issued by ICAN, they shall be booked on straight line basis unless such payments are structured to increase in line with expected general information to compensate for the lessors expected inflationary cost increase. Since, such operating lease are agreed to meet such inflationary cost, they have been booked on accrual basis as per the agreement.

19. SAKCHYAM PROJECT

Sakchyam Project is the project funded by DFID for operating Access to Rural Banking Sakchyam Access to Finance Program provides grant of 50% of total expense reported which is recognized as income of the Bank. The bank has received NPR 19,792,386.2 till 2017/18 from the project which has been parked to Sakchyam Fund Account. The total amount expended & income recognized during the FY 2017-18 from the fund is:

Total Expenses(NPR)	Income Recognized (NPR)
21,682,982	10,841,491

20. MERGER AND ACQUISITION

There are no merger or acquisitions transaction during the year.

21. ADDITIONAL DISCLOSURES OF NON-CONSOLIDATED ENTITIES

The Bank has no subsidiary and as such not consolidated for year ended 2017-18.

22. EVENTS AFTER REPORTING DATE

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorized for issue.

Where necessary all material events after reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per NAS 10. There are no material events that have occurred subsequent to 16 July 2018 till the signing of this financial statement on 21st November 2018.

23. PROPOSED DIVIDEND

The board of directors has proposed 10 % of cash dividend on banks paid up capital, subject to approval from Nepal Rastra Bank and Annual General Meeting.

24. NON-BANKING ASSETS

Non-Banking Assets are the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower.

Name & Address of Borrower/Party	Date of Assuming of Non-Banking Assets	Total Non-Banking Assets
Manakamana Enterprises Kalanki-13, Kathmandu	5-May-03	285,824
Keshav Prasad Rijal Ward no 16, Balaju	10-Feb-11	375,000
Cosmic Automobile Chundeivi 4 Maharajgunj	3-Sep-12	24,210,000

25. CONTINGENT LIABILITIES

Contingent liabilities related details has been presented under Schedule 4.28.

26. EARNINGS PER SHARE

Earnings per Share is calculated using the earnings attributable to equity shareholders for the period divided by the number of weighted average number of shares as required under NAS 33 Earnings per share.

Particulars	Units	Year ended	Year ended
		16-Jul-18	15-Jul-17
Profit attributable to equity shareholders	NPR	1,249,688,316	1,256,890,367
Weighted average of number of equity shares used in computing basic earnings per share	Nos.	79,061,456	54,264,072
Earnings Per Share (EPS)	NPR	15.81	23.16
Diluted Earnings Per Share(DPS)	NPR	15.81	23.16

As there is no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

27. UNPAID DIVIDEND

As on balance sheet date, total dividend payable amounts to NPR 50,556,546 (PY NPR 395,635). Details have been presented as under:

Dividend Payable of FY	As at 16 July 2018	As at 15 July 2017	As at 16 July 2016
2016/17	50,160,912	-	-
2009/10	312,222	312,222	3,33,310
2005/06	70,221	70,221	77,940
2004/05	13,191	13,191	13,191.13
Total	50,556,546	395,635	424,441.4

28. NON-PERFORMING ASSETS

The Banks' non-performing assets ratio stood at 0.44% as at balance sheet date. The total non-performing assets as at balance sheet date is NPR 286,384,389 and loan loss provision related to non-performing assets calculated as per NRB directives is NPR 196,778,293.

Particulars	This Year	Previous Year	Change	
			Amount	%
Performing Loan	64,079,280,907	51,670,935,943	12,409,550,804	24.02%
Pass	63,727,401,462	50,928,105,247	12,800,502,056	25.13%
Watchlist	351,879,444	742,830,696	(390,951,252)	(52.63)%
Non-Performing Loans (NPL)	286,384,389	195,834,545	90,549,844	46.24%
<i>Restructured/rescheduled</i>	2,374,644	3,689,087	(1,314,443)	(35.63)%
<i>Substandard</i>	91,173,380	37,108,517	54,064,863	145.69%
<i>Doubtful</i>	38,296,495	30,097,659	8,198,836	27.24%
<i>Loss</i>	154,539,870	124,939,281	28,394,749	22.73%
Gross Loans & Advances	64,365,665,296	51,866,770,489	12,509,100,648	24.10%

NPL ratios:

Gross NPL to Gross Loans & Advances -0.44%

Net NPL to Net Loans & advances -0.14%

29. FIRST TIME ADOPTION OF NEPAL FINANCIAL REPORTING STANDARDS

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides guidance on entity's first annual financial statements on which entity adopts NFRSs, by an explicit and unreserved statement in those financial statement of compliance with NFRS.

The transition date for Bank for preparing the opening Statement of Financial Position as per NFRS is on 16th July 2016 (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- not recognizing items of assets or liabilities which are not permitted by NFRS,
- reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- applying NFRS in measurement of recognized assets and liabilities.

30. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Nepal Rastra Bank has issued guidelines for implementation of New Capital Adequacy Framework under Basel III requirement in July 2015. NRB directed all Banks to adopt this framework and according to which Banks are to maintain Capital for Credit, Operational and Market Risk. Accordingly, the following disclosure is made:

a) Tier 1 capital and a breakdown of its components

Rs. in '000'

S. No	Particulars	Amount in NPR
A	Paid up Equity Share Capital	8,055,693
B	Share Premium	30,882
C	Proposed Bonus Equity Share	-
D	Statutory General Reserve	1,114,123
E	Retained Earnings	807,759
F	Un-audited current year cumulative profit	-
G	Capital Redemption Reserve	-
H	Capital Adjustment Reserve	-
I	Dividend Equalization Reserve	-
J	Other Free Reserve	-
K	Less : Goodwill	-
L	Less: Assets not written off	45,439
M	Less: Deferred Tax Assets	-
N	Less : Investment in equity in licensed Financial Institutions	-
O	Less : Investment in equity of institutions with Financial interests	15,000
P	Less : Investment in equity of institutions in excess of limits	-
Q	Less : Investments arising out of underwriting commitments	-
R	Less : Reciprocal crossholdings	-
S	Less: Purchase of Land& Building in excess of limit and unutilized	4,877
T	Less : Other Deductions	-
	Total Tier 1 Capital	9,943,141

b) Tier 2 capital and a breakdown of its components

Rs. in '000'

S. No	Particulars	Amount in NPR
A	Cumulative and/or Redeemable Preference Shares	-
B	Subordinated Term Debt	-
C	Hybrid Capital Instruments	-
D	General Loan Loss Provision	654,867
E	Exchange Equalization Reserve	10,717
F	Investment Adjustment Reserve	15,000
G	Assets Revaluation Reserve	-
H	Other Reserves	-
		-
	Total Tier 2 Capital	680,584

c) Deduction from capital

Rs. in '000'

Particulars	Amount in NPR
Assets not written off	45,439
Investment in equity of institutions with Financial interests	15,000
Purchase of Land & Building in excess of limit and unutilized	4,877
Total Qualifying Capital (Total Capital Fund)	65,316

d) Total qualifying capital

Rs. in '000'

Particulars	Amount in NPR
Core Capital	9,943,141
Supplementary Capital	680,584
Total Qualifying Capital (Total Capital Fund)	10,623,725

Capital Adequacy Ratio 15.36%

e) Risk Weighted Exposure

Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk is as mentioned below:

Rs. in '000'

Particulars	Amount in NPR
Risk Weighted Exposure for Credit Risk	63,081,519
Risk Weighted Exposure for Operational Risk	3,475,176
Risk Weighted Exposure for Market Risk	30,760
Add: RWE equivalent to reciprocal of capital charge of 2 % of gross income	583,036
Add: 3% of the total RWE add by Supervisory Review	1,997,614
Total Risk Weighted Exposures	69,168,115

f) Risk weighted Exposures under each 11 categories of Credit Risk

Rs. in '000'

S. No	Particulars	Risk Weighted Exposure Amount in NPR
1	Claims on government and central Bank	-
2	Claims on other official entities	-
3	Claims on Banks	884,010
4	Claims on corporate and securities firm	24,835,048
5	Claims on regulatory retail portfolio	23,458,829
6	Claim secured by residential properties	4,061,314
7	Claims secured by commercial real state	973,656
8	Past due Claims	226,981
9	High risk claims	2,314,875
10	Other Assets	2,096,142
11	Off Balance sheet Items	4,230,339
Total		63,081,194

g) Total Risk weighted Exposure Calculation Table

Rs. in '000'

S. No	Particulars	Amount in NPR
1	Total Risk Weighted Exposure	69,166,248
2	Total Core Capital Fund (Tier 1)	9,943,141
3	Total Capital Fund (Tier 1 & Tier 2)	10,623,725
4	Total Core Capital to Total Risk Weighted Exposures	14.38%
5	Total Capital to Total Risk Weighted Exposures	15.36%

h) Non-Performing Loan

Rs. in '000'

Particulars	Gross	Provision	Net of Provision
Restructured/rescheduled	2,375	297	2,078
Substandard	91,173	22,793	68,380
Doubtful	38,296	19,148	19,148
Loss	154,540	154,540	-
Gross Loans & Advances	286,384	196,778	89,606

i) Compliance with external requirement

Bank has complied with externally imposed capital requirements to which it is subject and there are no such consequence where the institution has not complied with those requirement.

j) Risk Management

Overall Risk Management Process of Ban has been disclosed in Significant Accounting Policies.

ADDITIONAL DISCLOSURE RELATING TO CARVE-OUT DECISION BY ICAN:

1. Financial Instruments: Recognition and Measurement

a) Effective Interest Rate (EIR Rate)

As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking interest income and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts. As per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN.

Machhapuchchhre Bank Limited Principal Indicators

Particulars	Indicators	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2013/14	2014/15	2015/16	2016/17	2017/18
1. Net Profit/Gross Income	%	13.66%	16.65%	21.96%	21.96%	14.81%
2. Earnings Per Share	Rs.	18.34	22.20	25.04	24.00	15.81
3. Market Value per Share	Rs.	576.00	564.00	680.00	360.00	209.00
4. Price Earning Ratio	Ratio	31.40	25.40	27.15	15.00	13.22
5. Dividend (including bonus) on share capital	%	12.63%	16.84%	21.84%	15.00%	10.00%
6. Cash Dividend on Share Capital	%	0.63%	0.84%	1.09%	6.00%	10.00%
7. Interest Income/Loans & Advances	%	9.60%	8.93%	7.90%	9.87%	12.09%
8. Employee Expenses/Total Operating Exps	%	11.75%	13.90%	18.54%	13.18%	10.74%
9. Interest Exps on Total Deposit and Borrowings	%	4.63%	3.97%	3.13%	4.76%	6.93%
10. Exchange Fluctuation Gain/Total Income	%	1.62%	2.23%	2.99%	2.30%	2.05%
11. Staff Bonus/ Total Employee Expenses	%	23.01%	25.91%	27.51%	37.56%	29.86%
12. Net Profit/Loans & Advances	%	1.54%	1.77%	2.03%	2.51%	1.92%
13. Net Profit/ Total Assets	%	1.12%	1.26%	1.51%	1.89%	1.47%
14. Total Credit/Deposit	%	79.56%	78.77%	84.59%	88.47%	89.78%
15. Total Operating Expenses/Total Assets	%	1.64%	1.56%	4.27%	5.45%	7.40%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	9.69%	11.14%	11.32%	15.78%	14.38%
b. Supplementary Capital	%	0.94%	1.10%	1.04%	1.04%	0.98%
c. Total Capital Fund	%	10.63%	12.24%	12.36%	16.82%	15.36%
17. Liquidity	%	26.28%	27.63%	24.52%	26.29%	25.26%
18. Non Performing Loans/Total Loans	%	1.78%	0.64%	0.55%	0.38%	0.44%
19. Base Rate	%	8%	7.69%	6.18%	10.29%	11.06%
20. Weighted Average Interest Rate Spread *	%	4.97%	4.65%	4.59%	4.27%	4.75%
21. Book Net worth	Rs.	3,235,708,172	3,816,142,380	5,537,128,324	9,210,206,116	10,356,871,786
22. Total Shares	Number	24,787,946	27,762,499	38,645,400	65,987,000	80,556,930
23. Total Employees	Number	614	597	663	742	953
24. Productivity per Staff	Rs.'000	740.53	1032.45	1,354.79	1755.37	1642.48
25. Book Value Per Share	Rs.	130.54	137.46	138.18	124.43	128.57
26. Number of branches(including extension counter)	Number	56	56	57	57	88
27. Number of ATM	Number	69	70	72	74	93

* Weighted Average Interest Rate spread is presented as per the calculation of NRB Directive (This Rate represent Mid-July month spread)

Machhapuchchhre Bank Limited

Comparison Unaudited and Audited Financial Statements as of FY 2017/18

Rs. in '000'

Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and cash equivalent	2,212,056,936	2,364,190,960	152,134,024	6.88%	Placement & t-bills with original maturity three months or less reclassified
Due from NRB and placements with BFs	8,546,183,092	8,491,911,783	(54,271,309)	-0.64%	Placement with original maturity three months or less reclassified
Loan and advances	65,080,188,229	64,215,605,153	(864,583,076)	-1.33%	Loan & advances impairment netted off against loan and advance amount.
Investments Securities	7,859,023,266	7,732,134,169	(126,889,097)	-1.61%	T-bills with original maturity less than three months regrouped to cash and cash equivalent
Investment in subsidiaris and associates	-	-	-	0.00%	
Goodwill and intangible assets	45,439,230	45,439,230	-	0.00%	Due to other miscellaneous assets regrouped from other assets.
Other assets	1,947,524,459	1,938,366,519	(9,157,940)	-0.47%	Due to reversal of deferred tax assets
Total Assets	85,690,415,212	84,787,647,814	(902,767,398)	-1.05%	
Capital and Liabilities					
Paid up Capital	8,055,693,000	8,055,693,000	-	0.00%	
Reserves and surplus	2,726,168,461	2,301,178,786	(424,989,675)	-15.59%	Due to use of NRB provision calculation method
Deposits	72,474,719,641	72,474,719,641	-	0.00%	
Borrowings	637,802,484	637,802,484	-	0.00%	
Bond and Debenture	-	-	-	0.00%	
Other liabilities and provisions	1,796,031,626	1,318,253,903	(477,777,723)	-26.60%	Loan & advances impairment netted off against loan and advance amount.
Total Capital and Liabilities	85,690,415,212	84,787,647,814	(902,767,398)	-1.05%	
Statement of Profit or Loss					
Interest income	7,757,329,452	7,766,355,770	9,026,318	0.12%	Notional financial interest of subsidized loan to staff
Interest expense	5,026,556,329	5,026,556,648	319	0.00%	
Net interest income	2,730,773,123	2,739,799,122	9,025,999	0.33%	
Fee and commission income	491,068,818	491,068,818	0	0.00%	
Fee and commission expense	51,568,962	51,568,932	(30)	0.00%	
Net fee and commission income	439,499,856	439,499,886	30	0.00%	
Other operating income	175,741,125	175,837,347	96,222	0.05%	Gain on sale of NBA & provision reversal of other receivable.
Total operating income	3,346,014,104	3,355,136,355	9,122,251	0.27%	
Impairment charge/(reversal) for loans and other losses	72,301,526	152,735,872	80,434,346	111.25%	Due to use of NRB impairment & provision for investment security transferred to OCI
Net operating income	3,273,712,578	3,202,400,483	(71,312,095)	-2.18%	
Personnel expenses	879,757,692	874,639,789	(5,117,903)	-0.58%	Amortization of prepayment of subsidized staff loan & staff bonus provision
Other operating expenses	519,443,918	519,503,113	59,195	0.01%	CSR expenses charged off from CSR reserve
Operating profit	1,874,510,968	1,808,257,581	(66,253,388)	-3.53%	
Non operating income/expense	1,672,897	1,672,251	(645)	-0.04%	Gain on sale of NBA transferred to other operating income
Profit before tax	1,876,183,865	1,809,929,832	(66,254,033)	-3.53%	
Income tax	578,880,940	560,241,516	(18,639,424)	-3.22%	Tax impact of above adjustment
Profit/(loss) for the period	1,297,302,925	1,249,688,316	(47,614,609)	-3.67%	
Other comprehensive income	534,503	(29,559,671)	(30,094,174)	-5630.31%	Due to actuarial gain or loss on defined benefit obligation and provision of investment securities
Total comprehensive income	534,503	(29,559,671)	(30,094,174)	-5630.31%	
Distributable Profit					
Net profit/(loss) as per profit or loss	1,297,302,925	1,249,688,316	(47,614,609)	-3.67%	
Add/Less: Regulatory adjustment as per NRB Directive	86,623,747	338,258,835	251,635,087	290.49%	
Free profit/(loss) after regulatory adjustments	1,210,679,178	911,429,481	(299,249,697)	-24.72%	



नेपाल राष्ट्र बैंक
बैंक सुपरिवेक्षण विभाग

केन्द्रीय कार्यालय
सुदूरपश्चिम काठमाडौं।
सम्पर्क नं. : ०१-४२५५००१
फ्याक्स नं. : ०१-४२५५०१५
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प.सं: बैसु वि/अफसाइट/एजिएम/१/२०७५-७६

माछापुच्छ्रे बैंक लिमिटेड
लाजिम्पाट, काठमाडौं।



मिति : २०७५.०८.२३

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

न्यायालय

त्यस बैंकबाट पेश गरिएको वित्तीय विवरण तथा अन्य जानकारीका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ४७ को उपदफा (२) का प्रावधानहरू पालना गरेको देखिएको हुँदा, ऐ. ऐनको उपदफा (१) बमोजिम प्रस्तावित रु ८०४२,६९,३००/०० (अक्षरणी असी करोड पचपन्न लाख उनान्सतरी हजार तीनसय मात्र) नगद लाभांश अन्य प्रचलित कर्तव्य व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट स्वीकृत भएको अवस्थामा नगद वितरण गर्न स्वीकृतिका साथै जा.व. २०७४/७५ को वार्षिक हिसाब वार्षिक सञ्चारण सभामा स्वीकृतको लागि पेश गर्न प्रयासताथै देहायका निर्देशन सहित वार्षिक वित्तीय विवरणको प्रदान गरी दिइएको व्यहोरा निर्णयानुसार जानकारी गराउँदछु।

१. लेखापरिक्षण प्रतिवेदनमा उल्लेख गरिएको कौफर्सहोदर पुस्तक स्थानै स्थापित गर्न तथा त्यस्ता कैफियतहरू पुनः दोहोरिन नदिने आवश्यक व्यवस्था मिलाउनु हुन।
२. यस बैंकबाट जारी गरिएको एकीकृत निर्देशनको निर्देशन नं. १८ को बुँदा नं. ७ बमोजिम इजाजतपत्र प्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेयरमा लगानी गर्दा चुक्ता पुँजीको बढीमा १५ प्रतिशत र अन्य बैंक तथा वित्तीय संस्थाहरूमा चुक्ता पुँजीको बढीमा ९ प्रतिशतसम्म मात्र लगानी गर्न वाकिने व्यवस्था रहेकोने उल्लेखित सीमाभन्दा बढी शेयर धारण गर्ने संस्थापक शेयरधनीहरू रहेमा ती संस्थापक शेयरधनीहरूले आफ्नो शेयर सो सीमाभित्र तन्यापसम्म प्रस्तावित नगद लाभांश गभय राख्ने व्यवस्था मिलाउनु हुन।

उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पातामा प्रकाशित गर्नुहुन।

सन्तोष
2075/12/23
(सत्येन्द्र राज सुवेदी)
उप-निर्देशक

योधार्थ :

१. नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग।
२. बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, माछापुच्छ्रे बैंक लिमिटेड।

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