Citizens Bank International Ltd.
सिटिजन्स बैंक इन्टरनेसनल लि.
YOUR PARTNER FOR PROGRESS



Accelerating Transformation

Annual Report 2017/18

ABOUT THE REPORT

Reporting Philosophy

This is the first Integrated Annual Report of Citizens Bank International Limited and its associates prepared in accordance with the International Integrated Reporting Framework, to provide concise and comprehensive information to all the stakeholders about the Bank and its group's business.

Scope and Materiality

This report contains financial as well as non-financial performance indicators defined in terms of strategies, objectives, risk metrics and actual outcomes, that are material to understand the Bank's business and its approach holistically.

Assurance

This report contains Financial Report of the Bank and its subsidiaries duly certified by M/s JK & SS Associates, Chartered Accountants for the period July 16, 2017 to July 16, 2018.

Approval

The Financial Report has been duly approved by the Board of Directors and the Central Bank for publication. This integrated report has been prepared and presented as an initiation of good corporate governance practice by the management of the Bank.

Forward-Looking Statements

This report contains forward looking statements of the Bank, as disclosed in Mission, Vision, Objectives and Board of Directors Report, that are not exhaustive and may vary from actual performances depending upon changing external environment in which the Bank operates.

GANESH RAJ POKHAREL
Acting Chief Executive Officer

TABLE OF CONTENTS

About the Bank & Corporate Message

Bank's Profile 6
Vision, Mission and Objectives 7
Core Values and Code of Conduct 9
Becoming "Preferred Partner for Progress" 12
Products and Services 17
Chairman's Message 22
Board of Directors 24
Director's Profile 26
Acting CEO's Message 30
Management Team 32
Management Team Profile 34
Head of Departments 41
Organogram 42
Business Model 44

Corporate Governance, Risk, CSR and Employees

Corporate Governance 50
Business Ethics & Anti-Corruption Measures 88
Risk Management 92
Corporate Social Responsibility 109
Bank's Contribution & Responsibilities to Employees 116

Board Level Reports, Financial Reviews and Financial Reports

Economic Indicators and Outlook 126
Director's Report 130
Compliance Statement of Applicable Reporting and Director's Responsibility for Annual Reports 141
A Report on the Activities of Audit Committee 142
A Report on the Activities of Risk Management Committee 144
A Report on the Activities of Human Resource Compensation Committee 146
A Report on the Activities of Anti Money Laundering Committee 148
Review of Bank's Performance with the Management's Objectives and Strategies 150
CFO's Message 154
Information for Understanding Financial Statements 156
Report of the Independent Auditors 162
Financial Statements 164


Citizens
Bank
International Ltd.
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Information and Disclosures to Shareholders

Information about Annual General Meeting 266
Proposed Amendments in Memorandum of Association (MOA) 269
Information to Shareholders 271
Financial Calendar 273
Capital Structure of the Bank 275
Share Market Information 276
What does Credit Rating Agency think about the Bank? 277
Disclosures of Information under Section 109(4) of Companies Act, 2006 282
Disclosures of Information under Regulation 26(2) of Securities Registration and Issue Regulation, 2017 287
Interim Financial Reporting 291
Disclosures of Information as per Section 5(3) of Right to Information Act, 2007 and Rule 3 of Right to Information Rules, 2009 294
Value Added Statement 297

Bank's Performance in Key Performance Indicators

The Banks Performance in Numbers 302
Horizontal and Vertical Analysis/Trend Analysis 303
Statement of Financial Position/Balance Sheet 305
Profitability/Dividend/Performance & Liquidity Ratios 306
Year on Year Progress 308

Information about Bank's Service Networks

Branch Locations 312
ATM Locations 318
Remittance Partner Networks 320
Branchless Banking Locations (BLB) 321
Correspondent Banks 322

About the Bank and Corporate Message





Bank's Profile 6

Vision, Mission and Objectives 7

Core Values and Code of Conduct 9

Becoming "Preferred Partner for Progress" 12

Products and Services 17

Chairman's Message 22

Board of Directors 24

Director's Profile 26

Acting CEO's Message 30

Management Team 32

Management Team Profile 34

Head of Departments 41

Organogram 42

Business Model 44

BANK'S PROFILE

Established on April 20, 2007 (Baisakh 07, 2064) as a 20th Commercial bank of the nation, "Citizens Bank International Limited", has its corporate office at the heart of the financial sector of the country, Narayanhiti Path, Kathmandu. It is promoted by eminent personalities, business and industrial houses and reputed individuals having high social standing and has been managed by a team of experienced bankers and professionals.

The Bank has been headed by 7 Board of Directors, led by non executive Chairman Dr. Shankar Prasad Sharma and the management team led by Mr. Ganesh Raj Pokharel as Acting Chief Executive Officer. The Bank has employed 873 staffs including 843 permanent staffs and 30 staffs on a contract basis working with various Departments and Branches across the country.

The Bank's milestone dates are as follows:

October 13, 2006 (Asoj 27, 2063)	October 15, 2006 (Asoj 29, 2063)	April 18, 2007 (Baisakh 05, 2064)
Date of Registration Under Companies Act	Date of Registration Under Income-Tax Act	Date of Operating License From NRB

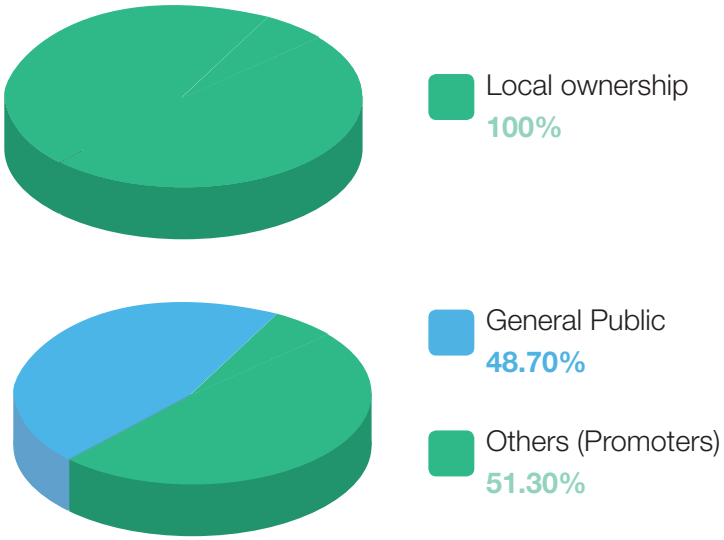
The shareholding pattern of the Bank is as follows:

OWNERSHIP STRUCTURE

Foreign ownership: NIL
Local ownership: 100%

Local Ownership:

General Public: 48.70%
Others (Promoters): 51.30%



VISION, MISSION & OBJECTIVE

CORPORATE PROFILE

Massive changes and developments have taken place during the past two decades in the financial sector. Amidst all these changes, for economic growth and development of new Nepal, Liberalization, Privatization and Globalization in this sector has given birth to “Citizens Bank International Limited”, one of the leading commercial bank. The Bank is located at Narayanhiti Path, Kathmandu. It is promoted by eminent personalities/ business and industrial houses and reputed individuals having high social standing. It is managed by a team of experienced bankers and professionals.

VISION

To be the leading bank known for its service excellence in the region.

MISSION

To be a trustworthy partner for the progress of individuals and institutions by designing, producing and delivering the best financial solutions. The Bank constantly strive to inculcate in its services five corporate values as follows:

- Customer Focus

  The Bank is committed to meet the financial needs of its customers and exceed their expectations through innovative solutions.

- Service Excellence

  The Bank promises to deliver customer-centered products and services par excellence.

- Human Resource

  The Bank employs bright, honest, helpful and pleasant people. It nurtures and empowers them to achieve their full potential.

- Corporate Governance

  The Bank believes in being accountable, conducting business ethically and maintaining transparency.

- Social Responsibility

  The Bank is committed to taking social initiatives for the development of the nation.



🏛 OBJECTIVES OF THE BANK

The Bank's main objectives are as follows:

- To provide standard and reliable financial services to the general public, by protecting and promoting the rights and interests of the depositors and shareholders of the Bank.
- To bring about such financial resources, from internal and external sources, as may be required for the establishment, development, expansion and enhancement of capability and productivity of agriculture, industry, service, trade and other productive business which appears viable from business viewpoint, and thereby render support for bringing about dynamism in the development of industrial, trade and agricultural sectors of the country.
- To provide financial resources and services to establish, operate, develop, expand and promote manufacturing and employment-oriented business in rural and urban areas by properly mobilizing the available skills, labor and capital and thereby render support for poverty alleviation.
- To provide financial intermediary service through institutional investment by integrating the capital scattered in the country.
- To be responsive to the needs of the society and taking responsibility to meet the due concerns of the society through CSR.



CORE VALUES & CODE OF CONDUCT

The Bank acknowledges that proper code of conduct and corporate values are the sources stirring the Bank's overall development.

The Bank is committed to meet the financial needs of the customers through innovative solutions, deliver customer-centered products and services par excellence. Board of Directors (BOD) and management believe that high standard of employees and corporate governance sets us apart from rest of the Banks and believes in being accountable, conducting business ethically, maintaining transparency and are committed to taking social initiatives for the development of the nation.

The Bank operates in accordance with the highest standards in all relationships with customers, stakeholders, environment and the community. The Bank fosters climates which encourage innovation and diligence amongst staff and reward them accordingly.

The dedication, enthusiasm, commitment and collaborative spirit of the BOD members, promoters, and management team have already been reflected in the financial results of the Bank.

The Bank knows the world is changing and to keep pace with that, it customizes the services and re-engineer the products to match with changing time and technology. The Bank is always focused towards customers and stakeholders needs and their satisfaction. The Bank exercises duty with utmost care in the interest of the depositors and maintains a long-term ethical relationship through true and fair dealings. The Bank is knowledge-driven; it learns and shares learning to meet the objectives and to contribute to the community. The Bank goes beyond just making profit and is highly dedicated towards the achievement of the long-term vision. The Bank is committed to complying with the spirit and all laws and regulations, adhering to the highest standards of corporate governance, transparency, disclosure and ethical conduct.



The Bank follows four fold of applying its core values as follows:



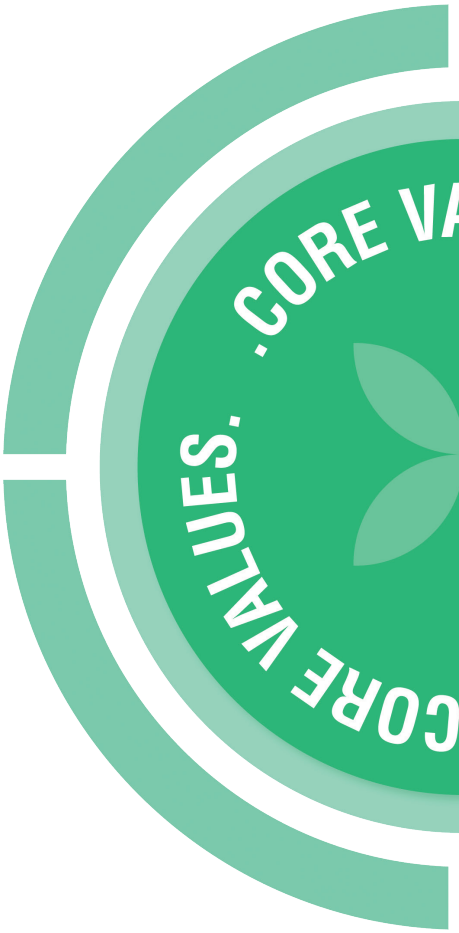
DOING THE RIGHT THING

- Showing consistent and uncompromising adherence to sound moral and ethical principal and values
- Taking the appropriate steps in order to achieve the required objective
- Thinking like owner to create long term shareholder value
- Value, reward, honesty and character



LEADING WITH EXCEPTIONAL IDEAS

- Scenario based short term and long term strategy by considering new ideas and innovations
- Be observant and preparedness about what we can do better





DOING THE RIGHT THING

- Act with integrity
- Think like an owner to create long-term shareholder value
- Value and reward honesty, collegiality and character



PUTTING CLIENTS FIRST

- Always keep the client's interest first
- Work with colleagues to deliver the best of the Bank to every client
- Listen to what the client is saying and their needs



VALUING CUSTOMER FIRST

- Placing customer ahead for quality of service and for their retention
- Oriented towards serving the client's needs and measures customer satisfaction levels in order to determine the success of their business

RETURNING TO:
- SHAREHOLDER
- SOCIETY

- Increase in organization's as well as shareholder's value by increment in market value of shares and the magnitude of amount of dividend paid
- Committed for being publicly accountable for their significant positive and negative social, environmental and economic impacts

LEADING WITH EXCEPTIONAL IDEAS

- Win by breaking new ground
- Let the facts and different points of view broaden your perspective
- Be vigilant about what we can do better

GIVING BACK

- Be generous with your expertise, your time and money
- Invest in the future of our communities and our Firm
- Mentor our next generation

BECOMING "PREFERRED PARTNER FOR PROGRESS"

We have applied Balanced Score Card method as a corporate strategy to become a preferred partner for progress and thereby achieve aforesaid objectives. The Balanced Score Card is the final crucial piece of the plan – alongside Purpose and Values – to embed the right culture in the business and become preferred partner for progress.



In the Balanced Score Card of the Bank, seven specific commitments across 5Cs (Customers & Clients, Colleague, Citizenship, Conduct and Company) has been set out in order to define what needs to be achieved over the next two years to become 'Preferred Partner for Progress'. The Balanced Score Card is supported by strategic initiatives that drive the management for progress across the 5Cs. The Balanced Score Card gives clear strategic context for the Bank management around how becoming the 'Preferred' Bank will look like and lays out the Bank's priorities. The Bank's Balanced Score Card is cascaded into business unit and function Score Cards. Together, these units provide line of sight to employees to achieve the Bank's organizational goal. They also provide a framework and starting point for all employees when they set their individual performance objectives across the 5Cs.

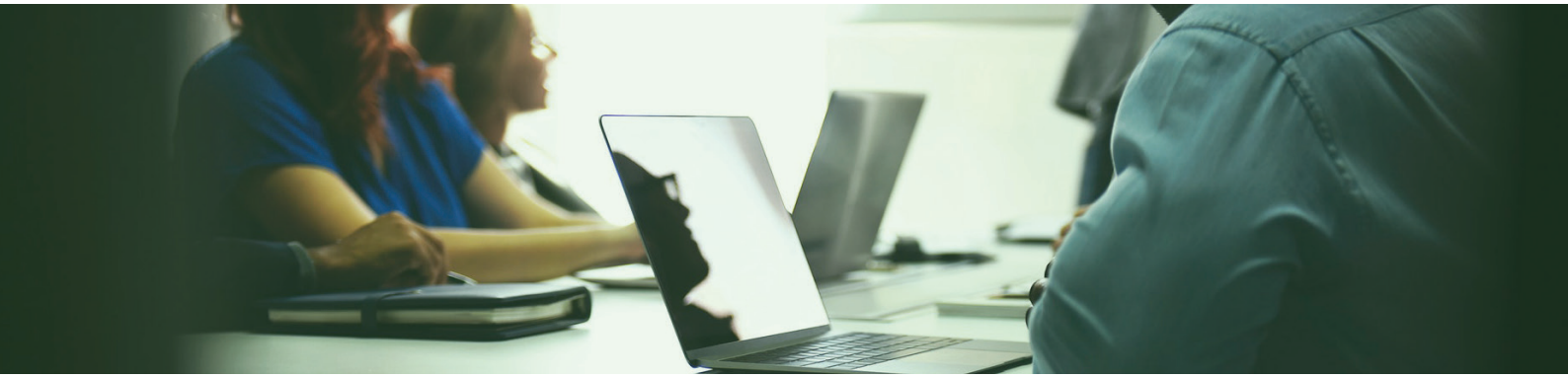
Outcome Statements of the Bank's Balanced Score Card

Customer	The Bank is the preferred bank for customers and client.
Colleague	The Bank deploys right people in right place.
	The Bank creates diverse opportunities for career development.
	The Colleagues are fully engaged.
Citizenship	The Bank positively impacts the communities where it operates.
Conduct	The Bank's products and services are designed and distributed to meet client's need.
	The Bank acts with integrity in everything.
Company	The Bank creates sustainable returns above the cost of equity.
	The Bank understands and effectively manages the risk, and continuously improves control.

Outcomes	Commitments	Actual 2016/17	2017/18		Target 2018/19
			Target	Actual	
Customer and Client	The Bank's Customer V. Commercial Bank Customers	2.18%	10%	1.83%	10%
Colleague	Staff Training Cost/Total staff expense	2.10%	3%	1.98%	3%
	Staff Turnover rate	10.91%	7%	11.27%	7%
Citizenship	Products, services and CSR initiatives to cater needs of various societies	Need Based	Research Based	Survey Based	Research Based
Conduct	People's perception toward CBIL	Survey Based	Survey Based	Survey Based	Survey Based
Company	Return on Total Assets	1.80%	2%	1.72%	2%
	Dividend Distribution	17%	25%	5.26%	20%

DELIVERING OUR STRATEGIC TARGETS

The Bank believes following strategic initiatives will drive evolvement across the 5Cs and support the goal to become the **"Preferred Partner"**.



CUSTOMERS & CLIENTS

- The Bank uses technology to improve customers' and clients' experience and to be responsive to their changing needs such as through any branch banking service, branchless banking, mobile banking, e-banking, card facility, anywhere remittance facility, bill payment services, etc.
- The Bank makes customer and client interactions as simple and instant as possible –putting power in their hands to transact when, where and how they want to.
- The Bank simplifies the products and services and improving what the Bank offers to match customer needs with the right service model.

COLLEAGUE

- The Bank has launched Purpose and Values, and are embedding them into all HR processes including recruitment, promotion and performance management.
- The Bank is developing and training leaders through on the job training, in-house training through eminent trainers and properly developed training curriculum.
- The Bank has implemented successor development plan in each department and branch consistently resulting in a more visibly diverse talent pipeline.

CITIZENSHIP

- The Bank ensures the way it does business reflects broader societal and environmental considerations.
- The Bank contributes to growth through financing, supporting businesses and ensuring its products and services support sustainable progress.
- The Bank supports the communities where it operates by financial services to numbers of young people to develop enterprise, employability and financial skills.

CONDUCT

- The Bank follows a rigorous and transparent framework on conducting risk reporting and management.
- The Bank conducts risk assessments to effectively identify, assess and manage risk.
- The Bank exercises sound judgement to avoid detriment to customers, clients and counter-parties or to market integrity.

COMPANY

- The Bank delivers the initiatives across the strategic quadrants: Invest and grow, Reposition, Transition, and Exit.
- The Bank manages costs (rightsizing, automating, innovating) and delivers leverage and capital commitments.
- The Bank improves its control through independent audit and assurance services and governs through risk management framework enforced by NRB.







GYANENDRA MALLA

BRAND AMBASSADOR
CITIZENS BANK INTERNATIONAL LIMITED

VICE- CAPTAIN
NATIONAL CRICKET TEAM



DEPOSIT SCHEMES ▶▶

CITIZENS SAVINGS ACCOUNT

CITIZENS RASTRA SEWAK SAVINGS ACCOUNT

CITIZENS BIDHYARTHI BACHAT KHATA

CITIZENS MAHILA BACHAT KHATA

CITIZENS MUNA BACHAT KHATA (ONLY FOR MINORS)

CITIZENS MATRIBHUMI BACHAT KHATA

CITIZENS SENIOR CITIZENS SAVINGS ACCOUNT

CITIZENS SPECIAL SAVINGS ACCOUNT

CITIZENS SUPER SAVINGS ACCOUNT

CITIZENS SHAREDHANI BACHAT KHATA

CITIZENS SPECIAL SUPER SAVINGS ACCOUNT

CITIZENS MOFASHAL BACHAT KHATA

CITIZENS ENTERPRISE FUND ACCOUNT

CITIZENS G2P SAVINGS ACCOUNT

CITIZENS BRANCHLESS BACHAT KHATA

CITIZENS GHAR DAILO SAVINGS ACCOUNT

CITIZENS DASAK SAVINGS ACCOUNT

CITIZENS GOLDEN SAVINGS ACCOUNT

CITIZENS PRIVILEGE SAVINGS ACCOUNT

MERO CITIZENS BACHAT KHATA

CITIZENS RECURRING DEPOSIT (NPR)

DASHAIN TIHAR MUDDATI NICHHEP YOJANAA

CITIZENS SAVING ACCOUNT (FCY)

CITIZENS CALL DEPOSIT (FCY)

CITIZENS FCY FIXED DEPOSIT

CITIZENS CALL DEPOSIT (NPR)

CITIZENS FIXED DEPOSIT (NPR) INDIVIDUAL

CITIZENS FIXED DEPOSIT (NPR) INSTITUTIONAL



LOAN SCHEMES ▶▶

- CITIZENS MORTGAGE LOAN
- CITIZENS HOME LOAN
- CITIZENS AUTO LOAN
- CITIZENS EDUCATION LOAN
- CITIZENS SME LOAN
- CITIZENS MARGIN LENDING
- LOAN AGAINST FIRST CLASS BANK GUARANTEE
- CITIZENS GOLD LOAN
- CITIZENS BINA DHITO KARJA
- CITIZENS EQUIPMENT LOAN
- CITIZENS ONE ZONE ONE PRODUCT
- CITIZENS FAST TRACK LOAN
- TERM LOAN

- OVERDRAFT
- WORKING CAPITAL LOAN
- TRUST RECEIPT LOAN
- EXPORT FINANCE
- OTHER LOAN
- LOAN AGAINST GOVERNMENT BOND
- LOAN AGAINST CITIZENS FIXED DEPOSIT RECEIPT AND PROMISSORY NOTES
- NPR LOAN AGAINST FCY FIXED DEPOSIT RECEIPT
- CONSORTIUM FINANCING
- DEPRIVED SECTOR LOAN
- SUBSIDIZED LOAN





CARDS ▶▶

- VISA DEBIT CARD (USD)
- VISA DEBIT CARD (NPR)
- VISA CREDIT CARD (DOMESTIC)
- VISA CREDIT CARD (USD)
- VISA DOLLAR TRAVEL CARDS



ONLINE SERVICES ▶▶

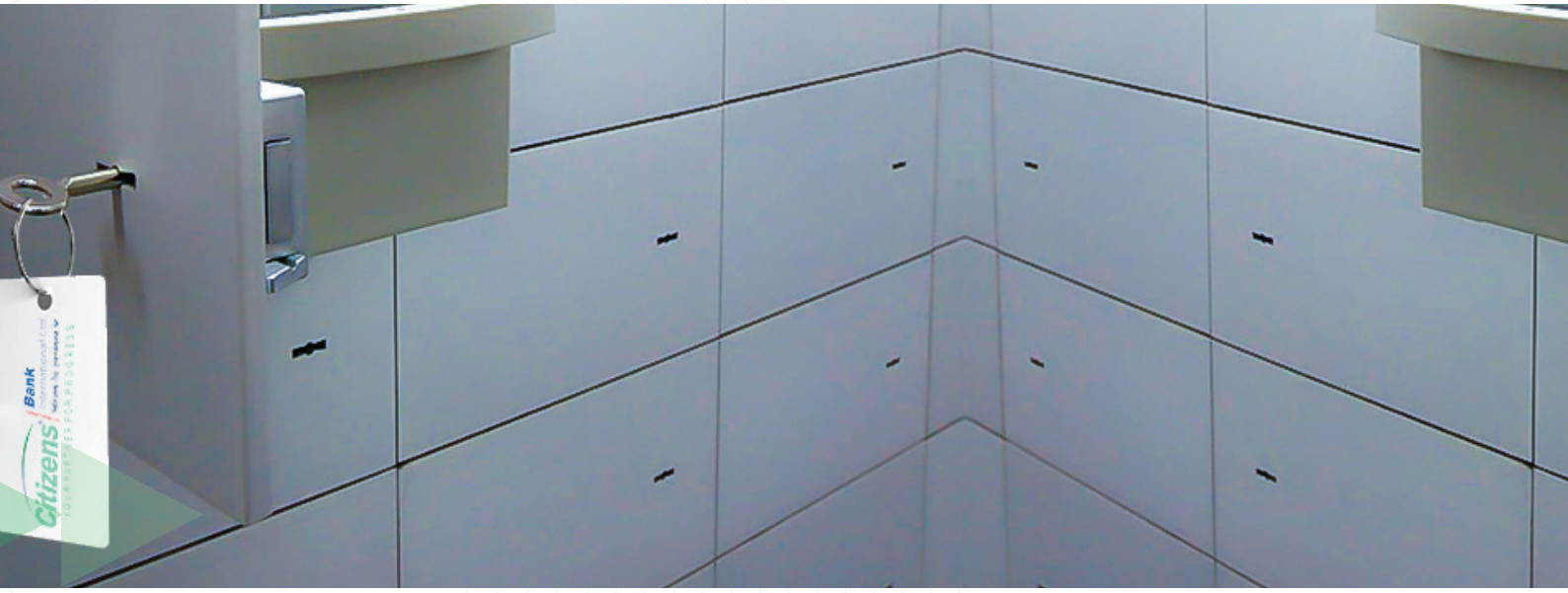
- MERO SHARE SERVICES
- DE-MAT SERVICES
- ASBA SERVICES



REMITTANCE ▶▶

ASSOCIATION WITH INTERNATIONAL COMPANIES

ASSOCIATION WITH LOCAL COMPANIES



OTHER SERVICES ▶▶

LOCKER FACILITY

UTILITY PAYMENT

PAY BILL FACILITY

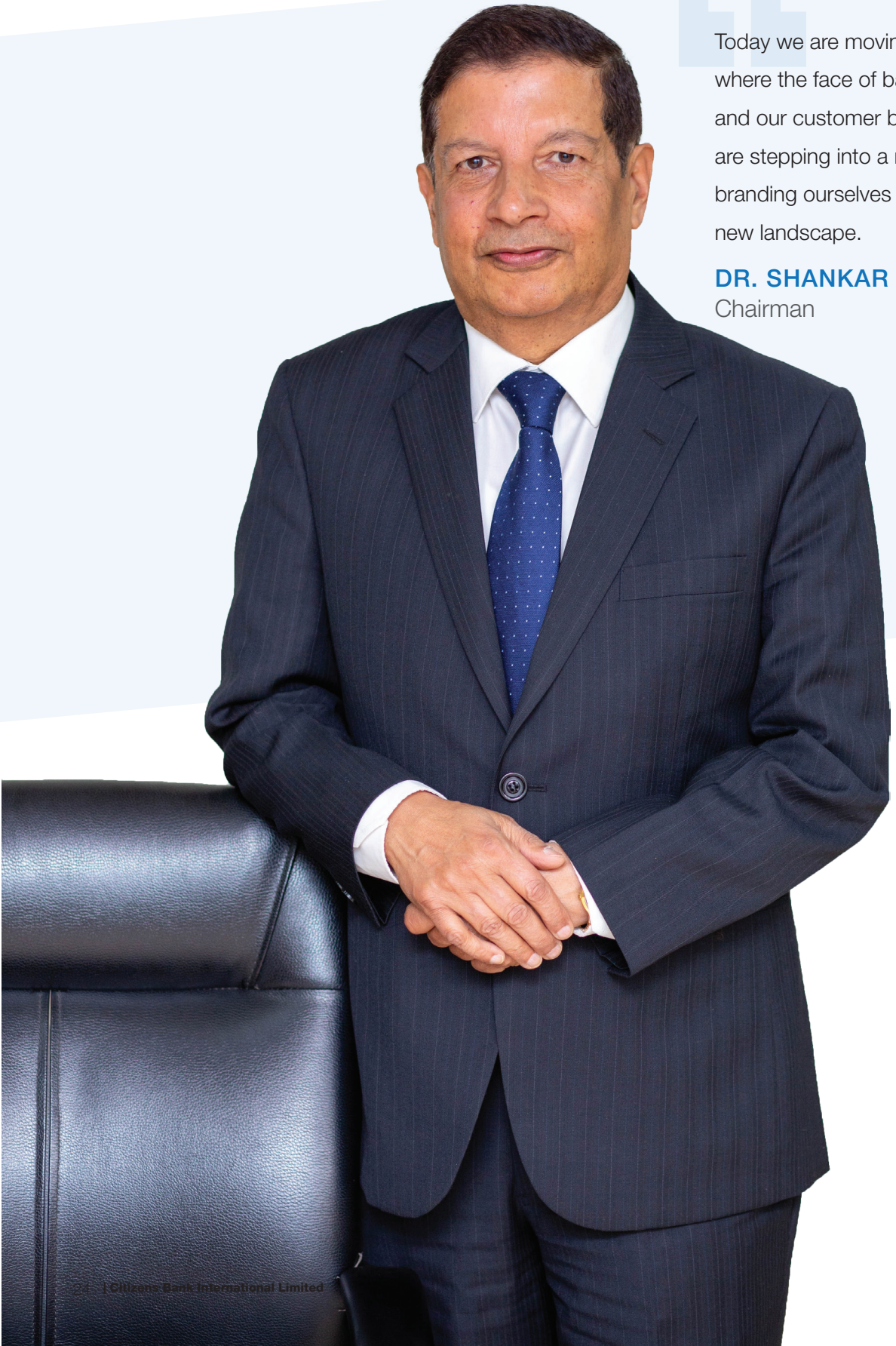
PRIVILEGE BANKING

BANCASSURANCE SERVICES

BRANCHLESS BANKING SERVICES


CUSTOMER
FRIENDLY
SUPPORT
INNOVATIVE
POSITIVE
PRECISE
TIMELY
SERVICE

CHAIRMAN'S MESSAGE



Today we are moving into a smart world, where the face of banking is transforming and our customer base is evolving. As we are stepping into a new era we are re-branding ourselves appropriately for the new landscape.

DR. SHANKAR PRASAD SHARMA
Chairman

In the banking market that continues to evolve and adapt in ever-changing global marketplace, our Bank's vision to be the leading bank known for its service excellence has remained constant. It is both humbling and fulfilling to show up every day to work in an industry that is geared towards facilitating the accomplishment of financial dreams and objectives of the customers.

Since, Citizens Bank International Limited was founded in April 2007, we have conducted our business based on the simple philosophy of transparency and trust and although our operations have evolved to adapt to the ever-changing investment landscapes in the market, our basic values as well as principal of investment, have largely remained the same. Today we are moving into a smart world, where the face of banking is transforming and our customer base is evolving. As we are stepping into a new era we are re-branding ourselves appropriately for the new landscape.

I am pleased to announce that our shareholders fund has reached to NPR 11,013.91 million as compared to NPR 9,843.18 in previous year. Our total assets have reached to NPR 77,709.95 million as compared to NPR 65,881.51 million a sturdy growth. We have reached a deposit base of NPR 60,696.02 million as compared to NPR 51,716.67 million in previous year. Our lending portfolio has reached to NPR 58,468.33 million, a significant growth of 19.70 percent. In comparison to previous FY 2016/17, the Bank's Net Interest Income has increased by 24.12 percent to NPR 2,222.06 million in current FY 2017/18.

With a firm financial position, strong corporate governance and robust risk management frameworks, together with the class of dedicated management team, the Bank is on the path of sustainable long term profitability and growth. As we continue on our journey towards success, we remain steadfast in our commitment to add real values to our clients, shareholders and stakeholders, positively impacting the communities in which we operate. We promote the well-being of the community not only economically, but in a holistic manner. The Bank focuses on sustainable development.

I must place on record my appreciation of the cooperation extended to me by my fellow Board members and the professionalism they display in giving strategic direction to the Bank. I would like to extend a hearty thank you to all our shareholders for their continued confidence in us and our work, to our clients for their loyalty and to our management and employees for their dedication. I would also like to thank Nepal Rastra Bank for their continuous support and its efforts to improve the regulatory framework, under which we operate and which contributes to the development of the Nepalese Economy.

DR. SHANKAR PRASAD SHARMA
Chairman



DR. SHANKAR PRASAD SHARMA
Chairman

MR. BAL KRISHNA PRASAI
Director

MR. PRAKASH CHANDRA MAINALI
Public Director

MR. PAVITRA KUMAR KARKI
Director



DR. CHANDA KARKI
Director

MR. BIJAYA DHOJ KARKI
Public Director

MR. AVANINDRA KUMAR SHRESTHA
Professional Director

DIRECTOR'S PROFILE



DR. SHANKAR PRASAD SHARMA

Chairman

Dr. Shankar Prasad Sharma, a prominent personality in the country, has held numerous important portfolios during his stay with the Government of Nepal such as Vice Chairman of National Planning Commission (1999-2006), Chief Advisor in Ministry of Finance (1997-1999), and Senior Economist in Institute of South East Asian Studies (1986-1993). He also worked as a consultant to the Constitution Committee on "Distribution of Natural Resources, Economic Rights and Public Revenue" in helping to draft the new Constitution of Nepal. He was appointed as the ambassador to the United States of America from 2009 to 2013. Dr. Sharma was also the founder Chairman of the Bank and contributed to the Bank's progress from its establishment in 2006 till date.



MR. BAL KRISHNA PRASAI

Director

Mr. Bal Krishna Prasai is the Former Secretary of the Government of Nepal and has successfully served for 25 years in various important capacities under the different ministries like Ministry of Agriculture Development, Ministry of Local Development, Ministry of Home Affairs, and Ministry of Environment, Science and Technology. Mr. Prasai possesses extensive knowledge and experience in the field of public policies, development and governance including financial sector. He holds Master's Degree in Business Administration from De La Salle University, Philippines and Master's Degree in Science from Tribhuwan University, Nepal.

Positions held during the Year

Human Resource Compensation Committee
Coordinator



MR. PRAKASH CHANDRA MAINALI

Public Director

Mr. Mainali is an experienced businessman. He is mainly related to the business sectors like service industry, poultry and other industries. He had also worked in a Joint Venture bank for 9 years prior to commencing his own business ventures.

Membership of Board Level Committee

Risk Management Committee
Coordinator

Budget Committee
Member

Anti-Money Laundering Committee
Member



MR. PAVITRA KUMAR KARKI

Director

Mr. Pavitra Kumar Karki is an enthusiastic professional who has been working in various positions in the Travel & Tours Trade. Mr. Karki has been in this industry for more than 27 years and has served in various positions for Nepal.

Membership of Board Level Committee

Anti-Money Laundering Committee
Coordinator

Budget Committee
Member

Human Resource Compensation Committee
Member



MR. BIJAYA DHOJ KARKI

Public Director

Mr. Bijaya Dhoj Karki successfully served for 36 years in the Nepal Army and then retired in the post of Brigadier General. During his service period, Mr. Karki visited all 77 districts of the country. He also served under the UN Mission in former Yugoslavia, Haiti, Lebanon, Congo, etc. Mr. Karki also attended the Crisis Management training in Israel. Mr. Karki is an Honorary Member of the Barphedi Society.

Membership of Board Level Committee

Anti-Money Laundering Committee
Member

Audit Committee
Member

Risk Management Committee
Member



DR. CHANDA KARKI

Director

Professor Dr. Chanda Karki is a renowned obstetrician and Gynecologists and Principal of Kathmandu Medical College, a premier medical institute. Besides her professional affiliations to the hospital, she is actively involved in governmental and non-government organizations. She has also been rendering her expert service in social causes. She holds prestigious positions as Executive Member to the Senate; Kathmandu University (KU), Executive Member; Nepal Medical Council, Member; International Review Board (IRB) of Centre for Research on Environment Health and Population Activities (CREHPA) to name a few. She is also serving in various professional and social organizations especially contributing to the obstetrician and Gynecologists society in local, regional and international level. Having experience of extensively working in family health programs, she has traveled around the globe and is a seasoned practitioner as well as a veteran educationist.

Membership of Board Level Committee

Audit Committee
Member



MR. AVANINDRA KUMAR SHRESTHA

Professional Director

Mr. Avanindra Kumar Shrestha is a former secretary of the Government of Nepal and has served under various ministries from 1981 to 2012. His outstanding contribution, especially in the Local Development and State Restructuring, Inland Revenue and Public Procurement has been accredited by Gorkha Dakshin Bahu III and Gorkha Dakshin Bahu IV. Academically, he is Masters of Arts in Regional Development Planning from University of Philippines and a Post Graduate Diploma in Regional Development Planning and Management from the University of Dortmund. He has wide experience of participation in national as well as international conferences and seminars as well as conducting training.

Membership of Board Level Committee

Audit Committee
Coordinator

Budget Committee
Coordinator

Risk Management Committee
Member

ACTING CEO'S MESSAGE



"The Bank shall focus on achieving the target without undermining the risk entailed in increasing the Balance Sheet size.

GANESH RAJ POKHAREL
Acting Chief Executive Officer

It is with pride and humility that I have taken over the role of Acting CEO of Citizens Bank International Limited. The Bank had indeed traveled far in its journey since 2007, as the Bank to serve the fledgling local business community. We have increased our paid up capital to over NPR 8 billion and in the FY 2017/18 bonus share was proposed at the rate of 3.6 percent from among the amount of Bargain Purchase Gain accumulated as regulatory reserve along with cash dividend of 1.6 percent from Retained Earnings. The Bank marked a Net Profit of over NPR 1.23 billion. The capital adequacy ratio of the Bank is 13.84% and is adequate enough to absorb risk entailed in ensuing business of the forthcoming year. During my tenure, I intend to ensure that the Bank gain its prominent position, and steer it to even greater heights of successes.

With the vision of being leading Bank known for its service excellence in region, the Bank is stepping into a new phase in its journey with the strategic plan:

- to introduce newer and innovative products and services catering to unaddressed needs of the customers,
- to improve customer service satisfaction through reduction in turnaround time, service/ product quality improvement and introduction of newer digital banking services,
- to increase cost and asset efficiency through process re-engineering,
- to provide service implementing internationally renowned core banking software to reduce customer service delivery time and enhancing internal control system of the Bank,
- and many more.

For the period 2018/19, the Bank shall focus on achieving the target without undermining the risk entailed in increasing the Balance Sheet size. The Bank shall endeavor to increase savings and individual deposit in deposit mix in order to minimize cost of deposit and maintain the institutional deposit within the regulatory limit of 45% of total deposit. Similarly, in order to minimize credit concentration risk, the Bank shall focus on SME and Consumer loans and advances. The Bank shall focus on trade, tourism, constructions and transport sector whose business are taking up lately and likely to last and be unaffected by uncertainty stemming from a slowdown in remittances.

The cornerstone of our thinking was the need to improve our customer service and the need to become more customers centric. The banking environment today is extremely competitive, hence, customer relations becomes extremely important not only to secure new business but also to retain our existing customers. The Bank will continue to focus on service excellence, customer related and business-related products and services, whilst looking forward to achieving the goal: “Your Partner for Progress”. We have widened our customer services through more ATMs, branchless banking and increased facilities from Internet and mobile banking. This necessitated upgrading and transformation of our hardware, software and networks.

I am enormously grateful for the dedication of all the staffs and the loyalty of our customers; trust of our partners and associates, and of regulatory authorities that have guided us over the years. We have an excellent team who has been our greatest strength. However, we have to further hone their skills to help them serve changing needs and emerging challenges. They have to be further motivated and trained to be the most important component of our engine of growth. I must thank to our Chairman, Board members, and stakeholders for their guidance, support and for entrusting us to lead the Bank.

It is our customers, many of whom have been loyal to us over a long period, who has enabled us to grow and prosper. I also wish to express my gratitude to the management team and the staff who has shown the utmost dedication and have given me their unstinted cooperation over the years.

GANESH RAJ POKHAREL
Acting Chief Executive Officer



FROM LEFT

MR. RAJENDRA LAL SHRESTHA
Chief Risk and Recovery Officer

MR. PARAS KUMAR KAFLE
Chief Operating Officer

MS. UMANG SHARMA
Chief Administrative Officer

MR. SUMIT BABU KHATRI
Chief Credit Officer

MR. GANESH RAJ POKHAREL
Acting Chief Executive Officer



MR. BODH RAJ DEVKOTA
Assistant Chief Executive Officer

FROM RIGHT

MR. SANJEEB KUMAR SHRESTHA
Chief Information Technology Officer

MR. PRAMESH RAJ KAYASTHA
Chief Finance Officer

MR. RAMDHAN SHRESTHA
Assistant Chief Executive Officer

MR. SAMIR PRASAD DAHAL
CEO-CBIL Capital Ltd.

MANAGEMENT TEAM PROFILE



MR. RAJAN SINGH BHANDARI

Chief Executive Officer

Mr. Bhandari, a Chartered Accountant from Institute of Chartered Accountants of India (ICAI) and M.A (Economics) from Tribhuvan University, served Nepal Rastra Bank for 26 years (June 1980 to December 2006) and headed various departments such as Banking Regulation, Bank Supervision, Kathmandu Banking Office, Accounts and Internal Audit etc. He was a key player in leading and coordinating Financial Sector Reform Program of Nepal which included re-engineering of Nepal Rastra Bank and restructuring of two states owned Commercial Banks and the capacity building of the financial system. He was also responsible in formulating and introducing various prudential norms and directives in the history of Nepalese Banking System. His tenure was completed on January 30, 2019 and stayed on leave from January 15, 2019.

Positions held during the Year

Human Resource Compensation Committee
Member

Assets Liabilities Management Committee
Chairman

Executive Committee
Chairman

IT Steering Committee
Chairman



MR. GANESH RAJ POKHAREL

Acting Chief Executive Officer

Mr. Pokharel, a professional banker with more than 25 years of experience, is one of the founders and the Acting Chief Executive Officer of Citizens Bank International Ltd. Prior to his appointment as the Acting Chief Executive Officer, he had headed various departments of the Bank playing crucial roles. His area of expertise includes overall business operations and development. He is a charismatic leader with vision and has sound interpersonal relationship skills with different stakeholders. Before joining the Bank, he served as Management Expert for 14 years. He holds an Executive MBA degree in Finance from Kathmandu University and MBA (Marketing) and BL (Banking) degrees from Tribhuvan University. He was appointed as Acting Chief Executive Officer from January 15, 2019.

Positions held during the Year

Budget Committee
Member

Purchase Committee
Member

Assets Liabilities Management Committee
Member

Executive Committee
Member

IT Steering Committee
Member



MR. BODH RAJ DEVKOTA

Assistant Chief Executive Officer

Mr. Devkota, MPhil (Management) from Kathmandu University and an MBA (Finance) from Tribhuvan University, Kirtipur started his banking career from Nepal Bank Limited as Deputy Manager. He served Nepal Bank Limited from December 1994 to March 2007. Prior to joining the Bank, he was Head of Relationship Management Division (Corporate/ SME Business) where his key responsibilities were to approve credits, monitoring and supervision of Corporate/SME credit portfolio. He has been serving in Citizens Bank International Limited, since its inception.

Positions held during the Year

Purchase Committee
Member

Recruitment Committee
Member

Executive Committee
Member

IT Steering Committee
Member

Assets Liabilities Management Committee
Member



MR. RAMDHAN SHRESTHA

Assistant Chief Executive Officer

Mr. Shrestha was associated with Nepal Rastra Bank where he served for around 36 years. He has been actively involved and serving in the Bank since its inception. His area of expertise is in personnel administration, finance, treasury, business, risk management, recovery, operations, etc.

Positions held during the Year

Purchase Committee
Coordinator

Assets Liabilities Management Committee
Member

Executive Committee
Member

IT Steering Committee
Member

Recruitment Committee
Member



MR. SUMIT BABU KHATRI

Chief Credit Officer

Mr. Khatri, an MBA has 19 years of banking experience. He has over 15 years experience in Credit and Marketing Department looking after corporate & commercial loans, consumer loans and infrastructure & project financing in various capacities. He has been leading Credit and Marketing Department since last four years.

Positions held during the Year

Executive Committee
Member

Assets Liabilities Management Committee
Member



MS. UMANG SHARMA

Chief Administrative Officer

Ms. Sharma, an MBA from Kathmandu University has 17 years of banking experience. She currently heads Human Resource Department, General Service Department and Corporate Communication Department of the Bank. Previously, she has worked in Credit Department in the field of Consumer Banking, SME Banking Unit. She is also the Spokesperson of the Bank. She represents the Bank at the Board of Nepal Clearing House Ltd.

Positions held during the Year

Human Resource Compensation Committee
Member Secretary

Executive Committee
Member Secretary

IT Steering Committee
Member

Recruitment Committee
Member

Purchase Committee
Permanent Invitee



MR. RAJENDRA LAL SHRESTHA

Chief Risk and Recovery Officer

Mr. Shrestha, an MBA from SIBM, Pune has 19 years of banking experience specially in Risk Management. He started his career as Management Trainee and worked in various department including Branch Operation, Trade Finance, Credit & Marketing, Credit Administration, Recovery and Risk Management. He also has experience of branch management and headed Newroad Branch as Branch Manager for 5 years. He has been associated with Citizens Bank International Limited since its inception. At present, he has been heading Risk Management Department of the Bank.

Positions held during the Year

Executive Committee
Member



MR. PARAS KUMAR KAFLE

Chief Operating Officer

Mr. Kafle, an MBS from Tribhuvan University has over 18 years of experience in banking sector. His areas of experience and expertise include Trade Finance, Credit Operations, Branch Management, Bank Operations and Relationship Management both in Corporate Credit and SME Loans, Operational Risk Management and Compliance.

Positions held during the Year

Risk Management Committee
Member

Assets Liabilities Management Committee
Member

Executive Committee
Member



MR. SANJEEB KUMAR SHRESTHA

Chief Information Technology Officer

Mr. Shrestha, Master in Computer Engineering from Ukraine has over 20 years of Banking Experience in the field of Information Technology. He has been working in IT Department and also has experience in the field of Branchless Banking, Card and Remittance.

Positions held during the Year

Executive Committee
Member

IT Steering Committee
Member



MR. PRAMESH RAJ KAYASTHA

Chief Finance Officer

Mr. Kayastha holds Chartered Accountancy degree from Institute of Chartered Accountants of India and BBS from Tribhuvan University. Prior to joining Citizens Bank International Limited, he was associated with Prime Commercial Bank Limited as Finance Head for over 3 years. He had joined Citizens Bank International Limited on July 07, 2013 (Ashadh 23, 2070) as Executive Finance Officer.

Positions held during the Year

Budget Committee
Member Secretary

Human Resource Compensation Committee
Member

Executive Committee
Member

Assets Liabilities Management Committee
Member

Purchase Committee
Member

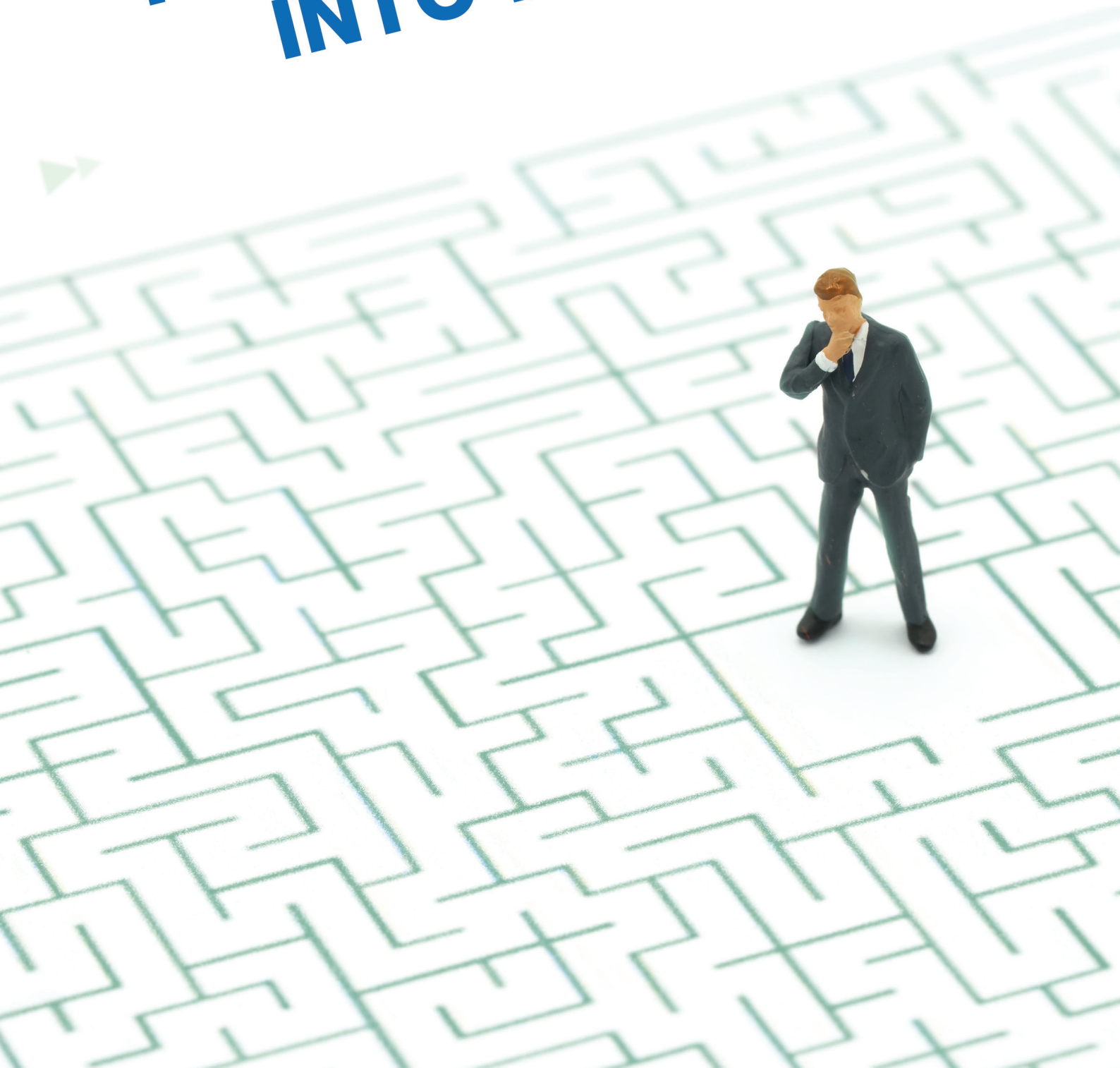


MR. SAMIR PRASAD DAHAL

CEO-CBIL Capital Ltd.

Mr. Dahal, FCA, is a Senior Manager in the Bank and has been currently deputed as Chief Executive Officer of M/s CBIL Capital Limited (A subsidiary company of the Bank) specialized in Merchant and Investment Banking based in Kathmandu, Nepal. Mr. Dahal is also entrusted as the Company Secretary role. Apart from being a qualified Chartered Accountant (FCA) in year 2002 from The Institute of Chartered Accountants of India (ICAI), he also possess Post Graduation Diploma degree in Treasury and Forex Management from ACTM, India and B.Com from Tribhuvan University, Nepal. He has attended various national and international training courses for professional career development in various business areas specializing in corporate finance and business development, including merger & acquisitions, information system audit, renewable energy financing, etc. Prior to starting Banking career from year 2005, Mr. Dahal has endeavored entrepreneurial venture through SP Dahal & Associates, Chartered Accountants from year 2002. During his 16 years of professional career, he has worked as Senior Audit Executive in Himalayan Bank Limited, A Joint venture with Habib Bank Limited Pakistan for almost 7 years and is working as Senior Executive in Citizens Bank International Limited from year 2012 whereby Mr. Dahal has been deputed as Chief Executive Officer of CBIL Capital Limited from year 2016.

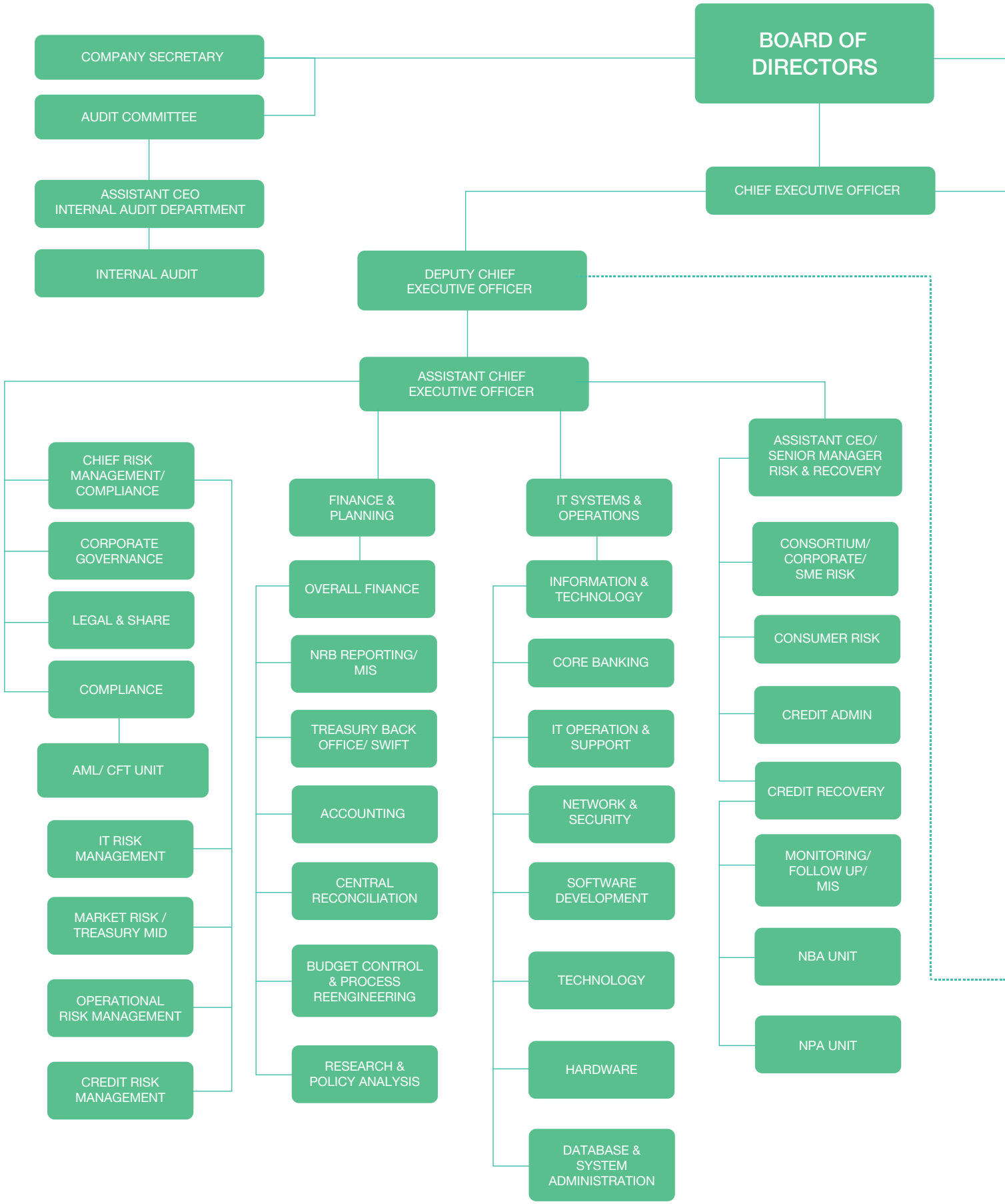
LEADERSHIP IS THE CAPACITY TO TRANSFORM VISION INTO REALITY

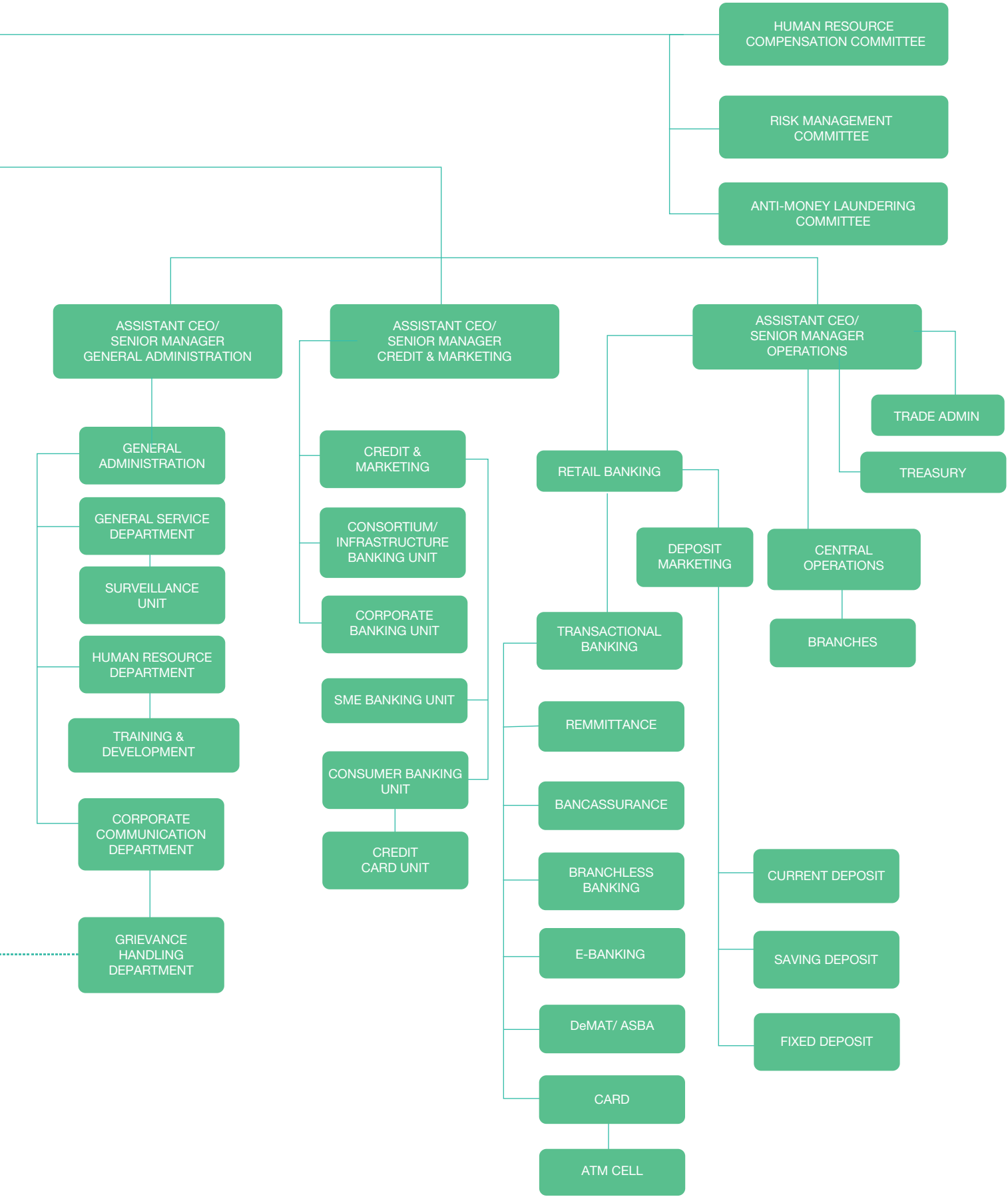


HEAD OF DEPARTMENTS

Name of Head	Position	Department
Ravi Kumar Rauniyar	Head	Risk Management
Suman Mulepati	Head	Corporate Banking Unit
Amit Khanal	Head	Consumer Banking Unit/ SME
Narayan Raj Adhikari	Head	Credit Risk-Consortium Infrastructure/ Corporate/SME
Roman Pradhananga	Head	IT Department
Roshan Manandhar	Head	Retail Banking
Smita Pant	Executive Administration Officer	Administration Department
Roshan Malla	Head	Consortium/ Infrastructure Banking Unit
Tulasi Raj Rijal	Head	SME Unit
Anit Sapkota	Head	Internal Audit
Suresh Prasad Thapaliya	Head	Trade Administration
Suyesh Kumar Poudel	Head	Transactional Banking
Angish Shrestha	Head	Treasury Department
Akanksha Basnet	Executive Finance Officer	Finance Department
Prashant Bikram Khadgi	Head	Operation Department
Binay Rauniyar	Head	Credit Risk-CBU
Hari Babu Thapa	Head	Credit Administration Department
Suraj Kumar Neupane	Head	Deposit Marketing
Rinku Ghimire	Head	Credit Card
Krishna Pandey	Head	Operational Risk Management
Kedar Adhikari	Head	Legal Department
Dikendra Ram Kashajoo	Head	General Service Department
Sushan Devkota	Head	Recovery Department
Neetika Ghimire	Head	Corporate Communication Department
Udaya Raj Keshari	Incharge	Card Department
Bhawana Ojha	Incharge	Remittance Department
Swechchha Dangol	Incharge	Branchless Banking Unit
Anjana Sapkota	Incharge	Demat/ ASBA
Ranjeeta Khadka	Incharge	Bancassurance

ORGANOGRAM


BOARD OF DIRECTORS
COMPANY SECRETARY
AUDIT COMMITTEE
ASSISTANT CEO INTERNAL AUDIT DEPARTMENT
INTERNAL AUDIT
CHIEF EXECUTIVE OFFICER
DEPUTY CHIEF EXECUTIVE OFFICER
ASSISTANT CHIEF EXECUTIVE OFFICER
CHIEF RISK MANAGEMENT/ COMPLIANCE
CORPORATE GOVERNANCE
LEGAL & SHARE
COMPLIANCE
AML/ CFT UNIT
IT RISK MANAGEMENT
MARKET RISK / TREASURY MID
OPERATIONAL RISK MANAGEMENT
CREDIT RISK MANAGEMENT
FINANCE & PLANNING
OVERALL FINANCE
NRB REPORTING/ MIS
TREASURY BACK OFFICE/ SWIFT
ACCOUNTING
CENTRAL RECONCILIATION
BUDGET CONTROL & PROCESS REENGINEERING
RESEARCH & POLICY ANALYSIS
IT SYSTEMS & OPERATIONS
INFORMATION & TECHNOLOGY
CORE BANKING
IT OPERATION & SUPPORT
NETWORK & SECURITY
SOFTWARE DEVELOPMENT
TECHNOLOGY
HARDWARE
DATABASE & SYSTEM ADMINISTRATION
ASSISTANT CEO/ SENIOR MANAGER RISK & RECOVERY
CONSORTIUM/ CORPORATE/ SME RISK
CONSUMER RISK
CREDIT ADMIN
CREDIT RECOVERY
MONITORING/ FOLLOW UP/ MIS
NBA UNIT
NPA UNIT

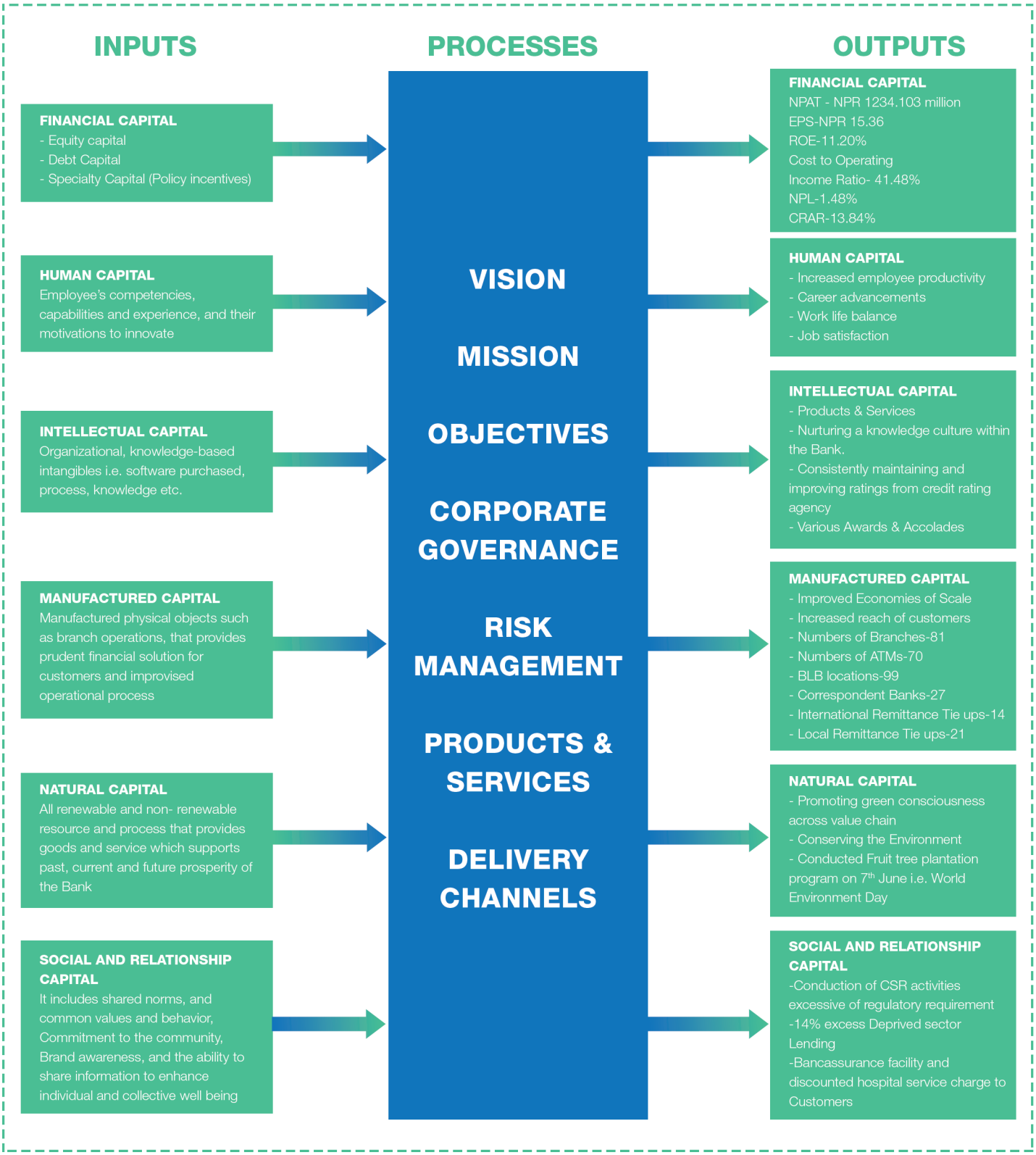

HUMAN RESOURCE COMPENSATION COMMITTEE
RISK MANAGEMENT COMMITTEE
ANTI-MONEY LAUNDERING COMMITTEE
ASSISTANT CEO/ SENIOR MANAGER GENERAL ADMINISTRATION
ASSISTANT CEO/ SENIOR MANAGER CREDIT & MARKETING
ASSISTANT CEO/ SENIOR MANAGER OPERATIONS
GENERAL ADMINISTRATION
GENERAL SERVICE DEPARTMENT
SURVEILLANCE UNIT
HUMAN RESOURCE DEPARTMENT
TRAINING & DEVELOPMENT
CORPORATE COMMUNICATION DEPARTMENT
GRIEVANCE HANDLING DEPARTMENT
CREDIT & MARKETING
CONSORTIUM/ INFRASTRUCTURE BANKING UNIT
CORPORATE BANKING UNIT
SME BANKING UNIT
CONSUMER BANKING UNIT
CREDIT CARD UNIT
RETAIL BANKING
DEPOSIT MARKETING
CENTRAL OPERATIONS
TRADE ADMIN
TREASURY
BRANCHES
TRANSACTIONAL BANKING
REMMITTANCE
BANCASSURANCE
BRANCHLESS BANKING
E-BANKING
DeMAT/ ASBA
CARD
ATM CELL
CURRENT DEPOSIT
SAVING DEPOSIT
FIXED DEPOSIT

BUSINESS MODEL

Business Model for Value Creation and Capital Formation

The Bank's business model reflects how it manages the financial assets to achieve its objectives. The business model of the Bank captures the entire process through which inputs from the capitals are processed through its business activities and interactions to produce outputs and outcomes for all stakeholders.

EXTERNAL ENVIRONMENT



INPUTS USED

The Bank draws on inputs from a number of sources and regard them as “capitals” since they facilitate value creation process. These inputs include internal sources such as financial capital contributed by the investors as well as built over the years through retained earnings; manufactured capital procured deploying financial capital and intellectual capital and external sources such as employees, customers, regulators, society and environment. The Bank has the wide network of delivery channels and customer touch points, institutionalized knowledge of its employees, strong brand name etc. These competitive advantages have given an edge over the competition in sourcing capital inputs for operations.

a. Financial Capital

In the value creation process of the Bank, financial capital plays a focal role. Financial Capital represents funds contributed from shareholders and the reserves built up over the years as well as funds sourced from investors in debt securities, borrowings from Banks/ creditors and deposits from customers.

Strategic priorities:

The Bank has analyzed critical strategic priorities as presented below in order to achieve short term goals of the Bank which will automatically set its long term growth trajectory.



b. HUMAN CAPITAL

Presented separately under **"Bank's Contribution and Responsibilities to Employees"** in detail in *pg. 116*

c. INTELLECTUAL CAPITAL

Presented separately under **"Products and services"** in detail in *pg. 17*

d. MANUFACTURED CAPITAL

The Bank has identified and acknowledge the importance of manufactured capital as it is essential to the Bank for sustainability and competitive advantage. Bank has consistently invested in its manufactured capital as it believes that growth in market share and wealth creation to the shareholders is directly proportionate to the investment in capital expenditure.

To facilitate the Bank's and Customer's mounting business and service needs, the Bank has steadily invested in technology, accordingly it is in process of acquiring Finacle, Core Banking Software.

Following is the details of expenditure of Bank in FY 2016/17 and 2017/18:

NPR In Millions

Particulars	FY 2016/17	FY 2017/18
Acquisition of Capital expenditure in the year	903.32	537.62
Year-end Written Down Value of Property, Plant and Equipment	1,758.55	2,121.60
Year-end Written Down Value of Intangible Assets	8.06	70.53
Operating Lease Expenses	50.01	53.07

Details of Property, Plant and Equipment and Intangible Assets has been mentioned in Schedule 4.13 and 4.14 of Financial Statement. Further capital commitment of the Bank has been mentioned in Schedule 4.28.3 of Financial Statement.

e. SOCIAL & RELATIONSHIP CAPITAL

Presented separately under **"Corporate Social Responsibility"** in detail in *pg. 109.*

f. NATURAL CAPITAL

Businesses and government leaders from around the world are increasingly sounding the alarm about the need for effective management of business dependencies and impacts on ecosystems. The Bank consumes renewable and non-renewable resources and process from the ecosystem directly or indirectly that provides service which supports past, current and future prosperity of the Bank. The Bank's corporate decision making process is so aligned that it consider broader and longer-term social and environmental consequences on nature and impact on natural capital.

Before lending, the Bank has compelled many borrower for conducting Initial Impact Assessment and Environmental Impact Assessment depending upon the size of the company. Following are the list of some activities conducted by the Bank for protecting Natural Capital:

- Promoting green consciousness across value chain.
- Conserving the Environment
- Conducted Fruit tree plantation program on June 07 i.e. World Environment Day.

PROCESSES CARRIED OUT

a. VISION: Presented separately under **"Vision, Mission and Objectives"** in detail in *pg. 07.*

b. MISSION: Presented separately under **"Vision, Mission and Objectives"** in detail in *pg. 07.*

c. OBJECTIVES: Presented separately under **"Vision, Mission and Objectives"** in detail in *pg. 07.*

d. CORPORATE GOVERNANCE: Presented separately under **"Corporate Governance"** in detail in *pg. 50.*

e. RISK MANAGEMENT: Presented separately under **"Risk Management"** in detail in *pg. 92.*

f. RENDERING OF PRODUCTS AND SERVICES: Presented separately under **"Products and Services"** in detail in *pg. 17.*

g. DELIVERY CHANNELS: Presented separately under **"Information About Bank's Service Networks"** in detail in *pg. 312.*

OUTPUTS GENERATED: OUTCOMES

The generation of outcomes as a result of its activities, must cover not only the propagation of profits and economic benefits to the Bank, but must also benefit the overall environment in which it operates.

The Bank is responsible for sustainable management of its resource spanning all the stakeholders – Shareholders, Customers, Employees, Government, Community and the environment.

Shareholders/Investors: The profitable growth of the Bank enabled payment of reasonable dividends and afforded opportunities for capital gains for the stakeholders.

Employees: The Employees of the Bank are satisfied with the remuneration packages paid to them and the career development opportunities afforded to them.

Customers: The Bank has satisfied customers and customer base is growing. New products has been launched in order to provide diversified service to customers, branchless banking facility and deprived sector loan has been provided for fund access of underprivileged customers too.

Government: The Bank has contributed towards the economic growth of the nation. Several activities such as employment generation, new employment generation, compliance of regulatory requirements reflects the Bank's responsiveness towards the nation. The Bank has been able to help the Government with tax revenue and revenue collection on behalf. By conducting the business in accordance with the letter as well as the spirit of the law, the Bank has assisted the regulators to maintain financial sector stability.

Community and Environment: The Bank is confident that it has made valid and valuable contribution to the society and the environment. The same is discussed separately in **"Corporate Social Responsibility"** section in *pg. 109.*

Corporate Governance, Risk, CSR and Employees





Corporate Governance 50

Business Ethics & Anti-Corruption Measures 88

Risk Management 92

Corporate Social Responsibility 109

Bank's Contribution & Responsibilities to Employees 116

BANK'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a process that aims to meet stakeholders' aspirations and societal expectations. It is not a discipline imposed by a regulator, but is a culture that guides the Board, Management and Employees to function towards best interest of stakeholders. At Citizens Bank International Limited, the Corporate Governance philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor's confidence. The Bank strongly believes in ethical values and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency, accountability to its stakeholders, government, regulators and others who deal with the Bank.

At the core of Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Bank. The Bank believes that an active, well informed and independent Board is necessary to ensure the highest standards of Corporate Governance. The Bank's Corporate Governance practices are aimed at meeting the Corporate Governance requirements as per the acts, rules and regulations formulated by Nepal Government, Nepal Rastra Bank, Securities Exchange Board of Nepal (SEBON), BIS–Corporate Governance Guidelines, besides good practices either recommended by professional bodies or practiced by leading Banks/ companies in Nepal.

The Governance structure of the Bank is reflected by the following flow chart. The information flows upwards and the authority flows downwards.

BOARD OF DIRECTORS (BOD)

COMMITTEES OF BOARD

1. Audit Committee (AC)
2. Risk Management Committee (RMC)
3. Human Resource Compensation Committee (HRCC)
4. AML Committee

EXECUTIVE COMMITTEE (EC)

DEPARTMENTS/ BRANCHES

1. Internal Audit Department
2. Risk Management Department
3. Compliance Department

The Bank is committed to the best practices in the area of corporate governance. The Bank is devoted to align the actions of executive management with the interests of shareholders. It aims to propel the business to greater commercial success with the good corporate governance. The major objectives can be summarized as following:

- To contribute to improved corporate performance and accountability in creating long-term shareholder value.
- The audit committee seeks to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.
- The shareholders are communicated through the Annual General Meeting.
- To ensure compliance with applicable laws and regulations and with the basic principles of integrity, transparency and clear communication.
- To enable robust and regular financial and management reporting, fostering confidence in business from the funders as well as the investors.
- To lead to improved reporting on performance with the managers and owners equipped to make higher quality decisions that can drive an increase in business volume and margins and a reduction in costs.

BOARD OF DIRECTORS

There are various policies and laws that govern the functioning of the board. They are:

- Banks and Financial Institutions Act, 2017 (2073),
- Nepal Rastra Bank Act, 2002 (2058),
- Companies Act, 2006 (2063),
- Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank,
- Code of Conduct,
- Directives and circulars issued by the regulatory authorities,
- Other Acts as applicable.

A. COMPOSITION OF THE BOARD

In terms of Clause 14(1) of the Banks and Financial Institutions Act, 2017 and Memorandum of Association (MOA), Articles of Association (AOA), Companies Act, 2006; the Board of Directors of the Bank shall consist of a minimum 5 and maximum of 7 directors.

The composition of Board of Directors of the Bank as on July 16, 2018 is as under:

S.No.	Name	Position in the Bank
1	Dr. Shankar Prasad Sharma	Chairman
2	Mr. Bal Krishna Prasai	Director
3	Mr. Prakash Chandra Mainali	Director
4	Mr. Pabitra Kumar Karki	Director
5	Mr. Bijaya Dhoj Karki	Director
6	Dr. Chanda Karki	Director
7	Mr. Avanindra Kumar Shrestha	Director

B. APPOINTMENTS/ CESSATION OF DIRECTORS DURING THE REPORTING PERIOD

- Appointments

No new appointments occurred in the year.

- Cessations during

Name of Director	Directors Since	Designation	Occupation	Remarks
Mr. Chandra Tandon	October 15, 2015	Director	Business	Appointed as director from 9th AGM on October 15, 2015. Mr. Chandra Tandon has resigned effective from August 17, 2017.

C. BOARD MEETING

During the reporting period from July 16, 2017 to July 16, 2018 (Shrawan 01, 2074 to Ashadh 32, 2075), 32 Board Meetings were held on the following dates as against minimum of 12 meetings in each fiscal year and the difference between two consecutive meetings shall not exceed 60 days, as per mandatory provisions under section 21(1) of Banks and Financial Institutions Act, 2017.

The detail of the Board Meetings held during the year 2017/18 (2074/75) are as under:

Shrawan Jul/Aug	Bhadra Aug/Sept	Ashwin Sept/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baisakh Apr/May	Jestha May/Jun	Ashadh Jun/Jul
2	4	2	1	2	3	3	2	5	2	2	4

Detail of meetings of the Board of Directors during the FY 2017/18.

Total number of meetings held
29

Total number of resolutions by circulation
03



Name of the Director	No of Meetings Attended	Sitting Fees Per Person Per Meeting (NPR)
Dr. Shankar Prasad Sharma	29/29	13,000
Mr. Bal Krishna Prasai	29/29	11,000
Mr. Prakash Chandra Mainali	28/29	11,000
Mr. Pabitra Kumar Karki	24/29	11,000
Mr. Bijaya Dhoj Karki	23/29	11,000
Dr. Chanda Karki	21/29	11,000
Mr. Chandra Tandon	2/2	11,000
Mr. Avanindra Kumar Shrestha	27/29	11,000

Major Agendas discussed in the Board meeting for the FY 2017/18 are summarized as follows:

- Review of Bank's Annual Progress Report for the FY 2016/17.
- Review of performance of Executive Committee members.
- Discussion of Risk Management Committee Reports.
- Review of existing policies and frameworks of the Bank and approved amendments.
- Review of Self-Assessment Report of the BOD.
- Decision regarding sale and transfer of promoter shares.
- Approval for booking of Non-Banking Assets.
- Decision of listing of bonus shares.
- Reply on Preliminary Report of Auditor of FY 2016/17.
- Approval of Director's Report and documents to be sent to Office of Company Registrar as per Section 78 and 109 of Companies Act, 2006.
- Approval of Financial Statement of the FY 2016/17 and seeking approval from NRB to distribute proposed dividend and bonus share.
- Discussion on the issues and effects that arose from the Unified Directives 2017 by Nepal Rastra Bank for the FY 2017/18.
- Formation & reconstitution of various sub-committees of the Board.
- Approval of amended organogram of the Bank.
- Approval of resignation of Director.

- Discussion on effects of flood and landslides in the operation of branch and decision on relief to be provided to flood victims under CSR.
- Discussion on delegation of authority to Executive Committee members.
- Approval of date, time and place of Annual General Meeting.
- Decision regarding agendas to be discussed in Annual General Meeting.
- Discussion on reports of Audit Committee & issued necessary instruction to management.
- Discussion on Internal Audit Report on Indian Currency transactions.
- Discussion on the Bank's response to NRB Onsite Inspection Report 2017.
- Discussion on the Bank's Quarterly Progress Report & issuance of necessary instruction & directions to management.
- Approval of the Bank's Response to be provided to Nepal Rastra Bank on NRB Onsite Inspection Report.
- Discussion on Risk Management Report and functions, duties and responsibilities of the department.
- Decision regarding operation of Citizens Branchless Banking Services.
- Review & amendment of Dividend and Retained Earning Policy of the Bank.
- Discussion on additional expenses to be incurred for Finacle Core Banking System.
- Discussion on further land and building purchased at Narayanhiti Path.
- Reviewing and discussion on Quarterly AML/CFT Compliance Report.
- Approval for purchase of land and building in Biratnagar, Nepalgunj, Pokhara and Birgunj.
- Discussion on annual report as per Corporate Governance Policy of the Bank.
- Decision regarding expansion of branches in local level as per new provincial structure of the country.
- Decision regarding issuance of Bond.
- Discussion on Server Storage, Network Device and Hard Disk related to Information Technology.
- Discussion on issuing of additional public shares through the procedure of Further Public Offering (FPO).
- Discussion on premium amount on shares to be issued through FPO.
- Discussion on various issues observed on pre-migration of Finacle Core Banking System.
- Decision regarding investment by purchasing of promoter right share of subsidiary CBIL Capital Limited.
- Review of implementation status of direction issued by Nepal Rastra Bank on NRB Inspection Report.
- Investment decision on Proposed Credit Rating Agency.
- Decision on opening of new branch in Pokhara.
- Discussion on opening of Branch Offices in co-ordination with Louis Berger operated by DFID.
- Approval for amendment of official address of the Bank in PAN Certificate.
- Approval of official visit of the Director and Chief Executive Officer.
- Approval of Budget of Fiscal Year 2018/19 (2075/76).
- Issues regarding Human Resource Department like approving Employee's requirement (Darbandi), amendment of Employee's Bye laws, organogram, etc.
- Analysis of impact of Monetary Policy for the Fiscal Year 2017/18 (2075/76).

D. CODE OF CONDUCT

The Code of Conduct for Board of Directors and Senior Management Personnel (Core Management Team) comprising all Managers and Departmental Heads, has been approved by the Board of Directors in compliance of Banks and Financial Institutions Act, 2017, Companies Act, 2006, NRB Directives No. 6- Provision related to Corporate Governance and Other Directives and circulars issued by regulatory authorities. All the Board Members and Senior Management Personnel have since affirmed the compliance of the Code for the year till reporting period of 2017/18 and undertaken continued compliance of the same.



BOARD LEVEL COMMITTEE/ SUB-COMMITTEE OF DIRECTORS/ EXECUTIVES

In terms of the provisions of Directives no. 6 section 5 of Nepal Rastra Bank and section 14 and section 15 of Banks and Financial Institutions Act, 2017, licensed banks and financial institutions are allowed to constitute board level committees relating to Audit Committee, Risk Management Committee, Anti-Money Laundering Committee and Human Resource Compensation Committee. Each Board Level Committee can include minimum 3 and maximum 5 members. Committees relating to areas other than these four areas can be formed for a specified period of time and specific purpose. Board of Directors has constituted Board Level Sub-Committees which are as follows:

S.No.	Name of the Committee	Nature of the Committee
1	Audit Committee	Permanent Nature
2	Risk Management Committee	Permanent Nature
3	Human Resource Compensation Committee	Permanent Nature
4	Anti-Money Laundering Committee	Permanent Nature
5	Budget Committee	Temporary Nature

A. AUDIT COMMITTEE

Audit Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on 10.07.2007 (26.03.2064) and was reconstituted on 17.08.2017 (01.05.2074). The board functions according to the regulatory provisions of NRB Unified Directives no. 6 and the provisions of Sections 164 and 165 of Companies Act, 2006.The Committee meets regularly as per its charter to discuss and oversee the key issues highlighted by the Internal Audit Department.

Major Responsibility of the Audit Committee:

The Audit Committee provides directions and oversees the operations of total audit functions of the Bank including the organization, operations and quality control of internal audit, internal control weaknesses and inspection within the Bank and follow-up of the suggestions of Statutory/External Auditors of the Bank and NRB inspections. The primary purpose of the audit committee is to provide oversight of financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations which includes the following:

- To review the Bank's financial condition, internal controls, audit program and findings of the internal audit team and instruct management to adopt corrective actions on the issues, further to recommend to the Board of Directors about the actions taken.
- To help management to make annual report accurate and real.
- To ensure the Board of Directors that accounts are accurate and fair, along with frequent reviews of the adequacy of provisioning against contingencies and classified loan.
- To review the compliance of the statutory laws, directives issued by NRB and include the same in the report.

- To review the activities of the Bank in respect of its regularity, economical, logical, effectiveness and give necessary suggestion to the Board of Directors.
- To ensure adequate accounting and internal control procedures are established on compliance with applicable laws, regulation and directives. The committee will review and make assessment of the internal control system.
- To oversee the internal function, approve the scope of the audit, ensure the department's independence and receive and review internal audit report, conduct performance appraisal of Head of Internal Audit Department.
- To approve the audit plan.
- To review and provide recommendations on proposals submitted by audit firms for carrying out the external audit of the Bank. Furthermore, recommend appointment/re-appointment of external auditor to the Annual General Meeting.
- Receive and review the official written statement by external auditors concerning potential conflict of interest and an estimation of the potential influence of these factors on the external auditor's objectivity and independence.
- Review with external auditors any audit problems and difficulties and management response including;
    - Any restrictions on the scope of the external auditor's activities.
    - Any restrictions on the external auditor's access to requested materials.
    - Any significant disagreements with management.
    - Any material audit differences that the external auditor noted or proposed but for which the Bank's financial statements were not adjusted.
- Review and analyze the reports of the Risk Management Committee.



Composition of Audit Committee as on reporting date:

S.No.	Name	Position
1	Avanindra Kumar Shrestha	Coordinator
2	Bijaya Dhoj Karki	Member
3	Dr. Chanda Karki	Member
4	Anit Sapkota (Head IAD)	Member Secretary

Detail of Audit Committee meeting during FY 2017/18

Total No. of meetings held

11

Shrawan Jul/Aug	Bhadra Aug/Sept	Ashwin Sept/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baisakh Apr/May	Jestha May/Jun	Ashadh Jun/Jul
1	2	2	-	-	2	-	-	2	-	-	2

Member of Committee	Meeting attended	Sitting fees per Person Per Meeting (NPR)
*Mr. Chandra Tandon, Director	2/2	11,000
Mr. Bijaya Dhoj Karki, Director	2/2	11,000
*Mr. Avanindra Kumar Shrestha, Director	9/9	11,000
Dr. Chanda Karki, Director	11/11	11,000
Anit Sapkota (Head IAD)	11/11	-

** Members after reconstitution of the committee. Mr. Tandon ceased to be coordinator of the Committee post his resignation from member of Board of Directors.*

Major agendas discussed in the meeting of Audit Committee:

- Discussion on AML/CFT Policy Compliance Report FY 2016/17.
- Discussion on Preliminary Audit Report FY 2016/17 of the Bank given by external auditor and management response thereon.
- Recommendation for appointment and remuneration of external auditor for FY 2017/18 to Annual General Meeting of the Bank.
- Approval of Annual Report of Audit Committee & discussion on Final Internal Audit Report of the Bank for FY 2016/17.
- Discussion on Half Yearly INR Compliance Report of the Bank of FY 2016/17 and Review Report of overall financial results/4th Quarter's Financial Results for FY 2016/17.
- Discussion on Final Report of LC & Guarantee operation of the Bank for FY 2017/18.

- Discussion on management response on recommendations made by audit committee on Financial Review Report of 1st, 2nd and 3rd Quarter's Results of FY 2017/18.
- Discussion on concept paper of outsourcing of internal audit function of the Bank.
- Discussion on NRB-Report on Inspection Findings–CBIL 2017 & direction received and response their in.
- Discussion on Half yearly INR compliance report of the Bank of 2017/18.
- Discussion on audit plan of Internal Audit Department for FY 2018/19.
- Discussion on performance appraisal of Head-Internal Audit Department.
- Discussion on Internal Audit Report of various departments/units & branches.

B. RISK MANAGEMENT COMMITTEE

The Bank has constituted a five member Risk Management Committee (constituting of 3 BOD members, Head of Risk Management Department and Chief Operating Officer) for review of risks associated with credit, operations, market, investment and ALCO function, concentration risk, policy risk, compliance risk and portfolio risk. The committee was constituted on December 17, 2010 (Poush 02, 2067) under Risk Management Guidelines of Nepal Rastra Bank and NRB Directives. The committee was last re-constituted on September 17, 2017 (Bhadra 01, 2074). Mr. Prakash Chandra Mainali is the coordinator of the committee. Seven meetings were held during the FY 2017/18.

Major Responsibility of the Risk Management Committee:

- To appraise the Board of Directors as to the appropriateness of the existing risk identification and management system as well as suggest for development of an appropriate system.
- To review the level of risk associated with the business, risk bearing capabilities, development of strategies, policy arrangements as well as guidelines adopted towards risk management and suggest to the Board of Directors as to their appropriateness.
- To obtain report from the management on risk management on a regular basis; discuss as to assess and evaluate the risk under existing system, control and monitoring mechanism and submit necessary suggestions to the Board.
- To analyze and review capital adequacy as per the risk assets, internal capital adequacy assessment plan (ICAAP), appropriateness of policies as per the business strategy, maximum level of risk the organization may assume and submit necessary recommendation, opinion to the Board.
- To suggest the Board of Directors for development of mechanism and necessary policies as may be necessary as per the appropriate practices as well as internal limits to be fixed by the Bank as per the guidelines/ directives issued by Nepal Rastra Bank relating to Risk Management.
- Conduct stress testing on a regular basis and discuss the outcome and on that basis submit recommendations to the Board as to the policies and procedures that are necessary for adoption in future.
- To review the authority delegation and analyze its appropriateness and submit report along with the recommendation to the Board of Directors.
- To review on quarterly basis, the assets structure, mobilization status of such assets, yield from the assets, improve/deterioration in assets quality, as well as performance of Assets Liabilities Management Committee (ALCO) and submit report to the Board.

- To study the effect on to the financial institutions brought about by any problem or changes arising in any sector of the economy and submit a report to the Board of Directors along with the suggested policies for countering such situation.

Composition of Risk Management Committee as on reporting date

S.No.	Name	Position
1	Prakash Chandra Mainali, Director	Coordinator
2	Chandra Tandon, Director	Member
3	Avanindra Kumar Shrestha, Director	Member
4	Bijay Dhoj Karki, Director	Member
5	Paras Kumar Kafle, Chief Operating Officer	Member
6	Ravi Kumar Rauniyar, Head Risk Management Department	Member Secretary

Detail of Risk Management Committee meeting held during FY 2017/18

Total No. of meetings held

7

Shrawan Jul/Aug	Bhadra Aug/Sept	Ashwin Sept/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baisakh Apr/May	Jestha May/Jun	Ashadh Jun/Jul
1	1	-	1	1	1	1	-	-	1	-	-

Member of Committee	Meeting attended	Sitting fees per Person Per Meeting (NPR)
Prakash Chandra Mainali, Director	7/7	11,000
Chandra Tandon, Director	1/1 *	11,000
Avanindra Kumar Shrestha, Director	6/6	11,000
Bijay Dhoj Karki, Director	5/6	11,000
Paras Kumar Kafle, Chief Operating Officer	6/7	-
Ravi Kumar Rauniyar, Risk Management Department	7/7	-

** The commitee has been constitued on August 17, 2017. Mr. Tandon ceased to be member of the Committee post his resignation from member of Board of Directors.*

The major agendas discussed in the Risk Management Committee (RMC) are stated below:

- Review of quarterly Risk Management Report of Mid July 2017, Mid Oct 2017, Mid Jan 2018 and Mid April 2018.
- Assets Liabilities Management Committee (ALCO) minutes for consideration.
- AML-CFT Compliance Review Report of Mid July 2017, Mid Oct 2017, Mid Jan 2018 & Mid April 18.
- Discussion/Review of existing Risk Management Policies & Guidelines & recommend amendment for approval to BOD.
- Review of Internal Capital Adequacy Assessment Policy implementation report.
- Discussion on maintenance of Risk Register for Risk Assessment.
- Discussion on IT Risk Assessment Report.
- Discussion on current market scenario and its impact on our Bank.
- Discussion on results of the Bank's own scenario of stress testing.
- Discussed about the risk tolerance and appetite limit as per Risk Management Framework.
- Discussed about the credit shocks, market shock and liquidity shocks as per regulatory requirement.
- Discussed about the deposit concentration, single obligor exposure, product wise loan exposure, sector wise loan exposure.
- Discussed about operational loss database as per Operational Risk Management Framework.
- Reviewed & discussed on strategy for financing Working Capital loan exclusively secured by current assets and/or insufficient real estate collateral (in addition to current assets).
- Discussed about measurement of exchange rate shocks, measurement of exposure on proprietary/ non-proprietary derivative transactions, measurement of interest rate shock, equity price shock as required by Market Risk Management Policy.

C. HUMAN RESOURCE COMPENSATION COMMITTEE (HRCC)

Human Resource Compensation Committee of the Board was constituted on December 25, 2006 (Poush 10, 2063) and was reconstituted on October 15, 2015 (Ashoj 28, 2072). The committee functions according to the NRB Unified Directives.

Major Responsibility of the Human Resource Compensation Committee:

The committee is persistent to set the principles and parameters of the Bank's remuneration policy and to oversee policy outcomes. The purpose of the committee is to consider, agree and recommend to the Board on overall remuneration policy and philosophy for the Bank that is aligned with its long term business strategy, its business objectives, its risk appetite, values and the long term interests and recognizes the interests of relevant stakeholders which includes:

- To formulate remuneration policy; set the general objectives and priorities in relation to production and utilization of human resources and define the general strategies and make the choices needed to achieve the objectives.
- Determine the design and targets for any annual performance related pay schemes operated by the Bank and subsequently, review individuals' performance against these targets and agree any payments proposed.

- Review and approve the overall incentive spent.
- Determine the design of eligibility for and targets for, any long term performance related pay schemes operated by the Bank and subsequently, review the performance against these targets and agree any payments proposed.
- Agree the policy for authorizing claims for expenses and ensure that all incentive plans comply with relevant legislation, codes of conduct and good remuneration practice.
- Review the report on the operation of the remuneration policy and its effectiveness including procedures and processes to avoid conflict of interest to note the arrangements in place to ensure employees receive adequate information to understand the requirements of the Remuneration Policy and the Remuneration Code.

Composition of Human Resource Compensation Committee as on reporting date

S.No.	Name	Position
1	Bal Krishna Prasai, Director	Coordinator
2	Pabitra Kumar Karki, Director	Member
3	Rajan Singh Bhandari, Chief Executive Officer	Member
4	Umang Sharma, Chief Administrative Officer	Member Secretary
5	Pramesh Raj Kayastha, Chief Finance Officer	Member

Detail of Human Resource Compensation Committee meeting held during FY 2017/18

Total No. of meetings held

9



Shrawan Jul/Aug	Bhadra Aug/Sept	Ashwin Sept/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baisakh Apr/May	Jestha May/Jun	Ashadh Jun/Jul
-	-	-	1	2	1	1	-	-	1	2	1

Member of Committee	Meeting attended	Sitting fees per Person Per Meeting (NPR)
Bal Krishna Prasai, Director	9/9	11,000
Pavitra Kumar Karki, Director	9/9	11,000
Rajan Singh Bhandari, Chief Executive Officer	9/9	-
Umang Sharma, Chief Administrative Officer	9/9	-
Pramesh Raj Kayastha, Chief Finance Officer	8/9	-

Agendas discussed in the meeting of Human Resource Committee:

- Amendment of impact of new Employee Bye laws Annexure 12.
- Discussion on impact of new Labor Law, 2018 in Bank's staff expenses.
- Review of Employee Training and Director's Refresher Policy and Human Resource Policy.
- Discussion on Succession Planning of the Bank.
- Discussion on HRD progress as on Mid Jan 2018.
- Fixation of service tenure for promotion of Gold Tester.
- Amendment in Employee Bye laws provision related to Staff Vehicle Facility.
- Amendment in Employee Bye laws provision related to Staff Home Loan.
- Amendment in organizational structure of the Bank.
- Manpower Planning for FY 2018/19.
- Review & revision in Salary and Benefit of staff.
- Discussion on models to fulfill vacant positions of the Bank.
- Amendment in Employee Bye laws provision related to Travel and Daily Allowance.

D. ANTI MONEY LAUNDERING COMMITTEE

The Anti Money Laundering Committee constitutes of five members and has terms of reference in line with the regulatory provisions of the NRB. The AML Committee of the Bank comprises of Mr. Pabitra Kumar Karki- Director as the Coordinator, Mr. Bijaya Dhoj Karki- Director as a member, Mr. Prakash Chandra Mainali- Director as a member, Mr. Ravi Kumar Rauniyar, Chief Risk Management Officer as a member and Ms. Seema Basyal, Head Compliance as Member Secretary.

AML Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on August 17, 2017 (Bhadra 01, 2074). The committee meets at least on a quarterly basis or as required as per its charter to discuss and oversee the key issues highlighted by the Compliance Department.

Major Responsibility of the Anti Money Laundering Committee

Anti- Money Laundering Committee is assigned with the following duties and responsibilities:

- Implementation relevant policies, procedures and internal control system to comply with Banking and Financial Institutions Act, Regulations and NRB Directives.
- In order to comply with requirements of Section 7ta Sub section (3) of Anti- Money Laundering Act, appoint AML Implementation Manager and assign duties and responsibilities and set up a separate AML/CFT Unit under his supervision.
- Monitor, review and submit Compliance Report on Act, Regulations and Directives to Board of Directors.
- Recommend departmental actions to staffs and officers not providing requested relevant information, records and detail to implementation manager required to ensure compliance with acts, regulations and directives.
- In order to effectively implement acts, regulations and directives, the committee shall recommend training and development to shareholders, Board of Directors, top management and employees of the Bank:
  - The committee shall recommend training and development for shareholders holding ownership of more than 2% of total share capital, Board of Directors and top management.
  - The committee shall recommend training and knowledge sharing program for employees.
  - The committee shall recommend training and knowledge sharing program for AML Implementation Manager and staffs working in AML/CFT Unit.

Detail of Anti Money Laundering Committee meeting during FY 2017/18

Total No. of meetings held

4

Shrawan Jul/Aug	Bhadra Aug/Sept	Ashwin Sept/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baisakh Apr/May	Jestha May/Jun	Ashadh Jun/Jul
-	1	-	-	1	-	-	1	-	1	-	-

The Composition and Attendance of the Committee as on July 16, 2018 (Ashadh 31, 2075) is as under:

Member of Committee	Designation	Meeting attended
Mr. Pavitra Kumar Karki	Coordinator	4/4
Mr. Bijaya Dhoj Karki	Member	4/4
Mr. Praksah Chandra Mainali	Member	4/4
Mr. Ravi Kr. Rauniyar	Member	4/4
Ms. Seema Basyal	Member Secretary	3/4

Agendas discussed in the meeting of AML Committee:

- Review, discuss and recommend ToR of AML Committee to the Board.
- Review and recommend amendment in AML/ CFT Policy of the Bank to the Board.
- Review and discuss on Quarterly AML/CFT- Compliance Report and present the compliance status of AML/ CFT Policies and Acts to Board on quarterly basis.
- Review AML/CFT related trainings status of the employees and its awareness and coverage result and issuance of needful instructions to management.
- Meeting discussed and reviewed GoAML software implementation in the Bank.

E. BUDGET COMMITTEE

Budget committee has been constituted under the coordination of non-executive director on 11.06.2017 (28.02.2074) with the specific purpose of Budget formulation of FY 2018/19. It is a board level committee formed for reviewing the budget proposed from management and make recommendations for approval of budget to Board.

Major Responsibility of the Budget Committee:

- The primary purpose of the committee is to review the budget proposed from the management and submit to Board for approval.

Composition of Budget Committee

S.No.	Name	Position
1	Avanindra Kumar Shrestha, Director	Coordinator
2	Pavitra Kumar Karki, Director	Member
3	Prakash Chandra Mainali, Director	Member
4	Ganesh Raj Pokharel, Deputy Chief Executive Officer	Member
5	Pramesh Raj Kayastha, Chief Finance Officer	Member Secretary

Detail of Budget Committee Meeting held during FY 2017/18

Total No. of meetings held

2

Shrawan Jul/Aug	Bhadra Aug/Sept	Ashwin Sept/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baisakh Apr/May	Jestha May/Jun	Ashadh Jun/Jul
-	-	-	-	-	-	-	-	-	-	-	1

Member of Committee	Meeting attended	Sitting fees per Person Per Meeting (NPR)
Avanindra Kumar Shrestha, Director	1/1	11,000
Pabitra Kumar Karki, Director	1/1	11,000
Prakash Chandra Mainali, Director	1/1	11,000
Ganesh Raj Pokharel, Deputy Chief Executive Officer	1/1	-
Pramesh Raj Kayastha, Chief Finance Officer	1/1	-

Agendas discussed in the meeting of Budget Committee:

The committee decided to recommend budget for FY 2018/19 to Board of Directors for approval, such that minimum 15% dividend can be distributed to the shareholders, including strategic plan of actions planned to be undertaken for achieving the desired target with better customer service.

MANAGEMENT LEVEL COMMITTEES

The various policies and bye laws formulated by the Board governs the Senior Management and the Bank as a whole. They are:

- MOA & AOA of the Bank,
- Employee Bye laws,
- Financial Bye laws,
- Code of conduct,
- BOD Self-Assessment Policy,
- BOD Meeting Manual,
- BOD Conflict of Interest Management Policy,
- Other Policies/Bye laws as applicable.

The Bank management has constituted six management level committees for smooth operation and risk management in day to day activities of the Bank. The management level committees are as follows:

- Executive Committee
- Operational Risk Management Committee
- Assets Liabilities Management Committee
- IT Steering Committee
- Purchase Committee
- Recruitment Committee

A. EXECUTIVE COMMITTEE

The Bank, in consonance with the fundamentals of Corporate Governance, has constituted a management level committee named as Executive Committee (EC) of the Bank comprising of ten members. This Committee represented by all the chiefs of the Bank is the summit body that manages the Bank's operation on a day to day basis. EC meets formally once a week and informally as and when required.

The Executive committee of the Bank has the responsibility to direct the business of the Bank vested by the law in the Board of Directors in so far as such powers and authority may be lawfully delegated to the Executive Committee; including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

Major Responsibility of the Committee:

- The strategies for the Bank are decided and monitored on a regular basis and decisions are taken jointly by this committee.
- Approve and monitor the risk ranking activities of the Bank, based on the regulations of established approving authorities and reviews and endorse other activities.
- Review day to day operations on weekly basis & discuss and decide on matters that need to be clarified.

The details of attendance of EC meetings during the FY 2017/18 are as under:

S.No.	Name	No. of Meetings Attended
1	Rajan Singh Bhandari, Chief Executive Officer	15/21
2	Ganesh Raj Pokharel, Deputy CEO	50/52
3	Bodh Raj Devkota, Assistant CEO	46/52
4	Ram Dhan Shrestha, Assistant CEO	46/52
5	Sumit Babu Khatri, Chief Credit Officer	47/52
6	Umang Sharma, Chief Administrative Officer	48/52
7	Paras Kumar Kafle, Chief Operating Officer	49/52

8	Rajendra Lal Shrestha, Chief Risk & Recovery Officer	44/52
9	Sanjeeb Kumar Shrestha, Chief Information Technology Officer	50/52
10	Pramesh Raj Kayastha, Chief Finance Officer	47/52

The following agendas were discussed and decisions made by the committee.

- The meeting mainly discussed on the review of the routine day to day affairs of the Bank. Besides that, the comments made by the auditors and the NRB inspection team were also discussed. Update on status of the task assigned to each individual was also discussed. Regular achievement viz-a-viz projection/budget were also presented and discussed. Movement of the market and strategies adopted by the competitors to tackle issues were also discussed.
- Chief Executive Officer informed all members that as per the succession plan of the Bank duly informed to and approved by the BOD; all day to day issues of the Bank is now to be handled by Deputy Chief Executive Officer and the Team. All EC meetings to be chaired by Deputy Chief Executive Officer except the one in the first week of the month; which is to be chaired by Chief Executive Officer himself.
- The meeting discussed on the review of the routine day to day affairs of the Bank and focused on operational issues that arouse in one Branch should be communicated to all and not be repeated in another Branch. Instruction of the BOD to avoid repetition of same mistakes as observed during audit & inspection was decided to be monitored regularly.
- The meeting discussed about the comments raised by the auditors and the NRB inspection team and the plans to resolve them. Regarding the progress of NRB inspection report; it was decided that checklist of department wise policies shall be made and reviewed in department level and in those policies where changes are required; it was decided to be put up in the board meeting for approval.
- The meeting discussed about the probability of SWIFT hacks and in order to mitigate such risks, formation of a separate SWIFT Unit was decided. The meeting decided the SWIFT unit to be physically isolated from other departments and separate network in the new server for the same should be created and access control be placed in the department for restriction of unauthorized entry of people.
- The meeting discussed on the financials of different Banks and the position of the Bank among it. It also discussed about rapid change in banking dynamics in the recent time due to NRB's regulatory requirements. Likewise, movement of the market and strategies adopted by the competitors to tackle issues were also discussed. Similarly, in business front, need to mobilize individual low cost deposit and managing call deposit was discussed.
- The meeting discussed about the liquidity crisis faced by the banking industry and launching of new products and success of the products launched to mitigate them. The meeting discussed on way forward on deposit marketing and after deliberation, it was decided to launch new Savings Deposit Product. Further, the meeting also decided the launching of deposit campaign for staff with reward system.
- The meeting discussed the preparation of animated tutorial video of the Bank's latest products and proposed to play it on the TV placed at the branch offices as a marketing tool for customers' guidance.
- The meeting discussed about the implementation of KYC project, for which the Bank shall use three models at the same time; firstly, formation of a team within the Bank, secondly outsource of staff for the task for some branches and thirdly use of interns in some branches during off days. Further, the meeting also discussed about multiple accounts still being opened by the branches of the same beneficiary and necessary steps to be taken towards regularization of the same.

- The members in the meeting were regularly updated about the FINACLE migration status and the problems incurred for smooth migration, in terms of both installation/implementation and hardware procurement. The meeting also discussed on FINACLE training plan for the branches and departments before migration into FINACLE.
- The committee discussed on insufficiency of trainings of staff working in operation level (topics like remittance, draft, orientation program to new recruits etc.) as well as the need to organize training to the staff of CSD and tellers on cross selling of the Bank's product. Moreover, forming of task force which would visit branches and train the staff as required was also discussed. Discussions were also made for extensive in house training programs as well as entering into agreement with reputed banking training institutes in order to equip new recruits with basics of banking as well as for skill enhancement of existing employees.
- Discussion was made on criteria of Branch Evaluation for awarding the best performing branch in the anniversary of the Bank.
- The meeting discussed about performance level of staff especially Branch Managers and requirement of job rotation of Branch Managers for enhanced productivity. Likewise, discussions were also made about Branch's layout and cleanliness as well as display of main sign board in branches; which needs more attention to maintain the Bank's image.
- The meeting discussed about the behavior of the staff with the customers and the body language and gestures of the front line staff. The behavior of the front line staff being monitored by the central level CCTV camera and actions taken against those defying to comply the "Namaste" culture was also discussed.
- Presentation and discussion on the new organogram revised with the view to further strengthen the departmental functions of the Bank was done. It was decided to put up for board approval for implementation.
- Chief Administrative Officer presented the changes as per the Labor Act, 2017 and its impact on the Bank to all EC members. Likewise, CFO also presented the concept of Business Process Reengineering and his planning of implementing it within Finance Department; which was welcomed by all EC members.
- The meeting discussed about the construction of branch building at Kamaladi land and the plans for effective use of the newly acquired adjoining property at Bank's Head Office. Similarly, potential use of land at Nayapati or selling off the property was also discussed. The progress of building construction of new branch offices of Pokhara, Biratnagar, Birgunj were discussed and updated about search for building for Nepalgunj branch.
- The meeting discussed about the establishment of Provincial Offices and their related functions as per the regulatory criteria. Moreover, discussions were also made for opening of new branches in FY 2018/19 in places with high business potential with added synergy to our existing branches. Likewise, the meeting also discussed about the possibility of opening of new branches in Kathmandu. The meeting also discussed about the logistics and power supply issues at rural/gaupalika branches and finding out alternate ways to deal with it.
- The meeting discussed about the damages caused by the flood in Terai region and the branches affected by it. It also discussed about the contribution the Bank should make as a part of CSR activity.
- Presentation & discussion on new directives & circulars issued by NRB were made along with its impact in the Banking industry and necessary action plan to comply with it.

B. ASSETS LIABILITIES MANAGEMENT COMMITTEE (ALCO)

ALCO is the committee at the Bank responsible for Balance Sheet planning and management from risk-return perspective and also responsible for strategic management of interest rate and liquidity risks. The ALCO committee reports to Chief Executive officer which is further monitored by the Risk Management Committee which reports to the Board of Directors through Risk Management Committee.

Major Responsibility of the Assets Liabilities Management Committee:

- Evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.
- Formation of an optimal structure of the Bank's Balance Sheet to provide the maximum profitability.
- Monitor liquidity risk, interest rate risk, operational risk, foreign exchange risk, equity risk credit risk and external events that may affect the Bank's forecast and strategic Balance-Sheet allocations.
- Control over the capital adequacy and risk diversification.
- Monitor and review fees and commission on regular basis.
- Determination of the Bank's liquidity management policy.
- Determination of the Bank's credit risk management policy.
- Responsible for setting placement limits to the Banks and Financial Institutions.
- Control over dynamics of size and yield of trading transactions (purchase/sale of currency, government securities, shares, derivatives) as well as extent of diversification.
- Control over dynamics of the basic performance indicators (ROE, ROA, etc.) as prescribed by the Bank's policy.
- Consider treasury dealing strategies and holdings against the risk appetite set for Treasury Risk Management.



Attendance of members at Asset Liabilities Management Committee meetings during FY 2017/18

No. of Meetings held

18

Member of Committee	Designation	Meeting attended
Rajan Singh Bhandari, Chief Executive Officer	Chairman	13/18
Ganesh Raj Pokharel, Deputy CEO	Member	18/18
Bodhraj Devkota, Assistant CEO-Credit/Finance	Member	17/18
Ramdhan Shrestha, Assistant CEO-Operations	Member	16/18
Paras Kumar Kafle, Chief Operating Officer	Member	17/18
Sumit Babu Khatri, Chief Credit Officer	Member	18/18
Pramesh Raj Kayastha, Chief Finance Officer	Member	13/18
Angish Shrestha, Head Treasury	Member Secretary	18/18

Following were the major agendas discussed in the meeting:

- The committee reviewed the fund position and all major ratios as on all meeting dates.
- The committee reviewed and had discussions on liquidity position, foreign currency exposure, borrowing/lending position, investment position of the Bank.
- The committee reviewed its limit of investments in loans and overdrafts, government securities and ensured that they are within the risk appetite set by the policies.
- The committee reviewed matching of maturity calendar between deposit and credit products (liquidity mismatch ladder).
- The committee discussed mainly on the review of market interest rates that influenced the business practice of the Bank.
- The committee reviewed the market trend on call deposit, fixed deposit, saving deposit and loan products.
- The committee regularly monitored and discussed the Bank's net interest income and earnings.
- The committee also monitored liquidity stress testing, reverse stress testing, gap analysis and contingency funding plan.
- Assess the adequacy of the liquid assets held by the Bank, in terms of quality and quantity in relation to both expected and unexpected events.
- The committee reviewed the interest rate risk, foreign exchange risk and equity risk.
- The committee reviewed treasury policy, liquidity risk management, market risk management policy, contingency funding plan and credit policy.
- The committee reviewed all major capital projects/ investments.
- The committee reviewed asset quality, capital and growth.

- The committee reviewed and published interest rates on at least quarterly basis & as and when deemed necessary.
- The committee ensured that the business lines are aligned with in terms of the Bank's overall objective and proactively controlled with regards to prudential risk.

C. IT STEERING COMMITTEE

The core objective of this committee is to assist the Board to fulfill its corporate governance and oversight responsibilities for the investments, operations and strategies in relation to information & technology systems.

Major Responsibility of Sub-Committee

- Review performance of IT Department.
- Provide approval to the IT related issues.
- Set IT related plans considering the overall banking business strategy plan and implement it.
- Review various audit issues and compliances.
- New product analysis and provide approval for new systems as per the market/Bank requirement.
- Review of IT security system of the Bank.

Attendance of members at IT Steering Committee meetings during FY 2017/18

No. of Meetings held

8

Committee Members	Designation	Meeting attended
Mr. Rajan Singh Bhandari	CEO (Chairman)	8/8
Mr. Ganesh Raj Pokharel	Dy. CEO (Member)	8/8
Mr. Bodh Raj Devkota	ACEO (Member)	4/4
Mr. Ramdhan Shrestha	ACEO (Member)	4/4
Mr. Sanjeeb Kumar Shrestha	CITO (Member)	8/8
Mrs. Umang Sharma	CAO (Member)	8/8
Mr. Roman Pradhanang	IT-Head (Member Secretary)	2/2
Mr. Durga Mani Baral	IT-Junior Officer	1/8
Mr. Avash Tuladhar	IT-Junior Officer	5/5

The major agendas discussed in the meeting are stated as below:

- Decision to change Swift Service Bureau to NELITO.
- Next Generation Firewall up gradation.
- Additional License procurement for Windows Server.
- Discussion on Skype Video Conference Application Procurement Process.
- Discussion on Digital Signature Procurement for Top executives.
- Discussion on New IBM Storage Procurement, Expansion of Additional IBM Storage and one Server.
- Discussion on BCP planning according to risk assessment of hardware, network and software.
- Discussion on securely allowing only designated computer and secure FTP for transferring SWIFT message from departments. Furthermore, restricting internet and email services in SWIFT transaction designated computers and accordingly amendment in IT policy.
- Discussion on new version of mobile banking (Bank Smart) which will work in SMS and GPRS. It has been decided to test the application within the staff members.
- Discussion on implementation of Connect IPS and automated NCHL clearing purpose.
- Discussion on EMV SSL, Wild card SSL Certificate procurement.
- Discussion on RAM needs to upgrade on standalone SWIFT Backup server for version 7.2.
- Discussion on purchase of Windows server 2016 standard edition for SWIFT Live server for upgrade to version 7.2.
- Discussion on EMV SSL Certificate needs to be purchased and will be applied to our internet banking and shift existing internet-banking server to new server for security purpose.
- Discussion and decision regarding implementation of IT's short term strategic plan for the fiscal year 2017/18.

D. OPERATIONAL RISK MANAGEMENT COMMITTEE (ORMC)

The Bank, in consonance with the fundamentals of Corporate Governance has constituted an Operational Risk Management Committee comprising of executives and all Head of Departments of the Bank as its members. The objective of the committee is to co-ordinate the inter-departmental functions and oversight timely on occurrence of risk and corrective measures for minimization of the overall operational risk. ORMC meets formally at least on quarterly basis and as and when required.

Major Responsibility of Operational Risk Management Committee:

The committee is responsible for operational risk management. The major responsibilities of the committee are:

- To implement operational manuals & procedures of the Bank.
- To implement issues related NRB directives/risk management guidelines of NRB.
- To review and take immediate precautionary majors on the recommendations of sub committees.
- To identify & discuss on newly identified operational risk reported by departments & necessary action to mitigate the same.

Attendance of members at Operational Risk Management Committee meetings during FY 2017/18

No. of Meetings held

6

Member of Committee	Designation	Meeting attended
Deputy Chief Executive Officer	Chairman	6/6
Assistant Chief Executive Officer -Operations	Member	3/6
Chief Operating Officer	Member	6/6
Operations In Charge	Member	5/6
Head -Trade Finance	Member	5/6
Head- Credit Administration	Member	4/6
Head- Information Technology	Member	3/6
Head- Compliance	Member	5/6
Head-Treasury Back Office	Member	4/6
Head-Transactional Banking	Member	5/5
Head-Card Department	Member	5/6
Head-Remittance Department	Member	6/6
Head- Central Reconciliation	Member	5/6
Head - Clearing Department	Member	3/6
Head- General Service Department	Member	5/6
Head- New Products and Transaction Banking	Member	5/6
Head- Risk Management Department	Member	6/6
Compliance and NRB Reporting	Member	3/4
Head Central Operations	Member	1/1
Chief Risk Management Officer	Member Secretary	5/6

Following are the major agendas discussed in ORMC meeting:

- The committee discussed on branch operations related issues such as: Interest payment and tax deduction frequency, minor account, locker key deposit custody, customer type insertion, image insertion, multiple savings accounts, KYC form to be upgraded as per new directives, issues of cheques, dormant account, minimum balance, recurring deposit, monitoring compliance of audit comments/observation, unsettled cash in transit, fees & commission/charges, disaster recovery and continuity plan, BBI limit, matured time deposit, settlement operational loss database , CCTV recording details, CCTV Fact Survey, ECC outward clearing, unapproved image, customer service excellence issues.
- The committee discussed on IT related issues such as: Mobile banking facility, SWIFT cases discussion, implementation of cut off time for End of Day in Core Banking, IT related testing, Restriction of Transactions.
- The committee discussed on compliance related issues such as: updating Know Your Customer, responses from branch regarding AML/CFT on transactions monitoring and screening, maintenance of Risk Register, reply from the branches on FIU Letters and letter issued from other regulatory authority, enforcement entities, updating of KYC, CDD & ECDD, status of block accounts, use of transaction codes, outsourcing of KYC, CDD & ECDD works, etc.
- The committee discussed on reconciliation related issues such as: Comeback charges on swift refund of IPO amount, Cheque encashment, Cash Excess, Reconciliation of Payable Accounts, Branch adjustment Account, Saving Account, Loans and Advances amount in GL and Loan Master, online fee payment, Inter Branch Transactions settlement.
- The committee discussed on card related issues such as: EMV compliance, online payment, ATM cash reconciliations.
- The committee discussed on Treasury Back Office related issues like swift format, nostro account reconciliations.
- The committee discussed on NRB Reporting related issues: Revised NRB Reporting Format, Basel Codes and blank customer type, obtaining PAN from Big Borrowers, reporting related to government transaction.

E. RECRUITMENT COMMITTEE

Recruitment Committee was formed on October 03, 2012 (Ashwin 17, 2069) with the objective of fulfilling vacant position in the Bank through new appointment and promotion. At present, the members of the committee are as follows which was reformed on July 17, 2014 (Shrawan 01, 2071).

Committee Members	Designation	Meeting attended
Mr. Ganesh Raj Pokhrel	Dy. CEO	73/75
Mr. Bodh Raj Devkota	ACEO	70/75
Mr. Ramdhan Shrestha	ACEO	63/75
Ms. Umang Sharma	CAO	70/75

Major Responsibility of the Committee:

The duties and responsibilities of Recruitment Committee are as follows:

- To determine the procedure for fulfilling vacant position of the Bank.
- To make vacancy announcement, conduct examination and interview and recommend appointing selected candidates to the Chief Executive Officer for fulfilling vacant position through open competition.
- To recommend eligible staff for promotion to the Chief Executive Officer based on promotion criteria.
- To keep yearly record of performance appraisal of the staff based on the criteria determined by the Chief Executive Officer. The performance appraisal of the staff should be assessed by his/her immediate supervisor and reviewed by the supervisor's line manager. The information thus obtained shall be used for staff promotion.

Attendance of members at Recruitment Committee meetings during FY 2017/18

Total no. of meetings held

75

The major agendas discussed in the Recruitment Committee are stated as below:

- The committee had a discussion regarding appointment of the staff in the Bank and recommend the same to the Chief Executive Officer for approval.
- The committee discussed on the vacancy announcement, conducting examination and interviews for the recruitment of new staffs in the Bank.
- The committee discussed on nominating the staffs for training programs & recommended the same for approval.
- The committee reviewed & recommended the eligible staff for promotion and providing grade to CEO based on the promotion criteria.
- The committee mainly decided upon selection of resource person for written exam question preparation & correction.
- The committee had a discussion regarding the manpower planning for the upcoming year FY 2017/18 (2074/75).
- The committee had a discussion about the performance appraisal and rewarding employees with gold medal with the intention of motivating employees with long service to the Bank.

F. PURCHASE COMMITTEE

Purchase committee is responsible for finalizing the specification and quality of logistics, approval of tender/ quotation documents, recommending for procurement of logistics and awarding of tenders costing more than one hundred thousand rupees to Chief Executive Officer or approving authority.

Major Responsibility of the Committee:

- To define the specifications of goods/ items to be procured
- To specify the quality of goods/items to be procured
- To approve the bids and quotations for procurement of goods/items
- To forward the procurement process to Chief Executive Officer or authorized person for approval of the bids or quotations for the procurement of goods/items valued more than NPR 100,000 (NPR One Hundred Thousand Only).

Attendance of members at Purchase Committee meetings during FY 2017/18

Total no. of meetings held

37

Committee Members	Designation	Meeting attended
Mr. Ganesh Raj Pokharel	Member	3/3
Mr. Bodh Raj Devkota	Member	17/17
Mr. Ramdhan Shrestha	Coordinator	17/17
Mr. Pramesh Raj Kayastha	Member	35/37
Mr. Dikendra Ram Kashajoo	Member Secretary	37/37
Ms. Umang Sharma	Permanent Invitee	34/37
Ms. Smita Pant	Permanent Invitee	10/10
Mr. Shankar Ramtel	Invitee	12/12
Mr. Pravesh Swar	Invitee	24/25
Ms. Sagun Shrestha	Invitee	1/1

The major agendas discussed in the Recruitment Committee are stated as below:

- The committee discussed & recommended procurement of vehicles for the Bank.
- The committee discussed & recommended construction related work and logistics procurement for establishment of Aurahi, Haldibari, Banglachuli, Badaiyataal, Sarkegard, Simalchaur, Jhimruk, Temal, Likhupikey, Hariharpurgadi, Mangseybung, Mohanyal, Khalsa Chintang, Sahidbhumi, Bhume, Dhakari and Tokha Branches.
- The committee discussed & recommended construction of Birgunj Branch and Biratnagar Branch building procured by the Bank.
- The committee discussed & recommended procurement of ATM machine for different branches/ off location outlet.
- The committee discussed & recommended upgradation of SWIFT Alliance release 7.2 migration communities.
- The committee discussed & recommended installation of AML/CFT software for the Bank.
- The committee discussed & recommended procurement of windows server 2016 (64 bit) Licenses.
- The committee discussed & recommended procurement of Blank Chip Based ATM Cards.
- The committee discussed & recommended supply and installation of 2D ACP led light board at the Bank's all inside valley Branches.
- The committee discussed & recommended procurement of Calendar 2018.
- The committee discussed & recommended procurement of honor badge for distribution to staff working for 10 years and director for serving two tenures.
- The committee discussed & recommended procurement of POS device

- The committee discussed & recommended procurement of TAB for Sakchyam project as per the request of Branchless Banking Unit.
- The committee discussed & recommended upgradation Branchless Banking to Tab Banking.
- The committee discussed & recommended procurement of additional licenses for Finacle Core Banking System.
- The committee discussed & recommended migration of remittance database and revision of agreement of remittance software.
- The committee discussed & recommended other miscellaneous assets and services procurements.



INTERNAL CONTROL

Procedures

Internal control is a process effected 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 of 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 Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. These procedures are designed to provide effective internal control according to Internal Audit Manual 2016 as approved by the Board of Directors.

The major elements of an internal control process

The internal control process, which historically has been a mechanism for reducing instances of fraud, misappropriation and errors, has become more extensive, addressing all the various risks faced by the banking organizations. It is now recognized that a sound internal control process is critical to the Bank's ability to meet its established goals, and to maintain its financial viability. Internal control system of the Bank consists of five interrelated elements:

A. MANAGEMENT OVERSIGHT AND THE CONTROL CULTURE

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 senior management takes the steps necessary to identify, measure, monitor and control these risks; approving the organizational structure; and ensuring that senior management 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.

Senior management 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 senior management 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. All personnel need to understand their role in the internal control process and be fully engaged in the process.

B. RISK RECOGNITION AND ASSESSMENT

An effective internal control system requires the material risks that could adversely affect the achievement of the Bank's goals which are being recognized and continually assessed. This assessment covers all risks facing by the Bank and the consolidated banking organization (that is, credit risk, country and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk and reputational risk). Internal controls may need to be revised to appropriately address any new or previously uncontrolled risks.

C. CONTROL ACTIVITIES AND SEGREGATION OF DUTIES

Control activities are an integral part of the daily activities of the Bank. An effective internal control system requires that an appropriate control structure is set up, with control activities defined at every business level. These includes: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorizations; and, a system of verification and reconciliation. There is appropriate segregation of duties and those personnel are not assigned conflicting responsibilities. Areas of potential conflicts of interest are identified, minimized, and subject to careful, independent monitoring.

D. INFORMATION AND COMMUNICATION

For an effective internal control system, there are adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making. Information are reliable, timely, accessible, and provided in a consistent format. There are reliable information systems in place that cover all significant activities of the Bank. These systems, including those that hold and use data in an electronic form, are secure, monitored independently and supported by adequate contingency arrangements.

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

E. MONITORING ACTIVITIES AND CORRECTING DEFICIENCIES

The overall effectiveness of the Bank's internal control is monitored on an ongoing basis. Monitoring of key risks is the part of the daily activities of the Bank as well as periodic evaluations by the business lines and internal audit. There is an effective and comprehensive internal audit of the internal control system carried out by operationally independent, appropriately trained and competent staff. The internal audit function, as part of the monitoring of the system of internal controls, reports directly to the Board of Directors or its audit committee, and to senior management. Internal control deficiencies, whether identified by business line, internal audit, or other control personnel, are reported in a timely manner to the appropriate management level and addressed promptly. Material internal control deficiencies are reported to senior management and the Board of Directors.

Internal Audit Team

An effective and comprehensive internal audit of the internal control system is carried out by operationally independent, appropriately trained and competent staff. The team is responsible to adhere with the Internal Audit policies, procedures and annual audit plan as directed by the Board of Directors. The Internal Audit reports are periodically forwarded to the Audit Committee and the findings of all audits are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures.

Following are the major activities performed for establishing and maintaining effective internal control system:

- Review of Investment (as required by NRB)
- Review of Capital Adequacy (as required by NRB): Monthly
- Loan Loss Provision overview on quarterly basis
- Review of Quarterly Financial Statement
- Reporting Major audit issues to BOD along with quarterly financial statement
- Compliance Audit of AML/CFT Policy: Yearly
- IC transaction review done on half yearly basis
- Other reviews as per the requirement of manuals, policies, etc
- Other tasks such as coordinating Statutory Auditors, NRB Inspection Team, etc as well as banking operations are as per the requirement.

BRANCHES AND DEPARTMENTS COVERED DURING THE COURSE OF INTERNAL AUDIT

S.No.	Branch	Audit Days
1	Durbarmarg	10
2	Biratnagar	7
3	Birgunj	4
4	Pokhara	3
5	Nepalgunj	5
6	Boudha	4
7	Newroad	11
8	Kumaripati	6
9	Koteshwor	6
10	Narayanghat	7
11	Kalanki	3
12	Butwal	3
13	Thahiti	3
14	Dhangadhi	5
15	Nayabazar	3
16	Birtamod	3
17	Maitidevi	4
18	Beni	2
19	Ghorahi	3

S.No.	Branch	Audit Days
20	Gaighat	3
21	Kirtipur	3
22	Narayangopal Chowk	5
23	Mahendranagar	5
24	Kapan	3
25	Pathlaiya	2
26	Thimi	3
27	Simikot	2
28	Itahari	3
29	Bhaktapur	3
30	Janakpur	4
31	Patan	4
32	Surkhet	3
33	Hetauda	5
34	Jumla	3
35	Jajarkot	3
36	Siddharthanagar	4
37	Samakhusi	4
38	Thapathali	5

S.No.	Branch	Audit Days
39	Baglung	2
40	Dolpa	3
41	Nijgadh	3
42	Sanoshree	2
43	Dharan	4
44	Dillibazar	5
45	Banepa	4
46	Mahaboudha	3
47	NayaBaneshwor	4
48	Gausala	2
49	Chabahil	4
50	Damak	5
51	Bardibas	3
52	Gwarko	4

S.No.	Departments	Audit Days
1	Corporate Credit/ SME	28
2	CBU/ Fast Track loan	11
3	Finance	9
4	Treasury	12
5	HR	3
6	GSD	17
7	Trade & Credit Operation	17
8	Recovery	4
9	Card	4
10	IT	7
11	Remittance	4
12	New Product & Transaction Banking	4
13	NRB reporting and Compliance	2
14	Legal and Share	3
15	Risk Management Department	7
16	Dmat/ASBA	5
17	Central Clearing	3
18	Credit card	2
19	Bancassurance	4
20	E-Banking Mobile Banking	4

MAINTENANCE AND BACK- UP OF THE RECORDS OF THE ENTITY

Directors and management take the reasonable care to maintain adequate records (including accounting records) commensurate with the Bank's needs and particular circumstances and with regards to the manner in which the business is structured, organized and managed, its size and the nature, volume and complexity of its transactions and commitments. The accounting and other records are located where they best assist management to conduct the business of the Bank in a prudent manner on a day-to-day basis.

The accounts are maintained in accordance with Companies Act, 2006, Banks and Financial Institutions Act, 2017, Negotiable Instruments Act, 1977 and Income Tax Act, 2002.

Companies Act, 2006

Companies act, 2006 in line with section 108 of the Companies Act, 2007, the accounts are maintained in English language according to the double entry system of accounting and in consonance with the accounting standards enforced by the competent body under the prevailing law and with such other terms and provisions required to be observed pursuant to the Act, in such a manner as to clearly reflect the actual affairs. The Board of Directors prepares the following annual financial statements within six months of the expiry of its financial year in accordance with sec. 109 of the Act.

- Balance sheet as at the last date of the financial year.
- Profit and loss account of the financial year.
- Statement of cash flow of the financial year.

The accounts and annual financial statements prepared by the Bank have been kept safely for at least five years after the date of expiry of the financial year concerned.

Banks and Financial Institutions Act, 2017

In accordance with sec. 59 of BAFIA 2017, the Bank prepares its Balance sheet, Profit and Loss account, Cash Flow statement and other financial statements in such format and in accordance with such procedure as may be prescribed by the Nepal Rastra Bank and are audited. Such financial statements are signed by at least two directors, the chief executive and the auditor.

Income Tax Act, 2002

In accordance with sec. 81 with Income Tax Act, 2002, the Bank maintains the documents of the type, form, and certification prescribed by the Department including the following documents:

- Documents those are necessary to explain information to be provided in a return or in any other document to be filled by the department under this Act.
- Documents that enable an accurate determination of the tax payable by the person.
- Documents that substantiate deductions and outgoings.

The documents as referred above are retained for a period of five years from the end of the income-year or years to which they are relevant unless the Department otherwise specifies by notice in writing.

Negotiable Instruments Act, 1977

No complaint relating to the negotiable instrument is valid which is not filed within 5 years from the date of cause of action to file such compliant. So such documents related to negotiable instruments are retained for at least 5 years.

MEANS OF COMMUNICATION

The Bank recognizes the need for keeping its members and stakeholders informed of the events of their interests through present means of communication. The financial results of the Bank are forwarded/ submitted to the stock exchanges where the securities of the Bank are listed, immediately after the approval/conclusion of the Board Meeting. The results are also published in at least one national daily newspaper. The Bank furnishes results to the Shareholders on a yearly basis. The Bank also organizes analysts'-meets, press conferences etc. for announcing the Bank's financial results and its future plans. The Quarterly / Year to Date / Annual Financial Results of the Bank as well as the copy of presentation made to Analysts and other official news are posted on the Bank's Website - http://www.ctznbank.com.



SHAREHOLDERS' INFORMATION

The Bank regularly communicates all the appropriate and relevant information to shareholders, customers and general public through print media (national daily) and electronically through the Bank's official website, http://ctznbank.com/. The detailed information on AGM including ordinary agendas and special agendas to be discussed in the meeting is published in the national daily newspapers 21 days prior to the date of AGM as per the requirement under the Companies Act. The Bank's shares are listed on the Nepal Stock Exchange, Kathmandu, Nepal.

SHARE PRICE, VOLUME OF SHARES TRADED IN STOCK EXCHANGES AND INDEX DATA

Particular	Mid Oct 2017	Mid Jan 2017	Mid Apr 2018	Mid Jul 2018
Maximum Price (Rs)	412	322	292	300
Minimum Price (Rs)	289	278	236	228
Closing Price (Rs)	307	285	260	236
Total No. of Traded Shares	1,296,596	931,690	814,668	961,724
Total No. of Traded days	56	57	56	63

REGISTRAR & SHARE TRANSFER AGENT, SHARE TRANSFER SYSTEM AND REDRESSAL OF INVESTORS' GRIEVANCES

The Bank has appointed CBIL Capital Limited as its Registrars and Share Transfer Agent (RTA) with a mandate to process transfer of Shares/Bonds, dividend/interest payments, recording of Shareholders' requests, solution of investors' grievances amongst other activities connected with the issue of Shares/Bonds. The Investors may lodge their transfer deed/requests/complaints with the RTA at following address:

CBIL Capital Limited

Dillibazar, Kathmandu, Nepal.

(977-1) 4417723 / 4417457 / 4418526 / 4421235

(977-1) 4239306

Mail: info@cbilcapital.com

CBIL Capital Ltd.
सि बि आई एल क्यापिटल लि.
Spreading Prosperity, Enriching Lives
A Subsidiary of Citizens Bank International Ltd.

बाटुलेघर, डिल्लीबजार, काठमाडौं, नेपाल
फोन नं.: ०१-४४१७७२३, ४४१७४५७, ४४१८५२६, ४४२१२३५
E-mail: info@cbilcapital.com, Website: www.cbilcapital.com

DIVIDEND PAYABLE

Uncollected cash dividend after five years is transfer to Investor's protection Fund as per the provision of Companies Act, the fund is being operated by Company Registrar Office, Nepal Government. Investors may lodge their mandate with Bank's Registrar & Share Transfer Agent i.e. CBIL Capital Ltd., Dillibazar, Kathmandu, Nepal.

S.No.	For the Year	Amount (NPR)
1	2008/09	275,390.00
2	2009/10	537,045.00
3	2010/11	2,573,711.02
4	2011/12	5,649,503.00
5	2012/13	10,600,670.75
6	2013/14	62,01,592.51
7	2014/15	48,17,241.79
8	2015/16	1,86,25,406.74
9	2016/17	1,85,37,917.52
10	2009/10 NHMFL	243,104.60
11	2010/11 NHMFL	148,179.25
12	2003/04 & 04/05- PEFIL	481,770.00
13	2009/10 PEFIL	1,379,918.12
14	2006/07 –Premier Finance Ltd.	75,723.32
15	2009/10 –Premier Finance Ltd.	876,703.10

OTHER DISCLOSURES

- There is no materially significant Related Party Transaction that has potential conflict with interests of the Bank at large. The Related Party Transactions are disclosed in the Notes to Accounts in compliance with NRB Directives and Nepal Accounting Standards in this regard.
- There is no non-compliance issue of the Bank in respect of Regulations/ Directives/ Guidelines issued by concerned authority on any matter related to capital markets during the last 3 years and as such no penalties/restrictions imposed on the Bank.

COMPLIANCE FUNCTION

The Bank has put in place a Board approved Compliance Policy outlining the compliance philosophy of the Bank based upon the Banks and Financial Institutions Act, Companies Act, MOA and AOA of the Bank, directives issued by regulating authorities on compliance function in the Banks. Compliance function in the Bank is an integral part of governance along with internal control and compliance, risk management process supported by a healthy compliance culture in the Bank. Compliance function ensures observance of statutory provisions contained in various legislations viz. Banks and Financial Institutions Act, 2017, Companies Act, 2006, NRB Directives No 6- provisions related to Corporate Governance, other directives and circulars issued by other regulatory authorities.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

A robust anti-corruption policy has been developed with regards to necessary and effective internal control mechanism and strengthened risk management functions to prevent bribery and corruption in the Bank's operations. In consideration of Nepal Rastra Bank's guidelines on maintaining good corporate governance, all the members of the Board, as well as the employees, are committed to the code of ethics as prescribed by NRB. The Board has comprehensively discussed the current scenarios and situations of the anti-corruption and ethics of the industry and has amended the AML/CFT policy of the Bank vide meeting no. 204 to ensure the sound operation of the business and uncompromising environment of the ethics of the Bank. The Risk Management Committee of the Bank has also reviewed the report presented quarterly on AML/CFT Compliance. The BOD Self Assessment Policy and BOD Conflict of Interest Management Policy, etc. aligns with the business ethics and anti-corruption measures.

INFORMATION OFFICER

The Bank has designated Mr. Bodh Raj Devkota, Assistant Chief Executive Officer, as Chief Information Officer pursuant to section 6 of Right to Information Act, 2007 which provides access to every citizen with following information:

- Structure and nature of the Bank,
- Functions, duties, and power of the Bank,
- Number of employees and working details of the Bank,
- Services rendered by the Bank,
- Branch and responsible officer of the service provided by the Bank,
- Fee and time frame required for delivery of service,
- Decision-making process and key responsible persons,
- Authority to hear appeal against decision,
- Description of functions performed,
- Name and designation of Chief Information Officer,
- List of Acts, Rules, Bye Laws or Guidelines,
- Updated description of income, expenditures and financial transactions,
- Other particulars as prescribed by the laws.

LEGAL AND REGULATORY REQUIREMENTS

In line with Directives-6 issued by NRB, though the Directors may delegate authorities to employees in the course of actions, the ultimate responsibility of the work of such employees rests with the Director, record of any supervision and actions taken against the employees are placed in the meeting of the Board of Directors. The Bank obtains and submits the detail of the self-declaration to NRB made by the Directors with regards to themselves and the details of the registration/ record book prepared by itself with regards to its Directors.

The Bank on completion of the income year updates the assets held in the name of the Directors, Chief Executive Officer and Officer level staff and their family and description of loans taken from Banks and Financial Institutions.

BANK'S PROCEDURE

Chief of respective department undertakes the responsibility to instruct and receive information from the subordinate staff on the matters relating to the Code of Conduct. The concern department chief submits reports as to the breach of discipline or rules by the employees to the Human Resource Department and makes such report available to the supervision team of NRB in course of the inspection.

The operation department of the Bank ensures that the payments for the cheques are made within five minutes of presentment. If the payments are not made, the customers can place their complaints at complain@ctznbank.com.

WAYS TO HANDLE COMPLAINTS OF LOCAL CUSTOMERS

The Bank handles the complaints from customers with great enthusiasm. The Bank treats customers fairly at all times. Any complaints raised by customers are dealt with courtesy and on time. The Bank has always been acting in good faith and without prejudice to the interest of the customer. If still, there may be occasions when customers feel that service levels are not up to the expected level and their inquiry/grievances raised are not attended properly, in such a situation, customers are requested to approach the branch head for the redressal of their grievances/ complaints. However, if they feel that matter requires to be attended by a higher level, they may address their complaints to any of the officials. The Bank has an inbuilt system for handling customers' complaints and suggestions on priorities.

Following are the basic procedures for this:

- Customer Service in-charge in branches has been designated as "Complaint Handling Officer". A visible notice board in this regard has been displayed in the customer service area of each branch and BLB location.
- For 24*7 availability; mobile numbers of all the Branch Managers, Assistant Branch Managers, Operations InCharge, and Chief Operating Officer have been displayed in the customer service area (or cash counter) of each branch, BLB location, and ATM location. In case of ATM, Mobile number of Head-card also has been displayed.
- Similarly, Email address and SMS facility for lodging complaints/ suggestions have been displayed in each branch, BLB location, and ATM location.

The Bank has adopted various reporting procedure for effective grievances handling. They can be summarized as follows:

- Staffs receiving any verbally lodged complaints have been sending emails to complain@ctznbank.com writing the complaint or suggestion verbatim immediately or as soon as possible.
- Branch has been reporting via email any complain/ suggestion received in Complain Box to complain@ctznbank.com scanning the complaint on every Sunday.
- Customer can also complain using SMS (syntax :< COMPLAIN (space) Text> and send it to 7788). Any complaint and suggestion received through the SMS daily in Mobile banking by CSD-Head/In-Charge, Assistant Branch Manager and Branch Manager are also forwarded to complain@ctznbank.com immediately.
- Any complain/suggestion received through the SMS, e-banking and any mobile number of executives as well as of any staff of the Bank are reported to complain@ctznbank.com writing the Complain/suggestion verbatim immediately or as soon as possible.
- Emails received from complain@ctznbank.com are being forwarded to Operation department, Operation in-charge, Head of E-banking, and Chief Operating Officer. There is also separate field (form) placed in the website (i.e. Feedback) to take the customer complains/suggestion/complaints so that customers should fill the field online and could submit their feedback to the Bank immediately. Further, the filled form is forwarded to complain@ctznbank.com automatically.
- Operations Department, Head office along with the help of respective Branch Manager and Department Heads have been supervising compliance of the lodge & complaints. The handling procedure is as follows:
    - Immediately acknowledge the complaint and make sure the issue is understood.
    - Do everything that the Bank could fix.
    - Keep the complainant informed of our progress.
    - Keep the record of the complaints
    - Give our name, a reference number and contact details so that complaint can follow up if she/he wants to; and
    - Provide a final response within 7 days. (most complaints can be resolved in a few days)

If the Bank is unable to provide a final response to the complaint within 7 days, it will inform complainant of the reasons for the delay.


search
BUSINESS
20%
10%
30%
45%
40%

RISK MANAGEMENT AND CONTROL ENVIRONMENT FRAMEWORK

Banks are always faced with different types of risks that may have a potentially negative effect on their business. Risk-taking is an inherent element of banking and, indeed, profits are in part the reward for successful risk-taking in business. Sound risk management systems enable banks to take risks knowingly, reduce risks where appropriate and strive to prepare for a future, which by its nature cannot be predicted.

The Bank has the structured risk management approach to managing uncertainty through risk assessment, developing strategies to manage it, and mitigation of risk using managerial services. The Bank's strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk.

The Bank follows the portfolio approach for the risk management. The Bank's proactive approach is aligned with the overall strategy of the Bank through an explicit risk appetite statement & explicit risk limits. The Bank has defined accountability for each risk and does not allow a risk to remain without an "owner". The Bank follows the qualitative measures to address the issues between risk takers to risk managers, customer, compliance risk, operational risks, money laundering, control and assurance profiles.

The Bank maintains a risk register as a repository of materials of risk and controls. It covers the gamut of risks. The Bank is well aware of the amount of capital that would be absorbed in the event that each of the risks identified were to be materialized and has opted different strategies for the mitigation and control of the risk including the risk sharing.

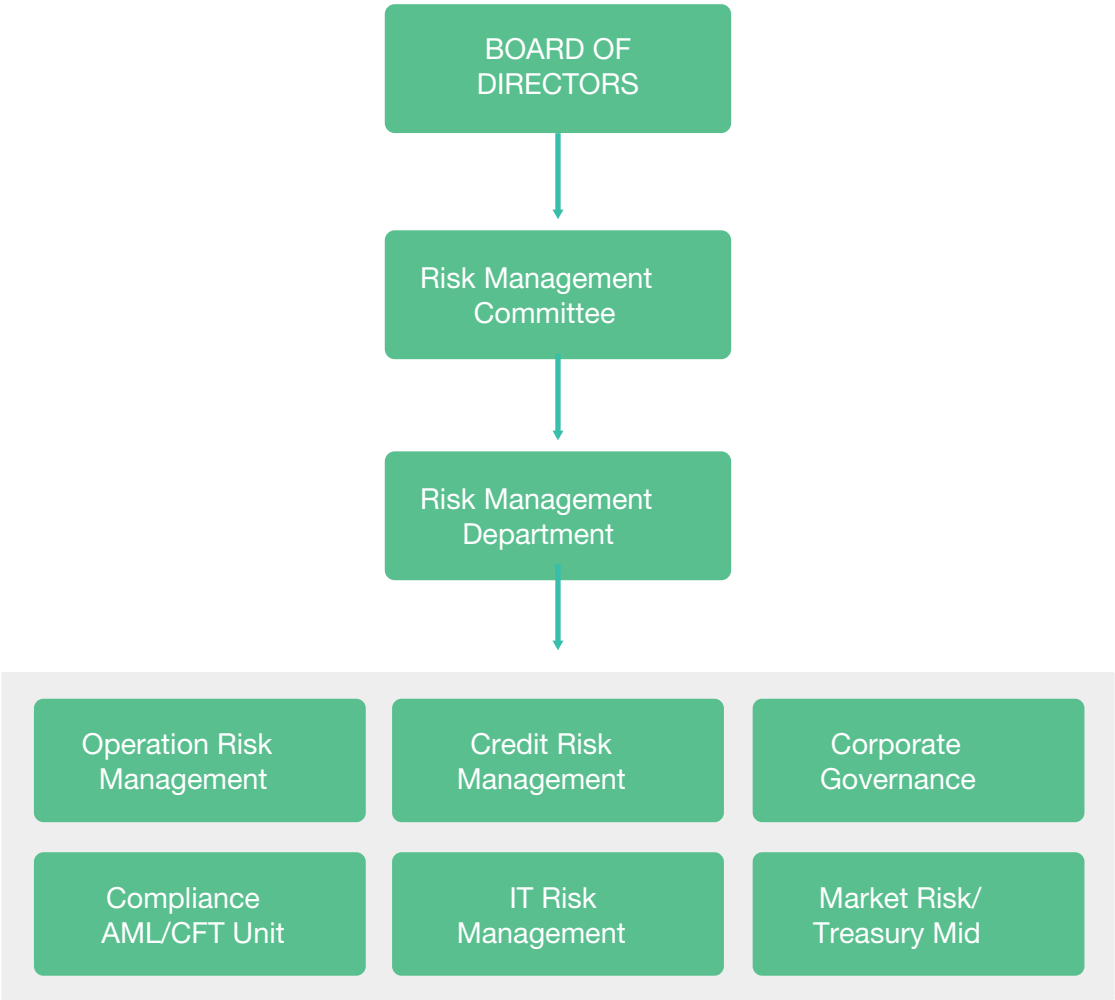
The Bank has also brought into effect "Risk Management Framework" in order to minimize the risks as far as possible. The Bank has clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting, and control. The Bank has a well-constituted organizational structure defining clear roles and responsibilities of individuals involved in risk-taking as well as managing it.

The Bank, in addition to risk management functions for various risk categories, has set up a Risk Management Department to look after effective implementation of approved policies, procedures, regulator's directives, audit issues and decisions of management. For overall risk monitoring, a Risk Management Committee has been formed for reporting to BOD. The Risk Management Committee consists of five members in total i.e. 3 BOD members, Chief Risk Management Officer of Risk Management Department and Chief Operating Officer for review of risks associated with credit, operation, market, IT, corporate governance and compliance risk. There is an effective management information system that ensures the flow of information from operational level to top management and a system to address any exceptions observed. There is an explicit procedure regarding measures to be taken to address such deviations.

The risk management framework has a mechanism to ensure an ongoing review of systems, policies, and procedures for risk management and procedure to adopt changes. The results of such review should be properly documented and reported to the Board for consideration and approval.

The Bank has formulated and documented the organizational structure appropriate to the size and structure of various banking activities. Such a structure demonstrates the job standards and needed administrative committees and their interrelation with the Board of Directors, in addition to defining and allocating responsibilities, identifying lines of reporting for all aspects of the Bank's operations, including the key controls and giving outline job descriptions in general.

RISK GOVERNANCE STRUCTURE



Risk Control and Mitigation Methodologies:

- The objective is to strike balance between risk and return as higher risk means higher return and also to ensure optimum risk-adjusted return on capital.
- Risk exposure in any business is identified and risk aspects and systems designed to minimize and eliminate those risks.
- Set risk appetite level (amount of risk that the Bank is willing and able to absorb) and risk tolerance limits (level of variation relative to the achievement of the specific objective).
- Use of risk mapping technique on a portfolio basis in order to assess the impact on the respective portfolio.

SPECIFIC METHODOLOGIES FOR RISK IDENTIFICATION AND MANAGEMENT

1. CREDIT RISK

1.1. MEANING

Credit risk is the likelihood that a debtor or financial instrument issuer is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement resulting in economic loss to the Bank. Credit risk also refers to the risk of negative effects on the financial result and capital of the Bank caused by borrower's default on its obligations to the Bank.

Credit Risk Exposure (calculated as per NRB Capital Adequacy Framework)

NPR IN MILLION

Mid Oct 2017	Mid Jan 2018	Mid Apr 2018	Mid July 2018
58,036.54	64,640.61	65,002.98	67,250.35

1.2. RISK IDENTIFICATION

- The Bank has credit policy and investment policy in place, separate risk management committee and a separate credit risk department for both, corporate credit banking unit/ SME and consumer banking unit including fast track loan. Credit Risk Department consists of skilled manpower to analyze risks in different credit functions separately.
- Loans are originated at the lower level and evaluated based on credit policy of the Bank and respective loan policy. Credit appraisal is done by risk owner acting within risk management policies and framework. Branch credit committees help strengthen credit evaluation process, who then recommend the credit facilities to higher approval level with the BOD being the highest authority to approve credit facilities that are of the highest value of exposure.

1.3. RISK MANAGEMENT

- Delegated authority, additional documentation and IT system driven controls and laid down procedures are in place to mitigate risk further.
- Risk Management Committee discusses about Single Obligor exposure, product wise loan exposure, sector wise loan exposure and strategy for financing Working Capital loans exclusively secured by Current Assets and/ or insufficient real estate collateral (in addition to current assets).
- Inherent credit risks are addressed through better safety margin, additional collateral backup, lower exposure and deposit of borrower in the Bank.
- Credit risk department measures and tracks status of credit portfolio in order to detect any signs of deterioration in financial health to the borrower. Comprehensive management information reports are prepared regularly and submitted to senior management. Review of credit portfolio in order to realize possible correlations between them and the environmental factors.
- The continuous review process at branch level in order to identify any post disbursement problem and immediate action is taken by recovery officers, if any. As last resort, legal recovery action is taken in order to reduce negative impact.

2. MARKET RISK

2.1. MEANING

Market risk is defined as the risk of losses in on and off Balance Sheet positions arising from movements in market prices, interest rate, foreign exchange rate, equity price and commodity prices. The risks subject to these requirements are:

- The risks pertaining to interest rate related instruments and equities in the trading book.
- Foreign exchange risk throughout the Bank.

Market Risk Exposure (Calculated as per NRB Capital Adequacy Framework)

NPR IN MILLION

Mid Oct 2017	Mid Jan 2018	Mid Apr 2018	Mid July 2018
1,013.02	391.14	305.78	127.36

2.2. RISK IDENTIFICATION

- Market risks are discussed in Assets Liabilities Management Committee (ALCO) and within respective division level on the open position on a daily basis. In-depth knowledge of the market and movement in variables are obtained in order to control limits for the open position and monthly reports prepared. The open position is assessed on daily basis and risk exposure calculated for allocation of required capital in line with the BASEL provision. ALCO ensure jobs are in line with policies and procedures and suggests necessary steps to address risk on interest rate, exchange rate movement and equity price changes.
- Possible financial impact due to change in market conditions are assessed periodically and actions taken accordingly. The departments are well equipped with advanced dealing platform and information technology.

2.3. RISK MANAGEMENT

- Overview of current interest rate environment and monitoring of movement of key interest position and maturity gap analysis is prepared considering interest rate sensitive assets and liabilities. Interest rate risk indicators are periodically reviewed. The Bank's rate indices are compared in line with the market average of industry expert's rate indices of similar instruments with similar characteristics.
- Interest rates are altered in line with key policy rate of Central Bank and interest rate spread is maintained accordingly as per Central Bank's directions. Leading rates are adjusted according to change in market rates in order to mitigate the risk of falling interest rate margins.
- Measurement of Exchange rate shocks, measurement of exposure on proprietary derivative transaction, measurement of exposure on non– proprietary derivative transaction, measurement of interest rate shock, measurement of equity price shocks as required by Market Risk Management Policy discussed in Risk Management Committee meeting.

Net Open Position

NPR IN MILLION

Mid Oct 2017	Mid Jan 2018	Mid Apr 2018	Mid July 2018
2,026.05	782.28	611.55	254.71

3. LIQUIDITY RISK

3.1. MEANING

Liquidity is the ability of an institution to transform its assets into cash or cash equivalent in a timely manner at a reasonable price to meet its commitments as they fall due. Liquidity risk arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligations.

Liquidity Ratio (calculated as per NRB guidelines)

NPR IN MILLION

Mid Oct 2017	Mid Jan 2018	Mid Apr 2018	Mid July 2018
23.38%	22.52%	22.22%	20.67%

3.2. RISK IDENTIFICATION

- A negative trend or significantly increased risk in any area or product line.
- Concentrations of either assets or liabilities.
- Deterioration in quality of credit portfolio.
- A decline in earnings performance or position.
- Rapid asset growth funded by volatile large deposit.
- A large size off-balance sheet exposure.
- Deteriorating third-party evaluation (negative rating) about the Bank and negative publicity.
- Unwarranted competitive pricing that potentially stresses the Bank.

3.3. RISK MANAGEMENT

- Treasury department monitors daily liquidity requirement and manages and controls the overall liquidity position of the Bank. The Bank analyzes and reviews Capital Adequacy as per the risk assets, internal capital adequacy assessment plan (ICAAP), etc.
- Treasury front office manages overall liquidity of the Bank. It also ensures that the Cash Reserve Ratio (CRR) is maintained within NRB directives. It also deals with treasury bills and bonds and manages the lending/ borrowing of currency (local/ foreign) with the local and international bank and financial institutions within the approved limit. These functions help in the analysis of maturity gap to determine the liquidity position of the Bank. As per the results of gap analysis, the Bank prepares future plan to manage the deficit or surplus liquidity as per the requirement of funds. While raising short-term funds, treasury negotiates for favorable rates to reduce interest costs, at the same time encouraging longer tenor deposits rather than short-term deposits. Also, in order to reduce liquidity risk to an acceptable level, the Bank also maintains adequate unutilized facilities as a safety cushion to honor future cash outflow commitments.

- Moreover, the Bank regularly projects future cash flows in certain stress scenarios and thus determines the level of liquid assets required. There is appropriate stress testing done regularly for the management of the liquidity risk.
- Risk Management Committee discussed about liquidity risk tolerance limit as per the Bank's Risk Management Framework.

4. OPERATIONAL RISK

4.1. MEANING

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and system or from external events. Operational risk is the risk of negative impact on the financial result and capital of the Bank caused by omission in the work of employees, inadequate internal procedure and processes, inadequate management of information and other systems, and unforeseeable external events. Operational risk includes the internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, damages to physical assets, business disruption and system failure and execution, delivery and process management.

Operational Risk Exposure (Calculated as per NRB Capital Adequacy Framework)

NPR IN MILLION

Mid Oct 2017	Mid Jan 2018	Mid Apr 2018	Mid July 2018
3,313.01	3,313.01	3,313.01	3,313.01

4.2. RISK IDENTIFICATION

- The factor of operational risk can be identified in the external as well as internal environment. The first step is to clearly identify the risk events, after which appropriate combination of qualitative or quantitative techniques is used to evaluate the magnitude of consequences due to the occurrence of such events. Key risk indicators and audit finding are mostly used to assess operational risk of the Bank.
- The Internal Audit Department conducts the audit review of operation processes and reports to the board level Audit Committee. The Bank then regularly monitors faults or operation failures and responds to them with solutions and enhancements to internal procedures.
- The Bank implements sound internal control system through instigating the Bank's internal control framework in order to manage operational risk. The security aspects of the Bank are examined by the IT Division in line with IT Policy of the Bank. Moreover, the Bank's system is audited regularly and safety and security standards are improved through suggestions received from the audit department.
- The Operational Risk Management Committee overseas any operational risk with the help of adequate access to daily reports, operation procedures and recommendations to correct any faults, if any, in system and procedures. Further, a separate reporting line is maintained in order to preserve the independence of check and balance reporting of daily functions of the Bank.

4.3. RISK MANAGEMENT

- The adequate focus is placed on the staff of the Bank in order to avoid mistakes due to insufficient knowledge or practices. The Bank staffs are required to attain the necessary skills through various programs such as the orientation of the Bank's systems and processes on the job and putting them under the direct supervision of experienced staffs before being allowed to work independently. Their developments are pushed further with conduction of skill development and skill enhancement programs, seminars and workshops on a periodic basis.
- Each transaction goes through a check and balance concept where one individual conducts the transaction and the other checks the transaction in order to capture any abnormalities. The deviations are promptly addressed in the lower level as well as centrally through the use of the integrated system.
- For the effective management of operational risk, the Bank has constituted an Operational Risk Management Committee (ORMC) headed by Deputy Chief Executive officer. The ORMC which supports RMC is responsible for implementing the operational risk. Management Policy and adopting the best practices. The key functions of ORMC are:
    - Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to avoid conflict of interest.
    - Review all operational risk associated events and suggest process improvements and mitigants.
    - Review recent risk event in other banks and elsewhere as availed in public domain and suggest key control required from operational risk perspectives.
    - Review operational loss database as per Operational Risk Management Framework of the Bank & thoroughly discussed in RMC meeting.

5. STRATEGIC RISK

5.1. MEANING

As an organization attempts to achieve their strategic objective, both internal & external events and scenario can inhibit or prevent an organization from achieving their strategic objective known as Strategic Risk. It includes:

- Human Resource Risk
- Financial Risk
- Structural Resources Risk
- Physical Resource Risk
- Relationship Risk

5.2. RISK IDENTIFICATION

- The Bank ensures that the short term and medium term strategies align with the long-term vision and mission of the institution. This is done through regular meeting at higher levels where there is sharing of knowledge, experience, and ideas in order to discuss the Bank's future plans and prospects. The achievements of budgetary targets are reviewed periodically by senior management and any major deviations are further studied in detail and corrective actions are planned in order to avoid same circumstances in the future.

5.3. RISK MANAGEMENT

- The Bank follows a well-designed strategic decision-making process in order to make decisions regarding market segments, business activities, investments in special industries and geographical locations. As per general norms, the Bank focuses on feasibility, profitability and achievability of any major strategic decisions which is practiced in all of the Bank's aspects.

6. COMPLIANCE AML/CFT RISK

6.1. MEANING

As the Bank is the hub for all the financial transactions, it is under the constant risk of Anti-Money Laundering and CFT as well as other compliance risks, where the Bank has to handle each and every transaction delicately as not to cause hardships to any of the Bank's customers, nor let any of the suspicious transactions route/ pass through the banking system.

6.2. RISK IDENTIFICATION

- The Bank ensures that the transactions are well monitored and any transaction that is routed/ passed through the Bank's suspicious transactions report guidelines are put in to the report and is justified. The Bank also ensures the compliance through timely reporting to regulatory authorities. This is done through regular meeting at higher levels where there is sharing of knowledge, experience and ideas in order to discuss the Bank's compliance risks.

6.3. RISK MANAGEMENT

- The Bank monitors such transactions and ensures the compliance of the entire applicable statutory reporting framework as well as the Bank is guided by its strict internal guidelines. The risk and reports are put under the discussions of the meetings of the Management Level Committees and Board Level Committees in a recurring frame of time.

7. IT RISK

7.1. MEANING

The Bank may face the risk of IT and system frauds. The frauds and errors that arise out from the system and conducted through the computer system/ IT infrastructure or with the misuse of such systems. The recent developments in the IT has proven to be the technological advancement for business support, however, it also has equally increased the associated IT risk.

7.2. RISK IDENTIFICATION

- The Bank ensures the use of the updated systems and continuously monitors its transactions using advanced firewall technologies and log system such as HP Arc Sight logger to identify and monitor the network activities and the deviation and/or malicious programs that has entered into the system or has been attempting to enter the banking network. The risks are identified during the risk assessment from the Risk Department, various types of Information System (IS) Audits conducted periodically from independent reputed agencies.

7.3. RISK MANAGEMENT

- The Bank has placed the updated IT system and also checks for the regular updates to ensure that the banking system is being protected from malicious threats and back doors. The Bank has formed the IT Risk Department along with various committees such as IT Steering Committee, Risk Management Committee (RMC) to review IT related and other risks associated with it.
- The Bank has implemented SWIFT Sanctions Screening system to secure and to comply transaction screening requirements from AML/ CFT perspectives. The Bank has also implemented two factor authentications in SWIFT System.
- The IT system is tested using different technological tests on a regular basis and the report is presented to the Board for further discussions and recommendations.
- The Bank has adopted the updated IT Policy and Control Procedure, Risk Management Policy and various procedures developed by Risk Management Department and other concerned departments. Major issues through the study and analyzed reports are shared with BOD members through the Committee meetings from Risk Management Department and other concerned departments on a regular basis.

8. CORPORATE GOVERNANCE

The Corporate Governance has been discussed separately in *pg. 50* of this Annual Report.

DISCLOSURE OF RISK REPORTING

- The Bank recognizes the importance of risk management and has accordingly invested in processes, people and management structure. Overall risk management function of the Bank is supervised by Risk Management Committee, Anti Money Laundering Committee and Internal Audit Committee constituting of the BOD members and senior executives. Risk Management Committee reviews the asset quality at frequent intervals, Anti Money Laundering Committee ensures effective operations of AML functions and Internal Audit Committee provides assurance on the internal control systems of the Bank in place. The human capital is managed by Human Resource Compensation Committee represented by BOD members and senior executives. There is Assets and Liabilities Management Committee (ALCO) represented by senior level executives of the Bank to monitor the interest rate risk, liquidity risk, foreign exchange risk, market risk, etc. Authority, responsibility and accountability have been fixed to the executives of the Bank. Product policies and programs are duly approved prior to launch of any new product and are reviewed regularly.
- Credit risk management department analyses the inherent risk in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes through both of these units, one business generating and the other risk monitoring and controlling. The Bank has standard credit policies guidelines that define the Bank's credit policies, risk-mitigating measures and single obligor limit.
- Credit risk mitigants used by the Bank are deposits of the borrower within the Bank and cash margin applying a supervisory haircut of 20% for capital adequacy. Such mitigants have minimum impact on the overall capital adequacy of the Bank.

S.N.	Risk	Factors	Mitigant	Monitored By
1	Credit Risk		Independent and ongoing credit quality review	Board of Directors
		Counter Party Risk	Limiting credit exposures	Risk Management Committee (Board Level Committee)
		Concentration Risk	Problem credit management system	Credit Risk Management Department
		Securitization Risk	Diversification of risk assets portfolio among several sectors and sub-sectors of the economy over a large number of customers	Compliance Department
			Deposits of borrower in the Bank, cash margin and additional collateral at individual level	
			Proper valuation, storage, maintenance and insurance of collaterals	Internal Audit Department
2	Market Risk			Board of Directors
			Selective and momentary hedging	Organizational Structure
		Interest Rate Risk	Stress testing/Simulation of market condition	Risk Management Committee
		Equity Risk in Banking Book	Gap Analysis	Assets and Liabilities Management Committee (ALCO)
		Commodity Price Risk	Limiting trading activity of instruments in the different market	Internal Audit Department
		Credit Spread Risk	Regular review of risk management processes	Treasury Department
		Foreign Exchange Risk	Regular review of risk tolerance and appetite limit	Treasury Middle Office
			Measurement of equity price shocks	
			Measurement of interest rate shocks	
			Interest rate related risk monitoring	

3	Liquidity Risk		Appropriate composition of assets and liabilities	
		A negative trend or significantly increased risk in any investment area or product line	Diversification and stable source of fund	
		Deterioration in the quality of credit portfolio	Access to inter-bank market	Board of Directors
		Concentrations of either assets or liabilities	Contingency funding plan for a crisis situation	Assets and Liabilities Management Committee (ALCO)
		Rapid assets growth funded by highly volatile large deposits	Regular Stress Testing	Treasury Department
		A large size of off-balance sheet exposures	Cushion of liquid assets held	Treasury Middle Office
		Deteriorating third-party evaluation(negative rating) about the Bank and negative publicity	Consistent analysis using liquidity ratio	Internal Audit Department
			Review of Deposit Mix Concentration	
			Appropriate Foreign Currency Liquidity Management policies	
4	Operational Risk		Well defined documentation and updated process, manuals and policies	
		Inadequate internal control system	Effective operational risk management framework	
		Inadequate management of information system	Periodic evaluation based on internal and external changes	Board of Directors
		Corporate Governance	Regular assessment of risk through use of established key indicators (KRI)	Risk Management Committee
		Inadequate safeguarding of physical assets	Reinforce organizational ethics	Operational Risk Management Committee
		Unforeseen unfavorable external events	Appropriate segregation of duties and control	Audit Committee
		System failure	Adequate insurance coverage	Internal Audit Department
		Legal Risk	Scenario analysis using bottom-up approach	Line management
		Internal and External Fraud	Effective Operation Risk Management Framework	
			Effective Operation Risk Management Policy	
			Regular assessment of risk through maintenance of operation loss database	
			Continuous development and upgrading of strategic information and communication systems	

5	Strategic Risk	Inappropriate choice and unclear strategy	In-depth study of the subject matters	
		Failure to properly execute strategy	Regular performance review to align with long-term goals	Board of Directors
		Inability to respond to abrupt changes or fast moving conditions	Use of integrated Decision Support System (DSS)	Other Sub-committees
		Incompatible strategic goals and resources deployed	Market and competitor analysis	Internal Audit Department
		Undertaking of unsuccessful acquisitions or mergers	Good corporate governance, business ethics, staff code of conduct, maintaining good relationships with stakeholders etc.	
6	Compliance AML/ CFT Risk		Effective compliance risk management framework	
		Inadequate internal control system	Periodic evaluation based on internal and external changes	Board of Directors
		Inadequate management of information system	Regular assessment of risk through use of established key indicators (KRI)	Risk Management Committee
		Corporate Governance	Periodic evaluation of transactions	Operational Risk Management Committee
		Internal and External Fraud	Appropriate segregation of duties and control	Audit Committee
			Well defined documentation and updated process, manuals and policies	Internal Audit Department
7	IT Risk		Effective IT risk management framework	
		Un-updated system and infrastructure	Periodic evaluation based on internal and external changes	Board of Directors
		Incorrect requirement analysis	Regular assessment of risk and use of updated technology	Risk Management Committee
		Corporate Governance	Periodic evaluation of backdoors and malicious programs	IT Steering Committee
		Internal and External Fraud	Appropriate segregation of duties and control	Internal Audit Department
			Well defined documentation and updated process, manuals and policies	
8	Corporate Governance		The Corporate Governance section has been discussed separately in the Annual Report.	

RISK OVERVIEW

S.N.	Particulars	Maximum Risk Tolerance Unit as per Regulator	Position as on Mid July 2018
1	**Credit Risk**		
a	Capital Adequacy Ratio	11.00%	13.84%
b	Non-Performing Loan Ratio	5%	1.48%
c	Real Estate Loan	25%	11.59%
d	Single/group borrower limit	25% of core capital	11.15%
2	**Liquidity Risk**		
a	Maximum single depositor concentration	15%	5.73%
b	Institutional deposit concentration	45%	44.52%
c	SLR (Statutory Liquidity Ratio)	Minimum 12%	17.89%
d	Credit to Deposit Ratio	80%	77.87%
e	Liquidity Ratio	Minimum 20%	20.64%
f	Cash Reserve Ratio	6% of Weekly Average deposit of two weeks ago	6.24%
g	Average Interest Spread	5%	3.84%
3	**Market Risk**		
a	FCY Open Position	30% of Core Capital	2.53%
b	Proprietary Derivative Transaction	30% of Core Capital	28.81%
3 (i)	**Interest Rate Shocks**		**Impact on Total Cost in NPR Million**
	Deposits interest rate change (+,-) by 1% on an average.		1.71
	Deposits interest rate change (+,-) by 1.5% on an average.		2.55
	Deposits interest rate change (+,-) by 2% on an average.		3.39
	Loan interest rate change (+,-) by -1% on an average.		1.59
	Loan interest rate change (+,-) by -1.5% on an average.		2.38
	Loan interest rate change (+,-) by -2% on an average.		3.17
3 (ii)	**Exchange Rate Shocks**		**Impact on Total Net Position in NPR Million**
	Appreciation of currency exchange rate by 5%		1.23
	Depreciation of currency exchange rate by 5%		(1.23)
3 (iii)	**Equity Price Shocks**		**Impact on Total Value of Equity in NPR Million**
	Fall in Equity price by 25%		(19.06)
	Fall in Equity price by 50%		(38.12)

STRUCTURAL LIQUIDITY REPORT

The Bank analyses the assets and liabilities funding gap through Statement of Structural Liquidity which shows the assets and liabilities funding gap in various time buckets. All the sources of funds and assets have been allocated in time buckets as per their contractual maturity and gap determined in terms of cumulative net amount and percentage. The negative gap indicates that the liquidity needs to be managed and vice versa.

The Bank's overall funding strategy is to develop a diversified funding base (both geographically and by type) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimizing the cost of funding.

Statement of Structural Liquidity

As on July 16, 2018

NPR IN MILLION

S.N.	Particulars	1-7 days	8-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Total
Assets									
1	Cash Balance	3,017	-	-	-	-	-	-	3,017
2	Balance with Banks & FIs	5,416	-	-	-	-	-	-	5,416
3	Investment in Foreign Banks	-	957	714	111	-	165	-	1,947
4	Call Money	303	-	-	-	-	-	-	303
5	Government Securities	-	-	-	104	946	1,005	3,403	5,458
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-	-	-
7	Inter Bank & FI Lending	-	-	43	-	-	-	-	43
8	Loans & Advances	1,587	2,283	3,962	9,273	8,839	7,705	24,819	58,468
9	Interest Receivable	-	-	-	-	-	-	-	-
10	Reverse Repo	-	-	-	-	-	-	-	-
11	Acceptance Receivable	-	-	-	-	-	-	-	-
12	Payments under S.No. 20, 21 & 22	2,540	1,476	2,797	5,444	3,992	6,640	1,684	24,574
13	Others	1,653	-	-	288	-	-	2,563	4,504
Total (A)		**14,517**	**4,716**	**7,516**	**15,220**	**13,777**	**15,515**	**32,469**	**103,730**
Liabilities									
14	Current Deposits	811	-	-	-	-	-	2,197	3,008
15	Saving Deposits (including call)	2,303	941	376	753	376	376	12,260	17,386
16	Fixed Deposits	524	1,649	4,481	10,193	4,996	5,092	14,151	41,087
17	Debentures/Bonds	-	-	-	-	-	-	499	499
18	Borrowings	2,559	-	576	41	53	16	-	3,245
	Call/Short Notice	-	-	-	-	-	-	-	-
	Inter-bank/Financial Institutions	2,550	-	-	-	-	-	-	2,550
	Refinance	9	-	576	41	53	16	-	695
	Others	-	-	-	-	-	-	-	-
19	Other Liabilities and Provisions	1,448	-	-	-	-	-	-	1,448
	Sundry Creditors	20	-	-	-	-	-	-	20
	Bills Payable	80	-	-	-	-	-	-	80
	Interest Payable	181	-	-	-	-	-	-	181
	Provisions	16	-	-	-	-	-	-	16

	Others	1,151	-	-	-	-	-	-	1,151
20	Acceptance Liabilities	287	313	528	296	132	-	7	1,562
21	Irrevocable Loan Commitment	1,677	839	839	4,193	3,355	5,871	-	16,774
22	Letter of Credit/Guarantee	576	325	1,430	955	505	769	1,678	6,238
23	Repo	-	-	-	-	-	-	-	-
24	Payable under s.no.11	-	-	-	-	-	-	-	-
25	Others	66	35	38	91	117	76	12,061	12,483
Total (B)		**10,251**	**4,102**	**8,270**	**16,523**	**9,534**	**12,200**	**42,851**	**103,730**
Net Financial Assets (A-B)		**4,267**	**614**	**(754)**	**(1,302)**	**4,243**	**3,314**	**(10,382)**	**(0)**
Cumulative Net Financial Assets		**4,267**	**4,881**	**4,127**	**2,825**	**7,067**	**10,382**	**(0)**	**0**
This Month		**41.62%**	**14.98%**	**-9.12%**	**-7.88%**	**44.50%**	**27.17%**	**-24.23%**	

The above analysis shows that assets cover liabilities at 1-7 days, 8-30 days, 181-270 days and 271-365 days. However it is to be managed for 31-90 days, 91-180 days and more than 1 year gap.

Although, current accounts are repayable on demand, savings accounts at short notice and term deposits on maturity, the Bank's broad base of customers – numerically and by depositor type – helps protect against unexpected fluctuations in balances. A portion of such accounts form a stable funding base for the Bank's operations and liquidity needs as they are never withdrawn and renewed on contractual maturity. Similarly, loans and advances are not repaid and renewed on maturity.

The assets and liabilities of the Bank have been allocated in different time buckets as under:

Heads of Account		Classification into maturity bands
(A) Outflows		
1. Capital, Reserve & Surplus		Over 1 year
2. Deposits		
- Current	15%	1-30 days
- Volatile	85%	Over 1 year
- Core*		
- Saving	10%	1-30 days
- Volatile	90%	Over 1 year
- Core*		
- Call		
- Term		Spread into first three bands
- Margin		Respective residual (remaining period to maturity) bands. to 30 days
3. Borrowings		
- Inter-bank		Respective residual 7 remaining period to Maturity) maturity bands
- Refinance		
4. Other liabilities and Provisions		1-30 days

Heads of Account		Classification into maturity bands
5. LLP		As per bucket
(B) Inflows		
1. Cash		1-30 days
2. Balances with NRB & other Banks		1-30 days
3. Placements with Banks		Respective residual maturity bands
4. Investment - Government Securities - Shares		 Respective residual maturity bands Above 1 year
5. Loans and Advances (Performing) (i) Bills purchased and discounted (ii) Cash credit/Overdraft/Working Capital (iii) Term loans		 1-30 days Respective residual maturity bands Installments under respective maturity bands
6. Non-performing Assets (Net of provisions) (i) Sub-standard (ii) Doubtful and Loss		 Over 1 year Over 1 year
7. Fixed Assets		Over 1 year
8. Other Assets		1-30 days maturity band

The Bank has well defined Contingency Funding Plan for managing short term and long term liquidity risk. During the year 2017/18, no any liquidity risk triggering event was identified. However, CRR position of the Bank has been managed through inter bank borrowing and liquidity position of the Bank through collection of deposit i.e current, call and saving including fixed deposit.


सामाजिक
कार्यक्रम

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Why CSR?

A heartfelt culture of the Bank

CSR has been a long standing commitment of Citizens Bank International Limited where responsiveness to the needs of the society and responsibility to meet those needs are due concerns. For us, CSR is not just philanthropy; the Bank cares the needs and expectations of the stakeholders and acts as a partner in progress of the community and the country. The Bank stands to set a paradigm to enrich the lives of poor, needy, deprived and differently abled people all across the country. The Bank has throughout its journey played an active role towards social, environmental and welfare activities. The Bank has been providing utmost importance to its society and environment; and has incorporated CSR as one of the objective of the Bank. The Bank has been contributing for uplifting education, health, sports, and culture areas and helping the victims of natural calamities.

To comply with legal matters

The new Industrial Enterprise Act, 2016 has made it mandatory for all industries and companies making annual business turnover of above NPR 150 million to contribute at least 1% of their annual profit to Corporate Social Responsibility (CSR). Also NRB Circular no.11/073/74 dated January 25, 2017 (Magh 12, 2073) requires BFIs to allocate at least one percent (1%) of net profit and create a separate CSR fund. The fund allocated is to be utilized in the subsequent years.

The Bank is dedicated on serving expectations and interests of several stakeholders in economic and social development, promoting sustainable economic development and social progress. CSR is not just a statement for the Bank but is a solemn commitment made to various stakeholder.

The Bank measures expectation of stakeholders as follows:

Entity	Expectation	Ways of Communication	How We Measure
Government	Coordinate public finance and support government development targets	• Submit NRB reports • Guided by Internal Policy	• Lend to priority sector, deprived sector • Timely submitting reports to government authority
Regulatory Authorities	Compliance with laws, regulation and conduct fair operation to maintain stable financial system	• Submit daily, weekly, monthly and others reports.	• Adhere with compliance and conducting honest operation by improving corporate governance, and strengthen internal control
Shareholders	Good market value	• AGM • Annual and Quarterly reports	• Robust operation, profitability enhancement and steady dividend
Customers	Quality and simplified financial products and services	• Customer Service Desk • Notice and Complaint Box	• Enhance service quality by focusing on customer satisfaction and protecting consumer rights and interests
Employees	Good career planning and growth opportunities	• Training & Capacity Building	• Enhance employee training and improve employee compensation and incentive
Community	Focus on community development and community support	• Public interest activities • Donation • Collaboration with social cause	• Conducting volunteering activities, supporting disadvantaged people, and actively engage in public interest activities

Focus areas of our CSR activities involving Community:

The Bank emphasizes on the following CSR activities:

- Fulfilling our responsibilities towards the society especially in healthcare and education sectors
- Contribution in environmental preservation and protection
- Programs to promote sports and sports person
- Cultural conservation and promotion
- Improving the living standard of marginalized community
- Rural infrastructure development
- Providing financial literacy at rural areas
- Promoting literature, music and culture

The Bank organized/participated in various activities to fulfill its responsibilities towards the society for which the Bank has made total expenditure of NPR 12.127 Million whereas a total expenditure of NPR 6.5 million was made in the FY 2016/17. Similarly, the Bank intends to lead the industry in Nepal embracing green energy by implementing solar systems to power the Bank.

CSR EXPENSE DETAILS FOR FY 2074/75

S.No.	Category	Expenses	Percentage
1	Culture	160,000	1%
2	Education	1,845,865	15%
3	Environment	1,020,160	8%
4	Health	842,000	7%
5	Marginalized Community	306,000	3%
6	Music	1,500,000	12%
7	Natural Disaster	2,136,200	18%
8	Sports	4,252,469	35%
9	Others includes Literacy and Society	64,194	1%
	Total	**12,126,888**	**100%**

CASH INCURRED CSR ACTIVITES

Sports
35%

Enviroment
8%

Natural Disaster
18%

Education
15%

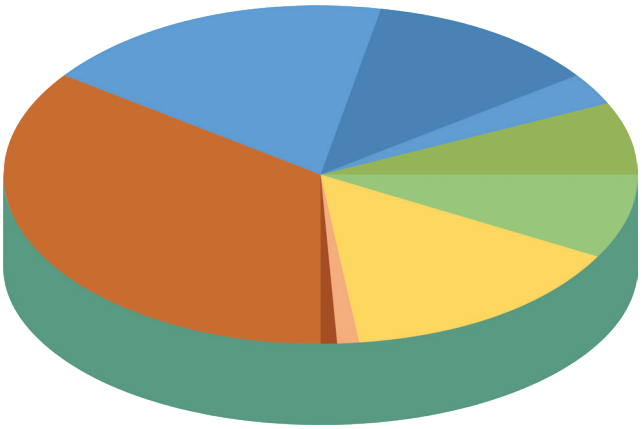
Music
12%

Culture
1%

Marginalized Community
3%

Others (Literacy & Society)
1%

Health
7%



Statement showing movement of CSR during FY 2017/18:

The Bank has segregated one percent of its net profit amounting to NPR 12,341,039 in Corporate Social Responsibility Fund in compliance to the NRB guidelines. Detail movement of the same is as follows:

Particulars	Amount
Opening Corporate Social Responsibility Fund	**10,816,615**
Add: Allocated CSR (1% of Net profit of Current year)	12,341,039
Less: Transferred to Retained earnings	(10,816,615)
Closing Corporate Social Responsibility Fund	**12,341,039**

Supporting Sports

The Bank feels that Sports is the development of health and prosperity of the nation. Taking the same into consideration, the Bank has supported various activities related to sports this year. For example, the Bank has provided NPR 1,000,000 for Lawn Tennis, NPR 800,000 for Golf, NPR 125,000 to Nepal Taekwondo. Similarly, the Bank has supported financially to other sports associations as well.

Supporting Education

The Bank has provided scholarship to 15 under privileged, poor and hard working student through "Children Development Society (Baal Bikash Samaj)" amounting to NPR 150,000. With the objective of providing education to under privileged children of upper Dolpa, the Bank has provided financial assistance of NPR 100,000 to 'Snow Yak Foundation' working for the same cause.

The Bank has also provided NPR 100,000 to Kuleshwor Secondary School to sponsor 15 orphan students and NPR 150,000 for the purpose of acquiring furniture to the same. The Bank has provided financial assistance to other schools as well like NPR 250,000 to Kamal Nimna Madhyamik School, NPR 200,000 to Bal Binod Secondary School, NPR 100,000 to Shree Jana Udaya School, etc. The Bank has also been successful in helping the school by providing them full sets of computers.



Supporting Healthcare

The Bank has been organizing blood donation program every year in its anniversary program and this year too, the Bank organized blood donation program along with eye donation and kidney donation program.
The Bank provided financial assistance to Abhyaya Upachar Kendra affiliated to Kenko-Kyokai- Japan. The Bank provided NPR 200,000 to them.

Dirghayu Guru Hospital and Research Center is providing medical services to the poor people at a very reasonable cost. The hospital was in need of medical equipment's so the Bank helped them by providing 5 refrigerators amounting to NPR 120,000.

Clinic One has been providing free health checkup for women. They provide services like ECG, Urine examination, chest X-Ray, abdomen and Pelvic Ultrasound etc. to women. To support their deeds, the Bank provided financial assistance of NPR 150,000 to the clinic.

Others

The Bank has also donated NPR 100,000 to 'SAATH' and NPR 200,000 to 'Baby Life Home Organization' where they help children infected with AIDS. SAATH is an organization focused to provide education, socialization and capacity building for children who belong to marginalized communities and Baby Life Home provides shelter and education to children suffering from AIDS.

The Bank has donated NPR 1,500,000 to the "Musician Association of Nepal (Sangeetkar Sangh)". A huge scale of program was organized and various musicians were honored.

Similarly, the Bank conducted one-day program of providing food to more than 40 elderly people residing in old age home 'Nisahaya Sewa Sadan' located at Shantinagar, Kathmandu.

Triveni Library and Research Center is a public library situated at Nagarjun municipality. This library has been providing service free of cost in collaboration with various organization. The Bank provided financial support of NPR 50,000 to the library.

The temple of Narvedeshwor Mahadev of Rammechap district is one of the prominent religious places and was in critical condition. Therefore, for the purpose of repair and maintenance NPR 150,000 has been provided by the Bank.

SUPPORTING MARGINALIZED, LOW EARNING COMMUNITY THROUGH DEPRIVED SECTOR LENDING

In line with NRB directive regarding mandatory requirement of lending 5.00% of loan exposure in deprived sector, we have extended loan of NPR 1,398,914,737.62 under direct lending, NPR 1,625,882,077.68 under wholesale lending and share investment of NPR 13,800,000, making total exposure of NPR 3,038,596,815.30 under deprived sector as on July 16, 2018 (i.e. 5.70% of loan outstanding of NPR 53,316,112,108.90 as of January 14, 2018).

Detail related to Deprived Sector Loan provided by the Bank:

As on Mid July 2018

Particulars	Amount (NPR)	Total no. of Loan files
Loan and Advances O/S as on January 14, 2018	**53,316,112,109**	
Outstanding as on July 16, 2018 – Wholesale	1,625,882,078	39
Investment in Mero Microfinance BittiyaSanstha Limited	13,800,000	1
Outstanding as on July 16, 2018 – Direct	1,452,825,862	3556
Total Loan to Deprived Sector	**3,092,507,939**	**3595**
Regulatory requirement under Direct Deprived Sector Lending (5%)	**2,665,805,605**	
Excess	**426,702,334**	
Excess percentage	**16%**	

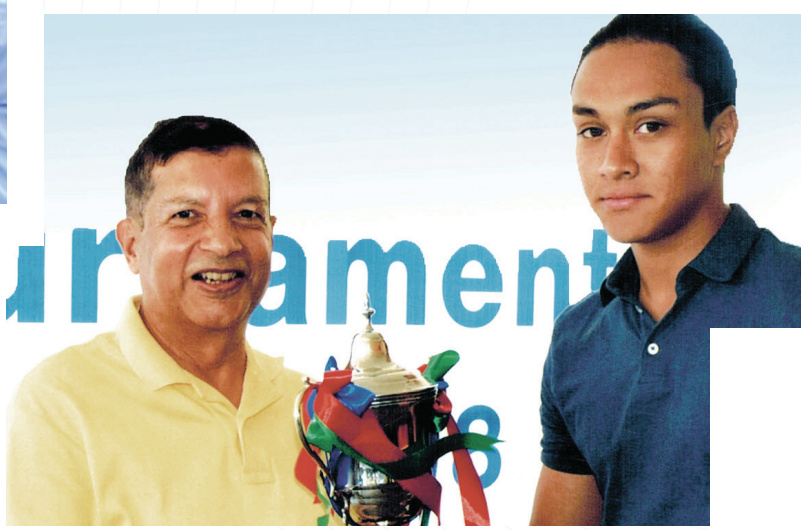


Financial Literacy Rally organized on the occasion of 11th Anniversary of the Bank.





Bank's staff donating blood during Blood Donation program on the Anniversary of the Bank.







Citizens Bank International Limited provided financial assistance of NPR 150,000 to Baby Life Home on the occasion of 11th Anniversary.



The CEO of the Bank, Mr. Rajan Singh Bhandari participating in the plantation program on World Environment Day.



Citizens Bank International Limited provided financial assistance of NPR 200,000 to Shree Bal Binod Secondary School.



The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing trophy to the winner of “Citizens Golf Tournament 2018”.

Citizens Bank International Limited provided financial assistance of NPR 100,000 to the Women Act to help the women of earthquake affected areas for their livelihood support.



Citizens Bank International Limited provided Scholarships to two students from Shree Malika Bal School, Kanchanpur.

BANK'S CONTRIBUTION & RESPONSIBILITIES TO EMPLOYEES

BANK'S CONTRIBUTION & RESPONSIBILITIES TO EMPLOYEES:

As of mid-July 2018, there are 873 employees working for the Bank. During the fiscal year, the Bank had appointed 268 new employees, whereas, 109 employees had resigned from the Bank's services. Out of the total employees, 358 (41 percent) are female employees. For providing more accessible and quicker banking service with a commercial motive to its customer, the Bank has been continuously providing training to its employees for better human resource development. Further, the Bank shall adopt the same training policies for the coming years.

The Bank seeks periodical meetings with the employees at all levels to bring out their talent, loyalty and drive individual and garner collective performance. The Bank organizes walkathon, blood donation program, interbank futsal tournament, intrabank cricket tournament on the occasion of anniversary of Bank, annual picnic & budget/ strategic meet for creating high level of employee engagement.

Strategic Priorities	Performance Highlights
Invest strategically in employee growth through training and development programs in line with the Bank's long term goals.	Revised remuneration packages of employees based on their performance.
Benchmark employee compensation packages to attract and retain the best talent.	Organized programs for 268 new recruits.
Foster employee diversity and promote equal opportunities.	Continued on the job training for staff at departmental and branch levels.
Support employee well-being through work-life balance, welfare and health and safety measures.	Reduced staff turnover by retaining staff with measures such as performance-based pay, adequate promotions and instilling best staff cultures.

Recruitment:

The Bank's recruitment process follows a strictly structured and competitive procedure with clear criteria with regards to job descriptions, qualifications, experience and aptitudes, where the selection is made solely based on merits. Furthermore, in order to support the local communities where the branches operate, the Bank seeks to recruit employees within the local area. This not only increases the bonds and sense of responsibilities, but also the local knowledge that brings to the Bank which ultimately escalates the quality of service being provided. Even though this still proves a strong challenge to the Bank, our aim of being the best in the business is only asserted by the policy.

In addition, the Bank provides adequate induction programs in order to deliver new recruits with insight into the culture, values, goals and code of ethics of the Bank. It includes orientation programs that generally cover all departments and the employees' specific job responsibilities as well.

Employee Diversity:

The Bank exhibits its commitment towards equal opportunities to a greater diversity of employees, irrespective of ethnicity, gender, culture and other socio-economic prejudices by focusing on addressing these barriers that may exist between the employees, at the same time, promoting a work culture that alleviates any conflicts arising from varied outlooks. Moreover, the Bank's recruitment policy is set on the principle of equal opportunities in order to attract the best talent from varied cultures and backgrounds and therefore form a multi-skilled workforce. Furthermore, the Bank can confidently assure that the remuneration, incentives, benefits and promotion are not

subject to any form of discrimination. This is further demonstrated by the fact that during the year, the Bank did not record any incidents of discernment towards employees and if any may occur in the future, there are already existing measures and procedures in place to address such issues.

Remuneration and Rewards:

The remuneration packages of the Bank is aligned with the industry norms and certain intra industry benchmarks, while also considering the current status of the country's economy. The package normally includes basic pay, allowances, incentives, and bonus which are all subject to job responsibility of the individual employee and the performance of the individual employee and as a team as well. The packages are reviewed every two years to ascertain that the pay matches the quality of service provided by the employee and that they are in line with the current economy and industry norms. Moreover, as ascertained above, the remuneration policy is not biased against any social impartiality. Apart from regular remuneration package, the Bank provides leave fare allowance, 1-2 months' salary as additional perk to staff completing five years of service depending on the profit of the Bank. Similarly, employees completing 10 years of service are rewarded with gold medal as a part of employee recognition.

Staff Facilities:

Besides regular salary, allowances and provident fund, the salary package for the staff includes auto loan, home loan, credit card facility, uniform facility, fuel facility, lunch allowance and other advances which are periodically reviewed. The Bank also provides leave facilities, gratuity, additional employee retirement fund depending on the profit of the Bank, which includes salary of 1-2 months. The Bank has provided loan facilities to 308 staff (36.54 percent of total permanent staff).

Amount (NPR)

Particulars	2017/18	2016/17
Staff Auto Loan	61,745,843	48,896,304
Staff Home Loan	174,026,643	126,719,934
Revolving salary advance	64,895,380	50,005,421
Credit Card	2,532,580	1,631,933
Total	**303,200,446**	**227,253,593**

Leave Facilities:

Particulars	No of Days
Home Leave allowed (including 10 days forced leave)	30
Sick Leave allowed	12
Casual Leave allowed	9
Maternity Leave allowed	45
Female	45
Male	0
Other Leave (Obsequies)	15

Performance Evaluation:

The Bank always aims to improve and encourage high performance, not only on the individual level, but as a team as well. In order to support such policy, the Bank has in place a well-structured but challenging process to evaluate employee performance on an annual basis. This encourages constant communication between the

higher level and lower level employees and motivates the staff by enabling effective succession planning, career mapping and structured and focused training. Performance evaluation is assessed through certain criteria, such as pre-agreed operational targets, discipline, punctuality and attitude, where high achievers are rewarded for their strengths, while remedies and support are provided to others to address their weaknesses.

Training and Development:

The Bank has invested to provide adequate training and development program to its employees. The Bank believes that the employees are the core strength of the Bank, where they play a very significant role in the success of the Bank. Therefore, the employees are periodically provided with training opportunities in order to develop the necessary skills to not only survive, but also compete in this dynamic industry. The focus is provided such that long-term goals of the employees and the Bank are in line with each other. The structured, pragmatic and challenging training plans have enabled the Bank to extract maximum benefits from the available employees, thus, providing maximum utilization of human resources with minimum diversions. The employees are further encouraged to share their knowledge with fellow colleagues to strengthen the technical expertise at hand. Moreover, on the job training at relevant positions across the branches and departments are a significant portion of the Bank's training plans. Furthermore, employees in specific departments are provided with precise technical knowledge to help them nurture in the specific field of knowledge .

Diagrammatic presentation

Nature of Training	No of Training Conducted	No of Participants
Outside Training	80	137
In House Training	22	858
Foreign Training	9	16
Orientation Program	6	195
Conference	7	20
Interaction Program	15	19
India	15	39

Employee Turnover and Retention:

The Bank aims to maintain minimum staff turnover rate by providing a platform for the employees to develop their careers by helping them develop their skills and enhance their well-being as individuals and collectively as a team as well. This is further addressed by the Bank as there is constant interaction with the employees in areas such as grievance handling, amendments in the job description and structured job rotations. Moreover, the employees are not only provided with new opportunities, remuneration packages and benefits, but are also further encouraged to balance work life with their social responsibilities so that no employee feels tied down to work all the time.

Succession Planning:

Succession planning as a continuous process in the Bank is supported by the annual performance evaluation system which helps to identify employees displaying the necessary skills to take it to the next level such as leadership and management skills. In order to endow the future leaders of the Bank, the employees are mentored and trained by the current leaders through on the job training and structured routine program. This ensures a smooth transition for the employees between current job and responsibilities and potential future positions.

Employee Well-Being:

Employee well-being at the Bank is seen as an opportunity for the employees to live a well-balanced life between work and home and for the Bank to maintain higher productivity level, lower job absenteeism and control staff turnover. The Bank has in place a well-established and flexible leave system to give employees enough independence in order to give adequate time to their personal lives. This, in turn, helps the Bank in improving employee's efficiency at work through work-life balance.

Measure of employee well-being through staff expenses:

Amount (NPR)

Particulars	2017/18	2016/17
Salary	198,209,379	177,786,519
Allowance	148,729,757	138,547,184
Gratuity Expenses	14,062,497	13,952,821
Provident Fund	16,600,772	15,058,369
Uniform	8,444,697	7,249,516
Training and Development Expenses	15,493,317	9,246,743
Leave Encashment	61,905,622	974,315
Medical	-	-
Insurance	2,679,984	2,489,366
Employee Incentive	10,421,478	15,313,953
Cash-Settled Share-Based Payments	-	-
Pension Expense	-	-
Finance Expense under NFRS	72,549,771	6,508,792
Other Expense Related to Staff	45,309,029	34,625,781
Employee Bonus	189,651,677	157,810,783
Total	**784,057,981**	**579,564,141**

Health and Safety:

The Bank being a family cares for its employees' health and safety in addition to the development of their skills and knowledge. Therefore, the Bank has in place reasonable measures to ensure health and safety of the employees at the workplace which includes comprehensive medical and accidental insurance policy. Furthermore, the Bank also focuses on the quality of the workspace to ensure physical safety of the employees in the workplace. The Bank complies with best practices and is equipped with necessary safety measures in order to safeguard employees and the Bank's infrastructures from fire, system failures and other work hazards. Moreover, the branches are also equipped with first aid kits for immediate response to any mishaps.

Grievance Handling:

The Bank encourages staff to express themselves to immediate line managers in areas of complaints, feedback and other issues. The Bank maintains policies and practices where the supervisors are suggested to address the employees' grievances under the guidance of the HR department. If this proactive method is not sufficient, the employees have the option to initiate an independent formal process that the Bank has already put in place.

Staff Composition:

The Bank's staff consists of competent individuals of various age groups, corporate titles and contractual status. The Bank focuses on equal opportunities to all and is unbiased towards genders.

KEY HUMAN RESOURCE INDICATORS:

EMPLOYEE MIX ON THE BASIS OF DATE OF JOINING

2017/18	No of Staff 254	% of Staff 29.10%	2016/17	No of Staff 125	% of Staff 14.32%	2015/16	No of Staff 113	% of Staff 12.94%
2014/15	No of Staff 98	% of Staff 11.23%	2013/14	No of Staff 106	% of Staff 12.14%	2012/13	No of Staff 18	% of Staff 2.06%
2011/12	No of Staff 24	% of Staff 2.75%	2010/11	No of Staff 57	% of Staff 6.53%	2009/10	No of Staff 31	% of Staff 3.55%
2008/09	No of Staff 18	% of Staff 2.06%	2007/08	No of Staff 8	% of Staff 0.92%	2006/07	No of Staff 21	% of Staf 2.41%

EMPLOYEE MIX ON THE BASIS OF AGE

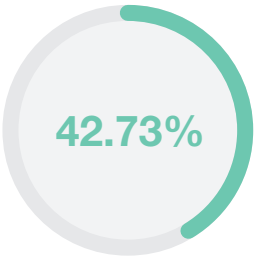
Total:

No. of Staff: 873



Age Below 25

No of Staff
226



Age 26-30

No of Staff
373



Age 31-35

No of Staff
182



Age 36-40

No of Staff
48



Age 41-45

No of Staff
20



Age 46-50

No of Staff
16



Age 51-55

No of Staff
4



Age Above 55

No of Staff
4

EMPLOYEE MIX ON THE BASIS OF GENDER

Total No. of Staff: 873

515
No. of Male Staff
59%

358
No. of Female Staff
41%

EMPLOYEE MIX ON THE BASIS OF MARITAL STATUS

Total No. of Staff: 873

423
No. of Unmarried Staff
48.5%

450
No. of Married Staff
51.5%

EMPLOYEE MIX ON THE BASIS OF BRANCH PER PROVINCE AND STAFF PER PROVINCE

STATE 1
No. of Branch: 11
No. of Staff: 82
Average Staff Per Branch: 7.45

STATE 2
No. of Branch: 8
No. of Staff: 60
Average Staff Per Branch: 7.50

STATE 3
No. of Branch: 35
No. of Staff: 333
Average Staff Per Branch: 9.51

STATE 4
No. of Branch: 5
No. of Staff: 31
Average Staff Per Branch: 6.20

STATE 5
No. of Branch: 11
No. of Staff: 64
Average Staff Per Branch: 5.82

STATE 6
No. of Branch: 6
No. of Staff: 34
Average Staff Per Branch: 5.67

STATE 7
No. of Branch: 5
No. of Staff: 30
Average Staff Per Branch: 6.00

EMPLOYEE MIX ON THE BASIS OF ACADEMIC AND PROFESSIONAL EDUCATIONS

Total:

No. of Staff: 873



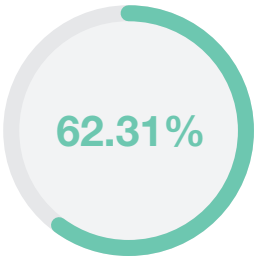
Under SLC

No of Staff
2



SLC

No of Staff
11



Bachelors

No of Staff
544



Masters

No of Staff
316

EMPLOYEE MIX ON THE BASIS OF MAJOR EXPERIENCE

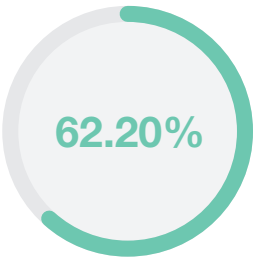
Total:

No. of Staff: 873



Banking- credit

No of Staff
177



Banking- operation

No of Staff
543



Accounts & Finance

No of Staff
22



Treasury

No of Staff
10



International Banking (including Letter of Credit etc)

No of Staff
9



Support

No of Staff
112

EMPLOYEE MIX ON THE BASIS OF PERMANENCY



RECONCILIATION OF STAFF MOVEMENT DURING THE YEAR

No of Staff at the start of the Year 684

Less

No. of Staff left during the Year due to resignation
109

No. of Staff left during the Year due to disciplinary actions
0

No. of Staff left during the Year due to completion of service tenure
0

No. of Staff left due to other reasons during the year (like death, permanent disability)
0

Add

New Recruit during the year
268

Staff Addition during Merger & Acquisition during the year
0

No of Staff at the end of the Year 843

Board Level Reports, Financial Reviews and Financial Reports



Economic Indicators and Outlook 126

Director's Report 130

Compliance Statement of Applicable Reporting and Director's Responsibility for Annual Reports 141

A Report on the Activities of Audit Committee 142

A Report on the Activities of Risk Management Committee 144

A Report on the Activities of Human Resource Compensation Committee 146

A Report on the Activities of Anti Money Laundering Committee 148

Review of Bank's Performance with the Management's Objectives and Strategies 150

CFO's Message 154

Information for Understanding Financial Statements 156

Report of the Independent Auditors 162

Financial Statements 164

ECONOMIC INDICATORS AND OUTLOOK

Economic Growth Rate and Government Expenditures:

According to the Central Bureau of Statistics (CBS), the real GDP at the basic price is estimated to be 5.9 percent in 2017/18 compared to 7.4 percent in the previous year. Similarly, the real GDP at producer's price is estimated to be 6.3 percent in the review year compared to 7.9 percent in the previous year.

In 2017/18, the Gross National Disposable Income (GNDI) is estimated to decline by 10 percent compared to a growth of 15 percent in the previous year. Similarly, the ratio of total consumption to GDP which was 88 percent in 2016/17 is estimated to shrink by 3 percentage point to remain at 85 percent. The share of gross fixed capital formation to GDP which stood at 31.8 percent in 2016/17, is estimated to remain at 34.1 percent in the review year. Similarly, the ratio of gross national savings to GDP that remained at 45.3 percent in 2016/17 is estimated to stand at 43.9 percent in the review year.

In the review year, government budget on cash basis remained at a deficit of NPR 268.85 Billion. Such budget deficit was NPR 188.69 Billion in 2016/17. The ratio of budget deficit to GDP stood at 8.9 percent in the review year from 7.1 percent in the preceding year.

Share Market:

NEPSE index decreased by 23.4 percent to 1,212.4 points in mid-July 2018 from 1,582.7 points in the corresponding period of the previous year. The total turnover of the securities traded decreased by 46.2 percent to NPR 6.63 Billion in 2017/18. Such turnover was 12.33 Billion in the previous year.

Inflation and Price Level:

Consumer price inflation

The annual average consumer price inflation moderated to 4.2 percent in 2017/18 compared to 4.5 percent in the previous year. The rate of inflation is lowest since 2004/05. Improvement in supply chain management and lowest rate of inflation in India contributed to the lower level of inflation in review year. The consumer price inflation stood at 4.6 percent in mid-July 2018 compared to that of 2.7 percent a year ago. This is indicative of recent built up inflationary pressure.

In the terms of ecological regions, the Mountain region witnessed a relatively higher annual average inflation at 5.9 percent followed by Hilly region at 4.6 percent, Terai region at 4.4 percent and Kathmandu valley at 3.3 percent in the review year. The inflation rate was 4.1 percent in the Mountain region, 6.4 percent in Hilly region, 4.4 percent in Terai region and 3.1 percent in Kathmandu valley in the previous year.

Wholesale Price Inflation

The annual average wholesale price inflation further decelerated to 1.7 percent in 2017/18 from 2.7 percent in the previous year. A significant deceleration in annual average wholesale price indices of agricultural commodities whereas the indices of domestic manufactured commodities and imported commodities increased 5.3 percent and 4.1 percent respectively in the review year.

Current Account and Balance Of Payment (BOP)

The current account deficit showed a marked expansion to NPR 245.22 Billion in the review year compared to a narrow deficit of 10.13 Billion in the previous year. 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.

Similarly, the Overall BOP recorded surplus of NPR 960.20 Million in the review year. The Surplus in Balance of Payment was NPR 82.11 Billion in the previous year.

In the review year, Nepal received capital transfer of NPR 17.72 Billion and foreign direct investment (FDI) inflow of NPR 17.51 Billion. In the previous year, capital transfer and FDI inflows were 13.36 Billion and NPR 13.50 Billion respectively.

Liquidity Management

In the review year 2017/18, NPR 107.34 Billion liquidity was injected through open market operations. Under this provision, NRB injected liquidity of NPR 69.72 Billion from repo auction and NPR 37.62 Billion liquidity was availed through outright purchase auction.

In the review year, the NRB injected net liquidity of NPR 422.34 Billion through the net purchase of USD 4.05 Billion from foreign exchange market. Net liquidity of NPR 435.86 Billion was injected through the net purchase of USD 4.11 Billion in the previous year.

In the review year, the NRB mopped up NPR 195 Billion through open market operations. In the previous year, NPR 124.45 Billion liquidity was mopped up.

NRB purchased Indian currency (INR) equivalent to NPR 522.03 Billion through the sale of USD 4.76 Billion and Euro 59 Million and GBP 110 Million in the review year. INR equivalent to NPR 451.89 Billion was purchased through the sale of USD 4.12 Billion and Euro 120 Million in the previous year.

Inter-Bank Transaction and Standing Liquidity Facility

In the review year, inter-bank transactions of commercial banks stood at NPR 1,161.31 Billion and those of other financial institutions (excluding transactions among commercial banks) amounted to NPR 49.43 Billion. Such transactions were NPR 1062.04 Billion and NPR 381.02 Billion respectively in the previous year. In the review year, commercial banks and financial institutions used the standing liquidity facility (SLF) of NPR 38.33 Billion.

Interest Rates

The weighted average 91-day Treasury Bill rate increased to 3.74 percent in the last month of 2017/18 from 0.71 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 0.64 percent a year ago, increased to 2.96 percent in the review month. However, the weighted average inter-bank rate among other financial institutions increased to 5.40 percent from 4.47 percent a year ago.

Weighted average interest rate spread between deposit and lending rates of commercial banks increased to 5.98 percent in the review month from 5.2 percent a year ago. Likewise, the average base rate of commercial banks rose to 10.47 percent in the review month from 9.89 percent a year ago.

Deposit Mobilization

Deposits at banks and financial institutions (BFIs) increased by 19.2 percent in the review year compared to an increase of 14.0 percent in the previous year. Out of total deposits of BFI on mid-July 2018, current, savings and fixed deposit were respectively: 9.3 percent, 34.5 percent, and 44.8 percent. This was 8.7 percent, 35.4 percent and 43.2 percent in the previous year.

Loans and Advances

Credit to the private sectors from BFIs increased by 22.5 percent in the review year compared to a growth of 18.2 percent in the previous year. In the review year, private sector credit from commercial banks increased by 22.3 percent whereas credit from development banks and finance companies increased by 25.6 percent and 16.1 percent respectively.

Indicators reflected flow of money in the market with the substantial indication of further economic growth. The ratios of broad money and total deposit to GDP increased a little bit, ratios of loans and advances and claims on the private sector to GDP increased.

Price of Oil and Gold in the International Market and Exchange Rate Movement

The price of oil (Crude Oil Brent) in the international market increased by 48.3 percent to USD 71.03 per barrel in mid-July 2018 from USD 47.89 per barrel a year ago. The price of gold increased by 0.9 percent to USD 1,241.10 per ounce in mid-July 2018, from USD 1,230.30 per ounce a year ago.

Nepalese currency vis-à-vis the US dollar depreciated by 5.9 percent in mid-July 2018 from the level of mid-July 2017. It had appreciated 3.8 percent in the previous year. The buying exchange rate per US dollar stood at NPR 109.34 in mid-July 2018 compared to NPR 102.86 in mid-July 2017.

Review of Financial Market of the Country

As a result of the merger and acquisition drive, the total number of BFI licensed by NRB stands 151 in mid-July 2018 from 149 a year ago. In mid-July 2018, the total number of commercial banks stood at 28, development banks at 33, finance companies at 25 and microfinance development banks at 65. The total number of BFI's branches increased to 6,651 in mid-July 2018 from 5,068 a year ago.

The number of BFIs involved in merger and acquisition has been increasing after the introduction of merger/ acquisition policy aimed at consolidating financial sector. 162 BFI (including 'D' class) were involved in merger and acquisition since NRB introduced the regulatory procedure regarding merger and acquisition. Of which, the license of 121 BFI was revoked thereby forming 41 BFIs.

International Market Review

International Investment Position (IIP)

The International Investment Position (IIP) is the summary statement of Foreign Assets and Liabilities of a Country. The IIP shows that foreign assets and liabilities of Nepal stood at NPR 1,138.24 Billion and NPR 819.97 Billion respectively in the mid-July 2018. Accordingly, the IIP remained in Surplus by NPR 318.27 Billion as at mid-July 2018. Such surplus was NPR 430.76 Billion in mid-July 2017.

Export and Import Price Index

The annual average unit value export price index based on customs data increased by 10.3 percent while import price index increase by 12.5 percent in the review year. Consequently, the terms of trade (TOT) index decreased by 2.0 percent compared to an decrease of 1.2 percent in the corresponding period of the previous year.

The export-import ratio dropped to 6.5 percent in the review year. This implies the size of import is almost 6.5 times larger than the size of export in the review year. The export-import ratio was 7.4 percent in the previous year.

Workers' Remittances

The workers' remittance grew by 8.6 percent to NPR 755.06 Billion in the review year compared to a growth of 4.6 percent in the previous year. However, the ratio of remittance to GDP declined to 25.1 percent in the review year from 26.3 percent in the previous year. The net transfer receipt increased by 1.5 percent to NPR 864.67 Billion in the review year. Such receipt had increased 9.5 percent in the previous year.

The number of workers going abroad for foreign employment (except renew entry) has been falling. The number of Nepalese workers seeking foreign employment further fell 10.1 percent in 2017/18 compared to a decline of 4.7 percent in the previous year.

DIRECTOR'S REPORT
FY 2017/18

Respected Shareholders,

On behalf of the Board of Directors, I would like to welcome all the shareholders for the twelfth Annual General Meeting (AGM) of Citizens Bank International Limited. I would like to present the Consolidated Statement of Financial Position of the Bank with its Subsidiary as on July 16, 2018 (Ashadh 32, 2075), Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows and other financial statements for the FY 2017/18 for approval by the respected meeting.

I would also like to present to the respected meeting, financial and banking sectors indicators followed by a review of the Bank's performance in the previous Fiscal Year and future programs of the Bank.

1. FINANCIAL AND BANKING SECTOR INDICATORS (FY 2017/18)

Gross Domestic Production:

a) The real GDP at the basic price is estimated to grow by 5.9 percent in 2017/18, compared to 7.4 percent growth in the previous year. Similarly, the real GDP at producer's price is estimated to have grown by 6.3 percent for the period under review, as compared to 7.9 percent growth in the previous year. Adequate seasonal rainfall, improvement in energy supply and generalization in the supply system are the reasons for the increase in economic growth rate significantly in comparison to the previous year.

b) For the period under review, agricultural sector production increased by 2.8 percent and non-agricultural sector production increased by 7.1 percent as compared to the previous year's increment by 5.2 percent and 8.5 percent respectively.

c) For the period under review, industrial sector production is estimated to have grown by 8.8 percent as compared to the previous year, where it had decreased by 12.4 percent.

d) For the period under review, service sector production is estimated to have grown by 6.6 percent whereas in the previous year, it had increased by 7.4 percent. Increase in number of tourists, development in businesses and communication sectors are the reasons for the increase in the service sector's production rate.

Foreign Trade:

Merchandise export increased by 11.1 percent to NPR 81.19 billion in the financial year 2017/18, whereas it had increased by 4.2 percent in the previous year. For the period under review, the export increased by 12.4 percent towards India, 43.3 percent towards China and 7.5 percent towards other countries.

For the period under review 2017/18, the ratio of merchandise export to GDP declined to 2.7 percent. The same ratio was recorded as 2.8 percent in the previous year. Export has increased in case of the goods such as cardamom, jute sacks, polyester yarn etc. whereas the export of Juice, GI Pipe, woolen carpets, Jute rope etc. has decreased. Merchandise import increased by 25.5 percent to NPR 1242.83 billion for the period under review. In the previous year, such imports had increased by 28 percent. For the period under review, import from India, China and other countries increased by 27.8 percent, 25.5 percent, and 19.3 percent respectively. The ratio of merchandise import to GDP increased to 41.3 percent while in the previous year, such ratio was recorded as 37.5 percent. For the period under review, the import of petroleum products, automobiles and spare parts, M.S. Billet has increased, whereas the import of edible oil, small

cardamom, sanitary wares etc. has decreased.

The total trade deficit for the period under review 2017/18 has expanded by 26.7 percent to NPR 1161.64 billion. Such trade deficit ratio was 30.4 percent in the previous year. For the period under review, the export-import ratio has declined to 6.5 percent from 7.4 percent in the previous year.

Current Account, Balance of Payment and Remittance:

The current account registered a deficit of NPR 245.22 billion for the period under review due to a significant increase in merchandise import rate. The deficit in current account was NPR 10.13 billion in the previous year. As compared to export, import has increased significantly causing a deficit in the current account for the period under review. The overall BOP for the period under review recorded a surplus of NPR 0.96 billion. The surplus in BOP was NPR 82.11 billion in the previous year. For the period under review, Nepal received capital transfer of NPR 17.72 billion and Foreign Direct Investment inflow of NPR 17.51 billion. In the previous year, capital transfer received was NPR 13.36 billion and Foreign Direct Investment inflow was NPR 13.50 billion.

The remittance has grown by 8.6 percent to NPR 755.6 billion for the period under review, compared to a growth of 4.6 percent in the previous year. The ratio of remittances to GDP decreased to 25.1 percent for the period under review, as compared to 26.3 percent in the previous year. The net transfer receipts increased by 1.5 percent to NPR 864.67 billion. Such receipt had increased 9.5 percent in the previous year. On the basis of the final labor approval, the number of Nepali citizens going for foreign employment has decreased by 10.1 percent for the period under review. In the previous year, the same had decreased by 4.7 percent. In the period under review, workers going to Malaysia, United Arab Emirates and Kuwait, etc. has increased whereas the workers going to Saudi Arabia, Qatar, etc. has decreased.

Interest Rates:

The weighted average interest rate of 91-days Treasury bill and the weighted average rate of inter-bank transactions decreased in the previous month of 2017/18 compared to a year ago. The weighted average of 91-day Treasury bill rate increased to 3.74 percent in the review month from 0.71 percent in the previous month of the previous year. The weighted average inter-bank transaction rate among Commercial Banks that was 0.64 percent a year ago, reached 2.96 percent in the review month. Likewise, the weighted average inter-bank rate among other financial institutions increased to 5.40 percent in 2017/18 from 4.47 percent a year ago.

Deposit Mobilization:

Deposits in the banks and financial institutions increased by 19.2 percent for the period under review, as compared to an increase of 14.0 percent in the previous year. Out of total deposits of BFIs in 2017/18, current, savings and fixed deposit were respectively: 9.3 percent, 34.5 percent and 44.8 percent. This was 8.7 percent, 35.4 percent and 43.2 percent in the previous year.

Credit Disbursement:

Credit to the private sector from BFIs increased by 22.5 percent for the period under review, compared to a growth of 18.2 percent in the previous year. For the period under review, private sector credit from Commercial Banks increased by 22.3 percent, while that of Development Banks and Finance Companies decreased by 25.6 percent and 16.1 percent respectively.

For the period under review, credit to the agricultural sector, industrial production sector, construction sector, wholesale and retail trade sector and service sector increased by 50.8 percent, 20.6 percent, 19.3 percent, 22.4 percent and 26.7 percent respectively.

In the financial year 2017/18, out of the total loan investment of BFIs, 61.7 percent is extended towards land and building collateral and 14.4 percent is extended towards current assets collateral. In the previous year, loan extended for the same collateral was 60.9 percent and 13.9 percent respectively.

In the financial year 2017/18, Trust receipt loan (Import Loan) flown through the Bank has been reached NPR 113.87 billion by increment of 76.5 percent. For the period under review, hire purchase loan and overdraft loan increased by 14.5 percent and 14.4 percent respectively.

2. SYNOPSIS OF FINANCIAL PERFORMANCE OF THE BANK

The financial statements for FY 2017/18 have been presented as per Nepal Financial Reporting Standard (NFRS) pronounced by Institute of Chartered Accountants of Nepal (ICAN).The comparative financials of the FY 2016/17 and 2017/18 has been presented below:

(In NPR. '000)

Ratios	FY 2017/18	FY 2016/17	Increase or (decrease)
Capital Adequacy Ratio	13.84%	16.88%	3.04%
Statement of Financial Position	**FY 2017/18**	**FY 2016/17**	**Increase or (decrease)**
Total Assets	77,709,953	65,881,614	17.95%
Deposits	60,696,027	51,716,675	17.36%
Loans & Advances	58,468,335	48,845,234	19.70%
Investment	5,752,010	6,884,357	-16.45%
General Reserves	2,980,242	2,388,700	24.76%
Statement of Profit or Loss	**FY 2017/18**	**FY 2016/17**	**Increase or (decrease)**
Net Interest Income	2,222,068	1,790,240	24.12%
Non- Operating Interest Income	861,655	659,895	30.57%
Operating Expenses	1,257,943	981,621	28.15%
Net Profit	1,234,104	1,634,918	-24.52%

Capital Base:

At the end of the current FY 2017/18, the paid up capital of the Bank is NPR 8,033,236,400. After Further Public Offering for maintaining the ratio of 51:49 between promoters and public shares, paid-up capital of the Bank has now reached to NPR 8,079,619,000.

Capital Adequacy:

At the end of the current FY 2017/18, the capital adequacy stands at 13.84 percent. The same was 16.88 percent in the FY 2016/17. The minimum requirement as per NRB is 11 percent.

Total Assets:

At the end of the current FY 2017/18, the total asset is NPR 77,709,952,994 which has increased by 17.95 percent, in comparison to the previous year, where it was NPR 65,881,614,179.

Deposit Collection:

The deposit collection for the FY 2017/18 is NPR 60,696,026,972 which has been increased by 17.36 percent, in comparison to the previous year, where it was NPR 51,716,674,652. In the FY 2017/18, current deposits covered 4.21 percent, saving deposits 22.43 percent, fixed deposits 67.44 percent, call accounts 5 percent and remaining were other deposits.

Loans and Advances:

In FY 2016/17, the Bank had provided loans and advances of NPR 48,845,233,666. In comparison to the previous FY 2016/17, it has increased by 19.70 percent to NPR 58,468,334,673 in current FY 2017/18. Out of total loans and advances for FY 2017/18, 11.49 percent is in real estate sector, 6.32 percent in housing sector, 4.82 percent in margin lending, 14.12 percent in overdraft loan and 63.25 percent in other loans. In 2017/18, out of total debt, 43.60 percent investment has been made on prioritized sector among which 7.62% is on agricultural sector.

Out of the total approved limit of NPR 8,976,100,000 for hydropower projects, the Bank has already disbursed loan to the tune of NPR 3,032,600,000 by the end of FY 2017/18. The hydropower projects that the Bank has invested, accounts to about 229 MW in total.

Similarly, in FY 2017/18, the Bank has invested NPR 6,429,000,000 in 1,387 Small and Medium Enterprise Loan. Likewise, to promote the agricultural sector, the Bank has invested NPR 1,593,900,000 to 3,918 beneficiaries of loans under the title "Fast Track Loan". In addition to that, as per the One Zone One Product policy, the Bank has invested NPR 157,500,000 in 110 projects. In total, the Bank has invested NPR 3,194,200,000 in agricultural sector.

Investment:

The investment for the FY 2017/18 is NPR 5,752,009,802. Out of the total investment, investment in government treasury bills, development bonds, and NRB bonds amounts to NPR 5,457,642,301 i.e. 94.88 percent and investment in shares of organized institution amounts to NPR 294,367,501 i.e. 5.12 percent of total investment.

Net Interest Income:

In FY 2016/17, the net interest income of the Bank was NPR 1,790,240,233. In comparison to previous FY 2016/17, it has increased by 24.12 percent to NPR 2,222,067,679 in current FY 2017/18.

Non-Operating Interest Income:

In FY 2016/17, the non-operating interest income of the Bank was NPR 659,895,423 whereas it has increased by 30.57 percent to NPR 861,655,259 in the current FY 2017/18.

Operating Expenses:

In FY 2016/17, the operating expense of the Bank was NPR 981,621,049 whereas it has increased by 28.15 percent to NPR 1,257,943,132 in current FY 2017/18.

Net Profit:

In FY 2016/17, the net profit of the Bank which was NPR 1,634,917,779 has decrease by 24.52 percent to NPR 1,234,103,000 in current FY 2017/18. The main reason behind decrease in net profit is because of Bargain purchase gain of NPR 66.90 million due to acquisition of entity which was included in non-operating income of previous income year.

3. SYNOPSIS OF FINANCIAL PERFORMANCE OF SUBSIDIARY COMPANY CBIL CAPITAL LIMITED

The Bank holds 68.94 percent of paid-up share capital, out of a total paid up capital of NPR 170 million in subsidiary CBIL Capital Limited i.e. NPR 117.20 million. The main objective of the company is to provide merchant banking services, portfolio management services, mutual investment fund operation services, share registration services, etc.

In FY 2017/18, CBIL Capital Limited has incurred loss of NPR 28,279,000 due to unfavorable fluctuation in share market.

4. BRANCH NETWORK EXPANSION

As per unified directive issued by Nepal Rastra Bank for the prosperity of banking business during income year 2017/18, the Bank has expanded several branches outside Kathmandu Valley at local areas such as Bhumahi of Nawalparasi, Manahari of Makwanpur, Haldibari of Jhapa, Badhiyatal of Bardiya, Sarkegadh and Namkha of Humla, Aurahi of Mahottari, Bangalachuli of Dang, Simalchaur of Pokhara, Mangseybung of Illam, Likhupike of Solukhumbu, Sunapati of Ramechhap, Temal of Kavre, Hariharpurgadhi of Sindhuli, Sahidbhumi of Dhankuta, Jhimruk of Pyuthan, Bhume of Rukumpurwa and Dhakari of Accham. There are currently 78 branches of the Bank . Similarly, during FY 2018/19, the Bank plans to open at least 4 branches for promotion and development of the Bank.

5. OTHER BANKING FACILITY EXPANSION

In FY 2017/18, the Bank has expanded 2 branchless banking services in Takam of Myagdi district and Fatuwa Bijaypur of Rautahat district with the approval of NRB. The Bank has been providing services through 99 branchless banking units till date. Branchless banking assists in collection of deposits, payment of amounts, fund transfer, payment of bills of mobile phones, payment for other utilities, etc.

As per the agreement with National Reconstruction Authority to distribute subsidy for rebuilding personal residences destroyed by earthquake, the Bank has been distributing subsidy through 6 branches located in earthquake-affected areas of 5 districts i.e. Dolakha, Kavre, Makwanpur, Bhojpur, Kirtipur and Kathmandu but from this year subsidy has been distributed through 8 branches of 6 districts i.e. Dolakha, Kavre, Makwanpur, Bhojpur, Myagdi and Kathmandu. The Bank aims to assist Nepal Government for the distribution of subsidy and till date 7,491 beneficiaries have received subsidy amount in several installments.

Cash camp has been organized in 10 VDC's including Lapa, Jharlang, Tiplinga, Rigaun, Shertungar, Shirdibash of Gorkha district, Laprak, Uhiya, Kashigaun and Gumda VDC which was organized by World Food Program(WFO) with the assistance of Welt Hunger Hilfe/Lutheran World Federation (LWF) Nepal. Under such program, cash has been distributed to more than ten thousand family as financial support from donors.

Considering the fact that, customer should be facilitated, the Bank has been providing insurance facilities to customers and accordingly, agreement has been made with 8 life Insurance Companies (Sanima Life Insurance Company, Union Life Insurance Company, Nepal Life Insurance Company, Gurans Life Insurance Company, National Life Insurance Company, Reliable Nepal Life Insurance Company, Citizens Life Insurance , Jyoti Life Insurance) and 10 Non-Life Insurance Company (Sikhar Insurance Company, National Insurance Company, Sagarmatha Insurance Company, Siddhartha Insurance Company, Prudential Insurance Company, NLG Insurance Company, Niko Insurance Company, Nepal Insurance Company, Premier Insurance Company, Sanima General Insurance Company). After such agreements, the Bank has collaboration with 10 Life Insurance and 11 Non-Life Insurance Companies.

With such arrangement, the customers are not only availing banking services, however, are also enjoying service of comfortability for submission of premium, receiving claim amount from several Life and Non-Life insurance companies among others.

6. CORPORATE GOVERNANCE AND COMPLIANCE

Maintaining a higher level of Corporate Governance has been of great importance for the Bank. The Bank has its own objectives, policies, internal control system, and employee code of conduct for an effective implementation. Codes of conduct have been implemented for directors and employees. The Bank has been working for effective Corporate Governance by maintaining transparency in operation of the functions of BOD and other sub-committees. Furthermore, the Bank has been complying and will comply with policies and directives issued by NRB and other regulatory authorities.

7. INFORMATION TECHNOLOGY

Considering the role of Information Technology in the Banks' development and with regards to customer satisfaction, the Bank has been providing technology-based services such as mobile banking, internet banking and ABBS. For timely upgradation and development of information technology, the Bank has made an agreement with M/s Edge Verve Systems Limited and M/s CAS Trading House Private Limited for upgrading core banking software which is at final stage of completion. Similarly, the Bank has also been providing DEMAT account service and facility to view DEMAT accounts online. In days to come and as per need of the Bank, the Bank shall use the latest and finest innovation in the field of Information and Technology.

8. INTERNAL CONTROL SYSTEM

The Bank has adopted the policy of implementing a strong internal control system visualizing the credit risks, market risks, operational risks and other risks inherent in the banking business. In relation to this, the Bank has formulated necessary rules and policies in every area of banking transactions and has implemented them. The Bank has also constituted independent Internal Audit Department, for reviewing the compliance of prevailing laws and policies, governed by Audit Committee under the coordination of non-executive director. Similarly, the Bank has formulated Risk Management Committee under the coordination of non-executive directors for supervision of risks relating to banking transaction and the Committee has been effectively working on the same. Separate Credit Risk Department has also been constituted and operating for minimizing the credit related risks. Similarly, for the analysis of overall banking compliance, determination of risk level of all customers of the Bank and for monitoring the deficiency in other compliance and suitably resolving it. Anti-Money Laundering Committee has been formed under the coordination of non-executive directors.

9. CARD BUSINESS

The Bank has upgraded all the ATM Machines to EMV Based ATM by FY 2017/18 for safe and pragmatic card business and converted each online transaction into 3D Secure taking into consideration ,the safety of card related online business. In order to diversify the service that has been provided before and considering the convenience of customers, the Bank has started operation of Point of Sale (POS) machine also.

10. REMITTANCE TRANSACTION

During the FY 2017/18, the Bank had total inward remittance of USD 12,405,000 and total income earned amounted to NPR 17,331,000. For the purpose of enhancing the efficiency and effectiveness of transaction through remittance, the Bank has been expanding its network by entering into contracts with remittance companies inside and outside the country. The Bank has made additional agreements related to remittance

with Doha Bank of Qatar, Axis Bank of India, Super Sonicz Limited of Europe.

After these agreements, payment can be made directly for remittance amount sent from 43 different countries of the world through all branches of the Bank and through more than ten thousand local representative located across the country. The Bank aims to expand remittance business by entering into agreement with more exchange houses of potential countries.

11. CORPORATE SOCIAL RESPONSIBILITY

In line with the Unified Directive issued by Nepal Rastra Bank and Sustainable Development Goals, the Bank has been contributing for corporate social responsibility through various programs. In the current FY 2017/18, the total expenditure of the Bank on corporate social responsibility is NPR 12.127 million. The Bank has been contributing for positive changes in social, economic, cultural and educational sector. In current FY 2017/18, the total expenditure of the Bank in educational sector is NPR 1.9 million, NPR 1 million in environment conservation, NPR 1 million in health sector, NPR 4.2 million in sports development, NPR 0.2 million for cultural protection, NPR 2.1 million for helping the victims of natural calamities, NPR 1.5 million for music promotion.

The Bank has provided scholarship to 15 under privileged, poor and hardworking student through "Children Development Society (Baal Bikash Samaj Kapan)" amounting to NPR 150,000. With the objective of providing education to under privileged children of upper Dolpa, the Bank has provided financial assistance to 'Snow Yak Foundation' amounting to NPR 100,000. The Bank has provided NPR 1,500,000 to "Music Composer Association of Nepal (Sangeetkar Sangh)". The Bank has also donated NPR 100,000 each to the 'SAATH' and NPR 200,000 to 'Baby Life Home Organization' where they help children who are infected with AIDS. Similarly, the Bank has donated NPR 200,000 to 'Human Organ Transplantation Center'. The Bank has donated NPR 50,000 to 'Triveni Community Library and Source Center', Bhimdhunga and five refrigerators to 'Dirghayu Guru Hospital and Research Center Pvt. Ltd', which has been providing neuro services.

The Bank has provided NPR 100,000 to Clinic One, NPR 200,000 to 'Avaya Upachar Kendra'which has been treating and rescuing people through the medium of sacredness of the God, NPR 250,000 to 'Shree Kamal Lower Secondry School', Kamalpokhari, NPR 150,000 to 'Narwadeshwor Triveni Guthi Samrakshyan Samiti' situated in Triveni, Mugitar of Ramechhap district with the objective of assisting in Infrastructure Development, NPR 300,000 to Chitwan Manab Sewa Ashram, NPR 150,000 for the purpose of acquiring Furniture to 'Kuleshwor Secondary School'. In addition, lunch facility has been provided for more than 40 old aged person of 'Nisahaya Sewa Sadan' located at Minbhawan of Kathmandu .

12. CHANGES IN BOARD OF DIRECTORS AND ITS REASONS

Director of the Bank Mr. Chandra Tandon has resigned effective from August 17, 2017 citing personal reasons. We are thankful for his active contribution towards progress and development of the Bank. Currently, there are 7 members in Board of Directors after his resignation.

13. CHANGES IN MANAGEMENT AND ITS REASONS

The tenure of Chief Executive Officer of the Bank Mr. Rajan Singh Bhandari completed on January 30, 2019 and he stayed on leave from January 15, 2019 due to which Mr. Ganesh Raj Pokharel has been appointed as Acting Chief Executive Officer of the Bank with effect from the same date. We are thankful for his active contribution towards progress and development of the Bank.

14. OTHER COMMITEES

As per the provision of NRB Directives and Section 26 and Section 27 of the Banks and Financial Institutions Act, 2017, the Board of Directors has formed Audit Committee, Risk Management Committee, Human Resource Compensation Committee and Anti- Money Laundering Committee on its accountability.

Audit Committee:

Audit Committee has been formed under the coordination of Mr. Avanindra Kumar Shrestha- Director, Dr. Chanda Karki- Director as member and Head of Internal Audit Department as Member Secretary. The committee gives necessary directions to the management after the discussion on assessment of financial conditions, internal control system, audit program and findings of the audit.

For the FY 2017/18, meeting of the Audit Committee was held 11 times. In the meeting, Audit Committee reviewed the entire banking financial condition of the Bank, audit plan and observations and comments pointed out in the audit report, which was presented by both the internal and external auditor, and directed the management to take the corrective actions. Similarly, the Committee has reviewed the adverse remarks pointed out in the report on inspection and supervision of NRB. The issues have been recorded and informed to the Board of Directors. The Committee has also supported the management for the preparation of a true and fair Annual Financial Statement of the Bank, reviewed adherence to the regularity in the Bank's proceedings, economy, relevance, effectiveness and others and provided necessary suggestions, reviewed the Quarterly Financial Statements of the Bank and reported it to the Board of Directors.

Risk Management Committee:

The Board of Directors has formed the Risk Management Committee under the coordination of director, Mr. Prakash Chandra Mainali along with other directors, Mr. Avanindra Kumar Shrestha, Mr. Bijay Dhoj Karki and Chief Operating Officer as members. The Head of Risk Management Department is the member secretary of the Committee. The coordinator of Audit Committee acts as invitee member of Risk Management Committee and a meeting of the Committee is held at least once in three months. The functions, duties and powers have been defined in alignment with the directives of NRB. In the FY 2017/18, meeting of the Risk Management Committee was held 7 times. The Risk Management Committee of the Bank has been working on finding out risks that the Bank is exposed to. The Committee has been providing special attention for risk management to minimize credit risks, market risks, operation risks, liquidity risks, noncompliance risks and other risks. The Bank has a separate credit risk unit for credit risk management which falls under Risk Management Committee of the Bank.

Human Resource Compensation Committee:

The Board of Director has formed the Human Resource Compensation Committee under the coordination of director Mr. Bal Krishna Prasai along with director Mr. Prabitra Kumar Karki, Chief Executive Officer Mr. Rajan Singh Bhandari and Chief Finance Officer as a member and Chief Administrative Officer as a member Secretary of the Committee. The functions, duties and rights of this Committee are in alignment with the directives of NRB. For the FY 2017/18, meeting of the Committee was held 9 times and the committee reviewed and recommended for adjustment in Employees Service Bye laws and HR Policy. Modification of provision on employee promotion, adjustment in routine functions, recommendation for the recruitment of necessary employees for FY 2017/18, review of salary and allowance, review of travelling and daily allowance of employees along with review of other policy of the Bank has been done by the Committee during the year.

Anti-Money Laundering Committee:

The Board of Directors has formed the Anti- Money Laundering Committee under the coordination of director, Mr. Prabitra Kumar Karki along with other directors Mr. Prakash Chandra Mainali, Mr. Bijaya Dhoj Karki and Chief of Risk Management Department as members and the Head of Anti- Money Laundering Department as a member secretary.

During 2017/18, in total 4 meetings were held of Anti-Money Laundering Committee of the Bank. The committee discussed on overall AML/CFT compliance status of the Bank, risk level of customers of the Bank, weakness observed during compliance monitored & recommendations made for improvement. The committee also reviews and discusses on quarterly AML/CFT Compliance Report.

15. CONTRIBUTION TO THE GOVERNMENT EXCHEQUER

During the FY 2017/18, the Bank deposited in aggregate NPR 1,164,545,000 with Inland Revenue Office that consisted of NPR 651,001,000 for Advance Income Tax and NPR 513,544,000 for Tax Deducted at Source on various payments made by the Bank.

16. HUMAN RESOURCE

For Human Resource Management, under the coordination of Deputy Chief Executive Officer, membership of Assistant Chief Executive Officer and Head, Human Resource Management Department as member-secretary, Recruitment Committee has been constituted in the Bank. The Functions, Power and Duties of committee are as mentioned in the Bank's policy.

By the end of the FY 2017/18, 844 employees are working in the Bank. During the year 2017/18, the Bank has hired/appointed a total of 268 new staffs, whereas a total of 108 employees resigned from the Bank's service. Out of the total staffs, 351 are female i.e. 41.58 percent. With the motive of providing excellent and speedy banking services to its customers and achieving business goal, and for the purpose of increment of efficiency of manpower including all the employees, training programs has been provided in the topics related to Debt, Risk, AML/CFT, Digital Payment Systems, Risk Based Internal Audit, Treasury Products and SWIFT Security, Bancassurance etc. and in total, NPR 15,753,073 has been expensed for enhancing the efficiency of human resource. The Bank has spent 3.51% of previous year's total staff expenses in employee training expenses in current year as against regulatory requirement to spend only 3% of previous year's total staff expenses in employees' trainings. The Bank has adopted the policy to carry out similar training programs in the future as well.

17. MAJOR FACTORS AFFECTING BANKING TRANSACTION

Major risks that affect the banking transaction are listed below:

a) Potential risks that may arise due to change in commercial bank policy by Nepal Government and NRB.

b) Risks due to change in exchange rate during foreign exchange transactions.

c) Risks due to change in interest rate on deposit and credit and change in loanable fund as a result of change in liquidity.

d) Risks due to non-recovery of credit on time.

e) Risks due to change in economic conditions of the country.

f) Potential risks arising in providing non-funded services such as letter of credit and bank guarantee.

g) Financial risks in the Nepalese market due to recession in foreign market.

h) Risks due to capital market fluctuation.

i) Effects due to decrease in remittance inflow of the country.

j) Effects due to governmental administrative instability in country.

k) Effects due to rapid increase in competition in the banking industry.

l) Risk due to unavailability of required data and sufficient technology in order to stop Money Laundering.

18. APPOINTMENT OF AUDITOR

The 11th Annual General Meeting of the Bank had appointed M/S J.K. & S.S Associates, Chartered Accountants, for auditing books of account for FY 2017/18 and the audit has been completed. For the FY 2018/19, appointment of auditor will be done as per recommendation of Audit Committee.

19. FUTURE STRATEGIES AND PROGRAMS

a) In order to reduce the average interest rate on deposits, the Bank plans to introduce and mobilize new deposit schemes and increase the individual deposit base and decrease the dependency on institutional depositors.

b) Upgrade Core Banking Software Pumori Plus IV to Finacle.

c) Increase Non-Fund Based Transactions to increase Non-Fund Based Incomes.

d) Improve the quality of the loans & advances and increase the credit disbursement to Agriculture, Energy, Tourism and Cottage and Small Scale Industries.

e) Further improvement in Internal Control System and compliance.

f) Enhancement of branding the Bank through advertisements and business promotion programs.

g) Organize more programs under Corporate Social Responsibility to show the Bank as a responsible institution in society and enhance the brand of the Bank.

h) Form Research and Analysis Unit to identify new areas for expansion of the business of the Bank, to increase the effectiveness of Customer Service and create a friendly environment for customers and manage foreign exchange market and fluctuation in interest rate, to have a positive impact on profit of the Bank.

i) With consideration to provincial structure of the country and monetary policy, the Bank targets to open & operate 15 new branches at different locations & open provincial office in each of the 7 provinces.

j) Provide regular training for employees to enhance the effectiveness and efficiency of work.

k) Further improve Corporate Governance of the Bank.

l) Enhance risk management system of the Bank.

m) Special attention for increment in size of transaction of Subsidiary company.

n) Special attention for providing loans on productive sector. For this, areas having business prospects shall be prioritized for expansion of branch networks of the Bank.

o) Implementation of latest digital banking technologies as deemed appropriate.

20. AUDIT, STATEMENT OF FINANCIAL POSITION AND OTHER STATEMENT

The Consolidated Statement of Financial Position as on July 16, 2018 of Group ,Consolidated Statement of Profit or Loss for year 2017/18, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows, Schedules and Auditor's Report have been included as part of this annual report.

Distributable Profit

In the Fiscal Year 2017/18, 20 percent of the Net Profit i.e. 20 percent of NPR 1,234.103 million, amounting to NPR 246.821 million has been transferred to General Reserve Fund, in line with the requirement of Section 44 of the Banks and Financial Institutions Act (BAFIA), 2017. Similarly, the Bank has transferred NPR 16.72 million to Foreign Exchange Fund in line with the section 45 of BAFIA, 2017. As per the directives of NRB, the Bank has separated 1 percent of Net profit i.e. NPR 12.341 million in Corporate Social Responsibility Fund and NPR 121.429 million has been separated in Debenture Redemption Reserve. Similarly, as per regulation of Nepal Rastra Bank, NPR 795.43 million has been transferred to regulatory reserve.

During the FY 2017/18, cash dividend of 1.6% of paid-up capital of NPR 80,79,619,000 i.e. NPR 13,13,56,143 out of retained earnings and bonus share of 3.6% of paid up capital from the Bargain Purchase Gain deposited in Regulatory Reserve amounting to NPR 291,445,773 has been proposed to be provided as dividend.

21. OTHER DETAILS REQUIRED BY SEC 109(4) OF THE COMPANIES ACT, 2006 HAVE BEEN INCLUDED IN SCHEDULE "A" OF THIS ANNUAL REPORT.

22. THE DETAIL REQUIRED BY RULES 26(2) OF SECURITIES REGISTRATION AND ISSUE REGULATIONS, 2017 HAS BEEN INCLUDED IN SCHEDULE "B" OF THIS ANNUAL REPORT.

On behalf of the Board of Directors of the Bank, I would like to thank all the shareholders, customers, institutions related with Nepal Government and Nepal Rastra Bank. I would also like to express my gratitude to the contributions made by the Chief Executive Officer, all the officers, employees and other supporters. I would also like to thank the media for acting as the bridge between the positive activities of the Bank and the public and the well-wishers who have supported the Bank directly and indirectly.

On behalf of the Board of Directors
Dr. Shankar Prasad Sharma
Chairman
Date: December 23, 2018

COMPLIANCE STATEMENT OF APPLICABLE REPORTING AND DIRECTOR'S RESPONSIBILITY FOR ANNUAL REPORTS

Compliance Statement

The Board and all other staffs of the Bank including its branches endeavor to ensure objectivity and transparency to maintain the Bank's culture and business strategy. The accepted principles of ethical and professional conduct are duly maintained at all levels and within all the activities of the Bank.

Along with customers' satisfaction as our core concern, the Bank is committed to meet statutory and regulatory obligations. The Bank complies with Generally Accepted Accounting Principles, Nepal Financial Reporting Standards, Directives issued by Nepal Rastra Bank, Companies Act, National Legislation, regulations issued by local authorities, guidelines issued and other prevalent laws and regulations. The Bank has depicted compliance with the same through core values and standards, high standards of integrity, governance and risks management frameworks and control works.

Director's responsibility in respect of annual report and financial statements

The statement of director's responsibility should be read simultaneously with the auditor's statement of their responsibilities set out in Auditor's Report to shareholders, which provides the shareholders a precise view to distinguish the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are primarily responsible for the preparation of the Annual Report comprising the financial statements of the Bank in accordance with applicable laws and regulations. Section 108 along with section 109 of the Companies Act, 2006 explains the responsibility of Board of Directors for the preparation of Annual Reports.

In the preparation of the financial statements, the directors undertake the responsibility of following arrangements:

- Select suitable accounting policies and then apply them consistently,
- Make reasonable judgements and estimates where necessary,
- State that financial statements comply with the Nepal Financial Reporting Standards, Directives and circulars issued by Nepal Rastra Bank, the Companies Act, other National Legislation, regulation issued by local authorities, guidelines issued and other prevalent laws and regulations, and
- Prepare the financial statements on the going concern basis with the satisfaction that the Bank has the resources to continue the business for the foreseeable future; unless it is not appropriate.

The directors are responsible for keeping proper books of account which discloses the financial position of the Bank with reasonable accuracy at any time. Also, the directors ensure that financial statements comply with the Companies Act, 2006. Reasonable steps are taken for the prevention and detection of the fraud and other irregularities in safeguarding the assets. The responsibility for the maintenance and integrity of the corporate and financial information included on the Bank's websites also lies with the directors.

On behalf of the Board of Directors
Dr. Shankar Prasad Sharma
Chairman

A REPORT ON THE ACTIVITIES OF AUDIT COMMITTEE

Constitution

The Audit Committee is chaired by the Professional director with total of three members and has the terms of reference of the Committee defined in line with regulatory provisions of the NRB Unified Directives and the provisions of the Sections 164 and 165 of the Companies Act, 2006. The Audit Committee of the Bank comprises of Mr. Avanindra Kumar Shrestha- Director, Dr. Chanda Karki- Director & Mr. Anit Sapkota- Head Internal Audit Department.

The Committee is chaired by Mr. Avanindra Kumar Shrestha- Director with effect from August 17, 2017 (Bhadra 1, 2074). Prior to this, it was chaired by Mr. Chandra Tandon- Director. Mr. Anit Sapkota, Head-Internal Audit Department of the Bank acts as the Member Secretary of the Committee.

Roles and Responsibilities

Audit Committee of the Bank is assigned with the following roles and responsibilities:

- To review the Bank's financial condition, internal controls, audit program, and findings of the internal audit team and to give necessary instructions to the management and recommend the Board of Directors about the actions to be taken;
- To review the matters contained in the audit report of the external (statutory) auditors and give necessary instructions to the management for corrective actions;
- To review the compliance and correctional status of the findings on site inspection report of NRB and report the same to the Board of Directors;
- To prepare a comprehensive audit plan and perform internal audit accordingly;
- To help the management ensure that the annual report is accurate and real;
- To ensure the Board of Directors, that accounts are accurate and fair, along with frequent reviews of the adequacy of provisioning against contingencies and classified loan;
- To review the compliance of the regulations issued by NRB to the Bank and include the same in its report;
- To review the activities of the Bank with respect to its regularity, economical, logical, effectiveness, and give necessary suggestions to the Board of Directors;
- To review and report the quarterly financials of the Bank;
- To perform other tasks as mentioned in Section 61 of Banks and Financial Institutions Act, 2017 and section 165 of Companies Act, 2006.

Major Activities Undertaken

In relation to the Financial Reporting Framework, the Audit Committee:

- Ensured that the Financial Reporting System is in place, were effective and well managed and reviewed the recent professional and regulatory pronouncements to understand the potential impact on financial statements.
- Reviewed the appropriateness of the accounting policies and ensured adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.

- Provided directions and supervise the operations of total audit functions of the Bank including the organization, operation and quality control of internal audit, internal control weaknesses and inspection within the Bank and follow-up of the suggestions of Statutory/External Auditors of the Bank and NRB inspections.
- Evaluated the adequacy of internal control systems, structure of internal audit department, its staffing pattern and held discussions with the internal auditors / inspectors on any significant finding and follow-up action thereon. It further reviewed the financial and risk management policies of the Bank.
- Reviewed the Interim Financial Statement of the Bank in order to monitor such statement prior to submission to the Board of Directors.
- The Committee assisted the Board of Directors in engaging the External Auditor for audit services, in compliance with the provisions of the direction and Act and also agreed on their remuneration with the approval of the shareholders through Annual General Meeting. The committee reviewed the non-audit services provided by the auditor while monitoring and evaluating the independence and objectivity of the External Auditor. The Audit Committee of the Board also reviews the effectiveness of controls and compliance with regulatory guidelines.

The observations and comments put forth by internal/ external auditors and regulators were reported to the Board of Directors with appropriate recommendations to which, the Board of Directors provided necessary instructions to the management to regularize such observations and comments. Audit committee ensured that such instructions were duly implemented, observed and that the comments were not repeated.

Conclusion

The Committee has been performing its functions effectively and reporting to Board of Directors with necessary recommendations. The Committee is grateful to all for extending cooperation in performing its responsibilities.

Mr. Avanindra Kumar Shrestha
Coordinator
Audit Committee

REPORT ON THE ACTIVITIES OF THE RISK MANAGEMENT COMMITTEE

Composition of the Committee

The Committee is chaired by a non-executive director with a total of five members on the committee and has the terms of reference in line with the regulatory provisions of the NRB as in Risk Management Guidelines and the NRB Directives. The committee submits the report of risk assessment to the Board of Directors.

The Risk Management Committee of the Bank comprises of Mr. Prakash Chandra Mainali, Director as coordinator and Mr. Avanindra Kumar Shrestha-Director, Mr. Bijaya Dhoj Karki-Director, Mr. Paras Kumar Kafle-Chief Operating Officer and Mr. Ravi Kumar Rauniyar-Chief Risk Management Officer, Risk Management Department are the members of the committee. The Committee was reconstituted on August 17, 2017 (Bhadra 01, 2074). Mr. Ravi Kumar Rauniyar, Chief Risk Management Officer of Risk Management Department of the Bank acts as the Member Secretary of the Committee.

Roles and Responsibilities

The Committee of the Bank is assigned with the following responsibility;

- To review the level of risk associated with the business, risk bearing capabilities, development of strategies, policy arrangements as well as guidelines adopted towards risk management and suggest the Board of Directors as to their appropriateness.
- To obtain report from the management on risk management on a regular basis; discuss as to assess and evaluate the risk under existing system, control and monitoring mechanism and submit necessary suggestions to the Board.
- To appraise the Board of Directors as to the appropriateness of the existing risk identification and management system as well as suggest for development of an appropriate system.
- To analyze and review Capital adequacy as per the risk assets, internal capital adequacy assessment plan (ICAAP), appropriateness of policies as per the business strategy, maximum level of risk the organization may assume and submit necessary recommendation and opinions to the Board.
- To suggest the Board of Directors for development of mechanism and necessary policies as may be necessary as per the appropriate practices as well as internal limits to be fixed by the organization as per the guidelines/ directives issued by Nepal Rastra Bank relating to Risk Management.
- Conduct stress testing on a regular basis and discuss the outcomes and on that basis submit recommendations to the Board about the policies and procedures that are necessary for adoption in future.
- To review on quarterly basis the assets structure, mobilization status of such assets, yield from the assets, improve/deterioration in assets quality, as well as performance of Assets Liabilities Committee (ALCO) and submit report to the Board.

Major Activities Undertaken

- The committee reviewed and recommended various policies, drafted to define, assess, quantify and monitor the risk that the Bank is exposed to, as well as define the limit of tolerance acceptable to the overall strategy of the Bank. Operational Risk Management Policy, Liquidity Risk Management Policy, Market Risk Management Policy, Contingency Management Framework, ICAAP Policy, etc. were recommended to the Board of Directors for approval.
- The Committee submitted the quarterly integrated risk management report, prepared by the Risk Management Department to the Board of Directors, along with the results of Stress testing reports.
- The Committee ensured compliance, and monitored various compliance ratios and internal limits, defined to limit risk exposure of the Bank.

Conclusion

The Committee has been performing its functions effectively and reporting to Board of Directors with necessary recommendations. The Committee is grateful to all for extending cooperation in performing its responsibilities.

Prakash Chandra Mainali
Coordinator
Risk Management Committee

A REPORT ON THE ACTIVITIES OF HUMAN RESOURCE COMPENSATION COMMITTEE

Composition of the Committee

The Committee, which constitutes of five members, has the terms of reference in line with the regulatory provisions of the NRB. The CEO, responsible for the overall management of the Bank, participates in all the deliberations and discussions, except in matters of conflict of interest. The Human Resource Compensation Committee of the Bank comprises of Mr. Bal Krishna Prasai – Director as the coordinator, and Mr. Pavitra Kumar Karki - Director, Mr. Rajan Singh Bhandari - Chief Executive Officer, Ms. Umang Sharma - Chief Administrative Officer and Mr. Pramesh Raj Kayastha - Chief Finance Officer are the members of the Committee. Ms. Umang Sharma - Chief Administrative Officer of the Bank acts as the Member Secretary of the Committee.

Roles and Responsibilities

The Committee is assigned with the following responsibilities:

- Provide necessary support to the Board of Directors in developing Employee Compensation and Benefit Determination Policy.
- Evaluate and assess the benefits and compensation package of the Bank and review the impact of changes in such benefits in the market and recommended changes from time to time.
- Review the existing compensation package including that of the CEO in line with the industry and the Compensation and Benefit Determination Policy and if required, propose amendments in the package to the Board of Directors.
- Develop and evaluate the parameters of job description, targets and goals and assess the performance evaluation criteria and process based on it.
- Develop policies and parameters related to recruitment and selection, appointment, placement, transfer, promotion, personnel development, performance evaluation, reward and punishment and recommend it to the Board of Directors.
- Develop Human Resource Policy, organization chart and manpower planning along with succession planning and recommend it to the Board of Directors.
- Evaluating the parameters of the compensation and benefits of the employee.
- Determine the design of eligibility for and targets for, any long term performance related pay schemes operated by the Bank and subsequently, review the performance against these targets and agree any payments proposed.
- Agreeing in the policy for authorizing claims for expenses and ensure that all incentive plans comply with relevant legislation, codes of conduct and good remuneration practice.
- Make recommendations to the Board of Directors from time to time, of the additional/new expertise required by the Bank and also address succession planning and issues connected to the organizational structure.

Major Activities Undertaken

In the FY 2017/18, following agendas were discussed and decisions made in the committee meeting:

- Amendment in Staff Vehicle Facility and Staff Home Loan Facility in the Employee Service Bye laws of the Bank.
- Amendment in Travel and Daily Allowances in the Financial Bye laws of the Bank.
- Amendment in Organizational Structure of the Bank.
- Recommended for revision of salary scale that shall be effective from FY 2018/19.
- Recommended manpower planning for the FY 2018/19
- Fixation of service tenure for the promotion of Staff in Gold Tester level.
- Discussion on succession planning of the Bank and Labor Law, 2017 with its impact on Employee Bye Laws of the Bank.

Conclusion

The Committee has been performing its functions effectively and reporting to Board of Directors with necessary recommendations. The Committee is grateful to all for extending cooperation in performing its responsibilities.

Bal Krishna Prasai
Coordinator
Human Resource Compensation Committee

A REPORT ON THE ACTIVITIES OF ANTI MONEY LAUNDERING COMMITTEE

Anti Money Laundering Committee (AMLC)

The AML Committee comprises total of 5 members, 3 from Board of Directors (coordinator with 2 members), Chief Risk Officer (as member) and Head AML/ CFT (as member secretary). The committee is chaired by one of nominated Board members as coordinator. The Committee meets minimum on a quarterly basis or as per need basis. The AMLC assists the BOD members in fulfilling its oversight responsibility over the Bank's Compliance Management to ensure that the Bank is within the compliance with the provisions of NRB guidelines, Directives and Assets (Money) Laundering Prevention Act to the end and to ensure that the Bank is not used as a vehicle to legitimate the proceeds of unlawful activity or to facilitate or finance terrorism.

The Committee is authorised to:

a. Ensure the rigorous implementation of the Board-approved framework for risk and compliance management, including the approval of relevant policies and procedures.

b. Request and receive sufficient information to satisfy itself that the AML compliance is operating as intended.

The Committee will be fully responsible for ensuring effective operations of AML functions. The responsibilities of the Committee with respect to these risks include the following:

a. Monitor the Bank's risk profile in order to confirm that the Bank is operating within the risk appetite.

b. Review operational and AML risk exposures and ensure appropriate action is taken where necessary.

c. Receive notification of any material breaches of risk limits or procedures and agree proposed actions.

d. Review risk and compliance training programmes to ensure the strengthening of a risk and compliance awareness culture.

e. Recommend appropriate policies to ensure the Bank's ongoing compliance with relevant legal and regulatory requirements for Board approval.

f. Receive and review quarterly presentation of AML/CFT- Compliance report including risk categorization of customers, Customers/ Transaction Monitoring, Screening procedure, TTR and STR Reporting and all other necessary information to satisfy itself that the compliance framework is operating as intended.

The Committee will have the responsibility for reviewing the policy on an annual basis or as per need and making recommendations to the Board for approval.

Evaluation of the Committee

An independent evaluation of the committee was done by the Board of Directors of the Bank in regards to the effectiveness of the committee while discharging its functions and its contribution on the overall performance of the Bank.

Pavitra Kumar Karki
Coordinator
AML Committee

REVIEW OF BANK'S PERFORMANCE WITH THE MANAGEMENT'S OBJECTIVES AND STRATEGIES

Objective 1

STANDARD AND RELIABLE BANKING SERVICES

The main objective of the Bank has been to provide standard and reliable financial services to the general public, by protecting and promoting the rights and interests of the depositors and shareholders of the Bank. In this regard, the Bank has several branches outside Kathmandu Valley at remote areas such as Bhumahi of Nawalparasi ,Manhari of Makwanpur, Haldibari of Jhapa, Badhiyatal of Bardiya, Sarkegadh and Namkha of Humla, Aurahi of Mahottari, Bangalachuli of Dang, Simalchaur of Pokhara, Mangsebung of Illam, Likhupike of Solukhumbu, Sunpati of Ramechhap, Temal of Kavre, Hariharpurgadhi of Sindhuli, Sahidhbhumi of Dhankuta, Jhimruk of Pyuthan, Bhume of Rukumpurwa and Dhakari of Accham. Altogether, there are 78 branches of the Bank as on the fiscal year 2017/18 that has increased to 81 till reporting date. Furthermore, the Bank has also been able to mobilize branchless banking, therefore, taking the count of branchless Banking centers to 99 with the Bank's BLB service in 25 districts reaching to 7,045 customers in the review year. The Bank also acknowledges the growing trend in the use of electronic banking and internet banking services. Furthermore, for the convenience and satisfaction of the Bank's valued customers, the Bank has added 5 more ATMs to increase the number of ATMs to 75.

Objective 2

DEVELOPMENT OF INDUSTRIAL, TRADE AND AGRICULTURAL SECTORS OF THE COUNTRY

Amount in NPR Million

S.No	Industry / Sector	FY 2016/17		FY 2017/18		% growth in Loans
		Outstanding Balance	% of Total Loans	Outstanding Balance	% of Total Loans	
1	Agricultural and Forest Related	1,301.60	2.69%	1,579.87	2.73%	21%
2	Fishery Related	59.88	0.12%	77.37	0.13%	29%
3	Mining Related	255.95	0.53%	384.58	0.66%	50%
4	Agriculture, Forestry &Beverage Production Related	2,206.78	4.56%	2,577.28	4.45%	17%
5	Non-food Production Related	4,215.17	8.70%	4,826.02	8.33%	14%
6	Construction	1,734.93	3.58%	2,710.27	4.68%	56%
7	Power, Gas and Water	2,885.84	5.96%	3,312.54	5.72%	15%
8	Metal Products, Machinery & Electronic Equipment & Assemblage	90.52	0.19%	149.40	0.26%	65%
9	Transport, Communication and Public Utilities	708.10	1.46%	1,263.69	2.18%	78%
10	Wholesaler & Retailer	8,102.32	16.73%	10,780.46	18.60%	33%
11	Finance, Insurance and Real Estate	4,837.59	9.99%	5,137.31	8.86%	6%
12	Hotel or Restaurant	743.53	1.53%	897.38	1.55%	21%
13	Other Services	2,506.26	5.17%	3,098.27	5.35%	24%
14	Consumption Loans	7,275.19	15.02%	7,416.29	12.80%	2%
15	Local Government	-	0.00%	-	0.00%	0%
16	Others	11,518.34	23.78%	13,744.26	23.72%	19%
	Total	**48,441.98**	**100.00%**	**57,955.00**	**100.00%**	**20%**

As can be seen from the table above, the Bank stands firm on its objective to associate itself with the growth in the economy, with growing amount of investment in all the sectors and an increase of approx. 20 percent in the amounts invested in each sector. The highest increase can be seen in the Transport, communication and public utility sector in comparison to any other sector which saw loans increase by 78 percent which represents 2.18 percent of total loan. The mining industry sector saw loan increase by 50 percent and the agriculture sector by 21 percent which represents 3.39 percent of total loan. Construction sector in the above table saw loan increase of 56 percent which represents 4.68 percent of total loan. Other sector in the above table saw 19 percent growth which represents 23.72 percent of total loan.

Out of the total deposits, 94.26 percent has been disbursed as loans and advances compared to the disbursement of 91.89 percent in the previous year. Interest income on loans and advances has increased by 43.33 percent as compared to 48.13 percent in the previous year. Interest expenses on deposits have increased by 54.18 percent as compared to 42.46 percent in the previous year. The Bank has reduced the concentration of deposits among the top accounts though the same remains on higher side even under the period under review. The Bank acknowledges the fact of having low proportion of low cost CASA deposits which has led to the high cost of deposit among the peers and weakening the Bank's competitive positioning to some extent. The high exposure to the riskier segments and reduction in the low yielding corporate loans by approximately 16 percent since July 2014 has been supporting for the better yields of the Bank. The tightening of the liquidity in the Banking Sector in the period under review had resulted in the increased cost of fund for the Bank due to high growth in advance and consequent reliance on the large depositors. The Bank has provided the all-time higher rate of interest (in the history of the Bank) on the deposit segment to cope up with the economic scenario at that period but has always remained in the purview of the interest rate spread as required by the central bank.

Objective 3

SUPPORT EMPLOYMENT ORIENTED BUSINESSES AND RENDER SUPPORT TO ALLEVIATE POVERTY

S.No	Industry / Sector	FY 2016/17	FY 2017/18	% growth in number of loans
		No.of Loans	No. of Loans	
1	Agricultural and Forest Related	2,551	2,844	11%
2	Fishery Related	17	29	71%
3	Mining Related	50	80	60%
4	Agriculture, Forestry &Beverage Production Related	215	164	-24%
5	Non-food Production Related	277	320	16%
6	Construction	332	514	55%
7	Power, Gas and Water	39	50	28%
8	Metal Products, Machinery & Electronic Equipment & Assemblage	36	42	17%
9	Transport, Communication and Public Utilities	333	556	67%
10	Wholesaler & Retailer	1,202	1,262	5%
11	Finance, Insurance and Real Estate	168	173	3%
12	Hotel or Restaurant	40	43	8%
13	Other Services	547	618	13%
14	Consumption Loans	12,455	13,891	12%
15	Local Government	-	-	0%
16	Others	5,607	6,581	17%
	Total	**23,869**	**27,167**	**14%**

The growth trend is also reflected in the numbers as the highest increase is seen in the Fishery category where customers have increased by 12 in number and 71 in percent and adverse result is seen in agriculture, forestry and beverage production related sector where number of loan decreased by 24 in percent and 51 in number than that of previous year. Number of loan files in agriculture sector has been increased by 293 which reflect growth by 11 percent. Therefore, in total, the Bank has invested in 27,167 businesses, which represents an increase in approx. 14 percent from the previous year, reflecting the drive to support employment-generating businesses and therefore lend a helping hand in alleviating poverty from the country. The Bank represents itself as a promoter of "goodness" and in the path for investing into goodness, the Bank widen its reach to the agricultural sector lending creating the environment for the long term sustainable development with the help of the increased flow of money to the economically productive sector and rendering of the services to such potential through deprived sector. The Bank also helped in creation of the employment opportunity and also invested in the retail and Small and Medium Enterprise with the objective of boosting the economies of the scale of the country and promoting the entrepreneurship. The Bank has increased the share of retail/SME loans in Bank's portfolio to 126 in number which reflects increment of 10%.

The total number of permanent employees of the Bank has also been increased by 23.25 percent to 843 which depicts increment of employment opportunity by the Bank both internally and externally.

Objective 4

PROVIDE FINANCIAL INTERMEDIARY SERVICES

The Bank has been playing the intermediary role since the beginning and still continues to move forward in that path by increasing its services in the form of domestic as well as international remittance, securities dematerialization service, market maker, branchless banking, utility payment and services, undertaking government projects, escrow account management, and insurance services during the review year. With the view of making remittance transaction more efficient and effective, the Bank has been expanding its networks by contracting with remittance companies inside and outside the country. To expand remittance business in the future; further agreement will be signed with exchange companies of potential countries such as South Korea, India, Qatar, Saudi Arab, Malaysia, America and remittance business will be expanded and enhanced. Similarly, the Bank has also been providing DEMAT account opening and maintenance service, the statement for which can be assessed online. Furthermore, the Bank has also been able to mobilize branchless banking services.

The Bank has also signed an agreement with Nepal Life Insurance Company and Surya Life Insurance Company to render bancassurance services and with N.B. Insurance Company Limited to render non-life insurance services. The customer could easily get non-life/life insurance policy, pay a premium, make an insurance claim and get claims paid through any branches of the Bank besides regular banking services.

With the alliance of CBIL Capital Limited, the Bank aims to integrate DEMAT service being provided by the Bank with RTA services, portfolio management services being provided by a subsidiary of the Bank. Therefore, with new and continued services as mentioned above is provided by the Bank, it has been able to successfully maintain the financial intermediary role.

Amidst national political uncertainty, the Bank stands firm on achieving its objectives through business generation, voluminous growth in loans and advances and deposits and expansion during the review year through acquisition and issuance of the stock dividend. For the Bank's contribution towards industry expansion, employment creation and compliance through payment of tax to government has always been its objectives, for which it has acted accordingly.

Objective 5

MEETS THE CONCERN OF SOCIETY THROUGH CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank has segregated one percent of its net profit amounting to NPR 12,341,039 in Corporate Social Responsibility Fund in compliance to the NRB guidelines. For the Bank, CSR is not just philanthropy; the Bank cares the needs and expectations of the stakeholders and act as a partner in progress of the community and the country. The CSR amount has been increased by Rs.1,524,424 in current fiscal year 2017/18 in comparison to previous year. Such amount has been allocated for the support of Sports, Education, Healthcare and others as well.Similarly, the Bank intends to lead the industry in Nepal embracing green energy by implementing solar systems to power the Bank. The Bank has also been supporting marginalized, low earning community through deprived sector lending for which it has allocated NPR.3,092,507,939 during FY 2017/18 which is 16 percent excess than regulatory requirement. The details of such analysis have been presented in separate section of Corporate Social Responsibility (CSR).

CFO'S MESSAGE



Our Bank is sufficiently capitalized and has adequate risk taking appetite to cover business growth as envisioned and any untoward risks that may come up.

PRAMESH RAJ KAYASTHA
Chief Finance Officer

In the backdrop of ever-changing competitive and regulatory environment of banking industry, our Bank has successfully reported a net profit after tax of NPR 1.234 billion in this year 2017/18 which declined by 24.52% as compared to the NPR 1.634 billion in the previous year 2016/17, due to inclusion of bargain purchase gain of NPR 0.66 billion as non- operating income of previous year which arose from acquisition of Premier Finance Limited. The Total Operating Income is NPR 3.033 billion and Operating Profit is NPR 1.686 billion which increased by 25.50 percent and 10.02 percent respectively in current year as compared to previous year. Total shareholder's equity reached NPR 11.014 billion, an increase of NPR 1.171 billion compared with 2016/17. As on July 16, 2018, total deposit on our Statement of Financial Position stood at NPR 60.69 billion, an increase of NPR 8.97 billion from the level recorded on July 16, 2017. Total loans, advances, bills were increased by NPR 9.62 billion during the year and reached to NPR 58.46 billion which is reflected on the Statement of Financial Position as on July 16, 2018. The level of capital expenditure increased by NPR 425.51 million to support our strategic objectives and smooth operation. Cash and cash equivalents stood at NPR 5.046 billion on July 16, 2018 which increased by NPR 1.159 billion compared to the 2016/17 year end.

Our Bank is sufficiently capitalized and has adequate risk taking appetite to cover business growth as envisioned and any untoward risks that may come up as per BASEL III norms as mandated by regulator. Our Bank's Tier I Capital is NPR 9.348 billion and Tier II Capital is NPR 790.033 million. Tier I Capital to Total Risk Weighted Exposure Ratio is 12.76% against regulatory requirement of 6% and Tier I & Tier II Capital to Total Risk Weighted Exposure Ratio is 13.84% against regulatory requirement of 11%.

The performances reported have been achieved being within the various internal limits fixed by Risk Management Committee of the Bank duly approved by the Board and no unnecessary and unplanned risk has been undertaken in due course of action.

The independent auditor has reported the unqualified opinion on the financial statements of the Bank in the FY 2017/18 that it gives a true and fair view in all material respect in accordance with Nepal Financial Reporting Standards. The financial statements presented of FY 2017/18 is carve-out financial statements in which numbers of carve-out adjustments provided by Accounting Standard Board in application of Nepal Financial Reporting Standard has been done. The Bank shall fully adopt Nepal Financial Reporting Standard in the coming years. Further, our Bank believes in adoption of best governance practices and this year onwards has endeavored to prepare financial report in compliance of International Integrated Reporting Framework.

As a truly customer centric Bank, we have focused on the creation of new value to achieve sustainable profit growth. In years to come we will continue to implement "efficient financial management" for sustainable growth and "capital management" for maintaining a balance between financial soundness, strategic investments for growth and further enhancement of shareholder returns.

Last but not the least, I would like to thank all the concerned people who have shown their interest in our FY 2017/18 Annual Report.

PRAMESH RAJ KAYASTHA
Chief Finance Officer

INFORMATION FOR UNDERSTANDING FINANCIAL STATEMENTS

Items of Statement of Financial Position

1.1 Cash and Cash Equivalents

It consists of the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, 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.

1.2 Due from Nepal Rastra Bank

It consists of statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

1.3 Placement with Bank and Financial Institutions

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented under this account head.

1.4 Derivative Financial Instruments

It includes derivative instruments like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes.

1.5 Other trading assets

Trading assets are those assets that the Bank acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit has been presented under this account head. The other trading asset includes non-derivative financial assets. It includes Government bonds, NRB Bonds, Domestic Corporate bonds, Treasury bills, Equities, etc. held primarily for the trading purpose.

1.6 Loan and advances to bank and financial institutions

It includes loan and advances provided to microfinance financial institutions as well as other bank and financial institutions. Specific impairment on loan and advance to bank and financial institutions has been deducted while presenting.

1.7 Loan and advances to customers.

It includes, sum of the outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances. Loan to employees provided according to the Employees Bye laws of the Bank has also been presented under this head.

1.8 Investments securities

It includes investments made by the Bank under three different categories:

a. Investment securities designated at fair value through profit or loss

b. Investment securities measured at amortized cost and

c. Investment in equity measured at fair value through other comprehensive income.

Investment other than those measured at amortized cost has been measure at fair value and changes in fair value has been recognized in profit or loss, or other comprehensive income as per the business model adopted by the Bank for the specific securities.

Where income from the investment is received in the form of bonus shares, the valuation of investment has been made by increasing the number of shares only without changing in the cost of investment.

1.9 Current tax assets

It includes any advance payment made by the Bank towards income tax liabilities or other tax liabilities to the taxing authorities (Inland Revenue Department).

1.10 Investment in Subsidiaries

It includes those entities that are controlled by the Bank. The investment in subsidiaries has been shown in separate individual financial statement, which has been eliminated in consolidation process, so no amount has been presented under group financial statements.

1.11 Investment in Associates

It includes those entities in which the Bank has significant influence but not control over the financial and operating policies.

1.12 Investment properties

It includes land or land and building other than those classified as property and equipment; and non-current assets held for sale under relevant accounting standard. This also include land, land and building acquired as Non-Banking Assets held by the Bank but not sold as of reporting period.

1.13 Property and equipment

It includes all assets of long-term nature (fixed) like land, building, IT equipment, fixtures and fittings, office equipment and appliances, vehicles, machinery, leasehold developments and capital work in progress owned by the Bank.

1.14 Goodwill and intangible assets

It includes goodwill and intangible assets like computer software both purchased and internally generated, trade mark, etc.

1.15 Deferred tax assets

It includes deferred tax assets recognized as per NFRS (NAS 12, Income Taxes) on temporary deductible differences, carry forward of unused tax losses, changes in tax rate etc.

1.16 Other Assets

It Includes other tangible or intangible asset not mentioned above (1.1 to 1.15) like assets held for sale, non-banking assets (other than land or land and building), restricted deposits with central banks, accounts receivable, interest receivable, accrued income, prepayments and deposit, etc.

1.17 Due to bank and financial institutions

It includes the balances in accounts maintained with the Bank by other local and foreign banks and financial institution. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution has also been presented under this head.

1.18 Due to Nepal Rastra Bank

It includes the amount payable to Nepal Rastra Bank like amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB, etc.

1.19 Derivative financial instruments

It includes all derivative liabilities like interest rate swap, currency swap, forward foreign exchange contract, etc. held for trading as well as risk management purposes.

1.20 Deposits from customers

It includes all deposit accounts other than deposit from BFIs (local and foreign) and NRB.

1.21 Borrowing

It includes all domestic as well as foreign borrowing other than interbank borrowing and borrowing from Nepal Rastra Bank. It also includes borrowing from Nepal Government, borrowing from other domestic institutions, borrowing from foreign bank and financial institutions, multilateral development banks, etc.

1.22 Current Tax Liabilities

It includes liabilities recognized for the purpose of current income tax, including fees, penalties.

1.23 Provisions

A provision is recognized when as a result of a past event, the licensed institution 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 and it includes provision for redundancy, provision for onerous contracts, provision for restructuring, pending legal issues and tax litigation, credit commitments and guarantees, etc.

1.24 Deferred tax liabilities

These are liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities that are recognised as per requirement of NFRS (NAS 12 – Income Taxes).

1.25 Other liabilities

Any residual liabilities not captured above (from 1.17 to 1.24) has been presented under an appropriate head. Liabilities relating to employees benefits like liabilities for defined benefit obligation gratuity and pension fund, liabilities for long-service leave, cash settled share based payment liabilities, short-term employee benefits, etc., creditors and accruals, interest payable on deposit and borrowing, unearned income, unpaid dividend, etc. have also been presented under this head.

1.26 Debt securities issued

It includes debenture, bond or other debt securities issued by the Bank.

1.27 Subordinated Liabilities

It includes such liabilities like liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors. It also includes redeemable preference share, subordinated notes issued, borrowings, etc.

Items of Statement of Equity

1.28 Share capital

It includes amount of paid up share capital of the Bank. Any amount credited in share capital by issuing bonus shares utilizing the accumulated profit and reserves has also be disclosed under this heading. It also includes paid up amount of ordinary share capital and equity component of preference share capital.

1.29 Share premium

The amount of money collected on issue of shares in excess of its face value has been presented under this heading. The outstanding amount in this account will not be considered eligible for distribution of cash dividend.

1.30 Retained earnings

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the Bank's operations and is free for distribution of dividend has been presented under this heading.

Items of Statement of Profit or Loss

1.31 Interest income

This includes income recognized as per NFRS (that is on accrual basis). It includes interest income on loan and advance, investment securities except on those investment securities measured at fair value through profit or loss, cash and cash equivalent, due from Nepal Rastra Bank, due from BFIs, loan and advances to staff, etc.

1.32 Interest expense

This includes interest expenses recognized as per NFRS (that is on accrual basis). It includes interest accrued on deposits collected, debt securities issued, borrowings obtained, subordinated liabilities, amount due to bank and financial institutions, due to NRB, etc.

1.33 Fees and commission income

Fee income is earned for diverse ranges of services provided by the Bank to its customers. Fee income arises on the execution of a significant act completed or from provision of services like asset management, portfolio management, management advisory and service fees, etc. It also includes loan documentation fee, loan management fee, consortium fee, commitment fee, card issuance and renewal fees, prepayment and swap fee, remittance fee, investment banking fee, asset management fee, brokerage, commission on letter of credit, commission on guarantee, locker rental income, etc. The fees and commission income that are integral to the effective interest rate on the financial assets are included in the measurement of the effective interest rate, which has been exempted by issue of Carve-outs by Institute of Chartered

Accountants of Nepal.

1.34 Fees and commission expense

It includes pay-outs on account of fee and commission for services obtained by the Bank. This account head also include card related fees, guarantee commission, brokerage expenses, etc. The fees and commission expense that are integral to the effective interest rate on the financial liability are included in the measurement of the effective interest rate which has been exempted by issue of Carve-outs by Institute of Chartered Accountants of Nepal.

1.35 Net trading income

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

1.36 Other operating income

It includes receipt of all other operating income not specifically provided under the income heads above (1.31 to 1.35). This also includes foreign exchange revaluation gain, gain/loss on sale of available for sale securities, dividend on available for sale securities, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, operating lease income, gain/loss on sale of gold and silver, finance income of finance lease, etc.

1.37 Impairment charge/ (reversal) for loan and other losses.

Impairment loss recognized as per NFRS on loan and other losses has been presented under this account head. It also includes impairment charge/ reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties, etc.

1.38 Personnel expenses

It includes all expenses related to employees of a bank like employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, cash-settled share-based payments, etc.

1.39 Other Operating expenses

It includes all operating expense other than those relating to personnel expense. It covers expenses like office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non-audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non-financial assets, expense of corporate social responsibility, onerous lease provisions, etc.

1.40 Depreciation and amortization

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRS on property and equipment, and investment

properties, and amortization of intangible assets has been presented under this account head.

1.41 Non-operating income/expense

It includes those income and expenses that have no direct relationship with the regular operation/ transactions of the Bank. The income/ expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring, etc.

1.42 Income tax expense

It includes income tax on net taxable profit segregated into current tax expense and deferred tax expense/ deferred tax income.

Items of the Statement of Other Comprehensive Income

1.43 Fair value reserve relating to investment in equity instruments

Net changes in fair value of equity instrument that are measured at fair value and the changes in fair value is required to be recognized in Other Comprehensive Income has been recognized and presented under this account head. The changes may be subsequently reclassified to Profit and Loss in accordance with the relevant NFRS and be deducted from the fair value reserve.

1.44 Changes in revaluation reserve

Changes in revalued amount of property and equipment, and intangible has been presented under this account head.

1.45 Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value (losses) of the derivative is recognised and presented in Other Comprehensive Income. The changes may be subsequently reclassified to profit and loss in accordance with the relevant NFRS and be deducted from the fair value reserve.

1.46 Net actuarial gain/ loss on defined benefit plans

Re-measurement gain/losses arising from experience adjustments and changes in actuarial assumptions (demographic and geographical) are recognized in the period in which they occur, directly in other comprehensive income and has been be presented under this account head.

1.47 Income tax relating to these items

The income tax relating to the items shown in Other Comprehensive Income has been presented under this head.

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Chartered Accountants

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REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF CITIZENS BANK INTERNATIONAL LIMITED

We have audited the accompanying consolidated financial statements of Citizens Bank International Ltd and its subsidiary, which comprise the Consolidated Statement of Financial Position as at Ashad 32, 2075 (July 16, 2018), and the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material aspects, the financial position of Citizens Bank International Limited and its subsidiary as at Ashad 32, 2075 (July 16, 2018) and their financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and the Companies Act, 2063.

Report on Other Legal and Regulatory Requirements

On the basis of our examination, we would like to further report that:

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit,

ii. Financial statements are in agreement with the books of account maintained by the Bank,

iii. So far as it appears from our examination, books of accounts are properly maintained in accordance with the prevailing laws,

iv. So far as it appears from our examination, we have not come across cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank,

v. The operations of the Bank were within its jurisdiction,

vi. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,

vii. The Bank has a centralized core accounting system and details received from branches of the Bank though the statements are independently not audited, were adequate for the purpose of our audit, and

viii. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book of accounts.



CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

Date: December 11, 2018
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Assets					
Cash and Cash Equivalents	4.1	5,148,467,404	4,552,522,507	5,046,237,676	3,887,468,818
Due from Nepal Rastra Bank	4.2	3,690,192,293	2,190,896,703	3,690,192,293	2,190,896,703
Placement with Bank and Financial Institutions	4.3	1,989,878,358	1,568,014,418	1,989,878,358	1,568,014,418
Derivative Financial Instruments	4.4	36,385,944	21,975,955	36,385,944	21,975,955
Other Trading Assets	4.5	142,662,000	133,900,339	76,236,446	51,442,831
Loans and Advances to B/Fls	4.6	1,420,646,197	1,467,126,976	1,420,646,197	1,467,126,976
Loans and Advances to Customers	4.7	55,598,967,114	46,015,334,255	55,601,766,580	46,021,501,436
Investment Securities	4.8	5,616,858,302	6,800,605,921	5,616,858,302	6,785,605,921
Current Tax Assets	4.9	114,653,791	300,791,522	114,653,791	300,791,522
Investment in Subsidiaries	4.10	-	-	117,200,000	67,000,000
Investment in Associates	4.11	23,903,192	31,751,500	17,951,500	31,751,500
Investment Property	4.12	287,547,060	390,066,062	287,547,060	390,066,062
Property and Equipment	4.13	2,127,954,165	1,765,808,835	2,121,592,854	1,758,546,430
Goodwill and Intangible Assets	4.14	71,173,137	8,733,685	70,534,031	8,066,489
Deferred Tax Assets	4.15	-	-	-	-
Other Assets	4.16	1,486,416,314	1,343,435,463	1,502,271,962	1,331,359,117
Total Assets		**77,755,705,271**	**66,590,964,142**	**77,709,952,994**	**65,881,614,179**
Liabilities					
Due to Banks and Financial Institutions	4.17	3,335,288,532	2,501,906,804	3,335,288,532	2,501,906,804
Due to Nepal Rastra Bank	4.18	695,041,370	33,578,077	695,041,370	33,578,077
Derivative Financial Instruments	4.19	-	-	-	-
Deposits from Customers	4.20	60,605,815,636	51,700,969,191	60,696,026,972	51,716,674,652
Borrowing	4.21	-	5,000,000	-	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	5,526,126	3,078,973	5,306,626	-
Deferred Tax Liabilities	4.15	15,292,307	85,477,182	17,677,499	85,192,158
Other Liabilities	4.23	1,554,811,510	1,880,942,008	1,447,977,647	1,202,929,525
Debt Securities Issued	4.24	498,722,911	498,148,814	498,722,911	498,148,814
Subordinated Liabilities	4.25	-	-	-	-
Total Liabilities		**66,710,498,391**	**56,709,101,049**	**66,696,041,556**	**56,038,430,030**
Equity					
Share Capital	4.26	8,033,236,400	6,921,689,662	8,033,236,400	6,921,689,662
Share Premium		433,526	532,794,833	433,526	532,794,833
Retained Earnings		117,421,902	765,036,986	132,228,780	763,369,943
Reserves	4.27	2,849,829,461	1,627,467,560	2,848,012,733	1,625,329,711
Total Equity Attributable to Equity Holders		**11,000,921,288**	**9,846,989,041**	**11,013,911,439**	**9,843,184,149**
Non-Controlling Interest		**44,285,592**	**34,874,053**	**-**	**-**
Total Equity		**11,045,206,880**	**9,881,863,094**	**11,013,911,439**	**9,843,184,149**
Total Liabilities and Equity		**77,755,705,271**	**66,590,964,142**	**77,709,952,994**	**65,881,614,179**
Contingent liabilities and commitment	4.28				
Net assets value per share		136.94	142.26	137.10	142.21

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Interest Income	4.29	7,110,181,614	4,957,953,921	7,109,387,573	4,960,197,979
Interest Expenses	4.30	(4,881,474,938)	(3,167,144,719)	(4,887,319,894)	(3,169,957,746)
Net Interest Income		**2,228,706,676**	**1,790,809,202**	**2,222,067,679**	**1,790,240,233**
Fees and Commission Income	4.31	578,046,372	461,834,527	559,884,278	429,211,115
Fees and Commission Expenses	4.32	(52,321,855)	(36,826,245)	(50,836,108)	(33,396,855)
Net Fees and Commission Income		**525,724,517**	**425,008,282**	**509,048,171**	**395,814,259**
Net Interest, Fees and Commission Income		**2,754,431,193**	**2,215,817,485**	**2,731,115,850**	**2,186,054,492**
Net Trading Income	4.33	172,484,869	134,661,964	181,074,487	136,794,468
Other Operating Income	4.34	124,457,490	86,722,816	120,696,494	93,889,840
Total Operating Income		**3,051,373,552**	**2,437,202,265**	**3,032,886,830**	**2,416,738,801**
Impairment (Charge)/ Reversal for Loans and Other Losses	4.35	(89,316,642)	96,965,217	(89,316,642)	96,965,217
Net Operating Income		**2,962,056,910**	**2,534,167,482**	**2,943,570,188**	**2,513,704,017**
Operating Expenses					
Personnel Expenses	4.36	(789,970,588)	(585,920,436)	(784,057,981)	(579,564,141)
Other Operating Expenses	4.37	(375,165,455)	(313,515,335)	(347,358,417)	(309,364,627)
Depreciation & Amortisation	4.38	(128,350,655)	(93,643,010)	(126,526,734)	(92,692,281)
Operating Profit		**1,668,570,213**	**1,541,088,701**	**1,685,627,057**	**1,532,082,967**
Non Operating Income	4.39	27,402,047	725,317,947	37,955,047	735,476,834
Non Operating Expenses	4.40	(16,717,011)	(105,936,458)	(16,717,011)	(105,936,458)
Profit Before Income Tax		**1,679,255,249**	**2,160,470,190**	**1,706,865,093**	**2,161,623,344**
Income Tax Expenses	4.41				
Current Tax		(536,347,961)	(266,285,162)	(536,347,961)	(265,337,676)
Deferred Tax		65,686,933	(261,652,915)	63,586,765	(261,367,894)
Profit for the Period		**1,208,594,221**	**1,632,532,112**	**1,234,103,897**	**1,634,917,774**
Profit Attributable To:					
Equity Holders of the Bank		1,217,377,305	1,631,218,931	1,234,103,897	1,634,917,774
Non-Controlling Interest		(8,783,084)	1,313,182		
Profit for the Period		**1,208,594,221**	**1,632,532,112**	**1,234,103,897**	**1,634,917,774**
Earnings Per Share					
Basic Earnings Per Share		15.05	20.33	15.37	20.36
Diluted Earnings Per Share		15.05	20.33	15.37	20.36

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Profit for the Period		**1,208,594,221**	**1,632,532,112**	**1,234,103,897**	**1,634,917,774**
Other Comprehensive Income for the Period, Net of Income Tax					
a) Items that will not be reclassified to Profit or Loss					
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value		(9,000,000)		(9,000,000)	
Gains/ (Losses) on Revaluation		-	-	-	-
Actuarial gains/ (Losses) on Defined Benefit Plans		(3,901,414)	3,985,502	(4,092,980)	3,985,502
Income Tax relating to above items		3,975,786	(1,195,651)	3,927,894	(1,195,651)
Effective portion of changes in Fair Value		-	-	-	-
Net Other Comprehensive Income that will not be reclassified to Profit or Loss		**(8,925,629)**	**2,789,851**	**(9,165,086)**	**2,789,851**
b) Items that are or may be reclassified to Profit or Loss					
Gains/ (Losses) on Cash Flow Hedge		-	-	-	-
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)		-	-	-	-
Income Tax relating to above items		-	-	-	-
Reclassify to Profit or Loss		-	-	-	-
Net Other Comprehensive Income that are or may be reclassified to Profit or Loss					
c) Share of Other Comprehensive Income of Associate accounted as per Equity Method					
Other Comprehensive Income for the Period, Net of Income Tax		**(8,925,629)**	**2,789,851**	**(9,165,086)**	**2,789,851**
Total Comprehensive Income for the Period		**1,199,668,593**	**1,635,321,964**	**1,224,938,811**	**1,637,707,625**
Total Comprehensive Income Attributable to:					
Equity Holders of the Bank		1,208,311,270	1,095,665,716	1,224,938,811	1,637,707,625
Non-Controlling Interest		(8,738,460)	539,656,248	-	-
Total Comprehensive Income for the Period		**1,199,572,810**	**1,635,321,964**	**1,224,938,811**	**1,637,707,625**

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

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Chairman

Bal Krishna Prasai
Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF CASH FLOWS

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest Received	6,649,776,365	4,825,772,620	6,648,982,323	4,828,016,678
Fees and Other Income Received	591,835,300	154,497,986	575,124,736	119,946,456
Dividend Received	174,460	176,399	174,460	176,399
Receipts from Other Operating Activities	232,306,906	936,827,779	246,042,406	953,351,667
Interest Paid	(4,761,399,670)	(3,057,813,296)	(4,767,244,626)	(3,060,626,323)
Commission and Fees Paid	(50,111,108)	(32,671,855)	(50,836,108)	(33,396,855)
Cash Payment to Employees	(676,171,999)	(649,024,670)	(670,488,221)	(642,668,376)
Other Expenses Paid	(511,497,036)	(309,588,255)	(486,690,820)	(310,060,318)
Operating Cash Flows before Changes in Operating Assets and Liabilities	**1,474,913,218**	**1,868,176,708**	**1,495,064,151**	**1,854,739,328**
(Increase)/ Decrease in Operating Assets				
Due from Nepal Rastra Bank	(1,499,295,590)	551,266,238	(1,499,295,590)	551,266,238
Placement with Bank and Financial Institutions	(421,863,940)	(587,221,248)	(421,863,940)	(587,221,248)
Other Trading Assets	(43,373,359)	(43,883,470)	(43,373,359)	(43,883,470)
Loans and Advances to Bank and Financial Institutions	46,480,779	(13,062,565)	46,480,779	(13,062,565)
Loans and Advances to Customers	(9,583,064,611)	(7,435,864,070)	(9,580,265,145)	(7,429,696,890)
Other Assets	(74,427,665)	(1,082,181,739)	19,577,295	(1,028,439,419)
Increase/ (Decrease) in Operating Liabilities				
Due to Banks and Financial Institutions	833,381,728	1,385,610,794	833,381,728	1,385,610,794
Due to Nepal Rastra Bank	661,463,293	30,828,077	661,463,293	30,828,077
Deposit from Customers	8,889,140,983	3,621,195,376	8,979,352,320	3,636,900,837
Borrowings	(5,568,272)	6,167,180	-	-
Other Liabilities	(494,675,411)	546,705,764	27,462,990	(181,882,210)
Net Cash Flow from Operating Activities before Taxes Paid	**(216,888,847)**	**(1,152,262,955)**	**517,984,522**	**(1,824,840,527)**
Income Taxes Paid	(354,138,124)	(571,062,306)	(354,138,124)	(566,129,198)
Net Cash Flow from Operating Activities	**(571,026,970)**	**(1,723,325,261)**	**163,846,398**	**(2,390,969,725)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investment Securities	(68,600,000)	(238,988,837)	(36,400,000)	(171,988,837)
Receipts from Sale of Investment Securities	1,194,960,149	(10,001,275)	1,191,495,006	(20,215,697)
Purchase of Property and Equipment	(490,924,795)	(297,977,408)	(490,030,077)	(290,897,285)
Receipt from the Sale of Property and Equipment	5,227,247	292,099,484	5,227,247	292,099,484
Purchase of Intangible Assets	(65,674,655)	(74,501,360)	(65,674,655)	(74,501,360)
Receipt from the Sale of Intangible Assets	-	-	-	-
Purchase of Investment Properties	-	-	-	-
Receipt from the Sale of Investment Properties	102,519,002	-	102,519,002	-
Interest Received	300,908,953	122,452,635	300,908,953	122,452,635
Dividend Received	9,464,231	11,431,778	5,690,709	8,556,068
Net Cash used in Investing Activities	**987,880,132**	**(195,484,982)**	**1,013,736,186**	**(134,494,992)**
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	191,276,394	2,551,810,699	4,076,394	2,484,810,699
Dividends Paid	(50,467,973)	(26,881,598)	(45,467,973)	(17,038,157)
Interest Paid	(44,302,083)	(42,499,998)	(44,302,083)	(42,499,998)
Other Receipt/ Payment	-	529,389,691	-	529,389,691

Net Cash from Financing Activities	**96,506,338**	**3,011,818,794**	**(85,693,662)**	**2,954,662,235**
Net Increase (Decrease) in Cash and Cash Equivalents	**513,359,499**	**1,093,008,550**	**1,091,888,921**	**429,197,518**
Cash and Cash Equivalents at July 16, 2017	4,568,227,968	3,399,722,661	3,887,468,818	3,398,480,006
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents Held	66,879,937	59,791,295	66,879,937	59,791,295
Cash and Cash Equivalents At July 16, 2018	**5,148,467,404**	**4,552,522,507**	**5,046,237,676**	**3,887,468,818**

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Director

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particular	Group											
	Attributable to Equity Holders of the Group										Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Other Reserves	Total		
Balance at July 16, 2016	3,650,639,617	2,971,617	695,877,047	18,107,711	-	-	-	1,851,510,392	159,241,144	6,378,347,528	36,860,871	6,415,208,399
Adjustment/ Restatement								(1,168,201,344)		(1,168,201,344)		(1,168,201,344)
Adjusted/ Restated balance at July 16, 2016	3,650,639,617	2,971,617	695,877,047	18,107,711	-	-	-	683,309,048	159,241,144	5,210,146,184	36,860,871	5,247,007,055
Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	1,631,218,931	-	1,631,218,931	1,313,182	1,632,532,112
Other Comprehensive Income, Net of Tax												
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value												
Gains/ (Losses) on Revaluation												
Actuarial Gains/ (Losses) on Defined Benefit Plans								-	2,789,851	2,789,851		2,789,851
Gains/ (Losses) on Cash Flow Hedge												
Net Gain (Loss) on Revaluation												
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)												
Total Comprehensive Income for the Year								1,631,218,931	2,789,851	1,634,008,782	1,313,182	1,635,321,964
Transfer to Reserve/ Fund acquired from Business Combination		433,526	33,270,529	-	-	-	343,854,012	(377,558,067)	-	-		-
Transfer to Reserve during the Year	-	-	216,332,310	14,947,824	-	-	-	(416,842,397)	178,476,615	(7,085,648)		(7,085,648)
Transfer from Reserve during the Year	-	-	-	-	-	-	-	35,429,484	(35,429,484)	-		-
Transactions with Owners, directly recognized in Equity												
Right Share Issued	2,484,810,699	529,389,690	-	-	-	-	-	-	-	3,014,200,389		3,014,200,389
Share Based Payments												
Dividends to Equity Holders								(39,844,251)		(39,844,251)	(3,300,000)	(43,144,251)
Bonus Shares Issued	750,675,762	-	-	-	-	-	-	(750,675,762)	-	-		-
Issuance of Share for Acquisition of Premier Finance Ltd	35,563,584	-	-	-	-	-	-	-	-	35,563,584		35,563,584
Cash Dividend Paid												
Total Contributions by and Distributions	3,271,050,045	529,389,690	-	-	-	-	-	(790,520,013)	-	3,009,919,722	(3,300,000)	3,006,619,722
Balance at July 15, 2017	6,921,689,662	532,794,833	945,479,886	33,055,535	-	-	343,854,012	765,036,986	305,078,127	9,846,989,041	34,874,053	9,881,863,093
Balance at July 15, 2017	6,921,689,662	532,794,833	945,479,886	33,055,535	-	-	343,854,012	1,774,756,119	305,078,127	10,856,708,173	34,874,053	10,891,582,225
Restatement/ Adjustment								(1,009,719,133)		(1,009,719,133)		(1,009,719,133)
Adjustment												

Adjusted/ Restated balance at July 16, 2017	6,921,689,662	532,794,833	945,479,886	33,055,535	-	-	343,854,012	765,036,986	305,078,127	9,846,989,041	34,874,053	9,881,863,093
Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	1,217,377,305	-	1,217,377,305	(8,783,084)	1,208,594,221
Other Comprehensive Income, Net of Tax												
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value	-	-	-	-	-	(6,300,000)	-	-	-	(6,300,000)		(6,300,000)
Gains/ (Losses) on Revaluation												
Actuarial Gains/ (Losses) on Defined Benefit Plans									(2,766,035)	(2,766,035)	44,624	(2,721,412)
Gains/ (Losses) on Cash Flow Hedge												
Net Gain (Loss) on Revaluation												
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)												
Total Comprehensive Income for the Year	-	-	-	-	-	(6,300,000)	-	1,217,377,305	(2,766,035)	1,208,311,270	(8,738,460)	1,199,572,810
Transfer to Reserve during the Year	-	-	246,820,779	16,719,984	795,430,349	-	-	(1,244,382,400)	185,411,287	-	-	-
Transfer from Reserve during the Year	-	-	-	-	-	-	-	12,954,464	(12,954,464)	-	-	-
Transactions with Owners, directly recognized in Equity												
Right Share Issued										-	19,800,000	19,800,000
Share Based Payments												
Dividends to Equity Holders	-	-	-	-	-	-	-	(58,455,413)	-	(58,455,413)	(1,650,000)	(60,105,413)
Bonus Shares Issued	1,107,470,346	(532,361,307)	-	-	-	-	-	(575,109,039)	-	-		-
CSR Expenses Paid from the CSR Fund												
Fraction Share Adjustment	4,076,392	-	-	-	-	-	-	-	-	4,076,392		4,076,392
Total Contributions by and Distributions	1,111,546,738	(532,361,307)	-	-	-	-	-	(633,564,452)	-	(54,379,021)	18,150,000	(36,229,021)
Balance at July 16, 2018	8,033,236,400	433,526	1,192,300,665	49,775,519	795,430,349	(6,300,000)	343,854,012	117,421,902	474,768,915	11,000,921,288	44,285,592	11,045,206,880

Particular	Bank										Non-Controlling Interest	Total Equity
	Attributable to Equity Holders of the Bank											
	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Other Reserves	Total		
Balance at July 16, 2016	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**				**1,845,809,505**	**157,103,295**	**6,370,508,792**		
Restatement								(1,168,201,344)		(1,168,201,344)		
Adjusted/ Restated balance at July 16, 2016	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**-**	**-**	**-**	**677,608,161**	**157,103,295**	**5,202,307,448**		
Comprehensive Income for the Year												
Profit for the Year								**1,634,917,774**		**1,634,917,774**		
Other Comprehensive Income, Net of Tax												
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value												
Gains/ (Losses) on Revaluation												
Actuarial Gains/ (Losses) on Defined Benefit Plans									2,789,851	2,789,851		
Gains/ (Losses) on Cash Flow Hedge												
Net Gain (Loss) on Revaluation												
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)												
Total Comprehensive Income for the Year								**1,634,917,774**	**2,789,851**	**1,637,707,625**		
Transfer to Reserve/ Fund acquired from Business Combination		**433,526**	**33,270,529**				**343,854,012**	**(377,558,067)**		**-**		
Transfer to Reserve during the Year			**216,332,310**	**14,947,824**				**(416,842,397)**	**178,476,615**	**(7,085,648)**		
Transfer from Reserve during the Year								**35,429,484**	**-35,429,484**	**-**		
Transactions with Owners, directly recognized in Equity												
Right Share Issued	2,484,810,699	529,389,690								3,014,200,389		
Share Based Payments										-		
Dividends to Equity Holders								(39,509,251)		(39,509,251)		
Bonus Shares Issued	750,675,762							(750,675,762)		-		
Issuance of Share for Acquisition of Premier Finance Ltd	35,563,584									35,563,584		
Cash Dividend Paid												
Total Contributions by and Distributions	**3,271,050,045**	**529,389,690**	**-**	**-**	**-**	**-**	**-**	**(790,185,013)**	**-**	**3,010,254,722**		
Balance at July 15, 2017	**6,921,689,662**	**532,794,833**	**945,479,886**	**33,055,535**	**-**	**-**	**343,854,012**	**763,369,943**	**302,940,278**	**9,843,184,148**		
Balance at July 16, 2017	**6,921,689,662**	**532,794,833**	**945,479,886**	**33,055,535**	**-**		**343,854,012**	**1,773,089,077**	**302,940,278**	**10,852,903,282**		
Restatement/ Adjustment								(1,009,719,133)		(1,009,719,133)		
Adjusted/ Restated balance at July 16, 2017	**6,921,689,662**	**532,794,833**	**945,479,886**	**33,055,535**	**-**	**-**	**343,854,012**	**763,369,943**	**302,940,278**	**9,843,184,148**		
Comprehensive Income for the Year												
Profit for the Year								**1,234,103,897**		**1,234,103,897**		

Other Comprehensive Income, Net of Tax												
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value						(6,300,000)				(6,300,000)		
Gains/ (Losses) on Revaluation												
Actuarial Gains/ (Losses) on Defined Benefit Plans									(2,865,086)	(2,865,086)		
Gains/ (Losses) on Cash Flow Hedge												
Net gain (Loss) on Revaluation												
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)												
Total Comprehensive Income for the Year	-	-	-	-	-	(6,300,000)	-	1,234,103,897	(2,865,086)	1,224,938,811		
Transfer to Reserve during the Year			246,820,779	16,719,984	795,430,349			(1,242,664,723)	183,693,610	-		
Transfer from Reserve during the Year	-							10,816,615	(10,816,615)	-		
Transactions with Owners, directly recognized in Equity												
Right Share Issued												
Share Based Payments												
Dividends to Equity Holders								(58,287,913)		(58,287,913)		
Bonus Shares Issued	1,107,470,346	(532,361,307)						(575,109,039)		-		
CSR Expenses Paid from the CSR Fund												
Fraction Share Adjustment	4,076,392									4,076,392		
Total Contributions by and Distributions	**1,111,546,738**	**(532,361,307)**	-	-	-	-	-	**(633,396,952)**	-	**(54,211,521)**		
Balance at July 16, 2018	**8,033,236,400**	**433,526**	**1,192,300,665**	**49,775,519**	**795,430,349**	**(6,300,000)**	**343,854,012**	**132,228,780**	**472,952,187**	**11,013,911,438**		

Pramesh Raj Kayastha
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Avanindra Kumar Shrestha
Director

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As on July 16, 2018 (Ashadh 32, 2075)

1. Reporting Entity

Citizens Bank International Ltd. ('the Bank' or 'CBIL') is a public company incorporated under the Companies Act, 2006 and licensed by Nepal Rastra Bank to conduct Banking transaction as a "A" Class Commercial Bank under the Banks and Financial Institutions Act, 2017. The Bank has its Corporate Office at Narayanhiti Path, Kathmandu. The Bank received the license to commence Banking operations on April 20, 2007 (Baisakh 07, 2064). The Bank's Equity Shares are listed in Nepal Stock Exchange. The principal activities of the Bank is to provide all commercial banking services including agency services, trade finance services, e-commerce services and trading of gold and silver, etc. to its customers through head office, branches, branchless banking units and ATMs.

The Bank acquired two "C" class financial institutions, Nepal Housing & Merchant Finance Ltd. and People's Finance Ltd. during the Fiscal Year 2014/15. The Bank started consolidated Banking transaction from May 08, 2015 (Baisakh 25, 2072). Similarly, the Bank has acquired Premier Finance Ltd. and started the consolidated transaction from July 17, 2016 (Shrawan 02, 2073).

Subsidiary

CBIL Capital Ltd. ('the Subsidiary') is the subsidiary company of the Bank. It was incorporated on January 30, 2006 (Magh 17, 2062) as public company under the Companies Act, 2006. The Bank made an equity investment in CBIL Capital Ltd. on March 13, 2016 (Falgun 30, 2072). The principal activities of the Subsidiary 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. The Bank as on date holds 68.94% controlling interest in the Subsidiary.

Associates:

Nepal Electronic Payment Systems Ltd. (NEPS) and Nepal Clearing House Ltd. (NCHL) are the associates of the Bank.

NEPS is formulated as a consortium of seven national level commercial Banks, with aim to pool the resources of these Banks together and establish a common platform, which will be more secure, reliable and able to encompass the rapid growth of new technologies in electronic payments.

NCHL is a public Ltd. company established on December 23, 2008 (Mangsir 09, 2065) under the leadership and guidance of Nepal Rastra Bank (The Central Bank of Nepal). It has the equity participation from Nepal Rastra Bank, Commercial Banks, Development Banks, Finance Companies and Smart Choice Technologies (SCT), a private card switch operator.

NCHL has the strategic objectives to establish multiple payments, clearing and settlement systems in Nepal with long term objective to establish a national payments gateway to facilitate electronic payments and financial transactions within the country. Electronic Cheque Clearing (NCHL-ECC) and Inter Bank Payment System (NCHL-IPS) are the national payment systems that are currently in operation.

The Bank, the Subsidiary and the associates are collectively referred to as "the Group".

Principal Activities:

The principal activities of the Bank during the year is commercial banking, personal banking, development financing, mortgage financing, lease financing, corporate financing, credit card facilities, foreign currency operations, e-Banking and other financial services. The principal activity of the subsidiary company is to provide merchant banking services.

2. Basis of Preparation

The financial statements of the Group have been prepared on accrual basis of accounting except the Cash Flow information, which is prepared on a cash basis, using the direct method.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts of the group and separate financial statements as stated above of the Bank. The significant accounting policies applied in the preparation of financial statements are set out below in point number 3. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

2.1. Statement of Compliance

The financial statements of the Group which comprises components mentioned above have been prepared in accordance with Nepal Accounting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act, 2006 and Generally Accepted Accounting Principles in the banking industry in Nepal.

The Board of Directors of the Group authorized the financial statement vide its resolution dated December 11, 2018 and recommended for its approval by the Annual General Meeting of the shareholders.

2.2. Reporting Period

Reporting Period is a period from the first day of Shrawan (mid July) of any year to the last day of Ashadh (mid July) of the next year as per Nepali calendar.

	Nepali Calendar	English Calendar
Current Year	2074/75	2017/18
Previous Year	2073/74	2016/17
Current Year Period	Shrawan 01, 2074 to	July 16, 2017 to
	Ashadh 32, 2075	July 16, 2018
Previous Year Period	Shrawan 01, 2073 to	July 16, 2016 to
	Ashadh 31, 2074	July 15, 2017

2.3. Functional and Presentation Currency

The financial statements of the Group are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the Group operates. Financial information is presented in Nepalese Rupees. There was no change in the Group's presentation and functional currency during the year under review. The figures are rounded to nearest integer, except otherwise indicated.

2.4. Use of Estimates, Assumptions and Judgement

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent assets and liabilities) as of the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year are:

- Key assumptions used in discounted cash flow projections.
- Measurement of defined benefit obligations.
- Provisions, commitments and contingencies.
- Determination of net realizable value.
- Determination of useful life of the property, plant and equipment.
- Assessment of the Group's ability to continue as going concern.
- Determination of fair value of financial instruments; and property and equipment.
- Impairment of financial and non-financial assets.
- Assessment of current as well as deferred tax.

2.5. Changes in Accounting Policies

The Group has applied its accounting policies consistently from year to year except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any changes in accounting policy have been separately disclosed with detail explanation.

2.6. New Reporting standards issued but not effective

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

NFRS 9 has been complied for the classification of Financial Instruments.

Few carve-outs on applicable Accounting Standards as provided by the Institute of Chartered Accountants of Nepal have been used by the Bank, the quantitative and qualitative impact of the same have been disclosed in detail in Notes to the Accounts.

Further, a number of new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standard Board after the pronouncements of NFRS with varying effective dates. Those become applicable when Accounting Standard Board Nepal incorporates them within NFRS.

2.7. Discounting

The Group calculates amortized cost of a financial assets or a financial liability using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial asset or a financial liability to the net carrying amount of the financial asset or liability. If expected life cannot be determined reliably, then the contractual life is used.

In case where the Group assesses that the transaction amount of a financial assets or a financial liability does not represent its fair value, the related future cash flows are discounted at prevailing interest rate to determine

the initial fair value.

2.8. Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years' financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

2.9. Previous Year's Figures

Previous year's figures have been grouped or regrouped wherever necessary to facilitate comparison.

2.10. Materiality and Aggregation

In compliance with NFRS 1 Presentation of Financial Statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately, unless they are material.

2.11. New Standards and interpretation not adopted

During the current fiscal year, the Group has not applied the numbers of standards as prescribed in NFRS and used the NFRS carve- out adjustments. As a consequence, the net profit and retained earnings have been impacted.

The impacts of each carve- out adjustment done and the affected financial statement line items have been summarized in Point no *5.24* below.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects have been disclosed.

3.1. Basis of Measurement

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

- Financial assets other than measured at amortized cost are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Inventories are measured at cost or net realizable value whichever is lower.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Investment property is measured at cost.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Investment securities are measured at fair value.

- Trading Assets like Bonds, Treasury Bills, Equities, etc. held for trading purpose are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.
- Assets acquired & liabilities assumed in a business combination are recognized at fair value.

3.2. Basis of Consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a Subsidiary. The Consolidated Financial Statements present the results of the company and its subsidiaries ('the Group') as if they are a single entity.

In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Income from the date on which control is obtained. They are de-consolidated from the date control ceases.

The Group's Financial Statements comprise consolidation of the financial statements of the Group and its subsidiary in terms of NFRS 10 Consolidated Financial Statements.

3.2.1. Subsidiary

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. There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances.

3.2.2. Business combination

Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquirer's identifiable net assets. Acquisition related costs are expensed in the periods in which the costs are incurred and the services are received.

The Group elects on a transaction by transaction basis, whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.2.3. Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

3.2.4. Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, carrying amount

of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further, parent's share of components previously recognized in Other Comprehensive Income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3.2.5. Transactions eliminated on consolidation

All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealized gains and losses resulting from transactions between the Group and subsidiary are also eliminated on consolidation to the extent of the Group's interests in the subsidiary.

3.3. Cash and Cash Equivalents

Cash and cash equivalents include cash at vault and agency Bank account balances, unrestricted balances with NRB, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are measured at amortized cost in the Statement of Financial Position.

Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with NAS 03 Cash Flow Statements.

3.4. Financial Assets and Financial Liabilities

3.4.1. Recognition

The Group 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 Group initially recognizes loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated, which is the date that the Group 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 Group commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date.

3.4.2. Classification

i. Financial Assets

The Group classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Group'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:

1. Financial assets measured at amortized cost

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

a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and

b) 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.

2. Financial assets 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:

a) 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 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.

b) 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 Group makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

ii. Financial Liabilities

The Group classifies the financial liabilities as follows:

a) Financial liabilities at fair value through profit or loss

Financial liabilities 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 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.

b) 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.

3.4.3. Measurement

Initial Measurement

A financial asset or financial liability is measured initially at fair value plus, 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 the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

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

3.4.4. Derecognition

i. Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group 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 Group is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset, and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized is recognized in Statement of Profit or Loss.

The Group enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. Then the transferred assets are not derecognized. Transfer of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

ii. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

3.4.5. Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

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 there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation), nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

3.4.6. Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under NFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.4.7. Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter Bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Group considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely

to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Impairment of financial assets measured at amortized cost

The Group considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. The Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed collectively.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

All individually significant loans and advances and 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 investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities with similar risk characteristics.

Impairment of loans and advances portfolios is based on the judgements in past experience of portfolio behavior. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement 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 are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

In case of impairment of financial assets being loans and advances, the impairment loss amount is taken as higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39 as mentioned above as per alternative given in carve out on NAS 39 Para 58.

However, as per carve out on NAS 39 Para 58, the Bank has assessed and measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

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

impairment of investment in equity instrument classified as fair value through other comprehensive income

Objective evidence of impairment of investment in an equity instrument is a significant or prolonged decline in its fair value below its cost. Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss

is the difference between the acquisition cost, net of any principal repayment and the current fair value, less any impairment loss recognized previously in profit or loss.

3.5. Trading Assets

Trading assets are those assets that are acquired principally for the purpose of selling in the near term, or held as part of a portfolio that is managed together for short-term profit. It includes non derivative financials assets such as government bonds, NRB bonds, domestic corporate bonds, treasury bills, equities etc. held primarily for the trading purpose. If a trading asset is a debt instrument, it is subject to the same accounting policy applied to financial assets measured at amortized cost. If a trading asset is an equity instrument, it is subject to the same accounting policy applied to financial assets measured at Fair Value Through Profit or Loss.

3.6. Derivative assets and derivative liabilities

Derivative assets and derivative liabilities create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risk inherent in an underlying primary financial instrument. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract.

The value of a derivative changes with the change in value of the underlying. Examples of derivative are forward, futures, options or swap contracts. The underlying could be specified interest rate, security price, commodity price, exchange rate, price index, etc.

Derivative financial instruments meet the definition of a financial instrument and are accounted for as derivative financial asset or derivative financial liability measured at FVTPL and corresponding fair value changes are recognized in profit or loss. The Group has not designated derivative as a hedging instrument in an eligible hedging relationship under NFRS 9 – “Financial Instrument” and has not applied hedge accounting.

3.7. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non trading activities are taken to ‘Other Operating Income’ in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on retranslation are recognized in the Statement of Profit or Loss.

At the annual closing, if the revaluation loss is reported, the same is charged to Statement of Profit or Loss and if revaluation profit is reported, such amount is shown as income in Statement of Profit or Loss and 25 percent of such profit is appropriated to Exchange Fluctuation Reserve through Statement of Changes in Equity as required by Banks and Financial Institutions Act.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Forward exchange contracts are

valued at the forward market rates ruling on the reporting date and resulting net unrealized gains or losses are dealt with in the Statement of Profit or Loss.

3.8. Property and Equipment

a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of self constructed assets includes followings:

- Cost of materials and direct labour;
- Any other cost directly attributable to bringing the assets to the working condition for their intended use; and
- Capitalized borrowing cost

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

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any.

Neither class of the property and equipment has been measured as per revaluation model, nor is their fair value measured at the reporting date.

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

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

b) Capital work in progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings 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.

c) Depreciation

Property and equipments are depreciated from the date they are available for use on property on straight-line method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. Leased assets under the finance lease are depreciated over the shorter of the lease term and their useful life. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

The estimated useful lives of significant items of property and equipment for current year and comparative periods are as follows:

Class of Assets	Useful Life	Rate of Depreciation
Building	20 years	5%
Metal Furniture	6 years	16.67%
Wooden Furniture	5 years	20%
Office Vehicles	7 years	14.29%
Computer (including Printer)	4 years	25%
Office Equipments	5 years	20%

The expenses of leasehold improvements are amortized over the lease period or a maximum of 10 year period, whichever is lower.

Assets costing less than Rs 5,000 are fully depreciated in the year of purchase. For assets purchased/ sold during the year, depreciation is provided up to the date of use on pro-rata basis.

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

d) De-recognition

The carrying amount of an item of property 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 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 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. Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

3.9. Intangible Assets

The intangible assets include software purchased by the Group. Software is measured at cost less accumulated amortization and accumulated impairment loss if any. Software is amortized on a straight line basis in profit or loss over its useful life, from the date that is available for use. The estimated useful life of software for the current and comparative periods is five years. Amortization method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

The goodwill is initially measured at the difference between the purchase consideration given and the fair value of net assets acquired. Subsequent to the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is presented with intangible assets.

The capitalized value of software purchase and installation costs are amortized over a maximum 5 year period or within the ownership period.

Recognition

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

an intangible asset at a later date.

Computer Software & Licenses

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

Subsequent Expenditure

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

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 Group. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Group assumes that there is no residual value for its intangible assets.

De-recognition of Intangible Assets

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

3.10. Investment Property

Investment property is the land or building or both held either for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner occupied property. The Group holds investment property that has been acquired through the enforcement of security over the Loans and Advances.

Investment property is measured at cost. The panchakrit value of the property that has been acquired through the enforcement of security over the loans and advances have been considered as the cost of the property.

Investment properties are derecognized when they are disposed of, or permanently withdrawn from use, since no future economic benefits are expected. Any gain or loss on disposal of an investment property is recognized in profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent reporting.

3.11. Income Tax

Income Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent they relate to the items recognized directly in equity or in other comprehensive income.

a) Current Tax

Current tax is the tax payable or receivable on the taxable income or loss for the year using tax rates that are enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amount and tax base of assets and liabilities; and carry forward of unused tax losses. Deferred tax is measured at the tax rate that is expected to be applied to temporary differences when they reverse, using tax rate enacted or substantially enacted at the reporting date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and appropriately adjusted to reflect the amount that is reasonably/ virtually certain to be realized.

Deferred tax asset and deferred tax liabilities are offset if all of the following conditions met:

a) If there is a legally enforceable right to offset the current tax liabilities and assets;

b) The taxes are levied by the same authority on the same tax entity; and

c) The entity intends to settle the current tax liabilities and assets on net basis or the tax assets and liabilities will be realized simultaneously.

3.12. Provisions and Contingent Assets/ Liabilities

The Group recognizes a provision if, as a result of past event, the Group has a present constructive or legal obligation that can be reliably measured and it is probable than an outflow of economic benefit will be required to settle the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under Contingent Liabilities under sub- heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements. The Forward Exchange Contract is marked to market and resulting difference is recognized in Statement of Profit or Loss. The difference payable/ receivable that arises at the time settlement of Forward Exchange Contract is recognized at the time of settlement.

3.13. Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Deposits comprises of financial liabilities incurred by the Group on account of deposit amount held of the customers and other Banks and Financial Institutions.

Debt securities issued are financial liabilities instrument issued to raise fund for the Group.

Subordinated Liabilities are debt instruments issued under the conditions of subordinate priority relative to other liabilities incurred by the Group.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

3.14. Revenue Recognition

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of income recognition are as below:

a) Interest income

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The transactions cost and fees and points that are not material i.e. below or equal to 1% of financial asset or liability and for financial asset or liability with tenure of up to 1 year have been recognized directly in Statement of Profit or Loss and not considered in the calculation of effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of financial assets.

Interest income presented in Statement of Profit or Loss includes:

Interest income on financial assets measured at amortized cost calculated on an effective interest rate method, except for impaired loans and advances. These financial assets include investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, reverse repos, inter bank lending, etc.

As per carve out on NAS 39 Para 9, the Group has not included the fees and points paid or received in loans and advances that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.

Similarly, as per carve out on NAS 39 AG 93, the Bank has applied the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

Interest on investment securities measured at fair value is calculated on effective interest rate.

Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.

Interest income on all trading assets are considered to be incidental to the Group's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

b) Fees and Commission

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, syndication fee, forex transaction commission, commission of issue of letter of credit and guarantee are recognized as the related services are performed. When the loan commitment is not utilized to the extent of approved limit, the related commitment fees are recognized on undrawn amount on straight line basis over the period of commitment. Following bases are adopted for recognition of fees and commission:

Commission on guarantees issued by the Group is recognized as income over the period of the guarantee, except for guarantee commission not exceeding Rs. 10 thousand, which is recognized at the time of its issue.

Commission on Letters of Credit (LC) issued by the Group is recognized as income, over the period of LC expiry.

Other fees and commission income are recognized on accrual basis.

c) Dividend Income

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income 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 instruments.

d) Net Trading Income

Trading income/ loss is recognized for all realized interest, dividend and foreign exchange differences including any unrealized changes in fair value of trading assets and liabilities. The trading income and loss are netted off and disclosed separately in Statement of Profit or Loss.

e) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVTPL and non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

3.15. 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 Group's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

3.16. Employee Benefits

a) Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 1973 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short term employee benefits include all the following items (if payable within 12 months after the end of

the reporting period):

- wages, salaries and social security contributions;
- profit-sharing and bonuses; and
- non-monetary benefits

b) Post Employment Benefit Plan

Post employment benefit plan includes followings:

i. Defined Contribution Plan

A defined contribution plan is a post employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the Group to its employees:

- Employees Provident Fund

  In accordance with law, all employees of the Group are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Group contribute monthly at a pre determined rate (currently, 10% of the basic salary plus grades). Group does not assume any future liability for provident fund benefits other than its annual contribution.

ii. Defined Benefit Plan

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligation and that are denominated in the currency in which the benefits are expected to be paid. The calculation of obligation is performed annually by a qualified actuary using projected unit credit method.

The Group recognizes all re-measurement gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

The Gratuity is the defined benefit plans provided by the Group to its employees:

- Gratuity

  Group provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Bye laws of the Group. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years of service.

c) Other Long Term Employee Benefits

Other long term employee benefits include benefits that are not expected to be settled wholly before twelve months after end of the fiscal year in which employees render the related service.

The Group recognizes all re-measurement gains and losses including all service cost and interest cost related to other long term employee benefits in profit or loss account.

The Sick and Home Leave are the other long term employee benefit plans provided by the Group to its employees:

- Leave Salary

  The employees of the Group are entitled to carry forward a part of their unavailed/ unutilized leave subject to a maximum limit. The employees can encash unavailed/ unutilized leave partially in terms of Employee Service Bye laws of the Group. The Group accounts for the liability for entire accumulated outstanding leave balance on actuarial basis.

d) Termination Benefits

Termination benefits are recognized as expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptance can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

3.17. Leased Assets:

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 group 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 recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

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

Operating Lease

All other leases are classified as operating leases. When acting as lessor, the Group 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 the Group is the lessee, leased assets are not recognized on the Statement of Financial Position.

Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'Other operating income,'

respectively.

Payments made under operating lease are recognized in profit or loss on straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and reduction of outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce the constant periodic rate of interest on the remaining balance of liabilities.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.18. Financial Guarantees and Loan Commitments

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

Financial guarantees and loan commitments are disclosed as contingent liabilities and not recorded in Statement of Financial Position. Liabilities arising from financial guarantees and loan commitments are settled and included in loans and advances as receivables from debtors (borrowers).

3.19. Share Capital and Reserves

a) Share Capital

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

The Group is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for current year and the Group has maintained the required ratio.

b) Share Issue Costs

Incremental costs directly attributable to issue of an equity instrument are deducted from the initial measurement of the equity instruments.

c) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20. Segment reporting

The Group has identified the reportable segment as the business activities from which it earns revenues and incurs expenses whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Bank comprises Banking, Treasury, Cards and Remittance as major business segments on the nature

of products and services of the Bank. All transactions between segments are conducted on pre-determined transfer price with Corporate Office. Treasury Department acts as the fund manager of the Bank.

Segment results that have been reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The income, expenses, assets & liabilities that cannot be allocated to segments identified or those related to corporate office are unallocated. Unallocated items comprise mainly corporate assets (primarily the Bank's corporate building), head office expenses, and tax assets and liabilities that are categorized as the Banking.

3.21. Non Current Assets Held for Sale

Non current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortized while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

3.22. Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value of the Cash Generating Unit (CGU) less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, in determining fair value less costs to sell, an appropriate valuation model is used.

3.23. Events after the reporting period

Where necessary all material events after the reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per the NAS 5 Events After the Balance Sheet Date.

As on July 16, 2018 (Ashadh 32, 2075)

Cash and Cash Equivalents 4.1

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Cash in Hand	1,646,982,935	2,033,110,556	1,646,979,441	2,033,095,847
Balances with B/FIs	1,828,024,800	1,715,775,871	1,725,798,567	1,050,736,892
Money at Call and Short Notice	303,309,452	152,054,562	303,309,452	152,054,562
Other*	1,370,150,216	651,581,517	1,370,150,216	651,581,517
Total	**5,148,467,404**	**4,552,522,507**	**5,046,237,676**	**3,887,468,818**

* Other cash and cash equivalent includes bank balance held with Nepal Rastra Bank over and above the statutory Cash Reserve Ratio requirement.

Due from Nepal Rastra Bank 4.2

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Statutory Balances with NRB	3,690,192,293	2,190,896,703	3,690,192,293	2,190,896,703
Securities purchased under Resale Agreement	-	-	-	-
Other deposit and receivable from NRB	-	-	-	
Total	**3,690,192,293**	**2,190,896,703**	**3,690,192,293**	**2,190,896,703**

Placements with Banks and Financial Institutions 4.3

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Placement with Domestic B/FIs	43,110,784	195,601,621	43,110,784	195,601,621
Placement with Foreign B/FIs	1,946,767,574	1,372,412,796	1,946,767,574	1,372,412,796
Less: Allowances for Impairment	-	-	-	-
Total	**1,989,878,358**	**1,568,014,418**	**1,989,878,358**	**1,568,014,418**

Derivative Financial Instruments 4.4

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Held for Trading				
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward Exchange Contract	36,385,944	21,975,955	36,385,944	21,975,955
Others	-	-	-	-
Held for Risk Management				
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward Exchange Contract	-	-	-	-
Other	-	-	-	-
Total	**36,385,944**	**21,975,955**	**36,385,944**	**21,975,955**

Other Trading Assets

4.5

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Treasury Bills	-	-	-	-
Government Bonds	-	-	-	-
NRB Bonds	-	-	-	-
Domestic Corporate Bonds	-	-	-	-
Equities	142,662,000	133,900,339	76,236,446	51,442,831
Other	-	-	-	-
Total	**142,662,000**	**133,900,339**	**76,236,446**	**51,442,831**
Pledged	-	-	-	-
Non-pledged	-	-	76,236,446	51,442,831

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
1. Other Trading Assets in Equities of the Bank								
1.1 Soaltee Hotel Ltd. 127.77 equity shares (including 26.77 bonus shares) of Rs 100 each.	44,498	31,047	44,497	40,107	44,498	31,047	44,497	40,107
1.2 Oriental Hotels Ltd. 1,476.18 equity shares (including 434.18 bonus shares) of Rs 100 each	79,000	769,090	79,000	516,660	79,000	769,090	79,000	516,660
1.3 Nepal Life Insurance Co. Ltd. 4,345.56 equity share (including 1285.31 bonus shares) of Rs 100 each	5,924,667	4,562,833	2,470,760	3,351,417	5,924,667	4,562,833	2,470,760	3,351,417
1.4 Asian Life Insurance Co. Ltd. 8,442.72 equity shares(including 325.72 bonus shares) of Rs 100 each	8,260,395	5,766,378	1,520,362	1,990,170	8,260,395	5,766,378	1,520,362	1,990,170
1.5 National Life Insurance Co. Ltd. 2,712 equity shares(including 795 bonus shares) of Rs 100 each	3,318,205	2,166,888	3,318,205	3,118,800	3,318,205	2,166,888	3,318,205	3,118,800
1.6 Shikhar Insurance Co. Ltd. 2,649.66 equity shares(including 1202 bonus shares) of Rs 100 each	4,464,694	2,610,250	3,528,912	3,134,715	4,464,694	2,610,250	3,528,912	3,134,715
1.7 Neco Insurance Co. Ltd. 3019.12 equity shares (including 349 bonus shares) of Rs 100 each	1,974,022	1,684,669	1,873,322	1,794,445	1,974,022	1,684,669	1,873,322	1,794,445
1.8 Prabhu Insurance Ltd. 4,200.74 equity shares (including 556.69 bonus shares) of Rs 100 each	882,342	2,247,397	147,580	2,413,375	882,342	2,247,397	147,580	2,413,375
1.9 Prabhu Insurance Ltd.-Promoter 30,728 equity shares(including 15,159 bonus shares) of Rs 100 each	765,495	10,696,922	734,761	9,728,456	765,495	10,696,922	734,761	9,728,456
1.10 Siddhartha Insurance Ltd. 8,211.32 equity share (including 1323.32 bonus shares) of Rs 100 each	7,981,554	5,665,811	1,452,308	1,505,400	7,981,554	5,665,811	1,452,308	1,505,400
1.11 Prudential Insurance Co. Ltd. 6611.88 equity shares(including 1129.88 bonus shares) of Rs 100 each	6,752,963	5,157,266	583,700	691,464	6,752,963	5,157,266	583,700	691,464
1.12 Life Insurance Co. Nepal 637.88 equity shares(including 126.76 bonus shares) of Rs 100 each	14,935	1,034,648	14,935	1,372,088	14,935	1,034,648	14,935	1,372,088
1.13 Premier Insurance Co. Ltd. 1,646.04 equity shares of Rs 100 each	2,481,039	1,851,795	-	-	2,481,039	1,851,795	-	-
1.14 NLG Insurance Co. Ltd. 1,250 equity shares of Rs 100 each	1,708,787	1,162,500	-	-	1,708,787	1,162,500	-	-
1.15 Lumbini General Insurance Co. Ltd. 1 bonus share	1,244	550	-	-	1,244	550	-	-
1.16 Chilime Hydropower Co. Ltd. 931.86 bonus shares	-	736,171	-	646,631	-	736,171	-	646,631
1.17 Ridi Hydropower Development Co. Ltd. 1,994.39 equity shares(including 219.39 bonus shares) of Rs 100 each	752,887	245,385	752,886	408,286	752,887	245,385	752,886	408,286
1.18 Chhimek Laghubitta Bikas Bank Ltd. 1,199.24 equity shares(including 199.24 bonus shares) of Rs 100 each	1,605,674	1,051,733	316	305	1,605,674	1,051,733	316	305
1.19 First Micro Finance Development Bank Ltd. 3,579.38 equity shares (including 326.55 bonus shares) of Rs 100 each	2,223,465	1,933,332	2,104,065	2,116,500	2,223,465	1,933,332	2,104,065	2,116,500
1.20 Deprosc Development Bank Ltd. 2983.64 equity shares (including 1029.64 bonus shares) of Rs 100 each	3,034,592	2,237,727	2,788,065	3,063,569	3,034,592	2,237,727	2,788,065	3,063,569
1.21 Swabalamban Bikas Bank Ltd. 618 bonus shares	1,027,468	766,320	1,027,468	931,635	1,027,468	766,320	1,027,468	931,635

1.22 Nerude Laghubita Bikas Bank Ltd. 1,154.86 equity shares(including 424.86 bonus shares) of Rs 100 each	13,831	735,735	13,831	1,313,270	13,831	735,735	13,831	1,313,270
1.23 Sana Kisan Bikas Bank Ltd. 968.75 equity shares (including 348.75 bonus shares) of Rs 100 each	1,277,431	1,123,750	1,277,431	1,164,050	1,277,431	1,123,750	1,277,431	1,164,050
1.24 Summit Micro Finance Development Bank Ltd. 134 bonus shares	-	-	231,626	401,084	-	-	231,626	401,084
1.25 Nirdhan Utthan Bank Ltd. 1,668.37 equity shares (including 668.37 bonus shares) of Rs 100 each	2,099,744	1,708,408	-	1,963	2,099,744	1,708,408	-	1,963
1.26 NMB Hybrid Fund L-1 315,480 units of Rs 10 each	3,154,800	3,057,001	3,154,800	3,135,871	3,154,800	3,057,001	3,154,800	3,135,871
1.27 Nabil Equity Fund 225,299 units of Rs 10 each	2,252,990	2,221,448	2,252,990	2,252,990	2,252,990	2,221,448	2,252,990	2,252,990
1.28 NIBL Pragati Fund 342,480 units of Rs 10 each	3,424,800	3,082,320	3,424,800	3,424,800	3,424,800	3,082,320	3,424,800	3,424,800
1.29 Laxmi Equity fund 292,478 units of Rs 10 each	2,924,780	2,369,072	2,924,780	2,924,780	2,924,780	2,369,072	2,924,780	2,924,780
1.30 Siddhartha Equity Fund 800,000 units of Rs 10 each	8,000,000	7,648,000	-	-	8,000,000	7,648,000	-	-
1.31 Sanima Equity Fund 200,000 units of Rs 10 each	2,000,000	1,912,000	-	-	2,000,000	1,912,000	-	-
2. Investment in Quoted Equity of the Subsidiary								
2.1 Agriculture Development Bank 25 equity shares (including bonus shares) of Rs 100 each.	-	-	1	10,875				
2.2 Bank of Kathmandu Ltd. 510 equity shares (including bonus shares) of Rs 100 each.	388	-	401	243,936				
2.3 Century Commercial Bank Ltd. 717 equity shares (including bonus shares) of Rs 100 each.	64,708	121,173	1	5,800				
2.4 Everest Bank Ltd. 132 equity shares of Rs 100 each.	96,140	87,516	154,711	1,041,810				
2.5 Global IME Bank Ltd. 202 equity shares of Rs 100 each.	83,052	58,580	913,572	783,760				
2.6 Janata Bank Ltd.	-	-	1,660,801	1,311,228				
2.7 Kumari Bank Ltd. 2035 equity shares of Rs 100 each.	411,103	402,930	54,100	251,136				
2.8 Laxmi Bank Ltd. 7 equity shares of Rs 100 each.	6,077	1,806	36,464	15,990				
2.9 Machhapuchhre Bank Ltd. 1,294 equity shares of Rs 100 each.	623,598	270,446	951,118	624,960				
2.10 Mega Bank Ltd. 805 equity shares of Rs 100 each.	210,400	131,215	181,699	201,062				
2.11 Nabil Bank Ltd. Promoter Share 9,346 equity shares of Rs 100 each.	9,285,822	6,420,702	8,082,911	6,479,420				
2.12 Nepal Bangladesh Bank Ltd. 444 equity shares (including bonus shares) of Rs 100 each.	36,578	95,016	341,700	1,482,174				
2.13 Nepal Bank Ltd.	-	-	1,047,500	900,900				
2.14 Nepal Investment Bank Ltd. Promoter Share 6,774 equity shares of Rs 100 each.	3,597,057	3,725,700	2,704,308	2,381,747				
2.15 NMB Bank Ltd.	-	-	1	74,665				

2.16	Prabhu Bank (Grand Bank) 918 equity shares of Rs 100 each.	241,255	171,666	214,955	265,930		
2.17	Prime Commercial Bank Ltd.	-	-	160,701	699,702		
2.18	Sanima Bank Ltd.	86	-	32,300	139,213		
2.19	Standard Chartered Bank Nepal Ltd. 1 equity shares of Rs 100 each.	1,735	755	614,071	812,430		
2.20	Sunrise Bank Ltd. 412 equity shares (including bonus shares) of Rs 100 each.	13,459	94,760	25,001	428,868		
2.21	Alpine Development Bank Ltd.	-	-	489,578	1,016,520		
2.22	Hamro Bikash Bank 1,880 equity shares (including bonus shares) of Rs 100 each.	112,501	240,730	112,501	394,992		
2.23	Jyoti Bikas Bank 8,250 equity shares of Rs 100 each.	1,425,000	1,163,250	1,425,000	1,552,500		
2.24	Kailash Bikash Bank 14 equity shares (including bonus shares) of Rs 100 each.	6,324	3,206	11,401	83,712		
2.25	Mahakali Bikash Bank	-	-	323,001	331,968		
2.26	Civil Bank (ILFCO) 14,993 equity shares of Rs 100 each.	3,378,129	2,293,929	2,949,729	2,634,660		
2.27	Soaltee Hotel Ltd. 12 equity shares of Rs 100 each.	3,430	2,916	3,430	3,610		
2.28	API Hydropower Ltd. 827 equity shares of Rs 100 each.	574,721	234,868	1,190,708	864,915		
2.29	Arun Hydropower Co.	-	-	4,481	57,960		
2.30	Butwal Hydro Power Com. Ltd.	-	-	2,225,772	1,717,400		
2.31	Chilime Hydropower Ltd.	-	-	1,637,795	1,037,400		
2.32	Khanikhola Hydropower 16 equity shares of Rs 100 each.	-	-	1,600	3,328		
2.33	Ridi Hydropower Co. Ltd. 14 (including bonus shares) equity shares of Rs 100 each.	0	1,722	80,399	49,042		
2.34	Life Insurance Co. Nepal 4,175 equity shares of Rs 100 each.	9,857,306	6,771,850	7,257,951	5,540,976		
2.35	Lumbini General Insurance Co. Ltd.	-	-	1,800	16,740		
2.36	National Life Insurance Co. Ltd. 6,420 equity shares of Rs 100 each.	8,622,835	5,129,580	8,382,035	6,895,080		
2.37	Neco Insurance Co.Ltd. 1,527 equity shares of Rs 100 each.	364,033	847,485	357,001	1,942,380		
2.38	Nepal Life Insurance Co. Ltd. 10,682 equity shares of Rs 100 each.	16,447,944	11,087,916	9,421,893	7,157,136		
2.39	Premier Insurance Co. Ltd. 1 equity share of Rs 100 each.	-	-	-	1,690		
2.40	Prudential Insurance Co. Ltd. 2000 equity shares of Rs 100 each.	1,240,000	1,560,000	-	-		
2.41	Surya Life Insurance Co. Ltd. 590 equity shares (including bonus shares) of Rs 100 each.	43,701	354,000	904,384	1,060,370		
2.42	Chhimek Laghubitta Bikas Bank Ltd. 1,063 equity shares of Rs 100 each.	383,351	932,251	383,351	1,352,675		
2.43	First Micro Finance Development Bank Ltd. 4,164 equity shares of Rs 100 each.	392,800	2,248,020	7,431,622	6,967,620		

2.44 Sanakisan Bikash Bank Ltd. 104 equity shares of Rs 100 each.	132,391	118,862	660,681	623,330				
2.45 Swalamwan Bikash Bank	-	-	1	47,034				
2.46 Vijaya Laghubitta Sanstha Ltd. 151 equity shares of Rs 100 each.	239,029	115,515	239,029	188,101				
2.47 Laxmi Value Fund 1 3778 units of Rs 100 each.	40,035	40,047	40,035	46,281				
2.48 NABIL Balance Fund 1	-	-	356,683	409,760				
2.49 NEF 210,777 equity shares of Rs 100 each.	2,146,543	2,078,261	2,146,543	2,107,770				
2.50 NIBL Samriddhi Fund 1 192,279 units of Rs 100 each.	2,065,892	2,065,076	2,065,892	2,278,506				
2.51 NMBHF-1 195,159 units of Rs 100 each.	1,989,563	1,988,670	1,989,563	1,939,880				
2.52 NMB Sulav Investment Fund 1 746,911 units of Rs 100 each.	8,566,487	8,567,069	8,566,487	9,336,388				
2.53 SAEF 50,000 equity shares of Rs 100 each.	500,000	500,000	-	-				
2.54 Siddhartha Equity Oriented Scheme 559,268 units of Rs 100 each.	6,745,745	6,487,509	6,745,745	6,632,918				
2.55 Siddhartha Investment Growth Scheme 1	-	-	7,604	9,260				
2.56 Nepal Investment Bank Ltd. (4 equity shares of Rs. 100 each)	-	2,484	-	-				
2.57 SWBBL (6 equity shares of Rs. 100 each)	-	7,440	-	-				
2.58 NIC Asia Bank Ltd. (2 equity shares of Rs. 100 each)	-	632	-	-				
Total	**158,395,518**	**142,662,000**	**120,311,413**	**133,900,340**	**78,446,302**	**76,236,446**	**35,721,400**	**51,442,831**

Loans and Advances to B/FIs

4.6

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loans to Microfinance Institutions	1,434,996,159	1,481,946,440	1,434,996,159	1,481,946,440
Other	-	-	-	-
Less: Allowances for Impairment	14,349,962	14,819,464	14,349,962	14,819,464
Total	**1,420,646,197**	**1,467,126,976**	**1,420,646,197**	**1,467,126,976**

4.6.1 : Allowances for Impairment

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Balance at July 16, 2017	14,819,464	15,427,066	14,819,464	15,427,066
Impairment Loss for the Year:	-	-	-	-
Charge for the Year	-	-	-	-
Recoveries/ Reversal	(469,503)	(607,601)	(469,503)	(607,601)
Amount Written Off	-	-	-	-
Balance at July 16, 2018	**14,349,962**	**14,819,464**	**14,349,962**	**14,819,464**

Loans and Advances to Customers

4.7

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loans and Advances Measured at Amortized Cost	57,030,539,049	47,357,120,046	57,033,338,515	47,363,287,226
Less: Impairment Allowances	-	-	-	-
Collective Impairment	529,066,089	458,123,438	529,066,089	458,123,438
Individual Impairment	902,505,845	883,662,353	902,505,845	883,662,353
Net amount	**55,598,967,114**	**46,015,334,255**	**55,601,766,580**	**46,021,501,436**
Loans and Advances Measured at FVTPL	-	-	-	-
Total	**55,598,967,114**	**46,015,334,255**	**55,601,766,580**	**46,021,501,436**

4.7.1 : Analysis of Loans and Advances - By Product

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Product				
Term loans	10,897,372,312	9,837,170,262	10,897,372,312	9,837,170,262
Overdraft	8,256,514,857	6,711,028,227	8,256,514,857	6,711,028,227
Trust Receipt/ Import Loans	1,566,776,091	944,132,851	1,566,776,091	944,132,851
Demand and Other Working Capital Loans	5,872,539,210	3,837,930,906	5,872,539,210	3,837,930,906
Personal Residential Loans	3,697,908,849	2,765,467,133	3,697,908,849	2,765,467,133
Real Estate Loans	6,716,167,342	5,446,413,211	6,716,167,342	5,446,413,211
Margin Lending Loans	2,817,552,114	3,114,286,476	2,817,552,114	3,114,286,476
Hire Purchase Loans	4,795,332,441	3,271,827,967	4,795,332,441	3,271,827,967
Deprived Sector Loans	1,541,362,905	1,160,261,009	1,541,362,905	1,160,261,009
Bills Purchased	115,711,540	169,328,769	115,711,540	169,328,769
Staff Loans	303,200,446	227,253,593	303,200,446	227,253,593
Other	10,239,963,426	9,696,026,479	10,242,762,892	9,702,193,660
Sub total	**56,820,401,533**	**47,181,126,882**	**56,823,200,999**	**47,187,294,062**
Interest Receivable	210,137,516	175,993,164	210,137,516	175,993,164
Grand total	**57,030,539,049**	**47,357,120,046**	**57,033,338,515**	**47,363,287,227**

4.7.2 : Analysis of Loans and Advances - By Currency

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Nepalese Rupee	56,902,652,694	47,006,753,577	56,905,452,160	47,012,920,757
Indian Rupee	-	-	-	-
United State Dollar	127,886,355	350,366,469	127,886,355	350,366,469
Great Britain Pound	-	-	-	-
Euro	-	-	-	-
Japenese Yen	-	-	-	-
Chinese Yuan	-	-	-	-
Other	-	-	-	-
Total	**57,030,539,049**	**47,357,120,046**	**57,033,338,515**	**47,363,287,227**

4.7.3 : Analysis of Loans and Advances - By Collateral

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Secured				
Movable/ Immovable Assets	28,025,485,605	22,996,800,815	28,025,485,605	22,996,800,815
Gold and Silver	3,336,460,618	3,140,878,827	3,336,460,618	3,140,878,827
Guarantee of Domestic B/FIs	-	-	-	-
Government Guarantee	2,448,133	2,448,004	2,448,133	2,448,004
Guarantee of International Rated Bank	-	-	-	-
Collateral of Export Document	97,846,296	292,282,700	97,846,296	292,282,700
Collateral of Fixed Deposit Receipt	553,264,212	647,599,708	556,063,678	653,766,888
Collateral of Government Securities	-	-	-	-
Counter Guarantee	-	-	-	-
Personal Guarantee	80,524,989	69,232,515	80,524,989	69,232,515
Other Collateral	24,896,755,384	20,183,356,675	24,896,755,384	20,183,356,675
Sub total	**56,992,785,236**	**47,332,599,242**	**56,995,584,702**	**47,338,766,422**
Unsecured	37,753,813	24,520,804	37,753,813	24,520,804
Grand Total	**57,030,539,049**	**47,357,120,046**	**57,033,338,515**	**47,363,287,227**

4.7.4 : Allowances for Impairment

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Specific Allowances for Impairment				
Balance at July 16, 2017	**883,662,353**	**464,256,573**	**883,662,353**	**464,256,573**
Impairment Loss for the Year:				
Charge for the Year	18,843,492	419,405,780	18,843,492	419,405,780
Recoveries/ Reversal during the Year	-	-	-	-
Write-offs	-	-	-	-
Exchange Rate variance on Foreign Currency Impairment	-	-	-	-
Other Movement	-	-	-	-
Balance at July 16, 2018	**902,505,845**	**883,662,353**	**902,505,845**	**883,662,353**
Collective Allowances for Impairment				
Balance at July 16, 2017	**458,123,438**	**450,672,562**	**458,123,438**	**450,672,562**
Impairment Loss for the Year:	-	-	-	-
Charge/ (Reversal) for the Year	70,942,652	7,450,875	70,942,652	7,450,875
Exchange Rate variance on Foreign Currency Impairment	-	-	-	-
Other Movement	-	-	-	-
Balance at July 16, 2018	**529,066,089**	**458,123,438**	**529,066,089**	**458,123,438**
Total Allowances for Impairment	**1,431,571,934**	**1,341,785,791**	**1,431,571,934**	**1,341,785,791**

Investment Securities 4.8

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Investment Securities Measured at Amortized Cost	5,457,642,301	6,796,189,920	5,457,642,301	6,781,189,920
Investment in Equity Measured at FVTOCI	159,216,001	4,416,001	159,216,001	4,416,001
Total	**5,616,858,302**	**6,800,605,921**	**5,616,858,302**	**6,785,605,921**

4.8.1 : Investment Securities Measured at Amortized Cost

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Debt Securities	-	-	-	-
Government Bonds	3,402,854,939	6,472,102,546	3,402,854,939	6,472,102,546
Government Treasury Bills	2,054,787,363	309,087,375	2,054,787,363	309,087,375
Nepal Rastra Bank Bonds	-	-	-	-
Nepal Rastra Bank Deposits Instruments	-	-	-	-
Other	-	15,000,000	-	-
Less: Specific Allowances for Impairment	-	-	-	-
Total	**5,457,642,301**	**6,796,189,920**	**5,457,642,301**	**6,781,189,920**

4.8.2 : Investment in Equity Measured at Fair Value Through Other Comprehensive Income

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Equity Instruments				
Quoted Equity Securities	141,000,000	-	141,000,000	-
Unquoted Equity Securities	18,216,001	4,416,001	18,216,001	4,416,001
Total	**159,216,001**	**4,416,001**	**159,216,001**	**4,416,001**

4.8.3 : Information relating to Investment in Equities

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
1. Investment in Quoted Equity of the Bank								
1.1 Citizens Mutual Fund- 1 15,000,000 units of Rs 10 each	150,000,000	141,000,000	-	-	150,000,000	141,000,000	-	-
2. Investment in unquoted equity of the Bank								
2.1 National Banking Institute Ltd. (NBI) 12,000 equity Shares of Rs 100 each	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
2.2 Mero Microfinance Bittiya Sanstha Ltd. 197,340 Equity Shares (including 59340 bonus shares) of Rs 100 each	13,800,000	13,800,000	-	-	13,800,000	13,800,000	-	-
2.3 Credit Information Bureau ** 14,963 Equity Shares (including 8313.50 bonus shares) of Rs 100 each	216,001	216,001	216,001	216,001	216,001	216,001	216,001	216,001
2.4 Prabhu Capital Ltd. 30,000 Equity Shares of Rs 100 each	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total	**168,216,001**	**159,216,001**	**4,416,001**	**4,416,001**	**168,216,001**	**159,216,001**	**4,416,001**	**4,416,001**

Current Tax Assets 4.9

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current Tax Assets				
Current Year Income Tax Assets	651,001,752	571,345,982	651,001,752	571,345,982
Tax Assets of Prior Periods	-	-	-	-
Current Tax Liabilities				
Current Year Income Tax Liabilities	536,347,961	270,554,460	536,347,961	270,554,460
Tax Liabilities of Prior Periods	-	-	-	-
Total	**114,653,791**	**300,791,522**	**114,653,791**	**300,791,522**

Investment in Subsidiaries 4.10

Amount in NPR

Particulars	Bank	
	Current Year	Previous Year
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	117,200,000	67,000,000
Total Investment	**117,200,000**	**67,000,000**
Less: Impairment Allowances	-	-
Net Carrying Amount	**117,200,000**	**67,000,000**

4.10.1 : Investment in Quoted Subsidiaries

Amount in NPR

Particulars	Bank			
	Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value
.....Ltd. .....shares of Rs. .....each				
.....Ltd. .....shares of Rs. .....each				
Total				

4.10.2 : Investment in Unquoted Subsidiaries

Amount in NPR

Particulars	Bank			
	Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value
CBIL Capital Ltd. 1,172,000 shares of Rs. 100 each	117,200,000	117,200,000	-	-
Previous Year CBIL Capital Ltd. 670,000 shares of Rs. 100 each	-	-	67,000,000	67,000,000
Total	**117,200,000**	**117,200,000**	**67,000,000**	**67,000,000**

4.10.3 : Information Relating to Subsidiaries of the Bank

Amount in NPR

Particulars	Bank	
	Current Year	Previous Year
CBIL Capital Ltd.	68.94%	67.00%
.....Ltd.		
.....Ltd.		
.....Ltd.		

4.10.4 : Non Controlling Interest of the Subsidiaries

Amount in NPR

Particulars	Group	
	Current Year	
	CBIL Capital Ltd	..... Ltd
Equity Interest Held by NCI (%)	31.06%	
Profit/ (Loss) Allocated during the Year		
Accumulated Balances of NCI as on July 16, 2018		
Dividend Paid to NCI		
	Previous Year	
	CBIL Capital Ltd	..... Ltd
Equity Interest Held by NCI (%)	33.00%	
Profit/ (Loss) Allocated during the Year		
Accumulated Balances of NCI as on July 15, 2017		
Dividend Paid to NCI		

Investment in Associates 4.11

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Investment in Quoted Associates				
Investment in Unquoted Associates	23,903,192	31,751,500	17,951,500	31,751,500
Total Investment	**23,903,192**	**31,751,500**	**17,951,500**	**31,751,500**
Less: Impairment Allowances				
Net Carrying Amount	**23,903,192**	**31,751,500**	**17,951,500**	**31,751,500**

4.11.1: Investment in Quoted Associates

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Total								

4.11.2: Investment in Unquoted Associates

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
1. Nepal Clearing House Ltd. 35,418 Equity Shares (including 5,903 bonus shares) of Rs 100 each	2,951,500	9,340,893	2,951,500	2,951,500	2,951,500	2,951,500	2,951,500	2,951,500
2. Nepal Electronic Payment System Ltd. 150,000 Equity Shares of Rs 100 each	15,000,000	14,562,299	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
3. Mero Microfinance Bittiya Sanstha Ltd. 138,000 Equity Shares of Rs 100 each	-	-	13,800,000	13,800,000	-	-	13,800,000	13,800,000
Total	**17,951,500**	**23,903,192**	**31,751,500**	**31,751,500**	**17,951,500**	**17,951,500**	**31,751,500**	**31,751,500**

4.11.3: Information Relating to Associates of the Bank

Amount in NPR

Particulars	Bank	
	Percentage of ownership held by the Bank	
	Current Year	Previous Year
1. Nepal Electronic Payment System Ltd.	8.57%	8.57%
2. Nepal Clearing House Ltd.	1.64%	1.64%
3. Mero Microfinance Bittiya Sanstha Ltd.	-	6.75%

4.11.4 : Equity Value of Associates

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
.....Ltd.				
.....Ltd.				
Total				

Investment Property 4.12

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Investment Properties Measured at Fair Value				
Balance as on July 16, 2017	-	-	-	-
Addition/ Disposal during the Year	-	-	-	-
Net Changes in Fair Value during the Year	-	-	-	-
Adjustment/ Transfer	-	-	-	-
Net Amount				
Investment Properties Measured at Cost				
Balance as on July 16, 2017	390,066,062	380,245,197	390,066,062	380,245,197
Addition/ Disposal during the Year	(102,519,002)	9,820,866	(102,519,002)	9,820,866
Adjustment/ Transfer	-	-	-	-
Accumulated Depreciation	-	-	-	-
Accumulated Impairment Loss	-	-	-	-
Net Amount	**287,547,060**	**390,066,062**	**287,547,060**	**390,066,062**
Total	**287,547,060**	**390,066,062**	**287,547,060**	**390,066,062**

Property and Equipment

4.13

Amount in NPR

Particulars	Group									
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	Total Mid July, 2018	Total Mid July, 2017
Cost										
As on July 16, 2016	581,388,007	99,601,060	179,092,927	92,182,383	63,123,818	101,717,884	-	166,169,581	-	1,283,275,659
Addition during the Year	-	-	56,557	1,618,532	4,222,368	108,896	-	423,619	-	6,429,972
Acquisition	486,763,676	265,353,450	16,488,974	23,524,755	15,997,600	34,919,760	-	60,268,782	-	903,316,997
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	(30,580,048)	(3,498,668)	(5,139,303)	(1,599,998)	-	(6,384,919)	-	(47,202,935)
Adjustment/ Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on July 15, 2017	**1,068,151,683**	**364,954,510**	**165,058,409**	**113,827,003**	**78,204,483**	**135,146,542**	**-**	**220,477,063**	**2,145,819,693**	**2,145,819,693**
Addition during the Year	-	-	-	-	-	-	-	-	-	-
Acquisition	231,139,048	77,717,789	11,762,791	63,754,887	101,469,307	13,535,938	-	39,002,594	538,382,354	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	(5,308,265)	(5,042,246)	(7,072,616)	(1,378,405)	-	(10,921,317)	(29,722,848)	-
Adjustment/ Revaluation	-	-	981,752	-	-	188,736	-	(1,170,488)	-	-
Balance as on July 16, 2018	**1,299,290,731**	**442,672,300**	**172,494,687**	**172,539,644**	**172,601,175**	**147,492,811**	**-**	**247,387,853**	**2,654,479,200**	**2,145,819,693**
Depreciation and Impairment										
As on July 16, 2016	-	13,814,291	107,488,610	68,321,974	22,429,859	72,604,696	-	110,663,700	-	395,323,130
Depreciation charge for the Year	-	13,776,573	15,186,957	12,923,916	9,665,030	12,076,187	-	26,598,976	-	90,227,640
Impairment for the Year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(30,579,991)	(3,459,115)	(4,683,483)	(1,312,122)	-	(6,330,317)	-	(46,365,028)
Adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on July 15, 2017	**-**	**27,590,864**	**92,095,556**	**77,786,775**	**27,411,406**	**83,368,761**	**-**	**130,932,359**	**439,185,721**	**439,185,721**
Impairment for the Year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	20,963,339	15,258,783	25,125,129	17,956,530	15,488,367	-	30,191,095	124,983,243	-
Disposals	-	-	(4,604,876)	(4,900,608)	(5,063,545)	(1,378,426)	-	(10,111,360)	(26,058,814)	-
Adjustment	-	-	981,740	-	-	188,724	-	(1,170,464)	-	-
Balance as on July 16, 2018	**-**	**48,554,202**	**103,731,203**	**98,011,296**	**40,304,392**	**97,667,426**	**-**	**149,841,631**	**538,110,149**	**439,185,721**
Capital Work In Progress	**-**	**9,125,165**	**2,459,950**	**-**	**-**	**-**	**-**	**-**	**11,585,115**	**59,174,883**
Net Book Value										
As on July 15, 2016	**581,388,007**	**85,786,769**	**71,604,317**	**23,860,409**	**40,693,959**	**29,113,188**	**-**	**55,505,881**	**887,952,529**	**-**
As on July 15, 2017	**1,068,151,683**	**337,363,646**	**72,962,853**	**36,040,227**	**50,793,077**	**51,777,781**	**-**	**89,544,705**	**-**	**1,765,808,855**
As on July 16, 2018	**1,299,290,731**	**403,243,262**	**71,223,434**	**74,528,348**	**132,296,782**	**49,825,385**	**-**	**97,546,223**	**2,127,954,165**	**-**

Particulars	Bank									
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machi-nery	Equipment & Others	Total Mid July, 2018	Total Mid July, 2017
Cost										
As on July 16, 2016	581,388,007	99,601,060	178,399,349	92,182,383	63,123,818	100,794,446	-	165,115,355	-	1,280,604,417
Addition during the Year										
Acquisition	486,763,676	265,353,450	16,488,974	23,524,755	15,997,600	34,919,760	-	60,268,782	-	903,316,997
Capitalization										
Disposal during the Year		-	(30,580,048)	(3,498,668)	(5,139,303)	(1,599,998)	-	(6,384,919)	-	(47,202,935)
Adjustment/ Revaluation										
Balance as on July 15, 2017	**1,068,151,683**	**364,954,510**	**164,308,274**	**112,208,470**	**73,982,115**	**134,114,208**	**-**	**218,999,218**	**2,136,718,479**	**2,136,718,479**
Addition during the Year										
Acquisition	231,139,048	77,717,789	11,725,727	63,511,787	101,286,407	13,306,663	-	38,932,425	537,619,845	-
Capitalization	-	-	-	-	-	-	-	-	-	
Disposal during the Year	-	-	(5,308,265)	(5,042,246)	(7,072,616)	(1,378,405)	-	(10,921,317)	(29,722,848)	-
Adjustment/ Revaluation			981,752	-		188,736	-	(1,170,488)	-	
Balance as on July 16, 2018	**1,299,290,731**	**442,672,300**	**171,707,488**	**170,678,012**	**168,195,907**	**146,231,202**	**-**	**245,839,839**	**2,644,615,477**	**2,136,718,479**
Depreciation and Impairment										
As on July 16, 2016		13,814,291	107,471,251	68,321,974	22,429,859	72,077,884	-	110,247,535	-	394,362,794
Depreciation charge for the Year		13,776,573	15,115,391	12,642,304	9,427,214	11,988,966	-	26,398,717	-	89,349,165
Impairment for the Year										
Disposals			(30,579,991)	(3,459,115)	(4,683,483)	(1,312,122)	-	(6,330,317)	-	(46,365,028)
Adjustment										
Balance as on July 15, 2017		**27,590,864**	**92,006,651**	**77,505,163**	**27,173,590**	**82,754,728**	**-**	**130,315,935**	**437,346,931**	**437,346,931**
Impairment for the Year										
Depreciation charge for the Year		20,963,339	15,181,824	24,685,631	17,328,305	15,268,295	-	29,892,228	123,319,621	-
Disposals		-	(4,604,876)	(4,900,608)	(5,063,545)	(1,378,426)	-	(10,111,360)	(26,058,814)	-
Adjustment			981,740	-	-	188,724	-	(1,170,464)	-	
Balance as on July 16, 2018		**48,554,202**	**103,565,339**	**97,290,186**	**39,438,350**	**96,833,321**	**-**	**148,926,339**	**534,607,737**	**437,346,931**
Capital Work In Progress		**9,125,165**	**2,459,950**	**-**	**-**	**-**	**-**	**-**	**11,585,115**	**59,174,883**
Net Book Value										
As on July 15, 2016	**581,388,007**	**85,786,769**	**70,928,098**	**23,860,409**	**40,693,959**	**28,716,562**	**-**	**54,867,820**	**886,241,623**	
As on July 15, 2017	**1,068,151,683**	**337,363,646**	**72,301,623**	**34,703,307**	**46,808,525**	**51,359,480**	**-**	**88,683,283**		**1,758,546,430**
As on July 16, 2018	**1,299,290,731**	**403,243,262**	**70,602,098**	**73,387,826**	**128,757,557**	**49,397,881**	**-**	**96,913,500**	**2,121,592,854**	

Goodwill and Intangible Assets 4.14

Amount in NPR

Particulars	Group					
	Goodwill	Software		Other	Total Mid July, 2018	Total Mid July, 2017
		Purchased	Developed			
Cost						
As on July 16, 2016		29,151,717			-	29,151,717
Addition during the Year		650,150			-	650,150
Acquisition		5,542,853			-	5,542,853
Capitalization		-			-	-
Disposal during the Year		-			-	-
Adjustment/ Revaluation		-			-	-
Balance as on July 15, 2017		**35,344,720**			**35,344,720**	**35,344,720**
Addition during the Year		-			-	-
Acquisition		11,312,336			11,180,126	-
Capitalization		-			-	-
Disposal during the Year		-			-	-
Adjustment/ Revaluation		-			-	-
Balance as on July 16, 2018		**46,657,056**			**46,657,056**	**-**
Amortization and Impairment						
As on July 16, 2016		23,195,665			-	23,195,665
Amortization charge for the Year		3,415,371			-	3,415,371
Impairment for the Year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on July 15, 2017		**26,611,036**			**26,611,036**	**26,611,036**
Amortization charge for the Year		3,367,412			3,367,412	-
Impairment for the Year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on July 16, 2018		**29,978,448**			**29,978,448**	**-**
Capital Work In Progress		**54,494,529**			**54,494,529**	**-**
Net Book Value						
As on July 15, 2016		**5,956,052**			**5,956,052**	**-**
As on July 15, 2017		**8,733,685**			**-**	**8,733,685**
As on July 16, 2018		**71,173,137**			**71,173,137**	**-**

Amount in NPR

Particulars	Bank					
	Goodwill	Software		Other	Total Mid July, 2018	Total Mid July, 2017
		Purchased	Developed			
Cost						
As on July 16, 2016		29,049,717			-	29,049,717
Addition during the Year		-			-	-
Acquisition		5,542,853			-	5,542,853
Capitalization		-			-	-
Disposal during the Year		-			-	-
Adjustment/ Revaluation		-			-	-
Balance as on July 15, 2017		**34,592,570**			**34,592,570**	**34,592,570**
Addition during the Year		-			-	-
Acquisition		11,180,126			11,180,126	-
Capitalization		-			-	-
Disposal during the Year		-			-	-
Adjustment/ Revaluation		-			-	-
Balance as on July 16, 2018		**45,772,696**			**45,772,696**	
Amortization and Impairment						
As on July 16, 2016		23,182,965			-	23,182,965
Amortization charge for the Year		3,343,116			-	3,343,116
Impairment for the Year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on July 15, 2017		**26,526,081**			**26,526,081**	**26,526,081**
Amortization charge for the Year		3,207,114			3,207,114	-
Impairment for the Year		-			-	-
Disposals		-			-	-
Adjustment		-			-	-
Balance as on July 16, 2018		**29,733,195**			**29,733,195**	
Capital Work In Progress		**54,494,529**			**54,494,529**	
Net Book Value		**-**			**-**	**-**
As on July 15, 2016		**5,866,752**			**5,866,752**	
As on July 15, 2017		**8,066,489**				**8,066,489**
As on July 16, 2018		**70,534,031**			**70,534,031**	

Deferred Tax 4.15

Amount in NPR

Particulars	Group			Bank		
	Current Year			Current Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
Deferred Tax on Temporary Differences on following items						
Loans and Advances to B/FIs	-	-	-	-	-	-
Loans and Advances to Customers	-	-	-	-	-	-
Investment Properties	-	(86,264,118)	(86,264,118)	-	(86,264,118)	(86,264,118)
Investment Securities	2,700,000	-	2,700,000	2,700,000	-	2,700,000
Property and Equipment	1,114,519	(35,546)	1,078,973	1,114,519	-	1,114,519
Employees' Defined Benefit Plan	2,806,662	-	2,806,662	2,797,346	-	2,797,346
Lease Liabilities	-	(3,791,007)	(3,791,007)	-	(3,791,007)	(3,791,007)
Provisions	-	-	-	-	-	-
Other Temporary Differences	2,411,421	(383,125)	(383,125)	-	(383,125)	(383,125)
Deferred Tax on Temporary Differences	**9,032,609**	**(90,473,796)**	**(81,441,195)**	**6,611,865**	**(90,438,251)**	**(83,826,386)**
Deferred Tax on Carry Forward of Unused Tax Losses	66,148,887	-	66,148,888	66,148,887	-	66,148,887
Deferred Tax Due to Changes in Tax Rate	-	-	-	-	-	-
Net Deferred Tax Asset/ (Liabilities) as on July 16, 2018	**-**	**-**	**(15,292,307)**	**-**	**-**	**(17,677,499)**
Deferred Tax (Asset)/ Liabilities as on July 16, 2017	-	-	(85,477,182)	-	-	(85,192,158)
Origination/ (Reversal) during the Year	**-**	**-**	**70,184,876**	**-**	**-**	**67,514,659**
Deferred Tax Expense/ (Income) recognized in Profit or Loss	**-**	**-**	**(70,184,876)**	**-**	**-**	**(63,586,765)**
Deferred Tax Expense/ (Income) recognized in Other Comprehensive Income	**-**	**-**	**(3,927,894)**	**-**	**-**	**(3,927,894)**
Deferred Tax Expense/ (Income) recognized directly in Equity	**-**	**-**	**-**	**-**	**-**	**-**

Particulars	Group			Bank		
	Previous Year			Previous Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
Deferred Tax on Temporary Differences on following items						
Loan and Advances to B/FIs	-	-	-	-	-	-
Loan and Advances to Customers	-	(52,797,949)	(52,797,949)	-	(52,797,949)	(52,797,949)
Investment Properties	-	(117,019,819)	(117,019,819)	-	(117,019,819)	(117,019,819)
Investment Securities	-	-	-	-	-	-
Property and Equipment	9,694,498	(1,140,087)	9,409,474	9,694,498	-	9,694,498
Employees' Defined Benefit Plan	1,240,189	-	1,240,189	1,240,189	-	1,240,189
Lease Liabilities	-	(2,251,076)	(2,251,076)	-	(2,251,076)	(2,251,076)
Provisions	-	-	-	-	-	-
Other Temporary Differences	-	(555,354)	(555,354)	-	(555,354)	(555,354)
Deferred Tax on Temporary Differences	**10,934,687**	**(172,624,199)**	**(161,974,535)**	**10,934,687**	**(172,624,199)**	**(161,689,511)**
Deferred Tax on Carry Forward of Unused Tax Losses	76,497,353	-	76,497,353	76,497,353	-	76,497,353
Deferred Tax due to Changes in Tax Rate	-	-		-	-	-
Net Deferred Tax Asset/ (Liabilities) as on July 15, 2017	**-**	**-**	**(85,477,182)**	**-**	**-**	**(85,192,158)**
Deferred Tax Asset/ (Liabilities) as on July 16, 2016	-	-	177,416,441	-	-	177,416,441
Origination/ (Reversal) during the Year	**-**	**-**	**(262,893,623)**	**-**	**-**	**(262,608,599)**
Deferred Tax Expense/ (Income) recognized in Profit or Loss	**-**	**-**	**(262,893,623)**	**-**	**-**	**(262,608,599)**
Deferred Tax Expense/ (Income) recognized in Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**
Deferred Tax Expense/ (Income) recognized in directly in Equity	**-**	**-**	**-**	**-**	**-**	**-**

Other Assets

4.16

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Assets Held for Sale	-	129,926,834	-	129,926,834
Other Non Banking Assets	-	-	-	-
Bills Receivable	-	-	-	-
Accounts Receivable	1,142,556,928	948,134,865	1,179,801,652	970,687,359
Accrued Income	1,322,166	25,482,497	519,557	-
Prepayments and Deposit	121,145,347	30,721,304	113,602,658	24,468,537
Income Tax Deposit	18,769,113	18,769,113	18,769,113	18,769,113
Deferred Employee Expenditure	180,958,590	181,183,252	180,958,590	181,183,252
Other	21,664,170	9,217,599	8,620,392	6,324,022
Total	**1,486,416,314**	**1,343,435,463**	**1,502,271,962**	**1,331,359,117**

Due to Banks and Financial Institutions

4.17

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Money Market Deposits	-	-	-	-
Interbank Borrowing	2,550,000,000	1,500,000,000	2,550,000,000	1,500,000,000
Other Deposits from B/FIs	785,288,532	1,001,906,804	785,288,532	1,001,906,804
Settlement and Clearing Accounts	-	-	-	-
Other Deposits from B/FIs	-	-	-	-
Total	**3,335,288,532**	**2,501,906,804**	**3,335,288,532**	**2,501,906,804**

Due to Nepal Rastra Bank

4.18

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Refinance from NRB	695,041,370	33,578,077	695,041,370	33,578,077
Standing Liquidity Facility	-	-	-	-
Lender of Last Resort Facility from NRB	-	-	-	-
Securities Sold under Repurchase Agreements	-	-	-	-
Other Payable to NRB	-	-	-	-
Total	**695,041,370**	**33,578,077**	**695,041,370**	**33,578,077**

Derivative Financial Instruments

4.19

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Held for Trading				
Interest Rate Swap				
Currency Swap				
Forward Exchange Contract				
Others				
Held for Risk Management				
Interest Rate Swap				
Currency Swap				
Forward Exchange Contract				
Other				
Total				

Deposits from Customers 4.20

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Institutional Customers:				
Term Deposits	25,766,302,199	21,945,793,276	25,851,302,199	21,960,793,276
Call Deposits	3,030,366,310	3,907,665,983	3,035,572,647	3,908,371,444
Current Deposits	2,224,805,322	1,255,995,114	2,224,810,322	1,255,995,114
Other	272,840,189	260,678,875	272,840,189	260,678,875
Individual Customers:				
Term Deposits	15,081,157,061	12,861,702,096	15,081,157,061	12,861,702,096
Saving Deposits	13,611,255,643	10,623,211,413	13,611,255,643	10,623,211,413
Current Deposits	331,024,877	188,151,596	331,024,877	188,151,596
Other	288,064,035	657,770,839	288,064,035	657,770,839
Total	**60,605,815,636**	**51,700,969,191**	**60,696,026,972**	**51,716,674,652**

4.20.1: Currency wise Analysis of Deposit from Customers

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Nepalese Rupee	60,042,579,187	51,454,287,467	60,132,790,529	51,469,992,929
Indian Rupee	-	-	-	-
United State Dollar	554,120,409	230,938,894	554,120,409	230,938,894
Great Britain Pound	30,555	140,667	30,555	140,667
Euro	8,892,620	15,422,536	8,892,620	15,422,536
Japanese Yen	192,859	179,626	192,859	179,626
Chinese Yuan	-	-	-	-
Other	-	-	-	-
Total	**60,605,815,630**	**51,700,969,191**	**60,696,026,972**	**51,716,674,652**

Borrowing 4.21

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	5,000,000	-	-
Sub total	**-**	**5,000,000**	**-**	**-**
Foreign Borrowing				
Foreign Bank and Financial Institutions	-	-	-	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	**-**	**-**	**-**	**-**
Total	**-**	**5,000,000**	**-**	**-**

Provisions 4.22

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Provisions for Redundancy	-	-	-	-
Provision for Restructuring	-	-	-	-
Pending Legal Issues and Tax Litigation	-	-	-	-
Onerous Contracts	-	-	-	-
Other - Previous Year Income Tax Provision	5,526,126	3,078,973	5,306,626	-
Total	**5,526,126**	**3,078,973**	**5,306,626**	**–**

4.22.1 : Movement in Provision

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Balance at July 16, 2017	**3,078,973**	**-**	**-**	**-**
Provisions Made during the Year	2,447,152	3,078,973	5,306,626	-
Provisions Used during the Year	-	-	-	-
Provisions Reversed during the Year	-	-	-	-
Unwind of Discount	-	-	-	-
Balance at July 16, 2018	**5,526,126**	**3,078,973**	**5,306,626**	**-**

Other Liabilities 4.23

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Liability for Employees Defined Benefit Obligations	2,179,886	4,133,964	2,142,623	4,133,964
Liability for Long-Service Leave	7,181,863	-	7,181,863	-
Short-Term Employee Benefits	28,307	132,715	28,307	132,715
Bills Payable	79,850,035	67,045,774	79,850,035	67,045,774
Creditors and Accruals	23,150,522	21,199,271	20,201,332	20,219,283
Interest Payable on Deposit	162,563,714	92,617,474	162,563,714	92,617,474
Interest Payable on Borrowing	18,862,763	13,609,914	18,862,763	13,609,914
Liabilities on Deferred Grant Income	-	-	-	-
Unpaid Dividend	71,936,209	77,553,337	71,023,877	58,203,937
Lease Liabilities	3,468,935	7,503,588	3,468,935	7,503,588
Employee Bonus Payable	189,651,677	157,810,783	189,651,677	157,810,783
Other	-	-	-	-
Card Payables	27,710,430	19,793,097	27,710,430	19,793,097
Unearned Commissions	48,857,046	26,142,457	48,857,046	26,142,457
Tax Deducted at Source	120,335,580	90,754,228	120,186,013	90,340,249
Retention Money	18,437,618	16,058,347	18,437,618	16,058,347
Provision for Expenses	15,577,126	15,816,751	15,577,126	15,816,751
Account Payable Others	765,019,799	1,270,770,307	662,234,287	613,501,192
Total	**1,554,811,510**	**1,880,942,008**	**1,447,977,647**	**1,202,929,525**

4.23.1 : Defined Benefit Obligations

The amounts recognized in the Statement of Financial Position are as follows:

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Present Value of Unfunded Obligations	2,142,623	4,133,964	2,142,623	4,133,964
Present Value of Funded Obligations	51,373,775	34,604,096	51,373,775	34,604,096
Total Present Value of Obligations	53,516,399	38,738,060	53,516,399	38,738,060
Fair Value of Plan Assets	51,373,775	34,604,096	51,373,775	34,604,096
Present Value of Net Obligations	2,142,623	4,133,964	2,142,623	4,133,964
Recognized Liability for Defined Benefit Obligations	53,516,399	38,738,060	53,516,399	38,738,060

4.23.2 : Plan Assets

Amount in NPR

Plan Assets comprise	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Equity Securities	-	-	-	-
Government Bonds	-	-	-	-
Bank Deposit	-	-	-	-
Other	51,373,776	34,604,096	51,373,776	34,604,096
Total	**51,373,776**	**34,604,096**	**51,373,776**	**34,604,096**

4.23.3 : Movement in the Present Value of Defined Benefit Obligations

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Defined Benefit Obligations at July 16, 2017	38,738,060	31,783,372	38,738,060	31,783,372
Actuarial Losses	756,288	(3,985,502)	756,288	(3,985,502)
Benefits Paid by the Plan	(3,475,622)	(3,012,631)	(3,475,622)	(3,012,631)
Current Service Costs and Interest	17,497,673	13,952,821	17,497,673	13,952,821
Defined Benefit Obligations at July 16, 2018	**53,516,399**	**38,738,060**	**53,516,399**	**38,738,060**

4.23.4 : Movement in the Fair Value of Plan Assets

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Fair Value of Plan Assets at July 16, 2017	34,604,096	-	34,604,096	-
Contributions Paid into the Plan	20,146,818	34,604,096	20,146,818	34,604,096
Benefits Paid during the Year	(3,475,622)	-	(3,475,622)	-
Actuarial (Losses) Gains	(3,336,692)	-	(3,336,692)	-
Expected Return on Plan Assets	3,435,176	-	3,435,176	-
Fair Value of Plan Assets at July 16, 2018	**51,373,776**	**34,604,096**	**51,373,776**	**34,604,096**

4.23.5 : Amount Recognized in Profit or Loss

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current Service Costs	14,537,653	11,417,117	14,537,653	11,417,117
Interest on Obligation	2,960,020	2,535,704	2,960,020	2,535,704
Expected Return on Plan Assets	-	-	(3,435,176)	-
Total	**17,497,673**	**13,952,821**	**14,062,497**	**13,952,821**

4.23.6 : Amount Recognized in Other Comprehensive Income

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Actuarial (Gain)/ Loss	(756,288)	3,985,502	(756,288)	3,985,502
Total	**(756,288)**	**3,985,502**	**(756,288)**	**3,985,502**

4.23.7 : Actuarial Assumptions

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	8.00%	8.00%	8.00%	8.00%
Expected Return on Plan Asset	8.00%	4.75%	8.00%	4.75%
Future Salary Increase	7.50%	5.00%	7.50%	5.00%
Withdrawal Rate	10.50%	10.50%	10.50%	10.50%

Debt Securities Issued 4.24

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Debt Securities Issued Designated as at Fair Value Through Profit or Loss	-	-	-	-
Debt Securities Issued at Amortised Cost	498,722,911	498,148,814	498,722,911	498,148,814
Total	**498,722,911**	**498,148,814**	**498,722,911**	**498,148,814**

Subordinated Liabilities 4.25

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Redeemable Preference Shares				
Irredeemable Cumulative Preference Shares (Liabilities Component)				
Other				
Total				

Share Capital 4.26

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Ordinary Shares	8,033,236,400	6,921,689,662	8,033,236,400	6,921,689,662
Convertible Preference Shares (Equity Component only)	-	-	-	-
Irredeemable Preference Shares (Equity Component only)	-	-	-	-
Perpetual Debt (Equity Component only)	-	-	-	-
Total	**8,033,236,400**	**6,921,689,662**	**8,033,236,400**	**6,921,689,662**

4.26.1 : Ordinary Shares

Amount in NPR

Particulars	Bank	
	Current Year	Previous Year
Authorized Capital		
100,000,000 Ordinary Shares of Rs. 100 each	10,000,000,000	10,000,000,000
Issued capital		
80,332,364 Ordinary Shares of Rs. 100 each	8,033,236,400	
(Previous Year 69,216,896.62 Ordinary Shares of Rs. 100 each)		6,921,689,662
Subscribed and Paid Up Capital		
80,332,364 Ordinary Shares of Rs. 100 each	8,033,236,400	
(Previous Year 69,216,896.62 Ordinary Shares of Rs. 100 each)		6,921,689,662
Total	**8,033,236,400**	**6,921,689,662**

4.26.2 : Ordinary Share Ownership

Amount in NPR

Particulars	Bank			
	Current Year		Previous Year	
	Percent	Amount	Percent	Amount
Domestic Ownership				
Nepal Government	-	-	-	-
"A" Class Licensed Institutions	-	-	-	-
Other Licensed Institutions	-	-	-	-
Other Institutions	5.37%	431,187,400	5.37%	371,712,448
Public	48.70%	3,912,630,700	48.68%	3,369,459,871
Other	45.93%	3,689,418,300	45.95%	3,180,517,343
Foreign Ownership	**-**	**-**	**-**	**-**
Total	**100.00%**	**8,033,236,400**	**100.00%**	**6,921,689,662**

Reserves 4.27

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Statutory General Reserve	1,192,300,666	945,479,886	1,192,300,666	945,479,886
Exchange Equalisation Reserve	49,775,519	33,055,535	49,775,519	33,055,535
Corporate Social Responsibility Reserve	12,341,039	10,816,615	12,341,039	10,816,615
Capital Redemption Reserve	321,428,571	200,000,000	321,428,571	200,000,000
Regulatory Reserve	795,430,349	-	795,430,349	-
Investment Adjustment Reserve	135,200,000	85,276,000	135,200,000	85,276,000
Capital Reserve	-	-	-	-
Assets Revaluation Reserve	343,854,012	343,854,012	343,854,012	343,854,012
Fair Value Reserve	(6,300,000)	-	(6,300,000)	-
Dividend Equalisation Reserve	-	-	-	-
Actuarial Gain	4,081,628	6,847,663	3,982,577	6,847,663
Special Reserve	-	-	-	-
Other Reserve	1,717,677	2,137,849	-	-
Total	**2,849,829,461**	**1,627,467,560**	**2,848,012,733**	**1,625,329,711**

Contingent Liabilities and Commitments 4.28

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Contingent Liabilities	4,325,083,670	1,546,975,526	3,145,222,710	1,546,975,526
Undrawn and Undisbursed Facilities	21,291,109,729	21,178,398,436	21,291,109,729	21,178,398,436
Capital Commitment	49,177,561	8,067,647	49,177,561	8,067,647
Lease Commitment	320,013,298	310,957,592	320,013,298	310,957,592
Litigation	63,557,281	53,454,143	63,557,281	53,454,143
Total	**26,048,941,539**	**23,097,853,344**	**24,869,080,579**	**23,097,853,344**

4.28.1: Contingent Liabilities

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Acceptance and Documentary Credit	1,562,257,180	671,539,000	1,562,257,180	671,539,000
Bills for Collection	83,382,584	21,051,526	83,382,584	21,051,526
Forward Exchange Contracts	-	-	-	-
Guarantees	1,464,529,092	843,337,000	1,464,529,092	843,337,000
Underwriting Commitment	1,153,860,960	-	-	-
Other Commitments	61,053,854	11,048,000	35,053,854	11,048,000
Total	**4,325,083,670**	**1,546,975,526**	**3,145,222,710**	**1,546,975,526**

4.28.2: Undrawn and Undisbursed Facilities

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Undisbursed Amount of Loans	13,224,868,234	14,988,061,622	13,224,868,234	14,988,061,622
Undrawn Limits of Overdrafts	3,185,902,518	2,728,035,530	3,185,902,518	2,728,035,530
Undrawn Limits of Credit Cards	106,677,323	-	106,677,323	-
Undrawn Limits of Letter of Credit	1,934,294,417	1,657,882,000	1,934,294,417	1,657,882,000
Undrawn Limits of Guarantee	2,839,367,237	1,804,419,284	2,839,367,237	1,804,419,284
Total	**21,291,109,729**	**21,178,398,436**	**21,291,109,729**	**21,178,398,436**

4.28.3: Capital Commitments

Capital Expenditure Commitments are approved by relevant authority of the Group but provision has not been made in financial statements.

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Capital Commitments in relation to Property and Equipment				
Approved and Contracted for	35,851,451	8,067,647	35,851,451	8,067,647
Approved but not Contracted for	-	-	-	-
Sub total	**35,851,451**	**8,067,647**	**35,851,451**	**8,067,647**
Capital Commitments in relation to Intangible Assets				
Approved and Contracted for	12,196,109	-	12,196,109	-
Approved but not Contracted for	1,130,000	-	1,130,000	-
Sub total	**13,326,109**	**-**	**13,326,109**	**-**
Total	**49,177,561**	**8,067,647**	**49,177,561**	**8,067,647**

4.28.4: Lease Commitments

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Operating Lease Commitments				
Future Minimum Lease Payments under Non Cancellable Operating Lease, where the Bank is Lessee				
Not later than 1 year	44,531,348	2,042,854	42,912,121	2,042,854
Later than 1 year but not later than 5 years	167,158,529	63,725,049	160,681,621	63,725,049
Later than 5 years	121,437,885	245,189,689	116,419,556	245,189,689
Sub total	**333,127,762**	**310,957,592**	**320,013,298**	**310,957,592**
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	**333,127,762**	**310,957,592**	**320,013,298**	**310,957,592**

4.28.5: Litigation

The detail of contingent liabilities on account of pending litigation of the Bank are as mentioned below:

a. Status of Contingent liabilities for Tax Litigation cases pending as on July 16, 2018 (Ashadh 32, 2075).

Tax Assessment Order Litigation of	FY	Pending at	Amount
Citizens Bank International Ltd.	2006/07 (2063/64)	Supreme Court	5,376,087
Citizens Bank International Ltd.	2007/08 (2064/65)	Supreme Court	
Citizens Bank International Ltd.	2010/11 (2067/68)	Revenue Tribunal	2,885,729
Citizens Bank International Ltd.	2011/12 (2068/69)	Tax Administrative Review	8,346,517
Citizens Bank International Ltd.	2012/13 (2069/70)	Tax Administrative Review	12,396,861
People's Finance Ltd.	2010/11 (2067/68)	Tax Administrative Review	21,002,255
Nepal Housing and Merchant Finance Ltd.	2011/12 (2068/69)	Tax Administrative Review	3,446,694
Citizens Bank International Ltd.	2013/14 (2070/71)	Tax Administrative Review	10,103,138
		Total	**63,557,281**

Financial Year 2014/15 to 2016/17

The self assessment returns filed by the Bank for Financial Year 2014/15 (2071/72) to 2016/17 (2073/74) has not yet been opened for reassessment by the Large Taxpayers Office.

b. Status of Contingent Liabilities for other pending litigations

As such, there are no other contingent liabilities that are likely to materialize against the Bank in case of other pending litigations.

Interest Income 4.29

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Cash and Cash Equivalents	15,862,141	4,111,361	21,707,097	4,487,309
Due from Nepal Rastra Bank	-	-	-	-
Placement with Bank and Financial Institutions	67,930,816	67,252,551	67,930,816	67,252,551
Loans and Advances to Bank and Financial Institutions	155,980,578	104,236,277	155,980,578	104,236,277
Loans and Advances to Customers	6,488,332,187	4,628,868,292	6,488,757,635	4,632,276,885
Investment Securities	271,084,524	128,827,445	264,725,524	127,286,962
Loans and Advances to Staff	110,285,922	15,234,128	110,285,922	15,234,128
Other	705,446	9,423,867	-	9,423,867
Total Interest Income	**7,110,181,614**	**4,957,953,921**	**7,109,387,573**	**4,960,197,979**

Interest Expenses

4.30

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Due to Banks and Financial Institutions	46,955,382	75,465,362	46,955,382	75,465,362
Due to Nepal Rastra Bank	9,920,460	1,714,729	9,920,460	1,714,729
Deposits from Customers	4,667,133,887	2,992,680,896	4,672,978,843	2,996,465,437
Borrowing	114,391,112	46,505,348	114,391,112	45,533,834
Debt Securities Issued	43,074,097	42,913,098	43,074,097	42,913,098
Subordinated Liabilities	-	-	-	-
Other	-	7,865,286	-	7,865,286
Total Interest Expense	**4,881,474,938**	**3,167,144,719**	**4,887,319,894**	**3,169,957,746**

Fees and Commission Income

4.31

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loan Administration Fees	289,565,738	208,701,019	289,565,738	208,701,019
Service Fees	10,309,652	8,111,506	10,309,652	8,111,506
Consortium Fees	29,026,862	24,687,822	29,026,862	24,687,822
Commitment Fees	3,705,509	3,344,288	3,705,509	3,344,288
DD/ TT/ Swift Fees	14,883,059	5,114,366	14,883,059	5,114,366
Credit Card/ ATM Issuance and Renewal Fees	40,027,593	44,075,509	40,027,593	44,075,509
Prepayment and Swap Fees	19,652,389	14,278,645	19,652,389	14,278,645
Investment Banking Fees	-	-	-	-
Asset Management fees	7,184,359	25,792,115	-	-
Brokerage Fees	-	-	-	-
Remittance Fees	22,438,154	23,518,784	22,438,154	23,518,784
Commission on Letter of Credit	39,497,017	29,877,932	39,497,017	29,877,932
Commission on Guarantee Contracts Issued	46,269,284	30,106,411	46,269,284	30,106,411
Commission on Share Underwriting/ Issue	8,653,957	-	-	-
Locker Rental	4,434,125	3,641,425	4,434,125	3,641,425
Other Fees and Commission Income	42,398,676	40,584,704	40,074,898	33,753,407
Total Fees and Commission Income	**578,046,372**	**461,834,527**	**559,884,278**	**429,211,115**

Fees and Commission Expenses

4.32

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
ATM Management Fees	2,665,030	2,564,456	2,665,030	2,564,456
VISA/ Master Card Fees	15,801,735	18,399,674	15,801,735	18,399,674
Guarantee Commission	16,542,600	1,359,555	16,542,600	1,359,555
Brokerage	-	-	-	-
DD/ TT/ Swift Fees	6,615,312	4,552,114	6,615,312	4,552,114
Remittance Fees and Commission	-	-	-	-
Other Fees and Commission Expenses	10,697,178	9,950,446	9,211,430	6,521,056
Total Fees and Commission Expenses	**52,321,855**	**36,826,245**	**50,836,108**	**33,396,855**

Net Trading Income

4.33

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Changes in Fair Value of Trading Assets	(27,169,362)	5,033,428	(18,579,744)	7,165,931
Gain/ Loss on Disposal of Trading Assets	257,405	6,750,742	257,405	6,750,742
Interest Income on Trading Assets	-	-	-	-
Dividend Income on Trading Assets	174,460	176,399	174,460	176,399
Gain/ Loss Foreign Exchange Transaction	199,222,366	122,701,396	199,222,366	122,701,396
Other	-	-	-	-
Net Trading Income	**172,484,869**	**134,661,964**	**181,074,487**	**136,794,468**

Other Operating Income

4.34

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Foreign Exchange Revaluation Gain	66,879,937	59,791,294	66,879,937	59,791,294
Gain/ Loss on Sale of Investment Securities	(3,359,258)	(8,582,397)	-	-
Fair Value Gain/ Loss on Investment Properties	-	-	-	-
Dividend on Equity Instruments	5,750,461	5,066,778	5,690,709	8,556,068
Gain/ Loss on Sale of Property and Equipment	1,563,213	3,006,078	1,563,213	3,006,078
Gain/ Loss on Sale of Investment Property	2,054,301	3,203,497	2,054,301	3,203,497
Operating Lease Income	-	-	-	-
Gain/ Loss on Sale of Gold and Silver	8,458,850	9,527,172	8,458,850	9,527,172
Locker Rent	-	-	-	-
Other	43,109,985	14,710,394	36,049,483	9,805,731
Total	**124,457,490**	**86,722,816**	**120,696,494**	**93,889,840**

Impairment Charge/ (Reversal) for Loan and Other Losses

4.35

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Impairment Charge/ (Reversal) on Loans and Advances to B/FIs	-	-	-	-
Impairment Charge/ (Reversal) on Loans and Advances to Customer	89,316,642	(96,965,217)	89,316,642	(96,965,217)
Impairment Charge/ (Reversal) on Financial Investment	-	-	-	-
Impairment Charge/ (Reversal) on Placement with Bank 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	**89,316,642**	**(96,965,217)**	**89,316,642**	**(96,965,217)**

Personnel Expenses

4.36

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Salary	201,219,340	179,997,174	198,209,379	177,786,519
Allowances	150,053,517	139,607,915	148,729,757	138,547,184
Gratuity Expenses	14,062,497	13,952,821	14,062,497	13,952,821
Provident Fund	16,862,364	15,179,015	16,600,772	15,058,369
Uniform	8,444,697	7,249,516	8,444,697	7,249,516
Training & Development Expense	15,493,317	9,246,743	15,493,317	9,246,743
Leave Encashment	61,905,622	974,315	61,905,622	974,315
Medical	-	-	-	-
Insurance	2,679,984	2,501,389	2,679,984	2,489,366
Employees Incentive	10,421,478	16,513,953	10,421,478	15,313,953
Cash-Settled Share-Based Payments	-	-	-	-
Pension Expense	-	-	-	-
Finance Expense under NFRS	72,823,672	6,508,792	72,549,771	6,508,792
Other Expenses Related to Staff	46,352,423	35,856,836	45,309,029	34,625,781
Sub total	**600,318,911**	**427,588,468**	**594,406,304**	**421,753,358**
Employees Bonus	189,651,677	158,331,967	189,651,677	157,810,783
Grand total	**789,970,588**	**585,920,436**	**784,057,981**	**579,564,141**

Other Operating Expenses

4.37

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Directors' Fee	3,306,500	3,685,000	2,896,000	3,295,000
Directors' Expenses	2,706,449	1,703,478	2,703,894	1,691,718
Auditors' Remuneration	1,864,500	1,281,000	1,695,000	1,186,500
Other Audit Related Expenses	416,898	761,783	341,500	757,342
Professional and Legal Expenses	1,617,855	2,209,355	1,529,255	2,156,155
Office Administration Expenses	258,584,266	215,852,213	231,790,008	212,255,405
Operating Lease Expenses	53,340,319	50,015,100	53,074,092	50,015,100
Operating Expense of Investment Properties	-	-	-	-
Corporate Social Responsibility Expenses	12,126,888	6,558,488	12,126,888	6,558,488
Onerous Lease Provisions	-	-	-	-
Other	41,201,780	31,448,917	41,201,780	31,448,917
Total	**375,165,455**	**313,515,335**	**347,358,417**	**309,364,627**

Depreciation & Amortisation

4.38

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Depreciation on Property and Equipment	124,983,243	90,299,894	123,319,621	89,349,165
Depreciation on Investment Property	-	-	-	-
Amortisation of Intangible Assets	3,367,412	3,343,116	3,207,114	3,343,116
Total	**128,350,655**	**93,643,010**	**126,526,734**	**92,692,281**

Non Operating Income

4.39

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Recovery of Loan Written Off	5,711,207	25,581,626	5,711,207	25,581,626
Other income				
Bargain Purchase Gain	-	669,003,840	-	669,003,840
Others	21,690,840	30,732,481	32,243,840	40,891,368
Total	**27,402,047**	**725,317,947**	**37,955,047**	**735,476,834**

Non Operating Expenses

4.40

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Loan Written Off	16,717,011	105,936,458	16,717,011	105,936,458
Redundancy Provision	-	-	-	-
Expense of Restructuring	-	-	-	-
Other Expenses	-	-	-	-
Total	**16,717,011**	**105,936,458**	**16,717,011**	**105,936,458**

Income Tax Expenses

4.41

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current Tax Expenses	**536,347,961**	**266,285,162**	**536,347,961**	**265,337,676**
Current Year	536,347,961	266,285,162	536,347,961	265,337,676
Adjustments for Prior Years	-	-	-	-
Deferred Tax Expenses	**(65,686,933)**	**261,652,915**	**(63,586,765)**	**261,367,894**
Origination and Reversal of Temporary Differences	(76,035,399)	246,657,270	(73,935,231)	246,657,270
Changes in Tax Rate	-	-	-	-
Recognition of Previously Unrecognized Tax Losses	10,348,466	14,995,646	10,348,466	14,710,624
Total Income Tax Expense	**470,661,028**	**527,938,078**	**472,761,196**	**526,705,570**

4.41.1: Reconciliation of Tax Expenses and Accounting Profit

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Profit Before Tax	**1,676,486,057**	**2,166,835,190**	**1,706,865,093**	**2,161,623,344**
Tax amount at Tax Rate of 30%	512,059,528	649,789,965	512,059,528	648,487,003
Add: Tax effect of expenses that are not deductible for tax purpose				
Capital Items Cost Upto Rs 5,000 Written Off	551,814	335,390	551,814	335,390
Unabsorbed Repairs and Maintenance	842,033	749,312	901,264	742,062
Staff Bonus pertaining to Final Dividend	-	238,158	-	238,158
Loan W/off	-	31,780,937	-	31,780,937
Depreciation & Amortization	1,823,921	31,261,628	-	30,310,898
Gratuity & Leave Expense Provision	3,108,383	-	3,108,383	-
Carry forward of Unabsorbed Loss on Shares	6,966,728	-	6,966,728	-
Other Expenses	29,188,480	2,064,590	4,647,878	1,965,429
Effect of NFRS Adjustments from Profit Reconciliation	14,055,724	(167,361,052)	14,055,724	(167,361,052)
Less: Tax effect on exempt income	**-**	**-**	**-**	**-**
Dividend Income	(5,533,073)	(2,844,096)	(1,759,551)	(2,619,740)
Add/ Less: Tax effect on other items	**-**	**-**	**-**	**-**
Profit on Sale of Fixed Asset	(468,964)	(901,823)	(468,964)	(901,823)
Gratuity & Leave Expense Provision	-	(14,814,825)	-	(14,814,825)
Depreciation & Amortization	(11,058,211)	(1,186,211)	(9,593,109)	
Recovery of Loan w/off	(1,713,362)	(10,875,466)	(1,713,362)	(7,674,488)
Excess LLP Claimed	(14,021,715)	(232,841,477)	(22,611,333)	(232,841,477)
Carried Forward Unabsorbed Losses of Acquired Institutions	(14,615,193)	(14,615,193)	(14,615,193)	(14,615,193)
Loss on Investment Measured at FVTOCI	-	-	(2,700,000)	-
Interest Income on Accrual Basis	-	-	52,797,949	-
Staff Bonus pertaining to above	-	-	(5,279,795)	-
Interest u/s 118 of Income Tax Act	-	-	-	-
Prior Period Error effect	-	(7,693,604)	-	(7,693,604)
Total Income Tax Expenses	**536,347,961**	**266,285,162**	**536,347,961**	**265,337,676**
Effective Tax Rate	**31.99%**	**12.29%**	**31.42%**	**12.27%**

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

For the year ended July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Bank	
	Current Year	Previous Year
Net Profit or (Loss) as per Statement of Profit or Loss	**1,234,103,897**	**1,634,917,774**
Appropriations:		
a. General Reserve	(246,820,779)	(216,332,310)
b. Foreign Exchange Fluctuation Fund	(16,719,984)	(14,947,824)
c. Capital Redemption Reserve	(121,428,571)	(100,000,000)
d. Corporate Social Responsibility Fund	(12,341,039)	(10,816,615)
e. Employees' Training Fund	-	-
f. Other	(49,924,000)	(74,745,648)
Profit or (Loss) before Regulatory Adjustment	**786,869,523**	**1,218,075,377**
Regulatory Adjustment :		
a. Interest Receivable (-)/ Previous Accrued Interest Received (+)	(210,137,516)	-
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 (+)	(287,547,060)	-
e. Deferred Tax Assets Recognized (-)/ Reversal (+)	-	-
f. Goodwill Recognized (-)/ Impairment of Goodwill (+)	-	-
g. Bargain Purchase Gain Recognized (-)/ Reversal (+)	(291,445,773)	-
h. Actuarial Loss Recognized (-)/ Reversal (+)	-	-
i. Other (+/-)	-	-
- Fair Value Loss on Investment in Equity Instrument measured at FVTOCI that will not be classified to Profit or Loss	(6,300,000)	-
Distributable Profit or (Loss)	**(8,560,826)**	**1,218,075,377**

COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENTS AS OF FY 2017/18

Amount in NPR

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 Equivalents	6,067,830	5,046,238	(1,021,592)	-16.84%	Due to reclassification of investment greater than 3 months to investment securities
Due from NRB and Placements with B/FIs	5,662,818	5,680,071	17,253	0.30%	Due to reclassification to cash equivalent
Loans and Advances	58,548,540	57,022,413	(1,526,127)	-2.61%	Due to change in impairment provisions as per carve-out
Investment Securities	4,535,107	5,616,858	1,081,752	23.85%	Due to reclassification of investment greater than 3 months to investment securities
Investment in Subsidiaries and Associates	135,152	135,152	-	-	
Property and Equipment	2,119,400	2,121,593	2,193	0.10%	Due to change in depreciation and prior period error correction
Goodwill and Intangible Assets	70,534	70,534	-	-	
Other Assets	2,203,600	2,017,095	(186,505)	-8.46%	Due to creation of Deferred Tax Liabilities in audited financials against Deferred Tax Asset in Unaudited Financials, change in deferred employee expenditure and reclass of interest accrued of investment securities
Total Assets	**79,342,980**	**77,709,953**	**(1,633,027)**	**-2.06%**	
Capital and Liabilities					
Paid Up Capital	8,033,236	8,033,236	-	-	
Reserves and Surplus	4,619,633	2,980,675	(1,638,958)	-35.48%	Due to restatement of carried forward retained earnings
Deposits	60,696,027	60,696,027	-	-	
Borrowings	4,030,330	4,030,330	-	-	
Bond and Debenture	498,723	498,723	-	-	
Other Liabilities and Provisions	1,465,031	1,470,962	5,931	0.40%	Due to creation of Deferred Tax Liabilities in audited financials against Deferred Tax Asset in Unaudited Financials
Total Capital and Liabilities	**79,342,980**	**77,709,953**	**(1,633,027)**	**-2.06%**	
Statement of Profit or Loss					
Interest Income	7,092,697	7,109,388	16,690	0.24%	Due to change in interest recognized on accrual basis and staff finance income
Interest Expense	(4,881,842)	(4,887,320)	(5,478)	0.11%	Due to change in deposit interest expenses
Net Interest Income	**2,210,856**	**2,222,068**	**11,212**	**0.51%**	
Fee and Commission Income	559,365	559,884	520	0.09%	Due to booking of accrued fees and commission
Fee and Commission Expense	(50,836)	(50,836)	-	-	
Net Fee and Commission Income	**2,719,384**	**2,731,116**	**11,732**	**0.43%**	

Other Operating Income	299,444	301,771	2,327	0.78%	Due to booking of accrued interest left out
Total Operating Income	**3,018,828**	**3,032,887**	**14,059**	**0.47%**	
Impairment Charge/ (Reversal) for Loans and Other Losses	(10,034)	(89,317)	(79,282)	790.12%	Due to change in individual impairment provisions and due to adoption of carve- out on loan impairment loss allowance
Net Operating Income	**3,008,794**	**2,943,570**	**(65,224)**	**-2.17%**	
Personnel Expenses	(752,069)	(784,058)	(31,989)	4.25%	Due to change in staff finance cost and staff bonus provision
Other Operating Expenses	(464,796)	(473,885)	(9,089)	1.96%	Due to booking of additional expenses
Operating Profit	**1,791,929**	**1,685,627**	**(106,302)**	**-5.93%**	
Non Operating Income/ Expense	21,249	21,238	(11)	-0.05%	
Profit Before Tax	**1,813,178**	**1,706,865**	**(106,313)**	**-5.86%**	
Income Tax	(539,705)	(472,761)	66,944	-12.40%	Due to change in deferred tax and profit before tax
Profit/ (Loss) for the Period	**1,273,473**	**1,234,104**	**(39,369)**	**-3.09%**	
Other Comprehensive Income	-	(9,165)	(9,165)	100.00%	Due to actuarial loss on gratuity and loss on equity investment measured at FVTOCI
Total Comprehensive Income	**1,273,473**	**1,224,939**	**(48,534)**	**-3.81%**	
Distributable Profit					
Net Profit/ (Loss) as per Profit or Loss	1,273,473	1,234,104	(39,369)	-3.09%	
Add/ Less: Regulatory Adjustment as per NRB Directive	(308,561)	(1,242,665)	934,103	-302.73%	Due to change in profit and changes in appropriation to regulatory reserves
Free Profit/ (Loss) after Regulatory Adjustments	**964,912**	**(8,561)**	**(973,472)**	**-100.89%**	

5. Disclosures and Additional Notes

5.1. Risk Management

Bank recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Overall risk management function of the Bank is supervised by Risk Management Committee and Internal Audit Committee represented by BOD members and Senior Executives. Risk Management Committee reviews the asset quality at frequent intervals and Internal Audit Committee provides assurance that the internal control systems of the Bank are in place. The human capital is also managed by Human Resource Compensation Committee represented by BOD members and Senior Executives. There is Assets and Liabilities Management Committee (ALCO) represented by Senior Executives of the Bank to monitor the interest rate risk, liquidity risk, exchange risk, market risk, etc. Authority, responsibility and accountability have been fixed to the executives of the Bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.

5.1.1. Credit risk

Credit Risk is the risk of negative effects on the financial results and the capital of the institution due to the borrower's default on its obligations to the Bank.

Bank has Credit Policy and Investment Policy in place. There is separate Credit Risk Management Department (CRD) independent from Credit Business Unit.

CRD consists of skilled manpower to analyse risks in different credit functions separately.

Loans are originated at the lower level and evaluated based on credit policy of the Bank and respective loan policy. Credit appraisal is done by risk owner acting within risk management policies and framework. Branches recommend credit facilities to higher approval level with the BOD being highest authority to approve credit facilities that are of highest value of exposure.

Delegated authority, additional documentation and IT system driven controls and laid down procedures are in place to mitigate risk further.

Inherent credit risks are addressed through better safety margin, additional collateral backup, lower exposure and deposit of borrower in bank.

Credit Risk department measures and tracks status of credit portfolio in order to detect any signs of deterioration in financial health of borrower. Comprehensive management information reports are prepared regularly and submitted to senior management. Review of credit portfolio in order to realise possible correlations between them and the environmental factors.

Continuous review process at branch level in order to identify any post disbursement problem in credits is in place and immediate action is taken by recovery officers, if any identified. As last resort, legal recovery action is taken in order to reduce negative impact.

5.1.2. Market Risk

Market Risk is discussed at ALCO and within respective division level on open position on daily basis. In depth knowledge of the market and movement in variables are obtained in order to control limits for open position and monthly reports prepared. The open position is assessed on daily basis and risk exposure calculated for allocation of required capital in line with Basel provisions. ALCO ensures jobs are in line with policies and procedures and suggests necessary steps to address risk on interest rate, exchange rate movement and equity price changes. Possible financial impact due to change in market conditions are

assessed periodically and actions taken accordingly. The departments are well equipped with advance dealing platform and advanced information technology.

Overview of current interest rate environment and monitoring of the movement of key interest rate indices. Periodic evaluation of net interest position and maturity gap analysis is prepared considering interest rate sensitive assets and liabilities. Interest rate risk indicators are periodically reviewed. The institution's rate indices are compared in line with market average of industry expert's rate indices of similar instruments with similar characteristics.

Interest rates are altered in line with key policy rates of the Central Bank and interest rate spread is maintained according to the Central Bank's direction. Lending policy rates are adjusted according to changes in market rates in order to mitigate risk of falling interest rate margins.

5.1.3. Operational risk:

Operational risk occurs due to external as well as the internal environment. First step is to clearly identify the risk events, after which appropriate combination of qualitative or quantitative techniques are used to evaluate the magnitude of the consequences due to the occurrence of such events. Key risk indicators and audit findings are mostly used to assess operational risk of the Bank.

The Internal Audit Department conducts audit reviews of the operational processes and reports to the Board level Audit Committee. The Bank then regularly monitors faults or operational failures and responds to them with resolutions and enhancements to internal procedures.

The Bank implements sound internal control systems through instigating the Bank's internal control framework in order to manage operational risk. The IT security aspects of the Bank are examined by the separate unit of Risk Department in line with the IT Policy of the Bank. Moreover, the Bank's system is audited regularly and safety and security standards are improved through suggestions received from the audit.

The operational risk committee oversees any operation risk with help of adequate access to daily reports, operational processes and recommendations to correct any faults in systems and procedures. Further, a separate reporting line is maintained in order to preserve independency of check and balance reporting of daily functions of the Bank.

Adequate focus is placed on staffs of the Bank in order to avoid mistakes due to insufficient knowledge or practice. The staffs are required to attain the necessary skills through various programs such as orientation of the Bank's systems and processes on the job and putting them under direct supervision of experienced staffs before being allowed to work independently. Their development is pushed further with conduction of skill development and skill enhancement programs, seminars and workshops on a periodic basis.

Each transaction goes through a check and balance concept where one individual conducts the transaction and the other checks the transaction in order to capture any abnormalities. The deviations are promptly addressed in the lower level as well as centrally through the use of the integrated system.

For the effective management of operational risk, the Bank has constituted an Operation Risk Management Committee (ORMC) headed by Deputy Chief Executive Officer. The ORMC which supports RMC is responsible for implementing the Operational Risk Management Policy and adopting the best practices. The key functions of ORMC are as follows:

- Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to avoid conflict of interest

- Review all operational risk events and suggest process improvements and mitigants
- Review recent risk events in other banks and elsewhere as available in public domain and suggest key control required from operational risk perspectives

5.1.4. Liquidity Risk:

Liquidity risk indicators such as liquid asset ratio, maturity gap analysis, capital adequacy ratios and funding concentration are used to assess liquidity position and are periodically monitored by ALCO in order to ensure the optimum gearing level of assets and liabilities.

However, treasury department monitors daily liquidity requirement and manages and controls the overall liquidity position of the company.

Treasury front office manages overall liquidity of the Bank. It also ensures that the Cash Reserve Ratio (CRR) is maintained within NRB Directives. It also deals in treasury bills and bonds and manages the lending/ borrowing of currency (local/foreign) at local and international bank and financial institutions within the approved limit. These functions help in the analysis of maturity gap to determine the liquidity position of the Bank. As per the results of gap analysis, the Bank prepares future plan to manage the deficit or surplus liquidity as per the requirement of funds. While raising short term funds, the treasury negotiates for favourable rates to reduce interest costs, at the same time encouraging longer tenor deposits rather than short term deposits.

Also, in order to reduce liquidity risk to an acceptable level, the institution also maintains adequate unutilised facilities as a safety cushion to honour future cash outflow commitments.

Moreover, the Bank regularly projects future cash flows in certain stress scenarios and thus determines the level of liquid assets required. There is appropriate stress test done regularly for the management of liquidity risk.

5.2. Capital Management

Information presented hereunder is as per disclosure requirements of the Capital Adequacy Framework issued by NRB. Disclosures are in respect of the stand-alone capital adequacy of the Bank.

Qualitative Disclosures

The Bank has developed its own internal policy, procedures and structures to manage credit, market and liquidity risk in adverse situation and to make contingency plan accordingly. For the purpose, the Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) which acts as a guiding document for reporting the ongoing assessment of the Bank's risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

Quantitative Disclosures

a) Tier 1 Capital and a breakdown of its components

Tier 1 Capital (Core Capital) (CET1 +AT1)	Amount in NPR
Common Equity Tier 1 (CET 1)	
Paid up Equity Share Capital	8,033,236,401
Equity Share Premium	433,526
Proposed Bonus Equity Shares	-
Statutory General Reserves	1,192,300,666
Retained Earnings	132,228,780

Un-audited current year cumulative profit/ (loss)	-
Capital Redemption Reserve	321,428,571
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Bargain Purchase Gain	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible Assets	(70,534,031)
Less: Deferred Tax Asset	-
Less: Fictitious Assets	-
Less: Investment in Equity in licensed financial institutions	-
Less: Investment in Equity in institutions with financial interests	(117,200,000)
Less: Investment in Equity of institutions in excess of limits	-
Less Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Purchase of land & building in excess of limit and unutilized	(142,993,509)
Less: Cash Flow Hedge	-
Less: Defined Benefit Pension Assets	-
Less: Unrecognized Defined Benefit Pension Liabilities	-
Less: Other Deductions	-
ADJUSTMENT UNDER PILLAR II	**-**
Less: Shortfall in Provision (6.4 a 1)	-
Less: Loans and Facilities extended to Related Parties and Restricted Lending (6.4 a 2)	-
Additional Tier 1 (AT1)	**-**
Perpetual Non Cumulative Preference Share Capital	-
Perpetual Debt Instruments	-
Stock Premium	-
Tier 1 Capital (Core Capital) (CET1 +AT1)	**9,348,900,404**

b) Tier 2 Capital and a breakdown of its components

Tier 2 Capital (Supplementary Capital)	Amount in NPR
Cumulative and/ or Redeemable Preference Share	-
Subordinated Term Debt	200,000,000
Hybrid Capital Instruments	-
Stock Premium	-
General Loan Loss Provision	540,257,552
Exchange Equalization Reserve	49,775,519
Investment Adjustment Reserve	-
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier 2)	**790,033,071**

c) Detailed Information about the Subordinated Term Debt with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds.

8.5% Citizens Bank Bond, 2021	Amount in NPR
Outstanding Amount	500,000,000
Maturity Date	Poush 2077
Amount raised during the year	-
Amount eligible for Tier 2 Capital Fund (net of redemption reserve)	200,000,000

The Bank has created debenture redemption reserve, and appropriated NPR 71.43 Million each year, i.e. proportionately in the total duration of the Bond, starting from December 2013. The current balance of Redemption Reserve stands at NPR 321.43 Million.

d) Deduction from Capital

The Bank has deducted the following items in calculation of Tier 1 Capital:

- NPR 70.53 Million Intangible Assets.
- NPR 117.20 Million invested in equity capital of subsidiary company.
- NPR 142.99 Million for unutilized portion of land and building for more than 2 years from the date of acquisition/purchase.

e) Total Qualifying Capital

Description	Amount in NPR
Common Equity Tier 1 Capital (CET 1)	9,348,900,404
Tier 1 Capital	9,348,900,404
Tier 2 Capital	790,033,071
Total Capital Fund (Tier 1 and Tier 2)	**10,138,933,476**
Risk Weighted Exposures	**73,250,246,916**

f) Capital Adequacy Ratio

Description	Amount in NPR
Leverage Ratio	9.54%
Common Equity Tier 1 Capital to Total Risk Weighted Exposures ratio	12.76%
Tier 1 Capital to Total Risk Weighted Exposures Ratio	12.76%
Total Capital to Total Risk Weighted Exposures Ratio	13.84%

Risk Weighted Exposures

g) Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

Risk Weighted Exposures	Amount in NPR
Risk Weighted Exposure for Credit Risk	67,250,355,430
Risk Weighted Exposure for Operational Risk	3,313,014,293
Risk Weighted Exposure for Market Risk	127,359,168
Add: 2% of RWE as Supervisory Haircut	1,413,814,578
Add: 4% of Operational Risk as Supervisory Haircut	1,145,703,447
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	**73,250,246,916**

h) Risk weighted exposures under each 11 categories of Credit Risk

Risk Weighted Exposure	Amount in NPR
Categories of Credit Risk	
Claims On Government and Central Bank	-
Claims On Other Official Entities	-
Claims On Banks	1,254,269,918
Claims on Corporate And Securities Firms	28,828,905,001
Claims On Regulatory Retail Portfolio	8,183,792,868
Claims Secured By Residential Properties	1,981,192,573
Claims Secured By Commercial Real Estate	3,750,758,986
Past Due Claims	479,197,324
High Risk Claims	9,840,749,923
Other Assets	4,990,840,795
Off Balance Sheet Items	7,940,648,041
Total Credit Risk Weighted Exposures	**67,250,355,430**

i) Total Risk Weighted Exposure calculation table:

Risk Weighted Exposures	Amount in NPR
Credit Risk exposure	67,250,355,430
Operational Risk Exposure	3,313,014,293
Market Risk Exposure	127,359,168
Adjustments under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,413,814,578
Add: 4% of Operational Risk as Supervisory Haircut	1,145,703,447
Total Risk Weighted Exposures	73,250,246,916
Total Core Capital (CET1 +AT1)	9,348,900,404
Total Capital Fund (Tier 1 and Tier 2)	10,138,933,476
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**12.76%**
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**12.76%**
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**13.84%**

j) Amount of Non Performing Assets as per regulatory classification

Amount in NPR

Particulars	Gross Amount	Provision	Net Amount
Rescheduled / Restructured		-	-
Sub Standard	56,122,763	13,520,864	42,601,899
Doubtful	28,891,191	14,258,096	14,633,096
Loss	775,529,486	774,403,934	1,125,552
Total	**860,543,440**	**802,182,894**	**58,360,546**

k) Ratio of Non Performing Assets as per regulatory classification

Particulars	Percentage
Total NPL to Total Loans & Advances	1.48%
Net NPL to Net Loans & Advances	0.10%

l) Movement of Non Performing Assets as per regulatory classification

Amount in NPR

Particulars	Previous Year	Current Year	Change
Rescheduled / Restructured	-	-	-
Sub Standard	48,898,672	56,122,763	14.77%
Doubtful	182,507,287	28,891,191	-84.17%
Loss	749,384,316	775,529,486	3.49%
Total	**815,308,419**	**860,543,440**	**5.55%**

m) Write off of Loans and Interest Suspense

Amount in NPR

Particulars	Previous Year	Current Year	Change
Loan written off	105,936,458	16,717,011	-84.22%
Interest Suspense written off	(135,883,001)	137,837,027	-201.44%

n) Movements in Loan Loss Provision and Interest Suspense

Amount in NPR

Particulars	Previous Year	Current Year	Change	
			Amount	%
Loan Loss Provision	1,356,605,254	1,445,921,895	89,316,641	8.07%
Interest Suspense	674,533,587	759,326,664	84,793,077	12.57%

o) Details of Additional Loan Loss Provision as per regulatory classification

Amount in NPR

Particulars	Previous Year	Current Year	Additional Provision in Current Year	Change
Pass Loan	472,942,902	543,416,051	70,473,149	14.90%
Watchlist	30,799,724	100,322,950	69,523,226	225.73%
Rescheduled / Restructured	-	-	-	-
Sub Standard	12,224,668	13,520,864	1,296,196	10.60%
Doubtful	91,253,644	14,258,096	(76,995,548)	-84.38%

Loss	749,384,316	774,403,934	25,019,618	3.34%
Additional	-	-	-	-
Total	**1,356,605,254**	**1,445,921,895**	**89,316,641**	**6.58%**

p) Segregation of Investments Portfolio

Particulars	Amount in NPR
Investment securities measured at amortized cost	5,457,642,301
Investment in equity measured at FVTOCI	159,216,001
Trading Assets	76,236,446
Total	**5,693,094,748**

q) Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable.

The current paid up capital of the Bank stands at NPR 8,033,236,401.

r) Summary of the terms, conditions and main features of all capital instruments specially in case of subordinated term debts including hybrid capital instruments.

All the capital of the Banks are unconditional. The Bank has Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2021, the main features of which are as under:

Name	8.5% Citizens Bank Bond, 2021
Amount	NPR 500,000,000
Interest Rate	8.5% per annum (before tax) payable quarterly
Type	Unsecured and Redeemable at Maturity No call / convertible feature
Numbers of Debentures	500,000 (Five Hundred Thousand Only)
Face Value	NPR 1,000
Maturity Period	7 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors and secured creditors.
Listing	Listed with Nepal Stock Exchange

The Bank has created debenture redemption reserve, and appropriated NPR 71.43 Million each year, i.e. proportionately in the total duration of the Bond, starting from December 2013. The current balance of Redemption Reserve stands at NPR 321.43 Million.

5.3. Classification of Financial Assets and Financial Liabilities

The fair values of the financial instruments of the Group are done by referring to externally quoted prices or observable/ unobservable pricing inputs in accordance with 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 there are unobservable inputs of the instruments. The inputs are not

based on observable market data.

This fair value may differ from the actual amount that may be received or paid on settlement, realization or maturity of those financial instruments.

Following table demonstrates the valuation hierarchy wise fair values of financial instruments of the Group:

Amount in NPR

Financial Assets	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments								
Forward Exchange Contract	-	36,385,944	-	36,385,944	-	36,385,944	-	36,385,944
Other Trading Assets								
Quoted Equities	76,236,446	-	-	76,236,446	142,662,000	-	-	142,662,000
Unquoted Equities	-	-	-	-	-	-	-	-
Investment Securities								
Investment securities measured at amortized cost	-	-	-	-	-	-	-	-
Treasury Bills	-	-	2,054,787,363	2,054,787,363	-	-	2,054,787,363	2,054,787,363
Government Securities	-	-	3,402,854,939	3,402,854,939	-	-	3,402,854,939	3,402,854,939
Investment in equity measured at FVTOCI	-	-	-	-	-	-	-	-
Quoted Equities	141,000,000	-	-	141,000,000	141,000,000	-	-	141,000,000
Unquoted Equities	-	-	18,216,001	18,216,001	-	-	18,216,001	18,216,001
Total	**217,236,446**	**36,385,944**	**5,475,858,303**	**5,729,480,693**	**283,662,000**	**36,385,944**	**5,475,858,303**	**5,795,906,247**
Financial Liabilities								
Derivative Financial Instruments								
Total								

Financial Assets and Liabilities not carried at Fair Value

There are financial assets and liabilities that are not measured at fair value due to lack of observable pricing inputs or external quoted price and their carrying amount best represents and approximates the fair value or the settlement value.

Following table demonstrates the financial assets and liabilities of the Group not carried at fair value:

Amount in NPR

Financial Assets	Bank	Group
Cash and Cash equivalents	5,046,237,676	5,148,467,404
Due from Nepal Rastra Bank	3,690,192,293	3,690,192,293
Placement With Bank And Financial Institutions	1,989,878,358	1,989,878,358
Loans And Advances To B/FIs	1,420,646,197	1,420,646,197
Loans And Advances To Customers	55,601,766,580	55,598,967,114
Current Tax Assets	114,653,791	114,653,791
Investment In Subsidiaries	117,200,000	-
Investment In Associates	17,951,500	23,903,192
Investment Property	287,547,060	287,547,060
Property And Equipment	2,121,592,854	2,127,954,165
Goodwill And Intangible Assets	70,534,031	71,173,137
Deferred Tax Assets	-	-
Other Assets	1,502,271,961	1,486,416,313
Total	**71,980,472,301**	**71,959,799,024**

Financial Liabilities	Bank	Group
Due To Banks And Financial Institutions	3,335,288,532	3,335,288,532
Due To Nepal Rastra Bank	695,041,370	695,041,370
Deposits From Customers	60,696,026,972	60,605,815,636
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	5,306,626	5,526,126
Deferred Tax Liabilities	17,677,499	15,292,307
Other Liabilities	1,447,977,647	1,554,811,509
Debt Securities Issued	498,722,911	498,722,911
Subordinated Liabilities	-	-
Total	**66,696,041,556**	**66,710,498,390**

5.4. Operating Segment Information

1. General Information

A) Factors that management used to identify the entity's reportable segments

The Bank has identified the reportable segment as the business activities from which it earns revenues and incurs expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Bank comprises the following major business segments on the nature of products and services of the Bank:

- Banking,
- Treasury,
- Cards,
- Remittance and
- Branchless Banking.

Segment results that have been reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

B) Factors that management used to identify the entity's reportable segments

i. Banking

This segment includes all existing branches. The major product and service of this segment is loans and deposits. The segment generates its revenue from its interest on loan and major expense comprises the interest expense.

ii. Treasury

This segment primarily includes the investments in securities, bonds, treasury bills and dealing in the foreign currencies and gold, silvers, etc. The segment generates its revenue from the interest on bonds, debentures, etc and the gain on foreign exchange and gain on the revaluation of investments.

iii. Cards

This segment introduces new innovation on digital banking and transactional banking. Introduction of credit card, debit card, e-wallet, e-banking, etc. are its major products and the segment generates its

revenue from the registration fee, application charge, annual maintenance charge, commission from agents, etc.

iv. Remittance

This segment collects remittances from abroad through various agencies and transfers to the customers after collecting the charges/ commission. Major source of income is commission received from the agents for the collection and distribution to the customers.

v. Branchless Banking

The segment provides services to the areas without bank branches through various projects and agents. The source of income of this segment is international/ national projects and commission from various agents, etc.

2. Information about profit or loss, assets and liabilities

Amount in NPR '000

S.N.	Particulars	Banking	Treasury	Card	Remittance	BLB	Total
(a)	Revenues from external customers	509,464	292	34,110	11,533	-	555,400
(b)	Expenses to external customers	(11,935)	(6,615)	(17,192)	(1,792)	(48)	(37,582)
(c)	Intersegment revenues	-	-	-	-	-	-
(d)	**Net Revenue**	**497,529**	**(6,322)**	**16,918**	**9,741**	**(48)**	**517,818**
(e)	Interest revenue	6,741,965	354,363	4,764	-	-	7,101,093
(f)	Interest expense	(4,719,818)	(124,886)	-	-	-	(4,844,703)
(g)	**Net Interest revenue (b)**	**2,022,147**	**229,478**	**4,764**	**-**	**-**	**2,256,389**
(h)	Other income	(149,372)	445,482	(45)	4,192	7,750	308,008
(i)	Depreciation and amortization	(62,074)	(130)	(101)	(43)	(262)	(62,611)
(j)	Other expenses	(650,047)	(7,228)	(5,303)	(2,488)	(7,616)	(672,682)
(k)	**Segment profit**	**1,658,184**	**661,280**	**16,233**	**11,401**	**(175)**	**2,346,922**
(l)	Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-
(m)	Other material non-cash item	-	-	-	-	-	-
(n)	Impairment of assets	(89,317)	-	-	-	-	(89,317)
(o)	**Segment Assets**	**59,353,302**	**16,026,978**	**13,862**	**13,143**	**6,055**	**75,413,341**
(p)	**Segment Liabilities**	**61,977,204**	**4,352,640**	**24,202**	**4,725**	**505**	**66,359,276**

3. Measurement of operating segment profit or loss, assets and liabilities

a) Basis of accounting for any transactions between reportable segments

The inter segment revenue has been distributed between segments on the basis of pre-determined sharing ratio determined on the basis of resources used of the service providing segment and the segment to which the product or service belongs to. Such revenues are included in core revenue of the segment as allocation of revenue and not included in inter segment revenue. No any other notional inter segment pricing has been done.

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

Not Applicable

c) Nature of any differences between the measurements of the reportable segments assets and the entity's assets.

Not Applicable

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

Not Applicable

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

There are no asymmetrical allocations to reportable segments. The incomes, expenses, assets and liabilities that are not identifiable to particular segment have not been allocated. The unallocated items comprise mainly corporate assets (primarily the Bank's corporate building), head office expenses, share capital, general reserves and tax assets and liabilities and prepaid expenses and provision for expenses.

4. Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

(a)	**Revenue**	**Amount in NPR '000**
	Total revenues for reportable segments	2,774,207
	Other revenues	308,008
	Elimination of inter segment revenues	-
	Entity's Revenue	**3,082,215**

(b)	**Profit or Loss**	**Amount in NPR '000**
	Total profit or loss for reportable segments	2,346,922
	Other profit or loss	(89,317)
	Elimination of inter segment profits	-
	Unallocated amounts	(550,741)
	Profit before Income Tax	**1,706,865**

(c)	**Assets**	**Amount in NPR '000**
	Total assets for reportable segments	75,413,341
	Other assets	-
	Unallocated amounts	2,296,612
	Entity's Assets	**77,709,953**

(d)	**Liabilities**	**Amount in NPR '000**
	Total liabilities for reportable segments	66,359,276
	Other liabilities	-
	Unallocated liabilities	336,765
	Entity's Liabilities	**66,696,042**

5. Information about products and services

Revenue from each type of product and services described in point no. 1(b) above:

S.N.	Particulars	Amount in NPR '000
(a)	Banking	2,370,305
(b)	Treasury	668,638
(c)	Card	21,637
(d)	Remittance	13,933
(e)	BLB	7,703
	Total	**3,082,215**

6. Information about geographical areas

The operations of the Bank could be segmented on the basis of geographical presence in each of the Provinces. However, the Province wise results do not constitute major role in the decision making process of the management.

7. Information about major customers

No any single external customer revenue amounts to 10 percent or more of the Bank's revenue.

5.5. Related Party Disclosure

5.5.1. Related Party Disclosure of the Bank

The related parties of the Bank which meets the definition of related parties as defined in "NAS 16 Related Party Disclosures" are as follows:

Key Management Personnel (KMP)

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors, Chief Executive Officer, and other higher level employee of the Bank. The name of the key management personnel who were holding various positions in the office during the year are as follows:

Name of the Key Management Personnel	Post
Mr. Shankar Prasad Sharma	BOD Chairman
Mr. Bal Krishna Prasai	Director
Mr. Prakash Chandra Mainali	Director
Mr. Pabitra Kumar Karki	Director
Mr. Bijaya Dhoj Karki	Director
Dr. Chanda Karki	Director
Mr. Avanindra Kumar Shrestha	Director
Mr. Chandra Tandon	Former Director
Mr. Rajan Singh Bhandari	Chief Executive Officer
Mr. Ganesh Raj Pokharel	Deputy Chief Executive Officer
Mr. Bodh Raj Devkota	Assistant Chief Executive Officer
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer

Mr. Samir Prasad Dahal	Chief Executive Officer- CBIL Capital Ltd. (on deputation from the Bank in the subsidiary company)
Mr. Rajendra Lal Shrestha	Chief Risk and Recovery Officer
Mr. Paras Kumar Kafle	Chief Operating Officer
Ms. Umang Sharma	Chief Administrative Officer
Mr. Sumit Babu Khatri	Chief Credit Officer
Mr. Sanjeeb Kumar Shrestha	Chief IT Officer
Mr. Pramesh Raj Kayastha	Chief Finance Officer

Subsidiary Company

Name and percentage of shareholding in Subsidiary Company is as below:

S.N.	Particulars	Shareholding %
a.	CBIL Capital Ltd.	68.94 %

Associate Companies

S.N.	Particulars	Shareholding %
a.	Nepal Electronic Payment Systems Ltd.	8.57%
b.	Nepal Clearing House Ltd.	1.64%

Fund Sponsor

S.N.	Particulars	Shareholding %
a.	Citizens Mutual Fund- I	18.29%

i. Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him, whereas compensation paid to other member of KMP are governed by Employees Bye laws and decisions made by management from time to time in this regard. In addition to salaries and allowances, non-cash benefits like vehicle facility, subsidized rate employees loan, termination benefits are also provided to KMP.

The details relating to compensation paid and expenses incurred to key management personnel (directors only) are as follows:

Particulars	Current Year (NPR)
Meeting Fees	2,896,000
Other Board Facility	863,000
Other Expenses	1.964.839
Total	**5,723,839**

The details relating to compensation paid to key management personnel other than directors are as follows:

Particulars	Current Year (NPR)
Short term employee benefits	54,369,144
Post employment benefits*	4,298,084
Other long term benefits**	1,437,044
Total	**60,104,271**

* Post employment benefits includes Provident Fund and Gratuity. Provident Fund is deposited in an

independent institution and Gratuity is provided for as per actuarial valuation against which investment is made in an independent planned asset.

** Other long term employment benefit includes Home Leave and Sick Leave encashment over and above the accumulation limit set as per Employee Bye laws of the Bank.

*** KMP also gets accidental and medical insurance, vehicle, fuel, lunch and mobile facilities as per Employee Bye laws of the Bank.

ii. Transaction with Subsidiary

The Bank has made strategic investment to broaden the scope of service and source of income by investing in share capital of CBIL Capital Ltd., which is the Subsidiary company of the Bank. The Bank holds 68.94% controlling interest in the Subsidiary. Similarly, the Bank has deputed the managerial level staff as the Chief Executive Officer of the Subsidiary and Deputy CEO of the Bank is the Chairman of CBIL Capital. The ACEOs of the Bank are directors of the Subsidiary.

The Subsidiary is engaged in Merchant Banking Services.

1. The Bank has entered into a Management Service Agreement (MSA) with Subsidiary for providing management services. Provisions laid in MSA are in line with arm's length principle.
2. An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the Bank for a monthly fee of Rs. 600,000:
   a) Bank has deputed its Senior Manager as CEO to its Subsidiary providing salary, allowance and other eligible facilities as per the Bank's Employee Bye laws.
   b) The Bank provides technical assistance required for Computer hardware, software and network maintenance.
   c) Internal audit team of the Bank handles all audit work of the subsidiary and submits quarterly report to its Audit Committee.
   d) Bank also provides legal consultancy and vehicle facility to the Subsidiary company.
3. Similarly, Bank has rented its building located in Dillibazaar, Kathmandu to the Subsidiary company with the agreement to pay monthly rent of NPR 110,000, which will be increased by 10% in every 2 years.
4. All receipt and payment transactions entered into by the Bank with Subsidiary are made net of TDS. TDS has been duly deposited at Tax Office.
5. CBIL Capital Ltd holds a deposit account with the Bank which has a balance of NRs. 90,211,337 as on July 16, 2018 (Ashadh 32, 2075).
6. The overall transactions with the Subsidiary included in financial statements of the Bank has been tabulated below:

Particulars	NPR
Statement of Profit or Loss	
Rental Income	1,353,000
Management Fee Income	7,200,000
Server & Database Rental Income	2,000,000
Dividend Income	3,182,500
Interest Income	425,448
Total Income	**14,160,957**

Interest Paid to Subsidiary	5,844,992
RTS fee to Subsidiary	725,000
Total Expenses	**40,879,130**
Statement of Financial Position	
Deposit of Subsidiary in Current Deposit	5,000
Deposit of Subsidiary in Call Deposit	5,206,337
Fixed Deposit	85,000,000
Loan Against Fixed Deposit	2,799,481
Dividend payable held with Subsidiary	37,244,724

iii. Transaction with Associates

Investments in Associates have been reported in the statement of financial position of the group and are initially recognized at cost and subsequently accounted for using the equity method. Similarly, the Bank has accounted for investments in associates at cost in separate financial statements.

The Bank has significant influence, but not control, over the financial and operating policies of the company even if the Manager of the Bank is the representative director on behalf of the Bank in the company.

Nepal Electronic Payment Systems Ltd. (NEPS)

NEPS is formulated as a consortium of seven national level commercial Banks, with aim to pool the resources of these Banks together and establish a common platform, which will be more secure, reliable and able to encompass the rapid growth of new technologies in electronic payments.

Executive member Mr. Sanjeeb Kumar Shrestha is the Board member in NEPS. The Bank holds investment of Rs. 15,000,000 in share capital of NEPS which comes to 8.57 % of the total capital of NEPS.

Agreement has been entered by the Bank with NEPS for availing services related to debit cards and credit cards for which Bank makes the payment at an arm's length price.

The aggregate amounts of the transactions during the year from the relevant related party at the year end are summarized below:

Particulars	NPR
Payments made towards transaction fees	7,623,911

The investment in NEPS has been accounted for at cost in separate financial statement of the Bank and as per equity method in consolidated financials.

The following table summarizes the financial information of NEPS in its own financial statements:

Percentage of Ownership- 8.57%	NPR
Non- Current Assets	106,687,419
Current Assets	89,127,060
Non- Current Liabilities	-
Current Liabilities	32,353,278.87
Net Assets	163,461,197
Group's share of net assets	14,010,960
Elimination of unrealized profit on downstream sales	(133,555)
Carrying amount of interest in associates	**2,968,459**

Revenue	109,088,935
Profit from Continuing Operations	20,872,738.27
Other Comprehensive Income	(277,332.75)
Total Comprehensive Income	20,595,405.52
Elimination of unrealized profit on downstream sales	(133,555)
Group's share of Total Comprehensive Income	**1,777,644**

Nepal Clearing House Ltd. (NCHL)

Nepal Clearing House Ltd (NCHL) is a public Ltd. company established on December 23, 2008 (Mangsir 09, 2065) under the leadership and guidance of Nepal Rastra Bank (The Central Bank of Nepal). It has the equity participation from Nepal Rastra Bank, commercial Banks, development Banks, finance companies and Smart Choice Technologies (SCT), a private card switch operator.

NCHL has the strategic objectives to establish multiple payments, clearing and settlement systems in Nepal with long term objective to establish a national payments gateway to facilitate electronic payments and financial transactions within the country. Electronic Cheque Clearing (NCHL-ECC) and Inter Bank Payment System (NCHL-IPS) are the national payment systems that are currently in operation.

Executive member Ms. Umang Sharma is the Board member of NCHL. The Bank holds investment of Rs. 2,951,500 in share capital of NCHL which comes to 1.64 % of the total capital of NCHL.

Agreement has been entered by the Bank with NCHL for availing services related to Electronic Cheque Clearing (ECC) and Inter- bank Payment System (IPS) for which Bank makes the payment at an arm's length price. The aggregate amounts of expenses arising from the transactions during the year from the relevant related parties at the year end are summarized below:

Particulars	NPR
Payments made towards transaction fees	6,234,887
Dividend Received net of tax	531,270

The investment in NCHL has been accounted for at cost in separate financial statement of the Bank and as per equity method in consolidated financials.

The following table summarizes the financial information of NCHL in its own financial statements:

Percentage of Ownership- 1.64%	NPR
Non- Current Assets	163,748,303
Current Assets	377,479,177
Non- Current Liabilities	-
Current Liabilities	69,439,201
Net Assets	471,788,279
Group's share of net assets	9,283,221
Elimination of unrealized profit on downstream sales	(68,986)
Carrying amount of interest in associates	
Revenue	361,777,334
Profit from Continuing Operations	181,608,709
Other Comprehensive Income	-
Total Comprehensive Income	181,608,709

Elimination of unrealized profit on downstream sales	(68,986)
Group's share of Total Comprehensive Income	**3,572,097**

iv. Sponsorship of Citizens Mutual Fund- I Scheme

The Bank is the sponsor of the Citizens Mutual Fund- I Scheme, under the Citizens Mutual Fund (the Fund), registered with Securities Board of Nepal (SEBON), under the Mutual Fund Regulation 2010, as a close ended, equity oriented fund.

The Scheme started its operation on March 04, 2018 (Falgun 20, 2074) with the maturity period of 7 years (i.e. up to Falgun 19, 2081). It was listed in Nepal Stock Exchange on April 16, 2018 (Baisakh 03, 2075).

The Bank has invested NPR 150,000,000 in Citizens Mutual Fund- I, which has been marked to market and disclosed in investment measured at Fair Value through Other Comprehensive Income.

The Scheme has Bank Balance of NPR 9,808,176 as on Balance Sheet date with the Bank and the total interest earned from the Bank for fiscal year 2017/18 is NPR 29,142,417. Further, amount of NPR 925 is receivable from the Bank towards advance tax on Call deposit deducted.

The following table summarizes the financial information of Citizens Mutual Fund- I in its own financial statements

Particulars	NPR
Non Current Assets	-
Current Assets	844,919,825
Non Current Liabilities	-
Current Liabilities	7,199,399
Net Assets Attributable to Unit Holders	**837,720,426**
Revenue	28,072,559
Profit from Continuing Operations	17,720,426
Other Comprehensive Income	-
Total Comprehensive Income	**17,720,426**

5.5.2. Related Party Disclosure of the Subsidiary

i. Key Management Personnel (KMP)

The name of the key management personnel who were holding various positions in the office during the year are as follows:

Name of the Key Management Personnel	Post
Mr. Ganesh Raj Pokharel	Chairman
Mr. Bodh Raj Devkota	Board Member
Mr. Ramdhan Shrestha	Board Member
Mr. Vinay Kumar Sharma	Board Member (Independent Director)
Mr. Bhola Prasad Pandey	Board Member (Independent Director)
CA Samir Prasad Dahal	Chief Executive Officer

The details relating to compensation paid to key management personnel (directors only) are as follows:

Particulars	Current Year (NPR)
Meeting Fees	410,500
Total	**410,500**

The details relating to compensation paid to key management personnel other than directors are as follows:

Chief Executive Officer of CBIL Capital Ltd. has been receiving monthly salary from the Bank (Parent company). CBIL Capital Ltd has made contract with CEO that he will be entitled with incentive from the company based on profit during the year as decided by Board of Directors. Since, the company has reported loss during the fiscal year 2017/18, no incentive has been provided during the year.

ii. Parent Company

During the fiscal year, following receipts and payments were made to/ from the Parent Company Citizens Bank International Ltd.:

Particulars	Total Amount NPR
Office Rental Expenses	1,353,000
Technical Fee Paid	7,200,000
Server & Database Rental Expenses	2,000,000
Dividend payment for FY 2016/17	3,447,000
Interest on Loan against FDR	425,448
Total Expenses	**14,425,448**
Interest Received on Deposits	5,844,992
Share Registrar Fees Received	725,000
Total Income	**6,569,992**

Outstanding balance of transaction done on behalf of the Parent company Citizens Bank International Ltd:

Citizens Bank International Ltd	Total Amount NPR
Dividend Payable to Shareholders	37,235,750
RTS Sharing payable	5,806
Total	**37,241,556**

5.6. Operational Lease Expenses

The details of Actual Lease Liability and Future Minimum Lease Payments of the Bank are tabulated below:

Actual Lease Liability	2017/18 (NPR)
Less than one year	42,912,121
Between one to five years	160,681,621
More than five years	116,419,556
Total	**320,013,298**

Future minimum lease payments	2017/18 (NPR)
Less than one year	45,890,927
Between one to five years	167,182,483
More than five years	106,939,888
Total	**320,013,298**

The details of Actual Lease Liability and Future Minimum Lease Payments of the subsidiary are tabulated below:

Actual Lease Liability	2017/18 (NPR)
Less than one year	1,452,000
Between one to five years	6,479,550
More than five years	5,182,914
Total	**13,114,464**

Future Minimum Lease Payments	2017/18 (NPR)
Less than one year	1,619,227
Between one to five years	6,476,908
More than five years	5,018,329
Total	**13,114,464**

5.7. Detail of Loans and Advances

Particulars	To Customers	To BFIs
Loans and Advances	56,520,000,553	1,434,996,159
Interest Receivables on Loans and Advances	209,839,477	-
Staff Loans and Advances	303,200,446	-
Interest Receivables on Staff Loans and Advances	298,038	-
Total Loans and Advances [a]	**57,033,338,515**	**1,434,996,159**
Impairment Provision charge		
i. Total Impairment as per NAS 39	**351,185,458**	**-**
Individual Impairment (Specific Provision)	173,172,207	
Collective Impairment (General Loan Loss Provision)	178,013,250	
ii. Impairment as per norms of NRB in loan loss provision	**1,431,571,935**	**14,349,962**
Collective Impairment	529,066,089	14,349,962
Individual Impairment	902,505,845	
Impairment charge for the year, higher of i. and ii. [b]	**1,431,571,935**	**14,349,962**
Net Loans and Advances [a-b]	**55,601,766,580**	**1,420,646,197**

Impairment calculation as per NAS 39

The Bank has considered evidence of impairment for loans and advances measured at amortized cost at both specific asset and collective level. The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant and that are found not impaired individually are assessed collectively.

The Bank has covered 36.98% of total loans and advances to customers and BFIs (in terms of principal outstanding) for individual impairment assessment. The Bank believes that coverage to this extent provides adequate assurance on the reliability of impairment assessment of gross loans and advances.

The Bank has then grouped loans and advances made to customers into different portfolios based on the general product type so as to achieve similarity in credit risk and repayment characteristics among loan accounts grouped within a given portfolio for collective assessment of impairment. The groupings done are

Home Loans, Short Term Loans, Long Term Loans, Personal Loans and Vehicle Loans.

The Bank has considered overdue movement trend of past 3 years and current year data and loss given default rate from the data since inception of the Bank for deriving loss rate in collective impairment of loans and advances.

Impairment as per norms of NRB in loan loss provision

The Bank has provided for impairment provision as per norms of NRB in loan loss provision as given in NRB Directive no. 2 on the basis of overdue period of principal and interest. Additional criteria include personal guarantee loans, security shortfalls, blacklisting of borrowers, rescheduled loans, etc.

5.8. Staff Loans and Advances and Employee Benefits included in Loans and Advances to Customers of the Bank

Presented in financial statements under loans and advances to customers are staff loans and advances extended in line with the Employee Bye laws of the Bank. Eligibility criteria for availing staff loans are directly linked to the period of service under permanent payroll of the Bank, as per the Employee Bye laws of the Bank.

The carrying amount as at the balance sheet date is as under:

Amount in NPR

Particulars	2017/18	2016/17
Staff Vehicle Loan	61,745,843	48,896,304
Staff Home Loan	174,026,643	126,719,934
Employee Advances	64,895,380	50,005,421
Credit Card Receivable	2,532,580	1,631,933
Total	**303,200,446**	**227,253,593**

5.9. Liability For Long-Service Leave

The detail of liability for long- service leave recognized in Other Liabilities in Statement of Financial Position is as follows:

Amount in NPR

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Present Value Of Unfunded Obligations	7,181,863	-	7,181,863	
Present Value Of Funded Obligations	74,511,433	36,624,279	74,511,433	36,624,279
Total Present Value Of Obligations	81,693,296	36,624,279	81,693,296	36,624,279
Fair Value Of Plan Assets	74,511,433	36,624,279	74,511,433	36,624,279
Present Value Of Net Obligations	7,181,863	-	7,181,863	-
Recognized Liability For Defined Benefit Obligations	81,693,296	36,624,279	81,693,296	36,624,279

Plan Assets

Plan assets comprise	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Equity Securities				
Government Bonds				
Bank Deposit				
Other	74,511,433	36,624,279	74,511,433	36,624,279
Total	**74,511,433**	**36,624,279**	**74,511,433**	**36,624,279**

Movement in the Present Value of Defined Benefit Obligations

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Defined Benefit Obligations At Shrawan 01	36,624,279	49,999,942	36,624,279	49,999,942
Actuarial Losses	47,814,798	(24,281,098)	47,814,798	(24,281,098)
Benefits Paid By The Plan	(17,072,023)	(14,349,978)	(17,072,023)	(14,349,978)
Current Service Costs And Interest	14,326,242	25,255,413	14,326,242	25,255,413
Defined Benefit Obligations At Ashadh End	**81,693,296**	**36,624,279**	**81,693,296**	**36,624,279**

Movement in the Fair Value of Plan Assets

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Fair Value Of Plan Assets At Shrawan 01	36,624,280	-	36,624,280	-
Contributions Paid Into The Plan	54,935,912	36,624,279	54,935,912	36,624,279
Benefits Paid During The Year	(17,072,023)	-	(17,072,023)	-
Actuarial (Losses) Gains	-	-	-	-
Expected Return On Plan Assets	23,264	-	23,264	-
Fair Value Of Plan Assets At Ashadh End	**74,511,433**	**36,624,279**	**74,511,433**	**36,624,279**

Amount Recognized in Profit or Loss

Particulars	Group		Bank	
	Current Year	Previous Year	Current Year	Previous Year
Current Service Costs	12,079,181	21,266,376	12,079,181	21,266,376
Interest On Obligation	2,247,061	3,989,037	2,247,061	3,989,037
Actuarial (Gain)/ Losses	52,236,032	-	52,236,032	-
Expected Return On Plan Assets	(4,444,498)	-	(4,444,498)	-
Total	**62,117,776**	**25,255,413**	**62,117,776**	**25,255,413**

The long service leave expenses of NPR 212,154 have been capitalized to Work In Progress on account of core banking software customization and development.

5.10. Taxation

Status of Tax Assessment

In the current fiscal year, Large Taxpayers Office (LTO) has completed the tax assessment of the Bank of FY 2013/14 (2070/71) and former Nepal Housing & Merchant Finance Ltd. (NHMFL) of FY 2013/14 (2070/71), with additional Tax demand of NPR 11,562,467.65 and NPR 528,836.23 respectively. All demand dues of

former NHMFL and TDS and VAT demand of the Bank has been settled during FY 2017/18. However, the Bank has applied for the administrative review for Income Tax demand for NPR 10.103 million.

Further, the Bank has filed for the administrative review for the Bank for FY 2011/12 (2068/69) and 2012/13 (2069/70), with additional Tax demand of NPR 8,346,517 and NPR 12,396,861 respectively. The Bank has also filed for appeal in Revenue Tribunal against tax assessment of FY 2010/11 (2067/68), with additional income tax demand of NPR 2,885,729. Similarly, tax assessment of acquired institutions, People's Finance Ltd. of FY 2010/11 (2067/68) and Nepal Housing and Merchant Finance Ltd. of FY 2011/12 (2068/69) are under Administrative Review with additional tax demand of NPR 21,002,255 and NPR 3,446,694 respectively.

Similarly, in case of FY 2006/07 (2063/64) and 2007/08 (2064/65), the Bank has filed for petition with Supreme Court, which is yet to be decided. The disputed tax amount is NPR 5,376,087 of FY 2006/07 (2063/64) and 2007/08 (2064/65).

The Bank has disclosed the disputed tax amount of NPR 63,557,281 as contingent liability.

The self assessment returns filed by the Bank for FY 2014/15 (2071/72) to 2016/17 (2073/74), has not yet been opened for reassessment by the LTO.

Current Year Tax

Current year tax liability has been recognized on net profit at the rate of 30% after required adjustment to arrive at taxable profit.

Reconciliation between current year tax liability and current tax based on net profit of the book has been given in Note 4.41.1.

Deferred Tax

Deferred tax is computed at 30% of the temporary differences between accounting base and tax base. Deferred tax assets/ liabilities and the calculation of deferred taxes is given in Note 4.15 of Statement of Financial Position.

5.11. Statutory Reserves and Funds

The reserves of the Bank include statutory reserves and funds set aside for specific purpose as per Banks and Financial Institutions Act, 2017 and NRB Directives. The various reserves and funds are as below:

i. General Reserve

General Reserve is created as per Section 44 of the Banks and Financial Institutions Act, 2017 equivalent to 20% of the net profit earned during the year until the reserve is twice the paid up share capital of the Bank, after which, 10% of the net profit earned during the year shall be set aside as General Reserve. During the year, the Bank has transferred NPR 246,820,779 to General Reserve from Retained Earnings.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank.

ii. Exchange Fluctuation Reserve Fund

Exchange Fluctuation Reserve is the reserve created as per Section 45 of the Banks and Financial Institutions Act, 2017, equivalent to 25% of the foreign exchange gain realized on the translation of foreign currency to the reporting currency during the year, other than Indian Rupees. During the year, the Bank has

transferred NPR 16,719,984 to General Reserve from Retained Earnings.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank, other than to set off revaluation loss incurred, if any during the year.

iii. Investment Adjustment Reserve

Investment Adjustment Reserve has been created as per the regulatory requirement of NRB Directive no 8. During the year, NPR 49,924,000 has been transferred from Retained Earnings to Investment Adjustment Reserve.

The detail of investment adjustment reserve is as follows:

Particulars	Investment Amount (NPR)	Investment Adjustment Reserve (NPR)
Nepal Electronic Payment System Ltd.	15,000,000	15,000,000
Prabhu Capital Ltd.	3,000,000	3,000,000
CBIL Capital Ltd	117,200,000	117,200,000
Total	**135,200,000**	**135,200,000**

iv. Bond Redemption Reserve

The Bank has issued Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2021 of NPR 500,000,000 as per NRB approval dated December 16, 2013 (Poush 01, 2070). The Bank has set aside fund of NPR 321,428,571 to Capital Redemption Reserve on time proportion basis by transferring additional NPR 121,428,571 to Capital Redemption Reserve in the FY 2017/18.

v. Employees Training Cost and Employees Capacity Development Fund

Employees training cost of NPR 15,493,317 has been incurred during the year which is above 3% of the employee cost of the previous year 2017/18 as per NRB Directive No. 06/2074. Hence, employees capacity development fund has not been created during the year.

vi. Corporate Social Responsibility (CSR) Fund

During the year, the Bank has expensed NPR 12,126,888 on CSR activities. Hence, the sum of NPR 10,816,615 has been transferred from CSR fund created in previous year to retained earnings in the current year.

Similarly, additional CSR Fund of NPR 12,213,666 has been created as per NRB Directive No. 06/2074. The fund so created shall be used for CSR activities of the Bank in the next fiscal year as per Corporate Social Responsibility Manual of the Bank.

The total movement of Bond Redemption Reserve, Corporate Social Responsibility Fund, Investment Adjustment Reserve and Employee Training Cost and Employees Capacity Development Fund reflected in totality in Statement of Changes in Equity under Other Reserve are as follows:

Other Reserve	Amount in NPR
Balance as on July 16, 2017	**302,940,278**
Other comprehensive income, net of tax	
Actuarial gains/(losses) on defined benefit plans	(2,865,086)
Transfer to Reserve	
Corporate Social Responsibility	12,341,039
Bond Redemption Reserve	121,428,571

Transfer from Reserve	
Corporate Social Responsibility	(10,816,615)
Investment Adjustment Reserve	49,924,000
Balance as on July 16, 2018	**472,952,187**

vii. Regulatory Reserve

The regulatory reserve has been created of NPR 795,430,349 in the current year as per NRB Directive 4(3) (ka). The detail of regulatory reserve created in the current year is given in the Statement of Distributable Profit or Loss.

The Bank has proposed to distribute bonus share equivalent to NPR 291,445,773 out of regulatory reserve created on account of Gain on Bargain Purchase booked from business combination of Premier Finance Ltd.

The detail of movement of Reserves of the Bank is summarized as below:

Movement in Reserves of the Bank	Opening Balance	Transfer from Retained Earnings	Transfer to Retained Earnings	Other Reserve Movement	Closing Balance
Statutory General Reserve	945,479,886	246,820,779	-	-	1,192,300,666
Exchange Equalization Reserve	33,055,535	16,719,984	-	-	49,775,519
Corporate Social Responsibility Reserve	10,816,615	12,341,039	(10,816,615)	-	12,341,039
Capital Redemption Reserve	200,000,000	121,428,571	-	-	321,428,571
Regulatory Reserve	-	795,430,349	-	-	795,430,349
Investment Adjustment Reserve	85,276,000	(67,276,000)	-	-	18,000,000
Capital Reserve	-	-	-	-	-
Assets Revaluation Reserve	343,854,012	-	-	-	343,854,012
Fair Value Reserve	-	-	-	(6,300,000)	(6,300,000)
Dividend Equalization Reserve	-	-	-	-	-
Actuarial Gain	6,847,663	-	(2,865,086)	-	3,982,577
Special Reserve	-	-	-	-	-
Other Reserve	-	-	-	-	-
Total	**1,625,329,711**	**1,125,464,723**	**(13,681,701)**	**(6,300,000)**	**2,730,812,733**

5.12. Share Premium

During the year, the Bank has not issued any shares at premium.

Similarly, the cumulative share premium of NPR 532,361,307 has been transferred to share capital on account of issuance of bonus shares to the shareholders of the Bank on account of bonus share declared of previous year.

5.13. Proposed Bonus Share

The Board of Directors of the Bank has proposed bonus share of 3.628 percent of paid up capital of the Bank subject to approval from Nepal Rastra Bank and Annual General Meeting of the shareholders of the Bank.

5.14. Proposed Dividend

The Board of Directors of the Bank has proposed Cash Dividend of 1.635 percent on paid up share capital of the Bank subject to approval from Nepal Rastra Bank and Annual General Meeting of the shareholders of the Bank.

Since, the CBIL Capital Ltd. has incurred loss during the year, no dividend has been proposed.

5.15. Provision for Bonus to Employees

Provision for staff bonus has been made as per Bonus Act, 1973, calculated at 10% of net profit before bonus. For the FY 2017/18, the Bank has made provision of NPR 189,651,677 towards Staff Bonus.

5.16. Provision for Employees Housing

As per the terms of service of the staff provision for providing housing loans to eligible staff, a separate housing fund has not been created as required by Labor Act, 2017.

5.17. Non- Deliverable Forward (NDF) Contract

Liabilities on account of derivative contracts entered into by the Bank are reported under Contingent Liabilities under sub- heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements. The Forward Exchange Contract is marked to market and resulting difference is recognized in Statement of Profit or Loss.

The unsettled proprietary NDF contract of NPR 27.20 million has been marked to market at exchange rate of INR/USD = 68.5877/1 as on reporting date.

5.18. Earnings Per Share

Basic Earnings Per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income/ loss earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. It is calculated by dividing profit or loss attributable to ordinary equity holders by the average number of ordinary shares outstanding during the period.

The earnings attributable to the ordinary equity holders consists of the earnings of the Bank after deduction of all expenses, tax expense and preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

The calculation of basic earnings per share of the Bank has been based on the profit/ loss attributable to ordinary shareholders and weighted average number of shares outstanding as tabulated below:

Particulars	2017/18	2016/17
Profit attributable to ordinary shareholders NPR	1,234,103,897	1,634,917,774
Weighted average number of ordinary shares	80,307,348	80,291,601
Basic Earnings Per Share NPR	**15.37**	**20.36**

Weighted average number of ordinary shares calculation

FY 2017/18	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Opening Balance	69,216,897	69,216,897	1.0000	69,216,897
Bonus Share of FY 2016/17	11,074,704	80,291,601	1.0000	11,074,704
Fractional Shares (Bonus Portion)	40,764	80,332,364	0.3863	15,747
Total	**80,332,364**			**80,307,348**

FY 2016/17	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Reported Nos of shares	69,216,897	69,216,897	1.00	69,216,897
Restated Nos of shares adjusted for issue of bonus share	11,074,704	80,291,601	1.00	80,291,601

The calculation of basic earnings per share of the Subsidiary has been based on the profit/ loss attributable to ordinary shareholders and weighted average number of shares outstanding as tabulated below:

Particulars	2017/18	2016/17
Profit attributable to ordinary shareholders NPR	(28,278,868)	3,979,337
Weighted average number of ordinary shares	1,354,511	1,000,000
Basic Earnings Per Share NPR	**(20.88)**	**3.98**

Weighted average number of ordinary shares calculation

FY 2017/18	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Opening Balance	1,000,000	1,000,000	1.0000	1,000,000
Right Share of FY 2017/18	554,214	1,554,214	0.56	309,752
Right Share of FY 2017/18	45,786	1,600,000	0.53	24,210
Additional Investment	100,000	1,700,000	0.21	20,548
	1,700,000			**1,354,511**

FY 2016/17	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Reported Nos of shares	1,000,000	1,000,000	1.00	1,000,000

Diluted Earnings Per Share

Diluted shares are the shares that would be outstanding if all possible sources of conversion, such as convertible bonds and stock options, were exercised. Specific financial figures in terms of fully diluted shares outstanding are reported to allow investors to properly assess the Bank's financial situation.

There are no dilutive shares during the year of the Bank and the Subsidiary.

5.19. Events after reporting period

There are no material events after Balance Sheet date affecting financial status of the Group as on Mid July, 2018.

5.20. Interim Financial Statements

The Interim Financial Statements of the Group have been prepared and published on quarterly basis, in

accordance with NRB Directives no. 4 in compliance of statutory and legal requirement within the time frame prescribed, except for fourth quarterly interim financial statements, that has been prepared as per NFRS and previous NRB Directive no 4.

5.21. Age-wise particulars of reconciliation pending items (1 year, 1-3 years, and above 3 years) in agency accounts of the Bank

i. Inter Branch Account

There is no unreconciled transaction in Inter Branch Accounts of the Bank as on year end FY 2017/18.

ii. Nepal Rastra Bank

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	-	455,502.01	-	34.78
1 - 3 months	-	5,218.01	-	-
3 - 6 months	-	1,805.00	-	-
6 - 12 months	-	13.92	-	-
1 - 2 years	-	-	-	-
Total	**-**	**462,538.93**	**-**	**34.78**

iii. Local Financial Institutions

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	341.15	449.84	1,954.01	4,578.10
1 - 3 months	-	-	-	-
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
1 - 2 years	-	-	-	-
Total	**341.15**	**449.84**	**1,954.01**	**4,578.10**

iv. Foreign Bank

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	-	179,176.37	109,713.84	6,869.41
1 - 3 months	-	886.29	-	-
3 - 6 months	-	29.62	-	2.19
6 - 12 months	-	1,051.69	-	1.65
1 - 2 years	-	-	-	-
Total	**-**	**181,143.91**	**109,713.84**	**6,873.25**

5.22. Correction of Prior Period Error

5.22.1. Income Tax

During the current fiscal year, it has been discovered that the deferred tax of the Bank has been wrongly recognized in the previous fiscal year. As a consequence, income tax expenses have been understated and net profit and retained earnings overstated. The errors have been corrected by restating each of the affected financial statement line items of prior periods. The following table summarizes the impacts on the financial

statements:

Amount in NPR

Particulars	FY 2016/17		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Income Tax			
Deferred Tax Expenses	(231,108,602)	-	(265,337,676)
Current Tax Expenses	(265,337,676)	-	(261,367,894)
Income Tax Expenses	**(496,446,278)**	**(30,259,292)**	**(526,705,570)**
Effect in Profit/ (Loss) for the year	-	(30,259,292)	1,634,917,774
Attributable to equity shareholders	-	(30,259,292)	1,634,917,774
Statement of Other Comprehensive Income			
Income tax relating to items of OCI	-	(1,195,651)	(1,195,651)
Total Comprehensive Income For The Period	**1,509,316,109**	**(1,195,651)**	**1,637,707,625**
Statement of Financial Position			
Deferred Tax Assets	87,873,011	(87,873,011)	-
Deferred Tax Liabilities	-	85,192,158	85,192,158
Effect in			
Basic Earnings Per Share	-	-	20.36
Diluted Earnings Per Share	-	-	-

5.22.2. Fixed Assets and Deferred Tax

During the current fiscal year, it has been discovered that the fixed assets of the Bank have been wrongly recognized in the previous fiscal year. As a consequence, depreciation expenses have been overstated and retained earnings and fixed assets have been understated. The errors have been corrected by restating each of the affected financial statement line items of prior periods. The following table summarizes the impacts on the financial statements:

Amount in NPR

Particulars	FY 2016/17		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Depreciation & Amortization	(94,176,350)	1,484,069	(92,692,281)
Deferred Tax		(440,972)	(262,563,544)
Effect in Profit/ (Loss) for the year	-	1,043,097	1,634,917,774
Attributable to Equity Shareholders	-	1,043,097	1,634,917,774
Statement of Financial Position			
Property and Equipment			
Cost			
Building	342,799,707	22,154,803	364,954,510
Furniture and Fixtures	147,263,825	(13,149,617)	134,114,208
Office Equipment	228,004,408	(9,005,190)	218,999,218
Accumulated Depreciation			
Building	27,096,174	494,690	27,590,864
Furniture and Fixtures	83,929,151	(1,174,423)	82,754,728

Office Equipment	131,120,441	(804,506)	130,315,935
Net Book Value			
Building	374,878,585	-	337,363,646
Furniture and Fixtures	63,334,674	-	51,359,480
Office Equipment	96,883,967	-	88,683,283
Deferred Tax	**-**	**(440,972)**	**85,192,158**
Effect in			
Basic Earnings Per Share	-	-	20.36
Diluted Earnings Per Share	-	-	-

5.22.3. Accounting for Gratuity and Leave as per actuarial valuation

During the current fiscal year, it has been discovered that the actuarial gain/ loss in long service leave have been wrongly recognized in the Statement of Other Comprehensive Income instead of Statement of Profit or Loss in the prior fiscal years. As a consequence, Personnel Expenses have been overstated and consequently net profit understated and Other Comprehensive Income overstated. Similarly, the actuarial reserve carried forward was also inflated. The errors have now been corrected by restating each of the affected financial statement.

Amount in NPR

Particulars	FY 2016/17		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Personnel Expenses	(603,845,240)	24,281,098	(579,564,141)
Income Tax Expense	-	(1,195,651)	(526,705,570)
Effect in Profit/ (Loss) for the year	-	-	1,634,917,774
Attributable to equity shareholders	-	-	1,634,917,774
Statement of Other Comprehensive Income, net of tax			
Actuarial gains/(losses) on defined benefit plans	28,266,600	(25,476,749)	2,789,851
Statement of Financial Position			
Reserves			
Actuarial Gain	42,125,076	(35,277,413)	6,847,663
Retained Earnings	-	35,277,413	763,369,942
Effect in			
Basic Earnings Per Share	-	-	20.36
Diluted Earnings Per Share	-	-	-

5.23. Changes in Accounting Policy

During the current fiscal year, the Bank has used the carve-out and assessed and measured impairment loss on Loans and Advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

Prior to this change in policy, the Bank had assessed at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the Bank applied paragraph 63 to determine the amount of any impairment loss.

The impact of this voluntary use of carve-outs on each line items of the financial statements of previous year

is summarized in the table below:

Amount in NPR

Particulars	FY 2016/17		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Impairment (Charge)/ Reversal for Loans and Other Losses	(61,516,994)	158,482,211	96,965,217
Income Tax Expense	(496,446,278)	(30,259,292)	(526,705,570)
Profit for the Period	-	-	1,634,917,774
Attributable to Equity Shareholders	-	-	1,634,917,774
Statement of Financial Position			
Assets			
Loans and Advances to Customers	46,872,491,101	(850,989,665)	46,021,501,436
Deferred Tax Assets	87,873,011	(87,873,011)	-
Liabilities			
Deferred Tax Liabilities	-	85,192,158	85,192,158
Equity			
Total Equity Attributable to Equity Holders	11,024,604,203	(1,181,420,055)	9,843,184,148
Effect in			
Basic Earnings Per Share	-	-	20.36
Diluted Earnings Per Share	-	-	-

5.24. NFRS Carve-Outs Adjustments

During the current fiscal year, the Group has not applied the numbers of standards as prescribed in NFRS and used the NFRS carve- out adjustments. As a consequence, the net profit and retained earnings have been impacted.

The impacts of each carve- out adjustment done and the affected financial statement line items have been summarized as follows wherever quantifiable or described otherwise:

5.24.1. NAS 39: Recognition and Measurement (Incurred Loss Model to measure the Impairment Loss on Loans and Advances)

NAS 39 Para 58 requires an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.

However, as per carve out on NAS 39 Para 58, the Bank has assessed and measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

The impacts of the application of carve- out in the current year financials is as under:

Amount in NPR

Particulars	FY 2017/18		
	Without carve-out	Impact	As Reported
Statement of Profit or Loss			
Impairment (Charge)/ Reversal for Loans and Other Losses	(18,608,782)	-	(89,316,642)
Profit for the Period	1,279,306,566	-	1,234,103,897
Attributable to Equity Shareholders	1,279,306,566	(45,202,669)	1,234,103,897

Statement of Financial Position			
Assets			
Loans and Advances to Customers	56,667,843,611	(1,066,077,031)	55,601,766,580
Liabilities			
Deferred Tax Liabilities	346,098,430	(328,420,931)	17,677,499
Equity			
Retained Earnings	(219,994,155)	352,222,936	132,228,780
Reserves	3,952,241,730	(1,104,228,997)	2,848,012,733
Effect in			
Basic Earnings Per Share	15.93		15.37
Diluted Earnings Per Share	-		-

5.24.2. NAS 39: Recognition and Measurement (Impracticability to determine transaction cost of all previous years which is the part of effective interest rate)

NAS 39 Para 9 requires using of the effective interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

However, as per carve out on NAS 39 Para 9, the Bank has not included the fees and points paid or received that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.

The Bank shall adopt the NAS 39 Para 9 in its 2018-19 financial statements or later.

5.24.3. NAS 39: Recognition and Measurement (Impracticability to determine interest income on amortized cost)

As per NAS 39 Para AG93, once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

However, as per carve out on NAS 39 AG 93, the Bank has applied the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The Bank shall adopt the NAS 39 Para AG93 in its 2018-19 financial statements or later.

5.25. Restatement/ Reclassification of Previous Year Figures

5.25.1. Retained Earnings

Out of Bargain Purchase Gain equivalent to NPR 669,003,840 included in Retained Earnings in previous year, NPR 33,270,529 has been reclassified/ transferred to General Reserve and NPR 433,526 has been reclassified/ transferred to Share Premium account, NPR 343,854,012 has been reclassified/ transferred to Asset Revaluation Reserve. The sum transferred to General Reserve, Share Premium and Asset Revaluation Reserves are on account of restatement of respective reserves of acquired institution.

The detail of restatement of retained earnings in financial statements of previous year as a result of changes in accounting policy, correction of error and reclassification are as follows:

Amount in NPR

Particulars	Reported	Changes in Accounting Policy (Carve- out adjustment)	Correction of Error	Reclassification to Reserves	Restated
Statement of Financial Position					
Balance of Retained Earnings as on July 16, 2016 (Shrawan 01, 2073)	1,985,680,671		(139,871,166) (Reference Note 5.22)		1,845,809,505
Balance of Retained Earnings as on July 15, 2017 (Ashadh 31, 2074)	2,287,070,651	(1,009,719,133) (Reference Note 5.23)	(136,423,507) (Reference Note 5.22)	(377,558,067) (As mentioned above)	763,369,942

RESTATEMENT/ RECLASSIFICATION OF PREVIOUS YEAR AUDITED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

As on July 15, 2017 (Ashadh 31, 2074)

Particulars	Audited	Change	Restated	Remarks
Assets				
Cash And Cash Equivalent	6,078,365,521	(2,190,896,703)	3,887,468,818	Reclassification to Due from Nepal Rastra Bank
Due From Nepal Rastra Bank	-	2,190,896,703	2,190,896,703	Reclassification from Cash and Cash Equivalent
Placement With Bank And Financial Institutions	-	1,568,014,418	1,568,014,418	Reclassed from Investment Securities
Derivative Financial Instruments	-	21,975,955	21,975,955	Reclassed from Other Assets
Other Trading Assets	-	51,442,831	51,442,831	Reclassed from Investment Securities
Loans And Advances To B/FIs	1,625,856,443	(158,729,467)	1,467,126,976	Due to changes in accounting policy by opting for carve out in impairment loss provision
Loans And Advances To Customers	46,483,553,791	(462,052,355)	46,021,501,436	Reclassification of Staff Loans and Advances from Other Assets and Due to changes in accounting policy by opting for carve out in impairment loss provision
Investment Securities	8,449,820,208	(1,664,214,287)	6,785,605,921	Reclassed to placement with BFIs, trading assets and investment in associates and subsidiaries
Current Tax Assets	300,791,522	-	300,791,522	
Investment In Subsidiaries	-	67,000,000	67,000,000	Reclassed from Investment Securities
Investment In Associates	-	31,751,500	31,751,500	Reclassed from Investment Securities
Investment Property	-	390,066,062	390,066,062	Reclassed from Other Assets
Property And Equipment	1,684,760,738	73,785,692	1,758,546,430	Reclassed from Intangible assets and prior period error correction
Goodwill And Intangible Assets	80,368,112	(72,301,622)	8,066,489	Reclassed to Property and Equipment
Deferred Tax Assets	87,873,011	(87,873,011)	-	Due to creation of Deferred Tax Liabilities in NFRS report against Deferred Tax Asset in NRB Report. Reference Note 5.22.1
Other Assets	2,186,452,727	(855,093,610)	1,331,359,117	Reclassed Non- Banking Assets to Investment Property, Receivables of Non-Deliverable Forward to Derivative Financial Instruments Assets and Staff Loans and Advances to Loans and Advances to Customers.
Total Assets	**66,977,842,073**	**(1,096,227,895)**	**65,881,614,179**	
Liabilities				
Due To Banks And Financial Institutions	2,501,906,804	-	2,501,906,804	
Due To Nepal Rastra Bank	33,578,077	-	33,578,077	
Derivative Financial Instruments	-	-	-	
Deposits From Customers	51,716,674,652	-	51,716,674,652	
Borrowing	-	-	-	
Current Tax Liabilities	-	-	-	
Provisions	173,627,534	(173,627,534)	-	Reclassed provision for bonus and other expenses to Other Liabilities
Deferred Tax Liabilities	-	85,192,159	85,192,159	Due to creation of Deferred Tax Liabilities in NFRS report against Deferred Tax Asset in NRB Report. Reference Note 5.22.1
Other Liabilities	1,029,301,990	173,627,534	1,202,929,525	Reclassed provision for bonus and other expenses from Provisions
Debt Securities Issued	498,148,814	-	498,148,814	
Subordinated Liabilities	-	-	-	
Total Liabilities	**55,953,237,871**	**85,192,160**	**56,038,430,031**	
Equity				
Share Capital	6,921,689,662	-	6,921,689,662	
Share Premium	-	532,794,833	532,794,833	Reclassification from Reserves
Retained Earnings	2,287,070,651	(1,523,700,709)	763,369,942	Due to prior period error correction and changes in accounting policy. Reference Note 5.22 & 5.23
Reserves	1,815,843,890	(190,514,180)	1,625,329,711	Reclassification to Share Premium and reclassification of Regulatory Reserve from Retained Earnings. Reference Note 5.25.1
Total Equity Attributable To Equity Holders	**11,024,604,203**	**(1,181,420,055)**	**9,843,184,148**	
Non-Controlling Interest	**-**	**-**	**-**	
Total Equity	**11,024,604,203**	**(1,181,420,055)**	**9,843,184,148**	
Total Liabilities And Equity	**66,977,842,073**	**(1,096,227,895)**	**65,881,614,179**	

STATEMENT OF PROFIT OR LOSS

For the year ended July 15, 2017 (Ashadh 31, 2074)

Particulars	Audited	Change	Restated	Remarks
Interest Income	4,960,197,979	-	4,960,197,979	
Interest Expenses	(3,169,957,746)	-	(3,169,957,746)	
Net Interest Income	**1,790,240,233**	**-**	**1,790,240,233**	
Fees And Commission Income	468,614,552	(39,403,438)	429,211,115	Reclassed to Non Operating Income
Fees And Commission Expenses	(37,071,648)	3,674,793	(33,396,855)	Reclassed to Other Operating Expenses
Net Fee And Commission Income	**431,542,904**	**(35,728,645)**	**395,814,259**	
Net Interest, Fee And Commission Income	**2,221,783,137**	**(35,728,645)**	**2,186,054,492**	
Net Trading Income	205,141,830	(68,347,362)	136,794,468	Reclassification of Revaluation gain/loss and dividend of equity instruments to other operating income
Other Operating Income	721,735,695	(627,845,855)	93,889,840	Reclassification of recovery of loan written off and other miscellaneous income to Non operating income
Total Operating Income	**3,148,660,662**	**(731,921,862)**	**2,416,738,801**	
Impairment (Charge)/Reversal For Loans And Other Losses	(61,516,994)	158,482,211	96,965,217	Due to change in accounting policy. Reference note 5.23
Net Operating Income	**3,087,143,668**	**(573,439,651)**	**2,513,704,017**	
Operating Expense	**-**	**-**	**-**	
Personnel Expenses	(603,845,240)	-	(579,564,141)	
Other Operating Expenses	(411,626,291)	102,261,664	(309,364,627)	Due to loan written off reclassification to Non Operating Expenses and reclassification of miscellaneous expenses from fees and commission expenses
Depreciation & Amortization	(94,176,350)	1,484,069	(92,692,281)	Due to prior period error correction. Reference Note 5.22.2
Operating Profit	**1,977,495,787**	**(445,412,820)**	**1,532,082,967**	
Non Operating Income	-	735,476,834	735,476,834	Reclassification of recovery of loan written off and other miscellaneous income from other operating income and Other non operating fees reclassed from Fees and Commission Income
Non Operating Expense	-	(105,936,458)	(105,936,458)	Due to loan written off reclassed from Other Operating Expenses
Profit Before Income Tax	**1,977,495,787**	**184,127,556**	**2,161,623,344**	
Income Tax Expense	-	-	-	
Current Tax	(265,337,676)	1,195,651	(264,142,025)	Due to prior period error correction (Reference Note. 5.22.1)
Deferred Tax	(231,108,602)	(31,454,942)	(262,563,544)	Due to prior period error correction. Reference Note 5.22.1
Profit For The Period	**1,481,049,509**	**153,868,265**	**1,634,917,774**	
Other Comprehensive Income	28,266,600	(25,476,749)	2,789,851	Due to prior period error correction (Reference Note. 5.22.3)
Total Comprehensive Income	**1,509,316,109**	**128,391,516**	**1,637,707,625**	

5.26. Key Financial Indicators

		Indicators	Fiscal Year 2013/14	Fiscal Year 2014/15	Fiscal Year 2015/16	Fiscal Year 2016/17	Fiscal Year 2017/18
1.	Net Profit / Gross Income	Percent	17.81	23.17	27.31	19.36	15.41
2.	Earnings Per Share (Basic)	NPR	23.7	30.94	35.25	20.27	15.37
3.	Market Value Per Share	NPR	539	489	680	403	236
4.	Price Earnings Ratio	Times	22.74	15.8	19.29	19.88	15.36
5.	Dividend (including bonus) on Share Capital	Percent	18.95	21.05	25.78	17.00	5.263
6.	Cash Dividend on Share Capital	Percent	5.95	1.05	1.29	1.00	1.635
7.	Interest Income / Loans and Advances	Percent	11.44	10.19	9.41	10.55	12.93
8.	Staff Expenses / Total Operating Expenses	Percent	38.11	42.57	44.19	44.94	62.33
9.	Interest Expenses / Total Deposits and Borrowings	Percent	5.37	4.6	4.38	6.32	8.15
10.	Foreign Exchange Gain / Total Income	Percent	2.71	3.17	3.62	3.27	3.32
11.	Staff Bonus / Total Staff Expenses	Percent	40.56	41.2	52.13	35.90	24.19
12.	Net Profit / Loans and Advances	Percent	2.42	2.75	3.10	2.43	2.30
13.	Return on Total Assets	Percent	1.71	1.95	2.24	1.80	1.72
14.	Total Credit / Deposits	Percent	82.87	81.6	85.59	91.89	92.75
15.	Total Operating Expenses / Total Assets	Percent	1.49	1.58	1.38	1.62	1.75
16.	Adequacy of Capital Fund on Risk Weighted Assets	Percent	12.99	13.27	12.40	16.88	13.84
	Core Capital	Percent	10.26	10.74	10.57	15.37	12.76
	Supplementary Capital	Percent	2.73	2.53	1.83	1.51	1.08
17.	Non-Performing Loans / Total Loans (As per NRB Directive)	Percent	3.4	1.53	1.38	2.02	1.48
18.	Weighted Average Interest Rate Spread (As per NRB Directive)	Percent	4.99	4.22	3.96	3.19	3.84
19.	Book Net Worth Per Share	NPR	116	121	121	136	137
20.	Number of Equity Shares (At Year End)	Nos.	21,018,400	25,543,615	30,652,338	69,216,897	80,332,364
21.	Number of Permanent Staffs	Nos.	399	532	652	684	844
22.	Return on Equity	Percent	18.09	19.26	20.36	11.52	11.20
23.	Dividend Pay Out Ratio	Ratio	0.80	0.68	0.73	0.84	0.34
24.	Earnings Yield	Percent	4.40	6.33	5.18	5.03	6.51
25.	Dividend Yield	Percent	3.52	4.30	3.79	4.22	2.23
26.	Cost to Operating Income Ratio	Percent	30.72	36.15	31.32	40.44	41.48
27.	Total Assets to Shareholder' Fund	Times	11.70	11.09	10.38	6.97	7.06
28.	Shareholders' Fund to Total Liability including Contingent Liability	Percent	7.38	7.42	7.39	10.95	12.03
29.	Base Rate	Percent	8.16	7.30	6.06	11.17	11.78
30.	CCD Ratio as per NRB Directives	Percent	75.45	74.95	77.63	78.63	77.87
31.	Number of Branches	Nos.	42	54	56	60	78
32.	Number of ATMs	Nos.	38	44	49	57	70
33.	Net Profit per staff	NPR	1,248,353	1,353,963	1,657,021	1,581,377	1,462,208
34.	Per employee staff cost	NPR	414,959	465,940	452,764	642,581	928,979
35.	Diluted Earnings Per Share	NPR	-	-	24.55	20.36	15.37

Note: Ratios of FY 2013/14, 2014/15, 2015/16 and 2016/17 are as per previous GAAP report and ratios of FY 2017/18 are as per NFRS complied financial statements unless otherwise indicated.

5.27. Shareholders holding 0.5% or more shares

The list of shareholders holding 0.5% or more shares of the Bank are as follows:

S.N.	Name	Promoter Shares	Ordinary Shares	Number of Shares Held	Paid up Value NPR	% of Shareholding
1	Citizen Investment Trust	2,644,121	986,866	3,630,987	363,098,700	4.52
2	Urmila Pandey	2,941,059	664,957	3,606,016	360,601,600	4.489
3	Janak Bista	3,220,023	-	3,220,023	322,002,300	4.008
4	Bijendra Joshi	1,354,930	387,413	1,742,343	174,234,300	2.169
5	Manohar Das Mool	1,090,723	405,245	1,495,968	149,596,800	1.862
6	Pavitra Kumar Karki	1,016,194	382,007	1,398,201	139,820,100	1.741
7	Soni Joshi	1,016,194	378,900	1,395,094	139,509,400	1.737
8	Rabindra Man Singh Pradhan	1,016,194	377,561	1,393,755	139,375,500	1.735
9	Sabitri Sharma	1,059,127	232,773	1,291,900	129,190,000	1.608
10	Ramesh Sharma	812,960	302,049	1,115,009	111,500,900	1.388
11	Jagannath Gyawali	541,730	256,863	798,593	79,859,300	0.994
12	Arjun Prasad Sharma	549,243	245,651	794,894	79,489,400	0.99
13	Shankar Prasad Sharma	681,570	109,752	791,322	79,132,200	0.985
14	Sulochan Raj Rajbhandary	541,971	201,370	743,341	74,334,100	0.925
15	Anin Rajbhandari	496,871	177,398	674,269	67,426,900	0.839
16	Narendra Kumar Deo Bhatta	541,970	99,626	641,596	64,159,600	0.799
17	Ramita Bhattarai	460,677	130,094	590,771	59,077,100	0.735
18	Manita Bhattarai	460,677	129,001	589,678	58,967,800	0.734
19	Pratap Jung Pandey	467,453	103,733	571,186	57,118,600	0.711
20	S R Hydro and Investment Pvt. Ltd	539,960	29,217	569,177	56,917,700	0.709
21	Ram Prasad Shrestha	406,208	152,609	558,817	55,881,700	0.696
22	Baburam Pokharel	406,480	151,026	557,506	55,750,600	0.694
23	Rajesh Khadka	406,480	151,026	557,506	55,750,600	0.694
24	Prem Bahadur Shrestha	540,025	12,193	552,218	55,221,800	0.687
25	Anil Kumar Dhungel	541,842	-	541,842	54,184,200	0.675
26	Sandhya Regmi (Shivakoti)	382,497	142,115	524,612	52,461,200	0.653
27	Chintamani Bhattarai	379,380	140,957	520,337	52,033,700	0.648
28	NLG Insurance Co. Ltd	514,246	-	514,246	51,424,600	0.64
29	Dhruba Kumar Shrestha	508,100	-	508,100	50,810,000	0.632
30	Badri Kumar Shrestha	508,100	-	508,100	50,810,000	0.632
31	Shrawan Kumar Rana	338,732	72,841	411,573	41,157,300	0.512
32	Usha Kiran Shrestha	407,454	-	407,454	40,745,400	0.507
33	Pradeep Kumar Shrestha	406,096	-	406,096	40,609,600	0.506
34	Chandra Investment Pvt. Ltd	311,138	91,369	402,507	40,250,700	0.501
Total		**27,510,425**	**6,514,612**	**34,025,037**	**3,402,503,700**	

Information and Disclosures to Shareholders









Information about Annual General Meeting 266

Proposed Amendments in Memorandum of Association (MOA) 269

Information to Shareholders 271

Financial Calendar 273

Capital Structure of the Bank 275

Share Market Information 276

What does Credit Rating Agency think about the Bank? 277

Disclosures of Information under Section 109(4) of Companies Act, 2006 282

Disclosures of Information under Regulation 26(2) of Securities Registration and Issue Regulation 2017 287

Interim Financial Reporting 291

Disclosures of Information as per Section 5(3) of Right to Information Act, 2007 and Rule 3 of Right to Information Rules, 2009 294

Value Added Statement 297

INFORMATION ABOUT ANNUAL GENERAL MEETING

As decided by the 285th BOD meeting, 12th Annual General Meeting (AGM) of the Bank will be held on following date, place and time:

Date	:	January 14, 2019 (Poush 30, 2075)
Place	:	Lainchaur Banquet, Lainchaur, Kathmandu
Time	:	11:00 AM

Following agendas will be discussed at the Annual General Meeting:

A. Ordinary Resolution

1. To approve Director's Reports of FY 2017/18 after deliberation.
2. To adopt and approve the Consolidated Statement of Financial Position as of July 16, 2018, Consolidated Statement of Profit or Loss, Consolidated Statement of Cash Flows of the Bank and Bank's subsidiary company, CBIL Capital Limited for the year ended thereon, together with Auditor's report.
3. To approve cash dividend of NPR 131,356,143 (1.6 percent of paid-up capital) as proposed by the Board of Directors.
4. To appoint auditor for the FY 2018/19 (2075/76) and to fix the auditor's remuneration as per Section 111 of Companies Act 2006; (present auditor M/s. JK & SS Associates, Chartered Accountants are eligible for re-appointment)
5. Ratification of the decision regarding issuance of Further Public Offering (FPO) made by 267th BOD meeting of the Bank held on June 03, 2018 (Jestha 20, 2075)

B. Special Resolution

1. To approve the allocation of bonus share equivalent to NPR 291,445,773 (3.6 percent) as proposed by Board of Directors.
2. Delegation of authority to Board of Directors of the Bank for merger or acquisition of Citizens Bank International Limited and other appropriate Bank and Financial Institutions or to seek for foreign strategic partnership and if appropriate to conduct the valuation of movable and immovable assets and liabilities by appointing national or international certified valuator and to enter into primary and final agreement in relation to Merger or Acquisition and to complete necessary procedures for the same.
3. To approve amendments to the Memorandum of Association (MOA) of the Bank as follows:

   (Ka- 1) To amend the ancillary object of the Bank by incorporating the work related to issuance of additional shares through Further Public Offering (FPO) due to change in capital structure after obtaining approval from concerned authority within the scope of the applicable laws.

   (Ka- 2) To amend the ancillary object of the Bank by incorporating the work related to securities brokerage business transactions by the Bank itself or through establishment of subsidiary company within the scope of the applicable laws.

(Ka- 3) To amend the ancillary object of the Bank by incorporating the work related to capital structure through issuance of bonds and securities as per the requirement by the BOD within the scope of the applicable laws.

(Ka- 4) To increase issued capital and paid up capital of the Bank.

(Ka- 5) To issue shares through Further Public Offering (FPO) of NPR 100 (in words: One Hundred) with or without premium due to change in capital structure arising from restriction in purchase and transfer of shares by taking approval from relevant authority. In case of shares sold out through FPO, the premium as obtained is to be accounted as Reserve under the heading Share Premium.

4. Delegation of authority to the Board of Directors for making necessary adjustments in the Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank in case any instructions is received from the approving authority during approval of amendments of the MOA and AOA.

C. Others

Other information regarding AGM:-

1. Shareholders register book will be closed on January 01, 2019 (Poush 17, 2075). If the name of the shareholders is registered in shareholders register book located in the Bank's share registrar CBIL Capital Limited, Batule Ghar, Dillibazar, Kathmandu because of the transactions conducted in Share Stock Exchange till December 31, 2018 (Poush 16, 2075), then such shareholders can participate in the AGM and is entitled to receive bonus share and cash dividend.
2. Shareholders interested in participating in AGM shall bring either share certificate or details of DEMAT account and documents proving his identity or its copy along with them.
3. Shareholders attendance register will be made available at 9:00 A.M. onwards for the purpose of signing.
4. Shareholders interested in appointing a proxy for attending AGM, shall fill the proxy form in the format prescribed by the Companies Act and shall submit the form at least 48 hours before AGM (i.e. within 11:00 A.M on January 12, 2019 (Poush 28, 2075) to the main office of the Bank. No one other than shareholders of the Bank shall be appointed as a proxy. More than one person cannot be appointed as proxy by dividing shares or by division through any means. If done so, then proxy shall be cancelled.
5. If any shareholder wants to replace the previously appointed proxy, then he shall submit a separate letter along with proxy form stating that the previously appointed proxy shall be cancelled and new proxy shall be given accreditation and such information shall be submitted at least 48 hours before AGM. If any shareholder who has appointed proxy, presents himself in AGM, then the appointed proxy shall be automatically cancelled.
6. Shareholders whose name has been recorded in shareholders register book as mentioned in point no.1 shall only be entitled to receive bonus share and dividend amount.
7. If two or more shareholders jointly hold shares, then representative appointed by such partners or the partner whose name appears first in the serial order in the shareholders register shall only be entitled to take part in AGM.
8. If any shareholder is juvenile or insane, then the person who is registered as his guardian in the shareholders register shall be entitled to take part, vote or appoint a proxy in the AGM.
9. For any queries regarding AGM, you are requested to contact the head office of the Bank, within office hours.

10. You are requested not to carry any bags while attending AGM, for the security reasons. If required, security guards can conduct the security check. Therefore, you are requested to cooperate with the security check.

Note: As per Companies Act, 2006, shareholders can inspect and obtain a copy of Annual Financial Report, Director's Report and Auditor's Report from the head office of the Bank, located at Narayanhiti Path or from the Bank's share registrar CBIL Capital Limited, Dillibazar, Kathmandu.

For detail information, you can visit the Bank's website: *www.ctznbank.com*.

By Order from Board of Directors
Company Secretary

PROPOSED AMENDMENTS IN MEMORANDUM OF ASSOCIATION (MOA)

Amendments in section 4(kachha), 4(kaja), 4(kajha), 7(dha), 5(kha), and 5(ga) of Memorandum of Association

S.N.	Related Topics	Prevailing Arrangement	Proposed Amendment	Reasons
1	Activities to be carried out to fulfill the objectives of the Bank	Addition of 4(kachha), 4(kaja) and 4(kajha) after 4(kacha) in MOA.	4(kachha). To perform the works related to issuance of additional shares through Further Public Offering (FPO) due to change in capital structure after obtaining approval from concerned authority within the scope of the applicable laws. 4(kaja). To perform the works related securities brokerage business transactions by the Bank itself or through establishment of subsidiary company within the scope of the applicable laws. 4(kajha). To perform the work related to capital structure through issuance of bonds and securities as per the requirement by the BOD within the scope of the applicable laws.	To follow the direction from regulatory entity regarding addition of share issuance through FPO as the objective of the Bank in the MOA at the time of issuance of FPO which was approved by the BOD and ratified by the general meeting. Mentioned activities are required to be performed to meet the objectives of the Bank.
2	Composition of capital of the Bank	5. Composition of the capital of the Bank: 5(kha). The total issued capital of the Bank will be NPR 8,079,619,000 (in words: Eight Billion Seventy Nine Million Six Hundred Nineteen Thousand Only). Such capital consists of 80,796,190 number of ordinary shares of NPR 100 each. The minimum paid-up capital of the Bank will be NPR 8,079,619,000 (in words: Eight Billion Seventy Nine Million Six Hundred Nineteen Thousand Only). 5(ga). The minimum paid-up capital of the Bank will be NPR 8,079,619,000 (in words: Eight Billion Seventy Nine Million Six Hundred Nineteen Thousand Only).	5. Composition of the capital of the Bank: 5(kha). The issued capital of the Bank will be NPR 8,079,619,000 (in words: Eight Billion Seventy Nine Million Six Hundred Nineteen Thousand Only) plus 3.6 percent bonus shares on the same adjusted for fraction share and new issue for managing share composition thereafter maintaining capital structure as 51 percent Promoter shareholding. Such capital consists of ordinary shares of NPR 100 each. 5(ga). The minimum paid-up capital of the Bank will be as mentioned above.	Need to change the issued and paid-up capital to NPR 8,079,619,000 (in words: Eight Billion Seventy Nine Million Six Hundred Nineteen Thousand Only) with addition of the proposed bonus share of 3.6 percent and fraction share adjustment and new issue to adjust shareholding pattern.

S.N.	Related Topics	Prevailing Arrangement	Proposed Amendment	Reasons
3	Restriction for purchase and transfer of shares	Addition of 7(dha), after 7(da) in MOA.	The Bank may issue shares through Further Public Offering (FPO) of NPR 100 (in words: one hundred) with or without premium due to change in capital structure by taking approval from relevant authority. In case of shares sold out through FPO, the Premium as obtained should be accounted as Reserve under the heading of Share Premium.	Need to add the activity decided by board and ratified by general meeting as directed by regulatory entity at the time of issuance of FPO in past years.

INFORMATION TO SHAREHOLDERS

Shareholders Communication

The Bank recognizes the need for keeping its members and stakeholders informed of the events of their interests through present means of communication. The Bank regularly communicates all the appropriate and relevant information to shareholders, customers and the general public through print media (national daily) and electronically through the Bank's official website, http://ctznbank.com/. The detailed information on Annual General Meeting including ordinary agendas and special agendas to be discussed in the meeting is published in the national daily newspapers, 21 days prior to the date of Annual General Meeting as per the requirement of the Companies Act. The financial results of the Bank are submitted to the stock exchanges, where the securities of the Bank are listed, immediately after the conclusion of the Board Meeting approving the same. The results are also published in at least one national daily newspaper circulating in the whole or substantially the whole of Nepal. The Bank furnishes results to the Shareholders on Yearly basis.

Over the years, the timeliness of conducting Annual General Meeting (AGM) shows how enthusiastic the Bank is to communicate the information and reports to the shareholders.

Equally, the Bank has been publishing an interim financial report within the stipulated time of 30 days as prescribed by the Securities Board of Nepal. The Bank also publishes Basel-III Disclosures as prescribed by point 7.4(b) of Capital Adequacy Framework 2007 (updated July 2008) under Directive 1 of NRB Unified Directives on the Bank's website on a timely basis.

Dividend Payment, Bonus Share Distribution, and Tax Implication

As per section 88(2) read with Section 92(1) (a) of Income Tax Act, 2002, the tax on dividend distributed by the Bank is subject to final withholding tax (Tax Deduction at Source, TDS) at the rate of 5%. Similarly, distribution of bonus share is deemed a distribution of dividend as per section 53(1) (b) of Income Tax Act, 2002.

Similarly, Section 47A (5) of Income Tax Act, 2002 has provided a tax exemption on the dividend paid by the Financial Institutions that have merged or acquired another Financial Institutions to the shareholders that existed as on date of such migration/ acquisition.

Uncollected cash dividend after five years is transferred to Investor's Protection Fund, as per the provision of Companies Act. The fund is being operated by Office of Company Registrar, Nepal Government. Investors may lodge their mandate with Bank's Registrar & Share Transfer Agent i.e. CBIL Capital Ltd., Dillibazar, Kathmandu, Nepal.

S.No	Year	Amount (NPR)
1	2010/11	4,028,933.33

Complaint Handling of Investors

As part of its commitment to quality and customer service, the Bank encourages feedback on the service provided to investors in the funds under management. The Bank aims to create and maintain among its employees, senior management and directors (the "directors" or "Board of directors"), a culture of treating all investors fairly and diligently. Thus, the Bank handles all complaints from investors who invest in funds for which the Bank acts as management company in a professional, correct and prompt manner and in accordance with its internal instruction.

In order to ensure a consistent and efficient investor-oriented approach for shares registration service, the Bank

has appointed CBIL Capital Limited for:

- Maintaining the shareholder's list of the Bank.
- Safe keeping deposit & withdrawal of securities certificates & transfer of ownership/ rights in dematerialized form.
- Registration of transfer (NaamSaari) of shares.
- Delivery of share certificate to the stock exchange after transfer of the share in the name of the buyer.
- Distribution of remaining bonus shares, cash dividend, IPO share certificate.
- Assisting the company for preparation/ conduct of the Annual General Meeting /Extraordinary General Meeting / Special General Meeting.

Procedure for the Shareholder Complaints/Enquires

A. Contact to Registrar

The Bank has appointed CBIL Capital Limited as its Registrars and Share Transfer Agent (RTA) with a mandate to process transfer of Shares/Bonds, dividend/interest payments, recording of Shareholders' requests, solution of investors' grievances amongst other activities connected with the issue of Shares/ Bonds. Shareholders/ investors who wish to lodge Complaints/enquires shall at first instance contact the registrar, CBIL Capital Limited. Upon the receipt of complaint/ enquiries, Registrar shall either address within the timeline as per our agreement with them. They are also bound to provide with relevant details of such complaints to the Bank.

The Investors may lodge their transfer deed/requests/complaints with the RTA at following address:

CBIL Capital Limited
Registrar to Share Division
Batule Ghar, Dillibazar – 33
Kathmandu, Nepal
Phone: (977-1) 4417723 / 4417457 / 4418526 / 4421235
Fax: (977-1) 4239306
E Mail: info@cbilcapital.com

B. Contact Chief Information Officer

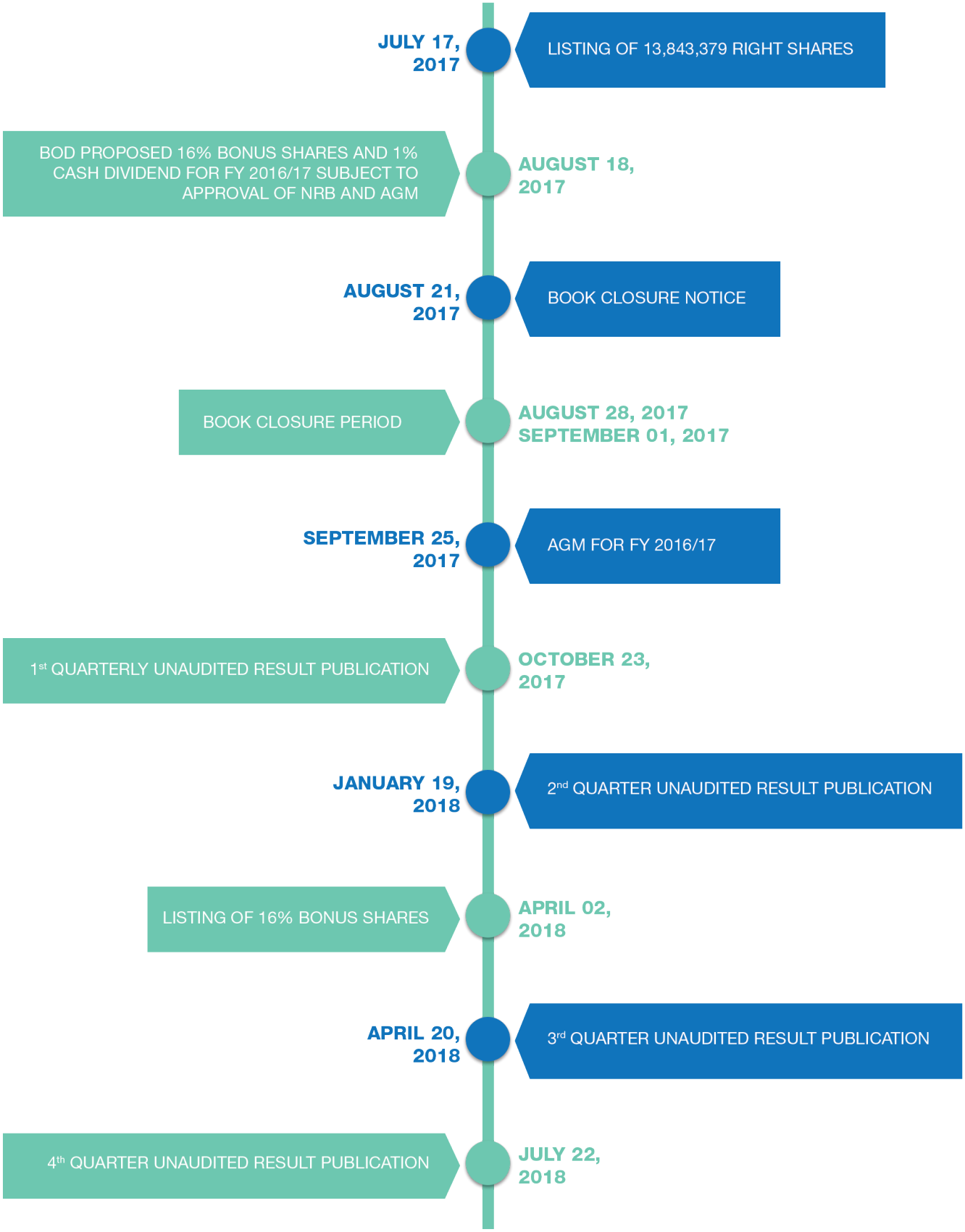
If the registrar is unable to satisfactorily address the enquiries and resolve the complaints, then shareholder may contact the office of the Chief Information Officer of the Bank.

Address of the Chief Information Officer
Mr. Bodh Raj Devkota
Assistant Chief Executive Officer/ Chief Information Officer
Citizens Bank International Limited
P.O.Box: 19681, Narayanhiti Path, Kathmandu, Nepal
Toll-Free Number: 977-1-6600166667
TEL: 977-1-4427842/4427843
Fax: 977-1-4427044
Email: info@ctznbank.com
URL: www.ctznbank.com

C. Contact Online

Investors can lodge the complaints and inquiries via online complaint handling. The reporting and resolution process for investors and shareholders are same as the Bank follows with valued customers.

FINANCIAL CALENDAR





CAPITAL STRUCTURE OF THE BANK

Details of Our Share Capital and Share Distribution

NPR IN MILLION

Particulars	2017/18	FY 2016/17	FY 2015/16
Paid-up Share Capital at the end of the year	**8,033.24**	**6,921.69**	**3,650.64**
Less: Bonus Shares Issued	1,107.47	750.68	
Less: Proposed Bonus Shares	291.45	1,107.47	750.68
Less: Right allocation at 1:0.25	-	1,384.34	-
Less: Share Issuance for Premier Finance Acquisition	-	35.56	-
Less: Right allocation at 1:0.55	-	1,685.88	-
Less: Calls in Advance	-	(585.41)	585.41
Less: Fraction Share Adjustment	4.08	-	-
Paid-up Share Capital at the beginning of the year	6,921.69	3,650.64	3,065.23

During the year, the Bank has met the minimum paid-up capital requirement of NPR 8 billion as prescribed by NRB Directive.

NPR IN MILLION

Holder	FY 2017/18		FY 2016/17		FY 2015/16	
	Amount	% Holding	Amount	% Holding	Amount	% Holding
Institutional Promoter Shares	431.19	5.37%	371.71	5.37%	176.06	5.74%
Individual Promoter Shares	3689.42	45.93%	3,180.52	45.95%	1,395.75	45.54%
Public Shareholder	3912.63	48.70%	3,369.46	48.68%	1,493.42	48.72%
Total	**8033.24**	**100.00%**	**6,921.69**	**100.00%**	**3,065.23**	**100.00%**

Particulars	FY 2017/18	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14
No. of Shareholder Holding 0.5 % or more shares	34	34	28	34	37
% of Holding	42.36%	42.52%	34.85%	37.23%	46.37%

Details of Shares held by Directors and Executive Members

Name	Designation	No. of Shares Held as on FY end of 2017/18
Dr. Shankar Prasad Sharma	Chairman	681,570 PROMOTER SHARE 109,752 ORDINARY SHARE
Bal Krishna Prasai (Chandra Investment Pvt. Ltd.)	Director	311,138 PROMOTER SHARE 91,369 ORDINARY SHARE
Prakash Chandra Mainali	Director	746 ORDINARY SHARE
Pabitra Kumar Karki	Director	1,016,194 PROMOTER SHARE 382,007 ORDINARY SHARE
Bijaya Dhoj Karki	Director	202 ORDINARY SHARE
Dr. Chanda Karki	Director	27,008 PROMOTER SHARE
Avanindra Kumar Shrestha	Professional Director	-
Rajan Singh Bhandari	CEO	163016 ORDINARY SHARE
Ganesh Raj Pokharel	DCEO	203243 PROMOTER SHARE 114131 ORDINARY SHARE
Bodhraj Devkota	ACEO	
Ramdhan Shrestha	ACEO	311637 PROMOTER SHARE 31870 ORDINARY SHARE
Rajendra Lal Shrestha	CRRO	-
Paras Kumar Kafle	COO	12200 ORDINARY SHARE
Umang Sharma	CAO	15492 ORDINARY SHARE
Sumit Babu Khatri	CCO	-
Sanjeeb Kumar Shrestha	CITO	19336 ORDINARY SHARE
Samir Prasad Dahal	Senior Manager Deputed as CEO CBIL Capital Limited	-
Pramesh Raj Kayastha	CFO	-

SHARE MARKET INFORMATION

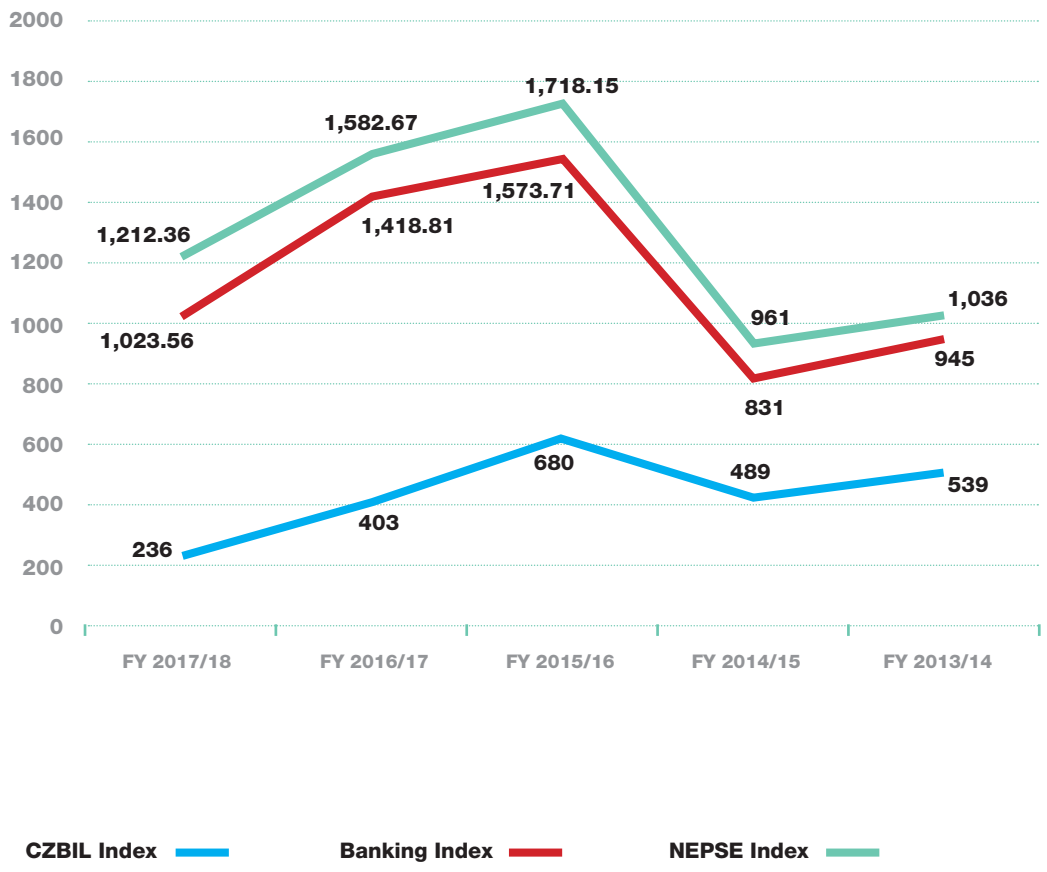
Stock Symbol

The Bank's shares are traded on the Nepal Stock Exchange Ltd. (NEPSE) with stock symbol "CZBIL" for ordinary shares and "CZBILP" for promoter shares.

Particulars	Symbol	Year end 2016/17 Closing Price NPR
Ordinary Shares	CZBIL	236
Promoter Shares	CZBILP	150

Particulars	FY 2017/18	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14
CZBIL Index	236.00	403.00	680.00	489.00	539.00
Banking Index	1,023.56	1,418.81	1,573.71	831.35	945.00
NEPSE Index	1,212.36	1,582.67	1,718.15	961.00	1,036.00

Share Market Information



WHAT DOES CREDIT RATING AGENCY (ICRA NEPAL) THINK ABOUT US?

During the review year, ICRA Nepal after the due consideration of the recent developments of the Bank and also considering the protective elements, has reaffirmed the rating of Bond to "[ICRANP] LBBB+" (pronounced ICRA NP L Triple B Plus) same as that rated on May 2017 for the Subordinated Bond Program of NPR 500 million (8.5% Citizens Bank Bond 2021).

ICRA Nepal has assigned the rating of "[ICRANP] LBBB+" (pronounced ICRA NP L Triple B Plus) to the *proposed* NPR 2500 million Subordinated Bond. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. The mentioned Subordinated Bond has not been issued yet. However, rating has also been carried out for such *proposed* bond.

Furthermore, ICRA Nepal has also reaffirmed the issuer rating of "[ICRA NP-IR] BBB+" (pronounced ICRA NP Issuer Rating triple B Plus) to the Bank which signifies that the Bank carries higher than the average credit risk. This rating of ICRA Nepal is an opinion on the general credit worthiness of the Bank and not on any particular debt instrument.

The Bank has improved its market positioning through franchise expansion and scale up in operations while maintaining adequate profitability and progressively improving its asset quality indicators. The ICRA has positive impressions on the Bank's Management Team and the indications of the Bank's adequate capitalization levels. The Bank's focus on retail/SME segment has resulted in a higher share of these loans at 54% as of July 2018. The reduced credit concentration risks to around twenty one percentage of the portfolio among top 20 borrowers group has positively indicated the Bank's performance. The result of rating shows our market credibility and believability.

Particulars	October 2018
Rating for Subordinated Bonds	ICRA Nepal has assigned the rating of [ICRANP] LBBB+ (pronounced ICRA NP L Triple B Plus) to the proposed Subordinated Bond and reaffirmed the rating of "[ICRANP] LBB+" (pronounced ICRA NP L Triple B Plus) Subordinated Bond of Citizens Bank International Limited.
Meaning	Instruments with [ICRANP] LBBB+ rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
General Issuer Rating	ICRA Nepal reaffirmed the rating of [ICRANP-IR] BBB+ (pronounced ICRA NP Issuer Rating Triple B Plus) of the Bank.
Meaning	[ICRANP-IR] BBB+ indicates the moderate credit quality rating i.e. higher than average credit risk.
Market Share – Credit	2.74% in terms of credit portfolio in Nepal's commercial banking system as on mid-July,2018.
Factors for Positive Rating	Franchise expansion (78 branches and 70 ATMs spread across Nepal) as on issuance of rating results. Adequate capitalization (CRAR of 15.48% as of mid-July, 2018) Net Interest Margin of 2.91% Experienced management team The Bank reported improvement in NPLs from 1.38% in July 2016 to 1.25% in July 2018 aided by the dilution effect of portfolio growth. Focus on the Retail/SME segment of loans which stood at 54% as of July 2018 along with moderation in credit concentration risks (top 20 borrower groups accounted for 21%)
Constraints on Rating	Higher concentration of deposits among the top 20 accounts (36% as of mid-July 2018), although same has been reduced compared to the earlier period (39% as of mid-Jan 2017). Higher exposure to relatively vulnerable sectors like real estate sector, loan against shares and hire purchase loans (25% as of July 2018 vs 14% of the Industry) Credit portfolio remains concentrated among the top 20 borrowers accounting to 21% of portfolio as of July 2018, although same has been reduced compared to the earlier period i.e. 22% as of Jan 2017. The Bank has lower proportion of cost Current and Saving Accounts (CASA) deposit, 27% as of mid-July 2018 vs 43% for the industry.

Citizens Bank International Limited

ICRA Nepal assigns [ICRANP] LBBB+ rating to proposed subordinated bond of Citizens Bank International Limited; reaffirms previous ratings

Facility/Instrument	Amount	Rating Action (October 2018)
Subordinated Bond Programme	NPR 2,500 Million	[ICRANP] LBBB+ (Assigned)
Issuer Rating	NA	[ICRANP-IR] BBB+ (Reaffirmed)
Subordinated Bond Programme	NPR 500 Million	[ICRANP] LBBB+ (Reaffirmed)

ICRA Nepal has assigned a rating of **[ICRANP] LBBB+** (pronounced ICRA NP L triple B plus) to the proposed NPR 2,500-million subordinated bond programme of Citizens Bank International Limited (CZBIL). ICRA Nepal has also reaffirmed the rating of **[ICRANP] LBBB+** for the NPR 500-million subordinated bond programme of CZBIL. The sign of + (plus) or – (minus) appended to the rating symbols indicate their relative position within the rating categories concerned. Instruments with this rating are considered to have a moderate degree of safety regarding the timely servicing of financial obligations. Such instruments carry moderate credit risk.

ICRA Nepal has also reaffirmed the rating of **[ICRANP-IR] BBB+** (pronounced ICRA NP issuer rating triple B plus) assigned to CZBIL. **[ICRANP-IR] BBB+** ratings are considered to be of moderate credit quality. The rated entity carries higher-than-average credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and is not specific to any particular debt instrument.

The rating actions factor in the bank's adequate track record (operating since April 2007), its improving market position through franchise expansion[1] and scale up in operations with improving asset quality indicators. ICRA Nepal also notes the moderation in portfolio growth in recent periods compared to the above-industry growth recorded earlier. The bank's comfortable capitalisation with an experienced and stable management team could support its future growth plans of attaining a moderate pace of growth while maintaining comfortable asset quality indicators. CZBIL's focus on the retail/SME[2] segment has resulted in a higher share of these loans at ~54% as of July 2018 along with moderation in credit concentration risks (top 20 borrower groups accounted for ~21%), which also remain rating positives.

The ratings are, however, constrained by the bank's inferior deposit profile with a lower proportion of low-cost CASA[3] deposits (~27% as of mid-July 2018 vs ~43% for the industry), high concentration (top 20 depositors accounted for ~36%) and the high cost of funds (8.26% for FY2018 vs 6.10% for the industry). This could impact its competitive positioning in the base rate-based lending regime where lending rates are linked to cost of funds. Nonetheless, focus is on the high-yielding retail/SME segments, enables the bank to maintain adequate profitability despite higher cost of funds. The rating action also takes note of the continued pressure on the bank's net interest margins (NIMs as a % of ATA[4] declined by 45 bps in the last two years to 2.91% in FY2018 vs 3.57% for the industry), which along with higher capital base has led to moderation in the return on net worth. The high exposure to relatively vulnerable sectors (including real estate, loan against shares and hire purchase loans) at ~25% as of July 2018 (vs ~14% for the industry) also remains a rating constraint. The rating also considers the uncertain operating environment and liquidity constraints that the banks in Nepal are currently facing which can have impact on their asset quality and profitability. Going forward, the bank's ability to maintain comfortable asset quality indicators amid high interest rate environment, while improving its deposit mix/cost and profitability indicators would remain the key rating sensitivities.

[1] 78 branches and 70 ATMs as of July 2018 compared to 58 branches in January 2017 when last rated
[2] Small and medium sized enterprises
[3] Current and savings accounts
[4] Average total assets

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CZBIL reported portfolio growth of ~20% in the last two years ending mid-July 2018, lower than the industry growth of ~23%. The pace of growth moderated compared to ~31% growth in the three years ended mid-July 2016, albeit on a small base. Higher growth in the low interest rate regime of FY2014-FY2016 could create stress on the bank's asset quality profile given the upward movement of interest rates thereafter. CZBIL's portfolio mix, as of mid-July 2018, primarily comprised large corporate loans (~46%), followed by retail loans (~43%) and SME loans (~11%). The high exposure to retail/SME loans that carry better rates have supported the bank's lending yields (12.75% for FY2018 vs 12.08% for the industry) while lowering the concentration risks. Going forward, the management intends to leverage the existing franchise while continuing to focus on the retail/SME segments. The bank's ability to achieve the growth targets along with commensurate risk control measures would have a key bearing on its financial profile.

The bank has reported an improvement in its asset quality indicators in the last two years with non-performing loans (NPLs) declining to 1.25% as of July 2018 compared to 1.41% for the industry and 1.38% as of July 2016. However, higher non-banking assets (NBAs, mainly from acquired entities) resulted in slightly higher adjusted gross NPLs at 1.72% as of July 2018 vs 1.57% for the industry. CZBIL's NPLs also benefitted from the dilution effect of portfolio growth. Meanwhile, the overall delinquencies increased slightly from the earlier periods (~7% as of mid-July 2018 compared to ~4% as of mid-July 2016). However, a large chunk of these (~77%) remain overdue within 30 days, which could indicate temporary slippages. The bank's ability to maintain healthy asset quality would remain a key monitorable given the increased interest rate scenario.

CZBIL's deposit profile, despite some improvement, remains inferior with low CASA and high concentration. Deposit growth in the last two years (ending mid-July 2018) also remained low compared to the industry (~14% vs ~18%). A significant increase in the share of term deposits (~67% as of mid-July 2018 compared to ~55% as of mid-July 2016) has further led to an increase in the bank's cost of deposits (increased to 8.26% in FY2018 compared to 6.10% for the industry and 4.23% in FY2016). This remains a major rating concern. The concentration of the top 20 depositors, despite some moderation, remains high at ~36% as of mid-July 2018 (39% in mid-January 2017). However, bank has remained comfortable in terms of liquidity with SLR of ~20% including CRR of ~7% as of mid-Jul-18 vs. minimum requirement of 12% and 6% respectively (this has been brought down by regulator to 10% and 4% for FY19). CCD ratio[5] for the bank remained in the range of ~78% in last three years vs. ~75% earlier and this trend remains largely comparable to industry. Going forward, the bank's ability to improve its deposit mix and cost would remain a key monitorable.

As for profitability, the bank has witnessed a moderation in the return indicators in recent periods owing to an increasing capital base and pressure on NIMs. In the last two years, the cost of funds has witnessed a swift increase, in line with the industry, while the yields reported a relatively lower improvement. Hence, the NIMs declined to 2.91% for FY2018 from 3.36% for FY2016 while the industry reported an improvement in NIMs by 19 bps to 3.57%. The pressure on NIMs would remain a major concern in terms of incremental profitability. The bank's return on net worth reduced to ~15% for FY2018 compared to ~16% for industry and ~24% for FY2016, partly owing to sizeable capital enhancement to ensure compliance with the changed regulations. Similarly, return on assets declined to 1.94% for FY2018 from 2.24% for FY2016. Nonetheless, CZBIL's earnings profile has been supported, to an extent, by sizeable provision write-backs in the last 2-3 years from the recovery of NPLs and NBAs of acquired entities (write-backs of 0.52% and 0.29% of ATA for FY2017 and FY2018, respectively). The profitability in FY2018 was also supported by healthy business growth, modest non-interest income (1.25% of ATA) and a moderate operating expense ratio (~1.7% of ATA). The bank's ability to maintain adequate NIMs amid reducing quantum of provision write-backs, and control credit cost further due to concerns regarding asset quality will be critical for profitability.

[5] LCY credit to core capital and LCY deposits

CZBIL's capitalisation levels are comfortable with CRAR[6] of 15.48% and tier I capital of 14.13% as of mid-July 2018 (both as per Basel III) compared to the minimum regulatory requirement of 11% and 8%, respectively (both including capital conservation buffer; CCB). The tier I capital requirement is expected to increase to 8.5% by mid-July 2019 (including CCB) although the requirement for total capital would be stable at 11% (including CCB). The capitalisation was mainly supported by right issues and stock dividends in FY2017. The current capitalisation levels and similar internal accruals are expected to support moderate growth of ~15% over the medium term. In case of higher growth or high dividend pay-outs, the proposed bond issuance plans could provide requisite support to the capitalisation profile.

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology

Bank Rating Methodology

Bank Profile

Citizens Bank International Limited (CZBIL) started its commercial operations on April 20, 2007 as a Class A commercial bank. The Narayanhiti, Kathmandu-based bank is largely promoted by individuals from different backgrounds along with some institutions (including Citizen Investment Trust[7] with 3.29% stake). As of mid-July 2018, CZBIL's promoter-public shareholding stood at ~51:49. The bank's equity shares are listed on the Nepal Stock Exchange and are actively traded.

CZBIL's 78 branches and 70 ATMs, as of mid-July 2018, provide it with a diversified presence in the country. The bank's market share was 2.49%, in terms of deposit base, and 2.74% of total advances of the commercial bank industry as of mid-July 2018. CZBIL reported a profit after tax (PAT) of NPR 1,408 million[8] during 2017-18 on an asset base of NPR 78,021 million as of mid-July 2018 against PAT of NPR 1,082 million during 2016-17 on an asset base of NPR 65,405 million as of mid-July 2017. As of mid-July 2018, CZBIL's CRAR was 15.48% and gross NPLs were 1.25%. In terms of technology platforms, CZBIL has implemented Pumori-IV[9] in all its branches.

October 2018

For further details please contact:

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Relationship Contacts:
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barsha@icranepal.com

[6] Capital to risk weighted assets ratio
[7] One of the largest state-owned retirement fund operators
[8] Profit as per earlier financial reporting norms; Profit as per NFRS-based financials for the year was NPR 1,273 million
[9] This used to be the most widely used system across commercial banks in Nepal. Most of the banks have now migrated to the Finacle system and CZBIL has also started the process of migrating to Finacle

About ICRA Nepal Limited:
ICRA Nepal Limited, the first Credit Rating Agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was incorporated on November 11, 2011 and granted licence by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a Technical Support Services Agreement, which envisages ICRA helping ICRA Nepal in such areas as rating processes and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

Our parent company, ICRA Limited, was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies. The international Credit Rating Agency, Moody's Investors Service, is ICRA's largest shareholder with a majority stake.

For more information, visit www.icranepal.com

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DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT, 2006

a) Business review of the previous year

This has been disclosed in detail in Director's Report.

b) Any impact caused to the business of the company due to national and international condition, risk that may arise from fluctuation in exchange rate in course of foreign exchange transactions, economic risks of affecting Nepalese market as an impact of recession in the international market

Devaluation of Nepalese currency in comparison to foreign currency on account of fluctuating foreign exchange rate has resulted in increase in the price of raw materials used for manufacturing and industrial purpose and has subsequently reduced production. Similarly, international recession might decrease tourism and remittance affecting the entire banking sector.

c) Current year's achievement till the preparation of the Director's Report and Board of Directors' view on future activities of the company

This has been discussed under the heading "Financial Position of the Bank" and "Strategies and Programs of FY 2018/19" in Director's Report.

d) Industrial and professional relations of the company

The Bank maintains sound and cordial relationship with all its stakeholders related to industrial and professional sectors.

e) Changes in the Board of Directors and the reason thereof

This has been discussed under the heading "Change in Board of Directors and its Reason" in Director's Report.

f) Main factors that affect business activities

1. Risks that may arise due to change in policy relating to Commercial Banks by Nepal Government or Nepal Rastra Bank.
2. Risks that may arise from change in the exchange rate in course of foreign exchange transactions.
3. Risks arising from change in the interest rate of loans & advances and deposits due to liquidity position in the market.
4. Risks arising from non-recovery of loans & advances on time.
5. Risks that may arise from changes in the economic situation of the country.
6. Possible risks that may arise while providing non-funded services such as issuing LC and Guarantee and other operational risks that may arise while operating business.
7. Economic risks affecting Nepalese market due to recession in the international market.
8. Risks that may arise due to fluctuations in the capital market.
9. Risks that may arise due to natural calamities.
10. The consequences of unstable political situation of the country.
11. Increase in competition in banking sector.
12. Loan recovery risk arising from court decision due to declaration of main source of collateral as inappropriate.

g) Any remarks and observation stated in the Independent Auditors' Report and Board of Directors' response thereon

No material remarks.

h) Amount recommended for distribution of dividend

From the distributable profit of FY 2017/18, bonus share of 3.628 Percent (i.e. NPR 291,445,773) and cash dividend of 1.635 percent (i.e. NPR 132,228,780) of paid-up capital of NPR 8,033,236,400 as of mid-July 2018 has been recommended for distribution as dividend.

i) Details of shares forfeited (number of shares, face value, amount received by the company prior to forfeiture, amount received by the company after putting such forfeited shares into subscription and amount refunded on account of forfeited shares)

The Bank has not forfeited any shares.

j) Review of the progress made by the Company and its subsidiary(s) in the previous fiscal year and the position of the same at the end of that fiscal year

The review of the progress made by the Company and its subsidiary CBIL Capital Limited in the previous fiscal year and the position of the same at the end of that fiscal year is reflected through Consolidated Financial Statements. The synopsis of the same is also presented in Director's Report.

k) Major transactions completed by the company and its subsidiary company in the financial year and any material changes that have taken place in transactions of the company during that period

The major transactions of the Bank and the subsidiary CBIL Capital Limited for the period of 2017/18 have been clarified in the Consolidated Financial Statements and Audit Report.

l) Disclosures made by the substantial shareholders of the company to the company in the previous financial year

No such information has been received.

m) Details of shareholding taken by the directors and officers of the company in the previous financial year and in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect.

Details of shareholding taken by the directors are as follows:

S.No.	Position	Name	Shareholding pattern	Total shares
1	Chairman	Dr. Shankar Prasad Sharma	Promoter Public	681,570 109,752
2	Director	Mr. Bal Krishna Prasai (Chandra Investment Pvt. Ltd.)	Promoter Public	311,138 91,369
3	Director	Mr. Prakash Chandra Mainali	Public	746
4	Director	Mr. Pabitra Kumar Karki	Promoter Public	1,016,194 382,007
5	Director	Mr. Bijaya Dhoj Karki	Public	202
6	Director	Dr. Chanda Karki	Promoter	27,008
7	Director	Mr. Avanindra Kumar Shrestha	Independent Director	-

n) Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with the Company during previous financial year

The Bank has not received any such information.

o) Buyback of share by the Company, reason thereof for buyback, and number of shares bought back, face value of share and amount paid during the buyback

The Bank has not bought back any shares.

p) Information on existence/ non-existence of internal control system and its detail

The Bank has the following policies, procedures, and mechanism in place to ensure Internal Control System:

1. Financial Bye laws, HR Bye laws, Loan Write- Off policy, Loan policy and other operational policies, procedures and guidelines.
2. Independent Internal Audit Department has been formed.
3. A system has been developed for regular supervision of internal control system by Audit Committee.
4. All efforts are made to ensure that the Bank adheres to good corporate governance.
5. Credit risk management department has been formed which is separate from credit business line to minimize the risk on credits.

q) Details of total management expenses incurred during the previous financial year

S.No.	Particulars	Amount (NPR)
1	Staff expenses	784,057,981
2	Office operating expenses	473,885,150

r) Name list of members in the audit committee, remuneration, allowance and benefits they have received, details of the functions performed by that committee, and details of suggestions, if any, made by that committee

1. Audit Committee:

S.No.	Name	Overall Designation	Position held
1	Mr. Avanindra Kumar Shrestha	Director, BOD	Coordinator
2	Dr. Chanda Karki	Director, BOD	Member
3	Mr. Anit Sapkota	Head of Internal Audit Department	Member Secretary

2. Apart from sitting fees, no any remuneration or facilities are provided to Audit Committee members. Except for member secretary, other members of the committee are provided NPR 11,000 sitting fees per meeting.
3. The committee meeting was held 11 times during the FY 2017/18.
4. The major suggestion of the committee was to ensure that Non- Performing Loans do not increase.

s) Dues payable to the company by any director, MD, CEO, Substantial shareholder (holding share more than 1%) or their relatives or firms or institutions in which they have their involvement

The Bank has no such dues.

t) Remuneration, allowances, and benefits paid to Director, MD, CEO and Other Officials

S.No.	Position	Director (NPR)	Chief Executive Officer (NPR)	Other Executive Officer (NPR)
1.	Sitting Fees	2,896,000*		
2.	Remuneration and Allowances			
	a) Salary		8,402,832	13,770,149
	b) Allowances		4,516,236	10,963,524
	c) Dashain allowances		1,018,236	1,718,304
	d) Provident fund contribution		840,283	1,139,855
	e) Staff welfare fund		960,600	1,357,345
Gross remuneration and allowances			**15,738,187**	**28,949,178**
Less: Income Tax			6,774,665	8,621,823
Net remuneration and allowances			**8,963,521**	**20,327,355**
3.	Bonus		As per prevailing bonus act	
4.	Telephone/Mobile	255,000	As per contract with the Bank	As per Employee Bye laws of the Bank
5.	Fuel	575,611		
6.	Newspaper	170,000		
7.	Vehicle facility	No	Yes	Yes
8.	Accommodation facility	No	No	No
9.	Insurance	No	Yes	Yes

*Including sitting fees of different sub-committees NPR 825,000/-

Notes:

1. Vehicle facility is provided to CEO along with the driver, fuel, and repair and maintenance. Other executive officers are provided vehicle facilities along with fuel as per Employee Bye laws of the Bank.
2. There is the provision of accidental insurance, medical insurance as per rules of the Bank to all staffs including CEO. Similarly, there is also medical insurance facility for their dependent family members.
3. There is the provision of payment of mobile expenses of CEO and other executive level officers by the Bank as per rules.
4. Chairman of the Bank is provided with vehicle facility for official purpose.

u) Uncollected dividend by the shareholder

1. Dividend declared to the shareholders but not collected till the end of the reported fiscal year 2016/17 are as follows:-

S.No.	Financial year	Amount (NPR)
1.	FY 2008/09 (2065/66)	275,390.00
2.	FY 2009/10 (2066/67)	537,045.00
3.	FY 2010/11 (2067/68)	2,573,711.02
4.	FY 2011/12 (2068/69)	5,649,503.00
5.	FY 2012/13 (2069/70)	10,600,670.75
6.	FY 2013/14 (2070/71)	6,201,592.51
7.	FY 2014/15 (2071/72)	4,817,241.79
8.	FY 2015/16 (2072/73)	18,625,406.74
9.	FY 2016/17 (2073/74)	18,537,917.52
10.	FY 2009/10 (2066/67)- Nepal Housing And Merchant Finance Limited	243,104.60
11.	FY 2010/11 (2067/68)- Nepal Housing And Merchant Finance Limited	148,179.25

12.	Unclaimed Dividend FY 2003/04 (2060/61) and 2004/05 (2061/62)- People's Finance Limited	481,770.00
13.	FY 2009/10 (2066/67)- People's Finance Limited	1,379,918.12
14.	FY 2006/07 (2063/64)- Premier Finance Limited	75,723.32
15.	FY 2009/10 (2066/67)- Premier Finance Limited	876,703.10

As per Section 182(9) of Companies Act, 2006, dividend amount of NPR 4,028,933.33 not received by shareholders has been deposited to Investor's Protection Fund, operated by Office of Companies Registrar.

v) Information on asset bought or sold as per Section 141

Not applicable

w) Details of related party transactions as per section 175 (transactions between associated companies)

The details of related party transactions have been disclosed in the clause no. 5.5 in the annual financial statements of the Bank.

x) Any other details to be disclosed in the report from the directors in accordance with the Companies Act, 2006 or other prevailing laws

Not applicable

y) Any other pertinent details

Not applicable

DISCLOSURE OF INFORMATION UNDER REGULATION 26(2) OF SECURITIES REGISTRATION AND ISSUE REGULATION, 2017

1) Director's Report

Report presented separately in annual report.

2) Auditor's Report

Report presented separately in annual report.

3) Audited Financial Statement

Report presented separately in annual report.

4) Legal Proceedings:

a. A law-suit filed by or against the Bank during the period:

In fiscal year 2017/18, 4 law-suits have been filed by the Bank and 56 law-suits have been filed against the Bank.

b. A law-suit filed by or against the promoters or director of the Bank involving statutory regulations or criminal offence:

No such information has been received.

c. A law-suit, if any, filed against the promoters and director for committing economic crimes:

No such information has been received.

5) Analysis of stock performance of the Bank:

a. Management's view on stock performance of the Bank in the Stock Exchange:

Despite of the fluctuation in the share transaction of the organized institution in the stock market of the country, the Bank has satisfactory share transaction.

b. High, low and closing price of the stocks of the Bank during each quarter of the preceding year along with total volume of trading of the shares and number of days traded:

The same is as follows:

Details	Mid-Oct 2017 (NPR)	Mid-Jan 2018 (NPR)	Mid-Apr 2018 (NPR)	Mid-Jul 2018 (NPR)
High Price	412	322	292	300
Low Price	289	278	236	228
Closing Price	307	285	260	236
Total volume of trading of shares	1,296,596	931,690	814,668	961,724
Total days Traded	**56**	**57**	**56**	**63**

6) Problems and Challenges:

a. Internal Problems and Challenges:

Increasing the profit of the Bank has become challenging due to internal problems in present scenario such as increase/ decrease in interest rate, increase in operating expenses, increase in operational risk with the increase in transactions and branches.

b. External Problems and Challenges:

The main external problems are high competition in interest rates for source of fund which has tightened due to cap set by regulator in institutional deposit, shortage of liquidity in the market for investment, lack of skilled manpower, unfavorable environment for investment, lack of investor's confidence even if labor problems have decreased, low development expenditure of the government and unexpected fluctuation in foreign exchange rate etc. It has become a great challenge to the Bank for expansion of transaction in presence of such problem, maintenance of assets quality and providing good return to shareholders.

c. Strategy

The strategy of the Bank is to provide financial services to the mass that are still without the reach of financial services by ways of expanding branches in local as well as rural and inaccessible areas. Likewise, the Bank aims to provide easy and quick customer oriented service in order to strengthen the relation with various business institutions and individual customers, strengthen the overall risk management system, taking up of cost control measures, and focus on providing quality service to the customers by the modernization of Core Banking System (CBS) of the Bank.

7) Corporate Governance:

a. In order to manage the internal control system of the Bank for the prosperity of Corporate Governance, as directed by NRB; the Bank has in place adequate Internal Audit Department, Compliance Department and Corporate Governance Unit. The Audit Committee of the Bank is proactive on implementing the suggestions and instructions of auditors and regulators.

b. The Bank has formed Risk Management Department to minimize operational risk as well as to systematize the core functions. For minimizing and managing credit risk, the Credit Risk Department and Credit Department are treated as separate functional units. Similarly, in order to systematize the operation of departmental works various internal policies, rules and regulations has been formed and implemented. In order to execute the transaction in robust way, several management committees like Executive Committee; Assets Liabilities Management Committee (ALCO) has been formed.

c. The Board of Director and management remains alert and committed towards Shareholders, general depositors, and preservation of interest of every stakeholders and corporate governance.

8) Details on Deviation of 20 percent or more in the Bank's Audited Financials in comparison to financial projected in prospectus:

The projected financial statement in prospectus issued by the Bank, for issue of shares of 463,826 units through FPO amounting NPR 46,382,600 of face value of NPR 100 per share with the addition of NPR 100 as premium costing NPR 200 each, is based upon the assumptions of increase in the business of banking industry but during the year the liquidity crunch faced by the overall industry leading to shortage in the amount for investment in the market which induced the increase in the rate of interest in deposits caused the Financial Statement items to deviate by more than 20% than that of projected.

STATEMENT OF FINANCIAL POSITION

FY 2017/18

NPR IN THOUSAND

Capital and Liabilities	Fiscal Year 2017/18			
	Audited Financials (NPR)	Projected Financials (NPR)	Difference (%)	Reason for Deviation above 20 %
1. Share Capital	8,033,236	8,079,610	-0.57%	
2. Reserves and Surplus	2,980,375	1,763,340	69.04%	Difference in accounting policy between NFRS accounting treatment and GAAP.
3. Debentures and Bonds	498,723	3,000,000	-83.38%	In process of issuance of bond of 2,500 million as per projection
4. Borrowings	4,030,330	1,073,510	275.43%	Borrowings made in the normal course of banking business
5. Deposits Account	60,696,027	62,500,000	-2.89%	
6. Other Liabilities	1,470,962	2,969,430	-50.46%	Payable generated against the regular banking transaction
Total Capital and Liabilities	**77,709,953**	**79,385,890**	**-2.11%**	
Assets	**Audited Financials (NPR)**	**Projected Financials (NPR)**	**Difference (%)**	**Reason for Deviation above 20 %**
1. Cash Balance	1,646,979	2,500,000	-34.12%	Due to normal course of banking business
2. Balance With Nepal Rastra Bank	5,060,343	3,934,190	28.62%	Due to normal course of Banking business
3. Balance With the Banks and Financial Institutions	1,725,799	1,858,070	-7.12%	
4. Money at Call and Short Notice	303,309	300,000	1.10%	
5. Investment	7,818,125	8,504,980	-8.08%	
6. Loans, Advances and Bills Purchased	57,022,413	58,127,050	-1.90%	
7. Fixed Assets	2,192,127	2,045,120	7.19%	
8. Non-Banking Assets	287,547			Difference in accounting policy between NFRS accounting treatment and GAAP.
9. Other Assets	1,653,312	2,116,480	-21.88%	Assets held against regular banking transaction
Total Assets	**77,709,953**	**79,385,890**	**-2.11%**	

STATEMENT OF PROFIT OR LOSS

FY 2017/18

NPR IN THOUSAND

Statement of Profit or Loss	Fiscal Year 2017/18			
	Audited Financials (NPR)	Projected Financials (NPR)	Difference (%)	Reason for Deviation above 20 %
1. Interest Income	7,109,388	6,817,770	4%	
2. Interest Expenses	(4,887,320)	(4,686,920)	4%	
Net Interest Income	**2,222,068**	**2,130,850**	**4%**	
3. Commission and Discount	559,884	178,000	215%	Difference in classification in income heading between NFRS and GAAP
4. Other Operating Income	35,669	553,490	-94%	
5. Exchange Fluctuating Income(Trading Gain)	266,102	260,000	2%	
Total Operating Income	**3,083,723**	**3,122,340**	**-100%**	
6. Staff Expenses	(594,406)	(512,660)	16%	
7. Other Operating Expenses	(524,721)	(571,490)	-8%	
8. Exchange Fluctuating Loss				
Operating Profit Before Provision for Possible Loss	**1,964,596**	**2,038,190**	**-4%**	
9. Provision For Possible Loss	(415,868)	(150,000)	177%	Due to Increase in Non-Performing Loan than projected
Operating Profit	**1,548,728**	**1,888,190**	**-18%**	
10. Non-Operating Income/ Expenses	32,244	69,770	-54%	Due to non-operating transaction less than projected
11. Loan Loss Provision Written Back	326,551	180,000	81%	Due to proper management of non-performing loans
Profit From Regular Operation	**1,907,523**	**2,137,960**	**-11%**	
12. Profit/Loss from Extra-Ordinary Activities	(11,006)	100,000	-111%	Due to loan written off that has not been projected
Profit and Loss After Considering All Activities	**1,896,517**	**2,237,960**	**-15%**	
13. Provision for Staff Bonus	(189,652)	-203,450	-7%	
14. Provision for Income Tax	(472,761)	(610,350)	-23%	Due to decrease in profit before tax and exemption through adjustment of loss of past years of acquired targeted institute
Net Profit/(Loss)	**1,234,104**	**1,424,160**	**-13%**	

INTERIM FINANCIAL REPORTING

FOR EACH QUARTER OF THE YEAR 2017-18

Amount in NPR

S.No.	Particulars	Q I	Q II	Q III	Q IV
		As on Mid Oct 2017	As on Mid Jan 2018	As on Mid Apr 2018	As on Mid July, 2018
4.1	Cash And Cash Equivalent	4,545,623,060	4,528,388,607	4,718,121,665	5,046,237,676
4.2	Due From Nepal Rastra Bank	3,432,945,720	3,027,492,167	4,361,619,872	3,690,192,293
4.3	Placement With Bank And Financial Institutions	1,737,417,914	2,964,383,338	848,161,875	1,989,878,358
4.4	Derivative Financial Instruments	37,511,120	15,654,067	-	36,385,944
4.5	Other Trading Assets	74,841,968	81,310,067	74,005,434	76,236,446
4.6	Loans And Advances To B/FIs	-	1,343,303,965	1,477,480,930	1,420,646,197
4.7	Loans And Advances To Customers	49,090,722,200	51,014,019,547	53,526,674,918	55,601,766,580
4.8	Investment Securities	7,141,989,972	5,965,668,168	7,521,184,263	5,616,858,302
4.9	Current Tax Assets	435,827,758	35,092,953	-	114,653,791
4.10	Investment In Susidiaries	67,000,000	107,200,000	107,200,000	117,200,000
4.11	Investment In Associates	17,951,500	17,951,500	17,951,500	17,951,500
4.12	Investment Property	-	-	-	287,547,060
4.13	Property And Equipment	1,759,192,437	1,995,033,024	1,995,548,336	2,121,592,854
4.14	Goodwill And Intangible Assets	64,752,249	64,141,641	67,523,508	70,534,031
4.15	Deferred Tax Assets	87,873,011	87,873,011	87,873,011	-
4.16	Other Assets	1,420,907,151	2,853,425,399	1,642,620,858	1,502,271,962
	TOTAL ASSETS	**69,914,556,059**	**74,100,937,454**	**76,445,966,170**	**77,709,952,994**
4.17	Due To Bank And Financial Institutions	2,877,660,000	1,812,300,000	3,998,241,490	3,335,288,532
4.18	Due To Nepal Rastra Bank	473,964,320	501,961,276	682,062,437	695,041,370
4.19	Derivative Financial Instruments	-	-	-	-
4.20	Deposits From Customers	54,632,707,326	58,464,929,183	59,399,019,284	60,696,026,972
4.21	Borrowing	-	-	-	-
4.9	Current Tax Liabilities	-	-	37,244,939	-
4.22	Provisions	270,554,460	-	-	5,306,626
4.15	Deferred Tax Liabilities	-	-	-	17,677,499
4.23	Other Liabilities	1,442,538,606	2,795,734,277	1,421,855,532	1,447,977,647
4.24	Debt Securities Issued	500,000,000	500,000,000	500,000,000	498,722,911
4.25	Subordinated Liabilities	-	-	-	-
	TOTAL LIABILITIES	**60,197,424,711**	**64,074,924,736**	**66,038,423,682**	**66,696,041,556**
4.26	Share Capital	8,029,160,008	8,029,160,009	8,033,236,401	8,033,236,400
	Share Premium	-	-	-	433,526
	Retained Earnings	448,196,695	757,697,838	1,138,985,225	132,228,780
4.27	Reserves	1,239,774,645	1,239,154,870	1,235,320,862	2,848,012,733
	TOTAL EQUITY	**9,717,131,348**	**10,026,012,717**	**10,407,542,489**	**11,013,911,439**
	TOTAL LIABILITIES AND EQUITY	**69,914,556,059**	**74,100,937,454**	**76,445,966,170**	**77,709,952,994**

Amount in NPR

S.No.	Statement of Profit and Loss Account	For the period ending mid Oct, 2017	For the period ending mid Jan, 2018	For the period ending mid April, 2018	For the period ending mid July, 2018
4.29	Interest Income	1,605,430,166	3,245,115,275	4,970,517,069	7,109,387,573
4.30	Interest Expense	(1,123,981,303)	(2,270,196,241)	(3,503,792,929)	(4,887,319,894)
	Net Interest Income (3.1-3.2)	**481,448,863**	**974,919,034**	**1,466,724,141**	**2,222,067,679**
4.31	Fee And Commission Income	124,747,362	285,394,104	411,310,745	559,884,278
4.32	Fee And Commission Expense	(6,438,169)	(13,593,080)	(21,593,226)	(50,836,108)
	Net Fee And Commission Income	**118,309,192**	**271,801,024**	**389,717,520**	**509,048,171**
	Net Interest, Fee And Commission Income	**599,758,055**	**1,246,720,058**	**1,856,441,660**	**2,731,115,850**
4.33	Net Trading Income	48,804,978	89,532,413	128,310,185	181,074,487
4.34	Other Operating Income	37,845,355	61,441,865	111,532,767	120,696,494
	Total Operating Income	**686,408,388**	**1,397,694,336**	**2,096,284,612**	**3,032,886,830**
4.35	Impairment (Charge)/Reversal For Loans And Other Losses	16,278,479	6,024,541	158,121,488	(89,316,642)
	Net Operating Income	**702,686,867**	**1,403,718,877**	**2,254,406,100**	**2,943,570,188**
	Operating Expense				
4.36	Personnel Expenses	(157,935,988)	(324,625,333)	(504,270,700)	(784,057,981)
4.37	Other Operating Expenses	(69,327,005)	(143,093,165)	(224,016,388)	(347,358,417)
4.38	Depreciation & Amortisation	(28,522,978)	(60,501,915)	(92,388,186)	(126,526,734)
	Operating Profit	**446,900,895**	**875,498,463**	**1,433,730,827**	**1,685,627,057**
4.39	Non Operating Income	8,954,227	22,501,142	8,965,044	37,955,047
4.40	Non Operating Expense	-	-	-	(16,717,011)
	Profit Before Income Tax	**455,855,123**	**897,999,605**	**1,442,695,871**	**1,706,865,093**
4.41	Income Tax Expense				
	Current Tax	**(136,756,537)**	**(269,399,882)**	**432,808,761**	**(536,347,961)**
	Deferred Tax	**-**	**-**	**-**	**63,586,765**
	Profit For The Period	**319,098,586**	**628,599,723**	**1,009,887,110**	**1,234,103,897**

The growth rate in deposit in second, third and fourth quarter has been recorded to be 7.01 percent, 1.06 percent and 2.18 percent respectively. Total deposit for the year has been recorded to be NPR 60,696.03 million, which is higher than that of previous year by 15.13 percent i.e. by NPR 7,977.45 million. Along with the deposit, there has been improvement in loans and advances. The same has increased by 6.65 percent, 5.06 percent and 3.67 percent respectively in the second, third, and fourth quarters of the year. Total loans and advances for the year have been recorded to be NPR 57,022.41 million which is higher than that of previous year by 21.10 percent i.e. by NPR 9,937.03 million. The investment has been decreased by 15.47 percent and 24.51 percent in the second and fourth quarter respectively whereas in the third quarter, it has been increased by 25.08 percent.

It is further observed that there is impressive growth in the net interest income in second quarter with growth rate of 102.50 percent and considerable growth of 50.45 percent, 51.50 percent in third and fourth quarter respectively. Total net interest income for the year has been recorded to be NPR 2,222.07 million, which is higher than that of previous year by 26.47 percent i.e. by NPR 465.05 million.

Along with the interest earnings, there have been improvements in the commission and discount incomes and foreign exchange gains that have led the Bank to higher profit than that of previous year.

Quarterly, net profit after tax has increased by 96.99 percent, 60.66 percent and 22.20 percent respectively in each of second, third, and fourth quarter respectively. The absolute changes in net profit after tax are NPR 309.50 million, NPR 381.29 million and NPR 224.22 million in the second, third, and fourth quarter respectively. Audited year end profit after tax has been recorded to be NPR 1,234.10 million, which is 14.09 percent higher than that of previous year.

The growth rate in interest income in second, third and fourth quarter has been recorded to be 102.13 percent, 53.17 percent and 43.03 percent respectively. The operating income has been increased by 99.76 percent and 60.60 percent and 30.57 percent in the second, third and fourth quarter respectively.

DISCLOSURES OF INFORMATION AS PER SECTION 5(3) OF RIGHT TO INFORMATION ACT, 2007 AND RULE 3 OF RIGHT TO INFORMATION RULES, 2009

1) Nature and formation of the Entity:

Citizens Bank International Limited is "A" class National Level Commercial Bank established in accordance with Companies Act, 2006 operated under Banks and Financial Institutions Act, 2017.

2) Functions, duties and powers of the Entity:

The functions, power and duties of the Bank is as specified by Banks and Financial Institutions Act, 2017, directives published by Nepal Rastra Bank and other related acts.

3) Number of employees and performance detail of employees of the Entity:

The total number of employees of the Bank is 843 and performance detail of employees are as specified by the Bank's Management. Name of the management team along with their job responsibility can be observed in website https://www.ctznbank.com/executive/index/exec

4) Service provided by the Entity:

The Bank has been providing all the banking services that can be provided by "A" class Commercial Banks in accordance with Banks and Financial Institutions Act, 2017 and directives published by Nepal Rastra Bank.

5) Branch and authorized person of the Entity providing services:

The detail of branch offering service along with the authorized personnel are available at the Bank's website https://www.ctznbank.com/branch/showLocation/branch.

6) Time and amount required to obtain service:

The detail of various service provided by the Bank and fees regarding such service are available at the website https://www.ctznbank.com/interest_rate/index/fc

7) Procedure of taking decision and person authorized to do so:

Different authority has been delegated to different level of officers of the Bank. For other day to day operation, the final decision makers are Chief Executive Officer and Board of Directors.

8) Officer to handle complaints of the decision made:

There is the arrangement of the officer to handle the complaints and all the detail regarding the proceedings can be observed through the Bank's website https://www.ctznbank.com/feedback/index/gr

9) Detail of the work completed:

The Bank has been carrying out all the banking transactions that "A" class Commercial Banks can operate in accordance with Banks and Financial Institutions Act, 2017. Any new activities performed by the Bank is informed to the public through press release. Such detail is available at the Bank's website https://www.ctznbank.com/blog

10) Name and Designation of Information Officer and Chief Executive Officer:

The details of Chief Information Officer of the Bank is provided below:

Name	:	Mr. Bodhraj Devkota
Designation	:	Assistant Chief Executive Officer

The detail regarding Chief Executive Officer of the Bank is provided below:

Name	:	Mr. Ganesh Raj Pokharel
Designation	:	Acting Chief Executive Officer

11) List of Act, Rules, Regulations and Directives:

The Bank is conducting its day to day operation under the Rules, Regulations and Directives mentioned below:

Banks and Financial Institutions Act 2017, Companies Act 2006, and other related Acts, Directives and Regulations.

- Nepal Rastra Bank Act, 2002 and Unified Directives, Circulars and Information released accordingly.
- Memorandum of Association and Articles of Association of the Bank
- Employees Bye laws
- Finance Policy
- Loan write-off policy, etc.

12) Periodic details of income, expenses and other financial transactions:

The periodic information of the Bank regarding income, expenses and other financial transactions are published quarterly in national daily newspaper. Similarly, all such periodic details are published in website of the Bank under REPORTS & DISCLOSURES section.

13) Detail regarding the program or project operated by the Entity in previous fiscal year if any:

In current FY 2017/18, except banking transactions and annual general meeting following programs has been conducted by the Bank on the occasion of annual function of the Bank:

- Citizens Golf Tournament
- Sixth Citizens Lawn Tennis Tournament
- Citizens Inter-Bank Futsal Tournament
- Blood Donation, Eye Donation and Kidney Donation program
- Economic assistance to various persons/organizations under corporate social responsibility

14) Website of the Entity if any:

The website of the Bank is www.ctznbank.com

15) Details of foreign assistance, loans, grant and technical assistance and agreement entered by the Entity:

No

16) Program operated by the Entity and progress report regarding same:

Progress detail of program operated can be observed in the Bank's website https://www.ctznbank.com/csr

17) List of notice classified and protected by the Entity and time specified for protection of such notice:

No

18) Application related to demand of information from the Entity and details of information provided over it:

The Bank has provided the information as demanded by regulatory authorities and except that, information demanded by the general public has also been provided by the Bank as per the rules.

19) Detail of information of the Entity published or to be published:

Annual Report of the Bank are published in the form of book and published in the website too. Similarly, financial statements of the Bank are published quarterly on different national daily newspaper along with the website of the Bank.

VALUE ADDED STATEMENT

VALUE ADDED STATEMENT

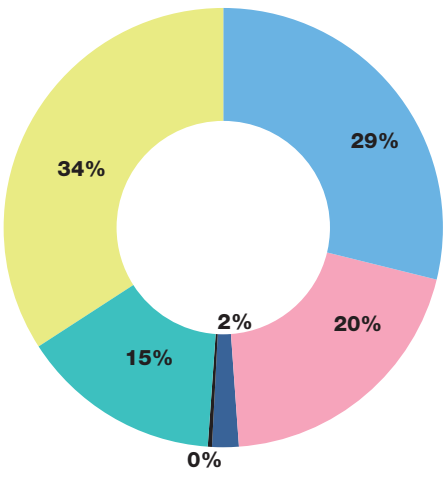
Value Generated by the Bank

The Bank has its own defined objectives, as such how much value (wealth) the Bank created through utilization of capacity, capital, staff, and other resources, and how it is allocated among different stakeholders viz. employees, lenders, shareholders, government, etc. is reflected below.

During review year, the Bank has generated total value of NPR 2.742 billion. This is a growth of 18.91 percent or NPR 435.95 million as compared to that of previous year. Highest value has been added to expansion and growth which stands at 34.2 percent (previous year 10 percent). Value addition to provider of capital stands at 15.42 percent of total value generation (previous year 51.03 percent). Value addition to directors and employees stands at 28.8 percent of total value generation (previous year 25.35 percent). Value generated to government stands at 19.56 percent of total value generated as compared to previous year which stands at 11.51 percent.

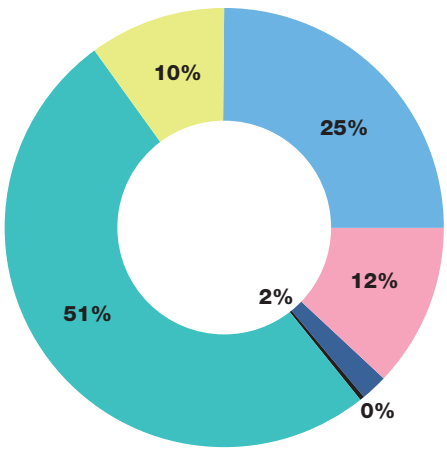
(NPR in Million)

Particulars	July 16, 2018 (Ashadh 32, 2075)	PERCENTAGE	July 16, 2017 (Ashadh 31, 2074)	PERCENTAGE
To Directors and employees	789.66	28.80%	584.55	25.35%
To the Government	536.35	19.56%	265.33	11.51%
To Provider of Long Term Loan	43.07	1.57%	42.5	1.84%
To Community	12.13	0.44%	6.56	0.28%
To Provider of Capital	422.80	15.42%	1,176.69	51.03%
To Expansion and Growth	937.83	34.20%	230.26	9.99%
TOTAL VALUE ADDED	**2,741.84**	**100.00%**	**2,305.89**	**100%**



July 16, 2018 (Ashad 32, 2075)

- To Directors and employees
- To the Government
- To provider of long term loan
- To Community
- To provider of capital
- To expansion and growth



July 16, 2017 (Ashad 31, 2074)

- To Directors and employees
- To the Government
- To provider of long term loan
- To Community
- To provider of capital
- To expansion and growth

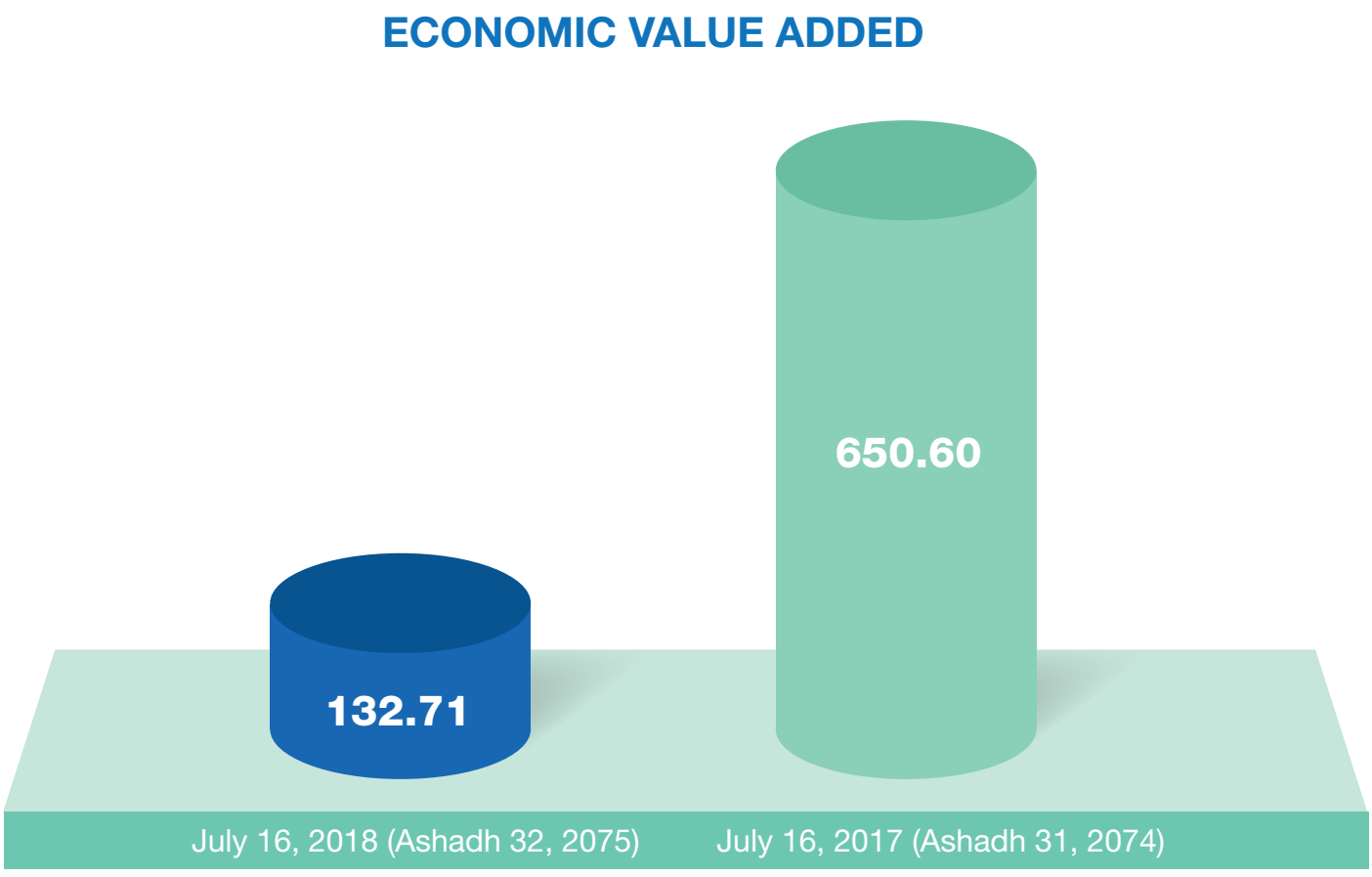
Economic Value Added by the Bank

Economic Value Added (EVA) measures the Bank's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit. During review year, the Bank has generated economic value of NPR 132.71 million. This is a decline of 62.97 percent. The Bank has assumed cost of capital (Economic Costs) of 10 percent that is the Bank rate 7 percent plus 3 percent risk premium.

STATEMENT OF ECONOMIC VALUE ADDED

(NPR IN MILLION)

For the Year ended	July 16, 2018 (Ashadh 32, 2075)	July 16, 2017 (Ashadh 31, 2074)
A. Shareholders Fund	11,013.91	9,843.18
B. Net Profit	1,234.1	1,634.92
Return on Shareholder Fund	11.20%	16.61%
C. Economic Cost (Bank Rate Plus 3 percent risk premium)	10%	10%
D. Economic Cost (A*C)	1,101.39	984.32
E. Economic Value Added (B-D)	132.71	650.60



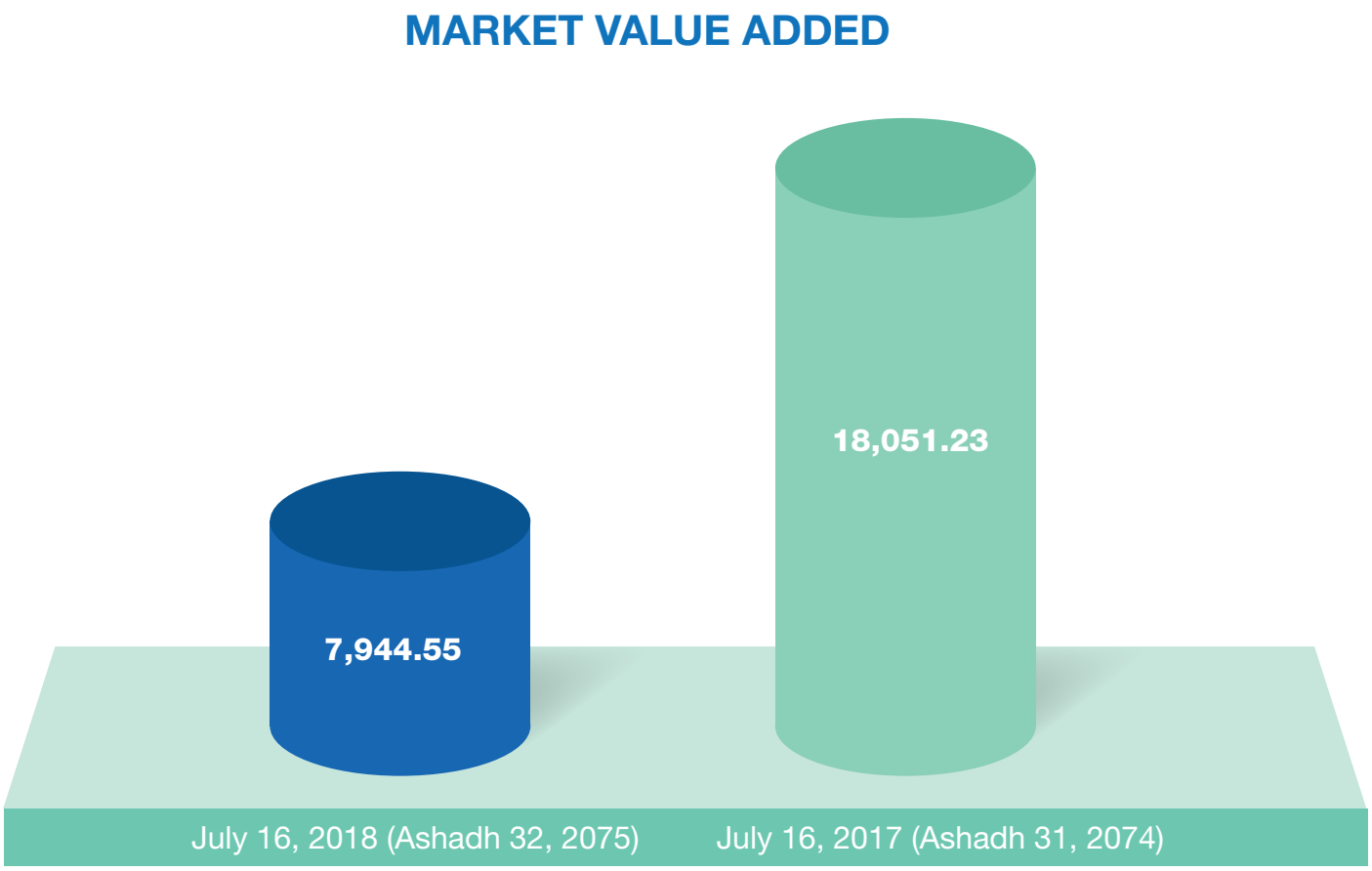
Market Value Added by the Bank

Market Value Added (MVA) measures the difference between the market value of the Bank and the capital contributed by shareholders. During review year, the Bank has lowered its market value addition by NPR 10,106.68 million which is a decline of 55.99 percent.

STATEMENT OF MARKET VALUE ADDED

(NPR IN MILLION)

For the Year ended	July 16, 2018 (Ashadh 32, 2075)	July 16, 2017 (Ashadh 31, 2074)
A. No of Shares	80,332,364	69,216,897
B. Market Price per Share	236	403
C. Total Market Capitalization (A*B)	18,958.46	27,894.41
D. Shareholders Fund	11,013.91	9,843.18
E. Market Value Added (C-D)	7,944.55	18,051.23



Bank's Performance in Key Performance Indicators



The Banks Performance in Numbers 302

Horizontal and Vertical Analysis / Trend Analysis 303

Statement of Financial Position/Balance Sheet 305

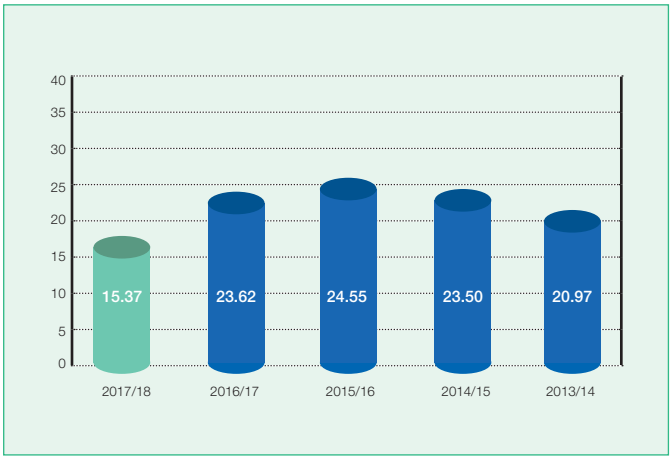
Profitability/Dividend/Performance & Liquidity Ratios 306

Year on Year Progress 308

THE BANK'S PERFORMANCE IN NUMBERS

EARNINGS PER SHARE

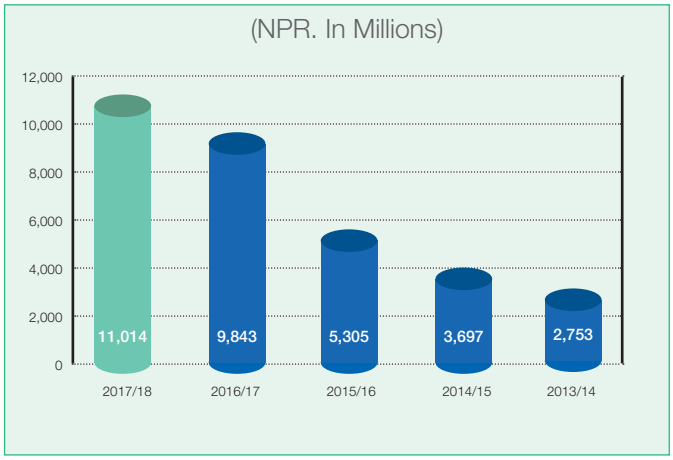
The portion of the Bank's profit allocated to each outstanding share of common stock.



EPS of the Bank is in increasing trend over the past few years but has declined during the current and previous year respectively, i.e (2017/18 and 2016/17). The declination (24% as compared to year 2016/17) on EPS observed during the current year 2017/18 is due to inclusion of Bargain Purchase Gain of NPR 0.66 billion as non-operating income of previous year, which arose from acquisition of Premier Finance Ltd.

NET ASSETS

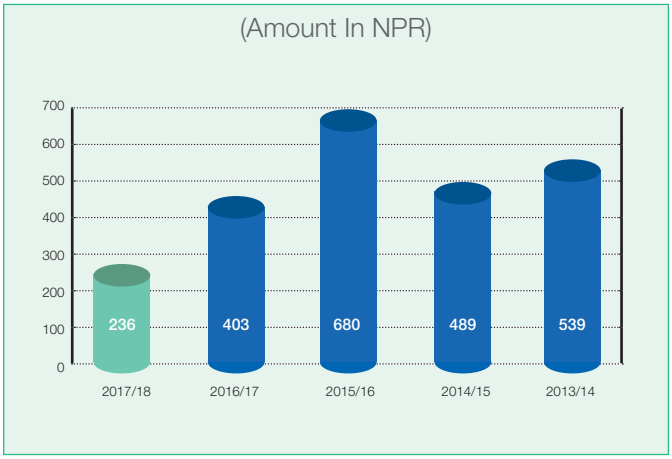
The total assets minus total liabilities.



There has been significant increment every year in net assets of the Bank, which is clearly visible from the data analysis above. The increment of 34%, 43%, 86% and 12% can be observed for the year 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 respectively. This increment shows the strong ability of the Bank to pay off any debt, equity and liabilities.

STOCK PERFORMANCE

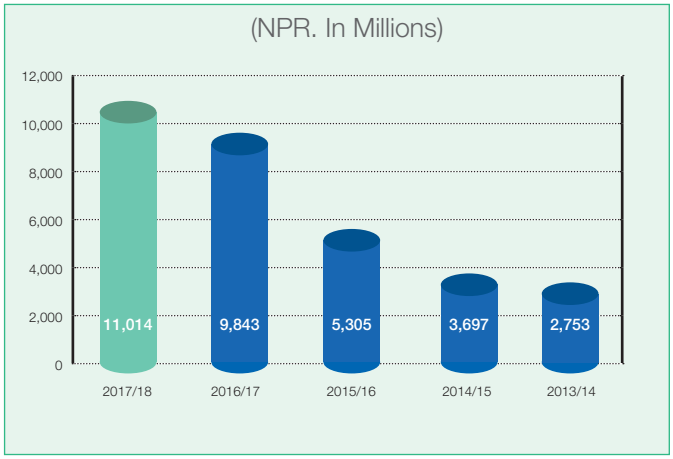
The price at which stock can be readily brought or sold in the current market place.



Our stock performance was at highest NPR 680 during the financial year 2015/16, whereas, the market price of NPR 236 during the financial year 2017/18 was subsequent to the slump in equity market return following an adverse decline in NEPSE Index and extraordinary market conditions. However, our proprietary investment in fundamentally strong projects and businesses coupled with positive market condition in the country is expected to generate value in the coming periods.

SHAREHOLDER'S FUND

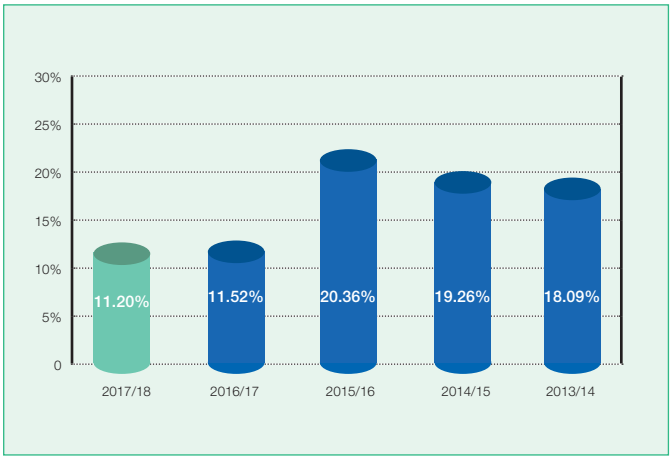
The total assets (what the Bank owns) minus the total liabilities (what the Bank owes). It is the amount of equity in the company which belongs to the shareholders.



The increment of shareholder's fund in each year, i.e. from 2013/14-2017/18 indicates the Bank's good financial health and injection of capital. Capital has been injected in the form of bonus share and right share to meet the regulatory minimum capital requirement NPR 8 billion.

RETURN ON SHAREHOLDER'S FUND

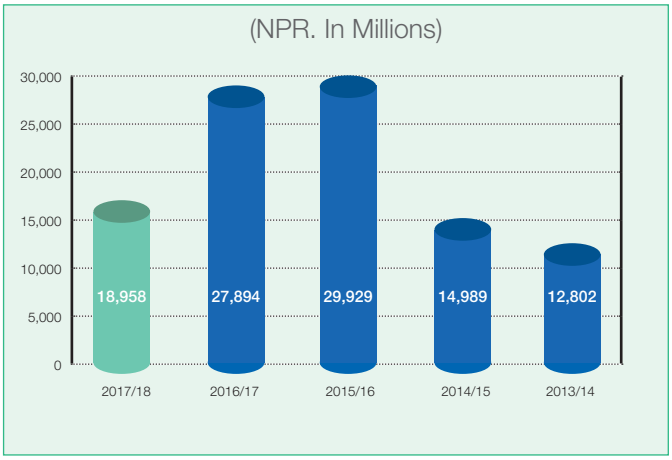
The ratio of overall profitability group, which indicates the profitability of a bank in relation to the funds supplied by the shareholders or owners.



From the data above, we can see that there had been healthy growth on return to shareholder's fund during the financial year 2013/14, 2014/15 and 2015/16 simultaneously. However, during the previous year 2016/17 and current year 2017/18, the shareholder's fund accounted to de-growth of 11% due to inclusion of Bargain Purchase Gain of NPR 0.66 billion as non-operating income of previous year, which arose from acquisition of Premier Finance Ltd.

MARKET CAPITALIZATION

The total market value of all the Bank's Outstanding Shares.

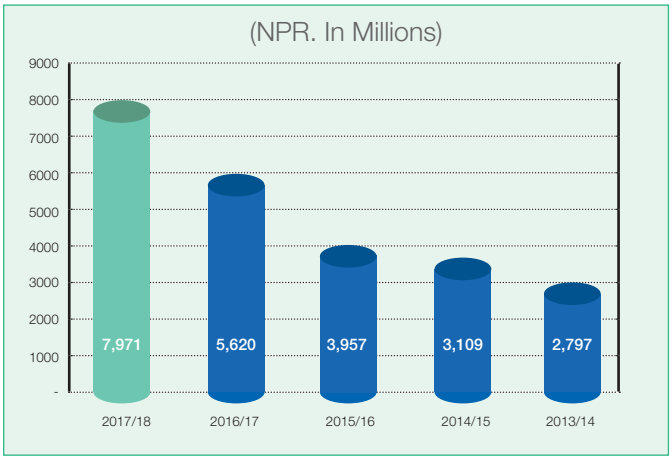


During the financial year 2014/15 and 2015/16, our market capitalization saw a significant growth of 17% and 100% respectively owing to drastic improvement in NEPSE Index. However, the Bank's market cap declined by de-growth of 7% and 32% in the next two financial year i.e. 2016/17 and 2017/18 simultaneously. This declination of growth was due to extraordinary downward movement of NEPSE Index.

HORIZONTAL AND VERTICAL ANALYSIS/ TREND ANALYSIS

TOTAL REVENUE (INCLUDING OPERATING REVENUE ONLY)

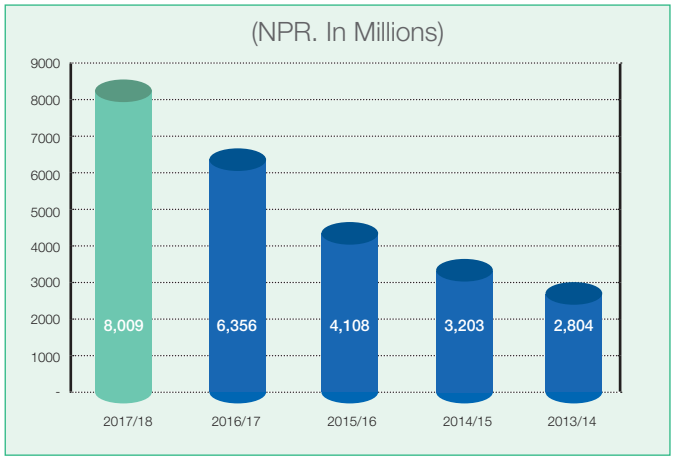
The total operating receipts of the Bank.



There has been only upward movement in the graph line of total revenue of the Bank. In 2013/14, we earned a total of NPR 2,797 million, whereas, during the current financial year the Bank has seen a tremendous growth by reaching NPR 7,971 million. The change in percent measured is 185% of the same. The addition of new and innovative customer services and the Bank's satisfactory performance in overall department is expected to increase the revenue in the coming future.

TOTAL REVENUE (INCLUDING OPERATING AND NON-OPERATING REVENUE)

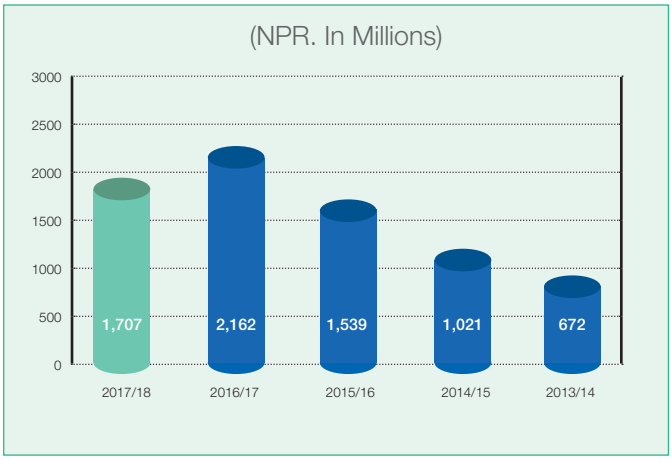
The total receipts of the Bank.



The Bank earned a total of NPR 2,804 million, whereas, during the financial year 2017/18, the Bank has seen a tremendous growth by reaching NPR 8,009 million, which is a change of 186% in 5 years time. The addition of new and innovative customer services and the Bank's satisfactory performance in overall department is expected to increase the revenue in the coming future.

PROFIT BEFORE TAX

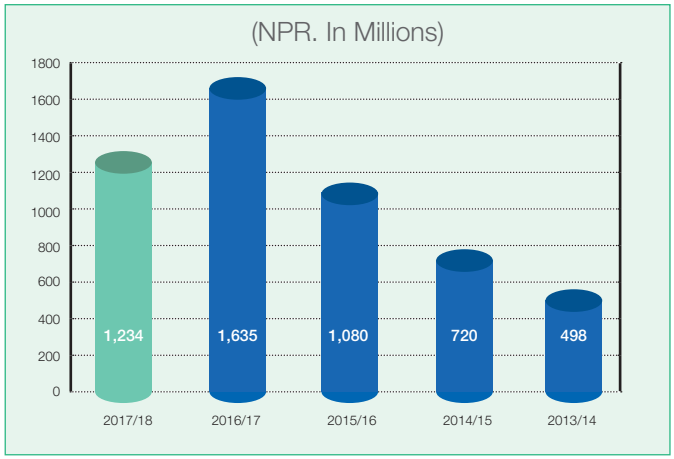
A profitability measure that looks at a bank's profits before the bank has to pay corporate income tax. This measure deducts all expenses from revenue including interest expenses and operating expenses, but it leaves out the payment of tax.



The Bank's operating performance is satisfactory that is reflected by the bar diagram above. Our Bank observed a growth of 52%, 51%, 40% in the financial year 2014/15, 2015/16, and 2016/17 respectively, whereas, there has been decline in the growth percentage in the financial year 2017/18 by 21% as compared to previous year due to inclusion of Bargain Purchase Gain of NPR 0.66 billion as non-operating income of previous year which arose from acquisition of Premier Finance Ltd.

PROFIT AFTER TAX

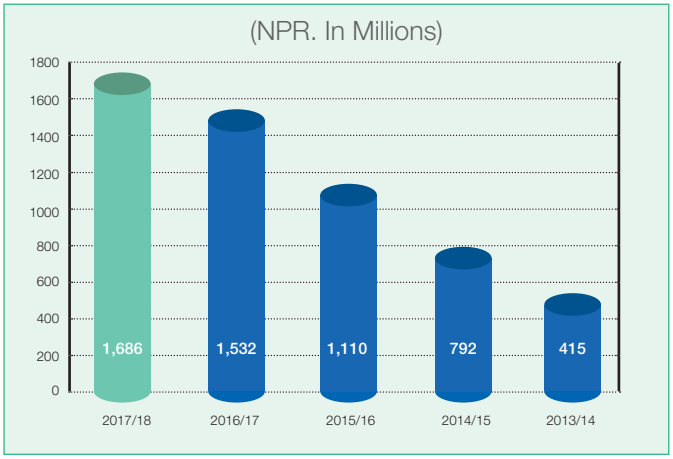
The net amount earned by the Bank after all taxation related expenses have been deducted.



The final, residual amount of profit generated by the Bank is in increasing trend from the financial year 2013/14 to 2016/17 respectively. Our Bank recorded an increment of 45%, 50%, 51% simultaneously in 2014/15, 2015/16 and 2016/17. However, in the current financial year 2017/18, the Bank observed a decline of 25%. This decline is due to inclusion of Bargain Purchase Gain of NPR 0.66 billion as non-operating income of previous year which arose from acquisition of Premier Finance Ltd.

OPERATING PROFIT

The profit earned from the Bank's normal core operations. This value does not include any profit earned from the Bank's investment.



The Bank's core business revenue earned from the normal business operation shows an outstanding performance from the financial year 2013/14 to 2017/18. There has been only upward growth of 91%, 40%, 38%, and 10% respectively. The increment in the Bank's portfolio of deposit and loans and advances is expected to increase the operating revenue in the coming days.

NET PROFIT PER STAFF

The ratio that measures average net profit earned by the staff of the Bank.

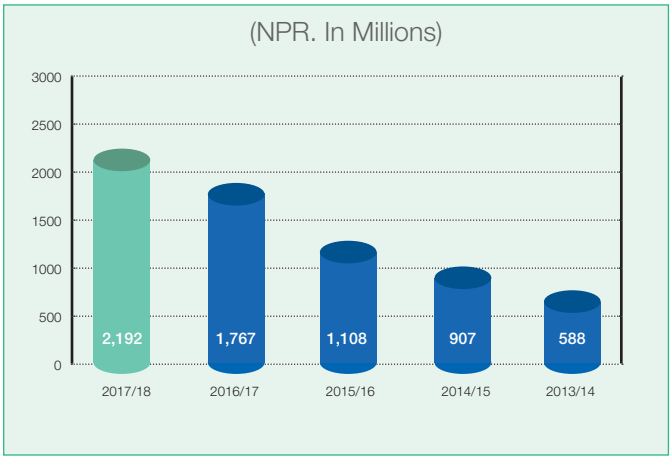


The increment of growth in net profit per employee from financial year 2013/14 to 2016/17 shows the Bank's employees efficiency. The growth of 8%, 22% has been observed for the year 2014/15 and 2015/16 respectively. However during the current financial year 2017/18 the Bank recorded a decline by 8%.

STATEMENT OF FINANCIAL POSITION/ BALANCE SHEET

FIXED ASSETS

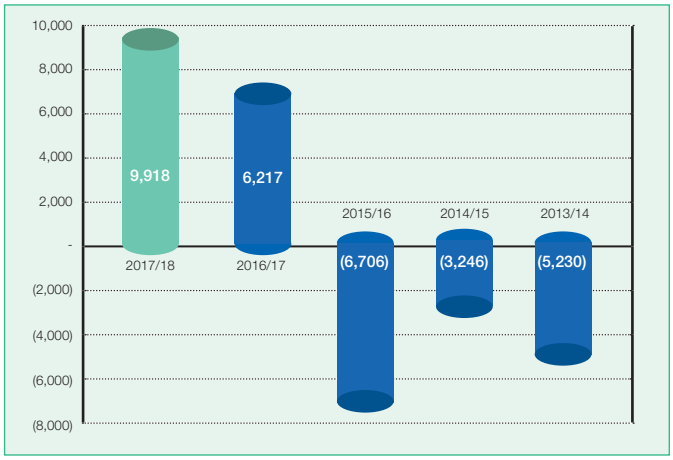
The asset of Bank that is vital to business operations and is expected to be used for more than one year.



Over the years the Bank has been able to increase total fixed assets including intangibles and goodwill. The total fixed assets stood at figure of NPR 2,192 million during the current financial year 2017/18, which is higher by 24% as compared to previous year 2016/17. All the necessary measurement and controls has been placed for the security and utilization of the fixed assets.

NET CURRENT ASSETS

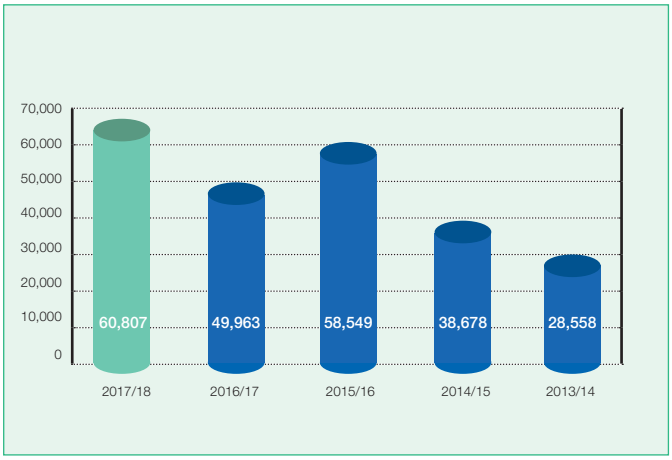
Current assets minus current liabilities



The above diagram shows that the Bank has been able to reverse the adverse net current assets figure in the financial year 2016/17 and 2017/18, as compared to previous financial year 2015/16, 2014/15 and 2013/14, where the Bank recorded a negative net current assets. Moreover, there has been a significant growth in net current assets i.e. 60% in the current financial year 2017/18, as compared to previous financial year 2016/17. The Bank now has a healthy current asset ratio.

CURRENT LIABILITIES

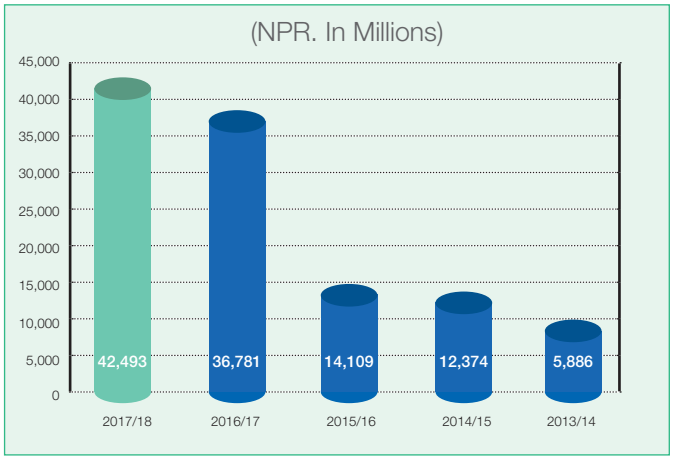
The debts or obligations of the Bank that is due within one year.



We have been able to restrict the growth in the debts and obligations of the Bank that are due within one year. Better net current assets position with average due debts or obligations within one year indicates bank's liquidity strength and good relationship with its creditors. The average increment of such debts or obligation is 15%.

LONG TERM LIABILITIES

The loans and financial obligations lasting over one year.



There has been increment in long term liability in every financial year from 2013/14 to 2017/18. The increment recorded are 110%, 14%, 161%, and 16% respectively for the financial year 2013/14, 2014/15, 2015/16 and 2016/17. Despite the increment in such debt and obligation due for more than one year, the Bank has been able to maintain its liquidity position within the acceptable limit.

INTEREST INCOME / LOANS AND ADVANCES

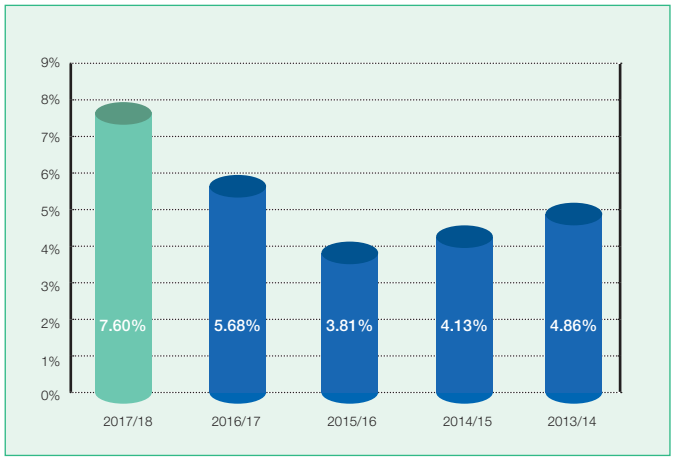
The average interest income earned by the Bank on its year end loans and advances.



The interest income to loans and advances ratio is in fluctuating trend from last 5 years. There is decline of 11% and 8% in FY 2014/15 and FY 2015/16 respectively. However, from last two fiscal years, the ratio is in increasing trend. There is an increase of 12% and 23% in FY 2016/17 and FY 2017/18 respectively.

INTEREST EXPENSES / DEPOSITS AND BORROWINGS.

The average interest expenses paid by the Bank on its year end deposits and borrowings

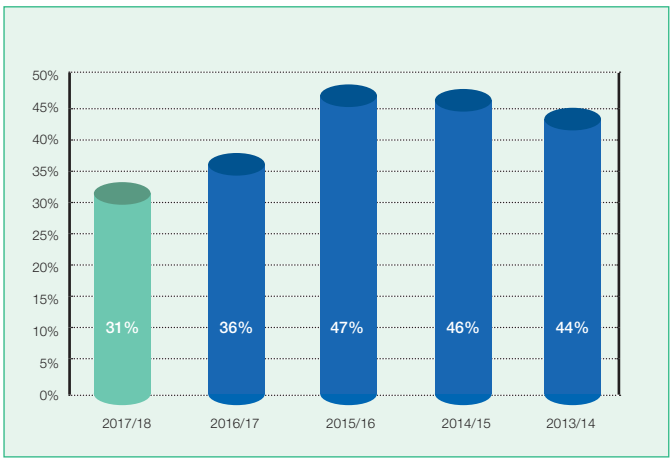


The interest income to loans and advances ratio is in fluctuating trend from last 5 years. There is decline of 15% and 8% in FY 2014/15 and FY 2015/16 respectively. However, from last two fiscal years, the ratio is in increasing trend. There is an increase of 49% and 34% in FY 2016/17 and FY 2017/18 respectively. The Bank has to bear high cost in terms of deposit due to liquidity problem and cap of NRB in institutional deposit ratio.

PROFITABILITY/ DIVIDENDS/ PERFORMANCE & LIQUIDITY RATIOS

GROSS PROFIT RATIO

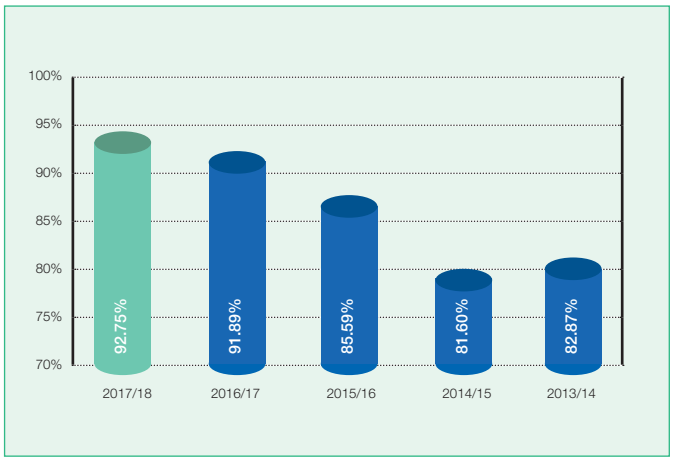
The proportion of profits generated by the sale of products or services, before selling and administrative expenses.



Gross Profit ratio is proportion of profits generated by the sale of products or services, before selling and administrative expenses. GP Ratio of the Bank has decreased on last 2 years. Such decrease on GP ratio is mainly because of increase on the rate of interest on the deposits due to liquidity crisis and restriction imposed on institutional deposit ratio by Nepal Rastra Bank.

CREDIT TO DEPOSIT RATIO

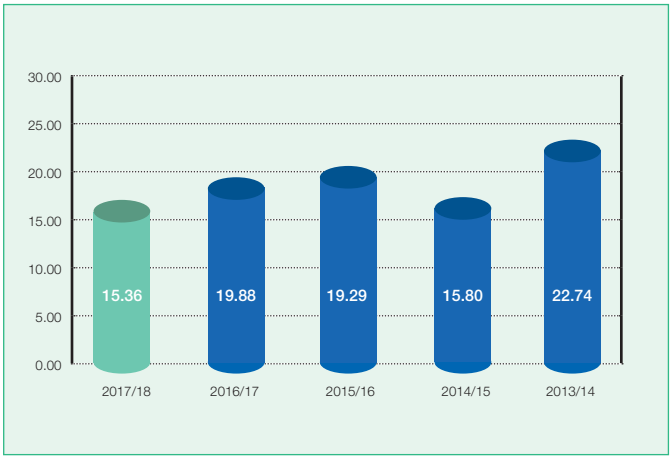
A commonly used statistic for assessing a bank's liquidity by dividing the Bank's total loans by its total deposits.



Credit to Deposit Ratio is a commonly used statistic for assessing a bank's liquidity by dividing the Bank's total loans by its total deposits. Credit to Deposit ratio of the Bank is on higher level on last 2 year (FY 2017/18 & 2016/17) as compared to previous years (FY 2015/16, 14/15 & 13/14). This is due to the reason of liquidity crisis. Bank has properly utilized the deposit balance for extending loan and advances to the customers.

PRICE EARNINGS RATIO

The ratio that measures its current share price relative to its per-share earnings.



Price Earnings ratio measures its current share price relative to its per-share earnings. P/E ratio of the Bank was on higher level on FY 2015/16 over the period of the last 5 years. Since FY 2015/16, such ratio has decreased on last 2 years. Such decrease on the P/E ratio is due to decrease on the market price of the share of Bank.

CURRENT RATIO

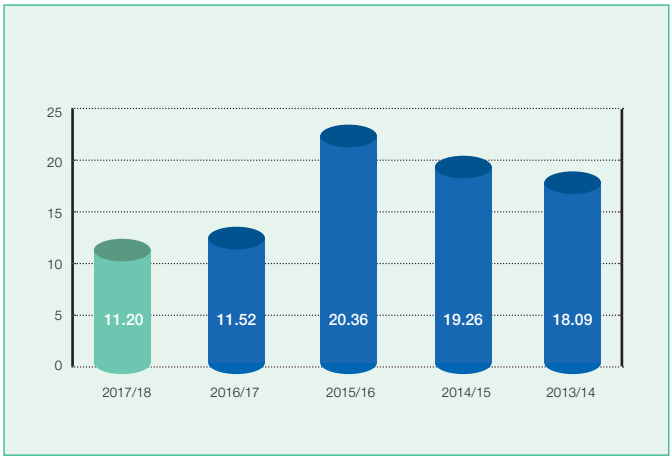
The financial ratio that measures whether or not the Bank has enough resources to pay its obligations over the next 12 months. It compares the Bank's current assets to its current liabilities.



Current ratio is the financial ratio that measures whether or not the Bank has enough resources to pay its obligations over the next 12 months. It compares the Bank's current assets to its current liabilities. The current ratio of the Bank has increased from 1.16 to 1.12 on FY 2017/18. It shows the Bank has increased the current assets as compared to the current liability and on the comfortable position to meet its obligations which are required to be paid within next 12 months.

RETURN ON CAPITAL EMPLOYED RATIO

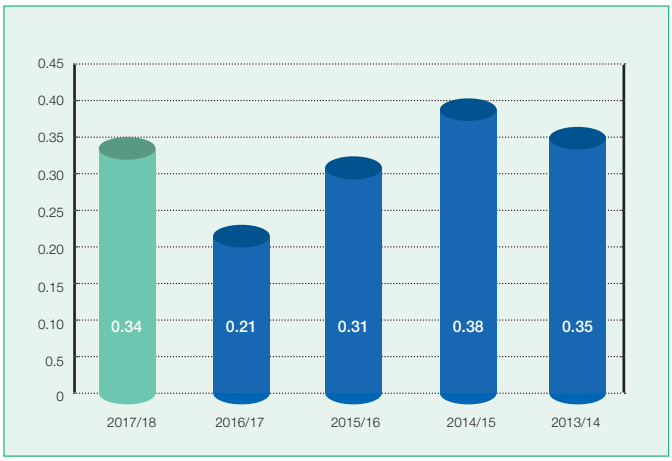
The profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed.



The profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. Return on the capital employed was on increasing trend up to FY 2015/16 from 2013/14. However, such ratio has decreased on FY 2016/17 and FY 2017/18. Share capital of the Bank has increased substantially over last 2 years (i.e. from NPR 4,401 million on FY 2015/16 to 8,033 million on 2017/18). However, rate of increment of the profit is not as much as increase on the share capital which resulted in decrease on Return on Capital Employed Ratio of last few years.

DEBT EQUITY RATIO

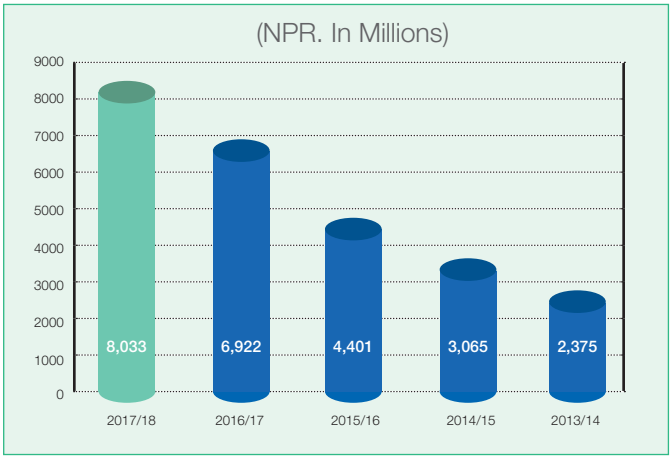
The debt ratio is used to measure the Bank's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity.



The debt equity ratio is used to measure the Bank's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity. Debt equity ratio has increased from 21% to 34% on FY 2017/18. Such increment in D/E ratio is due to higher increment in the liabilities of the Bank mainly because of increment on the deposit as compared to increment on the shareholder's fund.

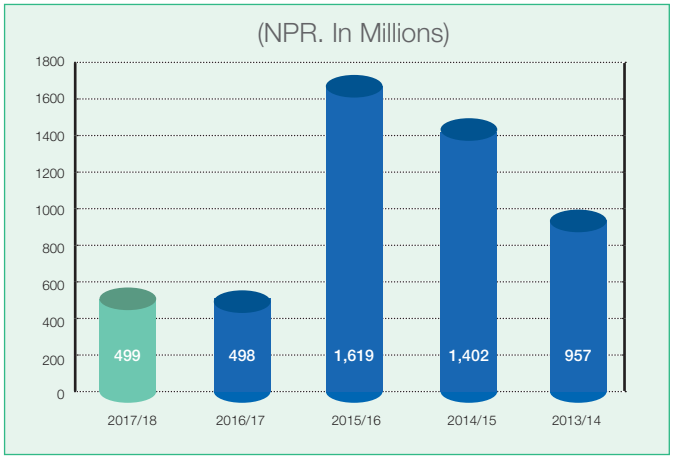
YEAR ON YEAR PROGRESS

PAID-UP CAPITAL



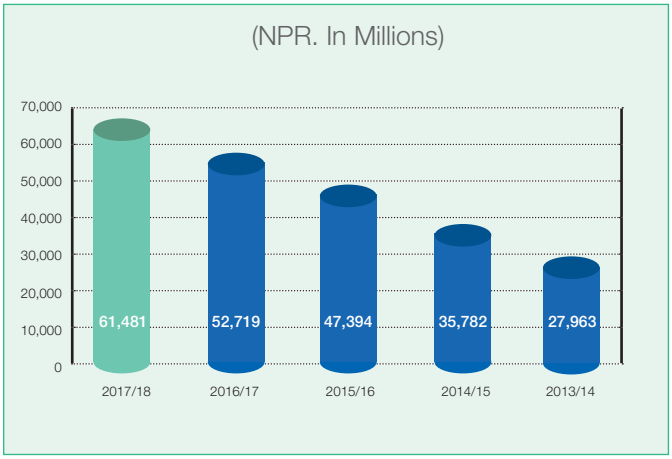
Paid up Capital of the Bank which stood at NPR 6.92 billion in FY 2016/17 has increased to NPR 8.03 billion by the end of FY 2017/18. Bank has issued bonus share amounting NPR 1.11 billion from share premium and Retained Earning and Issued new share of NPR 0.0041 billion for fraction share adjustment during FY 2017/18.

BORROWINGS AND DEBENTURE



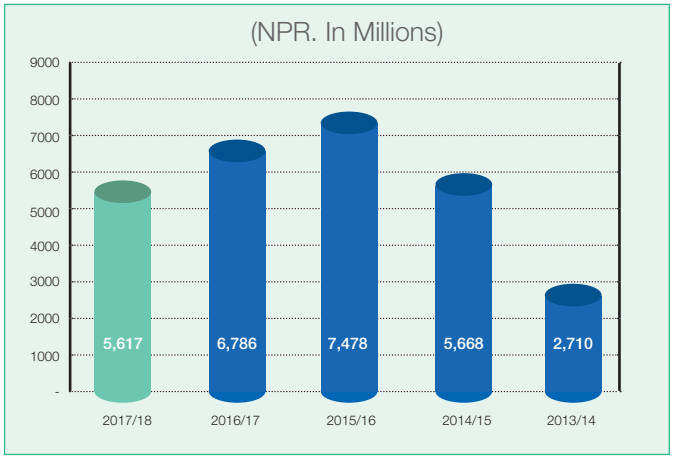
Bank has issued debenture of NPR 500 million Citizens Bank Bond, 2021 in January 2014 with coupon rate of 8.50% per annum to maintain capital fund. The balances of such debenture are NPR 499 Million and NPR 498 Million on FY 2017/18 and FY 2016/17 respectively, as they were measured at amortized cost using effective interest method on these fiscal years. The Bond is unsecured and hence qualifies for inclusion in Tier-II Capital

DEPOSITS



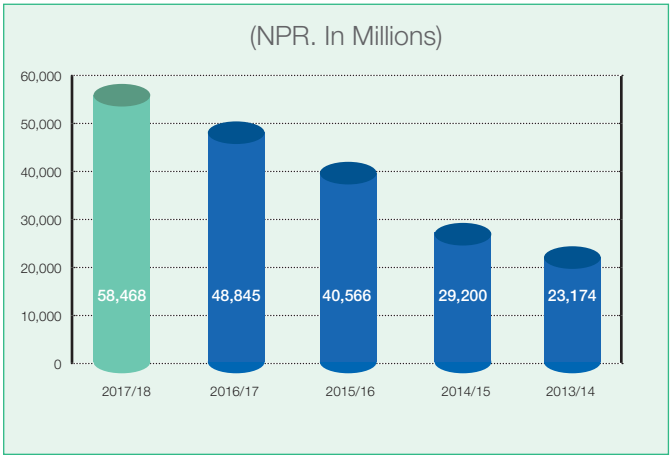
Deposit of the Bank is in increment trend on the last 5 years. Despite the liquidity and deposit crisis, the Bank was able to retain the deposit to a level of NPR 52.71 billion by the end of FY 2016/17, which has been increased to NPR 61.48 billion by the end of FY 2017/18, which is an increment of 16.62%.

INVESTMENTS



Investment has been made mostly in government securities and other short term investments so as to maintain the level of investment well above the minimum SLR requirement and to use the excess fund productively to generate revenue to the Bank.

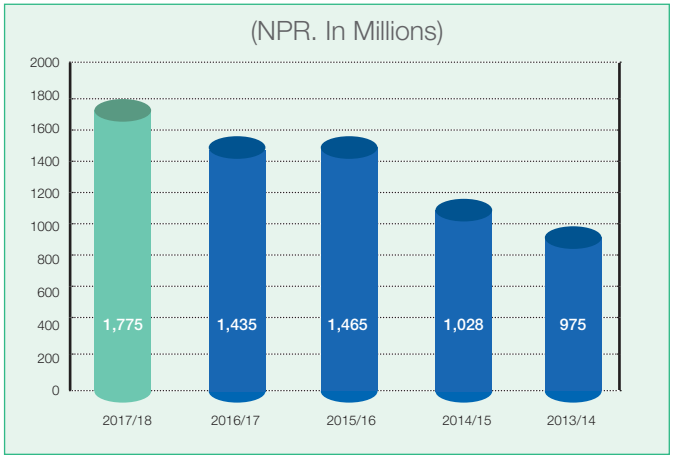
LOANS AND ADVANCE



The Bank has been able to expand its loans and advances portfolio to NPR 58.46 billion from NPR 48.85 billion at the end of FY 2017/18, which is an increment of 20% compared to previous year.

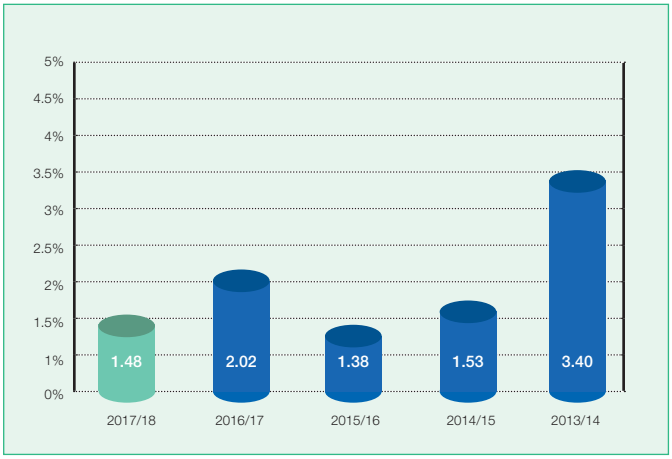
OPERATING PROFIT BEFORE LLP

Operating profit has increased and has reached NPR 1.90 billion in FY 2017/18.



Operating profit before LLP of the Bank is in increment trend over the period of last 5 years. Operating profit before LLP has increased by NPR 340 million on 2017/18, which is 23.70% of increment on the operating profit before LLP of FY 2016/17. Such increment of profit is due in increase in the net interest income of the Bank and other operating incomes.

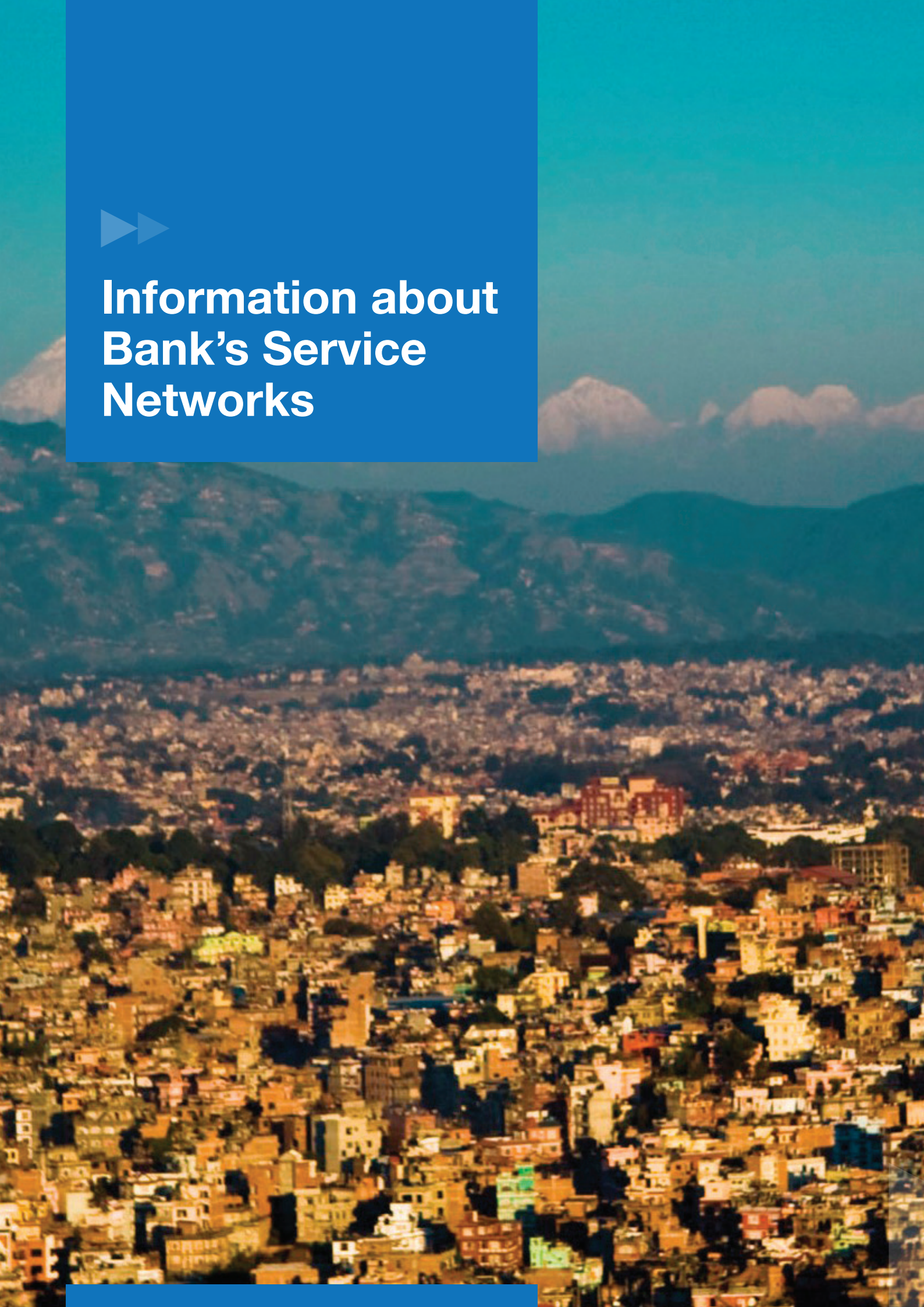
NON PERFORMING LOAN/ TOTAL LOAN (AS PER NRB DIRECTIVE)



There has been significant improvement on the Non-performing loan from FY 2013/14 to FY 2014-15, as it has decreased from 3.40% to 1.53%. Non-performing loan has further decreased to 1.38% from FY 2014/15 to FY 2015/16. Such non-performing loan increased to 2.02% from FY 2015/16 to FY 2016/17 and decreased to 1.48% on FY 2017/18. It shows Bank has made significant improvement on the recovery process over the period of the last 5 years.

Note: Ratios of FY 2013/14, 2014/15, 2015/16 and 2016/17 are as per previous GAAP report and ratios of FY 2017/18 are as per NFRS complied financial statements unless otherwise indicated.

Information about Bank's Service Networks



Branch Locations 312

ATM Locations 318

Remittance Partner Networks 320

Branchless Banking Locations (BLB) 321

Correspondent Banks 322

BRANCH LOCATIONS



STATE 1
BRANCHES : 11
ATMS : 07
BLB : 13

STATE 2
BRANCHES : 08
ATMS : 08
BLB : 06

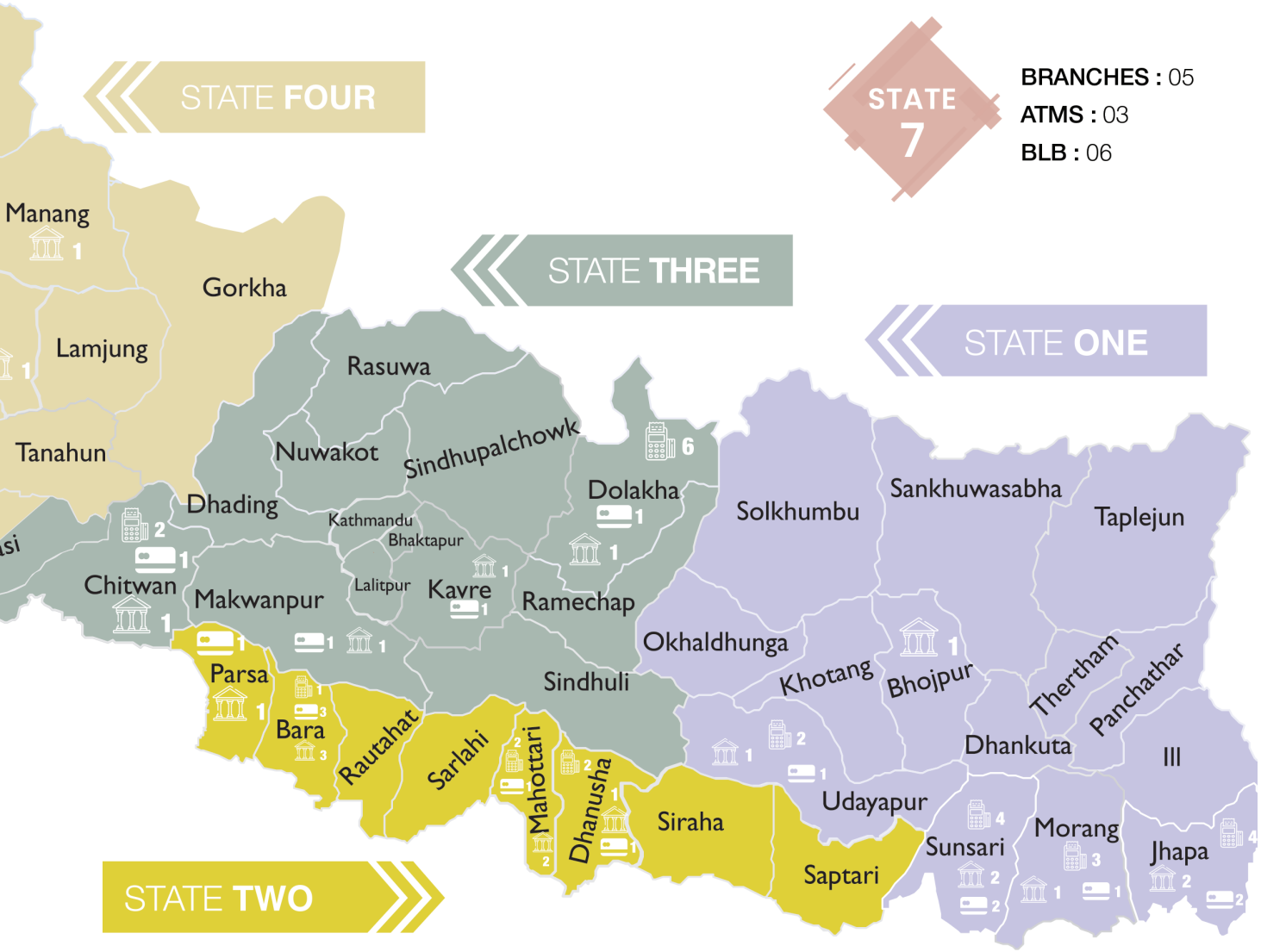
STATE 3
BRANCHES : 34
ATMS : 40
BLB : 58

STATE 4
BRANCHES : 05
ATMS : 04
BLB : 03

STATE 5
BRANCHES : 11
ATMS : 09
BLB : 09

STATE 6
BRANCHES : 07
ATMS : 04
BLB : 03

STATE 7
BRANCHES : 05
ATMS : 03
BLB : 06



BRANCH LOCATIONS

INSIDE VALLEY

BHAISEPATI BRANCH
Amit Kumar Basnet
5592697
01-5592709, 01-5592764

BHAKTAPUR BRANCH
Hem Bahadur Lama
977-01-6612487
977-01-6612061/654

BOUDDHA BRANCH
Deepak Kumar Shrestha
01-4915054
01-4915020,4915640

CHABAHIL BRANCH
Manoj Adhikari
01-4481683,01-4482391

DILLIBAZAR BRANCH
Saroj Bhattarai
01-4430528,4430838

DURBARMARG BRANCH
Govinda Dev Pant
01-4427842/43/24

GWARKO BRANCH
Manisha Karn
01-5204308
016200342, 01-5204308

KALANKI BRANCH
Bikash Chand
977-01-5234736
977-01-5235234

KAPAN BRANCH
Nirmal Prasad Gautam
977-01-4822810
977-01-4822811/812

KIRTIPUR BRANCH
Pranaya K.C.
01 - 4335839
01-4335556

KOTESHWOR BRANCH
Sudhir Regmi
977-01-4601523
977-01-4601510,4601501

KULESHWOR BRANCH
Raj Shrestha
014281743
014671214, 014671215

KUMARIPATI BRANCH
Madhusudhan Chaulagai
977-01-5550840
01-5551020, 01-5551050, 01-5551040

KUPONDOLE BRANCH
Manisha Thapa
01-5010687

MAHABOUDHA BRANCH
Diwash Kasaju
01-4225115
01-4158536/37/38/39

MAITIDEVI BRANCH
Nitesh Koirala
977-01-4437223
977-01-4423537,4436720

NARAYAN GOPAL CHOWK BRANCH
Min Bahadur Bhandari
977-01 - 4375833
977-01 4017591,4374720

NAYABAZAR BRANCH
Bishal Dahal
977-01-4388499
977-01-4388601, 01-4388607

NEW BANESHWOR BRANCH
Ashok Thapa
01-4783289
016200341,01-4783299

NEW ROAD BRANCH
Pradeep Sedai
01-4223879
01-4223979, 01- 4220948, 01-4220947

SAMAKHUSI BRANCH
Bashu Dev Sedai
01-4359942
01-4356557,01-4357681

THAHITY BRANCH
Pralesh Chitrakar
977-01-4216109
977-01-4216027/93

THAPATHALI BRANCH
Dipak Chitrakar
01-4100577
01-4100578

THIMI BRANCH
Mahesh Karki
977-01-5639973
977-01-6636534/ 535

TOKHA BRANCH
Yogesh Maharjan
977-01-5110431

THANKOT BRANCH
Dhurba Subedi
977-01-4313036

OUTSIDE VALLEY

AURAHI BRANCH
Sandip Adhikari
044-411054, 044-411056, 044-411057

BADHAIYATAAL BRANCH
Dinesh kumar Dhungana
084-401083/4/5

BAGLUNG BRANCH
Bikash Paudel
068-522994
068-522992/93

BAJHANG BRANCH
Bam Bahadur Budha
977-092-421377 / 78

BANEPA BRANCH
Pushpa Raj Joshi
011-660967

BANGLACHULI BRANCH
Govinda Khadka
9857834008

BARDIBAS BRANCH
Jay Prakash Sah
977-044-550440
044-550441

BENI BRANCH
Anup Adhakari
977-069-521019
977-069-521019, 9857632500

BHOJPUR BRANCH
Santosh Lamichhane
029-420719
029-420729

BHUMAHI BRANCH
Madhu Khanal
078-415366/67

BIRATNAGAR BRANCH
Suman Niraula
21-440504
021-440501/2/3

BIRGUNJ BRANCH
Diwash Singh Thakuri
051-530633
051-520782, 051-527982

BIRTAMOD BRANCH
Raju Niraula
977-023-544751
977-023-540255 , 544750

BUTWAL BRANCH
Kapil Pokharel
977-071-540782
977-071-540681/82

CHAME BRANCH

066-440173
066-440189/86

CHARIKOT BRANCH
Khadga Raj Parajuli
977-049-421928
977-049-421926, 977-049-421927

CHHAHARA BRANCH
Jivan Sharma
01-6200343

DAMAK BRANCH
Pushkar Koirala
023-582880
023-582878, 023-582879

DHANGADHI BRANCH
Arbind Regmi
977-091-527487
977-091-527485/86

DHARAN BRANCH
Subrat Roy
025-533643
025-533779/533801

DOLPA BRANCH
Nabin Kumar Bohora
977-087-550073
977-087-550189/190

GAIGHAT BRANCH
Sadanan Gupta
977-035 - 421332
977-035 421330/31

GAUSHALA BRANCH
Dilip Kumar Shrestha
044-556158
044-556156, 556157

GHORAHI BRANCH
Pawan Kaji Khatri
977-082 - 563308
977-082 - 563307/09

HALDIBARI BRANCH
Durga Bahadur Karki
016201922

HETAUDA BRANCH
Vishal Lal Shrestha
977-057-527309
977-057-527306/ 527296

ITAHARI BRANCH
Mukti Nath Timsina
977-025-580596
977-025-580665

JAJARKOT BRANCH
Nripa Bahadur Khatri
977-089-430071
977-089-430175

JANAKPUR BRANCH
Sumesh Nepal
977-041-528583
977-041-528581/582

JUMLA BRANCH
Kshetra Pratap Rawat
977-087-520587
977-087-520586

KOLHABI BRANCH
Ravi Thapa
053-410032
053-410030/31

MAHENDRANAGAR BRANCH
Narendra Chand
977-099-520487
977-099-520485/486

MANAHARI BRANCH
Rabindra Paudel
057-414119
057-414118

NARAYANGHAT BRANCH
Subarna Budhathoki
977-56-527534
977-056-527548/586

NEPALGUNJ BRANCH
Vivek Swar
81-527474
977-081-527471/72/73

NIJGADH BRANCH
Nirajan Shrestha
977-053-540482
977-053-540480/81

PATHALAIYA BRANCH
Sanjog Lal Joshi
977-053-522103/189

POKHARA BRANCH
Binod Bhandari
061-527089
061-527083, 061-527084

SANOSHREE BRANCH
Tarjan Adhikari
084-440378
084-440376/77

SARKEGHAD BRANCH
Arjun Rawal
9848339608

SIDDHARTHANAGAR BRANCH
Sushant Ballav Pant
977-071-521165
977-071-521163/64

SIMALCHAUR BRANCH
Arun Adhikari
061-551978
061-522271, 061-528247

SIMIKOT BRANCH
Prakash Mahat
977-087-680205
977-087680206

SURKHET BRANCH
Parwin K.C.
977-083-520835
977-083-520850/51

MANGSEYBUNG BRANCH
Hari Bahadur Khatri
01-6201927

SUNAPATI BRANCH
Nirajan Shrestha
9851145676

TEMAAL BRANCH
Suwas Poudel
01-6201926

LIKHU PIKEY BRANCH
Ram Babu Thapa
9801200668

HARIHARPURGADI BRANCH
Ashok Kumar Chaudhary
901-6201846

JHIMRUK BRANCH
Shreedhar Pokharel
01-6201843

NAMKHA BRANCH
Keshang Lama
9851091892

DHAKARI BRANCH
Rabindra Prasad Dhungana
9841649405

MOHANIYAL BRANCH

BHUME BRANCH
Durga Bahadur Dangi
9801029523

KHALSHA CHHINTANG SAHIDBHUMI BRANCH

01-6201845

ATM LOCATIONS

LOCATION INSIDE VALLEY

S.No.	ATM Location
1	PRAGYA PRATISTHAN, KAMALADI
2	BISHALNAGAR, BHATBHATENI SUPERMARKET
3	NARAYANHITI PATH
4	NARAYANHITI PATH
5	JORPATI -3 BOUDHA
6	PARK PLAZA, KHICHAPOKHARI
7	KUMARIPATI
8	GEMS SCHOOL, DHAPAKHEL
9	KOTESHWOR, KATHMANDU
10	GANESHMAN SINGH MARGA, KALANKI
11	THAHITI CHOWK
12	V.S. COMPLEX, SOHRAKHUTTE
13	SETOPUL, MAITIDEVI
14	GLOBAL COLLEGE, MID-BANESHWOR
15	PANGA DOBATO, NAYABAZAAR, KIRTIPUR
16	NARAYANGOPAL CHOWK
17	SARASWATINAGAR, KAPAN MARG
18	MADHYAPUR, THIMI
19	DURBAR SQUARE AREA KHAUMA, BHAKTAPUR
20	SALLAGHARI, ARMY SCHOOL, BHAKTAPUR
21	PATAN DHOKA
22	KUPONDOLE
23	SAMAKHUSI
24	THAPATHALI
25	BATULEGHAR, DILLIBAZAR
26	WOTU, MAHABOUDHA, KATHMANDU
27	KULESHWOR
28	CHOVAR, KATHMANDU
29	NAYA BANESHWOR, WAY TO SANKHAMUL
30	KUMARI BUILDING, CHABAHIL
31	BHAISIPATI, KATHMANDU
32	GWARKO, LALITPUR
33	KIST MEDICAL COLLEGE, IMADOL MARG, GWARKO, LALITPUR
34	TOKHA GATE, TOKHA, KATHMANDU
35	THANKOT, KATHMANDU

LOCATION OUTSIDE VALLEY

S.No.	ATM Location
1	RANGELI ROAD, BIRATNAGAR
2	ADARSHA NAGAR CHOWK, BIRGUNJ
3	NEW ROAD, POKHARA
4	LAKESIDE, POKHARA
5	DHAMBOUJI CHOWK, NEPALGUNJ
6	DHAMBOUJI CHOWK, NEPALGUNJ
7	NARAYANGHAT, CHITWAN
8	AMARPATH LINE, BUTWAL
9	MAINROAD, DHANGHADI
10	KAKADVITTA ROAD ANARMANI VDC-3, BIRTAMOD
11	NEW ROAD 1, BENI BAZAR
12	NEW ROAD -11, GHORAHI
13	GAIGHAT, UDAYAPUR
14	BHEEMDATTA MUNICIPALITY 4, MAHENDRANAGAR
15	PATHALAIYA, BARA
16	SIMKOT-2, MATHILO BAZAR, HUMLA
17	BEECH BAZAR, CHARIKOT
18	DHARAN ROAD, ITAHARI, SUNSARI
19	BHANUCHOWK, JANAKPUR
20	SUNNY HALL LINE, SURKHET
21	PARIJAT PATH, HETAUDA
22	CHANDANNATH VDC-07, JUMLA
23	KHALANGAWA BAZAR, JAJARKOT
24	BANK ROAD SIDDHARTHANAGAR, BHAIRAHAWA
25	KOLHABI, BARA
26	NIJGADH, BARA
27	CHAINPUR, BAJHANG
28	SANOSHREE-03 KUSUMBA BAZAR, BARDIYA
29	PUTALI LINE, DHARAN
30	BANEPA, KAVRE
31	GAUSALA, MAHOTTARI
32	THANA ROAD, DAMAK
33	BARDIBAS, MAHOTARI
34	CHHAHARA BAZAAR, CHHAHARA, PALPA
35	BHUMAHI CHOWK, SUNWAL, BHUMAHI
36	MANAHARI RURAL MUNICIPALITY-7, MAKWANPUR
37	MANGALBARE CHOWK, HALDIBARI, JHAPA
38	BADHAIYATAAL-06, BARDIYA
39	AURAHI BAZAR, MAHOTTARI
40	SIMALCHAUR, POKHARA

REMITTANCE PARTNER NETWORKS

FOR INTERNATIONAL:

S.No.	Remittance Company	Remittance Product	Remittance Receiving Countries
1	Redha Al Ansari	Citizens Remit	UAE
2	D.Communications Inc. Japan	Citizens Remit	Japan
3	Alfa Exchange	Citizens Remit	UAE
4	Aftab Currency	Citizens Remit	UK
5	Al Ahalia	Citizens Remit	UAE
6	Al Dahab	Citizens Remit	UAE
7	Xpress Money	Citizens Remit	All over the world
8	Small World Financial Services	Citizens Remit	UK & Other European Countries
9	World Remit	Citizens Remit	UK & Other European Countries
10	Aussie Forex Pvt. Ltd.	Citizens Remit	Australia
11	Casco Financial Service	Citizens Remit	UK & Other European Countries
12	Dollarco Exchange Ltd.	Citizens Remit	Kuwait
13	Doha Bank	Citizens Remit	Qatar
14	Axis Bank	Citizens Remit	India

FOR NATIONAL:

S.No.	Remittance Company/ Bank	Remittance Product	Remit Receiving Countries
1	Ipay Reliable	Ipay Reliable	Malaysia/Australia/Dubai/Dubai /Qatar
2	United Remit	Money Gram	Worldwide
3	CG Finco	Western Union	Worldwide
4	Siddhartha Development Bank Ltd.	Siddhartha Trust Remit	Malaysia, Australia
5	Prabhu Money Trasnsfer	Prabhu Money Tfr.	Worldwide
6	IME	IME	Worldwide
7	City Xpress	City Xpress	Worldwide
8	Himalayan Bank	Batas Remit (Himal)	Worldwide
9	CG Money Remit	CG Money Remit	Qatar/UAE
10	Nepal Investment Bank Ltd.	Prithvi Remit	Saudi Arab /Qatar/UAE
11	GME Remit	GME Remit	Saudi Arab /Qatar/UAE/Malaysia/Japan
12	Sewa Remit	Sewa Remit	Saudi Arab /Qatar/UAE
13	Nepal Remit	Nepal Remit	European Countries, Gulf Countries, UK, Denmark & USA
14	Samsara Remit	Samsara Remit	Dubai, Qatar, Kuwait
15	Easylink Remit	Easylink Remit	Malaysia /Japan
16	JME Remit Company Pvt Ltd.	JME Remit Company Pvt Ltd.	Japan
17	Boom Remit	Boom Remit	Saudi Arab /Qatar/UAE
18	Overseas Remit	Overseas Remit	Japan
19	Ramro Remit	Ramro Remit	Qatar/UAE/ Saudi Arab/Malaysia
20	Muktinath Bikas Bank	Muktinath Remit	Domestic
21	Panos Remit	Panos Remit	UK, Kuwait, Baharain

BRANCHLESS BANKING LOCATIONS (BLB)

Parent Branch/ Supervising Branch	District	Address
Biratnagar	Morang	Katahari
		Tankisinwari
		Karsiya
Pokhara	Kaski	Armala
Nepalgunj	Bardiya	Bholagaudi
		Maina Pokhar
		Sitalbazar
		Jamuni
	Banke	Mahadevpuri
Narayanghat	Chitwan	Gunjanagar
		Meghauli
Kalanki	Kathmandu	Ramkot
Butwal	Rupandehi	Rani Bagiya
		Kerwani
Dhangadi	Kailali	Godavari
		Pahalwanpur
		Khodpe
Nayabazar	Kathmandu	Tinpiple
		Kavresthali
Birtamod	Jhapa	Gaurigunj
		Bahundagi
		Sanishchare
		Shivgunj
Ghorai	Dang	Dudrash
		Gadwa
Gaighat	Udayapur	Beltar
		Katari
Kirtipur	Kathmandu	Machhegaun
		Chalnakhel
Mahendranagar	Kanchanpur	Beldandi
		Dodhara
		Bramhadev
Kapan	Kathmandu	Zhor
Pathalaiya	Bara	Piluwa
Charikot	Dolkha	Maina Pokhari
		Namdu
		Boche
		Sahare
		Sailung
		Susma Chyamawoti
Dharan	Sunsari	Chatara
Itahari	Sunsari	Khanar
		Tarhara
		Laukahi
Bhaktapur	Bhaktapur	Sipadol
		Chhaling
		Sanga
		Changu Narayan
		Tathli
		Nagarkot
Janakpur	Mahottari	Matiyani
		Laxminiya Bazar
Kupondole	Lalitpur	Lele/Tika Bhairab
		Tika Thali
		Dhapakhel
Surkhet	Surkhet	Chinchu
		Mehalkuna
		Babiyachaur
Gaushala	Mahottari	AURAHI
		RAMGOPALPUR
Baglung	Baglung	Hatiya
Dolpa	Dolpa	Juphal
Bhaisepati	Lalitpur	Khokana
Beni	Myagdi	Takam
Kohlbi	Rautahat	Fatuwa Bijayapur
Samakhusi	Nuwakot	Okharpauwa
		Kakani
		Battar
		Charghare
		Chaughada
		Gerkhu
		Samundratar
		Sundaradevi
		Fikuri
		Tupche
		Gorshyang
		Deurali
		Bidur
		Mankamana
		Khadgabhanjyang
		Duipipal
		Thanapati
		Ganesthan
		Thansing
		Balkumari
		Kharanitar
		Khanigaun
		Ralukadevi
		Bageshwori
		Budhasing
		Rautbesi
		Thaprek
		Sunkhani
		Belkot
		Jiling
		Taruka
		Kabilash
		Narjamandap
	Rasuwa	Laharepouwa

CORRESPONDENT BANKS

FOREIGN BANKS

Standard Chartered Bank
KOLKATA 19,NS ROAD G/F KOLKATA, WEST BENGAL, INDIA
Nostro Account No. : 22205350212
SWIFT Code : SCBLINBBXXX

HDFC Bank
SENAPATI BAPAT MARG MUMBAI , INDIA
Nostro Account No. : 00600390000544
SWIFT Code : HDFCINBBXXX

Standard Chartered Bank
1095, 6TH AVENUE #37 NEW YORK, NY 10036, USA
Nostro Account No. : 3582021189001
SWIFT Code : SCBLUS33XXX

Mashreq Bank
255, 5TH AVENUE NEW YORK, NY 10016, USA
Nostro Account No. : 70008505
SWIFT Code : MSHQUS33XXX

KB Kookmin Bank
#9-1 NAMDAEMUNRO 2-GA,
JUNG-GU SEOUL, SOUTH KOREA
Nostro Account No. : 8258USD010
SWIFT Code : CZNBKRSEXXX

Standard Chartered Bank
LONDON EC2V 7SB LONDON, UNITED KINGDON
Nostro Account No. : 0001255115201
SWIFT Code : SCBLGB2LXXX

Standard Chartered Bank
B0486 FRANKFURT AM MAIN GERMANY
Nostro Account No. : 50006503
SWIFT Code : SCBLDEFXXX

Standard Chartered Bank
PLOT#1 SHAHAJALAL AVE DHAKA 1230, BANGLADESH
Nostro Account No. : 15 1111678 01
SWIFT Code : SCBLBDDXXX

Standard Chartered Bank
2 CHOME-11-1 NAGATACHO,
CHIYODA TOKYO 100-0014, JAPAN
Nostro Account No. : 23760321110
SWIFT Code : SCBLJPJTXXX

Mashreq Bank
1ST FLOOR, 2 LONDON WALL BUILDING 1-5 LONDON WALL, LONDON EC2M 5PP. UK
Nostro Account No. : 13862
SWIFT Code : MSHQGB2LXXX

State Bank of India
AUSTRALIA SQUARE, LEVEL 31, SUITE 02 264, GEORGE STREET SYDNEY NSW 2000
Nostro Account No. : 30113019220001
SWIFT Code : SBINAU2XXX

Axis Bank
Axis House | Corporate Office| 8th Floor | C-2 Wadia International Centre | P.B Marg | Worli | Mumbai 400025
Nostro Account No. : 918020048434038
SWIFT Code : AXISINBBFIC (For all the payments (MT 103 & MT 202) and related queries)
AXISINBBTFC (For all the LCs and Guarantees (MT 760 / MT 700) and related queries)

Doha Bank India
Sakhar Bhavan, Ground Floor, Plot No 230, Block No III, Backbay Reclamation, Nariman Point, Mumbai - 400 021, Maharashtra State, India
Nostro Account No. : 0602300010000295
SWIFT Code : DOHBINBB

LOCAL BANKS

Machhapuchre Bank
Lazimpat, Kathmandu
Account No. : 160 15240 399780 43
SWIFT Code : MBLNNPKA

Machhapuchre Bank
Lazimpat, Kathmandu
Account No. : 16-01-840-039978-026
SWIFT Code : MBLNNPKA

Nepal Investment Bank
Durbarmarg, Kathmandu
Account No. : 00101010285513
SWIFT Code : NIBLNPKT

Nepal Investment Bank
Durbarmarg, Kathmandu
Account No. : 00101010058663
SWIFT Code : NIBLNPKT

Nepal Investment Bank
Durbarmarg, Kathmandu
Account No. : 01201020258180
SWIFT Code : NIBLNPKT

Sunrise Bank
Gairidhara, Kathmandu
Account No. : 00210091852017
SWIFT Code : SRBLNPKA

Sunrise Bank
Gairidhara, Kathmandu
Account No. : 00210283686021
SWIFT Code : SRBLNPKA

Sunrise Bank
Gairidhara, Kathmandu
Account No. : 00210283686013
SWIFT Code : SRBLNPKA

NCC Bank
Bagbazar, Kathmandu
Account No. : 003000215791C
SWIFT Code : NBOCNPKA

Global IME Bank
Kantipath, Kathmandu
Account No. : 0101010005272
SWIFT Code : GLBBNPKA

Kumari Bank
Putalisadak, Kathmandu
Account No. : 0141524030680017
SWIFT Code : KMBLNPKA

Himalayan Bank
Kamaladi, Kathmandu
Account No. : 001 0154689 0032
SWIFT Code : HIMANPKA

Everest Bank
New Baneshwor, Kathmandu
Account No. : 00100105001270
SWIFT Code : EVBLNPKA

Nabil Bank
Durbarmarg, Kathmandu
Account No. : 1701017500202
SWIFT Code : NARBNPKA


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Citizens Bank International Ltd.
सिटिजन्स बैंक इन्टरनेशनल लि.

YOUR PARTNER FOR PROGRESS

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